

File No. 231111

Committee Item No. 6

Board Item No. 21

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date November 15, 2023

Board of Supervisors Meeting

Date November 28, 2023

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- Port Director's Recommendation 10/6/2023
- Port Resolution No. 02-21 6/25/2002
- Port Presentation 11/15/2023
- _____
- _____
- _____
- _____
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- _____

Completed by: Brent Jalipa

Date November 9, 2023

Completed by: Brent Jalipa

Date November 16, 2023

1 [Real Property Lease - Recology San Francisco - Pier 96 - Approximately \$369,500 Per
2 Month]

3 **Resolution approving Port Commission Lease L-17035 with Recology San Francisco, a**
4 **California corporation, located at Pier 96 for approximately 196,369 square feet of shed,**
5 **outbuilding and loading dock space, and approximately 252,319 square feet of paved**
6 **land and yard space which will initially generate revenue to the Port of approximately**
7 **\$369,500 per month, for a term of approximately 74 months, effective upon approval of**
8 **this Resolution; adopting findings under the California Environmental Quality Act; and**
9 **to authorize the Executive Director of the Port to enter into amendments or**
10 **modifications to the lease that do not materially increase the obligations or liabilities to**
11 **the City and are necessary to effectuate the purposes of the contract or this**
12 **Resolution.**

13
14 WHEREAS, California Statutes of 1968, Chapter 1333 (as amended, the "Burton Act")
15 and Charter, Sections 4.114 and B3.581 empower the City and County of San Francisco,
16 acting through the Port Commission ("Port"), with the power and duty to use, conduct,
17 operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

18 WHEREAS, Recology San Francisco ("Recology"), is a tenant in good standing under
19 its current lease L-12540 located at Pier 96 in the Southern Waterfront off Cargo Way and
20 Jennings Street in the City and County of San Francisco; and

21 WHEREAS, Port Staff has negotiated the terms of a new lease for approximately 74
22 months for approximately 196,369 square feet of shed, outbuilding and loading dock space,
23 and approximately 252,319 square feet of paved land and yard space (the "Property") for
24 continued use as a single-stream, mixed-materials recycling center and public buy-back
25 facility (the proposed "Lease"); and

1 WHEREAS, The Port obtained an appraisal of the Property in May 2023 to determine
2 the fair market rental value of the Property and which concluded the highest and best use of
3 the Property is for its continued use as a recycling center; and

4 WHEREAS, The recycling center is a stable use of the property which will initially
5 generate revenues to the Port of approximately \$369,500 per month, which is equal to the fair
6 market rental value identified in the May 2023 appraisal, and will increase annually over the
7 term of the Lease; and

8 WHEREAS, On June 25, 2002, by Resolution No. 02-21, the Port Commission
9 approved the Fourth Amendment To And Restatement of Lease No. L-12540 with Recology's
10 predecessor-in-interest that authorized an increase in the intensity of recycling center uses at
11 the site, adopted a Negative Declaration (Planning Department Case No. 2000.1236E) that
12 was tiered from the Southern Waterfront Final Supplemental Environmental Impact Report
13 ("SEIR"), which itself supplemented the January 9, 1997 Waterfront Land Use Plan Final
14 Environmental Impact Report ("FEIR"), and adopted certain mitigation measures contained in
15 the SEIR and FEIR applicable to the Commission's approval under the California
16 Environmental Quality Act (California Public Resources Code, Sections 21000 et seq.); and

17 WHEREAS, The Lease allows a continuation of the existing use of the site, with the
18 same maximum intensity of use, and is therefore within the scope of the project evaluated in
19 the Negative Declaration; and

20 WHEREAS, Since adoption of the Negative Declaration, there have been no
21 substantial changes in the project or changes in project circumstances that would result in
22 new significant environmental effects or an increase in the severity of previously identified
23 significant impacts, and there is no new information of substantial importance that would
24 change the conclusions set forth in the Negative Declaration; and

1 WHEREAS, San Francisco Charter, Section 9.118, requires Board of Supervisors'
2 approval of non-maritime leases under the jurisdiction of the Port Commission which either
3 have a term in excess of ten years or have anticipated revenue to the City of \$1,000,000 or
4 more; and

5 WHEREAS, The Port anticipates revenues from the Lease to exceed \$1,000,000; now,
6 therefore, be it

7 RESOLVED, That the Board of Supervisors approves the Lease and authorizes the
8 Executive Director of the Port or the Executive Director's designee to execute the Lease in
9 substantially the form on file with the Clerk of the Board of Supervisors in File No. 231111;
10 and, be it

11 FURTHER RESOLVED, That the Board of Supervisors authorizes the Executive
12 Director of the Port to enter into any additions, amendments or other modifications to the
13 Lease that the Executive Director, in consultation with the City Attorney, determines, when
14 taken as a whole, to be in the best interest of the Port, do not materially increase the
15 obligations or liabilities of the City or the Port, and are necessary or advisable to complete the
16 transactions which this Resolution contemplates and effectuate the purpose and intent of this
17 Resolution, such determination to be conclusively evidenced by the execution and delivery by
18 the Executive Director of such documents; and, be it

19 FURTHER RESOLVED, That within thirty (30) days of the Lease being fully executed
20 by all parties, the Port shall provide a copy of the lease to the Clerk of the Board for inclusion
21 into the official file.

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<p>Item 6 File 23-1111</p>	<p>Department: Port</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve a new lease between the San Francisco Port Commission, as landlord, and Recology San Francisco, as tenant. The lease is for approximately 448,688 square feet of premises at Pier 96 in San Francisco, commencing upon approval of this resolution and extending until September 30, 2029 with no options to extend. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Recology (previously West Coast Recycling, Inc.) has operated a recycling facility at Pier 96 through a lease with the Port since August 1, 1998. The lease was amended five times, and the term expired on July 31, 2023. The lease has been in holdover status during negotiations of new lease terms. The previous lease was a maritime lease until 2005, when the Port stopped handling container traffic at this location. The proposed new lease would be a non-maritime lease, removing the Maritime Deficiency Fee under the previous lease. Under the proposed lease, Recology would pay for a seismic study and facility conditions assessment at a not-to-exceed cost of \$1,000,000. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> Over the first five years of the six-year term of the proposed lease, rent to be paid by Recology to the Port is approximately \$28.7 million. This figure includes an annual base rent increase of 3 percent, per contract terms but is only an estimate because the base rent in the sixth year of the lease will be determined by a new fair market rent assessment, completed on or by July 3, 2028. Lease revenues in the amount of 6.5 percent will go towards the Port’s Southern Waterfront Community Benefits and Beautification Fund. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> Like the 1998 lease it is replacing, the proposed new lease on Port land with Recology was not competitively procured. San Francisco Administrative Code Section 23.33 states that any leases generated more than \$2,500 per month in revenue should be awarded competitively, unless such procedures are impractical or impossible. According to the Port, a competitive solicitation for the original lease with Recology in 1998 was impractical and remains impractical today because the Port is uncertain whether site soil conditions could support more development. The Port has determined that the best use of the premises is to allow Recology to continue its recycling activities at the site while paying fair market rent and complete a seismic study and facility conditions assessment that will inform future uses to the site. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter 9.118(c) states that any lease, modification, amendment, or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The Port of San Francisco (“Port”) is a public enterprise department that fosters maritime activity and public use of 7.5 miles of San Francisco waterfront. The Port is self-supporting and generates revenue from renting its real estate property. Port staff adjust rental rates annually, and the FY 2023-24 rates will remain mostly the same as in FY 2022-23 (Port Commission Resolution No. 23-36).

Recology San Francisco (previously West Coast Recycling, Inc.) has operated a recycling facility at Pier 96 through a lease (L-12540) with the Port Commission since August 1, 1998. The original lease was not competitively procured. According to the Port, in 1998, the Port Commission determined that West Coast Recycling was the only feasible operator of a recycling sorting, loading, and maritime transshipment center in San Francisco, and therefore a competitive solicitation was impractical.¹

Amendment History

The original lease between the Port and West Coast Recycling, Inc. was amended five times. In June 1998, the first amendment to the lease defined the lease term and rent commencement date. In December 1998, the second amendment to the lease (Commission Resolution 99-20) extended the lease term from five years to 25 years, for a total term from August 1, 1998 through July 31, 2023, as well as introduced a Maritime Deficiency Fee provision that requires the tenant to pay if it failed to meet the minimum level of container shipments. In July 2001, the third amendment to the lease adjusted the premises and base rent. In June 2002, the fourth amendment to the lease (Commission Resolution 02-21) increased the lease premises by approximately 32,097 square feet, among other provisions. In August 2009, the fifth to and restatement of the lease amendment (Commission Resolution 09-41) revised the Maritime Deficiency Fee provision, since the Port stopped handling container traffic at this location in 2005. The lease term expired on July 31, 2023.

Lease Holdover

The lease has been in holdover status since July 31, 2023. According to Port staff, the reason for the extended holdover status is due ongoing negotiations with the tenant. They were unable to agree on the terms of a new lease prior to the old lease expiring on July 31, 2023.

¹ Port policy, and City Admin Code Section 23, permits the Port to enter into leases without competitive bid when competitive bid is impractical or impossible.

Port Commission Approves New Lease

On October 10, 2023, the San Francisco Port Commission adopted a resolution (Commission Resolution No. 23-42) approving the new proposed lease between Recology San Francisco and the Port. This lease is now being considered by the Board of Supervisors for approval.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease agreement (L-17035) for a term of approximately six years with no options to extend between the San Francisco Port Commission as landlord, and Recology San Francisco as tenant. The lease is for approximately 448,688 square feet of premises at Pier 96 in San Francisco. The new lease agreement would commence upon approval of this resolution and extend for six years until September 30, 2029. The initial monthly base rent would be \$369,500 (\$0.82 per square foot), for a total annual base rent of \$4,434,000 (\$9.88 per square foot). The new lease would be a non-maritime lease, removing the Maritime Deficiency Fee under the previous lease. Exhibit 1 below summarizes the terms and conditions of the lease provisions.

Exhibit 1. Summary of Proposed Lease

	Proposed Lease
Premises	448,688 square feet at Pier 96, San Francisco
Base Rent (annual)	\$4,434,000 (\$9.88 per square foot)
Utilities, Maintenance and Repair	Tenant solely responsible
Term	Approx. six years, ending September 30, 2029
Options to extend	None
Base Rent Adjustment Amount	3% increase per year through Sept. 2028. Rent adjusted to fair market rent in year six of the lease.
Seismic Study & Facility Conditions Assessment	Tenant will pay for Seismic Study within first two years of lease term and a Facilities Condition Assessment before end of year five.
Security Deposit	\$739,000 (twice the amount monthly rent)

Source: Lease Agreement

Note: Lease term commences upon approval of the proposed resolution.

Site Usage

The 448,688 square feet of premises at Pier 96 are comprised of approximately 196,369 square feet of shed, docks and outbuilding, and loading dock space; approximately 223,559 square feet of paved land and yard space; and approximately 28,760 square feet of paved land which runs lengthwise between the building and the water called "stringer space."²

² Currently, the Port has an MOU with the San Francisco Public Utilities Commission (SFPUC) to lease the roof above the stringer space for solar panels. The solar panels are no longer functioning. SFPUC is planning to remove the solar

The proposed lease allows for a continuation of the existing use of the property as a recycling center and public buy-back facility. Recology's residential and commercial curbside recycling programs deliver paper, cardboard, fiber, plastic, metals, glass, and wood to Pier 96. The recycled materials are sorted and shipped to domestic and international buyers. The site is not used for processing food waste or construction and demolition waste. The property is no longer an industrial maritime facility and is not used for shipping containerized cargo. The property is also used for Recology employee parking and general administrative functions.

Utilities, Maintenance & Repair

Under the agreement the tenant, Recology, will pay for the utilities separately from the rent. The tenant is also responsible for all maintenance and repair to the premises. The site's condition has been fully disclosed and assessed by third-party specialists. According to the proposed lease the tenant is aware, for example, that a September 2006 survey found that the roof of the northeast wharf substructure built around 1963 contains asbestos, and that there is severe seawall failure on the Northeast Sea Wall. In the event that a capital repair (major repair or replacement) is necessary, the tenant and landlord will meet to discuss a solution.

Fair Market Rent Determination

The property was appraised in May 2023 by an independent third party that determined that the best use of the property is its continued special purpose use as a recycling center. The appraiser analyzed prevailing market rental activity for large industrial properties and determined that the proposed lease rent revenues of \$369,500 per month is consistent with fair market rental value of similarly situated industrial properties. The estimated fair market rent amount includes an annual 3 percent escalation consistent with the terms of the prevailing market conditions.

Seismic Study and Facility Conditions Assessment

The recycling plant was built in 1972 and renovated in 1998. Under the proposed lease agreement, within the first two years of the new lease term, Recology is required to provide an American Society of Civil Engineers 41-17 Seismic Evaluation and Retrofit Strategy Report. The Seismic Assessment will provide the Port with details of the facilities' seismic deficiencies, possible retrofit strategies, and the cost estimate for those retrofits. The proposed lease agreement also requires the tenant to procure before the fifth year of the lease term a Facility Condition Assessment. The Assessment will summarize the current condition of the load-resisting structures on the premises, and foundation elements.

The studies are meant to inform possible future use of the site after the proposed new lease expires on September 30, 2029. The Port estimates that the cost of procuring both studies is \$1,000,000. Under the proposed lease, Recology would pay for the studies at a not-to-exceed cost of \$1,000,000.

panels and the roof covering the stringer space will be included in the proposed lease between the Port and Recology.

Security Deposit

The security deposit from the prior lease will be applied toward the security deposit required under the new lease. The lease provisions require that the security deposit should at all times be equal to two times the applicable monthly base rent.

FISCAL IMPACT

As shown in Exhibit 2 below, over the first five years of the six-year term of the proposed lease, rent to be paid by Recology San Francisco to the Port is approximately \$23,540,688. This figure includes an annual base rent increase of 3 percent, per contract terms. The base rent in the sixth year of the lease will be determined by a new fair market rent assessment, completed on or by July 3, 2028, per the terms of the lease agreement. If rents continue to escalate in the sixth year by three percent, then the total rent paid to the Port would be \$28,680,930.

Exhibit 2. Annual Rents Paid by Recology

	Monthly Base Rent	Annual Rent
Year 1	\$369,500	\$4,434,000
Year 2	\$380,585	\$4,567,020
Year 3	\$392,002	\$4,704,024
Year 4	\$403,762	\$4,845,144
Year 5	\$415,875	\$4,990,500
Subtotal		\$23,540,688
Year 6	Fair Market Rent, TBD	Fair Market Rent, TBD

Source: Proposed Lease. Totals may not add due to rounding.

According to the Port, the current holdover monthly rental rate is \$369,500.

Southern Waterfront Beautification Set Aside Benefit Fund

In accordance with the Port’s Policy for Southern Waterfront Community Benefits and Beautification, and the FY 2023-24 Monthly Rental Rate Schedule, 6.5 percent of lease revenues will go towards the Port’s Southern Waterfront Community Benefits and Beautification Fund. Over the first five years of the lease term, this equates to approximately \$1,530,144. The funds will be applied to any or all of the Port’s Southern Waterfront beautification projects, including open space, wetlands restoration, pier removal, public art, historic preservation, or other projects.

POLICY CONSIDERATION

Like the 1998 lease it is replacing, the proposed new lease on Port land with Recology was not competitively procured. San Francisco Administrative Code Section 23.33 states that any leases that are expected to produce more than \$2,500 per month in revenue be awarded in accordance with Competitive Bidding Procedures, unless such procedures are impractical or impossible.

According to the Port, a competitive solicitation for the original lease with Recology in 1998 was impractical and remains impractical today because the Port is uncertain whether site soil

conditions could support more development. In addition, the original lease included maritime use (shipping recycling out), which does not require competitive bidding under Port policy, but, as noted above, maritime operations ceased at this site in 2005. Now that the lease has expired, the Port has determined that the best use of the premises is to allow Recology to continue its recycling activities at the site while paying fair market rent and complete a seismic study and facility conditions assessment that will inform future uses to the site.

According to the Port, Recology has consistently been in compliance with all terms and conditions of the lease during its tenancy over the past 25 years. Recology is considered to be a “tenant in good standing,” which is required before the Port may consider entering into a new lease or amendment with an existing tenant, according to the Port’s Tenant in Good Standing Policy (Commission Resolution No. 09-49).

RECOMMENDATION

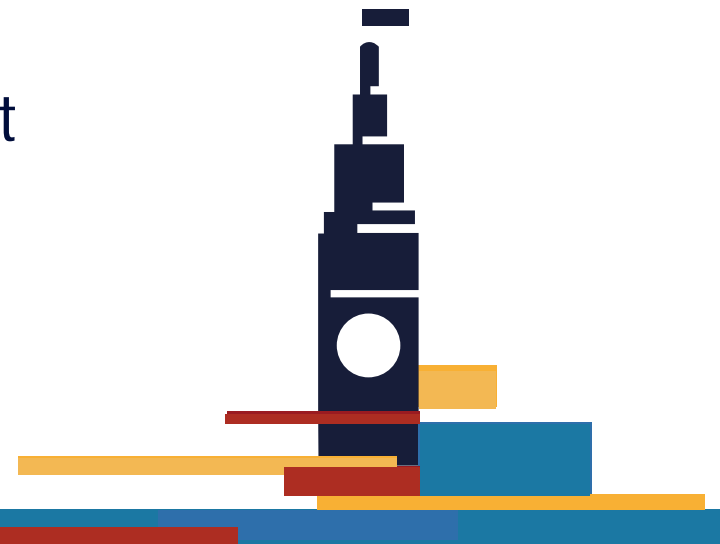
Approve the proposed resolution.

Real Property Lease - Recology San Francisco

Budget & Finance Committee, November 15, 2023

Presented by: Kimberley Beal

Port of San Francisco, Real Estate and Development



Proposed Lease to Operate a Recycling Center

- Recology currently leases shed, yard space and paved land at Pier 96
- Recology and Port request a new six-year lease
- Port Commission resolution approving lease with Recology San Francisco adopted unanimously October 10, 2023



Existing and Proposed New Lease Terms

Existing Lease

- Initial term 5 years, extended to 25 years
- Lease expired July 31, 2023
- Currently month-to-month
- Rent is \$369,500 per month

Proposed New Lease

- Approximately six years
- Monthly Base Rent – \$369,500 + 3% annual increases
- Base Rent will be adjusted to fair market with the fifth rent adjustment
- Tenant to pay for facilities conditions assessment and seismic evaluation and retrofit study
- Total revenues (first five years) approx. \$23.5 million



Policy Framework & Recommendation

- Port competitively solicits development and retail/restaurant lease opportunities
- Waterfront Plan prioritizes maritime uses at this location and contemplates interim uses that are not water-oriented for up to 10 years
- Uncertain whether site soil conditions can support development
- Site conditions include flood risks from storm surge and stormwater runoff
- Third-party appraisal concluded the highest and best use is continuation of the existing use



**CITY AND COUNTY OF SAN FRANCISCO
LONDON N. BREED, MAYOR**

LEASE NO. L-17035

BY AND BETWEEN

**THE CITY AND COUNTY OF SAN FRANCISCO
OPERATING BY AND THROUGH THE
SAN FRANCISCO PORT COMMISSION**

AND

RECOLOGY SAN FRANCISCO, A CALIFORNIA CORPORATION

PIER 96

[_____], 2023

**ELAINE FORBES
EXECUTIVE DIRECTOR**

SAN FRANCISCO PORT COMMISSION

**KIMBERLY BRANDON, PRESIDENT
WILLIE ADAMS, VICE PRESIDENT
GAIL GILMAN, COMMISSIONER
ED HARRINGTON, COMMISSIONER
STEVEN LEE, COMMISSIONER**

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EXHIBITS AND SCHEDULES

EXHIBIT A	DESCRIPTION OF PREMISES
EXHIBIT B	COMMENCEMENT DATE AND EXPIRATION DATE MEMORANDUM
EXHIBIT C	ESTOPPEL CERTIFICATE
EXHIBIT D	PREMISES CERTIFICATE

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SCHEDULE 2	SUBSTRUCTURE REPORTS
SCHEDULE 3	FEMA DISCLOSURE NOTICE
SCHEDULE 4	HAZARDOUS MATERIALS DISCLOSURE

**LEASE AGREEMENT
BASIC LEASE INFORMATION**

<i>Lease Date:</i>	[_____], 2023,
<i>Lease Number:</i>	L-17035
<i>Landlord or Port:</i>	CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, operating by and through the SAN FRANCISCO PORT COMMISSION
<i>Landlord's Address:</i>	Port of San Francisco Pier 1 San Francisco, California 94111 Attention: Deputy Director, Real Estate and Development Telephone: (415) 274-0400 Facsimile: (415) 274-0494
<i>Tenant:</i>	RECOLOGY SAN FRANCISCO, a California corporation
<i>Tenant's Main Contact Person and Mailing Address:</i>	Maurice B. Quillen, Vice President and General Manager 501 Tunnel Ave. San Francisco, CA 94134 Telephone: (415) 330-1400 Cell: (415) 740-6451 Email: mquillen@recology.com
<i>Tenant's Billing Contact and Address:</i>	Recology San Francisco Accounts Payable 245 N. 1 st Street Dixon, CA 95620 Telephone: (916) 388-2900 Email: accountspayable1064@recology.com
<i>Tenant's Emergency Contact and Address:</i>	Maurice B. Quillen, Vice President and General Manager 501 Tunnel Ave. San Francisco, CA 94134 Telephone: (415) 330-1400 Cell: (415) 740-6451 Email: mquillen@recology.com
<i>Tenant's Insurance Contact and Address (not broker):</i>	William Lyons Director of Risk Management 50 California, Suite 2400 San Francisco, CA 94111

	Telephone: (415) 875-1000 Email: wlyons@recology.com
<i>Contact Information for Tenant's Agent for Service of Process (including address) :</i>	Cary Chen Legal Department Recology 50 California Street, Suite 2400 San Francisco, CA 94111 Telephone: (415) 875-1000 Email: cchen@recology.com
<i>Premises:</i>	Parcel A - Approximately 196,369 sq. ft. of Shed, Outbuilding, and Loading Dock Space; and Parcel B – Approximately 223,559 sq. ft. of paved land and yard space; and Parcel C – Approximately 28,760 sq. ft. of paved land (the “ <i>Stringer Space</i> ”); located at Pier 96 in the City and County of San Francisco and as more particularly described/depicted in <u><i>Exhibit A</i></u> .
<i>Facility:</i>	Pier 96 San Francisco, California 94124
<i>Premises Rentable Square Footage:</i>	Parcel A: Approximately 196,369 rentable square feet of Shed, Outbuilding, and Loading Dock Space; and Parcel B: Approximately 223,559 rentable square feet of paved land and yard space; and Parcel C: Approximately 28,760 rentable square feet of paved land.
<i>Length of Term:</i>	Approximately seventy-four (74) months; however, in the case of conflict the Commencement Date and Expiration Date shall prevail over the approximate Length of Term.
<i>Commencement Date:</i>	Upon: 1. Resolution of Approval by Port Commission; and 2. Resolution of Approval by the Board of Supervisors and Mayor; and Full Execution by Port.
<i>Rent Commencement Date:</i>	Upon Commencement Date
<i>Anniversary Date:</i>	October 1

<i>Expiration Date:</i>	September 30, 2029			
<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
	Commencement Date – 9/30/24	448,688	\$0.823	\$ 369,500.00
	10/1/24-9/30/25	448,688	\$0.848	\$ 380,585.00
	10/1/25-9/30/26	448,688	\$0.874	\$ 392,002.55
	10/1/26-9/30/27	448,688	\$0.90	\$ 403,762.63
	10/1/27-9/30/28	448,688	\$0.927	\$ 415,875.51
	10/1/28-9/30/29	448,688	Fair Market Rent	Fair Market Rent
<i>Fair Market Rent:</i>	<p>Fair Market Rent (FMR) for purposes of the Monthly Base Rent adjusted effective on October 1, 2028 means the fair market rental value for similarly situated industrial properties.</p> <ol style="list-style-type: none"> 1. Port shall propose the FMR on or before Monday, July 3, 2028. 2. If Tenant disagrees with the proposed FMR, Tenant can submit a written protest to Port within 15 days of receipt; failure to provide a timely protest shall be deemed Tenant acceptance of proposed FMR. 3. Port and Tenant shall have 15 days from receipt of a timely protest to negotiate the FMR. 4. If Port and Tenant cannot mutually agree to an FMR within 15 days, Port and Tenant may mutually obtain an appraisal of the rental rate from an independent appraiser. 5. If Port and Tenant cannot mutually agree to an FMR within 15 days of receipt of the appraisal, then the final year of the term lease shall be null and void and any hold over provision shall apply effective October 1, 2028. 			
<i>Security Deposit:</i>	<p>Port possesses Six Hundred Five Thousand Eight Hundred Eighty-Nine and 20/100 Dollars (\$605,889.20) as a Security Deposit under the Prior Lease (as defined below), which shall be applied toward the Security Deposit required under this Lease (unless otherwise applied by Port under the terms of the Prior Lease). The Security Deposit shall at all times be equal to two (2) times the then applicable Monthly Base Rent, including if Tenant holds over beyond the Expiration Date. Tenant shall deposit with Port any amounts required to ensure the Security Deposit held by Port complies with this provision. For the avoidance of doubt, the total</p>			

	amount of the Security Deposit and date due to Port is described in the schedule below.														
	<table border="1"> <thead> <tr> <th>Due Dates:</th> <th>Total Security Deposit:</th> </tr> </thead> <tbody> <tr> <td>Commencement Date</td> <td>\$739,000.00</td> </tr> <tr> <td>10/1/2024</td> <td>\$761,170.00</td> </tr> <tr> <td>10/1/2025</td> <td>\$784,005.10</td> </tr> <tr> <td>10/1/2026</td> <td>\$807,525.26</td> </tr> <tr> <td>10/1/2027</td> <td>\$831,751.02</td> </tr> <tr> <td>10/1/2028</td> <td>Twice the amount of the then applicable Monthly Base Rent</td> </tr> </tbody> </table>	Due Dates:	Total Security Deposit:	Commencement Date	\$739,000.00	10/1/2024	\$761,170.00	10/1/2025	\$784,005.10	10/1/2026	\$807,525.26	10/1/2027	\$831,751.02	10/1/2028	Twice the amount of the then applicable Monthly Base Rent
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10/1/2028	Twice the amount of the then applicable Monthly Base Rent														
<i>Environmental Requirements</i>	Tenant shall abide by the “Transfer/Processing Report for Recology San Francisco, Recycle Central @ Pier 96 Facility, San Francisco, California – April 2022”. Tenant shall provide to Port, any revisions to this document annually.														
<i>Permitted Use:</i>	The Premises shall be used solely for operation of a single stream mixed materials recycling center and public buy back operations to include delivery, sorting, compaction, storage and transshipment of not more than 2,100 tons per day of source separated and non-source separated residential and commercial recyclable material (“Recyclable Materials”); employee parking and various general administrative functions and for no other purpose. The Recyclable Materials shall consist primarily of recyclable waste products, including, but not limited to, paper, cardboard, fiber, plastic, metals, glass, and wood.														
<i>Additional Prohibited Uses:</i>	In addition to, and without limiting, the Prohibited Uses specified in Section 8.2 below, Tenant shall be prohibited from using the Premises for processing of construction and demolition waste and source-separated food wastes, as those terms are defined in Title 14 of the California Code of Regulations or medical wastes, as defined in the California Health and Safety Code: or hazardous waste, as defined in the California Health and Safety Code, are prohibited. Port shall have all remedies set forth in this Lease, and at law or equity in the event Tenant performs any of the Prohibited Uses.														
<i>Maritime:</i>	<p>1. Port shall not assess against Tenant any maritime deficiency fee (which is a component of Additional Rent as described in Section 37A and Section 37B of the Prior Lease). Tenant and Port staff will continue to actively explore opportunities to ship product to or from the Premises via the Bay. Maritime Tariff rates pertaining to dockage and wharfage shall apply to the extent any such maritime activities are conducted from the Premises.</p> <p>2. Tenant and Port each acknowledges and agrees that the Premises exclude adjacent submerged lands and that Port retains for itself and its agents, lessees, licensees, and other assignees, the right to</p>														

	<p>use and occupy adjacent submerged lands, including but not limited to the berthing and/or storage of one or more barges or vessels adjacent to the Premises. This retained right includes the right to access and occupy nautical cleats on or near the Premises for mooring purposes but excludes any right of ingress or egress through the Premises; only water-based access may be authorized for third parties. For the avoidance of doubt, the aforementioned nautical cleats are not part of the Premises, regardless of any attachment to the Premises. Notwithstanding any other provision of this Lease, Port acknowledges and agrees that Tenant shall not be liable for damage to or repair of the Premises caused or required by Port's or any third-party use or occupancy of adjacent submerged lands, the nautical cleats, or both. Tenant shall exercise its best efforts to promptly notify Port of any damage to or need for repair of the Premises related to the Port's or any third-party's use or occupancy of adjacent submerged lands and further agrees to cooperate with Port's efforts to document any damage and causation thereof. Port shall use its best efforts to repair documented damage caused by the Port's or any third-party's use of the nautical cleats, including any such damage to the Premises.</p>
<p><i>Substructure:</i></p>	<p>See <i>Schedule 2</i> attached hereto.</p>
<p><i>Maintenance and Repair:</i></p>	<p>Except as otherwise provided below, Tenant shall be responsible for all maintenance and repairs of the Premises, including all improvements thereon, at its sole cost and expense, including the HVAC system serving the shed/warehouse, the roof and exterior walls of the shed/warehouse, and the paving of the exterior yard area.</p> <p>Except to the extent expressly made a Tenant obligation, the Port shall be responsible for maintenance and repair of the domestic water and sewer systems, consistent with its routine maintenance and repair regime for similar systems in their current configuration and condition.</p> <p>Notwithstanding anything in this Lease to the contrary, including but not limited to Section 9 and Section 11, Tenant will be under no obligation to perform Capital Repairs (defined below); but may pursue Capital Repairs in Tenant's sole discretion (subject to any applicable regulatory or permit approvals); however and notwithstanding Tenant's election, under no circumstances shall Tenant be entitled to a Rent decrease based on the physical condition of the Premises, or otherwise offset the value of any improvement thereon without further written approval by Port in its sole and absolute discretion.</p> <p>"Capital Repairs" are: (a) major repairs or replacement (as opposed to regular or routine repairs and maintenance) to the Premises due to their physical condition, whether related to age, regular wear and tear, or any combination thereof, and (b) any repair or replacement of the Premises, if the estimated cost thereof, when added to (i) all other costs actually incurred by Tenant for repairs to or replacement of the Premises in the immediately preceding 12-month period,</p>

	<p>exceeds One Hundred Fifty Thousand Dollars (\$150,000), or (ii) all other costs actually incurred by Tenant for repairs to or replacement of the Premises during the Term, exceeds Nine Hundred Thousand Dollars (\$900,000).</p> <p>In the event a Capital Repair is required, Tenant and the Port shall meet and confer to discuss mutually agreeable options for the Capital Repair.</p>
<p><i>Canopy Roof above the Stringer Space:</i></p>	<p>Upon termination of Port’s Memorandum of Understanding (MOU) between Port and the San Francisco Public Utilities Commission (SFPUC), Port proposes to add approximately 28,000 square feet of the canopy roof over the southwest corner of the Stringer Space on the shed building to the Premises. The portion of the roof currently leased to the SFPUC (known as the “canopy roof above the Stringer Space”) may be included in the Premises upon: (1) removal of the Solar Power System in accordance with the MOU between the Port and SFPUC, and repair of any damage to the roof or Premises resulting from such removal, (2) reasonable remediation, repair, and/or restoration of the canopy roof above the Stringer Space to a watertight condition as good as or better than the general condition of other portions of the roof accepted by the Tenant as a part of the Premises under this Lease, including, without limitation, inspection and repair of all areas of the roof impacted by the installation or removal of the Solar Power System, and, if the condition is mutually approved, (3) execution by Port and Tenant of a Premises Certificate, the form of which is attached as <i>Exhibit D</i>, that formally includes the canopy roof above the Stringer Space as a part of the Premises.</p> <p>Prior to termination of the MOU regarding the canopy roof above the Stringer Space with SFPUC, Port and Tenant shall jointly inspect the roof and identify repairs or other physical conditions that must be addressed prior to addition of the canopy roof above the Stringer Space to the Premises via execution of Exhibit D.</p>
<p><i>Utilities:</i></p>	<p>Tenant’s sole responsibility, as further described in Section 12 below.</p>
<p><i>Location of Asbestos in Facility:</i></p>	<p>See <i>Schedule 1</i> attached hereto.</p>
<p><i>Signage:</i></p>	<p>Subject to Port permitting, Tenant shall post a 24” x 24” metal sign at its entrance gate providing the emergency contact name and phone number. The sign shall be removed upon expiration or termination of this Lease.</p>
<p><i>Hazardous Materials Disclosure:</i></p>	<p>See <i>Schedule 4</i> attached hereto.</p>
<p><i>Prior Lease:</i></p>	<p>The parties agree that as of the Commencement Date, Lease No. L-12540 executed on February 3, 1998 by and between Port and Tenant’s predecessor in interest, as amended and restated in its entirety by that certain Fourth Amendment to and Restatement of</p>

	<p>Lease No. L-12540 by and between Port and Tenant’s predecessor in interest (Sanitary Fill Co., a California corporation) dated for reference purposes as of June 12, 2002, as amended by that certain Fifth Amendment to Lease No. L-12540 by and between Port and Tenant’s predecessor in interest (SF Recycling & Disposal, Inc., a California corporation) dated for reference purposes as of June 29, 2009 (collectively, the “Prior Lease”) is hereby terminated; provided, however, that such termination shall not limit or impair the rights and obligations of the Parties under the Prior Lease which have accrued prior to the date of termination or limit or impair obligations which by their terms survive the termination or expiration of the Prior Lease.</p>
<p><i>Seismic Study:</i></p>	<p>At its sole cost and expense, Tenant will procure and share with the Port: (1) an American Society of Civil Engineers 41-17 (ACSE 41-17) Seismic Evaluation and Retrofit Strategy Report; and (2) a Facility Condition Assessment (such report and assessment together referred to as the “Studies”).</p> <p>The ASCE 41-17 Seismic Evaluation and Retrofit Strategy Report shall include assessment of the building and foundation system inclusive of the tieback sheetpile bulkhead wall with consideration of subsurface hazards such as ground shaking, liquefaction, lateral spreading and differential settlement. The report will provide an understanding of seismic deficiencies and conceptual retrofit strategies to address identified deficiencies. The report shall also include a narrative and sketches that clearly identify the technical scope of work for the retrofit, as well as a Class 4 cost estimate per the Association for the Advancement of Cost Engineering (AACE) standards. Baseline assumptions for the ASCE 41-17 Evaluation including Risk Category and Seismic Performance Objective shall be agreed to by the Chief Harbor Engineer prior to commencement of the evaluation.</p> <p>The Facility Condition Assessment shall document the existing condition of the building structure, foundation elements, tieback sheetpile bulkhead wall, tie rods and any other load resisting structure. The assessment shall be supported by photographs, field observations, measurements and narrative description that summarizes the current condition of the facility.</p> <p>Both the ACSE 41-17 Seismic Evaluation and Retrofit Strategy Report and Facility Condition Assessment shall be prepared by a licensed Civil Engineer with substantial experience performing similar engineering services. The seismic evaluation shall be provided to Port within the first two years of the lease term, and the Facilities Condition Assessment prior to the end of year four. Port shall acknowledge and agree that Degenkolb Engineers is approved to provide the aforementioned Studies.</p> <p>In order to enter into a new lease or extend the term after expiration of the Term, using information from the ASCE 41-17 Report, Tenant and the Port will negotiate a scope of work and construction schedule for seismic or other improvements to be constructed upon</p>

	<p>the Premises (“New Improvements”) that extend the life of the facility and provide additional measures to reduce seismic risk. The ASCE 41-17 Report will be used as guidance in determining the scope of the New Improvements, but neither the Port, nor Tenant, shall be bound by the recommendations in the report or be required to limit the scope of the New Improvements to the recommendations in the report.</p> <p>Tenant estimates the cost of procuring the Studies will be One Million Dollars (\$1,000,000). Port agrees to work with Tenant to scope the Studies to best achieve the stated purposes of the Studies and not exceed Tenant’s anticipated costs. In no event shall Tenant be obligated to incur out of pocket costs to procure the Studies in excess of One Million Dollars (\$1,000,000).</p>
<p><i>Southern Waterfront Community Benefits and Beautification:</i></p>	<p>Tenant will comply with Port’s policy on Southern Waterfront Community Benefits and Beautification. Among the 8 areas of community benefits and beautification contained in the policy, Tenant’s operations have supported key areas during the term of the Prior Lease including: (1) supporting local hiring, sourcing new hires residing in the 94124, 94134 and 94107 zip codes; (2) using community businesses; (3) regular litter pick-up on Cargo Way; (4) providing school tours of the facility; (5) providing education on recycling; and (6) supporting an artist residence program. Tenant commits to continuing its efforts in these areas. Tenant agrees that Port staff and Tenant will work collaboratively to present these areas of benefits to the public and to consider community members’ comments and proposals in the context of Tenant’s operations and to document enhancements, requirements, and constraints in this Lease.</p>
<p><i>Lease Prepared By:</i></p>	<p>Kimberley Beal, Assistant Deputy Director</p>

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LEASE AGREEMENT

This Lease Agreement, dated for reference purposes only as of the Lease Date set forth in the Basic Lease Information, is by and between the **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation (“**City**”), operating by and through the **SAN FRANCISCO PORT COMMISSION** (“**Port**”), as landlord, and the Tenant identified in the Basic Lease Information (“**Tenant**”). The basic lease information (the “**Basic Lease Information**”), the exhibits, schedule and this Lease Agreement are and shall be construed as a single instrument and are referred to herein as this “**Lease**”. In the event of any conflict or inconsistency between the Basic Lease Information and this Lease Agreement, the Basic Lease Information will control.

1. DEMISE.

In consideration for the rents and all other charges and payments payable by Tenant, and for the agreements, terms and conditions to be performed by Tenant in this Lease, Port does hereby lease to Tenant, and Tenant does hereby hire and take from Port, the Premises upon the agreements, terms and conditions of this Lease for the Term hereinafter stated.

2. DEFINITIONS.

Definitions used in this Lease are found in the specified locations in this Lease or are set forth below. Definitions that are not capitalized below are not capitalized when used in this Lease.

“**ACMs**” is defined in Section 15.6 below.

“**ADA**” means the Americans with Disabilities Act, a federal law codified at 42 U.S.C. §§ 12101 et seq., including, but not limited to, Title III thereof, and all regulations and guidelines related thereto, together with any and all laws, rules, regulations, ordinances, codes and statutes now or hereafter enacted by local or state agencies having jurisdiction thereof, including all requirements of Title 24 of the State of California, as the same may be in effect on the date of this Lease and may be hereafter modified, amended or supplemented.

“**Additional Rent**” means all taxes, assessments, insurance premiums, operating and maintenance charges, fees, costs, expenses, liabilities and obligations of every description which Tenant assumes or is obligated to pay or discharge pursuant to this Lease, together with every fine, penalty, interest or other charge which may be added for non-payment or late payment, whether payable to Port or to other persons, parties or entities designated herein.

“**Affiliate**” means: (i) a Person that Controls or is Controlled by Tenant, or is Controlled by the same Person that Controls Tenant; or (ii) if Tenant is a natural Person, any designated successor by trust, will, or court order following Tenant’s death or incapacity.

“**Agents**” when used with reference to either party to this Lease or any other person means the officers, directors, employees, agents, commissioners, and contractors of the party or other person, and their respective heirs, legal representatives, successors, and assigns.

“**Alterations**” means any alterations, installations, improvements, or additions to any Improvements or to the Premises.

“**Anniversary Date**” means the first and each subsequent anniversary of the Commencement Date; provided, however, that if the Commencement Date is not the first day of a month, then each Anniversary Date shall be calculated from the first day of the thirteenth (13th) month after the Commencement Date.

“**Assignment**” means a proposed or actual Transfer of Tenant’s rights, title, and interest in all or any part of the Premises under a contractual assignment or an assignment by operation of Law.

“**Award**” means all compensation, sums or anything of value paid, awarded or received for a Taking, whether pursuant to judgment, agreement, settlement or otherwise.

“**Base Rent**” means the monthly Base Rent specified in the Basic Lease Information and described further in Section 5.1 hereof.

“**BCDC**” means the San Francisco Bay Conservation and Development Commission.

“**Books and Records**” means all of Tenant’s books, records, and accounting reports or statements relating to its business, this Lease, and the operation and maintenance of the Premises, including cash journals, rent rolls, general ledgers, income statements, bank statements, income tax schedules relating to the Premises and any other bookkeeping documents used in Tenant’s business operations for the Premises, whether maintained by Tenant or a third-party contractor.

“**business day**” means any week day during which businesses are generally open for business, excluding local, state, and federal holidays observed by Port.

“**CMD**” means the Contract Monitoring Division of the City’s General Services Agency.

“**Cal-OSHA**” means the Division of Occupational Safety and Health of the California Department of Industrial Relations.

“**Changes**” is defined in Section 10.2 below.

“**City**” means the City and County of San Francisco, a municipal corporation.

“**Claims**” means all liabilities, injuries, losses, costs, claims, demands, rights, causes of action, judgments, settlements, damages, liens, fines, penalties and expenses, including without limitation, direct and vicarious liability of any kind for money damages, compensation, penalties, liens, fines, interest, attorneys’ fees, costs, equitable relief, mandamus relief, specific performance, or any other relief.

“**Commencement Date**” means the date on which the Term commences as specified in the Basic Lease Information.

“**Commission**” means the San Francisco Port Commission.

“**Common Areas**” means all areas outside of the Premises and within the boundaries of the Facility that are not now or hereafter exclusively leased or exclusively permitted to other tenants or permittees, and that are designated by Port from time to time for the general common use or convenience of Port, Tenant, or other tenants of Port, and the respective authorized Agents and Invitees of the same. The Common Areas include, without limitation, driveways, delivery areas, pedestrian walkways, service corridors accessing loading docks, utility rooms, and other areas or improvements provided or designated by Port for common use. The Common Areas shall not include any parking areas located outside the boundaries of the Facility.

“**Concession**” is defined in Section 30.16 below.

“**Conduct Code**” is defined in Section 28.13 below.

“**Control**” means the direct or indirect ownership of: (a) fifty percent (50%) or more of each class of equity interests in the entity; or (b) fifty percent (50%) or more of each class of interests that have the right to nominate, vote for, or otherwise select the members of the governing body that directs or causes the direction of substantially all of the management and policies of the entity or otherwise has the right to direct or cause the direction of substantially all of the management and policies of the entity.

“**Core Benefits**” is defined in Section 28.1(c) below.

“**CPA**” means an independent certified public accounting firm acceptable to Port in its reasonable discretion.

“Date of Taking” means the earlier of (i) the date upon which title to the portion of the Property taken passes to and vests in the condemnor or (ii) the date on which Tenant is dispossessed.

“disturbed or removed” is defined in Section 13.2(f) below.

“Encroachment Area” is defined in Section 3.3 below.

“Encroachment Area Charge” is defined in Section 3.3 below.

“Environmental Laws” means any Laws relating to Hazardous Material (including its Handling, Release, or Remediation) or to human health and safety, industrial hygiene, or environmental conditions in the environment, including structures, soil, air, bay water, and groundwater, and any environmental mitigation measure adopted under Environmental Laws affecting any portion of the Facility.

“Environmental Regulatory Action” when used with respect to Hazardous Materials means any inquiry, investigation, enforcement, Remediation, agreement, order, consent decree, compromise, or other action that is threatened, instituted, filed, or completed by an Environmental Regulatory Agency in relation to a Release of Hazardous Materials, including both administrative and judicial proceedings.

“Environmental Regulatory Agency” means the United States Environmental Protection Agency, OSHA, any California Environmental Protection Agency board, department, or office, including the Department of Toxic Substances Control and the San Francisco Bay Regional Water Quality Control Board, Cal-OSHA, the Bay Area Air Quality Management District, the San Francisco Department of Public Health, the San Francisco Fire Department, the San Francisco Public Utilities Commission, Port, or any other Regulatory Agency now or later authorized to regulate Hazardous Materials.

“Environmental Regulatory Approval” means any approval, license, registration, permit, or other authorization required or issued by any Environmental Regulatory Agency, including any hazardous waste generator identification numbers relating to operations on the Premises and any closure permit.

“Exacerbate” or **“Exacerbating”** when used with respect to Hazardous Materials means any act or omission that increases the quantity or concentration of Hazardous Materials in the affected area, causes the increased migration of a plume of Hazardous Materials in soil, groundwater, or bay water, causes a Release of Hazardous Materials that had been contained until the act or omission, or otherwise requires Investigation or Remediation that would not have been required but for the act or omission. Exacerbate also includes the disturbance, removal or generation of Hazardous Materials in the course of Tenant’s operations, Investigations, maintenance, repair, Improvements and Alterations under this Lease. **“Exacerbation”** has a correlating meaning.

“Excess Rent” means Sublease rent and any other sums paid or payable to Tenant under a Sublease, excluding the value of goodwill, in excess of Tenant’s concurrent Rent obligation for the Sublease premises.

“Existing Equipment” is defined in Section 12.1 below.

“Expiration Date” means the date on which the Term expires as specified in the Basic Lease Information.

“Event of Default” is defined in Section 21 below.

“Facility” means the pier, building or other structure in or on which the Premises is located.

“Facility Systems” means the plumbing, electrical, fire protection, life safety, security and other mechanical, electrical, and communications systems of the Facility.

“financial statements” mean a current balance sheet and profit and loss statements that have been reviewed or examined by a CPA.

“Floor Load Capacity” is defined in Section 12.1 below.

“Habitual Late Payer” means Tenant has received either (a) at least two (2) notices of monetary default within a consecutive twelve (12) month period, or (b) at least three (3) notices of default within a consecutive twelve (12) month period.

“Handle” or **“Handling”** means to use, generate, process, manufacture, produce, package, treat, transport, store, emit, discharge, or dispose of a Hazardous Material.

“Hard costs” is defined in Section 11.3 below.

“Hazardous Material” means any substance, waste, or material that is now or in the future designated by any Regulatory Agency to be capable of posing a present or potential risk of injury to human health or safety, the environment, or property. This definition includes anything designated or defined in any Environmental Law as hazardous, hazardous substance, hazardous waste, toxic, pollutant, or contaminant; any asbestos, ACMs, and PACMs, whether or not part of the structure of any existing Improvements on the Premises, any Improvements to be constructed on the Premises by or on behalf of Tenant, or occurring in nature; and other naturally-occurring substances such as petroleum, including crude oil or any fraction, and natural gas or natural gas liquids.

“Hazardous Material Claim” means any Environmental Regulatory Action or any Claim made or threatened by any third party against the Indemnified Parties, or the Premises or the Facility, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence or Release of any Hazardous Materials, including, without limitation, losses based in common law. Hazardous Material Claims include, without limitation, Investigation and Remediation costs, fines, natural resource damages, damages for decrease in value of the Premises, any other part of the Facility, or other Port property, the loss or restriction of the use or any amenity of the Premises, any other part of the Facility, or other Port property, and attorneys’ fees and consultants’ fees and experts’ fees and costs.

“Hazardous Material Condition” means the presence, Release, or threatened Release of Hazardous Materials in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels Tenant, or its Agents and Invitees uses during Tenant’s occupancy of the Premises.

“HEPA” is defined in Section 13.2(f) below.

“Improvements” means any and all buildings, structures, fixtures or other improvements constructed or installed on the Premises or any other part of the Facility, including those constructed by or on behalf of Tenant pursuant to this Lease (including, without limitation, any trailers, signs, roads, trails, driveways, parking areas, curbs, walks, fences, walls, stairs, poles, plantings and landscaping).

“Improvement Costs” is defined in Section 4.2 below.

“Improvements Pertaining to the Realty” means machinery or equipment installed for use on the property that cannot be removed without a substantial economic loss or without substantial damage to the property on which it is installed, regardless of the method of installation. In determining whether particular property can be removed “without a substantial economic loss,” the value of the machinery or equipment in place and considered as part of the realty should be compared with its value if it were removed and sold.

“Indemnified Parties” is defined in Section 19.1 below.

“Indemnify” means to indemnify, protect, defend, and hold harmless forever. **“Indemnification”** and **“Indemnity”** have correlating meanings.

“**Interest Rate**” means ten percent (10%) per year or, if a higher rate is legally permissible, the highest rate an individual is permitted to charge under Law.

“**Investigate**” or “**Investigation**” when used with reference to Hazardous Materials means any activity undertaken to determine and characterize the nature and extent of Hazardous Materials that have been, are being, or are threatened to be Released in, on, under or about the Premises, any other part of the Facility, other Port property, or the environment, and includes, without limitation, preparation and publication of site history, sampling, and monitoring reports, performing equipment and facility testing such as testing the integrity of secondary containment and above and underground tanks, and sampling and analysis of environmental conditions before, during, and after Remediation begins and continuing until the appropriate Environmental Regulatory Agency has issued a no further action letter, lifted a clean-up order, or taken similar action.

“**Invitees**” means Tenant’s clients, customers, invitees, patrons, guests, members, licensees, permittees, concessionaires, assignees, subtenants, and any other person whose rights arise through them, except that for the purposes of Article 20 (Assignment and Subletting), “**Invitees**” excludes Tenant’s licensees, assignees, subtenants, and any other person whose rights arise through them.

“**Late Charge**” means a fee of fifty dollars (\$50.00).

“**Law**” means any present or future law, statute, ordinance, code, resolution, rule, regulation, judicial decision, requirement, proclamation, order, decree, policy (including the Waterfront Land Use Plan), and Regulatory Approval of any Regulatory Agency with jurisdiction over any portion of the Premises, including Regulatory Approvals issued to Port which require Tenant’s compliance, and any and all recorded and legally valid covenants, conditions, and restrictions affecting any portion of the Facility, whether in effect when this Lease is executed or at any later time and whether or not within the present contemplation of the parties, as amended from time to time.

“**Lease**” is defined in the preamble to this Lease.

“**Non-Affiliate**” means a Person that is not an Affiliate.

“**Notice of Removal**” is defined in Section 13.4 below.

“**Notice to Cease Prohibited Use**” is defined in Section 8.3 below.

“**Notice to Vacate**” is defined in Section 3.3 below.

“**Official Records**” means the official records of the City and County of San Francisco.

“**OSHA**” means the United States Occupational Safety and Health Administration.

“**PACMs**” is defined in Section 15.6 below.

“**Person**” means any natural person, corporation, limited liability entity, partnership, joint venture, or governmental or other political subdivision or agency.

“**Port**” means the San Francisco Port Commission.

“**Port Guidelines**” as defined in Section **Error! Reference source not found.**

“**Port program or project**” means (a) any development, removal or renovation, by public and/or private parties, of the building, pier or seawall lot in, on or in the vicinity of the Premises (including, but not limited to any Development Project described in the Basic Lease Information), or (b) with respect to any areas owned by Port or under Port’s jurisdiction between and including Piers 80-96, maritime uses (by way of example only and not as a limitation, cargo shipping, fishing, passenger cruises, ship repair, ferries and excursion boats, historic ships and recreational boating) (c) the Seawall Earthquake Safety Program.

“**Port representative**” means Port, a City auditor, or any auditor or representative designated by Port.

“**Port Work**” is defined in Section 13.9 below.

“**Premises**” means the real property described in Section 3.1 below and depicted on *Exhibit A*.

“**preservative-treated wood containing arsenic**” is defined in Section 28.12 below.

“**Prevailing party**” is defined in Section 23.1 below.

“**Prohibited Use(s)**” is defined in Section 8.2 below.

“**Regulatory Agency**” means the municipal, county, regional, state, or federal government and their bureaus, agencies, departments, divisions, courts, commissions, boards, officers, commissioners, or other officials, including BCDC, any Environmental Regulatory Agency, Port (in its regulatory capacity), other departments, offices, and commissions of the City and County of San Francisco (each in its regulatory capacity), Port’s Chief Harbor Engineer, the Dredged Material Management Office, the State Lands Commission, the Army Corps of Engineers, the United States Department of Labor, the United States Department of Transportation, or any other governmental agency now or later having jurisdiction over Port property.

“**Regulatory Approval**” means any authorization, approval, license, registration, or permit required or issued by any Regulatory Agency.

“**Release**” when used with respect to Hazardous Materials means any actual or imminent spilling, introduction, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing in, on, under or about the Premises, any other part of the Facility, other Port property, or the environment.

“**Remediate**” or “**Remediation**” when used with respect to Hazardous Materials means to clean up, abate, contain, treat, stabilize, monitor, remediate, remedy, remove, or otherwise control Hazardous Materials, or to restore the affected area to the standard required by the applicable Environmental Regulatory Agency in accordance with applicable Environmental Laws and any additional Port requirements. “**Remediation**” also includes the creation of a remedial work plan to be approved by the appropriate Environmental Regulatory Agency when required.

“**Renewable Energy System**” is defined in Section 12.3 below.

“**Rent**” means the Base Rent, Additional Rent and all other sums payable by Tenant to Port hereunder, including, without limitation, any Late Charge and any interest assessed pursuant to Section 5.

“**Rent Commencement Date**” means the date on which the payment of Rent commences as specified in the Basic Lease Information.

“**Repair Period**” means two hundred ten (210) days after the date of damage to the Premises or the Facility by fire or other casualty.

“**Rules and Regulations**” means the Rules and Regulations, if any, applicable to the Facility as may be amended from time to time.

“**saltwater immersion**” is defined in Section 28.12 below.

“**Seawall**” is defined in Section 3.7.

“**Secretary’s Standards**” is defined in Section 13.2(d) below.

“**Security Deposit**” means the amount specified in the Basic Lease Information and as further described in Section 7 below.

“**Sublease**” means a proposed or actual Transfer of all or any part of the Premises under a sublease or a sub-sublease.

“**Subletting Expenses**” means verifiable and reasonable brokerage commissions incurred in connection with a Sublease and the costs of any new tenant improvements for which Tenant is responsible under the Sublease.

“**SWPPP**” is defined in Section 15.8(a) below.

“**Taking**” means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under Law. A Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

“**Tenant**” means the party identified as Tenant in the Basic Lease Information.

“**Tenant’s Property**” means all furniture, trade fixtures, office equipment, and articles of movable personal property installed in the Premises by or for the account of Tenant, and any Improvements or Alterations constructed on or affixed to the Premises if designated under this Lease as Tenant’s Property, in either case without cost to Port.

“**Term**” is defined in Section 4.1 below.

“**trade fixtures**” means those items of personalty, furniture, equipment, machinery used in trade by Tenant which are customarily removed without damage to the Premises at the end of a lease term in the ordinary course of businesses of the type operated by Tenant at the Premises.

“**Transfer**” means any of the following events or proposed events, whether voluntary, involuntary, or by operation of Law: (a) any sale, assignment, encumbrance, sublease, or other transfer of any of Tenant’s interest in this Lease or in the Premises; (b) any Person other than Tenant occupies or claims a right of possession to any part of the Premises; (c) if Tenant is a corporation, limited liability company, partnership or similar entity and is not traded on a nationally recognized security exchange, any change in Control of Tenant (including without limitation a dissolution, merger, consolidation, transfer or sale); or (d) any interest of any subtenant, assignee, or other Transferee of Tenant’s interest in the Lease or premises is sold, assigned, encumbered, or otherwise Transferred.

“**Transfer Agreement**” means all document(s) effecting or evidencing Tenant’s proposed sale, assignment, encumbrance, sublease, or other Transfer.

“**Transfer Date**” means the effective date of a Transfer.

“**Transfer Notice**” means Tenant’s prior written notice to Port of an intent to Transfer to a Non-Affiliate, specifying: (a) the Transferee’s name, address, other contact information, and, if the Transferee is not a natural Person, its form of organization and the identity of each Person with Control of the Transferee; (b) the proposed Transfer Date and a full description of the Transfer Terms; (c) a description of the Transferee’s proposed use of the Premises, including any required or desired Alterations or Improvements to the Premises that the Transferee may undertake in order to facilitate its proposed use; and (d) a list of the Transferee’s personal, business, and credit references.

“**Transfer Terms**” means the terms and conditions in the proposed or final Transfer Agreement, as appropriate in context.

“**Transferee**” means the Person to which Tenant makes or proposes to make a Transfer.

“**Utilities**” means electricity, water, gas, heat, sewers, oil, telecommunication services and all other Utilities.

“**Waiving Party**” is defined in Section 16.5 below.

“**Work**” when used in reference to construction is defined in Section 13.2(c) below.

“worth at the time of award” is defined in Section 22.2 below.

3. PREMISES; AS-IS CONDITION.

3.1. *Premises.*

(a) Subject to the provisions of this Lease, Port hereby leases to Tenant, and Tenant hereby leases from Port, the Premises in the Facility identified in the Basic Lease Information. The Premises has the address and contains the square footage specified in the Basic Lease Information. The location and dimensions of the Premises are depicted on *Exhibit A* attached hereto and incorporated herein by reference. Port and Tenant agree and acknowledge that any statement of rentable or usable (if applicable) square footage set forth in this Lease is an approximation which Port and Tenant agree is reasonable and that the usable square footage of the Premises may be less than the rentable square footage of the Premises. Port and Tenant further agree and acknowledge that the rentable square footage of the Premises shall be used at all times to calculate the Base Rent due and payable by Tenant under this Lease and neither the Base Rent nor any other economic term based on rentable square footage shall be subject to revision whether or not the actual rentable or usable square footage is more or less.

(b) Tenant shall have the non-exclusive right to use, together with other tenants, the Common Areas. All of the Common Areas shall at all times be subject to the exclusive control, regulation, and management of Port. Port shall have the right to construct, maintain, and operate lighting facilities on all Common Areas; to patrol all Common Areas; to temporarily close any Common Areas for maintenance, repairs or alterations; from time to time to change the area, level, location and arrangement of Common Area facilities; to use the Common Areas and restrict access and use of the same during the maintenance, repair, construction or reconstruction of buildings, additions or improvements; to erect buildings, additions and improvements on the Common Areas from time to time; and to restrict parking by tenants, their Agents and Invitees. Port may operate and maintain the Common Areas and perform such other acts and make such other changes at any time and from time to time in the size, shape, location, number and extent of the Common Areas or any of them as Port in its sole discretion shall determine; provided, however, that no exercise by Port of its rights hereunder shall unreasonably restrict access to the Premises.

3.2. *Accessibility Inspection Disclosure.*

California law requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist (“CASp”) to determine whether the property meets all applicable construction-related accessibility requirements. The law does not require landlords to have the inspections performed. Tenant is hereby advised that the Premises has not been inspected by a CASp and Port shall have no liability or responsibility to make any repairs or modifications to the Premises in order to comply with accessibility standards. The following disclosure is required by law:

“A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.”

3.3. *No Right to Encroach.*

(a) If Tenant (including, its Agents, Invitees, successors and assigns) uses or occupies space outside the Premises without the prior written consent of Port (the “**Encroachment**”

Area”), then upon written notice from Port (“**Notice to Vacate**”), Tenant shall immediately vacate such Encroachment Area. If Tenant continues use of the Encroachment Area after receipt of the Notice to Vacate, then Tenant shall pay as Additional Rent for each day Tenant used, occupied, uses or occupies such Encroachment Area, an amount equal to the rentable square footage of the Encroachment Area, multiplied by the higher of the (i) highest rental rate then approved by the San Francisco Port Commission for the Premises or the Facility, or (ii) then current fair market rent for such Encroachment Area, as reasonably determined by Port (the “**Encroachment Area Charge**”). If Tenant uses or occupies such Encroachment Area for a fractional month, then the Encroachment Area Charge for such period shall be prorated based on a thirty (30) day month. In no event shall acceptance by Port of the Encroachment Area Charge be deemed a consent by Port to the use or occupancy of the Encroachment Area by Tenant, its Agents, Invitees, successors or assigns, or a waiver (or be deemed as a waiver) by Port of any and all other rights and remedies of Port under this Lease (including Tenant’s obligation to Indemnify Port as set forth in Section 3.3(c), at law or in equity.

(b) In addition, Tenant shall pay to Port, as Additional Rent, an amount equaling Two Hundred Dollars (\$200.00) if Tenant continues use of the Encroachment Area after receipt of the Notice to Vacate, plus the actual cost associated with a survey of the Encroachment Area. In the event Port determines during subsequent inspection(s) that Tenant has failed to vacate the Encroachment Area, then Tenant shall pay to Port, as Additional Rent, an amount equaling Three Hundred Dollars (\$300.00) for each additional Notice to Vacate, if applicable, delivered by Port to Tenant following each inspection. The parties agree that the charges associated with each inspection of the Encroachment Area, delivery of each Notice to Vacate and survey of the Encroachment Area represent a fair and reasonable estimate of the administrative cost and expense which Port will incur by reason of Port’s inspection of the Premises, issuance of each Notice to Vacate and survey of the Encroachment Area. Tenant’s failure to comply with the applicable Notice to Vacate and Port’s right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights and remedies of Port under this Lease, at law or in equity.

(c) In addition to Port’s rights and remedies under this Section, the terms and conditions of the indemnity and exculpation provision set forth in Section 19 below (Indemnity and Exculpation) shall also apply to Tenant’s (including, its Agents, Invitees, successors and assigns) use and occupancy of the Encroachment Area as if the Premises originally included the Encroachment Area, and Tenant shall additionally Indemnify Port from and against any and all loss or liability resulting from delay by Tenant in surrendering the Encroachment Area including, without limitation, any loss or liability resulting from any Claims against Port made by any tenant or prospective tenant founded on or resulting from such delay and losses to Port due to lost opportunities to lease any portion of the Encroachment Area to any such tenant or prospective tenant, together with, in each case, actual attorneys’ fees and costs.

(d) All amounts set forth in this Section shall be due within ten (10) business days following the applicable Notice to Vacate and/or separate invoice relating to the actual cost associated with a survey of the Encroachment Area. By signing this Lease, each party specifically confirms the accuracy of the statements made in this Section and the reasonableness of the amount of the charges described in this Section.

3.4. Proximity of Development Project. Tenant acknowledges that during the Term, a Port program or project and/or the Development Project(s) described in the Basic Lease Information, if any, is scheduled to be, or may be, constructed on property in the vicinity of the Premises. Tenant is aware that the construction of such project(s) and the activities associated with such construction will generate certain adverse impacts which may result in some inconvenience to or disturbance of Tenant. Impacts may include, but are not limited to, increased vehicle and truck traffic, traffic delays and re-routing, loss of street and public parking,

dust, dirt, construction noise and visual obstructions. Tenant hereby waives any and all Claims against Port, City and their Agents arising out of such inconvenience or disturbance.

3.5. *No Light, Air or View Easement.* This Lease does not include an air, light, or view easement. Any diminution or shutting off of light, air or view by any structure which may be erected on lands near or adjacent to the Facility or by any vessels berthed near the Facility shall in no way affect this Lease or impose any liability on Port, entitle Tenant to any reduction of Base Rent or Additional Rent, or affect this Lease in any way or Tenant's obligations hereunder.

3.6. *Unique Nature of Premises.* Tenant acknowledges that: (a) the Facility is located along the waterfront in a building on a pier and/or wharf, supported by a partially-submerged substructure in a marine environment, which was originally built approximately 100 years ago; (b) the Facility is located along the waterfront adjacent to, on top of, and bayward of the Seawall that is in need of repair and presents increased risk of damage to property and injury or death to persons from seismic events, as further described in Section 3.7; (c) Port's regular maintenance may involve activities, such as pile driving, that create noise and other effects not normally encountered in locations elsewhere in San Francisco due to the unique nature of the Premises; (d) there is a risk that all or a portion of the Premises will be inundated with water due to floods or sea level rise; (e) there is a risk that sea level rise will increase the cost of Substructure repairs and/or prevent or limit the ability to make repairs to the Substructure; and/or (f) Port cannot guarantee that piers, decks, wharves, and aprons will be suitable for leased occupancy during the entire Term of this Lease.

3.7. *Seawall.* The Premises is located on and adjacent to a seawall. The seawall is in need of seismic strengthening. Damage to the seawall or its failure, whether due to seismic event or other causes, may cause additional or increased injury to persons or death or additional damage to property at or near the Premises as compared to locations away from the seawall. The seawall is not part of the Northern Waterfront Seawall that is currently in planning stages for strengthening. Tenant agrees that its waiver of Claims set forth in Article 19 (Indemnity and Exculpation) is given with full knowledge of the direct or indirect, known or unknown, and foreseeable or unforeseeable losses and claims (including the potential additional risks of injury or death to persons or damage to property) due to the seawall's condition or the proximity of the Premises to the Bay and the seawall.

3.8. *As-Is Condition.* Tenant acknowledges and agrees that Tenant is familiar with the Premises, the Premises is being leased and accepted in their "as-is" condition, without any improvements or alterations by Port, without representation or warranty of any kind, and subject to all applicable Laws governing their use, occupancy and possession Tenant represents and warrants to Port that Tenant has received and reviewed the disclosures regarding the Seawall in Section 3.7 and information on the Port's website; the FEMA disclosure notice attached as *Schedule 3* and a copy of the report(s), if any, relating to the substructure and/or structure of the Facility, as further described in *Schedule 2* attached hereto. Tenant further represents and warrants to Port that Tenant has investigated and inspected, either independently or through agents of Tenant's own choosing, the condition of the Premises and the suitability of the Premises for Tenant's business and intended use. Tenant acknowledges and agrees that neither Port nor any of its agents have made, and Port hereby disclaims, any representations or warranties, express or implied, concerning the rentable area of the Premises, the physical or environmental condition of the Premises or the Facility (including, but not limited to the substructure and/or the Seawall), the present or future suitability of the Premises for Tenant's business, or any other matter whatsoever relating to the Premises, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

3.9. *Reserved Rights Regarding Seawall.*

(a) Port has the right to use the Premises on an extended basis without charge, and Tenant shall cooperate by providing access and other reasonably requested assistance at no

cost to Port and permit Port and its Agents to enter the Premises upon reasonable prior notice (except in the event of an emergency which poses an imminent danger to public health or safety as determined by Port in its sole discretion), for the purpose of inspecting, repairing and rebuilding the Seawall as Port reasonably deems necessary. Nothing herein shall imply any duty upon the part of Port to perform any work which under any provision of this Lease Tenant may be required to perform or place upon Port any obligation, or liability, for the care, supervision or repair of the Premises or Seawall not otherwise expressly provided herein. If Port elects to perform work on the Seawall within the Premises pursuant to this Section, Port shall not be liable for inconvenience, disturbance, loss of business, nuisance or other damage to Tenant by reason of the performance of such work on the Premises, or on account of bringing necessary materials, supplies and equipment into or through the Premises during the course thereof, provided Port uses commercially reasonable efforts to conduct the activities in a manner that, to the extent reasonably practicable, will minimize inconvenience or disturbance to the activities of Tenant, its Subtenants (if any), and their respective Invitees. In no event will inconvenience or disturbance caused by Port's activities under this Section constitute an actual or constructive eviction of Tenant, entitle Tenant to any abatement or diminution of Rent (except as provided in subsection 3.9(b) below), or otherwise relieve Tenant from any of its obligations under this Lease. Tenant hereby waives any and all Claims against Port, City and their Agents arising out of any inconvenience or disturbance occasioned by Port's activities permitted under this Section 3.9, other than claims resulting solely from the gross negligence or willful misconduct of Port, City, or any of their agents.

(b) If use of the Premises is required by Port or its Agents under this Section 3.9, then the Parties will coordinate their use of the Premises and use their good faith efforts to minimize adverse impacts to each of their respective needs. Port will have the absolute right to use the Premises without charge in the event of an emergency involving the Seawall. Notwithstanding the foregoing, if Port's activities under this Section prevent Tenant from using the Premises to unload its trucks for twenty-four (24) consecutive hours (such as preventing vehicle ingress and egress between the public street and the Premises or use of any portion of Parcel A as described in the Basic Lease Information) and Tenant actually ceases operations at the Premises, then Rent payable for the period of ceased operations shall abate until Port's activities that prevent Tenant's unloading of its trucks concludes and Tenant can unload its trucks, all as reasonably and mutually determined by Tenant and Port. Port acknowledges and agrees that this Section 3.9 grants Tenant a limited right to abate Rent.

3.10. Release and Waiver. As part of its agreement to accept the Premises in their "As Is With All Faults" condition, Tenant, on behalf of itself and its successors and assigns, will be deemed to waive any right to recover from, and forever release, acquit and discharge, Port and the other Indemnified Parties of and from any and all Claims, whether direct or indirect, known or unknown, foreseen or unforeseen, that Tenant may now have or that may arise on account of or in any way be connected with (i) the physical, geotechnical or environmental condition in, on, under, above, or about the Facility and the Seawall, including any Hazardous Materials in, on, under, above or about the Facility (including soil and groundwater conditions), (ii) the suitability of the Facility and/or the Premises for the development of the Improvements, the Permitted Uses, (iii) any Laws applicable thereto, including Environmental Laws, (iv) damages by death of or injury to any Person, or to property of any kind whatsoever and to whomever belonging, and (v) goodwill, or business opportunities arising at any time and from any cause in, on, around, under, and pertaining to the Facility and/or the Premises. Tenant's release, acquittal, and discharge of Port and other Indemnified Parties described in this Section 3.10 includes all Claims arising from the joint, concurrent, active or passive negligence of any of the Indemnified Parties, but excludes any Claims caused solely by the intentionally harmful acts committed of the Port, City, or any Indemnified Party.

3.11. Port's Rights Regarding Premises. Port shall have the full right and authority to make, revoke, impose, and amend any Rules and Regulations pertaining to and reasonably

necessary for the proper use, operation and maintenance of the Facility. Port represents and warrants that no Rules and Regulations currently exist for the Facility, Tenant agrees to be bound by any Rules and Regulations Port later imposes on the Facility from and after the date that the Port provides written notice thereof to Tenant. Tenant also acknowledges that Port's exercise of any of its rights regarding the Premises and other Port property in the vicinity of the Premises will not entitle Tenant to any abatement or diminution of Rent, except as otherwise expressly provided in Section 3.9 of this Lease. The parties agree that it shall not be reasonable for Port to make or impose any Rule and Regulation that would deprive Tenant of the ability to use the Premises for the Permitted Uses described in the Basic Lease Information.

4. TERM OF LEASE; TERMINATION BY PORT.

4.1. Term. The term of this Lease (the "Term") shall be for the period of months specified in the Basic Lease Information commencing on the Commencement Date and expiring on the Expiration Date. If the Commencement Date and Expiration Date occur on a date other than the Commencement Date and the Expiration Date set forth in the Basic Lease Information, then promptly following the actual Commencement Date, Port and Tenant shall execute a Commencement Date and Expiration Date Memorandum substantially in the form attached hereto as *Exhibit B*, confirming the actual Commencement Date and Expiration Date, but either party's failure to do so shall not affect the commencement or expiration of the Term.

If Port is unable to deliver possession of the Premises to Tenant on or before the Commencement Date, then the validity of this Lease shall not be affected thereby and Port shall not be liable to Tenant for any Claims resulting therefrom, and Tenant waives all provisions of any Laws to the contrary. In such case, the Term and regular payments of Rent shall not commence until Port delivers possession of the Premises. Notwithstanding anything to the contrary above, if Port's inability to deliver possession of the Premises on the estimated Commencement Date results from Tenant's or its Agents' acts or omissions, then Base Rent and Additional Rent payable by Tenant hereunder shall commence on the date when Port would have delivered possession of the Premises but for such acts or omissions.

4.2. Termination Rights.

(a) Port has the right to terminate this Lease under this Section when the Premises is needed in connection with a Port program or project. Port may exercise this right without liability or expense, except as specifically set forth in this Section. Port may exercise this right during the Term upon thirty-six (36) months' prior written notice. Tenant agrees and shall be required to surrender possession of the Premises by the end of the applicable notice period. For the avoidance of doubt, this Section shall not constrain or otherwise alter the rights of the Parties during any holdover tenancy, including but not limited to those identified in Section 26.1.

(b) [Intentionally omitted.]

(c) Within sixty (60) days after Tenant's surrender under this Section, Port agrees to pay Tenant a portion of those expenses which are documented by Tenant as having been incurred by Tenant prior to the delivery of Port's termination notice in the preparation of the Studies or in making physical alterations, additions and improvements to the Premises which were approved in advance and in writing by Port and which were not previously reimbursed to Tenant through rent credits, rent abatement or other form of compensation (as further discussed below, "**Improvement Costs**"). Costs for physical alterations, additions and improvements shall be determined by the value attributable to any alterations, additions and improvements in any Port building permits for such work obtained by Tenant and which are approved in advance in writing by a Port Property Manager to the extent supported by reasonable evidence of such expenditures provided by Tenant. If no building permits are required for such work, value shall only be attributed to such alterations, additions or improvements if the value is approved in writing by a Port Property Manager prior to the commencement of the work and if the cost is

supported by reasonable evidence of such expenditures provided by Tenant. Costs for the Studies shall reflect actual expenditures by Tenant. The portion of the Improvement Costs paid by Port shall be a fraction, of which the numerator shall be the number of months remaining in the initial term of the Lease after Tenant surrenders the Premises, and the denominator shall be the number of months in the initial Term of this Lease, or for work undertaken following the Commencement Date, the denominator shall be the number of months beginning at the second month following the Port's approval of the improvements and ending at the Expiration Date of the initial Term of this Lease. In no event shall Port be responsible for paying any moving or relocation expense or other expense incurred by Tenant due to any termination under this Section.

4.3. Waiver of Relocation Benefits. To the extent allowed by applicable Law, Tenant hereby waives any and all rights, benefits or privileges of the California Relocation Assistance Law, California Government Code §§ 7260 et seq., or under any similar law, statute or ordinance now or hereafter in effect, except as specifically provided in this Lease.

5. RENT.

Tenant shall pay to Port, in the manner herein described, the following Rent:

5.1. Base Rent. Throughout the Term, Tenant shall pay to Port the Base Rent set forth in the Basic Lease Information. Tenant shall make the first payment of Base Rent upon execution of this Lease and from and after the Rent Commencement Date, shall pay the Base Rent, in advance, on or before the first day of each calendar month throughout the Term. If the Rent Commencement Date is other than the first day of the month, or the Expiration Date is other than the last day of the month, the Base Rent for those months shall be apportioned based on a thirty (30) day month.

5.2. Default Interest. Any Rent, if not paid within five (5) days following the due date and any other payment due under this Lease not paid within five (5) days following the applicable due date, shall bear interest from the due date until paid at the Interest Rate. However, interest shall not be payable on Late Charges incurred by Tenant nor on other amounts to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Tenant. Tenant shall also pay any costs, including attorneys' fees incurred by Port by reason of Tenant's failure to pay Rent or other amounts when due under this Lease.

5.3. Late Charges/Habitual Late Payer. Tenant acknowledges that late payment by Tenant to Port of Rent or other sums due under this Lease will cause Port increased costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if Tenant fails to pay Rent on the date due, such failure shall be subject to a Late Charge at Port's discretion. Tenant shall also pay any costs including attorneys' fees incurred by Port by reason of Tenant's failure to timely pay Rent. Additionally, in the event Tenant is notified by Port that Tenant is considered to be a Habitual Late Payer, Tenant shall pay, as Additional Rent, an amount equal to Fifty Dollars (\$50.00) (as such amount may be adjusted from time to time by the Port Commission) upon written notification from Port of Tenant's Habitual Late Payer status. The parties agree that the charges set forth in this Section represent a fair and reasonable estimate of the cost that Port will incur by reason of any late payment. Such charges may be assessed without notice and cure periods and regardless of whether such late payment results in an Event of Default. Payment of the amounts under this Section shall not excuse or cure any default by Tenant.

5.4. Returned Checks. If any check for a payment for any Lease obligation is returned without payment for any reason, Tenant shall pay, as Additional Rent, an amount equal to Fifty Dollars (\$50.00) (as such amount may be adjusted from time to time by the Port

Commission) and the outstanding payment shall be subject to a Late Charge as well as interest at the Interest Rate.

5.5. *Net Lease.* It is the purpose of this Lease and intent of Port and Tenant that all Rent shall be absolutely net to Port, so that this Lease shall yield to Port the full amount of the Rent at all times during the Term, without deduction, abatement or offset, except as expressly set forth in Section 3.9 of this Lease. Except as otherwise expressly set forth in this Lease, under no circumstances, whether now existing or hereafter arising, and whether or not beyond the present contemplation of the Parties shall Port be expected or required to incur any expense or make any payment of any kind with respect to this Lease or Tenant's use or occupancy of the Premises, including any Improvements. Without limiting the foregoing, but except as expressly provided to the contrary in this Lease, Tenant shall be solely responsible for paying each item of cost or expense of every kind and nature whatsoever, the payment of which Port would otherwise be or become liable by reason of Port's estate or interests in the Premises and any Improvements, any rights or interests of Port in or under this Lease, or the ownership, leasing, operation, management, maintenance, repair, rebuilding, remodeling, renovation, use or occupancy of the Premises, any Improvements, or any portion thereof. No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its liability to pay all of the sums required by any of the provisions of this Lease, or shall otherwise relieve Tenant from any of its obligations under this Lease, or shall give Tenant any right to terminate this Lease in whole or in part, except as otherwise expressly provided in this Lease. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement, diminution, reduction or suspension of payment of such sums, on account of any such occurrence or situation, provided that such waiver shall not affect or impair any right or remedy expressly provided Tenant under this Lease.

5.6. *Additional Charges.* Without limiting Port's other rights and remedies set forth in this Lease, at law or in equity, in the event Tenant fails to submit to the appropriate party, on a timely basis, the items identified in Sections: 12.1 (Utilities), 15.3 (Tenant's Environmental Condition Notification Requirements), 15.8 (Storm Water Pollution Prevention), 28.1(d) (CMD Form), and 32 (Estoppel Certificate) or to provide evidence of the required insurance coverage described in Section 16 below, then upon written notice from Port of such failure, Tenant shall pay, as Additional Rent, an amount equaling One Hundred Dollars (\$100.00). In the event Tenant fails to provide the necessary document within the time period set forth in the initial notice and Port delivers to Tenant additional written notice requesting such document, then Tenant shall pay to Port, as Additional Rent, an amount equaling One Hundred Fifty Dollars (\$150.00) for each additional written notice Port delivers to Tenant requesting such document. The parties agree that the charges set forth in this Section 5.6 represent a fair and reasonable estimate of the administrative cost and expense which Port will incur by reason of Tenant's failure to provide the documents identified in this Section 5.6 and that Port's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights under this Lease, at law or in equity. By signing this Lease, each party specifically confirms the accuracy of the statements made in this Section 5.6 and the reasonableness of the amount of the charges described in this Section 5.6.

6. TAXES AND ASSESSMENTS.

6.1. *Payment of Taxes.* During the Term, Tenant agrees to pay, when due, to the proper authority any and all real and personal property taxes, general and special assessments, real property transfer taxes, license fees, permit fees and all other governmental charges of any kind or nature whatsoever, including without limitation all penalties and interest thereon, levied or assessed on the Premises, on Tenant's Property, the leasehold or subleasehold estate or Tenant's use of the Premises, or any transfer of a leasehold interest or subleasehold interest in the Premises (including but not limited to the transfer of the leasehold interest in the Premises pursuant to the Lease) whether in effect at the time this Lease is entered into or which become

effective thereafter, and all taxes levied or assessed on the possession, use or occupancy, as distinguished from the ownership, of the Premises. Tenant further recognizes and agrees that its leasehold interest may be subject to the payment of special taxes, including without limitation a levy of special taxes to finance energy efficiency, water conservation, water pollution control and similar improvements under the Special Tax Financing Law in Chapter 43 Article X of the Administrative Code. Tenant shall not permit any of the above taxes, assessments or other charges to become a defaulted lien on the Premises or the Improvements thereon; provided, however, that in the event any such tax, assessment or similar charge is payable in installments, Tenant may make, or cause to be made, payment in installments; and provided, further, that Tenant may, through such proceeding as Tenant considers necessary or appropriate, contest the legal validity or the amount of any tax, assessment or similar charge so long as such assessment or charge does not become a defaulted lien. In the event of any such dispute, Tenant shall Indemnify Port, City, and their Agents from and against all Claims resulting therefrom, other than Claims caused solely by the willful misconduct of the Port or City.

6.2. Possessory Interest Tax. Tenant recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest. Tenant further recognizes and understands that any sublease or assignment permitted under this Lease and any exercise of any option to renew or other extension of this Lease may constitute a change in ownership for purposes of property taxation and therefore may result in a revaluation of any possessory interest created hereunder. Tenant agrees to pay taxes of any kind, including, but not limited to, possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Tenant's usage of the Premises that may be imposed upon Tenant by Law, all of which shall be paid when the same become due and payable and before delinquency. Tenant agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Tenant, if so desiring, may have reasonable opportunity to contest the validity of the same. San Francisco Administrative Code Sections 23.38 and 23.39 (or any successor statute) require that certain information relating to the creation, renewal, extension, assignment, sublease, or other transfer of this Lease be reported to the County Assessor within sixty (60) days after any such transaction. Accordingly, Tenant must provide a copy of this Lease to the County Assessor not later than sixty (60) days after the Commencement Date, and any failure of Tenant to timely provide a copy of this Lease to the County Assessor will be a default under this Lease. Tenant will also timely provide any information that Port or City may request to ensure compliance with this or any other reporting requirement.

7. SECURITY DEPOSIT.

Tenant shall pay to Port upon execution of this Lease, in addition to the advance payment of the first month's Base Rent, the Security Deposit, in cash, in the sum specified in the Basic Lease Information, as security for the faithful performance by Tenant of all terms, covenants and conditions of this Lease. If Base Rent is increased beyond the amount set forth in the Basic Lease Information for the last year of the Term, then from and after such increase, Tenant shall increase the amount of the Security Deposit to maintain the same ratio of the Security Deposit to Base Rent as existed on the date immediately prior to such Base Rent increase. Any increase in the Security Deposit shall be delivered to Port on the same date that such increase in Base Rent is first due.

Tenant agrees that Port may (but shall not be required to) apply the Security Deposit in whole or in part to (a) pay any sum due to Port under this Lease that Tenant has failed to pay; (b) compensate Port for any expense incurred or damage caused by Tenant, its Agents or Invitees; (c) cure any default by Tenant; or (d) cure, or attempt to cure, any failure of Tenant to perform any other covenant, term or condition contained herein. Tenant shall immediately upon demand pay Port a sum equal to the portion of the Security Deposit expended or applied by Port. Port

shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to any interest on the Security Deposit. Nothing contained in this Section shall in any way diminish or be construed as waiving any of Port's other remedies set forth in this Lease or provided by law or equity.

Tenant hereby waives the provisions of California Civil Code Section 1950.7 and/or any successor statute, it being expressly agreed that Port may apply all or any portion of the Security Deposit in payment of any and all sums reasonably necessary to compensate Port for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any Agent or Invitee of Tenant, and that following a default by Tenant, all or any portion of the Security Deposit may be retained by Port following a termination of this Lease and applied to future damages, including damages for future Rent, pending determination of the same. Within ninety (90) days after the expiration or earlier termination of this Lease, Port shall return any unused portion of the Security Deposit to Tenant.

8. USE OF THE PREMISES.

8.1. Permitted Use. The Premises shall be used and occupied only for the Permitted Use specified in the Basic Lease Information and for no other purpose.

8.2. Prohibited Use. Tenant agrees that the following activities, by way of example only and without limitation, and any other use that is not a Permitted Use (in each instance, a "Prohibited Use" and collectively, "Prohibited Uses"), are inconsistent with this Lease, are strictly prohibited and are considered Prohibited Uses:

- (a) any activity, or the maintaining of any object, which is not within the Permitted Use;
- (b) any activity, or the maintaining of any object, which will in any way increase the existing rate of, affect or cause a cancellation of, any fire or other insurance policy covering the Premises, any part thereof or any of its contents;
- (c) any activity or object which will exceed load restrictions, if any, or cause damage to the Premises;
- (d) any activity which constitutes waste or nuisance, including, but not limited to, the preparation, manufacture or mixing of anything that might emit any objectionable odors, noises or lights onto adjacent properties, or the use of loudspeakers or sound or light apparatus which can be heard or seen outside the Premises;
- (e) any activity which will in any way injure, obstruct or interfere with the rights of other tenants in the Facility or of owners or occupants of adjacent properties, including, but not limited to, rights of ingress and egress;
- (f) use of the Premises for residential, sleeping or personal living quarters and/or "Live/Work" space;
- (g) any auction, distress, fire, bankruptcy or going out of business sale on the Premises without the prior written consent of Port, which consent may be granted, conditioned, or withheld in the sole and absolute discretion of Port;
- (h) the operation, use, or berthing of any vessels, watercraft or floating barges owned or operated by Tenant;
- (i) Tenant's employment of any maritime workers within the Premises for loading, unloading, building, repairing, dismantling, or longshoring of any vessel;
- (j) any vehicle and equipment maintenance, including but not limited to, fueling, changing oil, transmission or other automotive fluids;

- (k) the storage of any and all excavated materials, including but not limited to, dirt, concrete, sand, asphalt, and pipes;
- (l) the storage of any and all aggregate material, or bulk storage, such as wood or of other loose materials;
- (m) the washing of any vehicles or equipment; or
- (n) other Prohibited Uses identified in the Basic Lease Information, if any.

8.3. Notice of Prohibited Use Charge. In the event Port determines after inspection that Prohibited Uses are occurring, then Tenant shall immediately cease the Prohibited Use and shall pay to Port, as Additional Rent, an amount equaling Two Hundred Dollars (\$200.00) upon delivery of written notice to Tenant to cease the Prohibited Use (“**Notice to Cease Prohibited Use**”). In the event Port determines in subsequent inspection(s) that Tenant has not ceased the Prohibited Use, then Tenant shall pay to Port, as Additional Rent, an amount equaling Three Hundred Dollars (\$300.00) for each additional Notice to Cease Prohibited Use delivered to Tenant. The parties agree that the charges associated with each inspection and delivery of the Notice to Cease Prohibited Use, if applicable, represent a fair and reasonable estimate of the administrative cost and expense which Port will incur by reason of Port’s inspection and Tenant’s failure to comply with the applicable Notice to Cease Prohibited Use and that Port’s right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights under this Lease, at law or in equity. By signing this Lease, each party specifically confirms the accuracy of the statements made in this Section and the reasonableness of the amount of the charges described in this Section.

9. COMPLIANCE WITH LAWS AND REGULATIONS.

Tenant, at Tenant’s sole cost and expense, promptly shall comply with all Laws relating to or affecting the condition, use or occupancy of the Premises and shall comply with all Laws relating to Tenant’s specific use of the Facility and all Rules and Regulations, if any, in effect either at the time of execution of this Lease or which may hereafter be in effect at any time during the Term, whether or not the same are now contemplated by the parties. Tenant further understands and agrees that it is Tenant’s obligation, at Tenant’s sole cost and expense, to cause the Premises and Tenant’s activities and operations conducted thereon, to be in compliance with the ADA. Tenant shall be solely responsible for conducting its own independent investigation of this matter and for ensuring that the design of all Alterations and Improvements strictly complies with all requirements of the ADA. If Tenant’s use or occupancy of the Premises triggers a requirement to remove barriers or perform other work to any part of the Facility outside of the Premises to comply with the ADA, then, at Port’s sole election, Port or Tenant will perform the work at Tenant’s sole cost and expense.

The parties acknowledge and agree that Tenant’s obligation to comply with all Laws as provided herein is a material part of the bargained for consideration under this Lease. Tenant’s obligation under this Section 9 shall include, without limitation, the responsibility of Tenant to make substantial or structural repairs and Alterations to the Premises, regardless of, among other factors, the relationship of the cost of curative action to the Rent under this Lease, the length of the then remaining Term hereof, the relative benefit of the repairs to Tenant or Port, the degree to which the curative action may interfere with Tenant’s use or enjoyment of the Premises, the likelihood that the parties contemplated the particular Laws involved, and whether the Laws involved are related to Tenant’s particular use of the Premises. Any Alteration or Improvements made by or on behalf of Tenant pursuant to the provisions of this Section 9 shall comply with the provisions of Section 13 below. Except as otherwise expressly set forth in this Lease, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant of its obligations hereunder, nor give Tenant any right to terminate this Lease in whole or in part or to seek redress against Port, except to the extent Tenant may have remedies against Port pursuant to this Lease or applicable

Law. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease, to receive any abatement, diminution, reduction or suspension of payment of Rent, or to compel Port to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

10. PORT ACTING AS OWNER OF PROPERTY; REGULATORY APPROVALS; COMPLIANCE WITH CITY'S RISK MANAGER'S REQUIREMENTS.

10.1. *Port Acting as Owner of Property.* Tenant understands and agrees that Port is entering into this Lease in its capacity as a landowner with a proprietary interest in the Premises and not as a Regulatory Agency of the City with certain police powers. By entering into this Lease, Port is in no way modifying or limiting the obligation of Tenant to obtain any required Regulatory Approvals from Regulatory Agencies, and to cause the Premises to be used and occupied in accordance with all Laws and required Regulatory Approvals. Examples of Port actions as a Regulatory Agency include Port issuance of building, encroachment and other construction-related permits, and the Chief Harbor Engineer's actions to protect public health and safety.

10.2. *Regulatory Approvals.* Tenant understands that Tenant's operations on the Premises, changes in use, or Improvements or Alterations to the Premises (individually and collectively, "Changes") may require Regulatory Approvals, including Regulatory Approvals issued by Port in its capacity as a Regulatory Agency.

Tenant shall be solely responsible for obtaining any Regulatory Approvals, and Tenant shall not seek any Regulatory Approval related to the use or occupancy of the Premises without first obtaining the prior written approval of Port. All costs associated with applying for and obtaining any necessary Regulatory Approval shall be borne solely and exclusively by Tenant. Tenant shall be solely responsible for complying with any and all conditions imposed by Regulatory Agencies as part of a Regulatory Approval; provided, however, Tenant shall not agree to the imposition of conditions or restrictions in connection with its efforts to obtain a permit or other entitlement from any Regulatory Agency (other than Port), if the Port is required to be a co-permittee under such permit or other entitlement, or if the conditions or restrictions it would impose on the project could affect use or occupancy of the Facility or Port's interest therein or would create obligations on the part of Port (whether on or off of the Premises) to perform or observe, unless in each instance Port has previously approved such conditions in writing, in Port's sole and absolute discretion.

Any fines or penalties imposed as a result of the failure of Tenant to comply with the terms and conditions of any Regulatory Approval shall be promptly paid and discharged by Tenant, and Port shall have no liability, monetary or otherwise, for any fines and penalties. To the fullest extent permitted by Law, Tenant agrees to Indemnify City, Port and their Agents from and against any Claim which City or Port may incur as a result of Tenant's failure to obtain or comply with the terms and conditions of any Regulatory Approval, other than Claims caused solely by the willful misconduct of the Port or City.

Without limiting the terms and conditions of Sections 10.1 and 10.2, by signing this Lease, Tenant agrees and acknowledges that (i) Port has made no representation or warranty that Regulatory Approvals to allow for the Changes, if any, can be obtained, (ii) although Port is an agency of the City, Port has no authority or influence over any Regulatory Agency responsible for the issuance of such required Regulatory Approvals, (iii) Port is entering into this Lease in its capacity as a landowner with a proprietary interest in the Facility and not as a Regulatory Agency of the City with certain police powers, and (iv) Tenant is solely responsible for obtaining any and all required Regulatory Approvals in connection with any Changes. Accordingly, Tenant understands that there is no guarantee, nor a presumption, that any required Regulatory Approvals will be issued by the appropriate Regulatory Agency and Port's status as an agency of the City shall in no way limit the obligation of Tenant to obtain approvals from any Regulatory Agencies (including Port) that have jurisdiction over the Facility. Tenant hereby releases and

discharges Port from any liability relating to the failure of any Regulatory Agency (including Port) from issuing any required Regulatory Approval.

10.3. *Compliance with City's Risk Manager's Requirements.* Tenant shall faithfully observe, at no cost to Port, any and all requirements of City's Risk Manager with respect to Tenant's use and occupancy of the Premises, so long as such requirements do not unreasonably interfere with Tenant's use of the Premises or are otherwise connected with standard prudent commercial practices of other landlords.

11. MAINTENANCE AND REPAIRS.

11.1. *Tenant Maintenance and Repair Obligations.* Unless otherwise set forth in the Basic Lease Information, Tenant shall at all times during the Term, starting on the Commencement Date, including any occupancy or use of the Premises by Tenant under another lease or license with Port for the same Premises, and at its sole cost and expense, maintain, repair and replace in good and working order, condition and repair the Premises and all Improvements and Alterations thereon, including, but not limited to, glazing. Unless otherwise set forth in the Basic Lease Information, Port shall not be obligated to make any repairs, replacement or renewals of any kind, nature or description whatsoever to the Premises nor to any Improvements or Alterations now or hereafter located thereon. Tenant hereby waives all rights to make repairs at Port's expense under Sections 1932(1), 1941 and 1942 of the California Civil Code or under any similar Law now or hereafter in effect. Notwithstanding any maintenance obligations of Port that may be set forth in the Basic Lease Information, in the event that Tenant, its Agents or Invitees cause any damage to the Premises or any other property within Port's jurisdiction, Tenant shall be responsible for repair and Port may repair the same at Tenant's sole cost and expense and Tenant shall immediately reimburse Port for the actual cost therefor.

Tenant shall not make, nor cause or suffer to be made, any repairs or other work for which a permit is required by any applicable building code, standard or regulation, including, without limitation, the Port Building Code or of any rule or regulation of Port without first obtaining Port's prior written consent and a permit therefor.

In the event that damage or deterioration to the Premises or any portion thereof which is Tenant's obligation to maintain results in the same not meeting the standard of maintenance reasonably required by Port for such uses as Tenant is making of the Premises, then Tenant shall have the independent responsibility for, and shall promptly undertake, maintenance or repair of the Premises and complete the same with due diligence.

11.2. *Port's Right to Inspect.* Without limiting Section 24 below, Port may make periodic inspections of the Premises and may advise Tenant when maintenance or repair of the Premises is required, but such right of inspection shall not relieve Tenant of its independent responsibility to maintain such Premises and Improvements in a condition as good as, or better than, their condition at the Commencement Date, excepting ordinary wear and tear.

11.3. *Port's Right to Repair.* In the event Tenant fails to maintain the Premises in accordance with this Lease or Tenant fails to promptly repair any damage to the Facility or the Facility Systems caused by Tenant or its Agents, Port may repair the same at Tenant's sole cost and expense and Tenant shall immediately reimburse Port for the costs therefor in accordance with the following. If the cost (including, but not limited to, salaries of Port staff and attorneys' fees) of any such repairs or replacements made at Tenant's expense is in excess of Two Thousand Dollars (\$2,000), then Tenant shall pay to Port an administrative fee equal to ten percent (10%) of the total "**Hard costs**" of the work. "**Hard costs**" shall include the cost of materials and installation, but shall exclude any costs associated with design, such as architectural fees. With respect to any work where the total hard costs of such work are less than Two Thousand Dollars (\$2,000), Tenant shall pay to Port, as Additional Rent, an amount equaling Two Hundred Dollars (\$200).

In addition, upon delivery of the initial notice relating to Tenant's failure to maintain the Premises in accordance with Section 11 ("**Maintenance Notice**"), Tenant shall pay, as Additional Rent, an amount equaling Two Hundred Dollars (\$200.00). In the event Port determines during subsequent inspection(s) that Tenant has failed to maintain the Premises in accordance with Section 11, then Tenant shall pay to Port, as Additional Rent, an amount equaling Three Hundred Dollars (\$300) for each additional Maintenance Notice, if applicable, delivered by Port to Tenant following each inspection. By signing this Lease, each party specifically agrees that the charges associated with each inspection of the Premises and delivery of each Maintenance Notice represent a fair and reasonable estimate of the administrative cost and expense which Port will incur by reason of Port's inspection of the Premises and issuance of each Maintenance Notice. Tenant's failure to comply with the applicable Maintenance Notice and Port's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights and remedies of Port under this Lease, at law or in equity. The amounts set forth in this Section shall be due within ten (10) business days following delivery of the applicable Maintenance Notice.

For purposes of this Lease, the term "**ordinary wear and tear**" shall not include any deterioration in the condition or diminution of the value of any portion of the Premises and/or the Facility in any manner whatsoever related directly or indirectly to Tenant's failure to comply with the terms and conditions of this Lease.

11.4. Acts of Nature. Nothing contained herein shall require Port to repair or replace the Premises or the Improvements thereon as a result of damage caused by acts of war, earthquake, tidal wave or other acts of nature, except that this provision shall not affect any obligation to make repairs to the Premises pursuant to Section 17 in the event of any damage or destruction of the Premises.

12. UTILITIES AND SERVICES.

12.1. Utilities. Except as may be otherwise provided in the Basic Lease Information, Tenant shall make arrangements and shall pay all charges for all Utilities to be furnished on, in or to the Premises or to be used by Tenant. Tenant shall procure all electricity for the Premises from the San Francisco Public Utilities Commission at rates to be determined by the SF Public Utilities Commission. If the SF Public Utilities Commission determines that it cannot feasibly provide service to Tenant, Tenant may seek another provider.

Except as expressly provided in the Basic Lease Information or elsewhere in this Lease, Tenant shall be obligated, at its sole cost and expense, to repair and maintain in good operating condition all Facilities Systems serving the Premises (whether within or outside the Premises and regardless of who installed same). The obligation to repair and maintain includes the obligation to routinely inspect and assess such Facilities Systems using qualified licensed professionals and to report the results of such inspections to Port. Tenant shall coordinate with Port and impacted Port tenants, if necessary, with respect to maintenance and repair of any off-Premises utility infrastructure, including providing advance notice of maintenance and repair requirements.

Tenant shall not, without the written consent of Port, which consent may be granted or withheld in Port's sole and absolute discretion, use any apparatus or device in the Premises which will in any way increase the amount of electricity usually furnished or supplied for use of the Premises, including without limitation, electronic data processing machines. If Tenant requires electric current in excess of that usually furnished or supplied for the Premises, Tenant shall first procure the written consent of Port, which Port may refuse, in its sole and absolute discretion, to the use thereof, and Port may cause an electric current meter to be installed in the Premises so as to measure the amount of electric current consumed for any such other use. The cost of any such meter and of installation, maintenance, and repair thereof shall be paid for solely by Tenant and Tenant agrees to pay to Port promptly upon demand therefor by Port for all such electric current consumed, as shown by the meter, at the rates charged for such service by the San Francisco Public Utilities Commission or the local public utility, as the case may be,

furnishing the same, plus any additional expense incurred in keeping account of the electric current so consumed.

The parties agree that any and all utility improvements (not including telephone wiring and equipment) shall become part of the realty and are not trade fixtures or Tenant's Property. Port makes no representation or warranty that utility services, including telecommunications services, will not be interrupted. Port shall not be liable in damages or otherwise for any failure or interruption of any utility services, including telecommunications services, furnished to the Premises. No such failure or interruption shall constitute a basis for constructive eviction, nor entitle Tenant to terminate this Lease or abate Rent. Tenant hereby waives the provisions of California Civil Code Section 1932(1), 1941, and 1942, or any other applicable existing or future Laws permitting the termination of this Lease due to such interruption, failure or inability.

In the event any Law imposes mandatory or voluntary controls on Port, the Facility, or the property or any part thereof, relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions, or the provision of any other utility or service provided with respect to this Lease, or in the event Port is required or elects to make alterations to any part of the Facility in order to comply with such mandatory or voluntary controls or guidelines, such compliance and the making of such alterations shall in no event entitle Tenant to any damages, relieve Tenant of the obligation to pay the full Base Rent and Additional Rent reserved hereunder or to perform each of its other covenants hereunder or constitute or be construed as a constructive or other eviction of Tenant. Port shall have the right at any time to install a water meter in the Premises or otherwise to measure the amount of water consumed on the Premises, and the cost of such meter or other corrective measures and the installation and maintenance thereof shall be paid for by Tenant.

Except as expressly provided below, from and after the date that Port provides notice to Tenant of the load-bearing capacity of the floor(s) of the Facility, Premises, or pier (the "**Floor Load Capacity**"), without Port's prior written consent, which Port may give or refuse in its sole and absolute discretion, Tenant shall not place or install in the Premises any new equipment that would exceed the Floor Load Capacity. If Port consents to the placement or installation of any new equipment that exceeds the Floor Load Capacity in the Premises, Tenant, at no cost to Port, shall reinforce the floor of the Premises, pursuant to plans and specifications approved by Port and otherwise in compliance with Section 13 below, to the extent necessary to assure that no damage to the Premises or the Facility or weakening of any structural or substructural supports, as the case may be, will be occasioned thereby. Without representation or warranty regarding the suitability of the Premises for, or otherwise waiving or limiting the right of the City or Port related to waste or other damages to the Premises or the Facility, the Port acknowledges: (A) the existence of equipment installed prior to the commencement of the Term that is currently in use within the Premises by Tenant, as well as the potential for equipment that may be installed during the Term and prior to Port notice to Tenant of an applicable Floor Load Capacity (collectively, "**Existing Equipment**"); and (B) that the Existing Equipment was installed prior to Port's adoption and notice to Tenant of a Floor Load Capacity. Notwithstanding any future Floor Load Capacity, Tenant may replace Existing Equipment with equipment that results in the same or lesser floor load as the Existing Equipment.

12.2. Services. Except as may be otherwise provided in the Basic Lease Information, Tenant shall make arrangements and shall pay all charges for all services to be furnished on, in or to the Premises or to be used by Tenant, including, without limitation, garbage and trash collection, janitorial service and extermination service.

12.3. On-Site Renewable Energy. At any time during the Term, Port shall have the right, at its sole and absolute discretion, to install, or cause another party to install, a renewable energy system, using sources such as solar (photovoltaic or solar thermal power), wind, tidal or biofuel power ("**Renewable Energy System**") on the roof of the Facility or otherwise on or near the Premises for the purpose of supplying power to the Facility or other locations, and the use of any

portion of the roof of the Facility or any other portion of the Premises shall be subject to terms and conditions mutually agreed by Tenant and Port prior to such use, except that in no event shall such use materially interfere with Tenant's use and enjoyment of the Premises, and in no event shall Tenant have any liability with respect to the maintenance, repair, replacement or removal thereof. Notwithstanding Section 12.1, unless the cost per kilowatt of power to Tenant from such Renewable Energy System is greater than the cost per kilowatt Tenant would otherwise pay for power, Tenant shall purchase all or a portion of its power needs from the operator of the Renewable Energy System.

12.4. Energy Consumption Disclosure. Tenant consents to Tenant's utility service providers disclosing energy use data for the Premises to City for use under California Public Resources Code Section 25402.10, as implemented under California Code of Regulations Sections 1680–1685, and San Francisco Environment Code Chapter 20, as each may be amended from time to time (“**Energy Consumption Reporting Laws**”), and for such data to be publicly disclosed under the Energy Consumption Reporting Laws.

13. IMPROVEMENTS AND ALTERATIONS.

13.1. Port Consent Required.

(a) Tenant shall not make nor cause or suffer to be made, any Alterations or Improvements to the Premises (i) without the prior written consent of Port, which consent shall not be unreasonably withheld; provided, however, that Port shall have the right in its sole and absolute discretion to consent or to withhold its consent to any Alterations or Improvements which affect the structural portions of the Premises, the Facility or the Facility Systems, and (ii) until Tenant shall have procured and paid for all Port and other Regulatory Approvals of the various Regulatory Agencies having jurisdiction over the Premises, including, but not limited to, any building or similar permits required by Port or its Chief Harbor Engineer in the exercise of its jurisdiction with respect to the Premises.

(b) As a condition to giving consent, Port may require Tenant to provide Port, at Tenant's sole cost and expense, one or more financial guarantees, each in a form and issued by a bank or surety acceptable to Port, such as: (i) a standby letter of credit or bond; and/or (ii) a payment and performance bond from Tenant's Contractors naming Port as co-obligee, each in a principal amount up to one hundred fifty percent (150%) but not less than one hundred percent (100%) of the estimated costs of the Alteration or Improvement, to ensure Port against any liability for mechanics' and materialmen's liens, stop notices and to ensure completion of work.

(c) At least thirty (30) days before commencing any Alterations or Improvements to the Premises, Tenant shall notify Port. Tenant's notice shall be accompanied by final construction documents for the Alterations or Improvements, if applicable. If Tenant has not previously obtained Port's approval of the proposed Alterations or Improvements, then Port shall have the right to object to any of the Alterations or Improvements within sixty (60) days after receipt of notice from Tenant. Port's failure to notify Tenant of Port's consent within the 60-day period shall be deemed Port's disapproval of the Alterations.

(d) None of the following will constitute Alterations or Improvements requiring Port's consent, unless the installation will affect Facility Systems or the structure of the building: (i) installation of furnishings, trade fixtures, equipment, or decorative improvements; (ii) painting the interior of the Premises; (iii) carpeting the Premises; and (iv) any repair, improvement, or alteration that does not require a building permit for its construction or installation and use.

13.2. Construction Requirements. All Alterations and Improvements to the Premises made by or on behalf of Tenant shall be subject to the following conditions, which Tenant covenants faithfully to perform:

(a) All Alterations and Improvements shall be performed in a good and workmanlike manner in accordance with plans and specifications previously approved by Port in writing and in compliance with the applicable building, zoning and other applicable Laws, including, but not limited to, compliance with the ADA, and in compliance with the terms of and conditions imposed in any Regulatory Approval or any permit or authorization for the Premises.

(b) All Alterations and Improvements shall be performed at the sole cost and expense of Tenant, with reasonable dispatch and prosecuted to completion, and only by duly licensed and bonded contractors or mechanics approved by Port, and subject to any conditions that Port may reasonably impose.

(c) Tenant, while performing any subsequent construction or maintenance or repair of the Improvements (for purposes of this Section only, “Work”), shall undertake commercially reasonable measures in accordance with good construction practices to minimize the risk of injury or damage to adjoining portions of the Premises and Improvements and the surrounding property, or the risk of injury to members of the public, caused by or resulting from the performance of its Work. Tenant shall undertake commercially reasonable measures to minimize damage, disruption or inconvenience caused by the Work and make adequate provision for the safety and convenience of all persons affected by the Work. Dust, noise and other effects of the Work shall be controlled using commercially-accepted methods customarily used to control deleterious effects associated with construction projects in populated or developed urban areas. Tenant shall erect appropriate construction barricades substantially enclosing the area of such construction and maintain them until the Work has been substantially completed, to the extent reasonably necessary to minimize the risk of hazardous construction conditions.

(d) At the completion of any Work described in this Section, Tenant shall furnish to Port one reproducible “as built” drawing of all Alterations and Improvements made in the Premises. If Tenant fails to provide such as-built drawings to Port within sixty (60) days after completion of the Improvements, Port, after giving notice to Tenant shall have the right, but not the obligation, to cause the preparation by an architect of Port’s choice of “as-built” drawings, at Tenant’s sole cost, to be paid by Tenant to Port within thirty (30) days after Port’s request therefor.

(e) Without limiting Section 15 below (Hazardous Materials), in the event that asbestos-containing materials (“ACM”) are determined to exist in or about the Premises, Tenant shall ensure that all Alterations and Improvements and any asbestos related work, as further defined in California Health & Safety Code Section 25914.1(b), is performed in compliance with all Laws relating to asbestos, including but not limited to, Cal-OSHA regulations found in Title 8 of the California Code of Regulations, Sections 1502 and 1529. Additionally, Tenant shall distribute notifications to all employees and contractors as required pursuant to California Health & Safety Code Sections 25915 et seq. informing them of the existence of ACM and that moving, drilling, boring, or otherwise disturbing ACM may present a health risk and should not be attempted by an unqualified employee. No Alterations or Improvements affecting ACM-containing areas or any asbestos related work shall be performed without Port’s prior written consent in each instance.

(f) Tenant, on behalf of itself and its Agents or Invitees, shall comply with all requirements of the Port Building Code, Section 3424, and all other Laws, including, without limitation, the California and United States Occupational Health and Safety Acts and their implementing regulations, when the work of Alterations or Improvements disturbs or removes lead-based or presumed lead-based paint (as described below). Tenant and its Agents or Invitees shall give to Port three (3) business days prior written notice of any disturbance or removal of lead-based or presumed lead-based paint. Further, Tenant and its Agents or Invitees, when disturbing or removing lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter

(“HEPA”) local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers, without Port’s prior written consent; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool, without Port’s prior written consent; and (e) heat guns operating above 1,100 degrees Fahrenheit. Paint on the interior and exterior of buildings built before December 31, 1978, is presumed to be lead-based paint unless lead-based paint testing, as defined in Section 3424 of the Port Building Code, demonstrates an absence of lead-based paint on the surfaces of such buildings. Under this Section 13.2(f), lead-based paint is “**disturbed or removed**” if the work of Alterations or Improvements involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on an interior or exterior surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

13.3. Improvements Part of Realty. Except as set forth in Section 13.4 below, and excluding trade fixtures, all Alterations and Improvements constructed on or affixed to the Premises by or on behalf of Tenant shall immediately upon construction or installation become part of the realty owned by Port and shall, at the end of the Term hereof, remain on the Premises without compensation to Tenant. Tenant may not remove any such property at any time during or after the Term unless Port so requires as further provided in Section 25 (Surrender).

13.4. Removal of Improvements. Prior to the Expiration Date or earlier termination of this Lease, Port may give written notice to Tenant (herein “**Notice of Removal**”) specifying the Alterations or Improvements that are designated as Tenant’s Property as defined in this Lease or as may be specifically provided in the relevant permits or plans approved by Port, which Tenant shall be required to remove and relocate or demolish and remove from the Premises in accordance with Section 25. Any such removal is subject to the requirements of this Section, including the requirement to obtain a Port building or similar permit. If termination of this Lease is the result of loss or destruction of the Premises or any Improvements thereon, Port shall deliver the Notice of Removal to Tenant within a reasonable time after the loss or destruction. Tenant shall be obligated at its own expense to remove all Alterations or Improvements specified in the Notice of Removal, including without limitation all telephone wiring and equipment installed by Tenant. Tenant shall promptly repair, at its own expense, in good and workmanlike fashion any damage occasioned thereby. If Tenant fails to complete any required demolition or removal on or before the termination of this Lease, Port may perform such removal or demolition at Tenant’s expense, and Tenant shall reimburse Port within ten (10) business days after demand therefor. Tenant may request Port’s determination whether an existing or proposed Alteration or Improvement will be required to be removed at the expiration or earlier termination of this Lease. Port shall notify Tenant of its determination within thirty (30) days of Tenant’s request; a Port determination that an Alteration or Improvement may remain on the Premises after Lease expiration or termination shall be binding upon Port

13.5. Removal of Non-Permitted Improvements. If Tenant constructs any Alterations or Improvements without Port’s prior written consent or without complying with Section 13.2 above, then, in addition to any other remedy available to Port, Port may require Tenant to remove, at Tenant’s expense, any or all such Alterations or Improvements and to promptly repair, at Tenant’s expense and in good workmanlike fashion, any damage occasioned thereby. Tenant shall pay to Port all special inspection fees as set forth in any applicable building code, standard or regulation, including, without limitation, the Port Building Code, for inspection of work performed without required permits. The foregoing obligation of Tenant to reimburse Port for all cost and expenses incurred by Port in connection with Tenant’s failure to comply with the provisions of Section 13 shall survive the expiration or earlier termination of this Lease.

13.6. All-Gender Toilet Facilities. If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of any new building on City-owned land and within existing buildings leased by the City, including the Premises, where extensive renovations are made. An “**all-gender toilet facility**” means a toilet that is not restricted to use by persons of a specific sex or gender identity by

means of signage, design, or the installation of fixtures, and “**extensive renovations**” means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this section. If Tenant has any question about applicability or compliance, Tenant should contact the Port’s Property Manager for guidance.

13.7. Signs. Tenant shall not install business signage, awnings or other exterior decoration or notices on the Premises without Port’s prior written consent. Any sign that Tenant is permitted to place, construct or maintain on the Premises shall comply with all Laws relating thereto, including but not limited to, Port’s Sign Guidelines, as revised by Port from time to time, and building permit requirements, and Tenant shall obtain all Regulatory Approvals required by such Laws. Port makes no representation with respect to Tenant’s ability to obtain such Regulatory Approval. Tenant, at its sole cost and expense, shall remove all signs placed by it on the Premises at the expiration or earlier termination of this Lease.

13.8. Improvements on Roof. Tenant shall not install any equipment on the roof or any other part of the Facility outside of the Premises without Port’s prior written consent. If Port consents, then Tenant shall have a non-exclusive revocable license on and over the areas of the Facility necessary to install, maintain and repair the equipment in a location mutually agreeable to Port and Tenant, subject to and consistent with all necessary Regulatory Approvals, including a building or encroachment permit issued by Port. Port makes no representation with respect to Tenant’s ability to obtain such Regulatory Approvals. Tenant’s use of any licensed areas shall be subject to all the terms and conditions of this Lease and Tenant shall have the obligations and liabilities as if the licensed areas are included in the Premises under this Section, and Sections 3.8, 9-11, 13, 15, 16, 19 and 25 of this Lease. The license granted to Tenant hereunder is for the sole purpose of constructing, maintaining, restoring, replacing and operating Tenant’s approved equipment, including any necessary conduits, only in connection with Tenant’s Permitted Uses under this Lease and Tenant shall not have the right to install any other equipment outside of the Premises, including without limitation a telecommunications (cell) site or any other equipment that can be used for any commercial purpose. The license granted hereby includes the right of ingress and egress through the Facility during non-business hours for access to or from the Premises and Tenant’s equipment. In the event of an emergency, Tenant shall have the right to enter the licensed areas provided it makes good faith efforts to notify Port in advance of such entry.

13.9. Port’s Alterations. Port reserves the right at any time to make Alterations, additions, repairs, deletions or improvements to the Common Areas or any other part of the Facility (other than the Premises), the Facility Systems, or adjacent Port property (“**Port Work**”). Port shall use commercially reasonable efforts to conduct any of the foregoing activities in a manner that, to the extent reasonably practicable, will minimize inconvenience or disturbance to Tenant; Port will use reasonable efforts but have no obligation to minimize inconvenience or disturbance to Tenant for Port Work when the Port Work is necessary, in Port’s sole and absolute discretion, to maintain Port property in safe, hazard-free condition. In no event will inconvenience or disturbance caused by Port Work constitute an actual or constructive eviction of Tenant, entitle Tenant to any abatement or diminution of Rent, or otherwise relieve Tenant from any of its obligations under this Lease. Tenant hereby waives any and all Claims against Port, City and their Agents arising out of any inconvenience or disturbance occasioned by Port Work.

14. LIENS.

Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant or its Agents. In the event that Tenant shall not, within twenty (20) days following the imposition of any such lien, cause the same to be released of record, Port shall have, in addition to all other remedies provided by this Lease or by Law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including without limitation, payment of the claim giving rise to such lien. All

sums paid by Port for such purpose, plus interest at the Interest Rate, and all reasonable expenses incurred by Port in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Port by Tenant upon demand. Port shall have the right to post on the Premises any notices that Port may deem proper for the protection of Port, the Premises, and the Facility, from mechanics' and materialmen's liens. Tenant shall give to Port at least fifteen (15) days' prior written notice of commencement of any Alteration, repair or construction on the Premises. Tenant agrees to Indemnify Port, City and their respective Agents from and against any Claims for mechanic's, materialmen's or other liens in connection with any Alterations, repairs or construction on the Premises, or materials furnished or obligations incurred by or for Tenant.

Without limiting the foregoing, Tenant shall not create, permit or suffer any liens or encumbrances affecting any portion of the Premises, the Facility or Port's interest therein or under this Lease, except to the extent such lien or encumbrance is approved by the Port in its sole and absolute discretion.

15. HAZARDOUS MATERIALS.

15.1. *Requirements for Handling.* Neither Tenant nor its Agents or Invitees may Handle or permit any other person to Handle any Hazardous Material in, on, under or about the Premises, any other part of the Facility, or other Port property, subject only to the following exceptions, provided that Handling is at all times in full compliance with all Environmental Laws: janitorial and office supplies in limited amounts customarily used for general office purposes, and Hazardous Material that is necessary for Tenant's operations at the Premises, including without limitation, any Hazardous Material required for the operation of vehicles or equipment used in connection with Tenant's operations at the Premises.

15.2. *Tenant Responsibility.* Tenant agrees to protect its Agents and Invitees in its operations on the Premises from hazards associated with Hazardous Materials in accordance with all Environmental Laws and also agrees, for itself and on behalf of its Agents and Invitees, that during its use and occupancy of the Premises, each of them:

(a) will not permit any Hazardous Materials to be present in, on, under or about the Premises, any other part of the Facility, or other Port property except as permitted under Section 15.1;

(b) will not cause or permit the occurrence of any Hazardous Material Condition; and

(c) will comply with all Environmental Laws relating to Tenant's, and its Agents' and Invitees', use or occupancy of the Premises and any Hazardous Material Condition, except as provided in Section 15.4(b) below, and will not engage in or permit any activity at the Premises, any other part of the Facility, other Port property, or in the operation of any vehicles or vessels used in connection with the Premises in violation of any Environmental Laws.

15.3. *Tenant's Environmental Condition Notification Requirements.*

(a) Tenant must notify Port immediately, orally or by other means that will transmit the earliest possible notice to Port staff, followed within twenty-four (24) hours by written notice, of and when Tenant learns or has reason to believe Hazardous Materials were Released or, except as allowed under Section 15.1, Handled, in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels that Tenant or its Agents or Invitees use during Tenant's occupancy of the Premises, whether or not the Release or Handling is in quantities that would be required under Environmental Laws to be reported to an Environmental Regulatory Agency.

(b) Tenant must notify Port immediately, orally or by other means that will transmit the earliest possible notice to Port staff, followed within twenty-four (24) hours by written notice, and contemporaneously provide Port with an electronic copy, of:

(i) Any notice of the Release or Handling of Hazardous Materials, in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels Tenant, or its Agents and Invitees uses during Tenant's occupancy of the Premises that Tenant or its Agents or Invitees provides to an Environmental Regulatory Agency;

(ii) Any notice of a violation, or a potential or alleged violation, of any Environmental Law that Tenant or its Agents or Invitees receives from any Environmental Regulatory Agency;

(iii) Any other Environmental Regulatory Action that is instituted or threatened by any Environmental Regulatory Agency against Tenant or its Agents or Invitees and that relates to the Release or Handling of Hazardous Materials, in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels Tenant, or its Agents and Invitees uses during Tenant's occupancy of the Premises;

(iv) Any Hazardous Material Claim that is instituted or threatened by any third party against Tenant or its Agents or Invitees and that relates to the Release or Handling of Hazardous Materials, in, on, or about the Premises, the Facility, other Port property, or the environment, or from any vehicles or vessels Tenant, or its Agents and Invitees uses during Tenant's occupancy of the Premises; and

(v) Any notice of the termination, expiration, or substantial amendment of any Environmental Regulatory Approval needed by Tenant or its Agents or Invitees for their operations at the Premises.

(c) Tenant must notify Port of any meeting, whether conducted face-to-face or telephonically, between Tenant and any Environmental Regulatory Agency regarding an Environmental Regulatory Action. Port will be entitled to participate in any such meetings at its sole election.

(d) Tenant must notify Port of any Environmental Regulatory Agency's issuance of an Environmental Regulatory Approval. Tenant's notice to Port must state the issuing entity, the Environmental Regulatory Approval identification number, and the date of issuance and expiration of the Environmental Regulatory Approval. In addition, Tenant must provide Port with a list of any plan or procedure required to be prepared and/or filed with any Environmental Regulatory Agency for operations on the Premises, including a "Spill Prevention Control and Countermeasure Plan." Tenant must provide Port with copies of any of the documents within the scope of this section upon Port's request.

(e) Tenant must provide Port with copies of all communications with Environmental Regulatory Agencies and all non-privileged communications with other persons regarding potential or actual Hazardous Material Claims arising from Tenant's or its Agents' or Invitees' operations at the Premises. Upon Port's request, Tenant must provide Port with a log of all communications withheld under a claim of privilege that specifies the parties to and subject of each withheld communication.

(f) Port may from time to time request, and Tenant will be obligated to provide, information reasonably adequate for Port to determine that any and all Hazardous Materials are being Handled in a manner that complies with all Environmental Laws.

15.4. Requirement to Remediate.

(a) Tenant's Remediation obligations under this subsection are subject to subsection (b).

(i) After notifying Port in accordance with Section 15.3(a), Tenant must Remediate at its sole cost in compliance with all Environmental Laws and this Lease, any Hazardous Material Condition occurring during the Term or while Tenant or its Agents or Invitees otherwise occupy any part of the Premises. Tenant must obtain Port's approval of a

Remediation work plan, whether or not required under Environmental Laws, then begin Remediation actions immediately following Port's approval of the work plan and continue diligently until Remediation is complete, as determined by Port, in its sole discretion.

(ii) In addition to its obligations under clause (i), before this Lease terminates for any reason, Tenant must Remediate at its sole cost in compliance with all Environmental Laws and this Lease: (A) any Hazardous Material Condition caused by Tenant's or its Agents' or Invitees' Handling Hazardous Materials during the Term; and (B) any Hazardous Material Condition discovered during Tenant's occupancy that any Regulatory Agency requires to be Remediated if Remediation would not have been required but for Tenant's use of or Changes to the Premises.

(iii) If Environmental Laws governing Remediation require a remedial action plan, Tenant must provide a draft of its plan to Port for comment and approval before submittal to the appropriate Environmental Regulatory Agency, and a copy of the final plan as submitted.

(iv) In all situations relating to Handling or Remediating Hazardous Materials, Tenant must take all actions that are reasonably necessary in Port's sole judgment to protect the value of the Premises or the Facility, such as obtaining Environmental Regulatory Approvals related to Hazardous Materials and taking measures to remedy any deterioration in the condition or diminution of the value of any portion of the Premises or the Facility in any manner related directly or indirectly to Hazardous Materials.

(b) Unless Tenant or its Agents or Invitees Exacerbate the Hazardous Material Condition, Tenant will not be obligated to Remediate any Hazardous Material Condition: (i) caused solely by City, Port, or their Agents; or (ii) arising before the Commencement Date or the date of Tenant's first use of the Premises, whichever is earlier.

15.5. Port's Right to Audit. Port will have the right, but not the obligation, to inspect and audit the Premises for any Hazardous Materials, including the right to Investigate, at reasonable times under Section 24 (Port's Entry on Premises). Port's failure to inspect or obtain samples or to detect conditions attributable to Tenant's operations if an inspection is conducted may not be deemed to be a release of any liability for any Hazardous Materials subsequently determined to be Tenant's responsibility under this Lease.

15.6. Notification of Asbestos. Port hereby notifies Tenant, in accordance with the OSHA Asbestos Rule (1995), 59 Fed. Reg. 40964, 29 CFR §§ 1910.1001, 1926.1101 (as amended, clarified and corrected) (OSHA Asbestos Rule); California Health and Safety Code §§ 25915-259.7 and Cal-OSHA General Industry Safety Order for Asbestos, 8 CCR § 5208, of the presence of asbestos-containing materials ("ACMs") and/or presumed asbestos-containing materials ("PACMs") (as such terms are defined in Cal-OSHA General Industry Safety Order for Asbestos), in the locations identified in the summary/table, if any, set forth in **Schedule 1** attached hereto.

This notification by Port is made pursuant to a building inspection survey(s), if any, performed by Port or its contractors qualified to perform an asbestos building survey identified in the summary/table, if any, set forth in **Schedule 1** attached hereto. Such survey(s), monitoring data and other information are kept at Port of San Francisco, Pier 1, San Francisco, California, 94111 and are available for inspection upon request.

Tenant hereby acknowledges receipt of the notification specified in the first paragraph of Section 15.6 hereof and the notice or report attached as **Schedule 1** hereto and understands, after having consulted its legal counsel, that it must make its employees and contractors aware of the presence of ACMs and/or PACMs in or about the Premises in order to avoid or minimize any damage to or disturbance of such ACMs and/or PACMs. Tenant further acknowledges its obligations under Cal-OSHA General Industry Safety Order for Asbestos to provide information

to its employees and contractors regarding the presence of ACMs and PACMs at the Premises and to provide a training program for its employees that conforms with 8 CCR § 5208(j)(7)(C).

Tenant agrees that its waiver of Claims set forth in Section 19 below (Indemnity and Exculpation) is given with full knowledge of the presence, or possibility, of asbestos in or about the Premises and/or the Facility and the potential consequences of such fact. Tenant is aware that the presence, or possibility, of asbestos in or about the Premises may limit Tenant's ability to construct Alterations to the Premises without Tenant first performing abatement of such asbestos. The presence of asbestos in the Premises and/or the Facility and the removal or non-removal by Port of all or a portion of the asbestos in the Facility, whether in the Premises or elsewhere in the Facility, shall not, however, (i) entitle Tenant to any Claim, (ii) relieve Tenant of any of its obligations hereunder, including without limitation the obligation to pay Rent, or (iii) constitute or be construed as a constructive or other eviction of Tenant.

Notwithstanding any other provisions of this Lease, Tenant agrees to Indemnify Port for Tenant's acts or omissions that result in (1) asbestos-related enforcement actions, including both administrative or judicial proceedings, and (2) any Claims arising from an alleged violation by Tenant of Cal-OSHA General Industry Safety Order for Asbestos and/or exposures to asbestos.

15.7. Notification of Lead. Port hereby notifies Tenant of the potential presence of lead-containing and presumed lead-containing materials in the Premises or Facility. Disturbance or removal of lead is regulated by, among other Laws, 29 CFR §§ 1910.1025, 1926.62; California Health & Safety Code §§ 105185-105197 and 105250-105257; Cal-OSHA Construction Safety Order for Lead, Title 8 CCR § 1532.1; Title 17 CCR Chapter 8; and Port Building Code § 3424.

Tenant agrees that its waiver of Claims set forth in Section 19 below (Indemnity and Exculpation) is given with full knowledge of the presence, or possibility, of lead in or about the Premises and/or the Facility and the potential consequences of such fact. Tenant is aware that the presence, or possibility, of lead in or about the Premises may limit Tenant's ability to perform any Improvements or Alterations to the Premises without Tenant first performing abatement of such lead. The presence of lead in the Premises and/or the Facility and the removal or non-removal by Port of all or a portion of the lead, whether in the Premises or elsewhere in the Facility, shall not, however, (i) entitle Tenant to any Claim, (ii) relieve Tenant of any of its obligations hereunder, including without limitation the obligation to pay Rent, or (iii) constitute or be construed as a constructive or other eviction of Tenant.

Notwithstanding any other provisions of this Lease, Tenant agrees to Indemnify Port for Tenant's acts or omissions that result in (1) lead-related enforcement actions, including both administrative or judicial proceedings, and (2) any Claims arising from an alleged violation by Tenant of Cal-OSHA Construction Safety Order for Lead and/or exposures to lead.

15.8. Storm Water Pollution Prevention.

(a) Tenant must comply with the applicable provisions of the Statewide General Permit for Discharge of Industrial Storm Water issued by the State Water Resources Control Board, including requirements for filing a Notice of Intent to be covered, developing and implementing a site-specific Storm Water Pollution Prevention Plan ("SWPPP"), and conducting storm water monitoring and reporting. Tenant shall provide a copy of its SWPPP and a copy of its Notice of Intent for Tenant's Premises to Port's Real Estate Division before the Effective Date of this Lease.

(b) Post-Construction Requirements. In addition to requiring compliance with the permit requirements under Subsection (a), Tenant shall comply with applicable post-construction stormwater control provisions of the Statewide General Permit for Discharge of Stormwater from Small Municipalities and the San Francisco Stormwater Management Requirements and Design Guidelines, subject to review and permitting by the Port.

15.9. Presence of Hazardous Materials. California Law requires landlords to disclose to tenants the presence or potential presence of certain Hazardous Materials. Accordingly, Tenant is hereby advised that Hazardous Materials (as herein defined) may be present on or near the Premises, including, but not limited to, vehicle fluids, janitorial products, tobacco smoke, and building materials containing chemicals, such as asbestos, naturally-occurring radionuclides, lead and formaldehyde. Further, the following known Hazardous Materials are present on the property: asbestos in building, if any, as described in *Schedule 1* attached hereto, and the Hazardous Materials described in the reports listed in *Schedule 4*, copies of which have been delivered to or made available to Tenant. By execution of this Lease, Tenant acknowledges that the notice set forth in this section satisfies the requirements of California Health and Safety Code Section 25359.7 and related Laws. Tenant must disclose the information contained in this Section 15.9 to any subtenant, licensee, transferee, or assignee of Tenant's interest in this Lease. Tenant also acknowledges its own obligations pursuant to California Health and Safety Code Section 25359.7 as well as the penalties that apply for failure to meet such obligations.

15.10. Survival. Tenant's obligations under Section 15 shall survive the expiration or earlier termination of this Lease. For purposes of this Section 15, the term "Commencement Date" shall mean the commencement date (including any early entry period, if any) of the Prior Lease.

16. INSURANCE.

16.1. Required Insurance Coverage. Tenant, at its sole cost and expense, shall maintain, or cause to be maintained, throughout the Term, the following insurance:

(a) **General Liability Insurance.** Comprehensive or commercial general liability insurance, with limits not less than One Million Dollars (\$1,000,000.00) each occurrence combined single limit for bodily injury and property damage, including coverages for contractual liability, independent contractors, broad form property damage, personal injury, products and completed operations, fire damage and legal liability with limits not less than Two Hundred Fifty Thousand Dollars (\$250,000.00), and explosion, collapse and underground (XCU) coverage during any period in which Tenant is conducting any activity on or Alteration or Improvement to the Premises with risk of explosion, collapse, or underground hazards. This policy must also cover all mobile equipment or unlicensed vehicles, such as forklifts

(b) **Automobile Liability Insurance.** Comprehensive or business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000.00) each occurrence combined single limit for bodily injury and property damage, including coverages for owned and hired vehicles and for employer's non-ownership liability, which insurance shall be required if any automobiles or any other motor vehicles are operated in connection with Tenant's activity on the Premises or the Permitted Use.

(c) **Workers' Compensation; Employer's Liability; Jones Act; U.S. Longshore and Harborworker's Act Insurance.** Worker's Compensation Insurance, U.S. Longshore and Harborworker's Act Insurance and Jones Act Insurance with Employer's Liability limit not less than One Million Dollars (\$1,000,000.00) for each accident, injury or illness, on employees eligible for each. In the event Tenant is self-insured for the insurance required pursuant to this Section 16.1(c), it shall furnish to Port a current Certificate of Permission to Self-Insure signed by the Department of Industrial Relations, Administration of Self-Insurance, Sacramento, California. Notwithstanding the foregoing, so long as Tenant complies with Sections 8.2(h) and 8.2(i) above, Tenant shall not be required to maintain insurance for claims under the Jones Act or U.S. Longshore and Harborworker's Act, respectively.

(d) **Personal Property Insurance.** Tenant, at its sole cost and expense, shall procure and maintain on all of Tenant's Property and Alterations, in, on, or about the Premises, personal property insurance on an all risk form, excluding earthquake and flood, in an amount not less than full replacement value or a stated value, at Tenant's sole discretion, for the replacement of Tenant's Property. In addition to the foregoing, Port may, in its sole discretion,

insure any personal property leased to Tenant by Port pursuant to this Lease in such amounts as Port deems reasonably appropriate and Tenant shall have no interest in the proceeds of such personal property insurance. Port shall have no responsibility or obligation to maintain insurance or replace Tenant's Property, Alterations, or any Improvements regardless of cause of loss.

(e) Construction Activities. At all times during any period of Tenant's construction of Improvements or Alterations subject to Section 13,

(i) Tenant shall require Tenant's contractor to maintain (a) commercial general liability insurance with limits of not less than Three Million Dollars (\$3,000,000) combined single limit for bodily injury and property damage (including personal injury and death), and products and completed operations coverage in an amount not less than Five Hundred Thousand Dollars (\$500,000) per incident, One Million Dollars (\$1,000,000) in the aggregate; (b) comprehensive automobile liability insurance with a policy limit of not less than One Million Dollars (\$1,000,000) each accident for bodily injury and property damage, providing coverage at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, "any auto", and insuring against all loss in connection with the ownership, maintenance and operation of automotive equipment that is owned, hired or non-owned; (c) worker's compensation with statutory limits and employer's liability insurance with limits of not less than One Hundred Thousand Dollars (\$100,000) per accident, Five Hundred Thousand Dollars (\$500,000) aggregate disease coverage and One Hundred Thousand Dollars (\$100,000) disease coverage per employee; and (d) owners and contractors protective liability with limits of not less than Three Million Dollars (\$3,000,000) combined single limit for bodily injury and property damage (including personal injury and death). Tenant shall cause Tenant's Agents (other than Tenant's contractor) to carry such insurance as shall be reasonably approved by Port taking into account the nature and scope of the work and industry custom and practice.

(ii) In addition, Tenant shall carry "Builder's All Risk" insurance on a form reasonably approved by Port, in the amount of one hundred percent (100%) of the completed value of all new construction, insuring all new construction, including all materials and equipment incorporated in, on or about the Premises, and in transit or storage off-site, that are or will be part of the permanent Improvements, against "all risk" and "special form" hazards.

(iii) Tenant shall require all providers of professional services, including architectural, design, engineering, geotechnical, and environmental professionals under contract with Tenant for any Improvements or any Alterations to maintain professional liability (errors or omissions) insurance, with limits not less than One Million Dollars (\$1,000,000.00) each claim and aggregate, with respect to all professional services provided to Tenant therefor.

(f) Other Coverage. Not more often than every year and upon not less than sixty (60) days prior written notice, Port may require Tenant to increase the insurance limits set forth above or to provide other coverage and/or different coverage amounts as may be required by Law, the City's Risk Manager or as is generally required by commercial owners of buildings similar in size, character, age and location as the Facility with respect to risks comparable to those associated with the use of the Premises.

16.2. Claims-Made Policies. If any of the insurance required in Section 16.1 above is provided under a claims-made form of policy, Tenant shall maintain such coverage continuously throughout the Term and without lapse for a period of three (3) years beyond the termination of this Lease, to the effect that should occurrences during the Term give rise to claims made after termination of this Lease, such claims shall be covered by such claims-made policies.

16.3. Annual Aggregate Limits. If any of the insurance required in Section 16.1 above is provided under a form of coverage which includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be double the occurrence limits specified herein.

16.4. Payment of Premiums. Tenant shall pay the premiums for maintaining all required insurance.

16.5. Waiver of Subrogation Rights. Notwithstanding anything to the contrary contained herein, Port and Tenant (each a “**Waiving Party**”) each hereby waives any right of recovery against the other party for any loss or damage sustained by such other party with respect to the Facility or the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party, to the extent such loss or damage is covered by insurance which is required to be purchased by the Waiving Party under this Lease or is actually covered by insurance obtained by the Waiving Party. Each Waiving Party agrees to cause its insurers to issue appropriate waiver of subrogation rights endorsements to all policies relating to the Facility or the Premises; provided, the failure to obtain any such endorsement shall not affect the above waiver.

16.6. General Insurance Matters.

(a) All liability insurance policies required to be maintained by Tenant hereunder shall contain a cross-liability clause, shall name as additional insureds by written endorsement the “**CITY AND COUNTY OF SAN FRANCISCO AND THE SAN FRANCISCO PORT COMMISSION AND THEIR OFFICERS, DIRECTORS, COMMISSIONERS, EMPLOYEES AND AGENTS,**” shall be primary and non-contributory to any other insurance available to the additional insureds with respect to claims arising under this Lease, and shall provide that such insurance applies separately to each insured against whom complaint is made or suit is brought except with respect to the limits of the company’s liability.

(b) All insurance policies required to be maintained by Tenant hereunder shall be issued by an insurance company or companies reasonably acceptable to Port with an AM Best rating of not less than A-VIII and authorized to do business in the State of California. Tenant’s compliance with this Section shall in no way relieve or decrease Tenant’s liability under this Lease.

(c) All insurance policies required to be maintained by Tenant hereunder shall be endorsed to provide for thirty (30) days prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Tenant and Port.

(d) Tenant shall deliver to Port certificates of insurance, additional insured policy endorsements and waiver of subrogation endorsements in a form satisfactory to and at the direction of Port, such as hard copy documentation or use of an internet-based insurance compliance tracking systems such as EXIGIS, evidencing the coverages required herein, together with evidence of payment of premiums, on or before the Commencement Date, and upon renewal of each policy not less than thirty (30) days before expiration of the term of the policy. If Port is using an internet-based insurance compliance tracking system, Tenant’s broker shall complete the insurance questionnaire and submit all required documentation. Tenant shall, upon Port’s request, promptly furnish Port with a complete copy of any insurance policy required hereunder.

17. DAMAGE AND DESTRUCTION.

17.1. Damage and Destruction. If the Premises or the Facility is damaged by fire or other casualty, then Port shall repair the same provided that funds for such repairs are appropriated by Port, in its sole discretion, for such purpose and that such repairs can be made within the Repair Period. In the event such conditions are satisfied, this Lease shall remain in full force and effect except that so long as such damage or casualty is not attributable to Tenant, its Agents or Invitees, Tenant shall be entitled to a proportionate reduction of Base Rent during the Repair Period based upon the extent to which such damage and the making of such repairs materially interferes with Tenant’s use or occupancy of the Premises less the actual amount of business interruption insurance proceeds that Tenant receives, or would have received if Tenant

complied with the requirements set forth in Section 16 above, which proceeds are to be applied against the payment of Rent during any Repair Period.

Port shall use its commercially reasonable efforts to notify Tenant within ninety (90) days after the date of such damage whether or not such repairs can be made within the Repair Period, and Port's determination thereof shall be binding on Tenant. If such repairs cannot be made within the Repair Period, Port shall have the option to notify Tenant of: (a) Port's intention to repair such damage and diligently prosecute such repairs to completion within a reasonable period after the Repair Period, subject to appropriation of funds, in which event this Lease shall continue in full force and effect and the monthly Base Rent shall be reduced as provided herein; or (b) Port's election to terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Port. In case of termination, the monthly Base Rent shall be reduced as provided above, and Tenant shall pay such reduced monthly Base Rent up to the date of termination.

If Port elects not to appropriate funds for such repair, Port shall give written notice to Tenant within sixty (60) days after the date Port elects not to appropriate funds of its election to terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Port. In case of termination, the monthly Base Rent shall be reduced as provided above, and Tenant shall pay such reduced monthly Base Rent up to the date of termination.

If at any time during the last six (6) months of the Term, the Premises or the Facility is damaged or destroyed, then either Port or Tenant may terminate this Lease by giving written notice to the other party of its election to do so within thirty (30) days after the date of the occurrence of such damage; provided, however, Tenant may terminate only if such damage or destruction substantially impairs its use or occupancy of the Premises for the Permitted Use. The effective date of termination shall be specified in any notice of termination provided pursuant to this Section 17, which date shall not be more than thirty (30) days from the date of the notice. Notwithstanding the effective date of termination under this Section, Tenant shall be afforded reasonable access to the Premises to remove personal property, equipment, and trade fixtures.

Notwithstanding anything to the contrary in this Lease, (i) Port shall have no obligation to repair the Premises or the Facility, (ii) Tenant shall not be entitled to any abatement of Rent beyond that authorized in Section 3.9, and (iii) Tenant shall not be entitled to terminate this Lease, in the event the damage or destruction is attributable to any act or omission of Tenant, its Agents, or Invitees. In no event shall Port be required to repair any damage to Tenant's Property or any paneling, decorations, railings, floor coverings, or any Improvements or other Alterations installed or made on the Premises by or at the expense of Tenant. Notwithstanding any other provision of this Lease, in the event the Premises or the Facility is substantially damaged or destroyed and Port intends to rebuild for a Port program or project that is inconsistent with this Lease, Port may terminate this Lease upon written notice to Tenant.

17.2. Waiver. Port and Tenant intend that the provisions of Section 17 govern fully in the event of any damage or destruction and accordingly, Port and Tenant each hereby waives the provisions of Section 1932, subdivision 2, Section 1933, subdivision 4, Sections 1941 and 1942 of the Civil Code of California or under any similar Law now or hereafter in effect.

18. EMINENT DOMAIN.

18.1. General. If all or part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, this Lease shall terminate as to any portion of the Premises so taken or conveyed on the Date of Taking.

18.2. Partial Takings. If (a) a part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, and (b) Tenant is reasonably able to continue the operation of Tenant's business in that portion of the Premises remaining, and (c) Port elects to restore the Premises to an architectural whole, then

this Lease shall remain in effect as to the portion of the Premises remaining, and the Base Rent payable from the Date of Taking shall be reduced by an amount that is in the same ratio to the Base Rent as the value of the area so taken bears to the total value of the Premises immediately before the Date of Taking. If, after a partial taking, Tenant is not reasonably able to continue the operation of its business in the Premises or Port elects not to restore the Premises to an architectural whole, this Lease may be terminated by either Port or Tenant by giving written notice to the other party no earlier than thirty (30) days prior to the Date of Taking and no later than thirty (30) days after the Date of Taking. Such notice shall specify the date of termination, which shall be not less than thirty (30) nor more than sixty (60) days after the date of notice. Notwithstanding the effective date of termination under this Section, Tenant shall be afforded reasonable access to the Premises to remove personal property, equipment, and trade fixtures.

18.3. Taking of the Facility. If any substantial portion of the Facility is taken under the power of eminent domain or conveyance in lieu thereof, such that Tenant is not reasonably able to continue the operation of Tenant's business, whether any portion of the Premises is taken or not, Tenant and Port shall have the right to terminate this Lease by written notice to the other party within thirty (30) days of the Date of Taking.

18.4. Temporary Takings. Notwithstanding anything to the contrary contained in Section 18, if a taking occurs with respect to all or any part of the Premises for a limited period of time, this Lease shall remain unaffected thereby and Tenant shall continue to pay Rent and to perform all of the terms, conditions and covenants of this Lease. Tenant shall be entitled to receive that portion of any award representing compensation for the use or occupancy of the Premises during the Term up to the total Rent owing by Tenant for the period of the taking, and Port shall be entitled to receive the balance of any award.

18.5. Award; Waiver; Termination of Lease; Rent. Upon termination of this Lease in its entirety pursuant to Section 18.1, Section 18.3, or pursuant to an election under Section 18.2, then: (i) Tenant's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (ii) Port shall be entitled to the entire Award in connection therewith (including, but not limited to, any portion of the Award made for the value of the leasehold estate created by this Lease and any Improvements Pertaining to the Realty), and Tenant shall have no claim against Port for the value of any unexpired term of this Lease, provided that Tenant may make a separate claim for compensation, and Tenant shall receive any Award made specifically to Tenant, for Tenant's relocation expenses or the interruption of or damage to Tenant's business or damage to Tenant's Property. Port and Tenant intend that the provisions of Section 18 shall govern fully in the event of condemnation and accordingly, Port and Tenant each hereby waive any right to terminate this Lease in whole or in part under Sections 1265.110, 1265.120, 1265.130, and 1265.140 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

19. INDEMNITY AND EXCULPATION.

19.1. General Indemnity. Tenant shall Indemnify Port, City, including, but not limited to, all of their respective boards, commissions, departments, agencies, and other subdivisions, and their respective Agents (collectively, "**Indemnified Parties**") from, and shall defend them, without cost to the Indemnified Parties, against any and all Claims arising directly or indirectly out of: (a) any accident, injury to or death of any person, including any Agents and/or Invitees of Tenant, or loss or damage to or destruction of any property occurring in, on or about the Premises or any part thereof, or (b) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease, including the provisions of Section 20, or (c) the use, occupancy, manner of use or occupancy, or condition of the Premises or the activities therein by Tenant, its Agents, or Invitees, or (d) any construction or other work undertaken by Tenant on the Premises whether before or during the Term, or (e) any acts, omissions or negligence of Tenant, its Agents or Invitees, in, on or about the Premises, the Facility or any other Port property. This indemnity shall exclude Claims resulting solely and exclusively from

the willful misconduct of Port or City, or any Indemnified Parties and shall also exclude all matters expressly excluded from Section 19.2, below.

19.2. Hazardous Materials Indemnity.

(a) In addition to its obligations under Section 19.1, Tenant, for itself and on behalf of its Agents and Invitees, agrees to Indemnify the Indemnified Parties from any and all Claims and Hazardous Material Claims that arise as a result of either: (i) any Hazardous Material Condition for which Tenant is responsible pursuant to Section 15 above, or (ii) Tenant's Exacerbation of any Hazardous Material Condition.

(b) Tenant's obligation to Indemnify the Indemnified Parties includes: (i) costs incurred in connection with any Investigation or Remediation requested by Port or required by any Environmental Regulatory Agency and to restore the affected area to its condition before the Release; (ii) damages for diminution in the value of the Premises or the Facility; (iii) damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Facility; (iv) damages arising from any adverse impact on marketing the space; (v) sums paid in good faith settlement of Claims, Hazardous Material Claims, Environmental Regulatory Actions, including fines and penalties; (vi) natural resource damages; and (vii) attorneys' fees, consultant fees, expert fees, court costs, and all other litigation, administrative or other judicial or quasi-judicial proceeding expenses. If Port pays any costs within the scope of this section, Tenant must reimburse Port for Port's costs, plus interest at the Interest Rate from the date Port incurs each cost until paid, within fifteen (15) business days after Port's payment demand, and Port shall notify Tenant of any such costs and provide receipts and other reasonable evidence thereof as soon as reasonably practicable. Tenant's obligations hereunder shall survive the expiration or earlier termination of this Lease.

19.3. Scope of Indemnities. The Indemnification obligations of Tenant set forth in this Lease shall be enforceable regardless of the joint or concurrent, active or passive negligence of the Indemnified Parties, and regardless of whether liability without fault is imposed or sought to be imposed on the Indemnified Parties. The Indemnification obligations of Tenant set forth in this Lease shall be enforceable except to the extent that such Indemnity is void or otherwise unenforceable under applicable Law in effect on, or validly retroactive to, the date of this Lease. Except as specifically provided otherwise, the Indemnification obligations of Tenant set forth in this Lease shall exclude Claims and Hazardous Materials Claims resulting solely from the willful misconduct of Port, City, or the Indemnified Parties.

In addition to Tenant's obligation to Indemnify the Indemnified Parties, Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend the Indemnified Parties from any Claim which actually or potentially falls within the Indemnification obligations of Tenant set forth in this Lease, even if the allegations are or may be groundless, false or fraudulent. This Indemnification by Tenant shall begin from the first notice that any claim or demand is or may be made and shall continue at all times thereafter.

19.4. Exculpation and Waiver. Tenant, as a material part of the consideration to be rendered to Port, hereby waives any and all claims against Port, City and their Agents, and agrees to hold Port, City and their Agents harmless from any claims for damages to goods, wares, goodwill, merchandise, equipment or business opportunities and by persons in, upon or about said Premises for any cause arising at any time, including without limitation all claims arising from the joint or concurrent negligence of Port or City or their Agents, but excluding any intentionally harmful acts committed solely by Port or City or their Agents. Except as specifically provided otherwise, the Indemnified Parties shall not be responsible for or liable to Tenant, and Tenant hereby assumes the risk of, and waives and releases the Indemnified Parties from all such aforementioned Claims waived pursuant to this Section 19.4, whether direct or indirect, known or unknown, foreseen or unforeseen, for any injury, loss or damage to any person or property in or about the Premises by or from any cause whatsoever including, without limitation, (i) any act or omission of persons occupying adjoining premises or any part of the

Facility adjacent to or connected with the Premises, (ii) theft, (iii) explosion, fire, steam, oil, electricity, water, gas or rain, pollution or contamination, (iv) stopped, leaking or defective Facility Systems, (v) Facility defects, (vi) damages to goods, wares, goodwill, merchandise, equipment or business opportunities, (vii) Claims by persons in, upon or about the Premises, the Facility or any other Port property for any cause arising at any time, (viii) alleged facts or circumstances of the process or negotiations leading to this Lease prior to the Commencement Date, (ix) inability to use all or any portion of the Premises due to sea level rise, and (x) any other acts, omissions or causes to the fullest extent permitted by law.

Tenant understands and expressly accepts and assumes the risk that any facts concerning the Claims released in this Lease might be found later to be other than or different from the facts now believed to be true, and agrees that the releases in this Lease shall remain effective. Therefore, with respect to the Claims released in this Lease, Tenant waives any rights or benefits provided by Section 1542 of the Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Initials: _____
Name: _____
Title: _____

Tenant specifically acknowledges and confirms the validity of the release made above and the fact that Tenant was represented by counsel who explained the consequences of the release at the time this Lease was made, or that Tenant had the opportunity to consult with counsel, but declined to do so.

19.5. Survival. The provisions of Section 19 shall survive the expiration or earlier termination of this Lease.

20. ASSIGNMENT AND SUBLETTING.

20.1. Transfer to Affiliate.

(a) Tenant may make a Transfer to an Affiliate without obtaining Port's consent, provided: (1) at the time Tenant provides Port with notice, no Event of Default, and no event that with notice or the passage of time or both would constitute an Event of Default if not cured, has occurred and remains uncured; (2) if the proposed Transferee is a successor to Tenant by purchase, such proposed Transferee shall acquire all or substantially all of the stock or assets of Tenant's business or, if such proposed Transferee is a successor to Tenant by merger, consolidation or reorganization, the continuing or surviving corporation shall own all or substantially all of the assets of Tenant; (3) such proposed Transferee must have a net worth which is at least equal to the greater of Tenant's net worth as of the Commencement Date or Tenant's net worth as of the day prior to the proposed purchase, merger, consolidation or reorganization as evidenced to Port's reasonable satisfaction; (4) such proposed Transferee operates the business in the Premises for the Permitted Use and no other purpose; and (5) Tenant gives Port written notice at least sixty (60) days prior to the effective date of the proposed Transfer and provides copies of all documentation evidencing Tenant's relationship with the Affiliate and the Transfer Agreement no later than five (5) days after the actual Transfer Date. A Transfer to an Affiliate that does not meet the criteria specified in this Section 20.1(a) shall be subject to Port's prior written consent under Section 20.2.

(b) Port will have the right to: (i) request additional documentation and information relating to Tenant's relationship with the Transferee for two (2) months after Tenant has delivered all documents required under Subsection (a); and (ii) object to the Transfer on the grounds that the Transferee is not an Affiliate as defined in this Lease, if written notice is delivered to Tenant within two (2) months after Port's receipt of all required and requested information.

(c) Any Transfer that does not comply with this Section fully will constitute an incurable Event of Default and will be void as to Port and this Lease.

20.2. Transfer to Non-Affiliate.

(a) Except for a Transfer to an Affiliate meeting the requirements of Section 20.1, Tenant must obtain Port's prior written consent to any Transfer, which Port will not withhold unreasonably.

(i) Tenant agrees that any of the following will be a reasonable basis for Port to withhold its consent: (1) at the time Tenant requests Port's consent, an Event of Default, or an event that with notice or the passage of time or both would constitute an Event of Default if not cured, has occurred and remains uncured; (2) the Transfer is an Assignment or a Sublease by a Transferee of Tenant; (3) the Transferee's financial condition is or may become insufficient to support all of the financial and other obligations of this Lease; (4) the Transferee's intended use of the Premises is inconsistent with this Lease or otherwise will affect any City or Port interest materially and adversely; (5) the nature of the Transferee's use of the Premises would involve an increased risk of the Handling or Release of Hazardous Materials or of fire or other casualty; (6) the business reputation or character of the Transferee or any of its Affiliates is not reasonably acceptable to Port; or (7) the Transferee is not likely to conduct a business in the Premises of a quality substantially equal to Tenant's or otherwise reasonably acceptable to Port.

(ii) Tenant also agrees that Port will have the right to impose reasonable conditions to a requested consent to a Transfer, which may include: (1) requiring the Transferee to assume all of Tenant's obligations under this Lease; and (2) giving Port the right to terminate without notice all of Tenant's then-existing Subleases if this Lease is terminated before the existing Subleases expire.

(b) At least sixty (60) days before any Transfer to a Non-Affiliate, Tenant must give Port a Transfer Notice and the following: (i) financial statements for the three (3) years before the Transfer Date (or each year of the proposed Transferee's existence, if shorter) for the Transferee and for any other Person who will be liable for Tenant's obligations under this Lease; (ii) Tenant's current financial statements or other information that reasonably evidences Tenant's net worth; (iii) a copy of the proposed Transfer Agreement; and (iii) the Transferee's completed pre-screening and leasing application. In addition, Tenant must provide: (1) any other information, documentation, or evidence that Port reasonably requests to enable Port to evaluate the Transfer and the Transferee; and (2) if any of the Transfer Terms are modified before the Transfer Date, a new Transfer Notice and all relevant documentation for any modified Transfer Terms. Tenant's Transfer Notice will not be complete until Tenant has provided Port with all information required under this Subsection.

For up to thirty (30) days after receipt of the complete Transfer Notice, Port will have the right to: (1) terminate this Lease as of the proposed Transfer Date; (2) sublease or take an assignment from Tenant of the interest that Tenant proposes to Transfer, on the same terms and conditions as stated in the Transfer Agreement; and (3) negotiate and contract directly with the Transferee on terms acceptable to Port in its sole and absolute discretion.

(c) Port shall provide written notice of its consent or denial of consent. If Port denies consent, Port's denial shall identify the basis on which Port denied its consent. If Port consents to the Transfer, Tenant must close the Transfer on the Transfer Terms stated in the Transfer Notice within ninety (90) days after Port notifies Tenant of Port's consent. If the

Transfer Agreement does not close within the 90-day period, then Port's consent will expire, unless Tenant gives Port a new Transfer Notice, in which case Port again will be entitled to exercise any of the options under this Section.

(d) Any Transfer that does not comply with this Section fully will constitute an incurable Event of Default and will be void as to Port and this Lease. Port's consent to one Transfer will have no effect with respect to any other Transfer.

(e) Tenant agrees to reimburse Port for all costs, including attorneys' fees, that Port incurs to review, investigate, process, document, disapprove, or approve any Transfer request.

20.3. Sublease. In addition to all requirements in Section 20.2, the following provisions apply to any Transfer in the form of a Sublease.

(a) Until the occurrence of an Event of Default, Tenant will have the right to receive and collect rents from the Sublease. The Sublease must require the Transferee to pay the rent and other sums due under the Sublease directly to Port upon receiving Port's written notice that Tenant is in default under this Lease, a copy of which Port will deliver to Tenant. Tenant agrees that it will hold in trust for Port's benefit any Sublease rent or other sums that Tenant collects from the Transferee after Port's notice to the Transferee, and Tenant will be obligated to forward the same to Port immediately upon receipt. Port's collection of rents and other sums under this Section will not constitute Port's acceptance of attornment by the Transferee.

(b) Tenant agrees to pay to Port immediately upon receipt all Excess Rent, less Subletting Expenses, as Additional Rent. In calculating Excess Rent, Subletting Expenses will be amortized on a straight-line basis over the term of the Sublease, without interest. For example, if: (i) the term of the Sublease is 5 years; (ii) Sublease rent is \$5,000 per month; (iii) Tenant's concurrent Rent payable for the Sublease premises is \$3,000 per month; (iv) Tenant's Subletting Expenses are \$15,000 in brokerage commissions and \$15,000 for new tenant improvements for the Sublease premises, then the amount of Excess Rent Tenant must pay to Port in connection with the Sublease is \$1,500 per month, as shown in the calculation below.

Term of Sublease:	5 years x 12 months = 60 months
Subletting Expenses:	\$15,000 + \$15,000 = \$30,000
Amortized Subletting Expenses:	\$30,000/60 months = \$500/month
Excess Rent:	\$5,000/month - \$3,000/month = \$2,000/month
Additional Rent:	\$2,000/month - \$500/month = \$1,500/month

20.4. Transfer Agreement Requirements. Any Transfer Agreement must include the provisions set forth below.

(a) The Transferee's express assumption of, and acknowledgement and agreement that the Transferee will be jointly and severally liable for, all of Tenant's obligations under this Lease;

(b) The Indemnification clause and waiver of claims provisions in Section 19 (Indemnity and Exculpation);

(c) Insurance provisions requiring that all of the Transferee's liability and other insurance policies name "The City and County of San Francisco, the San Francisco Port Commission, and their officers, commissioners, agents, employees, and representatives" as

additional insureds and acknowledging Port's right to demand increased coverage to amounts customarily required by other San Francisco landlords for premises where business activities similar to the Transferee's are conducted;

(d) A provision stating that if this Lease is terminated for any reason, the Transferee's right to possession under the Transfer Agreement will terminate;

(e) A provision under which the Transferee expressly waives any and all relocation assistance and benefits in connection with this Lease to the extent permitted by applicable Laws; and

(f) A provision under which the Transferee expressly agrees to report the Transfer to the County Assessor in accordance with Section 6.2 of this Lease.

20.5. Notice to Port. In addition to the obligations under Section 6.2, within thirty (30) days of entering into any agreement under which Tenant grants any person the right to occupy or use any portion of the Premises for any period of time, including without limitation, any assignment, sublease, license, permit, concession or vendor agreement or other agreement or renewal thereof, Tenant shall provide written notice to Port and Assessor and a copy of such agreement, regardless of whether Port consent is required under this Lease for such agreement. Tenant agrees to provide such further information as may be requested by City or Port to enable compliance with reporting obligations under state Law and San Francisco Administration Code Sections 23.38 and 23.39 (or any successor ordinance).

20.6. Transfer Audit. Tenant agrees to make its applicable Books and Records available to, and cooperate with, any Port representative for the purpose of conducting an audit of the accuracy of Tenant's financial reporting on the Transfer until the later of (i) four (4) years after the end of each year to which such records apply or, (ii) if an audit is commenced or if a controversy should arise between the parties as to the accuracy of Tenant's financial reporting on the Transfer, until such audit or controversy is concluded. If an audit reveals that Tenant has overstated Subletting Expenses or any other costs in connection with a Transfer, Tenant must pay Port promptly upon demand the difference between the amount Tenant deducted and the amount it should have deducted, plus interest at the Interest Rate from the Transfer Date until paid. As used in this section, Tenant includes Affiliates where applicable.

20.7. Acknowledgement. Tenant acknowledges and agrees that Port's rights with respect to Transfers are reasonable limitations for purposes of California Civil Code Section 1951.4 and waives any Claims arising from Port's actions permitted under this Section 20.

20.8. Transfer Definitions. For the purpose of this Section, references to this Lease and the Premises mean this Lease and the Premises to the extent Tenant's leasehold interest is affected by a Transfer. Other applicable definitions are in Section 2.

21. DEFAULT BY TENANT.

Any of the following shall constitute an event of default (the "Event of Default") by Tenant hereunder:

(a) failure to pay to Port any Rent or other sum payable hereunder when due, and such default continues for a period of three (3) days following written notice from Port. Notwithstanding the foregoing, Port shall not be required to provide such notice more than twice during any consecutive 12-month period, and any such failure by Tenant after Tenant has received two (2) such notices in such 12-month period shall constitute an Event of Default by Tenant hereunder without any further action by Port or opportunity of Tenant to cure except as may be required by Section 1161 of the California Code of Civil Procedure; or

(b) abandonment or vacation of the Premises by Tenant; or

(c) failure to use the Premises solely for the Permitted Use, as determined by Port in its sole and absolute discretion and such failure continues for a period of twenty-four (24)

hours following written notice from Port; provided, however, that notwithstanding the foregoing, failure to use the Premises solely for the Permitted Use shall, at Port's sole and absolute discretion, be deemed an incurable breach of this Lease, allowing Port to immediately terminate this Lease upon written notice without an opportunity to cure; or

(d) failure by Tenant to execute and deliver to Port the estoppel certificate within the time period and in the manner required by Section 32 below, and Tenant's failure to cure the foregoing default within five (5) days following written notice from Port; or

(e) a Transfer, or attempted Transfer, of this Lease or the Premises by Tenant contrary to the provisions of Section 20 above; or

(f) failure by Tenant or Tenant's broker as applicable to provide evidence of insurance coverage complying with the provisions of Section 16 above, failure to maintain any insurance required to be maintained by Tenant pursuant to this Lease, or if any such insurance shall be canceled or terminated or shall expire or be reduced or materially changed, except as permitted in this Lease, and Tenant's or Tenant's broker's failure to deliver evidence of such coverage or failure to reinstate such coverage, all within three (3) business days following written notice from Port; or

(g) failure by Tenant to comply with the provisions of Section 15 above and Tenant's failure to cure the foregoing default within twenty-four (24) hours following written notice from Port. If such default cannot reasonably be cured within such twenty-four (24) hour period, Tenant shall not be in default of this Lease if Tenant commences to cure the default within such twenty-four (24) hour period and diligently and in good faith continues to cure the default; or

(h) failure by Tenant to discharge any lien or encumbrance placed on the Facility or any part thereof in violation of this Lease within ten (10) days after the date such lien or encumbrance is filed or recorded against the Facility or any part thereof, or if Tenant has no knowledge of such lien, then Tenant shall discharge such lien or encumbrance within fifteen (15) days following Tenant's knowledge of such lien or encumbrance; or

(i) failure by Tenant to observe, keep or perform any of the other terms, covenants, agreements or conditions contained in this Lease and required to be observed or performed by Tenant and not specifically enumerated in this Section 21, and such failure continues for a period of fifteen (15) days after written notice by Port, provided that if such default is not capable of cure within such fifteen (15) day period, Tenant shall have a reasonable period to complete such cure if Tenant promptly undertakes action to cure such default within such fifteen (15) day period and thereafter diligently prosecutes the same to completion after the receipt of notice of default from Port. Port shall not be required to provide such notice more than twice in any consecutive twelve (12) month period with respect to a material non-monetary default and after the second notice in any consecutive twelve (12) month period, any subsequent material and non-monetary default by Tenant during such twelve (12) month period shall automatically constitute an Event of Default hereunder; or

(j) Tenant shall become bankrupt or insolvent or make a transfer in fraud of creditors, or make an assignment for the benefit of creditors, or bring or have brought against Tenant any action or proceedings of any kind under any provision of the U.S. Bankruptcy Code or under any other insolvency, bankruptcy or reorganization act and, in the event such proceedings are involuntary, Tenant is not discharged from the same within sixty (60) days thereafter; or

(k) a receiver is appointed for a substantial part of the assets of Tenant and such receiver is not discharged within sixty (60) days; or

(l) this Lease or any estate of Tenant under this Lease shall be levied upon by any attachment or execution and such attachment is not stayed or lifted within sixty (60) days; or

(m) without limiting the provisions of Sections 21(c) or 21(g) above or lengthening the cure periods under those subsections, failure by Tenant to comply with Laws and Tenant's failure to cure the foregoing default within forty-eight (48) hours following written notice from Port, provided that if such default is not capable of cure within such forty-eight (48) hours period, Tenant shall have a reasonable period to complete such cure if Tenant promptly undertakes action to cure such default within such forty-eight (48) hours period and thereafter diligently prosecutes the same to completion.

22. PORT'S REMEDIES.

Upon default by Tenant, Port shall, without further notice or demand of any kind to Tenant or to any other person, have the following remedies:

22.1. *Tenant's Right to Possession Not Terminated.* Port has the remedy described in Section 1951.4 of the California Civil Code (a landlord may continue the lease in effect after a tenant's breach and abandonment and recover rent as it becomes due, if the tenant has the right to sublet and assign subject only to reasonable limitations) under which it may continue this Lease in full force and effect and Port may enforce all of its rights and remedies under this Lease, including the right to collect Rent when due. During the period Tenant is in default, Port may enter the Premises without terminating this Lease and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Port for all reasonable costs Port incurs in reletting the Premises, including, but not limited to, broker's commissions, expenses of remodeling the Premises required by the reletting and like costs. Reletting can be for a period shorter or longer than the remaining Term, at such rents and on such other terms and conditions as Port deems advisable. Tenant shall pay to Port the Rent due under this Lease on the dates the Rent is due, less the Rent Port receives from any reletting. In the event that Port shall elect to so relet, then rentals received by Port from such reletting shall be applied in the following order: (i) to reasonable attorneys' fees incurred by Port as a result of a default and costs in the event suit is filed by Port to enforce such remedies; (ii) to the payment of any indebtedness other than Rent due hereunder from Tenant to Port; (iii) to the payment of any costs of maintaining, preserving, altering, repairing and preparing the Premises for reletting, the other costs of reletting, including but not limited to brokers' commissions, attorneys' fees and expenses of removal of Tenant's Personal Property, trade fixtures and Alterations; (iv) to the payment of Rent due and unpaid hereunder; (v) to the payment of future Rent and other sums payable by Tenant hereunder as the same may become due and payable hereunder; and (vi) the balance, if any, shall be paid to Tenant upon (but not before) expiration of the Term. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of Rent hereunder, be less than the Rent payable during the month by Tenant hereunder, then Tenant shall pay such deficiency to Port. Such deficiency shall be calculated and paid monthly. No act by Port allowed by this Section 22.1 shall terminate this Lease unless Port notifies Tenant that Port elects to terminate this Lease. After Tenant's default and for as long as Port does not terminate Tenant's right to possession of the Premises, if Tenant obtains Port's consent Tenant shall have the right to assign or sublet its interest in this Lease, but Tenant shall not be released from liability.

22.2. *Termination of Tenant's Right to Possession.* Port may terminate Tenant's right to possession of the Premises at any time. No act by Port other than giving notice of termination to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Port's initiative to protect Port's interest under this Lease shall not constitute a termination of Tenant's right to possession. If Port elects to terminate this Lease, Port has the rights and remedies provided by California Civil Code Section 1951.2, including the right to recover from Tenant the following.

(a) The worth at the time of award of the unpaid Rent which had been earned at the time of termination; plus

(b) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of Rent that Tenant proves could be reasonably avoided; plus

(d) Any other amounts necessary to compensate Port for the detriment proximately caused by Tenant's default, or which, in the ordinary course of events, would likely result, including, but not limited to, attorneys' fees and court costs, the costs of carrying the Premises such as repairs, maintenance, taxes and insurance premiums, utilities, security precautions and the reasonable costs and expenses incurred by Port in (i) retaking possession of the Premises; (ii) cleaning and making repairs and alterations necessary to return the Premises to good condition and preparing the Premises for reletting; (iii) removing, transporting and storing any of Tenant's Property left at the Premises (although Port shall have no obligation so to do); and (iv) reletting the Premises, including, without limitation, brokerage commissions, advertising costs and attorneys' fees. Efforts by Port to mitigate the damages caused by Tenant's breach of this Lease do not waive Port's rights to recover damages upon termination.

The "worth at the time of award" of the amounts referred to in Sections 22.2(a) and 22.2(b) above shall be computed by allowing interest at an annual rate equal to the lesser of the Interest Rate or the maximum non-usurious rate Port is permitted by Law to charge. The "worth at the time of award" of the amount referred to in Section 22.2(c) above shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

22.3. Appointment of Receiver. If Tenant is in default of this Lease, Port shall have the right to have a receiver appointed to collect Rent and conduct Tenant's business. Neither the filing of a petition for the appointment of a receiver nor the appointment itself shall constitute an election by Port to terminate this Lease.

22.4. Port's Right to Cure Tenant's Default. Port may, at any time after Tenant commits a default and such default remains uncured following any required notice and opportunity to cure described in this Lease, at Port's sole option, cure the default at Tenant's cost. If Port at any time, by reason of Tenant's default, undertakes any act to cure or attempt to cure such default that requires the payment of any sums, or otherwise incurs any costs, damages, or liabilities (including without limitation, attorneys' fees), all such sums, costs, damages or liabilities paid by Port shall be due immediately from Tenant to Port at the time the sum is paid and upon delivery of notice and proof of payment to Tenant, and if paid by Tenant at a later date shall bear interest at the lesser of the Interest Rate or the maximum non-usurious rate Port is permitted by Law to charge from the date such sum is paid by Port until Port is reimbursed by Tenant.

22.5. No Accord and Satisfaction. No payment by Tenant or receipt by Port of an amount less than the Rent due under this Lease shall be deemed to be other than "on account" of the earliest Rent due; nor shall any endorsement or statement on any check or payment, or letter accompanying such check or payment, be deemed an accord and satisfaction. Port may accept any such partial payment or tender without prejudice to its right to recover the balance of any amount due and to pursue any other remedy herein provided at Law or in equity.

22.6. Waiver of Redemption. Tenant hereby waives, for itself and all persons claiming by and under Tenant, redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other pertinent present or future Law, in the event Tenant is evicted or Port takes possession of the Premises by reason of any default of Tenant hereunder.

22.7. *Habitual Late Payer.* In the event Tenant is deemed to be a Habitual Late Payer, in addition to any other remedies available to Port, Port may require that Tenant enter into direct electronic payment arrangements and/or Port may require payments of Rent be made in advance on a monthly basis.

22.8. *Remedies Not Exclusive.* The remedies set forth in Section 22 are not exclusive; they are cumulative and in addition to any and all other rights or remedies of Port now or later allowed by Law or in equity. Tenant's obligations that have accrued under this Lease prior to its expiration or earlier termination shall survive any termination or expiration of this Lease.

23. LITIGATION EXPENSES; ATTORNEYS' FEES.

23.1. *Litigation Expenses.* The Prevailing party in any action or proceeding (including any cross-complaint, counterclaim, or bankruptcy proceeding) against the other party by reason of a claimed default, or otherwise arising out of a party's performance or alleged non-performance under this Lease, shall be entitled to recover from the other party its costs and expenses of suit, including but not limited to reasonable attorneys' fees, which shall be payable whether or not such action is prosecuted to judgment. "**Prevailing party**" within the meaning of this Section shall include, without limitation, a party who substantially obtains or defeats, as the case may be, the relief sought in the action, whether by compromise, settlement, judgment or the abandonment by the other party of its claim or defense.

23.2. *Appeals.* Attorneys' fees under this Section shall include attorneys' fees and all other reasonable costs and expenses incurred in connection with any appeal.

23.3. *City Attorney.* For purposes of this Lease Port's attorneys' fees means reasonable fees of attorneys of the City's Office of the City Attorney and shall be based on the fees regularly charged by private attorneys with an equivalent number of years of professional experience (calculated by reference to earliest year of admission to the Bar of any State) who practice in San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

24. PORT'S ENTRY ON PREMISES.

24.1. *Entry for Inspection.* Upon a minimum of twenty-four (24) hours' prior notice, Port and its authorized Agents shall have the right to enter the Premises during normal business hours of generally recognized business days, provided that Tenant or Tenant's Agents are present on the Premises (except in the event of an emergency), for the purpose of inspecting the Premises to determine whether the Premises is in good condition and whether Tenant is complying with its obligations under this Lease.

24.2. *General Entry.* In addition to its rights pursuant to Section 24.1 above, Port and its authorized Agents shall have the right to enter the Premises at all reasonable times and upon reasonable notice (which shall generally be not less than twenty-four (24) hours) for any of the following purposes. Tenant shall have the right to be present during such entry but Port shall be under no obligation to schedule with or otherwise facilitate Tenant's presence during such entry.

(a) To perform any necessary maintenance, repairs or restoration to the Premises or the Seawall, or to perform any services which Port has the right or obligation to perform;

(b) To serve, post, or keep posted any notices required or allowed under the provisions of this Lease;

(c) To post "**For Sale**" signs at any time during the Term; to post "**For Lease**" signs during the last six (6) months of the Term or during any period in which Tenant is in default;

(d) On an occasional basis, at all reasonable times after giving Tenant reasonable advance written or oral notice, to show the Premises to prospective tenants or other interested parties;

(e) If any excavation or other construction is undertaken or is about to be undertaken on any property or street adjacent to the Premises, to shore the foundations, footings or walls of the Premises and to erect scaffolding and protective barricades around and about the Premises as reasonably necessary in connection with such activities (but not so as to prevent or unreasonably restrict entry to the Premises), and to do any other act or thing necessary for the safety or preservation of the Premises during such excavation or other construction; or

(f) To obtain environmental samples and perform equipment and facility testing.

24.3. *Emergency Entry.* Port may enter the Premises at any time, without notice, in the event of an emergency. Port shall have the right to use any and all means which Port may deem proper in such an emergency in order to obtain entry to the Premises. Entry to the Premises by any of these means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion of the Premises. Port shall provide notice to Tenant of any such entry when reasonably practicable to do so.

24.4. *No Liability.* Port shall not be liable in any manner, and Tenant hereby waives any Claim for damages, for any inconvenience, disturbance, loss of business, nuisance, or other damage, including without limitation any abatement or reduction in Rent, arising out of Port's entry onto the Premises as provided in Section 24 or performance of any necessary or required work on the Premises, or on account of bringing necessary materials, supplies and equipment into or through the Premises during the course thereof, except damage to the extent resulting solely from the willful misconduct or gross negligence of Port, City, or their authorized representatives.

24.5. *Nondisturbance.* Port shall use its commercially reasonable efforts to conduct its activities on the Premises as allowed in Section 24 in a manner which, to the extent reasonably practicable, will minimize annoyance or disturbance to Tenant.

25. SURRENDER AND QUITCLAIM.

25.1. *Surrender.* Upon expiration or earlier termination of this Lease, Tenant shall surrender to Port the Premises in good order, condition, and repair (except for ordinary wear and tear occurring after the last necessary maintenance made by Tenant and except for destruction or condemnation as described in Sections 17 and 18 hereof). Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by proper maintenance by Tenant, or Tenant otherwise performing all of its obligations under this Lease. The Premises shall be surrendered clean, free of debris, waste, and Hazardous Materials for which Tenant is responsible pursuant to Section 15 above, and free and clear of all liens and encumbrances other than liens and encumbrances existing as of the date of this Lease and any other liens and encumbrances created by Port. On or before the expiration or earlier termination of this Lease, Tenant at its sole cost shall remove from the Premises, and repair any damage caused by removal of, Tenant's Property, including any signage and Alterations and Improvements specified in Port's Notice of Removal. Except for those designated in Port's Notice of Removal, Alterations and Improvements shall remain in the Premises as Port property.

If the Premises is not surrendered at the end of the Term or sooner termination of this Lease, and in accordance with the provisions of this Section 25 and Section 13.4, Tenant shall continue to be responsible for the payment of Rent (as the same may be increased pursuant to Section 26.2 or 26.3 below as applicable) until the Premises is surrendered in accordance with these Sections, and, if Tenant is holding over after expiration of the Term without the prior written consent of Port then Tenant shall Indemnify Port from and against any and all loss or

liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any costs of Port to obtain possession of the Premises; any loss or liability resulting from any Claim against Port made by any succeeding tenant or prospective tenant founded on or resulting from such delay and losses to Port due to lost opportunities to lease any portion of the Premises to any such succeeding tenant or prospective tenant, together with, in each instance, reasonable attorneys' fees and costs.

No act or conduct of Port, including, but not limited to, the acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term or earlier termination. Only a written notice from Port to Tenant confirming termination of this Lease and surrender of the Premises by Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease before the expiration of the Term or earlier termination thereof.

25.2. *Quitclaim.* Upon the expiration or earlier termination of this Lease, the Premises shall automatically, and without further act or conveyance on the part of Tenant or Port, become the property of Port, free and clear of all liens and without payment therefor by Port and shall be surrendered to Port upon such date. Upon or at any time after the expiration or earlier termination of this Lease, if requested by Port, Tenant shall promptly deliver to Port, without charge, a quitclaim deed to the Premises and any other instrument reasonably requested by Port to evidence or otherwise effect the termination of Tenant's leasehold estate hereunder and to effect such transfer or vesting of title to the Premises or any portion that Port agrees are to remain part of the Premises. Port shall be responsible for any recordation fees applicable to such quitclaim deed.

25.3. *Abandoned Property.* Any items, including Tenant's Property, not removed by Tenant as required herein shall be deemed abandoned. Port may retain, store, remove, and sell or otherwise dispose of abandoned Tenant's Property, and Tenant waives all Claims against Port for any damages resulting from Port's retention, removal and disposition of such property; provided, however, that Tenant shall be liable to Port for all costs incurred in storing, removing and disposing of abandoned Tenant's Property and repairing any damage to the Premises or the Facility resulting from such removal. Tenant agrees that Port may elect to sell abandoned Tenant's Property and offset against the sales proceeds Port's storage, removal, and disposition costs without notice to Tenant or otherwise according to the procedures set forth in California Civil Code Section 1993 et seq., the benefits of which Tenant waives.

25.4. *Survival.* Tenant's obligation under this Section 25 shall survive the expiration or earlier termination of this Lease.

26. HOLDING OVER.

26.1. *Terms of Holdover Tenancy.* Any holding over after the expiration of the Term shall not constitute a renewal of this Lease, but shall be deemed a month-to-month tenancy upon the terms, conditions, and covenants of this Lease, except as provided in this Section. Either party may cancel the month-to-month tenancy upon thirty (30) days written notice to the other party. If Tenant is holding over after expiration of the Term without the prior written consent of Port, then Tenant shall Indemnify Port from and against any and all loss or liability resulting from Tenant's delay in surrendering the Premises including, without limitation, any loss or liability resulting from any claim against Port made by any succeeding tenant or prospective tenant founded on or resulting from such delay and losses to Port due to lost opportunities to lease any portion of the Premises to any such succeeding tenant or prospective tenant, together with, in each case, attorneys' fees and costs.

26.2. *With Consent.* If Tenant holds over with the prior written consent of Port, monthly Base Rent shall be equal to one hundred fifty percent (150%) of the monthly Base Rent payable in the month immediately preceding the expiration of this Lease; provided that if both Tenant and Port desire to enter into a new lease or extend the existing term of this Lease but have

not yet executed such new lease or extension solely due to Port's delay to produce such document, then the monthly Base Rent during such holdover period shall be equal to the higher of: (a) the Base Rent payable in the month immediately preceding the expiration of this Lease, or (b) the then current rate for the Facility approved by the Port Commission, together with any monthly charge of Additional Rent payable under this Lease.

26.3. Without Consent. If Tenant holds over without the prior written consent of Port, monthly Base Rent shall equal two hundred percent (200%) of the monthly Base Rent payable in the month immediately preceding the expiration of this Lease.

27. MINERAL RESERVATION.

The State of California ("State"), pursuant to Section 2 of Chapter 1333 of the Statutes of 1968, as amended, has reserved all subsurface mineral deposits, including oil and gas deposits, on or underlying the Premises and Tenant acknowledges such reserved rights including necessary ingress and egress rights. In no event shall Port be liable to Tenant for any Claims arising from the State's exercise of its rights nor shall such action entitle Tenant to any abatement or diminution of Rent or otherwise relieve Tenant from any of its obligations under this Lease.

28. CITY AND PORT REQUIREMENTS.

The San Francisco Municipal Codes (available at www.sfgov.org) and City and Port policies described or referenced in this Lease are incorporated by reference as though fully set forth in this Lease. The descriptions below are not comprehensive but are provided for notice purposes only; Tenant is charged with full knowledge of each such ordinance and policy and any related implementing regulations as they may be amended from time to time. Tenant understands and agrees that its failure to comply with any provision of this Lease relating to any such code provision shall be deemed a material breach of this Lease and may give rise to penalties under the applicable ordinance. Capitalized or highlighted terms used in this Section and not defined in this Lease shall have the meanings ascribed to them in the cited ordinance.

28.1. Nondiscrimination.

(a) **Covenant Not to Discriminate.** In the performance of this Lease, Tenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), weight, height, association with members of classes protected under Chapter 12B or 12C of the San Francisco Administrative Code or in retaliation for opposition to any practices forbidden under Chapter 12B or 12C of the Administrative Code against any employee of Tenant, any City and County employee working with Tenant, any applicant for employment with Tenant, or any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Tenant in the City and County of San Francisco.

(b) **Subleases and Other Contracts.** Tenant shall include in all subleases and other contracts relating to the Premises a non-discrimination clause applicable to such subtenant or other contractor in substantially the form of Section 28.1(a) above. In addition, Tenant shall incorporate by reference in all subleases and other contracts the provisions of Sections 12B.2 (a), 12B.2 (c)-(k) and 12C.3 of the Administrative Code and shall require all subtenants and other contractors to comply with such provisions.

(c) **Nondiscrimination in Benefits.** Tenant does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits (collectively "**Core Benefits**") as well as any benefits

other than the Core Benefits between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local Law authorizing such registration, subject to the conditions set forth in Section 12B.2 of the Administrative Code.

(d) **CMD Form.** On or prior to the Lease Commencement Date, Tenant shall execute and deliver to Port the “Nondiscrimination in Contracts and Benefits” form approved by the CMD.

(e) **Penalties.** Tenant understands that pursuant to Section 12B.2(h) of the Administrative Code, a penalty of \$50.00 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Tenant and/or deducted from any payments due Tenant.

28.2. Requiring Health Benefits for Covered Employees. Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in Administrative Code Chapter 12Q (Chapter 12Q).

(a) For each Covered Employee Tenant shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO.

(b) Notwithstanding the above, if Tenant meets the requirements of a “small business” by the City pursuant to Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with Section 28.2(a) above.

(c) If, within 30 days after receiving written notice of a breach of this Lease for violating the HCAO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such 30-day period, Tenant fails to commence efforts to cure within such period, or thereafter fails to diligently pursue such cure to completion, the City shall have the remedies set forth in Section 12Q.5(f). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(d) Any Sublease or Contract regarding services to be performed on the Premises entered into by Tenant shall require the Subtenant or Contractor and Subcontractors, as applicable, to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in Chapter 12Q of the Administrative Code. Tenant shall notify the Office of Labor Standards Enforcement (“OLSE”) when it enters into such a Sublease or Contract and shall certify to OLSE that it has notified the Subtenant or Contractor of the obligations under the HCAO and has imposed the requirements of the HCAO on the Subtenant or Contractor through written agreement with such Subtenant or Contractor. Tenant shall be responsible for ensuring compliance with the HCAO for each Subtenant, Contractor and Subcontractor performing services on the Premises. If any Subtenant, Contractor or Subcontractor fails to comply, the City may pursue the remedies set forth in Section 12Q.5 of the Administrative Code against Tenant based on the Subtenant’s, Contractor’s, or Subcontractor’s failure to comply, provided that OLSE has first provided Tenant with notice and an opportunity to cure the violation.

(e) Tenant shall not discharge, reprimand, penalize, reduce the compensation of, or otherwise discriminate against, any employee for notifying the City of any issue relating to the HCAO, for opposing any practice proscribed by the HCAO, for participating in any proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the requirements of the HCAO.

(g) Tenant shall keep itself informed of the requirements of the HCAO, as they may change from time to time.

(h) Upon request, Tenant shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subtenants, Contractors, and Subcontractors.

(i) Within ten (10) business days of any request, Tenant shall provide the City with access to pertinent records relating to any Tenant's compliance with the HCAO. In addition, the City and its agents may conduct random audits of Tenant at any time during the Term. Tenant agrees to cooperate with City in connection with any such audit.

(j) If a Contractor or Subcontractor is exempt from the HCAO because the amount payable to such Contractor or Subcontractor under all of its contracts with the City or relating to City-owned property is less than \$25,000.00 (or \$50,000.00 for nonprofits) in that fiscal year, but such Contractor or Subcontractor later enters into one or more agreements with the City or relating to City-owned property that cause the payments to such Contractor or Subcontractor to equal or exceed \$75,000.00 in that fiscal year, then all of the Contractor's or Subcontractor's contracts with the City and relating to City-owned property shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements to equal or exceed \$75,000.00 in the fiscal year.

28.3. First Source Hiring. The City has adopted a First Source Hiring Program (San Francisco Administrative Code Sections 83.1 et seq.) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry-level positions as those terms are defined by the ordinance. Tenant acknowledges receiving and reviewing the First Source Hiring Program materials and requirements and agrees to comply with all requirements of the ordinance as implemented by Port and/or City, including without limitation, notification of vacancies throughout the Term and entering into a First Source Hiring Agreement, if applicable. Tenant acknowledges and agrees that it may be subject to monetary penalties for failure to comply with the ordinance or a First Source Hiring Agreement and that such non-compliance shall be a default of this Lease.

28.4. Local Business Enterprises. The Port Commission encourages the participation of local business enterprises ("LBEs") in Tenant's operations. Tenant agrees to consult with CMD to determine appropriate methods for promoting participation by LBEs. Architecture, Engineering, Laboratory Services (Materials Testing), Trucking and Hauling, and Security Guard Services are categories of services that may provide opportunities for certified LBE participation. City maintains a list of certified LBEs at: <https://sfgov.org/cmd/LBE-certification-0>.

28.5. Indoor Air Quality. Tenant agrees to comply with Section 711(g) of the Environment Code and any additional regulations adopted by the Director of the Department of the Environment pursuant to Environment Code Section 703(b) relating to construction and maintenance protocols to address indoor air quality.

28.6. Prohibition Against Tobacco Advertising; Prohibition Against Tobacco Product Sales, Manufacture, and Distribution. Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. In addition, Tenant acknowledges and agrees that no Sales, Manufacture, or Distribution of Tobacco Products (as such capitalized terms are defined in Health Code Section 19K.1) is allowed on the Premises and such prohibition must be included in all subleases or other agreements allowing use of the Premises. The prohibition against Sales, Manufacture, or Distribution of Tobacco Products does not apply to persons who are affiliated with an accredited academic institution where the Sale, Manufacture, and/or Distribution of Tobacco Products is conducted as part of academic research.

28.7. Prohibition of Alcoholic Beverages Advertising. Tenant acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, “**alcoholic beverage**” shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of alcoholic beverages, (ii) encourage people not to drink alcohol or to stop drinking alcohol, or (iii) provide or publicize drug or alcohol treatment or rehabilitation services.

28.8. Graffiti Removal. Tenant agrees to remove all graffiti from the Premises, including from the exterior of the Facility if included within the Premises, within forty-eight (48) hours of the earlier of Tenant’s: (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a tenant to breach any lease or other agreement that it may have concerning its use of the real property. “**Graffiti**” means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner’s authorized agent, and that is visible from the public right-of-way, but does not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of this Lease or the Port Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (Calif. Civil Code §§ 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

28.9. Restrictions on the Use of Pesticides. Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or “**IPM Ordinance**”) describes an integrated pest management (“**IPM**”) policy to be implemented by all City departments. Tenant shall not use or apply or allow the use or application of any pesticides on the Premises, and shall not contract with any party to provide pest abatement or control services to the Premises, without first receiving City’s written approval of an integrated pest management plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the term of this Lease, (ii) describes the steps Tenant will take to meet the City’s IPM Policy described in Section 300 of the IPM Ordinance and (iii) identifies, by name, title, address and telephone number, an individual to act as the Tenant’s primary IPM contact person with the City. Tenant shall comply, and shall require all of Tenant’s contractors to comply, with the IPM plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Tenant were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City’s Department of the Environment), (c) impose certain notice requirements, and (d) require Tenant to keep certain records and to report to City all pesticide use by Tenant’s staff or contractors. If Tenant or Tenant’s contractor will apply pesticides to outdoor areas, Tenant must first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation and any such pesticide application shall be made only by or under the supervision of a person holding a valid Qualified Applicator certificate or Qualified Applicator license under state law. City’s current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

28.10. *MacBride Principles Northern Ireland.* Port and the City urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. Port and the City urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

28.11. *Tropical Hardwood and Virgin Redwood Ban.* Port and the City urge Tenant not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the Environment Code, Tenant shall not provide any items to the construction of Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event Tenant fails to comply in good faith with any of the provisions of Chapter 8 of the Environment Code, Tenant shall be liable for liquidated damages for each violation in any amount equal to the contractor's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

28.12. *Preservative-Treated Wood Containing Arsenic.* Tenant may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Tenant may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Tenant from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

28.13. *Notification of Limitations on Contributions.* If this Lease is subject to the approval by City's Board of Supervisors, Mayor, or other elected official, the provisions of this Section 28.13 shall apply. Through its execution of this Lease, Tenant acknowledges its obligations under Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve (12) months after the date the contract is approved. Tenant acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand dollars (\$100,000) or more. Tenant further acknowledges that, if applicable, (i) the prohibition on contributions applies to each Tenant; each member of Tenant's board of directors, and Tenant's principal officers, including its chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than ten (10%) percent in Tenant; and any subcontractor listed in the Tenant's bid or contract; and (ii) within thirty (30) days of the submission of a proposal for the contract, the Port is obligated to submit to the Ethics Commission the parties to the Lease and any subtenant(s). Additionally, Tenant certifies that if this Section 28.13 applies, Tenant has informed each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126 by the time it submitted a proposal for the contract and has provided to City the names of the persons required to be informed.

28.14. *Sunshine Ordinance.* In accordance with Section 67.24(e) of the Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between Port and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

28.15. *Conflicts of Interest.* Through its execution of this Lease, Tenant acknowledges that it is familiar with the provisions of Article III, Chapter 2 of Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the California Government Code, and certifies that it does not know of any facts which would constitute a violation of these provisions, and agrees that if Tenant becomes aware of any such fact during the Term, Tenant shall immediately notify the Port.

28.16. *Drug-Free Workplace.* Tenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1988 (41 U.S.C. §§ 8101 et seq.), the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City or Port premises.

28.17. *Prevailing Wages and Working Conditions.* Tenant shall comply with all applicable prevailing wage requirements, including but not limited to any such requirements in the California Labor Code, the City and County of San Francisco Charter or the City and County of San Francisco Municipal Code. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Tenant shall require its contractors and subcontractors performing (i) labor in connection with a "public work" as defined under California Labor Code Section 1720 et seq. (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) or (ii) Covered Construction to: (A) pay workers performing such work not less than the highest prevailing rate of wages, (B) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (C) employ apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "**Prevailing Wage Requirements**"). Tenant agrees to cooperate with the City in any action or proceeding against a contractor or subcontractor that fails to comply with the Prevailing Wage Requirements.

Tenant shall include and shall require its subtenants, and contractors and subcontractors (regardless of tier), to include the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any contractor or subcontractor in accordance with San Francisco Administrative Code Section 23.61. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A contractor's or subcontractor's failure to comply with this Section will enable the City to seek any remedy provided by Law, including those specified in San Francisco Administrative Code Section 23.61 against the breaching party.

Tenant shall also pay, and shall require its subtenants, and contractors and subcontractors (regardless of tier) to pay, the Prevailing Rate of Wage for the following activities on the Premises as set forth in and to the extent required by San Francisco Administrative Code Chapter 21C: a Public Off-Street Parking Lot, Garage or Automobile Storage Facility (as defined in Section 21C.3), a Show (as defined in Section 21C.4), a Special Event (as defined in Section 21C.8), Broadcast Services (as defined in Section 21C.9), Commercial Vehicles, Loading and

Unloading for Shows and Special Events (as defined in Section 21C.10), and Security Guard Services for Events (as defined in Section 21C.11).

28.18. Local Hire. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.62 (the “**Local Hiring Requirements**”). Tenant Improvements and Alterations under this Lease are subject to the Local Hiring Requirements unless the cost for such work is (i) estimated to be less than \$750,000 per building permit; (ii) is in connection with the set-up, execution and strike of special events of three (3) or fewer days costing in excess of the Threshold Amount; or (iii) meets any of the other exemptions in the Local Hiring Requirements. Tenant agrees that it will comply with the Local Hiring Requirements to the extent applicable. Before starting any Tenant Improvements or Alterations, Tenant shall contact City’s Office of Economic Workforce and Development (“**OEWD**”) to determine whether the work is a Covered Project subject to the Local Hiring Requirements.

Tenant shall include, and shall require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant shall cooperate, and require its subtenants to cooperate, with the City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant’s failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A contractor’s or subcontractor’s failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party.

28.19. Public Transit Information. Tenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Tenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Facility and encouraging use of such facilities, all at Tenant’s sole expense.

28.20. Food Service and Packaging Waste Reduction Ordinance. Tenant agrees to comply fully with and be bound by all of the provisions of the Food Service and Packaging Waste Reduction Ordinance, as set forth in Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. By entering into this Lease, Tenant agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Tenant agrees that the sum of one hundred dollars (\$100.00) liquidated damages for the first breach, two hundred dollars (\$200.00) liquidated damages for the second breach in the same year, and five hundred dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Tenant’s failure to comply with this provision.

28.21. San Francisco Bottled Water Ordinance. Tenant is subject to all applicable provisions of Environment Code Chapter 24 (which are hereby incorporated) prohibiting the sale or distribution of drinking water specified containers at City-permitted events held on the Premises with attendance of more than 100 people, except as otherwise set forth in Environmental Code Chapter 24.

28.22. Consideration Of Criminal History In Hiring And Employment Decisions.

(a) Tenant agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; “**Chapter 12T**”), which are hereby incorporated, including the remedies and

implementing regulations as may be amended from time to time, with respect to applicants and employees of Tenant who would be or are performing work at the Premises.

(b) Tenant shall incorporate by reference the provisions of Chapter 12T in all subleases of some or all of the Premises, and shall require all subtenants to comply with such provisions. Tenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) Tenant and subtenants shall not inquire about, require disclosure of, or if such information is received base an Adverse Action on an applicant's or potential applicant for employment, or employee's: (1) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication in the juvenile justice system; (5) a Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(d) Tenant and subtenants shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in subsection (c) above. Tenant and subtenants shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(e) Tenant and subtenants shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Tenant or subtenant at the Premises, that the Tenant or subtenant will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(f) Tenant and subtenants shall post the notice prepared by OLSE, available on OLSE's website, in a conspicuous place at the Premises and at other workplaces within San Francisco where interviews for job opportunities at the Premises occur. The notice shall be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the Premises or other workplace at which it is posted.

(g) Tenant and subtenants understand and agree that upon any failure to comply with the requirements of Chapter 12T, the City shall have the right to pursue any rights or remedies available under Chapter 12T or this Lease, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease.

(h) If Tenant has any questions about the applicability of Chapter 12T, it may contact Port for additional information. Port may consult with the Director of the City's Office of Contract Administration who may also grant a waiver, as set forth in Section 12T.8.

28.23. Southern Waterfront Community Benefits and Beautification Policy. The Port's "Policy for Southern Waterfront Community Benefits and Beautification" identifies beautification and related projects in the Southern Waterfront (from Mariposa Street in the north to India Basin) that require funding. Under this policy, Tenant shall provide community benefits and beautification measures in consideration for the use of the Premises. Examples of desired benefits include: (i) beautification, greening and maintenance of any outer edges of and entrances to the Premises; (ii) creation and implementation of a Community Outreach and Good Neighbor Policy to guide Tenant's interaction with Port, neighbors, visitors and users; (iii) use or support of job training and placement organizations serving southeast San Francisco; (iv) commitment to engage in operational practices that are sensitive to the environment and the neighboring

community by reducing engine emissions consistent with the City's Clean Air Program, and use of machines at the Premises that are low-emission diesel equipment and utilize biodiesel or other reduced particulate emission fuels; (v) commitment to use low impact design and other "green" strategies when installing or replacing stormwater infrastructure; (vi) employment at the Premises of a large percentage of managers and other staff who live in the local neighborhood or community; (vii) use of truckers that are certified by the CMD as "**Local Business Enterprises**" under the City's Local Business Enterprise and Non-Discrimination Ordinance (SF Administrative Code Chapter 14B, as amended); and (viii) use of businesses that are located within the Potrero Hill and Bayview Hunters Point neighborhoods. Tenant agrees to provide Port with documents and records regarding these activities upon Port's request.

28.24. Local Truckers. As material consideration for Port's agreement to enter into this Lease, Tenant agrees that, for all directly contracted or service agreement trucking opportunities associated with Tenant's operations at the Premises, including, without limitation, hauling of materials on and off the Premises, Tenant shall make good faith efforts to first use Local Truckers.

For purposes of this Section, "**truckers**" means a business that provides trucking services for a profit. "**Local truckers**" means those truckers that are certified by the Contract Monitoring Division of the City's General Services Agency as "**Local Business Enterprises**" pursuant to the City's Local Business Enterprise and Non-Discrimination in Contracting Ordinance as amended from time to time (Administrative Code Chapter 14B.)

To the extent that Tenant in its sole discretion directly contracts or enters into a service agreement with truckers for trucking opportunities as described in this Section, Tenant shall use Local Truckers for a minimum of sixty percent (60%) of all contracted or service agreement trucking. Only the actual dollar amount paid to truckers will be counted towards meeting the sixty percent (60%) requirement; equipment rental and disposal fees will not be counted. Notwithstanding the foregoing, if Tenant fails to meet the sixty percent (60%) minimum, Tenant shall not be in default of this provision so long as Tenant first offered trucking opportunities to Local Truckers, and such Local Truckers were unavailable or unwilling to perform the work.

Tenant shall submit a monthly report to the Port and CMD stating the total cost to Tenant of trucking through a contract or service agreement during the preceding month and identifying the total amount paid to Local Truckers by the Tenant. The monthly report shall document all truckers who conducted contract or service agreement work for Tenant, and identify those truckers which are Local Truckers. If Tenant fails to meet the 60% minimum in any month, the report shall document Tenant's good faith outreach efforts to contact Local Truckers and the reasons that such work could not be conducted by Local Truckers. At Port or CMD's request, Tenant shall provide additional documentation required to ensure Tenant's compliance with this provision. Tenant's failure to comply with this Section shall be deemed a material breach under the Lease subject to the default provisions of Section 21 of this Lease.

28.25. Vending Machines; Nutritional Standards and Calorie Labeling Requirements; Offerings. Tenant shall not install or permit any vending machine on the Premises without the prior written consent of Port. Any permitted vending machine must comply with the food and beverage nutritional standards and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9- 1(c), as may be amended from time to time (the "**Nutritional Standards Requirements**"). Tenant agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section shall be deemed a material breach of this Lease. Without limiting Port's other rights and remedies under this Lease, Port shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements. In addition, any Restaurant including any employee eating establishment located on the Premises is encouraged to ensure

that at least twenty-five percent (25%) of Meals (as capitalized terms are defined in San Francisco Administrative Code section 4.9-1) offered on the menu meet the nutritional standards set forth in San Francisco Administrative Code section 4.9-1(e), as may be amended.

28.26. *Tenant's Compliance with City Business and Tax Regulations Code.*

Tenant acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment Port is required to make to Tenant under this Lease is withheld, then Port will not be in breach or default under this Lease, and the Treasurer and Tax Collector will authorize release of any payments withheld under this Section 28.26 to Tenant, without interest, late fees, penalties, or other charges, upon Tenant coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

28.27. *Consideration of Salary History.* Tenant shall comply with San Francisco Administrative Code Chapter 12K, the Consideration of Salary History Ordinance or "Pay Parity Act." For each employment application to Tenant for work that relates to this Lease or for work to be performed in the City or on City property, Tenant is prohibited from considering current or past salary of an applicant in determining whether to hire the applicant or what salary to offer the applicant. Tenant shall not (1) ask such applicants about their current or past salary or (2) disclose a current or former employee's salary history without that employee's authorization unless the salary history is publicly available. Tenant is subject to the enforcement and penalty provisions in Chapter 12K. Information about Chapter 12K is available on the web at <https://sfgov.org/olse/consideration-salary-history>.

29. NOTICES.

Except as otherwise expressly provided in this Lease or by Law, all notices (including notice of consent or non-consent) required or permitted by this Lease or by Law must be in writing and be delivered by: (a) hand delivery; (b) first class United States mail, postage prepaid; or (c) overnight delivery by a nationally recognized courier or the United State Postal Service, delivery charges prepaid. Notices to a party must be delivered to that party's mailing address in the Basic Lease Information, unless superseded by a notice of a change in that party's mailing address for notices, given to the other party in the manner provided above, or by information provided by Tenant in Tenant's written response to Port's written request for such information.

All notices under this Lease shall be deemed to be duly delivered: (a) on the date personal delivery actually occurs; (b) if mailed, on the business day following the business day deposited in the United States mail or, if mailed return receipt requested, on the date of delivery or on which delivery is refused as shown on the return receipt; or (c) the business day after the business day deposited for overnight delivery.

Notices may not be given by facsimile or electronic mail, but either party may deliver a courtesy copy of a notice by facsimile or electronic mail.

30. MISCELLANEOUS PROVISIONS.

30.1. *California Law; Venue.* This Lease is governed by, and shall be construed and interpreted in accordance with, the Laws of the State of California and City's Charter. Any legal suit, action, or proceeding arising out of or relating to this Lease shall be instituted in the Superior Court for the City and County of San Francisco, and each party agrees to the exclusive jurisdiction of such court in any such suit, action, or proceeding (excluding bankruptcy matters). The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action, or proceeding in such court and irrevocably waive and agree not to plead or claim that any suit, action, or proceeding brought in San Francisco Superior Court relating to this Lease

has been brought in an inconvenient forum. The parties also unconditionally and irrevocably waive any right to remove any such suit, action, or proceeding to Federal Court.

30.2. Entire Agreement. This Lease contains all of the representations and the entire agreement between the parties with respect to the subject matter of this Lease. Any prior correspondence, memoranda, agreements, warranties, or representations, whether written or oral, relating to such subject matter are superseded in total by this Lease. No prior drafts of this Lease or changes from those drafts to the executed version of this Lease shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider those drafts in interpreting this Lease.

30.3. Amendments. No amendment of this Lease or any part thereof shall be valid unless it is in writing and signed by all of the parties hereto.

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

30.5. Interpretation of Lease.

(a) References in this Lease to Tenant's acts or omissions will mean acts or omissions by Tenant and its Agents and Invitees unless the context requires or specifically stated otherwise.

(b) Whenever an exhibit or schedule is referenced, it means an attachment to this Lease unless otherwise specifically identified. All exhibits and schedules are incorporated in this Lease by reference.

(c) Whenever a section, article or paragraph is referenced, it refers to this Lease unless otherwise specifically provided. The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and must be disregarded in the construction and interpretation of this Lease. Wherever reference is made to any provision, term, or matter "in this Lease," "herein" or "hereof" or words of similar import, the reference will be deemed to refer to any reasonably related provisions of this Lease in the context of the reference, unless the reference refers solely to a specific numbered or lettered article, section, subdivision, or paragraph of this Lease.

(d) References to all Laws, including specific statutes, relating to the rights and obligations of either party mean the Laws in effect on the effective date of this Lease and as they are amended, replaced, supplemented, clarified, corrected, or superseded at any time during the Term or while any obligations under this Lease are outstanding, whether or not foreseen or contemplated by the parties. References to specific code sections mean San Francisco ordinances unless otherwise specified.

(e) The terms "include," "included," "including" and "such as" or words of similar import when following any general term, statement, or matter may not be construed to limit the term, statement, or matter to the specific items or matters, whether or not language of non-limitation is used, but will be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of the term, statement, or matter, and will be deemed to be followed by the phrase "without limitation" or "but not limited to."

(f) This Lease has been negotiated at arm's length between persons sophisticated and knowledgeable in the matters addressed. In addition, each party has been represented by experienced and knowledgeable legal counsel, or has had the opportunity to consult with counsel. Accordingly, the provisions of this Lease must be construed as a whole according to their common meaning in order to achieve the intents and purposes of the parties,

without any presumption (including a presumption under California Civil Code § 1654) against the party responsible for drafting any part of this Lease.

(g) The party on which any obligation is imposed in this Lease will be solely responsible for paying all costs and expenses incurred in performing the obligation, unless the provision imposing the obligation specifically provides otherwise.

(h) Whenever required by the context, the singular includes the plural and vice versa, the masculine gender includes the feminine or neuter genders and vice versa, and defined terms encompass all correlating forms of the terms (e.g., the definition of “waive” applies to “waiver,” “waivers,” “waived,” “waiving,” etc.).

(i) References to days mean calendar days unless otherwise specified, provided that if the last day on which a party must give notice, respond to a notice, or take any other action under this Lease occurs on a day that is not a business day, the date by which the act must be performed will be extended to the next business day.

(j) Whenever the consent of a party is required, unless this Lease expressly makes such consent within the sole and absolute discretion of the party, then such party shall not unreasonably withhold, condition, or delay the consent.

30.6. Successors. The terms, covenants, agreements and conditions set forth in this Lease shall bind and inure to the benefit of Port and Tenant and, except as otherwise provided herein, their personal representatives and successors and assigns.

30.7. Real Estate Broker’s Fees. Port will not pay, nor will Port be liable or responsible for, any finder’s or broker’s fee in connection with this Lease. Tenant represents and warrants to Port that Tenant has not engaged any person, finder, or broker in connection with the procurement of this Lease and if Tenant is in violation of such representation and warranty, Tenant agrees to indemnify Port from any Claims, including attorneys’ fees, incurred by Port in connection with any Claims of such person(s), finder(s), or broker(s) for a commission in connection with this Lease.

30.8. Counterparts. For convenience, the signatures of the parties to this Lease may be executed and acknowledged on separate pages which, when attached to this Lease, shall constitute one complete Lease. This Lease may be executed in any number of counterparts each of which shall be deemed to be an original and all of which shall constitute one and the same Lease.

30.9. Authority. If Tenant signs as a corporation or a partnership, each of the persons executing this Lease on behalf of Tenant does hereby covenant and warrant that Tenant is at the time of execution and at all times while this Lease is in effect will continue to be: (1) a duly authorized and existing entity, (2) qualified to do business in California; and that Tenant has full right and authority to enter into this Lease, and that each and all of the persons signing on behalf of Tenant are authorized to do so. Upon Port’s request, Tenant shall provide Port with evidence reasonably satisfactory to Port confirming the foregoing representations and warranties, and covenants.

30.10. No Implied Waiver. No failure by Port to insist upon the strict performance of any obligation of Tenant under this Lease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, and no acceptance of full or partial Rent during the continuance of any such breach shall constitute a waiver of such breach or of Port’s rights to demand strict compliance with such term, covenant or condition. Port’s consent to or approval of any act by Tenant requiring Port’s consent or approval shall not be deemed to waive or render unnecessary Port’s consent to or approval of any subsequent act by Tenant. Any waiver by Port of any default must be in writing and shall not be a waiver of any other default (including any future default) concerning the same or any other provision of this Lease.

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

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

30.13. *Survival of Indemnities.* Termination or expiration of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, the ability to collect any sums due, nor shall it affect any provision of this Lease that expressly states it shall survive termination or expiration hereof.

30.14. *Relationship of the Parties.* Port is not, and none of the provisions in this Lease shall be deemed to render Port, a partner in Tenant's business, or joint venturer or member in any joint enterprise with Tenant. Neither party shall act as the agent of the other party in any respect hereunder. This Lease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided.

30.15. *No Recording.* Tenant shall not record this Lease or any memorandum hereof in the Official Records.

30.16. *Additional Written Agreement Required.* Tenant expressly agrees and acknowledges that no officer, director, or employee of Port or City is authorized to offer or promise, nor is Port or the City required to honor, any offered or promised rent credit, concession, abatement, or any other form of monetary consideration (individually and collectively, "**Concession**") without a written agreement executed by the Executive Director of Port or his or her designee authorizing such Concession and, if applicable, certification of the Concession from the City's Controller.

31. LIMITATION ON DAMAGES.

31.1. *No Recourse Beyond Value of Premises.* Notwithstanding anything to the contrary contained in this Lease, Tenant agrees that Tenant will have no recourse with respect to, and Port shall not be liable for, any obligation of Port under this Lease, or for any claim based upon this Lease, except to the extent of the fair market value of Port's fee interest in the Premises (as encumbered by this Lease). Tenant shall look solely to the fair market value of Port's fee interest in the Premises for the recovery of any judgment or award. By Tenant's execution and delivery hereof and as part of the consideration for Port's obligations hereunder, Tenant expressly waives all other liability. Before filing suit for an alleged default by Port, Tenant shall give Port notice and reasonable time to cure the alleged default.

31.2. *Non-Liability of City Officials, Employees and Agents.* No elective or appointive board, commission, member, officer, employee or other Agent of City and/or Port shall be personally liable to Tenant, its successors and assigns, in the event of any default or breach by City and/or Port or for any amount which may become due to Tenant, its successors and assigns, or for any obligation of City and/or Port under this Lease. Under no circumstances shall Port, City, or their respective Agents be liable under any circumstances for any consequential, incidental or punitive damages.

31.3. *Limitation on Port's Liability Upon Transfer.* In the event of any transfer of Port's interest in and to the Facility, Port (and in case of any subsequent transfers, the then transferor), subject to the provisions hereof, will be automatically relieved from and after the date of such transfer of all liability with regard to the performance of any covenants or obligations contained in this Lease thereafter to be performed on the part of Port, but not from liability incurred by Port (or such transferor, as the case may be) on account of covenants or obligations to be performed by Port (or such transferor, as the case may be) hereunder before the date of such transfer.

32. TENANT ESTOPPEL CERTIFICATES.

Tenant, at any time and from time to time upon not less than ten (10) days' prior notice from Port, shall execute and deliver to Port or to any party designated by Port a certificate in substantially the same form as that attached to this Lease as *Exhibit C*. If Tenant shall fail to provide such certificate within ten (10) days of receipt by Tenant of a written request by Port as herein provided, such failure shall, at Port's election, constitute a default under this Lease, and Tenant shall be deemed to have admitted the accuracy of any information supplied by Port to a prospective purchaser or mortgagee.

33. APPROVAL OF BOARD OF SUPERVISORS.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, TENANT ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID IF CITY'S MAYOR AND THE BOARD OF SUPERVISORS DO NOT APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE DISCRETION. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ENACTED, NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, PORT and TENANT execute this Lease as of the last date set forth below.

PORT: **CITY AND COUNTY OF SAN FRANCISCO,**
a municipal corporation, operating by and through the
SAN FRANCISCO PORT COMMISSION

By: _____
Name: _____
Title: _____

Date Signed: _____

TENANT: **RECOLOGY SAN FRANCISCO,**
a California corporation

By: _____
Name: _____
Title: _____

Date Signed: _____

By: _____
Name: _____
Title: _____

Date Signed: _____

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: _____
Name: Justin Bigelow
Deputy City Attorney

Lease Prepared By: Kimberley Beal, Assistant Deputy Director _____
(initial)

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EXHIBIT A

DESCRIPTION OF PREMISES

[Attachment on following page]

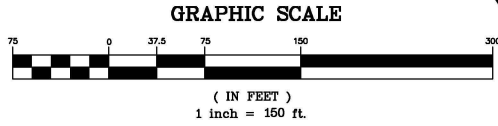
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EXHIBIT A

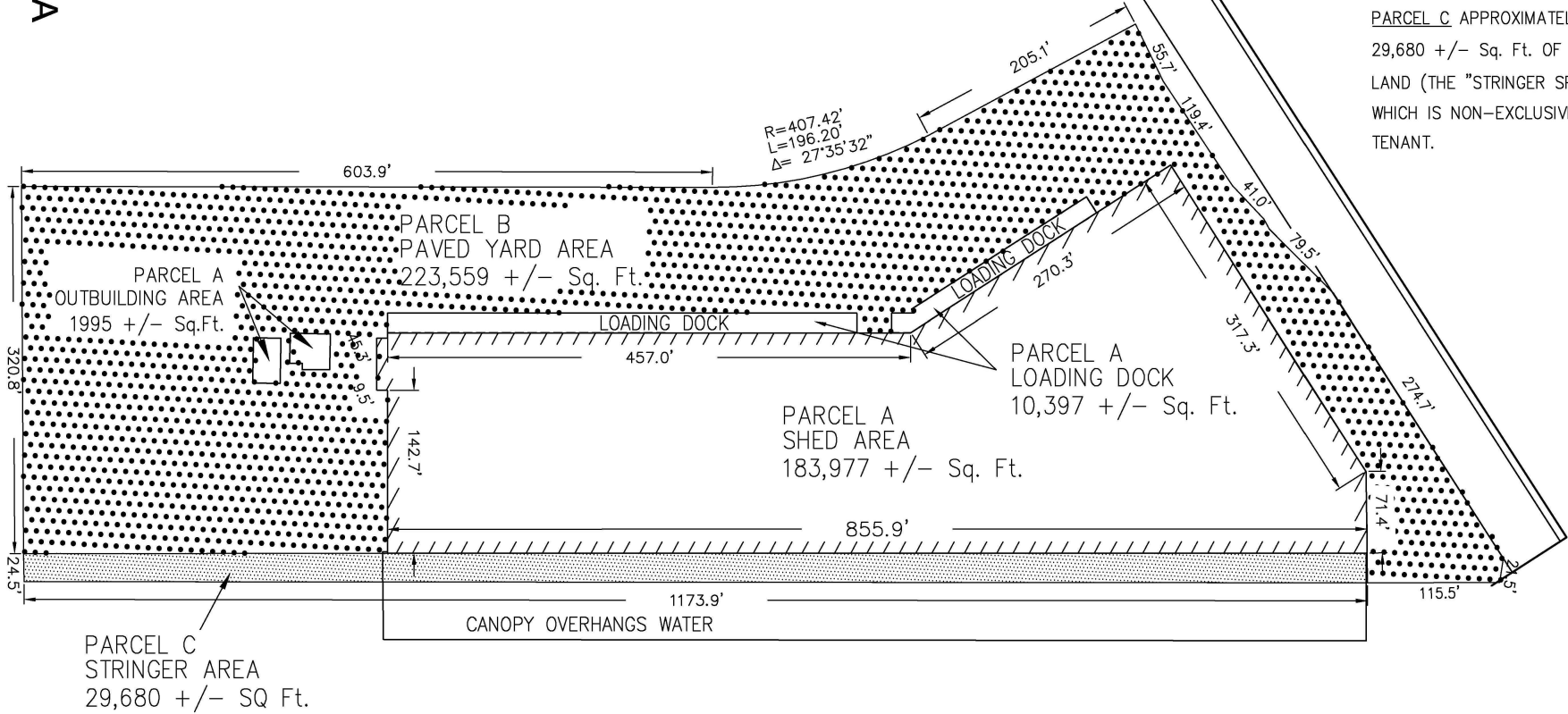
PIER 96



PARCEL A - APPROXIMATELY
206,765 +/- Sq. Ft. OF SHED,
OUTBUILDING, LOADING DOCK
SPACE

PARCEL B APPROXIMATELY
223,559 +/- Sq. Ft. OF PAVED
LAND AND YARD

PARCEL C APPROXIMATELY
29,680 +/- Sq. Ft. OF PAVED
LAND (THE "STRINGER SPACE"),
WHICH IS NON-EXCLUSIVE TO
TENANT.



INITIALS: PORT:

TENANT:

DATE:

LEASE NO.

L-17035



SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

TENANT:

RECOLOGY SAN FRANCISCO

DRAWN BY: EJB EDITED BY: DATE: APRIL 14, 2023

CHECKED BY: STG SCALE: AS SHOWN

PLACE CODE NO. SHEET NO.

1960-00

OF SHEETS

EXHIBIT B

COMMENCEMENT DATE AND EXPIRATION DATE MEMORANDUM

Landlord: **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation,
operating by and through the **SAN FRANCISCO PORT
COMMISSION**

Tenant:

Lease Number:

Lease Date:

Premises: [_____, Suite _____]
San Francisco, California

The Commencement Date of the Lease is hereby established as _____, 20____, the
Rent Commencement Date of the Lease is hereby established as _____, 20____ the
Anniversary Date is hereby established as _____, 20____ and the Expiration Date as
_____, 20____.

PORT: **CITY AND COUNTY OF SAN FRANCISCO**,
a municipal corporation, operating by and through the
SAN FRANCISCO PORT COMMISSION

By: _____
Name: _____
Title: _____

Date Signed: _____

Tenant:

By: _____
Name: _____
Title: _____

Date Signed: _____

EXHIBIT C

TENANT ESTOPPEL CERTIFICATE

The undersigned, _____, is the tenant of a portion of the real property commonly known as [Insert Premises Address] located in San Francisco, California (the “**Property**”), and hereby certifies to **THE CITY AND COUNTY OF SAN FRANCISCO THROUGH THE SAN FRANCISCO PORT COMMISSION (“Port”)** [and to _____ (“**Developer/Lender**”)] the following:

1. That there is presently in full force and effect a lease (as modified, assigned, supplemented and/or amended as set forth in paragraph 2 below, the “**Lease**”) dated as of _____, 20__, between the undersigned and Port, covering approximately ____ square feet of the Property (the “**Premises**”).
2. That the Lease has not been modified, assigned, supplemented or amended except by:
3. That the Lease represents the entire agreement between Port and the undersigned with respect to the Premises.
4. That the commencement date under the Lease was _____, 20__, the expiration date of said Lease is _____, 20__.
5. That the present minimum monthly Base Rent which the undersigned is paying under the Lease is \$_____.
6. The security deposit held by Port under the terms of the Lease is \$_____ and Port holds no other deposit from Tenant for security or otherwise.
7. That the undersigned has accepted possession of the Premises and that, to the best of the undersigned’s knowledge, any improvements required to be made by Port to the Premises by the terms of the Lease and all other conditions of the Lease to be satisfied by Port have been completed or satisfied to the satisfaction of the undersigned.
8. That, to the best of the undersigned’s knowledge, the undersigned, as of the date set forth below, has no right or claim of deduction, charge, lien or offset against Port under the Lease or otherwise against the rents or other charges due or to become due pursuant to the terms of the Lease.
9. That, to the best of the undersigned’s knowledge, Port is not in default or breach of the Lease, nor has Port committed an act or failed to act in such a manner, which, with the passage of time or notice or both, would result in a default or breach of the Lease by Port.
10. That, to the best of the undersigned’s knowledge, the undersigned is not in default or in breach of the Lease, nor has the undersigned committed an act or failed to act in such a manner which, with the passage of time or notice or both, would result in a default or breach of the Lease by the undersigned.
11. The undersigned is not the subject of any pending bankruptcy, insolvency, debtor’s relief, reorganization, receivership, or similar proceedings, nor the subject of a ruling with respect to any of the foregoing.

This Certificate shall be binding upon and inure to the benefit of the undersigned, Port, [Developer/Lender] and [its/their respective] successors and assigns.

Dated: _____, 20__.

[Name of Tenant]

By:

Name:

Title:

EXHIBIT D

PREMISES CERTIFICATE

Landlord: **CITY AND COUNTY OF SAN FRANCISCO,**
a municipal corporation, operating by and through the
SAN FRANCISCO PORT COMMISSION

Tenant: **Recology San Francisco,**
a California corporation

Lease Number: L-17035

Lease Date:

RECITALS

A. Port and the Public Utilities Commission of the City and County of San Francisco (SFPUC) previously entered into a Memorandum of Understanding dated for reference purposes as of December 13, 2005 (the “MOU”), which authorized the SFPUC to install, operate, and maintain a photovoltaic system (the “Solar Power System”) on approximately 28,000 square feet of the canopy roof above the Stringer Space (the “Canopy Roof Space”).

B. Port and Recology entered into Port Lease Number L-17035, which requires Recology to include as a component of its Premises the Canopy Roof Space under the terms and conditions described thereunder and in this Premises Certificate.

C. The SFPUC has removed the Solar Power System (or portions thereof) from the Facility and the Canopy Roof Space is free from hazards, clear of all debris, and is in the condition required by Lease L-17035.

D. The Port Commission has delegated to Port’s Executive Director, or the Executive Director’s designee, authority to enter this Premises Certificate pursuant to Resolution Number ____ - ____.

E. All capitalized terms not otherwise defined in this Premises Certificate shall have the meanings provided in Lease L-17035.

PREMISES CERTIFICATE

1. Port and Recology agree and affirm that: (a) Recitals A through E are true and correct, and (b) Port and Recology have inspected the Canopy Roof Space and agree its physical condition complies with the requirements of Lease L-17035, and (c) the Canopy Roof Space shall be incorporated into the Premises.

2. Except as otherwise expressly provided in Lease L-17035, the Port and Recology agree and affirm that as of the date of execution of this Certificate, all Alterations or Improvements located on or affixed to the Premises (including but not limited to that portion of the Canopy Roof Space that was formerly used and occupied by the SFPUC) is and shall be subject to each and every term of Lease L-17035 (including but not limited to the Maintenance and Repair and the Maritime provisions in the Basic Lease Information).

[SIGNATURES ON FOLLOWING PAGE]

PORT:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, operating by and through the
SAN FRANCISCO PORT COMMISSION

By: _____
Name: _____
Title: _____

Date Signed: _____

Tenant:

RECOLOGY SAN FRANCISCO,
a California corporation

By: _____
Name: _____
Title: _____

Date Signed: _____

By: _____
Name: _____
Title: _____

Date Signed: _____

SCHEDULE 1

**ASBESTOS NOTIFICATION AND INFORMATION
NOTICE TO EMPLOYEES,
OWNERS, LESSEES, SUBLESSEES, AGENTS AND CONTRACTORS**

[Attachment on following page(s)]

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PORT of San Francisco Asbestos Summary

Facility# 1960

Pier 96

Shed A
Pier 96 - Recology

Survey Date	Room or Area	Contents of Survey / Description of ACM	Handling Procedures and Restrictions	Abated
9/1/2006	Roof, NorCal Recycling	The black felt underneath the metal or fiberglass roof panels (but above the steel beams) was found to contain 40-50% chrysotile asbestos (SCA September 2006)	Do not drill into, cut into, disturb or demolish this material. Spot abatement occurred in September of 2006 but the majority of material remains.	No

SCHEDULE 2

SUBSTRUCTURE REPORT(S)

[Attachment on following page(s)]

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RAPID STRUCTURAL ASSESSMENT REPORT

Structure Type:	SUBSTRUCTURE	Work Order:	5459
Facility Name:	Pier 96 North East Wharf Substructure	FIN:	1960NEW
Asset Number:	1960-SUB2	Facility Code:	1960
Asset Activity:	SUBSTRUCTURE 2 YR INSPECTION	Port Engineer:	Duncan, Mr. Sherban A.
Inspection Number:	1960-SUB2-1-2013	Inspected By:	C+D - Gelberg Rodriguez
Inspection Start Date:	2013/05/13 14:37:30	Inspection End Date:	2013/05/13 14:37:22
Purpose Of Inspection:	Periodic Inspection	Lease Number:	
Address:			
Year Built:	Approx. 1963		

Rating Criteria:

Green - Unrestricted use. May require some minor repair, or minimal barricading.

Yellow With Green Hatching - Restricted use. May require further review, may require load limits, limiting access and barricading until repairs completed.

Red - Unsafe notice. Shall be barricaded to prevent public access and use.

Overall Rating: **Green**

Immediate Actions: Remove falling hazards, inspect seawall

Required Repairs:

Load Limits:

Barricades:

Condition Assessment Summary

Condition	Yes	No	More Review Needed
1) Severe Seawall Failure		X	
2) Many Missing Piles		X	
3) Many significant damaged pile		X	
4) Significant beam deterioration		X	
5) Significant slab deterioration		X	
6) Other Hazard present	X		

Comments:

Sequence - 1

Description - Comments

Comment - 1. Some areas with spalling and exposed/corroded rebar.

2. Wood fender system is damaged/deteriorated, falling hazard.

3. Rip-rap under seawall, cannot determine if undermining is taking place.



RAPID STRUCTURAL ASSESSMENT REPORT

Attachments:

Appendix A - Facility Data

Appendix B - Photographs and Structural Rating Map



RAPID STRUCTURAL ASSESSMENT REPORT

Appendix A - Facility Data

Substructure/Foundation Data:

Substructure FIN: 1960NEW

Piling Type:

Substructure Deck Type:

Apron Type:

Detailed Substructure Description (if available): Concrete Slab over concrete girders, supported by concrete piles.



RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map



Photo 1. Overall view looking at north-east

Appendix B - Photographs and Structural Rating Map

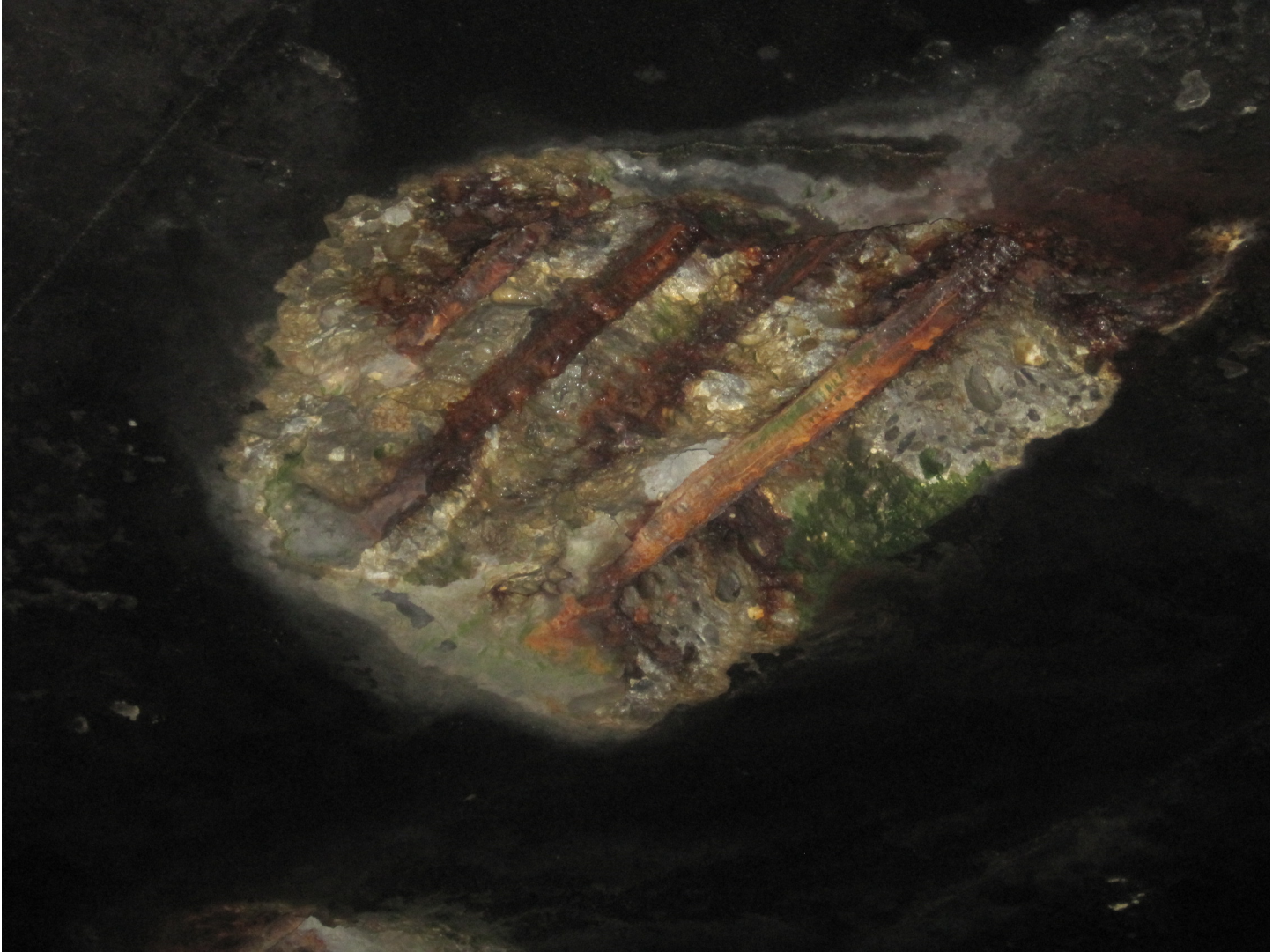


Photo 2. Spalling concrete and exposed/corroded rebar

Appendix B - Photographs and Structural Rating Map



Photo 3. Damaged/deteriorated fendering system

RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map



Photo 4. Cracks in concrete deck



RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map



Photo 5. Missing pile



RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map



Photo 6. Hanging wood members

Appendix B - Photographs and Structural Rating Map



Photo 7. Seawall protected by rip-rap



RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map

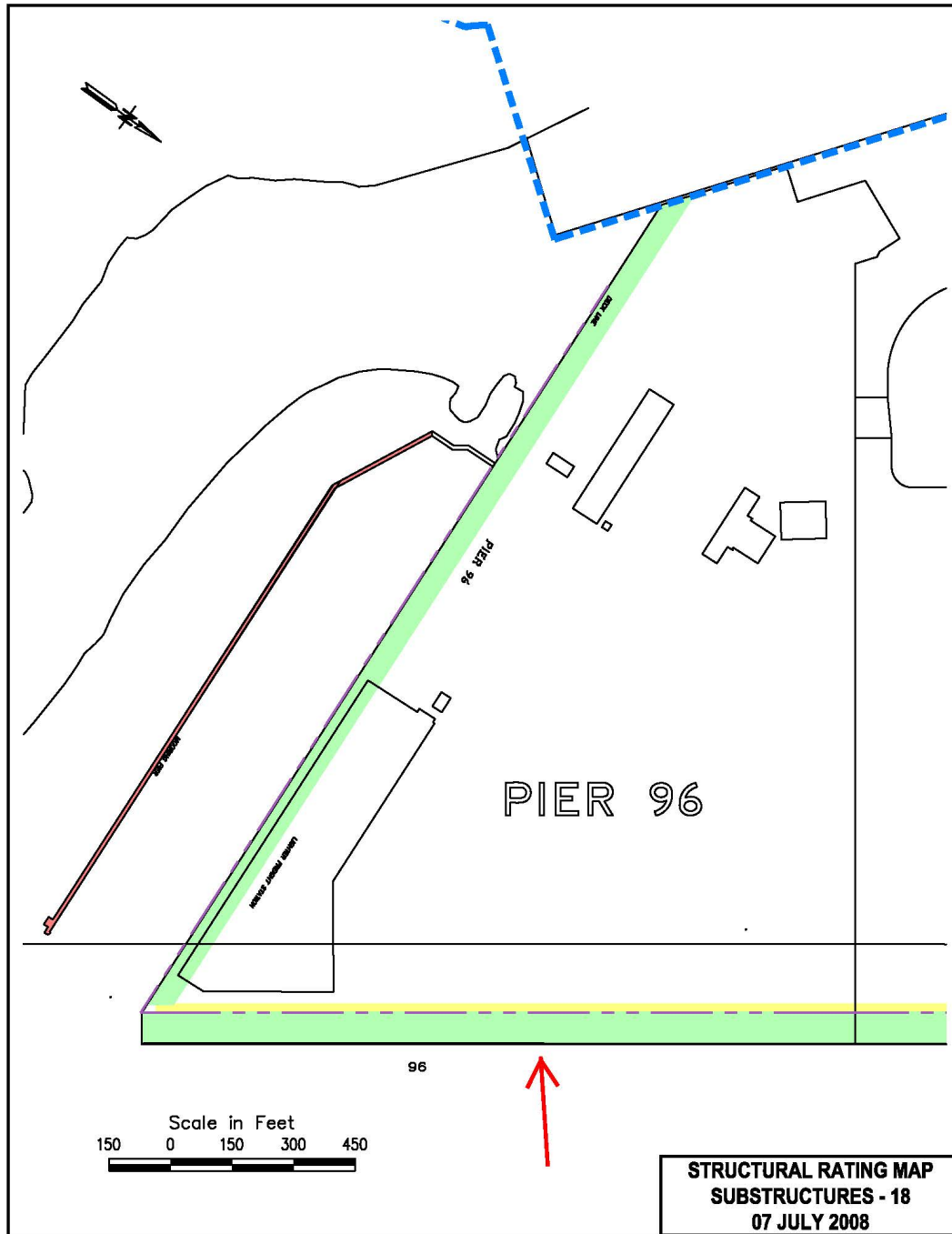


Photo 8. Structural Rating Map



RAPID STRUCTURAL ASSESSMENT REPORT

Structure Type:	SUBSTRUCTURE	Work Order:	5443
Facility Name:	Pier 96 North East Sea Wall	FIN:	1960NES
Asset Number:	1960-SUB6	Facility Code:	1960
Asset Activity:	SUBSTRUCTURE 2 YR INSPECTION	Port Engineer:	Duncan, Mr. Sherban A.
Inspection Number:	1960-SUB6-1-2013	Inspected By:	C+D - Gelberg Rodriguez
Inspection Start Date:	2013/05/13 15:02:01	Inspection End Date:	2013/05/13 15:01:53
Purpose Of Inspection:	Periodic Inspection	Lease Number:	
Address:			
Year Built:			

Rating Criteria:

Green - Unrestricted use. May require some minor repair, or minimal barricading.

Yellow With Green Hatching - Restricted use. May require further review, may require load limits, limiting access and barricading until repairs completed.

Red - Unsafe notice. Shall be barricaded to prevent public access and use.

Overall Rating: **Yellow With Green Hatching**

Immediate Actions: Further review of potential undermining of seawall

Required Repairs:

Load Limits:

Barricades:

Condition Assessment Summary

Condition	Yes	No	More Review Needed
1) Severe Seawall Failure			X
2) Many Missing Piles		X	
3) Many significant damaged pile		X	
4) Significant beam deterioration		X	
5) Significant slab deterioration		X	
6) Other Hazard present		X	

Comments:

Sequence - 1

Description - Comments

Comment - 1. Some undermining may be present below concrete seawall. Further evaluation required.

Attachments:

Appendix A - Facility Data



RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map



RAPID STRUCTURAL ASSESSMENT REPORT

Appendix A - Facility Data

Substructure/Foundation Data:

Substructure FIN: 1960NES

Piling Type:

Substructure Deck Type:

Apron Type:

Detailed Substructure Description (If available):

Appendix B - Photographs and Structural Rating Map



Photo 1. Undermining of rip-rap and slurry may be present

Appendix B - Photographs and Structural Rating Map



Photo 2. Drain underneath seawall

RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map



Photo 3. Undermining of seawall

RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map



Photo 4. Undermining of seawall

Appendix B - Photographs and Structural Rating Map



Photo 5. Undermining of seawall

Appendix B - Photographs and Structural Rating Map



Photo 6. Undermining of seawall



RAPID STRUCTURAL ASSESSMENT REPORT

Appendix B - Photographs and Structural Rating Map

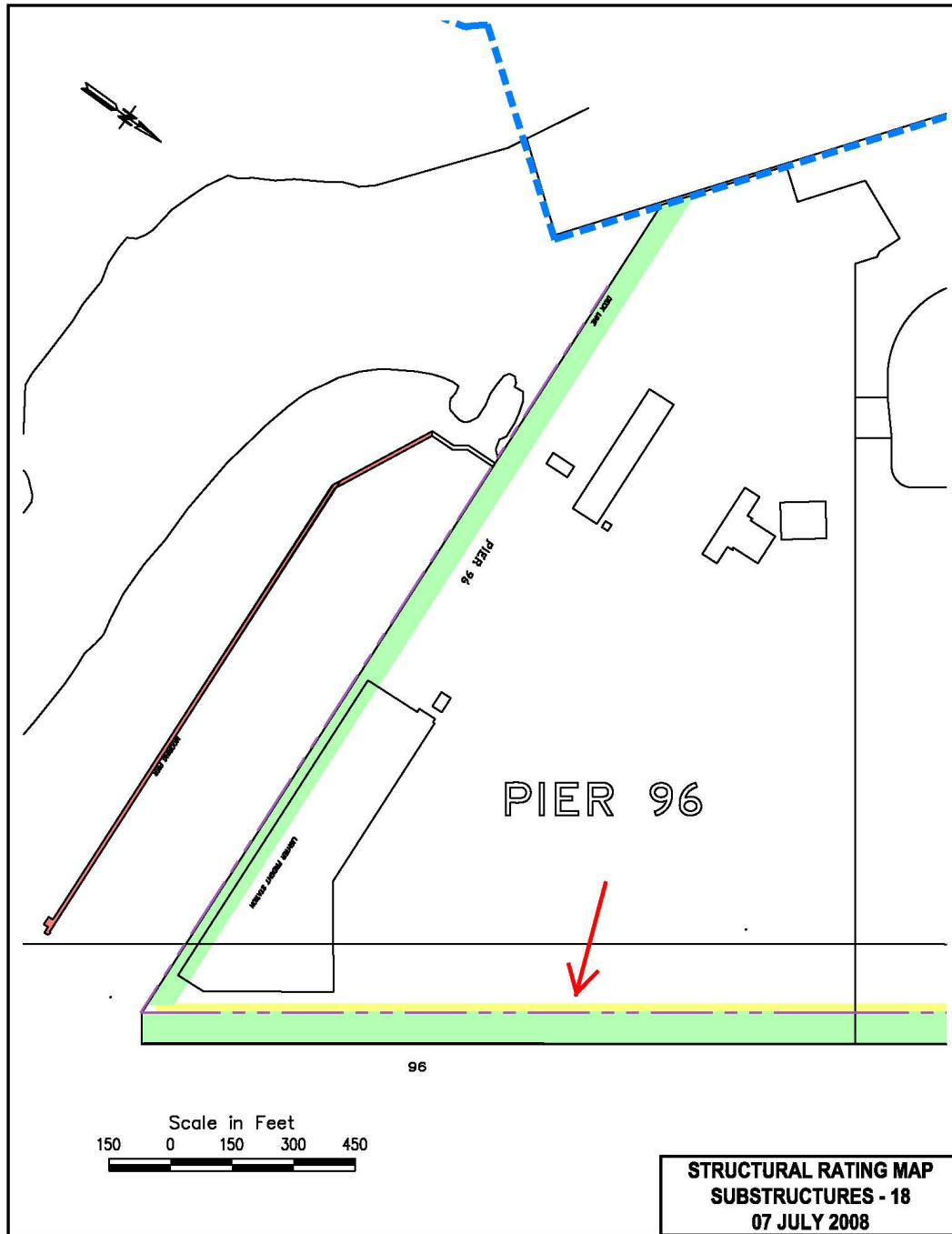


Photo 7. Structural Rating Map

SCHEDULE 3

04/12/2021

FEMA-National Flood Insurance Program Disclosure Notice

As part of the National Flood Insurance Program (“NFIP”), Federal Emergency Management Agency (“FEMA”) issued the final flood insurance rate maps (“FIRMs”) for City and County of San Francisco on September 23rd, 2020, concluding a process that had been going on for more than a decade. This is the first time FEMA mapped flood risks for the City and County of San Francisco. FIRMs were later adopted by the Board of Supervisors through Ordinance 226-20 (“Floodplain Management Program Ordinance”) and became effective on March 23, 2021.

Based on detailed studies of coastal flood hazards associated with San Francisco Bay and the Pacific Ocean, the final FIRMs designate portions of the City and County of San Francisco (“City”), including portions of the waterfront, Mission Bay, Islais Creek, Bayview Hunters Point, Hunters Point Shipyard, Candlestick Point, Treasure Island, San Francisco International Airport, and Ocean Beach, in coastal flood hazard areas. Referred to as “Special Flood Hazard Areas” (“SFHAs”), these areas are subject to inundation during a flood having a 1 percent chance of occurrence in any given year. They are shown as zones beginning with the letter “A” or “V” on the FIRMs. Port’s structures over water, including piers and wharfs, are designated as Zone D (area of undetermined flood hazard). Zone D areas are not subject to Building Code and NFIP regulation. Historic structures are also exempted from compliance under the NFIP.

Additionally, the San Francisco Public Utilities Commission (“SFPUC”) has prepared the 100-Year Storm Flood Risk Map to show areas where flooding is highly likely to occur on City streets during a 100-year rain storm. More information about this map, including a searchable web map, is available at <https://www.sfwater.org/floodmaps>. The SFPUC 100-Year Storm Flood Risk Map only shows flood risk from storm runoff and, floodproofing measures are not required at this time.

The SFPUC map does not consider flood risk in San Francisco from other causes, such as inundation from the San Francisco Bay or the Pacific Ocean, which are shown on the FIRMs that FEMA has prepared for San Francisco. Conversely, the FIRMs do not show flooding from storm runoff in San Francisco, because our historical creeks and other inland waterbodies have been built over and are no longer open waterways. In most areas, the flood hazards identified by SFPUC and FEMA are separate. There are a few areas, however, near the shoreline where SFPUC’s Flood Risk Zones overlap with the FEMA-designated floodplains.

The FIRM provides flood risk information for flood insurance and floodplain management purposes under the NFIP. The SFHAs, shown on the FIRM, may impact flood insurance requirements and rates, permitting, and building requirements for tenants and permit holders for property in designated SFHAs on the FIRM. Flood insurance is available through the NFIP and the private market. Flood insurance for Zone D areas is not available through NFIP. Pre-FIRM buildings of any type are not required to buy flood insurance. For more information on purchasing flood insurance, please contact your insurance agent.

City’s Floodplain Management Program ordinance is based on NFIP requirements. Under the ordinance, the Port and the City must regulate new construction and substantial improvements or repairs to structures in SFHAs to reduce the risk of flood damage. The requirements may include elevation or floodproofing of structures and attendant utilities.

Additional information on this matter are available on the City/Port websites and FEMA website as listed below-

San Francisco Floodplain Management Program website:
<https://onesanfrancisco.org/san-francisco-floodplain-management-program>

Port Floodplain Management Program Website:
<https://sfport.com/flood-plain-management-program>

FEMA's NFIP website:
www.FloodSmart.gov.

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SCHEDULE 4

HAZARDOUS MATERIAL DISCLOSURE

DRAFT

Environmental Reports and Documents Regarding Hazardous Materials

Recology / Recycling

October 5, 2022

Pier 96

Assessment of Suspect Asbestos-Containing Materials at the Port of San Francisco Pier 96 Administration Building, Clayton Environmental Consultants, September 29, 1995.

Final Report: Spot Asbestos Roofing Abatement, SFPUC Photovoltaic Panels Installation Project; Port of SF Pier 96, 100 Cargo Way, SCA Environmental, Inc., 9/2006.

Final Site Mitigation Plan, SFDPH's Article 22A Compliance, Proposed New Tracks A and B, Pier 96 Railroad, San Francisco, California, AEW Engineering, Inc., February 1, 2017.

Hazardous Materials Survey; Final Report; Pier 96; The Pound (Former biker bar), ProTech Consulting and Engineering, December 22, 2010.

Pre-renovation hazardous materials survey; Pier 96 NW warehouse (selected areas), SCA Environmental, Inc., April 2008.

Proposal & Contract, Pier 96, Asbestos removal, Bluewater Environmental Services, 4/2/2008.

Results of Chemical, Physical and Bioassay Testing of Sediments at Berth 35-East and 96, MEC Analytical Systems, Inc, October 26, 1993.

Results of Sediment Sampling and Analysis, Pier 94/96N, Harding Lawson Associates, 8/2/00.

San Francisco Health Code Article 22A Compliance, Recology Recycle Central at Pier 96 Storm Water Quality Improvement Project, Pier 96 San Francisco, California, EBM-SAM No. SMED 1425, San Francisco Department of Public Health, January 22, 2017.

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MEMORANDUM

October 6, 2023

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director 

SUBJECT: Request approval of a proposed new lease with Recology San Francisco for approximately seventy-four (74) months for operation of a single stream mixed materials recycling center at Pier 96.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 23-42

EXECUTIVE SUMMARY

The Port Commission heard an informational presentation on this topic on September 12, 2023. Staff provides this updated memorandum to address questions during the meeting with additions indicated in underline below.

Recology San Francisco (“Recology”), originally West Coast Recycling, Inc., has been a Port tenant at Pier 96 since 1998, leasing property for a recycling facility under Lease L-12540. The existing lease commenced on August 1, 1998 and expired on July 31, 2023.

Prior to lease expiration, Recology approached staff about a new lease for continued operations with a proposed term in excess of 10 years, however, no capital improvements were proposed to justify the need for a long-term agreement. Recology and Port staff are negotiating a potential new lease for 74 months that would require Recology to complete a seismic study and a facility conditions assessment as part of the compensation to be received by Port. The information from these two studies could be used to identify future capital improvements that justify a possible extended term. This is being brought to the Port Commission because the lease will generate more than \$1 million in revenues over

THIS PRINT COVERS CALENDAR ITEM NO. 7A

the term. Under Charter Section 9.118, the lease will also require approval by the Board of Supervisors.

STRATEGIC OBJECTIVE

If approved, the proposed lease will support the following objectives of the Port's Strategic Plan:

Economic Recovery:

Managing the real estate portfolio to maximize value and income to the Port and to retain a tenant that can perform through economic cycles.

Resilience:

The seismic study required under the agreement will provide recommended improvements to improve the Port's resiliency to earthquakes.

Engagement

Help meet the city's zero waste goals by providing a location where recyclable materials can be sorted and diverted from landfills.

BACKGROUND

The Port and Recology, originally operating as West Coast Recycling, Inc. entered into Port Lease No. L-12540 dated January 22, 1998, which currently covers approximately 195,281 square feet of shed, outbuilding, and loading dock space and 201,626 square feet of paved yard space for sorting, compaction, containerization (loading shipping containers), storage, and transshipment of recyclable, paper, cardboard, fiber, plastic, metal and other dry waste products, for transport by ocean-going vessels, truck and rail, vehicle storage, employee parking and directly related general administrative functions at Pier 96. The Lease was subsequently amended on five occasions (see Attachment A for lease amendment history).

The original lease was for a term of five (5) years commencing on August 1, 1998, and was to expire on July 31, 2003. Because of the level of expenditure required to convert the former Lighter Shed into a modern recycling facility, the Tenant requested a longer-term lease.¹

The Second Amendment to and Restatement of Lease extended the term from five (5) to twenty-five (25) years (Resolution 99-20). In consideration of the extended term, the Tenant agreed to certain minimum throughputs of containerized cargo generated at the Pier 96 recycling facility through the Port's container terminals. If Tenant fell short of the

¹ Pursuant to Port Commission Leasing Policy adopted August 22, 1979, amended by subsection 10 of Resolution 80-95 adopted on September 10, 1980, the Port may enter into leases without competitive bid when competitive bid is impractical or impossible and when the property is to be used for maritime purposes. This policy is summarized in Exhibit B to the Fiscal Year 2023-2024 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event Rates (Parameter Rates), most recently approved by the Commission on July 11, 2023 in Resolution 23-36.

minimum throughputs and failed to make up the transfers in the subsequent year, Tenant was required to pay a Maritime Deficiency Fee; additional rent in an amount equal to twice the amount of the wharfage that would have been paid on the minimum number of transfers. The throughput commitment was as follows:

- **By the end of the Third Lease Year: 4,800 TEUs per year;**
- **By the end of the Fifth Lease Year: 5,700 TEUs per year; and**
- **By the end of the Tenth Lease Year: 7,600 TEUs per year**

The recycling facility was to receive pre-sorted deliveries of recyclables from the company's commercial and curbside recycling programs. These recyclables would be further sorted and compacted in the Pier 96 Lighter Shed where they would be loaded into 20- and 40-foot ocean shipping containers. These loaded containers would be shipped to recycling process centers in the Far East. To the extent that space was not available on container cargo ships calling at the Port of San Francisco, these loaded containers were to be transferred by barge or other vessel from Pier 80 to other Bay Area ports for shipment to their ultimate destination.

In June 2002, the 4th Amendment to and Restatement of Lease increased the Lease Premises to include approximately 32,097 sq. ft. of non-exclusive stringer space. The stringer space was to be used for outdoor containerization and transshipment of glass, and loading of shipping containers, rail cars, and truck trailers with bailed, compacted, and non-bailed processed recyclable materials for subsequent transport to off-site vendors. Port retained the right to access the stringer space at all times to access the dock and the adjacent water area including the right to secure vessels to the dock and service said vessels.

In 2005, the Port stopped handling container traffic at Pier 80. Following the closure of Pier 80 as a container facility, under the Fifth Amendment to Lease dated June 29, 2009, the Port agreed to revise the Maritime Deficiency Fee provision. At the Port's option, with an evidentiary showing by the tenant, the Port could waive one-half of the Maritime Deficiency Fee when the Port is not served by one or more container shipping lines that move at least 10,000 TEU Container Units per month, with a minimum of four departures each month from the Port to destinations in Asia utilizing Port berths (Port Commission Resolution 09-41). The Maritime Deficiency Fee paid to Port following waiver is approximately \$312,000 per annum which is paid in arrears.

CURRENT FACILITY CONDITION

The property that Recology occupies is an industrial maritime facility. The site is not served by a municipal storm drain system and is subject to storm surge and stormwater runoff that results in periodic flood risk, leading to an interruption of surface operations. During the episodic storm event which occurred on December 31, 2022, the site experienced 2'-3' of flooding.

The site is reclaimed with fill-over bay mud and a perimeter sand dike and bulkhead. Earthquake liquefaction of the fill is expected along with lateral spreading within about 200' of the shoreline. The soil conditions of the balance of the filled site cannot support

additional vertical development without extensive engineering. The stringer space has been subject to “blowouts” where the seawall has failed, and wave action has undermined the pavement forcing repairs. Given these conditions, it was concluded through appraisal that the highest and best use of the property is for a continuation of the existing use.

POTENTIAL NEW LEASE

Prior to the expiration of its current lease, Recology initiated a request for a new, long-term lease that did not include water transport of recyclables so the requested lease would be a non-maritime lease. The Waterfront Plan prioritizes maritime uses at this location and contemplates interim uses that are not water-oriented for up to 10 years. Port staff believe the length of a non-maritime lease at this location should relate to a reasonable amortization of the costs of new capital improvements on site that benefit the Port and the tenant.

Seismic Study and Facility Condition Assessment

Recology did not propose physical improvements to justify a longer-term lease at the site but has negotiated with Port staff to obtain formal studies to assess seismic risk and facilities assessment that could inform future physical improvements to the site. Port staff disclosed all known information about seismic hazards and potential vulnerability to Recology, and in a potential new lease, Recology has agreed to complete at its sole cost and expense an ASCE 41 Seismic Assessment, including (1) an American Society of Civil Engineers 41-17 (ACSE 41-17) Seismic Evaluation and Retrofit Strategy Report, and (2) a Facility Condition Assessment (together referred to as the “Studies”).

The ASCE 41-17 Seismic Evaluation and Retrofit Strategy Report will include an assessment of the building and foundation system inclusive of the tieback sheet pile bulkhead wall with consideration of subsurface hazards such as ground shaking, liquefaction, lateral spreading, and differential settlement. The report will provide an understanding of seismic deficiencies and conceptual retrofit strategies to address identified deficiencies. The report will also include a narrative and sketches that clearly identify the technical scope of work for the retrofit, as well as a Class 4 cost estimate per the Association for the Advancement of Cost Engineering (AACE) standards. Baseline assumptions for the ASCE 41-17 Evaluation including Risk Category and Seismic Performance Objective will be agreed to by the Port’s Chief Harbor Engineer before commencement of the evaluation.

The Facility Condition Assessment will document the existing condition of the building structure, foundation elements, tieback sheet pile bulkhead wall, tie rods, and any other load-resisting structure. The assessment will be supported by photographs, field observations, measurements, and a narrative description that summarizes the current condition of the facility.

Both the ACSE 41-17 Seismic Evaluation and Retrofit Strategy Report and Facility Condition Assessment are required to be prepared by a licensed Civil Engineer with substantial experience performing similar engineering services. The seismic evaluation would be provided to Port within the first two years of a new lease term, and the Facilities Condition Assessment before the end of year five.

The Studies would inform possible future use of the site after the potential new lease with Recology. The Port anticipates negotiating a scope of work and construction schedule for seismic or other improvements to be constructed upon the Premises that extend the life of the facility and provide additional measures to reduce seismic risk with any long-term tenant. The Studies will be used as guidance in determining the scope of any new improvements but it will not commit the Port to any future action. The estimated cost of procuring the Studies is One Million Dollars (\$1,000,000).

Rent Determination

The Premises were surveyed by Meridian Survey in May 2023 for the preparation of a new lease exhibit. Before the survey, the Premises was considered as:

- Parcel A: Approximately 195,281 sf of shed space, outbuilding, loading dock, and canopy space; and
- Parcel B: Approximately 201,626 sf pf paved yard space, including non-exclusive rail access

As part of the survey process, it was determined that a concrete berm had been constructed which limits water access and reduces the amount of stringer space available from 32,097 sq. ft. to 28,760 sq. ft. The lease exhibit was also revised to incorporate the premises boundary at the southeast corner of the site. The new square footage under the new agreement will be as follows:

- Parcel A: Approximately 196,369 sq. ft. of shed, docks and outbuilding and loading dock space; and
- Parcel B: Approximately 223,559 sq. ft. of paved land and yard space; and
- Parcel C: Approximately 28,760 sq. ft. of paved land (the “stringer space”)

Based on the current inability to ship containerized cargo from this location, Port staff concludes it is unreasonable to require a maritime throughput commitment in a new agreement. Use of the stringer spaced in the existing lease was previously non-exclusive, causing no payment to be required. With the shipping constraints at this location, it is appropriate to offer the area exclusively to one tenant. As part of the new lease use of the stringer space will be exclusive to Tenant with Tenant required to pay fair market rent.

The property was appraised in October 2021 as part of a 5-year market rent adjustment which was effective January 1, 2022, and resulted in increasing Base Rent by 11.33% to \$322,214.00 per month. Base Rent was subject to a CPI adjustment on January 1, 2023, increasing the rent to \$337,938.04 per month (a 4.65% increase). Recognizing we would not be able to enter a new lease before lease expiration, the property was again appraised in May 2023 to determine the base rent during holdover according to the terms of the existing Lease and account for the modified lease premises. This resulted in the rent being increased to \$369,500 per month effective August 1, 2023, which is an increase of \$31,561.96 per month (a 2.44% increase) or \$378,743.52 annually. This increase would exceed the loss in revenue from the Maritime Deficiency Fee that would no longer apply in a new, non-maritime lease. Base rent will be subject to a 3% annual increase each subsequent year based on the proposed terms of the lease.

ENVIRONMENTAL REVIEW

At the September 12th Port Commission meeting, Commissioners asked about vehicle trips and associated emissions for the Recology Pier 96 operations. The Recology use was last analyzed under the California Environmental Quality Act (CEQA) prior to the 2005 lease amendment, which resulted in a Mitigated Negative Declaration (MND) based upon the Port of San Francisco’s Initial Environmental Study 2000.1236E. The traffic projections utilized in the MND were based upon a maximum expected vehicular count of 1,682 round-trip vehicle trips per day. Recology recently reviewed both its vehicle trip logs (Recology recycling trucks and sorted material haul trucks and private trucks) as well as employee trips to/from the facility and identified a total of 936 round-trip vehicle trips. The existing number of round-trip vehicle trips is approximately 55% of the maximum estimated trips studied for the prior lease.

In addition to fewer vehicle trips than initially analyzed, Recology’s fleet has converted to a 100% alternatively fueled collection and transfer fleet within the City and County of San Francisco. Approximately 50% of the Collection fleet is fueled by Natural Gas and the remainder of the fleet is fueled with Renewable Diesel. Since 2005, the California Air Resources Board (CARB) has required old diesel engines be phased out and replaced with new, cleaner technology and Recology states that its vehicle fleet is in compliance with the latest regulations; furthermore, the use of natural gas and Renewable Diesel are cleaner burning. CARB adopted the Advanced Clean Fleets regulation in April 2023, and current CARB mandates require that half of all garbage trucks sold in the state must be all-electric by 2035.

Summary Lease Terms

Below are the key terms of the proposed agreement:

<i>Lease Number:</i>	L-17035
<i>Tenant:</i>	Recology San Francisco, a California corporation
<i>Premises:</i>	Parcel A - Approximately 196,369 sq. ft. of Shed, Outbuilding, and Loading Dock Space; and Parcel B – Approximately 223,559 sq. ft. of paved land and yard space; and Parcel C – Approximately 28,760 sq. ft. of paved land (the “ Stringer Space ”)
<i>Facility:</i>	Pier 96, San Francisco, California 94124
<i>Length of Term:</i>	Approximately seventy-four (74) months; however, the lease will terminate on September 30, 2029.
<i>Commencement Date:</i>	Upon: 1. Resolution of Approval by Port Commission; and 2. Resolution of Approval by the Board of Supervisors and Mayor; and

	Full Execution by Port			
<i>Rent Commencement Date:</i>	Upon Commencement Date			
<i>Anniversary Date:</i>	October 1			
<i>Expiration Date:</i>	September 30, 2029			
<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
	Commencement – 9/30/24	448,688	\$0.823	\$369,500.00
	10/1/24-9/30/25	448,688	\$0.848	\$380,585.00
	10/1/25-9/30/26	448,688	\$0.874	\$392,002.55
	10/1/26-9/30/27	448,688	\$0.90	\$403,762.63
	10/1/27-9/30/28	448,688	\$0.927	\$415,875.51
	10/1/28-9/30/29	448,688	FMR	FMR
<i>Security Deposit:</i>	The Security Deposit shall at all times be equal to two (2) times the then-applicable Monthly Base Rent.			
<i>Environmental Requirements:</i>	Tenant shall abide by the “Transfer/Processing Report for Recology San Francisco, Recycle Central @ Pier 96 Facility, San Francisco, California – April 2022”. Tenant shall provide to Port, any revisions to this document annually.			
<i>Permitted Use:</i>	The Premises shall be used solely for the operation of a single-stream mixed materials recycling center and public buyback operations to include delivery, sorting, compaction, storage, and transshipment of not more than 2,100 tons per day of source-separated and non-source-separated residential and commercial recyclable material (“Recyclable Materials”); employee parking and various general administrative functions and for no other purpose. The Recyclable Materials shall consist primarily of recyclable waste products, including, but not limited to, paper, cardboard, fiber, plastic, metals, glass, and wood.			
<i>Additional Prohibited Uses:</i>	Tenant shall be prohibited from using the Premises for processing of construction and demolition waste and source-separated food wastes.			
<i>Maritime:</i>	Port shall not assess against Tenant any maritime deficiency fee (as described in the Prior Lease) but will be required to pay any amounts owed under the Prior Lease before lease expiration. Tenant and Port staff will continue to actively explore opportunities to ship products to or from the Premises via the Bay. Maritime Tariff rates pertaining to dockage and wharfage shall apply to the extent any such maritime activities are conducted from the Premises.			

<p><i>Maintenance and Repair:</i></p>	<p>Tenant shall be responsible for all maintenance and repairs of the Premises, including all improvements thereon, at its sole cost and expense, including the HVAC system serving the shed/warehouse, the roof and exterior walls of the shed/warehouse, and the paving of the exterior yard area.</p> <p>The Port shall be responsible for the maintenance and repair of the domestic water and sewer systems.</p> <p>Tenant will be under no obligation to perform Capital Repairs (defined below); but may pursue Capital Repairs in Tenant's sole discretion however and notwithstanding Tenant's election, under no circumstances shall Tenant be entitled to a</p> <p>Rent decrease based on the physical condition of the Premises, or otherwise offset the value of any improvement thereon without further written approval by Port in its sole and absolute discretion.</p> <p>"Capital Repairs" are: (a) major repairs or replacement (as opposed to regular or routine repairs and maintenance) to the Premises due to their physical condition, whether related to age, regular wear and tear, or any combination thereof, and (b) any repair or replacement of the Premises, if the estimated cost thereof, when added to (i) all other costs actually incurred by Tenant for repairs to or replacement of the Premises in the immediately preceding 12-month period, exceeds One Hundred Fifty Thousand Dollars (\$150,000), or (ii) all other costs actually incurred by Tenant for repairs to or replacement of the Premises during the Term, exceeds Nine Hundred Thousand Dollars (\$900,000).</p> <p>In the event a Capital Repair is required, the Tenant and the Port shall meet and confer to discuss mutually agreeable options for the Capital Repair.</p>
<p><i>Canopy Roof above the Stringer Space:</i></p>	<p>Upon termination of Port's Memorandum of Understanding between Port and the San Francisco Public Utilities Commission (SFPUC), Port proposes to add approximately 28,000 square feet of the canopy roof over the southwest corner of the Stringer Space on the shed building to the Premises. The portion of the roof currently leased to the SFPUC (known as the "canopy roof above the Stringer Space") may be included in the Premises upon: (1) removal of the <u>non-functioning and obsolete</u> solar panels, and (2) mutual written agreement between Port and Tenant.</p>
<p><i>Utilities:</i></p>	<p>Tenant's sole responsibility</p>

<i>Seismic Study:</i>	At its sole cost and expense, Tenant will procure an American Society of Civil Engineers 41-17 (ACSE 41-17) Seismic Evaluation and Retrofit Strategy Report.
<i>Southern Waterfront Community Benefits and Beautification:</i>	<p>Consistent with the latest adoption of Parameter Rates, 6.5% of lease revenues will be set aside in the Port's Southern Waterfront Community Benefits and Beautification fund. Over 60 months of the lease term, this equates to approximately \$1.5M.</p> <p>Among the 8 areas of community benefits and beautification contained in Port's Southern Waterfront Community Benefits and Beautification Policy, Tenant's operations have supported key areas during the term of the Prior Lease including: (1) supporting local hiring, sourcing new hires residing in the 94124, 94134 and 94107 zip codes; (2) using community businesses; (3) regular litter pick-up on Cargo Way; (4) providing school tours of the facility; (5) providing education on recycling; and (6) supporting an artist residence program. Tenant commits to continuing its efforts in these areas. Tenant agrees that Port staff and Tenant will work collaboratively to present these areas of benefits to the public and to consider community members' comments and proposals in the context of Tenant's operations and to document enhancements, requirements, and constraints in this Lease.</p>
<u><i>Assignment and Subletting:</i></u>	<u>Generally incorporates standard Port lease provisions requiring Port approval to assign, sublet, or otherwise transfer the lease to a non-affiliate.</u>

LEASING POLICY

The Port must keep its facilities productive to generate the revenues necessary to fund ongoing operations and finance capital improvements. Under the Waterfront Plan, Port lands may be leased for a wide range of short-term, interim uses (up to 10 years) pending the lands' ultimate development or improvement to achieve long-term public trust benefits. Interim uses are therefore essential in supporting the Port's financial stability.

The Tenant is in good standing and Port staff has determined the proposed use is consistent with the Port's Waterfront Plan.

RECOMMENDATION

Port staff recommends the Port Commission approve the attached resolution authorizing the Executive Director to enter into a new lease with Recology San Francisco on such terms and conditions as described in this staff report, and authorize the Executive Director

to forward the Lease to the Board of Supervisors for approval and upon the effectiveness of such approval, authorize the Executive Director or designee to execute the lease.

Prepared by: Kimberley Beal, Acting Deputy Director
Real Estate and Development

Attachment A: History of Lease Amendments
Attachment B: Proposed Lease Premises

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 23-42

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and;

WHEREAS, Recology San Francisco (“Recology”), is a tenant in good standing, under its current lease located at Pier 96 in the Southern Waterfront off Cargo Way in the City and County of San Francisco; and;

WHEREAS, Port Staff has negotiated the terms of a new, interim lease for approximately seventy-four (74) months for approximately 196,369 square feet of shed, docks and outbuilding, and loading dock space; and approximately 223,559 square feet of paved land and yard space; and approximately 28,760 square feet of stringer space for continued use as a single-stream mixed-materials recycling center as described in the Memorandum to the Port Commission dated October 6, 2023 (the “Proposed Lease”); and

WHEREAS, On June 25, 2002, the Port Commission, by Resolution 02-21, approved the Fourth Amendment To And Restatement of Lease No. L-12540 with Recology’s predecessor in interest that authorized an increase in the intensity of recycling center uses at the site, adopted a Negative Declaration (“ND”) (Planning Department Case No. 2000.1236E) that was tiered from the Southern Waterfront Final Supplemental Environmental Impact Report (“SEIR”), which itself supplemented the January 9, 1997 Waterfront Land Use Plan Final Environmental Impact Report (“FEIR”), and adopted certain mitigation measures contained in the SEIR and FEIR applicable to the Commission’s approval under the California Environmental Quality Act (“CEQA”); and

WHEREAS, The Proposed Lease allows a continuation of the existing use of the site, with the same maximum intensity of use, and is therefore within the scope of the project evaluated in the (ND); and

WHEREAS, Staff has determined that since adoption of the ND, there have been no substantial changes in the project or changes in project circumstances that would result in new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the ND; and

WHEREAS, The Port obtained an appraisal in October 2021, which was updated for the Port’s benefit in May 2023 to determine the fair market rental value and which concluded the highest and best use of the land is for its continued use as a recycling center; and

WHEREAS, Port staff recommends approval of the Proposed Lease with Recology because the recycle center is a stable use of the property which will initially generate revenues of approximately \$369,500 per month, which is equal to the fair market rental value as appraised, and will increase annually over the term of the agreement; and now therefore be it

RESOLVED, The Port Commission hereby approves the terms of proposed Lease L-17035 with Recology San Francisco for approximately seventy-four (74) months for approximately 196,369 square feet of shed, docks and outbuilding, and loading dock space, and approximately 223,559 square feet of paved land and yard space, and approximately 28,760 square feet of stringer space for continued for operation of a single-stream, mixed-materials recycling center at Pier 96 as described above, and authorizes the Executive Director or the Executive Director's designee to forward the Lease to the Board of Supervisors ("Board") for approval, pursuant to the Board's authority under Charter Section 9.118, and upon the effectiveness of such approval, to execute the Lease; and be it further

RESOLVED, That the Proposed Lease is within the scope of the project evaluated in the ND, that the ND is adequate for the Port Commission's use in approving the Proposed Lease; and that since adoption of the ND, there have been no substantial changes in the project or changes in project circumstances that would result in new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the ND; and be it further

RESOLVED, That the Port Commission adopts all applicable mitigation measures contained in the ND, SEIR, and FEIR as conditions of approval of the Proposed Lease; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director, or the Executive Director's designee, to enter into any additions, amendments or other modifications to the Proposed Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 10, 2023.

DocuSigned by:

Secretary
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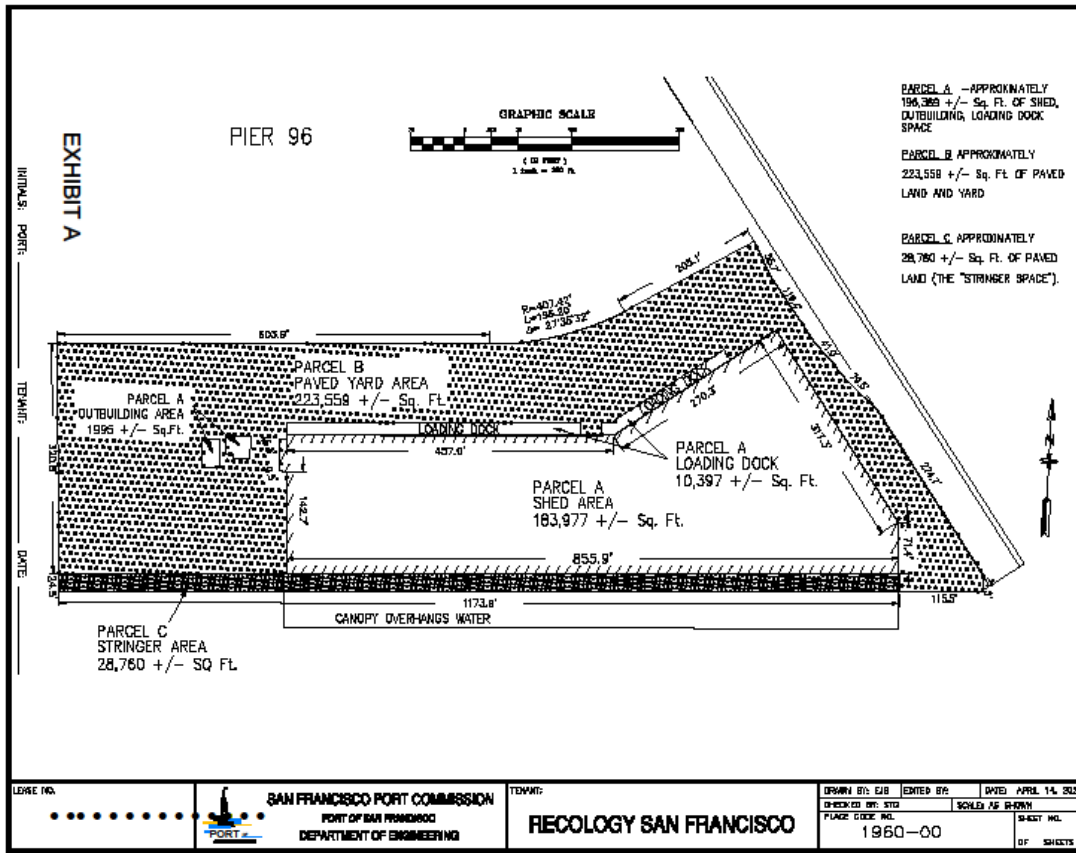
ATTACHMENT A

History of Lease No. L-12540 Lease Amendments

AMENDMENT	DATE	TERMS AMENDED	RESOLUTION NO.
First Amendment	6/30/1998	Commencement Date, Termination Date, and Rent Commencement Date	
Second Amendment to and Restatement of Lease	12/17/1998	Extended the term from five (5) to twenty-five (25) years, adding wharfage payments and making other changes	99-20
Third Amendment to Original Lease	7/9/2001	Amended the Premises, Base Rent, and other provisions	
Fourth Amendment to and Restatement of Lease	6/12/2002	Modified the Permitted uses, Base Rent, and Security Deposit provisions, adding square footage to the premises, revising certain maintenance obligations, and making other updates	02-21
Fifth Amendment to Lease	6/29/2009	Amend Lease to accelerate the dates rent is adjusted to market rates and allow flexibility in the timing of future cost of living increases to correspond with the market rate adjustments; 2) add circumstances under which Port must waive one-half (1/2) of Tenant's payment of the Maritime Deficiency Fee; 3) delay Tenant's right to unilaterally terminate until January 1, 2012 and add other provisions	09-41

ATTACHMENT B

Proposed Lease Premises





October 19, 2023

Angela Calvillo, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

Dear Ms. Calvillo:

Attached please find an electronic copy a proposed Resolution for Board of Supervisors consideration, to approve the lease agreement between the San Francisco Port Commission and Recology San Francisco operation of a single stream mixed materials recycling center at Pier 96.

The following is a list of accompanying documents:

- Resolution approving the lease
- Draft lease agreement between the Port and Recology San Francisco
- Port Commission staff report and resolution approving the lease with Recology San Francisco

The following person may be contacted regarding this matter:

Boris Delepine
Legislative Affairs Manager
Boris.Delepine@sfport.com

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 02-21

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, By Lease No. L-12540, executed February 3, 1998, the Port and West Coast Recycling Co. ("WCR") entered into a lease for certain real property located at Pier 96, as more particularly described in that Lease, for purposes of establishing a recyclable materials handling and maritime cargo source transshipment facility; and
- WHEREAS, Lease No. L-12540 was amended by the First Amendment to Lease, dated June 30, 1998, Second Amendment to and Restatement of Lease, dated December 17, 1998 and Third Amendment to Lease, dated July 9, 2001;
- WHEREAS, WCR, a wholly owned subsidiary company of Norcal Waste Systems, Inc., transferred all of its interest in Lease No. 12540 to Sanitary Fill Company ("SFC"), also a wholly owned subsidiary company of Norcal Waste Systems, Inc. on May 30, 2002; and
- WHEREAS, WCR also transferred its interest in Lease No. L-12550 to SFC, a lease for 3,713 square feet of Office space a the Pier 96 Administration Building; and
- WHEREAS, SFC has agreed to certain minimum through puts of containerized cargo generated at the Pier 96 recycling facility through the Port of San Francisco's container terminals; and
- WHEREAS, SFC has proposed an amendment to its existing lease (L-12540) with the Port of San Francisco ("Port") for premises located at Pier 96 to increase the volume of recyclable and residual materials process at the Pier 96 Facility to a maximum of 2,100 tons per day; and
- WHEREAS, SFC has requested early termination of Lease No. L-12550 for 3,713 square feet of administrative office space; and
- WHEREAS, Under the terms of the existing Lease No. L-12540, SFC is authorized to receive and process sorted and non-sorted recyclable material collected throughout San Francisco and to load shipping containers and trucks with recovered recyclable material; and

- WHEREAS, Prior to the Port Commission's approval of Lease No 12540 to WCR in 1998, the Environmental Review Officer of the San Francisco Planning Department ("City Planning"), as lead agency, conducted an environmental review of WCR's proposed recycling operation at Pier 96 as required by the California Environmental Quality Act ("CEQA"), Public Res. Code, Sections 21000, *et seq.*; and
- WHEREAS, On July 21, 1998, City Planning determined that WCR's recycling operation was exempt from further environmental review under a General Rule Exclusion pursuant to Public Res. Code Section 21085 and Sections 15061(b)(3) and 15301 of Title 14 of the Calif. Code of Regulations ("CEQA Guidelines"); and
- WHEREAS, By Resolution 99-20, the Port Commission approved a 20-year extension of the term of the original lease, with no change in the permitted uses, based on the July 21, 1998 General Rule Exclusion and Categorical Exemption; and
- WHEREAS, Lease No. L-12540, as so extended, restricted the permitted uses consistent with the project analyzed in the July 21, 1998 General Rule Exclusion, which was incorporated by reference in the Lease; and
- WHEREAS, SFC proposes to amend the permitted uses under Lease No. L-12540 to allow SFC to accept and process additional recyclable materials at Pier 96 that will contain residual waste volume that is greater than ten percent of total volumes processed, thus requiring a Solid Waste Facilities Permit from the City Health Department, and could result in more than 350 truck trips per day (hereafter the "Project"), thus requiring further environmental review;
- WHEREAS, On February 16, 2002, City Planning, as lead agency, circulated for public review and comment a Preliminary Negative Declaration, pursuant to the California Environmental Quality Act (CEQA), to analyze the incremental environmental effects of the Project; and
- WHEREAS, On April 18, 2002, City Planning issued a final Negative Declaration for the Project; and
- WHEREAS, The Negative Declaration was tiered from the Southern Waterfront Final Supplemental Environmental Impact Report, Case No. 1999.377E ("SEIR"), which was approved and certified by the City's Planning Commission on February 15, 2001, and which supplements the Waterfront Land Use Plan Final Environmental Impact Report, Case No. 94.155E ("FEIR") that was certified by the Planning Commission on January 9, 1997; and

- WHEREAS, The project analyzed in the SEIR was a proposal for six lease uses and a Port infrastructure project on property under the jurisdiction of the Port known as the Southern Waterfront, generally located from Pier 70 south to India Basin and east of Illinois Street; and
- WHEREAS, The SEIR also analyzed the cumulative impacts of the six lease uses and the Port infrastructure project together with potential future growth in cargo shipping at Piers 80 and 94-96, including potential increases in WCR's recycling operations, the expansion of the Port's dredge material handling program, and future development of Piers 90-94 and Pier 70; and
- WHEREAS, The SEIR concluded that significant cumulative concentrations of PM-10 and diesel particulates and significant cumulative traffic congestion at four intersections could not be mitigated to a level of insignificance; and
- WHEREAS, The Negative Declaration finds that the incremental impacts of the Project will not be significant and that the Project does not contribute to cumulative traffic impacts; and
- WHEREAS, The Negative Declaration finds that the Project's increase in mobile source emissions will result in a less than significant impact on air quality, and relies on the analysis in the SEIR concerning cumulative impacts, which concludes that the activities analyzed in the SEIR, including this Project, in combination with other development along the waterfront, will have a significant cumulative impact on PM-10 and diesel particulate emissions; and;
- WHEREAS, The Port has prepared findings as required by CEQA regarding alternatives, mitigation measures and significant environmental impacts analyzed in the SEIR, overriding considerations for approving the Project and a proposed mitigation monitoring program which material was made available to the public and this Port Commission for the Port Commission's review, consideration and actions; now, therefore, be it
- RESOLVED, that the Port Commission has reviewed and considered the information contained in the Negative Declaration and SEIR and associated attachments, records and references; and be it further
- RESOLVED, that the Port Commission adopts and incorporates by reference the California Environmental Quality Act findings for the Project as set forth in the Negative Declaration; and be it further
-

RESOLVED, that the Port Commission has reviewed and considered Planning Commission Motion No. 16093 certifying the SEIR and finding the SEIR adequate, accurate and objective, and reflecting the independent judgement of the Planning Commission; and be it further

RESOLVED that the Port Commission has reviewed and considered the Negative Declaration and SEIR and hereby adopts the findings attached hereto as Attachment A and incorporates the same herein by this reference, including Mitigation Measures Required as Conditions of the amendment to Lease No. L-12540 with the Sanitary Fill Company, the project alternatives, and potential significant environmental effects of the Project, as approved, and a statement of overriding considerations supporting the decision to approve the Fourth Amendment to and Restatement of Lease No. L-12540 with Sanitary Fill Company; and be it further

RESOLVED, that the San Francisco Port Commission, hereby authorizes the Executive Director to execute the Fourth Amendment to and Restatement of Lease No. L-12540 in substantially the form on file with the Secretary of the Port Commission for this Agenda item, upon the terms and conditions as set forth in this Resolution, including Attachment A, and the Memorandum of Agenda Item 6A for the June 25, 2002 Port Commission meeting, incorporating any necessary revisions that are approved by the City Attorney as consistent with this authorization.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 25, 2002.



Secretary



San Francisco Ethics Commission

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102

Phone: 415.252.3100 . Fax: 415.252.3112

ethics.commission@sfgov.org . www.sfethics.org

Received On:

File #: 231111

Bid/RFP #:

Notification of Contract Approval

SFEC Form 126(f)4

(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)

A Public Document

Each City elective officer who approves a contract that has a total anticipated or actual value of \$100,000 or more must file this form with the Ethics Commission within five business days of approval by: (a) the City elective officer, (b) any board on which the City elective officer serves, or (c) the board of any state agency on which an appointee of the City elective officer serves. For more information, see: <https://sfethics.org/compliance/city-officers/contract-approval-city-officers>

1. FILING INFORMATION

TYPE OF FILING	DATE OF ORIGINAL FILING (for amendment only)
Original	
AMENDMENT DESCRIPTION – Explain reason for amendment	

2. CITY ELECTIVE OFFICE OR BOARD

OFFICE OR BOARD	NAME OF CITY ELECTIVE OFFICER
Board of Supervisors	Members

3. FILER'S CONTACT

NAME OF FILER'S CONTACT	TELEPHONE NUMBER
Angela Calvillo	415-554-5184
FULL DEPARTMENT NAME	EMAIL
office of the clerk of the Board	Board.of.Supervisors@sfgov.org

4. CONTRACTING DEPARTMENT CONTACT

NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Kimberley Beal	415-274-0523
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
PRT Real Estate and Development	kimberley.beal@sfport.com

5. CONTRACTOR	
NAME OF CONTRACTOR Recology San Francisco, a California corporation	TELEPHONE NUMBER 4157406451
STREET ADDRESS (including City, State and Zip Code) 501 Tunnel Ave., San Francisco, CA 94134	EMAIL mquillen@recology.com

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 231111
DESCRIPTION OF AMOUNT OF CONTRACT Initial monthly Base Rent of \$369,500 per month		
NATURE OF THE CONTRACT (Please describe) Port Lease No. L-17035 between Recology San Francisco and the Port of San Francisco		

7. COMMENTS
Renewal of existing lease for paved land, shed, outbuilding and loading dock space for a term of seventy-four (74) months.

8. CONTRACT APPROVAL	
This contract was approved by:	
<input type="checkbox"/>	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
<input checked="" type="checkbox"/>	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
<input type="checkbox"/>	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Coniglio	Salvatore	Board of Directors
2	Puccinelli	Mario	Board of Directors
3	Coniglio	Salvatore	CEO
4	Lomele	Mark	CFO
5	Puccinelli	Mario	COO
6	Chen	Cary	Other Principal Officer
7	Golden Gate Disposal		Shareholder
8	Sunset Scavenger Company		Shareholder
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9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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9. AFFILIATES AND SUBCONTRACTORS

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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Check this box if you need to include additional names. Please submit a separate form with complete information. Select “Supplemental” for filing type.

10. VERIFICATION

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

<p>SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK</p> <p>BOS Clerk of the Board</p>	<p>DATE SIGNED</p>
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From: [Delepine, Boris \(PRT\)](#)
To: [BOS Legislation, \(BOS\)](#)
Subject: Port Introduction: Recology Lease Resolution
Date: Thursday, October 19, 2023 5:14:45 PM
Attachments: [2023-10-19 Resolution Board of Sup Recology.docx](#)
[Lease-Pier 96 - Recology \(L-17035\) 10-10-2023 Final.pdf](#)
[Resolution 23-42 Recology Proposed Lease at Pier 96 - Action.pdf](#)
[image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.png](#)
[image005.png](#)
[image006.png](#)
[10.19.23 Recology Letterhead Cover .docx](#)

Please find attached the Port's submission of a resolution for the October 31, 2023 Board of Supervisors meeting to authorize the Port Commission to enter into a lease with Recology San Francisco.

The electronic submission package includes the following documents.

- Introduction Cover Letter
- Board of Supervisors resolution authorizing the lease
- Signed Port Commission resolution and staff report
- Draft lease agreement between the Port and Recology San Francisco

Please let me know if you need additional information or have any questions.

Thank you,
Boris



Boris Delepine

Legislative Affairs Manager, Port of San Francisco
415.274.0443 | boris.delepine@sfport.com
Pier 1, The Embarcadero, San Francisco, CA 94111

