

**PERMIT NO. 927**

**GRANTED BY THE CITY OF LOS ANGELES**

**TO**

**MAX INTERAMERICAS, INC.**

**DBA**

**FLARE LOGISTICS, INC.**

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**THIS PERMIT ("Agreement")** is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between THE CITY OF LOS ANGELES, a municipal corporation ("City") acting by and through its Board of Harbor Commissioners ("Board"), and MAX INTERAMERICAS, INC., a California corporation doing business as FLARE LOGISTICS, INCS., a California corporation located at 6338 Huntington Drive, Carlsbad, CA 92009 ("Tenant") (individually referred to as "Party" and collectively referred to as "Parties").

## **ARTICLE 1**

### **Section 1. Agreement.**

For good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, City hereby delivers, and Tenant hereby accepts, the Premises hereinafter described, subject to the terms, limitations, conditions, restrictions and reservations contained herein and in the Charter of the City of Los Angeles and the State Tidelands Trust and the terms and conditions provided herein.

### **Section 2. Premises.**

#### **2.1 Description.**

2.1.1 Land and Improvements. The premises subject to this Agreement are as delineated and more particularly described on the attached sketch Max InterAmericas, Inc. – Premises ("Premises"). Such sketch is on file in the office of the Chief Harbor Engineer of the Harbor Department ("Harbor Engineer") and is attached hereto as Exhibit "A." The total area of the Premises is comprised of approximately 18,010 square feet.

2.1.2 Existing City Improvements. The improvements on the Premises as of the Effective Date, which improvements are owned by City and subject to this Agreement, are identified in Exhibit "B", a copy of which is attached hereto. This Agreement refers to the totality of such City-owned improvements as "City's Improvements."

2.1.3 New Improvements. The Parties acknowledge that new improvements may be constructed by the Tenant on the Premises following the Effective Date. Such Tenant improvements shall include grading, paving, fencing, gate, lighting, driveway, and utility connections. If, following the Effective Date, an improvement is added to the Premises, the Harbor Engineer shall: (i) revise Exhibit "B" to include both a depiction of such additional improvement and a statement identifying such improvement's ownership; (ii) renumber the revised Exhibit "B" (such that, for example, after any such revision and renumbering, Exhibit "B" becomes "Exhibit "B-1""); and (iii) transmit such revised and renumbered Exhibit "B" to Tenant. Upon City's transmittal to Tenant, such revised and renumbered Exhibit "B" shall be deemed to: (i) be

incorporated into this Agreement without further action of the Board or the Council; and (ii) supersede any earlier issued iterations of Exhibit "B".

**2.2 Acceptance and Surrender.** It is understood and agreed that Tenant accepts the Premises "AS IS", "WHERE IS", with all faults and limitations, provided that nothing herein shall be construed to negate any provision of this Agreement. Tenant agrees to surrender the Premises upon the expiration or earlier termination of this Agreement in conformance with the terms and conditions of this Agreement.

**Section 3. Effective Date; Term and Holdover.**

**3.1 Effective Date.** Subject to the provisions of Charter Section 245, the effective date of this Agreement shall be the date of its execution by Executive Director upon authorization of the Board. Tenant is aware that the City Council, pursuant to Charter Section 245 of the City of Los Angeles, has the right to review this Agreement. Accordingly, in no event shall this Agreement become effective until the sixth Council meeting day after Board action or the City Council's approval of the Agreement ("Effective Date").

**3.2 Term.** The Term of this Agreement shall be for five (5) years commencing on the Effective Date and expiring on \_\_\_\_\_ ("Expiration Date"), unless sooner terminated in accordance with Agreement.

City shall grant Tenant first right of refusal to negotiate in good faith a lease extension for the Premises provided the following: (1) Tenant provides to the Harbor Department, in writing, its desire to negotiate a lease extension 180 days before lease expiration; and (2) Tenant is a "Tenant in Good Standing" as defined in the Harbor Department Leasing Policy, Section III.

**3.3 Holdover.** Should Tenant remain in possession of all or any part of the Premises after the expiration of this Agreement, with or without the express or implied consent of City, such occupancy shall be considered to be a "holdover" from month to month only, and not a renewal of this Agreement nor an extension for any further term, and in such case, rent or other monetary sums due hereunder for such expired Premises shall be payable in the amount of: (i) one hundred fifty percent (150%) of the Rent, as defined in Section 4 (Rent), payable for the last month of the term of this Agreement, or one hundred fifty percent (150%) of the fair market rental, whichever is higher, plus (ii) other charges payable hereunder at the time specified in the Agreement, and such month to month occupancy shall be subject to every other provision, covenant and agreement contained herein, including any applicable Rental Adjustments set forth in Section 4. The foregoing provisions of this Subsection 3.3 are in addition to and do not affect the right of re-entry or any right of City hereunder or as otherwise provided by law, and in no way shall such provisions affect any right which City may otherwise have to recover damages, to the extent permissible by Applicable Law, from Tenant for loss or liability incurred by City resulting from the failure by Tenant to surrender the Premises, or for any other reason. Nothing contained in this Subsection 3.3 shall be construed as consent by City

to any holding over by Tenant, and City expressly reserves the right to require Tenant to surrender possession of the Premises to City as provided in the Agreement, and to the extent permissible by Applicable Law, upon the expiration of this Agreement.

#### **Section 4. Rent and Other Tenant Payments.**

##### **4.1 Definitions.**

4.1.1 Compensation Year. "Compensation Year" shall mean a period of twelve (12) consecutive calendar months commencing on the Effective Date and every twelve month period thereafter. Any period of less than twelve (12) consecutive calendar months shall be a partial year. For any partial year, the Rent shall be prorated on the basis of a three hundred and sixty-five (365) day year.

4.1.2 Tariff Charges. "Tariff Charges" shall mean all charges due and owing by Tenant under the Tariff on account of Tenant's use and occupancy of the Premises.

4.1.3 CPI-U. "CPI-U" shall mean the Consumer Price Index for All Items, All Urban Consumers for the Los Angeles-Riverside-Orange County, California area, 1982-84=100 as published by the U.S. Department of Labor, Bureau of Labor Statistics, or a successor index selected by the Executive Director in the Executive Director's sole reasonable discretion.

4.1.4 Base Rent. "Base Rent" shall mean the monetary sum, in U.S. Dollars, Tenant shall pay to City for its use and occupancy of the Premises per Compensation Year, excluding Tariff Charges and other Additional Rent.

4.1.5 Additional Rent. "Additional Rent" shall mean all monetary sums, in U.S. Dollars, Tenant shall pay to City for applicable Tariff Charges, impositions, taxes, liens and fees imposed on the Premises or Tenant's leasehold interest in the Premises, including but not limited to late fees, and any additional monetary payments which Tenant is required to pay to City as more fully set forth in this Agreement.

**4.2 Base Rent.** As consideration for rights granted in this Agreement, Tenant shall pay to City in the manner herein described without abatement, deduction or offset, except as provided herein, the following Base Rent when due, whether or not an invoice for same has been received, the initial annual base rent of Fifty Four Thousand Thirty Dollars (\$54,030), paid monthly in the amount of Four Thousand Five Hundred Three Dollars (\$4,503) per month due on or before the first day of each month.

**4.3 Rental Adjustments.** It is agreed that the Base Rent shall be adjusted in accordance with the following procedures:

4.3.1 Annual Adjustments. Effective on the first (1<sup>st</sup>) day of the second (2<sup>nd</sup>) Compensation Year (which date and subsequent annual anniversaries shall be referred to individually as “Annual Adjustment Date”), and annually thereafter, the Base Rent shall be adjusted as of the Annual Adjustment Date automatically without further notice to reflect the percentage increase (*but in no event decrease*), if any, in the CPI-U, or successor index selected by the Executive Director in the Executive Director’s sole reasonable discretion (“Annual Adjustments”). Such adjusted Base Rent shall be equal to the product obtained by multiplying the Base Rent amount in effect on the Annual Adjustment Date by a fraction, the numerator of which is the CPI-U index for the second month immediately preceding the Annual Adjustment Date, (the “Adjustment Index”) and the denominator of which is the CPI-U index as it stood on the same month of the prior year (the “Base Index”). For accounting purposes, the Annual Adjustment shall be rounded to the nearest thousandth.

The formula illustrating the adjustment computation is as follows:

$$\text{Annual Adjusted Rent} = \text{Base Rent as of Annual Adjustment Date} \times \frac{\text{Adjustment Index}}{\text{Base Index}}$$

**4.4 Reconciling Rent for Final Measurements.** The Parties agree that the Rent shall be adjusted to reflect any changes in the final measurement of the Premises, or any improvements thereon, which are made pursuant to Subsection 102.3 (Modifications of Premises and Documents), without further action of the Board or the Council. City shall inform Tenant of the revised Rent by written notice and affix such notice as an Attachment to this Agreement.

**4.5 No Waiver.** It is agreed by the Parties that failure by the Parties to comply timely with the Rent adjustment procedures herein shall not be construed to constitute a waiver of the right of City to a Rent adjustment.

**4.6 Additional Rent.**

4.6.1 Payment; Definition of Rent. In addition to any other consideration under this Agreement, including without limitation any Base Rent, Tenant shall pay to City all Additional Rent, as listed below, when due. Base Rent and Additional Rent shall collectively be referred to herein as “Rent”. All Rent shall be paid to City at the address to set forth in Subsection 103.2.2 (Payments), or at such other place as City may from time to time designate.

4.6.2 Tariff. Tenant shall pay City for any applicable Tariff Charges as Additional Rent.

#### 4.6.3 Taxes and Impositions.

(a) Tenant shall timely pay all Taxes imposed with respect to this Agreement, the use or the operation of the Premises, including, without limitation, any documentary or other transfer or sales taxes, property or possessory interest taxes and any City of Los Angeles Business Tax applicable to the use and operation of the Premises. City reserves the right, without being obligated to do so, to pay the amount any such Taxes not timely paid by Tenant, and the amount so paid by City shall be deemed Additional Rent hereunder, due and payable by Tenant immediately upon demand by City.

(b) Tenant hereby agrees to pay as Additional Rent such assessments, fees and charges as shall be set by the Board and that shall be reasonable and not unjustly discriminatory.

(c) Notwithstanding this Subsection 4.6.3, Tenant does not waive its right to seek relief from a court of competent jurisdiction to the extent that such Tax, assessment, fee or charges are contrary to Applicable Law.

4.6.4 Utilities and Services. Tenant shall be liable for and shall pay all charges for services furnished to the Premises, including, without limitation, heat, power, telephone, water, light, janitorial services, security services and trash collection services, and any other services in connection with its occupancy of the Premises, including, without limitation, deposits, connection fees or charges and meter rentals required by the supplier of any such service. If any such services are not separately metered or billed to Tenant, Tenant shall pay a reasonable proportion, to be determined by City, of all charges jointly metered or billed. There shall be no abatement of Rent and City shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond City's reasonable control or in cooperation with governmental request or directions. To the extent such utilities and services are provided by City, payment for same shall be Additional Rent.

4.6.5 Rent for Non-permitted Uses. Use of the Premises for purposes not expressly permitted herein, whether approved in writing by the Executive Director or not, may result in additional charges, including charges required by the Tariff, as it may be amended or superseded. Imposing additional charges and receiving Additional Rent for non-permitted uses shall not waive City's rights to declare a default or limit City's remedies under this Agreement and at law.

4.6.6 Rent on New Improvements. With respect to additions, improvements or alterations to the structures on the Premises authorized by City and made by Tenant, at Tenant's sole expense, during the Term of this Agreement, Tenant shall not be charged Rent for the rental value thereof unless and until title to said additions, improvements,



or alterations revert to City pursuant to the terms of this Agreement or by operation of law.

4.6.7 Other Amounts. Any amounts due and owing from Tenant that arise from or are related to its undertaking of the Permitted Uses or its occupancy of the Premises, including without limitation, service charges for services provided by the Harbor Department.

4.6.8 City's Net Return. The Parties intend that this Agreement shall constitute a "triple net lease" so that the Rent shall provide City with a "net" return for the Term, free of any expenses or charges with respect to the Premises, except as specifically provided in the Agreement. Accordingly, Tenant shall pay as Additional Rent and discharge, before delinquency (but subject to the terms of this Agreement, including any applicable cure periods), each and every item of expense, of every kind and nature whatsoever, including Impositions or other amounts customarily paid by a tenant under a "triple net lease" or otherwise payable by Tenant in accordance with the terms of this Agreement.

#### **4.7 Rent Credit.**

4.7.1 Amount of Rent Credit. Notwithstanding Section 4.7.2, Tenant shall be entitled to a rental credit for Tenant's cost of Tenant improvements, described in Section 2.1.3, in an amount not to exceed Two Hundred Seventy-Three Thousand, Four Hundred and Seventy Dollars (\$273,470).

4.7.2 Limitations on Rent Credit. The rent credit granted under this Section 4.7 shall be applied against the monthly rent only. Should this Agreement terminate prior to exhaustion of the full rent credit for any reason other than City default, the credit shall expire and City shall have no obligation to reimburse Tenant for any unused rent credit. Furthermore, the rent credit granted herein shall be allowed only for the actual costs incurred by Tenant for physical improvements within the Premises. Should this Agreement terminate due to City default, City shall reimburse Tenant for 100% of costs for Tenant Improvements described in Section 2.1.3 not yet reimbursed through Rent Credits that have been verified by the Harbor Department. The maximum amount stated in Section 4.7.1 shall not apply in the case of City's default. Tenant's request for rent credit, and City's obligation to grant the credit, is dependent on the costs being verified by the Harbor Department after Tenant's submission of written statements delivered to the Harbor Department, signed by Tenant's duly authorized officer or representative, showing the itemized costs incurred and proof of payment of those costs accompanied by itemized receipts and such other documentation as may be required by the Harbor Department to verify that the expenditures were incurred, paid, and are eligible for rent credits.

**Section 5. Uses.**

**5.1 Permitted Uses.** The Premises shall be used for the following purposes and no others: Construction, operation, and maintenance of a container on chassis storage facility and for other legal purposes incidental hereto (“Permitted Uses”).

**5.2 Limitations on Use.** Tenant shall not use or allow the Premises or any part thereof to be used for purposes other than the Permitted Uses without the prior written approval of the Board (which approval may be withheld by the Board in its sole and absolute discretion), and subject to such restrictions, limitations and conditions as may be imposed by the Board.

**5.3 Operating Covenant.** Tenant shall manage and operate the Premises, or cause them to be managed and operated, as a maritime support facility, in a manner consistent with the manner and standard by which comparable facilities are managed and operated, and shall perform maintenance and capital improvements necessary to maintain the Premises in a manner comparable to that in which comparable facilities are maintained.

**Section 6. Notices.**

The Parties shall send all notices or other communication necessary under this Agreement in writing by personal service, or express mail, Federal Express, DHL, UPS or any other similar form of airborne/overnight delivery service, or mailing in the United States mail, postage prepaid, certified and return receipt requested, addressed to the Parties at their respective addresses as follows:

If to City (or its Harbor Department):

Port of Los Angeles  
425 South Palos Verdes Street  
San Pedro, California 90731  
Attn: Executive Director

with copies to:

Los Angeles City Attorney’s Office  
425 South Palos Verdes Street  
San Pedro, California 90731

and to:

Real Estate Division  
P.O. Box 151  
San Pedro, CA 90733-0151

If to Tenant: Max InterAmericas, Inc.  
Attention: Legal Department  
6338 Huntington Drive  
Carlsbad, CA 92009

Any such notice shall be deemed to have been given upon delivery or two business days after deposit in the mail as aforesaid. Either Party may change the address at which it desires to receive notice upon giving written notice of such request to the other Party.

**Article 1, Sections 7 to 99, intentionally omitted.**

## ARTICLE 2 – STANDARD PROVISIONS

### Section 100. Applicability of Article 2.

Notwithstanding anything in this Agreement to the contrary, in the case of any inconsistency between Article 1 and Article 2 of this Agreement, the provisions of Article 1 shall be controlling.

### Section 101. Definitions.

All capitalized terms used and not defined in Article 1 or Article 2 shall have the meaning ascribed to them in the Glossary of Defined Terms attached hereto and incorporated herein as Attachment 1.

### Section 102. Limitations and Additional Provisions Related to Premises.

**102.1 Compliance with Applicable Laws; Executive Directives.** At all times in its use and occupancy of the Premises and in its conduct of operations thereon, Tenant, at its sole cost and expense, shall comply with all Applicable Laws. In addition to the foregoing, Tenant shall comply immediately with any and all directives issued by the Executive Director under authority of any such Applicable Law. It is the Parties' intent that Tenant shall make, at Tenant's sole cost and expense, any and all alterations, improvements and changes, whether structural or nonstructural, that are required by Applicable Law.

**102.2 Reservations.** This Agreement and the Premises are and shall be at all times subject to the reservations and exclusions listed below and additional reservations City may reasonably require after the Effective Date, of which Tenant shall receive advance written notice, for which Tenant shall receive no compensation unless otherwise provided in this Agreement.

102.2.1 Utilities or other Rights-of-Way. Rights-of-way for sewers, pipelines (public or private), conduits for telecommunications, electric, gas, and power lines, as may from time to time be determined to be necessary by the Board, including the right to enter upon, above, below or through the surface to construct, maintain, replace, repair, enlarge or otherwise utilize the Premises for such purpose, without compensation or abatement of Rent and with as minimal interference with the Permitted Uses as possible.

102.2.2 Streets and Highways. Rights-of-way for streets and other highways and for railroads and other means of transportation which are apparent from a visual inspection of the Premises or which shall have been duly established or which are reserved herein, provided that the exercise of such right after the Effective Date does not materially interfere with the Permitted Uses.

102.2.3 Telecommunication and Utility Equipment. Access, temporary occupancy and the right of City or third-parties selected by City in its sole and absolute discretion to install, operate, maintain and repair telecommunication and utility equipment, without compensation or abatement of Rent unless otherwise agreed to in writing by City. City shall minimize any interference with the Permitted Uses to the extent possible.

102.2.4 Homeland Security. Access, temporary occupancy and other rights reasonably necessary to comply with homeland security or related requirements of local, state and federal law enforcement agencies or the Harbor Department. City reserves the right to install, maintain and operate on the Premises equipment related to homeland security and/or public safety with seventy-two (72) hours prior written notice to Tenant without compensation or abatement of Rent unless otherwise agreed to in writing by City.

102.2.5 Environmental Initiatives. Access, temporary occupancy and other rights reasonably necessary to comply with environmental initiatives and/or policies of City, local, state and federal agencies or the Harbor Department, provided that the exercise of such rights do not materially interfere with the Permitted Uses.

102.2.6 Prior Exceptions. All prior exceptions, reservations, grants, easements, leases or licenses of any kind whatsoever that appear of record in the office of the Recorder of Los Angeles County, California, or in the official records of City or any of its various departments.

102.2.7 Mineral Rights Excluded. All minerals and mineral rights of every kind and character now known to exist or hereafter discovered, including, without limiting the generality of the foregoing, oil, gas and water rights, together with the full, exclusive and perpetual rights to explore for, remove and dispose of said minerals, or any part thereof, from the Premises, without, however, the right of surface entry on the Premises.

### **102.3 Modification of Premises and Documents.**

102.3.1 Final Measurement. The Premises may be subject to final measurement by City. To the extent that the final measurements differ from Exhibit "A", the Harbor Engineer shall: (i) revise Exhibit "A" to reflect the correct measurements of the Premises and any improvements thereon; (ii) renumber the revised Exhibit "A" as Exhibit "A-1"; and (iii) transmit Exhibit "A-1" to Tenant. Upon City's transmittal to Tenant, such revised and renumbered Exhibit "A-1" shall be deemed to: (i) be incorporated into this Agreement without further action of the Board or the Council; and (ii) supersede Exhibit "A".

102.3.2 Modifications. Addition or deletion of Premises for which Tenant is charged, not to exceed a cumulative total of ten percent (10%) of the originally designated Premises, may be made by mutual agreement of the Parties, so long as such change in area is not a temporary use of substitute premises as set forth in Tariff Item 1035 (or its successor) or not temporary as determined by City in its sole reasonable discretion. Such addition or deletion shall be by written amendment and shall specify appropriate adjustments in Rent and shall not require approval by the Board or the Council unless the modification involves an amount in excess of the Executive Director's contracting authority, as that amount may be amended from time to time, in which case prior Board approval shall be required. The Executive Director shall revise and replace the following: (i) Section 2 (Premises) (ii) Section 4 (Rent and Other Tenant Payments), and (iii) Exhibit "A", as necessary to conform to these modifications.

**102.4 Inspection by Tenant; No Warranties by City.** Tenant acknowledges that it has inspected the Premises in contemplation of entering into this Agreement and occupying the Premises for the Permitted Uses, including the construction of improvements, if any, and acknowledges and agrees that:

(a) Tenant is accepting the Premises as set forth in Subsection 2.2 (Acceptance and Surrender), that is, without representation or warranty with respect thereto, express or implied, except only as set forth in this Agreement, with regard to the physical or other condition of the Premises, including the existence of any Hazardous Substances thereon, soils condition, the presence or absence of archeological or historical remains or suitability for the intended use;

(b) Tenant has determined for itself, that the Premises are suitable for the Permitted Uses; and

(c) No individual of, or affiliated with, City has made any representation or warranty with respect to the Premises or improvements existing or planned or to the suitability of the Premises for the Permitted Uses, unless the nature and extent of such representation or warranty is described in writing and attached hereto.

**102.5 No Conveyance of Fee Estate.** The Parties acknowledge and agree that this Agreement does not transfer or convey the Fee Estate of the Premises, and that any grant or conveyance under this Agreement is solely of the leasehold estate thereto.

**102.6 Temporary Assignments.** By issuing this Agreement, City does not grant to Tenant the sole or exclusive right to use the Premises. Whenever the Premises, excepting the office building occupied by Tenant, if any, are not being used, in whole or in part, by Tenant for the Permitted Uses or if City requires the Premises on a project or emergency basis, the Executive Director shall have the right, subject to Tenant's consent (which consent shall not be unreasonably withheld), to make temporary assignments to other persons, firms and/or corporations to use the Premises, or any part thereof, as provided in the Tariff. Any direct

charges accruing against Tenant from the use of the Premises by a temporary user, and the allocated costs of utilities which Tenant furnishes to such temporary user, shall be paid by such temporary user. City and Tenant agree to negotiate in good faith regarding any other terms and conditions of such temporary assignments.

**102.7 Waste or Nuisance.** Tenant shall not use the Premises in any manner that constitutes waste or nuisance.

**102.8 Load Limits.** City warrants and represents that wharfs and paving on the Premises will support the load limits specified in Exhibit "B." Tenant shall allow no loading in excess of such limits without the prior written consent of the Harbor Department, which consent may be provided by a Harbor Engineer's Permit or a Heavy Lift Permit. Upon receipt of a notice from City that the load limits on Exhibit "B" have been exceeded, Tenant immediately shall take all appropriate steps to correct such condition and, irrespective of such notice, shall, as between City and Tenant, be solely responsible for any cost, expense or damage resulting from exceeding the load limits.

**102.9 Wilmington Truck Route.** City and Tenant acknowledge that Tenant does not directly control the trucks serving the Premises. However, Tenant shall make its best efforts to notify truck drivers, truck brokers and trucking companies that trucks serving the Premises must confine their route to the designated Wilmington Truck Route ("Wilmington Truck Route" attached hereto as Exhibit "E"). The Wilmington Truck Route may be modified from time to time at the sole and absolute discretion of the Executive Director. The Harbor Department shall provide Tenant with notice of any modifications to the Wilmington Truck Route.

**102.10 Maintenance Areas.** Tenant shall not conduct or permit any maintenance of mobile or portable equipment on the Premises except in full compliance with all Applicable Laws attendant to the Premises and its use, including without limitation, all Environmental Laws and Mitigation Measures as hereinafter defined.

**102.11 Responsibility for Financing.** Tenant covenants that any financing required in connection with the use the Premises, including without limitation development and operation, shall be the sole responsibility, cost and expense of Tenant.

**102.12 Tenant to Supply Necessary Labor and Equipment.** Tenant shall, at its sole cost and expense, provide all equipment and labor necessary to undertake the Permitted Uses; provided, however, that nothing contained herein shall prevent Tenant from using such equipment as may be installed by City at the Premises upon the payment to City of all applicable charges.

**102.13 Liens; Indemnity.** Except where contested by Tenant in good faith in a court of competent jurisdiction, and except for non-delinquent liens arising from taxes or tax assessments, Tenant shall keep the Premises free from liens of any kind or nature arising out of

its use and/or occupancy of the Premises, including any liens arising out of any labor performed for or materials furnished to or on behalf of Tenant on the Premises. Tenant agrees that it shall at all times defend and indemnify City from and against all claims for labor or materials in connection with the construction, erection or installation of improvements made by Tenant upon the Premises, or from additions or alterations made to any improvements on the Premises, or the repair of the same, by or at the direction of Tenant, and the costs of defending against any such claim, including reasonable attorneys' fees. If a mechanic's or other similar lien shall at any time be filed against City's interest in the Premises, which is not contested by Tenant in good faith in a court of competent jurisdiction, Tenant shall: (i) cause the same to be discharged of record within thirty (30) days after the date of filing the same; or, (ii) otherwise free the Premises from such claim or lien and any action brought to foreclose such lien; or, (iii) promptly furnish City with a bond in the amount of the lien plus twenty-five percent (25%) thereof issued by a surety company, acceptable to the Executive Director, securing City against payment of such lien and against any and all loss or damage whatsoever in any way arising from the failure of Tenant to discharge such lien.

**102.14 Tenant Telecommunications Equipment.** Tenant shall coordinate with the Harbor Department and any other applicable Governmental Agencies prior to installing any radio or telecommunications equipment to ensure that frequencies do not interfere with public safety communications or radio frequencies.

**102.15 Property of Tenant.** All property brought onto the Premises by Tenant, or in the care, custody or control of Tenant, to undertake the Permitted Uses or otherwise shall be and remain the property of Tenant, subject to the terms and conditions contained herein, and shall be there at the sole risk of Tenant. Tenant hereby waives all claims against City with respect to such property, except for injury or damage to such property caused by City's sole negligence or willful misconduct.

**102.16 Quiet Enjoyment.** City covenants that, so long as this Agreement has not expired or terminated in accordance with its terms and Applicable Laws attendant to the Premises and its use, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the Term so long as the Premises are used in compliance with the State Tideland Trust. By such covenant, City makes no representation or warranty as to the condition of title of the Premises or the suitability of the Premises for the Permitted Uses. Tenant's sole remedy for breach of this Subsection 102.16 shall be an action for specific performance.

**102.17 Local Job Participation; Living Wage.** In furtherance of the policies of the Board and the Council, Tenant shall strive to achieve the goals of local job participation in the use and operation of the Premises and the Living Wage Ordinance of the City of Los Angeles as defined in the City of Los Angeles Administrative Code Section 10.37.



**102.18 Provision of Safe Environment.** Tenant shall provide for a safe environment on the Premises and follow the Harbor Department's Homeland Security rules and regulations, including without limitation, Tariff Section 2, item 298, (or its successor) and all other Applicable Laws.

**Section 103. Additional Provisions Related to Rent.**

**103.1 Premises Subject to Tariff.** Tenant accepts the Premises and shall undertake the Permitted Uses subject to each and every of the terms and conditions provided in this Agreement, and to each and every of the applicable rates, terms and conditions of the Tariff as it now exists, or as it may be temporarily amended or permanently amended or superseded. Tenant represents and warrants that it has received, read and understands the rates, terms and conditions of the Tariff and covenants that, at all times during the term of this Agreement, it shall maintain a complete and current Tariff at the address set forth in Section 6 (Notices). Except as otherwise set forth in this Agreement, Tenant is contractually bound by all Tariff rates, terms and conditions as if the same were set forth in full herein. City in its sole and absolute discretion shall determine if a conflict exists between a provision of this Agreement and a Tariff provision. In the event of such conflict, this Agreement shall at all times prevail.

**103.2 Requirements Applicable to Tenant's Payment of Rent.**

103.2.1 Tenant's Obligation to Pay; No Right of Set-Off. Notwithstanding any other provision of this Agreement, Tenant's obligations to pay Rent to City according to the terms and conditions of this Agreement shall be absolute and unconditional and shall be unaffected by any circumstance, including, without limitation, off-set, counterclaim, recoupment, defense or other right which Tenant may have against City.

103.2.2 Payments. Tenant shall render its payments at the Harbor Department Administration Building or any other place that City from time to time may designate in writing. All payments due to City under this Agreement shall be made in U.S. Dollars, either in the form of a check (drawn on a bank located in the State of California) or via electronically transmitted funds.

103.2.3 Proration of Payments. If any payment by Tenant is for a period shorter than one calendar month, the Rent for that fractional calendar month shall accrue on a daily basis for each day of that fractional month at a daily rate equal to 1/365 of the total annual Rent then due and payable. All other payments or adjustments that are required to be made under the terms of this Agreement and that require proration on a time basis shall be prorated on the same basis.

103.2.4 Labor Disturbance. If, by reason of strikes, other labor disputes, lockouts, or other work stoppages of which Tenant did not directly or indirectly cause and/or to which Tenant is not a party ("Labor Disturbance"), occurring at the Premises and lasting more than (30) days, Tenant is prevented from making substantial use of

Premises to undertake the Permitted Uses, the Rent for the period during which the Labor Disturbance occurs shall be proportionately adjusted, commencing the thirty-first (31<sup>st</sup>) day after commencement of such Labor Disturbance, provided Tenant has, prior to such date, given City written notice of such Labor Disturbance including its assertion that it has not caused such disturbance, and such reduction shall be applicable from and after said thirty-first (31<sup>st</sup>) day until Tenant is able to make substantial uses of the Premises to undertake the Permitted Uses.

103.2.5 Force Majeure Not Applicable. Any Force Majeure provision or principle, including, without limitation, the provisions of Section 110 (Force Majeure), shall not apply to any of Tenant's Rent Payment Obligations.

#### 103.2.6 Deposits.

103.2.6.1 Security Deposit. As a condition precedent to the effectiveness of this Agreement, Tenant shall deposit with the Board a sum equal to three times the Monthly Rent due for the first full three months of the Agreement. Said deposit shall be in cash or a standby letter of credit, or equivalent, in a form approved by City. Said deposit may be used to cover delinquent Rent and other obligations under this Agreement. This deposit shall not, in any way, reduce Tenant's liabilities under this Agreement unless specifically stated in writing by City and approved by the Board. In the event that all or part of such deposit is used to apply against Rent due and unpaid or other obligations due and unpaid, Tenant shall immediately make another deposit in an amount equal to the amount so used, so that at all times during the term of this Agreement said deposit shall be maintained in the sum stated above, or as increased pursuant to Subsection 103.7.6.2, below. Two percent (2%) of the value of the standby letter of credit, or its equivalent shall be deducted and paid to a Harbor District maintenance fund and shall be non-refundable. Upon the expiration or earlier termination of this Agreement, the Executive Director may release the standby letter of credit or its equivalent and refund the remaining ninety-eight percent (98%) of the Security Deposit to Tenant, provided that Tenant is in compliance with all the terms and conditions of this Agreement.

103.2.6.2 Increased Security Deposit. If, for any reason, Tenant's Monthly Rent obligation to City is increased in excess of ten percent (10%), the amount of Tenant's Deposit shall, within thirty (30) days after receiving written notice from City, correspondingly be increased to a sum three (3) times the new Monthly Rent obligation.

103.2.6.3 Port Environmental Fund Deposit. In addition to the Security Deposit, Tenant shall deposit with the Board a sum equal to one percent (1%) of the Base Rent up to \$100,000 per year, for deposit into the Port's general

environmental clean-up and restoration fund to be used by City if Tenant fails to remediate a Term Release fully or if Tenant fails to restore the Premises fully at the expiration or earlier termination of the Agreement. Any funds not needed for a Term Release or for Restoration shall be refunded to Tenant.

103.2.7 Delinquent Payments. Payments required to be made by this Section 103 which have not been paid within ten (10) calendar days of the date such payments are due shall be subject to a delinquency charge which shall accrue at the rate provided in Item No. 270 of the Tariff, currently consisting of simple interest of 1/30 of two percent (2%) of the amount remaining unpaid each day. Tenant acknowledges that it knows the day of the month its payments hereunder are due and that such payments are due to be made from that date and not the date of City's invoice, if any. The delinquency service charge shall be imposed whether or not a deposit required by Subsection 103.2.6, above, is applied to the amount due. City has the unqualified right, upon thirty (30) days' prior written notice to Tenant, to change the level of the delinquency service charge.

#### **Section 104. Tenant's Environmental Obligations During Term of Agreement.**

**104.1 Definitions.** Additional defined terms are contained in the Glossary of Defined Terms contained in Attachment 1 and below.

104.1.1 Term Release. "Term Release" shall mean a spill, discharge or any other type of release of Environmentally Regulated Material that occurs on the Premises during the term of this Agreement or any holdover, whether caused by Tenant or a third-party, including any Assignor (other than invitees under a temporary assignment pursuant to Subsection 102.6 (Temporary Assignments) or third-parties whose access to the Premises has been requested by City pursuant to Subsection 102.2 (Reservations), that contaminates or threatens to contaminate City's Improvements, adjacent harbor waters, soil, sediment, groundwater or air of the Premises or of adjacent premises (including soil, sediment, groundwater or air of those adjacent premises).

104.1.2 Term Contamination. "Term Contamination" shall mean all contamination of improvements, adjacent harbor waters, soil, sediment, groundwater or air of the Premises or of adjacent premises (including soil, sediment, groundwater or air of those adjacent premises) resulting from all Term Releases and contamination that is consider a nuisance under Applicable Laws.

104.1.3 Term Characterization Work Plan. "Term Characterization Work Plan" shall mean the written work plan submitted by Tenant to City, the sufficiency of which is subject to City's reasonable approval, that details all work (including sampling and analysis) necessary to generate a written characterization of the nature and extent of contamination (including contamination of air, soil and water) caused by a Term Release or Term Releases and that includes detailed programs for sampling and chemical

analysis of soil and groundwater, which programs shall conform with Environmental Laws, accepted principles of environmental science, established regulatory protocols and the Port of Los Angeles "Site Characterization Guidance Manual" as it exists as of the Effective Date or as it may be subsequently amended ("Site Characterization Guidance Manual"). Tenant acknowledges receipt of a copy of such Manual. Following the Effective Date, Tenant shall be solely responsible for obtaining and maintaining the current version of the Site Characterization Guidance Manual.

104.1.4 Term Characterization Report. "Term Characterization Report" shall mean the written report submitted by Tenant to City, the sufficiency of which is subject to City's reasonable approval, that details all findings made as a result of performing the Term Characterization Work Plan and that is in conformance with the Site Characterization Guidance Manual.

104.1.5 Term Remediation Action Plan. "Term Remediation Action Plan" shall mean the written plan submitted by Tenant to City, the sufficiency of which is subject to City's reasonable approval, that addresses remediation of all contamination caused by Environmentally Regulated Material in soil, harbor waters, groundwater and sediment as identified in the Term Characterization Report, that conforms with Tenant's obligations as set forth below in Subsection 104.2, and that includes a discussion of remedial action alternatives for restoration of the Premises and a timetable for each phase of restoration. The Term Remediation Action Plan shall comply with Environmental Laws, established regulatory protocols, accepted principles of environmental science and the Site Characterization Guidance Manual.

## **104.2 Tenant Responsibility for Existing Condition of the Premises.**

104.2.1 Existing Conditions. Tenant has accepted the Premises in an "AS IS" condition as set forth Subsection 2.2 (Acceptance and Surrender). As such, Tenant shall be responsible for remediation of all contaminants which may be on, below or emanating from the Premises whether or not such contamination occurred before or after Tenant took possession of the Premises unless a Baseline Report for the Premises is obtained as set forth below.

104.2.2 Baseline Conditions, City's Baseline Report. Notwithstanding Subsection 104.2.1, above, Tenant acknowledges and agrees that it has reviewed and approved the document attached hereto as Exhibit "F-1", if any, which document constitutes the written depiction of the environmental condition of the Premises on the Effective Date ("Baseline Condition") and which hereinafter shall be referred to as the "City's Baseline Report." Tenant shall be responsible only for contamination above the Baseline levels for those contaminants covered in the City's Baseline Report. Any contaminates not analyzed in the Baseline Report, any contamination which occurred as a result of Tenant Prior Occupancy as set forth in Subsection 104.2.4 (Existing Contamination), and any Term Contamination shall be the sole responsibility of Tenant.

104.2.3 Baseline Conditions, Tenant's Baseline Report. Notwithstanding Subsection 104.2.1, above, if the City has not determined the Baseline Condition and Tenant elects, at its sole cost and expense, to prepare a Baseline Report depicting the Baseline Condition, and the Tenant's Baseline Report is approved by City, in its sole but reasonable discretion, ("Tenant's Baseline Report") attached hereto as Exhibit "F-2", if any, then the Tenant's Baseline Report shall establish the condition of the Premises as of the Effective Date. Tenant shall be responsible only for contamination above the Baseline levels for those contaminants covered in the Tenant's Baseline Report. Any contaminates not analyzed in Tenant's Baseline Report, any contamination which occurred as a result of Tenant Prior Occupancy as set forth in Subsection 104.2.4 (Existing Contamination) and any Term Contamination shall be the sole responsibility of Tenant.

104.2.4 Existing Contamination. City and Tenant acknowledge that prior to the Effective Date, the Premises, or portions thereof, were occupied by Tenant, or an Affiliate of Tenant, or by an assignor or transferor to Tenant, under an entitlement or agreements separate from this Agreement ("Tenant Prior Occupancy") and that as a result of such prior use and occupancy, the Premises (and/or areas adjacent to the Premises) on the Effective Date may possess contamination ("Existing Contamination"). As to City, Tenant bears all responsibility for the Existing Contamination which occurred during Tenant Prior Occupancy whether or not such contamination is depicted in a Baseline Report.

### **104.3 Tenant Responsibility for Term Contamination.**

104.3.1 Remediation. Tenant shall remediate or cause the remediation of any Term Releases, including any Existing Contamination that is not covered by a Baseline Report, such that the affected Premises (and/or areas adjacent to the Premises) are left: (a) in the Baseline Condition if a Baseline Report was prepared and approved by City or (b) in an environmental condition that fully complies with the guidelines of, orders of, or directives of the Governmental Agency or Agencies that have assumed jurisdiction, if any, whichever of the two is stricter, and in conformance with Harbor Department then existing remediation procedures, and free of encumbrances, such as deed or land use restrictions, except those that may be imposed as a result of the presence of Environmentally Regulated Material despite Tenant's compliance with the foregoing requirement. As between City and Tenant, Tenant shall bear sole responsibility for all Term Contamination and any costs related thereto.

104.3.2 Tenant Responsibility; Indemnity. Except for Baseline Conditions which are depicted in the City's Baseline Report or the Tenant's Baseline Report, as the case may be, which are not Existing Contamination which occurred during Tenant Prior Occupancy, or conditions of the Premises resulting from City or third-party activities on or about the Premises when Tenant is required by this Agreement to allow City or such third-parties onto the Premises under a temporary assignment pursuant to Subsection

102.6 (Temporary Assignments), or whose access to the Premises has been requested by City pursuant to Subsection 102.2 (Reservations), Tenant bears sole responsibility for full compliance with any and all Applicable Laws regarding the use, storage, handling, distribution, processing, and/or disposal of Environmentally Regulated Material, regardless of whether the obligation for such compliance or responsibility is placed on the owner of the land, on the owner of any improvements on the Premises, on the user of the land, or on the user of the improvements. Except for Baseline Conditions which are not Existing Contamination which occurred during Tenant Prior Occupancy, or conditions of the Premises resulting from City or third-party activities on or about the Premises when Tenant is required by this Agreement to allow City or such third-parties onto the Premises as described above, Tenant agrees that any claims, damages, fines or other penalties asserted against or levied on City and/or Tenant as a result of noncompliance with any Environmental Laws shall be the sole responsibility of Tenant and that Tenant shall indemnify and hold City harmless from any and all such claims, damages, fines and penalties, as well as any costs expended to defend against such claims, damages, fines and penalties, including attorneys' and experts' fees and costs that result from Term Contamination or Tenant's non-compliance with any applicable Environmental Law during the Term regarding the use, storage, handling, distribution, processing and/or disposal of Environmentally Regulated Material. City shall provide Tenant with sixty (60) days' notice to comply with any claims, damages, fines and penalties, or if Tenant has not complied with such claims, damages, fines and penalties, or if Tenant has not requested a meet and confer to discuss compliance within such sixty (60) days, then City, at its sole option, may pay such claims, damages, fines and penalties resulting from Tenant's noncompliance with any of the Environmental Laws, and Tenant shall indemnify and reimburse City for any such payments. As between Tenant and City, City shall indemnify and hold Tenant harmless, to the extent allowed by Applicable Law, from any and all such claims, damages, fines and penalties, including attorneys' and experts' fees and costs, that result from any Baseline Condition other than for Existing Contamination which occurred during Tenant Prior Occupancy whether or not the Existing Contamination was included in the Baseline Report.

104.3.3 Rebuttable Presumption When Baseline Report Prepared. Tenant acknowledges and agrees that a presumption shall exist that any contamination not specifically depicted and analyzed in the City's Baseline Report or the Tenant's Baseline Report, as the case may be, constitutes Term Contamination for which, as between City and Tenant, Tenant is solely responsible. City shall provide written notice of the existence of any such contamination to Tenant. Tenant may rebut such presumption by providing to City, within ninety (90) days of City's written notice, conclusive evidence demonstrating that such contamination is not Term Contamination. Otherwise, such presumption shall be deemed confirmed making Tenant solely responsible for such contamination. Whether any information submitted by Tenant rebuts the aforementioned presumption shall be within the City's sole and absolute discretion, exercised reasonably and in good faith. This provision shall survive the expiration or earlier termination of this Agreement.

#### **104.4 Tenant Obligations In the Event of a Term Release.**

104.4.1 Duty to Remediate. Upon discovery of any Term Contamination, Tenant shall, at its sole cost remediate the Term Contamination in accordance with Subsection 104.3 (Tenant Responsibility for Term Contamination).

104.4.2 Compliance with Government Agency Orders. If Applicable Law requires Tenant to report a Term Release to a Governmental Agency, Tenant shall so report and thereafter, if such Governmental Agency asserts jurisdiction over such Term Release, Tenant shall, at its sole cost and expense as between City and Tenant, manage the Term Release consistent with Environmental Laws or the Governmental Agencies with jurisdiction, if any. If a schedule for such Term Release management is not prescribed by Environmental Laws, or by the Governmental Agencies with jurisdiction if any, the Harbor Department shall reasonably prescribe such schedule in consultation with Tenant.

104.4.3 Site Characterization. Whether a Governmental Agency asserts jurisdiction over Term Contamination or not, Tenant shall characterize (including sampling and analysis) and remediate all Term Contamination in conformity with Environmental Laws, and the Port of Los Angeles "Site Characterization Guidance Manual" as it exists as of the Effective Date or as it may be subsequently amended ("Site Characterization Guidance Manual"), to the extent it does not conflict with protocols established by any other Governmental Agency asserting jurisdiction over the Term Contamination. Tenant acknowledges receipt of a copy of such Manual. Following the Effective Date, Tenant shall be solely responsible for obtaining and maintaining the current version of the Site Characterization Guidance Manual.

104.4.4 Copies to City. Tenant shall provide copies to City of all communications between Tenant (and any third-parties acting for or on its behalf), and any Governmental Agency with jurisdiction regarding all Term Releases and Term Contamination.

104.4.5 City's Rights to Remediate. If Tenant fails to wholly or partially fulfill any obligation set forth in Subsection 104.3 (Tenant Responsibility for Term Contamination), City may (but shall not be required to) take all steps it deems necessary to fulfill such obligation. Any action taken by City shall be at Tenant's sole cost and expense and Tenant shall indemnify and pay for and/or reimburse City for any and all costs (including any administrative costs) City incurs as a result of any such action it takes.

**104.5 Environmentally Regulated Material on Premises.** Tenant shall not cause or permit any Environmentally Regulated Material to be generated, brought onto, handled, used, stored, transported from, received or disposed of (hereinafter sometimes collectively referred to as "handle" or "handled") in or about the Premises, except for: (i) limited quantities of

standard office and janitorial supplies containing chemicals categorized as Environmentally Regulated Material; (ii) Environmentally Regulated Material set forth in Exhibit "G" which are necessary for Tenant to undertake the Permitted Uses; and (iii) Environmentally Regulated Material handled in conformity with Tenant's ECP as referenced in Subsection 104.6.2 (Environmental Compliance Program). Tenant shall handle all such Environmentally Regulated Material in strict compliance with Environmental Laws in effect during the term of this Agreement or any holdover. Tenant shall provide City with an annual report indicating that either (i) there are no changes to Exhibit "G" or (ii) including an updated Exhibit "G" which reflects all additional Environmentally Regulated Material necessary for Tenant to undertake the Permitted Uses.

#### **104.6 Environmental Compliance.**

104.6.1 Generally; Notice. In its use and occupancy of the Premises, Tenant shall comply (and shall immediately halt and remedy any incident of non-compliance) with: (a) Environmental Laws; (b) all applicable environmental policies, rules and directives of the Harbor Department as set forth on Exhibit "H-1" hereto; and (c) the environmental mitigation measures ("Mitigation Measures") and Mitigation Monitoring and Reporting Program, if any, set forth collectively in Exhibit "H-2" hereto. Tenant shall immediately upon receipt provide City with copies of any notices or orders or similar notifications received from any Governmental Agency regarding compliance with any Environmental Laws.

104.6.2 Environmental Compliance Program. Tenant shall establish and thereafter observe and maintain a written program to facilitate such compliance in accordance with the format and content and other requirements set forth on Exhibit "I-1" hereto, which program shall be referred to as the "Environmental Compliance Program" or "ECP." The ECP shall be prepared by Tenant and deemed incorporated as Exhibit "I-2" without further action of the Board or the City Council upon written approval thereof by the Harbor Department, which approval shall not be unreasonably withheld. The Harbor Department's review and approval of such ECP shall not relieve Tenant of its obligations pursuant to this Subsection 104.6.

104.6.3 Revision of Mitigation Measures. Following the Effective Date, upon mutual written agreement of the Board and Tenant, the Board may revise Exhibit "I-2".

**104.7 Environmental Audits.** Tenant shall perform annual written audits of its ECP. The results of such audits shall be maintained on Premises for review by City. City shall have the right to conduct, at its sole cost and expense, periodic audits of Tenant's compliance with the ECP and management of Environmentally Regulated Material. Tenant shall provide access to backup materials supporting the ECP necessary for City to conduct such audits. Upon completion of such audits, should Tenant so request in writing, City shall provide Tenant with copies of any written reports or resulting from such audits.



**104.8 Waste Disposal.** In discharging its obligations under this Section 104, if Tenant disposes of any soil, material or groundwater contaminated with Environmentally Regulated Material, within thirty (30) days of Tenant's receipt of original documents, Tenant shall provide the Harbor Department copies of all records, including a copy of each uniform hazardous waste manifest indicating the quantity and type of material being disposed of, the method of transportation of the material to the disposal site and the location of the disposal site. The name of the City of Los Angeles, the Port of Los Angeles or the Harbor Department shall not appear on any manifest document as a generator of such material.

**104.9 Laboratory Testing.** In discharging its obligations under this Section 104, Tenant shall perform any tests using a State of California Department of Health Services certified testing laboratory or other similar laboratory of which the Harbor Department shall approve in writing. By signing this Agreement, Tenant hereby irrevocably directs any such laboratory to provide City, upon written request from City, copies of all of its reports, test results, and data gathered. As used in this Subsection 104.9, "Tenant" includes agents, employees, contractors, subcontractors, and/or invitees of the Tenant.

**104.10 Survival of Obligations.** Except as otherwise provided in this Section 104, this Section 104 and the obligations herein shall survive the expiration or earlier termination of this Agreement.

**Section 105. Alteration of Premises by Tenant.**

**105.1 Alterations Require City Authorization.** Tenant acknowledges City's interest in controlling the manner in which physical changes are made to the Premises after the Effective Date and covenants that, other than maintenance and repair undertaken in compliance with Section 108, it shall make no improvements, alterations, additions, modifications, or changes to the Premises including but not limited to the construction of works or improvements or the changing of the grade of the Premises or which effect the structural integrity of the Improvements on the Premises or which substantially change the value or utility of the Improvements ("Alteration") without obtaining the Executive Director's prior written authorization to undertake such Alteration and no Alterations shall be made for the purpose of altering the Permitted Uses unless approved in advance in writing by the Harbor Department which approval shall be in the Harbor Department's sole and absolute discretion.

**105.2 Authorization Procedure.** When so required, Tenant shall obtain written authorization to undertake an Alteration according to the following procedure:

105.2.1 Application for Port Permits. If Tenant desires to undertake an Alteration, Tenant shall submit to the Harbor Department a complete Application for Port Permits ("APP") that attaches a complete set of drawings, plans, and specifications reflecting the proposed Alteration. Such drawings, plans and specifications shall be prepared and stamped by a licensed engineer registered in the State of California. Tenant bears sole responsibility for the completeness of such submittal.

105.2.2 Harbor Engineer's General Permit. The Harbor Engineer shall have the right to require changes to the drawings, plans and specifications Tenant submits in connection with such APP. If the Harbor Engineer orders such a change and Tenant believes that such a change will have any detrimental effect on the structural integrity of the works, project or improvements, or increase any hazard to life or property, Tenant shall immediately notify the Harbor Engineer. If Tenant fails to provide such notification, the drawings, plans and specifications shall be treated for all purposes as if they had been originally prepared by Tenant, as changed. The Harbor Engineer's approval of Tenant's submittal, if any, shall be reflected by issuance of a Harbor Engineer's General Permit.

105.2.3 Non-Harbor Department Permits. Tenant acknowledges that, in addition to obtaining a Harbor Engineer's General Permit, Tenant additionally may be required to obtain permits and authorizations with respect to the proposed Alteration from City, federal and state bodies ("Non-Harbor Department Permits"), the issuance of which the Harbor Department does not control. In any event, obtaining the Harbor Engineer's General Permit and any Non-Harbor Department Permits necessary to undertake the proposed Alteration is and shall be the sole responsibility of Tenant. Every Alteration made by Tenant shall conform with Applicable Laws, as well as with the plans and specifications as approved by the Harbor Engineer.

105.2.4 Tenant's Obligation to Obtain All Permits. Tenant acknowledges that issuance of the Harbor Engineer's General Permit shall be conditioned upon Tenant's demonstration that it has obtained all Non-Harbor Department Permits with respect to the proposed Alteration as may be required by entities other than the Harbor Department.

105.2.5 Tenant's Obligation to Obtain All Environmental Clearances. Tenant acknowledges that the Alterations may require compliance with all Environmental Laws, including, but not limited to, compliance with CEQA. Tenant shall reimburse City for all expenses it incurs in conjunction with the review and preparation of any needed environmental clearance for the Alterations.

105.2.6 Payment of City Fees and Reimbursement of City Costs. Tenant acknowledges that City shall incur costs in processing Tenant's APP and agrees that such costs are the sole responsibility of Tenant. Tenant shall submit any fees established by the Harbor Department for processing APPs. Additionally, within fifteen (15) days of receiving an invoice by City, Tenant shall reimburse City for any extraordinary costs not covered by such fees, including without limitation, costs incurred in preparing and processing any environmental clearance for the Alteration.

105.2.7 City Inspection; Corrective Action. Tenant acknowledges that City may perform inspections of the Alteration to ensure that such Alteration conforms with the permits issued. Tenant shall undertake any corrective measures reasonably requested by City as a result of such inspections.

**105.3 Notice of Commencement and Completion of Work.** Tenant shall give advance written notice to the Harbor Engineer of the date it will commence any construction. Within thirty (30) days of completion of construction, Tenant shall provide written notice to the Harbor Engineer of the date of such completion, copies of “as-built” plans for such construction, copies of all permits issued in connection with such construction and copies of all documentation issued in connection with such completed construction, including but not limited to inspection reports and certificates of occupancy.

**105.4 Cost of Permits.** Tenant, at its sole cost and expense, shall obtain all permits necessary for such construction.

**105.5 Cost of Construction.** All construction by Tenant pursuant to this Section 105 shall be at Tenant's sole cost and expense. Tenant shall keep the Premises and improvements constructed free and clear of liens for labor and materials and shall hold City harmless from any responsibility in respect thereto.

**105.6 Construction Contractors.** Tenant shall require by contract that its construction contractors and subcontractors comply with all Applicable Laws.

**105.7 Tenant's Cost for Governmental Agency Requirements.** Any modification, improvement, or addition to the Premises and any equipment installation required by the City Fire Department, City Department of Building and Safety, Air Quality Management District, California or Regional Water Quality Control Board, United States Coast Guard, Environmental Protection Agency, Department of Homeland Security or any other local, regional, state or federal agency in connection with Tenant's undertaking of the Permitted Uses shall be constructed or installed at Tenant's sole cost and expense.

## **Section 107. Utilities.**

**107.1 Generally.** Tenant shall maintain on the Premises as-built drawings that identify the precise location of any pipelines, utilities or similar improvements of any type, that Tenant places on the Premises, or which were placed on the Premises by others and accepted by Tenant for use of the Premises, whether placed above or below ground, (which for the purposes of this Section 107, are collectively referred to as “utilities”). Upon twenty-four (24) hours' written notice by the Harbor Department, Tenant shall undertake at its sole cost and expense whatever measures are reasonably necessary, including subsurface exploration for any utilities or any other substructure placed on the Premises by Tenant, or placed by others and accepted by Tenant for use of the Premises, to precisely locate the position of such items if the Harbor Department considers the as-built drawings as insufficient to locate such items. Tenant

agrees any work necessary to locate such items or any damage which may result from the location being incorrectly described, whether incurred by Tenant or the Harbor Department, shall be borne exclusively by Tenant. Exploration and preparation of all documentation recording the location of lines or structures shall be completed within the time specified in said notice, which time shall be commercially reasonable. The subsurface exploration shall verify the vertical as well as the horizontal location of all utilities and substructures. Documentation reflecting the results of said exploration shall be filed with the Chief Harbor Engineer.

**107.2 Harbor Department Right to Locate.** If Tenant neglects, fails or refuses within the time specified in said notice to begin or fails to prosecute diligently to complete the work of locating any utilities or any other substructure placed on the Premise by Tenant, or placed by others and accepted by Tenant for use of the Premises, the Harbor Department shall provide written notice to Tenant which shall specify such neglect, failure or refusal. Upon delivery of the notice specifying Tenant's, neglect, failure or refusal, Tenant shall have such time as is reasonably necessary to cure such neglect, failure or refusal so long as Tenant commences the cure within a thirty (30) day period and thereafter diligently prosecutes such cure to completion. If Tenant fails to cure in a timely and diligent manner, City shall have the right to enter the Premises to identify the precise location of any utilities or improvements of any type that Tenant has placed on the Premises, or that were placed by others and accepted by Tenant for use of the Premises, whether placed above or below ground. Tenant shall be solely responsible for City Costs associated with the right set forth in this Subsection 107.2 and shall pay City, as Additional Rent, within thirty (30) days of receiving an invoice for payment from City.

**107.3 Relocation of Utilities; Harbor Department Right to Relocate.** At any time during the term of this Agreement, the Executive Director shall have the right to make any change in the route or location of any utility constructed or maintained on the Premises by Tenant pursuant to the authority of this Agreement as may be required or made necessary for the progress of harbor development or the performance of any work or improvement within the jurisdiction of the Board. If the Executive Director determines that any such change or relocation is necessary, the Executive Director shall give at least ninety (90) days written notice to Tenant and the work of removal and relocation shall be completed within such time after said written notice as shall be fixed in said notice. The cost of any such removal and relocation shall be borne by Tenant. If Tenant neglects, fails or refuses within the time specified in said notice to begin or fails to prosecute diligently to completion the work of relocating the pipelines, the Harbor Department shall provide written notice to Tenant which shall specify such neglect, failure or refusal. Upon delivery of the notice specifying Tenant's neglect, failure or refusal, Tenant shall have such time as is reasonably necessary to cure such neglect, failure or refusal so long as Tenant commences the cure within a thirty (30) day period and thereafter diligently prosecutes such cure to completion. If Tenant fails to cure in a timely and diligent manner, City shall have the right to enter the Premises and relocate the utility. Tenant shall be solely responsible for City Costs associated with the right set forth in this Subsection 107.3 and shall pay City, as Additional Rent, within thirty (30) days of receiving an invoice for payment from City.

**107.4 Rules Governing Utilities.** After installation, and in any event for the duration of this Agreement, Tenant shall comply with the Applicable Laws regarding utilities testing and inspection requirements.

**Section 108. Maintenance and Repair.**

**108.1 Generally.** Except for those items identified on Exhibit "J" hereto (which Exhibit "J" may be amended by the Executive Director, in the Executive Director's sole reasonable discretion), and as set forth in Subsection 108.6 (City Maintenance Obligations) at all times, Tenant, at its sole cost and expense, shall keep and maintain the Premises, and all buildings, works and improvements of any kind thereon, including without limitation the paving, the improvements existing on the Premises as of the Effective Date, and City's Improvements as depicted on Exhibit "B", in good and substantial repair and condition, whether or not the need for such repairs occurs as a result of Tenant's use, any prior use, the elements, or the age of such portion of the Premises or improvements thereon, 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, or updated to current standards for such improvements. Tenant shall obtain any permits, including but not limited to those issued by City, necessary for such maintenance and repair. City shall reimburse Tenant for any repairs made necessary by use of the Premises by a temporary user pursuant to Subsection 102.6 (Temporary Assignments).

**108.2 Failure to Maintain.** If Tenant fails to make any repairs or to perform required maintenance within thirty (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. Tenant shall reimburse City for City's Costs (as defined in Subsection 108.3, below, which costs shall be deemed Additional Rent) within thirty (30) days after receipt of City's invoice for work performed. In the event Tenant shall commence such repairs and diligently prosecute the same to completion or shall begin to perform the required maintenance within the thirty (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 Subsection 108.2 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.

**108.3 City's Costs.** "City's costs" for purposes of this Section 108 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.

**108.4 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, litter and graffiti at all times. Tenant shall perform periodic inspections and cleaning of the storm water catch basins (including filters), maintenance holes, and drains, and, to the extent applicable to this Agreement, 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 Uses. 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 Laws.

**108.5 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, 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.

**108.6 City Maintenance Obligations.** In addition to the improvements listed in Exhibit "J", City shall be responsible for the maintenance and repair of all roofs and fire safety systems on City Improvements. To the extent that the Harbor Department maintains any utilities utilized by Tenant, the Harbor Department shall assess a maintenance fee to cover the cost of such maintain which assessment shall be Additional Rent.

## **Section 109. Default and Termination.**

### **109.1 Tenant's Default.**

109.1.1 Event of Default. The occurrence of any of the following shall constitute a material breach and default by Tenant under this Agreement:

(a) Tenant's failure to pay when due any Rent required to be paid under this Agreement if the failure continues for three (3) business days after written notice of the failure from City to Tenant;

(b) Tenant's failure to comply with any term, provision or covenant of this Agreement other than paying Rent, and does not commence to cure such failure within thirty (30) days after delivery of written notice of the failure from City to Tenant or does not cure the failure within ninety (90) days after delivery of such notice. An extension may be granted by the Executive Director to cure such failure, as Tenant commences to cure within thirty (30) days of delivery of the notice and diligently proceeds to cure such default to completion.

(c) Tenant's abandonment of the Premises, including but not limited to (i) Tenant's absence from or failure to use the Premises or any substantial portion thereof for three (3) consecutive days (excluding Saturdays, Sundays, and California legal holidays) while in default of any provision of this Agreement; or (ii) if not in default, Tenant's absence from or failure to use the Premises or any substantial portion thereof for a period of thirty (30) consecutive days unless Tenant, prior to the expiration of any such period of thirty (30) consecutive days, notified the Executive Director in writing that such nonuse is temporary and obtains the written consent of the Executive Director to such nonuse;

(d) To the extent permitted by law:

(1) A general assignment by Tenant or any guarantor of the Agreement for the benefit of the creditors without written consent of City;

(2) The filing by or against Tenant, or any guarantor, of any proceeding under an insolvency or bankruptcy law, unless (in the case of an involuntary proceeding) the proceeding is dismissed within sixty (60) days;

(3) The appointment of a trustee or receiver to take possession of all or substantially all the assets of Tenant or any guarantor, unless possession is unconditionally restored to Tenant or that guarantor within thirty (30) days and the trusteeship or receivership is dissolved; and/or

(4) Any execution or other judicially authorized seizure of all or substantially all the assets of Tenant located on the Premises, or of Tenant's interest in this Agreement, unless that seizure is discharged within thirty (30) days;

(e) The undertaking of a use other than a Permitted Use on the Premises if Tenant fails to discontinue such use within three (3) calendar days after delivery of written notice from City to Tenant demanding that Tenant cease and desist such unpermitted use.

109.1.2 City's Remedies on Tenant's Default. On the occurrence of a default by Tenant, City shall have the right to pursue any one or more of the following remedies in addition to any other remedies now or later available to City at law or in equity. These remedies are not exclusive but are instead cumulative. Any monetary sums that result from application of this Subsection 109.1.2 shall be deemed Additional Rent.

109.1.2.1 Termination of Agreement. City may terminate this Agreement and recover possession of the Premises. Once City has terminated this Agreement, Tenant shall immediately surrender the Premises to City. On termination of this Agreement, pursuant to Civil Code Section 1951.2 or its successor, City may recover from Tenant all of the following:

(a) 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 rate set forth in Item 270 of the Tariff but in no case greater than the maximum amount of interest permitted by law;

(b) 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 Tenant proves could reasonably have been avoided, to be computed by allowing interest at the rate set forth in Item 270 of the Tariff but in no case greater than the maximum amount of interest permitted by law;

(c) The worth at the time of the award of the amount by which the unpaid Rent for the balance of the term of the Agreement after the time of the award exceeds the amount of unpaid Rent that Tenant 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 percent (2%);

(d) Any other amount necessary to compensate City for all the detriment proximately caused by Tenant's failure to perform obligations under this Agreement, including, without limitation, restoration expenses, expenses of improving the Premises for a new tenant (whether for the same or a different use), brokerage commissions, and any special concessions made to obtain a new tenant;

(e) Any other amounts, in addition to or in lieu of those listed above, that may be permitted by Applicable Law; and

(f) To the extent that Tenant fails to surrender the Premises after Termination, Tenant agrees that the damages to City for such holdover shall be one hundred fifty percent (150%) of the Rent payable for the last month prior to the Termination of this Agreement or one hundred fifty percent (150%) of the fair market rental at the time of the Termination, whichever is greater.



109.1.2.2 Continuation of Agreement in Effect. City shall have the remedy described in Civil Code Section 1951.4, which provides that, when a tenant has the right to sublet or assign (subject only to reasonable limitations), the City may continue the Agreement in effect after the tenant's breach and abandonment and recover Rent as it becomes due. Accordingly, if City does not elect to terminate this Agreement on account of any default by Tenant, City may enforce all of City's rights and remedies under this Agreement, including the right to recover all Rent as it becomes due.

109.1.2.3 Tenant's Subleases. Whether or not City elects to terminate this Agreement on account of any default by Tenant, City may:

(a) Terminate any sublease, license, concession, or other consensual arrangement for possession entered into by Tenant and affecting the Premises; or

(b) Choose to succeed to Tenant's interest in such an arrangement. If City elects to succeed to Tenant's interest in such an arrangement, Tenant shall, as of the date of notice by City of that election, have no further right to, or interest in, the Rent or other consideration receivable under that arrangement.

109.1.3 Form of Payment After Default. If Tenant fails to pay any amount due under this Agreement within ten (10) days after the due date or if Tenant draws a check on an account with insufficient funds, City shall have the right to require that any subsequent amounts paid by Tenant to City under this Agreement (to cure a default or otherwise) be paid in the form of cash, money order, cashier's or certified check drawn on an institution acceptable to City, or other form approved by City despite any prior practice of accepting payments in a different form.

109.1.4 Acceptance of Rent Without Waiving Rights. City may accept Tenant's payments without waiving any rights under this Agreement, including rights under a previously served notice of default. If City accepts payments after serving a notice of default, City may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default, including any rights City may have to recover possession of the property.

109.1.5 Cross Default. A material breach of the terms of any other permit, license, lease or other contract held by Tenant and City shall constitute a material breach of the terms of this Agreement and shall give City the right to terminate this Agreement for cause in accordance with the procedures set forth in this Section 109.

## **109.2 City's Defaults.**

109.2.1 Event of Default. City's failure to perform any of its obligations under this Agreement, if City fails to commence to cure the failure within sixty (60) days after delivery of written notice of the failure from Tenant to City, or if the failure continues for ninety (90) days after delivery of such notice, unless the failure is such that it cannot be cured in ninety (90) days, in which case if City fails to diligently cure within a reasonable amount of time, shall constitute a default.

109.2.2 Tenant's Remedy on City Default. Tenant's sole remedy for a City default shall be to seek specific performance in a court of competent jurisdiction.

**109.3 Replacement of Statutory Notice Requirements.** When this Agreement requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this Agreement) in the manner required by Section 6 (Notices) shall replace and satisfy the statutory service-of-notice procedures, including those required by Code of Civil Procedure Section 1162 or any similar or successor statute. Notwithstanding the foregoing, nothing herein contained shall preclude or render inoperative service of notice in the manner provided by law.

## **Section 110. Force Majeure.**

Except as otherwise provided in this Agreement, whenever a day is established in this Agreement on which, or a period of time, including a reasonable period of time, is designated within which, either Party is required to do or complete any act, matter or thing, the time for the doing or completion thereof shall be extended by a period of time equal to the number of days on or during which such Party is prevented from, or is unreasonably interfered with, the doing or completion of such act, matter or thing because of acts of God, the public enemy or public riots; failures due to nonperformance or delay of performance by suppliers or contractors; any order, directive or other interference by municipal, state, federal or other governmental official or agency (other than City's failure or refusal to issue permits for the construction, use or occupancy of City's Improvements or the Premises); any catastrophe resulting from the elements, flood, fire, explosion; or any other cause reasonably beyond the control of a Party, but excluding strikes or other labor disputes, lockouts or work stoppages ("Force Majeure"); provided, however, that this Section 110 shall not apply to (1) the time for payment of Rent or any other monetary obligation, (2) the Completion Deadline, if any (3) the insurance provisions set forth in this Agreement, or (4) to extend the term of the Agreement beyond fifty (50) years. In the event of the happening of any of such contingencies events, the Party delayed by Force Majeure shall immediately give the other Party written notice of such contingency, specifying the cause for delay or failure, and such notice from the Party delayed shall be prima facie evidence that the delay resulting from the causes specified in the notice is excusable. The Party delayed by Force Majeure shall use reasonable diligence to remove the

cause of delay, and if and when the event which delayed or prevented the performance of a Party shall cease or be removed, the Party delayed shall notify the other Party immediately, and the delayed Party shall recommence its performance of the terms, covenants and conditions of this Agreement.

## **Section 111. Indemnity and Insurance.**

### **111.1 Indemnity.**

111.1.1 Generally. Tenant shall at all times relieve, indemnify, protect and save harmless City and 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 cost of litigation (including all actual litigation costs incurred by the City, including but not limited to, costs of experts and consultants), for death of or injury to persons, or damage to property, including property owned by or under the care and custody of City, and for civil fines and penalties that may arise from or be caused directly or indirectly by:

(a) Any dangerous, hazardous, unsafe or defective condition of, in or on the Premises, of any nature whatsoever, which may exist by reason of any act, omission, neglect, or any use or occupation of the Premises by Tenant, its officers, agents, employees, sublessees, licensees or invitees;

(b) Any operation conducted upon or any use or occupation of the Premises by Tenant, its officers, agents, employees, sublessees, licensees or invitees under or pursuant to the provisions of this Agreement or otherwise;

(c) Any act, error, omission, willful misconduct or negligence of Tenant, its officers, agents, employees, sublessees, licensees or invitees, arising from the use, operation or occupancy of the Premises, regardless of whether any act, omission or negligence of City, its officers, agents or employees contributed thereto;

(d) Any failure of Tenant, its officers, agents or employees to comply with any of the terms or conditions of this Agreement or any applicable federal, state, regional, or municipal law, ordinance, rule or regulation; or

(e) The conditions, operations, uses, occupations, acts, omissions or negligence referred to in subsections (a) through (d) above, existing or conducted upon or arising from the use or occupation by Tenant or its invitees on any other premises within the "Harbor District," as defined in City's Charter.

This Subsection 111.1.1 shall not be construed to make Tenant responsible for loss, damage, liability or expense to third-parties to the extent caused solely by the negligence or willful misconduct of City.

**111.1.2 Term Contamination Losses.** Tenant shall also indemnify, defend and hold City harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution of the value of the Premises, damages for loss or restriction on use of rentable or useable space or of any amenity of the Premises, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Agreement term as a result of Term Contamination for which Tenant is otherwise responsible for under the terms of this Agreement. This indemnification of City by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean up, remedial, removal or restoration work required by any federal, state or local governmental agency because of Term Contamination present in the soil or groundwater on or under the Premises.

**111.1.3 Survival of Obligations.** The indemnity obligations in this Section 111 shall survive the expiration or earlier termination of this Agreement and shall apply regardless of the active or passive negligence of City and regardless of whether liability without fault or strict liability is imposed or sought to be imposed on City.

**111.2 Insurance.** In addition to, and not as a substitute for, or limitation of, any of the indemnity obligations imposed by this Agreement, Tenant shall procure and maintain at its expense and keep in force at all times during the term of this Agreement the types and amounts of insurance specified on Insurance, Exhibit "K", attached hereto and incorporated by reference herein. The specified insurance shall also, either by provisions in the policies, by City's endorsement form or by other endorsement attached to such policies, include and insure City, its Harbor Department, its Board and all of City's officers, employees, and agents, their successors and assigns, as additional insureds, against the areas of risk described in Exhibit "K" and below, with respect to Tenant's acts or omissions in its operation, use and occupancy of the Premises or other related functions performed by or on behalf of Tenant in, on or about the Harbor District. The types of insurance which are required must meet the following conditions during the term of this Agreement and any hold-over periods:

**111.2.1 Commercial General Liability.** Commercial general liability insurance, including contractual liability, auto liability and property damage insurance written by an insurance company authorized to do business in the State of California, or approved by the California Department of Insurance as a surplus lines insurer eligible to do business in California, rated VII, A- or better in Best's Insurance Guide (or an alternate guide acceptable to City if a Best's Rating is not available) with Tenant's normal limits of liability, but not less than set forth in Exhibit "K" for each accident or occurrence. The coverage shall provide first dollar coverage except that the Executive Director may permit a self-insured retention or self-insurance in those cases where, in the Executive

Director's judgment, such retention or self-insurance is justified by the net worth of Tenant. The retention or self-insurance provided shall provide that any other insurance maintained by the Department shall be excess of Tenant's insurance and shall not contribute to it. In all cases, regardless of any deductible or retention, said insurance shall contain a defense of suits provision and a severability of interest clause. Where Tenant operates watercraft, liability coverage for such craft must be provided as follows:

(1) Hull and machinery coverage for the value of each vessel which will call at the Premises during the term of this Agreement, if any; and

(2) Protection and indemnity coverage with combined single limits as set forth in Exhibit "K" per occurrence for bodily injury, illness, death, loss of or damage to the property of another, Jones Act risks or equivalent thereto internationally, and pollution liability to which it is agreed that the additional insured and cancellation notice provisions as required and described below must be included. Pollution liability shall include coverage for bodily injury, including death and mental anguish, property damage, defense costs and cleanup costs. Such coverage shall contain a defense of suits provision and a severability of interest clause.

The submitted policy shall, in addition, provide the following coverage either in the original policy or by endorsement substantially as follows:

"Notwithstanding any inconsistent statement in the policy to which this endorsement is attached, or any endorsement or certificate now or hereafter attached hereto, it is agreed that City, Board, their officers, agents and employees, are additional insureds hereunder, and that coverage is provided for all operations, uses, occupations, acts and activities of the insured under Permit No. \_\_\_\_, and under any amendments, modifications, extensions or renewals of said Permit regardless of whether such operations, uses, occupations, acts and activities occur on the Premises or elsewhere within the Harbor District.

"The policy to which this endorsement is attached shall provide a ten (10) days' prior written notice of cancellation for nonpayment of premium, and a thirty (30) days' prior written notice of cancellation for any other reasons to the Harbor Department's Risk Manager;

"The coverage provided by the policy to which this endorsement is attached is primary coverage and any other insurance carried by City is excess coverage;

"In the event of one of the named insureds incurring liability to any other of the named insureds, this policy shall provide protection for each named

insured against whom claim is or may be made, including claims by other named insureds, in the same manner as if separate policies had been issued to each named insured. Nothing contained herein shall operate to increase the company's limit of liability; and

"Notice of occurrences or claims under the policy shall be made to the Risk Manager of City's Harbor Department with copies to the City Attorney's Office."

111.2.2 Fire Legal Liability. In addition to and concurrently with the aforesaid insurance coverage, Tenant shall also secure and maintain, either by an endorsement thereto or by a separate policy, fire legal liability insurance in the amounts set forth in Exhibit "K", covering legal liability of Tenant for damage or destruction to the works, buildings and improvements owned by City provided that said minimum limits of liability shall be subject to adjustments by the Executive Director to conform with the deductible amount of the fire insurance policy maintained by the Board, with waiver of subrogation in favor of Tenant so long as permitted by the Board's fire insurance policy, upon thirty (30) days' prior written notice thereof to Tenant at any time during the term of this Agreement.

111.2.3 All Risk Insurance. Fire and extended coverage insurance covering a percentage of the replacement value, as set forth in Exhibit "K", of the works, buildings and improvements erected or owned by Tenant on the Premises, with such provision in the policies issued to cover the same, or in riders attached thereto, as will provide for all losses the amount stated in Exhibit "K" to be payable to Board to be held in trust for reconstruction. In the event of loss or damage by fire to any of such buildings or improvements, Tenant shall undertake replacement or reconditioning of such items within ninety (90) days following any such loss. In the event Tenant shall undertake such replacement or reconditioning within said period of ninety (90) days, such proceeds shall be released by Board to Tenant as payments are required for said purpose. Upon the completion of such replacement or reconditioning to the satisfaction of the Executive Director, any balance thereof remaining shall be paid to said Tenant forthwith. In the event Tenant fails to undertake such replacement or reconditioning within said period of ninety (90) days, such proceeds shall be retained by City.

111.2.4 Environmental Impairment Liability Insurance. Should Tenant's operations involve the storage or use of any type of hazardous materials or pollutants, the Tenant shall be required to maintain environmental impairment liability insurance which shall include coverage for bodily injury, property damage, including third-party claims for on-site and off-site bodily injury and property damage, clean-up and defense, with a limit of at least the amount set forth in Exhibit "K" per occurrence, which is to remain in effect at least five (5) years after the termination of the Agreement.

111.2.5 Workers' Compensation. Tenant shall secure the payment of compensation to employees injured while performing work or labor necessary for and incidental to performance under this Agreement in accordance with Section 3700 of the Labor Code of the State of California. Tenant shall file with the City one of the following: 1) a certificate of consent to self-insure issued by the Director of Industrial Relations, State of California; 2) a certificate of Workers' Compensation insurance issued by an admitted carrier; or 3) an exact copy or duplicate thereof of the policy certified by the Director or the insurer. Such documents shall be filed prior to delivery of Premises. Where Tenant has employees who are covered by the United States Longshore and Harbor Workers' Compensation Act, Tenant shall furnish proof of such coverage to the City. It is suggested that Tenant consult an insurance professional of its choosing to determine whether its proposed operation methods will render its employees subject to coverage under such Act. All Workers' Compensation insurance submitted to City shall include an endorsement providing that any carrier paying benefits agrees to waive any right of subrogation it may have against City.

111.2.6 Insurance Features. Such insurance procured by Tenant shall include the following features:

111.2.6.1 Notice of Cancellation. Each insurance policy described above shall provide that it shall not be cancelled or reduced in coverage until after the Risk Manager has been given a ten (10) days' written notice of cancellation for nonpayment of premium and a thirty (30) days' written notice of cancellation for any other reason.

111.2.6.2 Acceptable Evidence and Approval of Insurance. Electronic submission is the required method of submitting Tenant's insurance documents. Track4LA<sup>®</sup> is the City's online insurance compliance system and is designed to make the experience of submitting and retrieving insurance information quick and easy. The system is designed to be used primarily by insurance brokers and agents as they submit client insurance certificates directly to the City. It uses the standard insurance industry form known as the ACORD 25 Certificate of Liability Insurance in electronic format. The advantages of Track4LA<sup>®</sup> include standardized, universally accepted forms, paperless approval transactions (24 hours, 7 days per week), and security checks and balances. Tenant's insurance broker or agent shall obtain access to Track4LA<sup>®</sup> at <http://track4la.lacity.org/> and follow the instructions to register and submit the appropriate proof of insurance on Tenant's behalf.

111.2.6.3 Renewal of Policies. Prior to the expiration of each policy, Tenant shall show through submitting to Track4LA<sup>®</sup> that the policy has been renewed or extended or, if new insurance has been obtained, submit the appropriate proof of insurance to Track4LA<sup>®</sup>. If Tenant neglects or fails to secure or maintain the required insurance, or if Tenant fails to submit proof of

insurance as required above, the City's Harbor Department may, at its option and at the expense of Tenant, may obtain such insurance for Tenant.

111.2.6.4 Certified Copies of Policies. Immediately upon procuring any and all policies of insurance required herein, Tenant must request from Tenant's insurance carrier(s) full certified copies of such policies of insurance. Tenant shall thereafter provide such full certified copies of such policies to City within thirty (30) days of Tenant's receipt of such policies from Tenant's insurance carrier(s). Tenant's obligation to provide such copies shall survive the Expiration Date regardless of whether Tenant receives such policies prior to or after the Expiration Date. Tenant shall further provide written notice to City of any change of terms of any policies of insurance required herein within thirty (30) days of any such change.

111.2.6.5 Modification of Coverage. The Executive Director, or designee, at the Executive Director's discretion, may require that Tenant increase or decrease amounts and types of insurance coverage required hereunder at any time during the term hereof by giving ninety (90) days' prior written notice to Tenant. The modification of coverage shall occur no less than every five (5) years of the term to insure that the coverage amounts are consistent with industry standards at the time of the modification for the Permitted Uses of the Premises.

111.2.6.6 Accident Reports. Tenant shall report in writing to Executive Director within fifteen (15) days after it, its officers or managing agents have knowledge of any accident or occurrence involving death of or injury to any person or persons, or damage in excess of Fifty Thousand Dollars (\$50,000) to property, occurring upon the Premises, or elsewhere within the Harbor District, if Tenant's officers, agents or employees are involved in such an accident or occurrence while undertaking the Permitted Uses. Such report shall contain to the extent available: (1) the name and address of the persons involved; (2) a general statement as to the nature and extent of injury or damage; (3) the date and hour of occurrence; (4) the names and addresses of known witnesses; and (5) such other information as may be known to Tenant, its officers or managing agents.

111.2.7 Right to Self-Insure. Upon written approval by the Executive Director, Tenant may self-insure if the following conditions are met:

(a) Tenant has a formal self-insurance program in place prior to execution of this Agreement. If a corporation, Tenant must have a formal resolution of its board of directors authorizing self-insurance;



(b) Tenant agrees to protect the City, its boards, officers, agents and employees at the same level as would be provided by full insurance with respect to types of coverage and minimum limits of liability required by this Agreement;

(c) Tenant agrees to defend the City, its boards, officers, agents and employees in any lawsuit that would otherwise be defended by an insurance carrier;

(d) Tenant agrees that any insurance carried by Department is excess of Tenant's self-insurance and will not contribute to it;

(e) Tenant provides the name and address of its claims administrator;

(f) Tenant submits its most recently filed 10-Q and its 10-K or audited annual financial statements for the three most recent fiscal years prior to the Executive Director's consideration of approval of self-insurance and annually thereafter;

(g) Tenant agrees to inform Department in writing immediately of any change in its status or policy which would materially affect the protection afforded Department by this self-insurance; and

(h) Tenant has complied with all laws pertaining to self-insurance.

**111.3 Increased Insurance Risks.** Following the Effective Date, should an event occurring in or about the Premises cause either cancellation or increased rates with respect to any insurance that City may have on the Premises or on adjacent premises, or cause either cancellation or increased rates with respect to any other insurance coverage for the Premises or adjacent premises, upon receipt of written notice from City that cancellation of insurance or increased insurance rates is threatened or has occurred, Tenant immediately shall take appropriate steps to ensure that City is not adversely affected. In City's sole reasonable discretion, such steps may include Tenant: correcting the condition; providing any necessary insurance; paying the increased cost of City's insurance; and/or indemnifying City against any uninsured or underinsured loss on a claim.

**Section 112. Damage and Destruction to Improvements.**

**112.1 Notice; No Rent Abatement.** Tenant shall promptly give City Notice of any material damage or destruction of any or all of the improvements on the Premises ("Casualty") generally describing the nature and extent thereof. There shall be no abatement or reduction of Rent on account of any Minor Casualty and all obligations of Tenant under this Agreement shall remain unchanged and in full force and effect. In the case of a Major Casualty, provided that the Major Casualty was not caused by the act or omission of Tenant or any of its employees, agents, licensees, subtenants, customers, clients or invitees, until the repair and

restoration of the Premises is completed, Tenant shall be required to pay rent only for that part of the Premises that Tenant is able to use while repairs are being made, based on the ratio that the amount of usable rentable area bears to the total rental area in the Premises.

**112.2 Minor Casualty.** In the event of any Minor Casualty at any time during the Term, and regardless of whether such Minor Casualty is insured or uninsured, Tenant shall be obligated to repair, rebuild or restore the damaged improvements.

**112.3 Casualty Covered by Insurance.** If, during the Term of this Agreement, any buildings, structures, or improvements on the Premises are partially or totally destroyed from a risk covered by the insurance required under this Agreement, thereby rendering the Premises partially or totally inaccessible or unusable, Tenant must restore the Premises to substantially the same condition as they were immediately before destruction.

**112.4 Casualty Not Covered by Insurance.** If, during the Term of this Agreement, improvements on the Premises are partially or totally destroyed from a risk not covered by the fire and extended coverage insurance required under this Agreement thereby rendering said Premises partially or totally inaccessible or unusable, such destruction shall not automatically terminate this Agreement. If, however, the cost of restoration exceeds ten percent (10%) of the full replacement value of improvements, as said value existed immediately before said destruction, Tenant may, at Tenant's option, terminate this Agreement by giving written notice to City within sixty (60) days from the date of destruction. If Tenant elects to terminate as above provided, Tenant shall be obligated, unless otherwise directed by City, to demolish all damaged improvements and remove all debris from the Premises, and otherwise comply with the restoration and surrender obligations contained in Section 117 (Restoration and Surrender of Premises), at Tenant's sole cost. If Tenant fails to exercise its right to terminate this Agreement, this Agreement shall continue in full force and effect for the remainder of the term specified herein and Tenant shall restore the Premises to substantially the same condition as they were in immediately before the damage or destruction.

**112.5 Inapplicability of Civil Code Sections.** The provisions of California Civil Code Sections 1932(2) and 1933(4), and any successor statutes, are inapplicable with respect to any destruction of any part of the Premises; such sections provide that a lease terminates on the destruction of the Premises unless otherwise agreed between the Parties to the contrary.

**112.6 Damage to Wharf.** Notwithstanding the foregoing, whether or not there is insurance to cover such Casualty, Tenant shall be responsible, at its sole cost and expense, for all costs, direct or indirect, associated with repairing any damage to the wharf structure on the Premises, including, but not limited to, damage resulting from a collision between a vessel and the wharf while docking or undocking, unless such damage is due to the sole active negligence of City or of a third-party on the Premises pursuant to Subsection 102.6 (Temporary Assignment), or by a secondary assignee to which the Premises are assigned. The Harbor Department shall have the option of either making the repairs or requiring Tenant to make the repairs. If the Harbor Department makes the repairs, Tenant agrees to reimburse the Harbor

Department for the City's costs incurred in making the repairs. 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 the Executive Director that someone other than Tenant, its officers, agents, employees, customers, contractors, subtenants, licensees or other invitees caused the damage. The sufficiency of proof presented by Tenant to the Harbor Department shall be determined by the Executive Director in the Executive Director's sole judgment.

**Section 113. Assignments, Transfers and Subleases.**

**113.1 Assignment, Transfer and Subletting; City's Consent Required.**

113.1.1 Generally. Tenant shall not, in any manner, transfer or assign this Agreement, or any portion thereof or any interest therein, ("Assignment") voluntarily or involuntarily without the prior written consent of the Board, nor sublet or sublease the whole or any part of the Premises, nor license or permit the use of the same, in whole or in part, without the prior written consent of the Executive Director (collectively referred to as a "Transfer").

113.1.2 Consent Required; Payment of City's Costs. No Transfer of this Agreement, or any interest therein or any right or privilege thereunder, regardless of whether accomplished by a separate agreement, sale of stock or assets, merger or consolidation or reorganization by, or of, Tenant (or any entity that directly or indirectly controls or owns fifty percent (50%) or more of Tenant), or accomplished in any other manner, whether voluntary or by operation of law, including but not limited to assignment, sublease, transfer, gift, hypothecation or grant of total or partial control, or any encumbrance of this Agreement, shall be valid or effective for any purpose unless (i) Tenant receives the prior written consent of City and (ii) Tenant satisfies the requirements in Subsection 113.3 (Procedure to Obtain Consent to Transfer). Consent to one Transfer shall not be deemed to be a consent to any subsequent Transfer. For purposes of this Subsection 113.1.2, the term "by operation of law" includes but is not limited to: (1) the placement of all or substantially all of Tenant's assets in the hands of a receiver or trustee; or (2) a transfer by Tenant for the benefit of creditors; or (3) transfers resulting from the death or incapacity of any individual who is a Tenant or of a general partner of a Tenant (except as provided in Subsection 113.2.2 (Partnerships)). Tenant acknowledges and agrees that it shall be required to pay the City for all City Costs incurred to review all documents submitted in response to a request to Transfer.

113.1.3 Transfer of Assets. "Transfer" also shall include the involvement of Tenant or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise) whether or not there is a formal assignment or hypothecation of this Agreement or Tenant's assets, which involvement results in a reduction of the net worth of Tenant (defined as the net worth of Tenant, excluding guarantors, established by generally accepted accounting

principles) by an amount greater than twenty-five percent (25%) of such net worth as it was represented at the time of the execution of this Agreement, or at the time of the most recent Transfer to which City has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater.

### **113.2 Transfers of Ownership.**

113.2.1 Ownership or Control. The transfer of more than twenty-five percent (25%) of the economic interest in Tenant or any entity that directly or indirectly controls or owns fifty percent (50%) or more of Tenant in one or more transactions, regardless of whether Tenant is a publicly or privately held entity, shall constitute a Transfer within the meaning of this Section 113.

113.2.2 Partnerships. If Tenant is a partnership, any transfer or attempted transfer by any general partner of Tenant of more than twenty-five percent (25%) of its partnership interest in Tenant in one or more transactions shall be a prohibited Transfer within the meaning of this Section 113. Notwithstanding the foregoing, if any transfer of a general partner's interest is due to the death of a general partner and results in the transfer to the immediate members of the general partner's family, who will be immediately and personally involved in the operation of the partnership, the City shall not unreasonably withhold its consent to such transfer.

113.2.3 Guarantor. If a parent or other entity has guaranteed or otherwise secured any or all of Tenant's obligations under this Agreement and if the ownership, makeup or financial condition of such parent or other entity has, in the sole reasonable discretion of the Executive Director, materially changed at any point during the term of this Agreement, the right is reserved for City to require amendments of such guaranty, the provision of new security, or a combination thereof reasonably required by the Executive Director to maintain the level of security as provided by the original guaranty. Following the Effective Date, Tenant shall have a continuing obligation to notify City in writing of any and all events that do or might constitute a material change within the meaning of this Subsection 113.2.3.

113.2.4 Executive Director Authority to Modify. The Executive Director shall have the authority, but not the obligation, to unilaterally modify the foregoing conditions based on the facts of a particular case.

**113.3 Procedure to Obtain Consent to Transfer.** If Tenant desires to undertake a Transfer, it may seek City's consent thereto. Tenant covenants that before entering into or permitting any Transfer, it shall provide to City written notice at least ninety (90) days before the proposed effective date of the Transfer. Notwithstanding the foregoing, City reserves the right to allow Tenant, on a case-by-case basis, to submit to City for City's consent, Transfers that would have become effective but for Tenant's failure to seek City's prior written consent.

In any event, Tenant's written request to City for consent shall hereinafter be referred to as "Transfer Notice."

113.3.1 Transfer Notice. Tenant's Transfer Notice shall contain each of the following:

(a) Specific identification of the entity or entities with whom Tenant proposes to undertake the Transfer ("Transferee");

(b) Specific and detailed description of the Transferee's entity type, ownership (including identification of all parent and subsidiary entities), background/history, nature of the Transferee's business, Transferee's character and reputation and experience in the operations proposed;

(c) Specific and detailed description of the type of Transfer proposed (e.g., assignment, sublease, grant of control, etc.) and the rights proposed to be transferred;

(d) Specific and detailed description of the operations proposed to be undertaken at the Premises by Tenant and Transferee if City consents to the Transfer which includes a breakdown of the responsibilities and duties of Tenant and Transferee;

(e) All of the terms of the proposed Transfer, including the total consideration payable by Transferee; the specific consideration (if any) payable by Transferee in connection with the Premises and/or uses under this Agreement if the proposed Transfer is part of an acquisition or purchase that involves assets outside this Agreement; the proposed use of the Premises; the effective date of the proposed Transfer; and a copy of all documentation concerning the proposed Transfer;

(f) The proposed form of a guaranty or guaranties providing greater or substantially the same protection to City as any guaranty in effect prior to or contemporaneous with the proposed Transfer;

(g) A business plan for the Transferee including specific estimates of revenue anticipated under each of the following categories: existing contracts, contracts under negotiation and other specified sources;

(h) A general description of any planned Alterations or improvements to the Premises;

(i) A description of the worth of the proposed Transferee including an audited financial statement;

(j) Any further information relevant to the proposed Transfer that City reasonably requests; and

(k) Written authorization in a form acceptable to City allowing City to inspect and review but not to copy, at times and locations reasonably selected by City, any books and records or other information of Tenant or Transferee (or third-parties acting for or on either of their behalves) reasonably determined by City to be necessary for its assessment of Tenant's request for consent.

113.3.2 Limitations on City's Consent. If City consents to a Transfer, the following limits apply:

(a) City does not agree to waive or modify the terms and conditions of this Agreement;

(b) Such consent does not constitute either consent to any further or other Transfer by either Tenant or Transferee or a bar disqualifying submittal of additional Transfer Notices in accordance with the terms of this Agreement following such consent;

(c) If, following such consent, Tenant remains a party to this Agreement, Tenant shall remain liable under this Agreement and any guarantor shall remain liable under its guaranty;

(d) Such consent shall not transfer to the Transferee any option granted to the original Tenant by this Agreement unless such transfer is specifically consented to by City in writing;

(e) Tenant may enter into that Transfer in accordance with this Section 113 if: (a) the Transfer occurs within six (6) months after City's consent; (b) the Transfer, in the sole and absolute discretion of the Executive Director, is on substantially the same terms as specified in the Transfer Notice; and (c) Tenant delivers to City promptly after execution an original executed copy of all documentation pertaining to the Transfer in a form reasonably acceptable to City;

(f) If the Transfer occurs more than six (6) months after City's consent or, in the sole and absolute discretion of the Executive Director, the terms of the Transfer materially change from those in the Transfer Notice, Tenant shall submit a new Transfer Notice under this Section 113, requesting City's consent. A material change for purposes of this Section 113 is one where the terms would have entitled City to refuse to consent to the Transfer initially, or would cause, in the sole and absolute discretion of the Executive Director, the proposed Transfer

to be more favorable to Transferee than the terms in the original Transfer Notice;

(g) Tenant and/or Transferee, upon City's written request, shall provide proof, in a form satisfactory in the sole reasonable discretion of the Risk Manager of City's Harbor Department, demonstrating that insurance of the type and limits required by Subsection 111.2 (Insurance) is and shall be in full effect at all times in or around the time period in which the proposed Transfer is anticipated to occur. If requested in writing by City, Transferee shall provide a guaranty agreement in a form acceptable to City obligating Transferee to pay any uninsured or underinsured loss on a claim that, in City's sole and absolute discretion, would have been covered by insurance fully compliant with Subsection 111.2; and

(h) Transferee shall execute and deliver a written acceptance of Transfer in a form acceptable to City in which Transferee expressly assumes all of Tenant's obligations under the Agreement.

**113.4 Factors Germane to City Consent.** In evaluating any Transfer Notice, it shall not be unreasonable for City to withhold or condition its consent to a Transfer based on the following factors, among others:

(a) The net worth, financial condition and creditworthiness of the Transferee and the existence of any guaranty provided by the Transferee's parent or related entity or entities;

(b) The character, experience and reputation of the Transferee (or its operator) in operating the business contemplated by the Transfer;

(c) Whether the Transfer will negatively impact the short-term or long-term development, land use or other plans of City's Harbor Department, and whether consent to such Transfer would violate any of the legal duties of City's Harbor Department, including duties owed to other tenants;

(d) Whether the proposed Transfer is consistent with the terms and conditions of this Agreement in existence when Tenant submitted the Transfer Notice and with the laws, rules and regulations applicable to the Premises and Tenant's use and occupancy thereof;

(e) Whether the information provided by Tenant in connection with Subsection 113.3.1 (Transfer Notice) justifies such consent;

(f) The Transferee's level of commitment and specific plans to invest to improve the Premises following approval of the proposed Transfer, if any;

(g) Whether there are uncured defaults including, without limitation, unpaid Rent and, if there are, whether the proposed transferee agrees to cure, remedy or otherwise correct any default by Tenant existing at the time of the Transfer, in a manner satisfactory to the Board; and

(h) Whether the Transferee, its operator or any Affiliate of the Transferee or its operator is listed on any of the following lists maintained by the Officer of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of the Industry and Security of the U.S. Department of Commerce or their successors, or on any other list of Persons with which the City may not do business under Applicable Law: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, and the Debarred List.

**113.5 Additional Conditions for Subleases.** If Tenant requests consent to a Transfer consisting of a sublease of all or a portion of the Premises, the following terms and conditions shall also apply:

(a) Notwithstanding Subsection 113.3 (Procedure to Obtain Consent to Transfer), Tenant may request consent for a sublease with less than ninety (90) days' notice.

(b) City reserves the right to recapture any portion of the Premises proposed by Tenant to be subleased (with appropriate amendments to this Agreement) and to undertake the transaction with the proposed Transferee directly;

(c) Tenant in no event shall be allowed to sublet more than twenty percent (20%) of the Premises to any one sublessee unless this Agreement expressly provides otherwise;

(d) Tenant shall owe to City as Additional Rent, fifty percent (50%) of any amount collected from the sublessee as compensation that exceeds, on a pro rata basis, based on the preceding year's Rent, the compensation due City from Tenant under Section 4 (Rent);

(e) Tenant must provide City with a copy of the Sublease Agreement; and a copy of any notice of default or breach of the sublease; and

(f) No sublessee shall further Transfer or sublet all or any part of the Premises without City's prior written consent.

**113.6 Assignments for Security Purposes.** Tenant's request to assign this Agreement to secure financing of improvements on the Premises will require Board approval and will be considered on a case-by-case basis. Consent to Assignments for security purposes will not be



granted unless Tenant and its lenders satisfy the following conditions, among others, which may be reasonably imposed by the Board:

(a) Monies borrowed will be used exclusively to construct improvements or alterations on the Premises.

(b) Monies borrowed must be in a fixed amount. New borrowings or refinancings require further Board approval.

(c) The collateral covered by the security agreement securing Tenant's loan shall cover only Tenant's leasehold interests and interest in improvements on the Premises, not the interests of City in improvements or land, and not any improvements or fixtures which, if removed, would leave the Premises untenable. In this Subsection 113.6, "untenable" means, the removal of improvements or fixtures which, in the City's sole and absolute discretion, would leave the Premises in a condition that prevents City from renting the Premises.

(d) Nothing in the instrument which creates the security interest in the lender shall amend, modify, or otherwise affect the rights of City under this Agreement or any guaranty.

(e) In the event the lender initiates any action to foreclose the interest of Tenant in this Agreement, the lender agrees to deliver to the Board in person or by registered mail a copy of any notice of default sent to Tenant and agrees, ten (10) calendar days in advance of any foreclosure sale, to give written notice to Board by registered mail. Such notices shall be addressed as follows:

Board of Harbor Commissioners  
c/o Director of Real Estate Division  
P.O. Box 151  
San Pedro, CA 90733-0151

Such notice shall specify which of the below alternative courses of action the lender will take with respect to the Agreement and any guaranty. Any and all of the below stated alternatives are contingent upon the Board's approval in accordance with the conditions in subsection (f) below. Lender may:

(1) Assume as principal all of the obligations and duties arising on or after the foreclosure conveyance date under the Agreement; or

(2) Assume as principal all of the obligations and duties arising on or after the foreclosure conveyance date under the Agreement, and hire an

operator, acceptable to the Executive Director, who shall operate the Premises pursuant to the Agreement; or

(3) Assume as principal all of the obligations and duties arising on or after the foreclosure conveyance date, and thereafter reassign the Agreement with the consent of Board. Notwithstanding any provision of this Agreement to the contrary, in the event the lender initiates any action to foreclose the interest of any subsequent assignee of the Agreement, the lender agrees to make the notifications and elections required herein.

The foregoing election by the lender shall be without prejudice to any rights the City may have with respect to Tenant's default of this Agreement; provided, however, that the City shall mail to both Tenant and lender a copy of any written notice of default in the performance of the terms and conditions of the Agreement, by registered mail, return receipt requested, addressed as follows:

(Name and Address of Tenant and lender is to be specified by Tenant. If no lender is specified, notice to Tenant alone is agreed to be sufficient.)

The lender shall have the option to cure such default within the time specified in such notice, provided that if such default is noncurable in nature, City shall have the right to immediately reclaim the Premises and lender shall have no further interest.

(f) Any lender proposal to Transfer its interest in this Agreement or interest therein or right or privilege thereunder requires the Board's consent. The Board may withhold its consent in its reasonable discretion if the Board determines that the proposed transferee cannot meet all of the following conditions, and any other conditions which may be reasonably imposed by the Board:

(1) This Agreement shall be in full force and effect and no default shall exist or the lender shall agree in writing to cure all such defaults before the transfer.

(2) When requesting the Board's consent to such a Transfer, the lender shall demonstrate that: (a) the financial condition of the proposed transferee is as sound as that of Tenant at the time this Agreement was initially entered into or as at the time of the proposed transfer - whichever provides the better financial security to the City; (b) the proposed transferee has the requisite experience and reputation or has retained an operator with the requisite experience and reputation to operate the Premises; and (c) the proposed Transfer will not unfavorably affect the revenues of the City, employment or the services available to the maritime community; and the proposed transferee, its

operator or any Affiliate of the proposed transferee or its operator is listed on any of the following lists maintained by the Officer of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of the Industry and Security of the U.S. Department of Commerce or their successors, or on any other list of Persons with which the City may not do business under Applicable Law: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, and the Debarred List .

(3) Even if the Board consents to such a proposed Transfer, the Board may first require that the transferee and the Board agree on a new compensation for the Premises transferred. If the Board modifies the compensation, it shall take into account the then existing Board policy for setting compensation and the prevailing market conditions.

(g) The form of all instruments and documents affecting the City's interests in the Premises shall be acceptable to Executive Director and City Attorney of City in their sole and absolute discretion.

(h) The Board shall have the authority, but not the obligation, to modify any of the foregoing conditions based on the facts of a particular case.

**113.7 Assignment Fee.** In the case of Assignments other than Assignments for Security Purposes permitted under Subsection 113.6, above, in recognition of the value added to the Assignment by virtue of the location of the Premises, Tenant shall pay to City a fee (“Assignment Fee”) based on the following formula:

(a) Less than Ten (10) Years Left on Term: Tenant shall pay to City an Assignment Fee equal to ten percent (10%) of the economic value attributable to the assignor’s leasehold interest derived from, or as a result of the use of the Premises; or

(b) Greater than Ten (10) Years or More Left on Term: Tenant shall pay to City an Assignment Fee equal to fifteen percent (15%) of the economic value attributable to the assignor’s leasehold interest derived from, or as a result of the use of the Premises.

**113.8 Charter and Administrative Code.** Tenant acknowledges that this Agreement is subject to the Charter of City and the Administrative Code of City and that approval of a Transfer may require action by several separate entities, including but not limited to the Los Angeles City Council.

**113.9 Tenant Remedies.** If City wrongfully denies or conditions its consent, Tenant may seek only declaratory and/or injunctive relief. Tenant specifically waives any damage claims against City in connection with the withholding or conditioning of consent.

**113.10 Indemnity in Favor of City; Tenant's Rights.** In addition to and not as a substitute for the indemnities Tenant provides to City pursuant to Subsection 111.1 (Indemnity), Tenant shall indemnify, defend and hold harmless City and any and all of its boards, officers, agents, or employees from and against any and all claims and/or causes of action of any third-party (including but not limited to Transferee) arising out of or related to a proposed Transfer except for claims arising from the sole negligence or willful misconduct of City in withholding its consent in which case Tenant's sole remedy shall be entitled only to seek specific performance.

**113.11 Rent or Performance.** City, in its sole discretion, may accept Rent or performance of Tenant's obligations under this Agreement from any person other than Tenant pending approval or disapproval of a Transfer. City's exercise of discretion to accept Rent or performance shall be reflected in writing.

**113.12 Written Certification.** If requested in writing by the Executive Director, Tenant shall, within ten (10) days of its receipt of such written request, certify under penalty of perjury under California Law whether it has or has not undertaken a purported Transfer.

**Section 114. Records, Reports and City's Right of Inspection.**

**114.1 Operations.** Tenant shall keep full and accurate books, records and accounts relating to its operations on the Premises. City shall have the right, through its representatives, at all reasonable times and on reasonable notice, to inspect such books, records and accounts in order to verify the accuracy of the sums due, owing and paid to City hereunder. Tenant agrees that such books, records and accounts shall be made available to City at Tenant's offices in the City of Los Angeles. City shall protect, to the extent permitted by law, the confidentiality of any such books, records and/or accounts so inspected.

**114.2 City Right of Inspection.** City's authorized representatives shall have access to the Premises (a) with 24-hour notice at any and all reasonable times to determine whether or not Tenant is complying with the terms and conditions of this Agreement, and (b) at any and all times, with or without notice, for fire, and police/ or homeland security purposes, to investigate any incidents involving personal injury or property damage, or for any other purpose incidental to the rights and/or duties of City. The right of inspection hereby reserved to City shall impose no obligation on City to make inspections to ascertain the condition of the Premises, and shall impose no liability upon City for failure to make such inspection. Tenant shall provide personnel to accompany City's representatives on periodic inspections of the Premises to determine Tenant's compliance with this Agreement.

**114.3 ACTA.** (Only applicable if Permitted Uses includes a rail related use) Tenant shall provide to City, the Alameda Transportation Corridor Authority ("ACTA"), or their agents, any information reasonably required to compile accurate statistical information related to the Alameda Corridor, and to enable ACTA to generate timely and accurate invoices for Alameda Corridor use fees and container charges payable by users of the Alameda Corridor. Tenant shall

use its best efforts to provide such non-confidential and non-privileged information in the format requested.

**114.4 Report of Accidents, Casualties or Crimes.** Tenant shall give the Executive Director notice in case of accidents, crimes, fires or other adverse incidents in the Premise promptly after Tenant is aware of any such event.

**Section 115. Condemnation.**

**115.1 Generally.** The Parties agree that if during the Term there is any taking of all or any part of the Premises by Condemnation, the rights and obligations of the Parties shall be determined pursuant to this Section 115.

**115.2 Total Taking.** Tenant may elect to treat as a Partial Taking any Taking that would otherwise qualify as a Total Taking. If a Total Taking of the Premises shall occur, and Tenant does not elect by written notice to City, within sixty (60) days thereafter, to treat the same as a Partial Taking, then this Agreement shall terminate as of the effective date of such Total Taking, and the Rent shall be apportioned accordingly. The proceeds of the Total Taking shall be allocated between City and Tenant in accordance with their respective interests.

**115.3 Partial Taking.**

115.3.1 Effect on Agreement; Award. If a Partial Taking shall occur, then any award or awards shall be applied first to repair, rebuilding or restoration of any remaining part of the Improvements not so taken. Tenant shall perform such repair, rebuilding or restoration in accordance with the applicable requirements of this Agreement. The balance of any such award or awards remaining after the repair, rebuilding or restoration shall be distributed to City and Tenant as if they were proceeds of a Total Taking affecting only a portion of the Premises taken. If the Partial Talking impacts the usable area of the Premises, the City shall abate or reduce the Rent payable hereunder as a result of such Partial Taking. No other sums payable under the Agreement shall be abated or reduced as a result of any Partial Taking.

115.3.2 Improvements. Should Tenant terminate this Agreement pursuant to this Section 115, title to all improvements, additions, alterations constructed or installed by Tenant upon the Premises and which have not already vested in City shall thereupon vest in City.

115.3.3 Waiver of CCP § 1265.130. Each Party waives the provisions of the California Code of Civil Procedure Section 1265.130 allowing either Party to petition the superior court to terminate this Agreement in the event of a partial taking of the Premises.

**115.4 Temporary Taking.** If a Temporary Taking shall occur with respect to use or occupancy of the Premises for a period greater than 120 days, then Tenant shall, at its option, be entitled to terminate this Agreement effective as of the commencement date of the Temporary Taking. If the Temporary Taking relates to a period of 120 days or less, or if Tenant does not elect within sixty (60) days after the 120th day of the Temporary Taking, to terminate this Agreement, then all proceeds of such Temporary Taking (to the extent attributable to periods within the Term) shall be paid to Tenant, and Tenant's obligations under this Agreement shall not be affected in any way.

**115.5 Severance Damages.** The entire award of compensation paid for any severance damages, whether paid for impairment of access, for land, buildings, and/or improvements shall be the property of City, regardless of whether any buildings or improvements so damaged are owned or were constructed by City or Tenant. However, should City determine that improvements are to be restored, that portion of the severance damages necessary to pay the cost of restoration shall be paid to Tenant accompanied by evidence that the sum requested has been paid for said restoration and is a proper item of such cost and used for such purpose.

**115.6 Other Condemnation.** In the event of any condemnation action not resulting in a Taking but creating a right to compensation, this Agreement shall continue in full force and effect without reduction or abatement of Rent, and the award or payment made in connection with such action shall be allocated between City and Lessee in accordance with their respective interests.

**115.7 Settlement or Compromise.** Neither City, in its Proprietary Capacity under this Agreement, nor Tenant shall settle or compromise any Taking award affecting the interests of the other Party without the consent by such other Party, such consent not to be unreasonably withheld. Each of City and Tenant shall be entitled to appear in all Taking proceedings affecting its respective interest, to participate in any settlement, arbitration or other proceeding involving such a Taking and to claim its Taking award under this Agreement.

**115.8 Prompt Notice.** If either Party becomes aware of any Taking or threatened or contemplated Taking, then such Party shall promptly give Notice thereof to the other Party.

**115.9 Control of Funds after Partial Taking.** In the event of a Partial Taking where Tenant is required to, or chooses to, repair, rebuild or restore the damaged improvements, the following provisions regarding control of funds shall apply:

115.9.1 Proceeds Less Than \$1,000,000. All proceeds from any Partial Taking less than \$1,000,000 shall be distributed to Tenant and shall be applied by Tenant in accordance with Subsection 115.3 (Partial Taking).

## 115.9.2 Proceeds Greater Than \$1,000,000.

115.9.2.1 When Fund Control Mechanism in Leasehold Mortgage Governs. If any Leasehold Mortgage permitted by City and entered into by Tenant contains a fund control mechanism providing that all proceeds from any Partial Taking in excess of \$1,000,000 shall be deposited with such Leasehold Mortgagee or a third party depository specified in such Leasehold Mortgage to be disbursed to repair, rebuild or restore the Premises, the mechanics for fund control set forth in such Leasehold Mortgage shall have priority over the corresponding mechanics for fund control set forth in Subsection 115.9.2.2, below.

115.9.2.2 When Fund Control Mechanism in This Agreement Governs. Subject to Subsection 115.9.2.1, above, if proceeds from any Partial Taking total in excess of \$1,000,000, then upon request of City all such proceeds shall be deposited with the City to be disbursed to repair, rebuild or restore the Premises in accordance with the procedures set forth in Section 102 (Damage or Destruction to Improvements), and the balance, if any, of such proceeds shall be allocated between City and Tenant in accordance with their respective interests.

**115.10 Waiver.** The provisions of this Agreement governing Takings are intended to supersede the application of Chapter 10, Article 2 of the California Code of Civil Procedure and all similar Laws, to the extent inconsistent with this Agreement. Nothing in this Section 115 shall be construed to limit City's powers with respect to Takings in its Governmental Capacity.

## **Section 116. Marks.**

**116.1 City-Associated Name or Mark.** A "City-Associated" name or mark, as used in this Agreement, shall mean any name or Mark that (i) contains, in whole or partly, name(s) and/or mark(s) (including service marks, trademarks, names, titles, descriptions, slogans, insignias, emblems or logos) of the City of Los Angeles or any department, agency or commission thereof; and (ii) imparts the color of authority of the City of Los Angeles; and/or (3) otherwise imparts association with or endorsement by the City of Los Angeles on any goods or services offered by Lessee under such name or mark.

**116.2 City Approval of Lessee Name or Mark.** City shall have the right of approval of names and marks coined or created by Tenant for use on the Premises to ensure that use of the Premises leased herein under is consistent with that of a public venue leased by a governmental entity. City shall not approve names or marks that impart notions or contain elements that put the City in a false light or that are racist, sexist, derogatory to any legally protected groups/class or unfitting for public facilities.

**116.3 No Assignment or Transfer of City's Intellectual Property.** Nothing in this Agreement shall be construed to transfer or assign to any party, signatory herein or not, any of

the intellectual property rights of the City, including but not limited to trademark rights. Rights not expressly granted by City herein are reserved. Other than as approved by City, Tenant has no right to use any of the City-Associated Marks.

**Section 117. Restoration and Surrender of Premises.**

**117.1 Tenant's Restoration Obligations.**

117.1.1 Generally. By the Expiration Date, or any sooner termination of this Agreement, Tenant shall quit and surrender possession of the Premises and shall be obligated to, as directed by the Executive Director, in the Executive Director's sole and absolute discretion, either (i) return the Premises to City in good and usable condition, said condition to be consistent with a first class facility of similar age as repaired, maintained or upgraded by Tenant, or any Assignor, or Affiliate of Tenant under this Agreement or any prior permit, or by City, or (ii) demolish all Improvements on the Premises (both City Improvements and Tenant Improvements, if any) and leave the Premises in a clean level and usable condition as set forth below, or (iii) demolish some of the Improvements on the Premises, as designated by City, and leave the area of the Premises where the Improvements were demolished in a clean level and usable condition as set forth below and the remainder of the Premises in good and usable condition as set forth above or (iv) pay the cost of restoration to City if City chooses to perform the work itself or have the work performed on its behalf. Additionally, in lieu of demolition, if the City determines that any of the improvements are historical, or eligible for listing as such, the City, in its sole discretion, may require Tenant to pay to City an amount equal to the estimated cost of demolition to be used by the City for the restoration or adaptive reuse of the historical structure or structures. If City terminates this Agreement due to Tenant's default, Tenant is still obligated to restore the Premises as provided in this Section 117 or to pay the cost of restoration if City chooses to perform the work.

117.1.2 Water Restoration (applicable only when the Premises include water use rights). Tenant agrees to remove all debris and sunken hulks from channels, slips and water areas within or fronting upon Premises not solely caused by City. Tenant expressly waives the benefits of the "Wreck Act" (Act of March 3, 1899) 33 U.S.C. Section 401 et seq. and the Limitation of Liability Acts (March 3, 1851, c. 43, 9 Stat. 635) (June 26, 1884, c. 121, Sec. 18, 23 Stat. 57) 46 U.S.C. 189 (Feb. 13, 1893, c. 105, 27 Stat. 445) 46 U.S.C. Sec. 190-196 and any amendments to these Acts if it is entitled to claim the benefits of such Acts.

117.1.3 Restoration Requirements. In connection with Subsections 117.1.1 and 117.1.2, above, Tenant, at its sole cost and expense, shall restore the Premises (including the soil, groundwater and sediment) such that, on the Expiration Date, or earlier termination date, the Premises shall be returned to City:



(a) Free of Term Contamination and in at least as good of a condition as the condition depicted in the Baseline Report, if there is a Baseline Report, and free of all contamination if there is no Baseline Report. As between City and Tenant, Tenant shall bear sole responsibility for Term Contamination and any costs related thereto;

(b) Free of any encumbrances including but not limited to deed or land use restrictions as a result of any Term Release and/or any liens (UCC, federal or state tax or otherwise) on the Premises or on fixtures or equipment, or personal property left on the Premises;

(c) Free of all above-ground and below-ground works, structures, improvements and pipelines of any kind, (collectively referred to as "Structures"), placed on the Premises by Tenant, if directed to remove such Structures by City. If the Premises have been improved by a prior tenant or by both City and a prior tenant, then such Structures which were left on the Premises at Tenant's request or for Tenant's benefit shall also be the responsibility of Tenant except as may be otherwise specified by this Agreement; and

(d) In a clean, level, graded and compacted condition with no excavations or holes resulting from Structures removed if City elects to have Tenant remove all Improvements or, if the City elects to retain some of the Improvements, the area of the demolished improvements shall be in a clean, level, graded and compacted condition with no excavations or holes resulting from any structures the City elects to have removed.

**117.2 Restoration Procedure.** Tenant, at its sole cost and expense, shall initiate and complete the procedures set forth below in Subsections 117.2.1 through 117.2.3, and comply with any other conditions reasonably imposed by the Executive Director for the restoration of the Premises. Provided that Tenant discharges its obligations under this Subsection 117.2 expeditiously and in good faith, City shall reasonably endeavor to ensure that the requirement to discharge its obligations disturbs as little as reasonably possible Tenant's undertaking of the Permitted Uses during the Term of this Agreement. The Executive Director may alter or delete any of the procedures set forth below at the Executive Director's sole and absolute discretion.

**117.2.1 Site Vacation Plan.** When requested to do so in writing by the Executive Director, Tenant shall submit to City a written plan hereinafter referred to as the "Site Vacation Plan". The Executive Director's written request shall state which, if any of the Improvements or Structures on the Premises the City does or does not want Tenant to remove as part of the restoration of the Premises. The sufficiency of the Site Vacation Plan is subject to City's reasonable approval. The Site Vacation Plan shall comply with the then existing Harbor Department procedures for Restoration.

117.2.2 Permits for Restoration. Tenant shall obtain at its sole cost and expense all permits required for the completion of its restoration obligations.

117.2.3 Adequacy of Restoration. Subject to orders or directives issued by any Governmental Agency with jurisdiction which orders or directives shall take precedence over this Subsection 117.2.3, the adequacy of Tenant's execution of the Restoration Obligations shall be within the sole reasonable discretion of the Executive Director. Tenant shall notify the Executive Director in writing when it believes it has completed all work contemplated by the Site Vacation Plan. The Executive Director shall determine the adequacy of the restoration using the Executive's Director sole reasonable discretion.

**117.3 Restoration Indemnity.** In addition to and not as a substitute for any remedies provided by this Agreement or at law or equity, Tenant shall defend, indemnify and hold harmless City from any and all claims and/or causes of action brought against City and from all damages and costs which arise out of or are related to:

(a) Claims brought by holders of liens on the Premises, Structures, and/or on fixtures and/or equipment or property left on the Premises following the Expiration Date; and

(b) Claims, causes of action, orders or enforcement actions pending against or in connection with the Premises, the Permitted Uses and/or this Agreement.

This restoration indemnity is intended to and shall survive the expiration or earlier termination of this Agreement.

**117.4 No Relocation Assistance.** Nothing contained in this Agreement shall create any right in Tenant or any sublessees of Tenant for relocation assistance or payment from City upon expiration or termination of this Agreement (whether by lapse of time or otherwise). Tenant acknowledges and agrees that it shall not be entitled to any relocation assistance or payment pursuant to the provisions of any state or federal law, including Title 1, Division 7, Chapter 16 of the California Government Code (Sections 7260 et seq.) with respect to any relocation of its business or activities upon the expiration of the term of this Agreement or upon its earlier termination or upon the termination of any holdover.

**117.5 Failure to Restore.** If City has directed Tenant to demolish or restore some or all of the improvements on the Premises, or otherwise restore the Premises, and Tenant has failed to do so, or failed to do so to the level required by this Agreement, on or before the earlier to occur of the date of the termination of this Agreement or the Expiration Date, City shall have the right, but not the obligation, to remove and/or demolish the same at Tenant's cost. In that event, Tenant agrees to pay to City, upon demand, City's Costs of any such removal, demolition or restoration and further agrees that such City's Costs shall be deemed Additional Rent.

**Section 118. Miscellaneous.**

**118.1 Titles and Captions.** Unless otherwise indicated, references in this Agreement to sections, subsections, paragraphs, clauses, exhibits and schedules are to the same contained in or attached to this Agreement. Additionally, the Parties have inserted the section titles in this Agreement only as a matter of convenience and for reference, and the section titles in no way define, limit, extend or describe the scope of this Agreement or the intent of the Parties in including any particular provision in this Agreement. Unless otherwise specified, references to Section or Subsection are to sections and subsections of this Agreement.

**118.2 Exhibits and Attachments.** All exhibits and attachments to which reference is made in this Agreement are deemed incorporated in this Agreement, whether or not actually attached. References to sections are to sections of this Agreement unless stated otherwise.

**118.3 Construction of Agreement.** This Agreement shall not be construed against the Party preparing the same, shall be construed without regard to the identity of the person who drafted such and shall be construed as if all Parties had jointly prepared this Agreement and it shall be deemed their joint work product; each and every provision of this Agreement shall be construed as though all of the Parties hereto participated equally in the drafting hereof; and any uncertainty or ambiguity shall not be interpreted against any one Party. As a result of the foregoing, any rule of construction that a document is to be construed against the drafting Party shall not be applicable.

**118.4 Entire Agreement; Amendments.** This Agreement and all exhibits referred to in this Agreement constitute the final complete and exclusive statement of the terms of the agreement between City and Tenant pertaining to Tenant's use and occupancy of the Premises and, subject to the provisions of Subsection 118.32 (Prior Permits), supersedes all prior and contemporaneous understandings or agreements of the Parties. Neither Party has been induced to enter into this Agreement by, and neither Party is relying on, any representation or warranty outside those expressly set forth in this Agreement.

**118.5 Modification in Writing.** This Agreement may be modified only by written Agreement of all Parties. Any such modifications are subject to all applicable approval processes set forth in City's Charter, City's Administrative Code, or Applicable Laws.

**118.6 Waivers.** A failure of any Party to this Agreement to enforce the Agreement upon a breach or default shall not waive the breach or default or any other breach or default. All waivers shall be in writing. The subsequent acceptance of Rent by Board shall not be deemed to be a waiver of any other breach by Tenant of any term, covenant or condition of this Agreement, other than the failure of Tenant to timely make the particular Rent payment so accepted, regardless of Board's knowledge of such other breach. No delay, failure or omission of either Party to execute any right, power, privilege or option arising from any default, nor subsequent acceptance of guarantee then or thereafter accrued, shall impair any such right, power, privilege, or option, or be construed to be a waiver of any such default or

relinquishment thereof, or acquiescence therein, and no notice by either Party shall be required to restore or revive the time is of the essence provision hereof after waiver by the other Party or default in one or more instances. No option, right, power, remedy or privilege of either Party shall be construed as being exhausted or discharged by the exercise thereof in one or more instances. It is agreed that each and all of the rights, powers, options or remedies given to City by this Agreement are cumulative, and no one of them shall be exclusive of the other or exclusive of any remedies provided by law, in that the exercise of one right, power, option or remedy by City shall not impair its rights to any other right, power, option or remedy.

**118.7 Joint and Several Obligations of Tenant.** If more than one individual or entity comprises Tenant, the obligations imposed on each individual or entity that comprises Tenant under this Agreement shall be joint and several.

**118.8 Time is of the Essence.** Time shall be of the essence as to all dates and times of performance, and obligations set forth herein, whether or not a specific date is contained herein. If performance is required by the terms hereof on a Saturday, Sunday or legal holiday in California, the performance shall be made on the next business day.

**118.9 Statements of Tenant as Applicant.** This Agreement may be granted pursuant to an application filed by Tenant with Board. If the application or any of the attachments thereto contain any material misstatements of fact, Board may cancel this Agreement. Upon any such cancellation of the Agreement granted hereunder, Tenant shall quit and surrender the Premises as provided in Section 117 (Restoration and Surrender of Premises).

**118.10 Governing Law and Venue.** This Agreement is made and entered into in the State of California and shall in all respects be construed, interpreted, enforced and governed under and by the laws of the State of California, without reference to choice of law rules. Any action or proceeding arising out of or related to this Agreement shall be filed and litigated in the state or federal courts located in the County of Los Angeles, State of California, in the judicial district mandated by applicable court rules. If either Party files or attempts to litigate an action in violation of this Subsection 118.10, the other Party shall be entitled to recover reasonable costs and attorneys' fees incurred to enforce this Subsection 118.10.

**118.11 Severability.** Should any part, term, condition or provision of this Agreement be declared or determined by any court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law, public policy, or charter, the validity of the remaining parts, terms, conditions or provisions of this Agreement shall not be affected thereby, and such invalid, illegal or unenforceable part, term, condition or provision shall be treated as follows: (a) if such part, term, condition or provision is immaterial to this Agreement, then such part, term, condition or provision shall be deemed not to be a part of this Agreement; or (b) if such part, term, condition or provision is material to this Agreement, then the Parties shall revise the part, term, condition or provision so as to comply with the Applicable Law or public policy and to effect the original intent of the Parties as closely as possible.

**118.12 Termination by Court.** If any court having jurisdiction in the matter renders a final decision which prevents the performance by City of any of its obligations under this Agreement, then either Party may terminate this Agreement by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations) shall thereupon terminate.

**118.13 License Fees and Taxes.** Tenant shall pay all taxes and assessments of whatever character levied upon or charged against the interest of Tenant, if any, created by this Agreement in the Premises or upon works, buildings, improvements or other property thereof, or upon Tenant's operations hereunder. Tenant shall also pay all license and permit fees required for the conduct of its operations hereunder. Any sums due and owing to City by Tenant under this Subsection 118.13, or paid by City on Tenant's behalf shall be deemed Additional Rent.

**118.14 POSSESSORY INTEREST.** TENANT IS AWARE THAT THE GRANTING OF THIS AGREEMENT TO TENANT MAY CREATE A POSSESSORY PROPERTY INTEREST IN TENANT AND THAT TENANT MAY BE SUBJECT TO PAYMENT OF A POSSESSORY PROPERTY TAX IF SUCH AN INTEREST IS CREATED.

**118.15 Waiver of Claims.** Tenant hereby waives any claim against City and Board and its officers, agents or employees for damages or loss caused by any suit or proceedings directly or indirectly challenging the validity of this Agreement, or any part thereof, or by any judgment or award in any suit or proceeding declaring this Agreement null, void or voidable or delaying the same or any part thereof from being carried out.

**118.16 Attorneys' Fees.** In any legal action or other proceeding brought to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to "reasonable attorneys' fees" and any other costs and expenses, including but not limited to expert fees, incurred in that proceeding in addition to any other relief to which it is entitled. The "reasonable attorneys' fees" awarded under this Subsection 118.16 shall be determined by calculating the hours reasonably expended by each counsel for the prevailing party multiplied by the prevailing market hourly rate in Southern California for attorneys of comparable skill and experience.

**118.17 Conflict of Interest.** The Parties to this Agreement have read and are aware of the provisions of Section 1090 et seq. and Section 87100 et seq. of the California Government Code relating to conflict of interest of public officers and employees, as well as the Conflict of Interest Code of City's Harbor Department. All Parties hereto agree that they are unaware of any financial or economic interest of any public officer or employee of City relating to this Agreement. Notwithstanding any other provision of this Agreement, it is further understood and agreed that if such a financial interest does exist at the inception of this Agreement, City may immediately terminate this Agreement by giving written notice thereof.

**118.18 Extent of Water Frontage.** In case this Agreement, or any part thereof or any improvements made hereunder, shall be assigned, transferred, leased or subleased and the control thereof be given or granted to any person, firm, or corporation so that such person, firm or corporation shall then own, hold or control more than the length of water frontage permitted or authorized under Section 654(a) of the Charter of City, or if Tenant shall hold or control such water frontage without a four-fifths vote of the Board and a two-thirds vote of the City Council approving the control of such water frontage, then this Agreement and all rights hereunder shall thereupon and thereby be absolutely terminated, and any such attempted or purported assignment, transfer or sublease, or giving or granting of control to any person, firm or corporation, which will then own, hold or control more than such permitted or authorized length of water frontage, shall be void and ineffectual for any purpose whatsoever.

**118.19 Business Tax Registration Certification.**

118.19.1 Tenant. Tenant represents that it has registered its business with the Office of Finance of the City of Los Angeles and has obtained and presently holds from that Office a Business Tax Registration Certificate, or a Business Tax Exemption Number, required by City's Business Tax Ordinance (Article I, Chapter 2, Sections 21.00 *et seq.*, of City's Municipal Code, or its successor). Tenant shall maintain, or obtain as necessary, all such Certificates required of it under said Ordinance and shall not allow any such Certificate to be revoked or suspended during the Term of this Agreement.

118.19.2 Contractors. Tenant represents that it shall require its contractors and subcontractors to register their business with the Office of Finance of the City of Los Angeles and to obtained and hold from that Office a Business Tax Registration Certificate, or a Business Tax Exemption Number, required by City's Business Tax Ordinance (Article 1, Chapter 2, Sections 21.00 *et seq.* of City's Municipal Code, or its successor) for all work done on the Premises.

118.19.3 Subtenants. Tenant represents that it shall include in all its subleases the requirement that the subtenant register its business with the Office of Finance of the City of Los Angeles and obtain and hold from that Office a Business Tax Registration Certificate, or a Business Tax Exemption Number, required by City's Business Tax Ordinance (Article 1, Chapter 2, Sections 21.00 *et seq.* of City's Municipal Code, or its successor) and further require that the subtenant maintain, or obtain as necessary, all such Certificates required of it under said Ordinance and not allow any such Certificate to be revoked or suspended during the Term of its sublease.

**118.20 Affirmative Action.** Tenant agrees not to discriminate in its employment practices against any employee or applicant for employment because of the employee's or applicant's race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status, domestic partner status or medical condition. All assignments, subleases and transfers of interest in this Agreement under or pursuant to this Agreement shall contain this

provision. The provisions of Section 10.8.4 of the Los Angeles Administrative Code as set forth in the attached Exhibit "L" are incorporated herein and made a part hereof.

**118.21 Service Contractor Worker Retention Policy and Living Wage Policy Requirements.** The Board adopted Resolution No. 5771 on January 3, 1999, agreeing to adopt the provisions of Los Angeles City Ordinance No. 171004 relating to Service Contractor Worker Retention ("SCWR"), Section 10.36 et seq. of the Los Angeles Administrative Code, as the policy of City's Harbor Department. Further, Charter Section 378 requires compliance with the City's Living Wage requirements as set forth by ordinance, Section 10.37 et seq. of the Los Angeles Administrative Code. Tenant shall comply with the policy wherever applicable. Violation of this provision, where applicable, shall entitle the City to terminate this Agreement and otherwise pursue legal remedies that may be available.

**118.22 Wage and Earnings Assignment Orders/Notices of Assignments.** Tenant is obligated to fully comply with all applicable state and federal employment reporting requirements for the Tenant and/or its employees. Tenant shall certify that the principal owner(s) are in compliance with any Wage and Earnings Assignment Orders/Notices of Assignments applicable to them personally. Tenant shall fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with Cal. Family Code Section 5230 et seq. Tenant shall maintain such compliance throughout the term of this Agreement.

**118.23 Equal Benefits Policy.** The Board adopted Resolution No. 6328 on January 12, 2005, agreeing to adopt the provisions of Los Angeles City Ordinance No. 172,908, as amended, relating to Equal Benefits, Section 10.8.2.1 et seq. of the Los Angeles Administrative Code, as a policy of City's Harbor Department. Tenant shall comply with the policy wherever applicable. Violation of the policy shall entitle the City to terminate any agreement with Tenant and pursue any and all other legal remedies that may be available.

**118.24 State Tidelands Act, Grants and Trusts; City Charter.** This Agreement is entered into in furtherance of and as a benefit to the State Tidelands Grant and the trust created thereby. Therefore, this Agreement, the Premises and Tenant's use and occupancy thereof, is at all times subject to the limitations, conditions, restrictions and reservations contained in and prescribed by the Act of the Legislature of the State of California entitled "An Act Granting to the City of Los Angeles the Tidelands and Submerged Lands of the State Within the Boundaries of Said City", approved June 3, 1929 (Stats. 1929, Ch. 651), as amended, ("Act") and provisions of Article VI of the Charter of the City of Los Angeles ("Charter") relating to such lands. Tenant agrees that any interpretation of this Agreement and the terms contained herein must be consistent with such limitations, conditions, restrictions and reservations of the Act and the Charter. Tenant further agrees that it shall not undertake any use of the Premises, even a Permitted Use, which is or will be inconsistent with such limitations, conditions, restrictions and reservations.

**118.25 Disclosure Laws.** Tenant acknowledges that City is subject to laws, rules and/or regulations generally requiring it to disclose records upon request, which laws, rules and/or regulations include but are not limited to the California Public Records Act (California Government Code Sections 6250 et seq.) (“Disclosure Laws”). Tenant further acknowledges City’s obligation and intent to comply with such Disclosure Laws in all respects. Notwithstanding the foregoing, in the event that City receives a request for disclosure of records in connection with this Agreement which Tenant has designated in writing as confidential, City shall immediately notify Tenant in writing, enclosing a copy of such request, at which point Tenant may take whatever steps deemed appropriate, including but not limited to seeking a protective or other order excusing disclosure from a court of competent jurisdiction. In the absence of such an order from a court of competent jurisdiction excusing City from its disclosure obligations, City shall undertake whatever action is necessary to comply with the requirements imposed by the applicable Disclosure Laws. In the event that any action is filed by Tenant and/or by any requester of information where Tenant elects to challenge all or any part of the requested disclosure, and City is named as a party to that action, Tenant shall defend and hold City and City’s former, present and future boards, elected and appointed officials, employees, officers, directors, representatives, agents, departments, subsidiary and affiliated entities, assigns, insurers, attorneys, predecessors, successors, divisions, subdivisions and parents, and all persons or entities acting by, through, under or in concert with any of the foregoing, harmless from any and all defense costs and judgments or settlements in any such action as well as all other losses and expenses arising out of or related to such action.

**118.26 Visual Artists’ Rights Act.**

118.26.1 Generally. Tenant shall not install, or cause to be installed, any work of art subject to the Visual Artists’ Rights Act of 1990 (as amended), 17 U.S.C. 106A, et seq., or California Civil Code Section 980, et seq., (hereinafter collectively “VARA”) on or about the Premises without first obtaining a waiver in writing, of all rights under VARA, satisfactory to the Executive Director and approved as to form and legality by the City Attorney’s Office, from the artist. Said waiver shall be in full compliance with VARA and shall name City as a party for which the waiver applies.

118.26.2 Prohibition. Any work of art installed, or caused to be installed, by Tenant without the prior written authorization of the Executive Director shall be deemed a trespass, removable by City, by and through its Executive Director, upon three (3) days written notice, all costs, expenses and liability therefor to be borne exclusively by Lessee.

118.26.3 Indemnity. Tenant, in addition to other obligations to indemnify and hold City harmless, as more specifically set forth in this Agreement, shall indemnify and hold harmless City from all liability resulting for Tenant’s failure to obtain the artist’s waiver of VARA and failure to comply with any portion of this Subsection 118.28.



118.26.4 Cumulative Remedy. The rights afforded the City under this Subsection 118.26 shall not replace any other rights afforded City in this Agreement or otherwise, but shall be considered in addition to all its other rights.

**118.27 Supervision of Business Practices.** The nature and manner of conducting any and all business activities on the Premises shall be subject to reasonable regulation by the Board. In the event such business is not conducted in a reasonable manner as determined by the Board, it may direct that corrective action be taken by Tenant or its sublessees to remedy such practices and upon failure to comply therewith within thirty (30) days of Tenant receiving such written notice, the Board may declare this Agreement terminated.

**118.28 Tenant Name Change.** Tenant shall promptly, and in no case later than fifteen (15) days after a change in name, notify the Executive Director in writing of any changes to its name, or contact or delivery information, set forth in the preamble, or the notification sections, of this Agreement.

**118.29 Signs.** Tenant shall not erect or display, or agree to be erected or displayed, on the Premises, or upon works, buildings and improvements made by Tenant, any advertising matter of any kind, including signs, without first obtaining the written consent of the Executive Director and a Harbor Engineer's General Permit.

**118.30 Ownership of Improvements.** During the Term of the Agreement, title to all structures, improvements, or facilities, constructed or installed by Tenant ("Tenant Improvements") and all alterations constructed or installed by Tenant on Tenant Improvements shall remain in Tenant. Upon termination of this Agreement, all Tenant Improvements or alterations, other than machines, equipment, trade fixtures and similar installations of a type normally removed without structural damage to the Premises, shall become a part of the land upon which they are constructed, or of the building on which they are affixed, and title thereto shall thereupon vest in City unless, however, City requests Tenant to remove some or all of said improvements, in which case Tenant shall promptly remove such improvements at Tenant's sole cost and expense. In the event of removal of any improvements, Tenant shall comply with the restoration obligations of Section 111 (Indemnity and Insurance). Notwithstanding the foregoing, in the event that the Harbor Department ascertains a need to acquire Tenant owned assets prior to title to those assets vesting in City, straight-line depreciation shall be applied to determine the purchase price.

**118.31 Promotion of Los Angeles Harbor Facilities.** Tenant shall in good faith and with all reasonable diligence use its best efforts by suitable advertising and other means to promote the use of the Premises granted by this Agreement.

**118.32 Prior Permits.** To the extent that Tenant and/or its predecessors or Affiliates used or occupied the Premises pursuant to prior agreements, from and after the Effective Date of this Agreement, Tenant's use and occupancy of the Premises shall be governed by this

Agreement; provided, however, that any provisions which survive termination or expiration of such prior agreements by the terms of the prior agreement or operation of law shall continue in full force and effect unless specifically stated otherwise in Article 1 of this Agreement.

**118.33 No Third Party Beneficiaries.** Nothing in this Agreement shall be deemed to confer upon any Person (other than City, Tenant or Tenant's lender) any right to insist upon, or to enforce against City or Tenant, the performance or observance by either Party of its obligations under this Agreement.

**118.34 Successors.** This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of City and shall be binding upon and inure to the benefit of the successors and permitted assigns and sublessees of Tenant.

**118.35 Proprietary Capacity.** The capacity of City in this Agreement shall be as lessor only ("Proprietary Capacity"), and any obligations or restrictions imposed by this Agreement on City shall be limited to that capacity and shall not relate to, constitute a waiver of, supersede or otherwise limit or affect the governmental capacities of City, including enacting laws, inspecting structures, reviewing and issuing permits, and all of the other legislative and administrative or enforcement functions of each pursuant to federal, State or local law ("Governmental Capacity"). Whenever not expressly otherwise stated, (a) City, when acting in its Proprietary Capacity, shall not unreasonably withhold its approvals to matters requiring its approval hereunder, (b) Tenant shall not unreasonably withhold its approval to matters requiring its approval hereunder and (c) City, when acting in its Governmental Capacity, shall be permitted to utilize its sole discretion with respect to matters requiring its approval hereunder.

**118.36 Executive Director Authority.** Whenever this Agreement refers to an action to be taken by the Executive Director, to the extent permitted by Applicable Law, that action may be taken by the Executive Director or the Executive Director's designee.

**[Signature page follows]**

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement on the date to the left of their signatures.

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

Dated: \_\_\_\_\_, 2017

By: \_\_\_\_\_  
EUGENE D. SEROKA  
Executive Director

Attest: \_\_\_\_\_  
AMBER M. KLESGES  
Board Secretary

**MAX INTERAMERICAS, INC.  
DBA FLARE LOGISTICS, INC.**

Dated: July 4, 2017

By: \_\_\_\_\_  
Paul Gomez President  
(Print/type Name and Title)

Attest: \_\_\_\_\_  
FRANK M. PAREDES  
(Print/type Name and Title)

APPROVED AS TO FORM

\_\_\_\_\_, 2017  
MICHAEL N. FEUER, City Attorney  
JANNA B. SIDLEY, General Counsel

By: \_\_\_\_\_  
MINAH PARK, Deputy City Attorney

MP  
Attachments

## ATTACHMENT 1 - Glossary of Terms

“ACTA” means the Alameda Transportation Corridor Authority or its successor entity.

“Additional Rent” means the monetary sum, in U.S. Dollars, Tenant shall pay to City for its use and occupancy of the Premises above the Base Rent as set forth in Article 1, Section 4 of this Agreement.

“Adjusted Base Rent” means the adjustment to the Base Rent which occurs every five (5) years of the Term pursuant to Article 1, Section 4 of this Agreement.

“Affiliate” means, when used with reference to a specified person or entity, any person or entity which directly or indirectly controls, is controlled by or is under common control with the specified person or entity. A person or entity shall be regarded as in control of another entity if it owns or is under common ownership or directly or indirectly controls at least fifty (51%) of the voting stock or other equity interests of the other entity, or in the absence of ownership of at least fifty percent (51%) of the voting securities of an entity, if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity.

“Alteration” or “Alterations” means improvements, alterations, additions or changes to the Premises including, without limitation, the construction of works or improvements or the changing of the grade of the Premises, except as otherwise stated in this Agreement.

“Annual Adjustment Date” shall have the meaning set forth in Article 1, Subsection 4.3.1.

“Applicable Laws” means any and all federal, state, county or governmental agency laws, statutes, ordinances, standards, codes (including, without limitation, all building codes) rules, requirements, or orders in effect now or hereafter in effect pertaining to the use or condition of the Premises and/or Tenant’s operation and conduct of its business. Applicable Laws shall include, but not be limited to, all environmental laws and regulations in effect now or hereafter in effect including: (a) CERCLA and its implementing regulations; (b) RCRA and its implementing regulations; (c) The Federal Clean Water Act (33 U.S.C. Sections 1251-1376, *et seq.*) its implementing regulations; (d) The California Porter Cologne Water Quality Control Act (California Water Code, Division 7) and its implementing regulations; (e) The Federal Clean Air Act (42 U.S.C. Section 7401-7601) and its implementing regulations; (f) The California Clean Air Act of 1988 and its implementing regulations; (g) The California Lewis-Presley Air Quality Management Act of 1976 and its implementing regulations; and (h) Any other applicable federal, state, or local law, regulation, ordinance, order, resolution or requirement (including consent decrees and administrative orders imposing liability or standard of conduct) now or

hereafter in effect which concerns Environmental Regulated Material, the Premises and/or Tenants use and/or occupancy of the Premises.

“Application for Port Permits” or “APP” means the application required to be submitted by Tenant for all alterations to the Premises. An APP is also required for all non-development projects such as new leases or permits, lease or permit renewals, lease or permit amendments, events, parking requests for events and foreign trade zone agreements. All references to Application for Port Permits or APP shall also mean any successor application process adopted by the Harbor Department.

“Assignment” means the transfer, or assignment of this Agreement, in whole or in part, in any manner including without limitation the involvement of Tenant or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise) whether or not there is a formal assignment or hypothecation of this Agreement or Tenant’s assets, which involvement results in a reduction of the net worth of Tenant (defined as the net worth of Tenant, excluding guarantors, established by generally accepted accounting principles) by an amount greater than twenty-five percent (25%) of such net worth as it was represented at the time of the execution of this Agreement, or at the time of the most recent Transfer to which City has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater. For purposes of this definition, the term "by operation of law" includes but is not limited to: (1) the placement of all or substantially all of Tenant's assets in the hands of a receiver or trustee; or (2) a transfer by Tenant for the benefit of creditors; or (3) transfers resulting from the death or incapacity of any individual who is a Tenant of, or a general partner of, a Tenant.

“Assignor” means collectively any transferor or assignor of Tenant’s interest in the Premises, or any portion thereof, including any and all entities that occupied the Premises prior to Tenant and actually or purportedly transferred or assigned its right of occupancy to Tenant either contractually or under operation of law, including any “Transfer” as defined in Article 2, Section 113, whether or not there was a written assignment or approval of the assignment by City.

“Appraisal Process” means the process set forth in Article 1, Subsection 4.3.2.2, to resolve disputed Adjusted Base Rent.

“Backlands” means the land area beyond 200 feet inland from the top of the bank.

“Baseline Condition” shall have the meaning set forth in Article 2, Subsection 104.2.

“Base Rent” means the monetary sum, in U.S. Dollars, Tenant shall pay to City for its use and occupancy of the Premises per Compensation Year, excluding Tariff Charges and other Additional Rent, as set forth in Article 1, Section 4 of this Agreement.

“Board” means the Board of Harbor Commissioners of the Harbor Department of the City of Los Angeles.

“Casualty” means damage or destruction of the improvements on the Premises.

“CEQA” means the California Environmental Quality Act, Sections 21000 et. seq. of the Public Resources Code and the CEQA Guidelines set forth at 14 California Code of Regulations Sections 15000 et. seq.

“Charter” or “City Charter” means the Charter of the City of Los Angeles as it may be amended from time to time.

“Chief Harbor Engineer” means the Chief Harbor Engineer, Engineering Division of the Harbor Department, or successor designations should that title be renamed or redesignated during the Term.

“City” means the City of Los Angeles, a municipal corporation.

“City Council” means the Council of the City of Los Angeles, the legislative body of the City pursuant to Section 20 of the Charter of the City of Los Angeles.

"City Costs" or "City's Costs" means the costs, determined in the City's sole reasonable discretion, for any work performed by or for City to comply with a Tenant obligation under this Agreement including, without limitation, 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; for the processing of any approvals or consents required or requested by Tenant; for the cost of processing an APP for the Tenant's Premises; and, for the cost of complying with any Governmental Agencies' orders which were the responsibility of Tenant.

“City Improvements” means those improvements on the Premises owned by the City.

“Compensation Year” means the twelve (12) month period from the Effective Date and every twelve month period thereafter.

“Condemnation” means the taking of property through acquisition or damage of all or part of the Premises by a Government Agency having the power of eminent domain.

“County” means the County of Los Angeles.

“CPI-U” means the Consumer Price Index for All Items, All Urban Consumers for the Los Angeles-Riverside-Orange County, California area, 1982-84=100 as published by the U.S.

Department of Labor, Bureau of Labor Statistics, or a successor index selected by the Executive Director of the Harbor Department in the Executive Director' sole reasonable discretion.

"Effective Date" is the date specified in Article 1, Subection 3.1 of this Agreement.

"Environmental Compliance Program" or "ECP" means the environmental compliance program to be developed by Tenant as set forth in Article 2, Subsection 104.6.2 of this Agreement.

"Environmental Agency" means the United State Environmental Protection Agency; the California Environmental Protection Agency and all of its sub-entities including without limitation the Regional Water Quality Control Broad - Los Angeles Region, the State Water Resources Control Board, the Department of Toxic Substances Control and the California Air Resources Board; the City of Los Angeles; the County of Los Angeles; the South Coast Air Quality Management District; the United States Environmental Protections Agency; and/or any other federal, state or local governmental agency or entity that has jurisdiction over Hazardous Substances Releases or the presence, use, storage, transfer, manufacture, licensing, reporting, permitting, analysis, disposal or treatment of Hazardous Substances in, on, under, about or affecting the Property. All references to an Environmental Agency or Agencies shall mean and include any successor Environmental Agency.

"Environmental Laws" means the environmental laws and implementing regulations which are a subset of the Applicable Laws and which are applicable to the Premises and/or Tenant's use and/or occupancy thereof, in their form as of the Effective Date or as subsequently amended, or as may be promulgated during the term of this Agreement or any holdover. Such Environmental Laws include but are not limited to:

- (a) CERCLA and its implementing regulations;
- (b) RCRA and its implementing regulations;
- (c) The federal Clean Water Act (33 U.S.C. Sections 1251–1376, et seq.) and its implementing regulations;
- (d) The California Porter Cologne Water Quality Control Act (California Water Code, Division 7) and its implementing regulations;
- (e) The federal Clean Air Act (42 U.S.C. Sections 7401-7601) and its implementing regulations;
- (f) The California Clean Air Act of 1988 and its implementing regulations;
- (g) The state Lewis Air Quality Act of 1976 and its implementing regulations; and

(h) Any other applicable federal, state, or local law, regulation, ordinance or requirement (including consent decrees and administrative orders imposing liability or standard of conduct) now or hereinafter in effect which concerns Environmentally Regulated Material, the Premises and/or Tenant's use and/or occupancy thereof.

"Environmentally Regulated Material" means any hazardous or toxic substance, material, or waste at any concentration that is or becomes regulated by the United States, the State of California, or any local or governmental authority having jurisdiction over the Premises. Environmentally Regulated Material includes but is not limited to:

(a) Any "hazardous substance" as that term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") (42 U.S.C. Sections 9601-9675) in its present or successor form;

(b) "Hazardous waste" as that term is defined in the Resource Conservation and Recovery Act of 1976 ("RCRA") (42 U.S.C. Sections 6901-6992k) in its present or successor form;

(c) Any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material or substance, within the meaning of any other applicable federal, state, or local law, regulation, ordinance or requirement (including consent decrees and administrative orders imposing liability or standard of conduct concerning any hazardous, dangerous or toxic waste, substance or material, now or hereinafter in effect);

(d) Radioactive material, including any source, special nuclear, or byproduct material as defined in 42 U.S.C. Sections 2011-2297g-4 in its present or successor form;

(e) Asbestos in any form or condition;

(f) Polychlorinated biphenyls ("PCBs") and substances or compound containing PCBs; and

(g) Petroleum products.

"Execute Director" means the Harbor Department's Executive Director referred to in the Charter of the City of Los Angeles and any other person authorized by the Board to act for the Executive Director or the Board or the designee of the Executive Director.

"Existing Improvements" means the improvements existing on the Premises as of the Effective Date of this Agreement.

"Expiration Date" is the date set forth in Article 1, Subsection 3.2 of this Agreement.



“Fair Market Rental “ means the most probable rent that a property should bring in a competitive market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions and tenant improvements.

“Five-Year Adjusted Period” means each five (5) year period of the Term of this Agreement which is subject to rental adjustment pursuant to Article 1, Section 4, of this Agreement.

“Force Majeure” shall have the meaning set forth in Article 2, Section 110 of this Agreement.

“Governmental Agency” or “Governmental Agencies” means any and all federal, state, county, municipal and local governmental and quasi-governmental bodies and authorities (including the United States of America, the State of California, the City, the County of Los Angeles, and any political subdivision, public corporation, district or other political or public entity) or departments or joint power authorities thereof having or exercising jurisdiction over the parties, the Premises, or such portions thereof as the context indicates.

“Governmental Authority” means any court, federal, state or local government, department, commission, board, bureau, agency or other regulatory, administrative, governmental or quasi-governmental authority, including the City of Los Angeles, of the United States of America, including any successor agency.

“Governmental Capacity” means City acting in its authorized capacity as the City of Los Angeles, a municipal corporation, as set forth in Article 2, Subsection 118.35.

“Government Entities” or ” or “Governmental Agency or Agencies” means any and all federal, state, county, municipal and local governmental and quasi-governmental bodies and authorities (including the United States of America, the State of California, the City, the County, and any political subdivision, public corporation, district or other political or public entity) or departments or joint power authorities thereof having or exercising jurisdiction over the parties, the Premises, or such portions thereof as the context indicates.

“Harbor Department” or “Department” means the Harbor Department of the City of Los Angeles.

“Harbor District” is as defined in Section 651(a) of City’s Charter or in any successor provision of City’s Charter.

“Chief Harbor Engineer’s General Permit” of “Harbor Engineer’s General Permit” means the permit issued by the Chief Harbor Engineer to undertake works or improvements in the Harbor District.

“Harbor Engineer” means the Chief Harbor Engineer of the Harbor Department of the City of Los Angeles or the Harbor Engineer’s designee.

“Improvement” means, unless otherwise specified, building or buildings, but may be any permanent structure or other development such as, but not limited to, a street or utilities.

“Labor Disturbance” has the meaning set forth in Article 2, Subsection 103.2.4 of this Agreement.

“Market Rent” means “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, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

“Major Casualty” means any casualty, whether covered by insurance or not, whose repair would exceed ten percent (10%) of the replacement cost of the damaged or destroyed improvements.

“Minor Casualty” means any casualty, whether covered by insurance or not, which is not a Major Casualty.

“Non-Harbor Department Permits” means permits issued by entities other than the Harbor Department, which entities include other departments of City, which may be necessary to undertake works or improvements in the Harbor District.

“Partial Taking” means the Condemnation of all or a portion of the Premises which does not substantially impair Tenant’s use of the Premises for the Permitted Uses.

“Party” and “Parties” is defined in the introductory paragraph of this Agreement.

“Permitted Uses” means the uses set forth in Article 1, Section 5 of this Agreement.

“Person” means individuals, partnerships, firms, associations, corporations, trusts and any other form of governmental or business entity, and the singular shall include the plural.

“Port Environmental Policy” means all applicable environmental policies, rules, orders and directives of the Harbor Department as they exist on the Effective Date and as they may be enacted, amended or modified from time to time.

“Premises” means the land and improvements depicted in Exhibit “A”, and as subsequently may be adjusted pursuant to the terms of this Agreement.

“Proprietary Capacity” is as defined in Article 2, Subsection 118.35, of this Agreement.

“Rent” means the combined Base Rent and Additional Rent due from Tenant to City for the use and occupancy of the Premises.

“Reset Date” means every fifth anniversary of the Effective Date as set forth in Article 1, Subsection 4.2.2.

“Severance Damages” means the compensation due to a property owner for the decrease in value of the remaining property where the Condemnation is for a portion of a larger property whose value has been diminished as a result of severance of the condemned property from the larger property.

“Site Characterization Manual” means the Site Characterization Manual of the Harbor Department, as it may be amended from time to time.

“Site Vacation Plan” is as defined in Article 2, Subsection 117.2.1 of this Agreement.

“State Tidelands Act” means the Act of the Legislature of the State of California entitled “An Act Granting to the City of Los Angeles the Tidelands and Submerged Lands of the State Within the Boundaries of Said City” (Stats. 1929, Ch. 651) as amended, and as it may amended from time to time.

“Submerged Lands” means land area that is located underwater from the pierhead line toward the channel line.

“Subsurface Land” means the land area which has a depth of more than three (3) feet beneath the surface.

“Taking” means the acquisition through condemnation, inverse condemnation, or agreement in lieu of condemnation, of the Premises or any part thereof.

“Tariff” means Tariff No. 4 of City of Los Angeles’ Harbor Department as it may be amended from time to time.

“Tariff Charges” means all charges due and owing by Tenant under the Tariff on account of Tenant’s use and occupancy of the Premises.

“Tax” or “Taxes” means the aggregate of any federal, state or local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, business, premium, windfall profits, environmental, customs duties, permit fees, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, good and services, water, school, real property, possessory interest, personal property, sales, use, transfer, registration, value added, multi-staged, alternative or add-on minimum, special, estimated or other tax, levy, impost, stamp tax, duty, fee, withholding or similar imposition of any kind

whatsoever payable, levied, imposed, collected, withheld or assessed at any time, including any interest, penalty or addition thereto, whether disputed or not, including in each case utility rates or rents, upon, concerning or applicable to the Premises, any fixtures, machinery and equipment installed or maintained on the Premises, the improvements and the use and operation of the Premises by any Governmental Authority.

“Temporary Taking” means the Condemnation of all or a portion of the Premises for a specified period of time.

“Tenant Improvements” means those improvements on the Premises which are built by the Tenant and whose ownership has not vested in City.

“Tenant’s use” and “Tenant’s use and occupancy” means, unless otherwise stated or evident from the context in which the term is used, the use of the Premises by Tenant, its employees, contractors, subcontractors, licensees, invitees, suppliers or anyone else present at the Premises pursuant to Tenant’s invitation or permission.

“Term” means the term of this Agreement, which shall commence on the Effective Date and end on the Expiration Date or earlier termination of this Agreement.

“Term Contamination” means all contamination of improvements, adjacent harbor waters, soil, sediment, groundwater or air of the Premises or the adjacent premises (including soil, sediment, groundwater or air of those adjacent premises) resulting from all Term Releases and contamination that is considered a nuisance under Applicable Laws.

“Term Characterization Report” means the written report required to be prepared and submitted by Tenant when there is a Term Release as set forth in Article 2, Subsection 104.1.4.

“Term Characterization Work Plan” means the written work plan required to be prepared and submitted by Tenant when there is a Term Release as set forth in Article 2, Subsection 104.1.5.

“Term Release” means a spill, discharge or any other type of release of Environmentally Regulated Material that occurs on the Premises during the Term of this Agreement, or any holdover, whether caused by Tenant, including any Assignor, or a third-party (other than invitees or third-parties whose access to the Premises has been requested by City), that contaminates or threatens to contaminate the Premises, soil, sediment, groundwater or air of the Premises or of adjacent premises (including the soil, sediment, groundwater or air of those adjacent premises).

“Term Remediation Action Plan” means the written plan to be prepared and submitted by Tenant when there is a Term Release as set forth in Article 2, Section 104 of this Agreement.

“Tidelands” means the land between the ordinary high tide and the mean low tide.

“Total Taking” means the Condemnation of all or a substantial portion of the Premises which renders the Premises unsuitable for the Permitted Uses.

“Transfer” means the transfer, assignment or subletting of the Premises as fully defined in Article 2, Section 113 of this Agreement.

“Transferee” means the person, entity or entities with whom Tenant proposes to undertake a Transfer.

“Transfer Notice” means the written notice required to be submitted by Tenant as set forth in Article 2, Subsection 113.3.1 of this Agreement.

“Transfer of Ownership” means the transfer defined in Article 2, Subsection 113.2 of this Agreement.

“Waterfront Property” means the land area from the pierhead line extending inland to the top of the bank, plus 200 feet inland from the top of the bank.

## **EXHIBIT A – PREMISES**

SEE ATTACHED

# Max InterAmericas, Inc. - Premises



353.9

SCALE 1: 2,123

353.9 Feet

Projection: WGS\_1984\_Web\_Mercator\_Auxiliary\_Sphere

This map is a user generated static output from an Internet mapping site and is for reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable.

THIS MAP IS NOT TO BE USED FOR NAVIGATION



### Legend

- Fire Stations
- LAND
- WATER
- LAND AND WATER
- Police Stations
- CHP, LAND
- LAPD, LAND
- LAPD, LAND AN
- LAPD, WATER
- LASO, LAND
- LBPD, LAND, Oh
- Hospital Points
- Lighthouses
- Airport Points - Th
- Public Airports He
- Museums
- Libraries
- Post Offices
- School Points
- College/University
- Elementary School
- High School / Mck
- POLA Public Arts
- Special Interest Pt
- Beach
- Boat Launch
- Bus Terminal
- Campground (Pub
- City Hall



**EXHIBIT B – EXISTING IMPROVEMENTS/LOAD LIMITS**

NOT APPLICABLE



## EXHIBIT C – APPRAISER QUALIFICATIONS

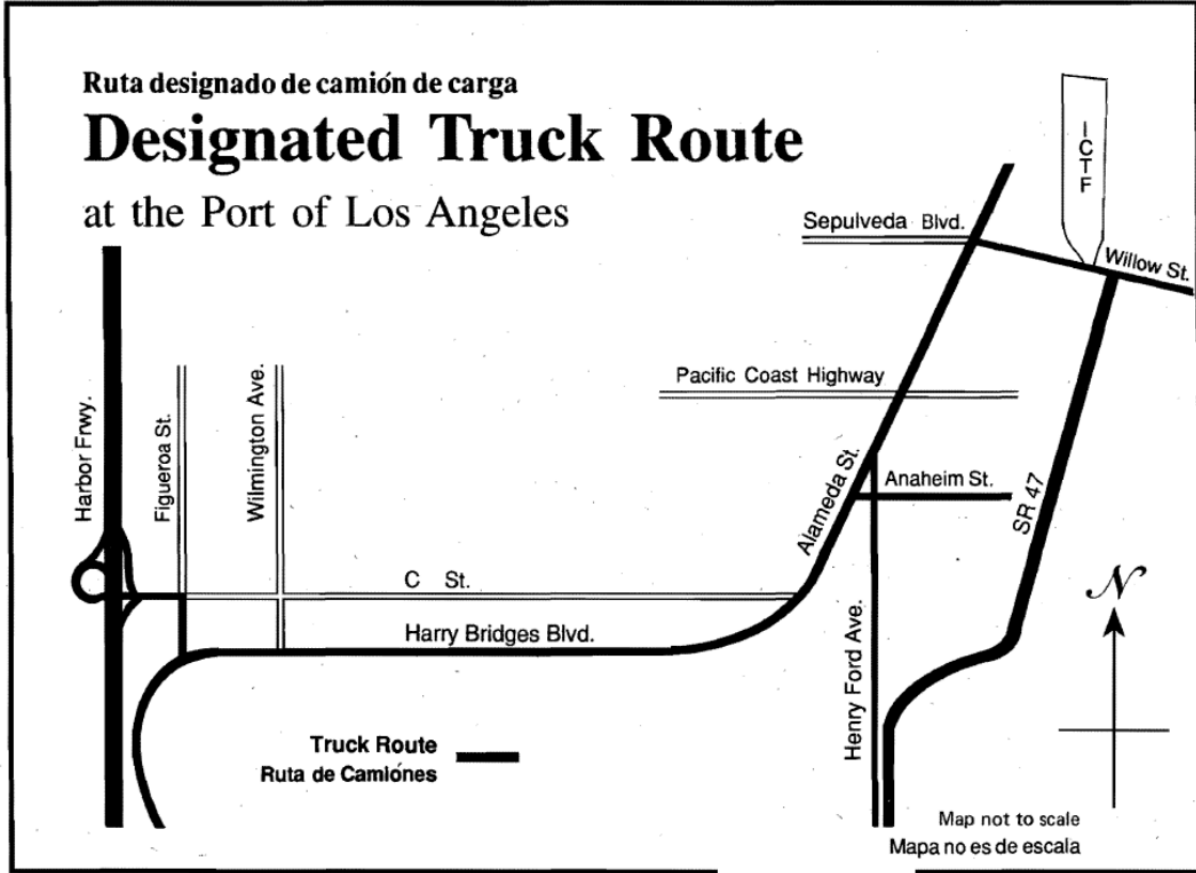
NOT APPLICABLE

**EXHIBIT D – APPRAISER SCOPE OF WORK**

NOT APPLICABLE

# EXHIBIT E – WILMINGTON TRUCK ROUTE

TRUCKS ENTERING AND LEAVING THE PORT MUST USE THE ROUTE SHOWN BELOW.  
CAMIONES ENTRANDO Y SALIENDO EL PORTO DEVEN DE USAR LA RUTA INDICADO ABAJO.



95-93

**EXHIBIT F-1 – CITY BASELINE REPORT**

NONE/NOT APPLICABLE

## EXHIBIT F-2 – TENANT BASELINE REPORT

NONE/NOT APPLICABLE

**EXHIBIT G – LIST OF ENVIRONMENTAL REGULATED MATERIALS**

NONE/NOT APPLICABLE

## EXHIBIT H-1 – PORT ENVIRONMENTAL POLICIES

### APPLICABLE ENVIRONMENTAL POLICIES, RULES AND DIRECTIVES OF CITY'S HARBOR DEPARTMENT

1. Port of Los Angeles Environmental Management Policy, as amended, or its successor policy. Available at: [http://www.portofla.org/img/Env\\_Mgmt\\_Policy.gif](http://www.portofla.org/img/Env_Mgmt_Policy.gif)
2. [San Pedro Bay Ports Clean Air Action Plan](http://www.cleanairactionplan.org), as amended, or its successor plan/document. Available at: <http://www.cleanairactionplan.org>.
3. Port of Los Angeles and Port of Long Beach Water Resources Action Plan or its successor plan/document. Available at [http://www.portoflosangeles.org/DOC/WRAP\\_Final.pdf](http://www.portoflosangeles.org/DOC/WRAP_Final.pdf)
4. Port of Los Angeles Green Building Policy (2007), as amended, or its successor policy.
5. Port of Los Angeles Sustainable Construction Guidelines (2008), as amended, or its successor document.
6. Resolution No. 5317 – Policy for Operation of Hazardous Waste Transfer, Storage and Disposal (TSD) Facilities on Harbor Department Property and any amendments or successor resolution.

Tenant acknowledges that City has provided copies or made copies available via the Port's website, of the above policies to the Tenant.

APP 161116-167

**Low Impact Development Permit Conditions**

Applicant is proposing to add more than 500 square feet of impervious area. As such, the City of Los Angeles Stormwater Low Impact Development (LID) Ordinance applies to the proposed Project. Applicant must design the project to comply with the LID Ordinance as outlined in Section 3.2.2 of the May 9, 2016 Planning and Land Development Handbook for LID, Part B, Planning Activities, 5<sup>th</sup> Edition (Handbook). Because the proposed project site is clean, Applicant shall incorporate one or more Infiltration BMPs as described in Section 4.4.1 of the Handbook as designed in accordance with Table 4.2 of the Handbook.



## EXHIBIT H-1

### EXCAVATION

#### ENVIRONMENTAL PERMIT CONDITIONS:

1. Underground Service Alert of Southern California (a.k.a. Digalert) shall be notified (dial 8-1-1) a minimum of 48 hours prior to any subsurface intrusion work, and the issued Digalert ticket number shall be maintained on-site. The Digalert ticket number shall be provided to the Harbor Department if requested.
2. All necessary precautions will be taken to prevent contamination of the soil and/ or groundwater during the excavation and/ or construction phase(s) of the project.
3. All trench excavation and filling operations shall be observed for the presence of free petroleum products, chemicals, or contaminated soil. Discolored/ odiferous soil or suspected contaminated soil shall be segregated from light colored soil. The contaminated soil should be stockpiled on visqueen sheeting, covered with visqueen, and characterized and disposed properly.
4. All excavations shall be filled with structurally suitable fill material which is free from contamination and meets the Harbor Department Environmental Management Division's Environmental Guidance for Industrial Fill Material.
5. The Permittee shall be required to confer with the South Coast Air Quality Management District (SCAQMD) prior to work start up to determine if a permit/ mitigation plan will be needed pursuant to Rule 1166 - Volatile Organic Compound Emissions from Decontamination of Soil which deals with hydrocarbons (vapors) that may be released during trenching/ excavation activities. Permittee shall comply with all SCAQMD permit/ mitigation plan requirements.
6. All excavation work shall be performed in accordance with all Occupational Safety and Health Administration (OSHA) requirements of 29 CFR 1926.650, 1926.651, 1926.652 or comparable OSHA- approved state plan requirements.
7. The Los Angeles Harbor Department's Director of Environmental Management shall be notified of all observances or occurrences of soil and/ or groundwater contamination immediately. Copies of the report or workplan summarizing subsequent activities shall be submitted to the Director of Environmental Management (Los Angeles Harbor Department, 425 S. Palos Verdes Street, San Pedro, CA 90731) within 30 days of project completion.
8. All contaminated materials, including those contaminated with petroleum waste products, shall be properly removed from the project site, treated, and/ or disposed at the appropriate facilities in accordance with applicable regulations. Copies of hazardous waste manifests or other documents indicating the amount, nature, and disposition of such materials shall be submitted to the Director of Environmental Management within 30 days of project completion.

07/10/2015

## EXHIBIT H-1

### FACILITY OPERATIONS ON PAVED AREAS\*

(\*Note that facilities covered by an Individual or Industrial NPDES permit, or designated as a Critical Source in the Municipal NPDES permit, will also have to comply with all permit requirements)

#### ENVIRONMENTAL PERMIT CONDITIONS:

1. Facility shall be cleaned and maintained regularly. All areas shall be swept at least once per week or as needed to control trash, debris, and other waste.
2. Whenever feasible, dry cleaning methods shall be used instead of washing down. If an area must be washed, spot clean to minimize the amount of water used. All wash water shall be contained; only stormwater shall be allowed to enter the storm drain system. For large areas, contain the wash water by vacuum truck or discharge to the sewer system via a permitted connection. Prior to washing, the Permittee shall:
  - o Seal off storm drains using temporary berms or covers.
  - o Sweep the area that is to be cleaned and dispose of trash and debris as solid waste.
3. Sweepings and/ or sediment shall not be allowed to enter the storm drains or leave the property.
4. Facility shall be inspected weekly to ensure that no drips, leaks and spills are occurring on site. Drip pans and spill equipment shall be available onsite for emergencies. Drip pans shall be deployed at the first sign of a leak or drip, and repairs shall be made immediately. Following any release, areas shall be cleaned up immediately using dry cleaning methods.
5. Do not feed birds, feral cats, sea lions, or other scavengers.
6. All hazardous, universal, and non-hazardous wastes and materials in drums shall be stored in designated indoor areas on spill pallets, in leak-proof, covered, and labeled containers.
7. Small quantity liquid products (such as paints, lubricants, aerosol cans) shall be stored indoors and/ or in flammable lockers.
8. Parts, equipment, or materials with metal particulate, rust, grease, and/ or oil shall be stored indoors, or if outdoors then elevated off the ground and covered.
9. Dumpsters, recycle bins and trash containers shall have lids that are kept closed. Leaking dumpsters and bins shall be replaced immediately.
10. No equipment or vehicle washing, repair or maintenance is allowed on site.
11. No fueling operations are allowed on site.

09/02/2015

**EXHIBIT H-2 – MMRP**

NONE/NOT APPLICABLE

## **EXHIBIT I-1 – ECP REQUIREMENTS**

NONE/NOT APPLICABLE

**EXHIBIT I-2 – TENANT’S ECP**

NONE/NOT APPLICABLE

## EXHIBIT J – CITY MAINTENANCE RESPONSIBILITIES

NONE / NOT APPLICABLE

## **EXHIBIT K- INSURANCE REQUIREMENTS**

SEE ATTACHED

# INSURANCE ASSESSMENT REQUEST



*This section to be completed by Contract Administrator*

To: Risk Management

Date: 11-8-16

From (Requesting Division): Cargo & Industrial RED

Contract Type: Term Permit

Contact Person: Regner Globus Ext.: 3291

Document No.: \_\_\_\_\_

Contract's Scope of Services: Container Storage

Length of Contract: 5 years

Will service be performed onsite? No  Yes  # of Days Onsite: \_\_\_\_\_

Similar/Previous Contract # : none, and Company Name: Max InterAmericas Inc.

*This section to be completed by Risk Management*

No insurance required, only indemnification

INSURANCE REQUIREMENTS	LIMITS (per occ)
<input checked="" type="checkbox"/> General Liability <input type="checkbox"/> Deletion of railroad exclusion <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 checked="" type="checkbox"/> Fire Legal Liability (Limits \$100K per occ)	\$1M
<input checked="" type="checkbox"/> Auto Liability (all autos) <input type="checkbox"/> On Hook Coverage	\$1M
<input checked="" type="checkbox"/> Workers' Compensation/Employer's Liability <input type="checkbox"/> USL&H <input checked="" type="checkbox"/> Waiver of Subrogation	STATUTORY
<input type="checkbox"/> Professional Liability <input type="checkbox"/> Medical Malpractice <input type="checkbox"/> Law Enforcement Legal Liability	\$
<input type="checkbox"/> Railroad Protective Liability naming Pacific Harbor Line as the named insured	\$
<input type="checkbox"/> Ocean Marine Liability <input type="checkbox"/> Protective & Indemnity <input type="checkbox"/> Hull & Machinery <input type="checkbox"/> Ship Builders/Repairers Liability	\$
<input checked="" type="checkbox"/> Property/All Risk Insurance	90% replacement value over \$100K
<input type="checkbox"/> Pollution Liability	\$
<input type="checkbox"/> Builder's Risk (Reference Specification for exclusions)	Value of the project
<input type="checkbox"/> Fine Arts Insurance	Actual cash value
<input type="checkbox"/> Aviation/Airport Liability <input type="checkbox"/> Aircraft Liability (passenger liability per seat)	\$

Date Reviewed: 11/09/16

By: Marie Gutierrez for  
Risk Manager



## EXHIBIT L – LOS ANGELES ADMINISTRATIVE CODE: AFFIRMATIVE ACTION

(These provisions are attached for Tenant reference only)

### Sec. 10.8.4 Affirmative Action Program Provisions.

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$100,000 or more and every construction contract with or on behalf of the City of Los Angeles for which the consideration is \$5,000 or more shall contain the following provisions which shall be designated as the AFFIRMATIVE ACTION PROGRAM provisions of such contract:

- A. During the performance of a City contract, the contractor certifies and represents that the contractor and each subcontractor hereunder will adhere to an affirmative action program to ensure that in its employment practices, persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.
  - 1. This provision applies to work or services performed or materials manufactured or assembled in the United States.
  - 2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.
  - 3. The contractor shall post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.
- B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.
- C. As part of the City's supplier registration process, and/or at the request of the awarding authority or the Office of Contract Compliance, the contractor shall certify on an electronic or hard copy form to be supplied, that the contractor has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, ancestry,

national origin, sex, sexual orientation, age, disability, marital status or medical condition.

- D. The contractor shall permit access to and may be required to provide certified copies of all of its records pertaining to employment and to its employment practices by the awarding authority or the Office of Contract Compliance, for the purpose of investigation to ascertain compliance with the Affirmative Action Program provisions of City contracts, and on their or either of their request to provide evidence that it has or will comply therewith.
- E. The failure of any contractor to comply with the Affirmative Action Program provisions of City contracts may be deemed to be a material breach of contract. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.
- F. Upon a finding duly made that the contractor has breached the Affirmative Action Program provisions of a City contract, the contract may be forthwith cancelled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such breach may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Los Angeles City Charter. In the event of such determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two years, or until he or she shall establish and carry out a program in conformance with the provisions hereof.
- G. In the event of a finding by the Fair Employment and Housing Commission of the State of California, or the Board of Public Works of the City of Los Angeles, or any court of competent jurisdiction, that the contractor has been guilty of a willful violation of the California Fair Employment and Housing Act, or the Affirmative Action Program provisions of a City contract, there may be deducted from the amount payable to the contractor by the City of Los Angeles under the contract, a penalty of TEN DOLLARS (\$10.00) for each person for each calendar day on which such person was discriminated against in violation of the provisions of a City contract.

- H. Notwithstanding any other provisions of a City contract, the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.
- I. The Public Works Board of Commissioners shall promulgate rules and regulations through the Office of Contract Compliance and provide to the awarding authorities electronic and hard copy forms for the implementation of the Affirmative Action Program provisions of City contracts, and rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive Orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish this contract compliance program.
- J. Nothing contained in City contracts shall be construed in any manner so as to require or permit any act which is prohibited by law.
- K. The contractor shall submit an Affirmative Action Plan which shall meet the requirements of this chapter at the time it submits its bid or proposal or at the time it registers to do business with the City. The plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding authority may also require contractors and suppliers to take part in a pre-registration, pre-bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a plan, the contractor may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, the contractor must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.
  - (1) Every contract of \$5,000 or more which may provide construction, demolition, renovation, conservation or major maintenance of any kind shall in addition comply with the requirements of Section 10.13 of the Los Angeles Administrative Code.
  - (2) A contractor may establish and adopt as its own Affirmative Action Plan, by affixing his or her signature thereto, an Affirmative Action Plan prepared and furnished by the Office of Contract Compliance, or it may prepare and submit its own Plan for approval.

- L. The Office of Contract Compliance shall annually supply the awarding authorities of the City with a list of contractors and suppliers who have developed Affirmative Action Programs. For each contractor and supplier the Office of Contract Compliance shall state the date the approval expires. The Office of Contract Compliance shall not withdraw its approval for any Affirmative Action Plan or change the Affirmative Action Plan after the date of contract award for the entire contract term without the mutual agreement of the awarding authority and the contractor.
  
- M. The Affirmative Action Plan required to be submitted hereunder and the pre-registration, pre-bid, pre-proposal or pre-award conference which may be required by the Board of Public Works, Office of Contract Compliance or the awarding authority shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:
  - 1. Apprenticeship where approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
  - 2. Classroom preparation for the job when not apprenticeable;
  - 3. Pre-apprenticeship education and preparation;
  - 4. Upgrading training and opportunities;
  - 5. Encouraging the use of contractors, subcontractors and suppliers of all racial and ethnic groups, provided, however, that any contract subject to this ordinance shall require the contractor, subcontractor or supplier to provide not less than the prevailing wage, working conditions and practices generally observed in private industries in the contractor's, subcontractor's or supplier's geographical area for such work;
  - 6. The entry of qualified women, minority and all other journeymen into the industry; and
  - 7. The provision of needed supplies or job conditions to permit persons with disabilities to be employed, and minimize the impact of any disability.
  
- N. Any adjustments which may be made in the contractor's or supplier's work force to achieve the requirements of the City's Affirmative Action Contract Compliance Program in purchasing and construction shall be accomplished by either an increase in the size of the work force or replacement of those employees who

leave the work force by reason of resignation, retirement or death and not by termination, layoff, demotion or change in grade.

- O. Affirmative Action Agreements resulting from the proposed Affirmative Action Plan or the pre-registration, pre-bid, pre-proposal or pre-award conferences shall not be confidential and may be publicized by the contractor at his or her discretion. Approved Affirmative Action Agreements become the property of the City and may be used at the discretion of the City in its Contract Compliance Affirmative Action Program.
- P. This ordinance shall not confer upon the City of Los Angeles or any Agency, Board or Commission thereof any power not otherwise provided by law to determine the legality of any existing collective bargaining agreement and shall have application only to discriminatory employment practices by contractors or suppliers engaged in the performance of City contracts.
- Q. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.