

FIRST AMENDMENT TO  
PERMIT NO. 896  
CRAFTED AT THE PORT OF LOS ANGELES

Permit No. 896 between the CITY OF LOS ANGELES, a municipal corporation acting by and through its Board of Harbor Commissioners ("City"), and CRAFTED AT THE PORT OF LOS ANGELES ("Tenant"), is hereby amended a first time as follows:

WHEREAS, City issued the Permit No. 896 ("Agreement") to Tenant in 2011;

WHEREAS, the Agreement sets forth the terms and conditions of Tenant's use and occupancy of the premises it covers;

WHEREAS, following a period of operations after the Agreement's effective date, City and Tenant desire to alter certain provisions of the Agreement as specifically set forth in this First Amendment; and

WHEREAS, Tenant and The Brewery at Warehouse Nine, LLC, have entered into and fully executed a Third Amendment to Commercial Lease Agreement, a copy of which is attached hereto as Exhibit "N," and under which City is an intended third-party beneficiary.

NOW, THEREFORE, City and Tenant agree as follows:

1. Defined Terms, References. Terms defined in the Agreement shall have the same meanings herein. References herein to "Sections" shall be to sections of the Agreement, unless otherwise stated.

2. Section 4.1. Section 4.1 is deleted in its entirety and replaced with the following:

"4.1 Permitted Uses. The Premises shall be used for the following purposes and no others: construction, maintenance and operation as City's sublandlord of a visitor-serving public marketplace and tourist attraction for specialty commercial uses and incidental purposes; the creation and sale of arts and crafts; restaurants, food carts, food and beverage production facilities, specialty grocery; consumer alcohol manufacturing operations, including but not limited to a brewery, tours thereof, tasting room, wholesale distribution and retail sales of such alcoholic beverages and alcohol-containing consumables and complementary merchandise, goods and wares; special event and entertainment facilities; and other related uses, all of which are low-intensity visitor-serving commercial and/or educational reuse, which uses shall be referred to herein as the "Permitted Uses." The form of sublease Tenant shall use in its conduct of the Permitted Uses shall be substantially similar to the form which is attached hereto as Exhibit "C", and Tenant shall have the right to modify such form of sublease with Executive Director's prior written consent, which written consent shall not be

unreasonably withheld. Subleases that are substantially different from Exhibit "C" will require the Board's consent, which shall not be unreasonably withheld."

3. Section 5.1.11. A new Section 5.1.11 is added as follows:

"5.1.11 Market Rent. "Market Rent" " means "the most probable rent that a property in the area where the Premises are located, and in the physical condition of the Premises as of the Effective Date of the Agreement should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements."

4. Sections 5.1.3, 5.1.4, and 5.1.5. Sections 5.1.3, 5.1.4, and 5.1.5 are deleted in their entirety and replaced with the following:

"5.1.3 Second Compensation Period. "Second Compensation Period" shall mean the second (2<sup>nd</sup>) compensation year through August 31, 2015.

5.1.3.1 Third Compensation Period. "Third Compensation Period" shall mean the compensation year beginning September 1, 2015 through and including August 31, 2020.

5.1.4 Fourth Compensation Period. "Fourth Compensation Period" shall mean the compensation year beginning September 1, 2020 through and including August 31, 2025.

5.1.5 Fifth Compensation Period. "Fifth Compensation Period" shall mean the compensation year beginning September 1, 2025 through and including December 15, 2036, including holdovers thereafter."

5. Section 5.3. The first paragraph of Section 5.3 is deleted in its entirety and replaced with the following:

"5.3 Compensation Periods. Tenant's obligation to pay Rent, including Minimum Rent and Percentage Rent, shall be defined separately for five separate Compensation Periods as described below."

6. Section 5.3.3. Section 5.3.3 is deleted in its entirety and replaced with the following:

"5.3.3 Third Compensation Period. Tenant shall pay Minimum Rent plus Third Compensation Period Percentage Rent, if applicable. Submission of annual Gross Receipts statements, per Section 5.2.2.1 (a), will determine if any Percentage Rent is due and the amount of

Percentage Rent due for any Compensation Year. Minimum Rent will be subject to adjustment as described below in subsection (c).

(a) Minimum Rent. As described in Section 5.2.1, Tenant is obligated to pay Seventeen Thousand and Five Hundred Dollars (\$17,500) in Minimum Rent to City.

(b) Third Compensation Period Percentage Rent. Tenant shall pay to City within thirty (30) days after the end of each Compensation Year (concurrent with its submittal of the yearly statement required by Section 5.2.2.1 (a)):

(1) Six and One-Half Percent (6.5%) of Gross Receipts exceeding Five Million Dollars (\$5,000,000) up to Six Million Nine Hundred and Ninety-Nine Thousand Nine Hundred and Ninety-Nine Dollars (\$6,999,999), and

(2) Seven and One-Half Percent (7.5%) of Gross Receipts exceeding Seven Million Dollars (\$7,000,000).

(c) Minimum Rent shall be subject to CPI Adjustment annually on the Adjustment Date.”

7. Section 5.3.4. Section 5.3.4. is deleted in its entirety and replaced with the following:

“5.3.4 Fourth Compensation Period. Tenant shall pay Minimum Rent or Fourth Compensation Period Percentage Rent, whichever is greater, subject to Section 5.3.6. If Tenant's calculated Percentage Rent is not greater than the Minimum Rent due in any Compensation Year no Percentage Rent is due. Submission of annual Gross Receipts statements, per Section 5.2.2.1 (a), will determine if any Percentage Rent is due and the amount of Percentage Rent due for any Compensation Year. Minimum Rent will be subject to adjustment as described below in subsection (c).

(a) Minimum Rent. As described in Section 5.2.1, Tenant is obligated to pay at minimum Fifty Thousand Dollars (\$50,000) in Minimum Rent to City subject to Sections 5.3.4.(c) and 5.3.6 below.

(b) Fourth Compensation Period Percentage Rent. Tenant shall pay to City within thirty (30) days after the end of each Compensation Year (concurrent with its submittal of the yearly statement required by Section 5.2.2.1 (a)):

- (1) Three and One-Half Percent (3.5%) of Gross Receipts up to Four Million Nine Hundred Ninety-Nine Thousand Nine Hundred and Ninety-Nine Dollars (\$4,999,999), and
- (2) Six and One-Half Percent (6.5%) of Gross Receipts up to Five Million Dollars (\$5,000,000) up to Six Million Nine Hundred and Ninety-Nine Thousand Nine Hundred and Ninety-Nine Dollars (\$6,999,999), and
- (3) Seven and One-Half Percent (7.5%) of Gross Receipts Seven Million Dollars (\$7,000,000) and up.

(c) Minimum Rent shall be adjusted annually on the Adjustment Date based on the greater of the following:

- (1) The previous Compensation Year's Minimum Rent subject to CPI Adjustment, or
- (2) The sum of the Percentage Rents calculated (whether or not any are paid to the City) during the three previous years divided by three (3) with the resulting quotient multiplied by Seventy-Five Percent (75%)."

8. Sections 5.3.5. A new Section 5.3.5 is added as follows:

"5.3.5 Fifth Compensation Period. Tenant shall pay Minimum Rent, subject to Section 5.3.6, or Fifth Compensation Period Percentage Rent, whichever is greater. If Tenant's calculated Percentage Rent is not greater than the Minimum Rent due in any Compensation Year no Percentage Rent is due. Submission of annual Gross Receipts statements, per Section 5.2.2.1 (a), will determine if any Percentage Rent is due and the amount of Percentage Rent due for any Compensation Year. Minimum Rent will be subject to adjustment as described below in subsection (c).

- (a) Minimum Rent. As described in Section 5.2.1, Tenant is obligated to pay the sum of the percentage rents calculated (whether or not any are paid to the City) during the three previous years divided by three with the resulting quotient multiplied by Seventy-Five Percent (75%).
- (b) Fifth Compensation Period Percentage Rent. Tenant shall pay to City within thirty (30) days after the end of each

Compensation Year (concurrent with its submittal of the yearly statement required by Section 5.2.2.1(a):

- (1) Five Percent (5%) of Gross Receipts up to Four Million Nine Hundred Ninety-Nine Thousand Nine Hundred and Ninety-Nine Dollars (\$4,999,999), and
- (2) Six and One-Half Percent (6.5%) of Gross Receipts Five Million Dollars up to Six Million Nine Hundred and Ninety-Nine Thousand Nine Hundred and Ninety-Nine Dollars (\$6,999,999), and
- (3) Seven and One-Half Percent (7.5%) of Gross Receipts Seven Million Dollars (\$7,000,000) and up.

(c) Minimum Rent shall be adjusted annually on the Adjustment Date based on the greater of the following:

- (1) The previous Compensation Year's Minimum Rent subject to CPI Adjustment, or
- (2) The sum of the percentage rents calculated (whether or not any are paid to the City) during the three previous years divided by three with the resulting quotient multiplied by Seventy-Five Percent (75%)."

9. Section 5.3.6. A new Section 5.3.6 is added as follows:

"5.3.6 Five-Year Rate Adjustments.

5.3.6.1 Adjusted Minimum Rent. In addition to, and not as a substitute for the Annual Adjustments required in Subsections 5.3.3(c), 5.3.4(c), and 5.3.5(c) above, as required pursuant to the Charter Section 607, on every fifth (5<sup>th</sup>) anniversary of the First Amendment's Effective Date ("Reset Date"), the Minimum Rent and Percentage Rent to be paid by Tenant for each five (5) year period, or any portion thereof, following the effective date of this First Amendment ("Five-Year Adjusted Period") shall be adjusted to reflect the fair market rental for the Premises in the area where the Premises are located and in the physical condition of the Premises as of the Effective Date of the Agreement. *In no case will the Minimum Rent be adjusted downward.* The Adjusted Minimum Rent and Percentage Rent shall be mutually agreed upon between the Parties at some time not more than nine (9) months and not less than three (3) months before each Reset Date. If the Parties are able to reach agreement on the Adjusted Minimum Rent and

the Percentage Rent, then said agreement shall be presented as a recommendation to the Board. The Adjusted Minimum Rent and Percentage Rent shall be established by order of the Board, provided that if the Adjusted Minimum Rent and Percentage Rent has not been determined by the beginning of the Reset Date, the Minimum Rent for the new Five-Year Adjusted Period, subject to the final Adjusted Minimum Rent being negotiated or determined by the Appraisal Process, shall be one hundred twenty five percent (125%) of the Minimum Rent for the former period, and shall be paid in the same manner as provided in this Section 5 until completion of the negotiations or the Appraisal Process procedure set forth below.

5.3.6.2 Appraisal Process. If the Parties cannot agree on the amount of the Adjusted Minimum Rent by sixty (60) days prior to the Reset Date, the following process to determine the Adjusted Minimum Rent shall apply (the "Appraisal Process"); provided, however, that the Parties may continue to negotiate during the Appraisal Process period and, if an agreement is reached, the Appraisal Process shall be terminated and the negotiated amount shall be presented as a recommendation to the Board. The Appraisal Process shall be:

- (a) No later than fifty (50) days prior to the Reset Date, the Executive Director shall provide to Tenant a written statement of the Executive Director's determination of the Market Rent for the Five-Year Adjusted Period ("Determination Due Date"). If Tenant disagrees with the Executive Director's determination, Tenant must provide to City a written objection within ten (10) calendar days of receipt of the Executive Director's determination. The written objection must include (i) the basis for Tenant's objection to the imposition of the new Adjusted Minimum Rent and (ii) Tenant's election to commence the Appraisal Process. Tenant acknowledges and agrees that Tenant's failure to submit a timely, written objection shall be deemed approval of the Executive Director's determination of the Adjusted Minimum Rent commencing on, and retroactive to, the Reset Date.
- (b) If either (i) City has not provided Tenant with the Executive Director's determination of Market Rent by the Determination Due Date or (ii) Tenant has received the Executive Director's determination but elects to commence the Appraisal Process, within ten (10) calendar days following Tenant's notice of commencement of the Appraisal Process or ten (10) calendar days following the

Determination Due Date, whichever is applicable, City and Tenant shall exchange the names and qualifications of three (3) appraisers, which appraisers shall possess the qualifications set forth in the attached Exhibit "K", and the Parties will utilize best efforts to agree, within ten (10) calendar days, upon a single qualified appraiser from that list whose scope of work shall be to determine the Market Rent as set forth in Exhibit "L". The selected appraiser shall be instructed to determine Market Rent within sixty (60) calendar days of the selection. The Parties shall cooperate with the selected appraiser to provide information or documents in their respective custody or control which are reasonably necessary to generate an appraisal in conformity with Exhibit "L". Such appraiser's determination shall be binding upon the parties. City shall retain the selected appraiser; however, the costs incurred for the appraisal shall be borne equally by City and Tenant. Tenant agrees to reimburse City for half the fees and costs for the appraisal within fifteen (15) days of receipt of an invoice for payment of same.

- (c) If, despite best efforts, City and Tenant cannot agree upon such single appraiser within the aforementioned ten (10) calendar days, or if the selected appraiser fails to transmit the required appraisal report within ninety (90) calendar days following the appraiser's retention, City and Tenant shall each retain their own appraiser, possessing the qualifications set forth in the attached Exhibit "K" to determine the Market Rent pursuant to Exhibit "L", within no more than sixty (60) calendar days, unless extended by mutual written agreement of the Parties. Fees and costs of each appraiser shall be borne by the Party retaining that appraiser.
- (d) If either party fails to appoint an appraiser and provide the required written notice thereof within such sixty (60) calendar-day period, the one appraiser appointed shall be directed to determine Market Rent pursuant to Exhibit "L" and such appraiser's determination shall be binding upon the parties.
- (e) If City and Tenant appoint appraisers within such sixty (60) day period, such two appraisers so appointed shall be directed to use good faith efforts to separately determine Market Rent pursuant to Exhibit "L". The appraisal generated on behalf of the City shall be referred to as "City Appraisal," and shall be generated at City's sole cost and

expense. The appraisal generated on behalf of Tenant shall be referred to as "Tenant Appraisal," and shall be referred to as "Tenant Appraisal," and shall be generated at Tenant's sole cost and expense. City and Tenant thereafter shall exchange appraisals. If the determinations of the City Appraisal and the Tenant Appraisal are within ten percent (10%) of one another, the Market Rent shall be the average of the two and shall be binding upon the parties.

- (f) If the determination of Market Rent of the two appraiser differs by more than ten percent (10%), then the two appraisers shall choose a third appraiser possessing the qualifications as asset forth on Exhibit "K" within thirty (30) calendar days thereafter who shall not make an independent determination of Market Rent, but rather shall determine only which, the City Appraisal or the Tenant Appraisal, is closest to that third appraiser's estimate of Market Rent, and Market Rent shall be equal to the then applicable amount so determined in the appraisal selected by such third appraiser. If the two appraisers fail to select a third appraiser within such time, the determination of Market Rent shall be submitted to final and binding arbitration at the request of either City or Tenant before one arbitrator appointed by the American Arbitration Association ("AAA") at Los Angeles, California acting pursuant to AAA's Arbitration Rules for the Real Estate Industry last in effect at the time a request for arbitration is filed. The arbitrator shall review at minimum the scope of work attached hereto as Exhibit "L" and copies of the City Appraisal and the Tenant Appraisal, but shall not make an independent determination of Market Rent, but rather shall determine only which, the City Appraisal or the Tenant Appraisal, is closest to the arbitrator's estimate of Market Rent, and Market Rent shall be equal to the then-applicable amount so determined in the appraisal selected by such arbitrator. Such determination of the arbitrator shall be binding on the parties and shall be retroactive to the commencement of the applicable 5-year period. Fees and costs incurred by such arbitrator and/or AAA shall be borne equally by City and Tenant.
- (g) Appraisals generated pursuant to Sections 5.3.6.2 (b), (c), (d), or (e), or the estimate of Market Rent made by a third appraiser or arbitrator, as the case may be, pursuant to Subsection 5.3.6.2 (f), shall be submitted to the Board who will then establish by order the Adjusted Minimum Rent to apply throughout the Five-Year Adjusted Period.

5.3.6.3 Reconciliation of Rent Payments. The monies paid at the one hundred twenty percent (125%) rate shall count against the Adjusted Minimum Rent which shall accrue from the date the Five-Year Adjusted Period commenced. If the Adjusted Minimum Rent is more than the Minimum Rent paid at the one hundred twenty percent (125%) rate, Tenant shall immediately pay City the difference due from the date the Five-Year Adjustment Period commenced to the date the Adjusted Minimum Rent is paid. If the Adjusted Minimum Rent is less than the amount paid at the one hundred twenty percent (125%) rate, Tenant shall be entitled to a credit against future sums owed to City under this Agreement. No interest shall accrue on the amount due to City or Tenant pursuant to this provision except to the extent Tenant fails to pay any deficiency within thirty (30) days of a billing from City. If Tenant's payments are delinquent, a delinquency charge shall accrue at the rate provided in Item No. 270 of the Tariff (or its successor), currently consisting of simple interest of 1/30 of two percent (2%) of the invoice amount remaining unpaid each day."

10. Sections 12.1(d), 12.1(e) and 12.1(f). The word "or" is deleted from the end of Section 12.1(d) and added to the end of Section 12.1(e). A new Section 12.1(f) is added as follows:

"(f) Notwithstanding the other provisions of this Agreement, the conditions, operations, uses, occupations, acts, omissions or negligence existing or conducted upon or arising from or related to the manufacturing, distribution, selling, serving or furnishing of alcoholic beverages and/or alcohol-containing consumables by Tenant, its sublessees or invitees."

11. Section 12.2(a). Four new paragraphs at the end of the first paragraph of Section 12.2(a) are added, as follows:

"Where Tenant's sublessees, licensees and/or invitees manufacture, distribute, sell, serve or furnish alcoholic beverages and/or alcohol-containing consumables, Tenant shall require such sublessees, licensees and/or invitees to obtain Liquor Liability coverage to be provided as above, with limits of Five Million Dollars (\$5,000,000).

Where Tenant's sublessees, licensees or invitees sell, serve or furnish alcoholic beverages and/or alcohol containing consumables, Tenant shall require such sublessees, licensees or invitees to obtain Host Liquor Liability coverage as provided above.

Where Tenant's sublessees, licensees or invitees provide pyrotechnics, Tenant shall require such sublessees, licensees or invitees to obtain Pyrotechnics Liability as provided above.

Where Tenant or sublessee undertakes construction activities other than repairs or restoration, the coverages and limits as shown in Exhibit "M" shall apply."

12. Except as specifically amended in this First Amendment, all remaining terms and conditions of the Agreement shall and do remain unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Permit No. 896 on the date to the left of their signatures.

THE CITY OF LOS ANGELES, by its Board of Harbor Commissioners

Dated: \_\_\_\_\_, 2015

By \_\_\_\_\_  
Executive Director

Attest \_\_\_\_\_  
Board Secretary

CRAFTED AT THE PORT OF LOS ANGELES

Dated: 9/1 \_\_\_\_\_, 2015

By Wayne S. Blank

WAYNE S. BLANK G.P.  
(Type/Print Name and Title)

Attest Howard Robinson

Howard Robinson, Co-Gen'l Partner  
(Type/Print Name and Title)

APPROVED AS TO FORM AND LEGALITY

[Signature], 2015  
MICHAEL N. FEUER, City Attorney  
JANNA B. SIDLEY, General Counsel

By [Signature]  
STEVEN Y. OTERA, Deputy

SYO:jrs/jpr  
09/01/15

## **EXHIBIT K – APPRAISER QUALIFICATIONS**

Any appraisals that provide opinions of market value shall be performed by an appraiser whose business is located in Los Angeles or Orange Counties and hold a Certified General Appraiser classification within the State of California obtained through the qualification procedures set forth by the California Office of Real Estate Appraisers (OREA) and be a member in good standing with the Appraisal Institute and hold the designation of MAI. A copy of all licenses and certifications shall be submitted prior to commencement of work.

Any appraiser selected to perform an appraisal of Harbor Department related properties (total property, land and/or improvements) shall have working knowledge of port related properties that is appropriate for the work being performed.

## EXHIBIT L – APPRAISER SCOPE OF WORK

Appraisers performing work under Article 1, Section 4 of this Agreement shall prepare appraisal reports in strict conformity with the scope of work set forth herein (“Appraisal Report”). This scope of work incorporates by reference as if fully set forth herein all terms defined in the Agreement to which it is attached.

### Format Requirements for Appraisal Reports:

The Appraisal Report shall be presented in a letter size bound report. The Appraisal Report shall include a confidentiality agreement in a form prepared by the Office of the City Attorney of the City of Los Angeles. The Appraisal Report shall include a letter of transmittal that clearly states all of the real property conclusions and all extraordinary assumptions of the report and the bases underlying each conclusion and assumption. The letter of transmittal shall also contain a brief description of the interest appraised, dates of value, date of report, client, intended use, intended user, type of appraisal, report type and signature. The Appraisal Report shall be self-contained and shall fully comply with the latest edition of the Uniform Standards of Professional Appraisal Practice (“USPAP”) and this Appraisal Scope of Work. In addition to the letter of transmittal, the Appraisal Report shall contain an executive summary or summary of salient facts.

### Content Requirements for the Appraisal Report:

#### *Subject Property*

The premises identified and defined in Article 1, Section 2 of the Agreement, which include land and improvements, if any (“Premises”).

#### *Interest Appraised*

The Market value and market rent of the Premises. Market value shall be determined for the as is, fee simple interest of the Premises based upon the highest and best use. Market Rent shall be established in accordance with the Leasing Policy of the Harbor Department which defines Market Rent as “the most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions and tenant improvements.”

#### *Date of Appraisal*

The Appraisal Report shall include the date that the report was completed.

### *Date of Value*

The date of value shall be the date of commencement of the Reset Date for the relevant Five-Year Adjusted Period, as defined in Article 1, Section 4 of the Agreement.

### *Scope of Appraisal*

The Appraisal Report shall determine the market value and rental value of the Premises as stated above under *Interest Appraised*. The opinions of value will be set forth on a value per-square-foot unit of comparison. The Appraisal Report shall contain the following information and analysis:

Externalities: Information, including but not limited to:

- analysis of national, regional and local economic trends and other relevant forces that influence or impact property values;
- descriptions of the immediate and surrounding economic and geographic areas;
- descriptions of the Premises' access features;
- availability and market characteristics of comparable properties;
- impact of Port of Los Angeles and Port of Long Beach activities; and
- a conclusion as to the social, economic, governmental and environmental characteristic of the Premises.

### Highest and Best Use

The Appraisal Report shall include a highest and best use analysis of the Premises as improved and as if vacant.

### Zoning

The Appraisal Report shall include a discussion of current zoning including designation, health restrictions, permitted uses, setbacks, coverage ratios, FARs, landscaping and parking requirements.

### Comparable Information

Each comparable land sale, improved sale, rental comparable and rate of return comparable shall be described in detail on a separate data sheet that shall include the verification date and source, as well as all other important information. Additionally, the Appraisal Report must include an adjustment grid that delineates each item of adjustment as well as the direction and amount of each adjustment made. All adjustments are to be discussed in the pertinent analysis section of the Appraisal Report.

### Method of Appraisal

The Appraisal Report shall describe all information analyzed, the appraisal procedures followed, and the reasoning that supports the analysis, opinions and conclusions. All appraisal methods shall be considered and all appropriate appraisal methods shall be applied, however as a minimum, the sales comparison and income approaches to value must be included. If standard approaches to value are not included, the report must contain a discussion of the reason for the exclusions.

### The Income Capitalization Approach

This required valuation approach will include an estimate of market rent and market value of the Premises. Values will be estimated base on the direct capitalization approach or a discounted cash flow methodology. Direct land, building and or total property capitalization rates will be derived from verified comparable sale properties with similar characteristics. Discounted cash flow analyses will contain internal rates of return derived from investor surveys and interviews with buyers of verified comparable sales. Comparables will consist of similar use San Pedro Bay properties or industrial zoned properties within a 15 mile radius of the Port of Los Angeles ("POLA-Adjacent Properties").

### The Cost Approach

This analysis, if applied, will value the improvements as a whole and will set forth the reproduction cost new, including direct costs, indirect costs, and entrepreneurial profit. Indirect costs shall include, but not be limited to, construction interest and costs, long-term financing costs, insurance, taxes, fees, permits architectural and engineering fees, site costs, land holding costs, utility connection fees and an estimate of construction time. A depreciation analysis will estimate total life, remaining economic life, effective age, and total accrued depreciation from all forms. This approach to market and rental value will reconcile total value for the land, improvements and or total property considered as a whole and the individual estimates for each area of appraised classification. When applied to estimate land value and rent, the analysis will abstract the value the land from the value of the total property by deducting the depreciated value of the improvements.

### The Sales Comparison Approach

This required valuation method will include, where relevant, a direct comparison of sales or leases of similar use in San Pedro Bay or POLA-Adjacent Properties. These

property types may include: office, retail, R & D and industrial properties as well as arms-length lease comparables from within the Port of Los Angeles.

In identifying similar properties as comparables, the appraiser shall consider factors including, but not necessarily limited to, the following: use (commercial versus noncommercial); size, location, water and non-water access; other occupancy cost and fees, unique taxes, tariffs and levies, operating rules and regulations; and type, quality, condition and function utility or limitations of land and/or improvements. The appraiser shall also consider general real estate market conditions and trends in the surrounding area.

#### Reconciliation

The Appraisal Report shall reconcile the results of all approaches employed and provide an analysis that results in a final conclusion of the market value and market rent for the each interest or property classification. The reconciliation will state the effective dates of value, the interests appraised and the properties appraised.

# Exhibit M

## INSURANCE ASSESSMENT REQUEST



<b><i>This section to be completed by Risk Management</i></b>	
<input type="checkbox"/> No insurance required, only indemnification	
<b>INSURANCE REQUIREMENTS</b>	<b>LIMITS (per occ)</b>
<input checked="" type="checkbox"/> <b>General Liability</b> <input checked="" type="checkbox"/> Deletion of railroad exclusion req'd if work occurs within 50 ft of railroad tracks <input type="checkbox"/> Terminal Operator's Liability <input type="checkbox"/> Garagekeepers Legal Liability <input type="checkbox"/> Host Liquor Liability <input type="checkbox"/> Explosion, collapse and underground hazards <input type="checkbox"/> Fire Legal Liability (Limits \$250K per occ)	\$5M
<input checked="" type="checkbox"/> <b>Auto Liability (all autos)</b> <input type="checkbox"/> On Hook Coverage	\$5M
<input checked="" type="checkbox"/> <b>Workers' Compensation/Employer's Liability</b> <input type="checkbox"/> USL&H <input checked="" type="checkbox"/> Waiver of Subrogation	STATUTORY
<input type="checkbox"/> <b>Professional Liability</b> <input type="checkbox"/> Medical Malpractice <input type="checkbox"/> Law Enforcement Legal Liability	\$
<input checked="" type="checkbox"/> <b>Railroad Protective Liability naming Pacific Harbor Line as the named insured req'd if work occurs within 50 ft of railroad tracks</b>	\$2M
<input type="checkbox"/> <b>Ocean Marine Liability</b> <input type="checkbox"/> Protective & Indemnity <input type="checkbox"/> Hull & Machinery <input type="checkbox"/> Ship Builders/Repairers Liability	\$
<input type="checkbox"/> <b>Property/All Risk Insurance</b>	90% replacement value over \$250K
<input checked="" type="checkbox"/> <b>Pollution Liability req'd if hazmat is being transported</b>	\$1M
<input checked="" type="checkbox"/> <b>Builder's Risk req'd if ownership of finished construction will be the City's property</b>	Value of the project
<input type="checkbox"/> <b>Fine Arts Insurance</b>	Actual cash value
<input type="checkbox"/> <b>Aviation/Airport Liability</b> <input type="checkbox"/> <b>Aircraft Liability (passenger liability per seat)</b>	\$

# Exhibit N

## THIRD AMENDMENT TO COMMERCIAL LEASE AGREEMENT

This THIRD AMENDMENT TO LEASE ("Third Amendment") made this 27<sup>th</sup> day of August, 2015, by and between CRAFTED AT THE PORT OF LOS ANGELES LIMITED PARTNERSHIP, a California Limited Partnership ("Landlord"), and THE BREWERY AT WAREHOUSE NINE, LLC, a California limited liability company ("Tenant," and with "Landlord," the "Parties").

### RECITALS

**WHEREAS**, Landlord and Tenant entered into a Lease Agreement, dated December 29, 2013 ("Original Lease"), pursuant to which Tenant leased the westerly portion of Warehouse 9, 110 E. 22nd Street, San Pedro, CA containing a total of approximately 27,900 square feet of space, divided into 26,100 rentable square feet of interior space and 1,800 square feet of exterior loading dock area;

**WHEREAS**, Landlord and Tenant entered into a First Amendment to Commercial Lease Agreement, dated March 30, 2014 ("First Amendment"), which amended Sections 6.1 and 7.1 of the Original Lease; and

**WHEREAS**, Landlord and Tenant entered into a Second Amendment to Commercial Lease Agreement, dated September 30, 2014 ("Second Amendment"), which amended Sections 6.1, 6.3, 7.1-3 and 17.1 of the Original Lease; and

**WHEREAS**, the Parties hereto desire to amend certain terms and conditions of the Original Lease and First and Second Amendment by means of this Third Amendment.

### WITNESSETH:

**NOW THEREFORE**, the Parties hereto agree as follows:

For and in consideration of the covenants and agreements set forth hereinafter, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties amend the Original Lease and First and Second Amendments as set forth in this Third Amendment.

1. **INDEMNITY**: Section 16.1 of the Original Lease, as amended by the First and Second Amendments is hereby amended to include the following paragraph as the last paragraph of Section 16.1:

"Tenant shall indemnify and hold harmless Landlord and the City of Los Angeles, any and all of its boards, officers, agents and employees from any and all claims and demands, actions, proceedings, losses, liens, costs and judgments of any kind and nature whatsoever, including expenses incurred in defending against legal actions, for death of or injury to persons, or damage to property, and for civil fines and penalties that may arise from or be related to the manufacturing, distributing, selling, serving or furnishing of alcoholic beverages and/or alcohol-containing consumables by Tenant, its sublessees, contractors, or invitees. "

8. **INCORPORATION OF RECITALS**: The foregoing recitals are fully incorporated into this Third Amendment by this reference.


IN WITNESS WHEREOF, the Parties hereto have caused this Third Amendment to be signed in their respective names by their respective authorized officers, effective as of the later of the dates set forth below.

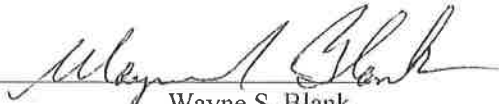
“TENANT”

“LANDLORD”

**THE BREWERY AT WAREHOUSE NINE, LLC**  
a California Limited Liability Company

**CRAFTED AT THE PORT OF LOS ANGELES**  
**LIMITED PARTNERSHIP**

By:   
David Hoff Brian Mereer  
President

By:   
Wayne S. Blank  
General Partner

Date: 8/27/15

Date: 8.27.2015