

May 7, 2015

Legal Notices
ATTN: Michael Dray – DTRRC Agent
Conoco Phillips
3900 Kilroy Airport Way, Suite 210
Long Beach, CA 90806

Ms. Mona Hebert
Conoco Phillips
3900 Kilroy Airport Way, Suite 210
Long Beach, CA 90806

Dear Ms. Hebert,

**SUBJECT: NOTICE OF RENTAL AND MAINTENANCE REQUIREMENT ADJUSTMENT
FOR REVOCABLE PERMIT NO. 92-24 WITH PHILLIPS 66 (CONOCO
PHILLIPS)**

California Civil Code § 827 provides that upon written notice a landlord may change terms of the lease. With that authority in mind, the City of Los Angeles Harbor Department (Harbor Department and City) periodically reviews all revocable permits and updates the revocable permits to reflect the current rental values of the land, water, and facilities under the Harbor Department's ownership, as well as any other significant changes applicable to the revocable permit.

A review of your file has indicated that:

- Since 2008, your current rent has been \$307,440.00 per quarter; and
- The maintenance obligations shall be adjusted as detailed below.

Compensation

Based upon current market rental rates, your rent should be increased to \$516,406.63 per quarter. This increased rate is reflective of the current market land value and adjustments to the subsurface discount rate found in the Port Leasing Policy, which was adopted by the Board of Harbor Commissioners in 2013. The waterfront market value is \$29.00 per square foot. The new discount rate for subsurface use is 50 percent of the waterfront rate. The enclosed attachment indicates the application of the compensation changes.

TRANSMITTAL 2

Maintenance and Repair

The language governing maintenance obligations in RP 92-24 shall be adjusted as mentioned in the enclosed letters to Phillips 66. The existing language in RP 92-24 is as follows:

Section 9. Repair and Maintenance. The repair and maintenance obligations of the parties are as follows (if Tenant's premises do not include wharves, maintenance provisions related to wharves shall not apply):

(a) Maintenance Performed by City at City's Expense (except as noted). Except as provided in subsections 9(c), 9(d), 9(g), and 9(h), City will maintain at its expense the roofs and exteriors of all buildings owned by City and the structural integrity of wharf structures (if any) and buildings owned by City. The "wharf structure (if any) for purposes of this subsection means the beams, girders, subsurface support slabs, bulkheads and pre-stressed concrete or wood piling, joists, pile caps and timber decking (except as noted below), and any and all mooring dolphins. The wharf structure does not include the paving, the surface condition of timber decking or the fendering system. City will maintain and repair at its expense all fire protection sprinkler systems, fire hydrant systems, standpipe systems, fire alarm systems, and other fire protective or extinguishing systems or appliances (portable fire extinguishers and hoses excluded) which have been or may be installed in buildings or structures City owns on the premises. City shall also perform at its expense all electrical substation and switchgear preventive maintenance.

(b) Maintenance Performed by City at Tenant's Expense. Subject to the provisions of subsections 9(c), 9(d), 9(g) and 9(h), City shall maintain and repair at Tenant's expense the wharf fender system for wharves owned by City (in accordance with City's wharf damage procedures, a copy of which will be provided to Tenant upon its request), refrigerated receptacle outlets, backflow devices and potable water systems and heating and air conditioning systems, so long as City forces are available. However, if Tenant fails to pay City in accordance with City's wharf damage procedure (which contains depreciation criteria favorable to Tenant), then City reserves the right to collect the actual cost of repair based on actual depreciation factors as established by City in court.

(c) Maintenance Performed by Tenant at Its Expense. Tenant shall be responsible for performing and paying for all maintenance and repairs not expressly covered above. Tenant shall be responsible at its expense for inspecting and assuring that all necessary portable fire extinguishers are present on the premises and maintained in an operable condition. Notwithstanding subsections (a) and (b) above, all modifications or repairs to the electrical, plumbing, or mechanical systems resulting from "call outs" (Tenant-requested repairs requested on weekends, holidays or other than 7:45 am-4:15 pm Monday-Friday, or such other times as City adopts as its maintenance force work hours) are at Tenant's expense. Tenant shall also be responsible at its expense for inspecting the premises and keeping the premises [including, but not limited to, the surface of timber decking, all paving, landscaping, irrigation systems, fencing, signage, and striping (if any) and relamping] and all works, structures and improvements thereof, whether a part of the premises or placed by Tenant, in a safe, clean, sanitary and slightly condition.

All maintenance performed by Tenant shall assure the premises are maintained in a first-class operating condition and in conformance with all applicable federal, state, regional, municipal, and other laws and regulations. The appearance, safety and operational capability of the premises shall be maintained to the satisfaction of the Executive Director. Tenant shall make all efforts necessary to immediately discover and guard against any defects in all surfaces of timber decking, paving, buildings, structures and improvements on the premises without request from City. Tenant shall also completely maintain at its expense all buildings, structures, improvements, timber decking surfaces and paving it erects, owns, or installs. All modifications and repairs which Tenant makes to City-owned or Tenant-owned buildings, structures, improvements, timber decking, and paving require a Harbor Engineer's Permit. Sample permits are available upon request from the Harbor Engineer. Tenant agrees to strictly comply with all the terms and conditions of the Harbor Engineer's permit. Tenant shall maintain in its offices at the premises at all times the Harbor Engineer's permit allowing the work performed and proof that the work has been performed in accordance with all terms and conditions of the permit. Modifications and repairs shall be made in a first-class manner using materials of a kind and quality comparable to the items being replaced (in-kind replacement shall be utilized if material still manufactured). Tenant is obligated at its expense to take both such preventive and remedial maintenance actions as are necessary to assure that premises are at all times safe and suitable for use regardless of whether Tenant is itself actively using all of the premises. Tenant shall provide notice to the Director of Port Construction and Maintenance and Director of Construction Management five work days before any paving work is performed. However, Tenant shall immediately repair any condition creating a risk of harm to any user of the premises. All materials used and quality of workmanship shall be satisfactory to the Director of Construction Management.

(d) Tenant's Responsibility for Damage. Notwithstanding the foregoing, if damage to the wharf structure or any other building, structure, improvement, or surface area is caused by the acts or failure to act of Tenant, its officers, agents, employees or its invitees (including, but not limited to, customers of Tenant and contractors retained by Tenant to perform work on the premises -- hereafter collectively invitees), Tenant shall be responsible for all costs, direct or indirect, associated with repairing the damage and the City shall have the option of requiring Tenant to make the repairs or itself making the repairs. If City makes the repairs, Tenant agrees to reimburse City for the City's cost of repair. All damage shall be presumed to be the responsibility of Tenant and Tenant agrees to be responsible for such damage unless Tenant can demonstrate to the satisfaction of City that someone other than its officers, agents, employees, or invitees caused the damage. Tenant agrees to reimburse City for the cost of repair to City's wharf for any damage to the wharf resulting from a collision between a vessel and the wharf while docking or undocking unless Tenant demonstrates that such damage was caused by the sole active negligence of City or demonstrates that such damage was caused by an invitee of some other Tenant to which the premises are also assigned. The sufficiency of proof presented by Tenant to City shall be determined by City in its sole judgment. Tenant's obligations as a vessel owner or operator pursuant to City's Tariff Item No. 305 (or its successor) or pursuant to any pilotage contract Tenant may have with City are not altered by the provisions of this subsection.

(e) City's Option to Perform Work at Tenant's Expense. If Tenant fails to repair, maintain, and keep the premises and improvements as above required, Executive Director may give 30 days' written notice to Tenant to correct such default, except that no notice shall be required where, in the opinion of Executive Director, the failure creates a hazard to persons or property. If Tenant fails to cure such default within the time specified in such notice, or if

Executive Director determines that a hazard to persons or property exists due to such failure, Executive Director may, but is not required to, enter upon the premises and cause such repair or maintenance to be made, and the costs thereof, including labor, materials, equipment and overhead cost, to be charged against Tenant. Such charges shall be due and payable with the next rent payment. During all such times, the duty shall be on Tenant to assure the premises are safe and Tenant shall erect barricades and warning signs to assure workers and the public are protected from any unsafe condition. None of City's remedies described above shall preclude City from terminating this permit if City is not satisfied with Tenant's compliance with the maintenance provisions of this permit.

(f) Inspection of Premises and Tenant Repairs. Tenant shall be responsible for inspecting the premises (including all surfaces of timber decking, paving, structures, buildings and improvements) and at all times maintaining the premises in a safe condition. The Executive Director and/or his representatives shall have the right to enter upon the premises and improvements constructed by Tenant at all reasonable times for the purpose of determining compliance with the terms and conditions of this permit or for any other purpose incidental to the rights of City. This right of inspection imposes no obligation upon City to make inspections nor liability for failure to make such inspections. By reserving the right of inspection, City assumes no responsibility or liability for loss or damages to the property of Tenant or property under the control of Tenant, whether caused by fire, water, or other causes. City assumes no responsibility for any shortages of cargo handled by Tenant. If City requests drawings and/or specifications showing the location and nature of repairs to be made or previously made by Tenant (including by its invitees), Tenant agrees to provide to City the material requested in writing within ten days of request by City.

(g) City's Access to Maintain and Repair Premises. If City deems it necessary to maintain or repair the premises, Tenant shall cooperate fully with City to assure that the work can be performed timely and during City's normal working hours. If City is required to perform any work outside its normal working hours, even work which would otherwise be at City's expense, the entire cost of such work shall be at Tenant's expense.

(h) Maintenance/Repair Obligations Dependent on Indemnity/Insurance Provisions. City's agreement to perform certain repairs and to pay for certain repairs is expressly conditioned on the indemnity and insurance provisions of this agreement remaining in force and effect. If Tenant fails to comply with the indemnity and insurance provisions or if these provisions are ever deemed not applicable, Tenant shall be obligated to perform and pay for all maintenance and repairs to the premises without exception at its own expense. Tenant shall perform such maintenance and repairs only after it has secured the Harbor Engineer's Permit. Such work shall be deemed completed only when all terms of the permit have been satisfied. If City inspects any work performed by Tenant and finds it unsatisfactory, Tenant shall be obligated to correct the work to City's satisfaction at Tenant's expense.

(i) Definition of City's Actual Costs. Whenever this Section requires Tenant to reimburse City for the City's cost of maintenance, the City's cost of maintenance is agreed to include all direct and indirect costs which City incurs whether with its own forces or with any independent contractor. These costs include salary and all other costs City incurs from its employees (salary burden), all material and equipment costs and general overhead costs.

(j) Exhibit Listing More Common Maintenance Items. Attached as Exhibit "C" is a detailed description of items intended to describe the more common maintenance work which may be necessary at the premises. Not all items listed will be present at all premises within the Port of Los Angeles. Costs and responsibilities shall be apportioned as set forth in this Exhibit except as may otherwise be required by the provisions above.

In accordance with California Civil Code § 827 (2015) effective June 1, 2015 the existing language cited above will be replaced with the following:

9. Maintenance and Repair.

(a) Maintenance Performed by Tenant. Tenant, at its sole cost and expense, shall keep and maintain the premises and all buildings, works, and improvements of any kind thereon, in good and substantial repair and condition and shall be responsible for and perform all necessary inspection, maintenance and repair thereof, including preventive maintenance, using materials and workmanship of similar quality to the original improvements. Tenant shall obtain any permits, including but not limited to those issued by City, necessary for such maintenance and repair. Notwithstanding the foregoing, if there are wharf structures present on the premises, City will maintain at its expense the structural integrity of the wharf structures. The wharf structure for purposes of this section means the beams, girders, subsurface support slabs, bulkheads and pre-stressed concrete or wood piling, joists, pile caps and timber decking (except as noted below), and any and all mooring dolphins. The wharf structure does not include the paving, the surface condition of timber decking or the fendering system.

(b) Failure to Maintain. If Tenant fails to make any repairs or to perform required maintenance within 30 days after receipt of notice from City to do so, City may, but shall not be obligated to make such repairs or perform such maintenance at Tenant's expense. Notwithstanding in an emergency, as determined by City (including but not limited to an immediate threat of physical harm to persons and/or material damage to the Premises and/or structural or foundational damage to any improvements thereon), City shall have the right, but not the obligation, to undertake immediate repairs to the premises and any structures thereon without notice. Tenant shall reimburse City for City's costs (as defined in Section 7(c)) within 30 days after receipt of City's invoice for work performed. If Tenant shall commence such repairs and diligently prosecute the same to completion or shall begin to perform the required maintenance within the 30-day period, City shall refrain from commencing or prosecuting further any repairs or performing any required maintenance until the work has been completed by Tenant. Tenant shall thereafter pay on demand City's costs incurred pursuant to this Section 7(b) prior to Tenant's commencement of repair or maintenance. The making of any repairs or the performance of maintenance by City, which is the responsibility of Tenant, shall in no event be construed as a waiver of the duty or obligation of Tenant to make future repairs or perform required maintenance as herein provided.

(c) City's Costs. City's costs for purposes of this Section 9 shall include, in City's sole reasonable discretion, the cost of maintenance or repair or replacement of property neglected, damaged or destroyed, including direct and allocated costs for labor, materials, services, equipment usage, and other indirect or overhead expenses arising from or related to maintenance, repair or replacement work performed by or on behalf of City.

(d) Litter and Debris. Tenant, at its sole cost and expense, shall provide sufficient dumpsters or other like containers for trash collection and disposal and keep the premises free and clear of rubbish, debris and litter at all times. Tenant shall perform annually, at a minimum, before the commencement of the rainy season, inspections and cleaning of the storm water catch basins (including filters), maintenance holes, and drains, maintaining the submerged land underlying the water berthing area at the premises free and clear of debris from the wharf and from vessels, and cargo loading and unloading operations of vessels berthed at said berths in connection with Tenant's undertaking of the permitted use. Tenant, at its sole cost and expense, further shall keep and maintain the premises in a safe, clean, and sanitary condition in accordance with all applicable federal, state, municipal and other laws, ordinances, rules and regulations.

(e) Fire Protection Systems. All fire protection sprinkler systems, standpipe systems, fire hoses, fire alarm systems, portable fire extinguishers and other fire-protective or extinguishing systems, with the exception of hydrant systems, or appliances which have been or may be installed on the Premises shall be maintained and repaired by Tenant, at its cost, in an operative condition at all times.

(f) City Inspections. Upon City's request, Tenant shall provide personnel to accompany City's representatives on periodic inspections of the premises to determine Tenant's compliance with this permit. Notwithstanding the foregoing, nothing obligates City to make such determinations and City shall not incur any liability for not making such inspections and determinations.

In accordance with California Civil Code § 827 (2015), Section 1162 of the Code of Civil Procedure, **you are hereby given notice** that effective **January 1, 2016**:

1. The compensation under RP 92-24 will be \$516,406.63.00 paid quarterly.

Also, in accordance with California Civil Code § 827 (2015), Section 1162 of the Code of Civil Procedure, **you are hereby given notice** that effective **June 1, 2015**

2. Section 9 shall reflect the adjustment to the Maintenance and Repair obligations listed above.

If there are any questions or concerns, please contact Ed Robles of the Real Estate Division at (310) 732-3916.

Sincerely,

EUGENE D. SEROKA
Executive Director

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CC: David Ching

EXHIBIT "C"

MAINTENANCE PROVISIONS
FOR ALL LEASE AGREEMENTS

OF ALL CITY OWNED IMPROVEMENTS

(Note: Various items referenced below may exist only on marine terminal premises.)

I. Structural Maintenance & Repair Performed by City at City's Expense* Within Lease Area

1. Roofs
2. Exteriors of structures, including exterior painting
3. Wharf structure (as defined)
4. Wharf bulkheads
5. Rock slopes
6. Maintenance dredging
7. Replacement of deteriorated electrical conduit and pipeline system
8. High and low voltage systems, including switchgear and crane power trench
9. Fire protection sprinkler systems, fire hydrant systems, standpipe systems, fire alarm systems

II. Maintenance & Repair Performed by City at Tenant's Expense Within Lease Area

1. Fender system repair (wharf damage procedure)
2. Refrigerated receptacle outlet (reefer) maintenance
3. Backflow devices and potable water systems
4. HVAC servicing and repair

III. Operational Maintenance & Repair to be Performed by the Tenant. Port Will Perform if Forces Available by Accommodation Work Order Within Leased Area at Tenant's Expense. Tenant However Remains Responsible for Sufficiency of All Work

This portion of the Exhibit describes the maintenance and repair of items commonly found on terminal premises granted to Tenants. Not all items listed below may be present on all terminal premises. This list is only illustrative of the items which Tenant must maintain.

1. All landscaping, including irrigation systems
2. Daily janitorial service***
3. Relamping of terminal wharf and backland light standards**
4. Interior painting

5. Elevator and escalator maintenance**
6. Clarifier maintenance & servicing***
7. All toxic waste removal***
8. Storm drain inlet maintenance and cleaning
9. Cleaning clogged drains, including toilet/urinal stoppages
10. Pneumatic tube system maintenance**
11. Emergency generator unit maintenance**
12. Mooring capstans
13. Mechanical ramps and loading dock boards
14. Passenger gantries**, baggage systems**, conveyor systems**
15. Replacement of all light bulbs
16. Traffic and backland area striping (requires permit & approval by Harbor Engineer)
17. Weigh scales**
18. Wheel stop maintenance
19. Fence and gate maintenance
20. Rolling and sliding door maintenance
21. Window, door glass replacement
22. Carpet, tile, and vinyl floor replacements
23. All mechanical, electrical, hydraulic and air equipment and devices used by Tenant to maintain Tenant-owned machinery and equipment
24. Gate house equipment, including gate arms and mechanical/electrical equipment therein
25. Recharging and servicing of fire extinguishers
26. Surface paving, wharf and backland (as defined in agreement)
27. All underground and above ground tanks, pipelines and appurtenances unless the Agreement specifically otherwise provides.

* To be maintained at Tenant's expense if damaged by Tenant.

** To be maintained to Port's standards and subject to periodic audits and inspection by the Port of Los Angeles

*** At no time does Port provide or perform

IV. City May, But is Not Obligated to, Maintain or Repair Items Tenant Fails to Maintain or Repair at Tenant's Expense

Drawing Number	Pcl. No.	Land Type	Surface/subsurface	Area	SF rate	Rate w/o discount	Discount Rate	Discount amount	Yearly Rent	Quarterly Rent
1-1295	1	Waterfront	Surface	266,489	2.9	\$772,818.10		\$0.00	\$772,818.10	\$193,204.53
	2	Wharf	Surface	847.81		\$0.00		\$0.00	\$0.00	\$0.00
	3	Waterfront	Surface	220,650	2.9	\$639,885.00		\$0.00	\$639,885.00	\$159,971.25
	4	Wharf	Surface	992.41		\$0.00		\$0.00	\$0.00	\$0.00
	6	Waterfront	Surface	62,505.00	2.9	\$181,264.50		\$0.00	\$181,264.50	\$45,316.13
	7	Waterfront	Subsurface	15,809.00	2.9	\$45,846.70	0.5	\$22,923.05	\$22,923.05	\$5,730.76
	8	Waterfront	Subsurface	632.00	2.9	\$1,832.80	0.5	\$916.40	\$916.40	\$229.10
	10	Waterfront	Subsurface	33,277.00	2.9	\$96,503.30	0.5	\$48,251.65	\$48,251.65	\$12,062.91
	11	Waterfront	Surface	30.00	2.9	\$87.00		\$0.00	\$87.00	\$21.75
	12	Waterfront	Surface	5,556.00	2.9	\$16,112.40		\$0.00	\$16,112.40	\$4,028.10
	13	Waterfront	Water	5,760.00	2.9	\$16,704.00		\$0.00	\$16,704.00	\$4,176.00
	14	Waterfront	Surface	22,234.00	2.9	\$64,478.60		\$0.00	\$64,478.60	\$16,119.65
	15	Waterfront	Subsurface	10,101.00	2.9	\$29,292.90	0.5	\$14,646.45	\$14,646.45	\$3,661.61
	16	Waterfront	Subsurface	10.00	2.9	\$29.00	0.5	\$14.50	\$14.50	\$3.63
	17	Waterfront	Subsurface	1,367.00	2.9	\$3,964.30	0.5	\$1,982.15	\$1,982.15	\$495.54
	18	Waterfront	Subsurface	29,119.00	2.9	\$84,445.10	0.5	\$42,222.55	\$42,222.55	\$10,555.64
	19	Waterfront	Subsurface	3,780.00	2.9	\$10,962.00	0.5	\$5,481.00	\$5,481.00	\$1,370.25
	20	Waterfront	Surface	47,718.00	2.9	\$138,882.20		\$0.00	\$138,882.20	\$34,595.55
	21	Wharf	Surface	103.11		\$0.00		\$0.00	\$0.00	\$0.00
	22	Waterfront	Surface	30,854.00	2.9	\$89,476.60		\$0.00	\$89,476.60	\$22,369.15
	23	Waterfront	Subsurface	4,151.00	2.9	\$12,037.90	0.5	\$6,018.95	\$6,018.95	\$1,504.74
	24	Waterfront	Subsurface	53.00	2.9	\$153.70	0.5	\$76.85	\$76.85	\$19.21
	25	Waterfront	Subsurface	2,679.00	2.9	\$7,769.10	0.5	\$3,884.55	\$3,884.55	\$971.14
						\$0.00		\$0.00	\$0.00	\$0.00
						\$0.00		\$0.00	\$0.00	\$0.00
TOTAL						\$2,212,044.60		\$146,418.10	\$2,065,626.50	\$516,406.63