

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of report (date of earliest event reported):
July 6, 2006**

PDL BIOPHARMA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-19756
(Commission File No.)

94-3023969
(I.R.S. Employer
Identification No.)

**34801 Campus Drive
Fremont, California 94555**
(Address of principal executive offices)

**Registrant's telephone number, including area code:
(510) 574-1400**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01 Entry into a Material Definitive Agreement.

On July 6, 2006, PDL BioPharma, Inc. (“we” or the “Company”) executed the (1) Sublease, effective July 6, 2006, between Openwave Systems Inc. (“Openwave”) and the Company (the “Building 9 Sublease”), (2) Triple Net Lease, effective July 6, 2006, between Pacific Shores Investors, LLC (the “Lessor”) and the Company (the “Building 9 Future Lease”) and (3) Triple Net Lease, effective July 6, 2006, between the Lessor and the Company (the “Building 10 Lease”). A copy of each of the Building 9 Sublease, Building 9 Future Lease and Building 10 Lease is attached to this Current Report as Exhibit 10.1, 10.2 and 10.3, respectively. The brief description of the terms and conditions of the Building 9 Sublease, Building 9 Future Lease and Building 10 Lease that are material to us included in this Current Report is qualified in its entirety by the terms and conditions set forth in the Building 9 Sublease, Building 9 Future Lease and Building 10 Lease.

Pursuant to the terms of the Building 9 Sublease, we agreed to sublease from Openwave approximately 283,015 square feet at 1400 Seaport Boulevard, Redwood City, California (“Building 9”). The sublease term of the Building 9 Sublease begins on the earlier of (i) January 1, 2007 and (ii) the date that is 90 days after our completion of certain tenant improvements, and ends on April 29, 2013 (the “Sublease Term”). Under the Building 9 Sublease, we are obligated to pay Openwave monthly base rent of \$223,581.85 per month for the first 24 months of the Sublease Term and \$268,864.25 per month for the remainder of the Sublease Term. In addition to the foregoing monthly base rent obligations, we are obligated to pay to Openwave certain additional monthly amounts for property taxes, assessments, fees and common area expenses for the maintenance of the Pacific Shores Center, the office complex in which Building 9 is located (the “Additional Rent”), plus a monthly management fee to Lessor equal to 4% of the monthly base rent. We also must deposit with Openwave \$268,864.25 as a security deposit or alternatively deliver to Openwave an irrevocable letter of credit in the amount of \$268,864.25.

Pursuant to the terms of the Building 9 Future Lease, we agreed to lease Building 9 from Lessor. The lease term of the Building 9 Future Lease begins on April 30, 2013, the day after the Sublease Term expires, and ends on December 31, 2021 (the “Building 9 Lease Term”). Under the Building 9 Future Lease, we are obligated to pay Lessor monthly base rent during the Building 9 Lease Term in an initial amount equal to \$574,031.11. The monthly base rent will increase to \$594,122.19 on January 1, 2014 and will increase on June 1, 2014 to the higher of (i) \$594,122.19 and (ii) the fair market rent for comparable space in similar buildings in the vicinity of Building 9 (“Fair Market Rent”), but in no event higher than \$749,989.75. On January 1 of each year thereafter during the Building 9 Lease Term, the monthly base rent shall increase to the then-current Fair Market Rent. In addition to the foregoing monthly base rent obligations, we are obligated to pay to Lessor during the Building 9 Lease Term Additional Rent, plus a monthly management fee equal to 2% of the monthly base rent. We also must deliver to Lessor an irrevocable letter of credit in the amount of \$1,500,000 as security for our performance of the terms of the Building 9 Future Lease. Pursuant to the terms of the Building 9 Future Lease, we have two options to extend the term of the lease for periods of five years each.

Pursuant to the terms of the Building 10 Lease, we agreed to lease from Lessor approximately 164,732 square feet at 1500 Seaport Boulevard, Redwood City, California (“Building 10”). The lease term of the Building 10 Lease begins on January 1, 2007 and ends on December 31, 2021 (the “Building 10 Lease Term”). Under the Building 10 Lease, we are obligated to pay Lessor monthly base rent during the Building 10 Lease Term in an initial amount equal to \$271,807.80. The monthly base rent will increase during the Building 10 Lease Term as set forth below:

<u>Months</u>	<u>Monthly Base Rent</u>
13-24	\$ 281,321.07
25-36	\$ 291,167.31
37-48	\$ 301,358.17
49-60	\$ 311,905.70
61-72	\$ 322,822.40
73-84	\$ 334,121.19
85-90	\$ 345,815.43

From the 91st to the 96th months during the Building 10 Lease Term, the monthly base rent will equal the higher of (i) \$345,815.43 and (ii) the Fair Market Rent as of the 91st month, but in no event higher than \$436,539.80. On January 1 of each year thereafter during the Building 10 Lease Term, the monthly base rent shall increase to the then-current Fair Market Rent. In addition to the foregoing monthly base rent obligations, we are obligated to pay to Lessor during the Building 10 Lease Term Additional Rent, plus a monthly management fee equal to 2% of the monthly base rent. We also must deliver to Lessor an irrevocable letter of credit in the amount of \$1,500,000 as security for our performance of the terms of the Building 10 Lease. Pursuant to the terms of the Building 10 Lease, we have two options to extend the term of the lease for periods of five years each.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information included in Item 1.01 of this current report is incorporated by reference into this Item 2.03.

If (i) the Building 9 Sublease terminates for any reason other than our default or (ii) the Triple Net Building Lease, dated February 4, 2000, between Lessor and Openwave (the "Openwave Lease"), under which the we are subleasing space from Openwave, is terminated because of the destruction or condemnation of the Building 9 premises, then the beginning of the Building 9 Lease Term will begin on the date of such termination instead of April 30, 2013 and our obligations under the Building 9 Future Lease would be increased by the amount of monthly base rent as determined in accordance with the table below that would be due from the date of the termination of the Building 9 Sublease or the Openwave Lease, as applicable, until April 30, 2013, the date the Building 9 Lease Term would otherwise have begun, as well as the amount Additional Rent that would be due during such period.

<u>Time Period</u>	<u>Monthly Base Rent</u>
01-01-07 to 12-31-07	\$ 466,974.75
01-01-08 to 12-31-08	\$ 483,318.86
01-01-09 to 12-31-09	\$ 500,235.02
01-01-10 to 12-31-10	\$ 517,743.24
01-01-11 to 12-31-11	\$ 535,864.25
01-01-12 to 12-31-12	\$ 554,619.49
01-01-13 to 04-29-13	\$ 574,031.17

Item 8.01 Other Events.

On July 6, 2006, we issued a press release, a copy of which is attached hereto as Exhibit 99.1, announcing the planned move of our headquarters from Fremont, California, to Redwood City, California.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Sublease, effective July 6, 2006, between Openwave Systems, Inc. and the Company (for building located at 1400 Seaport Boulevard, Redwood City, California)
10.2	Triple Net Lease, effective July 6, 2006, between Pacific Shores Investors, LLC and the Company (for building located at 1400 Seaport Boulevard, Redwood City, California)
10.3	Triple Net Lease, effective July 6, 2006, between the Pacific Shores Investors, LLC and the Company (for building located at 1500 Seaport Boulevard, Redwood City, California)
99.1	Press Release, dated July 6, 2006, regarding the Company's planned move of corporate headquarters

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 6, 2006

PDL BIOPHARMA, INC.

By: /s/ Andrew Guggenime

Andrew Guggenime
Senior Vice President and
Chief Financial Officer

SUBLEASE

THIS SUBLEASE is dated for references purposes only as of July 6, 2006, and is entered by and between OPENWAVE SYSTEMS INC., a Delaware corporation ("Sublessor"), and PDL BIOPHARMA, INC., a Delaware corporation ("Sublessee"). Sublessor and Sublessee hereby agree as follows:

1. Recitals: This Sublease is made with reference to the fact that Pacific Shores Development, LLC, predecessor-in-interest to Pacific Shores Investors, LLC, a Delaware limited liability company ("Master Lessor"), as Lessor, and Sublessor, under its previous name of Phone.Com, Inc., as Lessee, are parties to that certain Triple Net Building Lease, dated as of February 4, 2000 ("Master Lease"), with respect to certain premises (the "Premises") comprising that certain building commonly known as Building 9, Pacific Shores Center, with an address at 1400 Seaport Boulevard, Redwood City, California 94063 ("Building"). The Building is located within Pacific Shores Center, Redwood City, California ("Project"). A copy of the Master Lease is attached hereto as Exhibit A.

2. Premises and Common Areas:

A. Premises. Sublessor hereby subleases to Sublessee, and Sublessee hereby subleases from Sublessor, the entire Premises ("Subleased Premises"). The Subleased Premises, the Building and the Project are more particularly described in the Master Lease.

B. Common Areas. During the Term, Sublessee shall have the non-exclusive right to use the Common Area described in, and pursuant to, the provisions of Section 2.02 of the Master Lease. Sublessee shall use the Common Area in accordance with such reasonable rules and regulations as are established by Master Lessor. Said use of the Common Area (including without limitation amenities/athletic facility/baseball and soccer fields) shall be provided at no additional cost or charge to Sublessee and its employees for user fees or otherwise, except as expressly provided in the Master Lease for reimbursement of repair, replacement and maintenance costs and such other costs charged by Master Lessor with respect thereto as part of Master Lease Additional Rent (as defined in Section 4.B. below), and except for any governmental or public authority charges, fees or impositions of any nature imposed against the Sublease or the Sublessee's use of the Common Areas during the Term.

3. Term:

A. Term. Subject to (i) Sublessor's having obtained Master Lessor's Consent to this Sublease as described in Paragraph 25 below, and (ii) execution and delivery of the Future Lease by Sublessee and Master Lessor as described in Paragraph 3.B below, the term of this Sublease ("Term") shall be for that period commencing on the earlier of (a) January 1, 2007, and (b) the date that is ninety (90) days after Sublessee's completion of the Sublessee Improvements (as defined in Section 14.B. below) ("Commencement Date"), and ending on April 29, 2013 ("Expiration Date"), unless this Sublease is sooner terminated pursuant to its terms, or the Master Lease is sooner terminated pursuant to its terms. Sublessor shall deliver the Subleased Premises to Sublessee in the condition required by this Sublease on November 1, 2006 ("Premises Delivery Date"). If Sublessor is unable to deliver possession of the Subleased Premises to Sublessee by the Premises Delivery Date for any reason whatsoever, Sublessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Sublease or the obligations of Sublessee hereunder, or extend the

Expiration Date, but in such case Sublessee shall not be obligated to perform any obligation of Sublessee hereunder with respect to the Premises until Sublessor delivers possession of the Subleased Premises to Sublessee in the required condition, and the Commencement Date shall be extended for a reasonable period of time to the extent that Sublessor's delay causes any delay in completion of the Sublessee Improvements. Sublessor and Sublessee promptly shall execute a Commencement Date memorandum establishing the Commencement and Expiration Dates promptly after the Commencement Date has been determined. Sublessee's failure to execute the Commencement Date memorandum shall not affect the validity of this Sublease or the dates set forth therein.

Notwithstanding the foregoing, in the event that Sublessor fails, as a result of occurrences other than a Sublessee default hereunder or Force Majeure Delay (as defined in Section 17.21 of the Master Lease), to deliver to Sublessee the Master Lessor's Consent, the provisions of Paragraph 25 below shall control. Also notwithstanding the foregoing, in the event that (i) Sublessee and Master Lessor fail to execute and deliver the Future Lease within fifteen (15) days after the date of full execution of this Sublease (the "Execution Date") by Sublessor and Sublessee ("Future Lease Outside Termination Date"), and/or (ii) Sublessor fails, as a result of occurrences other than a Sublessee default hereunder or Force Majeure Delay (as defined in Section 17.21 of the Master Lease), to deliver to Sublessee the Subleased Premises on or before the date that is thirty (30) days after the Premises Delivery Date (the "Premises Delivery Outside Termination Date"), then Sublessee and Sublessor shall have the right, but not the obligation, to terminate this Sublease. Such termination shall be accomplished by providing written notice thereof to the other party within ten (10) days after the Future Lease Outside Termination Date or the Premises Delivery Outside Termination Date, as applicable, in which case this Sublease shall terminate on the day following the last day of the applicable ten (10)- day notice period (unless Sublessee and Master Lessor execute and deliver the Future Lease, and/or Sublessor delivers the Subleased Premises to Sublessee, as applicable, during such ten (10)- day period, in which case this Sublease shall remain in full force and effect), neither party shall have any further rights or obligations hereunder, and Sublessor shall return to Sublessee all sums (including the Letter of Credit [as defined below], if any) paid by Sublessee to Sublessor in connection with Sublessee's execution hereof. The return of all sums paid by Sublessee to Sublessor shall be Sublessee's sole and exclusive remedy in the event of a termination pursuant to this Paragraph. However, Sublessor agrees to use commercially reasonable diligent, good faith efforts to deliver the Subleased Premises to Sublessee on the Premises Delivery Date, and Sublessee agrees to use commercially reasonable diligent good faith efforts to obtain the execution and delivery by Sublessee and Master Lessor of the Future Lease as soon as possible.

B. No Option to Extend; Future Lease. The parties acknowledge that Sublessee has no option to extend the Term of this Sublease. However, concurrently with the execution of this Sublease, Sublessee and Master Lessor have executed and delivered, or plan to execute and deliver, a lease agreement whereby Sublessee shall continue in occupancy of the Subleased Premises following the Expiration Date as a direct tenant for the Subleased Premises (the "Future Lease"). Sublessee shall attempt in good faith to obtain the execution and delivery of the Future Lease by Sublessee and Master Lessor as soon as possible, but not later than fifteen (15) days after the Execution Date. No costs or expenses associated with the execution and delivery of the Future Lease shall be borne by Sublessor. If the execution and delivery of the Future Lease by Sublessee and Master Lessor is not obtained within fifteen (15) days after the Execution Date, the provisions of Section 3.A. above shall control.

C. Early Entry. For the period commencing on the Premises Delivery Date and continuing until the Commencement Date ("Early Entry Period"), Sublessee shall have the right to enter the Subleased Premises for purposes of constructing the Sublessee Improvements and installing its trade fixtures, furniture, equipment, cabling and wiring. Such early entry shall be subject to all of the terms and conditions of this Sublease (including, without limitation, obligations relating to Sublessee's insurance) except for the

obligation to pay Rent; provided, however that during the period of Sublessee’s construction work in the Subleased Premises, Sublessee shall be obligated to pay all utilities costs for the Subleased Premises. Notwithstanding anything to the contrary contained in this Sublease, Sublessee shall not have the right to commence demolition in preparation for or construction of the Sublessee Improvements during the Early Entry Period in any portion of the Subleased Premises unless and until both Sublessor and Master Lessor have approved Sublessee’s plans for the Sublessee Improvements pursuant to the provisions of Section 14.B. below. Further, prior to the Premises Delivery Date, Sublessee shall have no right of possession or occupancy of the Subleased Premises, and Sublessor reserves the right to make any use of the Subleased Premises that is not inconsistent with Sublessor’s obligation to deliver the Subleased Premises to Sublessee as of the Premises Delivery Date.

4. Rent:

A. Monthly Base Rent. Commencing on the Commencement Date and continuing throughout the Term, Sublessee shall pay to Sublessor monthly base rent (“Monthly Base Rent”) for the Subleased Premises in equal monthly installments as set forth below:

<u>Months</u>	<u>Base Rent</u>
1 - 24	\$223,581.85 per month
25 – Expiration Date	\$268,864.25 per month

As used herein, “month” shall mean a period beginning on the first (1st) day of a calendar month and ending on the last day of that month. Monthly Base Rent shall be paid on or before the first (1st) day of each month. Rent (as defined below) for any period during the Term hereof which is for less than one month of the Term shall be a prorata portion of the monthly installment based on the number of days in such month. Rent shall be payable without notice or demand and without any deduction, offset or abatement, in lawful money of the United States of America. Rent shall be paid directly to Sublessor at Openwave Systems Inc., 2100 Seaport Boulevard, Redwood City, California 94063, Attn: Real Estate Department, or such other address as may be designated in writing by Sublessor.

This Sublease is an “Absolute Triple Net” Sublease. Except as expressly provided in this Sublease (i) Sublessor shall receive the Monthly Base Rent free and clear of any and all expenses, costs, impositions, taxes, assessments, liens or charges of any nature whatsoever payable by Sublessee pursuant to this Sublease, and (ii) Sublessee shall not be entitled to any abatement of or reduction in Rent payable under this Sublease.

B. Additional Rent. In addition to Monthly Base Rent, commencing on the Commencement Date and continuing each month thereafter throughout the remainder of the Term, Sublessee shall pay to Sublessor as additional rent under this Sublease (“Sublease Additional Rent”), at the time that Sublessee pays Monthly Base Rent or, if so notified by Sublessor in writing, within twenty (20) days after receipt of Sublessor’s invoice therefor, one hundred percent (100%) (“Sublessee’s Share”) of all “Additional Rent” (as defined in Section 4.05(a) of the Master Lease, and hereinafter referred to as “Master Lease Additional Rent”) with respect to the Subleased Premises during the Term, including, without limitation, all taxes, assessments, fees and other impositions payable in accordance with the provisions of Article XI of the Master Lease, insurance in accordance with the provisions of Article VII of the Master Lease, operating charges and Common Area facility use privilege charges with respect to the amenities/athletic facility (in lieu of any separate use charge to employees who use said facility, the baseball and soccer fields), as well as maintenance, repair and replacement costs and expenses, utility charges and other costs and charges allocable to the Common Area and the Common Area facilities and the Outside Areas of the Subleased Premises, all in

accordance with the provisions of Article VI of the Master Lease, and any other charges, costs and expenses (including appropriate reserves therefor) which are contemplated or may arise under any provision of the Master Lease during the Term, plus the Management Fee described in Section 4.05 (a) of the Master Lease, payable by Sublessor under the Master Lease during the Term.

Pursuant to Section 4.05(b) of the Master Lease, Master Lessor is required to provide a "Lessor's Statement" of the actual expenses for the Premises as compared to the estimated payments made throughout the applicable calendar period. Following Sublessor's receipt of such Lessor's Statement from Master Lessor, Sublessor shall promptly forward a copy to Sublessee, and there shall be an adjustment between Sublessor and Sublessee for any over- or under- payment of such Master Lease Additional Rent items for the preceding calendar period, with payment to Sublessor or credit to Sublessee against the next installment of Sublease Additional Rent (or refund following the expiration of the Sublease Term), as the case may require, within thirty (30) days after Sublessor's delivery of such reconciliation to Sublessee. Attached hereto as Exhibit E is a true and correct copy of the most recent reconciliation for the Subleased Premises received by Sublessor from Master Lessor.

Pursuant to Section 4.07 of the Master Lease, Sublessor has a right to review supporting data for any Lessor's Statement. If, within ten (10) days after receipt of the Lessor's Statement from Sublessor, Sublessee notifies Sublessor that Sublessee desires to review the supporting data and identifies for Sublessor those items it wishes to challenge, Sublessor shall forward to Master Lessor Sublessee's statement prior to the end of the thirty (30)- day period identified in Section 4.07(1), and Sublessee may exercise the rights set forth in Section 4.07 in strict accordance therewith. If Sublessee does not timely meet the requirements of Section 4.07, or if Master Lessor does not comply with the provisions of Section 4.07, Sublessor shall have no liability to Sublessee with respect thereto other than the obligation set forth in Paragraph 24.A.(iv) below, and Sublessee shall indemnify Sublessor for any liability Sublessor incurs as a result of Sublessee's failure to comply with the provisions of Section 4.07 of the Master Lease.

Except as otherwise provided in this Sublease, Sublessee also shall be responsible for payment of all other monetary obligations of Sublessor to Master Lessor under the terms of the Master Lease, including, without limitation, pursuant to Section 17.04, applicable to the Subleased Premises for the Term, except to the extent such Master Lease Additional Rent is incurred as a result of Sublessor's default under the Master Lease or this Sublease. Sublessee also shall pay Sublessee's own telephone, telecommunications, internet and data communications charges.

All monies required to be paid by Sublessee under this Sublease (except for Monthly Base Rent, as defined in Paragraph 4.A.) shall be deemed Sublease Additional Rent, and Sublessor shall have all rights and remedies for the non-payment of same as it would have for non-payment of Monthly Base Rent. Monthly Base Rent and Sublease Additional Rent hereinafter collectively shall be referred to as "Rent."

Notwithstanding anything to the contrary contained in this Sublease, if Sublessee elects to occupy the Subleased Premises for purposes of conducting business thereon prior to the Commencement Date, from and after such date Sublessee shall pay to Sublessor the Master Lease Additional Rent applicable to the Subleased Premises.

C. Payment of First Month's Rent. Upon execution of this Sublease by Sublessee, Sublessee shall pay to Sublessor the sum of \$223,581.85, which sum shall constitute Monthly Base Rent for the first month of the Term.

5. **Security Deposit:** Subject to the provisions of Paragraph 34 below, upon the execution of this Sublease by Sublessee, Sublessee shall deposit with Sublessor, in cash, the sum of \$268,864.25 as security for the performance by Sublessee of the terms and conditions of this Sublease ("Security Deposit"). If Sublessee fails to pay Rent or other charges due hereunder or otherwise defaults with respect to any provision of this Sublease, then Sublessor may, but shall not be required to, draw upon, use, apply or retain all or any portion of the Security Deposit for the payment of any Rent or other charge in default, for the payment of any other sum which Sublessor has become obligated to pay by reason of Sublessee's default, or to compensate Sublessor for any loss or damage which Sublessor has suffered thereby. The Security Deposit is not an advance payment of Rent or a measure or limit of Sublessor's damages upon Sublessee's default under this Sublease, and Sublessor shall not be required to keep the Security Deposit separate from Sublessor's general funds or to pay interest thereon. Sublessor shall not be deemed a trustee of the Security Deposit. Sublessee hereby waives any restriction on the use or application of the Security Deposit by Sublessor as may be set in any applicable law, including, without limitation, Section 1950.7 of the California Civil Code, as it may be amended. The use, application or retention of the Security Deposit, or any portion thereof, by Sublessor shall not prevent Sublessor from exercising any other right or remedy provided by this Sublease or at law or in equity, it being intended that Sublessor shall not first be required to proceed against the Security Deposit, and the Security Deposit shall not operate as a limitation on any recovery to which Sublessor otherwise may be entitled. If Sublessor so uses or applies all or any portion of the Security Deposit, then Sublessee shall, within five (5) days after demand therefor, deposit cash with Sublessor in the amount required to restore the Security Deposit to the full amount stated above. Failure to make such deposit when due shall be a material default under this Sublease, without any requirement for prior written notice thereof from Sublessor. Within thirty (30) days after the later of the expiration or earlier termination date of this Sublease, if Sublessee is not then in default hereunder, Sublessor shall return to Sublessee (without interest) so much of the Security Deposit as has not been applied by Sublessor pursuant to this Paragraph, or which is not otherwise required to cure Sublessee's defaults.

6. **Parking:** During the Term, Sublessee shall have the right to use the parking spaces for the Subleased Premises described in, and pursuant to, the provisions of Section 2.03 of the Master Lease. Sublessee shall use the parking area in accordance with such reasonable rules and regulations as are established by Master Lessor. Said parking shall be provided at no additional cost or charge, except as expressly provided in the Master Lease for reimbursement of repair, replacement and maintenance costs and such other costs charged by Master Lessor with respect thereto as part of Master Lease Additional Rent, and except for any governmental or public authority charges, fees or impositions of any nature imposed against the Sublease or the Sublessee's use of the parking spaces during the Term.

7. **Condition of Premises:** Sublessor represents and warrants for the benefit of Sublessee, to the knowledge of Sublessor that, as of the Premises Delivery Date, the following two representations and warranties shall be true and correct. Whenever a representation or warranty is being made to Sublessor's knowledge in this Sublease, such qualification indicates that the warranty is being made to the current actual knowledge of Thomas Masles, Sublessor's Vice President, Global Real Estate and Facilities, without any implied, imputed or constructive knowledge and without any independent investigation having been made or any implied duty to investigate.

A. **Compliance with Laws.** The Subleased Premises, including the tenant improvements installed by Sublessor, are in compliance with all applicable laws, regulations, building codes and ordinances (collectively, "Applicable Laws"), including, without limitation, the Americans with Disabilities Act of 1990 ("ADA"). If at any time during the period commencing with the date of Sublessee's receipt of comments from the City of Redwood City ("City") to Sublessee's plans for the Sublessee Improvements and continuing until the earlier of (i) ninety (90) days thereafter and (ii) the date that Sublessee commences demolition in

preparation for and/or construction of the Sublessee Improvements, Sublessee discovers that the foregoing sentence was not true as of the Premises Delivery Date, Sublessee shall notify Sublessor of the need for correction or repair, and Sublessor shall cause the correction or repair to be completed at no cost to Sublessee. Notwithstanding anything to the contrary contained in the foregoing, if the need for correction or repair was caused by the act or omission of Sublessee, its agents, employees or contractors on the Subleased Premises, Sublessee, and not Sublessor, shall be responsible for the correction or repair.

B. No Defects. The Subleased Premises (including without limitation the window systems, roof, roof membrane and structural elements), tenant improvements installed by Sublessor, and all systems located within or serving the Subleased Premises (including without limitation the plumbing, lighting, gas, electrical, HVAC distribution and fire safety (each individually referred to as a "Building Systems)), are water-tight and in good working condition and repair. If at any time during the ninety (90) day period immediately following Sublessee's receipt of comments from the City to Sublessee's plans for the Sublessee Improvements (the "Warranty Period"), Sublessee discovers that the roof membrane, roof structure, window systems or the electrical, gas, plumbing, lighting or HVAC distribution systems serving the Subleased Premises are not in the condition required by the foregoing sentence, Sublessee shall notify Sublessor of the need for correction or repair, and Sublessor shall cause the correction or repair to be completed at no cost to Sublessee; provided, however, if during the Warranty Period Sublessee (i) commences demolition in preparation for and/or construction that modifies a particular Building System, then the Warranty Period with regard to that Building System shall cease as of the date that Sublessee commences such demolition and/or construction, or (ii) makes a roof penetration at the Sublease Premises, then the Warranty Period with regard to the roof and roof membrane shall cease as of the date of such penetration. If during the first ninety (90) days after Sublessee occupies the Subleased Premises for purposes of conducting business Sublessee discovers that the generator, plumbing (or other) fixtures or HVAC units are not in the condition required by this Paragraph, Sublessee shall notify Sublessor of the need for correction or repair, and Sublessor shall cause the correction or repair to be completed at no cost to Sublessee. If Sublessor delivers to Sublessee the elevators and the maintenance and certification documentation required with respect thereto, and prior to the date that Sublessee commences demolition in preparation for and/or construction of the Sublessee Improvements, Sublessee discovers that the elevators are not in the condition required by this Paragraph, Sublessee shall notify Sublessor of the need for correction or repair, and Sublessor shall cause the correction or repair to be completed at no cost to Sublessee. Notwithstanding anything to the contrary contained in the foregoing, if the need for correction or repair was caused by the act or omission of Sublessee, its agents, employees or contractors on the Subleased Premises, including, without limitation, modifications to or penetration of the roof membrane, Sublessee, and not Sublessor, shall be responsible for the correction or repair.

Other than as provided in Paragraphs 7.A and B above and Paragraph 35 below, Sublessor shall deliver the Subleased Premises to Sublessee broom clean and with all personal effects removed, but otherwise in its "as-is, with all faults" condition, and Sublessor shall have no obligation whatsoever to make or pay the cost of any alterations, improvements or repairs to the Subleased Premises, including, without limitation, any improvement or repair required to comply with any Applicable Laws. Sublessee shall not look to Sublessor for performance of any repairs required to be performed by Master Lessor under the terms of the Master Lease, provided, however, that any cost that might otherwise be "passed through" to Sublessee pursuant to Section 6.01(b) or 6.02 of the Master Lease with respect only to the matters warranted in Paragraphs 7.A. and 7.B. above as a result of such repairs shall be borne by Sublessor rather than Sublessee, except to the extent the need for repair was caused by the act of omission of Sublessee, its agents, employees or contractors on the Subleased Premises.

Other than as provided in Paragraphs 7.A and B above, from and after the Premises Delivery Date, Sublessee shall, at Sublessee's cost and expense, comply promptly with all Applicable Laws relating to the Subleased Premises and Sublessee's use and occupancy of the same in effect during any part of the Term, whether such requirements are presently foreseeable or not, and without regard to the cost or expense of compliance.

8. Indemnification.

A. Indemnification of Master Lessor. Pursuant to this Sublease, for the benefit of Master Lessor, Sublessee assumes all of Sublessor's indemnification obligations as "Lessee" under the Master Lease, including, without limitation, Sections 7.07 and 17.22(d), arising from and after the Delivery Date or related to the actions or omissions of Sublessee or its agents, employees, licensees, invitees, contractors, vendors, guests, visitors, sublessees or assigns (collectively, "Agents"), subject to and in accordance with the terms, conditions, exceptions and defenses set forth in the Master Lease, and except for any liability, damage or injury arising because of the negligence or willful misconduct of Sublessor or its Agents.

B. Indemnification of Sublessor. Except to the extent caused by the active negligence or willful misconduct of Sublessor or its Agents, Sublessee shall indemnify and hold harmless Sublessor from any and all liability, claims, loss, damages, causes of action (whether in tort or contract, law or equity, or otherwise), expenses, charges, assessments, fines and penalties of any kind, including, without limitation, reasonable attorney fees, expert witness fees and costs, arising by reason of (i) the death or injury of any person, including any person who is an employee, agent, invitee, licensee, permittee, visitor, guest or contractor of Sublessee, or by reason of damage to or destruction of any property, including property owned by Sublessee or any person who is an employee, agent, invitee, licensee, permittee, visitor, guest or contractor of Sublessee, caused or allegedly caused (1) while that person or property is in or about the Subleased Premises; (2) by some condition of the Subleased Premises; (3) by some act or omission by Sublessee or its Agents, or any person in, adjacent, on, or about the Subleased Premises with the permission, consent or sufferance of Sublessee; (4) by any matter connected to or arising out of Sublessee's occupation and use of the Subleased Premises (ii) the negligence or willful misconduct of Sublessee or its Agents; or (iii) a breach of Sublessee's obligations, representations or warranties under this Sublease; or (iv) a breach of Sublessee's obligations under the Master Lease to the extent incorporated herein pursuant to Paragraph 24. In addition, Sublessee shall indemnify and hold Sublessor harmless from any liabilities, losses, claims, damages, penalties, fines, attorney fees, expert fees, court costs, remediation costs, investigation costs, or other expenses resulting from or arising out of the use, storage, treatment, transportation, release, presence, generation or disposal of Hazardous Materials (defined in Section 17.22 of the Master Lease) on, from or about the Subleased Premises, and/or the subsurface or ground water, after the Premises Delivery Date from an act or omission of Sublessee or any of Sublessee's Agents. If by reason of an act or omission of Sublessee or any of its employees, agents, invitees, licensees, visitors, guests or contractors, Sublessor is made a party defendant or a cross-defendant to any action involving the Subleased Premises or this Sublease, Sublessee shall hold harmless and indemnify Sublessor from all liability or claims of liability, including all damages, attorney fees and costs of suit.

C. Indemnification of Sublessee. Sublessor shall indemnify and hold harmless Sublessee from any liabilities, losses, claims, damages, penalties, fines, attorney fees, expert fees, court costs, remediation costs, investigation costs, or other expenses resulting from or arising out of the use, storage, treatment, transportation, release, presence, generation or disposal of Hazardous Materials on, from or about the Subleased Premises, and/or the subsurface or ground water, prior to the Premises Delivery Date, from an act or omission of Sublessor or its agents or employees. To the extent that Sublessor is indemnified by Master Lessor pursuant to Section 17.22(d) of the Master Lease, Sublessee shall have no liability with respect to such matters.

D. Consequential Damages. Notwithstanding any other provision of this Sublease, in no event shall Sublessor or Sublessee be liable to the other (i) for lost profits or any special, indirect, incidental, punitive or consequential damages arising from any cause (except, in the case of an indemnity obligation, to the extent the indemnified party is obligated to pay such damages to Master Lessor under the Master Lease as a result of a default by the indemnifying party under this Sublease or the Master Lease), or (ii) for any damage which is or could be covered by the insurance required to be carried under this Sublease.

E. Survival. The foregoing indemnifications and those contained in the Master Lease incorporated by reference herein shall survive the expiration or earlier termination of this Sublease.

9. Right to Cure Defaults:

A. Sublessee's Defaults. If Sublessee fails to pay any sum of money due to Sublessor within two (2) business days' following written notice to Sublessee, or fails to perform any other act on its part to be performed hereunder within five (5) business days' following written notice to Sublessee, then Sublessor may, but shall not be obligated to, make such payment or perform such act. All such sums paid, and all costs and expenses of performing any such act, shall be deemed Sublease Additional Rent payable by Sublessee to Sublessor upon demand, together with interest thereon at the Agreed Rate as described in Section 17.02 of the Master Lease, from the date of the expenditure until repaid.

B. Sublessee's Authorization to Direct Sublease Payments. In addition to Sublessee's rights pursuant to Paragraph 41 below, Sublessee shall have the right to pay all Rent owing by Sublessee to Sublessor under this Sublease for those items which also are owed by Sublessor to Master Lessor under the Master Lease directly to Master Lessor on the following terms and conditions:

(i) Either (i) Sublessee reasonably believes that Sublessor has failed to make any payment required to be made by Sublessor to Master Lessor under the Master Lease and Sublessor fails to provide adequate proof of payment within two (2) business days after Sublessee's written demand requesting such proof; or (ii) Sublessee reasonably believes that Sublessor shall fail to make any payment required to be made by Sublessor to Master Lessor under the Master Lease and Sublessor fails to provide assurance of future performance in form reasonably satisfactory to Sublessee within two (2) business days after Sublessee's written demand requesting such assurance; or (iii) Sublessee has received a Master Lessor Base Rent Demand as defined in Section 41.A.(2) below.

(ii) Sublessee shall not prepay any amounts owing by Sublessee without the consent of Sublessor.

(iii) Sublessee shall provide to Sublessor concurrently with any payment to Master Lessor reasonable evidence of such payment.

(iv) Notwithstanding section (i) above, if Sublessor notifies Sublessee that it disputes any amount demanded by Master Lessor, Sublessee shall not make any such payment to Master Lessor unless Master Lessor has provided a three-day notice to pay such amount or forfeit the Master Lease or Master Lessor has provided a Master Lessor Base Rent Demand.

Any sums paid directly by Sublessee to Master Lessor in accordance with this Paragraph 9 (rather than pursuant to the provisions of Paragraph 41 below) shall be credited toward the amounts payable by Sublessee to Sublessor under this Sublease, and Sublessee agrees that upon the credit by Sublessor of such amounts against the amounts payable by Sublessee to Sublessor pursuant to this Sublease, Sublessor shall be forever released from all obligations and liabilities under this Sublease relating to Sublessor's obligation to pay such particular amounts due under the Master Lease.

10. Assignment and Subletting:

A. In General. Sublessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, license or otherwise transfer or encumber all or any part of Sublessee's interest in this Sublease or the Subleased Premises or any part thereof ("Transfer") without the prior written consent of Sublessor, which shall not be unreasonably withheld or delayed, and of Master Lessor to any proposed Transfer, and any such Transfer shall be made in accordance with the provisions of Article 11 of the Master Lease or Paragraph 10.C. below. A consent to one Transfer shall not be deemed to be a consent to any subsequent Transfer. Any Transfer without the consents required by this Paragraph shall be void and shall constitute a breach of this Sublease. Sublessor's consent to any assignment or subletting shall be ineffective unless set forth in writing, and Sublessee shall not be relieved from any of its obligations under this Sublease, unless the consent expressly so provides.

B. Excess Rent. In the event Sublessor shall consent to a Transfer, and after any excess rent has been paid to Master Lessor pursuant to Section 11.04 of the Master Lease, Sublessee shall pay to Sublessor with its regularly scheduled Monthly Base Rent payments, fifty percent (50%) of all sums and the fair market value of all consideration collected or received by Sublessee from a sub-sublessee or assignee which are in excess of the Monthly Base Rent and Sublease Additional Rent due and payable with respect to the subleased or assigned Subleased Premises for the time period encompassed by the Transfer term, after first deducting: (i) leasing commissions, and (ii) the unamortized cost (based on a straight-line amortization over the entire Sublease Term) of Sublessee Improvements paid for by Sublessee and allocable to such subleased or assigned Subleased Premises (based on the rentable square footage of the space assigned or sublet compared to the Subleased Premises).

C. Sublessee Affiliates. Sublessee may assign this Sublease, or sublet up to forty percent (40%) of the Sublease Premises, without the need for Sublessor's consent (but with written notice to Sublessor prior to such transfer, unless such notification is restricted by the regulations or requirements of the Securities and Exchange Commission, in which event such notification shall be made promptly following the date of such transfer), to any corporation, limited liability company or partnership which controls, is controlled by, or is under common control with Sublessee, or to any corporation, limited liability company or partnership resulting from the merger or consolidation with Sublessee, or to any person or entity which acquires all of Sublessee's stock or all, or substantially all of the assets of Sublessee as a going concern of the business that is being conducted on the Sublease Premises (collectively, an "Affiliate"), provided that said assignee or sublessee (i) in the event of an assignment of this Sublease to an Affiliate only, has a net worth at least equal to the net worth of Sublessee as of the date of this Sublease, and (ii) assumes, in full, the obligations of Sublessee under this Sublease (or, in the case of a sublease, the portion of the Sublease Premises subject to the sublease) and provided further that the use to which the Sublease Premises will be put does not materially change. Any such assignment shall not, in any way, affect or limit the liability of Sublessee under the terms of this Sublease. The terms of Paragraph 10.B. above shall not be applicable to any assignment or sublease pursuant to this Paragraph. The foregoing shall not be deemed to relieve Sublessee's obligation to obtain Master Lessor's consent to an assignment or sublease to an Affiliate under the Master Lease, to the extent Master Lessor's consent is required.

11. Use: Sublessee shall use the Subleased Premises only for office, research and development and such ancillary uses which do not cause excessive wear of the Subleased Premises or increase the potential liability of Sublessor, and, except as otherwise expressly permitted in this Sublease, in accordance with the provisions of Section 5.01 of the Master Lease. Notwithstanding the foregoing sentence, at Sublessee's option (written notice of which election shall be given to Sublessor at least sixty (60) days prior to commencement of such use), and subject to the terms of the Master Lessor's Consent (which shall include Master Lessor's consent to the following), the Subleased Premises also may be used and occupied for laboratory, biopharmaceutical research (including without limitation, vivarium and animal colony facilities for rodents only, small scale pilot fermentation and other pilot plant facilities) and other related legal uses (collectively, "Lab Uses"). Sublessee shall use the Subleased Premises for no uses other than those set forth in the foregoing two sentences without Sublessor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed so long as such use is lawful and does not conflict with any other provision of this Sublease, and the prior written consent of Master Lessor. Upon demand, Sublessee shall pay to Sublessor all taxes or charges imposed by applicable governmental authorities against the Subleased Premises or Sublessor, so long as such tax or assessment is directly related to Sublessor's interest in the Subleased Premises (including, without limitation, assessments imposed as a consequence of the occurrence, storage, use or disposal of Hazardous Materials [as defined in Section 17.22(a) of the Master Lease] by Sublessee or Sublessee's Agents in or about the Subleased Premises). Sublessee shall not do or permit anything to be done in or about the Subleased Premises which would (i) injure the Subleased Premises, or (ii) vibrate, shake, overload, or impair the efficient operation of the Subleased Premises or the sprinkler systems, heating ventilating or air conditioning equipment, or utilities systems located therein. Sublessee shall not store any materials, supplies, finished or unfinished products, or articles of any nature outside of the Subleased Premises, except with the prior written consent of Master Lessor. Sublessee shall comply with all reasonable rules and regulations promulgated from time to time by Master Lessor.

12. Effect of Conveyance by Sublessor: As used in this Sublease, the term "Sublessor" means the holder of the lessee's interest under the Master Lease, together with any of such lessee's successors and assigns. In the event of any transfer of said lessee's interest, Sublessor shall not be relieved of any covenants or obligations of the Sublessor hereunder. From and after the effective date of the transfer, it shall be deemed and construed, without further agreement between the parties, that the transferee has assumed and shall be jointly and severally liable with the original lessee for the performance of all of covenants and obligations to be performed by Sublessor hereunder. However, if Sublessor shall transfer and deliver any security of Sublessee to the transferee of said lessee's interest in the Master Lease, and thereupon the Sublessor shall be discharged from any further liability with respect thereto. Notwithstanding anything to the contrary contained in this Paragraph, no transfer of Sublessor's interest in the Subleased Premises shall affect the terms and conditions of this Sublease.

13. Acceptance: The parties acknowledge and agree that Sublessee is subleasing the Subleased Premises on an "as is, with all faults" basis and Sublessor has made no representations or warranties with respect to the condition of the Subleased Premises except as set forth in Paragraph 7 above. Sublessee hereby represents to Sublessor and Master Lessor that (i) Sublessee has fully inspected the Subleased Premises and the physical condition thereof, including, without limitation, accessibility and location of utilities and improvements, zoning and earthquake preparedness, which in Sublessee's judgment affect or influence Sublessee's use of the Subleased Premises and Sublessee's willingness to enter into this Sublease, (ii) Sublessee is relying on its inspection in subleasing the Subleased Premises, and (iii) Sublessee has received no representations or warranties from Sublessor, other than with respect to the condition of the Premises (as set forth in Paragraph 7 above), or from Master Lessor on which Sublessee has relied in entering into this Sublease.

14. Improvements:

A. Alterations and Improvements. No alterations or improvements shall be made to the Subleased Premises except in strict accordance with this Sublease and Sections 6.03 and 6.04 of the Master Lease, and only with the prior written consent of both Master Lessor and Sublessor, which consent of Sublessor shall not be unreasonably withheld, conditioned or delayed; provided, however, that for any “de minimis” alterations that do not require Master Lessor’s consent under Section 6.03 of the Master Lease, Sublessee shall not be required to obtain the consent of either Master Lessor or Sublessor.

B. Sublessee Improvements. Sublessee may, at its option and in strict accordance with the provisions of the Master Lease, including, without limitation, Sections 6.03 and 6.04 thereof, and this Sublease, complete certain sublessee improvements to prepare the Subleased Premises for Sublessee’s occupancy thereof, consisting, conceptually, of the following: modifications to the existing data center, demolition of certain network labs, possible modifications to the existing executive suites and modifications to the shipping and receiving area (the “Sublessee Improvements”). The Sublessee Improvements shall be constructed at Sublessee’s sole cost and expense, without any contribution or improvement allowance from Sublessor. Sublessee shall not make or permit anyone to make any Sublessee Improvements without the prior written consent of Sublessor, which shall not be unreasonably withheld, conditioned or delayed, and of Master Lessor in accordance with the Master Lease. In connection with the foregoing, Sublessee shall submit to Sublessor, for prior written approval by Sublessor, which shall not be unreasonably withheld, conditioned or delayed, and Master Lessor, any and all space plans, preliminary plans, design development drawings and construction documents required by Master Lessor to be provided in connection with the Sublessee Improvements. Any and all costs and expenses associated with the acquisition of cabling, equipment, furniture, security systems or other personal property for Sublessee or the Subleased Premises or the installation or placement of any of the foregoing within the Subleased Premises or with the project management for the performance of the Sublessee Improvements (collectively, “Sublessee’s Personal Property and Services”), also shall be paid for by and be the sole responsibility of Sublessee, except to the extent included as part of the Personal Property described in Paragraph 35 below.

C. Removal of Improvements. Upon the expiration or earlier termination of this Sublease, or at such later time if so permitted by the Future Lease, Sublessee, at its sole cost and expense, shall be responsible for removing any and all alterations or improvements (including, without limitation, the Sublessee Improvements) installed in the Subleased Premises by Sublessee and restoring the Subleased Premises to its condition immediately prior to the alteration or improvement, but only if and to the extent required by Master Lessor. If this Sublease is terminated as a result of a default, beyond applicable notice and cure periods, by Sublessee under this Sublease or under the Master Lease (to the extent incorporated herein), Sublessee shall be required to remove the alterations or improvements (including, without limitation, the Sublessee Improvements) and restore the Subleased Premises if and to the extent required by Master Lessor.

15. Insurance; Waiver of Subrogation and Release:

A. Insurance. All insurance policies required to be carried by “Lessee” under Article VII of the Master Lease shall be maintained by Sublessee pursuant to the terms of Article VII, commencing on the Premises Delivery Date and continuing until the expiration or earlier termination of the Term. Such policies shall name Sublessor and Master Lessor (and such lenders as are designated by Sublessor or Master Lessor) as additional insureds. All policies shall be written as primary policies with respect to the interests of Master Lessor and Sublessor and such other additional insureds, and shall be primary to and not contributory with any similar insurance carried by Master Lessor, which insurance shall be considered excess insurance. All policies shall also contain “cross liability” or “severability of interest” provisions and shall insure the performance of the indemnity obligations set forth in this Sublease. Sublessee shall provide Master Lessor and Sublessor with certificates of all policies, including in each instance an endorsement providing that such insurance shall not be cancelled or amended except after thirty (30) days prior written notice to Master Lessor and Sublessor. Sublessor shall not be obligated to deliver the Subleased Premises to Sublessee until Sublessee has provided to Sublessor the certificates of insurance required by Section 7.05 of the Master Lease. The limits of said insurance required by this Sublease as carried by Sublessee shall not limit the liability of Sublessee nor relieve Sublessee of any obligation hereunder.

B. Master Lessor’s Insurance. Sublessee shall pay, as Sublease Additional Rent, any deductible for insurance carried by Master Lessor pursuant to, and subject to the conditions stated in, Article VII of the Master Lease.

C. Mutual Waiver of Subrogation. Sublessor and Sublessee hereby release and relieve the other, and waive their entire claim of recovery for loss or damage to property arising out of or incident to fire, lightning, and the other perils included in a standard “all risk” insurance policy of a type described in Sections 7.01 and 7.02 of the Master Lease that is carried by the waiving party (or that would have been if the waiving party had carried the insurance required hereunder), when such property constitutes the Subleased Premises or the Project, or is in, on or about the Subleased Premises, whether or not such loss or damage is due to the negligence of Sublessor or Sublessee, or their respective agents, employees, guests, licensees, invitees, or contractors. Sublessee and Sublessor waive all rights of subrogation against each other on behalf of, and shall obtain a waiver of all subrogation rights from, all property and casualty insurers referenced above.

D. Releases. Except as expressly set forth in this Sublease, Sublessor shall not be liable to Sublessee, nor shall Sublessee be entitled to terminate this Sublease or to abate Rent, for any reason, including, without limitation: (i) failure or interruption of any utility system or service; or (ii) failure of Master Lessor to maintain the Subleased Premises as may be required under the Master Lease, subject to Paragraph 16.C below. Sublessee hereby waives all claims against Sublessor for damages to good, wares and merchandise and all other personal property in, on or about the Subleased Premises and for injury or death to persons in, on or about the Subleased Premises from any cause arising at any time to the fullest extent permitted by law. Sublessor and Sublessee are corporations or other business entities, and the obligations of Sublessor and Sublessee shall not constitute the personal obligations of the officers, directors, trustees, partners, joint venturers, members, owners, stockholders or other principals or representatives of such corporation or business entity.

16. Damage and Destruction; Condemnation.

A. Rights of Termination. To the that the Master Lease gives Sublessor any rights following the occurrence of any damage, destruction or condemnation to terminate the Master Lease, to obtain and utilize insurance or condemnation proceeds to repair or restore the Sublease Premises, or any similar rights, such rights shall be reserved to and exercisable solely by Sublessee, and not by Sublessor; provided, however, that Sublessee shall be entitled to exercise such rights only with the prior written consent of Sublessor, which consent shall not be unreasonably withheld, conditioned or delayed.

B. Waiver of Statutory Rights. Except as expressly set forth herein, Sublessee shall have no right to terminate this Sublease as a result of any casualty or condemnation, and Sublessee hereby waives any provision of law that provides for such right of termination.

C. Rent Abatement. Notwithstanding anything in this Sublease to the contrary, to the extent that Rent is abated for Sublessor with respect to the Subleased Premises pursuant to the terms of the Master Lease, Sublessee's Rent obligations with respect to the Subleased Premises also shall be abated.

17. Default and Remedies.

A. Default: Sublessee's performance of each of its obligations under this Sublease constitutes a condition as well as a covenant, and Sublessee's right to continue in possession of the Subleased Premises is conditioned upon such performance. In addition, Sublessee shall be in material default of its obligations under this Sublease if Sublessee commits, or is responsible for the occurrence of, any of the events of default set forth in Section 12.01 of the Master Lease.

B. Remedies: In the event of any default by Sublessee under this Sublease (including, without limitation, a default pursuant to Section 12.01 of the Master Lease), Sublessor shall have all remedies provided by applicable law and in equity, including, without limitation, all rights pursuant to Article 12 of the Master Lease. Sublessor may resort to its remedies cumulatively or in the alternative.

18. Surrender:

A. In General. Unless otherwise provided pursuant to the Future Lease, on or before the Expiration Date or earlier termination of this Sublease, Sublessee shall remove all of its trade fixtures and all alterations and improvements, including, without limitation the Sublessee Improvements if removal is required by Master Lessor, and shall surrender the Subleased Premises to Sublessor in the condition required by Section 17.09(a) of the Master Lease, free of Hazardous Materials stored, used or disposed of by Sublessee. If the Subleased Premises are not surrendered if and as required hereby, then Sublessee shall be liable to Sublessor for all costs incurred by Sublessor in returning the Subleased Premises to the required condition, plus interest thereon at the Agreed Rate. Sublessee shall indemnify, defend, protect and hold harmless Sublessor and Master Lessor against any and all claims, liabilities, judgments, causes of action, damages, costs, and expenses (including attorneys', consultants' and experts' fees) resulting from Sublessee's delay in surrendering the Subleased Premises, including, without limitation, any claim made by any succeeding tenant founded on or resulting from such failure to surrender. The indemnification set forth in this Paragraph shall survive the expiration or earlier termination of this Sublease. In no event shall Sublessee be required to remove any alterations or improvements which were not installed by or on behalf of Sublessee.

B. Change in Use of Subleased Premises. If Sublessee elects to use the Subleased Premises for one or more of the Lab Uses, Sublessee shall comply with the provisions of this Section 18.B.; provided, however, that if Sublessee continues to occupy the Subleased Premises pursuant to the Future Lease following the expiration or earlier termination of this Sublease, then the provisions of this Section 18.B. shall not apply.

(i) Governmental Clearances. At the expiration or earlier termination of this Sublease, Sublessee shall vacate, deliver up and surrender to Sublessor possession of the Subleased Premises and all improvements thereon, subject to the terms of this Sublease concerning Hazardous Materials brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of from the Subleased Premises by Sublessee or any of Sublessee's agents, employees or contractors (collectively, "Sublessee HazMat Operations"), and released of all clearances required by any governmental authorities with respect to Sublessee HazMat Operations.

(ii) Closure Requirements. At least three (3) months prior to the surrender of the Subleased Premises, Sublessee shall deliver to Sublessor a narrative description of the actions proposed (or required by any governmental authority) to be taken by Sublessee in order to surrender the Subleased Premises (including any Alterations permitted by Master Lessor to remain in the Subleased Premises) at the expiration or earlier termination of the Sublease Term, in accordance with the requirements of any Environmental Laws or relevant governmental authority or, in the absence thereof, the commercially reasonable requirements of Master Lessor's lender or any commercially reasonable requirements of Sublessor's environmental consultant (collectively, "HazMat Requirements") with respect to the Sublessee HazMat Operations and otherwise released for unrestricted use and occupancy (the "Surrender Plan"). Such Surrender Plan shall be accompanied by a current listing of (i) all Hazardous Materials licenses and permits held by or on behalf of Sublessee or any of its agents, employees or contractors (collectively, the "Sublessee Parties") with respect to the Subleased Premises, and (ii) all Hazardous Materials used, stored, handled, treated, generated, released or disposed of from the Subleased Premises, and shall be subject to the review and approval of Sublessor's environmental consultant. In connection with the review and approval of the Surrender Plan, upon the request of Sublessor, Sublessee shall deliver to Sublessor or its consultant such additional non-proprietary information concerning Sublessee HazMat Operations as Sublessor shall request. On or before such surrender, Sublessee shall deliver to Sublessor evidence that the approved Surrender Plan shall have been satisfactorily completed and all HazMat Requirements have been met, and Sublessor shall have the right, subject to reimbursement at Sublessee's expenses as set forth below, to cause Sublessor's environmental consultant to inspect the Subleased Premises and perform such additional procedures as may be deemed reasonably necessary to confirm that the Subleased Premises are, as of the effective date of such surrender or early termination of this Sublease, in accordance with applicable HazMat Requirements. Sublessee shall reimburse Sublessor, as Sublease Additional Rent, for the actual, out-of-pocket expense incurred by Sublessor for Sublessor's environmental consultant to review and approve the Surrender Plan and to visit the Subleased Premises and verify satisfactory completion of the same. Sublessor shall have the unrestricted right to deliver such Surrender Plan and any report by Sublessor's environmental consultant with respect to the surrender of the Subleased Premises to third parties. If Sublessee shall fail to prepare or submit a Surrender Plan approved by Sublessor, or if Sublessee shall fail to complete the approved Surrender Plan, or if such Surrender Plan, whether or not approved by Sublessor, shall fail to adequately address any residual effect of Sublessee HazMat Operations in, on or about the Subleased Premises in violation of HazMat Requirements, Sublessor shall have the right to take such actions as Sublessor may deem reasonable or appropriate to assure that the Subleased Premises and the Project are surrendered free from any residual impact from Sublessee HazMat Operations, the cost of which actions shall be reimbursed by Sublessee as Sublease Additional Rent. Sublessee's obligations pursuant to this Paragraph 18.B. shall survive the expiration or earlier termination of this Sublease.

19. Brokers: Sublessor and Sublessee each represent to the other that they have dealt with no real estate brokers, finders, agents or salesmen in connection with this transaction, except Cresa Partners, representing Sublessor, and Cornish & Carey Commercial, Inc., representing Sublessee ("Brokers"). Each party agrees to hold the other party harmless from and against all claims for brokerage commissions, finder's fees, or other compensation made by any other agent, broker, salesman or finder as a consequence of said party's actions or dealings with such agent, broker, salesman, or finder. Sublessor shall be responsible for payment of any brokerage commission due to the Brokers in connection with this Sublease pursuant to the terms of a separate agreement between Sublessor and Cresa Partners.

20. Notices:

A. Notice Requirements. Unless five (5) days' prior written notice is given in the manner set forth in this Paragraph, the addresses of Sublessor and Sublessee for all purposes connected with this Sublease shall be the addresses set forth below their respective signatures. All notices, demands, or communications in connection with this Sublease shall be considered received when (i) personally delivered, or (ii) if properly addressed and either sent by nationally recognized overnight courier or deposited in the mail (registered or certified, return receipt requested, and postage prepaid), on the date shown on the return receipt or other documentation for acceptance or rejection. All notices given to the Master Lessor under the Master Lease shall be considered received only when delivered in accordance with Section 17.06 of the Master Lease and when sent to Master Lessor at the following address: Pacific Shores Investors, LLC, c/o Jay Paul Company, 350 California Street, Suite 1905, San Francisco, California 94111.

B. Notices from or to Master Lessor. Each party shall provide to the other party a copy of any notice or demand received from or delivered to Master Lessor within three (3) business days of receiving or delivering such notice or demand, where such notice or demand materially relates to or affects the rights and/or obligations of the parties under this Sublease.

21. Severability: If any term of this Sublease is held to be invalid or unenforceable by any court of competent jurisdiction, then the remainder of this Sublease shall remain in full force and effect to the fullest extent possible under the law, and shall not be affected or impaired.

22. Amendment: This Sublease may not be amended except by the written agreement of all parties hereto.

23. Attorneys' Fees: If either Sublessor or Sublessee shall bring any action or legal proceeding to enforce, protect or establish any term or covenant of this Sublease, the prevailing party shall be entitled to recover its reasonable attorneys' fees, consultants' costs, court costs and experts' fees as may be fixed by the court. "Prevailing party" as used in this Sublease includes a party who dismisses an action for recovery hereunder in exchange for sums allegedly due, performance of covenants allegedly breached or consideration substantially equal to the relief sought in the action.

24. Other Sublease Terms:

A. Incorporation By Reference. Except as otherwise provided in or contradicted by this Sublease, the terms and conditions of this Sublease shall include the specific Sections of the Master Lease listed in Paragraph 24.B, which are incorporated into this Sublease as if fully set forth, except that: (i) each reference in such incorporated Sections to "Lease" shall be deemed a reference to "Sublease"; (ii) each reference to the "Premises" shall be deemed a reference to the "Subleased Premises"; (iii) each reference to

“Lessor” and “Lessee” shall be deemed a reference to “Sublessor” and “Sublessee”, respectively, except as expressly set forth herein; (iv) with respect to work, services, repairs, restoration, provision of insurance or the performance of any other obligation of Master Lessor under the Master Lease, the sole obligation of Sublessor shall be to request the same in writing from Master Lessor as and when requested to do so by Sublessee, and to use Sublessor’s commercially reasonable good faith efforts (without requiring Sublessor to spend more than a nominal sum and otherwise at Sublessee’s sole cost and expense) to obtain the Master Lessor’s performance; (v) with respect to any obligation of Sublessee to be performed under this Sublease, wherever the Master Lease grants to Sublessor a specified number of days to perform its obligations under the Lease, Sublessee shall have two (2) fewer days to perform the obligation, including, without limitation, curing any defaults (provided, however, that if any cure period provides for three (3) days or fewer to perform, Sublessee shall have two (2) business days to perform); (vi) Sublessor shall have no liability to Sublessee with respect to (a) representations and warranties made by Master Lessor under the Master Lease, (b) any indemnification obligations of Master Lessor under the Master Lease, or other obligations or liabilities of Master Lessor under the Master Lease with respect to compliance with laws, condition of the Premises or Hazardous Materials, and (c) obligations under the Master Lease to repair, maintain, restore, or insure all or any portion of the Premises, regardless of whether the incorporation of one or more provisions of the Master Lease might otherwise operate to make Sublessor liable therefor; and (vii) with respect to any approval required to be obtained from the “Lessor” under the Master Lease, such consent must be obtained from both the Master Lessor and the Sublessor, but Sublessor’s consent shall not be unreasonably withheld, conditioned or delayed (except that the approval of Sublessor shall be conditioned upon receipt of the Master Lessor’s consent). Notwithstanding the foregoing, references to “Lessor” in the following provisions of the Master Lease shall mean Master Lessor, not Sublessor: Section 2.02, the first sentence of Section 5.06, Section 6.01(b), Section 6.02, the second, third, sixth and seventh sentences of Section 6.03, Section 6.05, Section 7.01, Section 7.03, Section 8.01, Article 13, Section 16.01, Section 17.13, Section 17.19, the last sentence of Section 17.22(d) and Section 17.23.

B. Incorporated Provisions. The following paragraphs of the Master Lease are hereby incorporated into this Sublease, except to the extent expressly contradicted by the provisions of this Sublease: Section 2.02; Section 2.03; Section 5.01; Section 5.02(c); Section 5.03, except for the first sentence; Section 5.05, except as provided in Section 35(ii) of this Sublease; Section 5.06, provided that Sublessee shall be bound by all rules and regulations to the same extent that Sublessor is bound; Article 6; Sections 7.01 through 7.05; Article 8; Article 9; Article 10; Section 11.01, Section 11.03, Section 11.05; Article 12; Article 13; Article 14 (excluding subsection (ii) thereof), except that in exercising any right of entry, Sublessor shall comply with Sublessee’s reasonable security measures and operating procedures and shall minimize any disruption to Sublessee; Article 15; Article 16; Section 17.01; Section 17.02; Section 17.03; Section 17.05, except that the reference to exhibits therein shall mean and refer only to the exhibits to this Sublease; Section 17.06; Section 17.07; Section 17.09(a), except that this Section shall not apply if Sublessee continues in occupancy past the expiration of the Term pursuant to the Future Lease; Section 17.10; Section 17.11; Section 17.12, excluding the reference to Article 16; Section 17.13 (excluding the last sentence); Section 17.16; Section 17.18; Section 17.19; Section 17.20; Section 17.21; Section 17.22, except that in Section 17.22(c), Sublessor shall not withhold approval of any Hazardous Materials use that is approved by Master Lessor, and Sublessee shall not be required to remove Hazardous Materials at the end of the Term if Sublessee continues in occupancy pursuant to the Future Lease; Section 17.23; Section 17.26; and Exhibits A, I, J, K, L and M.

C. Assumption of Obligations: This Sublease is and at all times shall be subject and subordinate to the Master Lease and the rights of Master Lessor thereunder, provided, however, that in the event of a conflict between the provisions of this Sublease and the provisions of the Master Lease, as between Sublessor and Sublessee, the provisions of this Sublease shall control. Sublessee hereby expressly assumes and agrees: (i) to comply with all provisions of the Master Lease with respect to the Subleased Premises

during the Term to the extent incorporated herein or as otherwise expressly provided by this Sublease; (ii) to perform all the obligations on the part of the "Lessee" to be performed under the terms of the Master Lease with respect to the Subleased Premises during the Term to the extent incorporated herein or as otherwise expressly provided by this Sublease; and (iii) not to act or omit to act in any manner which would violate any provision of the Master Lease.

D. Performance by Sublessor. Sublessor shall not be required to furnish, supply or install anything required of Master Lessor under any Article of the Master Lease. Sublessor shall have no liability or responsibility whatsoever for Master Lessor's failure or refusal to perform under the Master Lease. Sublessor's obligation to use its commercially reasonable good faith efforts to cause Master Lessor to observe and perform its obligations under the Master Lease shall not be a guarantee by Sublessor of Master Lessor's compliance with the provisions of the Master Lease, and in no event shall Sublessor be required to initiate any litigation proceedings or file suit against Master Lessor. Sublessor shall not act or omit to act in any manner which would violate any provision of the Master Lease or that would lead to the termination of the Master Lease by Master Lessor.

25. Master Lessor's Consent: This Sublease and Sublessor's and Sublessee's obligations hereunder are conditioned upon obtaining the written consent of the Master Lessor to this Sublease upon such terms and conditions as are reasonably acceptable to both Sublessor and Sublessee (the "Master Lessor's Consent"). The parties shall cooperate in good faith to obtain the Master Lessor's Consent as soon as possible, but not later than fifteen (15) days after the Execution Date. Any and all costs and expenses associated with the Master Lessor's Consent shall be borne solely by Sublessor. If the Master Lessor's Consent is not obtained within fifteen (15) days after the Execution Date, then either Sublessor or Sublessee may terminate this Sublease by giving the other party ten (10) days' prior written notice, in which case this Sublease shall terminate on the day following the last day of the ten (10)- day notice period (unless Master Lessor's Consent is obtained during such ten (10)- day period, in which case this Sublease shall remain in full force and effect), neither party shall have any further rights or obligations hereunder and Sublessor shall return to Sublessee all sums (including the Letter of Credit, if applicable) paid by Sublessee to Sublessor in connection with Sublessee's execution hereof. The return of all sums paid by Sublessee to Sublessor shall be Sublessee's sole and exclusive remedy in the event of a termination pursuant to this Paragraph, including, without limitation, a termination resulting from Sublessor's reasonable determination that any term or condition proposed by Master Lessor to be included in a consent is unacceptable.

26. Signage: Sublessee shall have the signage rights, and the obligations with respect thereto, set forth in Section 17.15 of the Master Lease. Sublessor shall be responsible for the removal of Sublessor's existing signage prior to the Delivery Date. Unless otherwise provided in the Future Lease, Sublessee shall be responsible for the removal of Sublessee's signage upon the expiration or earlier termination of this Sublease, and for the cost to restore any damage caused by such removal.

27. No Offer. Submission of this Sublease for examination or signature by Sublessee does not constitute a reservation of, option for or option to sublease, and such submission is not effective as a sublease or otherwise until execution and delivery by both Sublessor and Sublessee, subject, however, to the provisions of Paragraph 25 above.

29. (Intentionally omitted.)

30. Fitness Center. A fitness center exists within the Project and, to the extent it is open and operating, is available for Sublessee's use at no additional cost on the terms and conditions provided herein. Sublessee's use of the fitness center shall be subject to all the rules and regulations of the Master Lessor.

Sublessor does not represent or warrant to Sublessee that Master Lessor will continue to open and operate the fitness center for the tenants of the Project. The continued availability of the fitness center shall not be a condition precedent to this Sublease, and the failure of the fitness center to be available to Sublessee shall have no effect upon this Sublease or the rent payable by Sublessee to Sublessor under this Sublease. Except to the extent caused by the active negligence or willful misconduct of Sublessor, its agents, employees or contractors, Sublessor shall not be liable to Sublessee, or its employees, agents, contractors, sublessees, assignees or invitees, and Sublessee, as a material part of the consideration to be rendered to Sublessor under this Sublease, waives all such claims against Sublessor, for any damage to personal property or injury to persons in or about the fitness center and/or the Project from any cause whatsoever arising at any time, including, but not limited to, any damage or injury to any Sublessee employee, agent, contractor, sublessee, assignee or invitee using the fitness center or Project. Except to the extent caused by the active negligence or willful misconduct of Sublessor (or Master Lessor), its agents, employees or contractors, Sublessee shall indemnify, protect, defend with counsel reasonably acceptable to Sublessor (or Master Lessor) and hold harmless Sublessor (or Master Lessor) from and against any and all claims, liabilities, judgments, causes of action, damages, costs and expenses (including reasonable attorneys', consultants' and experts' fees), caused by or arising in connection with the use of the fitness center by Sublessee, its agents, employees, contractors, sublessee, assignees or invitees, including, without limitation, any claims asserted or caused by Sublessee's employees. The foregoing release and indemnity shall survive the expiration or earlier termination of this Sublease.

31. Holding Over . Unless Sublessee continues to occupy the Sublease Premises pursuant to the Future Lease, if Sublessee holds over in the Subleased Premises after the expiration or sooner termination of the Term of this Sublease, Sublessee shall be deemed a month-to-month subtenant and the Monthly Base Rent during the holdover period shall be 200% of the monthly base rent payable by Sublessor to Master Lessor during the last month of the term of the Master Lease. Nothing in this Paragraph shall be deemed to permit Sublessee to hold over beyond the expiration or earlier termination of the Term of this Sublease (unless Sublessee continues to occupy the Subleased Premises pursuant to the Master Lease), and Sublessee shall indemnify, defend, protect and hold harmless Sublessor or Master Lessor from and against any and all claims, liabilities, judgments, causes of action, damages, costs and expenses (including reasonable attorneys', consultants' and experts' fees) resulting from the failure of Sublessee to surrender the Subleased Premises in the condition required by this Sublease upon the expiration or sooner termination of the Term of this Sublease. The foregoing indemnification shall survive the expiration or earlier termination of this Sublease.

32. Sublessor's Estoppel . Sublessor represents and warrants that to Sublessor's knowledge, as of the date of this Sublease, (i) the Master Lease is in full force and effect; (ii) neither Sublessor nor Master Lessor is in material breach of the Master Lease; and (iii) the Master Lease has not been modified, altered, amended or otherwise changed as between Master Lessor and Sublessor, except as provided in that certain Settlement Agreement between Sublessor's and Sublessee's respective predecessors-in-interest dated November 15, 2001.

33. Access . Sublessee shall have access to the Subleased Premises twenty-four (24) hours per day, seven (7) days per week, subject to Master Lessor's reasonable security measures.

34. Letter of Credit :

A. Terms of Letter of Credit . In lieu of the cash Security Deposit required by Paragraph 5 above, as additional consideration for value received and a further incentive to maintain Sublessor's willingness to enter this Sublease, and as additional collateral so as to compensate Sublessor for future damages it may suffer by reason of Sublessee's defaults hereunder, Sublessee shall deliver to Sublessor, not

later than five (5) days after the date of Sublessee's execution of this Sublease, an unconditional, clean, irrevocable letter of credit in the amount of \$268,864.25 ("LC Amount"), which letter of credit shall be issued by a money-center bank (a bank which accepts deposits, maintains accounts, has a local Silicon Valley office which will negotiate a letter of credit and whose deposits are insured by the FDIC) reasonably acceptable to Sublessor, shall be for a term continuing through the last day of the forty-five (45) - day period following the Expiration Date (or shall contain an "evergreen" provision which provides that it automatically is renewed on an annual basis unless the issuer delivers forty-five (45) days' prior written notice to Sublessor and Sublessee), shall permit partial draws, shall provide that draws thereunder will be honored upon receipt by issuer of the letter of credit and a written statement signed by Sublessor or its authorized agent stating that Sublessor is entitled to draw down on the letter of credit, shall be freely transferable and shall be in a form and content reasonably acceptable to Sublessor. Such letter of credit, together with any other renewal or replacement letters of credit delivered or to be delivered by Sublessee hereunder shall be referred to collectively herein as the "LC". The LC shall provide for forty-five (45) days' prior written notice to Sublessor of cancellation or material change thereof, and shall further provide that, in the event of any non-extension of the LC, Sublessor shall be entitled to present its written demand for payment of the entire face amount of the LC, and the proceeds therefrom so obtained shall be held as provided below. Sublessee shall pay all expenses, points and/or fees incurred by Sublessee in obtaining the LC. Additionally, upon a proposed sale or other transfer of any interest in the Premises, this Sublease or Sublessor (including consolidations, mergers or other entity changes), Sublessee, at its sole cost and expense and upon ten (10) business days' notice, shall, concurrent with Sublessor's delivery to Sublessee of the then outstanding LC, deliver to any such transferee, successor or assign a replacement LC on identical terms (except for the stated beneficiary) from the same issuer or another bank acceptable to Sublessor, in Sublessor's reasonable discretion, naming the new sublessor as the beneficiary thereof. The LC shall not be mortgaged, assigned or encumbered in any manner whatsoever by Sublessee without Sublessor's prior written consent, which may be withheld in Sublessor's sole discretion.

B. Application of LC. The LC shall be held by Sublessor without liability for interest and as security for performance by Sublessee of its obligations under this Sublease. The LC, and any proceeds therefrom, is not an advance payment of Rent or a measure or limit of Sublessor's damages upon Sublessee's default under this Sublease, and Sublessor shall not be required to keep any proceeds from the LC separate from Sublessor's general funds or to pay interest thereon. If Sublessee defaults (following any applicable grace periods, it being understood that no notice of a default by Sublessee hereunder need be given by Sublessor to Sublessee if Sublessee is the subject of a bankruptcy proceeding) with respect to any provision of this Sublease, including, but not limited to, provisions relating to the payment of Rent, Sublessor may, but shall not be required to, draw down upon all or any portion of the LC for payment of any Rent or other sum in default, and/or for the payment of any amount that Sublessor may spend or may become obligated to spend by reason of Sublessee's default or to compensate Sublessor for any loss or damage which Sublessor has suffered thereby. The use, application or retention of the LC, or any proceeds therefrom, by Sublessor shall not prevent Sublessor from exercising any other right or remedy provided by this Sublease or by law or in equity, it being intended that Sublessor shall not first be required to proceed against the LC, and the LC and any proceeds therefrom shall not operate as a limitation on any recovery to which Sublessor otherwise may be entitled. Sublessee hereby waives any restriction on the use or application of the Security Deposit by Sublessor as set forth in California Civil Code Section 1950.7 or any successor statute. If all or any portion of the LC is drawn upon, Sublessee, within five (5) days after written notice from the issuer or Sublessor of the amount so applied, shall reinstate the LC to the LC Amount required under this Sublease by providing either cash (so that the full amount of cash and LC proceeds held by Sublessor equals the LC Amount) or a replacement LC upon the identical terms and conditions set forth in this Paragraph, and if all or any portion of the LC again is used or applied, Sublessee shall, within five (5) days after written demand therefor, again reinstate the LC to the LC Amount required under this Sublease by providing either cash (so

that the full amount of cash and LC proceeds held by Sublessor equals the LC Amount) or a replacement LC upon the identical terms and conditions set forth in this Paragraph. Sublessee's failure to provide Sublessor with cash in the required amount or to reinstate the LC as required hereunder shall be a material default under this Sublease, without any obligation of Sublessor to provide any additional notice of default, and Sublessor shall be permitted to draw down the entire balance of the LC and apply it to any current or future obligations of Sublessee in such event. Sublessee hereby grants to Sublessor a security interest in the LC and any cash proceeds therefrom in accordance with the applicable provisions of the California Uniform Commercial Code.

C. Return of LC. Within thirty (30) days after the later of the expiration or earlier termination date of this Sublease, and the date upon which the LC expires, if Sublessee is not then in default hereunder, Sublessor shall return to Sublessee (without interest) the LC or so much of the proceeds of the LC as have not been applied by Sublessor pursuant to this Paragraph, or which are not otherwise required to cure Sublessee's defaults.

35. Personal Property: During the Term of this Sublease, without obligation to pay additional Monthly Base Rent with respect thereto, Sublessee shall have the right to use the following: (i) existing furniture, (ii) security system, (iii) cabling, (iv) UPS, PDU, and air handlers in all main data centers and MDF/IDF data closets, (v) existing racks, and (vi) other personal property currently located in the Subleased Premises. In addition, at no cost to Sublessee (a) prior to the Commencement Date, Sublessor shall configure the existing furniture located in the Subleased Premises to a condition reasonably appropriate for use by Sublessee's employees, and (b) within sixty (60) days following the Premises Delivery Date, Sublessor shall provide to Sublessee and shall configure to Sublessee's reasonable requirements any additional furniture and personal property requested by Sublessee from Sublessor's inventory of such items currently in storage. The items listed in the foregoing two sentences shall be referred to as the "Personal Property"). Sublessee acknowledges that Sublessee is taking possession of the Personal Property on an "as is, where is, with all faults" basis, and that Sublessee is not relying on any representations or warranties of any kind whatsoever, express or implied, including, without limitation, any implied warranties as to merchantability or fitness for a particular purpose; provided, however, that Sublessor represents for the benefit of Sublessee that Sublessor owns the Personal Property free and clear of all liens. Sublessor shall have no obligation to repair, maintain, replace or insure the Personal Property, all of which shall be the obligation of Sublessee. Upon the expiration of this Sublease (or upon early termination for any reason other than a default of Sublessee under this Sublease), Sublessee shall purchase the Personal Property from Sublessor pursuant to the bill of sale in substantially the form attached hereto as Exhibit B and incorporated by reference herein. Unless Sublessee continues to occupy the Subleased Premises pursuant to the Future Lease, Sublessee shall be responsible for removing the Personal Property from the Subleased Premises upon the expiration or earlier termination (except for early termination resulting from the default of Sublessee under this Sublease) of the Term.

36. Voluntary Termination: Sublessor shall not voluntarily terminate the Master Lease during the Term unless and until Master Lessor has agreed in writing to continue this Sublease in full force and effect as a direct lease between Master Lessor and Sublessee upon and subject to all of the terms, covenants and conditions of this Sublease for the balance of the Term hereof, including without limitation the Monthly Base Rent payable hereunder. If Master Lessor so consents, Sublessee shall attorn to Master Lessor in connection with any such voluntary termination and shall execute an attornment agreement in such form as reasonably may be requested by Master Lessor.

37. Environmental:

A. Sublessee's Acknowledgment. Sublessee's execution of this Sublease shall be deemed Sublessee's acknowledgment and agreement that Sublessee has received, and, pursuant to Section

17.22(b) of the Master Lease, reviewed same, a copy of each of those certain documents entitled: (i) PHASE I, ENVIRONMENTAL SITE ASSESSMENT, PACIFIC SHORES CENTER, REDWOOD CITY, CALIFORNIA, Prepared for: The Jay Paul Company, San Francisco, California, Prepared by: IRIS ENVIRONMENTAL, Oakland, California, December 20, 1999, Job No. 99-122A; and (ii) PHASE II, ENVIRONMENTAL SITE ASSESSMENT, PACIFIC SHORES CENTER, 1000 SEAPORT BOULEVARD, REDWOOD CITY, CALIFORNIA, Prepared for: The Jay Paul Company, San Francisco, California, Prepared by: IRIS ENVIRONMENTAL, Oakland, California, January 14, 2000, Job No. 99-122-B.

B. Change in Use of Subleased Premises. If Sublessee elects to use the Subleased Premises for one or more of the Lab Uses, in addition to the provisions of Section 17.22 of the Master Lease regarding Hazardous Materials (to the extent incorporated in this Sublease), Sublessee also shall comply with the following provisions:

(i) Use of Hazardous Materials. Sublessee shall not cause or permit any Hazardous Materials to be brought upon, kept or used in, on or about the Project by Sublessee or Sublessee's Parties without Sublessor's prior written consent, except that Sublessee may, without the need for Sublessor's prior written consent, bring on, keep at and use in, on or about the Subleased Premises those Hazardous Materials described in Exhibit C attached hereto and incorporated by reference herein or any similar Hazardous Materials used for substantially the same purposes in substitution thereof in compliance with applicable Environmental Laws, even if they are Hazardous Materials. All such Hazardous Materials will be used, kept and stored by Sublessee in a manner that complies with all applicable Environmental Laws. Sublessee shall, at all times, use, keep, test, store, handle, transport, treat or dispose all such Hazardous Materials in or about the Project in compliance with all applicable HazMat Requirements. Unless Sublessee continues to occupy the Subleased Premises pursuant to the Future Lease following the expiration or earlier termination of this Sublease, Sublessee shall remove Hazardous Materials used or brought onto the Project during the Sublease Term from the Project prior to the expiration or earlier termination of this Sublease in accordance with any applicable HazMat Requirements and the Surrender Plan approved by Sublessor. For purposes of this Sublease, if Sublessee elects to use the Subleased Premises for one or more of the Lab Uses, then this Paragraph 37.B.(i) of this Sublease shall supersede in their entirety the provisions of Section 17.22(c) of the Master Lease.

(ii) Sublessee's Obligation to Promptly Remediate. If the presence of Hazardous Materials on the Subleased Premises after the Premises Delivery Date results from an act or omission of Sublessee (or Sublessee's successors-in-interest), its agents, employees, invitees, vendors, contractors, guests, or visitors results in contamination of the Project or any water or soil beneath the Project in violation of applicable HazMat Requirements, Sublessee shall promptly take all action necessary or appropriate to test, investigate and remedy that contamination, at its sole cost and expense, provided that Sublessor's consent to such action shall first be obtained, which consent shall not be unreasonably withheld, conditioned or delayed.

(iii) Notification. Sublessor and Sublessee each agree to promptly notify the other of any communication received from any governmental entity concerning Hazardous Materials or the violation or alleged violation of Environmental Laws that relate to the Project. In addition, Sublessee shall promptly provide to Sublessor copies of any approvals or disapprovals received from any relevant governmental agency in connection with permits, licenses or periodic or episodic testing or remediation of the Subleased Premises by Sublessee required by HazMat Requirements, including but not limited to the plans, permits and licenses described in Exhibit D attached hereto and incorporated by reference herein or any other such plans, permits and licenses instead performed by Sublessee pursuant to HazMat Requirements. Without limiting the foregoing, Sublessee shall deliver to Sublessor any applications for decommissioning the Subleased Premises pursuant to HazMat Requirements at the same time such application is delivered to the

relevant governmental agency. Sublessor shall have the opportunity to participate in, and comment on, any such decommission or surrender plan application, and the final version of such plan shall be subject to Sublessor's written approval.

(iv) Testing. Sublessor shall have the right to conduct tests of the Subleased Premises at any time that Master Lessor seeks to sell or refinance the Subleased Premises, or if Sublessor has reasonable grounds to believe that Hazardous Materials may exist at the Subleased Premises in violation of the terms of this Sublease. Such tests shall be performed in order to determine whether any contamination of the Subleased Premises or the Project has occurred as a result of Sublessee's use. Sublessee shall be required to pay the reasonable cost of such tests of the Subleased Premises if they are performed due to Sublessor's reasonable grounds to believe that Hazardous Materials may exist at the Subleased Premises in violation of the terms of this Sublease (Master Lessor shall pay the costs of such tests in the event of a sale or refinancing); provided, however, that if Sublessee conducts its own tests of the Subleased Premises using third party contractors and test procedures acceptable to Sublessor which tests are certified to Sublessor, Sublessor shall accept such tests in lieu of such tests to be paid for by Sublessee. In connection with such testing, upon the request of Sublessor, Sublessee shall deliver to Sublessor or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Subleased Premises by Sublessee or any Sublessee Parties. If contamination has occurred in violation or excess of the HazMat Requirements for which Sublessee is liable under this Section 37.B.(iv), Sublessee shall pay all costs to conduct such tests. If no such contamination is found, Sublessor shall pay the costs of such tests. Sublessee shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing in accordance with HazMat Requirements. Sublessor's receipt of or satisfaction with any environmental assessment in no way waives any rights which Sublessor may have against Sublessee. Notwithstanding anything herein to the contrary, within thirty (30) days prior to the Expiration Date or any earlier date on which this Sublease terminates, Sublessee shall, at Sublessee's sole expense, deliver to Sublessor a phase II environmental audit of the Subleased Premises showing the environmental condition of the Subleased Premises and the completion of Sublessee's Surrender Plan for the Subleased Premises; provided, however, that this sentence shall not apply if Sublessee continues to occupy the Subleased Premises pursuant to the Future Lease following the expiration or earlier termination of this Sublease.

(v) Dispute Resolution. Notwithstanding anything herein to the contrary, if Sublessor requires Sublessee to perform any testing, clean-up or remediation of Hazardous Materials, or if Sublessor requires Sublessee to modify Sublessee's use of Hazardous Materials at the Subleased Premises in a manner or in amounts other than as is required by Environmental Laws pursuant to either this Paragraph 37.B. or Section 18.B. above, and Sublessee believes that Sublessor's requirements are not commercially reasonable, then if Sublessee provides Sublessor with written notice thereof (the "Dispute Notice") within fifteen (15) business days of the date on which Sublessor first informs Sublessee in writing of such requirement, then such dispute shall be remedied pursuant to the terms of this Paragraph 37.B.(v). If such a dispute exists, Sublessor and Sublessee shall meet within ten (10) business days after the date of the Dispute Notice and attempt in good faith to resolve the dispute. If, despite such meeting, the parties cannot resolve the dispute, each of Sublessor and Sublessee shall separately designate to the other in writing an environmental expert to determine if the requirement in question is commercially reasonable. Each environmental expert designated shall have at least ten (10) years' experience in performing environmental audits of real property in San Mateo County and shall be paid by the party choosing such expert. The failure of either party to appoint an environmental expert within the time allowed shall be deemed equivalent to appointing the environmental expert appointed by the other party, who shall then determine whether the requirement in question is commercially reasonable. The two (2) environmental experts shall then each prepare a written proposal of what a commercially reasonable environmental requirement for the activity in question. If the two (2) environmental experts are unable to agree on whether the requirement in question is

commercially reasonable, or, in lieu thereof, to come to agreement on a commercially reasonable environmental requirement for the issue in question, within fifteen (15) business days of their appointment, the two designated environmental experts shall jointly designate a third similarly qualified environmental expert. The third environmental expert shall within ten (10) business days following its appointment, then determine which of the two environmental experts' determinations most closely reflects an appropriate, commercially reasonable requirement with respect to the Hazardous Materials issue in question. The third environmental expert shall have no rights to adjust, amend or otherwise alter the determinations made by the environmental experts selected by the parties, but must select one or the other of such experts' submissions. The determination by such third environmental expert shall be final and binding upon the parties. Said third environmental expert shall, upon selecting the determination, concurrently notify both parties hereto. The parties shall share the expenses of the third environmental expert equally.

(vi) Survival. Sublessee's obligations pursuant to this Paragraph 37.B. shall survive the expiration or earlier termination of this Sublease.

38. Surrender if No Future Lease. If for any reason Sublessee is not entitled to continue to occupy the Subleased Premises pursuant to the Future Lease, upon the expiration or earlier termination of this Sublease, Sublessee shall surrender the Subleased Premises to Sublessor in the condition required by Section 17.09(a) of the Master Lease and shall remove any alterations or improvements (including the Sublessee Improvements) if required to do so pursuant to Paragraph 14.C. above.

39. Right to Make Building Repairs. Pursuant to Section 6.01(b) of the Master Lease, Sublessor has a right to perform repairs required to be made by Master Lessor if Master Lessor defaults with respect to such obligations, and to be reimbursed, together with interest thereon, for the cost of such repairs. Upon prior written notice to Sublessor, Sublessee shall have the right to exercise the rights set forth in Section 6.01(b) in strict accordance therewith. If Sublessee does not timely meet the requirements of Section 6.01(b), or if Master Lessor does not comply with Section 6.01(b), Sublessor shall have no liability to Sublessee with respect thereto other than the obligation set forth in Paragraph 24.A.(iv) above.

40. Right to Contest Property Taxes. Pursuant to Section 9.04 of the Master Lease, Sublessor has a right to seek a reduction in the assessed valuation of the Subleased Premises or to contest any real property taxes to be paid by Sublessor with respect to the Subleased Premises. Upon prior written notice to Sublessor, Sublessee shall have the right to exercise the rights set forth in Section 9.04 in strict accordance therewith. If Sublessee does not timely meet the requirements of Section 9.04, or if Master Lessor does not comply with Section 9.04, Sublessor shall have no liability to Sublessee or with respect thereto other than the obligation set forth in Paragraph 24.A.(iv) above, and Sublessee shall indemnify Sublessor for any liability Sublessor incurs as a result of Sublessee's failure to comply with the provisions of Section 9.04 of the Master Lease.

41. Security for Sublessor's Performance.

A. Events Necessitating the Posting of a Deficiency Letter of Credit. Sublessor shall deliver to Sublessee a letter of credit, in the form described in Paragraph 41.B. below, in the amount of Three Million and No/100 Dollars (\$3,000,000.00) ("Deficiency Letter of Credit"), upon the occurrence of either of the following:

(1) If at any time following the second anniversary of the Commencement Date, Sublessor's average cash on hand for any six (6)- month period, as displayed in Sublessor's 10-K and 10-Q, drops below One Hundred Million and No/100 Dollars (\$100,000,000.00) (a "Cash Deficiency Event"), Sublessee shall provide Sublessor with written notice that a Cash Deficiency Event has occurred. Within

thirty (30) days after Sublessor receives any such notice from Sublessee (a "Cash Deficiency Notice"), Sublessor shall deliver to Sublessee the Deficiency Letter of Credit, provided that a Cash Deficiency Event has occurred, or

(2) If, at any time during the Term, Sublessor fails to pay Base Rent under the Master Lease when due, Master Lessor has made an unconditional demand ("Master Lessor Base Rent Demand") upon either Sublessor or Sublessee for payment of such Base Rent, and Sublessor fails to pay the Base Rent at issue within five (5) business days after the date of Master Lessor's Base Rent Demand ("Event of Sublessor's Default"), within thirty (30) days following such Event of Sublessor's Default Sublessor shall deliver to Sublessee the Deficiency Letter of Credit.

B. Terms of the Deficiency Letter of Credit. The Deficiency Letter of Credit shall be issued by a bank, selected by Sublessor and reasonably acceptable to Sublessee, that accepts deposits, maintains accounts, has an office in the San Francisco Bay Area, and that will negotiate a letter of credit, the deposits of which must be insured by the Federal Deposit Insurance Corporation ("Issuer"). Sublessor shall pay all expenses, points or fees incurred to obtain and maintain the Deficiency Letter of Credit, including, without limitation, all costs or fees charged by the Issuer in connection with a draw against a Deficiency Letter of Credit. The Deficiency Letter of Credit shall provide that, once per calendar month during the term of the Letter of Credit, drafts will be honored, up to the amount of the difference between the Monthly Base Rent payable by Sublessee under this Sublease and the monthly Base Rent payable by Sublessor under the Master Lease, together with any applicable late charges payable by Sublessor under the Master Lease for such month ("Monthly Base Rent Differential") (plus any costs imposed by the Issuer in connection with the draw), on sight if accompanied by a statement on Sublessee's company letterhead signed by an officer of Sublessee asserting that (i) under Section 12.01(b) of the Master Lease, Sublessor has not paid the Base Rent due under the Master Lease when due and such failure has continued for four (4) business days after written notice thereof from Master Lessor, and that Master Lessor has made a Master Lessor Base Rent Demand upon either Sublessor or Sublessee for the payment of such Base Rent, and (ii) Sublessee is entitled to draw the amount requested from the Deficiency Letter of Credit Issuer pursuant to Paragraph 41 of this Sublease and that such requested amount does not exceed the Monthly Base Rent Differential for such month (plus any costs imposed by Issuer in connection with the draw). In addition, the Deficiency Letter of Credit shall provide that the term of the Letter of Credit ("Letter of Credit Term") will expire upon the earlier to occur of (y) the date that is thirty (30) days after the expiration or earlier termination of this Sublease, and (z) the date that the Issuer receives a statement signed by an officer of Sublessor asserting that a Permitted Termination Event (defined below) or a Restricted Assignment (defined below) has occurred. During the Letter of Credit Term, any Deficiency Letter of Credit shall be automatically renewable on an annual basis, and for thirty (30) days following the expiration of the Letter of Credit Term.

Notwithstanding anything to the contrary contained in this Paragraph 41.B., if Sublessor fails to renew or replace the Deficiency Letter of Credit at least thirty (30) days prior to its expiration, Sublessee may, without prejudice to any other remedy it has, upon five (5) business days' written notice to Sublessor, and provided Sublessor does not renew or replace such Deficiency Letter of Credit during such period, draw on all of the Deficiency Letter of Credit and such drawn amount shall be held by Sublessee solely to pay the Monthly Base Rent Differential in the amounts and at the times otherwise permitted by this Paragraph; provided, however, Sublessee must certify to Sublessor each of the items described in subsections (i)-(ii) above of this Paragraph 41.B. before Sublessee may, in any calendar month, disburse any payments from such drawn amount, and all amounts so drawn from the Deficiency Letter of Credit (less any amounts disbursed to Sublessee in accordance with the provisions of this sentence) shall be immediately refunded to Sublessor upon Sublessor's replacement or renewal of such Deficiency Letter of Credit. If there is a termination of the Master Lease for any reason other than Sublessor's uncured default under the Master Lease, such event shall

be a "Permitted Termination Event" and shall terminate the Deficiency Letter of Credit automatically. If the Sublease or Sublessee's interest in the Subleased Premises is assigned other than to a Sublessee Affiliate, or if Sublessee attempts to transfer the Deficiency Letter of Credit other than to a Sublessee Affiliate, either of such events shall be a "Restricted Assignment" and shall terminate the Deficiency Letter of Credit automatically. Sublessee shall notify Sublessor at least ten (10) days in advance of a transfer to a Sublessee Affiliate, unless such notification is restricted by the regulations or requirements of the Securities and Exchange Commission, in which event such notification shall be made promptly following the date of such transfer.

C. Rights and Obligations of the Parties. If, in any calendar month during the Letter of Credit Term, Sublessor has not paid the Base Rent due under the Master Lease when due, Master Lessor has made a Master Lessor Base Rent Demand upon either Sublessor or Sublessee for the payment of such Base Rent, and Sublessor fails to pay the Base Rent at issue within three (3) business days after the date of the Master Lessor Base Rent Demand, then Sublessee, at its option, may draw from the Deficiency Letter of Credit an amount of cash that in no event exceeds the Monthly Base Rent Differential for the applicable calendar month (plus costs imposed by the issuer in connection with the draw), and shall pay all such drawn amounts to Master Lessor within five (5)- business days after any such draw. In the alternative, within such five (5)- business day period, Sublessee may deliver to Sublessor written evidence certified by an officer of Sublessee and otherwise reasonably acceptable to Sublessor ("Payment Notice") that Sublessee has paid Sublessor's full Monthly Base Rent Differential to Master Lessor for such calendar month, together with a statement that Sublessee will retain the Monthly Base Rent Differential (together with the issuer's costs) as reimbursement for that portion of Sublessee's payment allocable to the Monthly Base Rent Differential and costs. In the event Sublessee either fails to pay any such amounts to Master Lessor within such period or to provide Sublessor with the Payment Notice (a "Payment Default"), the Deficiency Letter of Credit shall automatically terminate. Notwithstanding anything to the contrary contained in this Sublease, in the event Sublessee draws on the Deficiency Letter of Credit due to a Monthly Base Rent Differential for any calendar month, Sublessee agrees that Sublessor shall be forever released from all obligations and liabilities under this Sublease relating to Sublessor's obligation hereunder to pay the Base Rent due for such particular calendar month under the Master Lease. Also notwithstanding anything in this Sublease to the contrary, Sublessor shall have the right, from time to time during the Letter of Credit Term, but not more than once each calendar year during the Letter of Credit Term and upon no less than ten (10) days' prior written notice to Sublessee, to replace Deficiency Letter of Credit with a replacement letter of credit meeting all of the terms and conditions set forth in this Paragraph. Sublessee shall return the Deficiency Letter of Credit (or any unapplied proceeds thereof) to Sublessor, or shall cause the Issuer to cancel the Deficiency Letter of Credit, within thirty (30) days following the expiration or termination of the Letter of Credit Term.

D. Termination of Master Lease. In the event of a termination of the Master Lease due solely to a default, beyond applicable notice and cure periods, by Sublessor thereunder, and not as a result of any fault of Sublessee, Sublessee shall have the right at its option, and without prejudice to any other remedy which Sublessee may have, to draw on all of the Deficiency Letter of Credit and retain such proceeds.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Sublease on the day and year first above written.

SUBLESSEE:

PDL BIOPHARMA, INC.,
a Delaware corporation

By: /s/ Mark McDade
Mark McDade
Title: Chief Executive Officer

By: _____
Title: _____

Address: 34801 Campus Drive
Fremont, CA 94555
Attn: Laurie Torres

Telephone: (510) 574-1400

SUBLESSOR:

OPENWAVE SYSTEMS INC.,
a Delaware corporation

By: /s/ Gregory Wrenn
Title: SVP & General Counsel

Address: 2100 Seaport Boulevard
Redwood City, CA 94063
Attn: Real Estate Department

Telephone: (650) 480-8000

EXHIBIT "A"
MASTER LEASE

TRIPLE NET BUILDING LEASE

Between
PACIFIC SHORES CENTER LLC,
as
LESSOR

and

PHONE.COM, INC.
a California corporation
as
LESSEE

for

PREMISES
At
Pacific Shores Center
Building 9
Redwood City, California

ARTICLE I
PARTIES

Section 1.01. Parties. This Lease, dated for reference purposes, and effective as of February 4, 2000, is made by and between PACIFIC SHORES CENTER LLC, or assignee (provided that such assignee is an entity controlled or managed, directly by Jay Paul) ("Lessor") and PHONE.COM, INC., a California corporation ("Lessee").

ARTICLE II
PREMISES

Section 2.01. Demise of Premises. Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the terms and conditions set forth herein, Premises consisting of one building ("Building") of ten free standing, office and research and development buildings ("Buildings") to be constructed by Lessor on real property situated in Redwood City, County of San Mateo, State of California and commonly known as Pacific Shores Center which Lessor is in the process of acquiring (the "Property"). The Building will be five stories tall and will consist of approximately two hundred seventy-nine thousand five hundred eighty-four (279,584) rentable square feet, as more particularly described and depicted herein in Exhibit "A." The actual rentable square footage of the Building (the "Rentable Area") will be determined and certified by Lessor's architect by a method described as "dripline," whereby the measurement encompasses the outermost perimeter of the constructed building, including every projection thereof and all area beneath each such projection, whether or not enclosed, with no deduction for any inward deviation of structure and with the measurement being made floor by floor, beginning from the top of the Building provided that, Lessee shall have the right, to be exercised prior to Commencement Date, to measure the "as-built" Building to confirm that the aforesaid dripline methodology was accurately utilized by Lessor's architect. The Buildings and appurtenances described herein, the Property, and all other improvements to be built on the Property are together designated as the "Project." The Building leased hereunder is commonly known as Building 9 - Pacific Shores Center, Redwood City, California and its appurtenances described herein are herein designated as the "Premises."

Section 2.02. Common Area. During the Lease Term, Lessee shall have the non-exclusive right to use the Common Area defined herein. Lessor reserves the right to modify the Common Area, including reducing the size or changing the use, configuration and elements thereof in its sole discretion and to close or restrict access from time to time for repair, maintenance or to prevent a dedication thereof, provided that Lessee nonetheless shall have access to parking and the Premises during such activities and, provided further, that Lessor will continue to maintain the baseball and soccer fields and the amenities/athletic facility or replacement items of like kind for so long as Lessor is legally able to do so during the Lease Term. Lessor further reserves the right to establish, repeal and amend from time to time rules and regulations for the use of the Common Area (provided that, to the extent that any conflict between any new Rules and Regulations and this Lease (including the Rules and Regulations attached hereto as Exhibit "L") would materially and adversely affect Lessee's use of the Premises, this Lease shall govern, and to grant reciprocal easements or other rights to use the Common Area to owners of other property. "Common Area" includes, without limitation,

landscaping, sidewalks, walkways, driveways, curbs, parking lots (including striping), sprinkler systems, lighting, surface water drainage systems and amenities/athletic facility, as well as baseball and soccer fields, and, to the extent required by government authorities having jurisdiction over Lessor's development of the Project, a waterfront park, perimeter walking/biking trail, amphitheater, marine life resource center, retreat and conference center, child care center and such further portions of the Project or additional or different facilities as Lessor may from time to time designate or install or make available for the use by Tenant in common with others.

Section 2.03. Parking. Lessor shall provide Lessee with parking spaces within the Common Area in the ratio to space within the Building as required by law which is three (3) spaces per one thousand (1,000) square feet of interior space. In the event Lessor elects or is required by any law to limit or control parking at the Premises, whether by validation of parking tickets or any other method of assessment, Lessee agrees to participate in such validation or assessment program under such reasonable rules and regulations as are from time to time established by Lessor. Said parking shall be provided at no additional cost except as expressly provided herein in Article VI for reimbursement of repair, replacement and maintenance, and except for any governmental or public authority charges, fees or impositions of any nature hereafter imposed.

Section 2.04. Construction.

(a) Government Approvals. Lessor shall diligently pursue obtaining governmental approval of a Site Plan and Buildings design and elevations with respect to the development of the Premises, copies of which are attached hereto as Exhibit "A." The parties acknowledge and agree that the final footprint and elevations of the Buildings may vary from those attached as Exhibit "A" because the plans and specifications will undergo a plancheck process with the City of Redwood City and Lessor will make such revisions as are required or are otherwise deemed necessary or appropriate by Lessor, provided however, that nothing herein shall be deemed to relieve Lessor from the duty to develop the Building substantially in compliance with Exhibit "A," and further provided that all revisions to the plans and specifications which may materially and adversely affect the use, accessibility, safety or design of the Premises shall be subject to the review and (unless imposed by law or any governmental agency) consent of Lessee, which shall not be unreasonably withheld, conditioned or delayed, provided further that any delay to the construction schedule caused by such review and giving or withholding of consent shall be Lessee Delay.

(b) Construction of Shell Buildings. Lessor, utilizing Rudolph & Sletten (or such alternate as Lessor in its sole discretion may select) as general contractor ("General Contractor"), shall construct the "Building Shell" (as defined in the attached Exhibit "D") in accordance with (i) plans and specifications to be attached as Exhibit "B" and (ii) all existing applicable municipal, local, state and federal laws, statutes, rules, regulations and ordinances. Lessor shall pay all costs of constructing the Building Shell.

(c) Construction of Tenant Improvements. All improvements not included within the scope of the Building Shell shall be deemed "Tenant Improvements." Lessor, using the General

Contractor, shall construct the Tenant Improvements and shall contribute the Tenant Improvement Allowance towards the payment of same and Lessee shall pay all costs associated with same in excess of the Tenant Improvement Allowance. Notwithstanding the foregoing, Lessee may select a general contractor other than Lessor's General Contractor to construct the Tenant Improvements by giving written notice to Lessor on or before April 1, 2000, provided that (i) such general contractor has sufficient financial strength and experience in constructing first class quality improvements of the type to be constructed in the Premises to reasonably satisfy Lessor and any lender whose loan is secured by the Project or any part thereof and, (ii) Lessee agrees in such notice that the Tenant Improvements identified on Exhibit N hereto as "Early Construction Improvements" shall be constructed by Lessor's General Contractor to facilitate construction of the balance of the Tenant Improvements by the Lessee selected general contractor (that the Early Construction Improvements shall retain concurrent status as Tenant Improvements, the cost of which is to be charged to the Tenant Improvement Allowance), and (iii) such general contractor is ready, willing and able and agrees to construct the Tenant Improvements in accordance with Lessor's General Contractor's construction schedule, and (iv) any failure by such Lessee selected general contractor to construct the Tenant Improvements in accordance with Lessor's General Contractor's construction schedule shall be Lessee Delay. If Lessor's General Contractor constructs the Tenant Improvements, or if Lessee selects a general contractor other than Lessor's General Contractor, but Lessor's General Contractor nonetheless contracts with Lessor to construct the "Early Construction Improvements," in each case the contract shall be a guaranteed maximum price contract based upon the successful bids of subcontractors and/or negotiated prices as provided in Section 2.04(f). The total compensation to the General Contractor under such contract shall be equal to a contractor's fee not to exceed an amount equal to 2.5% of the contract (provided that a contractor's fee shall not be payable for change orders required due to coordination errors caused by the General Contractor or any of its subcontractors) and an amount not to exceed an amount equal to 2¹/₂% of the contract for general conditions plus an amount equal to .75% of the contract for insurance.

(d) Tenant Improvement Plans and Cost Estimate. Lessee shall work with Lessor's architect to develop interior schematic drawings and Lessee shall approve final interior schematic drawings for the Tenant Improvements no later than June 6, 2000. Lessee shall work with Lessor's architect to develop working drawings outlining, among other things, Lessee's wall layout, detailed electrical and air conditioning requirements and finishes ("Working Drawings") and Lessee shall approve final Working Drawings on or before July 15, 2000. The cost of the interior schematic drawings and Working Drawings shall be a Tenant Improvement cost paid by Lessee. Based on this information, Lessee shall cause the General Contractor to prepare and deliver to Lessee a budget for the Tenant Improvements ("Budget"). Lessee shall approve the Budget (or modify the same with Lessor's consent), in writing, within fourteen (14) days thereafter. The Working Drawings and Budget must be approved by Lessor and Lessee (neither of whom shall unreasonably withhold or delay such consent) in writing and must provide for Tenant Improvements of quality equal to or greater than the Interior Specifications Standards set forth in Exhibit "C" and must encompass the buildout of the entire Premises. Once the Budget is approved, Lessor shall enter into a guaranteed maximum price ("GMP") contract with the General Contractor for the construction of the Tenant Improvements, and any additional costs for Tenant Improvements in excess of the GMP contract shall be Lessor's responsibility except for Lessee initiated change orders which shall be Lessee's responsibility.

(e) Cost Responsibilities. Attached as Exhibit "C" to this Lease is a Work Letter Agreement for Tenant Improvements, and Exhibit "D," Cost Responsibilities of Lessor and Lessee, which together with this Section 2.04, describe the planning and payment responsibilities of the Lessor and Lessee with respect to the construction of the Shell Building and Tenant Improvements at the Premises. All approved Tenant Improvements shall be constructed in accordance with a construction schedule approved by Lessor.

(f) Tenant Improvement Allowance. Lessor shall provide to Lessee a semi-improved "cold" shell facility as described in Exhibit "D" attached and a Tenant Improvement Allowance of \$27.50 per square foot to be used for the Tenant Improvements outlined in Exhibit "D," all as outlined in the Tenant Improvement Work Letter attached as Exhibit "C." Subcontracts for all Tenant Improvement Work shall be obtained by a sealed competitive bid process (involving at least two qualified bidders) wherever practical and as to work done without such process, Lessor or the General Contractor shall provide reasonable assurance to Lessee that the cost and expense of same is competitive in the industry for first-class workmanship and materials.

(g) Payment for Tenant Improvements. Within five (5) business days after the Budget is approved by Lessor and Lessee, Lessee shall deposit Lessee's share of the amount budgeted for the first three (3) months of the construction schedule (together with the cost of any Tenant Improvements already made), with Lessor's construction lender to be held in an escrow account. Until the Tenant Improvements are completed, Lessee shall deposit, on the first day of the third calendar month of the construction schedule, Lessee's share of the amount budgeted for the following three (3) months and on the first day of the sixth calendar month of the construction schedule Lessee's share of all remaining budgeted amounts. Lessee's share is the portion of the budgeted amount not paid from the Tenant Improvement Allowance as described in the following sentence. Said construction lender shall issue payments from said account pursuant to the construction contract for the Tenant Improvements with a portion of each payment being taken from the Tenant Improvement Allowance (in the same ratio as the Tenant Improvement Allowance bears to the entire Budget total) and the balance being paid from Lessee's deposit, until the Tenant Improvement Allowance is exhausted, whereupon any remaining payments shall be made 100% by Lessee. Lessor shall manage the construction of the Tenant Improvements for a supervision fee of 4% of the Budget (as the same may change by agreement of the parties) due and payable in nine equal monthly installments beginning on the first day of the calendar month following the calendar month in which the Budget is first approved.

(h) Lessee's Fixturing Period. At least thirty (30) days prior to such date that is estimated by Lessor to be forty-five (45) days prior to the Commencement Date, Lessor shall notify Lessee of the date that is estimated to be forty-five (45) days prior to the Commencement Date. Lessor shall provide Lessee access to the Premises during the forty-five (45) day period prior to the estimated Commencement Date ("Lessee's Fixturing Period") for the purpose of installing furnishings and equipment, e.g. security system, furniture system and phone and data system, provided, that Lessee and Lessee's employees and contractors shall at all times avoid interfering with Lessor's ongoing work to bring the Premises to a substantially completed condition. Except for payment of Base Rent, all terms and provisions of this Lease shall apply during Lessee's Fixturing Period, including, without limitation, Lessee's indemnity and other obligations set forth in Sections 7.07., 7.08. and 17.22. hereof.

(i) Construction of Offsite and Onsite Improvements. In addition to the Building Shell and Tenant Improvements, and concurrently with its construction schedule Lessor shall construct both offsite and onsite improvements required as a condition to the Certificate of Occupancy for the Building which are (i) (onsite) shoreline park, baseball field, soccer field and an amenities/athletic facility, and (ii) (offsite) Seaport Boulevard improvements and deep water slough restoration.

(j) Lessee Termination Rights. In the event that either (i) Lessor is not the fee owner of the Property on or before April 1, 2000, or (ii) Lessor has not presented Lessee with reasonable evidence on or before June 1, 2000, that it has closed a loan with one or more lenders and obtained financing in an amount sufficient to purchase the Property, to complete the construction of the Building Shell and all onsite and offsite improvements described in subparagraph (i) above, and to fund the Tenant Improvement Allowance, then Lessee shall have the right to terminate this Lease upon written notice to Lessor within sixty (60) days after either April 1, 2000 or June 15, 2000, as applicable. If Lessee terminates this Lease in accordance with this paragraph, neither party shall have any further rights or obligations hereunder.

ARTICLE III TERM

Section 3.01. Lease Term.

(a) Commencement Date. The term of this Lease ("Lease Term") shall be for twelve (12) years beginning on the earlier of (i) the first date on which Lessee occupies or conducts business at the Premises or (ii) the date on which a Certificate of Occupancy is issued affecting the Building and the Seaport Boulevard improvements, the baseball and soccer fields and the amenities/athletic facility have been substantially completed (the "Commencement Date") provided that, (A) for each day of delay by Lessee in failing to approve the interior schematic drawings or the Working Drawings when required under Section 2.04(d), or (B) for each day of delay by Lessee in failing to approve the Budget, in writing, within fourteen (14) days after delivery by the General Contractor as provided in Section 2.04(d), or (C) for each day of delay caused by any changes to the approved Working Drawings requested by Lessee, or (D) for each day that any other act or omission by Lessee causes the construction schedule for Tenant Improvements to be delayed provided that Lessor gives Lessee written notice of such Lessee Delay within five (5) business days after its occurrence (collectively "Lessee Delay"), the Commencement Date shall occur one (1) day in advance of the date of the Certificate of Occupancy for each such day of delay. For example, if seven (7) days of Lessee Delay causes the date of issuance of the Certificate of Occupancy to occur on April 8, 2001 rather than April 1, 2001, the Commencement Date shall be April 1, 2001 for all purposes, including payment of Base Rent and Additional Rent. The Lease Term shall expire, unless sooner terminated or extended as provided herein, on the date which completes twelve years after the Commencement Date occurs or is deemed to have occurred, e.g. if the date on which the Certificate of Occupancy is issued or deemed to be issued for the Building is April 1, 2001, the Lease Term shall expire on

March 31, 2013 and if that date is April 3, 2001, the Lease Term shall expire on April 2, 2013 (“Expiration Date”). The parties shall execute a “Memorandum of Commencement of Lease Term” when the Commencement Date becomes known, which shall include a certification of the actual Rentable Area of the Building determined by the methodology described in Section 2.01. and the actual monthly installments of Base Rent to be paid pursuant to Section 4.01., and shall be substantially in the form attached hereto as Exhibit “E.”

(b) Scheduled Commencement Date. Lessor shall use commercially reasonable efforts to cause the Certificate of Occupancy for the Building to be issued no later than April 1, 2001 (“Scheduled Commencement Date”). If a Certificate of Occupancy is not issued for the Building on or before the Scheduled Commencement Date, this failure shall not affect the validity of this Lease or the obligations of Lessee under it. If the Commencement Date is adjusted for delay from any cause, the Expiration Date shall be likewise adjusted for a like period.

(c) Termination in Event of Delay. If for any reason Lessor is unable to cause the issuance of a Certificate of Occupancy for the Building, on or before the date which is one hundred eighty (180) days after the Scheduled Commencement Date (for a reason other than Lessee Delay or delay excused under Section 20.01.), Lessee, at its sole election, may terminate this Lease upon giving notice within ten (10) days thereafter. Failure to give such notice within said time period constitutes an irrevocable waiver of the foregoing right to terminate under this Section 3.01(c).

Section 3.02. Option to Extend.

(a) Exercise. Lessee is given two (2) options to extend the Lease Term (“Option to Extend”), each for a five (5) year period (“Extended Term”) following the date on which the initial Lease Term of first Extended Term would otherwise expire, which option may be exercised only by written notice (“Option Notice”) from Lessee to Lessor given not less than twelve (12) months prior to the end of the initial Lease Term or the first Extended Term, as the case may be, (“Option Exercise Date”); provided, however, if Lessee is in material default under this Lease (beyond the expiration of any applicable notice period) on the Option Exercise Date or on any day thereafter on or before the last day of the initial Lease Term of the first Extended Term, the Option Notice shall be totally ineffective, and this Lease shall expire on the last day of the initial Lease Term or the first Extended Term, if not sooner terminated. The right of Lessee to exercise an Option to Extend shall not be affected by any sublease or assignment of this Lease previously entered into by Lessee pursuant to the provisions of this Lease.

(b) Extended Term Rent. In the event Lessee exercises its Option to Extend set forth herein, all the terms and conditions of this Lease shall continue to apply except that the Base Rent payable by Lessee during each Option Term shall be equal to one hundred percent (100%) of Fair Market Rent (defined below), as determined under subparagraph (c) below. “Fair Market Rent” shall mean the effective rate being charged (including periodic adjustments thereto as applicable during the period of the Extended Term), for comparable space in similar buildings in the vicinity, i.e. of a similar age and quality considering any recent renovations or modernization, and floor plate size or, if such comparable space is not available, adjustments shall be made in the determination of Fair Market Rent to reflect the age and quality of the Building and Premises

as contrasted to other buildings used for comparison purposes, with similar amenities, taking into consideration: size, location, floor level, leasehold improvements or allowances provided or to be provided, term of the lease, extent of services to be provided, the time that the particular rate under consideration became or is to become effective, and any other relevant terms or conditions applicable to both new and renewing tenants, but in no event less than the monthly Base Rent prevailing during the last year of the initial Lease Term or first Extended Term, as applicable.

(c) Determination of Fair Market Rent.

(i) Negotiation. If Lessee so exercises an Option to Extend in a timely manner, the parties shall then meet in good faith to negotiate the Base Rent for the Premises for the Extended Term, during the first thirty (30) days after the date of the delivery by Lessee of the Option Notice (the "Negotiation Period"). If, during the Negotiation Period, the parties agree on the Base Rent applicable to the Premises for the Extended Term, then such agreed amount shall be the Base Rent payable by Lessee during the Extended Term.

(ii) Arbitration. In the event that the parties are unable to agree on the Base Rent for the Premises within the Negotiation Period, then within ten (10) days after the expiration of the Negotiation Period, each party shall separately designate to the other in writing an appraiser to make this determination. Each appraiser designated shall be a member of MAI and shall have at least ten (10) years experience in appraising commercial real property, of similar quality and use as the Premises, in San Mateo County. The failure of either party to appoint an appraiser within the time allowed shall be deemed equivalent to appointing the appraiser appointed by the other party, who shall then determine the Fair Market Rent for the Premises for the Extended Term. Within five (5) business days of their appointment, the two designated appraisers shall jointly designate a third similarly qualified appraiser. Within thirty (30) days after their appointment, each of the two appointed appraisers shall submit to the third appraiser a sealed envelope containing such appointed appraiser's good faith determination of the Fair Market Rent for the Premises for the Extended Term; concurrently with such delivery, each such appraiser shall deliver a copy of his or her determination to the other appraiser. The third appraiser shall within ten (10) days following receipt of such submissions, then determine which of the two appraisers' determinations most closely reflects Fair Market Rent as defined above. The determination most closely reflecting the third appraiser's determination shall be deemed to be the Fair Market Rent for the Premises during the Extended Term; the third appraiser shall have no rights to adjust, amend or otherwise alter the determinations made by the appraiser selected by the parties, but must select one or the other of such appraisers' submissions. The determination by such third appraiser shall be final and binding upon the parties. Said third appraiser shall, upon selecting the determination which most closely resembles Fair Market Rent, concurrently notify both parties hereto. The Base Rent for the Extended Term in question shall be the determination so selected. The parties shall share the appraisal expenses equally. If the Extended Term begins prior to the determination of Fair Market Rent, Lessee shall pay monthly installments of Base Rent equal to one hundred ten percent (110%) of the monthly installment of Base Rent in effect for the last year of the initial Lease Term or the first Extended Term, as applicable, (in lieu of "holdover rent" payable under Section 17.09(b)). Once a determination is made, any over payment or under payment shall be reimbursed as a credit against, or paid by adding to, the monthly installment of Base Rent next falling due.

ARTICLE IV
RENT: TRIPLE NET LEASE

Section 4.01. Base Rent. Lessee shall pay to Lessor as Base Rent an initial monthly installment of Three Dollars and twenty-five Cents (\$3.25) per square foot of Rentable Area as determined under Section 2.01., in advance, on the first day of each calendar month of the Lease Term, commencing on the Commencement Date. Base Rent for any period during the Lease Term which is for less than one month shall be a pro rata portion of the monthly installment (based on the actual days in that month).

Section 4.02. Rent Adjustment. The Base Rent set forth in Section 4.01. above shall be adjusted upward by an annual compounded increase of three and five tenths percent (3.5%), as of the first day of the thirteenth (13th) full calendar month following the Commencement Date and as of the first day of every thirteenth (13th) calendar month thereafter during the Lease Term, as shown on Exhibit "E" attached hereto.

Section 4.03. First Payment of Base Rent. If the Commencement Date is other than the first day of a calendar month, the first installment of Base Rent shall be paid on the first day of the calendar month immediately succeeding the Commencement Date and shall include pro rata payment for the calendar month in which the Commencement Date occurs.

Section 4.04. Absolute Triple Net Lease. This Lease is what is commonly called a "Absolute Triple Net Lease," it being understood that Lessor shall receive the Base Rent set forth in Section 4.01. free and clear of any and all expenses, costs, impositions, taxes, assessments, liens or charges of any nature whatsoever. Lessee shall pay all rent in lawful money of the United States of America to Lessor at the notice address stated herein or to such other persons or at such other places as Lessor may designate in writing on or before the due date specified for same without prior demand, set-off or deduction of any nature whatsoever. It is the intention of the parties hereto that this Lease shall not be terminable for any reason by Lessee, and that except as herein expressly provided in Articles III, VIII and XIII, concerning delay, destruction and condemnation, Lessee shall in no event be entitled to any abatement of or reduction in rent payable under this Lease. Any present or future law to the contrary shall not alter this agreement of the parties.

Section 4.05. Additional Rent.

(a) Defined. In addition to the Base Rent reserved by Section 4.01., Lessee shall pay, as Additional Rent, all taxes, assessments, fees and other impositions in accordance with the provisions of Article IX, insurance premiums in accordance with the provisions of Article VII, operating charges, and Common Area facility use privilege charges with respect to the amenities/athletic facility (in lieu of any separate use charge to Lessee's employees who use said facility the baseball and soccer fields) as well as, maintenance, repair and replacement costs and expenses, utility charges, and other costs and charges allocable to the Common Area and the Common Area facilities and the Outside Areas of the Premises, all in accordance with the provisions of Article VI and any other charges, costs and expenses (including appropriate

reserves therefor) which are contemplated or which may arise under any provision of this Lease during the Lease Term, plus a Management Fee to Lessor equal to 4% of the Base Rent. The Management Fee is due and payable, in advance, with each installment of Base Rent. All of such charges, costs, expenses, Management Fee and all other amounts payable by Lessee hereunder, shall constitute Additional Rent, and upon the failure of Lessee to pay any of such charges, costs or expenses, Lessor shall have the same rights and remedies as otherwise provided in this Lease for the failure of Lessee to pay Base Rent. To the extent any of the aforesaid amounts are fairly allocable to the Common Area or to other portions of the Project, Lessee's obligation is to pay only its proportionate share as determined by Lessor based upon the ratio of the Rentable Area of the Premises to the Rentable Area of other office and research and development buildings at the Project that have been approved for development which share is presently determined to be seventeen percent (17%).

(b) Payment. To the extent not paid pursuant to other provisions of this Lease, and at Lessor's sole election, Lessor may submit invoices and Lessee shall pay Lessee's share of Additional Rent in monthly installments on the first day of each month in advance in an amount to be estimated by Lessor, based on Lessor's experience in managing office/research and development projects. Within ninety (90) days following the end of the period used by Lessor in estimating Additional Rent, Lessor shall furnish to Lessee a statement (hereinafter referred to as "Lessor's Statement") of the actual amount of Lessee's proportionate share of such Additional Rent for such period. Within fifteen (15) days thereafter, Lessee shall pay to Lessor, as Additional Rent, or Lessor shall remit or credit to Lessee, as the case may be, the difference between the estimated amounts paid by Lessee and the actual amount of Lessee's Additional Rent for such period as shown by such statement. Monthly installments for the ensuing year shall be adjusted upward or downward as set forth in Lessor's Statement.

Section 4.06. Security Deposit. Within two (2) business days after the first date when Lessor is both the fee owner of the Property and has obtained financing in an amount sufficient both to purchase the Property and to complete the construction of the Building Shell, the offsite and offsite improvements described in subsection 2.04(j) and to fund the Tenant Improvement Allowance, Lessee shall deposit with Lessor a Security Deposit equal to eighteen (18) month's of Base Rent in the amount of Sixteen Million, Five Hundred Forty Five Thousand Dollars and no Cents (\$16,545,000) in the form of cash or an unconditional, irrevocable letter of credit without documents, i.e. no obligation on Lessor's part to present anything but a sight draft, with Lessor as beneficiary and providing for payment in San Francisco on presentation of Lessee's drafts on sight and drawable in whole or in part San Francisco and otherwise from a bank and in a form acceptable to Lessor (the "Security Deposit"). The Security Deposit shall be held by Lessor as security for the faithful performance by Lessee of all of the terms, covenants, and conditions of this Lease applicable to Lessee. If Lessee defaults with respect to any provision of this Lease, including but not limited to the provisions relating to the condition of the Premises upon Lease Termination, Lessor may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any amount which Lessor may spend by reason of Lessee's default or to compensate Lessor for any loss or damage which Lessor may suffer by reason of Lessee's default. If any portion of the Security Deposit is so used or applied, Lessee shall, within ten days after written demand therefor, deposit cash (or a replacement Letter of Credit in form and substance subject to the same requirements as the original Letter of Credit)

with Lessor in an amount sufficient to restore the Security Deposit to its original amount. Lessee's failure to do so shall be a Default by Lessee. The rights of Lessor pursuant to this Section 4.06. are in addition to any rights which Lessor may have pursuant to Article 12 below. If Lessee fully and faithfully performs every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned (without interest) to Lessee (or, at Lessor's option, to the last assignee of Lessee's interests hereunder) at Lease expiration or termination and after Lessee has vacated the Premises. Lessor shall not be required to keep the Security Deposit separate from Lessor's general funds or be deemed a trustee of same. If the Security Deposit is in whole or in part in the form of a Letter of Credit, failure of Lessee to deliver a replacement Letter of Credit to Lessor at least forty-five (45) business days prior to the expiration date of any current Letter of Credit shall constitute a separate default entitling Lessor to draw down immediately and entirely on the current Letter of Credit and the proceeds shall constitute a cash Security Deposit.

Section 4.07. Lessee's Right to Review Supporting Data.

(1) Exercise of Right by Lessee. Provided that Lessee is not in default under this Lease and provided further that Lessee strictly complies with the provisions of this Paragraph, Lessee shall have the right to reasonably review supporting data for any portion of a Lessor's statement that Lessee claims is incorrect. In order for Lessee to exercise its right under this Paragraph, Lessee shall, within thirty (30) days after any such Lessor's statement is sent, deliver a written notice to Lessor specifying the portions of the Lessor's statement that are claimed to be incorrect, and Lessee shall simultaneously pay to Lessor all amounts due from Lessee to Lessor as specified in the Lessor's statement. Except as expressly set forth in subparagraph 3 below, in no event shall Lessee be entitled to withhold, deduct, or offset any monetary obligation of Lessee to Lessor under the Lease including, without limitation, Lessee's obligation to make all Base Rent payments and all payments for Additional Rent pending the completion of, and regardless of the results of, any review under this Paragraph. The right to review granted to Lessee under this Paragraph may only be exercised once for any Lessor's statement, and if Lessee fails to meet any of the above conditions as a prerequisite to the exercise of such right, the right of Lessee under this Paragraph for a particular Lessor's statement shall be deemed waived.

(2) Procedures for Review. Lessee acknowledges that Lessor maintains its records for the Building and Project at its offices in San Francisco, and Lessee therefore agrees that any review of supporting data under this Paragraph shall occur at such location. Any review to be conducted under this Paragraph shall be at the sole expense of Lessee and shall be conducted by an independent firm of certified public accountants of national standing. Lessee acknowledges and agrees that any supporting data reviewed under this Paragraph constitute confidential information of Lessor, which shall not be disclosed to anyone other than the accountants performing the review and the principals of Lessee who receive the results of the review. The disclosure of such information to any other person, whether or not caused by the conduct of Lessee, shall constitute a material breach of this Lease.

(3) Finding of Error. Any errors disclosed by the review of supporting data under this Paragraph shall be promptly corrected, provided that Lessor shall have the right to cause another review of the supporting data to be made by an independent firm of certified public

accountants of national standing. In the event of a disagreement between the two accounting firms, the review that discloses the least amount of deviation from the Lessor's statement shall be deemed to be correct and its review shall be final and binding on both Lessor and Lessee. If the results of the review of supporting data taking into account, if applicable, the results of any additional review caused by Lessor reveal that Lessee has overpaid obligations for a preceding period, the amount of such overpayment shall be credit against Lessee's subsequent installment obligations to pay its share of Additional Rent. In the event that such results show that Lessee has underpaid its obligations for a preceding period, the amount of such underpayment shall be paid by Lessee to Lessor with the next succeeding installment obligation of Additional Rent or, if the Lease has terminated, in cash within thirty (30) days after the determination of underpayment is delivered to Lessee. Each party shall pay the cost and expense of its chosen accounting firm.

(4) Effect of Lessee's Default. In the event that Lessee becomes in default of its obligations under this Lease at any time during the pendency of a review of records under this Paragraph, said right to review shall immediately cease and the matters originally set forth in the Lessor's statement shall be deemed to be correct.

ARTICLE V USE

Section 5.01. Permitted Use and Limitations on Use. The Premises shall be used and occupied only for office, research and development, together with such ancillary uses which do not cause excessive wear of the Premises or increase the potential liability of Lessor, and for no other use, without Lessor's prior written consent. Lessee shall not use, suffer or permit the use of the Premises in any manner that will tend to create waste, nuisance or unlawful acts. In no event shall it be unreasonable for Lessor to withhold its consent as to uses which it determines would tend to increase materially the wear of the Premises or any part thereof or increase the potential liability of Lessor or decrease the marketability, financability, leasability or value of the Premises. Lessee shall not do anything in or about the Premises which will (i) cause structural injury to the Building or Premises, or (ii) cause damage to any part of the Building except to the extent reasonably necessary for the installation of Lessee's trade fixtures and Lessee's Alterations, and then only in a manner which has been first approved by Lessor in writing. Lessee shall not operate any equipment within the Building or Premises which will (i) materially damage the Building or the Common Area, (ii) overload existing electrical systems or other mechanical equipment servicing the Building, (iii) impair the efficient operation of the sprinkler system or the heating, ventilating or air conditioning ("HVAC") equipment within or servicing the Building, or (iv) damage, overload or corrode the sanitary sewer system. Lessee shall not attach, hang or suspend anything from the ceiling, roof, walls or columns of the Building or set any load on the floor in excess of the load limits for which such items are designed nor operate hard wheel forklifts within the Premises. Any dust, fumes, or waste products generated by Lessee's use of the Premises shall be contained and disposed so that they do not (i) create an unreasonable fire or health hazard, (ii) damage the Premises, or (iii) result in the violation of any law. Except as approved by Lessor, Lessee shall not change the exterior of the Building, or install any equipment or fixtures on or make any penetrations of the exterior or roof of the Building, provided that Lessee may install rooftop antennae or other communication devices on the roof of the Building with Lessor's prior written consent which shall not be unreasonably

withheld or delayed. Lessee shall not conduct on any portion of the Premises any sale of any kind, including any public or private auction, fire sale, going-out-of-business sale, distress sale or other liquidation sale. No materials, supplies, tanks or containers, equipment, finished products or semifinished products, raw materials, inoperable vehicles or articles of any nature shall be stored upon or permitted to remain within the outside areas of the Premises except in fully fenced and screened areas outside the Building which have been designed for such purpose and have been approved in writing by Lessor for such use by Lessee.

Section 5.02. Compliance with Law.

(a) Lessor shall deliver the Premises to Lessee on the Commencement Date, for office use, free of violations of any covenants or restrictions of record, or any applicable law, building code, regulation or ordinance in effect on such Commencement Date, including without limitation, the Americans with Disability Act, and free of Year Two Thousand computer programming defects.

(b) Except as provided in paragraph 5.02.(a), Lessee shall, at Lessee's cost and expense, comply promptly with all statutes, ordinances, codes, rules, regulations, orders, covenants and restrictions of record, and requirements applicable to the Premises and Lessee's use and occupancy of same in effect during any part of the Lease Term, whether the same are presently foreseeable or not, and without regard to the cost or expense of compliance.

(c) By executing this Lease, Lessee acknowledges that it has reviewed and satisfied itself as to its compliance, or intended compliance with the applicable zoning and permit laws, hazardous materials and waste requirements, and all other statutes, laws, or ordinances relevant to the uses stated in Section 5.01., above, provided that Lessor represents that the Premises, when certified for occupancy, may legally be used for general office purposes.

Section 5.03. Condition of Premises at Commencement Date. Subject to all of the terms of this Lease for the construction of Tenant Improvements. Lessor shall deliver the Building to Lessee on the Commencement Date with the Building plumbing, lighting, heating, ventilating, air conditioning, gas, electrical, and sprinkler systems and loading doors as set forth in Exhibit "D" in proper operating condition and built substantially in accordance with the approved plans therefor, and in a workmanlike manner. Except as otherwise provided in this Lease, Lessee hereby accepts the Premises in their condition existing as of the Commencement Date, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use and condition of the Premises, and any covenants or restrictions, liens, encumbrances and title exceptions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that neither Lessor nor any agent of Lessor has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Lessee's business.

Section 5.04. Defective Condition at Commencement Date. In the event -that it is determined, and Lessee notifies Lessor in writing within one year after the Commencement Date, that any of the obligations of Lessor set forth in Section 5.02.(a) or Section 5.03.(a) were not performed, then it shall be the obligation of Lessor, and the sole right and remedy of Lessee,

after receipt of written notice from Lessee setting forth with specificity the nature of the failed performance, to promptly, within a reasonable time and at Lessor's sole cost, correct same. Except as to defects which remain Lessor's responsibility under Section 6.01(b), Lessee's failure to give such written notice to Lessor within one year after the Commencement Date shall constitute a conclusive presumption that Lessor has complied with all of Lessor's obligations under the foregoing sections 5.02. and 5.03., and any required correction after that date shall be performed by Lessee, at its sole cost and expense. At the end of the first year of the Lease Term, Lessor shall promptly assign to Lessee all of Lessor's contractor's, and/or manufacturer's guarantees, warranties, and causes of action which do not relate to Lessor's obligations under Section 6.01(b).

Section 5.05. Building Security. Lessee acknowledges and agrees that it assumes sole responsibility for security at the Premises for its agents, employees, invitees, licensees, contractors, guests and visitors and will provide such systems and personnel for same including, without limitation, that portion of the Common Area located on the legal parcel which the Building is located as it deems necessary or appropriate and at its sole cost and expense. Lessee acknowledges and agrees that Lessor does not intend to provide any security system or security personnel at the Premises or Project, including, without limitation, at the Common Areas provided, however, that nothing herein shall be deemed to prevent Lessor from providing such system or personnel in the future, the cost of which will be included in those items for which Lessee pays Additional Rent.

Section 5.06. Rules and Regulations. Lessor may from time to time promulgate reasonable and nondiscriminatory rules and regulations applicable for the care and orderly management of the Premises. Such rules and regulations shall be binding upon Lessor upon delivery of a copy thereof to Lessor, and Lessor agrees to abide by such rules and regulations. A copy of the initial Rules and Regulations is attached hereto as Exhibit "L." If there is a conflict between the rules and regulations and any of the provisions of this Lease, the provisions of this Lease shall prevail. Lessor shall not be responsible for the violation of any such rules and regulations by any person, including, without limitation, Lessee or its employees, agents, invitees, licensees, guests, visitors or contractors.

ARTICLE VI MAINTENANCE, REPAIRS AND ALTERATIONS

Section 6.01. Maintenance of Premises.

(a) Throughout the Lease Term, Lessee, at its sole cost and expense, shall keep, maintain, repair and replace the Premises (except as provided in 6.01.(b)) and all improvements and appurtenances in or serving the Premises, including, without limitation, all interior and exterior walls, all doors and windows, the roof membrane, all elevators and stairways, all wall surfaces and floor coverings, all Tenant Improvements and alterations, additions and improvements installed during the Lease Term, all sewer, plumbing, electrical, lighting, heating, ventilation and cooling systems, fire sprinklers, fire safety and security systems, fixture and appliances and all wiring and glazing, in the same good order, condition and repair as they are in on the Commencement Date, or may be put in during the Lease Term, reasonable wear excepted, provided that wear which could be prevented by first class maintenance shall not be deemed reasonable.

(b) Lessor, at its sole cost and expense, shall repair defects in the Building Shell, including, exterior walls (including all exterior glass which is damaged by structural defects in such exterior walls), floors installed as part of the Building Shell, supporting pillars, structural walls, roof structure and foundations of the Building and sewer and plumbing systems outside the Building as well as any defects in the offsite and onsite improvements listed in Section 2.04(i), provided that the need for repair is not caused by Lessee, in which event Lessor shall repair same, at Lessee's sole cost and expense (to the extent not insured) and Lessee shall reimburse Lessor for same upon demand. Lessor shall replace the roof membrane of the Building, the parking lot surface, landscaping, drainage, irrigation, sprinkler and sewer and plumbing systems outside the Building systems when the useful life of each has expired, and Lessee shall pay that portion of the cost of each replacement, together with annual interest at the Agreed Rate which shall be amortized over the useful life of each such replacement applicable to the balance of the Lease Term, in equal monthly installments due and payable with installments of Base Rent provided that as to repairs and replacements within the Common Area, Lessee shall pay its proportionate share. Lessee shall give Lessor written notice of any need of repairs which are the obligation of Lessor hereunder and Lessor shall have a reasonable time to perform same. Should Lessor default as provided in Section 12.03 with respect to its obligation to make any of the repairs assumed by it hereunder with respect to the Building, Lessee shall have the right to perform such repairs and Lessor agrees that within thirty (30) days after written demand accompanied by detailed invoice(s), it shall pay to Lessee the cost of any such repairs together with accrued interest from the date of Lessee's payment at the Agreed Rate. Lessor shall not be liable to Lessee, its employees, invitees, or licensees for any damage to person or property, and Lessee's sole right and remedy shall be the performance of said repairs by Lessee with right of reimbursement from Lessor of the reasonable fair market cost of said repairs, not exceeding the sum actually expended by Lessee, together with accrued interest from the date of Lessee's payment at the Agreed Rate, provided that nothing herein shall be deemed to create a right of setoff or withholding by Lessee of Base Rent or Additional Rent or any other amounts due herein. Lessee hereby expressly waives all rights under and benefits of Sections 1941 and 1942 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect to make repairs and offset the cost of same against rent or to withhold or delay any payment of rent or any other of its obligations hereunder as a result of any default by Lessor under this Section 6.01.(b).

(c) Lessee agrees to keep the Premises, both inside and out, clean and in sanitary condition as required by the health, sanitary and police ordinances and regulations of any political subdivision having jurisdiction and to remove all trash and debris which may be found in or around the Premises. Lessee further agrees to keep the interior surfaces of the Premises, including, without limitation, windows, floors, walls, doors, showcases and fixtures clean and neat in appearance.

(d) If Lessee refuses or neglects to commence such repairs and/or maintenance for which Lessee is responsible under this Article VI (including with respect to that portion of the Common Area located on the legal parcel on which the Building is located) within a thirty (30) day period

(or as soon as practical and in no event later than five (5) days, if the failure to initiate the repair threatens to cause further damage to the Premises) after written notice from Lessor and thereafter diligently prosecute the same to completion, then Lessor may (i) enter the Premises (except in an emergency, upon at least 24 hours advanced written notice) during Lessor's business hours and cause such repairs and/or maintenance to be made and shall not be responsible to Lessee for any loss or damage occasioned thereby and Lessee agrees that upon demand, it shall pay to Lessor the reasonable cost of any such repairs, not exceeding the sum actually expended by Lessor, together with accrued interest from the date of Lessor's payment at the Agreed Rate and (ii) elect to enter into a maintenance contract at a market rate for first-rate maintenance with a third party for the performance of all or a part of Lessee's maintenance obligations, whereupon, Lessee shall be relieved from its obligations to perform only those maintenance obligations covered by such maintenance contract, and Lessee shall bear the entire cost of such maintenance contract which shall be paid in advance, as Additional Rent, on a monthly basis with Lessee's Base Rent payments.

Section 6.02. Maintenance of Common Areas and Outside Areas. Subject to 6.01.(c) and subject to Lessee paying Lessee's share of the cost and expense for same pursuant to Section 4.05, Lessor shall maintain, repair and replace all landscape, hardscape and other improvements within the Common Areas and shall operate and manage the amenities/athletic facility and other Common Area features and facilities described in Section 2.02 and Lessor shall also maintain, repair and replace all landscape, hardscape and other improvements within the Outside Areas of the Premises ("Outside Areas"), including without limitation, walkways, driveways, parking areas and lighting and sprinkler systems.

Section 6.03. Alterations, Additions and Improvements. No alterations, additions, or improvements ("Alterations") shall be made to the Premises by Lessee without the prior written consent of Lessor which Lessor will not unreasonably withhold, provided, however, that Lessee may make Alterations which do not affect the Building systems, exterior appearance, structural components or structural integrity and which do not exceed collectively Seventy-five Thousand Dollars (\$75,000) in cost within any twelve (12) month period, without Lessor's prior written consent. As a condition to Lessor's obligation to consider any request for consent hereunder, Lessee shall pay Lessor upon demand for the reasonable costs and expenses of third party consultants, engineers, architects and others for reviewing plans and specifications and for monitoring the construction of any proposed Alterations. Lessor may require Lessee to remove any such Alterations at the expiration or termination of the Lease Term and to restore the Premises to their prior condition by written notice given on or before the earlier of (i) the expiration of the Lease Term or (ii) thirty (30) days after termination of the Lease or (iii) thirty (30) days after a written request from Lessee for such notice from Lessor provided, that, if Lessee requests same from Lessor, Lessor will notify Lessee within five (5) business days after receipt of Lessee's request and a copy of all plans and specifications for the proposed Alteration whether it will require removal. All Alterations to be made to the Premises shall be made under the supervision of a competent, California licensed architect and/or competent California licensed structural engineer (each of whom has been approved by Lessor) and shall be made in accordance with plans and specifications which have been furnished to and approved by Lessor in writing prior to commencement of work. All Alterations shall be designed, constructed and installed at the sole cost and expense of Lessee by California licensed architects, engineers, and

contractors approved by Lessor, in compliance with all applicable law, and in good and workmanlike manner. Any Alteration except furniture and trade fixtures, shall become the property of Lessor at the expiration, or sooner termination of the Lease, unless Lessor directs otherwise, provided that Lessee shall retain title to all furniture and trade fixtures placed on the Premises. All heating, lighting, electrical, air conditioning, full height partitioning (but not moveable, free standing cubicle-type partitions which do not extend to the ceiling or connect to Building walls), drapery and carpeting installations made by Lessee together with all property that has become an integral part of the Premises, shall be and become the property of Lessor upon the expiration, or sooner termination of the Lease, and shall not be deemed trade fixtures. Within thirty (30) days after completion of any Alteration, Lessee, Lessee shall provide Lessor with a complete set of "as built" plans for same.

Section 6.04. Covenant Against Liens. Lessee shall not allow any liens arising from any act or omission of Lessee to exist, attach to, be placed on, or encumber Lessor's or Lessee's interest in the Premises or Project, or any portion of either, by operation of law or otherwise. Lessee shall not suffer or permit any lien of mechanics, material suppliers, or others to be placed against the Premises or Project, or any portion of either, with respect to work or services performed or claimed to have been performed for Lessee or materials furnished or claimed to have been furnished to Lessee or the Premises. Lessor has the right at all times to post and keep posted on the Premises any notice that it considers necessary for protection from such liens. At least seven (7) days before beginning construction of any Alteration, Lessee shall give Lessor written notice of the expected commencement date of that construction to permit Lessor to post and record a notice of nonresponsibility. If any such lien attaches or Lessee received notice of any such lien, Lessee shall cause the lien to be immediately released and removed of record. Despite any other provision of this Lease, if the lien is not released and removed within twenty (20) days after Lessor delivers notice of the lien to Lessee, Lessor may immediately take all action necessary to release and remove the lien, without any duty to investigate the validity of it. All expenses (including reasonable attorney fees and the cost of any bond) incurred by Lessor in connection with a lien incurred by Lessee or its removal shall be considered Additional Rent under this Lease and be immediately due and payable by Lessee.

Section 6.05 Reimbursable Capital Expenditures. Except for items of capital expenditures, which are to be made at Lessor's sole cost and expense pursuant to the first sentence of Section 6.01(b) above, capital expenditures, together with interest thereon at the Agreed Rate, for any replacement item at the Premises made by Lessor in excess of Ten Thousand Dollars (\$10,000.00) during the Lease Term shall be amortized over the remaining Lease Term for the useful life of such replacement item within the numerator being the number of months remaining in the Lease Term and the denominator being the number of months of the "useful life" of the improvements. Lessee shall be obligated for such amortized portion of any such expenditure in equal monthly installments due and payable with each installment of Base Rent.

ARTICLE VII
INSURANCE

Section 7.01. Property/Rental Insurance for Premises: At all times during the Lease Term, Lessor shall keep the Premises insured against loss or damage by fire and those risks normally included in the term "all risk," including, without limitation, coverage for (i) earthquake and earthquake sprinkler leakage, (ii) flood, (iii) loss of rents and extra expense for eighteen (18) months, including scheduled rent increases, (iv) boiler and machinery, (v) Tenant Improvements and (vi) fire damage legal liability form, including waiver of subrogation. Any deductibles shall be paid by Lessee. The amount of such insurance shall not be less than 100% of replacement cost. Insurance shall include a Building Ordinance and Increased Cost of Construction Endorsement insuring the increased cost of reconstructing the Premises incurred due to the need to comply with applicable statutes, ordinances and requirements of all municipal, state and federal authorities now in force, which or may be in force hereafter. Any recovery received from said insurance policy shall be paid to Lessor and thereafter applied by Lessor to the reconstruction of the Premises in accordance with the provisions of Article VIII below. Lessee, in addition to the rent and other charges provided herein, shall reimburse Lessor for the cost of the premiums for all such insurance covering the Premises in accordance with Article IV. Such reimbursement shall be made within (15) days of Lessee's receipt of a copy of Lessor's statement therefor. Lessee shall pay to Lessor any deductible (subject to the above conditions) owing within fifteen (15) days after receipt of notice from Lessor of the amount owing. To the extent commercially available, Lessor's insurance shall have a deductible not greater than fifteen percent (15%) for earthquake and ten percent (10%) for the basic "all risk" coverage.

Section 7.02. Property Insurance for Fixtures and Inventory. At all times during the Lease Term, Lessee shall, at its sole expense, maintain insurance with "all risk" coverage on any fixtures, furnishings, merchandise equipment or personal property in or on the Premises, whether in place as of the date hereof or installed hereafter. The amount of such insurance shall not be less than one hundred percent (100%) of the replacement cost thereof, and Lessor shall not have any responsibility nor pay any cost for maintaining any types of such insurance. Lessee shall pay all deductibles.

Section 7.03. Lessor's Liability Insurance. During the Lease Term, Lessor shall maintain a policy or policies of comprehensive general liability insurance naming Lessor (and such others as designated by Lessor) against liability for bodily injury, property damage on or about the Project, with combined single limit coverage of not less than Thirty Million Dollars (\$30,000,000.00). Lessee, in addition to the rent and other charges provided herein, agrees to pay to Lessor Lessee's proportionate share of the premium(s) for all such insurance pursuant to Section 4.05. The insurance premiums shall be paid in accordance with Article IV, within (15) days of Lessee's receipt of a copy of Lessor's statement therefor.

Section 7.04. Liability Insurance Carried by Lessee. At all times during the Lease Term (and any holdover period) Lessee shall obtain and keep in force a commercial general liability policy of insurance protecting Lessee, Lessor and any Lender(s) whose names are provided to Lessee as Additional Insureds against claims from bodily injury, personal injury and property

damage based upon involving or arising out of ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing a single limit coverage in amount of not less than Ten Million Dollars (\$10,000,000) per occurrence with an Additional Lessors or Premises Endorsements and containing an "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke, fumes from a hostile fire. The limits of said insurance required by this Lease as carried by Lessee shall not, however limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by the Lessee shall be primary to and not contributory with, any similar insurance carried by Lessor whose insurance shall be considered excess insurance only.

Section 7.05. Lessee to Furnish Proof of Insurance. Lessee shall furnish to Lessor prior to the Commencement Date, and at least thirty (30) days prior to the expiration date of any policy, certificates indicating that the property insurance and liability insurance required to be maintained by Lessee is in full force and effect for the twelve (12) month period following such expiration date; that Lessor has been named as an additional insured to the extent of contractual liability assumed in Section 7.07. "Indemnification" and Section 7.08. "Lessor as Party Defendant"; and that all such policies will not be canceled unless thirty (30) days' prior written notice of the proposed cancellation has been given to Lessor. The insurance shall be with insurers approved by Lessor, provided, however, that such approval shall not be unreasonably withheld so long as Lessee's insurance carrier has a Best's Insurance Guide rating not less than A+ VIII. Within ten (10) business days after Lessee's written request for same, Lessor shall furnish once during any calendar year, certificates indicating that the property insurance and liability insurance required to be kept by Lessor is in full force and effect.

Section 7.06. Mutual Waiver of Claims and Subrogation Rights. Lessor and Lessee hereby release and relieve the other, and waive their entire claim of recovery for loss or damage to property arising out of or incident to fire, lightning, and the other perils included in a standard "all risk" insurance policy of a type described in Sections 7.01 and 7.02 above, when such property constitutes the Premises, or is in, on or about the Premises, whether or not such loss or damage is due to the negligence of Lessor or Lessee, or their respective agents, employees, guests, licensees, invitees, or contractors. Lessee and Lessor waive all rights of subrogation against each other on behalf of, and shall obtain a waiver of all subrogation rights from, all property and casualty insurers referenced above.

Section 7.07. Indemnification and Exculpation.

(a) Except as otherwise provided in Section 7.07.(b), Lessee shall indemnify and hold Lessor free and harmless from any and all liability, claims, loss, damages, causes of action (whether in tort or contract, law or equity, or otherwise), expenses, charges, assessments, fines, and penalties of any kind, including without limitation, reasonable attorney fees, expert witness fees and costs, arising by reason of the death or injury of any person, including any person who is an employee, agent, invitee, licensee, permittee, visitor, guest or contractor of Lessee, or by reason of damage to or destruction of any property, including property owned by Lessee or any person who is an employee, agent, invitee, permittee, visitor, or contractor of Lessee, caused or allegedly caused (1) while that person or property is in or about the Premises; (2) by some condition of the Premises; (3) by some act or omission by Lessee or its agent, employee,

licensee, invitee, guest, visitor or contractor or any person in, adjacent, on, or about the Premises with the permission, consent or sufferance of Lessee; (4) by any matter connected to or arising out of Lessee's occupation and use of the Premises, or any breach or default in timely observance or performance of any obligation on Lessee's part to be observed or performed under this Lease.

(b) Notwithstanding the provisions of Section 7.07.(a) of this Lease, Lessee's duty to indemnify and hold Lessor harmless shall not apply to any liability, claims, loss or damages arising because of the active negligence or willful acts of misconduct of Lessor or its agents, employees or contractors or which is or could be covered by the insurance Lessor is required to carry under this Lease. Lessor hereby waives all claims against Lessee for any damage which is or could be covered by the insurance Lessee is required to carry under this Lease.

(c) Lessee hereby waives all claims against Lessor for damages to goods, wares and merchandise and all other personal property in, on or about the Premises and for injury or death to persons in, on or about the Premises from any cause arising at any time to the fullest extent permitted by law and in no event shall Lessor be liable for lost profits or other consequential damages arising from any cause or for any damage which is or could be covered by the insurance Lessee is required to carry under this Lease.

Section 7.08. Lessor as Party Defendant. If by reason of an act or omission of Lessee or any of its employees, agents, invitees, licensee, visitors, guests or contractors, Lessor is made a party defendant or a cross- defendant to any action involving the Premises or this Lease, Lessee shall hold harmless and indemnify Lessor from all liability or claims of liability, including all damages, attorney fees and costs of suit.

ARTICLE VIII DAMAGE OR DESTRUCTION

Section 8.01. Destruction of the Premises.

(a) In the event of a partial destruction of the Premises during the Lease Term from any cause, Lessor, upon receipt of, and to the extent of, insurance proceeds paid in connection with such casualty, shall forthwith repair the same, provided the repairs can be made within a reasonable time under state, federal, county and municipal applicable law, but such partial destruction shall in no way annul or void this Lease, (except as provided in Section 8.01.(b) below) provided that Lessee shall be entitled to a proportionate credit for rent equal to the payment of Rental Income Insurance received by Lessor. Lessor shall use diligence in making such repairs within a reasonable time period, acts of God, strikes and delays beyond Lessor's control excepted, in which instance the time period shall be extended accordingly, and this Lease shall remain in full force and effect, with the rent to be proportionately reduced as provided in this Section. If the Premises are damaged by any peril within twelve (12) months prior to the last day of the Lease Term and, in the reasonable opinion of the Lessor's architect or construction consultant, the restoration of the Premises cannot be substantially completed within ninety (90) days after the date of such damage and such damage renders unusable more than thirty percent (30%) of the Premises, Lessor may terminate this Lease on sixty (60) days written notice to Lessee.

(b) If the Building is damaged from any cause, Lessor shall promptly furnish Lessee with the written opinion of Lessor's architect of when the restoration work to repair the damage may be complete. Lessee shall have the option to terminate this Lease if the time estimated to substantially complete the restoration exceeds fifteen (15) months from the date Lessor's architect's opinion is delivered to Lessee, which shall be (i) exercised by written notice to Lessor delivered within thirty (30) days after delivery to Lessee of Lessor's architect's opinion or (ii) irrevocably and automatically waived if not so timely exercised. In the event of termination, Lessee shall pay to Lessor all insurance proceeds, if any, received by Lessee as a result of the damage or destruction except to the extent allocable to the unamortized (over the Lease Term) cost of (i) Tenant Improvements paid for by Lessee over and above the Tenant Improvement Allowance and (ii) or other Alterations installed therein at Lessee's sole cost and expense.

Section 8.02. Waiver of Civil Code Remedies. Lessee hereby expressly waives any rights to terminate this Lease upon damage or destruction to the Premises, including without limitation any rights pursuant to the provisions of Section 1932, Subdivisions 1 and 2 and Section 1933, Subdivision 4, of the California Civil Code, as amended from time-to-time, and the provisions of any similar law hereinafter enacted.

Section 8.03. No Abatement of Rentals. The Rentals and other charges due under this Lease shall not be reduced or abated by reason of any damage or destruction to the Premises (except to the extent of proceeds received by Lessor from the Rental Loss Insurance), and Lessor shall be entitled to all proceeds of the insurance maintained pursuant to Section 7.01. above during the period of rebuilding pursuant to Section 8.01.(a) above, or if the Lease is terminated pursuant to Section 8.01.(a) above. Lessee shall have no claim against Lessor, including, without limitation, for compensation for inconvenience or loss of business, profits or goodwill during any period of repair or reconstruction.

Section 8.04. Liability for Personal Property. In no event shall Lessor have any liability for, nor shall it be required to repair or restore, any injury or damage to Lessee's personal property or to any other personal property or to Alterations (except to the extent Lessor receives insurance proceeds to repair damage to same) in or upon the Premises by Lessee.

ARTICLE IX
REAL PROPERTY TAXES

Section 9.01. Payment of Taxes. Lessee shall pay all real property taxes, including any escaped or supplemental tax and any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license, fee, charge, excise or imposition ("real property taxes"), imposed, assessed or levied on or with respect to the Premises (and Lessee shall pay its proportionate share of real property taxes imposed, assessed or levied on or with respect to the Common Area) by any Federal, State, County, City or other political subdivision or public authority having the direct or indirect power to tax, including, without limitation, any improvement district or any community facilities district, as against any legal or equitable

interest of Lessor in the Premises or against the Premises or any part thereof applicable to the Premises for a period of time included within the Lease Term as well as any government or private cost sharing agreement assessments made for the purpose of augmenting or improving the quality of services and amenities normally provided by government agencies. All such payments shall be made at least ten (10) days prior to the delinquency date for such payment or ten (10) days after Lessee's receipt of the tax bill, whichever is later. Notwithstanding the foregoing, Lessee shall not be required to pay any net income taxes, franchise taxes, or any succession or inheritance taxes of Lessor. If any anytime during the Lease Term, the State of California or any political subdivision of the state, including any county, city, city and county, public corporation, district, or any other political entity or public corporation of this state, levies or assesses against Lessor a tax, fee, charge or imposition, excise on rents under the Lease, the square footage of the Premises, the act of entering into this Lease, or the occupancy of Lessee, or levies or assesses against Lessor any other tax, fee, or excise, however described, including, without limitation, a so-called value added, business license, transit, commuter, environmental or energy tax fee, charge or excise or imposition related to the Premises as a direct substitution in whole or in part for, or in addition to, any real property taxes on the Premises, Lessee shall pay ten (10) days before delinquency or ten (10) days after receipt of the tax bill, whichever is later, that tax, fee, charge, excise or imposition. A good faith estimate of anticipated real property taxes is attached hereto as Exhibit M.

Section 9.02. Pro Ration for Partial Years. If any such taxes paid by Lessee shall cover any period prior to the Commencement Date or after the Expiration Date of the Lease Term, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect, and Lessor shall reimburse Lessee to any extent required. If Lessee shall fail to pay any such taxes, Lessor shall have the right to pay the same in which case Lessee shall repay such amount to Lessor within ten (10) days after written demand, together with interest at the Agreed Rate.

Section 9.03. Personal Property Taxes.

(a) Lessee shall pay prior to delinquency all taxes imposed, assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor.

(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

(c) If Lessee shall fail to pay any such taxes, Lessor shall have the right to pay the same, in which case Lessee shall repay such amount to Lessor with Lessee's next rent installment together with interest at the Agreed Rate.

Section 9.04. Lessee's Right to Contest Real Property Taxes. Lessee at its sole cost and expense shall have the right, at any time, to seek a reduction in the assessed valuation of the

Premises or to contest any real property taxes that are to be paid by Lessee with respect to the Premises. If Lessee seeks a reduction or contests any such real property taxes, the failure on Lessee's part to pay such real property taxes shall not constitute a default as long as Lessee complies with the provisions of this Section. Lessor shall not be required to join in any proceeding or contest brought by Lessee unless the provisions of any law require that the proceeding or contest be brought by or in the name of Lessor or any owner of the Premises. In that case Lessor shall join in the proceeding or contest or permit it to be brought in Lessor's name as long as Lessor is not required to bear any cost or expense. Lessor, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered, together with all costs, fees, charges, interest, penalties and all other amounts incidental to the decision or judgment. If Lessor does not pay the real property taxes when due and Lessor seeks a reduction or contests them as provided in this Section, before the commencement of such proceeding or contest Lessee shall furnish to Lessor a surety bond issued by an insurance company qualified to do business in California provided that said bond and company are both reasonably satisfactory to Lessor. The amount of the bond shall equal one hundred thirty three percent (133%) of the total amount of real property taxes in dispute. The bond shall hold Lessor and the Premises harmless from any damage arising out of the proceeding or contest and shall insure the payment of any judgment that may be rendered.

ARTICLE X
UTILITIES

Section 10.01. Lessee to Pay. Lessee shall pay prior to delinquency and throughout the Lease Term, all charges for water, gas, heating, cooling, sewer, telephone, electricity, garbage, air conditioning and ventilation, janitorial service, landscaping and all other materials and utilities supplied to the Premises. The disruption, failure, lack or shortage of any service or utility due to any cause whatsoever shall not affect any obligation of Lessee hereunder, and Lessor shall faithfully keep and observe all the terms, conditions and covenants of this Lease and pay all rent due hereunder, all without diminution, credit or deduction, provided that, Lessor shall credit Lessee to the extent of any rental interruption proceeds Lessor receives as a result of such disruption, failure, lack or shortage of services or utility.

ARTICLE XI
ASSIGNMENT AND SUBLETTING

Section 11.01. Lessor's Consent Required. Except as provided in Section 11.02, Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, license or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Premises or any part thereof, without Lessor's prior written consent which Lessor shall not unreasonably withhold or delay. Lessor shall respond in writing to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage, encumbrance, subletting or licensing without such consent shall be void, and shall constitute a breach of this Lease. By way of example, but not limitation, reasonable grounds for denying consent include: (i) poor credit history or insufficient financial strength of transferee (but not necessarily financial strength as great as that of Lessee), (ii) transferee's intended use of the Premises is inconsistent with the permitted use or will materially and adversely affect Lessor's interest. Lessee shall

Premises or to contest any real property taxes that are to be paid by Lessee with respect to the Premises. If Lessee seeks a reduction or contests any such real property taxes, the failure on Lessee's part to pay such real property taxes shall not constitute a default as long as Lessee complies with the provisions of this Section. Lessor shall not be required to join in any proceeding or contest brought by Lessee unless the provisions of any law require that the proceeding or contest be brought by or in the name of Lessor or any owner of the Premises. In that case Lessor shall join in the proceeding or contest or permit it to be brought in Lessor's name as long as Lessor is not required to bear any cost or expense. Lessor, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered, together with all costs, fees, charges, interest, penalties and all other amounts incidental to the decision or judgment. If Lessor does not pay the real property taxes when due and Lessor seeks a reduction or contests them as provided in this Section, before the commencement of such proceeding or contest Lessee shall furnish to Lessor a surety bond issued by an insurance company qualified to do business in California provided that said bond and company are both reasonably satisfactory to Lessor. The amount of the bond shall equal one hundred thirty three percent (133%) of the total amount of real property taxes in dispute. The bond shall hold Lessor and the Premises harmless from any damage arising out of the proceeding or contest and shall insure the payment of any judgment that may be rendered.

ARTICLE X UTILITIES

Section 10.01. Lessee to Pay. Lessee shall pay prior to delinquency and throughout the Lease Term, all charges for water, gas, heating, cooling, sewer, telephone, electricity, garbage, air conditioning and ventilation, janitorial service, landscaping and all other materials and utilities supplied to the Premises. The disruption, failure, lack or shortage of any service or utility due to any cause whatsoever shall not affect any obligation of Lessee hereunder, and Lessor shall faithfully keep and observe all the terms, conditions and covenants of this Lease and pay all rent due hereunder, all without diminution, credit or deduction, provided that, Lessor shall credit Lessee to the extent of any rental interruption proceeds Lessor receives as a result of such disruption, failure, lack or shortage of services or utility.

ARTICLE XI ASSIGNMENT AND SUBLETTING

Section 11.01. Lessor's Consent Required. Except as provided in Section 11.02, Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, license or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Premises or any part thereof, without Lessor's prior written consent which Lessor shall not unreasonably withhold or delay. Lessor shall respond in writing to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage, encumbrance, subletting or licensing without such consent shall be void, and shall constitute a breach of this Lease. By way of example, but not limitation, reasonable grounds for denying consent include: (i) poor credit history or insufficient financial strength of transferee (but not necessarily financial strength as great as that of Lessee), (ii) transferee's intended use of the Premises is inconsistent with the permitted use or will materially and adversely affect Lessor's interest. Lessee shall reimburse Lessor upon demand for Lessor's reasonable costs and expenses (including attorneys' fees, architect fees and engineering fees) involved in renewing any request for consent whether or not consent is granted.

Section 11.02. Lessee Affiliates. Lessee may assign or sublet the Premises, or any portion thereof, to any corporation which controls, is controlled by, or is under common control with Lessee, or to any corporation resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all, or substantially all of the assets of Lessee as a going concern of the business that is being conducted on the Premises ("Affiliate"), provided that said assignee or sublessee assumes, in full, the obligations of Lessee under this Lease and provided further that the use to which the Premises will be put does not materially change. Any such assignment shall not, in any way, affect or limit the liability of Lessee under the terms of this Lease.

Section 11.03. No Release of Lessee. Regardless of Lessor's consent, no subletting or assignment shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Lessee or any successor of Lessee, in the performance of any of the terms hereof, Lessor may proceed directly against Lessee without the necessity of exhausting remedies against said assignee.

Section 11.04. Excess Rent. In the event Lessor shall consent to a sublease or an assignment, Lessee shall pay to Lessor with its regularly scheduled Base Rent payments, fifty percent (50%) of all sums and the fair market value of all consideration collected or received by Lessee from a sublessee or assignee which are in excess of the Base Rent and Additional Rent due and payable with respect to the subject space pursuant to Article IV for the time period encompassed by the sublease or assignment term, after first deducting reasonable leasing commissions and the cost of any Tenant Improvements paid by Lessee with respect to such sublease or assignment.

Section 11.05. No Impairment of Security. Lessee's written request to Lessor for consent to an assignment or subletting or other form of transfer shall be accompanied by (a) the name and legal composition of the proposed transferee; (b) the nature of the proposed transferee's business to be carried on in the Premises; (c) the terms and provisions of the proposed transfer agreement; and (d) such financial and other reasonable information as Lessor may request concerning the proposed transferee.

Section 11.06. Lessor's Recapture Rights.

(a) Lessor's Recapture Rights. Notwithstanding any other provision of this Article 11, in the event that Lessee proposes to sublease or assign or otherwise transfer (to anyone other than an Affiliate) any interest in this Lease or the Premises or any part thereof affecting (collectively with all other such subleases, assignments, or transfers then in effect) more than fifty percent (50%) of the square footage of the Rentable Area of the Building ("Recapture Space") for the major portion of the then remaining Lease Term, then Lessor shall have the option to recapture the Recapture Space by written notice to Lessee ("Recapture Notice") given within ten (10)

business days after Lessor receives any notice of such proposed assignment or sublease or other transfer ("Transfer Notice"). A timely Recapture Notice terminates this Lease for the Recapture Space, effective as of the date specified in the Transfer Notice. If Lessor declines or fails timely to deliver a Recapture Notice, Lessor shall have no further right under this Section 11.06 to the Recapture Space unless it becomes available again after transfer by Lessee.

(b) Consequences of Recapture. To determine the new Base Rent under this Lease if Lessor recaptures the Recapture Space, the then current Base Rent (immediately before Lessor's recapture) under the Lease shall be multiplied by a fraction, numerator of which is the square feet of the Rentable Area retained by Lessee after Lessor's recapture and the denominator of which is the total square feet of the Rentable Area before Lessor's recapture. The Additional Rent, to the extent that it is calculated on the basis of the square feet within the Building, shall be reduced to reflect Lessee's proportionate share based on the square feet of the Building retained by Lessee after Lessor's recapture. This Lease as so amended shall continue thereafter in full force and effect. Either party may require written confirmation of the amendments to this Lease necessitated by Lessor's recapture of the Recapture Space. If Lessor recaptures the Recapture Space, Lessor shall, at Lessor's sole expense, construct, paint, and furnish any partitions required to segregate the Recapture Space from the remaining Premises retained by Lessee.

ARTICLE XII DEFAULTS; REMEDIES

Section 12.01. Defaults. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Lessee:

(a) The vacation of the Premises by Lessee for a period of time which would thereafter terminate Lessor's insurance coverage at the Premises or cause an increase of Lessor's insurance coverage at the Project or which for a period of more than six consecutive calendar months (other than vacation caused by damage or destruction and during the repair of same) or the commission of waste at the Premises or the making of an assignment or subletting in violation of Article XI;

(b) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, if such failure continues for a period of five (5) business days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit in the form required by applicable Unlawful Detainer statutes such Notice shall constitute the notice required by this paragraph, provided that the cure period stated in the Notice shall be five (5) business days rather than the statutory three (3) days;

(c) Lessee's failure to provide (i) any instrument or assurance as required by Section 7.05 or (ii) estoppel certificate as required by Section 15.01 or (iii) any document subordinating this Lease to a Lender's deed of trust if such failure continues for five (5) business days after written notice of the failure. In the event Lessor serves Lessee with a Notice to Perform Covenant or Quit in the form required by applicable Unlawful Detainer Statutes, such Notice shall constitute the notice required by this paragraph, provided that the cure period stated in the Notice shall be five (5) business days rather than the statutory three (3) days;

(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee, other than described in paragraph (a) (b) or (c) above, if such failure continues for a period of ten (10) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's default is such that more than ten (10) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commences such cure within said ten (10) day period and thereafter diligently prosecutes such cure to completion;

(e) (i) The making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) the filing by Lessee of a voluntary petition in bankruptcy under Title 11 U.S.C. or the filing of an involuntary petition against Lessee which remains uncontested for a period of sixty days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, provided, however, in the event that any provisions of this Section 12.01(e) is contrary to any applicable law, such provision shall be of no force or effect;

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee, or any guarantor of Lessee's obligations hereunder, was materially false.

Section 12.02. Remedies. In the event of any such material default and breach by Lessee, Lessor may at any time thereafter, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default and breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means including by way of unlawful detainer (and without any further notice if a notice in compliance with the unlawful detainer statutes and in compliance with paragraphs (b), (c) and (d) of Section 12.01 above has already been given), in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of Lessee's default including, but not limited to, (i) the cost of recovering possession of the Premises including reasonable attorney's fees related thereto; (ii) the worth at the time of the award of any unpaid rent that had been earned at the time of the termination, to be computed by allowing interest at the Agreed Rate but in no case greater than the maximum amount of interest permitted by law, (iii) the worth at the time of the award of the amount by which the unpaid rent that would have been earned between the time of the termination and the time of the award exceeds the amount of unpaid rent that Lessee proves could reasonably have been avoided, to be computed by allowing interest at the Agreed Rate but in no case greater than the maximum amount of interest permitted by law, (iv) the worth at the time of the award of the amount by which the unpaid rent for the balance of the Lease Term after the time of the award exceeds the amount of unpaid rent that Lessee proves could reasonably have been avoided, to be computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one per cent (1%), (v) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform obligations under

this Lease, including brokerage commissions and advertising expenses, expenses of remodeling the Premises for a new tenant (whether for the same or a different use), and any special concessions made to obtain a new tenant, and (vi) any other amounts, in addition to or in lieu of those listed above, that may be permitted by applicable law.

(b) Maintain Lessee's right to possession as provided in Civil Code Section 1951.4 in which case this Lease shall continue in effect whether or not Lessee shall have abandoned the Premises. In such event Lessor shall be entitled to enforce all of Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state of California. Unpaid amounts of rent and other unpaid monetary obligations of Lessee under the terms of this Lease shall bear interest from the date due at the Agreed Rate.

Section 12.03. Default by Lessor. Lessor shall not be in default under this Lease unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying that Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such thirty day period and thereafter diligently prosecutes the same to completion. In the event Lessor does not commence performance within the thirty (30) day period provided herein, Lessee may perform such obligation and will be reimbursed for its expenses by Lessor together with interest thereon at the Agreed Rate. Lessee waives any right to terminate this Lease or to vacate the Premises on Lessor's default under this Lease. Lessee's sole remedy on Lessor's default is an action for damages or injunctive or declaratory relief. Notwithstanding the foregoing, nothing herein shall be deemed applicable in the event of Lessor's delay in delivery of the Premises. In that situation, all rights and remedies shall be determined under Section 3.01 above.

Section 12.04. Late Charges. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designated agent by the later of two (2) days after written notice of such failure is given or five (5) days after such amount is due and owing, Lessee shall pay to Lessor a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of rent, then rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding Section 4.01 or any other provision of this Lease to the contrary.

Section 12.05. Impounds. In the event that a late charge is payable hereunder, whether or not collected, for three (3) installments of rent or any other monetary obligation of Lessee under the terms of this Lease within a twelve (12) month period, Lessee shall pay to Lessor, if Lessor shall so request in writing, in addition to any other payments required under this Lease, a monthly advance installment, payable at the same time as the monthly rent, as estimated by Lessor, for real property tax and insurance expenses on the Premises which are payable by Lessee under the terms of this Lease. Such fund shall be established to insure payment when due, before delinquency, of any or all such real property taxes and insurance premiums. If the amounts paid to Lessor by Lessee under the provisions of this paragraph are insufficient to discharge the obligations of Lessee to pay such real property taxes and insurance premiums as the same become due, Lessee shall pay to Lessor, upon Lessor's demand, such additional sums necessary to pay such obligations. All moneys paid to Lessor under this paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a default in the obligations of Lessee to perform under this Lease, then any balance remaining from funds paid to Lessor under the provisions of this paragraph may, at the option of Lessor, be applied to the payment of any monetary default of Lessee in lieu of being applied to the payment of real property tax and insurance premiums.

ARTICLE XIII
CONDEMNATION OF PREMISES.

Section 13.01. Total Condemnation. If the entire Premises, whether by exercise of governmental power or the sale or transfer by Lessor to any condemnor under threat of condemnation or while proceedings for condemnation are pending, at any time during the Lease Term, shall be taken by condemnation such that there does not remain a portion suitable for occupation, this Lease shall then terminate as of the date transfer of possession is required. Upon such condemnation, all rent shall be paid up to the date transfer of possession is required, and Lessee shall have no claim against Lessor or the award for the value of the unexpired portion of this Lease Term.

Section 13.02. Partial Condemnation. If any portion of the Premises is taken by condemnation during the Lease Term, whether by exercise of governmental power or the sale for transfer by Lessor to an condemnor under threat of condemnation or while proceedings for condemnation are pending, this Lease shall remain in full force and effect except that in the event a partial taking leaves the Premises unfit for the conduct of the business of Lessee, then Lessee shall have the right to terminate this Lease effective upon the date transfer of possession is required. Moreover, Lessor shall have the right to terminate this Lease effective on the date transfer of possession is required if more than thirty-three percent (33%) of the total square footage of the Premises is taken by condemnation. Lessee and Lessor may elect to exercise their respective rights to terminate this Lease pursuant to this Section by serving written notice to the other within thirty (30) days after receipt of notice of condemnation. All rent shall be paid up to the date of termination, and Lessee shall have no claim against Lessor for the value of any unexpired portion of the Lease Term. If this Lease shall not be canceled, the rent after such

partial taking shall be that percentage of the adjusted base rent specified herein, equal to the percentage which the square footage of the untaken part of the Premises, immediately after the taking, bears to the square footage of the entire Premises immediately before the taking. If Lessee's continued use of the Premises requires alterations and repair by reason of a partial taking, all such alterations and repair shall be made by Lessee at Lessee's expense. Lessee waives all rights it may have under California Code of Civil Procedure Section 1265.130 or otherwise, to terminate this Lease based on partial condemnation.

Section 13.03. Award to Lessee. In the event of any condemnation, whether total or partial, Lessee shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Lessee for loss of its business fixtures, or equipment belonging to Lessee immediately prior to the condemnation. The balance of any condemnation award shall belong to Lessor (including, without limitation, any amount attributable to any excess of the market value of the Premises for the remainder of the Lease Term over the then present value of the rent payable for the remainder of the Lease Term) and Lessee shall have no further right to recover from Lessor or the condemning authority for any claims arising out of such taking, provided that Lessee shall have the right to make a separate claim in the condemnation proceeding, as long as the award payable to Lessor is not reduced thereby, for (i) the taking of the unamortized or undepreciated value of any leasehold improvements owned by Lessee that Lessee has the right to remove at the end of the Lease Term and that Lessee elects not to remove, (ii) reasonable removal and relocation costs for any leasehold improvements that Lessee has the right to remove and elects to remove (if condemnor approves of the removal), and (iii) relocation costs under Government Code section 7262, the claim for which Lessee may pursue by separate action independent of this Lease.

ARTICLE XIV ENTRY BY LESSOR

Section 14.01. Entry by Lessor Permitted. Lessee shall permit Lessor and its employees, agents and contractors to enter the Premises and all parts thereof (i) upon twenty-four (24) hours notice (or without notice in an emergency), including without limitation, the Building and all parts thereof at all reasonable times for any of the following purposes: to inspect the Premises; to maintain the Premises; to make such repairs to the Premises as Lessor is obligated or may elect to make pursuant to Section 6.01(d); to make repairs, alterations or additions to any other portion of the Project and (ii) upon twenty-four (24) hours notice to show the Premises and post "To Lease" signs for the purposes of reletting during the last twelve (12) months of the Lease Term (provided that Lessee has failed to exercise its option to extend) or extended Lease Term to show the Premises as part of a prospective sale by Lessor or to post notices of nonresponsibility. Lessor shall have such right of entry without any rebate of rent to Lessee for any loss of occupancy or quiet enjoyment of the Premises hereby occasioned. Lessee shall have the right to accompany Lessor on any entry, provided that Lessor shall not be required to give Lessee any notice of an emergency entry and shall not be required to delay any noticed entry to accommodate Lessee's exercise of its right to so accompany.

ARTICLE XV
ESTOPPEL CERTIFICATE

Section 15.01. Estoppel Certificate.

(a) Either party shall at any time upon not less than fifteen (15) days' prior written request from the other party execute, acknowledge and deliver to the other party a statement in writing (i) certifying, if true, that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying, if true, that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging, if true, that there are not, to such party's knowledge, any uncured defaults on the part of the other party hereunder, or specifying such defaults if any are claimed and (iii) certifying or acknowledging such other matters as are requested by any prospective lender or buyer which are reasonably related to the loan or sale transaction. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

(b) Either party's failure to deliver such statement within such time shall be conclusive upon the other party (i) that this Lease is in full force and effect, without modification except as may be represented by the requesting party in the statement, (ii) that there are no uncured defaults in requesting party's performance, and (iii) that not more than one month's rent has been paid in advance.

ARTICLE XVI
LESSOR'S LIABILITY

Section 16.01. Limitations on Lessor's Liability. The term "Lessor" as used herein shall mean only the owner or owners at the time in question of the fee title of the Premises. In the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership. For any breach of this Lease by Lessor, the liability of Lessor (including all persons and entities that comprise Lessor, and any successor Lessor) and any recourse by Lessee against Lessor shall be limited to (i) the interest of Lessor, and Lessor's successors in interest, in and to the Premises including any sales proceeds or condemnation awards received by Lessor from the sale or condemnation of the Premises after said breach and (ii) any insurance coverage pertaining to such breach provided by policies caused pursuant to this Lease. On behalf of itself and all persons claiming by, through, or under Lessee, Lessee expressly waives and releases Lessor and each member, agent and employee of Lessor from any personal liability for breach of this Lease.

ARTICLE XVII
GENERAL PROVISIONS

Section 17.01. Severability. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

Section 17.02. Agreed Rate Interest on Past-Due Obligations. Except as expressly herein provided, any amount due to either party not paid when due shall bear interest at the Bank of America prime rate plus one percent (1%) ("Agreed Rate"). Payment of such interest shall not excuse or cure any default by Lessee under this Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to the payor by application of the amount of excess interest paid against any sums outstanding in any order that payee requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to the payor by the payee. To ascertain whether any interest payable exceeds the limits imposed, any nonprincipal payment (including late charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

Section 17.03. Time of Essence. Time is of the essence in the performance of all obligations under this Lease.

Section 17.04. Additional Rent. Any monetary obligations of Lessee to Lessor under the terms of this Lease shall be deemed to be Additional Rent and Lessor shall have all the rights and remedies for the nonpayment of same as it would have for nonpayment of Base Rent, except that the one year requirement of Code of Civil Procedure Section 1161(2) shall apply only to scheduled installments of Base Rent and not to any Additional Rent. All references to "rent" (except specific references to either Base Rent or Additional Rent) shall mean Base Rent and Additional Rent.

Section 17.05. Incorporation of Prior Agreements, Amendments and Exhibits. This Lease (including Exhibits A, B, C, D, E, F, G, H, I, J, K and L) contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither the Lessor nor any employees or agents of the Lessor has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of said Premises and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the Lease Term except as otherwise specifically stated in this Lease. Neither party has been induced to enter into this Lease by, and neither party is relying on, any representation or warranty outside those expressly set forth in this Lease.

Section 17.06. Notices. -

(a) Written Notice. Any notice required or permitted to be given hereunder shall be in writing and shall be given by a method described in paragraph (b) below and shall be addressed to Lessee or to Lessor at the addresses noted below, next to the signature of the respective parties, as the case may be. Either party may by notice to the other specify a different address for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee, but delay or failure of delivery to such person shall not affect the validity of the delivery to Lessor or Lessee.

(b) Methods of Delivery:

(i) When personally delivered to the recipient, notice is effective on delivery. Delivery to the person apparently designated to receive deliveries at the subject address is personally delivered if made during business hours (e.g. receptionist).

(ii) When mailed by certified mail with return receipt requested, notice is effective on receipt if delivery is confirmed by a return receipt.

(iii) When delivery by overnight delivery Federal Express/Airborne/United Parcel Service/DHL WorldWide Express with charges prepaid or charged to the sender's account, notice is effective on delivery if delivery is confirmed by the delivery service.

(c) Refused, Unclaimed or Undeliverable Notices. Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be considered to be effective as of the first date that the notice was refused, unclaimed, or considered undeliverable by the postal authorities, messenger, or overnight delivery service.

Section 17.07. Waivers. No waiver of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach of the same or any other provisions. Any consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of consent to or approval of any subsequent act. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

Section 17.08. Recording. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes, provided that Lessee shall also simultaneously execute in recordable form and delivering to Lessor a Quit Claim Deed as to its leasehold and any other interest in the Premises and hereby authorizes Lessor to date and record the same only upon the expiration or sooner termination of this Lease.

Section 17.09. Surrender of Possession; Holding Over. -

(a) At the expiration of the Lease, Lessee agrees to deliver up and surrender to Lessor possession of the Premises and all improvements thereon broom clean and, in as good order and condition as when possession was taken by Lessee, excepting only ordinary wear and tear (wear and tear which could have been avoided by first class maintenance practices and in accordance with industry standards shall not be deemed "ordinary"). Upon expiration or sooner termination of this Lease, Lessor may reenter the Premises and remove all persons and property therefrom. If Lessee shall fail to remove any personal property which it is entitled or obligated to remove from the Premises upon the expiration or sooner termination of this Lease, for any cause whatsoever, Lessor, at its option, may remove the same and store or dispose of them, and Lessee agrees to pay to Lessor on demand any and all expenses incurred in such removal and in making the Premises free from all dirt, litter, debris and obstruction, including all storage and insurance charges. If the Premises are not surrendered at the end of the Lease Term, Lessee shall indemnify Lessor against loss or liability resulting from delay by Lessee in so surrendering the Premises, including, without limitation, actual damages for lost rent and with respect to any claims of a successor occupant.

(b) If Lessee, with Lessor's prior written consent, remains in possession of the Premises after expiration of the Lease Term and if Lessor and Lessee have not executed an express written agreement as to such holding over, then such occupancy shall be a tenancy from month to month at a monthly Base Rent equivalent to one hundred fifty percent (150%) of the monthly rental in effect immediately prior to such expiration, such payments to be made as herein provided for Base Rent. In the event of such holding over, all of the terms of this Lease, including the payment of Additional Rent all charges owing hereunder other than rent shall remain in force and effect on said month to month basis.

Section 17.10. Cumulative Remedies. No remedy or election hereunder by -Lessor shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity, provided that notice and cure periods set forth in Article XII are intended to extend and modify statutory notice provisions to the extent expressly stated in Section 12.01.

Section 17.11. Covenants and Conditions. Each provision of this Lease to be observed or performed by Lessee shall be deemed both a covenant and a condition.

Section 17.12. Binding Effect; Choice of Law. Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of Article XVI, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California and any legal or equitable action or proceeding brought with respect to the Lease or the Premises shall be brought in Santa Clara County, California.

Section 17.13. Lease to be Subordinate. Lessee agrees that this Lease is and shall be, at all times, subject and subordinate to the lien of any mortgage or other encumbrances which Lessor may create against the Premises including all renewals, replacements and extensions thereof provided, however, that regardless of any default under any such mortgage or

encumbrance or any sale of the Premises under such mortgage, so long as Lessee timely performs all covenants and conditions of this Lease and continues to make all timely payments hereunder, this Lease and Lessee's possession and rights hereunder shall not be disturbed by the mortgagee or anyone claiming under or through such mortgagee. Lessee shall execute any documents subordinating this Lease within ten (10) days after delivery of same by Lessor so long as the Lender agrees therein that this Lease will not be terminated if Lessee is not in default following a foreclosure, including, without limitation, any Subordination Non-Distribution and Attornment Agreement ("SNDA") which is substantially in the form attached hereto as Exhibit "F."

Section 17.14. Attorneys' Fees. If either party herein brings an action to enforce the terms hereof or to declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to recover its reasonable attorney's fees, expert witness fees and costs as fixed by the Court.

Section 17.15. Signs. Lessee shall not place any sign upon the exterior of the Building without Lessor's prior written consent, which consent shall not be unreasonably withheld and which consent is hereby given to the signage described in Exhibit "G" hereto. Lessee, at its sole cost and expense, after obtaining Lessor's prior written consent, shall install, maintain and remove prior to expiration of this Lease (or within ten (10) days after any earlier termination of this Lease) all signage in full compliance with (i) all applicable law, statutes, ordinances and regulations and (ii) all provisions of this Lease concerning alterations.

Section 17.16. Merger. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

Section 17.17. Guarantor. [Intentionally Omitted]

Section 17.18. Quiet Possession. Upon Lessee timely paying the rent for the Premises and timely observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire Lease Term, subject to all of the provisions of this Lease.

Section 17.19. Easements. Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and conditions, covenants and restrictions, so long as such easements, rights, dedications, Maps and conditions, covenants and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned or other documents, and take such other actions, which are reasonably necessary or appropriate to accomplish such granting recordation and subordination of the Lease to same, upon request of Lessor, and failure to do so within ten (10) business days of a written request to do so shall constitute a material breach of this Lease.

Section 17.20. Authority. Each individual executing this Lease on behalf of a corporation, limited liability company or partnership represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such entity in accordance with a duly adopted resolution of the governing group of the entity empowered to grant such authority, and that this Lease is binding upon said entity in accordance with its terms. Each party shall provide the other with a certified copy of its resolution within ten (10) days after execution hereof, but failure to do so shall in no manner (i) be evidence of the absence of authority or (ii) affect the representation or warranty.

Section 17.21. Force Majeure Delays. In any case where either party hereto is required to do any act (other than the payment of money), delays caused by or resulting from Acts of God or Nature, war, civil commotion, fire, flood or other casualty, labor difficulties, shortages of labor or materials or equipment, government regulations, delay by government or regulatory agencies with respect to approval or permit process, unusually severe weather, or other causes beyond such party's reasonable control the time during which act shall be completed, shall be deemed to be extended by the period of such delay, whether such time be designated by a fixed date, a fixed time or "a reasonable time."

Section 17.22. Hazardous Materials.

(a) Definition of Hazardous Materials and Environmental Laws. "Hazardous Materials" means any (a) substance, product, waste or other material of any nature whatsoever which is or becomes listed regulated or addressed pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. sections 9601, et seq. ("CERCLA"); the Hazardous Materials Transportation Act ("HMTA") 49 U.S.C. section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. section 6901, et seq. ("RCRA"); the Toxic Substances Control Act, 15 U.S.C. sections 2601, et seq. ("TSCA"); the Clean Water Act, 33 U.S.C. sections 1251, et seq.; the California Hazardous Waste Control Act, Health and Safety Code sections 25100, et seq.; the California Hazardous Substances Account Act, Health and Safety Code sections 26300, et seq.; the California Safe Drinking Water and Toxic Enforcement Act, Health and Safety Code sections 25249.5, et seq.; California Health and Safety Code sections 25280, et seq.; (Underground Storage of Hazardous Substances); the California Hazardous Waste Management Act, Health and Safety Code sections 25170.1, et seq.; California Health and Safety Code sections 25501, et seq. (Hazardous Materials Response Plans and Inventory); or the Porter-Cologne Water Quality Control Act, California Water Code sections 13000, et seq., all as amended, or any other federal, state or local statute, law, ordinance, resolution, code, rule, regulation, order or decree regulating, relating to or imposing liability (including, but not limited to, response, removal and remediation costs) or standards of conduct or performance concerning any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter may be in effect (collectively, "Environmental Laws"); (b) any substance, product, waste or other material of any nature whatsoever whose presence in and of itself may give rise to liability under any of the above statutes or under any statutory or common law theory based on negligence, trespass, intentional tort, nuisance, strict or absolute liability or under any reported decisions of a state or federal court, (c) petroleum or crude oil, including but not limited to petroleum and petroleum products contained within regularly operated motor vehicles and (d) asbestos.

(b) Lessor's Representations and Disclosures. Lessor represents that it has provided Lessee with a description of the Hazardous Materials on or beneath the Property as of the date hereof, attached hereto as Exhibit I and incorporated herein by reference. Lessee acknowledges that in providing the attached Exhibit I, Lessor has satisfied its obligations of disclosure pursuant to California Health & Safety Code Section 25359.7 which requires:

"Any owner of nonresidential real property who knows, or has reasonable cause to believe, that any release of hazardous substances has come to be located on or beneath that real property shall, prior to the sale, lease or rental of the real property by that owner, give written notice of that condition to the buyer, lessee or renter of the real property."

(c) Use of Hazardous Materials. Lessee shall not cause or permit any Hazardous Materials to be brought upon, kept or used in, on or about the Project by Lessee, its agents, employees, contractors, licensees, guests, visitors or invitees without the prior written consent of Lessor. Lessor shall not unreasonably withhold such consent so long as Lessee demonstrates to Lessor's reasonable satisfaction that such Hazardous Materials are necessary or useful to Lessee's business and will be used, kept and stored in a manner that complies with all applicable Environmental Laws. Lessee shall, at all times, use, keep, store, handle, transport, treat or dispose all such Hazardous Materials in or about the Property in compliance with all applicable Environmental Laws. Prior to the expiration or earlier termination of the Lease, Lessee shall remove from the Project all Hazardous Materials used or brought onto the Premises during the Lease Term by anyone other than Lessor, its agents, employees or contractors.

(d) Lessee's and Lessor's Environmental Indemnities. Lessee agrees to indemnify and hold Lessor harmless from any liabilities, losses, claims, damages, penalties, fines, attorney fees, expert fees, court costs, remediation costs, investigation costs, or other expenses resulting from or arising out of the use, storage, treatment, transportation, release, presence, generation, or disposal of Hazardous Materials on, from or about the Project, and/or subsurface or ground water, after the Commencement Date from an act or omission of Lessee (or Lessee's successor), its agents, employees, invitees, vendors, contractors, guests or visitors. Lessor agrees to indemnify and hold Lessee harmless from any liabilities, losses, claims, damages, penalties, fines, attorney fees, expert fees, court costs, remediation costs, investigation costs, or other expenses resulting from or arising out of the use, storage, treatment, transportation, release, presence, generation, or disposal of Hazardous Materials on, from or about the Premises, and/or subsurface or ground water, after the Commencement Date from an act or omission of Lessor (or Lessor's successor), its agents or employees.

(e) Lessee's Obligation to Promptly Remediate. If the presence of Hazardous Materials on the Premises after the Commencement Date results from an act or omission of Lessee (or Lessee's successors), its agents, employees, invitees, vendors, contractors, guests, or visitors results in contamination or deterioration of the Premises or Project or any water or soil beneath the Premises or Project, Lessee shall promptly take all action necessary or appropriate to investigate and remedy that contamination, at its sole cost and expense, provided that Lessor's consent to such action shall first be obtained. Lessor's consent shall not be unreasonably withheld.

(f) Notification. Lessor and Lessee each agree to promptly notify the other of any communication received from any governmental entity concerning Hazardous Materials or the violation of Environmental Laws that relate to the Premises.

Section 17.23. Modifications Required by Lessor's Lender. If any lender of Lessor requires a modification of this Lease that will not increase Lessee's cost or expense or materially and adversely change Lessee's rights and obligations, this Lease shall be so modified and Lessee shall execute whatever documents are required by such lender and deliver them to Lessor within ten (10) days after the request.

Section 17.24. Brokers. Lessor and Lessee each represents to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, except for the real estate brokers or agents identified on the signature page hereof ("Brokers") and that they know of no other real estate broker or agent who is entitled to a commission or finder's fee in connection with this Lease. Each party shall indemnify, protect, defend, and hold harmless the other party against all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including reasonable attorney fees) for any leasing commission, finder's fee, or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the Brokers. The terms of this Section 17.24 shall survive the expiration or earlier termination of the Lease Term.

Section 17.25. Right of First Offer to Lease Building 10.

(a) During the Lease Term, Lessee shall have a right of first offer ("Right of First Offer") to lease the adjacent Building 10 as shown on Exhibit A ("Building 10") subject to Paragraphs (b) through (g).

(b) At the time Lessee exercises the Right of First Offer: (i) The Lease must be in full force and effect; (ii) Lessee shall not be in Default under the Lease; nor shall Lessee be in Default under the Lease at the Commencement Date (defined in paragraph g(1)) for the Offer Building, (defined in Paragraph c); and (iii) Lessee's then current financial condition, as revealed by its most recent financial statements (which shall include quarterly and annual financial statements, including income statements, balance sheets, and cash flow statements), must demonstrate that either: (1) Lessee's net worth is at least equal to its net worth at the time this Lease was signed; or (2) Lessee meets the financial criteria reasonably acceptable to Lessor.

(c) Lessor shall not lease Building 10 to another lessee unless and until Lessor has first offered Building 10 to Lessee in writing (the "Offer Notice") and Lessee either rejects such offer or a period of ten (10) business days has elapsed from the date that Lessor has delivered the Offer Notice without Lessee having notified Lessor in writing of its acceptance of such Offer Notice and supplied Lessor with current financial statements pursuant to Paragraph b(3), whichever event occurs first. The Offer Notice shall contain the following information: (i) The date on which the Lessor expects Building 10 to become available; (ii) The Base Rent; (iv) The pro rata share of Additional Rent; and (v) Such other terms and conditions upon which Lessor wishes to lease Building 10.

(d) If Lessee timely delivers to Lessor, in accordance with the conditions of this Section, written notice of Lessee's exercise of the Right of First Offer (along with Lessee's financial statements pursuant to Paragraph b(3)) and Lessor determines that Lessee meets all of the conditions provided in this Section, then Building 10 shall be deemed added to the Premises and subject to the then applicable terms and conditions in the Lease, as modified by the terms and conditions set forth in the Offer Notice.

(e) If Lessee declines or fails to duly and timely exercise its Right of First Offer or fails to meet all of the conditions provided in this Section, Lessor shall thereafter be free to lease the Building 10 in portions or in its entirety to any third-party tenant at any time without regard to the restrictions in this Section 17.25 and on whatever terms and conditions Lessor may decide in its sole discretion, without again complying with all the provisions of this Section 17.25.

(f) Within ten (10) business days after the Commencement Date for the Offer Building, Lessor and Lessee shall confirm the foregoing in a written amendment to the Lease.

(g) This Right of First Offer is personal to the Lessee and shall become null and void upon the occurrence of an assignment of the Lease or a sublet of all or a major part of the Premises.

Section 17.26. Acknowledgment of Notices. Lessor has provided and Lessee hereby acknowledges receipt of the Notices attached as Exhibits J and K hereto, concerning the presence of certain uses and operations of neighboring parcels of land.

Section 17.27. List of Exhibits.

Ref. Page

EXHIBIT A: Real Property Legal Description, Site Plan, and Building Elevations

EXHIBIT B: Plans and Specifications for Shell Building

EXHIBIT C: Work Letter Agreement for Tenant Improvements and Interior Specification Standards

EXHIBIT D: Cost Responsibilities of Lessor and Lessee

EXHIBIT E: Memorandum of Commencement of Lease Term and Schedule of Base Rent

EXHIBIT F: SNDA

EXHIBIT G: Signage Exhibit

EXHIBIT H: Guaranty of Lease [Intentionally Omitted]

EXHIBIT I: Hazardous Materials Disclosure

EXHIBIT J: Notice to Tenants

EXHIBIT K: Notice to Tenants

EXHIBIT L: Rules and Regulations

EXHIBIT M: Estimate of Real Property Taxes

LESSOR AND LESSEE EACH HAS CAREFULLY READ AND HAS REVIEWED THIS LEASE AND BEEN ADVISED BY LEGAL COUNSEL OF ITS OWN CHOOSING AS TO EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOWS ITS INFORMED AND VOLUNTARY CONSENT THERETO. EACH PARTY HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS AND CONDITIONS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

Executed at San Jose, California, as of the reference date.

LESSOR:

By: /s/ Jay Paul
Jay Paul, President

ADDRESS:

c/o Jay Paul Company
353 Sacramento Street, Suite 1740
San Francisco, California 94111

With a copy to:

Thomas G. Perkins, Esq.
99 Almaden Blvd., 8th Floor
San Jose, CA 95113
Telephone: 408-993-9911
Facsimile: 408-286-3312

LESSEE:

Phone.Com, Inc.
a California corporation

ADDRESS:

(Before Commencement Date)

By: /s/ Alain Rossmann
(Type or print name)

Pacific Shores Center
Building 9
Redwood City, CA
(After Commencement Date)

Its: _____

LESSOR AND LESSEE EACH HAS CAREFULLY READ AND HAS REVIEWED THIS LEASE AND BEEN ADVISED BY LEGAL COUNSEL OF ITS OWN CHOOSING AS TO EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOWS ITS INFORMED AND VOLUNTARY CONSENT THERETO. EACH PARTY HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS AND CONDITIONS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

Executed at San Jose, California, as of the reference date.

LESSOR:

By: /s/ Jay Paul
Jay Paul, President

ADDRESS:

c/o Jay Paul Company
353 Sacramento Street, Suite 1740
San Francisco, California 94111

With a copy to:

Thomas G. Perkins, Esq.
99 Almaden Blvd., 8th Floor
San Jose, CA 95113
Telephone: 408-993-9911
Facsimile: 408-286-3312

LESSEE:

Phone.Com, Inc.
a California corporation

ADDRESS:

(Before Commencement Date)

By: /s/ Alain Rossmann
(Type or print name)

Pacific Shores Center
Building 9
Redwood City, CA
(After Commencement Date)

Its: _____

BROKER EXECUTION

By signing below, the indicated real estate broker or agent is not being made a party hereto, but is signifying its agreement with the provisions hereof concerning brokerage.

LESSOR'S BROKER:

Cornish & Carey Commercial
By: _____

(Type or print name)
Its: Executive Vice President

ADDRESS:

2804 Mission College Boulevard
Suite 120
Santa Clara, California 95054

LESSEE'S BROKER:

Wayne Mascia
By: _____

(Type or print name)
Its: _____

ADDRESS:

EXHIBIT A
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
REAL PROPERTY LEGAL DESCRIPTION,
SITE PLAN AND BUILDING ELEVATIONS

(See Attached)

[MAP Page 1]

[MAP Page 2]

EXHIBIT B
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
SHELL BUILDING PLANS AND SPECIFICATIONS

(To be provided)

NOTE: Shell Building Plans and Specifications shall be consistent with DES Development Progress Plans dated February 7, 2000 for (a) exterior skin and (b) structural steel.

EXHIBIT C
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
WORK LETTER AGREEMENT FOR TENANT IMPROVEMENTS
AND INTERIOR SPECIFICATION STANDARDS

This agreement supplements the above referenced Lease executed concurrently herewith and is as follows:

1. Lessee shall devote such time and may be necessary to enable Lessor to complete and obtain by the respective dates specified in Section 2.04(d) of the Lease Lessee's written approval, and approval by appropriate government authorities, of the final Working Drawings. The Working Drawings, as they may be modified or provided herein, shall be prepared by Lessor in accordance with the design specified by Lessee and reasonably approved by Lessor. Lessee shall be responsible for the suitability, for Lessee's needs and business, of the design and function of all Tenant Improvements. All improvements to be constructed by Lessor as shown on the Working Drawings, standard or special, shall be defined as "Tenant Improvements." All Tenant Improvements materials shall be of a quality equal to or greater than the quality of materials described on the Interior Specification Standards attached hereto as Schedule One.

2. Lessor shall cause General Contractor to complete the construction of the Tenant Improvements in a good and workmanlike manner and in substantial accordance with the Working Drawings. Lessor shall not, however, be responsible for procuring or installing in the Premises any trade fixtures, equipment, furniture, furnishings, telephone equipment or other personal property ("Personal Property") to be used in the Premises by Lessee, and the cost of such Personal Property shall be paid by Lessee. Lessee shall conform to all Project standards in installing any Personal Property and shall be subject to any and all rules of the site during construction.

3. Payment for the Tenant Improvements shall be pursuant to Section 2.04(g) of the Lease.

4. Lessee shall, by signing the Working Drawings within the time set forth in Section 2.04(d) of the Lease, give Lessor authorization to complete the Tenant Improvements in accordance with such Working Drawings. If Lessee shall request any change, addition or alteration in the approved Working Drawings, Lessor shall promptly give Lessee a written estimate of the cost of engineering and design services to prepare a change order (the "Change Order") in accordance with such request and the time delay expected because of such request. If

Lessee, in writing, approves such written estimate, Lessor shall have the Change Order prepared and Lessee shall concurrently reimburse Lessor for the cost thereof. Promptly upon the completion of such Change Order, Lessor shall notify Lessee in writing of the cost and delay which will be chargeable to Lessee by reason of such change, addition or deletion. Lessee shall within three (3) business days notify Lessor in writing whether it desires to proceed with such change, addition or deletion, and in the absence of such written authorization, the Change Order will be deemed canceled and Lessee shall be chargeable with any delay in the completion of the Premises resulting from the processing of such Change Order, including the three (3) business day approval period.

5. If the completion of the Tenant Improvements in the Premises is delayed (i) at the request of Lessee, (ii) by Lessee's failure to comply with the foregoing provisions, (iii) by changes in the work ordered by Lessee or by extra work ordered by Lessee, or (iv) because Lessee chooses to have additional work performed by Lessor, then Lessee shall be responsible for all costs and any expenses occasioned by such delay including, without limitation, any costs and expenses attributable to increases in labor or materials; and there shall be no delay in the commencement of Lessee's obligation to pay Rent because of Lessor's failure to complete the Tenant Improvements on time and any such delay in completion shall constitute Lessee Delay for purposes of Section 3.01(a) of the Lease.

Each person executing this Work Letter Agreement certifies that he or she is authorized to do so on behalf of and as the act of the entity indicated.

Executed as of _____, at Mountain View (Santa Clara County), California..

PACIFIC SHORES CENTER LLC

PHONE.COM, Inc.
a California corporation

By: /s/ Jay Paul

Jay Paul

Its: Manager

By: /s/ Alain Rossmann

(Type or print name)

Its: _____

By: _____

(Type or print name)

Its: _____

**SCHEDULE ONE
TO
EXHIBIT C
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California**

INTERIOR SPECIFICATION STANDARDS

ABBREVIATED BUILDING STANDARDS

For Pacific Shores

GENERAL OFFICE

CUSTOM CABINETRY

SCOPE: All materials and labor for the construction and installation of Cabinetry and all related accessories per WIC Standards.

- A. Trade Standards: Woodworking Institute of California (WIC) latest edition Section 15 and 16 for plastic laminated casework and plastic laminated countertops. Color of plastic laminate to be selected by Architect.
- B. All cabinetry to be constructed to “Custom-Grade” Specifications. Cabinetry to be flush overlay construction.
- C. Plastic Laminate: High Pressure thermoset laminated plastic surfacing material to equal or surpass NEMA LD3, Nevamar, WilsonArt or approved equal.
1. Countertops, shelf-tops, splashes, and edges: Grade GP 50, 0.050 inches thick.
 2. All other exposed vertical surfaces: Grade GP 28, 0.028 inches thick
 3. Semi-exposed backing sheet: Grade CI, 20, 0.020 inches thick
 4. Concealed backing sheet: Grade BK 20, 0.020 inches thick D. Adhesives: Bond surfaces to Type 11 as recommended by Plastic Laminate Manufacturer.

E. Hinges: Heavy-duty concealed self-closing hinges. Amount of hinges per Door per WIC. Stanley or approved equal

F. Door and Drawer Pulls: Wire-pull with 4-inch centers; Dull chrome finish; Stanley 4483 or approved equal.

G. Drawer slides: Heavy-duty grade with ball-bearings. Stanley, Klein or approved equal

H. Door Catches: Heavy-duty commercial friction type.

I. Recessed Adjustable Shelf Standards: Aluminum or zinc-plated recessed type; Knape & Vogt with clips or approved equal. J. Base and Wall Cabinets including doors: 3/4-inch thick medium-density particleboard;

1. Conceal all fastenings.
2. Provide clear spaces as required for mechanical and electrical fittings
3. Plastic laminate and self-edge all shelves.
4. Provide 3/4-inch thick doors and drawer faces.
5. Unless indicated otherwise, all shelving to be adjustable.
6. Provide back and ends on all cabinets.
7. All exposed cabinet faces to be plastic laminated.

K. Countertops and Shelving: 3/4-inch thick medium density particleboard. Backsplash to be 3/4 inches thick, glued and screwed into top with scribed edges. Joints in countertop to be not closer than 24 inches from sinks. Joints shall be shop fitted, spined, glued and mechanically fastened.

L. Installation of Cabinetry shall be per WIC instructions, Custom Grade.

WOOD DOORS

SCOPE: All materials and labor necessary for the installation of Wood Doors, required accessories and preparations for hardware.

A. Non-rated Wood Doors: 1 3/4 inch thick, flush, solid core, plain sliced Birch veneer with Birch edge. Cores may be either of the following: Glued block Hardwood Core per NWMA or Particleboard Core per NWMA. Manufacturer: Algoma, Weyerhaeuser, or approved equal.

B. Fire-rated Wood Doors: 1 3/4 inch thick, flush, solid core, plain sliced Birch face veneer with Birch Edge with mineral core per rating. Manufacturer: Algoma, Weyerhaeuser, or approved equal. Doors shall have a permanent UL label.

C. Vision Panels (where applies): Fire rated vision panel where required. Set in square metal stop to match metal doorstops as provided by doorframe manufacturer.

D. Doors shall be 8'-0" x 3'-0" leafs typical.

ALUMINUM DOOR AND WINDOW FRAMES

SCOPE: All materials and labor necessary for the installation of Aluminum Door Frames.

A. Frame Manufacturers: Raco, or Ragland Manufacturing Company, Inc.

B. Door Frames: Non-rated and 20-minute label, Raco "Trimstyle" frame with Trim 700 (3/8 inch by 1 1/2 inch) with no exposed fasteners.

C. Finish, Door and Window Frame Extrusions, Wall Trim:

1. Painted and oven-cured with "Duralaq" finish.
2. Color: Clear.
3. Finish shall meet or exceed requirements of AAMA Specifications 603.
4. Coat inside of frame profile with bituminous coating to a thickness of 1/16 inch where in contact with dissimilar materials.

DOOR HARDWARE

SCOPE: All materials and labor for the installation of all Door Hardware, locksets, closers, hinges, miscellaneous door hardware.

A. Swinging Door Lockset and Cylinder: Schlage "L" series with lever handle with 6 pin cylinder.

B. Keyway: Furnish blank keyways to match existing master-key system. Match existing keyways.

C. Finishes: Satin Chrome, 626 finish. Paint closers to match.

D. Kickplates: 16 gauge stainless steel; 10 inches high; width to equal door width less 2 inches.

HARDWARE SCHEDULE

Hardware Group A (Typical, rated, single door)

1	Lockset	Schlage	L9050PD
1 1/2	pair Butt Hinges	Hager	BB1279
1	Closer	Norton	700 Series
1	Stop	Quality	(332 @ carpet)
1	Smoke Seal	Pemko	

Hardware Group B (Typical, rated, closet/service door)

1	Lockset	Schlage	L9080PD
1 1/2	pair Butt hinges	Hager	BB1279
1	Closer	Norton	700 Series w/ hold-open
1	Stop	Quality	(332 @ carpet)
1	Smoke Seal	Pemko	

Hardware Group C (Typical, non-rated door)

1	Lockset	Schlage	L9050PD
1 1/2	pair Butt hinges	Hager	BB1279
1	Stop	Quality	(332 @ carpet)

Hardware Group D (Typical, non-rated, closet/service door)

1	Lockset	Schlage	L9080PD
1 1/2	pair Butt hinges	Hager	BB1279
1	Stop	Quality	(332 @ carpet)

Hardware Group E (Card-access door)

1	Electric Lockset	Schlage	L9080PDGU
1 1/2	pair Butt hinges	Hager	BB1279 - NRP (2 pr @ 8' door)
1	Electric Butt	Hager	
1	Closer	Norton	700 Series w/ hold-open
1	Stop	Quality	(332 @ carpet)

Hardware Group F (typical, double door)

1	Electric Lockset	Schlage	L9050PD
3	pair Butt hinges	Hager	BB1270
1	Auto Flush Bolt	Glyn Johnson	FB-8
1	Dustproof Strike	Glyn Johnson	DP2
2	Closer	Norton	700 Series
2	Stop	Quality	(332 @ carpet)
1	Astragal	Pemko	
1	Coordinator	Glyn Johnson	
1	Smoke Seal	Pemko	

GLAZING

SCOPE: All materials and labor for the installation of Glass.

A. Manufacturers: PPG Industries, or Viracom, Inc. See glazing schedule below.

B. Shop prepares all glazing. Edges to have no chips or fissures.

C. Glazing Materials:

1. Safety Glass: ASTM C1048, fully tempered with horizontal tempering. Condition A uncoated, Type 1 transparent flat, Class 1 clear, Quality q3 glazing select, conforming to ANSI Z97.1
2. Mirror Glass: Clear float type with copper and silver coating, organic overcoating, square polished edges, 1/4-inch thick.
3. Wire Glass: Clear, polished both sides, square wire mesh of woven stainless steel wire 1/2 inch x 1/2 inch grid: 1/4 inch thick.

4. Tempered Glass: 1/4 inch thick, no tong marks. UL rated for 1-hour rating.

5. Spacers: Neoprene.

6. Tape to be poly-iso-butylene.

D. Schedule:

1. Type A: 1/4-inch thick mirror, annealed, heat strengthened, or full tempered as required.

2. Type B: 1/4 inch thick clear float glass, annealed, heat strengthened, or full tempered as required.

3. Type C: 1/4-inch thick wire glass plate, square pattern "Baroque"

LIGHT GAUGE METAL FRAMING

SCOPE: All materials and labor necessary for the installation of metal framing and related accessories.

A. Structural Studs: 14 gauge punched channel studs with knurled screw-type flanges, prime-coated steel. Manufacturer: United States Gypsum SJ or approved equal: Submit cut-sheet of material.

B. Partition Studs: 20 gauge studs with key-hole shaped punch-outs at 24 inches on center. Manufacturer: United States Gypsum ST or approved equal.

C. Fasteners for Structural Studs: Metal screws as recommended by metal system manufacturer. Weld at all structural connection points.

D. Reinforce framed door and window openings with double studs at each jamb (flange-to-flange and weld) and fasten to runners with screws and weld. Reinforce head with 14 gauge double stud same width as wall. Screw and weld.

E. Provide all accessories as required to fasten metal-framing per manufacturers recommendations.

F. Provide and install flat-strapping at all structural walls (walls with concrete footings beneath the walls). Minimum bracing shall be 25% of structural walls shall be braced with flat-strapping per Manufacturer's recommendations. Weld at all strap ends and at all intermediate studs.

G. Provide foundation clips at 4'-0" on center at structural walls. Anchor with 1/2 inch diameter by 10 inch long anchor bolts.

H. Non-structural interior partitions shall be anchored with power-driven fasteners at 4'-0" on center at the concrete slab.

ACOUSTIC CEILING SYSTEM

SCOPE: All materials and labor for the installation of the Acoustic Ceiling System including T-bar system, Acoustic Ceiling Panels, Suspension wiring and fastening devices and Glued-down Ceiling Panels.

A. Manufacturer: Armstrong, or approved equal. Exposed T-bar system; factory painted; steel construction; rated for the intermediate duty.

D. Acoustical Tile: "Second Look", conforming to the following:

1. Size: 24 x 48 inches.
2. Thickness: 3/4 inches.
3. Composition: Mineral.
4. NRC Range: .55 to .60.
5. STC Range: 35 to 39.
6. Flame Spread: ASTM E84, 0-25, UL Label, 25 or under.
7. Edge: Tegular, Lay-in.
8. Surface Color: White.
9. Surface Finish: Factory-applied washable vinyl latex paint.

G. Installation to be per ASTM C636 structural testing. Lateral support for each 96 square feet of ceiling flared at 45 degrees in 4 directions.

H. Provide clips for panel uplift restraints at all panels, 2 per panel.

GYPSUM WALLBOARD

SCOPE: Provide all materials and labor for the installation of Gypsum Wallboard including all accessories and finishes.

A. Standard Gypsum Wallboard: ASTM C36; Ends square cut, tapered edges.

B. Fire Restraint Gypsum Wallboard: ASTM C36, 5/8 inches thick Type X. Ends square cut, tapered edges. See Drawings for locations.

C. Moisture-resistant gypsum wallboard: ASTM C630-90.

D. Joint-reinforcing Tape and Joint Compound: ASTM C475, as manufactured by or recommended by wallboard manufacturer. Minimum 3 coat application for a smooth finish.

E. Corner Bead: Provide at all exposed outside corners;

F. L-shaped edge trim: Provide at all exposed intersections with different materials.

G. All work shall be done in accordance with the USG recommended method of installation.

1. Finish: smooth.

PAINTING

A. Paint Manufacturers: ICI, Dunn-Edwards Corporation, Kelly Moore.

B. Paint colors shall be selected by the Architect.

C. Painting Schedule: Provide for 4 different color applications

1. P-1: "Field". Color to be selected.
2. P-2: "Accent". Color to be selected.
3. P-3: "Accent". Color to be selected.
4. P-4: "Accent". Color to be selected.

D. Interior Gypsum Wallboard:

1. Primer: Vinyl Wall Primer/Sealer.
2. 1 stand 2nd Coat: Eggshell Acrylic Latex.

E. Metal Framing:

1. Primer: Red Oxide, shop-primed (for non-galvanized) if exposed.

F. Wood Work, Wood Doors:

1. Two coats of transparent finish. Sand lightly between coats with steel wool.

INSULATION

A. R-15 in exterior walls.

B. R-25 on Roof.

C. Sound batts in conference, restroom and lobby walls.

ROOF EQUIPMENT

A. Stainless steel mechanical platform and associated access stairs and guard rail system

B. EIFS roof screen to match detail of exterior GFRC Panel.

FULL HEIGHT GLAZED PARTITION

A. 1/4" glazed partition, in building standard aluminum frame

FINISHES

A. Vinyl Composite Tile: Armstrong stonetex, 12" x 12"

B. Resilient Base: Burke rubber wall base, 4" top set or cove, as appropriate for VCT or carpet.

C. Window Coverings: Miniblinds, Levelor, color: TBD D. Carpet:

Option 1: Designweave, Windswept Classic 30 oz. (Direct glue installation) or equal

Option2: (cut pile) Designweave, Tempest Classic 32 oz. (Direct glue Upgrade installation) or equal.

Option 3: (cut pile) Designweave, Sabre Classic, 38 oz. (Direct glue Upgrade installation) or equal.

KITCHEN FIXTURES

A. Sink: Ekkay stainless steel, GEGR-2521-L&R, 20 gauge, 25" w x 21 1/4" D x 5 3/8" D, ADA compliant.

B. Kitchen Faucet: American Standard, Silhouette Single control, #4205 series, spout 9 3/4".

KITCHEN APPLIANCES

A. Dishwasher

Option 1: GE GSD463DZWW, 24" W x 24 3/4" D x 34-35" H, 9 gallons/wash

Option 2: Bosch, SHU5300 series, 5.4 gallons/wash-with water heater

B. Refrigerator:

Full Size: GE, "S" series top-mount, TBX16SYZ, 16.4 cubic feet, recessed, recessed handles, 28" W x 29 1/8" D x 66 3/4" H, white, optional factory installed ice-maker.

Under-counter:

Option 1: U-Line, #29R, 3.5 cubic feet, white

Option 2: U-Line, Combo 29FF, Frost Free with factory installed icemaker, 2.1 cubic feet, white

C. Microwave: GE, Spacemaker II JEM25WY, Midsize, 9 cubic feet, 800 watts, 23 13/16" W x 11 13/16" D x 12 5/16" H

Option 1: Under counter Mounting Kit, #4AD19-4

Option 2: Accessory Trim Kit # JXB37WN, 26 1/8" W X 18 1/4" H
(built-in application)

D. Garbage Disposal: ISE #77, 3/4" horsepower

E. Water Heater: To be selected by DES.

PUBLIC SPACES

FRONT BUILDING LOBBY

Walk off Mats: Design Materials, Sisal, Calcutta #68, Natural, 100% coir

Floor Tile: 3/8" x 18" x 18" Stone or Marble set in mortar bed in recessed slab as approved by Owner

Transition Strips: 5/16" x 1 1/2" x random length strips, cherry wood flooring

Corridor Carpeting: Carpet over pad, Atlas, New Vista or as approved by Owner

Lobby Ceiling: Suspended gypsum board ceiling, Painted

Building Lobby: Akari shades hanging #J1-9 3/4" x 5'-2" or equal as Pendant Fixture approved by owner.

Stairs & P & P Railing, Modesto with custom cherry guard rail Mezzanine Railing: Rep: Oliver Capp (805) 241-8810. Hand and guard railing P & P Railings, Modesto stainless steel railing with horizontal spirals and custom cherry guard rail cap by others, fittings dark gray metallic or equal as approved by Owner.

BACK BUILDING LOBBY & EMERGENCY STAIRS

Walk off Mats: Design Materials, Sisal, Calcutta #68, Natural, 100% coir.

Treads & Landings: Carpet covered concrete, as approved by Owner

Stringers, Risers Painted steel stringer, eggshell & Handrails finish enamel.

Ceiling: Suspended gypsum board ceiling.

ELEVATORS

Cars: (1) 2800 lb, (1) 3500 lb 150 ft/min by Otis

Elevator Doors: Stainless Steel

Elevator Interior Paneling: Cherry veneer with stainless steel reveals and railing

Elevator Floor: Slate 3/8" x 18" x 18" tile as approved by Owner.

RESTROOMS

Counter tops: Stone/marble or equal as approved by Owner

Walls at Lavatories: Eggshell finish, latex paint, Benjamin Moore

Floor at Toilets: 2" x 2" matte porcelain ceramic floor tiles, thin set, Dal-tile.

Walls at Toilets: 2" x 2" matte porcelain ceramic floor tiles, thin set, Dal-tile.

Ceiling: Suspended gypsum board ceiling.

Toilet compartments:

A. Manufactured floor-anchored metal toilet compartments and wall- hung urinal screens.

B. Approved Manufacturer, Global Steel Products Corp, or approved equal.

C Toilet Partitions: Stainless Steel finish.

D. Hardware: Hinges: Manufacturer's standard self-closing type that can be adjusted to hold door open at any angle up to 90 degrees. Latch and Keeper: Surface-mounted latch unit, designed for emergency access, with combination rubber-faced door strike and keeper. Coat Hook: Combination hook and rubber-tipped bumper. Door Pull: Manufacturer's standard.

Ceramic Tile

A. Manufacturer: Dal-Tile or approved equal.

B. Size: 4 1/4" x 4 1/4" for walls, 8 x 8 for floors, 3/4" liner strip as accent.

C. Glaze: Satin glaze for walls, unglazed tile for floors.

D. Color: As selected by Architect.

- E. Accessories: Base, corners, coved cap and glazed to match
- F. Wall and floor installation: per applicable TCA
- G. Waterproof Membrane: Chloraloy or approved equal:
- H. Tile Backer Board: 1/2 inch thick wonderboard
- I. Grout: Commercial Portland Cement Grout; Custom Building Products or approved equal
- J. Mortar: Latex-Portland cement mortar; Custom Building Products or approved equal.

RESTROOM:

- Toilet: Kohler/American Standard, commercial quality.
- Urinal: Kohler/American Standard, commercial quality.
- Lavatory: Kohler/American Standard, undercounter.
- Lavatory Faucet: Kroin handicap lavatory faucet #HV1LH, polished chrome.
- Soap Dispenser Bobrick, 8226, Lavatory mounted for soaps, 34 fl oz.

Counter:

Toilet accessories:

- A. Manufacturer: Bobrick Washroom Equipment, or approved equal.
- B. Schedule: Model numbers used in this schedule are Bobrick (134) unless otherwise noted.
- C. Combination Paper Towel Dispenser/Waste Receptacle: Recessed Model B-3944, one per restroom #7151 and 7152, and two per restroom #7050 and 7061.
- D. Feminine Napkin Vendor: Recessed, combination napkin/tampon vendor, Model B-3500 with 25 cent operation, one per each women's toilet room.
- E. Soap Dispenser: Lavatory mounted dispenser, Model B-822, one per each lavatory.
- F. Toilet Paper Dispenser: Surface-mounted, Model JRT, JR Escort, "In-Sight" by Scott Paper Company, one per stall.
- G. Toilet Seat Cover Dispenser: Recessed, wall-mounted, Model B-301, one per stall.
- H. Sanitary Napkin Disposal: Recessed, wall-mounted, Model B-353, one per each women's handicapped and odd stall.
- I. Sanitary Napkin Disposal: Partition-mounted, Model B-354 (serves two stalls).
- J. Grab Bars: Horizontal 36" B6206-36: 42", B62-6-42: one per each handicapped stall.
- K. Mop/Broom Holders: B223-24 (one per janitor closet).
- L. Paper Towel Dispensers: Recessed mounted, Model B-359, one at side wall adjacent to sink.

TENANT CORRIDORS

- Walls: Eggshell finish, latex paint, Benjamin Moore.

Floors: Level loop carpet over pad with 4" resilient base as approved by Owner.

Ceiling 4" x 24" x 3/4" thick fine fissures type mineral fiber, Armstrong Circus acoustical tile (beveled regular edge) in a 24" x 24" Donn Finline suspended grid, white finish.

Water Fountain: Haws Model #1114 Stainless Steel #4.

Cross Corridor 3'-6" x full height, 20 minute rated, pocket assembly, Smoke Detector: on magnetic hold opens.

Corridor Carpyen "Berta" 35 cm x 33 cm, engraved curved opaque Wall Sconce glass, 2 x 7-9W, #G-23 or equal as approved by owner

ELECTRICAL

A. 50 foot candles at working surface.

B. 3 Bulb 2x4 parabolic fixtures

C. 1/2 20 Amp circuit for each hard wall office

D. Electrical Devices: Recessed wall mounted devices with plastic cover plate. Color: white, multi-gang plate 80400 Series duplex wall outlets.

E. Telephone/Data Outlets: Recessed wall mounted, Standard 2x4 wall box with 3/4" EMT conduit from box to sub out above ceiling walls pull string, cabling, terminations and cover-plates, color: white, provided by tenants vendor. Tenant shall furnish telephone backboard.

F. Light Switches: Dual level rocker type, mounted at standard locations, with plastic cover plate, 5325-W cover plate single switch B0401-W, double switch B0409-W. Decors by Leviton, colors: white, and will comply with Title 24 Energy Codes. Decors by Leviton.

MECHANICAL

A. VAV Reheat system - design/build. Each floor to have a minimum of thirty zones. Provide reheat boxes on all zones on top floor and at all exterior zones on lower floor. System shall meet T-24 for ventilation. Design shall be for 73 deg. Ambient interior temperature and 2 1/2 watts per sq. ft. min.

FIRE SPRINKLER SYSTEM

As required by NFPA & factory mutual standard hazard, seismically braced.

EXHIBIT D
TO
PACIFIC SHORES CENTER LLC
LEASE TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
COST RESPONSIBILITIES OF LESSOR AND LESSEE

FOR SHELL TENANT IMPROVEMENTS

(See Attached)

Exhibit D.

COST RESPONSIBILITIES OF LESSOR AND LESSEE

A. Lessor is responsible for the construction of the building shell improvements which shall include the following items.

Soils Engineer

Civil Engineer

Architectural and Structural Engineer

Landscaping

Empty Electrical Conduits will be provided from the street to the future electrical room for a 2500 Amp. Service 277/480 volt service capability for each building. The electrical conduits will be stubbed up above the floor level

Lessor to provide two vertical risers for fire sprinklers.

Testing and Inspection for the shell.

Building Permits for the Shell and exterior Premises. Utility Connection Fee (Fire Protection).

Area Fees

Construction Insurance

Construction Interest

Construction Taxes

Land Interest (if any)

Temporary Facilities

All site work to include:

Site clearing and grading

Excavating/Fill

Soil compaction

Site drainage

Site utilities

Paving

Curbs and gutters

Sidewalks

Parking lot lights

Curb painting and parking lot striping and markings as required by the City.

Fences, to include special enclosures for trash

Irrigation System

Lawns and planting

Building Shells to include:

Concrete Formwork

Concrete Reinforcement (if used)
Case in place concrete (if used)
Metal decking (if used)
Metal framing (if used)
Rough carpentry as related to the Shell Millworks as related to Shell
Glue-Lam structure (if used)
Building roof installation
Roofing tiles
Flashing
Drainage Systems for Roof
Roof Pitch Pans
Caulking/Sealants
Exterior Metal Door/Frames related to the Shell Wood or Glass Doors as designated as related to the Shell Exterior Shell
Overhead Doors
Anodized Aluminum Windows
Finish Hardware as related to the Shell Doors
Glass Glazing as specific on plans Storefront if desired
Gutters over front and rear entrances Exterior Loading Docks as specific on plans Water Supply stubbed to the ground floor (first floor of each Building only)
Roof drainage
Gas piping to face of building at First Floor Telephone and computer conduits between Buildings All Government fees applying to the exterior premises and shell.

B. The following shall be considered interior improvements costs and shall be the responsibility of the Lessee subject to the tenant improvement allowance as provided in the Lease:

Interior Building Permits
Gypsum drywall
Ceramic Tile or elate Tile in Lobbies
Quarry Tile as specified
Flag Pole
Metal door framing
All interior Wood doors and Hardware
Custom Woodwork
Specialized Security Construction
Interior Glass doors 2nd windows

Acoustical Treatment (suspended ceiling)
Resilient flooring
Any special flooring
Carpeting
Sprayed fire proofing if required by the code on structural
Steel and metal deck surfaces
Lift and Lift Operator
Interior Painting
Wall Coverings including Ceramic Tiles
Grease Interceptor if required
Drapery, Blinds or Shades
Pedestal floors
Toilet Compartments
Demountable partitions
Firefighting devices (Extinguishers)
Toilet and bath accessories
Lift (dock levelers)
Plumbing fixtures, trims and vertical piping
Interior electrical distribution Lighting
Electrical controls
Electrical Power Equipment
Built in Audio-Visual facilities
Built in Projection screens
Water Treatment Discharge
Sinks in Coffee Rooms
Lunch Room plumbing for vending machines
Specialized security systems
Specialized Halon fire Extinguishing systems
Fire sprinkler head drops and horizontal distribution
Piping off owner-installed vertical risers Specialized caging
Special piping for Tank Farm (If installed)
Hot water heating system
Cool water system
HVAC units
Ducting controls
Air Tempering Systems
Elevators and elevator pits (Otis Elevator Lessor Specs)
Mechanical platforms, screens and associated roof accessories
Stairs
Electrical service (Lessor to provide exterior conduits)

EXHIBIT E
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
MEMORANDUM
OF
COMMENCEMENT OF LEASE TERM

Pursuant to Article III, Section 3.01, paragraph (a) of the above- referenced Lease, the parties to said Lease agree to the following:

1. The Commencement Date of the Lease is , 2001 and the Lease Term commenced on said date. The Expiration Date for the initial Lease Term is , 2013.
2. The date for commencement of rent for the Building is , 2001.
3. Attached hereto as a part hereof is a true and correct schedule of Base Rent.
4. The total Rentable Area of the Building is () rentable square feet.

Each person executing this memorandum certifies that he or she is authorized to do so on behalf of and as the act of the entity indicated.

Executed as of _____, 2000 at Redwood City (San Mateo County), California.

PACIFIC SHORES CENTER LLC PHONE.COM, Inc.
a California corporation

By: _____ By: _____
Jay Paul

Its: Manager _____ (Type or print name)

Its: _____

By: _____

(Type or print name)

Its: _____

EXHIBIT E
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
SNDA

(See Construction And Permanent SNDA Samples Attached)

**RECORDING REQUESTED AND WHEN
RECORDED RETURN TO:**

KEYBANK NATIONAL ASSOCIATION

Real Estate Division
Mailcode WA-31-10-5285
700 Fifth Avenue, 52nd Floor
Seattle, WA 98104-5099

Attn:

Loan No.

**SUBORDINATION, ACKNOWLEDGEMENT OF LEASE ASSIGNMENT,
NONDISTURBANCE AND ATTORNMENT AGREEMENT
AND ESTOPPEL CERTIFICATE**
(Lease to Deed of Trust)

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR LEASE BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN
THE LIEN OF THE DEED OF TRUST (DEFINED BELOW).**

THIS AGREEMENT AND CERTIFICATE is made this __ day of _____, 1990, between KEYBANK NATIONAL ASSOCIATION, a national banking association ("Lender") and _____, a _____ ("Tenant").

Recitals

A. _____ ("Landlord"), is the owner of real property ("Property") located in _____ County, California, and legally described on Exhibit A.

B. Tenant is a tenant of a portion of the Property ("Premises") under a lease ("Lease") with Landlord dated _____.

C. Lender has agreed to make a loan ("Loan") to Landlord. In connection therewith, Landlord has executed or proposes to execute, a Construction Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing ("Deed of Trust") encumbering the Property and securing, among other things, a promissory note ("Note") in the principal sum of _____ DOLLARS (\$_____), of even date herewith, in favor of Lender, which Note is payable with interest and upon the terms described therein. The Deed of Trust is to be recorded concurrently herewith.

D. The Deed of Trust constitutes a present assignment to Lender of all rights, title, and interest of Landlord under the Lease.

E. Lender's agreement to make the Loan is conditioned on Tenant's specific and unconditional subordination of the Lease to the lien of the Deed of Trust such that the Deed of Trust at all times remains a lien on the Property, prior and superior to all the rights of Lessee under the Lease, and Tenant's agreement to attorn to Lender if Lender obtains possession of the Property by foreclosure or deed in lieu of foreclosure. Tenant is willing to do so in consideration of the benefits to Tenant from the Loan and the Lease and Lender's agreement not to disturb Tenant's possession of the Premises under the Lease.

NOW, THEREFORE, Lender and Tenant agree as provided below.

1. Subordination. Tenant hereby intentionally and unconditionally subordinates the Lease and all of Lessee's right, title and interest thereunder an in an to the Property to the lien of the Deed of Trust and all of Lender's rights thereunder, including any and all renewals, modifications and extensions thereof and agrees that the Deed of Trust and any and all renewals, modifications and extensions thereof shall unconditionally be an at all times remain a lien on the Property prior and superior to the Lease. Without limiting the generality of the foregoing, such subordination shall include all rights of Tenant in connection with any insurance or condemnation proceeds with respect to the Premises or Property.

2. Acknowledgment. Tenant understands that Lender would not make the Loan without this Agreement and the subordination of the Lease to the lien of the Deed of Trust as set forth herein and that in reliance upon, and in consideration of, this subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary other obligations are being and will be entered into which would not be made or entered into but for reliance upon this subordination. This Agreement is and shall be the sole and only agreement with regard to the subordination of the Lease to the lien of the Deed of Trust and shall supersede and cancel, but only insofar as would affect the priority between the Deed of Trust and the Lease, any prior agreement as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

3. Use of Proceeds. Lender, in making disbursement pursuant to the Note, the Deed of Trust or any loan agreement with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part.

4. Nondisturbance. Lender agrees that Tenant's possession of the Premises shall not be disturbed by Lender during the term of the Lease, and Lender shall not join Tenant in any action or proceeding for the purposes of terminating the Lease, except upon the occurrence of a default by Tenant under the Lease and the continuance of such default beyond any cure period given to Tenant under the Lease.

5. Attornment. If Lender obtains possession of the Property by foreclosure or deed in lieu of foreclosure, Tenant shall attorn to Lender, be bound to Lender in accordance with all of the

provisions of the Lease for the balance of the term thereof, and recognize Lender as the landlord under the Lease for the unexpired term of the Lease. Such attornment shall be effective without Lender being (i) subject to any offsets or defenses or otherwise liable, for any prior act or omission of Landlord, (ii) bound by any amendment, modification, or waiver of any of the provisions of the Lease, or by any separate agreement between Landlord and Tenant relating to the Premises or Property, unless any such action was taken with the prior written consent of Lender, (iii) liable for the return of any security or other deposit unless the deposit has been paid to Lender, (iv) bound by any payment of rent or other monthly payment under the Lease made by tenant more than one (1) month in advance of the due date, or (v) bound by any option, right of first refusal, or similar right of Tenant to Lease any portion of the Property (other than the Premise) or to purchase all or any portion of the Property. Lender's obligations as landlord under the Lease after obtaining possession of the Property by foreclosure or deed in lieu of foreclosure shall terminate upon Lender's subsequent transfer of its interest in the Property.

6. Termination of Lease. Notwithstanding any other provision of this Agreement, in the event Lender obtains ownership of the Property by foreclosure of deed in lieu of foreclosure and the Lease requires the landlord to construct any improvements on the Premises or Property, the Lease shall terminate unless (i) Lender delivers written notice to Tenant expressly assuming such obligation with ten (10) days after the foreclosure sale or acceptance of the deed in lieu of foreclosure, or (ii) Tenant waives such obligation by delivery of written notice to Lender within ten (10) days after receiving notice of foreclosure or deed in lieu of foreclosure.

7. Covenants of Tenant. Tenant covenants and agrees with Lender as follows:

(a) Tenant shall pay to Lender all rent and other payments otherwise payable to Landlord under the Lease upon written demand from Lender. The consent and approval of Landlord to this Agreement shall constitute an express authorization for Tenant to make such payments to Lender and a release and discharge of all liability of Tenant to Landlord for any such payments made to Lender.

(b) Tenant shall enter into no material amendment or modification of any of the provisions of the Lease without Lender's prior written consent.

(c) Tenant shall not subordinate its rights under the Lease to any other mortgage deed of trust, or security instrument without the prior written consent of Lender.

(d) In the event the Lease is rejected or deemed rejected in any bankrupt proceeding with respect to Landlord, Tenant shall not exercise its option to treat the Lease as terminated under 11 U.S.C. (S) 365(h), as amended.

(e) Tenant shall not accept any waiver or release of Tenant's obligations under the Lease by Landlord, or any termination of the lease by Landlord, without Lender's prior written consent.

(f) Tenant shall promptly deliver written notice to Lender of any default by Landlord under the Lease. Lender shall have the right to cure such default within thirty (30) days after the receipt of such notice. Tenant further agrees not to invoke any of its remedies under the Lease

until the thirty (30) days have elapsed, or during any period that Lender is proceeding to cure the default with due diligence, or is attempting to obtain the right to enter the Premises and cure the default

8. Effect of Assignment. Notwithstanding that Landlord has made a present assignment of all of its rights under the Lease to Lender, Lender shall not be liable for any of the obligations of Landlord to Tenant under the Lease until Landlord has obtained possession of the Property by foreclosure or deed in lieu of foreclosure, and then only to the extent provided in paragraph 3 above.

9. Estoppel Certifications. Tenant hereby certifies and represents to Lender as provided below.

(a) The Lease constitutes the entire agreement between Landlord and Tenant relating to the Premises and the Property.

(b) The Lease is in full force and effect, and has not been amended, modified, or assigned by Tenant, either orally or in writing.

(c) No Payments to become due under the Lease have been paid more than one (1) month in advance of the due date.

(d) Tenant has no present claim, offset or defense under the Lease, and Tenant has no knowledge of any uncured breach or default by Landlord or Tenant under the Lease or of any event or condition which, with the giving of notice or the passage of time or both, could constitute a breach or default under the lease.

(e) Tenant has no knowledge of any prior sale, transfer, assignment, hypothecation or pledge of Landlord's interest under the Lease or of the rents due under the Lease.

(f) Except as otherwise provided in the Lease, Tenant has made no agreements with Landlord concerning free rent, partial rent, rebate or rental payments, setoff, or any other type of rental concession.

10. Costs and Attorney's Fees. In the event of any claim or dispute arising out of this Agreement, the party that substantially prevails shall be awarded , in addition to all other relief, all attorneys' fees and other costs and expenses incurred in connection with such claim or dispute; including without limitation those fees, costs, and expenses incurred before or after suit, and in any arbitration, and any appeal, any proceedings under any present or future bankruptcy act or state receivership, and any post-judgement proceedings.

11. Notices. All notices to be given under this Agreement shall be in writing and personally delivered or mailed, postage prepaid, certified or registered mail, return receipt requested, to Lender at the address indicated on the first page of this Agreement, and to Tenant at its address indicated below. All notices which are mailed shall be deemed given three (3) days after the postmark thereof. Either party may change their address by delivery of written notice to the other party.

12. Miscellaneous. This agreement may not be modified except in writing and executed by the parties hereto or their successors in interest. This agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and assigns. As used herein, "Landlord" shall include Landlord's predecessors and successors in interest under the Lease, and "Lender" shall include any purchaser of the Property at any foreclosure sale. All rights of Lender herein to collect rents on behalf of Landlord under the Lease are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Landlord or others. If any provision of this Agreement is determined to be invalid, illegal or unenforceable, such provision shall be considered severed from the rest of this Agreement and the remaining provisions shall continue in full force and effect as if such provision had not been included. This Agreement shall be governed by the laws of the State of California. This Agreement may be executed in one or more counterparts, all of which together shall constitute one and the same original.

DATED this __ day of _____, 1999

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR LEASE BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF THE DEED OF TRUST (DEFINED ABOVE).

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

"LENDER"
KEYBANK NATIONAL ASSOCIATION,
a National banking association

By: _____

Its _____

“TENANT”

a _____

By: _____

Its _____

Address: _____

**CONSENTED AND AGREED TO:
“LANDLORD”**

a _____

By: _____

Its _____

ALL SIGNATURES MUST BE ACKNOWLEDGED

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____, 1999, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

EXHIBIT A
TO
SUBORDINATION, NONDISTURBANCE AND
ATTORNMENMENT AGREEMENT AND ESTOPPEL CERTIFICATE
Legal Description

The Property is located in _____ County, California and is legally described as follows:

**SCHEDULE TWO
TO
EXHIBIT F
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
SNDA**

(See Construction and Permanent SNDA Samples Attached)

These samples are subject to negotiation by Tenant.

**SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT**

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement") made as of the [] day of [], 1997, by and among Nomura Asset Capital Corporation ("Leader"), [] ("Tenant") and [] ("Landlord").

WITNESSETH:

WHEREAS, Lender has agreed to make a loan (the "Loan") of up to [] to Landlord;

WHEREAS, the Loan will be evidenced by a deed of trust note (the "Note") of even date herewith made by Landlord to order of Lender and will be secured by, among other things, a deed of trust, assignment of leases and rents and security agreement (the "Deed of Trust") of even date herewith made by Landlord to Lender covering the land (the "Land") described on Exhibit A attached hereto and all improvements (the "Improvements") now or hereafter located on the land (the Land and the Improvements hereinafter collectively referred to as the "Property"); and

WHEREAS, by a lease dated as of [] (which lease, as the same may have been amended and supplemented, is hereinafter called the "Lease"), Landlord leased to Tenant approximately [] square feet of space located in the Improvements (the "Premises"); and

WHEREAS, the parties hereto desire to make the Lease subject and subordinate to the Deed of Trust.

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

1. The Lease, as the same may hereafter be modified, amended or extended, and all of Tenant's right, title and interest in and to the Premises and all rights, remedies and options of Tenant under the Lease, are and shall be unconditionally subject and subordinate to the Deed of Trust and the lien thereof, to all the terms, conditions and provisions of the Deed of Trust, to each and every advance made or hereafter made under the Deed of Trust, and to all renewals, modifications, consolidations, replacements, substitutions and extensions of the Deed of Trust, so that at all times the Deed of Trust shall be and remain a lien on the Property prior and superior to the Lease for all purposes; provided, however, and Lender agrees, that so long as (A) no event has occurred and no condition exists, which would entitle Landlord to terminate the Lease or would cause, without further action of Landlord, the termination of the Lease or would entitle Landlord to dispossess Tenant from the Premises, (B) the term of the Lease has commenced and

Tenant is in possession of the Premises, (C) the Lease shall be in full force and effect and shall not have been otherwise modified or supplemented in any way without Lender's prior written consent, (D) Tenant shall duly confirm its attornment to Lender or its successor or assign by written instrument as set forth in Paragraph 3 hereof, (E) neither Lender nor its successors or assigns shall be liable under any warranty of construction contained in the Lease or may implied warranty of construction, and (F) all representations and warranties made herein by Tenant shall be true and correct as of the date of such attornment; then, and in such event Tenant's leasehold estate under the Lease shall not be terminated, Tenant's possession of the Premises shall not be disturbed by Lender and Lender will accept the attornment of Tenant.

2. Notwithstanding anything to the contrary contained in the Lease, Tenant hereby agrees that in the event of any act, omission or default by Landlord or Landlord's agents, employees, contractors, licensees or invitees which would give Tenant the right, either immediately or after the lapse of a period of time, to terminate the Lease, or to claim a partial or total eviction, or to reduce the rent payable thereunder or credit or offset any amounts against future rents payable thereunder, Tenant will not exercise any such right (i) until it has given written notice of such act, omission or default to Lender by delivering notice of such act, omission or default, in accordance with Paragraph 8 hereof, and (ii) until a period of not less than sixty (60) days for remedying such act, omission or default shall have elapsed following the giving of such notice. Notwithstanding the foregoing, in the case of any default of Landlord which cannot be cured within such sixty (60) day period, if Lender shall within such period proceed promptly to cure the same (including such time as may be necessary to acquire possession of the Premises if possession is necessary to effect such cure) and thereafter shall prosecute the curing of such default with diligence, then the time within which such default may be cured by Lender shall be extended for such period as may be necessary to complete the curing of the same with diligence. Lender's cure of Landlord's default shall not be considered an assumption by Lender of Landlord's other obligations under the Lease. Unless Lender otherwise agrees in writing, Landlord shall remain solely liable to perform Landlord's obligations under the Lease (but only to the extent required by and subject to the limitation included with the Lease), both before and after Lender's exercise of any right or remedy under this Agreement. If Lender or any successor or assign becomes obligated to perform as Landlord under the Lease, such person or entity will be released from those obligations when such person or entity assigns, sells or otherwise transfers its interest in the Premises or the Property.

3. Without limitation of any of the provisions of the Lease, in the event that Lender succeeds to the interest of Landlord or any successor to Landlord, then subject to the provisions of this Agreement including, without limitation, Paragraph 1 above, the Lease shall nevertheless continue in full force and effect and Tenant shall and does hereby agree to attorn to and accept Lender and to recognize Lender as its Landlord under the Lease for the then remaining balance of the term thereof, and upon request of Lender, Tenant shall execute and deliver to Lender an agreement of attornment reasonably satisfactory to Lender.

4. If Lender succeeds to the interest of Landlord or any successor to Landlord, in no event shall Lender have any liability for any act or omission of any prior landlord under the Lease which occurs prior to the date Lender succeeds to the rights of Landlord under the Lease, nor any liability for claims, offsets or defenses which Tenant might have had against Landlord. In no

event shall Lender have any personal liability as successor to Landlord and Tenant shall look only to the estate and property of Lender in the Land and the Improvements for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring payment of money in the event of any default by Lender as Landlord under the Lease, and no other property assets of Lender shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to the Lease.

5. Tenant agrees that no prepayment of rent or additional rent due under the Lease of more than one month in advance, and no amendment, modification, surrender or cancellation of the Lease, and no waiver or consent by Landlord under the terms of the Lease, shall be binding upon or as against Lender, as holder of the Deed of Trust, and as Landlord under the Lease if it succeeds to that portion, unless consented to in writing by Lender. In addition, and notwithstanding anything to the contrary set forth in this Agreement, Tenant agrees that Lender, as holder of the Deed of Trust, and as Landlord under the Lease if it succeeds to that position, shall in no event have any liability for the performance or completion of any initial work or installations or for any loan or contribution or rent concession towards initial work, which are required to be made by Landlord (A) under the Lease or under any related Lease documents or (B) for any space which may hereafter become part of said Premises, and any such requirement shall be inoperative in the event Lender succeeds to the position of Landlord prior to the completion or performance thereof. Tenant further agrees with Lender that Tenant will not voluntarily subordinate the Lease to any lien or encumbrance without Lender's prior written consent.

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

7. All remedies which Lender may have against Landlord provided herein, if any, are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Landlord or others. If any party consists of multiple individuals or entities, each of same shall be jointly and severally liable for the obligations of such party hereunder.

8. All notices to be given under this Agreement shall be in writing and shall be deemed served upon receipt by the addressee if served personally or, if mailed, upon the first to occur of receipt or the refusal of delivery as shown on a return receipt, after deposit in the United States Postal Service certified mail, postage prepaid, addressed to the address of Landlord, Tenant or Lender appearing below, or, if sent by telegram, when delivered by or refused upon attempted delivery by the telegraph office. Such addresses may be changed by notice given in the same manner. If any party consists of multiple individuals or entities, then notice to any one of same shall be deemed notice to such party.

Lender's Address:

Nomura Asset Capital Corporation
Two World Financial Center, Building B
New York, New York 10281-1198
Attention: Ms. Sheryl McAfee

Tenant's Address:

Attention:

Landlord's Address:

Attention:

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

10. This Agreement shall apply to, bind and inure to the benefit of the parties hereto and their respective successors and assigns. As used herein "Lender" shall include any subsequent holder of the Deed of Trust.

11. Tenant acknowledges that Landlord has assigned to Lender its right, title and interest in the Lease and to the rents, issues and profits of the Property and the Property pursuant to the Deed of Trust, and that Landlord has been granted the license to collect such rents provided no Event of Default has occurred under, and as defined in, the Deed of Trust. Tenant agrees to pay all rents and other amounts due under the Lease directly to Lender upon receipt of written demand by Lender, and Landlord hereby consents thereto. The assignment of the Lessee to Lender, or the collection of rents by Lender pursuant to such assignment, shall not obligate Lender to perform Landlord's obligations under the Lease.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

NOMURA ASSET CAPITAL CORPORATION,
a Delaware corporation

By: _____
Name: _____
Title: _____

[LANDLORD]

By: _____

[TENANT]

By: _____

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____, before me, a Notary Public in and for said state, personally appeared _____, personally known to me (or 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.

WITNESS my hand and official seal.

(SEAL)

EXHIBIT G
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
SIGNAGE EXHIBIT

(To be provided)

EXHIBIT H
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
Guaranty of Lease
(Intentionally Omitted)

EXHIBIT I
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California
HAZARDOUS MATERIALS DISCLOSURE

Lessor has provided Lessee, and Lessee acknowledges that it has received and pursuant to Section 17.22(b) of the Lease, reviewed same, a copy of each of those certain documents entitled: (i) PHASE I, ENVIRONMENTAL SITE ASSESSMENT PACIFIC SHORES CENTER, REDWOOD CITY, CALIFORNIA, Prepared for: The Jay Paul Company, San Francisco, California, Prepared by: IRIS ENVIRONMENTAL, Oakland, California, December 20, 1999, Job No. 99-122A; and (ii) PHASE II, ENVIRONMENTAL SITE ASSESSMENT, PACIFIC SHORES CENTER, 1000 SEAPORT BOULEVARD, REDWOOD CITY, CALIFORNIA, Prepared for: The Jay Paul Company, San Francisco, California, Prepared by: IRIS ENVIRONMENTAL, Oakland, California, January 14, 1999, Job No. 99-122-B

LESSEE

Phone.com, Inc.
a California corporation

By: _____
(Type or print name)

Its: _____

By: _____
(Type or print name)

Its: _____

EXHIBIT J
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California

**NOTICE TO TENANTS AND TRANSFEREES OF
CURRENT OR FUTURE USES OF ADJACENT PORT PROPERTY**

Notice is hereby given to all lessees, tenants and transferees of land or interests in land located within Pacific Shores Center of the presence or potential future presence of Port related industrial activities on Port property adjacent to and west of Pacific Shores Center. All recipients of this notice should be aware of the following facts:

1. The parcel of Port property adjacent to Pacific Shores Center to the northwest shown on the Exhibit ____ attached hereto (the "Port Parcel") is now or may be developed for Port related maritime and industrial uses similar to those occupying other properties along the west side of Seaport Boulevard and to the west of Pacific Shores Center.
2. Such Port related maritime and industrial activities are those which are permitted by the general industrial zoning of the City of Redwood City and may include heavy industrial land uses, including uses which involve the receipt, transport, storage or management of hazardous wastes, aggregates, cement, gravel and similar materials, including the outdoor storage and handling of such materials.
3. Pacific Shores Center Limited Partnership, on behalf of itself, its successors and assigns, has recognized, accepted and approved such uses of the Port Parcel subject to the utilization of Best Available Management Practices in the development and use of the Port Parcel. Best Available Management Practices are defined on Exhibit ____ attached hereto.
4. Despite the use of Best Available Management Practices on the Port Parcel by the Port and its lessees and licensees and despite Pacific Shores Center Limited Partnership's efforts to ensure compatibility between such uses and those in Pacific Shores Center, it is possible that such uses will cause emissions into the air of dust or other particulate matter, or noise or odorous substances which may be offensive to or be perceived as a nuisance by occupants of Pacific Shores Center.

5. Pursuant to covenants made by Pacific Shores Center Limited Partnership on behalf of its successors and assigns, tenants and lessees, the tenants, lessees and transferees of Pacific Shores Center Limited Partnership have approved and accepted such neighboring uses subject to their utilization of Best Available Management Practices.

6. Any actions to enjoin the continuation of such uses or to recover any damages to persons or property related to their operations are subject to a requirement for prior notice found in recorded covenants by Pacific Shores Center Limited Partnership. The following language is excerpted from such covenants:

“In the event that either party hereto believes that the other has failed to perform any covenant made herein in favor of the other, at least ten (10) days prior to the commencement of any action to enforce the covenants hereunder or to recover damages for the breach thereof, that party who believes that a failure to perform has occurred (the “Complaining Party”) shall give written notice (the “Notice”) to the party alleged not to have performed the covenant (the “Non-Complaining Party”) of the specific nature of the alleged failure and of the intent of the complaining Party to take action to remedy the breach by the Non-Complaining Party. In the event that the nature of the alleged failure to perform is such that the same cannot reasonably be cured within ten (10) days after receipt of the Notice (the “Notice Period”), the Non-Complaining Party shall not be deemed to be in violation of its covenants and no action shall be commenced by the Complaining Party if, within the Notice Period, the Non-Complaining Party commences such cure and thereafter diligently and continuously prosecutes the same to completion within a reasonable time. Provided, however, that the Complaining Party shall not be precluded from recovering any actual damages suffered by reason of the alleged failure to perform prior to or after delivery of the Notice, whether or not such failure is thereafter cured.”

**EXHIBIT K
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR**

Pacific Shores Center
Building 9
Redwood City, California

**NOTICE TO PACIFIC SHORES TENANTS, LESSEES,
SUCCESSORS, ASSIGNS AND TRANSFEREES REGARDING
CURRENT OR FUTURE USES OF ADJACENT RMC LONESTAR
AND PORT PROPERTY**

Notice is hereby given to all tenants, lessees, successors, assigns and transferees of land or interest in land located within the Pacific Shores Center of the presence or potential future presence of maritime and industrial activities on RMC Lonestar and Port of Redwood City property west and adjacent to Pacific Shores Center. Recipients of this notice should be aware of the following:

1. The RMC Lonestar property and parcels of port property adjacent to and west of Pacific Shores Center are shown on the map attached to this notice. The RMC Lonestar and Port properties are now devoted to, or will be developed for, maritime and industrial uses.
2. These maritime and industrial uses are those which are permitted by the "Heavy Industry" General Plan designation and general industrial zoning of the City of Redwood City. These uses include, by way of example and not limitation, uses involving the receipt, transport, storage, handling, processing or management of aggregates, cement, concrete, asphalt, soil or other landscaping materials, recyclable metals and plastics, recyclable concrete and asphalt, chemicals, petroleum products, hazardous wastes, and similar materials, including indoor storage, mixing and handling of these materials.
3. These uses may cause, on either a regular or intermittent basis, air emissions, including without limitation, dust and other particles, odors, vibrations, loud noises, and heavy truck, rail or marine vessel traffic. These uses may have a visual, aesthetic or other aspects that may be offensive or perceived as a nuisance by occupants of Pacific Shores Center.

EXHIBIT L
TO
PACIFIC SHORES CENTER LLC
LEASE
TO
PHONE.COM, INC.
FOR
Pacific Shores Center
Building 9
Redwood City, California

RULES AND REGULATIONS

1. Lessee and Lessee's employees shall not in any way obstruct the sidewalks, entry passages, pedestrian passageways, driveways, entrances and exits to the Project or the Building, and they shall use the same only as passageways to and from their respective work areas.
2. Any sash doors, sashes, windows, glass doors, lights and skylights that reflect or admit light into the Common Area of the Project shall not be covered or obstructed by the Lessee. Water closets, urinals and wash basins shall not be used for any purpose other than those for which they were constructed, and no rubbish, newspapers, food or other substance of any kind shall be thrown into them. Lessee shall not mark, drive nails, screw or drill into, paint or in any way deface the exterior walls, roof, foundations, bearing walls or pillars without the prior written consent of Lessor, which consent may be withheld in Lessor's sole discretion. The expense of repairing any breakage, stoppage or damage resulting from a violation of this rule shall be borne by Lessee.
3. No awning or shade shall be affixed or installed over or in the windows or the exterior of the Premises except with the consent of Lessor, which may be withheld in Lessor's discretion.
4. No boring or cutting for wires shall be allowed, except with the consent of Lessor, which consent may be withheld in Lessor's discretion.
5. Lessee shall not do anything in the Premises, or bring or keep anything therein, which will in any way increase or tend to increase the risk of fire or the rate of fire insurance or which shall conflict with the regulations of the fire department or the law or with any insurance policy on the Premises or any part thereof, or with any rules or regulations established by any administrative body or official having jurisdiction, and it shall not use any machinery therein, even though its installations may have been permitted, which may cause any unreasonable noise, jar, or tremor to the floors or walls, or which by its weight might injure the floors of the Premises.
6. Lessor may reasonably limit weight, size and position of all safes, fixtures and other equipment used in the Premises. If Lessee shall require extra heavy equipment, Lessee shall notify Lessor of such fact and shall pay the cost of structural bracing to accommodate it. All damage done to the Premises or Project by installing, removing or maintaining extra heavy equipment shall be repaired at the expense of the Lessee.

7. Lessee and Lessee's officers, agents and employees shall not make nor permit any loud, unusual or improper noises nor interfere in any way with other Lessees or those having business with them, nor bring into or keep within the Project any animal or bird or any bicycle or other vehicle, except such vehicle as Lessor may from time to time permit.
8. No machinery of any kind will be allowed in the Premises without the written consent of Lessor. This shall not apply, however, to customary office equipment or trade fixtures or package handling equipment.
9. All freights must be moved into, within and out of the Project only during such hours and according to such reasonable regulations as may be posted from time to time by Lessor.
10. No aerial or satellite dish or similar device shall be erected on the roof or exterior walls of the Premises, or on the grounds, without in each instance, the written consent of Lessor. Any aerial installed without such written consent shall be subject to removal without notice at any time. Lessor may withhold consent in its sole discretion.
11. All garbage, including wet garbage, refuse or trash shall be placed by the Lessee in the receptacles appropriate for that purpose and only at locations prescribed by the Lessor.
12. Lessee shall not burn any trash or garbage at any time in or about the Premises or any area of the Project.
13. Lessee shall observe all security regulations issued by the Lessor and comply with instructions and/or directions of the duly authorized security personnel for the protection of the Project and all tenants therein.
14. Any requirements of the Lessee will be considered only upon written application to Lessor at Lessor's address set forth in the Lease.
15. No waiver of any rule or regulation by Lessor shall be effective unless expressed in writing and signed by Lessor or its authorized agent.
16. Lessor reserves the right to exclude or expel from the Project any person who, in the judgment of the Lessor, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of the law or the rules and regulations of the Project.
17. Lessor reserves the right at any time to change or rescind any one or more of these rules and regulations or make such other and further reasonable rules and regulations as in Lessor's judgment may from time to time be necessary for the operation, management, safety, care, and cleanliness of the Project and the Premises, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants of the Project. Lessor shall not be

responsible to Lessee or the any other person for the non-observance or violation of the rules and regulations by any other tenant or person. Lessee shall be deemed to have read these rules and have agreed to abide by them as a condition to its occupancy of the Premises.

18. Lessee shall abide by any additional rules or regulations which are ordered or requested by any governmental or military authority.

19. In the event of any conflict between these rules and regulations, or any further or modified rules and regulations from time to time issued by Lessor, and the Lease provisions, the Lease provisions shall govern and control.

20. Lessor specifically reserves to itself or to any person or firm it selects, (i) the right to place in and upon the Project, coin-operated machines for the sale of cigarettes, candy and other merchandise or service, and (ii) the revenue resulting therefrom.

EXHIBIT M

ESTIMATED TAX ASSESSMENT FOR PACIFIC SHORES

\$12,000,000 @ 6% with 15-year amortization divided by 1,641,534 SF = \$0.06 (1)

For Phone.com:

279,584 x \$0.06 = \$16,775 per month

(1) Interest rate subject to change.

EXHIBIT N

EARLY CONSTRUCTION ITEMS

- Shell Fire Protection
- Perimeter Stairs
- Fireproofing of Steel
- Elevator Pits
- Elevator Penthouse Structure

Openwave Sublease

EXHIBIT "B"

FORM OF BILL OF SALE

For the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, Openwave Systems Inc., a Delaware corporation ("Seller"), does hereby sell, transfer, and convey to PDL BioPharma, Inc., a Delaware corporation ("Buyer"), the personal property and furniture, fixtures and equipment owned by Seller and located within that certain premises commonly known as 1400 Seaport Boulevard, Redwood City, California 94062 as more particularly described on Schedule 1 attached hereto and made a part hereof ("Personal Property").

Buyer acknowledges that Seller is selling and Buyer is buying the Personal Property on an "as is, where is, with all faults" basis, and that Buyer is not relying on any representations or warranties of any kind whatsoever, express or implied, except as expressly set forth below, including, without limitation, any implied warranties as to merchantability or fitness for a particular purpose.

Seller represents and warrants to Buyer, however, that Seller is conveying title to the Personal Property to Buyer free and clear of any liens or encumbrances. Buyer shall take delivery of the Personal Property in its "as-is, where-is, with all faults" condition. Seller shall have no obligation to repair or replace any item of Personal Property.

This Bill of Sale shall be governed by and construed in accordance with the laws of the State of California. Any waiver by either party of any breach of any term or condition of this Bill of Sale shall not operate as a waiver of any other breach of such term or condition or of any other term or condition, nor shall any failure to enforce such provision hereof operate as a waiver of such provision or of any other provision hereof, nor constitute nor be deemed as a waiver or release of any other party for anything arising out of, connected with or based upon this Bill of Sale. In the event of any litigation involving the parties arising out of this Bill of Sale, the prevailing party shall be entitled to recover from the other party such reasonable attorneys' fees and costs as may reasonably be incurred, as awarded by the court hearing the matter.

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

[Signatures appear on next page.]

Openwave Sublease

Dated this __ day of _____, 20__.

SELLER:

OPENWAVE SYSTEMS INC.,
a Delaware corporation

By: _____
Title: _____

BUYER:

PDL BIOPHARMA, INC.,
a Delaware corporation

By: _____
Title: _____

Openwave Sublease

EXHIBIT "C"

PERMITTED HAZARDOUS MATERIALS

(See attached)

Openwave Sublease

EXHIBIT "D"

PDL BIOPHARMA, INC. LIST OF PLANS, LICENSES AND PERMITS

	<u>Inspecting Authority</u>	<u>Frequency</u>
<u>Plans</u>		
Injury Illness Prevention Plan	Cal OSHA	Anytime
Biosafety Plan	"	"
Radiation Safety Plan	"	"
Chemical Hygiene Plan	"	"
Hazard Communication Plan	"	"
Emergency Action Plan	"	"
Hazardous Materials Business Plan	Fremont Fire	Annual
AAALAC Accreditation program	AAALAC	Complaint
<u>Licenses</u>		
CA – Business License		
DHS - Radiation Use License	DHS	Anytime
<u>Permits</u>		
Fremont City - Hazardous Materials Permits A/B/D	Fremont Fire	Annual
Alameda County - Medical waste Permits A/B/D	Ala. County	Annual
BAAQMD – Emergency Generator Permits A/B/D	AQMD	Complaint
DEA – Controlled Substances	DEA	Violation
Openwave Sublease		

EXHIBIT "E"
MOST RECENT RECONCILIATION

[to be attached]

Openwave Sublease

TRIPLE NET SPACE LEASE

between

PACIFIC SHORES INVESTORS LLC,

as

LESSOR

and

**PDL BIOPHARMA, INC.,
a Delaware corporation**

as

LESSEE

for

PREMISES

at

Pacific Shores Center

BUILDING 9
1400 SEAPORT BOULEVARD
REDWOOD CITY, CALIFORNIA 94063

TABLE OF CONTENTS

ARTICLE I PARTIES	1
Section 1.01 Parties	1
ARTICLE II PREMISES	1
Section 2.01 Demise of Premises	1
Section 2.02 Common Area	1
Section 2.03 Parking	2
Section 2.04 Athletic Facility	2
ARTICLE III TERM	3
Section 3.01 Lease Term	3
Section 3.02 Acceleration of Commencement Date	3
Section 3.03 Option to Extend	3
ARTICLE IV RENT: TRIPLE NET LEASE	5
Section 4.01 Base Rent	5
Section 4.02 Rent Adjustment	5
Section 4.03 [Intentionally Deleted]	6
Section 4.04 Absolute Triple Net Lease	6
Section 4.05 Additional Rent	6
Section 4.06 Letter of Credit	6
Section 4.07 Operating Expenses	10
Section 4.08 Lessee's Right to Review Supporting Data	13

ARTICLE V USE	14
Section 5.01 Permitted Use and Limitations on Use	14
Section 5.02 Compliance with Laws	15
Section 5.03 Condition of Premises at Commencement Date	16
Section 5.04 [Intentionally Deleted]	16
Section 5.05 Building Security	16
Section 5.06 Rules and Regulations	16
ARTICLE VI MAINTENANCE, REPAIRS AND ALTERATIONS	17
Section 6.01 Maintenance of Premises and Building	17
Section 6.02 Maintenance of Project Common Areas	18
Section 6.03 Alterations, Additions and Improvements	19
Section 6.04 Covenant Against Liens	20
ARTICLE VII INSURANCE	21
Section 7.01 Property/Rental Insurance for Premises	21
Section 7.02 Property Insurance for Fixtures and Inventory	21
Section 7.03 Lessor's Liability Insurance	21
Section 7.04 Liability Insurance Carried by Lessee	22
Section 7.05 Proof of Insurance	22
Section 7.06 Mutual Waiver of Claims and Subrogation Rights	22
Section 7.07 Indemnification and Exculpation	23
Section 7.08 Lessor as Party Defendant	23

ARTICLE VIII DAMAGE OR DESTRUCTION	24
Section 8.01 Destruction of the Premises	24
Section 8.02 Waiver of Civil Code Remedies	25
Section 8.03 Damages Incurred during Repair	25
Section 8.04 No Liability for Lessee’s Alterations or Personal Property	25
ARTICLE IX REAL PROPERTY TAXES	25
Section 9.01 Payment of Taxes	25
Section 9.02 Pro Ration for Partial Years	27
Section 9.03 Personal Property Taxes	27
Section 9.04 Right to Contest Real Property Taxes	27
ARTICLE X UTILITIES	27
Section 10.01 Lessee to Pay	27
ARTICLE XI ASSIGNMENT AND SUBLETTING	28
Section 11.01 Lessor’s Consent Required	28
Section 11.02 Lessee Affiliates	28
Section 11.03 No Release of Lessee	29
Section 11.04 Excess Rent	29
Section 11.05 Information to be Provided	29
Section 11.06 Lessor’s Recapture Rights	29
ARTICLE XII DEFAULTS; REMEDIES	31
Section 12.01 Defaults	31
Section 12.02 Remedies	32

Section 12.03	Default by Lessor	33
Section 12.04	Late Charges	33
Section 12.05	Lessor's Right to Perform Lessee's Obligations	34
ARTICLE XIII CONDEMNATION OF PREMISES		34
Section 13.01	Total Condemnation	34
Section 13.02	Partial Condemnation	34
Section 13.03	Award to Lessee	35
ARTICLE XIV ENTRY BY LESSOR		35
Section 14.01	Entry by Lessor Permitted	35
ARTICLE XV ESTOPPEL CERTIFICATE		36
Section 15.01	Estoppel Certificate	36
ARTICLE XVI LESSOR'S LIABILITY		36
Section 16.01	Limitations on Lessor's Liability	36
ARTICLE XVII GENERAL PROVISIONS		37
Section 17.01	Severability	37
Section 17.02	Agreed Rate Interest on Past Due Obligations	37
Section 17.03	Time of Essence	37
Section 17.04	Additional Rent	37
Section 17.05	Incorporation of Prior Agreements, Amendments and Exhibits	37
Section 17.06	Notices	38
Section 17.07	Waivers	39
Section 17.08	Recording	39
Section 17.09	Surrender of Possession; Holding Over	39

Section 17.10	Cumulative Remedies	41
Section 17.11	Covenants and Conditions	41
Section 17.12	Binding Effect; Choice of Law	41
Section 17.13	Lease to be Subordinate	41
Section 17.14	Attorneys' Fees	42
Section 17.15	Signs	42
Section 17.16	Merger	43
Section 17.17	Quiet Possession	43
Section 17.18	Easements	43
Section 17.19	Authority	43
Section 17.20	Force Majeure Delays	43
Section 17.21	Hazardous Materials	44
Section 17.22	Modifications Required by Lessor's Lender	47
Section 17.23	Brokers	47
Section 17.24	Acknowledgment of Notices	48
Section 17.25	Right of First Offer	48
Section 17.26	Right of First Refusal	50
Section 17.27	Lessee's Expansion Right	51
Section 17.28	Notification of Intention to Market	52
Section 17.29	List of Lease Expiration Dates	52
Section 17.30	[Intentionally omitted.]	52
Section 17.31	Condition Subsequent	52
Section 17.32	List of Exhibits	53

ARTICLE I
PARTIES

Section 1.01 Parties

This Lease, dated for reference purposes, and effective as of July 6, 2006, is made by and between PACIFIC SHORES INVESTORS LLC (“Lessor”) and PDL BIOPHARMA, INC., a Delaware corporation (“Lessee”).

ARTICLE II
PREMISES

Section 2.01 Demise of Premises

Lessor hereby leases to Lessee and Lessee leases from Lessor for the Lease Term, at the rental, and upon all of the terms and conditions set forth herein, certain space consisting of the entire two hundred eighty-three thousand and fifteen (283,015) rentable square foot building sometimes known as “Building 9” and commonly known as 1400 Seaport Boulevard, Redwood City, California 94063 (“**Building 9**”), which is one of ten free standing, office and research and development Project Buildings (“**Project Buildings**”) on real property situated in Redwood City, County of San Mateo, State of California and commonly known as Pacific Shores Center. The Premises are more particularly described and depicted herein in Exhibit “A.” The rentable square footage of the Premises, Building 9 and other Project Buildings (the “**Rentable Area**”) has been determined and certified by Lessor’s architect by a method described as “dripline,” whereby the measurement encompasses the outermost perimeter of the constructed building, including every projection thereof and all area beneath each such projection, whether or not enclosed, with no deduction for any inward deviation of structure and with the measurement being made floor by floor, but beginning from the top of Building 9. The Premises, the Project Buildings and appurtenances described herein, including Common Area (defined below), and all other improvements at Pacific Shores Center together with the land on which the same are located are together designated as the project (“**Project**”). Lessor and Lessee acknowledge that Lessor, as landlord, and Lessee, as tenant, are also parties to that certain Triple Net Space Lease of even date herewith (the “**Building 10 Lease**”) whereby Lessor leases to Lessee, and Lessee leased from Lessor, Building 10 (“**Building 10**”) in the Project.

Section 2.02 Common Area

As of the Commencement Date, and thereafter, during the Lease Term, Lessee shall have the non-exclusive right to use the Common Area defined herein. Lessor reserves the right to modify the Common Area, including increasing or reducing the size, adding additional Project Buildings, structures or other improvements or changing the use, configuration and elements thereof in its sole discretion and to close or restrict access from time to time for repair, maintenance or construction or to prevent a dedication thereof, provided that Lessee nonetheless (i) shall have reasonable access to parking and the Premises during such activities; and (ii) such modifications, when completed, shall not unreasonably interfere with or restrict Lessee’s possession and use of the Premises. Lessor further reserves the right to establish, repeal and amend from time to time non-discriminatory rules and regulations for the use of the Common

Area and to grant reciprocal easements or other rights to use the Common Area to owners of other property provided that no amendment to the rules and regulations shall unreasonably interfere with or restrict Lessee's use of the Premises or the Common Area. "Common Area" means all portions of the Project other than the Project Buildings, including landscaping, sidewalks, walkways, driveways, curbs, parking lots (including striping), roadways within the Project, sprinkler systems, lighting, surface water drainage systems, an athletic facility to be available for use by Lessee's employees (the "**Athletic Facility**"), as well as baseball and soccer fields, a water front park, and a perimeter walking/biking trail, and additional or different facilities as Lessor may from time to time designate or install or make available for the use by Lessee in common with others. Lessee's use of the Common Areas shall be subject to any easements affecting the Project as of the date of this Lease. Subject to the rights of the other tenants or users of the Project and the need for Lessee to execute a license agreement therefor in the form attached hereto as Schedule 1, Lessee shall have the right to use portions of the Common Areas for the hosting of outdoor meetings, which meetings may include the use of tents and the catering and/or barbeque of food for such meetings. The location, time and manner of such meetings shall be subject to the prior written consent of Lessor, which consent shall not be unreasonably withheld.

Section 2.03 Parking

Lessor shall provide Lessee with three (3) parking spaces per one thousand (1,000) square feet of area within the Premises. In the event Lessor elects or is required by any law to limit or control parking at the Premises, whether by validation of parking tickets or any other method of assessment, Lessee agrees to participate in such validation or assessment program under such reasonable rules and regulations as are from time to time established by Lessor. Lessor agrees that Lessee's access to parking shall not be unreasonably limited beyond any requirement of law by any such rules and regulations. Parking shall be free of charge throughout the Lease Term (including any extensions thereof) except as provided for in Article VI (i.e., Operating Expenses payable hereunder) for reimbursement of repair, replacement and maintenance costs and expenses, and in Article IX for payment or reimbursement of any real property taxes including governmental or public authority charges, fees or impositions of any nature hereafter imposed, except as otherwise provided herein. Nothing herein shall prevent Lessee from allowing two (2) company vans, along with up to ten (10) cars of employees of Lessee on an occasional basis, to remain in the parking spaces for the Premises on an overnight basis.

Section 2.04 Athletic Facility

As of the Commencement Date, Lessee and its employees shall have access to the thirty-eight thousand (38,000) square foot Athletic Facility and all of the amenities thereof at no additional cost to Lessee or its employees, except that Lessee acknowledges that the cost of operating and maintaining the Athletic Facility will be an Operating Expense as described in Section 4.07 below.

ARTICLE III
TERM

Section 3.01 Lease Term

Subject to the terms of Section 3.02 below, the term of this Lease (“**Lease Term**”) shall be for one hundred and four (104) months, beginning on April 30, 2013 (the “**Commencement Date**”) and expiring, unless sooner terminated as provided for herein, on December 31, 2021 (“**Expiration Date**”). The parties shall execute a “Memorandum of Commencement of Lease Term” on the Commencement Date which shall be substantially in the form attached hereto as Exhibit “B”.

Section 3.02 Acceleration of Commencement Date. If that certain Sublease Agreement dated _____, 2006 (the “Openwave Sublease”) between Openwave, Inc. (“Openwave”), as sublessor, and Lessee, as sublessee, terminates for any reason other than a default by Lessee thereunder or a termination of that certain Triple Net Space Lease dated February 4, 2000 between Lessor, as lessor, and Openwave, as lessee by Lessor or Openwave pursuant to the terms of Article VIII or Article XIII thereof, then the Commencement Date of this Lease will be accelerated to be date on which the Openwave Sublease terminates, and the Lease Term shall be extended to begin on such accelerated Commencement Date, but still expire on the Expiration Date of December 31, 2021. During any portion of such extended Lease Term that precedes the originally intended Commencement Date (i.e., April 30, 2013), the monthly Base Rent due hereunder shall be as follows:

<u>Time Period</u>	<u>Monthly Base Rent</u>
1/1/07-12/31/07	\$ 466,974.75
1/1/08-12/31/08	\$ 483,318.86
1/1/09-12/31/09	\$ 500,235.02
1/1/10-12/31/10	\$ 517,743.24
1/1/11-12/31/11	\$ 535,864.25
1/1/12-12/31/12	\$ 554,619.49
1/1/13-4/29/13	\$ 574,031.17

Section 3.03. Option to Extend.

(a) Exercise. Subject to the “Conditions to Extend” described in Section 3.03(d) below, Lessee is given two (2) options to extend the Lease Term (each, an “Option to Extend”) with respect to Building 9 for periods of five (5) years each (each, an “Extended Term”) following the date on which the initial Lease Term (or, in the case of the second Extended Term, the first Extended Term) would otherwise expire, which option may be exercised only by written notice (“Option Notice”) from Lessee to Lessor given not less than twelve (12) months nor more than fifteen (15) months prior to the end of the initial Lease Term or the first Extended Term, as relevant (“Option Exercise Date”).

(b) Extended Term Rent. In the event Lessee exercises any Option to Extend set forth herein, all the terms and conditions of this Lease shall continue to apply except that Lessee shall no longer have the future right to exercise the Option to Extend in question and the Base Rent payable by Lessee during the Extended Term shall be equal to the greater of (i) ninety-five percent (95%) of Fair Market Rent (defined below), as determined under subparagraph (c) below, or (ii) the monthly Base Rent paid by Lessee during the last year of the initial Lease Term or the first Extended Term, as relevant. "Fair Market Rent" shall mean the effective rate being charged (including periodic adjustments thereto as applicable during the period of the Extended Term, to the extent such adjustments are determined to be part of the Fair Market Rent), for comparable space in similar buildings in the vicinity, i.e. of a similar age and quality considering any recent renovations or modernization, and floor plate size or, if such comparable space is not available, adjustments shall be made in the determination of Fair Market Rent to reflect the age and quality of Building 9 and Premises as contrasted to other buildings used for comparison purposes, with similar amenities, taking into consideration: size, location, floor level, leasehold improvements or allowances provided or to be provided, term of the lease, extent of services to be provided, the time that the particular rate under consideration became or is to become effective, and any other relevant terms or conditions applicable to tenants.

(c) Determination of Fair Market Rent.

(i) Negotiation. If Lessee so exercises the Option to Extend in a timely manner, the parties shall then meet in good faith to negotiate the Base Rent for the Premises for the Extended Term during the first thirty (30) days after the date of the delivery by Lessee of the Option Notice (the "Negotiation Period"). If, during the Negotiation Period, the parties agree on the Base Rent applicable to the Premises for the Extended Term, then such agreed amount shall be the Base Rent payable by Lessee during the Extended Term.

(ii) Arbitration. In the event that the parties are unable to agree on the Base Rent for the Premises within the Negotiation Period, then within ten (10) days after the expiration of the Negotiation Period, each party shall separately designate to the other in writing an appraiser to make this determination. Each appraiser designated shall be a member of MAI and shall have at least ten (10) years experience in appraising commercial real property in Santa Clara County. The failure of either party to appoint an appraiser within the time allowed shall be deemed equivalent to appointing the appraiser appointed by the other party, who shall then determine the Fair Market Rent for the Premises for the Extended Term. Within five (5) business days of their appointment, the two designated appraisers shall jointly designate a third similarly qualified appraiser. Within thirty (30) days after their appointment, each of the two appointed appraisers shall submit to the third appraiser a sealed envelope containing such appointed appraiser's good faith determination of the Fair Market Rent for the Premises for the Extended Term; concurrently with such delivery, each such appraiser shall deliver a copy of his or her determination to the other appraiser. The third appraiser shall within ten (10) days following receipt of such submissions, then determine which of the two appraisers' determinations most closely reflects Fair Market Rent, as defined in Section 3.03(b) of this Lease. The determination most closely reflecting the third appraiser's determination shall be

deemed to be the Fair Market Rent for the Premises during the Extended Term; the third appraiser shall have no rights to adjust, amend or otherwise alter the determinations made by the appraisers selected by the parties, but must select one or the other of such appraisers' submissions. The determination by such third appraiser shall be final and binding upon the parties. Said third appraiser shall, upon selecting the determination which most closely resembles Fair Market Rent, concurrently notify both parties hereto. The parties shall share the appraisal expenses equally. If the Extended Term begins prior to the determination of Fair Market Rent, Lessee shall pay monthly installments of Base Rent equal to one hundred three and one half percent (103.5%) of the monthly installment of Base Rent in effect for the last year of the initial Lease Term or the first Extended Term, as relevant (in lieu of "holdover rent" payable under Section 17.09(b)). Once a determination is made, any over payment or under payment shall be reimbursed as a credit against, or paid by adding to, the monthly installment of Base Rent next falling due.

(d) Conditions to Extend. Notwithstanding anything herein to the contrary, Lessee shall have no right to exercise Lessee's Option to Extend hereunder, and any Option Notice delivered by Lessee shall be void and invalid if at the time Lessee delivers such notice any of the following conditions (collectively, the "**Conditions to Extend**") are not satisfied both at the time such Option Notice is delivered and at the time the Extended Term in question is to commence: (i) Lessee has not assigned this Lease or the Building 10 Lease to any party other than an Affiliate (as defined in Section 11.02), during any time in which Lessor or any affiliate thereof owns Building 10 and the Building 10 Lease is in effect (ii) Lessee has not sublet more than fifty percent (50%) of the Premises to anyone other than an Affiliate, (iii) Lessee physically occupies at least fifty percent (50%) of the Premises, (iv) Lessor has delivered a written notice of default under this Lease or the Building 10 Lease and the default specified therein has not yet been cured, and (v) Lessor has not delivered a written notice to Lessee that Lessee has committed a monetary default under this Lease more than three (3) times during the Lease Term and delivered a written notice to Lessee that Lessee has committed a non-monetary default under this Lease more than one (1) time during the Lease Term.

ARTICLE IV
RENT: TRIPLE NET LEASE

Section 4.01 Base Rent

Lessee shall pay to Lessor monthly Base Rent, in advance, on the first day of each calendar month of the Lease Term, commencing on the Commencement Date (subject to the adjustment of the Commencement Date pursuant to the terms of Section 3.02 above), in the initial amount of Five Hundred Seventy-Four Thousand Thirty-One and 11/100 Dollars (\$574,031.11) per month; but subject to increase pursuant to the terms of Section 4.02 below. Base Rent for any period during the Lease Term which is for less than one month shall be a pro rata portion of the monthly installment (based on the actual days in that month).

Section 4.02 Rent Adjustment

As of January 1, 2014, the Base Rent due hereunder shall adjust to Five Hundred Ninety-Four Thousand One Hundred Twenty-Two and 19/100 Dollars (\$594,122.19). As of

June 1, 2014, the Base Rent shall further adjust to the higher of: (i) Five Hundred Ninety-Four Thousand One Hundred Twenty-Two and 19/100 Dollars (\$594,122.19) or (ii) one hundred percent (100%) of the then existing Fair Market Rent (as determined pursuant to Sections 3.03(b) and (c)), but in no event higher than Seven Hundred Forty-Nine Thousand Nine Hundred Eighty-Nine and 75/100 Dollars (\$749,989.75). Thereafter, the Base Rent due hereunder shall increase by escalations as determined in the Fair Market Rent determination, effective on January 1 of each remaining year of the Lease Term..

Section 4.03 Intentionally Deleted

Section 4.04 Absolute Triple Net Lease

This Lease is what is commonly called a "Absolute Triple Net Lease," it being understood that Lessor shall receive the Base Rent set forth in Section 4.01 free and clear of any and all expenses, costs, impositions, taxes, assessments, liens or charges of any nature whatsoever. Lessee shall pay all rent in lawful money of the United States of America to Lessor at the notice address stated herein or to such other persons or at such other places as Lessor may designate in writing not later than ten (10) days before the due date specified for same without prior demand, set-off or deduction of any nature whatsoever. It is the intention of the parties hereto that this Lease shall not be terminable for any reason by Lessee and that Lessee shall in no event be entitled to any abatement of or reduction in rent payable under this Lease, except as herein expressly provided in Articles VIII and XIII. Any present or future law to the contrary shall not alter this agreement of the parties.

Section 4.05 Additional Rent

In addition to the Base Rent reserved by Section 4.01, Lessee shall pay, beginning on the Commencement Date and continuing throughout the Lease Term as Additional Rent (i) 100% of amounts applicable solely to the Premises, and Lessee's Share (as defined in Section 4.07(c) below) of amounts applicable to Building 9, the Project and the Common Area of all taxes, assessments, fees and other impositions payable by Lessee in accordance with the provisions of Article IX and insurance premiums in accordance with the provisions of Article VII, (ii) Lessee's Share of Operating Expenses (as defined below), and (iii) any other applicable charges, costs and expenses whether or not contemplated which may arise under any provision of this Lease during the Lease Term, as the same may be extended, plus a Management Fee to Lessor equal to two percent (2%) of the Base Rent. The Management Fee is due and payable, in advance, with each installment of Base Rent. All of such charges, costs, expenses, Management Fee and all other amounts payable by Lessee hereunder, shall constitute Additional Rent, and upon the failure of Lessee to pay any of such charges, costs or expenses, Lessor shall have the same rights and remedies as otherwise provided in this Lease for the failure of Lessee to pay Base Rent.

Section 4.06 Letter of Credit

(a) Deposit of Letter of Credit Security

Lessee shall deposit with Lessor, on or before the date that is three (3) business days after the date Lessee executes this Lease, an unconditional, irrevocable letter of

credit ("Letter of Credit") on a form acceptable to Lessor and, if required, Lessor's lender(s), and in favor of Beneficiary (as defined below) in the amount of One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00) (the "Letter of Credit Security"). "Beneficiary," as used herein refers to either: (x) Lessor as beneficiary, or (y) if required by Lessor's lender(s), Lessor and Lessor's lender(s) as co-beneficiaries under the Letter of Credit Security. The Letter of Credit Security shall: (i) be issued by a commercial money center bank reasonably satisfactory to Lessor with retail branches in San Francisco, California (the "Issuer"); (ii) be a standby, at-sight, irrevocable letter of credit; (iii) be payable to Beneficiary; (iv) permit multiple, partial draws, (v) provide that any draw on the Letter of Credit Security shall be made upon receipt by the Issuer of a sight draft accompanied by a letter from Lessor stating that Lessor is entitled, pursuant to the provisions of this Lease, to draw on the Letter of Credit Security in the amount of such draw; (vi) provide for automatic annual extensions, without amendment (so-called "evergreen" provision) with a final expiry date no sooner than ninety (90) days after the end of the Lease Term; (vii) provide that it is governed by the Uniform Customs and Practice for Documentary Credits (1993 revisions) International Chamber of Commerce Publication 500; and (viii) be cancelable if, and only if, Issuer delivers to Beneficiary no less than sixty (60) days advance written notice of Issuer's intent to cancel. Lessee shall pay all costs, expenses, points and/or fees incurred by Lessee in obtaining the Letter of Credit Security.

(b) Lessor's Right to Draw on Letter of Credit Security

The Letter of Credit Security shall be held by Lessor as security for the faithful performance by Lessee of all of the terms, covenants, and conditions of this Lease and, so long as Lessor or an affiliate thereof is the lessor under the Building 10 Lease and the Building 10 Lease is in effect, all of the terms, covenants and conditions of the Building 10 Lease, applicable to Lessee. Lessor shall have the immediate right to draw upon the Letter of Credit Security, in whole or in part and without prior notice to Lessee, other than as required under this Lease, at any time and from time to time: (i) if an Event of Lessee's Default occurs under this Lease or, if Lessor or an affiliate thereof is the lessor under the Building 10 Lease and the Building 10 Lease is in effect, the Building 10 Lease (beyond any applicable notice and cure period), or (ii) Lessee either files a voluntary bankruptcy petition or an involuntary bankruptcy petition is filed against Lessee by an entity or entities other than Lessor, under 11 U.S.C. §101 et seq., or Lessee executes an assignment for the benefit of creditors. No condition or term of this Lease shall be deemed to render the Letter of Credit Security conditional, thereby justifying the Issuer of the Letter of Credit Security in failing to honor a drawing upon such Letter of Credit Security in a timely manner. The Letter of Credit Security and its proceeds shall constitute Lessor's sole and separate property (and not Lessee's property or, in the event of a bankruptcy filing by or against Lessee, property of Lessee's bankruptcy estate) and Lessor may immediately upon any draw (and without notice to Lessee) apply or offset the proceeds of the Letter of Credit Security against: (A) any amounts payable by Lessee under the Lease that are not paid when due, after the expiration of any applicable notice and cure period; (B) all losses and damages that Lessor has suffered or may reasonably estimate that it may suffer as a result of an Event of Lessee's Default under this Lease or the Building 10 Lease, including any damages arising under Section 1951.2 of the California Civil Code for rent due following termination of this Lease; (C) any costs incurred by Lessor in connection an Event of Lessee's Default under this Lease (including attorney's fees); and (D) any other amount that Lessor may spend or become obligated to spend by reason of an Event of Lessee's Default under this Lease or the Building 10

Lease but in no event in excess of amounts to which the Lessor would be entitled under the law. If any portion of the Letter of Credit Security is so drawn upon or applied, Lessee shall, within five (5) business days after written demand therefore, deposit cash with Issuer in an amount sufficient to restore the Letter of Credit Security to its original amount. Tenant's failure to do so shall be a Default by Lessee. It is expressly understood that Lessor shall be relying on Issuer rather than Lessee for the timely payment of proceeds under the Letter of Credit Security and the rights of Lessor pursuant to this Section are in addition to any rights which Lessor may have against Lessee pursuant to Article XII below. Lessor shall not be required to keep the proceeds from the Letter of Credit Security separate from Lessor's general funds nor be deemed a trustee of same.

(c) Replacement Letter of Credit Security

If, for any reason whatsoever, the Letter of Credit Security becomes subject to cancellation or expiration during the Lease Term, within forty-five (45) days prior to expiration of the Letter of Credit Security, Lessee shall cause the Issuer or another bank satisfying the conditions of Section 4.06(a) above to issue and deliver to Lessor a Letter of Credit Security to replace the expiring Letter of Credit Security (the "Replacement Letter of Credit Security"). The Replacement Letter of Credit Security shall be in the same amount as the original Letter of Credit Security (or such reduced amount as provided by the terms of Section 4.06(g) of this Lease) and shall be on the terms and conditions set forth in items (A) through (D) above. Failure of Lessee to cause the Replacement Letter of Credit Security to be issued forty-five (45) days prior to the then pending expiration or cancellation shall entitle Lessor to fully draw down on the existing Letter of Credit Security and, at Lessor's election, shall be an event of default under this Lease and/or the Building 10 Lease without any relevant notice and cure period.

(d) Transfer of Beneficiary

During the Lease Term Lessor may transfer its interest in the Lease or Lessor's lender may change. Lessor may request a change to Beneficiary under the Letter of Credit Security to the successor of Lessor and/or Lessor's lender (the "Transferee"). Lessee agrees to cooperate and to cause Issuer, at Lessor's cost, to timely issue a new Letter of Credit Security on the same terms and conditions as the original Letter of Credit Security, except that the new Letter of Credit Security shall be payable to the Transferee. Lessor shall surrender the existing Letter of Credit Security to Lessee simultaneously with Lessee's delivery of the new Letter of Credit Security to Transferee.

(e) Return of the Letter of Credit Security

If Lessee fully and faithfully performs every provision of this Lease to be performed by it, the Letter of Credit Security or any balance thereof shall be returned (without interest) to Lessee (or, at Lessee's option, to the last assignee of Lessee's interests hereunder) within thirty (30) days after the expiration or earlier termination of the Lease and after Lessee has vacated the Premises and surrendered possession; provided that if prior to the Lease Expiration Date a voluntary bankruptcy provision is filed by Lessee, or an involuntary bankruptcy is filed against Lessee by any of Lessee's creditors other than Lessor, under 11

U.S.C. § 101 et seq., or Lessee executes an assignment for the benefit of creditors, then to the fullest extent permitted by law Lessor shall not be obligated to return the Letter of Credit Security or any proceeds of the Letter of Credit Security until all statutes of limitations for any preference avoidance statutes applicable to such bankruptcy or assignment for the benefit of creditors have elapsed or the bankruptcy court or assignee, whichever is applicable, has executed a binding release releasing Lessor of any and all liability for the preferential transfers relating to payments made under this Lease, and Lessor may retain and offset against any remaining Letter of Credit Security proceeds the full amount Lessor is required to pay to any third party on account of preferential transfers relating to this Lease. Lessor agrees it will cooperate in providing Issuer with a letter of cancellation or such other reasonable documentation as Issuer requests to effect the return and extinguishment of the credit issued under the Letter of Credit Security.

(f) Acknowledgment of Parties

Lessor and Lessee (a) acknowledge and agree that in no event or circumstance shall the Letter of Credit Security or any renewal thereof or substitute therefor or any proceeds thereof be deemed to be or treated as a "security deposit" under any law applicable to security deposits in the commercial context, including, but not limited to Section 1950.7 of the California Civil Code, as such Section now exists or as it may be hereafter amended or succeeded (the "Security Deposit Laws"), (b) acknowledge and agree that the Letter of Credit Security (including any renewal thereof or substitute therefor or any proceeds thereof) is not intended to serve as a security deposit, and the Security Deposit Laws shall have no applicability or relevancy thereto, and (c) waive any and all rights, duties and obligations that any such party may now, or in the future will, have relating to or arising from the Security Deposit Laws. Lessee hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of law, now or hereafter in effect, which (i) establish the time frame by which a Lessor must refund a security deposit under a lease, and/or (ii) provide that a Lessor may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a Lessee or to clean the premises, it being agreed that Lessor may, in addition, claim those sums specified in this Section 4.06 and/or those sums reasonably necessary to compensate Lessor for any loss or damage caused by Lessee's breach of this Lease, including any damages Lessor suffers.

(g) Scheduled Reduction in Letter of Credit Security.

Notwithstanding anything herein to the contrary, as of the eighth (8th) anniversary of the "Commencement Date" of the Building 10 Lease, the amount of the Letter of Credit Security shall be reduced to Seven Hundred Fifty Thousand Dollars (\$750,000), provided that (i) at such time Lessor has not delivered a written notice of default by Lessee hereunder and such default has not yet been cured, and (ii) Lessor has not delivered to Lessee written notice that Lessee is in monetary default hereunder more than three (3) times and written notice that Lessee is in non-monetary default more than one (1) time during the Lease Term.

Section 4.07 Operating Expenses

(a) Definition

“**Operating Expenses**” shall mean and include those actual costs or expenses of the Premises, Building 9 or Project described in Articles VI, VII or IX, as well as all actual costs and expenses of every kind and nature paid or incurred by Lessor (whether obligated to do so or undertaken at Lessor’s discretion) in the ownership, operation, maintenance, repair and replacement of the Common Areas, including Common Area Project Buildings and improvements located within the Project as well as the Common Areas of Building 9. Such cost and expenses shall include, but not be limited to, costs of cleaning; lighting; maintaining, repairing and replacing all Common Area improvements and elements (replacing shall be deemed to include but not be limited to the replacement of light poles and fixtures, storm and sanitary sewers, parking lots, driveways and roads as well as the Building 9 elevators, stairways, floors and walls in the Common Area and Building 9, but not the Building 9 elements which are the responsibility of Lessor to maintain, repair and replace under this Lease), repairs to and maintenance of the structural and non-structural portions of the Athletic Facility; supplies, tools, equipment and materials used in the operation and maintenance of the Project; parking lot striping; removal of trash, rubbish, garbage and other refuse; painting; removal of graffiti; painting of exterior walls; landscaping; providing security to the extent Lessor determines in its sole discretion to do so (including security systems and/or systems designed to safeguard life or property against acts of God and/or criminal and/or negligent acts, and the costs of maintaining of same); personal property taxes; fire protection and fire hydrant charges (including fire protection system signaling devices, now or hereafter required, and the costs of maintaining of same); water and sewer charges; utility charges; license and permit fees necessary to operate and maintain the Project; the initial cost or the reasonable depreciation of equipment used solely in operating and maintaining the Common Areas which is expensed or amortized, respectively by Lessor in its good faith discretion using accounting practices commonly utilized in the commercial real estate industry, consistently applied and rent paid for leasing any such equipment; reasonable cost of on or off site storage space of any and all items used in conjunction with the operation, maintenance and management of the Project, including but not limited to tools, machinery, records, decorations, tables, benches, supplies and meters; the cost of and installation cost of any and all items which are installed for the purpose of reducing Operating Expenses, increasing building or public safety or which may be then required by governmental authority, laws, statutes, ordinances and/or regulations, a use privilege for the Athletic Facility equal to: (A) the product of 3,744 (Lessee’s Share of the Athletic Facility Square Footage) times the monthly Base Rent per square foot then due hereunder, plus (B) Lessee’s Share of the costs and expenses arising from the operation of same; total compensation and benefits (including premiums for workers’ compensation and other insurance) paid to or on behalf of Lessor’s employees, agents, consultants and contractors, including but not limited to full or part time on-site management or maintenance personnel, however, excluding any person with a title greater than property manager, for work performed at the Project.

Notwithstanding the above, if Lessee’s Share of the cost of any particular capital expenditure to the Project or Premises exceeds Fifty Thousand Dollars (\$50,000), then

such cost, together with interest thereon at the rate actually charged Lessor by any lender or, if no such interest is relevant, with interest thereon at an interest rate equal to the Bank of America prime rate plus two percent (2%), shall be amortized over its useful life, and the amount includible in Operating Expenses shall be limited to the monthly amortized cost thereof. The determination of what constitutes a capital expenditure and the useful life applicable thereto shall be made by Lessor in its good faith discretion using accounting practices commonly utilized in the commercial real estate industry, consistently applied

(b) Payment

Lessee shall pay Lessee's Share of Operating Expenses, as Additional Rent, in monthly installments on the first day of each month in an amount set forth in a written estimate by Lessor. Within ninety (90) days after the end of each calendar year, Lessor shall furnish to Lessee a statement (hereinafter referred to as "Lessor's Statement") of the actual amount of Lessee's Share of such Operating Expenses for such period. Within thirty (30) days after receipt thereof, Lessee shall pay to Lessor, as Additional Rent, or Lessor shall apply as a credit to Additional Rent next falling due (or if the Lease Term has expired or terminated and there remains no money due to Lessor, remit to Lessee), as the case may be, the difference between the estimated amounts paid by Lessee and the actual amount of Lessee's Share of Operating Expenses for such period as shown by such Lessor's Statement. Lessee's Share of Operating Expenses for the ensuing estimation period shall be adjusted upward or downward based upon Lessor's Statement.

(c) Lessee's Share

For purposes hereof, "Lessee's Share" shall mean (i) as to amounts allocable solely to Building 9 (and with respect to real property tax, also to the legal parcel in which Building 9 is located), one hundred percent (100%), and (ii) as to amounts allocable to the Project or Project Common Area, the Rentable Area of the Premises divided by the Rentable Area of all Project Buildings at the Project (irrespective of whether they are rented). Subject to being increased or decreased (in an amount Lessor shall, in good faith, determine), upon the increase or reduction in the Rentable Area of the Premises and the Project, respectively, Lessee's Share for each of the Building 9 items shall be 100% and Lessee's Share of Project items shall be sixteen and ninety-three hundredths percent (16.93%). The Rentable Area of all Project Buildings at the Project shall not be reduced for vacancies in the ordinary course of business.

(d) Exclusions

For purposes of this Lease, the term Operating Expenses shall not include (and Lessee shall have no liability for) any of the following:

(i) any expenses incurred by Lessor for the sole benefit of Lessee, which expenses are reimbursed by Lessee pursuant to the other terms of this Lease,

(ii) any expenses incurred by Lessor for the benefit of the other tenants of the Project, but not Lessee, which expenses are in fact reimbursed by such other tenant(s),

(iii) any payments of points, interest or principal relating to any debt secured by Building 9 or the Project,

(iv) costs associated with the operation of the business of the ownership or entity which constitutes "Lessor," as distinguished from the costs of Project operations, including, but not limited to, partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Lessee may be in issue), costs of selling syndicating, financing, mortgaging or hypothecating any of Lessor's interest in the Project, costs of any disputes between Lessor and its employee (if any) not engaged in Project operation, or outside fees paid in connection with disputes with other tenants,

(v) Legal fees, space planners' fees, real estate brokers' leasing commissions, and advertising expenses incurred in connection with leasing of the Project Buildings,

(vi) Costs for which Lessor is reimbursed by its insurance carrier or any tenant's insurance carrier,

(vii) any bad debt loss, rent loss or reserves for bad debts or rent loss,

(viii) costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for new tenants in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project,

(ix) costs of a capital nature, including, without limitation, capital improvements and replacements, capital repairs, capital equipment and capital tools, unless such costs are amortized pursuant to the terms of Subsection 4.07(a) above,

(x) any interest or late fee resulting from any failure of Lessor to pay any item of Operating Expense when it would have been due without such interest or late fee, provided, however, that nothing herein shall be deemed from precluding Lessor from passing through to Lessee as an Operating Expense any cost associated with paying Operating Expenses on any permitted installment or other periodic basis, even if such payment basis results in an increase in the Operating Expense in question,

(xi) overhead and profit increment paid to Lessor or to subsidiaries or affiliates of Lessor for such services in the Building to the extent the same exceeds the costs of such services rendered by unaffiliated third parties on a competitive basis.

It is understood that Operating Expenses shall be reduced by all cash discounts, trade discounts, or quantity discounts received by Lessor or Lessor's managing agent in the purchase of any goods, utilities, or services in connection with the operation of the Project. In the calculation of any expenses hereunder, it is understood that Lessor will not charge Lessee more than one hundred percent (100%) of any Operating Expense due hereunder. Lessor shall use its best efforts to effect an equitable proration of bills for services rendered to Building 9 and to any other property owned by Lessor.

Section 4.08 Lessee's Right to Review Supporting Data

(a) Exercise of Right by Lessee

Provided that Lessor has not delivered to Lessee written notice of any default by Lessee hereunder, which default has not then been cured, and provided further that Lessee strictly complies with the provisions of this Section 4.08, Lessee shall have the right to reasonably review supporting data for any portion of a Lessor's Statement that Lessee believes may be incorrect. In order for Lessee to exercise its right under this Section 4.08, Lessee shall, within: (i) forty-five (45) days after any Lessor's Statement is received, if Lessor includes a copy of Lessor's general ledger for Building 9 with such Lessor's Statement, or (ii) ninety (90) days after Lessor's Statement is received, in all other events, deliver a written notice to Lessor specifying the portions of the Lessor's Statement that it believes to be incorrect, and Lessee shall simultaneously pay to Lessor all amounts due from Lessee to Lessor as specified in the Lessor's Statement, if applicable. Except as expressly set forth in subparagraph (c) below, in no event shall Lessee be entitled to withhold, deduct, or offset any monetary obligation of Lessee to Lessor under the Lease including, without limitation, Lessee's obligation to make all Base Rent payments and all payments for Additional Rent, pending the completion of, and regardless of the results of, any review under this Section 4.08. The right to review granted to Lessee under this Section 4.08 may only be exercised once for any Lessor's Statement, and if Lessee fails to meet any of the above conditions as a prerequisite to the exercise of such right, the right of Lessee under this Section 4.08 for a particular Lessor's Statement shall be deemed waived.

(b) Procedures for Review

Lessee acknowledges that Lessor maintains its records for Building 9 and the Project at its offices in San Francisco, and Lessee therefore agrees that any review of supporting data under this Section shall occur at such location. Any review to be conducted under this Section shall be at the sole expense of Lessee, except as otherwise provided herein, below, and shall be conducted by an independent (i.e., not then engaged by Lessee for any other purposes) firm of certified public accountants on a non-contingency fee basis. Lessee acknowledges and agrees that any supporting data reviewed under this Section shall constitute confidential information of Lessor, which shall not be disclosed to anyone other than the accountants of national standing performing the review and the principals or other employees or counsel of Lessee who receive the results of the review. Except to the extent (i) required by law, (ii) in connection with any legal proceeding concerning this Lease, or (iii) if such information or results are otherwise publicly available, the disclosure of such information or results of the review to any other person by Lessee or any person or entity who received such information from or on behalf of Lessee shall constitute a material breach of this Lease.

(c) Finding of Error

Any errors disclosed by the review of supporting data under this Section shall be promptly corrected, provided that Lessor shall have the right to cause another review of the supporting data to be made by an independent (i.e., not then engaged by Lessor for any other purposes) firm of certified public accountants of Lessor's choice. If the results of the review of the supporting data, taking into account (if applicable) the results of any additional review

caused by Lessor, reveal that Lessee has overpaid obligations for a preceding period, the amount of such overpayment shall be credited against Lessee's subsequent installment obligations to pay its share of Additional Rent or, if the Lease has terminated or expired, in cash within thirty (30) days after the determination of overpayment is received by Lessor. In the event that such results show that Lessee has underpaid its obligations for a preceding period, the amount of such underpayment shall be paid by Lessee to Lessor with the next succeeding installment obligation of Additional Rent or, if this Lease has terminated or expired, in cash within thirty (30) days after the determination of underpayment is received by Lessee. Each party shall pay all the costs, and expenses of its chosen accounting firm; provided, however, if Lessor and Lessee determine that Operating Expenses for the Project for the year in question were less than those stated in Lessor's Statement by more than five percent (5%), Lessor shall reimburse Lessee for the reasonable amounts paid by Lessee to third parties in connection with such review. If Lessor and Lessee determine that Operating Expenses for the Project in the year in question were not less than those stated in Lessor's Statement by more than five percent (5%), then Lessee shall reimburse Lessor for the reasonable amounts paid by Lessor to third parties in connection with such review.

(d) Effect of Lessee's Default. In the event that Lessor has delivered a written notice of default to Lessee hereunder and such default then remains uncured during the pendency of a review of records under this Section, said right to review shall immediately cease and the matters originally set forth in Lessor's Statement shall be deemed to be correct.

ARTICLE V USE

Section 5.01 Permitted Use and Limitations on Use

(a) The Premises shall be used and occupied only for general office purposes, research and development, laboratory, biopharmaceutical research (including without limitation, vivarium and animal colony facilities for rodents only, small scale pilot fermentation and other pilot plant facilities) and other related legal uses and for no other use without Lessor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed so long as such use is lawful and does not conflict with any other provision of this Lease, including, without limitation, the restrictions set forth in the following provisions of this Section. Lessee shall not use, suffer or permit the use of the Premises in any manner that will tend to constitute waste, nuisance or unlawful acts or void any warranties that Lessor has received with respect to Building 9, provided that biological and chemical and other waste generated and disposed of in the ordinary course of business for the permitted uses in full and timely compliance with all applicable laws shall not be deemed a violation of this Section 5.01. In no event shall it be unreasonable for Lessor to withhold its consent as to uses other than those expressly permitted above which it determines would tend to materially increase the wear of the Premises or any part thereof or increase the potential liability of Lessor or decrease the marketability, financeability, leaseability or value of the Premises or Project. Lessee shall not do anything in or about the Premises which will (i) cause structural injury to Building 9 or Premises, or (ii) cause damage to any part of Building 9 or Premises except to the extent reasonably necessary for the installation of Lessee's trade fixtures and Lessee's Alterations, and then only in a manner and to the extent consistent with this Lease. Lessee shall not operate any equipment within Building 9 or

Premises which will (A) materially damage Building 9 or the Common Area, (B) overload existing electrical systems or other mechanical equipment servicing Building 9, (C) impair the efficient operation of the sprinkler system or the heating, ventilating or air conditioning (“HVAC”) equipment within or servicing Building 9, (D) damage, overload or corrode the sanitary sewer system, or (E) damage the Common Area or any other part of the Project. Lessee shall not do any of the following in excess of the load limits for which such items are designed (based on structural reinforcements to be constructed by Lessee as part of Lessee’s alterations to the Premises): attach, hand or suspend anything from the ceiling, roof, walls or columns of Building 9 or set any load on the floor. Lessee shall not operate hard wheel forklifts within the Premises. Any dust, fumes, or waste products generated by Lessee’s use of the Premises shall be contained and disposed so that they do not (1) create an unreasonable fire or health hazard, (2) damage the Premises, or (3) result in the violation of any law. Except as approved by Lessor, Lessee shall not change the exterior of Building 9, or the outside area of the Premises, or install any equipment or antennas on or make any penetrations of the exterior or roof of Building 9. Lessee shall not conduct, on any portion of the Premises, any sale of any kind (but nothing herein is meant to prohibit sales and marketing activities of Lessee’s products and services in the normal course of business consistent with the permitted uses), including any public or private auction, fire sale, going-out-of-business sale, distress sale or other liquidation sale, and any such sale shall be an immediate event of default hereunder without the benefit of a notice and cure period from Lessor, notwithstanding anything to the contrary in this Lease. No materials, supplies, tanks or containers, equipment, finished products or semi-finished products, raw materials, inoperable vehicles or articles of any nature shall be stored upon or permitted to remain within the outside areas of the Premises except in fully fenced and screened areas outside Building 9 which have been designed for such purpose and have been approved in writing by Lessor for such use by Lessee and for which Lessee has obtained all appropriate permits from governmental agencies having jurisdiction over such articles. Lessee shall also reimburse Lessor for any increased premiums or additional insurance which Lessor reasonably deems necessary as a result of Lessee’s use of the Premises.

Section 5.02 Compliance with Laws

Lessor represents and warrants to Lessee that Building 9 was constructed in accordance with all applicable laws, codes and regulations in effect as of the date Building 9 was built. Except for any work necessary as a result of the inaccuracy of the foregoing representation and warranty, Lessee shall, at Lessee’s cost and expense, comply promptly with all statutes, ordinances, codes, rules, regulations, orders, covenants and restrictions of record, and requirements applicable to the Premises and Lessee’s use and occupancy of same in effect during any part of the Lease Term, whether the same are presently foreseeable or not, and without regard to the cost or expense of compliance provided that any Alteration(s) required for compliance shall be subject to the provisions of this Lease. By executing this Lease, Lessee acknowledges that it has reviewed and satisfied itself as to its compliance, or intended compliance with the applicable zoning and permit requirements, hazardous materials and waste requirements, and all other statutes, laws, or ordinances relevant to the uses stated in Section 5.01, above, or the occupancy of the Premises.

Section 5.03 Condition of Premises at Commencement Date

Lessee hereby accepts the Premises in their condition existing as of the date the Premises is delivered to Lessee, "AS-IS" and "WITH ALL FAULTS" subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use and condition of the Premises, and any covenants or restrictions, liens, encumbrances and title exceptions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that neither Lessor nor any agent of Lessor has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Lessee's business, except as otherwise provided herein.

Section 5.04 Intentionally Deleted

Section 5.05 Building Security

Lessee acknowledges and agrees that it assumes sole responsibility for security at the Premises for its agents, employees, invitees, licensees, contractors, guests and visitors and will provide such systems and personnel for same including, without limitation, while such person(s) are using the Common Area, as it deems necessary or appropriate and at its sole cost and expense. Lessor shall have absolutely no liability whatsoever with respect to the security of Lessee's agents, employees, invitees or contractors or their respective personal property at the Project, except to the extent that liability to such parties arises out of the intentional misconduct of Lessor or Lessor's agents, employees, invitees or contractors. Lessee acknowledges and agrees that Lessor does not intend to provide any security system or security personnel at the Premises or Project, including, without limitation, at the Common Area, provided, however, that nothing herein shall be deemed to prevent Lessor from providing such system or personnel in the future, the cost of which will be included in those items for which Lessee pays additional rent.

Section 5.06 Rules and Regulations

Lessor may from time to time promulgate reasonable and nondiscriminatory rules and regulations applicable for the care and orderly management of the Premises, the Project and/or its Common Area. Such rules and regulations shall be binding upon Lessee upon delivery of a copy thereof to Lessee, and Lessee agrees to abide by such rules and regulations. A copy of the initial Rules and Regulations is attached hereto as Exhibit "I." If there is a conflict between the rules and regulations and any of the provisions of this Lease, the provisions of this Lease shall prevail. Lessor shall not be responsible for the violation of any such rules and regulations by any person, including, without limitation, Lessee or its employees, agents, invitees, licensees, guests, visitors or contractors.

ARTICLE VI
MAINTENANCE, REPAIRS AND ALTERATIONS

Section 6.01 Maintenance of Premises and Building

(a) Throughout the Lease Term, Lessee, at its sole cost and expense, shall keep, maintain, repair and replace the Premises and every part thereof (except as provided in 6.01(b), Article VIII (Damage and Destruction), Article XIII (Eminent Domain) and also, except for uninsured maintenance, repairs or replacement costs caused solely by an act of gross negligence or intentional misconduct by Lessor, or its employees, agents or contractors during the Lease Term), maintain and repair all improvements and appurtenances in the Premises, including, without limitation, all interior walls, all doors and windows, all wall surfaces and floor coverings, all Alterations, additions and improvements installed by or on behalf of Lessee during the Lease Term, all sewer, plumbing, electrical, lighting, heating, ventilation and cooling systems and fixtures, fire sprinklers, fire safety and security systems and fixtures and all wiring and glazing, in the same good order, condition and repair as they are in on the Commencement Date, or may be improved during the Lease Term, reasonable wear and tear excepted, provided that such wear and tear could not have been reasonably prevented by best maintenance practices customarily used in the Project.

(b) Lessor, at its sole cost and expense, shall (i) repair defects, latent and patent, in Building 9 (including all exterior glass which is damaged by structural defects in exterior walls), and keep, maintain, repair and, if deemed necessary by Lessor, replace (ii) (a) supporting pillars, (b) structural walls, (c) the structural portions of Building 9 (including, but not limited to, the roof and window systems, provided that Lessee, and not Lessor, shall be responsible for washing the windows, and Lessee shall be responsible for Lessee's Share of any costs incurred by Lessee in repairing, maintaining or replacing the roof membrane of Building 9 as an Operating Expense) and (d) foundations of Building 9. Notwithstanding the foregoing, subject to the terms of Section 7.06 hereof, if the need for such repair is caused by Lessee, Lessor shall, at Lessee's sole cost and expense, repair same. Lessee shall give Lessor written notice of any needed repairs which are the obligation of Lessor hereunder. It shall then be the obligation of Lessor, after receipt of such notice, to perform the same within fifteen (15) business days after such notice (or, if the condition in need of repair constitutes an emergency which is causing imminent and material risk of damage or injury to persons or property at Building 9, Lessor must perform such repair within five (5) business days after receipt of such notice); provided, however, that if the nature of the repairs is such that more than fifteen (15) business days (or, in the case of the emergency repairs described above, five (5) business days) are reasonably required for performance, then Lessor shall not be deemed to be in default hereunder if Lessor commences such repairs within said fifteen (15) business day period and thereafter diligently completes them and provided further, that for purposes of this sentence "commences" includes any steps taken by Lessor to investigate, design, consult, bid or seek permit or other governmental approval in connection with such repair. Should Lessor default as provided in Section 12.03 with respect to its obligation to make any of the repairs assumed by it hereunder with respect to the Premises or Building 9, Lessee shall have the right to perform such repairs and Lessor agrees that within thirty (30) days after written demand accompanied by detailed

invoice(s), it shall pay to Lessee the cost of any such repairs together with accrued interest from the date of Lessee's payment at the Agreed Rate. Lessor shall not be liable to Lessee for any damage to person or property as a result of any failure to timely perform any of its obligations with respect to the repair, maintenance or replacement of the Premises, Project Buildings or Project or any part thereof, and Lessee's sole right and remedy (together with its rights under Section 12.03 below) shall be the performance of said repairs by Lessee with right of reimbursement from Lessor of the reasonable fair market cost of said repairs, not exceeding the out of pocket sums actually expended by Lessee, together with accrued interest from the date of Lessee's payment at the Agreed Rate, provided that nothing herein shall be deemed to create a right of setoff or withholding by Lessee of Base Rent or Additional Rent or any other amounts due herein. Lessee hereby expressly waives all rights under and benefits of Sections 1941 and 1942 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect to make repairs and offset the cost of same against rent or to withhold or delay any payment of rent or any other of its obligations hereunder as a result of any default by Lessor under this Section 6.01(b).

(c) Lessee agrees to keep the Premises, both inside and out, clean and in sanitary condition as required by the health, sanitary and police ordinances and regulations of any political subdivision having jurisdiction and to remove all trash and debris which may be found in or around the Premises. Lessee further agrees to keep the interior surfaces of the Premises, including, without limitation, windows, floors, walls, doors, showcases and fixtures clean and neat in appearance.

(d) If Lessee refuses or neglects to commence such repairs and/or maintenance for which Lessee is responsible under this Article VI within a ten (10) business day period (or as soon as practical and in no event later than five (5) days, if the failure to initiate the repair threatens to cause further damage to the Premises) after written notice from Lessor and thereafter diligently prosecute the same to completion, then Lessor may enter the Premises (except in an emergency, upon at least 24 hours advance written notice) during Lessee's business hours and cause such repairs and/or maintenance to be made. Lessor shall not be responsible to Lessee for any loss or damage occasioned thereby other than physical damage to the Premises caused by the negligence of Lessor or Lessor's agents, employees or contractors which damage Lessor shall repair at its sole cost as Lessor's sole obligation and Lessee's sole right and remedy with respect to such damage. Lessee agrees that upon demand, it shall pay to Lessor the reasonable cost of any such repairs subject to the terms of the preceding sentence, not exceeding the amount of out-of-pocket expenses actually expended by Lessor, together with accrued interest from the date of Lessor's payment at the Agreed Rate. Notwithstanding anything to the contrary contained herein, above, if Lessor elects to enter the Premises as permitted herein, above, it shall use commercially reasonable efforts to minimize any interference with Lessee's business at the Premises.

Section 6.02 Maintenance of Project Common Areas

Lessor shall maintain, repair and replace all landscape, hardscape and other improvements within the Project Common Area and shall operate and manage the Athletic Facility and other Project Common Area features and facilities described in Section 2.02 including, without limitation, all landscape, hardscape and other improvements within the

outside areas of Building 9 and the other Project Buildings located within the Project, including without limitation, landscaping, curbs, walkways, driveways, roadways, parking areas and lighting, sprinkler, drainage, sewer, plumbing systems. Notwithstanding the foregoing, subject to the terms of Section 7.06 below, any damage thereto, except for normal wear, caused by Lessee or its employees, agents, contractors, invitees or visitors shall be repaired by Lessor and the cost thereof shall be paid by Lessee within ten (10) days after presentation of Lessor's bill for same. The cost and expense of Lessor's obligations hereunder shall be Operating Expenses as to which Lessee shall pay Lessee's Share pursuant to Section 4.05 (except as otherwise provided herein); provided, however, that Lessor's obligation under this Section 6.02(b) in any instance where the damage, other than normal wear and tear, was caused by Lessor or its employees, agents or contractors shall not be recovered by Lessor from Lessee as an Operating Expense or in any other manner. Notwithstanding anything to the contrary contained herein, Lessee shall not be responsible for any cost or expense pertaining solely to another Project Building, except for costs or expenses pertaining to any Project Buildings which provide amenities for the Project or any Project Building in which Lessee is a tenant.

Section 6.03 Alterations, Additions and Improvements

No alterations, additions, or improvements ("**Alterations**") shall be made to the Premises by Lessee without the prior written consent of Lessor, which Lessor will not unreasonably withhold, condition or delay; provided, however, that Lessee may make Alterations which do not affect the Building systems, exterior appearance or structural integrity of Building 9, involve penetration of either the ceiling or floor of Building 9 and which do not collectively exceed One Hundred Thousand Dollars (\$100,000) in cost within any twelve (12) month period, without Lessor's prior written consent; provided, further, that Lessee gives Lessor prior notice of such alterations (which notice shall include the estimated value of such alterations) and such alterations are otherwise performed in accordance with the terms of this Lease. As a condition to Lessor's obligation to consider any request for consent hereunder, Lessee shall pay Lessor upon demand for the reasonable out of pocket costs and expenses of consultants, engineers, architects and others (exclusive of property management personnel for reviewing plans and specifications. Lessor may require Lessee to remove any such Alterations at the expiration or sooner termination of the Lease Term and to restore the Premises to their prior condition pursuant to the terms of Section 17.09 hereof; provided that: (i) Lessor shall make such election, if at all, at the time consent to such Alteration is given, if such election is requested in writing of Lessor at such time by Lessee, or if Lessor's consent to such Alteration is not required, then Lessor shall make such election within 30 days following a written request of Lessor by Lessee, and (ii) in any event, at the end of the Lease Term or earlier termination of the Lease, Lessee shall remove from the Premises the equipment listed as "Equipment To Be Removed" on Schedule 3 attached hereto (the "Removal Obligations Schedule"), and shall surrender to Lessor, and have no obligation to remove, the equipment listed as "Equipment Left In Place" on the Removal Obligations Schedule. Lessee shall furnish security or make other arrangement satisfactory to Lessor to assure payment for the completion of all Alterations work free and clear of liens. All Alterations to be made to the Premises shall be made under the supervision of a competent, California licensed architect and/or competent California licensed structural engineer (each of whom has been approved by Lessor) and shall be made in accordance with plans and specifications which have been furnished to and approved by Lessor in writing prior to commencement of work. All Alterations shall be designed, constructed and installed at the sole

cost and expense of Lessee by California licensed architects, engineers, and contractors approved by Lessor in compliance with all applicable law, and in good and workmanlike manner, and shall have been approved in writing by Redwood City and any other applicable governmental agencies, if so required. Such approvals shall not be unreasonably withheld, conditioned or delayed by Lessor. Except as is provided for in the Removal Obligations Schedule, subject to Lessor's right to have Lessee retain ownership and remove same, any Alteration, including, without limitation, all lighting, electrical, heating, ventilation, air conditioning and full height partitioning, drapery and carpeting installations made by Lessee, together with all property that has become an integral part of the Premises such as fume hoods which penetrate the roof or plenum area, built-in cold rooms, built-in warm rooms, deionized water systems, glass washing equipment, autoclaves, chillers, built-in plumbing, electrical and mechanical equipment and systems and any power generator and transfer switches, shall not be deemed trade fixtures and shall become the property of Lessor at the expiration or sooner termination of the Lease, unless Lessor directs otherwise. Lessee shall retain title to all furniture and trade fixtures placed on the Premises. Within thirty (30) days after completion of any Alteration, Lessee shall provide Lessor with a complete set of both hard copies and CAD drawings of "as built" plans for same.

Section 6.04 Covenant Against Liens

Lessee shall not allow any liens arising from any act or omission of Lessee to exist, attach to, be placed on, or encumber Lessor's or Lessee's interest in the Premises, Building 9 or Project, or any portion of either, by operation of law or otherwise. Lessee shall not suffer or permit any lien of mechanics, material suppliers, or others to be placed against the Premises, Building 9 or Project, or any portion of either, with respect to work or services performed or claimed to have been performed for Lessee or materials furnished or claimed to have been furnished to Lessee or the Premises. Lessor has the right at all times to post and keep posted on the Premises any notice that it considers necessary for protection from such liens. At least ten (10) days before beginning construction of any Alteration, Lessee shall give Lessor written notice of the expected commencement date of that construction to permit Lessor to post and record a notice of nonresponsibility. If any such lien attaches or Lessee receives notice of any such lien, Lessee shall cause the lien to be immediately released and removed of record by payment or bond. Despite any other provision of this Lease, if the lien is not released and removed within twenty (20) days after Lessor delivers notice of the lien to Lessee, Lessor may immediately take all action necessary to release and remove the lien, without any duty to investigate the validity of it. All expenses (including reasonable attorney fees and the cost of any bond) incurred by Lessor in connection with a lien incurred by Lessee or its removal shall be considered Additional Rent under this Lease and be immediately due and payable by Lessee. Notwithstanding the foregoing, if Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises, Building 9 and Project against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to one hundred fifty percent (150%) of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in or is made a party to any such action, Lessee shall reimburse Lessor's reasonable attorneys' fees and costs within ten (10) days after demand.

ARTICLE VII
INSURANCE

Section 7.01 Property/Rental Insurance for Premises

At all times during the Lease Term, Lessor shall keep Building 9, any tenant improvements or Alterations made by Lessee therein and the Project insured against loss or damage by fire and those risks normally included in the term "all risk," extended coverage, fire and casualty insurance, including, without limitation, coverage for (i) earthquake and earthquake sprinkler leakage, (ii) flood, (iii) loss of rents and extra expense for eighteen (18) months, including scheduled rent increases, (iv) boiler and machinery, and (v) fire damage legal liability, including waiver of subrogation. Lessee shall pay Lessee's Share of any deductibles. The amount of such insurance shall not be less than 100% of replacement cost. Insurance shall include a Building Ordinance and Increased Cost of Construction Endorsement insuring the increased cost of reconstructing the Premises incurred due to the need to comply with applicable statutes, ordinances and requirements of all municipal, state and federal authorities now in force, which or may be in force hereafter. Any recovery received from said insurance policy shall be paid to Lessor and thereafter applied by Lessor to the reconstruction of the Premises in accordance with the provisions of Article VIII below. Lessee, as part of the Operating Expenses, shall reimburse Lessor for Lessee's Share of the cost of the premiums for all such insurance in accordance with Article IV. Such reimbursement shall be made within fifteen (15) days of Lessee's receipt of a copy of Lessor's statement therefore. To the extent commercially available in Lessor's reasonable business judgment, Lessor's insurance shall have a deductible not greater than fifteen percent (15%) for earthquake and ten percent (10%) for the basic "all risk" coverage.

Notwithstanding the foregoing, Lessee may, at Lessee's election, maintain at Lessee's sole cost and expense a separate, additional policy of insurance insuring the Improvements or Alterations made by Lessee against loss or damage by fire and those risks normally included in the term "all risk," extended coverage, fire and casualty insurance. Any recovery received from said insurance policy shall be paid to Lessee in accordance with the provisions of Article VIII below.

Section 7.02 Property Insurance for Fixtures and Inventory

At all times during the Lease Term, Lessee shall, at its sole expense, maintain fire and casualty insurance with "all risk" coverage which includes the same coverage as required of Lessor in Section 7.01, above, on any trade fixtures, furnishings, merchandise, equipment, artwork or other personal property, whether or not presented to Lessor for its consent in or on the Premises, whether in place as of the date hereof or installed hereafter. The amount of such insurance shall not be less than one hundred percent (100%) of the replacement cost thereof with commercially reasonable deductibles, and Lessor shall not have any responsibility nor pay any cost for maintaining any types of such insurance. Lessee shall pay all deductibles.

Section 7.03 Lessor's Liability Insurance

During the Lease Term, Lessor shall maintain a policy or policies of commercial general liability insurance naming Lessor (and such others as designated by Lessor) against

claims and liability for bodily injury, personal injury and property damage on or about the Premises and Project, with combined single limit coverage in an amount determined by Lessor in its sole discretion (which amount is currently Fifty Million Dollars (\$50,000,000.00)); provided that if such policy is a blanket policy that covers properties (other than the Project) owned by Lessor, only that portion allocable to the Project shall be payable hereunder. Lessee, in addition to the rent and other charges provided herein, agrees to pay Lessee's Share of the premiums for all such insurance in accordance with Article IV.

Section 7.04 Liability Insurance Carried by Lessee

At all times during the Lease Term (and any holdover period) Lessee shall obtain and keep in force a commercial general liability policy of insurance protecting Lessee, Lessor and any lender(s) whose names are provided to Lessee as additional insureds against claims and liability for bodily injury, personal injury and property damage based upon involving or arising out of ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing a single limit coverage in amount of not less than Ten Million Dollars (\$10,000,000) per occurrence. The limits of said insurance required by this Lease as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by the Lessee shall be primary to and not contributory with, any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. Lessor may require Lessee's liability insurance policy limits to be raised to conform with requirements of Lessor's lender and/or to bring coverage limits to levels then being generally required of new tenants within the Project.

Section 7.05 Proof of Insurance

Lessee shall furnish to Lessor prior to the Commencement Date, and during the Lease Term, at least thirty (30) days prior to the expiration date of any policy, certificates indicating that the property insurance and liability insurance required to be maintained by Lessee is in full force and effect for the twelve (12) month period following such expiration date; that Lessor has been named as an additional insured to the extent of contractual liability assumed in Section 7.07 and Section 7.08 and that all such policies will not be canceled unless thirty (30) days' prior written notice of the proposed cancellation has been given to Lessor. The insurance shall be with insurers approved by Lessor, provided, however, that such approval shall not be unreasonably withheld so long as Lessee's insurance carrier has a Best's Insurance Guide rating not less than A VIII and is licensed to do business in California. Lessor shall furnish to Lessee reasonable evidence of its insurance coverage required hereunder within fifteen (15) business days after demand made therefor, however, not more than once in any calendar year.

Section 7.06 Mutual Waiver of Claims and Subrogation Rights

Lessor and Lessee hereby release and relieve the other, and waive their entire claim of recovery for loss or damage to property arising out of or incident to fire, lightning, and the other perils included in a standard "all risk" insurance policy of a type described in Sections 7.01 and 7.02 above that is carried by the waiving party (or that would have been if the waiving party had carried the insurance required hereunder), when such property constitutes the Premises or Building 9 or the Project, or is in, on or about the Premises or Building 9, whether or not such

loss or damage is due to the negligence of Lessor or Lessee, or their respective agents, employees, guests, licensees, invitees, or contractors. Lessee and Lessor waive all rights of subrogation against each other on behalf of, and shall obtain a waiver of all subrogation rights from, all property and casualty insurers referenced above.

Section 7.07 Indemnification and Exculpation

(a) Except as otherwise provided in Section 7.07(b), Lessee shall indemnify and hold Lessor free and harmless from any and all liability, claims, loss, damages, causes of action (whether in tort or contract, law or equity, or otherwise), expenses, charges, assessments, fines, and penalties of any kind, including without limitation, reasonable attorney fees, expert witness fees and costs, arising by reason of the death or injury of any person, including any person who is an employee, agent, invitee, licensee, permittee, visitor, guest or contractor of Lessee, or by reason of damage to or destruction of any property, including property owned by Lessee or by any person who is an employee, agent, invitee, permittee, visitor, or contractor of Lessee, caused or allegedly caused (1) while that person or property is in or about the Premises; (2) by some condition of the Premises (exclusive of structural defects or disrepair that are the sole responsibility of Lessor under the terms of Section 5.04 and 6.01(b) of this Lease); (3) by some act or omission by Lessee or its agent, employee, licensee, invitee, guest, visitor or contractor or any person in, adjacent, on, or about the Premises with the permission, consent or sufferance of Lessee; or (4) by any breach or default in timely observance or performance of any obligation on Lessee's part to be observed or performed under this Lease.

(b) Notwithstanding the provisions of Section 7.07(a) of this Lease, Lessee's duty to indemnify and hold Lessor harmless shall not apply to any liability, claims, loss or damages, causes of action (whether in tort or contract, law or equity, or otherwise), expenses, charges, assessments, fines and penalties of any kind, including without limitation, reasonable attorney fees, expert witness fees and costs arising by reason of Lessor's, or its employees', agents' or contractors', negligence or willful act of misconduct.

(c) Lessee hereby waives all claims against Lessor for damages to goods, wares and merchandise and all other personal property in, on or about the Premises and for injury or death to persons in, on or about the Premises from any cause other than the intentionally misconduct of Lessor or Lessor's agents, employees or contractors, Notwithstanding the provisions of Section 7.07(b) above, or any other provision of this Lease, in no event shall Lessor be liable (i) for lost profits or other consequential damages arising from any cause, or (ii) for any damage which is or could be covered by the insurance Lessee is required to carry under this Lease.

Section 7.08 Lessor as Party Defendant

If by reason of an act or omission of Lessee or any of its employees, agents, invitees, licensee, visitors, guests or contractors, Lessor is made a party defendant or a cross defendant to any action involving the Premises or this Lease, Lessee shall hold harmless and indemnify Lessor from all liability or claims of liability, including all damages, attorney fees and costs of suit.

ARTICLE VIII
DAMAGE OR DESTRUCTION

Section 8.01 Destruction of the Premises

(a) In the event of a partial destruction of the Premises (i.e., less than fifty percent (50%) of its Rentable Area) during the Lease Term from any cause, Lessor, upon receipt of, and to the extent of, insurance proceeds paid in connection with such casualty (or the proceeds that would have been received by Lessor had Lessor maintained the insurance required of Lessor in Subsection 7.01 above, in the event Lessor fails to maintain such insurance) and the deductible from Lessee which Lessee shall pay Lessee's Share to Lessor within thirty (30) business days after demand, shall forthwith repair the same, including without limitation all Tenant Improvements and Alterations, whether or not originally paid for or constructed by Lessor or Lessee, provided the repairs can be made within a reasonable time under state, federal, county and municipal applicable law, but such partial destruction shall in no way annul or void this Lease, (except as provided in Section 8.01(b) or 8.01(c) below) provided that Lessee shall be entitled to a proportionate credit for rent equal to rental income insurance proceeds received by Lessor (or the proceeds that would have been received by Lessor had Lessor maintained the insurance required of Lessor in subsection 7.01 above, in the event Lessor fails to maintain such insurance) and provided further that Lessee shall repair all damage and destruction to those items as to which Lessee is required to maintain fire and casualty insurance under Section 7.02 above. Lessor and Lessee each shall use diligence in making such repairs within a reasonable time period, subject to the Force Majeure provisions of Section 17.21, in which instance the time period shall be extended accordingly, and this Lease shall remain in full force and effect, with the rent to be proportionately reduced as provided above in this Section. If the Premises are damaged by any peril within six (6) months prior to the last day of the Lease Term (or, if Lessee has delivered its Option Notice pursuant to Section 3.03(a) above, within six (6) months prior to the last day of the Extended Term) and, in the reasonable opinion of the Lessor's architect or construction consultant, the restoration of the Premises cannot be substantially completed within thirty (30) days after the date of such damage Lessor or Lessee may terminate this Lease on thirty (30) days written notice to the other party.

(b) If the Premises are damaged or destroyed by any cause to the extent of more than fifty percent (50%) of their total Rentable Area during the Lease Term, Lessor shall notify Lessee within thirty (30) days after such damage or destruction whether it will repair the same. If Lessor states that it will not, or cannot, repair, this Lease shall terminate thirty (30) business days after Lessor gives its notice.

(c) Lessee shall have the option to terminate this Lease if the Premises are affected by a casualty not caused by Lessee and the time estimated to substantially complete the restoration exceeds thirteen (13) months from the date Lessor's architect's opinion of the repair time is delivered to Lessee. Such termination right shall be (i) exercised by written notice to Lessor delivered within thirty (30) days after delivery to Lessee of Lessor's architect's opinion and (ii) irrevocable and automatically waived if not so timely exercised.

(d) In the event of a termination of the Lease pursuant to this Section 8.01, Lessor shall be entitled to any insurance proceeds received by Lessor under the policy of

insurance maintained by Lessor under Section 7.01 as a result of the damage or destruction and Lessee shall be entitled to any insurance proceeds from any separate, additional policy obtained by Lessee as described in Sections 7.01 and/or 7.02. The respective insurable interests of Lessor and Lessee in the Lessee Improvements and Alterations shall not be affected by any termination of the Lease following an event of damage or destruction as described herein.

(e) If Lessor states that it will repair the Premises, Lessor shall, upon receipt of and to the extent of insurance proceeds paid in connection with such casualty and the deductible amount from Lessee, forthwith conduct the repair and diligently pursue the same to completion, but such destruction shall in no way annul or void this Lease except upon a termination of the Lease pursuant to this Article VIII, provided that Lessee shall be entitled to a proportionate credit for rent equal to rental income insurance proceeds received by Lessor (or the proceeds that would have been received by Lessor had Lessor maintained the insurance required of Lessor in subsection 7.01(iii) above, in the event Lessor fails to maintain such insurance).

Section 8.02 Waiver of Civil Code Remedies

Lessee hereby expressly waives any rights to terminate this Lease upon damage or destruction to the Premises, including without limitation any rights pursuant to the provisions of Section 1932, Subdivisions 1 and 2 and Section 1933, Subdivision 4, of the California Civil Code, as amended from time-to-time, and the provisions of any similar law hereinafter enacted.

Section 8.03 Damages Incurred during Repair

The Base Rent, Additional Rent and other charges due under this Lease shall not be reduced or abated by reason of any damage or destruction to the Premises (but will be subject to credit as provided in Section 8.01(a) and (b) above with respect to rental loss insurance proceeds received), and Lessor shall be entitled to all proceeds of the insurance maintained pursuant to Section 7.01 above during the period of rebuilding pursuant to Section 8.01 above, or if the Lease is terminated pursuant to Section 8.01 above. Lessee shall have no claim against Lessor, including, without limitation, for compensation for inconvenience or loss of business, profits or goodwill during any period of repair or reconstruction.

Section 8.04 No Liability for Lessee's Alterations or Personal Property

In no event shall Lessor have any liability for, nor shall it be required to repair or restore, any injury or damage to Lessee's Alterations or personal property or to any other personal property of Lessee in or upon the Premises, Building 9 or Project.

ARTICLE IX
REAL PROPERTY TAXES

Section 9.01 Payment of Taxes

(a) Lessee shall pay to Lessor Lessee's Share, as an Operating Expense pursuant to Section 4.07 above, of all real property taxes, including any supplemental tax and any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license, fee, charge, excise or imposition ("real property tax"), imposed, assessed or levied on or

with respect to the Premises and the Project Common Areas by any Federal, State, County, City or other political subdivision or public authority having the direct or indirect power to tax, including, without limitation, any improvement district or any community facilities district (including with respect to a district established for purposes of constructing the Seaport Boulevard improvements and other improvements as required in the Development Agreement or by the City of Redwood City ("Community Facility District Bond"), as against any legal or equitable interest of Lessor in the Project or against the Project or any part thereof applicable to the Project for all periods of time included within the Lease Term (as the same may be extended and during any holdover period), as well as any government or private cost sharing agreement assessments made for the purpose of augmenting or improving the quality of services and amenities normally provided by government agencies and any tax, fee, charge, imposition or excise described in subsection (b) below. Notwithstanding the foregoing, Lessee shall not be required to pay any net income taxes, franchise taxes, or any succession, estate or inheritance taxes of Lessor or any penalties due to Lessor's late or non-payment of any real property taxes, unless such failure is caused by Lessee's failure to pay Lessee's Share of real property taxes due hereunder.

(b) If at any time during the Lease Term, the State of California or any political subdivision of the state, including any county, city, city and county, public corporation, district, or any other political entity or public corporation of this state, levies or assesses against Lessor a tax, fee, charge, imposition or excise on rents under the Lease, the square footage of the Premises or Project, the act of entering into this Lease, or the occupancy of Lessee, or levies or assesses against Lessor any other tax, fee, or excise, however described, including, without limitation, a so called value added, business license, transit, commuter, environmental or energy tax fee, charge or excise or imposition related to the Project as a direct substitution in whole or in part for, or in addition to, any real property taxes on the Project the same shall be included in real property taxes and paid in accordance with Section 9.01(a).

(c) Lessor shall provide Lessee with copies of all tax and assessment bills on the Premises promptly upon Lessor's receipt of Lessee's written request therefor. Lessor shall also promptly provide to Lessee evidence of payment upon Lessor's receipt of Lessee's written request therefor.

(d) With respect to taxes and assessments which may lawfully be paid in installments, for the purpose of this Section, real property tax in any period shall include only such portion of the same which is payable within such period and any interest payable thereon computed (whether or not such is the case) as if Lessor had elected to pay the same over the longest period permitted by law.

(e) If Lessor shall obtain any abatement or refund on account of any real property tax as to which Lessee shall have paid payments hereunder, Lessor shall promptly refund to Lessee Lessee's portion of any such abatement or refund, after deducting therefrom the reasonable costs and expenses incurred by Lessor in obtaining such abatement or refund.

Section 9.02 Pro Ration for Partial Years

If any such taxes paid by Lessee shall cover any period prior to the Commencement Date or after the Expiration Date of the Lease Term, Lessee's Share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect, and Lessor shall reimburse Lessee to any extent required.

Section 9.03 Personal Property Taxes

(a) Lessee shall pay prior to delinquency all taxes imposed, assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor.

(b) If any of Lessee's personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within thirty (30) days after receipt of a written statement setting forth the amount of such tax bill reasonably allocated to Lessee's property.

(c) If Lessee shall fail to pay any such taxes, Lessor shall have the right to pay the same, in which case Lessee shall repay such amount to Lessor with Lessee's next rent installment together with interest at the Agreed Rate.

Section 9.04 Right to Contest Real Property Taxes

Lessee may, at any time (unless Lessor is already doing so), and at its sole expense, contest the real property taxes due with respect to the Premises in its own name and in a manner set forth by appropriate judicial or administrative proceedings, provided that: (i) Lessee gives Lessor prior written notice of such contest, (ii) Lessee pays the real property taxes required by the applicable taxing authority while such contest is occurring, (iii) pays any and all penalties, late interest or other fines associated with any such contest and (iv) indemnifies, defends, protects and holds Lessor harmless from any and all expenses (including reasonable attorneys' fees), causes of action, damages or liabilities associated with such contest.

ARTICLE X
UTILITIES

Section 10.01 Lessee to Pay

Lessee shall pay prior to delinquency and throughout the Lease Term, all charges for water, gas, heating, cooling, sewer, telephone, electricity, garbage, air conditioning and ventilation, janitorial service, landscaping and all other services and utilities supplied to the Premises directly to the service provider in question. The disruption, failure, lack or shortage of any service or utility with respect to the Premises, Building 9 or Project due to any cause whatsoever shall not affect any obligation of Lessee hereunder, and Lessee shall faithfully keep

and observe all the terms, conditions and covenants of this Lease and pay all rent due hereunder, all without diminution, credit or deduction, provided that, to the extent the cause is the failure of Lessor to observe or perform an obligation of Lessor, hereunder Lessor shall initiate the cure of such failure immediately after receipt from Lessee of notice of the failure and Lessor shall thereafter diligently prosecute said cure to completion.

ARTICLE XI
ASSIGNMENT AND SUBLETTING

Section 11.01 Lessor's Consent Required

Except as provided in Section 11.02, Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, license or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Premises or any part thereof, without Lessor's prior written consent, which Lessor shall not unreasonably withhold, condition or delay. Lessor shall respond in writing to Lessee's request for consent hereunder within fifteen (15) business days of Lessor's receipt of Lessee's request therefor, or within any extended time period necessary in order for Lessor to receive a response from Lessor's lender, and any attempted assignment, transfer, mortgage, encumbrance, subletting or licensing without such consent shall be void, and shall constitute a breach of this Lease. If Lessor refuses to consent to Lessee's request, it shall specifically state in its response to Lessee the reason(s) for denying such consent. By way of example, but not limitation, reasonable grounds for denying consent include: (i) poor credit history or insufficient financial strength of transferee, (ii) transferee's intended use of the Premises is inconsistent with the permitted use and will materially and adversely affect Lessor's interest. Lessee shall reimburse Lessor upon demand for Lessor's reasonable costs and expenses (including attorneys' fees, architect fees and engineering fees) involved in reviewing any request for consent whether or not consent is granted. Notwithstanding any other provisions of this Lease, if (i) the proposed assignee or sublessee has been required by any prior landlord, lender or governmental authority to take remedial action in connection with Hazardous Materials contaminating a property, where the contamination resulted from such party's action or use of the property in question, (ii) the proposed assignee or sublessee is subject to any enforcement order issued by any governmental authority in connection with the use, storage, handling, treatment, generation, release or disposal of hazardous materials (including, without limitation, any order related to the failure to make a required reporting to any governmental authority), or (iii) because of the existence of a pre-existing environmental condition in the vicinity of or underlying the Project, the risk that Lessor would be targeted as a responsible party in connection with the remediation of such pre-existing environmental condition would be materially increased or exacerbated by the proposed use of Hazardous Materials by such proposed assignee or sublessee, Lessor shall have the absolute right to refuse to consent to any assignment or subletting to any such party.

Section 11.02 Lessee Affiliates

Lessee may assign this Lease, or sublet up to forty percent (40%) of the Premises, without the need for Lessor's consent (but with written notice to Lessor prior to such transfer), to any corporation, limited liability company or partnership which controls, is controlled by, or is under common control with Lessee, or to any corporation, limited liability company or

partnership resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all of Lessee's stock or all, or substantially all of the assets of Lessee as a going concern of the business that is being conducted on the Premises (collectively, an "Affiliate"), provided that said assignee or sublessee (i) in the event of an assignment of this Lease to an Affiliate only, has a net worth at least equal to the net worth of Lessee as of the date of this Lease, and (ii) assumes, in full, the obligations of Lessee under this Lease (or, in the case of a sublease, the portion of the Premises subject to the Lease) and provided further that the use to which the Premises will be put does not materially change. Any such assignment shall not, in any way, affect or limit the liability of Lessee under the terms of this Lease. Any portion of the Premises which is assigned or sublet to an Affiliate of Lessee shall not be included in the calculation of subleased, assigned or transferred Rentable Area for the purposes of Section 11.06. In addition, the terms of Section 11.04, below, shall not be applicable to any assignment or sublease pursuant to this Section.

Section 11.03 No Release of Lessee

Regardless of Lessor's consent, no subletting or assignment shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Lessee or any successor of Lessee, in the performance of any of the terms hereof, Lessor may proceed directly against Lessee without the necessity of exhausting remedies against said assignee.

Section 11.04 Excess Rent

In the event Lessor shall consent to a sublease or an assignment, Lessee shall pay to Lessor with its regularly scheduled Base Rent payments, fifty percent (50%) of all sums and the fair market value of all consideration collected or received by Lessee from a sublessee or assignee which are in excess of the Base Rent and Additional Rent due and payable with respect to the subleased or assigned space pursuant to Article IV for the time period encompassed by the sublease or assignment term, after first deducting: leasing commissions, incurred by Lessee in connection with such assignment or subletting.

Section 11.05 Information to be Provided

Lessee's written request to Lessor for consent to an assignment or subletting or other form of transfer shall be accompanied by (a) the name and legal composition of the proposed transferee; (b) the nature of the proposed transferee's business to be carried on in the Premises; (c) the terms and provisions of the proposed transfer agreement; and (d) such financial and other information as Lessor may reasonably request concerning the proposed transferee.

Section 11.06 Lessor's Recapture Rights

(a) Lessor's Recapture Rights

Notwithstanding any other provision of this Article 11, in the event that Lessee proposes to sublease or assign or otherwise transfer to any person or entity not an

Affiliate of Lessee any interest in this Lease or the Premises or any part thereof affecting (collectively with all other such subleases, assignments, or transfers then in effect to parties which are not Affiliates) more than fifty percent (50%) of the square footage of the Rentable Area of the Premises for more than fifty percent (50%) of the remaining Lease Term is hereafter designated "**Recapture Space**", then Lessor shall have the option to recapture the Recapture Space by written notice to Lessee ("**Recapture Notice**") given within ten (10) business days after Lessor receives any notice of such proposed assignment or sublease or other transfer ("**Transfer Notice**"). A timely Recapture Notice terminates this Lease for the Recapture Space, effective as of the date Lessee specified in the Transfer Notice, which date shall in no event be shorter than thirty (30) days from the date of the Recapture Notice. If Lessor declines or fails timely to deliver a Recapture Notice, Lessor shall have no further right under this Section 11.06 to the Recapture Space unless it becomes available again after transfer by Lessee. Lessor's recapture rights shall be subject to the rights of any sublessee, assignee or transferee of Lessee set forth in any sublease, assignment or agreement of transfer to which Lessor has consented, but subject to the terms and conditions set forth in Lessor's consent; any such sublease, assignment or agreement of transfer shall be assigned to Lessor as of the effective date of the recapture. Notwithstanding anything herein to the contrary, if Lessor elects to deliver a Recapture Notice and terminate the Lease as set forth above, Lessee may negate Lessor's Recapture Notice by withdrawing its Transfer Notice by delivering written notice thereof to Lessor within five (5) business days after Lessee's receipt of the Recapture Notice.

(b) Consequences of Recapture

To determine the new Base Rent under this Lease if Lessor recaptures the Recapture Space and Lessee does not negate Lessor's Recapture Notice within the time periods provided therefore above, the then current Base Rent (immediately before Lessor's recapture) under the Lease shall be multiplied by a fraction, the numerator of which is the square feet of the Rentable Area retained by Lessee after Lessor's recapture and the denominator of which is the total square feet of the Rentable Area before Lessor's recapture. The Additional Rent, to the extent that it is calculated on the Rentable Area of the Premises, shall be reduced to reflect Lessee's Share based on the Rentable Areas of the Premises retained by Lessee after Lessor's recapture. This Lease as so amended shall continue thereafter in full force and effect, except that Lessee shall be released from liability under this Lease for future Base Rent and Additional Rent with respect to the portion of the Premises subject to Lessor's Recapture Notice. Either party may require written confirmation of the amendments to this Lease necessitated by Lessor's recapture of the Recapture Space. If Lessor recaptures the Recapture Space, Lessor shall, at Lessor's sole expense, construct, paint, and furnish any partitions required to segregate the Recapture Space from the remaining Premises retained by Lessee as well as arrange separate metering of utilities.

ARTICLE XII
DEFAULTS; REMEDIES

Section 12.01 Defaults

The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Lessee (each shall be an "Event of Lessee's Default"):

(a) The abandonment of the Premises by Lessee or the commission of waste at the Premises or the making of an assignment or subletting in violation of Article XI, provided however, abandonment shall be considered to not occur if the Premises are maintained and occupied to the extent necessary to maintain the insurance on each and every portion of the Premises;

(b) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, if such failure continues for a period of five (5) business days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit in the form required by applicable Unlawful Detainer statutes such Notice shall constitute the notice required by this paragraph, provided that the cure period stated in the Notice shall be five (5) business days rather than the statutory three (3) days;

(c) Lessee's failure to provide (i) any required Replacement Letter of Credit Security as required by Section 4.06, (ii) an estoppel certificate as required by Section 15.01 or (iii) any document subordinating this Lease to a Lender's deed of trust as required by Section 17.13, if any such failure continues for five (5) business days after written notice of the failure. In the event Lessor serves Lessee with a Notice to Perform Covenant or Quit in the form required by applicable Unlawful Detainer Statutes, such Notice shall constitute the notice required by this paragraph, provided that the cure period stated in the Notice shall be five (5) business days rather than the statutory three (3) days;

(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee, other than described in paragraph (a) (b) or (c) above, if such failure continues for a period of fifteen (15) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's default is such that more than fifteen (15) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commences such cure within said fifteen (15) day period and thereafter diligently prosecutes such cure to completion;

(e) (i) The making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) the filing by Lessee of a voluntary petition in bankruptcy under Title 11 U.S.C. or the filing of an involuntary petition against Lessee which remains uncontested for a period of sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, provided, however, in the event that any provisions of this Section 12.01(e) is contrary to any applicable law, such provision shall be of no force or effect;

(f) The discovery by Lessor that Lessee delivered to Lessor a financial statement that was materially false; and

(g) The occurrence of a material default and breach under any other lease between Lessee (or an Affiliate thereof) and Lessor (or an affiliate of Lessor) for premises in the Project, including but not limited to the Building 10 Lease.

Section 12.02 Remedies

If an Event of Lessee's Default shall occur, Lessor may at any time thereafter, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Event of Lessee's Default:

(a) Terminate Lessee's right to possession of the Premises by any lawful means including by way of unlawful detainer (and without any further notice if a notice in compliance with the unlawful detainer statutes and in compliance with paragraphs (b), (c) and (d) of Section 12.01 above has already been given), in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of an Event of Lessee's Default including, but not limited to, (i) the cost of recovering possession of the Premises including reasonable attorney's fees related thereto; (ii) the worth at the time of the award of any unpaid rent that had been earned at the time of the termination, to be computed by allowing interest at the Agreed Rate but in no case greater than the maximum amount of interest permitted by law, (iii) the worth at the time at the time of the award of the amount by which the unpaid rent that would have been earned between the time of the termination and the time of the award exceeds the amount of unpaid rent that Lessee proves could reasonably have been avoided, to be computed by allowing interest at the Agreed Rate but in no case greater than the maximum amount of interest permitted by law, (iv) the worth at the time of the award of the amount by which the unpaid rent for the balance of the Lease Term after the time of the award exceeds the amount of unpaid rent that Lessee proves could reasonably have been avoided, to be computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one per cent (1%), (v) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform obligations under this Lease, including brokerage commissions and advertising expenses, and (vi) any other amounts, in addition to or in lieu of those listed above, that may be permitted by applicable law.

(b) Maintain Lessee's right to possession as provided in Civil Code Section 1951.4 in which case this Lease shall continue in effect whether or not Lessee shall have abandoned the Premises. In such event Lessor shall be entitled to enforce all of Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state of California. Unpaid amounts of rent and other unpaid monetary obligations of Lessee under the terms of this Lease shall bear interest from the date due at the Agreed Rate.

Section 12.03 Default by Lessor

Lessor shall not be in default under this Lease unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than ten (10) business days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying that Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than ten (10) business days are reasonably required for performance then Lessor shall not be in default if Lessor commences performance within such ten (10) business day period and thereafter diligently prosecutes the same to completion. In the event Lessor does not commence performance within the ten (10) business day period provided herein, or fails to diligently prosecute such cure to completion, Lessee may perform such obligation and will be reimbursed for its expenses by Lessor together with interest thereon at the Agreed Rate within thirty (30) days following demand for such payment. Lessee waives any right to terminate this Lease or to vacate the Premises on Lessor's default under this Lease. Lessee's sole remedy on Lessor's default is an action for damages or injunctive or declaratory relief. Notwithstanding the foregoing, (i) any default beyond any applicable cure period by Lessor under the terms of the Building 10 Lease shall also be a default under this Lease for any period of time during which Lessor or any affiliate thereof is also the landlord under the Building 10 Lease, and (ii) nothing herein shall be deemed applicable in the event of Lessor's delay in delivery of the Premises, in which case Lessee's rights and remedies shall be determined under Section 3.01 above.

Section 12.04 Late Charges

Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designated agent within five (5) business days after such amount is due and owing, Lessee shall pay to Lessor a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of an Event of Lessee's Default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. Notwithstanding the foregoing, Lessor shall grant Lessee one (1) late payment during the first twelve (12) months of the Lease Term without late charge, provided that Lessee shall pay the applicable delinquent amount within five (5) business days following written notice from Lessor of such delinquency.

Section 12.05 Lessor's Right to Perform Lessee's Obligations

All obligations to be performed or observed by Lessee under this Lease shall be performed or observed by Lessee at Lessee's expense and without any reduction of rent. Lessor may perform or observe any obligation of Lessee for which there exists an Event of Lessee Default hereunder, without waiving Lessor's other rights and remedies for Lessee's failure to perform or observe any obligations under this Lease and without releasing Lessee from any such obligations. Within ten (10) days after receiving a statement from Lessor, Lessee shall pay to Lessor the amount of expense reasonably incurred by Lessor in performing or observing Lessee's obligation.

ARTICLE XIII
CONDEMNATION OF PREMISES.

Section 13.01 Total Condemnation

If the entire Premises, whether by exercise of governmental power or the sale or transfer by Lessor to any condemnor under threat of condemnation or while proceedings for condemnation are pending, at any time during the Lease Term, shall be taken by condemnation such that there does not remain a portion suitable for occupation, this Lease shall then terminate as of the date transfer of possession is required. Upon such condemnation, all rent shall be paid up to the date transfer of possession is required, and Lessee shall have no claim against Lessor or the award for the value of the unexpired portion of this Lease Term.

Section 13.02 Partial Condemnation

If any portion of the Premises is taken by condemnation during the Lease Term, whether by exercise of governmental power or the sale or transfer by Lessor to an condemnor under threat of condemnation or while proceedings for condemnation are pending, this Lease shall remain in full force and effect except that in the event a partial taking (i) is more than thirty-three percent (33%) of the Rentable square footage of the Premises; or (ii) leaves the Premises unfit for the conduct of the business of Lessee, then Lessee shall have the right to terminate this Lease effective upon the date transfer of possession is required. Moreover, Lessor shall have the right to terminate this Lease effective on the date transfer of possession is required if more than thirty three percent (33%) of the total square footage of the Premises is taken by condemnation. Lessee and Lessor may elect to exercise their respective rights to terminate this Lease pursuant to this Section by serving written notice to the other within thirty (30) days after receipt of notice of condemnation (i.e., 30 days from the date on which Lessor received such notice from the condemning authority for purposes of calculating the 30 days with respect to Lessor, and 30 days from the date on which Lessee received a copy of such notice from Lessor for purposes of calculating the 30 days with respect to Lessee. All rent shall be paid up to the date of termination, and Lessee shall have no claim against Lessor for the value of any unexpired portion of the Lease Term. If this Lease shall not be terminated, then Base Rent after such partial taking shall be that percentage of the adjusted Base Rent specified herein, equal to the percentage which the rentable square footage of the untaken part of the Premises, immediately after the taking, bears to the rentable square footage of the entire Premises immediately before the taking. If Lessee's continued use of the Premises requires alterations and repair by reason of a partial

taking, all such alterations and repair shall be made by Lessor at Lessor's expense. Lessee waives all rights it may have under California Code of Civil Procedure Section 1265.130 or otherwise, to terminate this Lease based on partial condemnation.

Section 13.03 Award to Lessee

In the event of any condemnation, whether total or partial, Lessee shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Lessee for loss of its business fixtures, or equipment belonging to Lessee immediately prior to the condemnation, moving expenses and loss of good will, to the extent separately awarded by the condemning authority. The balance of any condemnation award shall belong to Lessor (including, without limitation, any amount attributable to any excess of the market value of the Premises for the remainder of the Lease Term over the then present value of the rent payable for the remainder of the Lease Term) and Lessee shall have no further right to recover from Lessor or the condemning authority for any claims arising out of such taking, provided that Lessee shall have the right to make a separate claim in the condemnation proceeding, as long as the award payable to Lessor is not reduced thereby, for (i) the taking of the unamortized (using the Lease Term as the amortization period) value of the Alterations paid for by Lessee which are not removed by Lessee, (ii) reasonable removal and relocation costs for any Alterations that Lessee has the right to remove and elects to remove (if condemnor approves the removal), and (iii) relocation costs for Lessee's business, provided that the awarding to Lessee of the items described in (i), (ii) and (iii) above does not reduce the condemnation award that would otherwise be awarded to Lessor.

ARTICLE XIV
ENTRY BY LESSOR

Section 14.01 Entry by Lessor Permitted

Lessee shall permit Lessor and its employees, agents and contractors, if accompanied by Lessee (except in cases of emergency), to enter the Premises and all parts thereof (i) upon twenty-four (24) hours notice (or without notice in an emergency), including without limitation, Building 9 and all parts thereof at all reasonable times for any of the following purposes: to inspect the Premises; to maintain the Premises; to make such repairs to the Premises as Lessor is obligated or may elect to make; and (ii) upon twenty-four (24) hours notice to show the Premises and post "To Lease" signs for the purposes of re-letting during the last twelve (12) months of the Lease Term (provided Lessee has failed to exercise any remaining Option to Extend) to show the Premises as part of a prospective sale by Lessor or to post notices of nonresponsibility. Lessor shall have such right of entry without any rebate of rent to Lessee for any loss of occupancy or quiet enjoyment of the Premises hereby occasioned, provided, Lessor shall use commercially reasonable efforts not to interfere with Lessee's business operations at the Premises or unreasonably interfere with Lessee's access to, or parking at, the Project or materially increase Lessee's obligations or decrease Lessee's rights under this Lease. Notwithstanding anything in this Lease to the contrary, in exercising any right to undertake any renovations, alterations, additions, restoration, inspections, repairs or maintenance as set forth in this Lease, Lessor shall comply with Lessee's reasonable security measures and operating procedures and shall minimize any disruption to Lessee..

ARTICLE XV
ESTOPPEL CERTIFICATE

Section 15.01 Estoppel Certificate

(a) Either Lessor or Lessee shall at any time upon not less than fifteen (15) days' prior written notice from the other execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying, if true, that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying, if true, that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging, if true, that there are not, to Lessee's (or Lessor's, as relevant) knowledge, any uncured defaults on the part of the requesting party hereunder, or specifying such defaults if any are claimed and (iii) certifying or acknowledging, if true, such other matters as are reasonably requested by any prospective lender or buyer which are reasonably related to the loan or sale transaction. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

(b) Lessee's failure to deliver such statement within such time shall be conclusive upon Lessee (i) that this Lease is in full force and effect, without modification except as may be represented by Lessor, (ii) that there are no uncured defaults in Lessor's performance, and (iii) that not more than one month's rent has been paid in advance, if any, and stating whether or not to the actual knowledge of the signer of such certificate Lessee is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement delivered pursuant to this Section 15.01(b) may be relied upon by any prospective assignee of Lessee's interest in this Lease or any lender or prospective lender (or investor) or purchaser of any interest in Lessee or its assets. Any failure of Lessee to deliver an estoppel certificate as provided herein shall, at the option of Lessor, be an event of default hereunder by Lessee without the requirement of any notice or grace period, except as is provided for in Section 12.01(c) above. In addition, Lessor may charge Lessee, and Lessee shall pay to Lessor, a fee equal to Five Hundred Dollars (\$500) per day for each day Lessee is late in delivering such estoppel certificate.

ARTICLE XVI
LESSOR'S LIABILITY

Section 16.01 Limitations on Lessor's Liability

The term "Lessor" as used herein shall mean only the owner or owners at the time in question of the fee title of the Premises. In the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that the Letter of Credit and any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership. For any breach of this Lease by Lessor, the liability of Lessor (including all persons

and entities that comprise Lessor, and any successor Lessor) and any recourse by Lessee against Lessor shall be limited to the interest of Lessor, and Lessor's successors in interest, in and to Building 9 and, to the extent Building 10 is owned by Lessor or any affiliate thereof, Building 10, and the proceeds therefrom (including rents, insurance and condemnation proceeds). On behalf of itself and all persons claiming by, through, or under Lessee, Lessee expressly waives and releases Lessor and each member, agent and employee of Lessor from any personal liability for breach of this Lease.

ARTICLE XVII
GENERAL PROVISIONS

Section 17.01 Severability

The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

Section 17.02 Agreed Rate Interest on Past Due Obligations

Except as expressly herein provided, any amount due to either party not paid when due shall bear interest at the lesser of the Bank of America prime rate plus four percent (4%) or the maximum amount of interest allowed by law ("**Agreed Rate**"). Payment of such interest shall not excuse or cure any default by either party under this Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to the payor by application of the amount of excess interest paid against any sums outstanding in any order that payee requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to the payor by the payee. To ascertain whether any interest payable exceeds the limits imposed, any nonprincipal payment (including late charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

Section 17.03 Time of Essence

Time is of the essence in the performance of all obligations under this Lease.

Section 17.04 Additional Rent

Any monetary obligations of Lessee to Lessor under the terms of this Lease shall be deemed to be Additional Rent and Lessor shall have all the rights and remedies for the nonpayment of same as it would have for nonpayment of Base Rent. All references to "rent" (except specific references to either Base Rent or Additional Rent) shall mean Base Rent and Additional Rent.

Section 17.05 Incorporation of Prior Agreements, Amendments and Exhibits

This Lease (including Exhibits A, B, C, D, E, F, G, H and I and Schedules 1, 2, 3, 4, 5 and 6) contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease

may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither the Lessor nor any employees or agents of the Lessor has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of said Premises and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the Lease Term except as otherwise specifically stated in this Lease. Neither party has been induced to enter into this Lease by, and neither party is relying on, any representation or warranty outside those expressly set forth in this Lease.

Section 17.06 Notices

(a) Written Notice

Any notice required or permitted to be given hereunder shall be in writing and shall be given by a method described in paragraph (b) below and shall be addressed to Lessee or to Lessor at the addresses noted below, next to the signature of the respective parties, as the case may be. Either party may specify a different address for notice purposes at any time by giving written notice of such change to the other party in a manner provided herein at least ten (10) days prior to the date such change is desired to be effective. A copy of all notices required or permitted to be given to Lessor or Lessee (as applicable) hereunder shall be concurrently transmitted to such party or parties at such addresses as such party may from time to time hereafter designate by notice to the other, but delay or failure of delivery to such person shall not affect the validity of the delivery to Lessor or Lessee.

(b) Methods of Delivery

(i) When personally delivered to the recipient, notice is effective on delivery. Delivery to the person apparently designated to receive deliveries at the subject address is personally delivered if made during business hours (e.g. receptionist).

(ii) When mailed by certified mail with return receipt requested, notice is effective on receipt if delivery is confirmed by a return receipt.

(iii) When delivery by overnight delivery Federal Express/Airborne/United Parcel Service/DHL WorldWide Express with charges prepaid or charged to the sender's account, notice is effective on delivery if delivery is confirmed by the delivery service.

(c) Refused, Unclaimed or Undeliverable Notices

Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be considered to be effective as of the first date that the notice was refused, unclaimed, or considered undeliverable by the postal authorities, messenger, or overnight delivery service.

Section 17.07 Waivers

No waiver of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach of the same or any other provisions. Any consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of consent to or approval of any subsequent act. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

Section 17.08 Recording

Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes for each of the properties on which Building 6, Building 7, Building 8, Building 10 and Building 9 are located, provided that Lessee simultaneously executes in recordable form and delivers to Lessor a quit claim deed as to its leasehold and any other interest in the Premises and hereby authorizes Lessor to date and record the same only upon the expiration or sooner termination of this Lease or, in the case of Buildings 6, 7 and 8, upon the termination of Lessee's expansion options with respect to each such property.

Section 17.09 Surrender of Possession; Holding Over

(a) At the expiration or earlier termination of the Lease, Lessee shall remove all of Lessee's signs (pursuant to Section 17.15) and, subject to the terms of the Removal Obligations Schedule and Section 6.03 of the Lease, shall remove all of Lessee's equipment, trade fixtures, supplies, wall decoration and other personal property from within the Premises, Building 9 and the Common Area and shall vacate, deliver up and surrender to Lessor possession of the Premises and all improvements thereon, subject to the terms of Section 17.21 of this Lease concerning Hazardous Materials brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of from the Premises by Lessee or any of Lessee's agents, employees or contractors (collectively, "Lessee HazMat Operations") and released of all clearances required by any governmental authorities with respect to Lessee HazMat Operations, broom clean and, in good order and condition, excepting only ordinary wear and tear (wear and tear which could have been avoided by best maintenance practices customarily used at the Project) and damage due to casualty not caused by Lessee or Lessee's agents, employees or contractors. Except for such ordinary wear and tear and damage due to casualty not caused by Lessee's agents, employees or contractors (collectively, the "Lessee's Parties"), Lessee shall (i) repair all damage to the Premises, the interior and exterior of Building 9 and the Common Area caused by Lessee's removal of its property, (ii) patch and refinish, to Lessor's reasonable satisfaction, all penetrations made by Lessee or its agents, contractors, employees or invitees to the roof, floor, interior or exterior walls or ceiling of the Premises and Building 9, whether such penetrations were made with Lessor's approval or not, to the extent that the equipment requiring such penetration is removed at the expiration or earlier termination of the Lease, (iii) repair or replace all stained or damaged ceiling tiles, wall coverings and floor coverings (unless such staining or

damage was caused by the actions of Lessor or the tenant of a leased space above the Premises) to the reasonable satisfaction of Lessor, (iv) repair all damage caused by Lessee to the exterior surface of Building 9 and, where necessary, replace or resurface same. Upon expiration or sooner termination of this Lease, Lessor may reenter the Premises and remove all persons and property therefrom. If Lessee shall fail to surrender to Lessor the Premises, Building 9 and the Common Area in the condition required by this paragraph at the expiration or, if sooner terminated, within ten (10) days after sooner termination, of this Lease, Lessor may, at Lessee's expense, remove Lessee's signs, property and/or improvements not so removed and make such repairs and replacements not so made or hire, at Lessee's expense, independent contractors to perform such work. Lessee shall be liable to Lessor for all reasonable costs incurred by Lessor in returning the Premises, Building 9 and the Common Area to the required condition, together with interest thereon at the Agreed Rate from the date incurred by Lessor until paid. Lessee shall pay to Lessor the amount of all costs so incurred (including, without limitation, costs of disposal, storage and insurance) together with interest at the Agreed Rate within five (5) business days from Lessor's delivery of a statement therefor. If the Premises are not surrendered at the end of the Lease Term, Lessee shall indemnify Lessor against loss or liability resulting from delay by Lessee in so surrendering the Premises, including, without limitation, actual damages for lost rent and with respect to any claims of a successor occupant. Notwithstanding anything to the contrary contained in this Section 17.09, and subject to the terms of the Removal Obligations Schedule, Lessee shall only be required to remove those Alterations as Lessor shall have designated at the time Lessor gave its consent to such Alterations to the extent required pursuant to the terms of Section 6.03 hereof, or when consent was not required, in response to Lessee's written request for such determination.

(b) If Lessee, with Lessor's prior written consent, remains in possession of the Premises after expiration of the Lease Term and if Lessor and Lessee have not executed an express written agreement as to such holding over, then such occupancy shall be a tenancy from month to month at a monthly Base Rent equivalent to one hundred fifty percent (150%) of the higher of: (i) the monthly rental in effect immediately prior to such expiration, or (ii) the Fair Market Rent for the Premises, such payments to be made as herein provided for Base Rent. In the event of such holding over, all of the terms of this Lease, including the payment of Additional Rent all charges owing hereunder other than rent shall remain in force and effect on said month to month basis.

(c) At least three (3) months prior to the surrender of the Premises, Lessee shall deliver to Lessor a narrative description of the actions proposed (or required by any governmental authority) to be taken by Lessee in order to surrender the Premises (including any Alterations permitted by Lessor to remain in the Premises) at the expiration or earlier termination of the Lease Term, in accordance with the requirements of any Environmental Laws or relevant governmental authority or, in the absence thereof, the requirements of Lessor's lender or any commercially reasonable requirements of Lessor's environmental consultant (collectively "HazMat Requirements") with respect to the Lessee HazMat Operations and otherwise released for unrestricted use and occupancy (the "Surrender Plan"). Such Surrender Plan shall be accompanied by a current listing of (i) all Hazardous Materials licenses and permits held by or on behalf of any Lessee's Parties with respect to the Premises, and (ii) all Hazardous Materials used, stored, handled, treated, generated, released or disposed of from the Premises, and shall be subject to the review and approval of Lessor's environmental consultant. In connection with the

review and approval of the Surrender Plan, upon the request of Lessor, Lessee shall deliver to Lessor or its consultant such additional non-proprietary information concerning Lessee HazMat Operations as Lessor shall request. On or before such surrender, Lessee shall deliver to Lessor evidence that the approved Surrender Plan shall have been satisfactorily completed and all HazMat Requirements have been met and Lessor shall have the right, subject to reimbursement at Lessee's expenses as set forth below, to cause Lessor's environmental consultant to inspect the Premises and perform such additional procedures as may be deemed reasonably necessary to confirm that the Premises are, as of the effective date of such surrender or early termination of the Lease, in accordance with applicable HazMat Requirements. Lessee shall reimburse Lessor, as Additional Rent, for the actual, out-of-pocket expense incurred by Lessor for Lessor's environmental consultant to review and approve the Surrender Plan and to visit the Premises and verify satisfactory completion of the same. Lessor shall have the unrestricted right to deliver such Surrender Plan and any report by Lessor's environmental consultant with respect to the surrender of the Premises to third parties. If Lessee shall fail to prepare or submit a Surrender Plan approved by Lessor, or if Lessee shall fail to complete the approved Surrender Plan, or if such Surrender Plan, whether or not approved by Lessor, shall fail to adequately address any residual effect of Lessee HazMat Operations in, on or about the Premises in violation of HazMat Requirements, Lessor shall have the right to take such actions as Lessor may deem reasonable or appropriate to assure that the Premises and the Project are surrendered free from any residual impact from Lessee HazMat Operations, the cost of which actions shall be reimbursed by Lessee as Additional Rent.

Section 17.10 Cumulative Remedies

No remedy or election hereunder by Lessor shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity, provided that notice and cure periods set forth in Article XII are intended to extend and modify statutory notice provisions to the extent expressly stated in Section 12.01.

Section 17.11 Covenants and Conditions

Each provision of this Lease to be observed or performed by Lessee and Lessor shall be deemed both a covenant and a condition.

Section 17.12 Binding Effect; Choice of Law

Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of Article XVI, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California and any legal or equitable action or proceeding brought with respect to the Lease or the Premises shall be brought in San Mateo County, California except for such actions or proceedings as are required by California law to be brought in the County were the subject real property is located.

Section 17.13 Lease to be Subordinate

Lessee agrees that this Lease is and shall be, at all times, subject and subordinate to the lien of any mortgage, deed of trust or other encumbrances which Lessor may create against

the Premises, including all renewals, replacements and extensions thereof provided, however, that regardless of any default under any such mortgage, deed of trust or other encumbrance or any sale of the Premises under such mortgage, deed of trust or other encumbrance so long as, subject to all applicable notice and cure periods, Lessee timely performs all covenants and conditions of this Lease and continues to make all timely payments hereunder, this Lease and Lessee's possession and rights hereunder shall not be disturbed by the mortgagee or beneficiary or anyone claiming under or through such mortgagee or beneficiary. Lessee shall execute any documents which are commercially reasonable (i.e., of a type customarily executed between lenders and lessees for similar loans and leases) subordinating this Lease within ten (10) business days after delivery of same by Lessor so long as the mortgagee or beneficiary agrees therein that this Lease will not be terminated if Lessee is not in default following a foreclosure, including, without limitation, any Subordination Non-Disturbance and Attornment Agreement ("SNDA") which is substantially in the form attached hereto as Exhibit "C". In any event, Lessor and Lessee agree that Lessee may terminate this Lease upon written notice thereof to Lessor at any time after the date that is twenty (20) business days after the date of this Lease if Lessor and Lessor's lender have not executed and delivered an executed version of a SNDA in the substantially the form attached hereto as Exhibit "C" to Lessee. In the event that any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, and this Lease shall terminate, Lessee shall, notwithstanding any subordination, attorn to and become the tenant of such mortgagee or beneficiary or any successor to Lessor by foreclosure or deed-in-lieu of foreclosure, at the option of such successor in interest, provided however, that any such successor shall not (i) be liable for any previous act or omission of Lessor under the Lease, (ii) be subject to any offset, defense or counterclaim which shall theretofore have accrued to the Lessee under the Lease against Lessor, or (iii) have any obligation with respect to any security deposit unless it shall have been paid over or physically delivered to such successor, or (iv) be bound by any rents paid more than one month in advance to Lessor or any prior landlord or owner. Lessee shall execute and deliver, upon reasonable prior notice from Lessor any additional documents in such form as is designated by Lessor evidencing the priority or subordination of the Lease with respect to any such lien of any such mortgage or deed of trust.

Section 17.14 Attorneys' Fees

If either party herein brings an action to enforce the terms hereof or to declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to recover its reasonable attorney's fees, expert witness fees and costs as fixed by the Court.

Section 17.15 Signs

Lessee may, at Lessee's sole expense, place Lessee's company name on the monument sign for Building 9 at a location reasonably agreed by Lessee and Lessor and otherwise subject to the terms of this Section 17.15. Lessee shall also be entitled, at Lessee's expense, to a pro rata share of directional signage at the Project for Building 9. Lessee shall not place any sign outside the Premises (or visible from outside the Premises) without Lessor's prior written consent, which consent shall not be unreasonably withheld and subject to Lessee's obtaining approval by the City of Redwood City. Lessee, at its sole cost and expense, after obtaining Lessor's prior written consent, shall install, maintain and remove prior to expiration of this Lease (or within ten (10) days after any earlier termination of this Lease) all signage in full

compliance with (i) all applicable law, statutes, ordinances and regulations and (ii) all provisions of this Lease concerning Alterations, and (iii) Lessor's signage policy set forth on Exhibit "D" hereto.

Section 17.16 Merger

The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

Section 17.17 Quiet Possession

Upon Lessee timely paying the rent for the Premises and timely observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire Lease Term, subject to all of the provisions of this Lease.

Section 17.18 Easements

Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and conditions, covenants and restrictions, so long as such easements, rights, dedications, Maps and conditions, covenants and restrictions do not unreasonably interfere with or diminish the use of the Premises or parking rights granted hereunder, including access thereto, by Lessee. Lessee shall sign any of the aforementioned or other documents, and take such other actions, which are reasonably necessary or appropriate to accomplish such granting, recordation and subordination of the Lease to same, upon request of Lessor, and failure to do so within ten (10) business days after a written request to do so shall constitute a material breach of this Lease, provided that Lessor shall reimburse Lessee for Lessee's reasonable out-of-pocket expenses (including reasonable attorneys' fees) necessarily incurred in the performance of Lessee's obligations under this Section 17.18.

Section 17.19 Authority

Each individual executing this Lease on behalf of a corporation, limited liability company or partnership represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such entity, and that this Lease, once fully executed, shall be binding upon said entity in accordance with its terms.

Section 17.20 Force Majeure Delays

In any case where either party hereto is required to do any act (other than the payment of money), delays caused by or resulting from Acts of God or Nature, war, civil commotion, fire, flood or other casualty, labor difficulties, shortages of labor or materials or equipment, government regulations, delay by government or regulatory agencies with respect to approval or permit process, unusually severe weather, or other causes beyond such party's reasonable control, the time during which such act shall be completed, shall be deemed to be extended by the period of such delay, whether such time be designated by a fixed date, a fixed time or a "reasonable time."

Section 17.21 Hazardous Materials

(a) Definition of Hazardous Materials and Environmental Laws

“Hazardous Materials” means any (a) substance, product, waste or other material of any nature whatsoever which is or becomes listed regulated or addressed pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. sections 9601, et seq. (“CERCLA”); the Hazardous Materials Transportation Act (“HMTA”) 49 U.S.C. section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. section 6901, et seq. (“RCRA”); the Toxic Substances Control Act, 15 U.S.C. sections 2601, et seq. (“TSCA”); the Clean Water Act, 33 U.S.C. sections 1251, et seq.; the California Hazardous Waste Control Act, Health and Safety Code sections 25100, et seq.; the California Hazardous Substances Account Act, Health and Safety Code sections 26300, et seq.; the California Safe Drinking Water and Toxic Enforcement Act, Health and Safety Code sections 25249.5, et seq.; California Health and Safety Code sections 25280, et seq.; (Underground Storage of Hazardous Substances); the California Hazardous Waste Management Act, Health and Safety Code sections 25170.1, et seq.; California Health and Safety Code sections 25501, et seq. (Hazardous Materials Response Plans and Inventory); or the Porter Cologne Water Quality Control Act, California Water Code sections 13000, et seq., all as amended, or any other federal, state or local statute, law, ordinance, resolution, code, rule, regulation, order or decree regulating, relating to or imposing liability (including, but not limited to, response, removal and remediation costs) or standards of conduct or performance concerning any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter may be in effect (collectively, “Environmental Laws”); (b) any substance, product, waste or other material of any nature whatsoever whose presence in and of itself may give rise to liability under any of the above statutes or under any statutory or common law theory based on negligence, trespass, intentional tort, nuisance, strict or absolute liability or under any reported decisions of a state or federal court, (c) petroleum or crude oil, including but not limited to petroleum and petroleum products contained within regularly operated motor vehicles and (d) asbestos.

(b) Lessor’s Representations and Disclosures

Lessor represents that it has provided Lessee with a description of the Hazardous Materials on or beneath the Project as of the date hereof attached hereto as Exhibit “I” and incorporated herein by reference and that except as described in the documents identified in Exhibit “F,” Lessor has no actual knowledge of any Hazardous Materials at the Project. Lessee acknowledges receipt of the attached Exhibit “F”, which Lessor has provided pursuant to California Health & Safety Code Section 25359.7 which requires:

“Any owner of nonresidential real property who knows, or has reasonable cause to believe, that any release of hazardous substances has come to be located on or beneath that real property shall, prior to the sale, lease or rental of the real property by that owner, give written notice of that condition to the buyer, lessee or renter of the real property.”

(c) Use of Hazardous Materials

Lessee shall not cause or permit any Hazardous Materials to be brought upon, kept or used in, on or about the Project by Lessee or Lessee's Parties without Lessor's prior written consent, except that Lessee may, without the need for Lessor's prior written consent, bring on, keep at and use in, on or about the Premises those Hazardous Materials described in Schedule 4 attached hereto or any similar Hazardous Materials used for substantially the same purposes in substitution thereof in compliance with applicable Environmental Laws, even if they are Hazardous Materials. All such Hazardous Materials will be used, kept and stored by Lessee in a manner that complies with all applicable Environmental Laws. Lessee shall, at all times, use, keep, test, store, handle, transport, treat or dispose all such Hazardous Materials in or about the Project in compliance with all applicable HazMat Requirements. Lessee shall remove Hazardous Materials used or brought onto the Project during the Lease Term from the Project prior to the expiration or earlier termination of the Lease in accordance with any applicable HazMat Requirements and the Surrender Plan approved by Lessor.

(d) Lessee's Environmental Indemnity

Lessee agrees to indemnify, defend, protect and hold Lessor harmless from any liabilities, losses, claims, damages, penalties, fines, attorney fees, expert fees, court costs, remediation costs, investigation costs, or other expenses resulting from or arising out of the use, storage, treatment, transportation, release, presence, generation, or disposal of Hazardous Materials on, from or about the Project, and/or subsurface or ground water from an act or omission of Lessee (or Lessee's successor-in-interest), its agents, employees, invitees, vendors or contractors.

(e) Lessee's Obligation to Promptly Remediate

If the presence of Hazardous Materials on the Premises after the Commencement Date results from an act or omission of Lessee (or Lessee's successor-in-interest), its agents, employees, invitees, vendors, contractors, guests, or visitors results in contamination of the Project or any water or soil beneath the Project in violation of applicable HazMat Requirements, Lessee shall promptly take all action necessary or appropriate to test, investigate and remedy that contamination, at its sole cost and expense, provided that Lessor's consent to such action shall first be obtained, which consent shall not be unreasonably withheld, conditioned or delayed.

(f) Notification

Lessor and Lessee each agree to promptly notify the other of any communication received from any governmental entity concerning Hazardous Materials or the violation or alleged violation of Environmental Laws that relate to the Project. In addition, Lessee shall promptly provide to Lessor copies of any approvals or disapprovals received from any relevant governmental agency in connection with permits, licenses or periodic or episodic testing or remediation of the Premises by Lessee required by HazMat Requirements, including but not limited to the plans, permits and licenses described in Schedule 5 attached hereto or any

other such plans, permits and licenses instead performed by Lessee pursuant to HazMat Requirements. Without limiting the foregoing, Lessee shall deliver to Lessor any applications for decommissioning the Premises pursuant to HazMat Requirements at the same time such application is delivered to the relevant governmental agency. Lessor shall have the opportunity to participate in, and comment on, any such decommission or surrender plan application and the final version of such plan shall be subject to Lessor's written approval.

(g) Testing.

Lessor shall have the right to conduct tests of the Premises at any time that Lessor seeks to sell or refinance the Premises, or if Lessor has reasonable grounds to believe that Hazardous Materials may exist at the Premises in violation of the terms of this Lease. Such test shall be performed in order to determine whether any contamination of the Premises or the Project has occurred as a result of Lessee's use. Lessee shall be required to pay the reasonable cost of such tests of the Premises if they are performed due to Lessor's reasonable grounds to believe that Hazardous Materials may exist at the Premises in violation of the terms of this Lease (Lessor shall pay the costs of such tests in the event of a sale or refinancing); provided, however, that if Lessee conducts its own tests of the Premises using third party contractors and test procedures acceptable to Lessor which tests are certified to Lessor, Lessor shall accept such tests in lieu of such tests to be paid for by Lessee. In connection with such testing, upon the request of Lessor, Lessee shall deliver to Lessor or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Premises by Lessee or any Lessee Parties. If contamination has occurred in violation or excess of the HazMat Requirements for which Lessee is liable under this Section 17.21, Lessee shall pay all costs to conduct such tests. If no such contamination is found, Lessor shall pay the costs of such tests. Lessee shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing in accordance with HazMat Requirements. Lessor's receipt of or satisfaction with any environmental assessment in no way waives any rights which Lessor may have against Lessee. Notwithstanding anything herein to the contrary, within thirty (30) days prior to the Expiration Date or any earlier date on which the Lease terminates, Lessee shall, at Lessee's sole expense, deliver to Lessor a phase II environmental audit of the Premises showing the environmental condition of the Premises and the completion of Lessee's Surrender Plan for the Premises.

(h) Dispute Resolution. Notwithstanding anything herein to the contrary, if Lessor requires Lessee to perform any testing, clean-up or remediation of Hazardous Materials, or if Lessor requires Lessee to modify Lessee's use of Hazardous Materials at the Premises in a manner or in amounts other than as is required by Environmental Laws pursuant to either this Section 17.21 or Section 17.09(c) above, and Lessee believes that Lessor's requirements are not commercially reasonable, then if Lessee provides Lessor with written notice thereof (the "Dispute Notice") within fifteen (15) business days of the date on which Lessor first informs Lessee in writing of such requirement, then such dispute shall be remedied pursuant to the terms of this Subparagraph 17.22(h). If such a dispute exists, Lessor and Lessee shall meet within ten (10) business days after the date of the Dispute Notice and attempt in good faith to resolve the dispute. If, despite such meeting, the parties cannot resolve the dispute, each of Lessor and Lessee shall separately designate to the other in writing an environmental expert to determine if the requirement in question is commercially reasonable. The two (2) environmental experts shall

then each prepare a written proposal of a commercially reasonable environmental requirement for the activity in question. Each environmental expert designated shall have at least ten (10) years experience in performing environmental audits of real property in San Mateo County and shall be paid by the party choosing such expert. The failure of either party to appoint an environmental expert within the time allowed shall be deemed equivalent to appointing the environmental expert appointed by the other party, who shall then determine whether the requirement in question is commercially reasonable. If the two (2) environmental experts are unable to agree on whether the requirement in question is commercially reasonable, or, in lieu thereof, to come to agreement on a commercially reasonable environmental requirement for the issue in question, within fifteen (15) business days of their appointment, the two designated environmental experts shall jointly designate a third similarly qualified environmental expert. The third environmental expert shall within ten (10) business days following its appointment, then determine which of the two environmental experts' determinations most closely reflects an appropriate, commercially reasonable requirement with respect to the Hazardous Materials issue in question. The third environmental expert shall have no rights to adjust, amend or otherwise alter the determinations made by the environmental experts selected by the parties, but must select one or the other of such experts' submissions. The determination by such third environmental expert shall be final and binding upon the parties. Said third environmental expert shall, upon selecting the determination, concurrently notify both parties hereto. The parties shall share the expenses of the third environmental expert equally.

(i) Survival.

Lessee's obligations pursuant to this Section 17.21 shall survive the expiration or earlier termination of this Lease.

Section 17.22 Modifications Required by Lessor's Lender

If any lender of Lessor requests a modification of this Lease that will not increase Lessee's cost or expense or materially and adversely change Lessee's rights and obligations hereunder, this Lease shall be so modified and Lessee shall execute whatever documents are required by such lender and deliver them to Lessor within ten (10) days after the request.

Section 17.23 Brokers

Lessor and Lessee each represents to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, except for Cornish & Carey Commercial, in the case of Lessor, and Cornish & Carey Commercial in the case of Lessee (collectively, the "Brokers") and that they know of no other real estate broker or agent who is entitled to a commission or finder's fee in connection with this Lease. Each party shall indemnify, protect, defend, and hold harmless the other party against all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including reasonable attorney fees) for any leasing commission, finder's fee, or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the Brokers. The terms of this Section 17.23 shall survive the expiration or earlier termination of the Lease.

Section 17.24 Acknowledgment of Notices

Lessor has provided and Lessee hereby acknowledges receipt of the Notices attached as Exhibits “G” and “H” hereto, concerning the presence of certain uses and operations of neighboring parcels of land.

Section 17.25 Right of First Offer.

(a) Grant.

Subject to the terms of this Section 17.25, Lessor grants to Lessee during the Right of First Offer Term a continuing right of first offer (“Right of First Offer”) to lease any space which is available for lease located in Building 6 in the Project (“Available Space”). For the purposes of this Section 17.25, such space shall not be deemed available for lease, and this Right of First Offer shall not apply, if the space in question is already leased to a tenant thereof who leases or re-leases such space pursuant to any then-existing or future agreement to extend the term of its lease or expand the size of its premises between Lessor and such tenant.

(b) Term.

The term of the Right of First Offer (“Right of First Offer Term”) shall commence on the Commencement Date of this Lease and shall terminate on the expiration or earlier termination of this Lease.

(c) Covenants of Lessor.

Subject to the conditions precedent established by subsection (e) below, if at any time during the Right of First Offer Term Lessor decides to offer any Available Space for lease to the general public, Lessor shall first provide Lessee with a written notice (“Offer Notice”) detailing (i) the rent at which said Available Space is being offered, (ii) the rentable square footage and location thereof, (iii) the date the Available Space will become available and (iv) all other material economic terms upon which Lessor proposes to lease the Available Space to Lessee. If Lessee does not deliver an Acceptance Notice (as defined below) in response to such Offer Notice and Lessor subsequently decides to offer the Available Space for lease to the general public at a lesser rental rate than was described in the initial Offer Notice, then Lessor shall send Lessee a subsequent Offer Notice and the terms of this Section 17.25 shall apply again to such subsequent Offer Notice.

(d) Exercise of Lessee’s Right of First Offer.

Subject to the conditions precedent established by subsection (e) below, Lessee may exercise Lessee’s Right of First Offer to lease all (but not less than all) of the Available Space described in the Offer Notice by providing Lessor with written notice (“Acceptance Notice”) thereof within ten (10) business days of Lessor’s delivery to Lessee of the Offer Notice. If Lessee does not exercise its Right of First Offer within said ten (10) business day period, Lessor shall be relieved of Lessor’s obligation to lease the Available Space mentioned in the Offer Notice to Lessee and the provisions of this Section 17.25 shall not apply to Lessor.

(e) Conditions to Right of First Offer.

Notwithstanding anything to the contrary in this Section 17.25, Lessor shall have no obligation to provide Lessee with an Offer Notice, and Lessee shall have no right to exercise Lessee's Right of First Offer, if: (i) Lessor has delivered a written notice to Lessee that Lessee is in default hereunder or under the Building 10 Lease and such default has not yet been cured either: (a) at the time Lessor seeks to lease the Available Space in question, or at the time Lessee seeks to give Lessor an Acceptance Notice, whichever, is relevant, or (b) upon the date Lessee seeks to take possession of the Available Space referenced in the Offer Notice, (ii) Lessee has assigned this Lease or sublet more than fifty percent (50%) of the rentable space located in the Premises to a party other than an Affiliate, (iii) Lessee then occupies less than fifty percent (50%) of the Premises, (iv) Lessee has received more than three (3) written notices of monetary default and more than one (1) written notice of a non-monetary default from Lessor hereunder during the Lease Term or under the Building 10 Lease during the "Lease Term" of that lease, (v) as of the date of such Offer Notice, Lessee does not meet the financial tests set forth in Schedule 6 attached hereto, or (vi) Lessor's lender does not consent to Lessee's expansion into the Available Space.. Lessee's Right of First Offer shall be personal to Lessee and Lessee's Affiliate and shall not be transferable with any assignment of this Lease or subletting of the Premises.

(f) Terms for Right of First Offer.

In the event that Lessee exercises Lessee's Right of First Offer, Lessee's occupancy of the Available Space taken shall be on all of the same terms and conditions described in the Offer Notice. In such event, Lessee's Share due hereunder shall also be adjusted accordingly.

(g) New Lease.

Lessor and Lessee hereby agree to execute a new lease for such Available Space in the same form and, except for the business terms of the Offer Notice and terms made necessary as a result of the different space, having the same content as this Lease ("New Lease") prior to Lessee's occupancy of the Available Space in question. The New Lease shall specify, among other things, the Rent, date of occupancy, increase in Lessee's Share and square footage of the Available Space taken in connection with Lessee's exercise of Lessee's Right of First Offer, and shall otherwise be on the terms of this Lease, except for whatever changes are required in connection with any differing uses of the Available Space by Lessee. If Lessee does not execute such a New Lease within ten (10) business days after the date on which Lessor provides Lessee with a form of New Lease as described in this Subsection (g), then, at Lessor's option, Lessee's right to lease the Available Space on the terms referenced in the Offer Notice shall be void and terminated, provided that such termination shall not affect Lessee's ongoing rights pursuant to the terms of this Section 17.25.

Section 17.26 Right of First Refusal.

(a) Grant.

Subject to the terms of this Section 17.26, Lessor grants to Lessee during the Right of First Refusal Term a continuing right of first refusal ("Right of First Refusal") to lease any space which is available for lease in either Building 7 or Building 8 in the Project ("Available ROFR Space"). For the purposes of this Section 17.26, such space shall not be deemed available for lease, and this Right of First Refusal shall not apply, if the space in question is already leased to a tenant thereof who leases such space pursuant to any then-existing or future agreement to extend the term of its lease or expand the size of its premises between Lessor and such tenant.

(b) Covenants of Lessor.

Subject to the conditions precedent established by subsection (d) below, if at any time during the Lease Term Lessor receives an offer which Lessor is willing to accept from a bona fide third party to lease any space in the Available ROFR Space, Lessor shall first provide Lessee with a written notice ("Refusal Offer Notice") detailing (i) the rent at which said Available ROFR Space is to be leased to the third party, (ii) the rentable square footage and location thereof, (iii) the date the Available ROFR Space will become available and the term of the proposed lease and (iv) all other material economic terms upon which Lessor is willing to lease the Available ROFR Space in question to such third party.

(c) Exercise of Lessee's Right of First Refusal.

Subject to the conditions precedent established by subsection (d) below, Lessee may exercise Lessee's Right of First Refusal to lease all (but not less than all) of the Available ROFR Space described in the Refusal Offer Notice by providing Lessor with written notice ("ROFR Acceptance Notice") thereof within five (5) business days of Lessor's delivery to Lessee of the Refusal Offer Notice. If Lessee does not exercise its Right of First Refusal within said five (5) business day period, Lessor shall be relieved of Lessor's obligation to lease the Available ROFR Space mentioned in the Refusal Offer Notice, to Lessee and the provisions of this Section 17.26 shall not apply to Lessor. If the transaction described in the ROFR Offer Notice is not consummated, then, prior to entering into a new lease for the Available ROFR Space, Lessor shall repeat the process described in this Section 17.26.

(d) Conditions to Right of First Refusal.

Notwithstanding anything to the contrary in this Section 17.26, Lessor shall have no obligation to provide Lessee with a Refusal Offer Notice, and Lessee shall have no right to exercise Lessee's Right of First Refusal, if: (i) Lessor has delivered to Lessee a written notice that Lessee is in default hereunder or under the Building 10 Lease and such default has not yet been cured either: (a) at the time Lessor seeks to lease the Available ROFR Space in question, or at the time Lessee seeks to give Lessor an ROFR Acceptance Notice, whichever, is relevant, or (b) upon the date Lessee seeks to take possession of the Available ROFR Space referenced in the Refusal Offer Notice, (ii) Lessee has assigned this Lease or sublet more than fifty percent (50%)

of the rentable space located in the Premises to a party other than an Affiliate, (iii) Lessee then occupies less than fifty percent (50%) of the Premises, (iv) Lessee has received more than three (3) written notices of monetary default and one (1) written notice of non-monetary default from Lessor hereunder during the Lease Term or under the Building 10 Lease during the "Lease Term" of that lease, (v) at the time of the Refusal Offer Notice Lessee fails to meet the financial tests set forth in Schedule 6 attached hereto, or (vi) Lessor's lender does not consent to Lessee's expansion into the Available Space.. Lessee's Right of First Refusal shall be personal to Lessee and Lessee's Affiliate and shall not be transferable with any assignment of this Lease or subletting of the Premises.

(e) Terms for Right of First Refusal.

In the event that Lessee exercises Lessee's Right of First Refusal, Lessee's occupancy of the Available ROFR Space taken shall be on all of the same terms and conditions described in the Refusal Offer Notice. In such event, Lessee's Share due hereunder shall also be adjusted accordingly.

(f) New Lease.

Lessor and Lessee hereby agree to execute a new lease for such Available ROFR Space in the same form and, except for the business terms of the ROFR Offer Notice and terms made necessary as a result of the different space, having the same content as this Lease ("ROFR Lease") prior to Lessee's occupancy of the Available ROFR Space in question. The ROFR Lease shall specify, among other things, the Rent, date of occupancy, increase in Lessee's Share and square footage of the Available ROFR Space taken in connection with Lessee's exercise of Lessee's Right of First Refusal, and shall otherwise be on the terms of this Lease, except for whatever changes are required in connection with any differing uses of the Available ROFR Space by Lessee. If Lessee does not execute such a ROFR Lease within ten (10) business days after the date on which Lessor provides Lessee with a form of ROFR Lease as described in this Subsection (f), then, at Lessor's option, Lessee's right to lease the Available ROFR Space on the terms referenced in the ROFR Offer Notice shall be void and terminated, provided that such termination shall not affect Lessee's ongoing rights pursuant to the terms of this Section 17.26.

Section 17.27 Lessee's Expansion Right. If, during the Lease Term, Lessee desires to lease additional space in the Project but there is no such space then available for lease in the Project, and if Lessor (and Lessor's lender) determines, in its sole and absolute discretion, that it would not adversely affect the Project and Lessor determines, in Lessor's sole and absolute discretion, that Lessor can construct an additional building in the Project, then, at Lessee's written request, Lessor shall use Lessor's good faith efforts to gain the necessary governmental approvals for, and shall construct, such an additional building for Lessee's use. The size, location and date of availability of such building, and the economic terms on which Lessor shall lease such building to Lessee, shall be subject to the mutual agreement of the Lessor and Lessee. Further, Lessor shall have no obligations whatsoever to Lessee under this Section 17.27 if at the time of Lessee's request for such building Lessee does not meet the relevant financial tests set forth in Schedule 6 attached hereto or has received a written notice of default hereunder or under the Building 10 Lease and such default has not yet been cured. The terms of this Section 17.27 shall only be operative at any time that Pacific Shores Investors, LLC or any affiliate thereof

owns the entire Project, and upon the sale or other transfer of this Project or any portion thereof the terms of this Section 17.27 shall be rendered null and void and of no further effect, and the Lessor shall then have no further obligations to the Lessee hereunder whatsoever.

Section 17.28 Notification of Intention to Market. If Lessor shall decide to market the Project for sale, Lessor shall provide Lessee with marketing materials therefore at the same time and in a similar manner as Lessor provides such materials to the general public. Nothing herein shall be deemed to create an obligation of Lessor to sell the Project or enter into negotiations for the sale of the Project with Lessee or keep Lessee informed of the status of any such negotiations with a third party for the sale of the Project. The parties acknowledge and agree that nothing herein shall be deemed to create any sort of an option, right of first refusal, right of first offer, right of first negotiation or any other type of option or right of Lessee to purchase the Project or any portion thereof. The obligation of Lessor hereunder is limited solely to notifying Lessee of Lessor's marketing of the Project for a potential sale, and Lessor reserves the right to sell the Project, or not sell it at all, on any terms and conditions that Lessor shall deem appropriate, in Lessor's sole and absolute discretion. Lessee agrees to keep the notification delivered to it by Lessor hereunder strictly and completely confidential, and shall not disclose such notification to anyone whatsoever. The terms of this Section 17.28 shall only be operative at any time that Pacific Shores Investors, LLC or any affiliate thereof owns the entire Project, and upon the sale or other transfer of this Project or any portion thereof the terms of this Section 17.28 shall be rendered null and void and of no further effect, and the Lessor shall then have no further obligations to the Lessee hereunder whatsoever.

Section 17.29 List of Lease Expiration Dates. Upon written request therefor by Lessee, Lessor shall deliver to Lessee a list of then current expiration dates (not taking into account any extension or expansion rights that may or may not be exercised by the tenants of the Project) of the current leases of space in the portion of the Project then owned by Lessor, which list shall also describe the size and location of the space in question. Nothing herein shall be deemed to create an obligation of Lessor to lease such space to Lessee or enter into negotiations for the lease of such space to Lessee or keep Lessee informed of the status of any space for lease in the Project. The parties acknowledge and agree that nothing in this Section 17.29 shall be deemed to create any sort of an option, right of first refusal, right of first offer, right of first negotiation or any other type of option or right of Lessee to lease space the Project or any portion thereof. The obligation of Lessor hereunder is limited solely to delivering to Lessee a list of the expiration dates of existing leases of space in the Project.

Section 17.30 [Intentionally omitted.]

Section 17.31 Condition Subsequent. Notwithstanding anything to the contrary herein, Lessor and Lessee acknowledge and agree that the effectiveness of this Lease is conditioned upon Lessee's exercise of Lessee's option to lease the Premises and the Building 10 Premises (as defined therein) pursuant to the terms of that certain Amended and Restated Option to Lease dated June 15, 2006 (the "Option Agreement") between Lessor, as optionor, and Lessee, as optionee. Notwithstanding Lessor and Lessee's execution of this Lease, if Lessee fails to exercise such option by July 5, 2006, or if the Option Agreement is terminated pursuant to its terms, then this Lease and all of the obligations of the parties hereunder shall terminate and be null and void, and any amount prepaid by Lessee to Lessor hereunder shall be promptly repaid to Lessee.

Section 17.32 List of Exhibits

EXHIBIT A:	Premises
EXHIBIT B:	Memorandum of Commencement of Lease Term and Schedule of Base Rent
EXHIBIT C	SNDA
EXHIBIT D	Signage Exhibit
EXHIBIT E	Intentionally Deleted
EXHIBIT F	Hazardous Materials Disclosure
EXHIBIT G:	Notice to Tenants
EXHIBIT H:	Notice to Tenants
EXHIBIT I:	Rules and Regulations
SCHEDULE 1	License Agreement
SCHEDULE 2	Intentionally Deleted
SCHEDULE 3	Removal Obligations Standard
SCHEDULE 4	Permitted Hazardous Materials
SCHEDULE 5	Plans, Licenses and Permits
SCHEDULE 6	Financial Tests

LESSOR AND LESSEE EACH HAS CAREFULLY READ AND HAS REVIEWED THIS LEASE AND BEEN ADVISED BY LEGAL COUNSEL OF ITS OWN CHOOSING AS TO EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOWS ITS INFORMED AND VOLUNTARY CONSENT THERETO. EACH PARTY HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS AND CONDITIONS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

Executed at Redwood City, California, as of the reference date.

(Signatures continued on next page)

LESSOR:

PACIFIC SHORES INVESTORS, LLC,
a Delaware limited liability company

ADDRESS:

c/o Jay Paul Company
350 California Street, Suite 1905
San Francisco, CA 94104-1432

By: Pacific Shores Mezzanine, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Junior Mezz, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Junior Mezz Managers, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Development, LLC,
a Delaware limited liability company,
its sole member

By: TECHNOLOGY LAND LLC,
a California limited liability company,
Operating Member

By: /s/ Jay Paul

Jay Paul, Sole Managing Member

LESSEE:

PDL BIOPHARMA, INC.,
a Delaware corporation

ADDRESS:

(Before Commencement Date)
34801 Campus Drive
Freemont, California 94555
Attention: Ms. Laurie Torres, VP Human Resources

By: /s/ Mark McDade

Mark McDade
(Type or Print Name)

Its: Chief Executive Officer

(After Commencement Date)
Pacific Shores Center
Building 9
1400 Seaport Boulevard
Redwood City, CA 94063

With a copy to:

Silicon Valley Law Group
25 Metro Drive, Suite 600
San Jose, California 95110
Attn: Lucy A. Lofrumento, Esq.

EXHIBIT A
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

REAL PROPERTY LEGAL DESCRIPTION,
SITE PLAN AND PREMISES FLOOR PLAN

(See Building Description and Depiction of Property attached)

EXHIBIT A

LEGAL DESCRIPTION

Real property in the City of Redwood City, County of San Mateo, State of California described as follows:

Lot 9 as shown on the certain Map of Pacific Shores Center filed July 21, 2000 in Book 130 of Maps, pages 66-74, San Mateo County Records.

Site Plan

Premises
1400 Seaport Blvd.
Redwood City, CA



PACIFIC SHORES CENTER
REDFWOOD CITY CALIFORNIA

- Building 1 2100 Seaport Boulevard - 149,125 SF
- Building 2 2000 Seaport Boulevard - 141,180 SF
- Building 3 1900 Seaport Boulevard - 141,180 SF
- Building 4 1800 Seaport Boulevard - 119,730 SF
- Building 5 1700 Seaport Boulevard - 127,342 SF
- Building 6 1600 Seaport Boulevard - 283,015 SF
- Building 7 1200 Seaport Boulevard - 98,022 SF
- Building 8 1300 Seaport Boulevard - 164,732 SF
- Building 9 1400 Seaport Boulevard - 283,015 SF
- Building 10 1500 Seaport Boulevard - 164,732 SF

EXHIBIT B
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

MEMORANDUM OF
COMMENCEMENT OF LEASE TERM

Pursuant to Article III, Section 3.01, paragraph (a) of the above-referenced Lease, the parties to said Lease agree to the following:

The Commencement Date of the Lease _____ and the Lease Term commenced on said date. The Expiration Date for the initial Lease Term is _____.

The date for commencement of Base Rent for the Premises is _____.

The date for commencement of Additional Rent, including, without limitation, Operating Expenses is _____.

Attached hereto as a part hereof is a true and correct schedule of Base Rent. The total Rentable Area of the Premises is an agreed _____ rentable square feet.

Each person executing this Memorandum certifies that he or she is authorized to do so on behalf of and as the act of the entity indicated. Executed as of _____, 2006, at Redwood City (San Mateo County), California.

“Lessor”

PACIFIC SHORES INVESTORS, LLC
a Delaware limited liability company

By: Pacific Shores Mezzanine, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Junior Mezz, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Junior Mezz Managers, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Development, LLC,
a Delaware limited liability company,
its sole member

By: TECHNOLOGY LAND LLC,
a California limited liability company,
Operating Member

By: _____
Jay Paul, Sole Managing Member

“Lessee”

PDL BIOPHARMA, INC.,
a Delaware corporation

By: _____
(Type or Print Name)

Its: _____

EXHIBIT C
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

**SUBORDINATION, NONDISTURBANCE
AND ATTORNMENT AGREEMENT**

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR OPTION AGREEMENT, BUILDING 9 LEASE AND BUILDING 10 LEASE BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF THE DEED OF TRUST (DEFINED BELOW).

THIS AGREEMENT is dated for reference as of the __ day of _____, 2006, and is made between WELLS FARGO BANK, N.A., as Trustee for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates Series 2004-TFL2 ("Mortgagee"), PACIFIC SHORES INVESTORS, LLC, a Delaware limited liability company ("Lessor"), and PROTEIN DESIGN LABS, INC., a Delaware corporation ("Lessee").

RECITALS

- A. Lessor currently owns the Pacific Shores Center in Redwood City, California, which project includes that certain approximately 283,015 square foot building located at 1400 Seaport Boulevard and related real property referred to herein as the "Building 9 Premises", and that certain approximately 164,732 square foot building located at 1500 Seaport Boulevard and related real property referred to herein as "Building 10 Premises."
- B. Lessor and Lessee have entered into (a) that certain Triple Net Space Lease for the Building 9 Premises ("Building 9 Lease"), and (b) that certain Triple Net Space Lease for the Building 10 Premises ("Building 10 Lease").
- C. Mortgagee is the current holder of a loan made by Column Financial, Inc. to Lessor and secured by a deed of trust (the "Deed of Trust") encumbering the real property of which the Building 9 Premises and the Building 10 Premises form a part (the "Property"), and the parties desire to set forth their agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the sum of ONE DOLLAR (\$1.00) by each party in hand paid to the other, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. The Building 9 Lease and the Building 10 Lease are and shall be subject and subordinate to the Deed of Trust insofar as it affects the Property, and to all of Mortgagee's rights thereunder, including all renewals, modifications, consolidations, replacement and extensions of the Deed of Trust, to the full extent of amounts secured thereby and interest thereon.

2. Subject to the terms and conditions of Paragraph 3 of this agreement, Lessee agrees that it will attorn to and recognize any purchaser at a foreclosure sale under the Deed of Trust, any transferee who acquires the Property by deed in lieu of foreclosure, and the successors and assigns of such purchasers (the applicable party taking title is referred to as the "New Owner"), as its landlord for the unexpired balance (and any extensions, if exercised) of the term of said leases upon the same terms and conditions set forth in the Building 9 Lease and the Building 10 Lease.

3. Regardless of any default under any such mortgage, deed of trust or other encumbrance or any sale of the Property under such mortgage, deed of trust or other encumbrance, the Building 9 Lease and the Building 10 Lease and Lessee's rights thereunder, shall not be disturbed by the mortgagee or beneficiary or anyone claiming under or through such mortgagee or beneficiary; provided, however that nothing contained herein shall prevent Mortgagee from naming Lessee in any foreclosure or other action or proceeding initiated in order for Mortgagee to avail itself of and complete any such foreclosure or other remedy, so long as such joinder does not result in a termination of the Building 9 Lease and/or the Building 10 Lease, or diminish Lessee's rights and privileges under the Building 9 Lease or the Building 10 Lease. After acquisition of title by a New Owner, Building 9 Lease and the Building 10 Lease shall be a direct agreement(s) between Lessee and the New Owner. Lessee shall be obligated to perform for the New Owner under the Building 9 Lease and the Building 10 Lease and the New Owner shall assume the obligations of the Lessor under the Building 9 Lease and the Building 10 Lease, including without limitation any extension thereof pursuant to the terms of the Building 9 Lease and the Building 10 Lease, in accordance with the terms of the applicable document(s), subject to Section 4 below.

4. If any New Owner succeeds to the interest of Lessor under the Building 9 Lease or the Building 10 Lease, the New Owner shall not be:

(a) liable for any act or omission of any prior lessor (including Lessor); provided, that nothing herein shall release the lessor under the Building 9 Lease or the Building 10 Lease from the obligation to perform maintenance or repair obligations or limit New Owner's obligations under said leases to correct any conditions in violation of the New Owner's obligations as lessor under the Building 9 Lease or the Building 10 Lease provided that Lessee provides such New Owner with written notice of such default and opportunity to cure pursuant to Section 6 below; or

(b) liable for the return of any security deposit under either the Building 9 Lease or the Building 10 Lease not actually received by Mortgagee or the New Owner; or

(c) subject to any offsets or claims which Lessee might have against any prior lessor (including Lessor); or

(d) bound by any rent or additional rent which Lessee might have paid under the Building 9 Lease or the Building 10 Lease for more than the current month to any prior lessor (including Lessor) unless such monies have been actually received by New Owner; or

(e) bound by any amendment or modification of the Building 9 Lease or the Building 10 Lease (including an agreement to terminate the Building 9 Lease or the Building 10 Lease, other than as expressly contained in the Building 9 Lease or the Building 10 Lease) made without its consent.

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

6. Lessee agrees to give Mortgagee notice of any default by Lessor under the Building 9 Lease and the Building 10 Lease (if and when executed by the parties). Lessee further agrees that if Lessor shall have failed to cure such default within the time provided for in the Building 9 Lease or the Building 10 Lease, then Mortgagee shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary if within such thirty (30) days Mortgagee has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, commencement of legal proceedings, if necessary to effect such cure) in which event neither the Building 9 Lease nor the Building 10 Lease shall be terminated while such remedies are being so diligently pursued. Lessee shall accept performance by Mortgagee of any term, covenant, condition or agreement to be performed by Lessor under the Building 9 Lease or the Building 10 Lease with the same force and effect as though performed by Lessor.

7. In the event Mortgagee succeeds to the interest of Lessor in the Property, Lessee's rights against Mortgagee, as lessor, shall be limited to Mortgagee's interest in the Property, and Lessee shall have no recourse with regard to any other assets of Mortgagee.

8. Any notices which a party may be obligated or elect to give hereunder shall be sufficient if sent by certified mail, return receipt requested, postage prepaid or by Federal Express or other established overnight courier addressed as follows:

If to Mortgagee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates Series 2004-TFL2
c/o Wachovia Securities, Commercial Real Estate Services
8739 Research Drive-URP4
Charlotte, NC 28288-1075 (28262-1075 for overnight deliveries)
Attn: Alex Aguilar Fax: 704-715-0036

with a copy to: Alston & Bird LLP
101 South Tryon Street, Suite 4000
Charlotte, NC 28280-4000
Attn: James A.L. Daniel, Jr., Esq.
Fax: 704-444-1776

If to Lessee: PDL BioPharma, Inc.
34801 Campus Drive
Fremont, California 94555
Attention: Laurie Torres, VP Human Resources
Facsimile: (510) 574-1661

With a copy to: Silicon Valley Law Group
25 Metro Drive, Suite 600
San Jose, California 95110
Attention: Lucy Lofrumento, Esq.
Facsimile: (408) 573-5701

Any such notice shall be deemed delivered on the earlier to occur of (a) receipt or (b) the date of delivery, refusal or non-delivery indicated on the return receipt if sent by certified mail. The above addresses may be changed by the persons identified above from time to time designated by written notice given as herein required; provided that no notice of a change of address shall be effective until actual receipt of such notice.

9. In the event of the bringing of any action or suit by any party or parties hereto against another party or parties hereunder alleging a breach of any of the covenants, conditions, agreements or provisions of this Agreement, the prevailing party or parties shall recover all reasonable costs and expenses of suit, including without limitation, reasonable attorneys' fees, consultants fees and fees of expert witnesses.

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

11. This Agreement may be executed in one or more counterparts, each of which shall be deemed original, and all of which together shall constitute one and the same instrument.

12. Neither Mortgagee nor its designee or nominee shall become liable under the Building 9 Lease and Building 10 Lease, unless and until Mortgagee or its designee or nominee becomes, and then only with respect to periods in which Mortgagee or its designee or nominee remains, the owner of the Property.

13. Lessee acknowledges that Lessor has assigned (or will assign) to Mortgagee its right, title and interest in the Building 9 Lease and the Building 10 Lease and to the rents, issues and profits of the Property pursuant to the Deed of Trust, and that Lessor has been granted the

license to collect such rents provided no Event of Default has occurred under, and as defined in, the Deed of Trust. Lessee agrees to pay all rents and other amounts due under the Building 9 Lease and the Building 10 Lease directly to Mortgagee upon receipt of written demand by Mortgagee following an Event of Default, and Lessor hereby consents thereto and agrees that Lessee shall be released and discharged of all liability to Lessor for any such payments made to Mortgagee. The assignment of the Building 9 Lease and the Building 10 Lease to Mortgagee, or the collection of rents by Mortgagee pursuant to such assignment, shall not obligate Mortgagee to perform Lessor's obligations under the Building 9 Lease and/or the Building 10 Lease.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

PDL BIOPHARMA, INC.,
a Delaware corporation

By: _____
Name:
Title:

WELLS FARGO BANK, N.A., as Trustee for the Registered
Holders of Credit Suisse First Boston Mortgage Securities
Corp., Commercial Mortgage Pass-Through Certificates Series
2004-TFL2

By: WACHOVIA BANK NATIONAL
ASSOCIATION, solely in its capacity as
Master Servicer

By: _____
Name:
Title:

The undersigned Lessor hereby consents to the foregoing Subordination, Non-Disturbance and Attornment Agreement and confirms the facts stated in the foregoing Subordination, Non-Disturbance and Attornment Agreement.

LESSOR:

PACIFIC SHORES INVESTORS, LLC,
a Delaware limited liability company

By: Pacific Shores Mezzanine, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Junior Mezz, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Junior Mezz Managers, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Development, LLC,
a Delaware limited liability company,
its sole member

By: TECHNOLOGY LAND LLC,
a California limited liability company,
Operating Member

By: _____
Jay Paul, Sole Managing Member

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss.:
COUNTY OF _____)

On _____, 2006, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.:
COUNTY OF _____)

On _____, 2006, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.:
COUNTY OF _____)

On _____, 2006, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.:
COUNTY OF _____)

On _____, 2006, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

EXHIBIT D
TO
PACIFIC SHORES INVESTORS, LLC
LEASE
TO
PDL BIOPHARMA, INC.
as
LESSEE
For
Pacific Shores Center
Building 9
1400 Seaport Boulevard
Redwood City, California 94063

SIGNAGE EXHIBIT

SINGLE TENANT BUILDINGS

Each tenant of a single tenant Building will be permitted (subject to compliance with Section 17.15 of the Lease) to place one sign to be located near the entrance to the parking lot associated with Building 9 ("**Monument**"). The exact size, design, color, location and materials of the Monument, and of the Lessee's sign on the Monument, will be determined by Lessor in its sole and absolute discretion, provided that Lessor will not unreasonably withhold its consent to a tenant sign which employs a design and color commonly used by such tenant for marketing purposes so long as it fits within the space allocated by Lessor, and so long as it is in keeping with the overall design scheme of the Project. Each such tenant will also be permitted (subject to compliance with Section 17.15 of the Lease) to place one sign on the exterior surface of Building 9. Lessor reserves the right to allow different or additional signage anywhere in the Project, provided that, so long as Lessor may lawfully do so, Lessor will not reduce the size of space allocated on the Monument to a size smaller than that permitted as of the commencement date of the Lease, unless the size of the premises subject to the lease decreases from its size as of the lease commencement date or unless Lessor provides alternate signage of reasonably equivalent visibility. All signs shall comply with all applicable government laws and regulations and with the Pacific Shores Signage Master Plan (City of Redwood City Design Review Submittal dated November 11, 2000).

EXHIBIT E

To

PACIFIC SHORES INVESTORS, LLC.

LEASE

to

PDL BIOPHARMA, INC.,

For

PREMISES

at

1400 Seaport Drive

Building 9

Redwood City, California

INTENTIONALLY DELETED

E-1

EXHIBIT F
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,

as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

HAZARDOUS MATERIALS DISCLOSURE

Lessor has provided Lessee, and Lessee acknowledges that it has received and pursuant to Section 17.22(b) of the Lease, reviewed same, a copy of each of those certain documents entitled: (i) PHASE I, ENVIRONMENTAL SITE ASSESSMENT, PACIFIC SHORES CENTER, REDWOOD CITY, CALIFORNIA, Prepared for: The Jay Paul Company, San Francisco, California, Prepared by: IRIS ENVIRONMENTAL, Oakland, California, December 20, 1999, Job No. 99-122A; and (ii) PHASE II, ENVIRONMENTAL SITE ASSESSMENT, PACIFIC SHORES CENTER, 1000 SEAPORT BOULEVARD, REDWOOD CITY, CALIFORNIA, Prepared for: The Jay Paul Company, San Francisco, California, Prepared by: IRIS ENVIRONMENTAL, Oakland, California, January 14, 1999, Job No. 99-122-B

LESSEE

PDL BIOPHARMA, INC.,
a Delaware corporation

By: _____
(Type or print name)

Its: _____

By: _____
(Type or print name)

Its: _____

EXHIBIT G
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

NOTICE TO TENANTS AND TRANSFEREES OF
CURRENT OR FUTURE USES OF ADJACENT PORT PROPERTY

Notice is hereby given to all lessees, tenants and transferees of land or interests in land located within Pacific Shores Center of the presence or potential future presence of Port related industrial activities on Port property adjacent to and west of Pacific Shores Center. All recipients of this notice should be aware of the following facts:

1. The parcel of Port property adjacent to Pacific Shores Center to the northwest shown on the Exhibit J-Figure One attached hereto (the "Port Parcel") is now or may be developed for Port related maritime and industrial uses similar to those occupying other properties along the west side of Seaport Boulevard and to the west of Pacific Shores Center.
2. Such Port related maritime and industrial activities are those which are permitted by the general industrial zoning of the City of Redwood City and may include heavy industrial land uses, including uses which involve the receipt, transport, storage or management of hazardous wastes, aggregates, cement, gravel and similar materials, including the outdoor storage and handling of such materials.
3. Pacific Shores Center Limited Partnership, on behalf of itself, its successors and assigns, has recognized, accepted and approved such uses of the Port Parcel subject to the utilization of Best Available Management Practices in the development and use of the Port Parcel. Best Available Management Practices are defined on Schedule One to Exhibit G attached hereto.
4. Despite the use of Best Available Management Practices on the Port Parcel by the Port and its lessees and licensees and despite Pacific Shores Center Limited Partnership's efforts to ensure compatibility between such uses and those in Pacific Shores Center, it is possible that such uses will cause emissions into the air of dust or other particulate matter, or noise or odorous substances which may be offensive to or be perceived as a nuisance by occupants of Pacific Shores Center.

5. Pursuant to covenants made by Pacific Shores Center Limited Partnership on behalf of its successors and assigns, tenants and lessees, the tenants, lessees and transferees of Pacific Shores Center Limited Partnership have approved and accepted such neighboring uses subject to their utilization of Best Available Management Practices.

6. Any actions to enjoin the continuation of such uses or to recover any damages to persons or property related to their operations are subject to a requirement for prior notice found in recorded covenants by Pacific Shores Center Limited Partnership. The following language is excerpted from such covenants:

“In the event that either party hereto believes that the other has failed to perform any covenant made herein in favor of the other, at least ten (10) days prior to the commencement of any action to enforce the covenants hereunder or to recover damages for the breach thereof, that party who believes that a failure to perform has occurred (the “Complaining Party”) shall give written notice (the “Notice”) to the party alleged not to have performed the covenant (the “Non-Complaining Party”) of the specific nature of the alleged failure and of the intent of the Complaining Party to take action to remedy the breach by the Non-Complaining Party. In the event that the nature of the alleged failure to perform is such that the same cannot reasonably be cured within ten (10) days after receipt of the Notice (the “Notice Period”), the Non-Complaining Party shall not be deemed to be in violation of its covenants and no action shall be commenced by the Complaining Party if, within the Notice Period, the Non-Complaining Party commences such cure and thereafter diligently and continuously prosecutes the same to completion within a reasonable time. Provided, however, that the Complaining Party shall not be precluded from recovering any actual damages suffered by reason of the alleged failure to perform prior to or after delivery of the Notice, whether or not such failure is thereafter cured.”

FIGURE ONE TO EXHIBIT G
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

LANDS OF THE STATE OF CALIFORNIA

Port Parcel

RMC LONESTAR PARCEL

LANDS OF CARROLL

PACIFIC SHORES LAND

LANDS OF SOUTHERN PACIFIC
TRANSPORTATION COMPANY

LANDS OF THE CITY OF REDWOOD CITY

LANDS OF THE CITY OF REDWOOD CITY

LANDS OF CARROLL

EXHIBIT A

DATE: 4-21-87
SCALE: 1" = 500'
JOB: 91_002
DWG: Current - CRT - EX1

SCHEDULE ONE TO EXHIBIT G
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

DEFINITION OF "BEST AVAILABLE MANAGEMENT PRACTICES"
(Exchange Parcel and New Road Access)

"Best Available Management Practices ("BAMP") means the following:

1. Compliance with all laws, rules and regulations, and operating permits, whether Federal, state or local, applicable to the uses of the Exchange Parcel and industrial operations thereon, including without limitation all laws, rules and regulations and operating permits applicable to emissions into the air of gases, substances and particulate matter, the generation or release of odors or odorous substances into the air, and the generation of noise.

2. Initiation and maintenance of reasonable precautions to minimize emission and transport of dust from the Exchange Parcel and the New Road Access onto the Project Site. As used herein the term "reasonable precautions" shall mean the use of materials, techniques and equipment reasonably available at the time of commencement of a use or operation and designed to minimize emissions during predictably adverse climatic conditions common in the area (collectively, "initial measures") plus the addition of one or more of the following additional measures if not already in use and if initial measures prove inadequate to achieve minimization of emission and transport of dust onto the Project Site:

(a) Paving of surfaces used for active operations where the absence of such paving causes emission and transport of dust onto the Project Site;

(b) Installation of wind fences to a height of not less than 20 feet with 50% porosity around areas of open storage and areas of active dust-generating uses causing emission and transport of dust onto the Project Site;

(c) Use of storage silos, open-ended enclosures or water spray equipment for the outdoor storage and handling of materials, such as rock, concrete, soil, mineral substances, and similar materials, causing emission and transport of dust onto the Project Site;

(d) Installation of enclosures or use of water or foam spray bars both above and below the belt surface of all conveyors used for loading and unloading materials, causing emission and transport of dust onto the Project Site; and

3. Initiation of a reasonable, regularly scheduled sweeping program for the New Road Access to minimize accumulation of dust and dirt and/or installation of dust traps, wheel washers or other methods of minimizing the tracking of dust onto the Road Access Area and resulting emission and transport of dust onto the Project Site.

EXHIBIT H
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

NOTICE TO PACIFIC SHORES TENANTS, LESSEES, SUCCESSORS, ASSIGNS AND
TRANSFEREES REGARDING CURRENT OR FUTURE USES OF ADJACENT RMC
LONESTAR AND PORT PROPERTY

Notice is hereby given to all tenants, lessees, successors, assigns and transferees of land or interest in land located within the Pacific Shores Center of the presence or potential future presence of maritime and industrial activities on RMC Lonestar and Port of Redwood City property west and adjacent to Pacific Shores Center. Recipients of this notice should be aware of the following:

1. The RMC Lonestar property and parcels of port property adjacent to and west of Pacific Shores Center are shown on the map attached to this notice. The RMC Lonestar and Port properties are now devoted to, or will be developed for, maritime and industrial uses.

2. These maritime and industrial uses are those which are permitted by the "Heavy Industry" General Plan designation and general industrial zoning of the City of Redwood City. These uses include, by way of example and not limitation, uses involving the receipt, transport, storage, handling, processing or management of aggregates, cement, concrete, asphalt, soil or other landscaping materials, recyclable metals and plastics, recyclable concrete and asphalt, chemicals, petroleum products, hazardous wastes, and similar materials, including indoor storage, mixing and handling of these materials.

3. These uses may cause, on either a regular or intermittent basis, air emissions, including without limitation, dust and other particulates, odors, vibrations, loud noises, and heavy truck, rail or marine vessel traffic. These uses may have visual, aesthetic or other aspects that may be offensive or perceived as a nuisance by occupants of Pacific Shores Center.

EXHIBIT I
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

RULES AND REGULATIONS

1. Lessee and Lessee's employees shall not in any way obstruct the sidewalks, entry passages, pedestrian passageways, driveways, entrances and exits to the Project or the Building, and they shall use the same only as passageways to and from their respective work areas.
2. Any sash doors, sashes, windows, glass doors, lights and skylights that reflect or admit light into the Common Area of the Project shall not be covered or obstructed by the Lessee. Water closets, urinals and wash basins shall not be used for any purpose other than those for which they were constructed, and no rubbish, newspapers, food or other substance of any kind shall be thrown into them. Except in connection with ordinary and customary interior decorating, Lessee shall not mark, drive nails, screw or drill into, paint or in any way deface the exterior walls, roof, foundations, bearing walls or pillars without the prior written consent of Lessor, which consent may be withheld in Lessor's sole discretion. The reasonable and actual, out-of-pocket expense of repairing any breakage, stoppage or damage resulting from a violation of the foregoing rule shall be borne by Lessee.
3. No awning or shade shall be affixed or installed over or in the windows or the exterior of the Premises except with the consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed.
4. Lessee shall not do anything in the Premises, or bring or keep anything therein, which will in any way increase the risk of fire or the rate of fire insurance or which shall conflict with the regulations of the fire department or the law or with any insurance policy on the Premises or any part thereof, or with any rules or regulations established by any administrative body or official having jurisdiction, and it shall not use any machinery therein, even though its installation may have been permitted, which may cause any unreasonable noise, jar, or tremor to the floors or walls, or which by its weight might injure the floors of the Premises.

5. Lessor may reasonably limit weight, size and position of all safes, fixtures and other equipment used in the Premises. If Lessee shall require extra heavy equipment, Lessee shall notify Lessor of such fact and shall pay the cost of structural bracing to accommodate it. All damage done to the Premises or Project by installing, removing or maintaining extra heavy equipment shall be repaired at the expense of Lessee.
6. Lessee and Lessee's officers, agents and employees shall not make nor permit any loud, unusual or improper noises that unreasonably interfere with other lessees or those having business with them, nor bring into or keep within the Project any animal or bird or any bicycle or other vehicle, except such vehicle as Lessor may from time to time permit and guide dogs.
7. No machinery of any kind will be allowed in the Premises without the written consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed. This shall not apply, however, to customary office equipment or trade fixtures or package handling equipment.
8. All freight must be moved into, within and out of the Project only during such reasonable hours and according to such reasonable regulations as may be posted from time to time by Lessor.
9. Except as provided in the Lease, no aerial or satellite dish or similar device shall be erected on the roof or exterior walls of the Premises, or on the grounds, without in each instance, the written consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed. Any aerial so installed without such written consent shall be subject to removal without notice at any time.
10. All garbage, including wet garbage, refuse or trash shall be placed by the Lessee in the receptacles appropriate for that purpose and only at locations prescribed by the Lessor.
11. Lessee shall not burn any trash or garbage at any time in or about the Premises or any area of the Project.
12. Lessee shall observe all security regulations issued by the Lessor and comply with instructions and/or directions of the duly authorized security personnel for the protection of the Project and all tenants therein, except to the extent such regulations unreasonably and materially limit Lessee's right of access to the Premises and Project's parking facilities or prohibit Lessor from entering "**Secured Areas**," all as provided in the Lease.
13. Any requirements of the Lessee will be considered only upon written application to Lessor at Lessor's address set forth in the Lease.
14. No waiver of any rule or regulation by Lessor shall be effective unless expressed in writing and signed by Lessor or its authorized agent.

15. Lessor reserves the right to exclude or expel from the Project any person who, in the reasonable judgment of Lessor, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of the law or the rules and regulations of the Project.

17. Lessor reserves the right at any time to change or rescind any one or more of these rules and regulations or make such other and further reasonable, non-discriminatory rules and regulations as in Lessor's judgment may from time to time be necessary for the operation, management, safety, care and cleanliness of the Project and the Premises, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants of the Project. Lessor shall not be responsible to Lessee or the any other person for the non-observance or violation of the rules and regulations by any other tenant or other person. Lessee shall be deemed to have read these rules and have agreed to abide by them as a condition to its occupancy of the Premises. Notwithstanding anything to the contrary contained herein, Lessor agrees that the rules and regulations for the Project shall not be (i) modified or enforced in any way by Lessor so as to unreasonably and materially interfere with Lessee's permitted use set forth in this Lease or Lessee's access to the Premises or Project parking facility, or (ii) discriminatorily enforced against Lessee and not against other tenants of the Project.

18. Lessee shall abide by any additional rules or regulations which are ordered or requested by any governmental or military authority.

19. In the event of any conflict between these rules and regulations, or any further or modified rules and regulations from time to time issued by Lessor, and the Lease provisions, the Lease provisions shall govern and control.

SCHEDULE 1
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

PACIFIC SHORES CENTER
COMMON AREA LICENSE AGREEMENT

This License Agreement (“Agreement”) is dated for reference purposes and entered into by and between Pacific Shores Investors LLC (“PSI”) and PDL BioPharma, Inc. (“Licensee”) as of _____, 200__.

R E C I T A L S

A. Licensee leases Building ____ at Pacific Shores Center pursuant to a written Lease (“Lease”) and Licensee desires to utilize a portion of the Pacific Shores Center Common Area for _____ (“Event”) on _____, 200__ during the hours of _____ p.m. to _____ p.m. (“Event Period”); and

B. PSI is willing to grant a temporary license to Licensee for the Event during the Event Period and on that portion of the Pacific Shores Center Common Area depicted on Exhibit A hereto (“Event Location”) on the terms and conditions set forth below.

AGREEMENT

1. Recitals. The recitals set forth above are true and correct and incorporated into this Agreement.

2. License Granted. PSI hereby grants to Licensee a revocable, temporary license to use the Event Area for the Event during the Event Period on all of the terms and conditions hereof ("License").

3. Contractors. All contractors hired by Licensee to assist with the event shall be subject to the prior written approval of PSI, which approval shall not be unreasonably withheld.

4. Security. Licensee shall provide security for the Event and for at least one hour prior to and one hour after the Event Period and assumes all risk for the safety of Event participants.

5. Signage. Subject to the prior written approval of PSI as to location, size and materials, Licensee may place signage on the Common Area to direct attendees to the Event. Licensee shall remove and dispose of all such signage within _____ (__) hours after the expiration of the Event Period.

6. Clean Up. Licensee shall initiate clean up of the Event Location and all other affected areas of Pacific Shores Center immediately upon expiration of the Event Period and complete such cleanup, such that no evidence of the Event remains, no later than _____ (__) hours after the expiration of the Event Period.

7. Damage. Licensee agrees to pay to PSI the cost of repair of any damage arising from or in connection with the Event within five (5) business days after written demand for same.

8. Insurance. Licensee shall maintain in place at all times during the Event Period the insurance required to be maintained by Licensee (as Lessee) under Article VII of the Lease.

9. Indemnity. Licensee shall indemnify and hold PSI free and harmless from any and all liability, claims, loss, damages, causes of action (whether in tort or contract, law or equity, or otherwise), expenses, charges, assessments, fines, and penalties of any kind, including, without limitation, reasonable attorneys' fees, expert witness fees and costs, arising by reason of the death or injury of any person, including any person who is an employee, agent, invitee, licensee, permittee, visitor, guest or contractor of Licensee, or by reason of damage to or

destruction of any property, including property owned by Licensee or any person who is an employee, agent, invitee, permittee, visitor, or contractor of Licensee, caused or allegedly caused (1) while that person or property is in or about the Common Area in connection with the Event; (2) by some condition of the Common Area caused by the Event; (3) by some act or omission by Licensee or its agent, employee, licensee, invitee, guest, visitor or contractor or any person in, adjacent, on, or about the Common Area with the permission, consent or sufferance of Licensee in connection with the Event; (4) by any matter connected to or arising out of Licensee's occupation and use of the Common Area in connection with the Event, or any breach or default in timely observance or performance of any obligation on Licensee's part to be observed or performed under this License Agreement.

10. Acceptance of Event Location "As-Is". Licensee accepts the Event Location and all other areas of Pacific Shores Center utilized for the Event (including, without limitation, roadways, driveways and parking areas) "as-is" and "with all faults" and acknowledges that PSI makes no representation or warranty as to the condition of the Event Location or any other part of Pacific Shores Center or as to its suitability for the Event. Licensee assumes all risk as to same, including, without limitation, the risk of injury and property damage for itself, its officers, employees, agents, contractors, invitees, guests and visitors and Licensee waives all claims against PSI and its Affiliates with respect to same except to the extent caused by the gross negligence or intentional misconduct of PSI or its Affiliates.

11. Attorneys' Fees. If either party herein brings an action to enforce the terms hereof or to declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to recover its reasonable attorneys' fees, expert witness fees and costs as fixed by Court.

12. Relation to Lease. Money due from Licensee hereunder for any failure to perform its obligations hereto shall be deemed due under the Lease.

13. List of Exhibits.

Exhibit A – Event Location

By: Pacific Shores Mezzanine, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Junior Mezz, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Junior Mezz Managers, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Development, LLC,
a Delaware limited liability company,
its sole member

By: TECHNOLOGY LAND LLC,
a California limited liability company,
Operating Member

By: _____
Jay Paul, Sole Managing Member

PDL BIOPHARMA, INC.
a Delaware corporation

By: _____
Name: _____
Its: _____

SCHEDULE 2
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063
[Intentionally Deleted]

SCHEDULE 3
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063
REMOVAL OBLIGATIONS SCHEDULE

SCHEDULE 4
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063
PERMITTED HAZARDOUS MATERIALS

SCHEDULE 5
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at

Pacific Shores Center
Building 9
Redwood City, California 94063

PDL BioPharma, Inc. List of Plans, Licenses and Permits

<u>Plans</u>	<u>Inspecting Authority</u>	<u>Frequency</u>
Injury Illness Prevention Plan	Cal OSHA	Anytime
Biosafety Plan	“	“
Radiation Safety Plan	“	“
Chemical Hygiene Plan	“	“
Hazard Communication Plan	“	“
Emergency Action Plan		
Hazardous Materials Business Plan	Fremont Fire	Annual
AAALAC Accreditation program	AAALAC	Complaint
Licenses		
CA – Business License		
DHS - Radiation Use License	DHS	Anytime
Permits		
Fremont City - Hazardous Materials Permits A/B/D	Fremont Fire	Annual
Alameda County - Medical waste Permits A/B/D	Ala. County	Annual
BAAQMD – Emergency Generator Permits A/B/D	AQMD	Complaint
DEA – Controlled Substances	DEA	Violation

SCHEDULE 6
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 9
Redwood City, California 94063

FINANCIAL TESTS

In general, financial terms have their GAAP defined meaning. Revenue, EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization), and Cash and Cash equivalents are to be derived from the financial statements in the Lessee's most recent 10Q or 10K filings, as appropriate.

Level 1 performance numbers are sufficient to trigger rights of first refusal on buildings 7 and 8, and the right of first offer on building 6 until an additional 285,000 square feet has been leased beyond the space in buildings 9 and 10.

Level 2 performance numbers are sufficient to trigger rights of first refusal on buildings 7 and 8, and the right of first offer on building 6, if more than 285,000 square feet has already been leased beyond the space in buildings 9 and 10, but less than all of the square footage in buildings 6, 7, and 8.

Level 3 performance numbers are required to trigger Lessor's obligations pursuant to Section 17.27 of the Lease.

Cash and cash equivalents may include marketable securities which can be converted to cash in less than 3 months.

All rights are subject to lender approval independent of the Lessee's performance level.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Revenue	At least \$100 million in each of the last four quarters	At least \$150 million in each of the last four quarters	At least \$150 million in each of the last four quarters
EBITDA ratio to Revenue	Ratio of EBITDA to Revenue greater than 0% in each of the last 3 quarters	Ratio of EBITDA to Revenue of at least 3% in each of the last 3 quarters	Ratio of EBITDA to Revenue of at least 5% in each of the last 3 quarters
Cash and Cash Equivalents	At least \$250 million for each of the last four quarters.	At least \$300 million for each of the last 4 quarters.	At least \$500 million for each of last 4 quarters.

TRIPLE NET SPACE LEASE

between

PACIFIC SHORES INVESTORS LLC,

as

LESSOR

and

**PDL BIOPHARMA, INC.,
a Delaware corporation**

as

LESSEE

for

PREMISES

at

Pacific Shores Center

BUILDING 10
1500 SEAPORT BOULEVARD
REDWOOD CITY, CALIFORNIA 94063

TABLE OF CONTENTS

	<u>Page(s)</u>
ARTICLE I PARTIES	1
Section 1.01 Parties	1
ARTICLE II PREMISES	1
Section 2.01 Demise of Premises	1
Section 2.02 Common Area	1
Section 2.03 Parking	2
Section 2.04 Athletic Facility	2
ARTICLE III TERM	3
Section 3.01 Lease Term	3
Section 3.02 Early Entry	3
Section 3.03 Option to Extend	4
ARTICLE IV RENT: TRIPLE NET LEASE	6
Section 4.01 Base Rent	6
Section 4.02 Rent Adjustment	6
Section 4.03 First Payment of Rent	6
Section 4.04 Absolute Triple Net Lease	7
Section 4.05 Additional Rent	7
Section 4.06 Letter of Credit	7
Section 4.07 Operating Expenses	10
Section 4.08 Lessee's Right to Review Supporting Data	13

Table of Contents

ARTICLE V USE	15
Section 5.01 Permitted Use and Limitations on Use	15
Section 5.02 Compliance with Laws	16
Section 5.03 Condition of Premises at Delivery Date	16
Section 5.04 Defective Condition at Delivery Date	17
Section 5.05 Building Security	17
Section 5.06 Rules and Regulations	17
ARTICLE VI MAINTENANCE, REPAIRS AND ALTERATIONS	18
Section 6.01 Maintenance of Premises and Building	18
Section 6.02 Maintenance of Project Common Areas	19
Section 6.03 Alterations, Additions and Improvements	20
Section 6.04 Covenant Against Liens	21
ARTICLE VII INSURANCE	22
Section 7.01 Property/Rental Insurance for Premises	22
Section 7.02 Property Insurance for Fixtures and Inventory	22
Section 7.03 Lessor's Liability Insurance	22
Section 7.04 Liability Insurance Carried by Lessee	23
Section 7.05 Proof of Insurance	23
Section 7.06 Mutual Waiver of Claims and Subrogation Rights	23
Section 7.07 Indemnification and Exculpation	24
Section 7.08 Lessor as Party Defendant	24
ARTICLE VIII DAMAGE OR DESTRUCTION	25
Section 8.01 Destruction of the Premises	25
Table of Contents	

Section 8.02	Waiver of Civil Code Remedies	26
Section 8.03	Damages Incurred during Repair	26
Section 8.04	No Liability for Lessee's Alterations or Personal Property	26
ARTICLE IX REAL PROPERTY TAXES		26
Section 9.01	Payment of Taxes	26
Section 9.02	Pro Ration for Partial Years	28
Section 9.03	Personal Property Taxes	28
Section 9.04	Right to Contest Real Property Taxes	28
ARTICLE X UTILITIES		28
Section 10.01	Lessee to Pay	28
ARTICLE XI ASSIGNMENT AND SUBLETTING		29
Section 11.01	Lessor's Consent Required	29
Section 11.02	Lessee Affiliates	29
Section 11.03	No Release of Lessee	30
Section 11.04	Excess Rent	30
Section 11.05	Information to be Provided	30
Section 11.06	Lessor's Recapture Rights	31
ARTICLE XII DEFAULTS; REMEDIES		32
Section 12.01	Defaults	32
Section 12.02	Remedies	33
Section 12.03	Default by Lessor	34
Section 12.04	Late Charges	34
Section 12.05	Lessor's Right to Perform Lessee's Obligations	35

Table of Contents

ARTICLE XIII CONDEMNATION OF PREMISES	35
Section 13.01 Total Condemnation	35
Section 13.02 Partial Condemnation	35
Section 13.03 Award to Lessee	36
ARTICLE XIV ENTRY BY LESSOR	36
Section 14.01 Entry by Lessor Permitted	36
ARTICLE XV ESTOPPEL CERTIFICATE	37
Section 15.01 Estoppel Certificate	37
ARTICLE XVI LESSOR'S LIABILITY	37
Section 16.01 Limitations on Lessor's Liability	37
ARTICLE XVII GENERAL PROVISIONS	38
Section 17.01 Severability	38
Section 17.02 Agreed Rate Interest on Past Due Obligations	38
Section 17.03 Time of Essence	38
Section 17.04 Additional Rent	38
Section 17.05 Incorporation of Prior Agreements, Amendments and Exhibits	39
Section 17.06 Notices	39
Section 17.07 Waivers	40
Section 17.08 Recording	40
Section 17.09 Surrender of Possession; Holding Over	40
Section 17.10 Cumulative Remedies	42
Section 17.11 Covenants and Conditions	42
Section 17.12 Binding Effect; Choice of Law	42

Table of Contents

Section 17.13	Lease to be Subordinate	43
Section 17.14	Attorneys' Fees	43
Section 17.15	Signs	43
Section 17.16	Merger	44
Section 17.17	Quiet Possession	44
Section 17.18	Easements	44
Section 17.19	Authority	44
Section 17.20	Force Majeure Delays	44
Section 17.21	Hazardous Materials	45
Section 17.22	Modifications Required by Lessor's Lender	48
Section 17.23	Brokers	48
Section 17.24	Acknowledgment of Notices	49
Section 17.25	Right of First Offer	49
Section 17.26	Right of First Refusal	51
Section 17.27	Lessee's Expansion Right	52
Section 17.28	Notification of Intention to Market	53
Section 17.29	List of Lease Expiration Dates	53
Section 17.30	[Intentionally omitted.]	53
Section 17.31	Condition Subsequent	53
Section 17.32	List of Exhibits	54

Table of Contents

ARTICLE I
PARTIES

Section 1.01 Parties

This Lease, dated for reference purposes, and effective as of July 6, 2006, is made by and between PACIFIC SHORES INVESTORS LLC (“Lessor”) and PDL BIOPHARMA, INC., a Delaware corporation (“Lessee”).

ARTICLE II
PREMISES

Section 2.01 Demise of Premises

Lessor hereby leases to Lessee and Lessee leases from Lessor for the Lease Term, at the rental, and upon all of the terms and conditions set forth herein, certain space consisting of the entire one hundred sixty-four thousand seven hundred thirty-two (164,732) rentable square foot building sometimes known as “Building 10” and commonly known as 1500 Seaport Boulevard, Redwood City, California 94063 (“**Building 10**”), which is one of ten free standing, office and research and development Project Buildings (“**Project Buildings**”) on real property situated in Redwood City, County of San Mateo, State of California and commonly known as Pacific Shores Center. The Premises are more particularly described and depicted herein in Exhibit “A.” The rentable square footage of the Premises, Building 10 and other Project Buildings (the “**Rentable Area**”) has been determined and certified by Lessor’s architect by a method described as “dripline,” whereby the measurement encompasses the outermost perimeter of the constructed building, including every projection thereof and all area beneath each such projection, whether or not enclosed, with no deduction for any inward deviation of structure and with the measurement being made floor by floor, but beginning from the top of Building 10. The Premises, the Project Buildings and appurtenances described herein, including Common Area (defined below), and all other improvements at Pacific Shores Center together with the land on which the same are located are together designated as the project (“**Project**”). Lessor and Lessee acknowledge that Lessor, as landlord, and Lessee, as tenant, are also parties to that certain Triple Net Space Lease of even date herewith (the “**Building 9 Lease**”) whereby Lessor leases to Lessee, and Lessee leased from Lessor, Building 9 (“**Building 9**”) in the Project.

Section 2.02 Common Area

As of the Delivery Date (as defined in Section 3.02 below), and thereafter, during the Lease Term, Lessee shall have the non-exclusive right to use the Common Area defined herein, including but not limited to the Athletic Facility. Lessor reserves the right to modify the Common Area, including increasing or reducing the size, adding additional Project Buildings, structures or other improvements or changing the use, configuration and elements thereof in its sole discretion and to close or restrict access from time to time for repair, maintenance or construction or to prevent a dedication thereof, provided that Lessee nonetheless (i) shall have reasonable access to parking and the Premises during such activities; and (ii) such modifications, when completed, shall not unreasonably interfere with or restrict Lessee’s possession and use of the Premises. Lessor further reserves the right to establish, repeal and amend from time to time

non-discriminatory rules and regulations for the use of the Common Area and to grant reciprocal easements or other rights to use the Common Area to owners of other property provided that no amendment to the rules and regulations shall unreasonably interfere with or restrict Lessee's use of the Premises or the Common Area. "Common Area" means all portions of the Project other than the Project Buildings, including landscaping, sidewalks, walkways, driveways, curbs, parking lots (including striping), roadways within the Project, sprinkler systems, lighting, surface water drainage systems, an athletic facility to be available for use by Lessee's employees (the "Athletic Facility"), as well as baseball and soccer fields, a water front park, and a perimeter walking/biking trail, and additional or different facilities as Lessor may from time to time designate or install or make available for the use by Lessee in common with others. Lessee's use of the Common Areas shall be subject to any easements affecting the Project as of the date of this Lease. Notwithstanding anything herein to the contrary, Lessee may, following the Delivery Date but prior to the Commencement Date, use a portion of the Common Areas to be agreed upon by Lessor and Lessee for the use of a construction trailer and a construction staging and lay-down area in connection with the installation of the Tenant Improvements in the Premises, provided that Lessee's use of such activities shall be subject to any reasonable rules and regulations therefor promulgated by Lessor. In addition, subject to the rights of the other tenants or users of the Project and the need for Lessee to execute a license agreement therefor in the form attached hereto as Schedule 1, Lessee shall have the right to use portions of the Common Areas for the hosting of outdoor meetings, which meetings may include the use of tents and the catering and/or barbeque of food for such meetings. The location, time and manner of such meetings shall be subject to the prior written consent of Lessor, which consent shall not be unreasonably withheld.

Section 2.03 Parking

Lessor shall provide Lessee with three (3) parking spaces per one thousand (1,000) square feet of area within the Premises, minus any parking spaces eliminated due to the presence of the Yard Area described in Section 2.05 below. In the event Lessor elects or is required by any law to limit or control parking at the Premises, whether by validation of parking tickets or any other method of assessment, Lessee agrees to participate in such validation or assessment program under such reasonable rules and regulations as are from time to time established by Lessor. Lessor agrees that Lessee's access to parking shall not be unreasonably limited beyond any requirement of law by any such rules and regulations. Parking shall be free of charge throughout the Lease Term (including any extensions thereof) except as provided for in Article VI (i.e., Operating Expenses payable hereunder) for reimbursement of repair, replacement and maintenance costs and expenses, and in Article IX for payment or reimbursement of any real property taxes including governmental or public authority charges, fees or impositions of any nature hereafter imposed, except as otherwise provided herein. Nothing herein shall prevent Lessee from allowing two (2) company vans, along with up to ten (10) cars of employees of Lessee on an occasional basis, to remain in the parking spaces for the Premises on an overnight basis.

Section 2.04 Athletic Facility

Lessee and its employees shall have access to the thirty-eight thousand (38,000) square foot Athletic Facility and all of the amenities thereof at no additional cost to Lessee or its employees, except that Lessee acknowledges that the cost of operating and maintaining the Athletic Facility will be an Operating Expense as described in Section 4.07 below.

Section 2.05 Yard Area

During the Lease Term and any extensions thereof Lessee shall have the exclusive right to use that portion of the Project immediately adjacent to Building 10 and more particularly shown on Schedule 2 attached hereto (the "Yard Area") for truck and loading access to Building 10, and for the installation and use of chillers and cooling towers, boilers, an emergency generator, liquid oxygen O2, a LN2 tank and evaporator, a liquid CO2 tank, wastewater holding tank/pit, a Hazardous Materials storage area, compressed dry air skid and vacuum pumps, provided that all such items are installed in accordance with the terms of Section 6.03 and used in accordance with all of the terms of this Lease and relevant laws, including Environmental Laws. At Lessor's request, Lessee shall, at Lessee's sole expense, install Project standard screening for the Yard Area as designated by Lessor's architect. Lessee shall be solely responsible for maintaining and repairing the Yard Area and all of the improvements therein. Lessee shall obey any rules and regulations reasonably promulgated by Lessor in connection with Lessee's use of the Yard Area. Lessor and Lessee acknowledge and agree that the Yard Area will be located in an area that otherwise would have consisted of seventeen (17) parking spaces for Lessee, and Lessee agrees to the elimination of such parking spaces without compensation or other provision to Lessee.

ARTICLE III TERM

Section 3.01 Lease Term

The term of this Lease ("**Lease Term**") shall be for fifteen (15) years, beginning on January 1, 2007 (the "**Commencement Date**") and expiring, unless sooner terminated as provided for herein, on December 31, 2021 ("**Expiration Date**"). The parties shall execute a "Memorandum of Commencement of Lease Term" on the Commencement Date which shall be substantially in the form attached hereto as Exhibit "B".

Section 3.02 Early Entry

Notwithstanding anything herein to the contrary, as of October 1, 2006 (the "Delivery Date"), provided that Lessee has delivered to Lessor: (1) the first month's Rent, (2) certificates evidencing the insurance described in Article VII below, (3) the Letter of Credit Security pursuant to Section 4.06 below, and (4) any items required as of such time pursuant to the Work Letter Agreement attached hereto as Exhibit E (the "**Work Letter**") between Lessor and Lessee, Lessee and Lessee's invitees may enter the Premises to the extent reasonably necessary, at Lessee's sole risk, for the sole purpose of installation of Lessee's improvements, alterations, furniture, trade fixtures, equipment, telecommunications systems and other equipment thereon. Prior to the Delivery Date, Lessee shall have no right of possession or occupancy of the Premises, and Lessor reserves the right to make any use of the Premises that is not inconsistent with Lessor's obligation to deliver the Premises to Lessee as of the Delivery Date. Lessee's occupancy of the Premises following the Delivery Date but prior to the

Commencement Date shall be on all of the terms and conditions of this Lease, except the obligation to pay Base Rent or as is otherwise provided for in this Section 3.02. During any time period prior to the Commencement Date that Lessee is occupying or performing work in the Premises but is not conducting Lessee's business therein (exclusive of systems testing), Lessee shall be required to pay any utilities or other costs incurred during such period in the operation of Building 10. During any time period prior to the Commencement Date that Lessee is occupying the Premises in order to conduct its business therein, in addition to such expenses described in the preceding sentence, Lessee shall also pay all of the Operating Expenses and other Additional Rent for the Project which would have been due under this Lease as if the Commencement Date had occurred..

Section 3.03. Option to Extend.

(a) Exercise. Subject to the "Conditions to Extend" described in Section 3.03(d) below, Lessee is given two (2) options to extend the Lease Term (each, an "Option to Extend") with respect to Building 10 for periods of five (5) years each (each, an "Extended Term") following the date on which the initial Lease Term (or, in the case of the second Extended Term, the first Extended Term) would otherwise expire, which option may be exercised only by written notice ("Option Notice") from Lessee to Lessor given not less than twelve (12) months nor more than fifteen (15) months prior to the end of the initial Lease Term or the first Extended Term, as relevant ("Option Exercise Date").

(b) Extended Term Rent. In the event Lessee exercises any Option to Extend set forth herein, all the terms and conditions of this Lease shall continue to apply except that Lessee shall no longer have the future right to exercise the Option to Extend in question and the Base Rent payable by Lessee during the Extended Term shall be determined in the following manner. If Lessee exercises Lessee's Option to Extend the Building 9 Lease at the same time as Lessee exercises Lessee's Option to Extend hereunder, then the Base Rent due hereunder during such Extended Term shall be equal, on a per square foot basis, to the base rent due under the Building 9 Lease. If Lessee exercises Lessee's Option to Extend hereunder, but does not exercise Lessee's Option to Extend the Building 9 Lease, then the Base Rent due hereunder during such Extended Term shall be equal to the greater of (i) ninety-five percent (95%) of Fair Market Rent (defined below), as determined under subparagraph (c) below, or (ii) the monthly Base Rent paid by Lessee during the last year of the initial Lease Term or the first Extended Term, as relevant. "Fair Market Rent" shall mean the effective rate being charged (including periodic adjustments thereto as applicable during the period of the Extended Term, to the extent such adjustments are determined to be part of the Fair Market Rent), for space comparable to the space and level of tenant improvements in Building 9 in similar buildings in the vicinity, i.e. of a similar age and quality as Building 9, considering any recent renovations or modernization, and floor plate size or, if such comparable space is not available, adjustments shall be made in the determination of Fair Market Rent to reflect the age and quality of Building 9 and Premises as contrasted to other buildings used for comparison purposes, with similar amenities, taking into consideration: size, location, floor level, leasehold improvements or allowances provided or to be provided, term of the lease, extent of services to be provided, the time that the particular rate under consideration became or is to become effective, and any other relevant terms or conditions applicable to tenants.

(c) Determination of Fair Market Rent.

(i) Negotiation. If Lessee so exercises the Option to Extend in a timely manner, the parties shall then meet in good faith to negotiate the Base Rent for the Premises for the Extended Term during the first thirty (30) days after the date of the delivery by Lessee of the Option Notice (the "Negotiation Period"). If, during the Negotiation Period, the parties agree on the Base Rent applicable to the Premises for the Extended Term, then such agreed amount shall be the Base Rent payable by Lessee during the Extended Term.

(ii) Arbitration. In the event that the parties are unable to agree on the Base Rent for the Premises within the Negotiation Period, then within ten (10) days after the expiration of the Negotiation Period, each party shall separately designate to the other in writing an appraiser to make this determination. Each appraiser designated shall be a member of MAI and shall have at least ten (10) years experience in appraising commercial real property in Santa Clara County. The failure of either party to appoint an appraiser within the time allowed shall be deemed equivalent to appointing the appraiser appointed by the other party, who shall then determine the Fair Market Rent for the Premises for the Extended Term. Within five (5) business days of their appointment, the two designated appraisers shall jointly designate a third similarly qualified appraiser. Within thirty (30) days after their appointment, each of the two appointed appraisers shall submit to the third appraiser a sealed envelope containing such appointed appraiser's good faith determination of the Fair Market Rent for the Premises for the Extended Term; concurrently with such delivery, each such appraiser shall deliver a copy of his or her determination to the other appraiser. The third appraiser shall within ten (10) days following receipt of such submissions, then determine which of the two appraisers' determinations most closely reflects Fair Market Rent, as defined in Section 3.03(b) of this Lease. The determination most closely reflecting the third appraiser's determination shall be deemed to be the Fair Market Rent for the Premises during the Extended Term; the third appraiser shall have no rights to adjust, amend or otherwise alter the determinations made by the appraisers selected by the parties, but must select one or the other of such appraisers' submissions. The determination by such third appraiser shall be final and binding upon the parties. Said third appraiser shall, upon selecting the determination which most closely resembles Fair Market Rent, concurrently notify both parties hereto. The parties shall share the appraisal expenses equally. If the Extended Term begins prior to the determination of Fair Market Rent, Lessee shall pay monthly installments of Base Rent equal to one hundred three and one half percent (103.5%) of the monthly installment of Base Rent in effect for the last year of the initial Lease Term or the first Extended Term, as relevant (in lieu of "holdover rent" payable under Section 17.09(b)). Once a determination is made, any over payment or under payment shall be reimbursed as a credit against, or paid by adding to, the monthly installment of Base Rent next falling due.

(d) Conditions to Extend. Notwithstanding anything herein to the contrary, Lessee shall have no right to exercise Lessee's Option to Extend hereunder, and any Option Notice delivered by Lessee shall be void and invalid if at the time Lessee delivers such notice any of the following conditions (collectively, the "**Conditions to Extend**") are not satisfied both at the time such Option Notice is delivered and at the time the Extended Term in question is to commence: (i) Lessee has not assigned this Lease or the Building 9 Lease to any party other than an Affiliate (as defined in Section 11.02), during any time in which Lessor or any affiliate

thereof owns Building 9 and the Building 9 Lease is in effect (ii) Lessee has not sublet more than fifty percent (50%) of the Premises to anyone other than an Affiliate, (iii) Lessee physically occupies at least fifty percent (50%) of the Premises, (iv) Lessor has delivered a written notice of default under this Lease or the Building 9 Lease and the default specified therein has not yet been cured, and (v) Lessor has not delivered a written notice to Lessee that Lessee has committed a monetary default under this Lease more than three (3) times during the Lease Term and delivered a written notice to Lessee that Lessee has committed a non-monetary default under this Lease more than one (1) time during the Lease Term.

ARTICLE IV
RENT: TRIPLE NET LEASE

Section 4.01 Base Rent

Lessee shall pay to Lessor monthly Base Rent, in advance, on the first day of each calendar month of the Lease Term, commencing on the Commencement Date, in the initial amount of Two Hundred Seventy-One Thousand Eight Hundred Seven and 80/100 Dollars (\$271,807.80) per month; but subject to increase pursuant to the terms of Section 4.02 below. Base Rent for any period during the Lease Term which is for less than one month shall be a pro rata portion of the monthly installment (based on the actual days in that month).

Section 4.02 Rent Adjustment

The Base Rent set forth in Section 4.01 above shall be adjusted upward at the following times and to the following amounts:

<u>Months</u>	<u>Monthly Base Rent</u>
13-24	\$ 281,321.07
25-36	\$ 291,167.31
37-48	\$ 301,358.17
49-60	\$ 311,905.70
61-72	\$ 322,822.40
73-84	\$ 334,121.19
85-90	\$ 345,815.43

As of the ninety-first (91st) month of the Lease Term, the Base Rent due hereunder shall adjust to the higher of: (i) Three Hundred Forty-Five Thousand Eight Hundred Fifteen and 43/100 Dollars (\$345,815.43), or (ii) one hundred percent (100%) of the then existing Fair Market Rent (as determined pursuant to Sections 3.03(b) and (c)), but in no event higher than Four Hundred Thirty-Six Thousand Five Hundred Thirty-Nine and 80/100 (\$436,539.80). Thereafter, the Base Rent due hereunder shall increase by escalations as determined in the Fair Market Rent determination, effective as of each subsequent anniversary of the Commencement Date.

Section 4.03 First Payment of Rent

Lessee shall pay in advance the first payment of Base Rent (for the first month of the Lease Term) in the amount of Two Hundred Seventy-One Thousand Eight Hundred Seven

and 80/100 Dollars (\$271,807.80), together with Lessee's Share of Additional Rent due hereunder for the first month of the Lease Term, within three (3) business days after the execution of this Lease.

Section 4.04 Absolute Triple Net Lease

This Lease is what is commonly called a "Absolute Triple Net Lease," it being understood that Lessor shall receive the Base Rent set forth in Section 4.01 free and clear of any and all expenses, costs, impositions, taxes, assessments, liens or charges of any nature whatsoever. Lessee shall pay all rent in lawful money of the United States of America to Lessor at the notice address stated herein or to such other persons or at such other places as Lessor may designate in writing not later than ten (10) days before the due date specified for same without prior demand, set-off or deduction of any nature whatsoever. It is the intention of the parties hereto that this Lease shall not be terminable for any reason by Lessee and that Lessee shall in no event be entitled to any abatement of or reduction in rent payable under this Lease, except as herein expressly provided in Articles VIII and XIII. Any present or future law to the contrary shall not alter this agreement of the parties.

Section 4.05 Additional Rent

In addition to the Base Rent reserved by Section 4.01, Lessee shall pay, beginning on the Commencement Date (or any earlier date required pursuant to Section 3.02 above) and continuing throughout the Lease Term as Additional Rent (i) 100% of amounts applicable solely to the Premises, and Lessee's Share (as defined in Section 4.07(c) below) of amounts applicable to Building 10, the Project and the Common Area of all taxes, assessments, fees and other impositions payable by Lessee in accordance with the provisions of Article IX and insurance premiums in accordance with the provisions of Article VII, (ii) Lessee's Share of Operating Expenses (as defined below), and (iii) any other applicable charges, costs and expenses whether or not contemplated which may arise under any provision of this Lease during the Lease Term, as the same may be extended, plus a Management Fee to Lessor equal to two percent (2%) of the Base Rent. The Management Fee is due and payable, in advance, with each installment of Base Rent. All of such charges, costs, expenses, Management Fee and all other amounts payable by Lessee hereunder, shall constitute Additional Rent, and upon the failure of Lessee to pay any of such charges, costs or expenses, Lessor shall have the same rights and remedies as otherwise provided in this Lease for the failure of Lessee to pay Base Rent.

Section 4.06 Letter of Credit

(a) Deposit of Letter of Credit Security

Lessee shall deposit with Lessor, not later than three (3) business days after the execution of this Lease, an unconditional, irrevocable letter of credit ("Letter of Credit") on a form acceptable to Lessor and, if required, Lessor's lender(s), and in favor of Beneficiary (as defined below) in the amount of One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00) (the "Letter of Credit Security"). "Beneficiary," as used herein refers to either: (x) Lessor as beneficiary, or (y) if required by Lessor's lender(s), Lessor and Lessor's lender(s) as co-beneficiaries under the Letter of Credit Security. The Letter of Credit Security shall: (i) be

issued by a commercial money center bank reasonably satisfactory to Lessor with retail branches in San Francisco, California (the "Issuer"); (ii) be a standby, at-sight, irrevocable letter of credit; (iii) be payable to Beneficiary; (iv) permit multiple, partial draws, (v) provide that any draw on the Letter of Credit Security shall be made upon receipt by the Issuer of a sight draft accompanied by a letter from Lessor stating that Lessor is entitled, pursuant to the provisions of this Lease, to draw on the Letter of Credit Security in the amount of such draw; (vi) provide for automatic annual extensions, without amendment (so-called "evergreen" provision) with a final expiry date no sooner than ninety (90) days after the end of the Lease Term; (vii) provide that it is governed by the Uniform Customs and Practice for Documentary Credits (1993 revisions) International Chamber of Commerce Publication 500; and (viii) be cancelable if, and only if, Issuer delivers to Beneficiary no less than sixty (60) days advance written notice of Issuer's intent to cancel. Lessee shall pay all costs, expenses, points and/or fees incurred by Lessee in obtaining the Letter of Credit Security.

(b) Lessor's Right to Draw on Letter of Credit Security.

The Letter of Credit Security shall be held by Lessor as security for the faithful performance by Lessee of all of the terms, covenants, and conditions of this Lease and, so long as Lessor or an affiliate thereof is the lessor under the Building 9 Lease and the Building 9 Lease is in effect, all of the terms, covenants and conditions of the Building 9 Lease, applicable to Lessee. Lessor shall have the immediate right to draw upon the Letter of Credit Security, in whole or in part and without prior notice to Lessee, other than as required under this Lease, at any time and from time to time: (i) if an Event of Lessee's Default occurs under this Lease or, if Lessor or an affiliate thereof is the lessor under the Building 9 Lease and the Building 9 Lease is in effect, the Building 9 Lease (beyond any applicable notice and cure period), or (ii) Lessee either files a voluntary bankruptcy petition or an involuntary bankruptcy petition is filed against Lessee by an entity or entities other than Lessor, under 11 U.S.C. §101 et seq., or Lessee executes an assignment for the benefit of creditors. No condition or term of this Lease shall be deemed to render the Letter of Credit Security conditional, thereby justifying the Issuer of the Letter of Credit Security in failing to honor a drawing upon such Letter of Credit Security in a timely manner. The Letter of Credit Security and its proceeds shall constitute Lessor's sole and separate property (and not Lessee's property or, in the event of a bankruptcy filing by or against Lessee, property of Lessee's bankruptcy estate) and Lessor may immediately upon any draw (and without notice to Lessee) apply or offset the proceeds of the Letter of Credit Security against: (A) any amounts payable by Lessee under the Lease that are not paid when due, after the expiration of any applicable notice and cure period; (B) all losses and damages that Lessor has suffered or may reasonably estimate that it may suffer as a result of an Event of Lessee's Default under this Lease or the Building 9 Lease, including any damages arising under Section 1951.2 of the California Civil Code for rent due following termination of this Lease; (C) any costs incurred by Lessor in connection an Event of Lessee's Default under this Lease (including attorney's fees); and (D) any other amount that Lessor may spend or become obligated to spend by reason of an Event of Lessee's Default under this Lease or the Building 9 Lease but in no event in excess of amounts to which the Lessor would be entitled under the law. If any portion of the Letter of Credit Security is so drawn upon or applied, Lessee shall, within five (5) business days after written demand therefore, deposit cash with Issuer in an amount sufficient to restore the Letter of Credit Security to its original amount. Tenant's failure to do so shall be a Default by Lessee. It is expressly understood that Lessor shall be relying on Issuer rather than Lessee for

the timely payment of proceeds under the Letter of Credit Security and the rights of Lessor pursuant to this Section are in addition to any rights which Lessor may have against Lessee pursuant to Article XII below. Lessor shall not be required to keep the proceeds from the Letter of Credit Security separate from Lessor's general funds nor be deemed a trustee of same.

(c) Replacement Letter of Credit Security.

If, for any reason whatsoever, the Letter of Credit Security becomes subject to cancellation or expiration during the Lease Term, within forty-five (45) days prior to expiration of the Letter of Credit Security, Lessee shall cause the Issuer or another bank satisfying the conditions of Section 4.06(a) above to issue and deliver to Lessor a Letter of Credit Security to replace the expiring Letter of Credit Security (the "Replacement Letter of Credit Security"). The Replacement Letter of Credit Security shall be in the same amount as the original Letter of Credit Security (or such reduced amount as provided by the terms of Section 4.06(g) of this Lease) and shall be on the terms and conditions set forth in items (A) through (D) above. Failure of Lessee to cause the Replacement Letter of Credit Security to be issued forty-five (45) days prior to the then pending expiration or cancellation shall entitle Lessor to fully draw down on the existing Letter of Credit Security and, at Lessor's election, shall be an event of default under this Lease and/or the Building 9 Lease without any relevant notice and cure period.

(d) Transfer of Beneficiary.

During the Lease Term Lessor may transfer its interest in the Lease or Lessor's lender may change. Lessor may request a change to Beneficiary under the Letter of Credit Security to the successor of Lessor and/or Lessor's lender (the "Transferee"). Lessee agrees to cooperate and to cause Issuer, at Lessor's cost, to timely issue a new Letter of Credit Security on the same terms and conditions as the original Letter of Credit Security, except that the new Letter of Credit Security shall be payable to the Transferee. Lessor shall surrender the existing Letter of Credit Security to Lessee simultaneously with Lessee's delivery of the new Letter of Credit Security to Transferee.

(e) Return of the Letter of Credit Security.

If Lessee fully and faithfully performs every provision of this Lease to be performed by it, the Letter of Credit Security or any balance thereof shall be returned (without interest) to Lessee (or, at Lessee's option, to the last assignee of Lessee's interests hereunder) within thirty (30) days after the expiration or earlier termination of the Lease and after Lessee has vacated the Premises and surrendered possession; provided that if prior to the Lease Expiration Date a voluntary bankruptcy provision is filed by Lessee, or an involuntary bankruptcy is filed against Lessee by any of Lessee's creditors other than Lessor, under 11 U.S.C. § 101 et seq., or Lessee executes an assignment for the benefit of creditors, then to the fullest extent permitted by law Lessor shall not be obligated to return the Letter of Credit Security or any proceeds of the Letter of Credit Security until all statutes of limitations for any preference avoidance statutes applicable to such bankruptcy or assignment for the benefit of creditors have elapsed or the bankruptcy court or assignee, whichever is applicable, has executed a binding release releasing Lessor of any and all liability for the preferential transfers relating to payments made under this Lease, and Lessor may retain and offset against any remaining Letter

of Credit Security proceeds the full amount Lessor is required to pay to any third party on account of preferential transfers relating to this Lease. Lessor agrees it will cooperate in providing Issuer with a letter of cancellation or such other reasonable documentation as Issuer requests to effect the return and extinguishment of the credit issued under the Letter of Credit Security.

(f) Acknowledgment of Parties

Lessor and Lessee (a) acknowledge and agree that in no event or circumstance shall the Letter of Credit Security or any renewal thereof or substitute therefor or any proceeds thereof be deemed to be or treated as a "security deposit" under any law applicable to security deposits in the commercial context, including, but not limited to Section 1950.7 of the California Civil Code, as such Section now exists or as it may be hereafter amended or succeeded (the "Security Deposit Laws"), (b) acknowledge and agree that the Letter of Credit Security (including any renewal thereof or substitute therefor or any proceeds thereof) is not intended to serve as a security deposit, and the Security Deposit Laws shall have no applicability or relevancy thereto, and (c) waive any and all rights, duties and obligations that any such party may now, or in the future will, have relating to or arising from the Security Deposit Laws. Lessee hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of law, now or hereafter in effect, which (i) establish the time frame by which a Lessor must refund a security deposit under a lease, and/or (ii) provide that a Lessor may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a Lessee or to clean the premises, it being agreed that Lessor may, in addition, claim those sums specified in this Section 4.06 and/or those sums reasonably necessary to compensate Lessor for any loss or damage caused by Lessee's breach of this Lease, including any damages Lessor suffers.

(g) Scheduled Reduction in Letter of Credit Security. Notwithstanding anything herein to the contrary, as of the eighth (8th) anniversary of the Commencement Date, the amount of the Letter of Credit Security shall be reduced to Seven Hundred Fifty Thousand Dollars (\$750,000), provided that (i) at such time Lessor has not delivered a written notice of default by Lessee hereunder and such default has not yet been cured, and (ii) Lessor has not delivered to Lessee written notice that Lessee is in monetary default hereunder more than three (3) times and written notice that Lessee is in non-monetary default more than one (1) time during the Lease Term.

Section 4.07 Operating Expenses

(a) Definition

"**Operating Expenses**" shall mean and include those actual costs or expenses of the Premises, Building 10 or Project described in Articles VI, VII or IX, as well as all actual costs and expenses of every kind and nature paid or incurred by Lessor (whether obligated to do so or undertaken at Lessor's discretion) in the ownership, operation, maintenance, repair and replacement of the Common Areas, including Common Area Project Buildings and improvements located within the Project as well as the Common Areas of Building 10. Such cost and expenses shall include, but not be limited to, costs of cleaning;

lighting; maintaining, repairing and replacing all Common Area improvements and elements (replacing shall be deemed to include but not be limited to the replacement of light poles and fixtures, storm and sanitary sewers, parking lots, driveways and roads as well as the Building 10 elevators, stairways, floors and walls in the Common Area and Building 10, but not the Building 10 elements which are the responsibility of Lessor to maintain, repair and replace under this Lease), repairs to and maintenance of the structural and non-structural portions of the Athletic Facility; supplies, tools, equipment and materials used in the operation and maintenance of the Project; parking lot striping; removal of trash, rubbish, garbage and other refuse; painting; removal of graffiti; painting of exterior walls; landscaping; providing security to the extent Lessor determines in its sole discretion to do so (including security systems and/or systems designed to safeguard life or property against acts of God and/or criminal and/or negligent acts, and the costs of maintaining of same); personal property taxes; fire protection and fire hydrant charges (including fire protection system signaling devices, now or hereafter required, and the costs of maintaining of same); water and sewer charges; utility charges; license and permit fees necessary to operate and maintain the Project; the initial cost or the reasonable depreciation of equipment used solely in operating and maintaining the Common Areas which is expensed or amortized, respectively by Lessor in its good faith discretion using accounting practices commonly utilized in the commercial real estate industry, consistently applied and rent paid for leasing any such equipment; reasonable cost of on or off site storage space of any and all items used in conjunction with the operation, maintenance and management of the Project, including but not limited to tools, machinery, records, decorations, tables, benches, supplies and meters; the cost of and installation cost of any and all items which are installed for the purpose of reducing Operating Expenses, increasing building or public safety or which may be then required by governmental authority, laws, statutes, ordinances and/or regulations, a use privilege for the Athletic Facility equal to: (A) the product of 3,744 (Lessee's Share of the Athletic Facility Square Footage) times the monthly Base Rent per square foot then due hereunder, plus (B) Lessee's Share of the costs and expenses arising from the operation of same; total compensation and benefits (including premiums for workers' compensation and other insurance) paid to or on behalf of Lessor's employees, agents, consultants and contractors, including but not limited to full or part time on-site management or maintenance personnel, however, excluding any person with a title greater than property manager, for work performed at the Project.

Notwithstanding the above, if Lessee's Share of the cost of any particular capital expenditure to the Project or Premises exceeds Fifty Thousand Dollars (\$50,000), then such cost, together with interest thereon at the rate actually charged Lessor by any lender or, if no such interest is relevant, with interest thereon at an interest rate equal to the Bank of America prime rate plus two percent (2%), shall be amortized over its useful life, and the amount includible in Operating Expenses shall be limited to the monthly amortized cost thereof. The determination of what constitutes a capital expenditure and the useful life applicable thereto shall be made by Lessor in its good faith discretion using accounting practices commonly utilized in the commercial real estate industry, consistently applied

(b) Payment

Lessee shall pay Lessee's Share of Operating Expenses, as Additional Rent, in monthly installments on the first day of each month in an amount set forth in a written estimate by Lessor. Within ninety (90) days after the end of each calendar year, Lessor shall

furnish to Lessee a statement (hereinafter referred to as "Lessor's Statement") of the actual amount of Lessee's Share of such Operating Expenses for such period. Within thirty (30) days after receipt thereof, Lessee shall pay to Lessor, as Additional Rent, or Lessor shall apply as a credit to Additional Rent next falling due (or if the Lease Term has expired or terminated and there remains no money due to Lessor, remit to Lessee), as the case may be, the difference between the estimated amounts paid by Lessee and the actual amount of Lessee's Share of Operating Expenses for such period as shown by such Lessor's Statement. Lessee's Share of Operating Expenses for the ensuing estimation period shall be adjusted upward or downward based upon Lessor's Statement.

(c) Lessee's Share

For purposes hereof, "Lessee's Share" shall mean (i) as to amounts allocable solely to Building 10 (and with respect to real property tax, also to the legal parcel in which Building 10 is located), one hundred percent (100%), and (ii) as to amounts allocable to the Project or Project Common Area, the Rentable Area of the Premises divided by the Rentable Area of all Project Buildings at the Project (irrespective of whether they are rented). Subject to being increased or decreased (in an amount Lessor shall, in good faith, determine), upon the increase or reduction in the Rentable Area of the Premises and the Project, respectively, Lessee's Share for each of the Building 10 items shall be 100% and Lessee's Share of Project items shall be nine and eighty five one-hundredths percent (9.85%). The Rentable Area of all Project Buildings at the Project shall not be reduced for vacancies in the ordinary course of business.

(d) Exclusions

For purposes of this Lease, the term Operating Expenses shall not include (and Lessee shall have no liability for) any of the following:

(i) any expenses incurred by Lessor for the sole benefit of Lessee, which expenses are reimbursed by Lessee pursuant to the other terms of this Lease,

(ii) any expenses incurred by Lessor for the benefit of the other tenants of the Project, but not Lessee, which expenses are in fact reimbursed by such other tenant(s),

(iii) any payments of points, interest or principal relating to any debt secured by Building 10 or the Project,

(iv) costs associated with the operation of the business of the ownership or entity which constitutes "Lessor," as distinguished from the costs of Project operations, including, but not limited to, partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Lessee may be in issue), costs of selling syndicating, financing, mortgaging or hypothecating any of Lessor's interest in the Project, costs of any disputes between Lessor and its employee (if any) not engaged in Project operation, or outside fees paid in connection with disputes with other tenants,

(v) Legal fees, space planners' fees, real estate brokers' leasing commissions, and advertising expenses incurred in connection with leasing of the Project Buildings,

(vi) Costs for which Lessor is reimbursed by its insurance carrier or any tenant's insurance carrier,

(vii) any bad debt loss, rent loss or reserves for bad debts or rent loss,

(viii) costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for new tenants in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project,

(ix) costs of a capital nature, including, without limitation, capital improvements and replacements, capital repairs, capital equipment and capital tools, unless such costs are amortized pursuant to the terms of Subsection 4.07(a) above,

(x) any interest or late fee resulting from any failure of Lessor to pay any item of Operating Expense when it would have been due without such interest or late fee, provided, however, that nothing herein shall be deemed from precluding Lessor from passing through to Lessee as an Operating Expense any cost associated with paying Operating Expenses on any permitted installment or other periodic basis, even if such payment basis results in an increase in the Operating Expense in question,

(xi) overhead and profit increment paid to Lessor or to subsidiaries or affiliates of Lessor for such services in the Building to the extent the same exceeds the costs of such services rendered by unaffiliated third parties on a competitive basis.

It is understood that Operating Expenses shall be reduced by all cash discounts, trade discounts, or quantity discounts received by Lessor or Lessor's managing agent in the purchase of any goods, utilities, or services in connection with the operation of the Project. In the calculation of any expenses hereunder, it is understood that Lessor will not charge Lessee more than one hundred percent (100%) of any Operating Expense due hereunder. Lessor shall use its best efforts to effect an equitable proration of bills for services rendered to Building 10 and to any other property owned by Lessor.

Section 4.08 Lessee's Right to Review Supporting Data

(a) Exercise of Right by Lessee

Provided that Lessor has not delivered to Lessee written notice of any default by Lessee hereunder, which default has not then been cured, and provided further that Lessee strictly complies with the provisions of this Section 4.08, Lessee shall have the right to reasonably review supporting data for any portion of a Lessor's Statement that Lessee believes may be incorrect. In order for Lessee to exercise its right under this Section 4.08, Lessee shall, within: (i) forty-five (45) days after any Lessor's Statement is received, if Lessor includes a copy of Lessor's general ledger for Building 10 with such Lessor's Statement, or (ii) ninety (90) days after Lessor's Statement is received, in all other events, deliver a written notice to Lessor specifying the portions of the Lessor's Statement that it believes to be incorrect, and Lessee shall simultaneously pay to Lessor all amounts due from Lessee to Lessor as specified in the Lessor's Statement, if applicable. Except as expressly set forth in subparagraph (c) below, in no event

shall Lessee be entitled to withhold, deduct, or offset any monetary obligation of Lessee to Lessor under the Lease including, without limitation, Lessee's obligation to make all Base Rent payments and all payments for Additional Rent, pending the completion of, and regardless of the results of, any review under this Section 4.08. The right to review granted to Lessee under this Section 4.08 may only be exercised once for any Lessor's Statement, and if Lessee fails to meet any of the above conditions as a prerequisite to the exercise of such right, the right of Lessee under this Section 4.08 for a particular Lessor's Statement shall be deemed waived.

(b) Procedures for Review

Lessee acknowledges that Lessor maintains its records for Building 10 and the Project at its offices in San Francisco, and Lessee therefore agrees that any review of supporting data under this Section shall occur at such location. Any review to be conducted under this Section shall be at the sole expense of Lessee, except as otherwise provided herein, below, and shall be conducted by an independent (i.e., not then engaged by Lessee for any other purposes) firm of certified public accountants on a non-contingency fee basis. Lessee acknowledges and agrees that any supporting data reviewed under this Section shall constitute confidential information of Lessor, which shall not be disclosed to anyone other than the accountants of national standing performing the review and the principals or other employees or counsel of Lessee who receive the results of the review. Except to the extent (i) required by law, (ii) in connection with any legal proceeding concerning this Lease, or (iii) if such information or results are otherwise publicly available, the disclosure of such information or results of the review to any other person by Lessee or any person or entity who received such information from or on behalf of Lessee shall constitute a material breach of this Lease.

(c) Finding of Error

Any errors disclosed by the review of supporting data under this Section shall be promptly corrected, provided that Lessor shall have the right to cause another review of the supporting data to be made by an independent (i.e., not then engaged by Lessor for any other purposes) firm of certified public accountants of Lessor's choice. If the results of the review of the supporting data, taking into account (if applicable) the results of any additional review caused by Lessor, reveal that Lessee has overpaid obligations for a preceding period, the amount of such overpayment shall be credited against Lessee's subsequent installment obligations to pay its share of Additional Rent or, if the Lease has terminated or expired, in cash within thirty (30) days after the determination of overpayment is received by Lessor. In the event that such results show that Lessee has underpaid its obligations for a preceding period, the amount of such underpayment shall be paid by Lessee to Lessor with the next succeeding installment obligation of Additional Rent or, if this Lease has terminated or expired, in cash within thirty (30) days after the determination of underpayment is received by Lessee. Each party shall pay all the costs, and expenses of its chosen accounting firm; provided, however, if Lessor and Lessee determine that Operating Expenses for the Project for the year in question were less than those stated in Lessor's Statement by more than five percent (5%), Lessor shall reimburse Lessee for the reasonable amounts paid by Lessee to third parties in connection with such review. If Lessor and Lessee determine that Operating Expenses for the Project in the year in question were not less than those stated in Lessor's Statement by more than five percent (5%), then Lessee shall reimburse Lessor for the reasonable amounts paid by Lessor to third parties in connection with such review.

(d) Effect of Lessee's Default. In the event that Lessor has delivered a written notice of default to Lessee hereunder and such default then remains uncured during the pendency of a review of records under this Section, said right to review shall immediately cease and the matters originally set forth in Lessor's Statement shall be deemed to be correct.

ARTICLE V
USE

Section 5.01 Permitted Use and Limitations on Use

(a) The Premises shall be used and occupied only for general office purposes, research and development, laboratory, biopharmaceutical research (including without limitation, vivarium and animal colony facilities for rodents only, small scale pilot fermentation and other pilot plant facilities) and other related legal uses and for no other use without Lessor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed so long as such use is lawful and does not conflict with any other provision of this Lease, including, without limitation, the restrictions set forth in the following provisions of this Section. Lessee shall not use, suffer or permit the use of the Premises in any manner that will tend to constitute waste, nuisance or unlawful acts or void any warranties that Lessor has received with respect to Building 10, provided that biological and chemical and other waste generated and disposed of in the ordinary course of business for the permitted uses in full and timely compliance with all applicable laws shall not be deemed a violation of this Section 5.01. In no event shall it be unreasonable for Lessor to withhold its consent as to uses other than those expressly permitted above which it determines would tend to materially increase the wear of the Premises or any part thereof or increase the potential liability of Lessor or decrease the marketability, financeability, leaseability or value of the Premises or Project. Lessee shall not do anything in or about the Premises which will (i) cause structural injury to Building 10 or Premises, or (ii) cause damage to any part of Building 10 or Premises except to the extent reasonably necessary for the installation of Lessee's trade fixtures and Lessee's Alterations, and then only in a manner and to the extent consistent with this Lease. Lessee shall not operate any equipment within Building 10 or Premises which will (A) materially damage Building 10 or the Common Area, (B) overload existing electrical systems or other mechanical equipment servicing Building 10, (C) impair the efficient operation of the sprinkler system or the heating, ventilating or air conditioning ("HVAC") equipment within or servicing Building 10, (D) damage, overload or corrode the sanitary sewer system, or (E) damage the Common Area or any other part of the Project. Lessee shall not do any of the following in excess of the load limits for which such items are designed (based on structural reinforcements to be constructed by Lessee as part of the Tenant Improvements): attach, hand or suspend anything from the ceiling, roof, walls or columns of Building 10 or set any load on the floor. Lessee shall not operate hard wheel forklifts within the Premises. Any dust, fumes, or waste products generated by Lessee's use of the Premises shall be contained and disposed so that they do not (1) create an unreasonable fire or health hazard, (2) damage the Premises, or (3) result in the violation of any law. Except as approved by Lessor, Lessee shall not change the exterior of Building 10, or the outside area of the Premises, or install any equipment or antennas on or make any penetrations of the exterior or roof of Building 10.

Lessee shall not conduct, on any portion of the Premises, any sale of any kind (but nothing herein is meant to prohibit sales and marketing activities of Lessee's products and services in the normal course of business consistent with the permitted uses), including any public or private auction, fire sale, going-out-of-business sale, distress sale or other liquidation sale, and any such sale shall be an immediate event of default hereunder without the benefit of a notice and cure period from Lessor, notwithstanding anything to the contrary in this Lease. No materials, supplies, tanks or containers, equipment, finished products or semi-finished products, raw materials, inoperable vehicles or articles of any nature shall be stored upon or permitted to remain within the outside areas of the Premises except in fully fenced and screened areas outside Building 10 which have been designed for such purpose and have been approved in writing by Lessor for such use by Lessee and for which Lessee has obtained all appropriate permits from governmental agencies having jurisdiction over such articles. Lessee shall also reimburse Lessor for any increased premiums or additional insurance which Lessor reasonably deems necessary as a result of Lessee's use of the Premises.

Section 5.02 Compliance with Laws

Lessor represents and warrants to Lessee that Building 10 was constructed in accordance with all applicable laws, codes and regulations in effect as of the date Building 10 was built. Except for any work necessary as a result of the inaccuracy of the foregoing representation and warranty, Lessee shall, at Lessee's cost and expense, comply promptly with all statutes, ordinances, codes, rules, regulations, orders, covenants and restrictions of record, and requirements applicable to the Premises and Lessee's use and occupancy of same in effect during any part of the Lease Term, whether the same are presently foreseeable or not, and without regard to the cost or expense of compliance provided that any Alteration(s) required for compliance shall be subject to the provisions of this Lease. By executing this Lease, Lessee acknowledges that it has reviewed and satisfied itself as to its compliance, or intended compliance with the applicable zoning and permit requirements, hazardous materials and waste requirements, and all other statutes, laws, or ordinances relevant to the uses stated in Section 5.01, above, or the occupancy of the Premises.

Section 5.03 Condition of Premises at Delivery Date

As of the Delivery Date, any then-existing Building plumbing, lighting, heating, ventilating, air conditioning, gas, electrical and sprinkler systems, window systems, roof, roof membrane and structural elements of Building 10 shall be in water-tight condition and good working condition and repair. Except as is provided in the preceding sentence, having made such inspection of the Premises, Building 10 and Project as it deemed prudent and appropriate (including, without limitation, testing for the presence of mold), Lessee hereby accepts the Premises in their condition existing as of the date the Premises is delivered to Lessee, "AS-IS" and "WITH ALL FAULTS" subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use and condition of the Premises, and any covenants or restrictions, liens, encumbrances and title exceptions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that neither Lessor nor any agent of Lessor has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Lessee's business, except as otherwise provided herein.

Section 5.04 Defective Condition at Delivery Date

In the event that it is determined, and Lessee notifies Lessor in writing within six (6) months after the date the Premises is delivered to Lessee, that the Building systems described in Section 5.03 above were not in water-tight condition and/or good working condition and repair as of the date the Premises is delivered to Lessee, and such failure was not caused by Lessee, then it shall be the obligation of Lessor, and the sole right and remedy of Lessee, after receipt of written notice from Lessee setting forth with specificity the nature of the failed performance, to promptly, within a reasonable time and at Lessor's sole cost, to correct such failure. Lessee's failure to give such written notice to Lessor within six (6) months after the date the Premises were delivered to Lessee shall constitute a conclusive presumption that such Building systems are in good working condition and repair, and any required correction after that date shall be performed by the party responsible for such repair pursuant to the terms of this Lease.

Section 5.05 Building Security

Lessee acknowledges and agrees that it assumes sole responsibility for security at the Premises for its agents, employees, invitees, licensees, contractors, guests and visitors and will provide such systems and personnel for same including, without limitation, while such person(s) are using the Common Area, as it deems necessary or appropriate and at its sole cost and expense. Lessor shall have absolutely no liability whatsoever with respect to the security of Lessee's agents, employees, invitees or contractors or their respective personal property at the Project, except to the extent that liability to such parties arises out of the intentional misconduct of Lessor or Lessor's agents, employees, invitees or contractors. Lessee acknowledges and agrees that Lessor does not intend to provide any security system or security personnel at the Premises or Project, including, without limitation, at the Common Area, provided, however, that nothing herein shall be deemed to prevent Lessor from providing such system or personnel in the future, the cost of which will be included in those items for which Lessee pays additional rent.

Section 5.06 Rules and Regulations

Lessor may from time to time promulgate reasonable and nondiscriminatory rules and regulations applicable for the care and orderly management of the Premises, the Project and/or its Common Area. Such rules and regulations shall be binding upon Lessee upon delivery of a copy thereof to Lessee, and Lessee agrees to abide by such rules and regulations. A copy of the initial Rules and Regulations is attached hereto as Exhibit "I." If there is a conflict between the rules and regulations and any of the provisions of this Lease, the provisions of this Lease shall prevail. Lessor shall not be responsible for the violation of any such rules and regulations by any person, including, without limitation, Lessee or its employees, agents, invitees, licensees, guests, visitors or contractors.

ARTICLE VI
MAINTENANCE, REPAIRS AND ALTERATIONS

Section 6.01 Maintenance of Premises and Building

(a) Throughout the Lease Term, Lessee, at its sole cost and expense, shall keep, maintain, repair and replace the Premises and every part thereof (except as provided in 5.04, 6.01(b), Article VIII (Damage and Destruction), Article XIII (Eminent Domain) and also, except for uninsured maintenance, repairs or replacement costs caused solely by an act of gross negligence or intentional misconduct by Lessor, or its employees, agents or contractors during the Lease Term), maintain and repair all improvements and appurtenances in the Premises, including, without limitation, all interior walls, all doors and windows, all wall surfaces and floor coverings, all Alterations, additions and improvements installed by or on behalf of Lessee during the Lease Term, all sewer, plumbing, electrical, lighting, heating, ventilation and cooling systems and fixtures, fire sprinklers, fire safety and security systems and fixtures and all wiring and glazing, in the same good order, condition and repair as they are in on the Commencement Date, or may be improved during the Lease Term, reasonable wear and tear excepted, provided that such wear and tear could not have been reasonably prevented by best maintenance practices customarily used in the Project.

(b) Lessor, at its sole cost and expense, shall (i) repair defects, latent and patent, in Building 10 (including all exterior glass which is damaged by structural defects in exterior walls), and keep, maintain, repair and, if deemed necessary by Lessor, replace (ii) (a) supporting pillars, (b) structural walls, (c) the structural portions of Building 10 (including, but not limited to, the roof and window systems, provided that Lessee, and not Lessor, shall be responsible for washing the windows, and Lessee shall be responsible for Lessee's Share of any costs incurred by Lessee in repairing, maintaining or replacing the roof membrane of Building 10 as an Operating Expense) and (d) foundations of Building 10. Notwithstanding the foregoing, subject to the terms of Section 7.06 hereof, if the need for such repair is caused by Lessee, Lessor shall, at Lessee's sole cost and expense, repair same. Lessee shall give Lessor written notice of any needed repairs which are the obligation of Lessor hereunder. It shall then be the obligation of Lessor, after receipt of such notice, to perform the same within fifteen (15) business days after such notice (or, if the condition in need of repair constitutes an emergency which is causing imminent and material risk of damage or injury to persons or property at Building 10, Lessor must perform such repair within five (5) business days after receipt of such notice); provided, however, that if the nature of the repairs is such that more than fifteen (15) business days (or, in the case of the emergency repairs described above, five (5) business days) are reasonably required for performance, then Lessor shall not be deemed to be in default hereunder if Lessor commences such repairs within said fifteen (15) business day period and thereafter diligently completes them and provided further, that for purposes of this sentence "commences" includes any steps taken by Lessor to investigate, design, consult, bid or seek permit or other governmental approval in connection with such repair. Should Lessor default as provided in Section 12.03 with respect to its obligation to make any of the repairs assumed by it hereunder with respect to the Premises or Building 10, Lessee shall have the right to perform such repairs and Lessor agrees that within thirty (30) days after written demand accompanied by detailed invoice(s), it shall pay to Lessee the cost of any such repairs together with accrued interest from the date of Lessee's payment at the Agreed Rate. Lessor shall not be liable to Lessee for any

damage to person or property as a result of any failure to timely perform any of its obligations with respect to the repair, maintenance or replacement of the Premises, Project Buildings or Project or any part thereof, and Lessee's sole right and remedy (together with its rights under Section 12.03 below) shall be the performance of said repairs by Lessee with right of reimbursement from Lessor of the reasonable fair market cost of said repairs, not exceeding the out of pocket sums actually expended by Lessee, together with accrued interest from the date of Lessee's payment at the Agreed Rate, provided that nothing herein shall be deemed to create a right of setoff or withholding by Lessee of Base Rent or Additional Rent or any other amounts due herein. Lessee hereby expressly waives all rights under and benefits of Sections 1941 and 1942 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect to make repairs and offset the cost of same against rent or to withhold or delay any payment of rent or any other of its obligations hereunder as a result of any default by Lessor under this Section 6.01(b).

(c) Lessee agrees to keep the Premises, both inside and out, clean and in sanitary condition as required by the health, sanitary and police ordinances and regulations of any political subdivision having jurisdiction and to remove all trash and debris which may be found in or around the Premises. Lessee further agrees to keep the interior surfaces of the Premises, including, without limitation, windows, floors, walls, doors, showcases and fixtures clean and neat in appearance.

(d) If Lessee refuses or neglects to commence such repairs and/or maintenance for which Lessee is responsible under this Article VI within a ten (10) business day period (or as soon as practical and in no event later than five (5) days, if the failure to initiate the repair threatens to cause further damage to the Premises) after written notice from Lessor and thereafter diligently prosecute the same to completion, then Lessor may enter the Premises (except in an emergency, upon at least 24 hours advance written notice) during Lessee's business hours and cause such repairs and/or maintenance to be made. Lessor shall not be responsible to Lessee for any loss or damage occasioned thereby other than physical damage to the Premises caused by the negligence of Lessor or Lessor's agents, employees or contractors which damage Lessor shall repair at its sole cost as Lessor's sole obligation and Lessee's sole right and remedy with respect to such damage. Lessee agrees that upon demand, it shall pay to Lessor the reasonable cost of any such repairs subject to the terms of the preceding sentence, not exceeding the amount of out-of-pocket expenses actually expended by Lessor, together with accrued interest from the date of Lessor's payment at the Agreed Rate. Notwithstanding anything to the contrary contained herein, above, if Lessor elects to enter the Premises as permitted herein, above, it shall use commercially reasonable efforts to minimize any interference with Lessee's business at the Premises.

Section 6.02 Maintenance of Project Common Areas

Lessor shall maintain, repair and replace all landscape, hardscape and other improvements within the Project Common Area and shall operate and manage the Athletic Facility and other Project Common Area features and facilities described in Section 2.02 including, without limitation, all landscape, hardscape and other improvements within the outside areas of Building 10 and the other Project Buildings located within the Project, including without limitation, landscaping, curbs, walkways, driveways, roadways, parking areas and

lighting, sprinkler, drainage, sewer, plumbing systems. Notwithstanding the foregoing, subject to the terms of Section 7.06 below, any damage thereto, except for normal wear, caused by Lessee or its employees, agents, contractors, invitees or visitors shall be repaired by Lessor and the cost thereof shall be paid by Lessee within ten (10) days after presentation of Lessor's bill for same. The cost and expense of Lessor's obligations hereunder shall be Operating Expenses as to which Lessee shall pay Lessee's Share pursuant to Section 4.05 (except as otherwise provided herein); provided, however, that Lessor's obligation under this Section 6.02(b) in any instance where the damage, other than normal wear and tear, was caused by Lessor or its employees, agents or contractors shall not be recovered by Lessor from Lessee as an Operating Expense or in any other manner. Notwithstanding anything to the contrary contained herein, Lessee shall not be responsible for any cost or expense pertaining solely to another Project Building, except for costs or expenses pertaining to any Project Buildings which provide amenities for the Project or any Project Building in which Lessee is a tenant.

Section 6.03 Alterations, Additions and Improvements

No alterations, additions, or improvements ("**Alterations**") shall be made to the Premises by Lessee without the prior written consent of Lessor, which Lessor will not unreasonably withhold, condition or delay; provided, however, that Lessee may make Alterations which do not affect the Building systems, exterior appearance or structural integrity of Building 10, involve penetration of either the ceiling or floor of Building 10 and which do not collectively exceed One Hundred Thousand Dollars (\$100,000) in cost within any twelve (12) month period, without Lessor's prior written consent; provided, further, that Lessee gives Lessor prior notice of such alterations (which notice shall include the estimated value of such alterations) and such alterations are otherwise performed in accordance with the terms of this Lease. As a condition to Lessor's obligation to consider any request for consent hereunder, Lessee shall pay Lessor upon demand for the reasonable out of pocket costs and expenses of consultants, engineers, architects and others (exclusive of property management personnel for reviewing plans and specifications.. Lessor may require Lessee to remove any such Alterations at the expiration or sooner termination of the Lease Term and to restore the Premises to their prior condition pursuant to the terms of Section 17.09 hereof; provided that: (i) Lessor shall make such election, if at all, at the time consent to such Alteration is given, if such election is requested in writing of Lessor at such time by Lessee, or if Lessor's consent to such Alteration is not required, then Lessor shall make such election within 30 days following a written request of Lessor by Lessee, and (ii) in any event, at the end of the Lease Term or earlier termination of the Lease, Lessee shall remove from the Premises the equipment listed as "Equipment To Be Removed" on Schedule 3 attached hereto (the "Removal Obligations Schedule"), and shall surrender to Lessor, and have no obligation to remove, the equipment listed as "Equipment Left In Place" on the Removal Obligations Schedule. Lessee shall furnish security or make other arrangement satisfactory to Lessor to assure payment for the completion of all Alterations work free and clear of liens. All Alterations to be made to the Premises shall be made under the supervision of a competent, California licensed architect and/or competent California licensed structural engineer (each of whom has been approved by Lessor) and shall be made in accordance with plans and specifications which have been furnished to and approved by Lessor in writing prior to commencement of work. All Alterations shall be designed, constructed and installed at the sole cost and expense of Lessee by California licensed architects, engineers, and contractors approved by Lessor in compliance with all applicable law, and in good and workmanlike manner, and shall

have been approved in writing by Redwood City and any other applicable governmental agencies, if so required. Such approvals shall not be unreasonably withheld, conditioned or delayed by Lessor. Except as is provided for in the Removal Obligations Schedule, subject to Lessor's right to have Lessee retain ownership and remove same, any Alteration, including, without limitation, all lighting, electrical, heating, ventilation, air conditioning and full height partitioning, drapery and carpeting installations made by Lessee, together with all property that has become an integral part of the Premises such as fume hoods which penetrate the roof or plenum area, built-in cold rooms, built-in warm rooms, deionized water systems, glass washing equipment, autoclaves, chillers, built-in plumbing, electrical and mechanical equipment and systems and any power generator and transfer switches, shall not be deemed trade fixtures and shall become the property of Lessor at the expiration or sooner termination of the Lease, unless Lessor directs otherwise. Lessee shall retain title to all furniture and trade fixtures placed on the Premises. Within thirty (30) days after completion of any Alteration, Lessee shall provide Lessor with a complete set of both hard copies and CAD drawings of "as built" plans for same.

Section 6.04 Covenant Against Liens

Lessee shall not allow any liens arising from any act or omission of Lessee to exist, attach to, be placed on, or encumber Lessor's or Lessee's interest in the Premises, Building 10 or Project, or any portion of either, by operation of law or otherwise. Lessee shall not suffer or permit any lien of mechanics, material suppliers, or others to be placed against the Premises, Building 10 or Project, or any portion of either, with respect to work or services performed or claimed to have been performed for Lessee or materials furnished or claimed to have been furnished to Lessee or the Premises. Lessor has the right at all times to post and keep posted on the Premises any notice that it considers necessary for protection from such liens. At least ten (10) days before beginning construction of any Alteration, Lessee shall give Lessor written notice of the expected commencement date of that construction to permit Lessor to post and record a notice of nonresponsibility. If any such lien attaches or Lessee receives notice of any such lien, Lessee shall cause the lien to be immediately released and removed of record by payment or bond. Despite any other provision of this Lease, if the lien is not released and removed within twenty (20) days after Lessor delivers notice of the lien to Lessee, Lessor may immediately take all action necessary to release and remove the lien, without any duty to investigate the validity of it. All expenses (including reasonable attorney fees and the cost of any bond) incurred by Lessor in connection with a lien incurred by Lessee or its removal shall be considered Additional Rent under this Lease and be immediately due and payable by Lessee. Notwithstanding the foregoing, if Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises, Building 10 and Project against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to one hundred fifty percent (150%) of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in or is made a party to any such action, Lessee shall reimburse Lessor's reasonable attorneys' fees and costs within ten (10) days after demand.

ARTICLE VII
INSURANCE

Section 7.01 Property/Rental Insurance for Premises

At all times during the Lease Term, Lessor shall keep Building 10, any Tenant Improvements or Alterations made by Lessee therein and the Project insured against loss or damage by fire and those risks normally included in the term "all risk," extended coverage, fire and casualty insurance, including, without limitation, coverage for (i) earthquake and earthquake sprinkler leakage, (ii) flood, (iii) loss of rents and extra expense for eighteen (18) months, including scheduled rent increases, (iv) boiler and machinery, and (v) fire damage legal liability, including waiver of subrogation. Lessee shall pay Lessee's Share of any deductibles. The amount of such insurance shall not be less than 100% of replacement cost. Insurance shall include a Building Ordinance and Increased Cost of Construction Endorsement insuring the increased cost of reconstructing the Premises incurred due to the need to comply with applicable statutes, ordinances and requirements of all municipal, state and federal authorities now in force, which or may be in force hereafter. Any recovery received from said insurance policy shall be paid to Lessor and thereafter applied by Lessor to the reconstruction of the Premises in accordance with the provisions of Article VIII below. Lessee, as part of the Operating Expenses, shall reimburse Lessor for Lessee's Share of the cost of the premiums for all such insurance in accordance with Article IV. Such reimbursement shall be made within fifteen (15) days of Lessee's receipt of a copy of Lessor's statement therefore. To the extent commercially available in Lessor's reasonable business judgment, Lessor's insurance shall have a deductible not greater than fifteen percent (15%) for earthquake and ten percent (10%) for the basic "all risk" coverage.

Notwithstanding the foregoing, Lessee may, at Lessee's election, maintain at Lessee's sole cost and expense a separate, additional policy of insurance insuring the Improvements or Alterations made by Lessee against loss or damage by fire and those risks normally included in the term "all risk," extended coverage, fire and casualty insurance. Any recovery received from said insurance policy shall be paid to Lessee in accordance with the provisions of Article VIII below.

Section 7.02 Property Insurance for Fixtures and Inventory

At all times during the Lease Term, Lessee shall, at its sole expense, maintain fire and casualty insurance with "all risk" coverage which includes the same coverage as required of Lessor in Section 7.01, above, on any trade fixtures, furnishings, merchandise, equipment, artwork or other personal property, whether or not presented to Lessor for its consent in or on the Premises, whether in place as of the date hereof or installed hereafter. The amount of such insurance shall not be less than one hundred percent (100%) of the replacement cost thereof with commercially reasonable deductibles, and Lessor shall not have any responsibility nor pay any cost for maintaining any types of such insurance. Lessee shall pay all deductibles.

Section 7.03 Lessor's Liability Insurance

During the Lease Term, Lessor shall maintain a policy or policies of commercial general liability insurance naming Lessor (and such others as designated by Lessor) against

claims and liability for bodily injury, personal injury and property damage on or about the Premises and Project, with combined single limit coverage in an amount determined by Lessor in its sole discretion (which amount is currently Fifty Million Dollars (\$50,000,000.00)); provided that if such policy is a blanket policy that covers properties (other than the Project) owned by Lessor, only that portion allocable to the Project shall be payable hereunder. Lessee, in addition to the rent and other charges provided herein, agrees to pay Lessee's Share of the premiums for all such insurance in accordance with Article IV.

Section 7.04 Liability Insurance Carried by Lessee

At all times during the Lease Term (and any holdover period) Lessee shall obtain and keep in force a commercial general liability policy of insurance protecting Lessee, Lessor and any lender(s) whose names are provided to Lessee as additional insureds against claims and liability for bodily injury, personal injury and property damage based upon involving or arising out of ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing a single limit coverage in amount of not less than Ten Million Dollars (\$10,000,000) per occurrence. The limits of said insurance required by this Lease as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by the Lessee shall be primary to and not contributory with, any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. Lessor may require Lessee's liability insurance policy limits to be raised to conform with requirements of Lessor's lender and/or to bring coverage limits to levels then being generally required of new tenants within the Project.

Section 7.05 Proof of Insurance

Lessee shall furnish to Lessor prior to the Commencement Date, and during the Lease Term, at least thirty (30) days prior to the expiration date of any policy, certificates indicating that the property insurance and liability insurance required to be maintained by Lessee is in full force and effect for the twelve (12) month period following such expiration date; that Lessor has been named as an additional insured to the extent of contractual liability assumed in Section 7.07 and Section 7.08 and that all such policies will not be canceled unless thirty (30) days' prior written notice of the proposed cancellation has been given to Lessor. The insurance shall be with insurers approved by Lessor, provided, however, that such approval shall not be unreasonably withheld so long as Lessee's insurance carrier has a Best's Insurance Guide rating not less than A VIII and is licensed to do business in California. Lessor shall furnish to Lessee reasonable evidence of its insurance coverage required hereunder within fifteen (15) business days after demand made therefor, however, not more than once in any calendar year.

Section 7.06 Mutual Waiver of Claims and Subrogation Rights

Lessor and Lessee hereby release and relieve the other, and waive their entire claim of recovery for loss or damage to property arising out of or incident to fire, lightning, and the other perils included in a standard "all risk" insurance policy of a type described in Sections 7.01 and 7.02 above that is carried by the waiving party (or that would have been if the waiving party had carried the insurance required hereunder), when such property constitutes the Premises or Building 10 or the Project, or is in, on or about the Premises or Building 10, whether or not

such loss or damage is due to the negligence of Lessor or Lessee, or their respective agents, employees, guests, licensees, invitees, or contractors. Lessee and Lessor waive all rights of subrogation against each other on behalf of, and shall obtain a waiver of all subrogation rights from, all property and casualty insurers referenced above.

Section 7.07 Indemnification and Exculpation

(a) Except as otherwise provided in Section 7.07(b), Lessee shall indemnify and hold Lessor free and harmless from any and all liability, claims, loss, damages, causes of action (whether in tort or contract, law or equity, or otherwise), expenses, charges, assessments, fines, and penalties of any kind, including without limitation, reasonable attorney fees, expert witness fees and costs, arising by reason of the death or injury of any person, including any person who is an employee, agent, invitee, licensee, permittee, visitor, guest or contractor of Lessee, or by reason of damage to or destruction of any property, including property owned by Lessee or by any person who is an employee, agent, invitee, permittee, visitor, or contractor of Lessee, caused or allegedly caused (1) while that person or property is in or about the Premises; (2) by some condition of the Premises (exclusive of structural defects or disrepair that are the sole responsibility of Lessor under the terms of Section 5.04 and 6.01(b) of this Lease); (3) by some act or omission by Lessee or its agent, employee, licensee, invitee, guest, visitor or contractor or any person in, adjacent, on, or about the Premises with the permission, consent or sufferance of Lessee; or (4) by any breach or default in timely observance or performance of any obligation on Lessee's part to be observed or performed under this Lease.

(b) Notwithstanding the provisions of Section 7.07(a) of this Lease, Lessee's duty to indemnify and hold Lessor harmless shall not apply to any liability, claims, loss or damages, causes of action (whether in tort or contract, law or equity, or otherwise), expenses, charges, assessments, fines and penalties of any kind, including without limitation, reasonable attorney fees, expert witness fees and costs arising by reason of Lessor's, or its employees', agents' or contractors', negligence or willful act of misconduct.

(c) Lessee hereby waives all claims against Lessor for damages to goods, wares and merchandise and all other personal property in, on or about the Premises and for injury or death to persons in, on or about the Premises from any cause other than the intentionally misconduct of Lessor or Lessor's agents, employees or contractors, Notwithstanding the provisions of Section 7.07(b) above, or any other provision of this Lease, in no event shall Lessor be liable (i) for lost profits or other consequential damages arising from any cause, or (ii) for any damage which is or could be covered by the insurance Lessee is required to carry under this Lease.

Section 7.08 Lessor as Party Defendant

If by reason of an act or omission of Lessee or any of its employees, agents, invitees, licensee, visitors, guests or contractors, Lessor is made a party defendant or a cross defendant to any action involving the Premises or this Lease, Lessee shall hold harmless and indemnify Lessor from all liability or claims of liability, including all damages, attorney fees and costs of suit.

ARTICLE VIII
DAMAGE OR DESTRUCTION

Section 8.01 Destruction of the Premises

(a) In the event of a partial destruction of the Premises (i.e., less than fifty percent (50%) of its Rentable Area) during the Lease Term from any cause, Lessor, upon receipt of, and to the extent of, insurance proceeds paid in connection with such casualty (or the proceeds that would have been received by Lessor had Lessor maintained the insurance required of Lessor in Subsection 7.01 above, in the event Lessor fails to maintain such insurance) and the deductible from Lessee which Lessee shall pay Lessee's Share to Lessor within thirty (30) business days after demand, shall forthwith repair the same, including without limitation all Tenant Improvements and Alterations, whether or not originally paid for or constructed by Lessor or Lessee, provided the repairs can be made within a reasonable time under state, federal, county and municipal applicable law, but such partial destruction shall in no way annul or void this Lease, (except as provided in Section 8.01(b) or 8.01(c) below) provided that Lessee shall be entitled to a proportionate credit for rent equal to rental income insurance proceeds received by Lessor (or the proceeds that would have been received by Lessor had Lessor maintained the insurance required of Lessor in subsection 7.01 above, in the event Lessor fails to maintain such insurance) and provided further that Lessee shall repair all damage and destruction to those items as to which Lessee is required to maintain fire and casualty insurance under Section 7.02 above. Lessor and Lessee each shall use diligence in making such repairs within a reasonable time period, subject to the Force Majeure provisions of Section 17.21, in which instance the time period shall be extended accordingly, and this Lease shall remain in full force and effect, with the rent to be proportionately reduced as provided above in this Section. If the Premises are damaged by any peril within six (6) months prior to the last day of the Lease Term (or, if Lessee has delivered its Option Notice pursuant to Section 3.03(a) above, within six (6) months prior to the last day of the Extended Term) and, in the reasonable opinion of the Lessor's architect or construction consultant, the restoration of the Premises cannot be substantially completed within thirty (30) days after the date of such damage Lessor or Lessee may terminate this Lease on thirty (30) days written notice to the other party.

(b) If the Premises are damaged or destroyed by any cause to the extent of more than fifty percent (50%) of their total Rentable Area during the Lease Term, Lessor shall notify Lessee within thirty (30) days after such damage or destruction whether it will repair the same. If Lessor states that it will not, or cannot, repair, this Lease shall terminate thirty (30) business days after Lessor gives its notice.

(c) Lessee shall have the option to terminate this Lease if the Premises are affected by a casualty not caused by Lessee and the time estimated to substantially complete the restoration exceeds thirteen (13) months from the date Lessor's architect's opinion of the repair time is delivered to Lessee. Such termination right shall be (i) exercised by written notice to Lessor delivered within thirty (30) days after delivery to Lessee of Lessor's architect's opinion and (ii) irrevocable and automatically waived if not so timely exercised.

(d) In the event of a termination of the Lease pursuant to this Section 8.01, Lessor shall be entitled to any insurance proceeds received by Lessor under the policy of

insurance maintained by Lessor under Section 7.01 as a result of the damage or destruction and Lessee shall be entitled to any insurance proceeds from any separate, additional policy obtained by Lessee as described in Sections 7.01 and/or 7.02. The respective insurable interests of Lessor and Lessee in the Lessee Improvements and Alterations shall not be affected by any termination of the Lease following an event of damage or destruction as described herein.

(e) If Lessor states that it will repair the Premises, Lessor shall, upon receipt of and to the extent of insurance proceeds paid in connection with such casualty and the deductible amount from Lessee, forthwith conduct the repair and diligently pursue the same to completion, but such destruction shall in no way annul or void this Lease except upon a termination of the Lease pursuant to this Article VIII, provided that Lessee shall be entitled to a proportionate credit for rent equal to rental income insurance proceeds received by Lessor (or the proceeds that would have been received by Lessor had Lessor maintained the insurance required of Lessor in subsection 7.01(iii) above, in the event Lessor fails to maintain such insurance).

Section 8.02 Waiver of Civil Code Remedies

Lessee hereby expressly waives any rights to terminate this Lease upon damage or destruction to the Premises, including without limitation any rights pursuant to the provisions of Section 1932, Subdivisions 1 and 2 and Section 1933, Subdivision 4, of the California Civil Code, as amended from time-to-time, and the provisions of any similar law hereinafter enacted.

Section 8.03 Damages Incurred during Repair

The Base Rent, Additional Rent and other charges due under this Lease shall not be reduced or abated by reason of any damage or destruction to the Premises (but will be subject to credit as provided in Section 8.01(a) and (b) above with respect to rental loss insurance proceeds received), and Lessor shall be entitled to all proceeds of the insurance maintained pursuant to Section 7.01 above during the period of rebuilding pursuant to Section 8.01 above, or if the Lease is terminated pursuant to Section 8.01 above. Lessee shall have no claim against Lessor, including, without limitation, for compensation for inconvenience or loss of business, profits or goodwill during any period of repair or reconstruction.

Section 8.04 No Liability for Lessee's Alterations or Personal Property

In no event shall Lessor have any liability for, nor shall it be required to repair or restore, any injury or damage to Lessee's Alterations or personal property or to any other personal property of Lessee in or upon the Premises, Building 10 or Project.

ARTICLE IX REAL PROPERTY TAXES

Section 9.01 Payment of Taxes

(a) Lessee shall pay to Lessor Lessee's Share, as an Operating Expense pursuant to Section 4.07 above, of all real property taxes, including any supplemental tax and any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license, fee, charge, excise or imposition ("real property tax"), imposed, assessed or levied on or

with respect to the Premises and the Project Common Areas by any Federal, State, County, City or other political subdivision or public authority having the direct or indirect power to tax, including, without limitation, any improvement district or any community facilities district (including with respect to a district established for purposes of constructing the Seaport Boulevard improvements and other improvements as required in the Development Agreement or by the City of Redwood City ("Community Facility District Bond"), as against any legal or equitable interest of Lessor in the Project or against the Project or any part thereof applicable to the Project for all periods of time included within the Lease Term (as the same may be extended and during any holdover period), as well as any government or private cost sharing agreement assessments made for the purpose of augmenting or improving the quality of services and amenities normally provided by government agencies and any tax, fee, charge, imposition or excise described in subsection (b) below. Notwithstanding the foregoing, Lessee shall not be required to pay any net income taxes, franchise taxes, or any succession, estate or inheritance taxes of Lessor or any penalties due to Lessor's late or non-payment of any real property taxes, unless such failure is caused by Lessee's failure to pay Lessee's Share of real property taxes due hereunder.

(b) If at any time during the Lease Term, the State of California or any political subdivision of the state, including any county, city, city and county, public corporation, district, or any other political entity or public corporation of this state, levies or assesses against Lessor a tax, fee, charge, imposition or excise on rents under the Lease, the square footage of the Premises or Project, the act of entering into this Lease, or the occupancy of Lessee, or levies or assesses against Lessor any other tax, fee, or excise, however described, including, without limitation, a so called value added, business license, transit, commuter, environmental or energy tax fee, charge or excise or imposition related to the Project as a direct substitution in whole or in part for, or in addition to, any real property taxes on the Project the same shall be included in real property taxes and paid in accordance with Section 9.01(a).

(c) Lessor shall provide Lessee with copies of all tax and assessment bills on the Premises promptly upon Lessor's receipt of Lessee's written request therefor. Lessor shall also promptly provide to Lessee evidence of payment upon Lessor's receipt of Lessee's written request therefor.

(d) With respect to taxes and assessments which may lawfully be paid in installments, for the purpose of this Section, real property tax in any period shall include only such portion of the same which is payable within such period and any interest payable thereon computed (whether or not such is the case) as if Lessor had elected to pay the same over the longest period permitted by law.

(e) If Lessor shall obtain any abatement or refund on account of any real property tax as to which Lessee shall have paid payments hereunder, Lessor shall promptly refund to Lessee Lessee's portion of any such abatement or refund, after deducting therefrom the reasonable costs and expenses incurred by Lessor in obtaining such abatement or refund.

Section 9.02 Pro Ration for Partial Years

If any such taxes paid by Lessee shall cover any period prior to the Commencement Date or after the Expiration Date of the Lease Term, Lessee's Share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect, and Lessor shall reimburse Lessee to any extent required.

Section 9.03 Personal Property Taxes

(a) Lessee shall pay prior to delinquency all taxes imposed, assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor.

(b) If any of Lessee's personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within thirty (30) days after receipt of a written statement setting forth the amount of such tax bill reasonably allocated to Lessee's property.

(c) If Lessee shall fail to pay any such taxes, Lessor shall have the right to pay the same, in which case Lessee shall repay such amount to Lessor with Lessee's next rent installment together with interest at the Agreed Rate.

Section 9.04 Right to Contest Real Property Taxes

Lessee may, at any time (unless Lessor is already doing so), and at its sole expense, contest the real property taxes due with respect to the Premises in its own name and in a manner set forth by appropriate judicial or administrative proceedings, provided that: (i) Lessee gives Lessor prior written notice of such contest, (ii) Lessee pays the real property taxes required by the applicable taxing authority while such contest is occurring, (iii) pays any and all penalties, late interest or other fines associated with any such contest and (iv) indemnifies, defends, protects and holds Lessor harmless from any and all expenses (including reasonable attorneys' fees), causes of action, damages or liabilities associated with such contest.

ARTICLE X
UTILITIES

Section 10.01 Lessee to Pay

Lessee shall pay prior to delinquency and throughout the Lease Term, all charges for water, gas, heating, cooling, sewer, telephone, electricity, garbage, air conditioning and ventilation, janitorial service, landscaping and all other services and utilities supplied to the Premises directly to the service provider in question. The disruption, failure, lack or shortage of any service or utility with respect to the Premises, Building 10 or Project due to any cause whatsoever shall not affect any obligation of Lessee hereunder, and Lessee shall faithfully keep and observe all the terms, conditions and covenants of this Lease and pay all rent due hereunder, all without diminution, credit or deduction, provided that, to the extent the cause is the failure of

Lessor to observe or perform an obligation of Lessor, hereunder Lessor shall initiate the cure of such failure immediately after receipt from Lessee of notice of the failure and Lessor shall thereafter diligently prosecute said cure to completion.

ARTICLE XI
ASSIGNMENT AND SUBLETTING

Section 11.01 Lessor's Consent Required

Except as provided in Section 11.02, Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, license or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Premises or any part thereof, without Lessor's prior written consent, which Lessor shall not unreasonably withhold, condition or delay. Lessor shall respond in writing to Lessee's request for consent hereunder within fifteen (15) business days of Lessor's receipt of Lessee's request therefor, or within any extended time period necessary in order for Lessor to receive a response from Lessor's lender, and any attempted assignment, transfer, mortgage, encumbrance, subletting or licensing without such consent shall be void, and shall constitute a breach of this Lease. If Lessor refuses to consent to Lessee's request, it shall specifically state in its response to Lessee the reason(s) for denying such consent. By way of example, but not limitation, reasonable grounds for denying consent include: (i) poor credit history or insufficient financial strength of transferee, (ii) transferee's intended use of the Premises is inconsistent with the permitted use and will materially and adversely affect Lessor's interest. Lessee shall reimburse Lessor upon demand for Lessor's reasonable costs and expenses (including attorneys' fees, architect fees and engineering fees) involved in reviewing any request for consent whether or not consent is granted. Notwithstanding any other provisions of this Lease, if (i) the proposed assignee or sublessee has been required by any prior landlord, lender or governmental authority to take remedial action in connection with Hazardous Materials contaminating a property, where the contamination resulted from such party's action or use of the property in question, (ii) the proposed assignee or sublessee is subject to any enforcement order issued by any governmental authority in connection with the use, storage, handling, treatment, generation, release or disposal of hazardous materials (including, without limitation, any order related to the failure to make a required reporting to any governmental authority), or (iii) because of the existence of a pre-existing environmental condition in the vicinity of or underlying the Project, the risk that Lessor would be targeted as a responsible party in connection with the remediation of such pre-existing environmental condition would be materially increased or exacerbated by the proposed use of Hazardous Materials by such proposed assignee or sublessee, Lessor shall have the absolute right to refuse to consent to any assignment or subletting to any such party.

Section 11.02 Lessee Affiliates

Lessee may assign this Lease, or sublet up to forty percent (40%) of the Premises, without the need for Lessor's consent (but with written notice to Lessor prior to such transfer), to any corporation, limited liability company or partnership which controls, is controlled by, or is under common control with Lessee, or to any corporation, limited liability company or partnership resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all of Lessee's stock or all, or substantially all of the assets of Lessee as a going

concern of the business that is being conducted on the Premises (collectively, an "Affiliate"), provided that said assignee or sublessee (i) in the event of an assignment of this Lease to an Affiliate only, has a net worth at least equal to the net worth of Lessee as of the date of this Lease, and (ii) assumes, in full, the obligations of Lessee under this Lease (or, in the case of a sublease, the portion of the Premises subject to the Lease) and provided further that the use to which the Premises will be put does not materially change. Any such assignment shall not, in any way, affect or limit the liability of Lessee under the terms of this Lease. Any portion of the Premises which is assigned or sublet to an Affiliate of Lessee shall not be included in the calculation of subleased, assigned or transferred Rentable Area for the purposes of Section 11.06. In addition, the terms of Section 11.04, below, shall not be applicable to any assignment or sublease pursuant to this Section.

Section 11.03 No Release of Lessee

Regardless of Lessor's consent, no subletting or assignment shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Lessee or any successor of Lessee, in the performance of any of the terms hereof, Lessor may proceed directly against Lessee without the necessity of exhausting remedies against said assignee.

Section 11.04 Excess Rent

In the event Lessor shall consent to a sublease or an assignment, Lessee shall pay to Lessor with its regularly scheduled Base Rent payments, fifty percent (50%) of all sums and the fair market value of all consideration collected or received by Lessee from a sublessee or assignee which are in excess of the Base Rent and Additional Rent due and payable with respect to the subleased or assigned space pursuant to Article IV for the time period encompassed by the sublease or assignment term, after first deducting: (i) leasing commissions, and (ii) the unamortized cost (based on a straight-line amortization over the entire Lease Term) of Tenant Improvements paid for by Lessee over and above the Tenant Improvement Allowance and allocable to such subleased or assigned premises (based on the rentable square footage of the space assigned or sublet compared to the Premises).

Section 11.05 Information to be Provided

Lessee's written request to Lessor for consent to an assignment or subletting or other form of transfer shall be accompanied by (a) the name and legal composition of the proposed transferee; (b) the nature of the proposed transferee's business to be carried on in the Premises; (c) the terms and provisions of the proposed transfer agreement; and (d) such financial and other information as Lessor may reasonably request concerning the proposed transferee.

Section 11.06 Lessor's Recapture Rights

(a) Lessor's Recapture Rights

Notwithstanding any other provision of this Article 11, in the event that Lessee proposes to sublease or assign or otherwise transfer to any person or entity not an Affiliate of Lessee any interest in this Lease or the Premises or any part thereof affecting (collectively with all other such subleases, assignments, or transfers then in effect to parties which are not Affiliates) more than fifty percent (50%) of the square footage of the Rentable Area of the Premises for more than fifty percent (50%) of the remaining Lease Term is hereafter designated "**Recapture Space**"), then Lessor shall have the option to recapture the Recapture Space by written notice to Lessee ("**Recapture Notice**") given within ten (10) business days after Lessor receives any notice of such proposed assignment or sublease or other transfer ("**Transfer Notice**"). A timely Recapture Notice terminates this Lease for the Recapture Space, effective as of the date Lessee specified in the Transfer Notice, which date shall in no event be shorter than thirty (30) days from the date of the Recapture Notice. If Lessor declines or fails timely to deliver a Recapture Notice, Lessor shall have no further right under this Section 11.06 to the Recapture Space unless it becomes available again after transfer by Lessee. Lessor's recapture rights shall be subject to the rights of any sublessee, assignee or transferee of Lessee set forth in any sublease, assignment or agreement of transfer to which Lessor has consented, but subject to the terms and conditions set forth in Lessor's consent; any such sublease, assignment or agreement of transfer shall be assigned to Lessor as of the effective date of the recapture. Notwithstanding anything herein to the contrary, if Lessor elects to deliver a Recapture Notice and terminate the Lease as set forth above, Lessee may negate Lessor's Recapture Notice by withdrawing its Transfer Notice by delivering written notice thereof to Lessor within five (5) business days after Lessee's receipt of the Recapture Notice.

(b) Consequences of Recapture

To determine the new Base Rent under this Lease if Lessor recaptures the Recapture Space and Lessee does not negate Lessor's Recapture Notice within the time periods provided therefore above, the then current Base Rent (immediately before Lessor's recapture) under the Lease shall be multiplied by a fraction, the numerator of which is the square feet of the Rentable Area retained by Lessee after Lessor's recapture and the denominator of which is the total square feet of the Rentable Area before Lessor's recapture. The Additional Rent, to the extent that it is calculated on the Rentable Area of the Premises, shall be reduced to reflect Lessee's Share based on the Rentable Areas of the Premises retained by Lessee after Lessor's recapture. This Lease as so amended shall continue thereafter in full force and effect, except that Lessee shall be released from liability under this Lease for future Base Rent and Additional Rent with respect to the portion of the Premises subject to Lessor's Recapture Notice. Either party may require written confirmation of the amendments to this Lease necessitated by Lessor's recapture of the Recapture Space. If Lessor recaptures the Recapture Space, Lessor shall, at Lessor's sole expense, construct, paint, and furnish any partitions required to segregate the Recapture Space from the remaining Premises retained by Lessee as well as arrange separate metering of utilities.

ARTICLE XII
DEFAULTS; REMEDIES

Section 12.01 Defaults

The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Lessee (each shall be an "Event of Lessee's Default"):

(a) The abandonment of the Premises by Lessee or the commission of waste at the Premises or the making of an assignment or subletting in violation of Article XI, provided however, abandonment shall be considered to not occur if the Premises are maintained and occupied to the extent necessary to maintain the insurance on each and every portion of the Premises;

(b) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, if such failure continues for a period of five (5) business days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit in the form required by applicable Unlawful Detainer statutes such Notice shall constitute the notice required by this paragraph, provided that the cure period stated in the Notice shall be five (5) business days rather than the statutory three (3) days;

(c) Lessee's failure to provide (i) any required Replacement Letter of Credit Security as required by Section 4.06, (ii) an estoppel certificate as required by Section 15.01 or (iii) any document subordinating this Lease to a Lender's deed of trust as required by Section 17.13, if any such failure continues for five (5) business days after written notice of the failure. In the event Lessor serves Lessee with a Notice to Perform Covenant or Quit in the form required by applicable Unlawful Detainer Statutes, such Notice shall constitute the notice required by this paragraph, provided that the cure period stated in the Notice shall be five (5) business days rather than the statutory three (3) days;

(d) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee, other than described in paragraph (a) (b) or (c) above, if such failure continues for a period of fifteen (15) days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's default is such that more than fifteen (15) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commences such cure within said fifteen (15) day period and thereafter diligently prosecutes such cure to completion;

(e) (i) The making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) the filing by Lessee of a voluntary petition in bankruptcy under Title 11 U.S.C. or the filing of an involuntary petition against Lessee which remains uncontested for a period of sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, provided, however, in the event that any provisions of this Section 12.01(e) is contrary to any applicable law, such provision shall be of no force or effect;

(f) The discovery by Lessor that Lessee delivered to Lessor a financial statement that was materially false; and

(g) The occurrence of a material default and breach under any other lease between Lessee (or an Affiliate thereof) and Lessor (or an affiliate of Lessor) for premises in the Project, including but not limited to the Building 9 Lease.

Section 12.02 Remedies

If an Event of Lessee's Default shall occur, Lessor may at any time thereafter, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Event of Lessee's Default:

(a) Terminate Lessee's right to possession of the Premises by any lawful means including by way of unlawful detainer (and without any further notice if a notice in compliance with the unlawful detainer statutes and in compliance with paragraphs (b), (c) and (d) of Section 12.01 above has already been given), in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of an Event of Lessee's Default including, but not limited to, (i) the cost of recovering possession of the Premises including reasonable attorney's fees related thereto; (ii) the worth at the time of the award of any unpaid rent that had been earned at the time of the termination, to be computed by allowing interest at the Agreed Rate but in no case greater than the maximum amount of interest permitted by law, (iii) the worth at the time at the time of the award of the amount by which the unpaid rent that would have been earned between the time of the termination and the time of the award exceeds the amount of unpaid rent that Lessee proves could reasonably have been avoided, to be computed by allowing interest at the Agreed Rate but in no case greater than the maximum amount of interest permitted by law, (iv) the worth at the time of the award of the amount by which the unpaid rent for the balance of the Lease Term after the time of the award exceeds the amount of unpaid rent that Lessee proves could reasonably have been avoided, to be computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one per cent (1%), (v) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform obligations under this Lease, including brokerage commissions and advertising expenses, and (vi) any other amounts, in addition to or in lieu of those listed above, that may be permitted by applicable law.

(b) Maintain Lessee's right to possession as provided in Civil Code Section 1951.4 in which case this Lease shall continue in effect whether or not Lessee shall have abandoned the Premises. In such event Lessor shall be entitled to enforce all of Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state of California. Unpaid amounts of rent and other unpaid monetary obligations of Lessee under the terms of this Lease shall bear interest from the date due at the Agreed Rate.

Section 12.03 Default by Lessor

Lessor shall not be in default under this Lease unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than ten (10) business days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying that Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than ten (10) business days are reasonably required for performance then Lessor shall not be in default if Lessor commences performance within such ten (10) business day period and thereafter diligently prosecutes the same to completion. In the event Lessor does not commence performance within the ten (10) business day period provided herein, or fails to diligently prosecute such cure to completion, Lessee may perform such obligation and will be reimbursed for its expenses by Lessor together with interest thereon at the Agreed Rate within thirty (30) days following demand for such payment. Lessee waives any right to terminate this Lease or to vacate the Premises on Lessor's default under this Lease. Lessee's sole remedy on Lessor's default is an action for damages or injunctive or declaratory relief. Notwithstanding the foregoing, (i) any default beyond any applicable cure period by Lessor under the terms of the Building 9 Lease shall also be a default under this Lease for any period of time during which Lessor or any affiliate thereof is also the landlord under the Building 9 Lease, and (ii) nothing herein shall be deemed applicable in the event of Lessor's delay in delivery of the Premises, in which case Lessee's rights and remedies shall be determined under Section 3.01 above.

Section 12.04 Late Charges

Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designated agent within five (5) business days after such amount is due and owing, Lessee shall pay to Lessor a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of an Event of Lessee's Default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. Notwithstanding the foregoing, Lessor shall grant Lessee one (1) late payment during the first twelve (12) months of the Lease Term without late charge, provided that Lessee shall pay the applicable delinquent amount within five (5) business days following written notice from Lessor of such delinquency.

Section 12.05 Lessor's Right to Perform Lessee's Obligations

All obligations to be performed or observed by Lessee under this Lease shall be performed or observed by Lessee at Lessee's expense and without any reduction of rent. Lessor may perform or observe any obligation of Lessee for which there exists an Event of Lessee Default hereunder, without waiving Lessor's other rights and remedies for Lessee's failure to perform or observe any obligations under this Lease and without releasing Lessee from any such obligations. Within ten (10) days after receiving a statement from Lessor, Lessee shall pay to Lessor the amount of expense reasonably incurred by Lessor in performing or observing Lessee's obligation.

ARTICLE XIII
CONDEMNATION OF PREMISES.

Section 13.01 Total Condemnation

If the entire Premises, whether by exercise of governmental power or the sale or transfer by Lessor to any condemnor under threat of condemnation or while proceedings for condemnation are pending, at any time during the Lease Term, shall be taken by condemnation such that there does not remain a portion suitable for occupation, this Lease shall then terminate as of the date transfer of possession is required. Upon such condemnation, all rent shall be paid up to the date transfer of possession is required, and Lessee shall have no claim against Lessor or the award for the value of the unexpired portion of this Lease Term.

Section 13.02 Partial Condemnation

If any portion of the Premises is taken by condemnation during the Lease Term, whether by exercise of governmental power or the sale or transfer by Lessor to an condemnor under threat of condemnation or while proceedings for condemnation are pending, this Lease shall remain in full force and effect except that in the event a partial taking (i) is more than thirty-three percent (33%) of the Rentable square footage of the Premises; or (ii) leaves the Premises unfit for the conduct of the business of Lessee, then Lessee shall have the right to terminate this Lease effective upon the date transfer of possession is required. Moreover, Lessor shall have the right to terminate this Lease effective on the date transfer of possession is required if more than thirty three percent (33%) of the total square footage of the Premises is taken by condemnation. Lessee and Lessor may elect to exercise their respective rights to terminate this Lease pursuant to this Section by serving written notice to the other within thirty (30) days after receipt of notice of condemnation (i.e., 30 days from the date on which Lessor received such notice from the condemning authority for purposes of calculating the 30 days with respect to Lessor, and 30 days from the date on which Lessee received a copy of such notice from Lessor for purposes of calculating the 30 days with respect to Lessee. All rent shall be paid up to the date of termination, and Lessee shall have no claim against Lessor for the value of any unexpired portion of the Lease Term. If this Lease shall not be terminated, then Base Rent after such partial taking shall be that percentage of the adjusted Base Rent specified herein, equal to the percentage which the rentable square footage of the untaken part of the Premises, immediately after the taking, bears to the rentable square footage of the entire Premises immediately before the taking. If Lessee's continued use of the Premises requires alterations and repair by reason of a partial

taking, all such alterations and repair shall be made by Lessor at Lessor's expense. Lessee waives all rights it may have under California Code of Civil Procedure Section 1265.130 or otherwise, to terminate this Lease based on partial condemnation.

Section 13.03 Award to Lessee

In the event of any condemnation, whether total or partial, Lessee shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Lessee for loss of its business fixtures, or equipment belonging to Lessee immediately prior to the condemnation, moving expenses and loss of good will, to the extent separately awarded by the condemning authority. The balance of any condemnation award shall belong to Lessor (including, without limitation, any amount attributable to any excess of the market value of the Premises for the remainder of the Lease Term over the then present value of the rent payable for the remainder of the Lease Term) and Lessee shall have no further right to recover from Lessor or the condemning authority for any claims arising out of such taking, provided that Lessee shall have the right to make a separate claim in the condemnation proceeding, as long as the award payable to Lessor is not reduced thereby, for (i) the taking of the unamortized (using the Lease Term as the amortization period) value of the Tenant Improvements paid for by Lessee which are not removed by Lessee, (ii) reasonable removal and relocation costs for any Tenant Improvements or Alterations that Lessee has the right to remove and elects to remove (if condemnor approves the removal), and (iii) relocation costs for Lessee's business, provided that the awarding to Lessee of the items described in (i), (ii) and (iii) above does not reduce the condemnation award that would otherwise be awarded to Lessor.

ARTICLE XIV
ENTRY BY LESSOR

Section 14.01 Entry by Lessor Permitted

Lessee shall permit Lessor and its employees, agents and contractors, if accompanied by Lessee (except in cases of emergency), to enter the Premises and all parts thereof (i) upon twenty-four (24) hours notice (or without notice in an emergency), including without limitation, Building 10 and all parts thereof at all reasonable times for any of the following purposes: to inspect the Premises; to maintain the Premises; to make such repairs to the Premises as Lessor is obligated or may elect to make; and (ii) upon twenty-four (24) hours notice to show the Premises and post "To Lease" signs for the purposes of re-letting during the last twelve (12) months of the Lease Term (provided Lessee has failed to exercise any remaining Option to Extend) to show the Premises as part of a prospective sale by Lessor or to post notices of nonresponsibility. Lessor shall have such right of entry without any rebate of rent to Lessee for any loss of occupancy or quiet enjoyment of the Premises hereby occasioned, provided, Lessor shall use commercially reasonable efforts not to interfere with Lessee's business operations at the Premises or unreasonably interfere with Lessee's access to, or parking at, the Project or materially increase Lessee's obligations or decrease Lessee's rights under this Lease. Notwithstanding anything in this Lease to the contrary, in exercising any right to undertake any renovations, alterations, additions, restoration, inspections, repairs or maintenance as set forth in this Lease, Lessor shall comply with Lessee's reasonable security measures and operating procedures and shall minimize any disruption to Lessee..

ARTICLE XV
ESTOPPEL CERTIFICATE

Section 15.01 Estoppel Certificate

(a) Either Lessor or Lessee shall at any time upon not less than fifteen (15) days' prior written notice from the other execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying, if true, that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying, if true, that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging, if true, that there are not, to Lessee's (or Lessor's, as relevant) knowledge, any uncured defaults on the part of the requesting party hereunder, or specifying such defaults if any are claimed and (iii) certifying or acknowledging, if true, such other matters as are reasonably requested by any prospective lender or buyer which are reasonably related to the loan or sale transaction. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

(b) Lessee's failure to deliver such statement within such time shall be conclusive upon Lessee (i) that this Lease is in full force and effect, without modification except as may be represented by Lessor, (ii) that there are no uncured defaults in Lessor's performance, and (iii) that not more than one month's rent has been paid in advance, if any, and stating whether or not to the actual knowledge of the signer of such certificate Lessee is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement delivered pursuant to this Section 15.01(b) may be relied upon by any prospective assignee of Lessee's interest in this Lease or any lender or prospective lender (or investor) or purchaser of any interest in Lessee or its assets. Any failure of Lessee to deliver an estoppel certificate as provided herein shall, at the option of Lessor, be an event of default hereunder by Lessee without the requirement of any notice or grace period, except as is provided for in Section 12.01(c) above. In addition, Lessor may charge Lessee, and Lessee shall pay to Lessor, a fee equal to Five Hundred Dollars (\$500) per day for each day Lessee is late in delivering such estoppel certificate.

ARTICLE XVI
LESSOR'S LIABILITY

Section 16.01 Limitations on Lessor's Liability

The term "Lessor" as used herein shall mean only the owner or owners at the time in question of the fee title of the Premises. In the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that the Letter of Credit and any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the

grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership. For any breach of this Lease by Lessor, the liability of Lessor (including all persons and entities that comprise Lessor, and any successor Lessor) and any recourse by Lessee against Lessor shall be limited to the interest of Lessor, and Lessor's successors in interest, in and to Building 10 and, to the extent Building 9 is owned by Lessor or any affiliate thereof, Building 9, and the proceeds therefrom (including rents, insurance and condemnation proceeds). On behalf of itself and all persons claiming by, through, or under Lessee, Lessee expressly waives and releases Lessor and each member, agent and employee of Lessor from any personal liability for breach of this Lease.

ARTICLE XVII
GENERAL PROVISIONS

Section 17.01 Severability

The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

Section 17.02 Agreed Rate Interest on Past Due Obligations

Except as expressly herein provided, any amount due to either party not paid when due shall bear interest at the lesser of the Bank of America prime rate plus four percent (4%) or the maximum amount of interest allowed by law ("**Agreed Rate**"). Payment of such interest shall not excuse or cure any default by either party under this Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to the payor by application of the amount of excess interest paid against any sums outstanding in any order that payee requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to the payor by the payee. To ascertain whether any interest payable exceeds the limits imposed, any nonprincipal payment (including late charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

Section 17.03 Time of Essence

Time is of the essence in the performance of all obligations under this Lease.

Section 17.04 Additional Rent

Any monetary obligations of Lessee to Lessor under the terms of this Lease shall be deemed to be Additional Rent and Lessor shall have all the rights and remedies for the nonpayment of same as it would have for nonpayment of Base Rent. All references to "rent" (except specific references to either Base Rent or Additional Rent) shall mean Base Rent and Additional Rent.

Section 17.05 Incorporation of Prior Agreements, Amendments and Exhibits

This Lease (including Exhibits A, B, C, D, E, F, G, H and I and Schedules 1, 2, 3, 4, 5 and 6) contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither the Lessor nor any employees or agents of the Lessor has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of said Premises and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the Lease Term except as otherwise specifically stated in this Lease. Neither party has been induced to enter into this Lease by, and neither party is relying on, any representation or warranty outside those expressly set forth in this Lease.

Section 17.06 Notices

(a) Written Notice

Any notice required or permitted to be given hereunder shall be in writing and shall be given by a method described in paragraph (b) below and shall be addressed to Lessee or to Lessor at the addresses noted below, next to the signature of the respective parties, as the case may be. Either party may specify a different address for notice purposes at any time by giving written notice of such change to the other party in a manner provided herein at least ten (10) days prior to the date such change is desired to be effective. A copy of all notices required or permitted to be given to Lessor or Lessee (as applicable) hereunder shall be concurrently transmitted to such party or parties at such addresses as such party may from time to time hereafter designate by notice to the other, but delay or failure of delivery to such person shall not affect the validity of the delivery to Lessor or Lessee.

(b) Methods of Delivery

(i) When personally delivered to the recipient, notice is effective on delivery. Delivery to the person apparently designated to receive deliveries at the subject address is personally delivered if made during business hours (e.g. receptionist).

(ii) When mailed by certified mail with return receipt requested, notice is effective on receipt if delivery is confirmed by a return receipt.

(iii) When delivery by overnight delivery Federal Express/Airborne/United Parcel Service/DHL WorldWide Express with charges prepaid or charged to the sender's account, notice is effective on delivery if delivery is confirmed by the delivery service.

(c) Refused, Unclaimed or Undeliverable Notices

Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be considered to be effective as of the first date that the notice was refused, unclaimed, or considered undeliverable by the postal authorities, messenger, or overnight delivery service.

Section 17.07 Waivers

No waiver of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach of the same or any other provisions. Any consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of consent to or approval of any subsequent act. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

Section 17.08 Recording

Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes for each of the properties on which Building 6, Building 7, Building 8, Building 9 and Building 10 are located, provided that Lessee simultaneously executes in recordable form and delivers to Lessor a quit claim deed as to its leasehold and any other interest in the Premises and hereby authorizes Lessor to date and record the same only upon the expiration or sooner termination of this Lease or, in the case of Buildings 6, 7 and 8, upon the termination of Lessee's expansion options with respect to each such property.

Section 17.09 Surrender of Possession; Holding Over

(a) At the expiration or earlier termination of the Lease, Lessee shall remove all of Lessee's signs (pursuant to Section 17.15) and, subject to the terms of the Removal Obligations Schedule and Section 6.03 of the Lease, shall remove all of Lessee's equipment, trade fixtures, supplies, wall decoration and other personal property from within the Premises, Building 10 and the Common Area and shall vacate, deliver up and surrender to Lessor possession of the Premises and all improvements thereon, subject to the terms of Section 17.21 of this Lease concerning Hazardous Materials brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of from the Premises by Lessee or any of Lessee's agents, employees or contractors (collectively, "Lessee HazMat Operations") and released of all clearances required by any governmental authorities with respect to Lessee HazMat Operations, broom clean and, in good order and condition, excepting only ordinary wear and tear (wear and tear which could have been avoided by best maintenance practices customarily used at the Project) and damage due to casualty not caused by Lessee or Lessee's agents, employees or contractors. Except for such ordinary wear and tear and damage due to casualty not caused by Lessee's agents, employees or contractors (collectively, the "Lessee's Parties"), Lessee shall (i) repair all damage to the Premises, the interior and exterior of Building 10 and the Common Area caused by Lessee's removal of its property, (ii) patch and refinish, to Lessor's reasonable satisfaction, all penetrations made by Lessee or its agents, contractors, employees or invitees to the roof, floor, interior or exterior walls or ceiling of the Premises and Building 10, whether such penetrations were made with Lessor's approval or not, to the extent that the equipment requiring such penetration is removed at the expiration or earlier termination of the Lease, (iii) repair or

replace all stained or damaged ceiling tiles, wall coverings and floor coverings (unless such staining or damage was caused by the actions of Lessor or the tenant of a leased space above the Premises) to the reasonable satisfaction of Lessor, (iv) repair all damage caused by Lessee to the exterior surface of Building 10 and, where necessary, replace or resurface same. Upon expiration or sooner termination of this Lease, Lessor may reenter the Premises and remove all persons and property therefrom. If Lessee shall fail to surrender to Lessor the Premises, Building 10 and the Common Area in the condition required by this paragraph at the expiration or, if sooner terminated, within ten (10) days after sooner termination, of this Lease, Lessor may, at Lessee's expense, remove Lessee's signs, property and/or improvements not so removed and make such repairs and replacements not so made or hire, at Lessee's expense, independent contractors to perform such work. Lessee shall be liable to Lessor for all reasonable costs incurred by Lessor in returning the Premises, Building 10 and the Common Area to the required condition, together with interest thereon at the Agreed Rate from the date incurred by Lessor until paid. Lessee shall pay to Lessor the amount of all costs so incurred (including, without limitation, costs of disposal, storage and insurance) together with interest at the Agreed Rate within five (5) business days from Lessor's delivery of a statement therefor. If the Premises are not surrendered at the end of the Lease Term, Lessee shall indemnify Lessor against loss or liability resulting from delay by Lessee in so surrendering the Premises, including, without limitation, actual damages for lost rent and with respect to any claims of a successor occupant. Notwithstanding anything to the contrary contained in this Section 17.09, and subject to the terms of the Removal Obligations Schedule, Lessee shall only be required to remove those Tenant Improvements and Alterations as Lessor shall have designated at the time Lessor gave its consent to such Tenant Improvements and/or Alterations to the extent required pursuant to the terms of Section 6.03 hereof, or when consent was not required, in response to Lessee's written request for such determination.

(b) If Lessee, with Lessor's prior written consent, remains in possession of the Premises after expiration of the Lease Term and if Lessor and Lessee have not executed an express written agreement as to such holding over, then such occupancy shall be a tenancy from month to month at a monthly Base Rent equivalent to one hundred fifty percent (150%) of the higher of: (i) the monthly rental in effect immediately prior to such expiration, or (ii) the Fair Market Rent for the Premises, such payments to be made as herein provided for Base Rent. In the event of such holding over, all of the terms of this Lease, including the payment of Additional Rent all charges owing hereunder other than rent shall remain in force and effect on said month to month basis.

(c) At least three (3) months prior to the surrender of the Premises, Lessee shall deliver to Lessor a narrative description of the actions proposed (or required by any governmental authority) to be taken by Lessee in order to surrender the Premises (including any Alterations permitted by Lessor to remain in the Premises) at the expiration or earlier termination of the Lease Term, in accordance with the requirements of any Environmental Laws or relevant governmental authority or, in the absence thereof, the requirements of Lessor's lender or any commercially reasonable requirements of Lessor's environmental consultant (collectively "HazMat Requirements") with respect to the Lessee HazMat Operations and otherwise released for unrestricted use and occupancy (the "Surrender Plan"). Such Surrender Plan shall be accompanied by a current listing of (i) all Hazardous Materials licenses and permits held by or on behalf of any Lessee's Parties with respect to the Premises, and (ii) all Hazardous Materials

used, stored, handled, treated, generated, released or disposed of from the Premises, and shall be subject to the review and approval of Lessor's environmental consultant. In connection with the review and approval of the Surrender Plan, upon the request of Lessor, Lessee shall deliver to Lessor or its consultant such additional non-proprietary information concerning Lessee HazMat Operations as Lessor shall request. On or before such surrender, Lessee shall deliver to Lessor evidence that the approved Surrender Plan shall have been satisfactorily completed and all HazMat Requirements have been met and Lessor shall have the right, subject to reimbursement at Lessee's expenses as set forth below, to cause Lessor's environmental consultant to inspect the Premises and perform such additional procedures as may be deemed reasonably necessary to confirm that the Premises are, as of the effective date of such surrender or early termination of the Lease, in accordance with applicable HazMat Requirements. Lessee shall reimburse Lessor, as Additional Rent, for the actual, out-of-pocket expense incurred by Lessor for Lessor's environmental consultant to review and approve the Surrender Plan and to visit the Premises and verify satisfactory completion of the same. Lessor shall have the unrestricted right to deliver such Surrender Plan and any report by Lessor's environmental consultant with respect to the surrender of the Premises to third parties. If Lessee shall fail to prepare or submit a Surrender Plan approved by Lessor, or if Lessee shall fail to complete the approved Surrender Plan, or if such Surrender Plan, whether or not approved by Lessor, shall fail to adequately address any residual effect of Lessee HazMat Operations in, on or about the Premises in violation of HazMat Requirements, Lessor shall have the right to take such actions as Lessor may deem reasonable or appropriate to assure that the Premises and the Project are surrendered free from any residual impact from Lessee HazMat Operations, the cost of which actions shall be reimbursed by Lessee as Additional Rent.

Section 17.10 Cumulative Remedies

No remedy or election hereunder by Lessor shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity, provided that notice and cure periods set forth in Article XII are intended to extend and modify statutory notice provisions to the extent expressly stated in Section 12.01.

Section 17.11 Covenants and Conditions

Each provision of this Lease to be observed or performed by Lessee and Lessor shall be deemed both a covenant and a condition.

Section 17.12 Binding Effect; Choice of Law

Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of Article XVI, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California and any legal or equitable action or proceeding brought with respect to the Lease or the Premises shall be brought in San Mateo County, California except for such actions or proceedings as are required by California law to be brought in the County where the subject real property is located.

Section 17.13 Lease to be Subordinate

Lessee agrees that this Lease is and shall be, at all times, subject and subordinate to the lien of any mortgage, deed of trust or other encumbrances which Lessor may create against the Premises, including all renewals, replacements and extensions thereof provided, however, that regardless of any default under any such mortgage, deed of trust or other encumbrance or any sale of the Premises under such mortgage, deed of trust or other encumbrance so long as, subject to all applicable notice and cure periods, Lessee timely performs all covenants and conditions of this Lease and continues to make all timely payments hereunder, this Lease and Lessee's possession and rights hereunder shall not be disturbed by the mortgagee or beneficiary or anyone claiming under or through such mortgagee or beneficiary. Lessee shall execute any documents which are commercially reasonable (i.e., of a type customarily executed between lenders and lessees for similar loans and leases) subordinating this Lease within ten (10) business days after delivery of same by Lessor so long as the mortgagee or beneficiary agrees therein that this Lease will not be terminated if Lessee is not in default following a foreclosure, including, without limitation, any Subordination Non-Disturbance and Attornment Agreement ("SNDA") which is substantially in the form attached hereto as Exhibit "C". In any event, Lessor and Lessee agree that Lessee may terminate this Lease upon written notice thereof to Lessor at any time after the date that is twenty (20) business days after the date of this Lease if Lessor and Lessor's lender have not executed and delivered an executed version of a SNDA in the substantially the form attached hereto as Exhibit "C" to Lessee. In the event that any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, and this Lease shall terminate, Lessee shall, notwithstanding any subordination, attorn to and become the tenant of such mortgagee or beneficiary or any successor to Lessor by foreclosure or deed-in-lieu of foreclosure, at the option of such successor in interest, provided however, that any such successor shall not (i) be liable for any previous act or omission of Lessor under the Lease, (ii) be subject to any offset, defense or counterclaim which shall theretofore have accrued to the Lessee under the Lease against Lessor, or (iii) have any obligation with respect to any security deposit unless it shall have been paid over or physically delivered to such successor, or (iv) be bound by any rents paid more than one month in advance to Lessor or any prior landlord or owner. Lessee shall execute and deliver, upon reasonable prior notice from Lessor any additional documents in such form as is designated by Lessor evidencing the priority or subordination of the Lease with respect to any such lien of any such mortgage or deed of trust.

Section 17.14 Attorneys' Fees

If either party herein brings an action to enforce the terms hereof or to declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to recover its reasonable attorney's fees, expert witness fees and costs as fixed by the Court.

Section 17.15 Signs

Lessee may, at Lessee's sole expense, place Lessee's company name on the monument sign for Building 10 at a location reasonably agreed by Lessee and Lessor and otherwise subject to the terms of this Section 17.15. Lessee shall also be entitled, at Lessee's expense, to a pro rata share of directional signage at the Project for Building 10. Lessee shall not place any sign outside the Premises (or visible from outside the Premises) without Lessor's prior

written consent, which consent shall not be unreasonably withheld and subject to Lessee's obtaining approval by the City of Redwood City. Lessee, at its sole cost and expense, after obtaining Lessor's prior written consent, shall install, maintain and remove prior to expiration of this Lease (or within ten (10) days after any earlier termination of this Lease) all signage in full compliance with (i) all applicable law, statutes, ordinances and regulations and (ii) all provisions of this Lease concerning Alterations, and (iii) Lessor's signage policy set forth on Exhibit "D" hereto.

Section 17.16 Merger

The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

Section 17.17 Quiet Possession

Upon Lessee timely paying the rent for the Premises and timely observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire Lease Term, subject to all of the provisions of this Lease.

Section 17.18 Easements

Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and conditions, covenants and restrictions, so long as such easements, rights, dedications, Maps and conditions, covenants and restrictions do not unreasonably interfere with or diminish the use of the Premises or parking rights granted hereunder, including access thereto, by Lessee. Lessee shall sign any of the aforementioned or other documents, and take such other actions, which are reasonably necessary or appropriate to accomplish such granting, recordation and subordination of the Lease to same, upon request of Lessor, and failure to do so within ten (10) business days after a written request to do so shall constitute a material breach of this Lease, provided that Lessor shall reimburse Lessee for Lessee's reasonable out-of-pocket expenses (including reasonable attorneys' fees) necessarily incurred in the performance of Lessee's obligations under this Section 17.18.

Section 17.19 Authority

Each individual executing this Lease on behalf of a corporation, limited liability company or partnership represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such entity, and that this Lease, once fully executed, shall be binding upon said entity in accordance with its terms.

Section 17.20 Force Majeure Delays

In any case where either party hereto is required to do any act (other than the payment of money), delays caused by or resulting from Acts of God or Nature, war, civil

commotion, fire, flood or other casualty, labor difficulties, shortages of labor or materials or equipment, government regulations, delay by government or regulatory agencies with respect to approval or permit process, unusually severe weather, or other causes beyond such party's reasonable control, the time during which such act shall be completed, shall be deemed to be extended by the period of such delay, whether such time be designated by a fixed date, a fixed time or a "reasonable time."

Section 17.21 Hazardous Materials

(a) Definition of Hazardous Materials and Environmental Laws

"Hazardous Materials" means any (a) substance, product, waste or other material of any nature whatsoever which is or becomes listed regulated or addressed pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. sections 9601, et seq. ("CERCLA"); the Hazardous Materials Transportation Act ("HMTA") 49 U.S.C. section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. section 6901, et seq. ("RCRA"); the Toxic Substances Control Act, 15 U.S.C. sections 2601, et seq. ("TSCA"); the Clean Water Act, 33 U.S.C. sections 1251, et seq.; the California Hazardous Waste Control Act, Health and Safety Code sections 25100, et seq.; the California Hazardous Substances Account Act, Health and Safety Code sections 26300, et seq.; the California Safe Drinking Water and Toxic Enforcement Act, Health and Safety Code sections 25249.5, et seq.; California Health and Safety Code sections 25280, et seq.; (Underground Storage of Hazardous Substances); the California Hazardous Waste Management Act, Health and Safety Code sections 25170.1, et seq.; California Health and Safety Code sections 25501, et seq. (Hazardous Materials Response Plans and Inventory); or the Porter Cologne Water Quality Control Act, California Water Code sections 13000, et seq., all as amended, or any other federal, state or local statute, law, ordinance, resolution, code, rule, regulation, order or decree regulating, relating to or imposing liability (including, but not limited to, response, removal and remediation costs) or standards of conduct or performance concerning any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter may be in effect (collectively, "Environmental Laws"); (b) any substance, product, waste or other material of any nature whatsoever whose presence in and of itself may give rise to liability under any of the above statutes or under any statutory or common law theory based on negligence, trespass, intentional tort, nuisance, strict or absolute liability or under any reported decisions of a state or federal court, (c) petroleum or crude oil, including but not limited to petroleum and petroleum products contained within regularly operated motor vehicles and (d) asbestos.

(b) Lessor's Representations and Disclosures

Lessor represents that it has provided Lessee with a description of the Hazardous Materials on or beneath the Project as of the date hereof attached hereto as Exhibit "I" and incorporated herein by reference and that except as described in the documents identified in Exhibit "F," Lessor has no actual knowledge of any Hazardous Materials at the Project. Lessee acknowledges receipt of the attached Exhibit "F", which Lessor has provided pursuant to California Health & Safety Code Section 25359.7 which requires:

"Any owner of nonresidential real property who knows, or has reasonable cause to believe, that any release of hazardous substances has come to be located on or beneath that real property shall, prior to the sale, lease or rental of the real property by that owner, give written notice of that condition to the buyer, lessee or renter of the real property."

(c) Use of Hazardous Materials

Lessee shall not cause or permit any Hazardous Materials to be brought upon, kept or used in, on or about the Project by Lessee or Lessee's Parties without Lessor's prior written consent, except that Lessee may, without the need for Lessor's prior written consent, bring on, keep at and use in, on or about the Premises those Hazardous Materials described in Schedule 4 attached hereto or any similar Hazardous Materials used for substantially the same purposes in substitution thereof in compliance with applicable Environmental Laws, even if they are Hazardous Materials. All such Hazardous Materials will be used, kept and stored by Lessee in a manner that complies with all applicable Environmental Laws. Lessee shall, at all times, use, keep, test, store, handle, transport, treat or dispose all such Hazardous Materials in or about the Project in compliance with all applicable HazMat Requirements. Lessee shall remove Hazardous Materials used or brought onto the Project during the Lease Term from the Project prior to the expiration or earlier termination of the Lease in accordance with any applicable HazMat Requirements and the Surrender Plan approved by Lessor.

(d) Lessee's Environmental Indemnity

Lessee agrees to indemnify, defend, protect and hold Lessor harmless from any liabilities, losses, claims, damages, penalties, fines, attorney fees, expert fees, court costs, remediation costs, investigation costs, or other expenses resulting from or arising out of the use, storage, treatment, transportation, release, presence, generation, or disposal of Hazardous Materials on, from or about the Project, and/or subsurface or ground water from an act or omission of Lessee (or Lessee's successor-in-interest), its agents, employees, invitees, vendors or contractors.

(e) Lessee's Obligation to Promptly Remediate

If the presence of Hazardous Materials on the Premises after the Commencement Date results from an act or omission of Lessee (or Lessee's successor-in-interest), its agents, employees, invitees, vendors, contractors, guests, or visitors results in contamination of the Project or any water or soil beneath the Project in violation of applicable HazMat Requirements, Lessee shall promptly take all action necessary or appropriate to test, investigate and remedy that contamination, at its sole cost and expense, provided that Lessor's consent to such action shall first be obtained, which consent shall not be unreasonably withheld, conditioned or delayed.

(f) Notification

Lessor and Lessee each agree to promptly notify the other of any communication received from any governmental entity concerning Hazardous Materials or the violation or alleged violation of Environmental Laws that relate to the Project. In addition,

Lessee shall promptly provide to Lessor copies of any approvals or disapprovals received from any relevant governmental agency in connection with permits, licenses or periodic or episodic testing or remediation of the Premises by Lessee required by HazMat Requirements, including but not limited to the plans, permits and licenses described in Schedule 5 attached hereto or any other such plans, permits and licenses instead performed by Lessee pursuant to HazMat Requirements. Without limiting the foregoing, Lessee shall deliver to Lessor any applications for decommissioning the Premises pursuant to HazMat Requirements at the same time such application is delivered to the relevant governmental agency. Lessor shall have the opportunity to participate in, and comment on, any such decommission or surrender plan application and the final version of such plan shall be subject to Lessor's written approval.

(g) Testing.

Lessor shall have the right to conduct tests of the Premises at any time that Lessor seeks to sell or refinance the Premises, or if Lessor has reasonable grounds to believe that Hazardous Materials may exist at the Premises in violation of the terms of this Lease. Such test shall be performed in order to determine whether any contamination of the Premises or the Project has occurred as a result of Lessee's use. Lessee shall be required to pay the reasonable cost of such tests of the Premises if they are performed due to Lessor's reasonable grounds to believe that Hazardous Materials may exist at the Premises in violation of the terms of this Lease (Lessor shall pay the costs of such tests in the event of a sale or refinancing); provided, however, that if Lessee conducts its own tests of the Premises using third party contractors and test procedures acceptable to Lessor which tests are certified to Lessor, Lessor shall accept such tests in lieu of such tests to be paid for by Lessee. In connection with such testing, upon the request of Lessor, Lessee shall deliver to Lessor or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Premises by Lessee or any Lessee Parties. If contamination has occurred in violation or excess of the HazMat Requirements for which Lessee is liable under this Section 17.21, Lessee shall pay all costs to conduct such tests. If no such contamination is found, Lessor shall pay the costs of such tests. Lessee shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing in accordance with HazMat Requirements. Lessor's receipt of or satisfaction with any environmental assessment in no way waives any rights which Lessor may have against Lessee. Notwithstanding anything herein to the contrary, within thirty (30) days prior to the Expiration Date or any earlier date on which the Lease terminates, Lessee shall, at Lessee's sole expense, deliver to Lessor a phase II environmental audit of the Premises showing the environmental condition of the Premises and the completion of Lessee's Surrender Plan for the Premises.

(h) Dispute Resolution. Notwithstanding anything herein to the contrary, if Lessor requires Lessee to perform any testing, clean-up or remediation of Hazardous Materials, or if Lessor requires Lessee to modify Lessee's use of Hazardous Materials at the Premises in a manner or in amounts other than as is required by Environmental Laws pursuant to either this Section 17.21 or Section 17.09(c) above, and Lessee believes that Lessor's requirements are not commercially reasonable, then if Lessee provides Lessor with written notice thereof (the "Dispute Notice") within fifteen (15) business days of the date on which Lessor first informs Lessee in writing of such requirement, then such dispute shall be remedied pursuant to the terms of this Subparagraph 17.22(h). If such a dispute exists, Lessor and Lessee shall meet within ten

(10) business days after the date of the Dispute Notice and attempt in good faith to resolve the dispute. If, despite such meeting, the parties cannot resolve the dispute, each of Lessor and Lessee shall separately designate to the other in writing an environmental expert to determine if the requirement in question is commercially reasonable. Each environmental expert designated shall have at least ten (10) years experience in performing environmental audits of real property in San Mateo County and shall be paid by the party choosing such expert. The failure of either party to appoint an environmental expert within the time allowed shall be deemed equivalent to appointing the environmental expert appointed by the other party, who shall then determine whether the requirement in question is commercially reasonable. The two (2) environmental experts shall then each prepare a written proposal of what a commercially reasonable environmental requirement for the activity in question. If the two (2) environmental experts are unable to agree on whether the requirement in question is commercially reasonable, or, in lieu thereof, to come to agreement on a commercially reasonable environmental requirement for the issue in question, within fifteen (15) business days of their appointment, the two designated environmental experts shall jointly designate a third similarly qualified environmental expert. The third environmental expert shall within ten (10) business days following its appointment, then determine which of the two environmental experts' determinations most closely reflects an appropriate, commercially reasonable requirement with respect to the Hazardous Materials issue in question. The third environmental expert shall have no rights to adjust, amend or otherwise alter the determinations made by the environmental experts selected by the parties, but must select one or the other of such experts' submissions. The determination by such third environmental expert shall be final and binding upon the parties. Said third environmental expert shall, upon selecting the determination, concurrently notify both parties hereto. The parties shall share the expenses of the third environmental expert equally.

(i) Survival.

Lessee's obligations pursuant to this Section 17.21 shall survive the expiration or earlier termination of this Lease.

Section 17.22 Modifications Required by Lessor's Lender

If any lender of Lessor requests a modification of this Lease that will not increase Lessee's cost or expense or materially and adversely change Lessee's rights and obligations hereunder, this Lease shall be so modified and Lessee shall execute whatever documents are required by such lender and deliver them to Lessor within ten (10) days after the request.

Section 17.23 Brokers

Lessor and Lessee each represents to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, except for Cornish & Carey Commercial, in the case of Lessor, and Cornish & Carey Commercial in the case of Lessee (collectively, the "Brokers") and that they know of no other real estate broker or agent who is entitled to a commission or finder's fee in connection with this Lease. Each party shall indemnify, protect, defend, and hold harmless the other party against all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including reasonable attorney fees) for any leasing commission, finder's fee, or equivalent compensation alleged to be owing on

account of the indemnifying party's dealings with any real estate broker or agent other than the Brokers. The terms of this Section 17.23 shall survive the expiration or earlier termination of the Lease.

Section 17.24 Acknowledgment of Notices

Lessor has provided and Lessee hereby acknowledges receipt of the Notices attached as Exhibits "G" and "H" hereto, concerning the presence of certain uses and operations of neighboring parcels of land.

Section 17.25 Right of First Offer.

(a) Grant.

Subject to the terms of this Section 17.25, Lessor grants to Lessee during the Right of First Offer Term a continuing right of first offer ("Right of First Offer") to lease any space which is available for lease located in Building 6 in the Project ("Available Space"). For the purposes of this Section 17.25, such space shall not be deemed available for lease, and this Right of First Offer shall not apply, if the space in question is already leased to a tenant thereof who leases or re-leases such space pursuant to any then-existing or future agreement to extend the term of its lease or expand the size of its premises between Lessor and such tenant.

(b) Term.

The term of the Right of First Offer ("Right of First Offer Term") shall commence on the Commencement Date of this Lease and shall terminate on the expiration or earlier termination of this Lease.

(c) Covenants of Lessor.

Subject to the conditions precedent established by subsection (e) below, if at any time during the Right of First Offer Term Lessor decides to offer any Available Space for lease to the general public, Lessor shall first provide Lessee with a written notice ("Offer Notice") detailing (i) the rent at which said Available Space is being offered, (ii) the rentable square footage and location thereof, (iii) the date the Available Space will become available and (iv) all other material economic terms upon which Lessor proposes to lease the Available Space to Lessee. If Lessee does not deliver an Acceptance Notice (as defined below) in response to such Offer Notice and Lessor subsequently decides to offer the Available Space for lease to the general public at a lesser rental rate than was described in the initial Offer Notice, then Lessor shall send Lessee a subsequent Offer Notice and the terms of this Section 17.25 shall apply again to such subsequent Offer Notice.

(d) Exercise of Lessee's Right of First Offer.

Subject to the conditions precedent established by subsection (e) below, Lessee may exercise Lessee's Right of First Offer to lease all (but not less than all) of the Available Space described in the Offer Notice by providing Lessor with written notice ("Acceptance Notice") thereof within ten (10) business days of Lessor's delivery to Lessee of the Offer Notice.

If Lessee does not exercise its Right of First Offer within said ten (10) business day period, Lessor shall be relieved of Lessor's obligation to lease the Available Space mentioned in the Offer Notice to Lessee and the provisions of this Section 17.25 shall not apply to Lessor.

(e) Conditions to Right of First Offer.

Notwithstanding anything to the contrary in this Section 17.25, Lessor shall have no obligation to provide Lessee with an Offer Notice, and Lessee shall have no right to exercise Lessee's Right of First Offer, if: (i) Lessor has delivered a written notice to Lessee that Lessee is in default hereunder or under the Building 9 Lease and such default has not yet been cured either: (a) at the time Lessor seeks to lease the Available Space in question, or at the time Lessee seeks to give Lessor an Acceptance Notice, whichever, is relevant, or (b) upon the date Lessee seeks to take possession of the Available Space referenced in the Offer Notice, (ii) Lessee has assigned this Lease or sublet more than fifty percent (50%) of the rentable space located in the Premises to a party other than an Affiliate, (iii) Lessee then occupies less than fifty percent (50%) of the Premises, (iv) Lessee has received more than three (3) written notices of monetary default and more than one (1) written notice of a non-monetary default from Lessor during the Lease Term or under the Building 9 Lease during the "Lease Term" of that lease, (v) as of the date of such Offer Notice, Lessee does not meet the financial tests set forth in Schedule 6 attached hereto, or (vi) Lessor's lender does not consent to Lessee's expansion into the Available Space.. Lessee's Right of First Offer shall be personal to Lessee and Lessee's Affiliate and shall not be transferable with any assignment of this Lease or subletting of the Premises.

(f) Terms for Right of First Offer.

In the event that Lessee exercises Lessee's Right of First Offer, Lessee's occupancy of the Available Space taken shall be on all of the same terms and conditions described in the Offer Notice. In such event, Lessee's Share due hereunder shall also be adjusted accordingly.

(g) New Lease.

Lessor and Lessee hereby agree to execute a new lease for such Available Space in the same form and, except for the business terms of the Offer Notice and terms made necessary as a result of the different space, having the same content as this Lease ("New Lease") prior to Lessee's occupancy of the Available Space in question. The New Lease shall specify, among other things, the Rent, date of occupancy, increase in Lessee's Share and square footage of the Available Space taken in connection with Lessee's exercise of Lessee's Right of First Offer, and shall otherwise be on the terms of this Lease, except for whatever changes are required in connection with any differing uses of the Available Space by Lessee. If Lessee does not execute such a New Lease within ten (10) business days after the date on which Lessor provides Lessee with a form of New Lease as described in this Subsection (g), then, at Lessor's option, Lessee's right to lease the Available Space on the terms referenced in the Offer Notice shall be void and terminated, provided that such termination shall not affect Lessee's ongoing rights pursuant to the terms of this Section 17.25.

Section 17.26 Right of First Refusal.

(a) Grant.

Subject to the terms of this Section 17.26, Lessor grants to Lessee during the Right of First Refusal Term a continuing right of first refusal ("Right of First Refusal") to lease any space which is available for lease in either Building 7 or Building 8 in the Project ("Available ROFR Space"). For the purposes of this Section 17.26, such space shall not be deemed available for lease, and this Right of First Refusal shall not apply, if the space in question is already leased to a tenant thereof who leases such space pursuant to any then-existing or future agreement to extend the term of its lease or expand the size of its premises between Lessor and such tenant.

(b) Covenants of Lessor.

Subject to the conditions precedent established by subsection (d) below, if at any time during the Lease Term Lessor receives an offer which Lessor is willing to accept from a bona fide third party to lease any space in the Available ROFR Space, Lessor shall first provide Lessee with a written notice ("Refusal Offer Notice") detailing (i) the rent at which said Available ROFR Space is to be leased to the third party, (ii) the rentable square footage and location thereof, (iii) the date the Available ROFR Space will become available and the term of the proposed lease and (iv) all other material economic terms upon which Lessor is willing to lease the Available ROFR Space in question to such third party.

(c) Exercise of Lessee's Right of First Refusal.

Subject to the conditions precedent established by subsection (d) below, Lessee may exercise Lessee's Right of First Refusal to lease all (but not less than all) of the Available ROFR Space described in the Refusal Offer Notice by providing Lessor with written notice ("ROFR Acceptance Notice") thereof within five (5) business days of Lessor's delivery to Lessee of the Refusal Offer Notice. If Lessee does not exercise its Right of First Refusal within said five (5) business day period, Lessor shall be relieved of Lessor's obligation to lease the Available ROFR Space mentioned in the Refusal Offer Notice, to Lessee and the provisions of this Section 17.26 shall not apply to Lessor. If the transaction described in the ROFR Offer Notice is not consummated, then, prior to entering into a new lease for the Available ROFR Space, Lessor shall repeat the process described in this Section 17.26.

(d) Conditions to Right of First Refusal.

Notwithstanding anything to the contrary in this Section 17.26, Lessor shall have no obligation to provide Lessee with a Refusal Offer Notice, and Lessee shall have no right to exercise Lessee's Right of First Refusal, if: (i) Lessor has delivered to Lessee a written notice that Lessee is in default hereunder and such default has not yet been cured either: (a) at the time Lessor seeks to lease the Available ROFR Space in question, or at the time Lessee seeks to give Lessor an ROFR Acceptance Notice, whichever, is relevant, or (b) upon the date Lessee seeks to take possession of the Available ROFR Space referenced in the Refusal Offer Notice, (ii) Lessee has assigned this Lease or sublet more than fifty percent (50%) of the rentable space located in the Premises to a party other than an Affiliate, (iii) Lessee then occupies less than fifty percent

(50%) of the Premises, (iv) Lessee has received more than three (3) written notices of monetary default and one (1) written notice of non-monetary default from Lessor during the Lease Term or under the Building 9 Lease during the "Lease Term" of that lease, (v) at the time of the Refusal Offer Notice Lessee fails to meet the financial tests set forth in Schedule 6 attached hereto, or (vi) Lessor's lender does not consent to Lessee's expansion into the Available Space.. Lessee's Right of First Refusal shall be personal to Lessee and Lessee's Affiliate and shall not be transferable with any assignment of this Lease or subletting of the Premises.

(e) Terms for Right of First Refusal.

In the event that Lessee exercises Lessee's Right of First Refusal, Lessee's occupancy of the Available ROFR Space taken shall be on all of the same terms and conditions described in the Refusal Offer Notice. In such event, Lessee's Share due hereunder shall also be adjusted accordingly.

(f) New Lease.

Lessor and Lessee hereby agree to execute a new lease for such Available ROFR Space in the same form and, except for the business terms of the ROFR Offer Notice and terms made necessary as a result of the different space, having the same content as this Lease ("ROFR Lease") prior to Lessee's occupancy of the Available ROFR Space in question. The ROFR Lease shall specify, among other things, the Rent, date of occupancy, increase in Lessee's Share and square footage of the Available ROFR Space taken in connection with Lessee's exercise of Lessee's Right of First Refusal, and shall otherwise be on the terms of this Lease, except for whatever changes are required in connection with any differing uses of the Available ROFR Space by Lessee. If Lessee does not execute such a ROFR Lease within ten (10) business days after the date on which Lessor provides Lessee with a form of ROFR Lease as described in this Subsection (f), then, at Lessor's option, Lessee's right to lease the Available ROFR Space on the terms referenced in the ROFR Offer Notice shall be void and terminated, provided that such termination shall not affect Lessee's ongoing rights pursuant to the terms of this Section 17.26.

Section 17.27 Lessee's Expansion Right. If, during the Lease Term, Lessee desires to lease additional space in the Project but there is no such space then available for lease in the Project, and if Lessor (and Lessor's lender) determines, in its sole and absolute discretion, that it would not adversely affect the Project and Lessor determines, in Lessor's sole and absolute discretion, that Lessor can construct an additional building in the Project, then, at Lessee's written request, Lessor shall use Lessor's good faith efforts to gain the necessary governmental approvals for, and shall construct, such an additional building for Lessee's use. The size, location and date of availability of such building, and the economic terms on which Lessor shall lease such building to Lessee, shall be subject to the mutual agreement of the Lessor and Lessee. Further, Lessor shall have no obligations whatsoever to Lessee under this Section 17.27 if at the time of Lessee's request for such building Lessee does not meet the relevant financial tests set forth in Schedule 6 attached hereto or has received a written notice of default hereunder or under the Building 9 Lease and such default has not yet been cured. The terms of this Section 17.27 shall only be operative at any time that Pacific Shores Investors, LLC or any affiliate thereof owns the entire Project, and upon the sale or other transfer of this Project or any portion thereof the terms of this Section 17.27 shall be rendered null and void and of no further effect, and the Lessor shall then have no further obligations to the Lessee hereunder whatsoever.

Section 17.28 Notification of Intention to Market. If Lessor shall decide to market the Project for sale, Lessor shall provide Lessee with marketing materials therefore at the same time and in a similar manner as Lessor provides such materials to the general public. Nothing herein shall be deemed to create an obligation of Lessor to sell the Project or enter into negotiations for the sale of the Project with Lessee or keep Lessee informed of the status of any such negotiations with a third party for the sale of the Project. The parties acknowledge and agree that nothing herein shall be deemed to create any sort of an option, right of first refusal, right of first offer, right of first negotiation or any other type of option or right of Lessee to purchase the Project or any portion thereof. The obligation of Lessor hereunder is limited solely to notifying Lessee of Lessor's marketing of the Project for a potential sale, and Lessor reserves the right to sell the Project, or not sell it at all, on any terms and conditions that Lessor shall deem appropriate, in Lessor's sole and absolute discretion. Lessee agrees to keep the notification delivered to it by Lessor hereunder strictly and completely confidential, and shall not disclose such notification to anyone whatsoever. The terms of this Section 17.28 shall only be operative at any time that Pacific Shores Investors, LLC or any affiliate thereof owns the entire Project, and upon the sale or other transfer of this Project or any portion thereof the terms of this Section 17.28 shall be rendered null and void and of no further effect, and the Lessor shall then have no further obligations to the Lessee hereunder whatsoever.

Section 17.29 List of Lease Expiration Dates. Upon written request therefor by Lessee, Lessor shall deliver to Lessee a list of then current expiration dates (not taking into account any extension or expansion rights that may or may not be exercised by the tenants of the Project) of the current leases of space in the portion of the Project then owned by Lessor, which list shall also describe the size and location of the space in question. Nothing herein shall be deemed to create an obligation of Lessor to lease such space to Lessee or enter into negotiations for the lease of such space to Lessee or keep Lessee informed of the status of any space for lease in the Project. The parties acknowledge and agree that nothing in this Section 17.29 shall be deemed to create any sort of an option, right of first refusal, right of first offer, right of first negotiation or any other type of option or right of Lessee to lease space the Project or any portion thereof. The obligation of Lessor hereunder is limited solely to delivering to Lessee a list of the expiration dates of existing leases of space in the Project.

Section 17.30 [Intentionally omitted.]

Section 17.31 Condition Subsequent. Notwithstanding anything to the contrary herein, Lessor and Lessee acknowledge and agree that the effectiveness of this Lease is conditioned upon Lessee's exercise of Lessee's option to lease the Premises and the Building 9 Premises (as defined therein) pursuant to the terms of that certain Amended and Restated Option to Lease dated June 15, 2006 (the "Option Agreement") between Lessor, as optionor, and Lessee, as optionee. Notwithstanding Lessor and Lessee's execution of this Lease, if Lessee fails to exercise such option by July 5, 2006, or if the Option Agreement is terminated pursuant to its terms, then this Lease and all of the obligations of the parties hereunder shall terminate and be null and void, and any amount prepaid by Lessee to Lessor hereunder shall be promptly repaid to Lessee.

Section 17.32 List of Exhibits

EXHIBIT A:	Premises
EXHIBIT B:	Memorandum of Commencement of Lease Term and Schedule of Base Rent
EXHIBIT C	SNDA
EXHIBIT D	Signage Exhibit
EXHIBIT E	Work Letter Agreement
EXHIBIT F	Hazardous Materials Disclosure
EXHIBIT G:	Notice to Tenants
EXHIBIT H:	Notice to Tenants
EXHIBIT I:	Rules and Regulations
SCHEDULE 1	License Agreement
SCHEDULE 2	Yard Area
SCHEDULE 3	Removal Obligations Standard
SCHEDULE 4	Permitted Hazardous Materials
SCHEDULE 5	Plans, Licenses and Permits
SCHEDULE 6	Financial Tests

LESSOR AND LESSEE EACH HAS CAREFULLY READ AND HAS REVIEWED THIS LEASE AND BEEN ADVISED BY LEGAL COUNSEL OF ITS OWN CHOOSING AS TO EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOWS ITS INFORMED AND VOLUNTARY CONSENT THERETO. EACH PARTY HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS AND CONDITIONS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

Executed at Redwood City, California, as of the reference date.

(Signatures continued on next page)

LESSOR:

PACIFIC SHORES INVESTORS, LLC,
a Delaware limited liability company

By: Pacific Shores Mezzanine, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Junior Mezz, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Junior Mezz Managers, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Development, LLC,
a Delaware limited liability company,
its sole member

By: TECHNOLOGY LAND LLC,
a California limited liability company,
Operating Member

By: /s/ Jay Paul
Jay Paul, Sole Managing Member

ADDRESS:

c/o Jay Paul Company
350 California Street, Suite 1905
San Francisco, CA 94104-1432

LESSEE:

PDL BIOPHARMA, INC.,
a Delaware corporation

By: /s/ Mark McDade
Mark McDade
(Type or Print Name)

Its: Chief Executive Officer

ADDRESS:

(Before Commencement Date)

34801 Campus Drive
Freemont, California 94555
Attention: Ms. Laurie Torres, VP Human Resources

(After Commencement Date)

Pacific Shores Center
Building 10
1500 Seaport Boulevard
Redwood City, CA 94063

With a copy to:

Silicon Valley Law Group
25 Metro Drive, Suite 600
San Jose, California 95110
Attn: Lucy A. Lofrumento, Esq.

-57-

EXHIBIT A
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

REAL PROPERTY LEGAL DESCRIPTION,
SITE PLAN AND PREMISES FLOOR PLAN

(See Building Description and Depiction of Property attached)

EXHIBIT A
LEGAL DESCRIPTION

Real property in the City of Redwood City, County of San Mateo, State of California described as follows:

Lot 10 and 10P as shown on the certain Map of Pacific Shores Center filed July 21, 2000 in Book 130 of Maps, pages 66-74, San Mateo County Records.

Site Plan

Premises
1500 Seaport Blvd.
Redwood City, CA



PACIFIC SHORES CENTER
REDFORD CITY CALIFORNIA

- Building 1 2100 Seaport Boulevard - 149,125 SF
- Building 2 2000 Seaport Boulevard - 141,180 SF
- Building 3 1900 Seaport Boulevard - 141,180 SF
- Building 4 1800 Seaport Boulevard - 119,730 SF
- Building 5 1700 Seaport Boulevard - 127,342 SF
- Building 6 1600 Seaport Boulevard - 283,015 SF
- Building 7 1200 Seaport Boulevard - 98,022 SF
- Building 8 1300 Seaport Boulevard - 164,732 SF
- Building 9 1400 Seaport Boulevard - 283,015 SF
- Building 10 1500 Seaport Boulevard - 164,732 SF

EXHIBIT B
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

MEMORANDUM OF
COMMENCEMENT OF LEASE TERM

Pursuant to Article III, Section 3.01, paragraph (a) of the above-referenced Lease, the parties to said Lease agree to the following:

The Commencement Date of the Lease _____ and the Lease Term commenced on said date. The Expiration Date for the initial Lease Term is _____.

The date for commencement of Base Rent for the Premises is _____.

The date for commencement of Additional Rent, including, without limitation, Operating Expenses is _____.

Attached hereto as a part hereof is a true and correct schedule of Base Rent. The total Rentable Area of the Premises is an agreed _____ rentable square feet.

Each person executing this Memorandum certifies that he or she is authorized to do so on behalf of and as the act of the entity indicated. Executed as of _____, 200__, at Redwood City (San Mateo County), California.

“Lessor”

PACIFIC SHORES INVESTORS, LLC
a Delaware limited liability company

By: Pacific Shores Mezzanine, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Junior Mezz, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Junior Mezz Managers, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Development, LLC,
a Delaware limited liability company,
its sole member

By: TECHNOLOGY LAND LLC,
a California limited liability company,
Operating Member

By: _____
Jay Paul, Sole Managing Member

“Lessee”

PDL BIOPHARMA, INC.,
a Delaware corporation

By: _____
(Type or Print Name)

Its: _____

EXHIBIT C
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

SNDA
**SUBORDINATION, NONDISTURBANCE
AND ATTORNMENT AGREEMENT**

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR OPTION AGREEMENT, BUILDING 9 LEASE AND BUILDING 10 LEASE BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF THE DEED OF TRUST (DEFINED BELOW).

THIS AGREEMENT is dated for reference as of the ___ day of _____, 2006, and is made between WELLS FARGO BANK, N.A., as Trustee for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates Series 2004-TFL2 ("Mortgagee"), PACIFIC SHORES INVESTORS, LLC, a Delaware limited liability company ("Lessor"), and PROTEIN DESIGN LABS, INC., a Delaware corporation ("Lessee").

RECITALS

- A. Lessor currently owns the Pacific Shores Center in Redwood City, California, which project includes that certain approximately 283,015 square foot building located at 1400 Seaport Boulevard and related real property referred to herein as the "Building 9 Premises", and that certain approximately 164,732 square foot building located at 1500 Seaport Boulevard and related real property referred to herein as "Building 10 Premises."
- B. Lessor and Lessee have entered into (a) that certain Triple Net Space Lease for the Building 9 Premises ("Building 9 Lease"), and (b) that certain Triple Net Space Lease for the Building 10 Premises ("Building 10 Lease").
- C. Mortgagee is the current holder of a loan made by Column Financial, Inc. to Lessor and secured by a deed of trust (the "Deed of Trust") encumbering the real property of which the Building 9 Premises and the Building 10 Premises form a part (the "Property"), and the parties desire to set forth their agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the sum of ONE DOLLAR (\$1.00) by each party in hand paid to the other, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. The Building 9 Lease and the Building 10 Lease are and shall be subject and subordinate to the Deed of Trust insofar as it affects the Property, and to all of Mortgagee's rights thereunder, including all renewals, modifications, consolidations, replacement and extensions of the Deed of Trust, to the full extent of amounts secured thereby and interest thereon.

2. Subject to the terms and conditions of Paragraph 3 of this agreement, Lessee agrees that it will attorn to and recognize any purchaser at a foreclosure sale under the Deed of Trust, any transferee who acquires the Property by deed in lieu of foreclosure, and the successors and assigns of such purchasers (the applicable party taking title is referred to as the "New Owner"), as its landlord for the unexpired balance (and any extensions, if exercised) of the term of said leases upon the same terms and conditions set forth in the Building 9 Lease and the Building 10 Lease.

3. Regardless of any default under any such mortgage, deed of trust or other encumbrance or any sale of the Property under such mortgage, deed of trust or other encumbrance, the Building 9 Lease and the Building 10 Lease and Lessee's rights thereunder, shall not be disturbed by the mortgagee or beneficiary or anyone claiming under or through such mortgagee or beneficiary; provided, however that nothing contained herein shall prevent Mortgagee from naming Lessee in any foreclosure or other action or proceeding initiated in order for Mortgagee to avail itself of and complete any such foreclosure or other remedy, so long as such joinder does not result in a termination of the Building 9 Lease and/or the Building 10 Lease, or diminish Lessee's rights and privileges under the Building 9 Lease or the Building 10 Lease. After acquisition of title by a New Owner, Building 9 Lease and the Building 10 Lease shall be a direct agreement(s) between Lessee and the New Owner. Lessee shall be obligated to perform for the New Owner under the Building 9 Lease and the Building 10 Lease and the New Owner shall assume the obligations of the Lessor under the Building 9 Lease and the Building 10 Lease, including without limitation any extension thereof pursuant to the terms of the Building 9 Lease and the Building 10 Lease, in accordance with the terms of the applicable document(s), subject to Section 4 below.

4. If any New Owner succeeds to the interest of Lessor under the Building 9 Lease or the Building 10 Lease, the New Owner shall not be:

(a) liable for any act or omission of any prior lessor (including Lessor); provided, that nothing herein shall release the lessor under the Building 9 Lease or the Building 10 Lease from the obligation to perform maintenance or repair obligations or limit New Owner's obligations under said leases to correct any conditions in violation of the New Owner's obligations as lessor under the Building 9 Lease or the Building 10 Lease provided that Lessee provides such New Owner with written notice of such default and opportunity to cure pursuant to Section 6 below; or

(b) liable for the return of any security deposit under either the Building 9 Lease or the Building 10 Lease not actually received by Mortgagee or the New Owner; or

(c) subject to any offsets or claims which Lessee might have against any prior lessor (including Lessor); or

(d) bound by any rent or additional rent which Lessee might have paid under the Building 9 Lease or the Building 10 Lease for more than the current month to any prior lessor (including Lessor) unless such monies have been actually received by New Owner; or

(e) bound by any amendment or modification of the Building 9 Lease or the Building 10 Lease (including an agreement to terminate the Building 9 Lease or the Building 10 Lease, other than as expressly contained in the Building 9 Lease or the Building 10 Lease) made without its consent.

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

6. Lessee agrees to give Mortgagee notice of any default by Lessor under the Building 9 Lease and the Building 10 Lease (if and when executed by the parties). Lessee further agrees that if Lessor shall have failed to cure such default within the time provided for in the Building 9 Lease or the Building 10 Lease, then Mortgagee shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary if within such thirty (30) days Mortgagee has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, commencement of legal proceedings, if necessary to effect such cure) in which event neither the Building 9 Lease nor the Building 10 Lease shall be terminated while such remedies are being so diligently pursued. Lessee shall accept performance by Mortgagee of any term, covenant, condition or agreement to be performed by Lessor under the Building 9 Lease or the Building 10 Lease with the same force and effect as though performed by Lessor.

7. In the event Mortgagee succeeds to the interest of Lessor in the Property, Lessee's rights against Mortgagee, as lessor, shall be limited to Mortgagee's interest in the Property, and Lessee shall have no recourse with regard to any other assets of Mortgagee.

8. Any notices which a party may be obligated or elect to give hereunder shall be sufficient if sent by certified mail, return receipt requested, postage prepaid or by Federal Express or other established overnight courier addressed as follows:

If to Mortgagee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates Series 2004-TFL2
c/o Wachovia Securities, Commercial Real Estate Services
8739 Research Drive-URP4
Charlotte, NC 28288-1075 (28262-1075 for overnight deliveries)
Attn: Alex Aguilar
Fax: 704-715-0036

with a copy to: Alston & Bird LLP
101 South Tryon Street, Suite 4000
Charlotte, NC 28280-4000
Attn: James A.L. Daniel, Jr., Esq.
Fax: 704-444-1776

If to Lessee: PDL BioPharma, Inc.
34801 Campus Drive
Fremont, California 94555
Attention: Laurie Torres, VP Human Resources
Facsimile: (510) 574-1661

With a copy to: Silicon Valley Law Group
25 Metro Drive, Suite 600
San Jose, California 95110
Attention: Lucy Lofrumento, Esq.
Facsimile: (408) 573-5701

Any such notice shall be deemed delivered on the earlier to occur of (a) receipt or (b) the date of delivery, refusal or non-delivery indicated on the return receipt if sent by certified mail. The above addresses may be changed by the persons identified above from time to time designated by written notice given as herein required; provided that no notice of a change of address shall be effective until actual receipt of such notice.

9. In the event of the bringing of any action or suit by any party or parties hereto against another party or parties hereunder alleging a breach of any of the covenants, conditions, agreements or provisions of this Agreement, the prevailing party or parties shall recover all reasonable costs and expenses of suit, including without limitation, reasonable attorneys' fees, consultants fees and fees of expert witnesses.

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

11. This Agreement may be executed in one or more counterparts, each of which shall be deemed original, and all of which together shall constitute one and the same instrument.

12. Neither Mortgagee nor its designee or nominee shall become liable under the Building 9 Lease and Building 10 Lease, unless and until Mortgagee or its designee or nominee becomes, and then only with respect to periods in which Mortgagee or its designee or nominee remains, the owner of the Property.

13. Lessee acknowledges that Lessor has assigned (or will assign) to Mortgagee its right, title and interest in the Building 9 Lease and the Building 10 Lease and to the rents, issues and profits of the Property pursuant to the Deed of Trust, and that Lessor has been granted the license to collect such rents provided no Event of Default has occurred under, and as defined in, the Deed of Trust. Lessee agrees to pay all rents and other amounts due under the Building 9 Lease and the Building 10 Lease directly to Mortgagee upon receipt of written demand by Mortgagee following an Event of Default, and Lessor hereby consents thereto and agrees that Lessee shall be released and discharged of all liability to Lessor for any such payments made to Mortgagee. The assignment of the Building 9 Lease and the Building 10 Lease to Mortgagee, or the collection of rents by Mortgagee pursuant to such assignment, shall not obligate Mortgagee to perform Lessor's obligations under the Building 9 Lease and/or the Building 10 Lease.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

PDL BIOPHARMA, INC., a Delaware corporation

By: _____
Name:
Title:

WELLS FARGO BANK, N.A., as Trustee for the Registered
Holders of Credit Suisse First Boston Mortgage Securities
Corp., Commercial Mortgage Pass-Through Certificates Series
2004-TFL2

By: WACHOVIA BANK NATIONAL ASSOCIATION,
solely in its capacity as Master Servicer

By: _____
Name:
Title:

The undersigned Lessor hereby consents to the foregoing Subordination, Non-Disturbance and Attornment Agreement and confirms the facts stated in the foregoing Subordination, Non-Disturbance and Attornment Agreement.

LESSOR:

PACIFIC SHORES INVESTORS, LLC,
a Delaware limited liability company

By: Pacific Shores Mezzanine, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Junior Mezz, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Junior Mezz Managers, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Development, LLC,
a Delaware limited liability company,
its sole member

By: TECHNOLOGY LAND LLC,
a California limited liability company,
Operating Member

By: _____
Jay Paul, Sole Managing Member

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss.:
COUNTY OF _____)

On _____, 2006, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.:
COUNTY OF _____)

On _____, 2006, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.:
COUNTY OF _____)

On _____, 2006, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.:
COUNTY OF _____)

On _____, 2006, before me, _____ the undersigned, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

EXHIBIT D
TO
PACIFIC SHORES INVESTORS, LLC
LEASE
TO
PDL BIOPHARMA, INC.
as
LESSEE
For
Pacific Shores Center
Building 10
1500 Seaport Boulevard
Redwood City, California 94063

SIGNAGE EXHIBIT

SINGLE TENANT BUILDINGS

Each tenant of a single tenant Building will be permitted (subject to compliance with Section 17.15 of the Lease) to place one sign to be located near the entrance to the parking lot associated with Building 10 (“**Monument**”). The exact size, design, color, location and materials of the Monument, and of the Lessee’s sign on the Monument, will be determined by Lessor in its sole and absolute discretion, provided that Lessor will not unreasonably withhold its consent to a tenant sign which employs a design and color commonly used by such tenant for marketing purposes so long as it fits within the space allocated by Lessor, and so long as it is in keeping with the overall design scheme of the Project. Each such tenant will also be permitted (subject to compliance with Section 17.15 of the Lease) to place one sign on the exterior surface of Building 10. Lessor reserves the right to allow different or additional signage anywhere in the Project, provided that, so long as Lessor may lawfully do so, Lessor will not reduce the size of space allocated on the Monument to a size smaller than that permitted as of the commencement date of the Lease, unless the size of the premises subject to the lease decreases from its size as of the lease commencement date or unless Lessor provides alternate signage of reasonably equivalent visibility. All signs shall comply with all applicable government laws and regulations and with the Pacific Shores Signage Master Plan (City of Redwood City Design Review Submittal dated November 11, 2000).

EXHIBIT E

To
PACIFIC SHORES INVESTORS, LLC.
LEASE
to
PDL BIOPHARMA, INC.,
For
PREMISES
at
1500 Seaport Drive
Building 10
Redwood City, California

**WORK LETTER AGREEMENT FOR LESSEE IMPROVEMENTS
AND INTERIOR SPECIFICATION STANDARDS**

This Work Letter Agreement (“Work Letter”) shall set forth the terms and conditions relating to the construction of Lessee Improvements within the Premises. This Work Letter is essentially organized chronologically and is intended to address the issues of the construction of Lessee Improvements at the Premises, in sequence, as such issues will arise during the actual construction of the Premises. All references in this Work Letter to Articles or Sections of “the Lease” shall mean the relevant portions of the above referenced Lease to which this Work Letter is attached as Exhibit “E,” and all references in this Work Letter to Sections of “this Work Letter” shall mean the relevant portions of Sections 1 through 5 of this Work Letter. “Lessor” herein shall have the same meaning as “Lessor” in the Lease and “Lessee” herein shall have the same meaning as “Lessee” in the Lease.

SECTION I
DELIVERY OF THE BASE BUILDING

1.1 Delivery by Lessor. On the Delivery Date, following the full execution and delivery of the Lease and this Work Letter by Lessor and Lessee, Lessor shall deliver Building 10 to Lessee, and Lessee shall accept Building 10 from Lessor in accordance with the terms and conditions of the Lease.

SECTION 2
LESSEE IMPROVEMENTS

2.1 Lessee to Construct. At Lessee’s sole cost and expense, including payment to Landlord of an amount equal to One Hundred and Fifty Thousand Dollars (\$150,000) (the “Construction Management Fee”) as an oversight fee, Lessee shall construct certain interior improvements in conformance with the Approved Working Drawings described below (“**Lessee Improvements**”) and subject to all the terms and conditions of the Lease and this Work Letter. Regardless of whether the Lessee Improvements are completed by the Commencement Date, said

Commencement Date shall not be extended, even if the Lessee Improvements are not completed by such date. The Construction Management Fee is to be paid in four (4) equal payments of Thirty-Seven Thousand Five Hundred Dollars (\$37,500) each. The first of such payments shall be paid on the Delivery Date and the remaining three (3) payments shall be made on the 90th, 180th and 270th day after the Delivery Date.

2.2 Lessee Improvement Allowance. Lessor shall provide a lessee improvement allowance (the "Lessee Improvement Allowance") in the amount of Two Million One Hundred Eighteen Thousand Three Hundred and 00/100 Dollars (\$2,118,300.00) to be used by Lessee solely for improving the Premises pursuant to the Design Drawings (as defined in Section 3.2 below). The Lessee Improvement Allowance shall be used towards the costs of Lessee Improvement Allowance Items (defined below) and Lessor shall be under no obligation to fund costs relating to furniture, equipment, including, without limitation, screening or viewing equipment, trade fixtures, moving expenses and other personal property. In no event shall Lessor be obligated to make disbursements of Lessor's funds pursuant to this Work Letter in a total amount which exceeds the cost of the Lessee Improvement Allowance Items. All such improvements shall be subject to all of the terms of this Exhibit E. The Lessee Improvement Allowance must be used on or before November 1, 2007 or any unused portion of the Lessee Improvement Allowance shall be waived and forfeit as to Lessee. Also, if the actual cost of such improvements is less than the amount of the Allowance, the unused portion of the Allowance shall be forfeited by Lessee.

2.3 Disbursement of the Lessee Improvement Allowance.

2.3.1 Lessee Improvement Allowance Items. Except as otherwise set forth in this Work Letter, the Lessee Improvement Allowance shall be disbursed by Lessor (pursuant to Lessor's disbursement process as described below) for costs of the demolition, design and construction of the Lessee Improvements, including the following items and costs (collectively, the "**Lessee Improvement Allowance Items**"):

2.3.1.1 payment of fees of the "Architect," and the "Engineers," as those terms are defined in Section 3.1 of this Work Letter and any fees paid by Lessee to a project manager and other construction and/or design consultants as well as all other reasonable, actual and documented out-of-pocket costs reasonably expended by Lessor or Lessee in connection with the construction of the Lessee Improvements;

2.3.1.2 the payment of plan check, permit and license fees relating to construction of the Lessee Improvements;

2.3.1.3 the cost of construction of the Lessee Improvements, including, without limitation, contractor's fees and general conditions, costs of materials and services, testing and inspection costs, costs of trash removal, demolition, utility hook-up charges, hoist fees, parking fees and utilities usage;

2.3.1.4 the cost of any changes to the Construction Drawings or Lessee Improvements required by the applicable laws; and

2.3.1.5 sales and use taxes, gross receipts taxes and Title 24 fees.

2.3.2 Disbursement of the Lessee Improvement Allowance. During the design and construction of the Lessee Improvements, Lessor shall make monthly disbursements of the Lessee Improvement Allowance for Lessee Improvement Allowance Items for the benefit of

Lessee and shall authorize the release of monies for the benefit of Lessee pursuant to the disbursement process set forth below. On or before the twenty-fifth (25th) day of each month (a “**Submittal Date**”), Lessee shall deliver to Lessor: (i) an application and certification (the “Payment Application”) for payment of the “**Contractor**,” as that term is defined in Section 4.1 of this Work Letter (or reimbursement to Lessee if Lessee has already paid the Contractor or other person or entity entitled to payment) or Lessee, as applicable in the form of AIA Document G702 with AIA G703 backup; (ii) appropriate executed progress mechanics’ lien releases which comply with the applicable provisions of California Civil Code Section 3262(d), and unconditional releases (with respect to payments previously made); and (iii) other information and documentation reasonably requested in good faith by Lessor or Lessor’s lender. On or before the date occurring thirty (30) days after the Submittal Date, and assuming Lessor receives all of the information described in items (i) through (iii), above, Lessor shall deliver a check to Lessee made payable to Lessee or if Lessee elects, to the Contractor, subcontractor, Architect, Engineer or consultant designated by Lessee for payment, up to the amount of the Lessee Improvement Allowance, in an amount equal to Lessor’s Share of the Payment Application. As used herein, the term “Lessor’s Share” shall mean eight and one half percent (8.50%). Notwithstanding the foregoing, with respect to fees and expenses of the Architect or Engineers or any other pre-construction items for which the payment scheme set forth in items (i) and (ii) of the immediately preceding sentence is not applicable but which fees, expenses and items are expressly included in Subsection 2.3.1 (above) as “**Lessee Improvement Allowance Items**” (collectively, the “**Non-Construction Allowance Items**”), Lessor shall make disbursements of the Lessee Improvement Allowance therefor on a monthly basis in an amount equal to Lessor’s Share of such Non-Construction Allowance Items following Lessor’s receipt of invoices and other reasonable evidence that Lessee has incurred the cost for the applicable Non-Construction Allowance Items, (unless Lessor has received a preliminary notice in connection with such costs, in which event conditional lien releases must be submitted in connection with such costs) and such other information and documentation reasonably required by Lessor or Lessor’s lender.

2.4 Lessee Improvement Specifications. Lessor has established specifications (the “**Specifications**”) for Building 10 standard components to be used in the construction of any non-laboratory Lessee Improvements in the Premises. The Specifications are set forth on Schedule One hereto. The quality of any non-laboratory Lessee Improvements in the Premises shall be equal to or of greater quality than the quality of the Specifications. Lessor may make changes to the Specifications for the non-laboratory Lessee Improvements from time to time which changes shall not be retroactive.

2.5 Improvements Letter of Credit.

2.5.1 Deposit of Improvements Letter of Credit Security

Lessee shall deposit with Lessor in accordance with the terms of Section 4.2.1 of this Work Letter an unconditional, irrevocable Improvements Letter of Credit (“Improvements Letter of Credit”) on a form acceptable to Lessor and, if required, Lessor’s lender(s), and in favor of Beneficiary (as defined below) in the amount of Fifteen Million and 00/100 Dollars (\$15,000,000.00) (the “Improvements Letter of Credit Security”). “Beneficiary,” as used herein refers to either: (x) Lessor as beneficiary, or (y) if required by Lessor’s lender(s), Lessor and Lessor’s lender(s), as directed by Lessor, as co-beneficiaries under the Improvements

Letter of Credit Security. The Improvements Letter of Credit Security shall: (i) be issued by a commercial money center bank reasonably satisfactory to Lessor with retail branches in San Francisco, California (the "Issuer"); (ii) be a standby, at-sight, irrevocable Improvements Letter of Credit; (iii) be payable to Beneficiary; (iv) permit multiple, partial draws, (v) provide that any draw on the Improvements Letter of Credit Security shall be made upon receipt by the Issuer of a sight draft accompanied by a letter from Lessor stating that Lessor is entitled, pursuant to the provisions of this Lease, to draw on the Improvements Letter of Credit Security in the amount of such draw; (vi) provide for automatic annual extensions, without amendment (so-called "evergreen" provision) with a final expiry date no sooner than March 31, 2007; (vii) provide that it is governed by the Uniform Customs and Practice for Documentary Credits (1993 revisions) International Chamber of Commerce Publication 500; and (viii) be cancelable if, and only if, Issuer delivers to Beneficiary no less than sixty (60) days advance written notice of Issuer's intent to cancel. Lessee shall pay all costs, expenses, points and/or fees incurred by Lessee in obtaining the Improvements Letter of Credit Security.

2.5.2 Lessor's Right to Draw on Improvements Letter of Credit Security.

The Improvements Letter of Credit Security shall be held by Lessor as security for the completion by Lessee of the Lessee Improvements described in the Approved Working Drawings. Lessor shall have the immediate right to draw upon the Improvements Letter of Credit Security, in whole or in part and without prior notice to Lessee, other than as required under this Lease, at any time and from time to time: (i) if Lessee stops work on the Lessee Improvements for a period of time in excess of sixty (60) days, (ii) the Lessee Improvements are not completed and the Improvements Letter of Credit Security will expire in less than forty-five (45) days, or (iii) Lessee either files a voluntary bankruptcy petition or an involuntary bankruptcy petition is filed against Lessee by an entity or entities other than Lessor, under 11 U.S.C. §101 et seq., or Lessee executes an assignment for the benefit of creditors. No condition or term of this Lease shall be deemed to render the Improvements Letter of Credit Security conditional, thereby justifying the Issuer of the Improvements Letter of Credit Security in failing to honor a drawing upon such Improvements Letter of Credit Security in a timely manner. The Improvements Letter of Credit Security and its proceeds shall constitute Lessor's sole and separate property (and not Lessee's property or, in the event of a bankruptcy filing by or against Lessee, property of Lessee's bankruptcy estate) and Lessor may immediately upon any draw (and without notice to Lessee) use, apply or retain the proceeds of such draw to compensate Lessor for any loss or damage which Lessor suffers by reason of Lessee's failure to perform the terms, covenants, or conditions of this Work Letter applicable to Lessee (including, but not limited to, damages recoverable under Civil Code § 1951.2), but in no event in excess of amounts to which the Lessor would be entitled under the law. It is expressly understood that Lessor shall be relying on Issuer rather than Lessee for the timely payment of proceeds under the Improvements Letter of Credit Security and the rights of Lessor pursuant to this Section are in addition to any rights which Lessor may have against Lessee pursuant to Article XII of the Lease. Lessor shall not be required to keep the proceeds of any draw upon the Improvements Letter of Credit Security separate from Lessor's general funds nor be deemed a trustee of same.

2.5.3 Replacement Improvements Letter of Credit Security

If, for any reason whatsoever, the Improvements Letter of Credit Security becomes subject to cancellation or expiration while such Improvements Letter of Credit Security is required to be posted during the Lease Term, within forty-five (45) days prior to expiration of the Improvements Letter of Credit Security, Lessee shall cause the Issuer or another bank satisfying the conditions of Section 2.5.1 above to issue and deliver to Lessor a Improvements Letter of Credit Security to replace the expiring Improvements Letter of Credit Security (the "Replacement Improvements Letter of Credit Security"). The Replacement Improvements Letter of Credit Security shall be in the same amount as the original Improvements Letter of Credit Security. Failure of Lessee to cause the Replacement Improvements Letter of Credit Security to be issued forty-five (45) days prior to the then pending expiration or cancellation shall entitle Lessor to fully draw down on the existing Improvements Letter of Credit Security and, at Lessor's election, shall be an event of default under this Lease without any relevant notice and cure period.

2.5.4 Transfer of Beneficiary

During the Lease Term Lessor may transfer its interest in the Lease or Lessor's lender may change. Lessor may request a change to Beneficiary under the Improvements Letter of Credit Security to the successor of Lessor and/or Lessor's lender (the "Transferee"). Lessee agrees to cooperate and to cause Issuer, at Lessor's cost, to timely issue a new Improvements Letter of Credit Security on the same terms and conditions as the original Improvements Letter of Credit Security, except that the new Improvements Letter of Credit Security shall be payable to the Transferee. Lessor shall surrender the existing Improvements Letter of Credit Security to Lessee simultaneously with Lessee's delivery of the new Improvements Letter of Credit Security to Transferee.

2.5.5 Return of the Improvements Letter of Credit Security

Once Lessee has completed the Lessee Improvements described in the Approved Working Drawings, the Improvements Letter of Credit Security or any balance thereof drawn upon and held (and not used or applied) by Lessor at the time shall be returned (without interest) to Lessee (or, at Lessee's option, to the last assignee of Lessee's interests hereunder) no later than the earlier to occur of the following: (i) ninety-one (91) days after Lessee or Lessor files a Notice of Completion (as described in Section 4.3 hereof) or (ii) thirty (30) days after Lessee has delivered to Lessor final, unconditional lien releases for all of the Lessee Improvements, along with all of the documentation required of Lessee pursuant to Section 4.3 of this Work Letter; provided that if prior to the Lease Expiration Date a voluntary bankruptcy provision is filed by Lessee, or an involuntary bankruptcy is filed against Lessee by any of Lessee's creditors other than Lessor, under 11 U.S.C. § 101 et seq., or Lessee executes an assignment for the benefit of creditors, then to the fullest extent permitted by law Lessor shall not be obligated to return the Improvements Letter of Credit Security or any proceeds of the Improvements Letter of Credit Security until all statutes of limitations for any preference avoidance statutes applicable to such bankruptcy or assignment for the benefit of creditors have elapsed or the bankruptcy court or assignee, whichever is applicable, has executed a binding release releasing Lessor of any and all liability for the preferential transfers relating to payments

made under this Lease, and Lessor may retain and offset against any remaining Improvements Letter of Credit Security proceeds the full amount Lessor is required to pay to any third party on account of preferential transfers relating to this Lease. Lessor agrees it will cooperate in providing Issuer with a letter of cancellation or such other reasonable documentation as Issuer requests to effect the return and extinguishment of the credit issued under the Improvements Letter of Credit Security.

2.5.6 Acknowledgment of Parties

Lessor and Lessee (a) acknowledge and agree that in no event or circumstance shall the Improvements Letter of Credit Security or any renewal thereof or substitute therefor or any proceeds thereof be deemed to be or treated as a "security deposit" under any law applicable to security deposits in the commercial context, including, but not limited to Section 1950.7 of the California Civil Code, as such Section now exists or as it may be hereafter amended or succeeded (the "Security Deposit Laws"), (b) acknowledge and agree that the Improvements Letter of Credit Security (including any renewal thereof or substitute therefor or any proceeds thereof) is not intended to serve as a security deposit, and the Security Deposit Laws shall have no applicability or relevancy thereto, and (c) waive any and all rights, duties and obligations that any such party may now, or in the future will, have relating to or arising from the Security Deposit Laws. Lessee hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of law, now or hereafter in effect, which (i) establish the time frame by which a Lessor must refund a security deposit under a lease, and/or (ii) provide that a Lessor may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a Lessee or to clean the premises, it being agreed that Lessor may, in addition, claim those sums specified in this Section 2.5 and/or those sums reasonably necessary to compensate Lessor for any loss or damage caused by Lessee's breach of this Lease, including any damages Lessor suffers.

SECTION 3 CONSTRUCTION DRAWINGS

3.1 Preparation of Drawings. Lessee shall retain an architect/space planner reasonably approved by Lessor (the "**Architect**") and engineering consultants reasonably approved by Lessor (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life safety, sprinkler and any other work to be conducted in the Premises. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be referenced collectively as the "**Construction Drawings**." All Construction Drawings shall comply with drawing content and specifications determined by Lessor, and shall be subject to Lessor's reasonable approval, which Construction Drawings shall contain the information listed on Schedule Two attached hereto. Lessee and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building plans, and Lessee and Architect shall be solely responsible for the same, and Lessor shall have no responsibility in connection therewith. Lessor's review of the Construction Drawings, as set forth in this Section 3, shall be for its sole purpose and shall not imply Lessor's review of the same, or obligate Lessor to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are

reviewed by Lessor or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Lessee by Lessor or Lessor's space planner, architect, engineers, and consultants, Lessor shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings, and Lessee's waiver and indemnity set forth in Section 7.07(a) of the Lease shall specifically apply to the Construction Drawings.

3.2 Design Drawings. Lessee shall supply Lessor with four (4) copies signed by Lessee of its design development drawings for the Premises. The design development drawings which shall be 50% complete (the "**Design Drawings**") shall include, to the extent then currently available, all major elements of design for the Premises including a layout and designation of all offices, rooms and other partitioning, their intended use, equipment specifications and location, mechanical, electrical and plumbing design, general finishes, access and egress, structural modifications (if any), including supporting structural calculations, fire alarm and fire protection, any modifications to the building exterior, roof screen design (based on project standard) and layout, including line of site study for any equipment that extends above roof screen, equipment yard layout including equipment specifications and location. Lessor may request clarification or more specific drawings for special use items not included in the Design Drawings. Lessor shall advise Lessee within ten (10) business days after Lessor's receipt of the Design Drawings for the Premises if the same is reasonably unsatisfactory or incomplete in any respect. If Lessee is so advised, Lessee shall cause the Design Drawings to be revised to correct any deficiencies or other matters Lessor may reasonably require and submit the revised Design Drawings to Lessor for its approval no later than five (5) business days after Lessor delivers its advice. If Lessor makes any objections to the Design Drawings, and provided such objections are reasonable, Lessee shall revise the Design Drawings and cause such objections to be remedied in the revised Design Drawings. Within five (5) business days after Lessor receives the revised Design Drawings, Lessor shall approve or reasonably disapprove such revised Design Drawings. This procedure shall be repeated until the Design Drawings is finally approved by Lessor and written approval has been delivered to and received by Lessee. Lessor's failure to advise timely shall be deemed approval.

3.3 Final Working Drawings. Lessee shall promptly cause the Architect and the Engineers to complete the architectural and engineering drawings for the Premises, and whenever Architect has compiled a set of architectural, structural, mechanical, electrical or plumbing working drawings with complete specifications in a form to be used to obtain permits for the work specified in such drawings (in each case, a "**Final Working Drawings**"), Lessee shall submit to Lessor for Lessor's approval, four (4) copies signed by Lessee of such Final Working Drawings. The Final Working Drawings shall substantially reflect the intent of the Design Drawings approved by Lessor. Lessor shall advise Lessee within ten (10) business days after Lessor's receipt of any Final Working Drawings for the Premises if the same is reasonably unsatisfactory or incomplete in any respect. If Lessor makes any objections to the Final Working Drawings, and provided such objections are reasonable, Lessee shall revise the Final Working Drawings and cause such objections to be remedied in the revised Final Working Drawings. Within five (5) business days after Lessor receives the revised Final Working Drawings, Lessor shall approve or reasonably disapprove such revised Final Working Drawings. This procedure shall be repeated until the Final Working Drawings is finally approved by Lessor and written approval has been delivered to and received by Lessee. Lessor's failure to advise timely shall be deemed approval. In addition, if the Final Working Drawings are modified, amended or supplemented in

any way after Lessor's approval thereof, or if Lessee prepares a separate set of Final Working Drawings in order to receive applicable permits with respect to any element of the Lessee Improvements, this procedure shall be repeated until such amended or additional Final Working Drawings are finally approved by Lessor and written approval has been delivered to and received by Lessee.

3.4 Approved Working Drawings. The Final Working Drawings, as approved by Lessor, are hereinafter referred to as the "**Approved Working Drawings**." Lessee shall obtain all applicable permits from the City of Redwood City necessary to complete the tenant improvements in substantial conformance with the Approved Working Drawings. Lessee hereby agrees that neither Lessor nor Lessor's consultants shall be responsible for obtaining any building permit or certificate of occupancy for the Premises and that obtaining the same shall be Lessee's responsibility; provided, however, that Lessor shall cooperate with Lessee in a timely manner in executing permit applications and performing other ministerial acts reasonably necessary to enable Lessee to obtain any such permit or certificate of occupancy. No changes, modifications or alterations in the Approved Working Drawings which will require a permit or other governmental approval may be made without the prior written consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed.

SECTION 4 CONSTRUCTION OF THE LESSEE IMPROVEMENTS

4.1 Lessee's Selection of Contractors.

4.1.1 The Contractor. A general contractor shall be retained by Lessee to construct the Lessee Improvements pursuant to a written construction contract ("**Construction Contract**"). Such general contractor ("**Contractor**") shall be selected by Lessee subject to Lessor's consent, which consent shall not be unreasonably withheld, conditioned or delayed provided that such contractor is a California licensed contractor with a successful track record of constructing first class Lessee improvements in first class office buildings and has never been involved in a material dispute with Lessor.

4.1.2 Lessee's Agents. All subcontractors performing mechanical, electrical, plumbing, fire alarm, fire sprinkler, structural and exterior wall work used by Lessee must be approved in writing by Lessor, which approval shall not be unreasonably withheld or conditioned and shall either be given or denied within five (5) business days of Lessor's receipt of request therefor. Notwithstanding anything herein to the contrary, Lessee may submit to Lessor a list of potential Contractors and subcontractors for the Lessee Improvements for pre-approval by Lessor. So long as Lessee uses a Contractor or subcontractor approved by Lessor from such list, no further consent of Lessor to the use of such person or entity shall be necessary. Lessee shall utilize the subcontractor who completed the original construction of the Premises curtain wall system, exterior glass and GFRC panels for any modification of those building systems. If Lessor does not approve any of Lessee's proposed subcontractors, Lessee shall submit other proposed subcontractors for Lessor's written approval. Such approved subcontractors, along with all laborers, materialmen and suppliers are collectively referred to herein, along with the Contractor, as the "Lessee's Agents." Notwithstanding the foregoing, Lessee shall retain subcontractors, laborers, materialmen and suppliers of good reputation with the requisite skills, qualifications and experience in connection with any work to be performed in the Premises.

4.2 Construction of Lessee Improvements by Lessee's Agents.

4.2.1 Construction Contract, Cost Budget. Within two (2) business days of its execution by Lessee and Contractor, Lessee shall deliver to Lessor a copy of the Construction Contract, along with a budget for the construction of the Lessee Improvements. Prior to the earlier to occur of: (i) two (2) business days after execution by Lessee and Contractor of the Construction Contract, or (ii) the date on which Lessee receives any permits necessary to commence to build the Lessee Improvements, Lessee shall deliver to Lessor, the Improvements Letter of Credit Security.

4.2.2 Lessee's Agents.

4.2.2.1 Lessor's General Conditions for Lessee's Agents and Lessee Improvement Work. Lessee's and Lessee's Agent's construction of the Lessee Improvements shall comply with the following: (i) the Lessee Improvements shall be constructed in accordance with the Approved Working Drawings; and (ii) Lessee shall abide by and cause all of Lessee's Agents to abide by all rules made by Lessor's Building manager with respect to the use of freight, loading dock and service elevators, storage of materials, coordination of work with the contractors of other Lessees, and any other matter in connection with this Work Letter, including, without limitation, the construction of the Lessee Improvements. Subject to the terms of Section 7.06 of the Lease, Lessee shall reimburse Lessor within ten (10) business days after demand, for all costs of repair and cleanup incurred by Lessor for damage to the Project, the Premises, Building 10 or any contents thereof (including, without limitation Furniture) caused by Lessee or Lessee's Agents or debris, litter or other materials or matter left within the premises at any time.

4.2.2.2 Indemnity. Lessee's indemnity of Lessor as set forth in Section 7.07(a) of the Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Lessee or Lessee's Agents, or anyone directly or indirectly employed by any of them, or in connection with Lessee's non-payment of any amount arising out of the Lessee Improvements and/or Lessee's disapproval of all or any portion of any request for payment. Such indemnity by Lessee, as set forth in Section 7.07(a) of the Lease, shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to Lessor's performance of any ministerial acts reasonably necessary (i) to permit Lessee to complete the Lessee Improvements, and (ii) to enable Lessee to obtain any building permit or certificate of occupancy for the Premises.

4.2.2.3 Requirements of Lessee's Agents. Each of Lessee's Agents shall guarantee to Lessee and for the benefit of Lessor that the portion of the Lessee Improvements for which it is responsible shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof. Each of Lessee's Agents shall be responsible for the replacement or repair, without additional charge, of all work done or furnished in accordance with its contract that shall become defective within one (1) year after the completion of the work performed by such contractor or subcontractors. The correction of such work shall include, without additional charge, all additional expenses and damages incurred in connection with such removal or replacement of all or any part of the Lessee Improvements, and/or Building, and/or Furniture and/or Common Areas that may be damaged or disturbed

thereby. All such warranties or guarantees as to materials or workmanship of or with respect to the Lessee Improvements shall be contained in the contract and shall be written such that such guarantees or warranties shall inure to the benefit of both Lessor and Lessee, as their respective interests may appear, and can be directly enforced by either. Lessee covenants to give to Lessor any assignment or other assurances which may be necessary to effect such right of direct enforcement.

4.2.2.4 Insurance Requirements.

4.2.2.4.1 General Coverages. Lessee's Contractor shall carry worker's compensation insurance covering all of their respective employees, and shall also carry commercial general liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Lessee as set forth in Section 7.04 of the Lease.

4.2.2.4.2 Special Coverages. Lessor shall carry "Builder's Risk" insurance covering the construction of the Lessee Improvements, it being understood and agreed that the Lessee Improvements shall be insured by Lessor pursuant to Section 7.01 of the Lease immediately upon completion thereof. Lessee shall carry extended coverage endorsements as may be reasonably required by Lessor including, but not limited to, the requirement that all of Lessee's Agents shall carry excess liability insurance, each in amounts not less than \$1,000,000 per incident, \$2,000,000 in aggregate, and in form and with companies as are required to be carried by Lessee as set forth in Section 7.05 of the Lease. Lessor and Lessee shall each deliver evidence of the insurance required hereunder to the other upon demand therefor.

4.2.2.4.3 General Terms. Certificates for all insurance carried pursuant to this Section 4.2.2.4 shall be delivered to Lessor before the commencement of construction of the Lessee Improvements and before the Contractor's equipment is moved onto the Project. All such policies of insurance must contain a provision that the company writing said policy will give Lessor thirty (30) days prior written notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance. In the event that the Lessee Improvements are damaged by any cause during the course of the construction thereof, Lessee shall immediately repair the same at Lessee's sole cost and expense, but subject to reimbursement under the Builder's Risk Insurance.. The Contractor and each of its subcontractors shall maintain all of the foregoing insurance coverage in force until the Lessee Improvements are fully completed and accepted by Lessor. All policies carried under this Section 4.2.2.4 shall insure Lessor and Lessee, as their interests may appear, as well as Contractor and its subcontractors. All insurance, except Workers' Compensation, maintained by Contractor and its subcontractors shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the Lessor and that any other insurance maintained by Lessor is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Lessor by Lessee under Section 4.2.2.2 of this Work Letter.

4.2.3 Governmental Compliance. The Lessee Improvements shall comply in all respects with the following: (i) the Code and other state, federal, city or quasi-governmental laws, codes, ordinances and regulations, as each may apply according to the rulings of the

controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications.

4.2.4 Inspection by Lessor. Lessor shall have the right to inspect the Lessee Improvements at all reasonable times, provided however, that Lessor's failure to inspect the Lessee Improvements shall in no event constitute a waiver of any of Lessor's rights hereunder nor shall Lessor's inspection of the Lessee Improvements constitute Lessor's approval of the same. Should Lessor reasonably disapprove any portion of the Lessee Improvements, Lessor shall notify Lessee in writing of such disapproval and shall specify the items disapproved. Any defects or deviations in, and/or disapproval by Lessor of, the Lessee Improvements shall be rectified by Lessee at no expense to Lessor, provided however, that in the event Lessor determines that a defect or deviation exists or disapproves of any matter in connection with any portion of the Lessee Improvements and such defect, deviation or matter might adversely affect the mechanical, electrical, plumbing, heating, ventilating and air-conditioning or life-safety systems of Building 10, the structure or exterior appearance of Building 10, Lessor may take such action as Lessor deems reasonably necessary, at Lessee's expense and without incurring any liability on Lessor's part, to correct any such defect, deviation and/or matter, including, without limitation, causing the cessation of performance of the construction of the Lessee Improvements until such time as the defect, deviation and/or matter is corrected to Lessor's satisfaction.

4.2.5 Meetings. Commencing upon the delivery of the Premises to Lessee, Lessee shall hold periodic meetings at a reasonable time with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Lessee Improvements. Lessee shall provide Lessor with reasonable advance notice of all such meetings to enable Lessor's representative to attend and participate.

4.3 Notice of Completion; Copy of Record Set of Plans. Within ten (10) days after completion of construction of the Lessee Improvements, Lessee shall cause a Notice of Completion to be recorded in the office of the Recorder of the County of San Mateo in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Lessor upon such recordation. If Lessee fails to do so, Lessor may execute and file the same on behalf of Lessee as Lessee's agent for such purpose, at Lessee's sole cost and expense. Concurrent with Lessor's delivery of Building 10 to Lessee, Lessor shall deliver to Lessee a "record set" of "as-built" drawings for the building shell. At the conclusion of construction, (i) Lessee shall cause the Architect and Contractor (A) to prepare a "record set" of "as-built" drawings, (B) to certify to the best of their knowledge that the "record-set" of mylar "as-built" drawings are true and correct, which certification shall survive the expiration or termination of this Lease, and (C) deliver to Lessor two (2) printed sets and one (1) electronic set in CAD format on CD of such record drawings within sixty (60) days following issuance of a final permit accepting the work of Lessee Improvements or similar final sign-off, and (ii) Lessee shall deliver to Lessor a copy of all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Premises.

SECTION 5
MISCELLANEOUS

5.1 Lessee's Representative. Lessee has designated Bruce Laprade as its sole representative with respect to the matters set forth in this Work Letter, who shall have full authority and responsibility to act on behalf of the Lessee as required in this Work Letter.

5.2 Lessor's Representative. Lessor has designated Janette Sammartino as its sole representatives with respect to the matters set forth in this Work Letter, who, until further notice to Lessee, shall have full authority and responsibility to act on behalf of the Lessor as required in this Work Letter.

5.3 Time of the Essence in This Lessee Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. If any item requiring approval is timely disapproved by Lessor, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Lessor.

5.4 Lessee's Lease Default. Notwithstanding any provision to the contrary contained in this Lease, if any material default as described in Section 12.01 of Lease or failure by Lessee to timely observe or perform an obligation under this Work Letter has occurred at any time on or before the substantial completion of the Lessee Improvements, then (i) in addition to all other rights and remedies granted to Lessor pursuant to the Lease, Lessor shall have the right to cause Contractor to cease the construction of the Lessee Improvements (in which case, Lessee shall be responsible for any further delay in the substantial completion of the Lessee Improvements caused by such work stoppage), and (ii) all other obligations of Lessor under the terms of this Work Letter shall be forgiven until such time as such default is cured pursuant to the terms of the Lease (in which case, Lessee shall be responsible for any delay in the substantial completion of the Lessee Improvements caused by such inaction by Lessor), and (iii) the date on which payment of Base Rent is to commence under the Lease shall not be affected.

5.5 Lessee's Agents. All subcontractors, laborers, materialmen, and suppliers retained directly by Lessee shall conduct their activities in and around the Project, the Premises, Building 10 or any contents thereof in a harmonious relationship with all other subcontractors, laborers, materialmen and suppliers at the Project and the Premises.

5.6 Change Orders. No material changes, modifications or alterations in the Approved Working Drawings in the Lessee Improvement work pursuant thereto (collectively referred to as "**Change Orders**") shall be made by Lessee without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessor will respond to Lessee's submission of all requests for Change Orders for Lessor approval within three (3) business days from Lessor's actual receipt. All requests for Change Orders shall be made in writing. Once approved in writing, such Change Orders shall become a part of the Approved Working Drawings. For purposes of this Section 5.6, a Change Order shall be deemed "material" if such Change Order will require a permit or other governmental approval or if it affects the structural elements of Building 10.

5.7 Assumption of the Risk. Lessee accepts, assumes and shall be solely responsible for all risks for the construction and installation of the Lessee Improvements other than for risks resulting from the gross negligence or willful misconduct of Lessor or Lessor's employees, agents, contractors or subcontractors or risks covered by Builder's Risk Insurance.

5.8 No Partnership. Nothing in this Agreement shall cause Lessor and Lessee to be partners or joint venturers.

5.9 Hazardous Materials. If the construction of the Lessee Improvements or Lessee's move into the Premises will involve the use of Hazardous Materials, Lessee shall comply with Lessor's rules and regulations concerning such Hazardous Materials.

5.10 Schedules. Attached hereto and incorporated herein by reference are the following schedules:

Schedule One to Exhibit "C" - B Abbreviated Specifications

Schedule Two to Exhibit "C" - B Construction Drawing Requirements

SCHEDULE ONE
TO
EXHIBIT E
TO
PACIFIC SHORES INVESTORS, LLC
LEASE
TO
PDL BIOPHARMA, INC
FOR
Pacific Shores Center
Building 10
1500 Seaport Boulevard
Redwood City, California
INTERIOR SPECIFICATION STANDARDS
ABBREVIATED BUILDING STANDARDS
For Pacific Shores

Note: The Tenant Improvements shall be Class “A” and, their quality must be at a minimum, per the following standards:

GENERAL OFFICE

CUSTOM CABINETRY

SCOPE: All materials and labor for the construction and installation of Cabinetry and all related accessories per WIC Standards.

- A. Trade Standards: Woodworking Institute of California (WIC) latest edition Section 15 and 16 for plastic laminated casework and plastic laminated countertops. Color of plastic laminate to be selected by Architect
- B. All cabinetry to be constructed to “Custom-Grade” Specifications. Cabinetry to be flush overlay construction.
- C. Plastic Laminate: High Pressure thermoset laminated plastic surfacing material to equal or surpass NEMA LD3, Nevamar, WilsonArt or approved equal.
 - 1. Countertops, shelf-tops, splashes, and edges: Grade GP 50, 0.050 inches thick.
 - 2. All other exposed vertical surfaces: Grade GP 28, 0.028 inches thick
 - 3. Semi-exposed backing sheet: Grade CL 20, 0.020 inches thick
 - 4. Concealed backing sheet: Grade BK 20, 0.020 inches thick
- D. Adhesives: Bond surfaces to Type 11 as recommend by Plastic Laminate Manufacturer.
- E. Hinges: Heavy-duty concealed self-closing hinges. Amount of hinges per Door per WIC. Stanley or approved equal
- F. Door and Drawer Pulls: Wire-pull with 4-inch centers; Dull Chrome finish; Stanley 4483 or approved equal.
- G. Drawer slides: Heavy-duty grade with ball-bearings. Stanley, Klein, or approved equal
- H. Door Catches: Heavy-duty commercial friction type.
 - 1. Recessed Adjustable Shelf Standards: Aluminum or zinc-plated recessed type; Knape & Vogt with clips or approved equal.

- I. Base and Wall Cabinets including doors: 3/4-inch thick medium density particleboard:
 - 1. Conceal all fastenings.
 - 2. Provide clear spaces as required for mechanical and electrical fittings
 - 3. Plastic laminate and self-edge all shelves.
 - 4. Provide 3/4-inch thick doors and drawer faces.
 - 5. Unless indicated otherwise, all shelving to be adjustable.
 - 6. Provide back and ends on all cabinets.
 - 7. All exposed cabinet faces to be plastic-laminated.
- J. Countertops and Shelving: 3/4-inch thick medium density particleboard. Backsplash to be 3/4 inches thick, glued and screwed into top with scribed edges. Joints in countertop to be not closer than 24 inches from sinks. Joints shall be shop fitted, splined, glued and mechanically fastened.
- K. Installation of Cabinetry shall be per WIC instructions, Custom Grade.

WOOD DOORS

SCOPE: All materials and labor necessary for the installation of Wood Doors, required accessories and preparations for hardware.

- A. Non-rated Wood Doors: 1-3/4 inch thick, flush, solid core, plain sliced Birch veneer with Birch edge. Cores may be either of the following: Glued block Hardwood Core per NWMA or Particleboard Core per NWMA. Manufacturer: Algoma, Weyerhaeuser, or approved equal.
- B. Fire-rated Wood Doors: 1-3/4 inch thick, flush, solid core, plain sliced Birch face veneer with Birch Edge with mineral core per rating. Manufacturer: Algoma, Weyerhaeuser, or approved equal. Doors shall have a permanent UL label.
- C. Vision Panels (where applies): Fire rated vision panel where required. Set in square metal stop to match metal doorstops as provided by doorframe manufacturer.
- D. Doors shall be 8'-0" x 3'-0" leafs typical.

ALUMINUM DOOR AND WINDOW FRAMES

SCOPE: All materials and labor necessary for the installation of Aluminum Door Frames.

- A. Frame Manufacturers: Raco, or Ragland Manufacturing Company, Inc.
- B. Door Frames: Non-rated and 20-minute label, Raco "Trimstyle" frame with Trim 700 (3/8 inch by 1- 1/2 inch) with no exposed fasteners.
- C. Finish, Door and Window Frame Extrusions, Wall Trim:
 - 1. Painted and oven-cured with "Duralaq" finish.
 - 2. Color: Clear.
 - 3. Finish shall meet or exceed requirements of AAMA Specifications 603.
 - 4. Coat inside of frame profile with bituminous coating to a thickness of 1/16 inch where in contact with dissimilar materials.

DOOR HARDWARE

SCOPE: All materials and labor for the installation of all Door Hardware, locksets, closers, hinges, miscellaneous door hardware.

- A. Swinging Door Lockset and Cylinder: Schlage "L" series with lever handle with 6 pin cylinder.
- B. Keyway: Furnish blank keyways to match existing master-key system. Match existing keyways.
- C. Finishes: Satin Chrome, 626 finish. Paint closers to match.
- D. Kickplates: 16 gauge stainless steel; 10 inches high: width to equal door width less 2 inches.

HARDWARE SCHEDULE

Hardware Group A (Typical, rated, single door)

1	Lockset	Schlage	L9050PD
1 1/2 pair	Butt Hinges	Hager	BB1279
1	Closer	Norton	700 Series
1	Stop	Quality	(332 @ carpet)
1	Smoke Seal	Pemko	

Hardware Group B (Typical, rated, closet/service door)

1	Lockset	Schlage	L9080PD
1 1/2 pair	Butt Hinges	Hager	BB1279
1	Closer	Norton	700 Series w/ hold-open
1	Stop	Quality	(332 @ carpet)
1	Smoke Seal	Pemko	

Hardware Group C (Typical, non-rated door)

1	Lockset	Schlage	L9050PD
1 1/2 pair	Butt Hinges	Hager	BB1279
1	Stop	Quality	(332 @ carpet)

Hardware Group D (Typical, non-rated, closet/service door)

1	Lockset	Schlage	L9080PD
1 1/2 pair	Butt Hinges	Hager	BB1279
1	Stop	Quality	(332 @ carpet)

Hardware Group E (Card-access door)

1	Electric Lockset	Schlage	L9080PDGU
1 1/2 pair (2 pr @ 8' door)	Butt Hinges	Hager	BB1279 – NRP
1	Electric Butt	Hager	
1	Closer	Norton	700 Series w/ hold-open
1	Stop	Quality	(332 @ carpet)

Hardware Group F (Typical, double door)

1	Electric Lockset	Schlage	L9050PD
3 pair	Butt Hinges	Hager	BB1270
1	Auto Flush Bolt	Glyn Johnson	FB-8
1	Dustproof Strike	Glyn Johnson	DP2
2	Closer	Norton	7700 Series
2	Stop	Quality	(332 @ carpet)
1	Astragal	Pemko	
1	Coordinator	Glyn Johnson	
1	Smoke Seal	Pemko	

GLAZING

SCOPE: All materials and labor for the installation of Glass.

- A. Manufacturers: PPG Industries, or Viracon, Inc. See glazing schedule below.
- B. Shop prepares all glazing. Edges to have no chips or fissures.
- C. Glazing Materials:
 - 1. Safety Glass: ASTM C1048, fully tempered with horizontal tempering, Condition A uncoated, Type 1 transparent flat, Class 1 clear, Quality q3 glazing select, conforming to ANSI Z97.1
 - 2. Mirror Glass: Clear float type with copper and silver coating, organic overcoating, square polished edges, 1/4-inch thick,
 - 3. Wire Glass: Clear, polished both sides, square wire mesh of woven stainless steel wire 1/2 inch x 1/2 inch grid; 1/4 inch thick.
 - 4. Tempered Glass: 1/4 inch thick, no tong marks. UL rated for 1 -hour rating.
 - 5. Spacers: Neoprene.
 - 6. Tape to be poly-iso-butylene.
- D. Schedule:
 - 1. Type A: 1/4-inch thick mirror, annealed, heat strengthened, or full tempered as required.
 - 2. Type B: 1/4 inch thick clear float glass, annealed, heat strengthened, or full tempered as required.
 - 3. Type C: 1/4-inch thick wire glass plate, square pattern "Baroque"

LIGHT GAUGE METAL FRAMING

SCOPE: All materials and labor necessary for the installation of metal framing and related accessories.

- A. Structural Studs: 14 gauge punched channel studs with knurled screw-type flanges, prime-coated steel. Manufacturer: United States Gypsum SJ or approved equal. Submit cut-sheet of material.
- B. Partition Studs: 20 gauge studs with key-hole shaped punch-outs at 24 inches on center. Manufacturer: United States Gypsum ST or approved equal.
- C. Fasteners for Structural Studs: Metal screws as recommended by metal system manufacturer. Weld at all structural connection points.
- D. Reinforce framed door and window openings with double studs at each jamb (flange-to-flange and weld) and fasten to runners with screws and weld. Reinforce head with 14 gauge double stud same width as wall. Screw and weld.
- E. Provide all accessories as required to fasten metal-framing per manufacturers recommendations.
- F. Provide and install flat-strapping at all structural walls (walls with concrete footings beneath the walls). Minimum bracing shall be 25 % of structural walls shall be braced with flat-strapping per Manufacturers recommendations. Weld at all strap ends and at all intermediate studs.
- G. Provide foundation clips at 4'-0" on center at structural walls. Anchor with 1/2 inch diameter by 10 inch long anchor bolts.
- H. Non-structural interior partitions shall be anchored with power-driven fasteners at 4'-0" on center at the concrete slab.

ACOUSTIC CEILING SYSTEM

SCOPE: All materials and labor for the installation of the Acoustic Ceiling System including T-Bar system, Acoustic Ceiling Panels, Suspension wiring and fastening devices and Glued-down Ceiling Panels.

- A. Manufacturer: Armstrong, or approved equal. Exposed T-bar system; factory painted; steel construction; rated for intermediate duty.
- D. Acoustical Tile: "Second Look", conforming to the following:
 - 1. Size: 24 x 48 inches.
 - 2. Thickness: 3/4 inches.

3. Composition: Mineral.
4. NRC Range: .55 to .60.
5. STC Range: 35 to 39.
6. Flame Spread: ASTM E84, 0-25. UL Label, 25 or under.
7. Edge: Tegular, Lay-in.
8. Surface Color: White.
9. Surface Finish: Factory-applied washable vinyl latex paint.

- G. Installation to be per ASTM C636 structural testing. Lateral support for each 96 square feet of ceiling flared at 45 degrees in 4 directions.
- H. Provide clips for panel uplift restraints at all panels, 2 per panel.

GYPSUM WALLBOARD

SCOPE: Provide all materials and labor for the installation of Gypsum Wallboard including all accessories and finishes.

- A. Standard Gypsum Wallboard: ASTM C36;. Ends square cut, tapered edges.
- B. Fire Resistant Gypsum Wallboard: ASTM C36, 5/8 inches thick Type X. Ends square cut, tapered edges. See Drawings for locations.
- C. Moisture-resistant gypsum wallboard: ASTM C630-90.
- D. Joint-reinforcing Tape and Joint Compound: ASTM C475, as manufactured by or recommended by wallboard manufacturer. Minimum 3 coat application for a smooth finish.
- E. Corner Bead: Provide at all exposed outside corners;
- F. L-shaped edge trim: Provide at all exposed intersections with different materials.
- G. All work shall be done in accordance with the USG recommended method of installation.
 1. Finish: smooth.

PAINTING

- A. Paint Manufacturers: ICI, Dunn-Edwards Corporation, Kelly Moore.
- B. Paint colors shall be selected by the Architect.
- C. Painting Schedule: Provide for 4 different color applications
 1. P-1: "Field". Color to be selected.
 2. P-2: "Accent". Color to be selected.
 3. P-3: "Accent". Color to be selected.
 4. P-4: "Accent". Color to be selected.
- D. Interior Gypsum Wallboard:
 1. Primer: Vinyl Wall Primer/Sealer.
 2. 1 stand 2nd Coat: Eggshell Acrylic Latex.
- E. Metal Framing:
 1. Primer: Red Oxide, shop-primed (for non-galvanized) if exposed.
- F. Wood Work, Wood Doors:
 1. Two coats of transparent finish. Sand lightly between coats with steel wool.

INSULATION

- A. R-15 in exterior walls.
- B. R-25 on Roof.
- C. Sound batts in conference, restroom and lobby walls.

ROOF EQUIPMENT

- A. Stainless steel mechanical platform and associated access stairs and guard rail system
- B. EIFS roof screen to match detail of exterior GFRC Panel.

FULL HEIGHT GLAZED PARTITION

- A. 1/4" glazed partition, in building standard aluminum frame

FINISHES

- A. Vinyl Composite Tile: Armstrong stonetex, 12" x 12"
- B. Resilient Base: Burke rubber wall base, 4" top set or cove, as appropriate for VCT or carpet.
- C. Window Coverings: Miniblinds, Levelor, color: TBD
- D. Carpet:
 - Option 1: Designweave, Windswept Classic 30 oz. (Direct glue installation) or equal
 - Option 2: (cut pile) Designweave, Tempest Classic 32 oz. (Direct glue installation) or equal.
Upgrade
 - Option 3: (cut pile) Designweave, Sabre Classic, 38 oz. (Direct glue installation) or equal.
Upgrade

KITCHEN FIXTURES

- A. Sink: Ekkay stainless steel, GECR-2521-L&R, 20 gauge, 25"w x 21 1/4" D x 5 3/8" D, ADA compliant.
- B. Kitchen Faucet: American Standard, Silhouette Single control, #4205 series, spout 9 3/4".

KITCHEN APPLIANCES

- A. Dishwasher:
 - Option 1: GE GSD463DZWW, 24"W x 24 3/4" D x 34-35" H, 9 gallons/wash
 - Option 2: Bosch, SHU5300 series, 5.4 gallons/wash-with water heater
- B. Refrigerator:
 - Full Size: GE, "S" series top-mount, TBX16SYZ, 16.4 cubic feet, recessed, recessed handles, 28" W x 29 1/8" D x 66 3/4" H, white, optional factory installed ice-maker.
 - Under-counter:
 - Option 1: U-Line, #29R, 3.5 cubic feet, white
 - Option 2: U-Line, Combo 29FF, Frost Free with factory installed icemaker, 2.1 cubic feet, white
- C. Microwave: GE, Spacemaker II JEM25WY, Midsize, 9 cubic feet, 800 watts, 23 13/16" W x 11 13/16"D x 12 5/16" H
 - Option 1: Under counter Mounting Kit, #4AD19-4
 - Option 2: Accessory Trim Kit # JXB37WN, 26 1/8" W X 18 1/4" H (built-in application)
- D. Garbage Disposal: ISE #77, 3/4" horsepower
- E. Water Heater: To be selected by DES.

PUBLIC SPACES

FRONT BUILDING LOBBY

Walk Off Mats:	Design Materials, Sisel, Calchetta #68. Natural, 100% coir
Floor Tile:	3/8" x 18" x 18" Stone or Marble set in mortar bed in recessed slab as approved by Owner
Transition Strips:	5/16" x 1 1/2" x random length strips, cherry wood flooring
Corridor Carpeting:	Carpet over pad, Atlas, New Vista or as approved by Owner
Lobby Ceiling:	Suspended gypsum board ceiling, Painted
Building Lobby: Pendant Fixture	Akarl shades hanging #J1-9 3/4" x 5'-2" or equal as approved by owner.
Stairs & Mezzanine Railing:	P & P Railing, Modesto with custom cherry guard rail Rep: Oliver Capp (805) 241-8810. Hand and guard railing P & P Railings, Modesto stainless steel railing with horizontal spirals and custom cherry guard rail cap by others, fittings dark gray metallic or equal as approved by Owner.

BACK BUILDING LOBBY & EMERGENCY STAIRS

Walk Off Mats:	Design Materials, Sisal, Calcutta #68, Natural, 100% coir.
Treads & Landings:	Carpet covered concrete, as approved by Owner
Stringers, Risers & Handrails	Painted steel stringer, eggshell finish enamel.
Ceiling:	Suspended gypsum board ceiling.

ELEVATORS

Cars:	(1) 3800 lb, (1) 3500 lb 150 ft/min by Otis
Elevator Doors:	Stainless Steel
Elevator Interior Paneling:	Cherry veneer with stainless steel reveals and railing
Elevator Floor:	Slate 3/8" x 18" x 18" tile as approved by Owner.

RESTROOMS

Counter tops:	Stone/marble or equal as approved by Owner
Walls at Lavatories:	Eggshell finish, latex paint, Benjamin Moore
Floor at Toilets:	2" x 2" matte porcelain ceramic floor tiles, thin set, Dal-tile.
Walls at Toilets:	2" x 2" matte porcelain ceramic floor tiles, thin set, Dal-tile.
Ceiling:	Suspended gypsum board ceiling.

Toilet compartments:

- A. Manufactured floor-anchored metal toilet compartments and wall-hung urinal screens.
- B. Approved Manufacturer, Global Steel Products Corp, or approved equal.
- C. Toilet Partitions: Stainless Steel finish.
- D. Hardware: Hinges: Manufacturer's standard self-closing type that can be adjusted to hold door open at any angle up to 90 degrees. Latch and Keeper: Surface-mounted latch unit, designed for emergency access, with combination rubber-faced door strike and keeper. Coat Hook: Combination hook and rubber-tipped bumper. Door Pull: Manufacturer's standard.

Ceramic Tile

- A. Manufacturer: Dal-Tile or approved equal.
- B. Size: 4-1/4" x 4-1/4" for walls, 8 x 8 for floors, 3/4" liner strip as accent.
- C. Glaze: Satin glaze for walls, unglazed tile for floors.
- D. Color: As selected by Architect.
- E. Accessories: Base, corners, coved cap and glazed to match
- F. Wall and floor installation: per applicable TCA
- G. Waterproof Membrane: Chloraloy or approved equal.
- H. Tile Backer Board: 1/2 inch thick wonderboard
- I. Grout: Commercial Portland Cement Grout; Custom Building Products or approved equal
- J. Mortar: Latex-Portland cement mortar; Custom Building Products or approved equal.

RESTROOM:

Toilet:	Kohler/American Standard, commercial quality.
Urinal:	Kohler/American Standard, commercial quality.
Lavatory:	Kohler/American Standard, undercounter.
Lavatory Faucet:	Kroin handicap lavatory faucet #HV1LH, polished chrome.
Soap Dispenser Counter:	Bobrick, 8226, Lavatory mounted for soaps, 34 fl oz.

Toilet accessories:

- A. Manufacturer: Bobrick Washroom Equipment, or approved equal.
- B. Schedule: Model numbers used in this schedule are Bobrick (134) unless otherwise noted.
- C. Combination Paper Towel Dispenser/Waste Receptacle: Recessed, Model B-3944, one per restroom #7151 and 7152, and two per restroom #7050 and 7061.
- D. Feminine Napkin Vendor: Recessed, combination napkin/tampon vendor, Model B-3500, with 25 cent operation, one per each women's toilet room.

- E. Soap Dispenser: Lavatory mounted dispenser, Model B-822, one per each lavatory.
- F. Toilet Paper Dispenser: Surface-mounted, Model JRT, JR Escort, "In-Sight" by Scott Paper Company, one per stall.
- G. Toilet Seat Cover Dispenser: Recessed, wall-mounted, Model B-301, one per stall.
- H. Sanitary Napkin Disposal: Recessed, wall-mounted, Model B-353, one per each women's handicapped and odd stall.
- I. Sanitary Napkin Disposal: Partition-mounted, Model B-354 (serves two stalls).
- J. Grab Bars: Horizontal 36", B6206-36: 42", B62-6-42: one per each handicapped stall.
- K. Mop/Broom Holders: B223-24 (one per janitor closet).
- L. Paper Towel Dispensers: Recessed mounted, Model B-359, one at side wall adjacent to sink.

TENANT CORRIDORS

Walls:	Eggshell finish, latex paint, Benjamin Moore.
Floors:	Level loop carpet over pad with 4" resilient base as approved by Owner.
Ceiling:	24" x 24" x 3/4" thick fine fissured type mineral fiber, Armstrong Cirus acoustical tile (beveled regular edge) in a 24" x 24" Donn Fineline suspended grid, white finish.
Water Fountain:	Haws Model #1114 Stainless Steel #4.
Cross Corridor Smoke Detector:	3'-6" x full height, 20 minute rated, pocket assembly, on magnetic hold opens.
Corridor Wall Sconce	Carpyen "Berta" 35cm x 33 cm, engraved curved opaque glass, 2 x 7-9W, #G-23.or equal as approved by owner

ELECTRICAL

- A. 50 foot candles at working surface.
- B. 3 Bulb 2x4 parabolic fixtures
- C. 1/2 20 Amp circuit for each hard wall office
- D. Electrical Devices: Recessed wall mounted devices with plastic cover plate. Color: white, multi-gang plate 80400 Series duplex wall outlets.
- E. Telephone/Data Outlets: Recessed wall mounted, Standard 2x4 wall box with 3/4" EMT conduit from box to sub out above ceiling walls pull string, cabling, terminations and cover-plates, color: white, provided by tenant's vendor. Tenant shall furnish telephone backboard.
- F. Light Switches: Dual level rocker type, mounted at standard locations, with plastic cover plate, 5325-W cover plate single switch B0401-W, double switch B0409-W. Decors by Leviton, colors: white, and will comply with Title 24 Energy Codes. Decors by Leviton.

MECHANICAL

- A. VAV Reheat system – design/build. Each floor to have a minimum of thirty zones. Provide reheat boxes on all zones on top floor and at all exterior zones on lower floor. System shall meet T-24 for ventilation.. Design shall be for 73 deg. Ambient interior temperature and 2 1/2 watts per sq. ft. min.

FIRE SPRINKLER SYSTEM

As required by NFPA & factory mutual standard hazard, seismically braced.

END

E-23

**SCHEDULE TWO
TO
EXHIBIT E
TO
PACIFIC SHORES INVESTORS, LLC
LEASE
TO
PDL BIOPHARMA
FOR
Pacific Shores Center
Building 10
1500 Seaport Boulevard
Redwood City, California**

CONSTRUCTION DRAWINGS REQUIREMENTS

- I. Floor Plans Showing:
1. Location and type of all partitions.
 2. Location and type of all doors. Indicate hardware and provide keying schedule.
 3. Location and type of glass partitions, windows, and doors. Indicate framing and reference full-height partitions.
 4. Locations of telephone equipment room.
 5. Critical dimensions necessary for construction, with indication of required clearances.
 6. Location and types of all electrical items: outlets, switches, telephone outlets and lighting.
 7. Location and type of equipment that will require special electrical requirements. Provide manufacturers' specifications for use and operation, including heat output.
 8. Location, weight per square foot, and description of any heavy equipment or filing system.
 9. Requirements for special air-conditioning or ventilation.
 10. Location and type of plumbing.
 11. Location and type of kitchen equipment.
 12. Location, type and color of floor covering, wall covering, paint and finishes.
- II. Details Showing
1. All millwork with verified dimensions of all equipment to be built in.
 2. Corridor entrance.
 3. Bracing or support of special walls, glass partitions, etc., if desired. If not included with the plans, Tenant's engineer will design all support or bracing required at Tenant's expense.

III. Additional Information

1. Provide Landlord with Title 24 energy calculations.

EXHIBIT F
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,

as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

HAZARDOUS MATERIALS DISCLOSURE

Lessor has provided Lessee, and Lessee acknowledges that it has received and pursuant to Section 17.22(b) of the Lease, reviewed same, a copy of each of those certain documents entitled: (i) PHASE I, ENVIRONMENTAL SITE ASSESSMENT, PACIFIC SHORES CENTER, REDWOOD CITY, CALIFORNIA, Prepared for: The Jay Paul Company, San Francisco, California, Prepared by: IRIS ENVIRONMENTAL, Oakland, California, December 20, 1999, Job No. 99-122A; and (ii) PHASE II, ENVIRONMENTAL SITE ASSESSMENT, PACIFIC SHORES CENTER, 1000 SEAPORT BOULEVARD, REDWOOD CITY, CALIFORNIA, Prepared for: The Jay Paul Company, San Francisco, California, Prepared by: IRIS ENVIRONMENTAL, Oakland, California, January 14, 1999, Job No. 99-122-B

LESSEE

PDL BIOPHARMA, INC.,
a Delaware corporation

By: _____

(Type or print name)

Its: _____

By: _____
(Type or print name)

Its: _____

EXHIBIT G
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

NOTICE TO TENANTS AND TRANSFEREES OF
CURRENT OR FUTURE USES OF ADJACENT PORT PROPERTY

Notice is hereby given to all lessees, tenants and transferees of land or interests in land located within Pacific Shores Center of the presence or potential future presence of Port related industrial activities on Port property adjacent to and west of Pacific Shores Center. All recipients of this notice should be aware of the following facts:

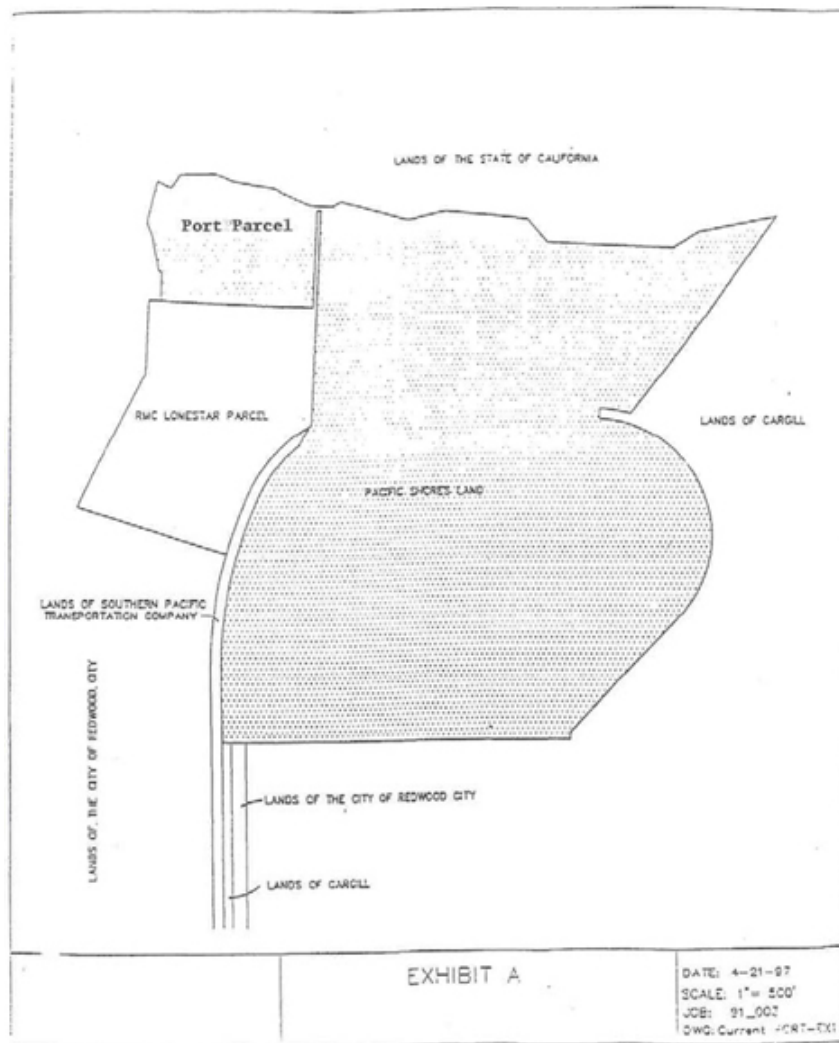
1. The parcel of Port property adjacent to Pacific Shores Center to the northwest shown on the Exhibit J-Figure One attached hereto (the "Port Parcel") is now or may be developed for Port related maritime and industrial uses similar to those occupying other properties along the west side of Seaport Boulevard and to the west of Pacific Shores Center.
2. Such Port related maritime and industrial activities are those which are permitted by the general industrial zoning of the City of Redwood City and may include heavy industrial land uses, including uses which involve the receipt, transport, storage or management of hazardous wastes, aggregates, cement, gravel and similar materials, including the outdoor storage and handling of such materials.
3. Pacific Shores Center Limited Partnership, on behalf of itself, its successors and assigns, has recognized, accepted and approved such uses of the Port Parcel subject to the utilization of Best Available Management Practices in the development and use of the Port Parcel. Best Available Management Practices are defined on Schedule One to Exhibit G attached hereto.
4. Despite the use of Best Available Management Practices on the Port Parcel by the Port and its lessees and licensees and despite Pacific Shores Center Limited Partnership's efforts to ensure compatibility between such uses and those in Pacific Shores Center, it is possible that such uses will cause emissions into the air of dust or other particulate matter, or noise or odorous substances which may be offensive to or be perceived as a nuisance by occupants of Pacific Shores Center.

5. Pursuant to covenants made by Pacific Shores Center Limited Partnership on behalf of its successors and assigns, tenants and lessees, the tenants, lessees and transferees of Pacific Shores Center Limited Partnership have approved and accepted such neighboring uses subject to their utilization of Best Available Management Practices.

6. Any actions to enjoin the continuation of such uses or to recover any damages to persons or property related to their operations are subject to a requirement for prior notice found in recorded covenants by Pacific Shores Center Limited Partnership. The following language is excerpted from such covenants:

“In the event that either party hereto believes that the other has failed to perform any covenant made herein in favor of the other, at least ten (10) days prior to the commencement of any action to enforce the covenants hereunder or to recover damages for the breach thereof, that party who believes that a failure to perform has occurred (the “Complaining Party”) shall give written notice (the “Notice”) to the party alleged not to have performed the covenant (the “Non-Complaining Party”) of the specific nature of the alleged failure and of the intent of the Complaining Party to take action to remedy the breach by the Non-Complaining Party. In the event that the nature of the alleged failure to perform is such that the same cannot reasonably be cured within ten (10) days after receipt of the Notice (the “Notice Period”), the Non-Complaining Party shall not be deemed to be in violation of its covenants and no action shall be commenced by the Complaining Party if, within the Notice Period, the Non-Complaining Party commences such cure and thereafter diligently and continuously prosecutes the same to completion within a reasonable time. Provided, however, that the Complaining Party shall not be precluded from recovering any actual damages suffered by reason of the alleged failure to perform prior to or after delivery of the Notice, whether or not such failure is thereafter cured.”

FIGURE ONE TO EXHIBIT G
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063



SCHEDULE ONE TO EXHIBIT G
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

DEFINITION OF "BEST AVAILABLE MANAGEMENT PRACTICES"
(Exchange Parcel and New Road Access)

"Best Available Management Practices ("BAMP") means the following:

1. Compliance with all laws, rules and regulations, and operating permits, whether Federal, state or local, applicable to the uses of the Exchange Parcel and industrial operations thereon, including without limitation all laws, rules and regulations and operating permits applicable to emissions into the air of gases, substances and particulate matter, the generation or release of odors or odorous substances into the air, and the generation of noise.

2. Initiation and maintenance of reasonable precautions to minimize emission and transport of dust from the Exchange Parcel and the New Road Access onto the Project Site. As used herein the term "reasonable precautions" shall mean the use of materials, techniques and equipment reasonably available at the time of commencement of a use or operation and designed to minimize emissions during predictably adverse climatic conditions common in the area (collectively, "initial measures") plus the addition of one or more of the following additional measures if not already in use and if initial measures prove inadequate to achieve minimization of emission and transport of dust onto the Project Site:

(a) Paving of surfaces used for active operations where the absence of such paving causes emission and transport of dust onto the Project Site;

(b) Installation of wind fences to a height of not less than 20 feet with 50% porosity around areas of open storage and areas of active dust-generating uses causing emission and transport of dust onto the Project Site;

(c) Use of storage silos, open-ended enclosures or water spray equipment for the outdoor storage and handling of materials, such as rock, concrete, soil, mineral substances, and similar materials, causing emission and transport of dust onto the Project Site;

(d) Installation of enclosures or use of water or foam spray bars both above and below the belt surface of all conveyors used for loading and unloading materials, causing emission and transport of dust onto the Project Site; and

3. Initiation of a reasonable, regularly scheduled sweeping program for the New Road Access to minimize accumulation of dust and dirt and/or installation of dust traps, wheel washers or other methods of minimizing the tracking of dust onto the Road Access Area and resulting emission and transport of dust onto the Project Site.

EXHIBIT H
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

NOTICE TO PACIFIC SHORES TENANTS, LESSEES, SUCCESSORS, ASSIGNS AND
TRANSFEREES REGARDING CURRENT OR FUTURE USES OF ADJACENT RMC
LONESTAR AND PORT PROPERTY

Notice is hereby given to all tenants, lessees, successors, assigns and transferees of land or interest in land located within the Pacific Shores Center of the presence or potential future presence of maritime and industrial activities on RMC Lonestar and Port of Redwood City property west and adjacent to Pacific Shores Center. Recipients of this notice should be aware of the following:

1. The RMC Lonestar property and parcels of port property adjacent to and west of Pacific Shores Center are shown on the map attached to this notice. The RMC Lonestar and Port properties are now devoted to, or will be developed for, maritime and industrial uses.

2. These maritime and industrial uses are those which are permitted by the "Heavy Industry" General Plan designation and general industrial zoning of the City of Redwood City. These uses include, by way of example and not limitation, uses involving the receipt, transport, storage, handling, processing or management of aggregates, cement, concrete, asphalt, soil or other landscaping materials, recyclable metals and plastics, recyclable concrete and asphalt, chemicals, petroleum products, hazardous wastes, and similar materials, including indoor storage, mixing and handling of these materials.

3. These uses may cause, on either a regular or intermittent basis, air emissions, including without limitation, dust and other particulates, odors, vibrations, loud noises, and heavy truck, rail or marine vessel traffic. These uses may have visual, aesthetic or other aspects that may be offensive or perceived as a nuisance by occupants of Pacific Shores Center.

EXHIBIT I
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063
RULES AND REGULATIONS

1. Lessee and Lessee's employees shall not in any way obstruct the sidewalks, entry passages, pedestrian passageways, driveways, entrances and exits to the Project or the Building, and they shall use the same only as passageways to and from their respective work areas.
2. Any sash doors, sashes, windows, glass doors, lights and skylights that reflect or admit light into the Common Area of the Project shall not be covered or obstructed by the Lessee. Water closets, urinals and wash basins shall not be used for any purpose other than those for which they were constructed, and no rubbish, newspapers, food or other substance of any kind shall be thrown into them. Except in connection with ordinary and customary interior decorating, Lessee shall not mark, drive nails, screw or drill into, paint or in any way deface the exterior walls, roof, foundations, bearing walls or pillars without the prior written consent of Lessor, which consent may be withheld in Lessor's sole discretion. The reasonable and actual, out-of-pocket expense of repairing any breakage, stoppage or damage resulting from a violation of the foregoing rule shall be borne by Lessee.
3. No awning or shade shall be affixed or installed over or in the windows or the exterior of the Premises except with the consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed.
4. Lessee shall not do anything in the Premises, or bring or keep anything therein, which will in any way increase the risk of fire or the rate of fire insurance or which shall conflict with the regulations of the fire department or the law or with any insurance policy on the Premises or any part thereof, or with any rules or regulations established by any administrative body or official having jurisdiction, and it shall not use any machinery therein, even though its installation may have been permitted, which may cause any unreasonable noise, jar, or tremor to the floors or walls, or which by its weight might injure the floors of the Premises.

5. Lessor may reasonably limit weight, size and position of all safes, fixtures and other equipment used in the Premises. If Lessee shall require extra heavy equipment, Lessee shall notify Lessor of such fact and shall pay the cost of structural bracing to accommodate it. All damage done to the Premises or Project by installing, removing or maintaining extra heavy equipment shall be repaired at the expense of Lessee.
6. Lessee and Lessee's officers, agents and employees shall not make nor permit any loud, unusual or improper noises that unreasonably interfere with other lessees or those having business with them, nor bring into or keep within the Project any animal or bird or any bicycle or other vehicle, except such vehicle as Lessor may from time to time permit and guide dogs.
7. No machinery of any kind will be allowed in the Premises without the written consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed. This shall not apply, however, to customary office equipment or trade fixtures or package handling equipment.
8. All freight must be moved into, within and out of the Project only during such reasonable hours and according to such reasonable regulations as may be posted from time to time by Lessor.
9. Except as provided in the Lease, no aerial or satellite dish or similar device shall be erected on the roof or exterior walls of the Premises, or on the grounds, without in each instance, the written consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed. Any aerial so installed without such written consent shall be subject to removal without notice at any time.
10. All garbage, including wet garbage, refuse or trash shall be placed by the Lessee in the receptacles appropriate for that purpose and only at locations prescribed by the Lessor.
11. Lessee shall not burn any trash or garbage at any time in or about the Premises or any area of the Project.
12. Lessee shall observe all security regulations issued by the Lessor and comply with instructions and/or directions of the duly authorized security personnel for the protection of the Project and all tenants therein, except to the extent such regulations unreasonably and materially limit Lessee's right of access to the Premises and Project's parking facilities or prohibit Lessor from entering "**Secured Areas**," all as provided in the Lease.
13. Any requirements of the Lessee will be considered only upon written application to Lessor at Lessor's address set forth in the Lease.
14. No waiver of any rule or regulation by Lessor shall be effective unless expressed in writing and signed by Lessor or its authorized agent.

15. Lessor reserves the right to exclude or expel from the Project any person who, in the reasonable judgment of Lessor, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of the law or the rules and regulations of the Project.

17. Lessor reserves the right at any time to change or rescind any one or more of these rules and regulations or make such other and further reasonable, non-discriminatory rules and regulations as in Lessor's judgment may from time to time be necessary for the operation, management, safety, care and cleanliness of the Project and the Premises, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants of the Project. Lessor shall not be responsible to Lessee or the any other person for the non-observance or violation of the rules and regulations by any other tenant or other person. Lessee shall be deemed to have read these rules and have agreed to abide by them as a condition to its occupancy of the Premises. Notwithstanding anything to the contrary contained herein, Lessor agrees that the rules and regulations for the Project shall not be (i) modified or enforced in any way by Lessor so as to unreasonably and materially interfere with Lessee's permitted use set forth in this Lease or Lessee's access to the Premises or Project parking facility, or (ii) discriminatorily enforced against Lessee and not against other tenants of the Project.

18. Lessee shall abide by any additional rules or regulations which are ordered or requested by any governmental or military authority.

19. In the event of any conflict between these rules and regulations, or any further or modified rules and regulations from time to time issued by Lessor, and the Lease provisions, the Lease provisions shall govern and control.

SCHEDULE 1
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

PACIFIC SHORES CENTER
COMMON AREA LICENSE AGREEMENT

This License Agreement (“Agreement”) is dated for reference purposes and entered into by and between Pacific Shores Investors LLC (“PSI”) and PDL BioPharma, Inc. (“Licensee”) as of _____, 200_.

R E C I T A L S

A. Licensee leases Building __ at Pacific Shores Center pursuant to a written Lease (“Lease”) and Licensee desires to utilize a portion of the Pacific Shores Center Common Area for _____ (“Event”) on _____, 200_ during the hours of ____ p.m. to ____ p.m. (“Event Period”); and

B. PSI is willing to grant a temporary license to Licensee for the Event during the Event Period and on that portion of the Pacific Shores Center Common Area depicted on Exhibit A hereto (“Event Location”) on the terms and conditions set forth below.

AGREEMENT

1. Recitals. The recitals set forth above are true and correct and incorporated into this Agreement.

2. License Granted. PSI hereby grants to Licensee a revocable, temporary license to use the Event Area for the Event during the Event Period on all of the terms and conditions hereof ("License").

3. Contractors. All contractors hired by Licensee to assist with the event shall be subject to the prior written approval of PSI, which approval shall not be unreasonably withheld.

4. Security. Licensee shall provide security for the Event and for at least one hour prior to and one hour after the Event Period and assumes all risk for the safety of Event participants.

5. Signage. Subject to the prior written approval of PSI as to location, size and materials, Licensee may place signage on the Common Area to direct attendees to the Event. Licensee shall remove and dispose of all such signage within ____ (__) hours after the expiration of the Event Period.

6. Clean Up. Licensee shall initiate clean up of the Event Location and all other affected areas of Pacific Shores Center immediately upon expiration of the Event Period and complete such cleanup, such that no evidence of the Event remains, no later than ____ (__) hours after the expiration of the Event Period.

7. Damage. Licensee agrees to pay to PSI the cost of repair of any damage arising from or in connection with the Event within five (5) business days after written demand for same.

8. Insurance. Licensee shall maintain in place at all times during the Event Period the insurance required to be maintained by Licensee (as Lessee) under Article VII of the Lease.

9. Indemnity. Licensee shall indemnify and hold PSI free and harmless from any and all liability, claims, loss, damages, causes of action (whether in tort or contract, law or equity, or otherwise), expenses, charges, assessments, fines, and penalties of any kind, including, without limitation, reasonable attorneys' fees, expert witness fees and costs, arising by reason of the death or injury of any person, including any person who is an employee, agent, invitee,

licensee, permittee, visitor, guest or contractor of Licensee, or by reason of damage to or destruction of any property, including property owned by Licensee or any person who is an employee, agent, invitee, permittee, visitor, or contractor of Licensee, caused or allegedly caused (1) while that person or property is in or about the Common Area in connection with the Event; (2) by some condition of the Common Area caused by the Event; (3) by some act or omission by Licensee or its agent, employee, licensee, invitee, guest, visitor or contractor or any person in, adjacent, on, or about the Common Area with the permission, consent or sufferance of Licensee in connection with the Event; (4) by any matter connected to or arising out of Licensee's occupation and use of the Common Area in connection with the Event, or any breach or default in timely observance or performance of any obligation on Licensee's part to be observed or performed under this License Agreement.

10. Acceptance of Event Location "As-Is". Licensee accepts the Event Location and all other areas of Pacific Shores Center utilized for the Event (including, without limitation, roadways, driveways and parking areas) "as-is" and "with all faults" and acknowledges that PSI makes no representation or warranty as to the condition of the Event Location or any other part of Pacific Shores Center or as to its suitability for the Event. Licensee assumes all risk as to same, including, without limitation, the risk of injury and property damage for itself, its officers, employees, agents, contractors, invitees, guests and visitors and Licensee waives all claims against PSI and its Affiliates with respect to same except to the extent caused by the gross negligence or intentional misconduct of PSI or its Affiliates.

11. Attorneys' Fees. If either party herein brings an action to enforce the terms hereof or to declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to recover its reasonable attorneys' fees, expert witness fees and costs as fixed by Court.

12. Relation to Lease. Money due from Licensee hereunder for any failure to perform its obligations hereto shall be deemed due under the Lease.

13. List of Exhibits.

Exhibit A – Event Location

By: Pacific Shores Mezzanine, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Junior Mezz, LLC,
a Delaware limited liability company
its sole member

By: Pacific Shores Junior Mezz Managers, LLC,
a Delaware limited liability company,
its sole member

By: Pacific Shores Development, LLC,
a Delaware limited liability company,
its sole member

By: TECHNOLOGY LAND LLC,
a California limited liability company,
Operating Member

By: _____
Jay Paul, Sole Managing Member

PDL BIOPHARMA, INC.
a Delaware corporation

By: _____

Name: _____

Its: _____

SCHEDULE 2
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063
YARD AREA

SCHEDULE 3
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063
REMOVAL OBLIGATIONS SCHEDULE

SCHEDULE 4
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063
PERMITTED HAZARDOUS MATERIALS

SCHEDULE 5
 to
PACIFIC SHORES INVESTORS, LLC
 LEASE
 to
 PDL BIOPHARMA, INC.,
 a Delaware corporation
 as
LESSEE
 for
 PREMISES
 at
 Pacific Shores Center
 Building 10
 Redwood City, California 94063

PDL BioPharma, Inc. List of Plans, Licenses and Permits

<u>Plans</u>	<u>Inspecting Authority</u>	<u>Frequency</u>
Injury Illness Prevention Plan	Cal OSHA	Anytime
Biosafety Plan	“ “	“ “
Radiation Safety Plan	“ “	“ “
Chemical Hygiene Plan	“ “	“ “
Hazard Communication Plan	“ “	“ “
Emergency Action Plan		
Hazardous Materials Business Plan	Fremont Fire	Annual
AAALAC Accreditation program	AAALAC	Complaint
<u>Licenses</u>		
CA – Business License		
DHS - Radiation Use License	DHS	Anytime
<u>Permits</u>		
Fremont City - Hazardous Materials Permits A/B/D	Fremont Fire	Annual
Alameda County - Medical waste Permits A/B/D	Ala. County	Annual
BAAQMD – Emergency Generator Permits A/B/D	AQMD	Complaint
DEA – Controlled Substances	DEA	Violation

SCHEDULE 6
to
PACIFIC SHORES INVESTORS, LLC
LEASE
to
PDL BIOPHARMA, INC.,
a Delaware corporation
as
LESSEE
for
PREMISES
at
Pacific Shores Center
Building 10
Redwood City, California 94063

FINANCIAL TESTS

In general, financial terms have their GAAP defined meaning. Revenue, EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization), and Cash and Cash equivalents are to be derived from the financial statements in the Lessee's most recent 10Q or 10K filings, as appropriate.

Level 1 performance numbers are sufficient to trigger rights of first refusal on buildings 7 and 8, and the right of first offer on building 6 until an additional 285,000 square feet has been leased beyond the space in buildings 9 and 10.

Level 2 performance numbers are sufficient to trigger rights of first refusal on buildings 7 and 8, and the right of first offer on building 6, if more than 285,000 square feet has already been leased beyond the space in buildings 9 and 10, but less than all of the square footage in buildings 6, 7, and 8.

Level 3 performance numbers are required to trigger Lessor's obligations pursuant to Section 17.27 of the Lease.

Cash and cash equivalents may include marketable securities which can be converted to cash in less than 3 months.

All rights are subject to lender approval independent of the Lessee's performance level.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Revenue	At least \$100 million in each of the last four quarters	At least \$150 million in each of the last four quarters	At least \$150 million in each of the last four quarters
EBITDA ratio to Revenue	Ratio of EBITDA to Revenue greater than 0% in each of the last 3 quarters	Ratio of EBITDA to Revenue of at least 3% in each of the last 3 quarters	Ratio of EBITDA to Revenue of at least 5% in each of the last 3 quarters
Cash and Cash Equivalents	At least \$250 million for each of the last four quarters.	At least \$300 million for each of the last 4 quarters.	At least \$500 million for each of last 4 quarters.



news release

Contacts:

Ami Knoefler
 Corporate and Investor Relations
 (510) 284-8851
 ami.knoefler@pdl.com

Jim Goff
 Investor Relations
 (510) 574-1421
 james.goff@pdl.com

PDL BIOPHARMA ANNOUNCES MID-2007 MOVE OF CORPORATE HEADQUARTERS IN SAN FRANCISCO BAY AREA

Fremont, Calif., July 6, 2006 — PDL BioPharma, Inc. (PDL) (Nasdaq: PDLI) announced today that it plans to move its corporate headquarters from Fremont to Redwood City, Calif. during the third quarter of 2007. In connection with the planned move, PDL has signed long-term leases for two existing buildings that total approximately 450,000 square feet.

The new headquarters will be located in the Pacific Shores Center in Redwood City, approximately eight miles from PDL BioPharma's current headquarters. The facility includes an existing office building and a building shell, which together will house the company's research, clinical development and administrative operations.

"PDL is essentially out of space in our current location, and the leases we currently hold for the majority of our space in Fremont expire in the near future. This new site should accommodate our staffing and operational growth necessary to achieve our Vision 2010 aims, notably to launch new products, build our pipeline and optimize sales of our marketed products in North America," said Mark McDade, Chief Executive Officer, PDL. "Over the past two years, we have carefully evaluated numerous opportunities, including expansion at our current location, and we believe the new location enables us to pursue our objectives in the most cost-efficient manner. The new site is also a unique environment that will bring all of our California-based employees closer together in a setting that facilitates teamwork and communication."

PDL does not expect the move to have any impact on its financial guidance for 2006. In connection with the planned move, the company intends to sell the two buildings that it currently owns at its Fremont headquarters. PDL will provide an update on its plans related to the new headquarters, including anticipated capital expenditures, during its second quarter earnings conference call.

PDL BioPharma currently has more than 1,000 employees, with approximately half based at its current headquarters in Fremont.

About PDL BioPharma

PDL BioPharma, Inc. is a biopharmaceutical company focused on discovering, developing and commercializing innovative therapies for severe or life-threatening illnesses. The company currently markets and sells a portfolio of leading products in the acute-care hospital setting in the United States and Canada and generates royalties through licensing agreements with top-tier biotechnology and pharmaceutical companies based on its pioneering antibody humanization technology. Currently, PDL's diverse late-stage product pipeline includes six investigational compounds in Phase 2 or Phase 3 clinical development for hepatorenal syndrome, inflammation and autoimmune diseases, cardiovascular disorders and cancer. For more information, please see PDL's website at www.pdl.com.

Forward-looking Statements

The information in this press release should be considered accurate only as of the date of the release. This press release contains forward-looking statements involving risks and uncertainties and PDL's actual results may differ materially from those, express or implied, in the forward-looking statements. The forward-looking statements include PDL's expectations regarding financial results as well as other statements regarding PDL's expectations. Factors that may cause differences between current expectations and actual results include, but are not limited to, delays in the execution of plans to improve leased space at PDL's new headquarters, unexpected expenses associated with those plans and changes in the timing of the incurrence or recognition of those expenses.

Other factors that may cause PDL's actual results to differ materially from those expressed or implied in the forward-looking statements in this press release are discussed in PDL's filings with the Securities and Exchange Commission (SEC), including the "Risk Factors" sections of its annual and quarterly reports filed with the SEC. Copies of PDL's filings with the SEC may be obtained at the "Investors" section of PDL's website at www.pdl.com. PDL expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in PDL's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based for any reason, except as required by law, even as new information becomes available or other events occur in the future. All forward-looking statements in this press release are qualified in their entirety by this cautionary statement.

PDL BioPharma and the PDL BioPharma logo are considered trademarks of PDL BioPharma, Inc.