San Mateo County Harbor District
Board of Harbor Commissioners
Meeting Agenda

August 5, 2015
6:30 p.m.

Sea Crest School, Think Tank, Room #19
901 Arnold Way
Half Moon Bay, Ca. 94019

All Harbor District Commission meetings are recorded and posted at www.PacificCoast.tv within 24-48 hours of the meeting. Pacifica residents can tune into Comcast Chanel 26 and residents from Montara through Pescadero can tune into Comcast Chanel 27. Copies of the meetings can also be purchased from PCT and mailed for $18.

Persons requiring special accommodation with respect to physical disability are directed to make such requests per the Americans With Disabilities Act to the Deputy Secretary to the Board at 650-583-4400.

A.) Roll Call

Commissioners	Staff
Tom Mattusch, President	Glenn Lazof, Interim General Manager
Nicole David, Vice President	Debra Galarza, Director of Finance
Robert Bernardo, Secretary	Marcia Schnapp, Interim Administrative
Pietro Parravano, Treasurer	Services Manager
Sabrina Brennan, Commissioner	Scott A. Grindy, Harbor Master
	Debbie Nixon, Deputy Secretary
	Steven Miller, District Counsel

B.) Public Comments/Questions –

The Public may directly address the Board of Harbor Commissioners for a limit of three minutes, unless a request is granted for more time, on any item of public interest within the subject matter jurisdiction of the San Mateo County Harbor District, Board of Harbor Commissioners that is not on the regular Agenda. If a member of the public wishes to address the Board on an Agenda Item, that person must complete a Public Speaker Form and wait until that Item comes up for discussion. Agenda material may be reviewed at the administration offices of the District, 504 Avenue Alhambra, 2nd Floor, El Granada CA 94018 or online at www.smharbor.com.

C.) Staff Recognition-

D.) Consent Calendar

All items on the consent calendar are approved by one motion unless a Commissioner requests at the beginning of the meeting that an item be withdrawn or transferred to the regular agenda. Any item on the regular agenda may be transferred to the consent calendar.

1	TITLE:	**Minutes of May 26, 2015**
	REPORT:	Draft Minutes
	PROPOSED ACTION:	Approve
2	TITLE:	**Review and Renew Investment Policy for FY2015/16**
	REPORT:	Galarza, Memo, Resolution
	PROPOSED ACTION:	Adopt Resolution 36-15 to renew District Investment Policy
3	TITLE:	**Increase Agreement With Cox, Wootton, Lerner, Griffin, Hansen & Poulos LLP In The Matter Of The "Spirit Of Sacramento" Vessel Arrest To Increase The Not To Exceed Contract Amount By $25,000, And Approve Budget Amendment In The Same Amount**
	REPORT:	Grindy, Memo, Resolution
	PROPOSED ACTION:	Adopt Resolution 34-15 and approve $25,000 increase to agreement for legal services related to "Spirit of Sacramento" and necessary budget revisions
4	TITLE:	**CARTEL Application for 5 Year Extension Permit for Big Wave Contest Event through March 2021**
	REPORT:	Lazof, Memo
	PROPOSED ACTION:	Staff is recommending that topic of granting multi-year permits to promoter be postponed until April 6, 2016 meeting of the Board of Commissioners
5	TITLE:	**Extension of Current Services from McCoy's Patrol Service at Oyster Point Marina/Park through November 2015**
	REPORT:	Schnapp, Memo
	PROPOSED ACTION:	Approve extension of current services from McCoy's Patrol Service at Oyster Point Marina/Park through November 2015
6	TITLE:	**Fiscal Year 2014-15 Salary Schedule Correction**
	REPORT:	Corrected Salary Schedule
	PROPOSED ACTION:	Approve correction to FY2014-15 salary schedule

7	TITLE:	**Proclamation for Michelle Reloba**
	REPORT:	Proclamation
	PROPOSED ACTION:	Approve Proclamation commending employee for demonstrating emergency response skills to save a life of a member of the public

E.) Old Business

8	TITLE:	**Refinance of Division of Boating and Waterways (DBW) Loan**
	REPORT:	Lazof , Memo,
	PROPOSED ACTION:	Informational item only. Presentations on public financing options will be made by Holman Capital and Cameron Wiest of Wiest Law.

F.) New Business

9	TITLE:	**Amend Interagency Agreement With Regional Government Services And Approve Budget Amendment Re Same**
	REPORT:	Lazof, Memo
	PROPOSED ACTION:	Amend Agreement with RGS to (a) increase not to exceed contract amount by $30,000 and (b) authorize General Manager to use additional project manager administrative services in a variety of finance-related areas and approve necessary budget revision
10	TITLE:	**Romeo Pier Update** (Requested by Commissioner David)
	REPORT:	Memo, Grindy
	PROPOSED ACTION:	Staff will provide an informational report concerning status of actions regarding Romeo Pier, including report on bids, permits, funding options, and proposed timeline. The Commission may provide direction to staff.
11	TITLE:	**Commissioner Attendance at CSDA September Conference**
	REPORT:	Memo, Lazof
	PROPOSED ACTION:	The Commission may elect to send up to five members to the September CSDA Conference and consider approving the necessary budget revision

12	TITLE:	**Half Moon Bay Art And Pumpkin Festival-Harbor District Participation October 17-18**
	REPORT:	Memo, Grindy
	PROPOSED ACTION:	The Commission may consider sponsorship of this event at a cost of up to $5,000
13	TITLE:	**Discussion and Possible Action on Fees for Fish Off-Loading, Fees for Wholesale Purchase and Fees for Retail Sales** (Requested by Commissioner Brennan)
	REPORT:	Memo, Lazof/Grindy
	PROPOSED ACTION:	Discussion of Fish Buyer Fees and direction to Staff for future action
14	TITLE:	**Bills and Claims in the Amount of $635,301.70**
	REPORT:	Bills and Claims Detailed Summary
	PROPOSED ACTION:	Approval of Bills and Claims for payment and a transfer in the amount of $635,301.70 to cover payment of Bills and Claims

G.) Staff Reports: a) Administration and Finance

15 Interim General Manager – Lazof

16 Director of Finance – Galarza

17 Interim Administrative Services Manager – Schnapp

b) Operations

18 Oyster Point Marina/Park and Pillar Point Harbor – Grindy

H.) Board of Harbor Commissioners

19 A. Committee Reports

B. Commissioner Statements and Requests

1. The Board of Harbor Commissioners may make public statements limited to five (5) minutes.

2. Any Commissioner wishing to place one item on a future agenda may do so. For additional items, any Commissioner may make a motion to place the item on the Agenda and must have a majority vote to pass.

I.) Closed Session

20

TITLE:	**Conference with Labor Negotiator Pursuant to Government Code Section 54957.6**
DISTRICT REPRESENTATIVES:	Scott Grindy, Deborah Glasser, Glenn Lazof
EMPLOYEE ORGANIZATIONS:	Operating Engineers Local Union 3 and Teamsters Local Union 856

J.) Adjournment

The next scheduled meeting will be held on August 19, 2015 at the Municipal Services Building, 333 Arroyo Drive, South San Francisco at 6:30 p.m.

Agenda Posted As Required:
July 31st at 9:00 a.m.

Debbie Nixon
Deputy Secretary

ITEM 1

(650) 583-4400
Fax (650) 583-4611
www.smharbor.com

San Mateo County Harbor District
Board of Harbor Commissioners
Meeting Minutes

May 26, 2015
5:30 p.m.

Oyster Point Yacht Club
911 Marina Blvd
South San Francisco, Ca. 94080

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A.) Roll Call

Commissioners	Staff
Sabrina Brennan, President	Glenn Lazof, Interim General Manager
Tom Mattusch, Vice President	Steven Miller, District Counsel
Nicole David, Secretary	Debbie Nixon, Deputy Secretary
Robert Bernardo, Commissioner	
Pietro Parravano, Commissioner	

Public Comment: James Lee thanked Brennan for helping to save the boating resources on the Peninsula. **(0:58)**

Shaunn Cartwright thanked the Commission and Brennan for moving the District's Office to El Granada. She also thanked the Commission for working on issues such as beach replenishment, water quality and public safety. **(2:15)**

Tom Linebarger thanked the Commissioners and Brennan for making sure the District videotapes and broadcasts the meetings. **(3:08)**

Draft

B.) New Business

1 TITLE: **Reorganization of Harbor Commission: Selection of Officers**

REPORT: Bernardo

PROPOSED ACTION: To be determined

Public Comment:

For Reorganization of the Harbor Commission:

John Dooley

Brian Rogers

Jeff Clark

Cassandra Clark

Kelsey Kaulukukui

Brian Waters

Mike Alifano

Against Reorganization of the Harbor Commission:

Mark DePaula

Kathryn Slater-Carter

Bill Kehoe

Tom Linebarger

Leonard Woren

Porter McHenry

Pamela Fisher

Mike Ferreira

Mary Larenas

Budd Ratts

John Lynch

Dan Haggerty

John Ullom

Michael Stogner

Shaunn Cartwright

James Lee

Draft

Declined to Declare Position:

April Vargas

Brennan resigned as Board President effective immediately. **(1:16:33)**

Action: Motion by Brennan, second by David to nominate Commissioner Mattusch as President to the Board. The motion passed unanimously.

Ayes: Bernardo, Brennan, David, Mattusch, Parravano

Action: Motion by Mattusch, second by Bernardo to nominate Commissioner David as the Vice President to the Board. The motion passed unanimously.

Ayes: Bernardo, Brennan, David, Mattusch, Parravano

Action: Motion by David, second by Parravano to nominate Commissioner Bernardo as the Secretary to the Board. The motion passed unanimously.

Ayes: Bernardo, Brennan, David, Mattusch, Parravano

Action: Motion by David, second by Bernardo to nominate Commissioner Parravano as the Treasurer to the Board. The motion passed unanimously.

Ayes: Bernardo, Brennan, David, Mattusch, Parravano

C.) Adjournment

Action: Motion by Parravano, second by Brennan to adjourn the meeting. The meeting ended at 7:30 p.m. The motion passed unanimously.

Ayes: Bernardo, Brennan, David, Mattusch, Parravano

Draft

Debbie Nixon
Deputy Secretary

Tom Mattusch
President

National Women's POLITICAL CAUCUS
passion.power.progress

San Mateo Harbor County District Commissioners Bernardo, Brennan, David, Mattusch, and Parravano,

It has come to the National Women's Political Caucus of Silicon Valley's attention that a special meeting is called today for the removal of Commissioner Sabrina Brennan from her position as President of the San Mateo County Harbor District Board. This is a letter of opposition of any motion or action to remove Commissioner Brennan from presidency.

Notice

We are especially concerned with the lack of notice to not only the public, but to Commissioner Brennan. We believe that advance notice of three business days for today's special meeting, scheduled late last Wednesday night, is insufficient notice for the Commission to hear public comment, especially after a nationally recognized and celebrated holiday weekend. While the minimum require notice to call a special meeting is one day, the subject matter of removal is a cause for concern as this tactic so grossly affects the District's responsibility to the residents of the San Mateo County Harbor District.

Inconsistent Application of Action

In 2013, Commissioners Holsinger and Tucker attempted to strip President Bernardo of his position at a regularly scheduled and noticed meeting. As such, no extra taxpayer funds or staff time was devoted to a special meeting then. If Commissioner Brennan's presidency is to be challenged, she is entitled to the same opportunities afforded to her colleague – whom she defended at that particular meeting – Commissioner Bernardo. To obfuscate the process by calling for special meetings would be an inconsistent application of action and we would support any equal protection claims Commissioner Brennan should make if a removal action should occur.

Support of Commission President Sabrina Brennan

Harassment allegations must always be taken seriously. We agree that review must happen in order to determine how to move forward during a conflict. This is why we are in complete support of President Brennan. President Brennan has a long standing, successful history of advocating for government transparency and fiscal responsibility. She moved to have board meetings televised for better access to the public as well as the districts new location to save the district money.

We support President Brennan because she has been a steadfast advocate for the residents of the San Mateo Harbor District. She is thoughtful and meticulous – qualities that the residents deserve in an elected official. We are exceptionally proud of her gravitas to vote with the thought of how it would affect the residents, and not with her ego. We have been monitoring Commissioner Brennan's achievements and want to remind the Commission of all that she has done to be a deserving and

The National Women's Political Caucus (NWPC) is a multicultural, intergenerational, and multi-issue grassroots organization dedicated to increasing women's participation in the political process and creating a true women's political power base to achieve equality for all women. The mission of NWPC is to increase women's participation in the political process and to identify, recruit, train, and support feminist women for election and appointment to public office. While in pursuit of this goal, NWPC Silicon Valley will strive to win equality for all women; to ensure reproductive freedom, to achieve quality dependent care; and to eradicate sexism, racism, anti-Semitism, ageism, ableism, violence, poverty, and discrimination on the basis of religion or sexual orientation.

National Women's Political Caucus
passion.power.progress

effective leader. Since 2012, Commissioner Brennan has been the lone dissenting vote when efforts were being made to turn back or stall progress on the issues of board transparency, reform, and modernization. She was the lone dissenting vote in 2013 when the board voted to abolish the videotaping of meetings which she spearheaded. We especially find this to be an amazing feat considering the well documented and reported constant verbal aggressive criticisms coded in sexist language by former commissioners against Commissioner Brennan.

It is our position that any action to remove President Brennan would be inappropriate and baseless. We are especially concerned of the historic lack of representation by women on this Board and will openly oppose any insidious sexist actions taken against the Commissioner. We urge all Commissioners to think about the residents they purport to represent and let any motion fail due to lack of support.

Respectfully,

Angelica Y. Ramos

Angelica Ramos
President, National Women's Political Caucus of Silicon Valley
angelica@nwpcsiliconvalley.org
408.597.4946

The National Women's Political Caucus (NWPC) is a multicultural, intergenerational, and multi-issue grassroots organization dedicated to increasing women's participation in the political process and creating a true women's political power base to achieve equality for all women. The mission of NWPC is to increase women's participation in the political process and to identify, recruit, train, and support feminist women for election and appointment to public office. While in pursuit of this goal, NWPC Silicon Valley will strive to win equality for all women; to ensure reproductive freedom, to achieve quality dependent care; and to eradicate sexism, racism, anti-Semitism, ageism, ableism, violence, poverty, and discrimination on the basis of religion or sexual orientation.

Coastside Democrats

P.O.Box 1046 Half Moon Bay, CA 94019-1046

WWW.CoastsideDemocrats.org

San Mateo Harbor County District President Brennan and Commissioners Bernardo, David, Mattusch, and Parravano,

This is a letter of opposition of any motion or action to remove Commissioner Brennan from presidency.

The Coastside Democrats are especially troubled with the special meeting today calling for the removal of Commissioner Sabrina Brennan from her position as President of the San Mateo County Harbor District Board. The lack of notice to not only the public, but to Commissioner Brennan on the heels of a national holiday only adds to the public's mistrust of the Harbor Commissions transparency and fairness in doing the public's business. We believe that the serious but unsubstantiated accusations made against Ms Brennan need to be investigated by an impartial committee before any drastic actions are taken.

We also feel that the Commissioners should be consistent in their actions with Ms Brennan as they were with Mr. Bernardo in 2013. As you will recall, Commissioners Holsinger and Tucker attempted to strip President Bernardo of his position at a regularly scheduled and noticed meeting at with no extra taxpayer funds or staff time needed for a special meeting. If Commissioner Brennan's presidency is to be challenged, she is entitled to the same opportunities afforded to her colleague, whom she defended at that particular meeting.

The Coastside Democrat's Board supports Commission President Sabrina Brennan who has a long standing history of advocating for government transparency, public participation and fiscal responsibility. She fought to have board meetings televised for better access, she has investigated many irregularities in administrative operations and she has sought to reduce cost by moving the district's offices to a new location to save the district money.

We support President Brennan because she has been a steadfast advocate for the residents of the San Mateo Harbor District. She is thoughtful and hard working – qualities that the residents deserve in an elected official. We are exceptionally proud of all her accomplishments while serving on the Board and the support given her by the community. We take this opportunity to thank Commissioner Brennan for all that she has done to be a deserving and ask her to continue working for the people.

Sincerely,

HR/ksc

Harvey Rarback, President Coastside Democrats

May 26, 2015

San Mateo County Harbor District Commissioners

RE: Special Meeting : Bernardo: Reorganization of Harbor Commission: Selection of Officers

As a resident of San Mateo County Harbor District I object to this move to strip President Brennan of the Presidency of this Harbor Commission.

The process is faulty – called after midnight for no reason given, after the pubic had been long gone. In fact Commissioner Bernardo tried to discuss this in public and was stopped by either or both the Interim General Manager or the Board Attorney.

There is no staff report. There appears to be no reason given prior to this meeting for this rash action.

If it is as rumor has it is as misogynistic as it can be. Strong women who seek to remedy identified fiscal and other mismanagement practices should be praised not censured. If Commissioner Brennan were a man she would be praised for being a strong, decisive leader.

I support Commissioner Brennan for her efforts to make this district a transparent, responsible district. Under her leadership the district has accomplished the first set of Grand Jury recommendations from 2001/02. When President Commissioner Bernardo did not.

The most recent set of Grand Jury recommendations hinge upon having a competent general manager who can work with all board members. Newspapers reports indicate this is not the case, even today.

That said, I support Commissioner Brennans decision tonight .

Sincerely,

Kathryn Slater-Carter

May 26, 2015

Re: May 26th Special Meeting

Harbor Commissioners:

We strongly protest the special meeting that is scheduled for May 26th at 5:30pm at the Oyster Point Yacht Club and we feel that this meeting should be cancelled and the topic of Commissioner Sabrina Brennan's presidency should rescheduled to a regular meeting held at the regular time and at the regular location.

First of all, we strongly support the work that President Brennan has done and all that she has accomplished in the areas of open government (such as televising meetings) and financial responsibility (reducing the cost of District operations & IT/computer purchasing and inventory practices and moving the district's offices to save money).

Regardless of how we feel about whether a person should or should not be removed from office, we are very concerned about the process. We strongly object to the special meeting at a special time and a special location. The time is terrible. We, along with many members of the public, will not be able to make it to the meeting because we physically cannot leave work early and drive through one of the most congested areas of Highway 101 traffic at the height of rush hour in order to make it to a meeting at 5:30pm. Having a meeting at this time and location is NOT open government, in fact, it seems quite the contrary. It seems that the board is attempting to limit the public's participation.

If there are allegations of potential wrongdoing that are strong enough to warrant removal of a commissioner from office of presidency, then these allegations need to be fully investigated and verified, possibly by an independent third party. The removal of a person from office is serious and should not be rushed into by other board members who may just have a difference of opinion.

Again, to ensure true open government and full public participation, this meeting should be CANCELLED and rescheduled to a REGULAR MEETING TIME and REGULAR MEETING LOCATION and be given REGULAR MEETING PUBLIC NOTICE.

If you will not reschedule this meeting, then we urge you to NOT remove Ms. Brennan from the Board Presidency.

Frank and Doreen Gerrity
689 Silver Avenue
Half Moon Bay, CA 94019

From: **Jack McCarthy** jackmc333@yahoo.com
Subject: Harbor Commisision Hearing May 26, 2015 - Support for Sabrina Brennan
Date: May 26, 2015 at 4:24 PM
To: Tom Mattusch tmattusch@smharbor.com, Nicole David ndavid@smharbor.com, Robert Bernardo rbernardo@smharbor.com, Pietro Parravano pparravano@smharbor.com, Sabrina Brennan sabrina@sabrinabrennan.com

To: San Mateo County Harbor District Commissioners Robert Bernardo, Tom Mattusch, Nicole David, Pietro Parravano and Sabrina Brennan

Dear Harbor Commissioners,

From:
Jack McCarthy
400 California Ave.
Moss Beach, CA 94038

This is a short note to tell you of my strong support for Sabrina Brennan and the continuance of her position as President of the Harbor District.

Everyone knows that Sabrina has been instrumental in starting the process of reforming the District. She has encountered opposition at every step of the way. This process is not easy and it takes a strong character to do it.

To put roadblocks in front of this process now will rightly be seen by those who voted for reform as muddying the waters toward reform. It will also be seen as a reason to end the district's independence.

Please do not create another problem for the Harbor District and let Sabrina continue in her term as President.

Best,
Jack McCarthy
400 California Ave.
Moss Beach, CA 94038

From: **Fran Pollard** LPFP@comcast.net
Subject: **Fwd: For Reorganization of the Harbor Commission**
Date: **May 26, 2015 at 4:48 PM**
To: **Sabrina Brennan** sbrennan@smharbor.com, **Tom Mattusch** tmattusch@smharbor.com, **Nicole David** ndavid@smharbor.com, **Robert Bernardo** rbernardo@smharbor.com, **Pietro Parravano** pparravano@smharbor.com

To The San Mateo County Harbor Commissioners:

May 26, 2015

Since I am unable to attend this meeting tonight, I decided to write a message of concern. As a resident of over 40 years, I have been following the Harbor Commissioner all these years and in fact, my husband even served as a Harbor Commissioner in the late 70s/early 80's.

Sabrina, singlehandedly worked hard for 2 years against a very strong and uncooperative Commission. And I have been watching and seeing how hard all of you are working currently to set things right. And I understand how things can get heated at times and out of control.

For that reason, I'm hoping you will all try to get along for the good of the Community. I'd like to suggest a compromise, that Nicole nominate Tom Mattusch for President and Sabrina remain on the Commission and on all her committees.

Thank You in advance and I hope for the best in the future,

Fran Pollard
PO Box 832
El Granada, CA
LPFP@comcast.net

Debbie Nixon

From: angelica.ramos@gmail.com on behalf of Angelica Ramos <angelica@nwpcsiliconvalley.org>
Sent: Tuesday, May 26, 2015 12:10 PM
To: Robert Bernardo; Sabrina Brennan; Nicole David; Tom Mattusch; Pietro Parravano
Cc: Debbie Nixon
Subject: Letter of Opposition to Commission's Special Meeting for Removal
Attachments: NWPC-SV Letter of Support - Sabrina Brennan.pdf

Commissioners Bernardo, Brennan, David, Mattush, Parravano and Deputy Secretary Nixon,

Attached is a letter of opposition to today's special meeting called for the removal of Commissioner Brennan's presidency. We object to the meeting's lack of notice and lack of equal application in terms of process. Further, we support Commissioner Brennan as she has a record of success and achievement benefiting the residents of the San Mateo County Harbor District. Our letter is attached. Per state and local ordinances, we are aware of and expect this to make it into the public record for today's meeting.

Respectfully,

Angelica Ramos, J.D.
President, National Women's Political Caucus of Silicon Valley
(main) 408.597.4946
(email) angelica@nwpcsiliconvalley.org
*I love to see a young girl go out and grab the world by the lapels. Life's a bitch. You've got to go out and kick ass. - **Maya Angelou***

**For media inquiries please contact Shaunn Cartwright, Communications Chair by emailing her here.

Wednesday, June 17, 2015

Re: California Open Meeting Concerns

Dear President Mattusch and Commissioners,

The Harbor District and law enforcement missed an opportunity to provided better guidance at the May 26th Special Meeting.

In addition to the unfortunate removal of John and Dan Ullom's livestream device the meeting was held during cocktail hour and alcohol was being consumed before, during and after the meeting.

From my seat I could see SSFPD and public member John Ullom standing by the barroom door and later on the deck. At one point I was concerned Mr. Ullom would be tasered. I saw public member Bill Kehoe intervene on the deck and deescalate the situation. It's my understanding that a SSF police officer told Mr. Ullom that he knew who he was and the officer credited Mr. Ullom for being the source of all the problems with the Harbor District.

With so many elected officials, public agency staff members, SSFPD and County Sheriff in the room it's a very sad commentary that the public right to record and broadcast public meetings was violated.

As board President during the meeting I regret not stopping the meeting when I first noticed a problem between SSFPD and a member of the public. The meeting was a disgrace in many ways and reflects poorly on all five Harbor Commissioners.

Going forward I hope elected officials and law enforcement will do a better job serving the public and adhere to California open meeting laws.

Sincerely,

Sabrina Brennan

June 16th, 2015

Steven D. Miller, Esquire
Hanson Bridget, LLC
425 Market Street
San Francisco, CA 94105

smiller@hansonbridgett.com
Direct Phone 415-995-5831
Fax 415-995-3426

Dear Mr. Miller,

We write regarding your participation as Legal Counsel to the Harbor Commission in the special meeting of Tuesday, May 26th, 2015, which was attended by Mark De Paula and Michael Stogner. Mr. De Paula requested a meeting with South San Francisco's Assistant City Manager Jim Steele and Chief of Police, Jeff Azzopardi, this past Tuesday, June 9th, which was attended by Mr. Stogner and Mr. John Ullom to discuss the interference with his recording and broadcast of the Harbor Commission meeting. Mr. Lamont Phemister, also attended the meeting with the Mr. Steele and Chief Azzopardi. Mr. De Paula was unable to attend due to an injury.

Mr. Stogner, reported to Mr. Steele and Chief Azzopardi that an unknown person removed Mr. Ullom's broadcasting device which aborted his broadcast of the Harbor Commission meeting. Mr. Ullom discovered this by a text message from someone who was watching the broadcast.. Mr. Phemister noted that he was informed by his friend, Commissioner Robert Bernardo, for whose re-election he worked, that Mr. Ullom has recorded and broadcast Harbor Commission meetings for years without objection.

Mr. Ullom told Mr. Steele and Chief Azzopardi that on searching for his device, he learned a bartender in the adjoining room had it. The bartender refused at first to return it, but later did surrender it to a police officer who returned to Mr. Ullom, ordering him to not resume the broadcast, saying his operation was not needed because Pacific Coast TV (engaged by the Harbor Commission) was recording it. This police order violated the California Open Meetings Law because the public is free to record and broadcast public meetings.

Mr. Ullom complained about the interference with his recording and broadcast operation without success to Harbor District Interim General Manager, Glenn Lazof, during a break in the meeting. In the public comments time, shortly after the break, Mr. Ullom reported the removal and interference with his recording/broadcast operation to the Commissioners, and asked Mr. Lazof again for permission. After hesitation and a chorus of demands from the audience Mr. Lazof said yes. Mr. Ullom told Mr. Steele and Chief Azzopardi that he misspoke at the Harbor Commission meeting to have said the officer told him he could be arrested. Mr. Ullom said he should have said that he feared he would be arrested it he did not follow instructions of the officer. Mr. Ullom asked that his apology be accepted, and said he did not wish to make a criminal complaint. We who write this letter are agreed to regard the police action about Mr. Ullom's device as closed because we believe South San Francisco police in attendance at future public meetings will know they are obligated to protect the public right to record and broadcast public meetings, rather than interfere..

Others, and chiefly you, failed in your obligation to protect the public's right at the Harbor Commission meeting. California Government Code, Sections 11120-11124. [Bagley-Keene Open Meeting Act] declares *"11124.1. (a) Any person attending an open and public meeting of the state body shall have the right to record the proceedings with an audio or video recorder or a still or motion picture camera in the absence of a reasonable finding by the state body that the recording cannot continue without noise, illumination, or obstruction of view that constitutes, or would constitute, a persistent disruption of the proceedings. (b)... (c) No state body shall prohibit or otherwise restrict the broadcast of its open and public meetings in the absence of a reasonable finding that the broadcast cannot be accomplished without noise, illumination, or obstruction of view that would constitute a persistent disruption of the proceedings.*

Accordingly, the Harbor Commission cannot refuse, and the public does not need. permission to record & broadcast.

The journalist and a number of law officers, including a deputy sheriff on duty, and other officials, and a San Mateo County Supervisor at the meeting should have known Mr. Ullom did not and does not have to ask Harbor District Commission permission to record and broadcast this public meeting.

But, as counsel to the Harbor District Commission, you, most of all, should have spoken up when this question arose in your presence. You owed it to the commissioners and to us voters to speak up and advise the commisssion that no interference to Mr. Ullom's operation is permissible. Counsel and law officers must be vigilant to protect the rights of the public. You kept silent while they erred and risked embarrassment to the Harbor Commission for illegal behavior. If you fail to recommend to the Harbor Commissioners that they affirm to meeting attendees that the public has the right to record and broadcast, you will compound your error. Your competence as counsel would be questioned.

Sincerely yours,

Mark De Paula
3932 Branson Drive
San Mateo, CA 94403

Michael Stogner
645 Prospect Street #201
San Carlos, CA 94070

Lamont Phemister
2011 Parrott Drive #1
San Mateo, CA 94402

Copy: Harbor Commission

THE DAILY JOURNAL
The Peninsula's homepage

OP-ED: I'm your Harbor Commissioner

June 03, 2015, 05.00 AM By Sabrina Brennan

Like 58

Sabrina Brennan

Every morning I wake up and think about how I can add value to Harbor District operations and the voters of San Mateo County. And frankly the value I add is not in ceremonial management of bureaucracy. My strength is in developing creative solutions that address decades of mismanagement. Sometimes my questions and ideas rattle the cages of people attached to past practices.

With the support of county voters, I was elected in 2012 by the biggest margin in history. I am here to advocate for the needs of the fishing and boating communities, for public safety, for fiscal responsibility, for transparency and for environmental stewardship, and to promote active recreation, tourism and economic prosperity for waterfront business communities.

Since 2010, I've led the effort to build a publicly responsible Harbor District, and although this effort may ruffle feathers, it doesn't change the fact that it will also take us into the 21st century.

Of course there is a difference between good governance and advocating for reform, but unless we as commissioners govern in a creative, modern way that moves us away from the district's past practices, we'll never solve the problems outlined in the Local Agency Formation Commission Municipal Service Review Draft Report published last Friday, the 2014 San Mateo County Civil Grand Jury report, and the many other issues that continue to plague the district.

I support working collaboratively with partner agencies to become a hub for active recreation and visitor education about the history and economic significance of the San Mateo County commercial seafood industry.

It's time the district focus on making measurable progress to improve Pillar Point Harbor by developing a dredging plan that prevents boats from running aground, reduce erosion by moving sand trapped inside the breakwater to Surfer's Beach and the Princeton shoreline, repair trail erosion near Pillar Point Marsh, build additional commercial lease space to generate revenue, renovate Johnson Pier, replace floating docks that pose a safety hazard, expand the sidewalk in front of tenant restaurants and businesses to meet ADA requirements, provide storage for kayaks and other human powered vessels, improve Coastal Trail access and continue to monitor water quality.

As a founding member of the district's Finance Committee, I totally agree with the LAFCo recommendation to "engage an accounting firm to review our budget accounts for both operations and capital improvements, and establish a financial accounting system consistent with best practices for California public agencies ... monitor inventory, to allocate costs and revenue according to enterprise versus other public purposes, and to provide immediate access to current lease and tenant information."

The to-do list is long and it will take time to correct decades of mismanagement. Please continue to support this independent special district, as we transition to a new permanent general manager later this summer at our new coastside headquarters in El Granada.

I accept responsibility for pushing the envelope and I will endeavor to find new ways to work cooperatively with my colleagues. I am committed to continuous improvement as a board member.

If you have suggestions or questions please don't hesitate to call me at (650) 479-5654; your input is extremely valuable.

Sabrina Brennan is a member of the San Mateo County Harbor District Board of Commissioners.

ITEM 2

STAFF REPORT

TO: San Mateo County Harbor District Commissioners

FROM: Debra Galarza, Director of Finance

DATE: August 5, 2015

SUBJECT: REVIEW AND RENEW INVESTMENT POLICY FOR FY2015-16

Recommendation
Adopt Resolution 36-15 to Renew District Investment Policy

Background
The State of California requires that the District have an Investment Policy (Policy) that adheres to State regulations. Periodically the District reviews its Policy to ensure that it still adheres to State regulations.

Analysis
Staff has reviewed the District's Investment Policy and found that there are no changes needed at this time (current investment policy follows).

Staff is recommending that the Board adopt Resolution 36-15 to reflect staff's review actions for regulatory and audit purposes.

Fiscal Impact
There is no additional direct fiscal impact.

Conclusion
Approval as recommended.

Resolution 36-15

to

Adopt San Mateo County Harbor District Investment Policy for FY 2015-2016

Whereas, State law requires that the District have an investment policy; and

Whereas, the treasurer or fiscal officer of the San Mateo County Harbor District shall annually prepare and submit a statement of investment policy and, such policy, and any changes thereto, shall be considered by the legislative body at a public meeting [CGC 53646(a)]; and

Whereas, after review, it has been determined that existing policy is consistent with current State Law, and that no changes are needed; now

Therefore, be it resolved that the document entitled "San Mateo County Harbor District Investment Policy", attached hereto, is hereby adopted as the Investment Policy of the District for Fiscal Year 2015-2016.

Approved this 5th day of August 2015, at the regular meeting of the Board of Harbor Commissioners by a vote as follows:

For:

Against:

Abstaining:

Attested

BOARD OF HARBOR COMMISSIONERS

Debbie Nixon
Deputy Secretary

Tom Mattusch
President

Draft

San Mateo County Harbor District

Policies and Procedures	Number: 4.4.1	Original Date: 6/5/96	Renewal/Revision: 08/05/2015
Title: Investment Policy	Prepared By: DG	Approved By:	# of Pages: 6
Purpose: To Establish an Investment Policy for the San Mateo County Harbor District.			

STATEMENT OF POLICY

WHEREAS; The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; (CGC 53600.6 AND CGC 53630.1) and

WHEREAS; the legislative body of a local agency may invest surplus moneys not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601; and

WHEREAS; the treasurer or fiscal officer of the San Mateo County Harbor District shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting [CGC 53646(a)]; now

THEREFORE; it shall be the policy of the San Mateo County Harbor District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all statutes governing the investment of the San Mateo County Harbor District funds.

SCOPE

This investment policy applies to all financial assets of the San Mateo County Harbor District. These funds are accounted for in the Annual Financial Report and include: General Fund and Enterprise Funds.

PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent persons standard (CGC 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

OBJECTIVE

When investing, reinvesting, purchasing, acquiring, exchanging selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

Safety

Safety of principal is the foremost objective of the investment program. Investments of the San Mateo County Harbor District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity

The investment portfolio will remain sufficiently liquid to enable the San Mateo County Harbor District to meet all operating requirements, which might be reasonably anticipated.

Return on Investments

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. (CGC53600.5)

DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code Sections 5922 and 53601, et seq. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Finance Director is a trustee and a fiduciary subject to the prudent investor standard. (CGC53600.3)

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Finance Director will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization, that are authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws

For brokers/dealers of government securities and other investments, the Finance Director shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Finance Director shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the San Mateo County Harbor District's account with that firm has reviewed the San Mateo County Harbor District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the San Mateo County Harbor District that are appropriate under the terms and conditions of the Investment Policy.

AUTHORIZED AND SUITABLE INVESTMENTS:

The San Mateo County Harbor District is empowered by California Government Code 53601 to invest in the following:

Bonds issued by the San Mateo County Harbor District.

United States Treasury Bills, Notes & Bonds.

Registered state warrants or treasury notes or bonds issued by the State of California.

Bonds, notes, warrants or other evidence of debt issued by a local agency within the State California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Obligations issued by Agencies or Instrumentalities of the US Government.

Bankers Acceptances with a term not to exceed 180 days. Not more than 40% of surplus funds can be invested in Bankers Acceptances and no more than 30% of surplus funds can be invested in the banker's acceptances of any single commercial bank.

Prime Commercial Paper with a term not to exceed 270 days and the highest ranking issued by **a nationally recognized statistical-rating organization (NRSRO)**. Commercial paper cannot exceed 25% of total surplus funds.

Negotiable Certificates of Deposit issued by federally or state chartered banks or associations. Not more than 30% of surplus funds can be invested in certificates of deposit.

Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section. Securities purchased under these agreements shall be no less than 102% of market value and will not exceed 20% of base value of portfolio. (See special limits in CGC 53601.0)

Medium term notes (not to exceed 5 Years) of US corporations rated "A" or better by **an NRSRO**. Not more than 30% of surplus funds can be invested in medium term notes.

Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds). Such funds must carry the highest rating of at least two national rating agencies. Not more than 20% of surplus funds can be invested in Money Market Mutual Funds.

Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements.

Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations

Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years. Securities in

this category must be rated AA or better by a national rating series. No more than 20% of surplus funds can be invested in this category of securities.

Any other investment security authorized under the provisions of CGC 5922 and 53601.

Also, see CGC 53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. CGC 53601 is attached and included by reference in this investment policy.

Prohibited Investments. Under the provisions of CGC 53601.6 and 53631.5, the San Mateo County Harbor District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

COLLATERALIZATION

All certificates of deposits must be collateralized by U.S. Treasury Obligations. Collateral must be held by a third party and valued on a monthly basis. The percentage of collateralization on Repurchase Agreements will adhere to the amount required under CGC 53601(i)(2)

SAFEKEEPING AND CUSTODY

All security transactions entered into by the San Mateo County Harbor District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the San Mateo County Harbor District by book entry, physical delivery or by third party custodial agreement (CGC 53601)

DIVERSIFICATION

It is the policy of the San Mateo County Harbor District to diversify its investment portfolio. The San Mateo County Harbor District will diversify its investments by security type and, within each type, by institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity a specific issuer or a specific date of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following guidelines shall apply:

Portfolio maturities shall be matched against projected liabilities to avoid an over concentration in a specific series of maturities.

Maturities selected shall provide for stability and liquidity.

For brokers/dealers of government securities and other investments, the finance Director shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Finance Director shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the San Mateo County Harbor District's account with that firm has reviewed the San Mateo County Harbor District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the San Mateo County Harbor District that are appropriate under the terms and conditions of the Investment Policy.

REPORTING

The Finance Director shall submit to each member of the governing body a quarterly investment report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed by third party contractors. The report will also include the source of the portfolio valuation. In the case of funds invested in The Local Agency Investment Fund (LAIF), FDIC Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirement. The report will also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the San Mateo County Harbor District will meet its expenditure obligations for the next six months. [CGC 53646(b)]. The Finance Director shall maintain a complete and timely record of all investment transactions.

INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the San Mateo County Harbor District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the San Mateo County Harbor District.

APPROVED:

Name: _____

Title: _____

Date: _____

Draft

INVESTMENTS AUTHORIZED

UNDER CALIFORNIA GOVERNMENT CODE 53601

CGC Section	Investment Type	Maximum Maturity	Authorized Limit (%)	Required Rating
53601 (a)	Local Agency Bonds	5 years	None	None
53601 (b)	U.S. Treasury Bills, Notes or Bonds	5 years	None	None
53601 (c)	State Warrants	5 years	None	None
53601 (d)	Notes & Bonds of other Local Agencies	5 years	None	None
53601 (e)	U.S. Agencies	5 years	None	None
53601 (f)	Bankers Acceptance	180 Days	40%	None
53601 (g)	Prime Commercial Paper	270 Days	25%	A1/P1
53601 (h)	Negotiable Certificates of Deposit	5 Years	30%	None
53601 (i)	Repurchase Agreement *	1 Year	20%	None
53601 (j)	Medium Term Corporate Notes	5 Years	30%	A
53601 (k)	Money Market Mutual Funds & Mutual Funds**	5 Years	20%	AAA (2)
53601 (m)	Collateralized Bank Deposits	5 Years	None	None
53601 (n)	Mortgage Pass-Through Securities	5 Years	20%	AA
53601 (d)	Local Agency Investment Fund (LAIF)	N/A	None	None
53601 (d)	County Pooled Investment Funds	N/A	None	None

* See CGC 53601 (I) for limits on the use of Reverse Repurchase Agreements.

** Mutual Funds maturity may be defined as the weighted average maturity. Under SEC Regulations, Money Market Mutual Funds must have an average maturity of 90 days or less.

DRAFT

ITEM 3

Staff Report

Increase Agreement With Cox, Wootton, Lerner, Griffin, Hansen & Poulos LLP In The Matter Of The "Spirit Of Sacramento" Vessel Arrest In A Not To Exceed Amount Of $25,000, Proposed Contract Total Amount $45,000, Approve Budget Resolution Increasing Miscellaneous Revenue $25,000 And Oyster Point Marina/Park Legal Expense $25,000

Recommendation

Direct the Interim General Manager to modify the contract with Cox, Wootton, Lerner, Griffin, Hansen & Poulos LLP in the amount of an additional $25,000 for continuation of legal services for the arrest and removal of the vessel at Oyster Point Marina/Park by the name "Spirit of Sacramento" and approve necessary budget revision.

The additional revenue is from repayment of funds owed by Coastside Water District, see IGM report.

Background

The 99 foot paddlewheel vessel Spirit of Sacramento is presently on dock 11 at Oyster Point Marina/Park. This is a United States documented vessel. A few months after the vessels initial slip use of the marina, payments were not forthcoming and after many attempts of the District to obtain payment with the subsequent slip termination, the vessel has not left the dock.

Maritime Legal services were initially contracted and there was potential to resolve the vessels amount due and to have the vessel removed from Oyster Point Marina/Park. Promised actions by the vessel owners did not occur and we now continue to take further action to resolve.

Presently a US Marshall Arrest has occurred and the vessel awaits actions in Federal Court.

Legal expenses have already exceeded the original contract by $1,323.52.

Analysis

The noted vessel is too large to relocate to another marina location and the use of a commercial tug(s) is required if removed from the marina. Presently the vessel has been secured via District staff and the US Marshalls office is awaiting outcomes of the Federal Court.

Fiscal Impact

The amount presently owed to the District on this Vessel is $37,619.25. Staff has a high level of confidence that the value of this vessel exceeds what will be needed to recover both legal and storage owed.

Conclusion

Legal steps appear to be the only option the district has for this vessel.

Alternatives

Discontinue legal actions and wait out the vessel owners.

Relocate the vessel to another storage location on the bay.

Resolution 34-15
to
Amend the Fiscal Year 2015-16
Integrated Operating and Capital Budget
of the
San Mateo County Harbor District
for
Legal Service

Whereas, the Board of Harbor Commissioners, through Resolution 20-15, adopted the Final Integrated Operating and Capital Budget for Fiscal Year 2015-16 on June 17, 2015; and

Whereas, subsequent to the adoption of the Final Integrated Operating Budget for Fiscal Year 2015-16 a need has arisen for additional continued legal services for the arrest and removal of the vessel Spirit of Sacramento, berthed at Oyster Point Marina/Park; and

Whereas, staff has recommended that the Board of Harbor Commissioners approve an amendment to the Agreement with Cox, Wooten, Lerner, Griffin, Hansen & Poulos LLP to add an additional $25,000 to the not to exceed contract amount for the continuation of necessary legal services; and

Whereas, this amendment will require additional modification to the Oyster Point Marina/Park budget contained in the 2015-2016 Integrated Operating Budget.

Now, Therefore, Be It Resolved that the Board of Harbor Commissioners authorizes the Interim General Manager to enter into an amendment to the contract with Cox, Wooten, Lerner, Griffin, Hansen & Poulos LLP to increase the not to exceed contract amount by an additional $25,000; and

Be it Further Resolved, that the Board of Harbor Commissioners approves an Amendment to the Final Integrated Operating and Capital Budget for Fiscal Year 2015-16 of $25,000 as set forth in Exhibit A, attached hereto and by reference incorporated herein, be adopted for Fiscal Year 2015-16.

Approved this 5th day of August, 2015 at the regular meeting of the Board of Harbor Commissioners by a recorded vote as follows:

For:

Against:

Absent:

Abstention:

Attested **BOARD OF HARBOR COMMISSIONERS**

Debbie Nixon, Deputy Secretary

Tom Mattusch, President

Exhibit A

The Fiscal Year 2015-16 Budget that was adopted by Resolution 20-15 on June 17, 2015 needs to be amended due to the need for additional legal services for Oyster Point Marina/Park. The augmented amount of $25,000 is offset by the additional miscellaneous revenue in the budget from repayment of funds owed by Coastside Water District referenced in the Interim General Manager's Report.

See Details below:

Legal Services Increase contract with Cox, Wooten for Legal services regarding vessel		
Legal Services	$	25,000
Total Cost	$	25,000
Miscellaneous Revenue from repayment of funds owed by Coastside Water Dist.	$	25,000
Augmentation needed in FY 2015-16 Budgeted For Legal Svcs-Oyster Point Marina/Park	$	0

Draft

Staff Report

Response to CARTEL Application for 5 Year Extension Permit for one Big Wave Contests Event through March 2021

Glenn Lazof: Interim General Manager (IGM)

Background: The last time a multi-year permit was requested it was agreed that the $5,000 application fee would be due on July 1 of each year, conditioned upon the right of the Harbor District to review and modify its approval of additional years. (See attached excerpt from minutes of June 5, 2013).

Other than the multi-year aspect of the permit, this event has traditionally been treated as a Special Permit under the events policy. When the permit for this year was additionally discussed in May staff noted that the commissioners may want to consider other options for this event, including whether this could be considered a Commercial activity of the District.

The IGM is aware, as of this report, that at least one other entity, the World Surf League (WSL) has expressed interest in promoting the big wave surf contest in the future.

Staff is recommending that this item be tabled until the April 6, 2016 meeting of the Commission. This will allow the District and the Community evaluate this year's CARTEL event in their decision making regarding future events.

Recommendation: Approve postponing the discussion of options for multi-year permits for the Big Surf Contest until the April 6, 2016 meeting of the Board of Harbor Commissioners.

Fiscal Impact: None

San Mateo County Harbor District

400 Oyster Point Blvd., Suite 300,
South San Francisco, CA 94080
(650) 583-4400 T
(650) 583-4611 F
www.smharbor.com

Please supply the information requested below. Please remit this application at least 21 days prior to your event. Attach additional sheets if necessary, to provide required information. A non-refundable application fee of should accompany this application. You will be notified of the disposition of the application and the necessary steps to secure your final permit. A permit fee, signed permit agreeing to reimburse District for any costs incurred by damages and proof of liability insurance named the San Mateo County Harbor District as also insured will be required. See Event Policy, Permit Fee Schedule and Category Definitions.

APPLICATION FORM – Special Use Permit		
Applicant Name:	Titans of Mavericks, Zoe Lee Ahn	
Organization Name:	Cartel Management, Inc. c/o Titans of Mavericks	
Address:	5870 Melrose Ave	
City, State, Zip Code	Los Angeles, CA 90038	
Telephone	Day 323-790-7333 Cell 310-480-2577 Fax	
Alternate Contact Person (s) and Phone Number	Cassandra Clark, (510) 305-6262	
San Mateo County Resident:	Yes ☐	No ☑
Non- Profit:	Yes ☐	No ☑
Commercial:	Yes ☑	No ☐
Type of Event:	Big wave surf competition	
Description of Proposed Activity:	This is a five-year extension permit application, to our existing contract with SMCHD to hold an invitation-only surf contest at the Mavericks surf break 1/2 mile offshore of Pillar Point. The contest will have an impact on certain Harbor District properties.	
Event Date (s)	November 1 - March 31, 2016/17, 2017/18, 2018/19, 2019/20, 2020/21	
Number of Events per year:	(1) One	
Event Hour:	Start 4:00 a.m.	End 6:00 p.m.
Set up Time:	24 hours prior to day of event	
Exit Time:	8:00 p.m. day of event	
Number of Participants/Guests:	Approximately 300 staff, competitors and volunteers. Event visitors and fans to be accommodated off site.	
Maximum number of vehicles/parking requirements for the event: (provide parking plan)	Approximately 75-100 located on SMCHD property. All others to be located off SMCHD site.	

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Equipment to be used: (Chairs, tables, tents, microphones, speakers)	Primary equipment, supplies and materials will be located on water and on property not owned by SMCHD. There will be several tents and tables located near the launch ramp to accommodate staff, agencies and competitors upon check-in and after water-borne event is complete. All water vessels will pay the required SMCHD launch fees. The parking lot at Pillar Point will be used for parking of emergency, staff and agency vehicles. The trail leading to Pillar Point is for use of emergency vehicles, pedestrian (staff) and transport (no personal vehicle transport). The parking, beach and adjacent bluffs will be closed to public access per the requirements of the partnering agencies.
Individual in charge on event day (include name, address and contact number on the day of the event)	Brian Waters, Griffin Guess, Zoe Lee Ahn, Cassandra Clark, Jeff Clark Brian Overfelt handle all aspect of the event on water and land. The Command Center incorporating all emergency response and coordinating agencies will be located at the installation at Vandenberg AFB. Complete list of personnel and contact information is in Incident Action Plan we have on file with SMCHD.

Information will be used to determine whether a permit will be issued. Completed application must be accompanied by an application fee based on the Permit Fee Schedule. The District may require additional information.

Request for fee waiver:	Yes	☐	No	☑

Reason for request of fee waiver:

Are you familiar with/have you visited the requested area?	Yes ☑	No ☐
Do you plan to advertise or issue a press release before the event?	Yes ☑	No ☐
Is there any reason to believe there will be attempts to disrupt, protect or prevent your event? (If yes, please explain on a separate page.)	Yes ☐	No ☑
Do you intent to solicit donations or offer items for sale?	Yes ☑	No ☐

Applicant is required to comply with all Federal, State, Local and District laws and ordinances, and represents as part of this permit application that he/she reviewed the Ordinance Code of

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the San Mateo County Harbor District and is fully familiar with the restrictions and laws stated therein.

Applicant is required to submit with this application any permit or license if required by the governing local jurisdiction (e.g. San Mateo County, City of South San Francisco, or City of Half Moon Bay wherein the event or activity will take place.) The Event Permit issued by the San Mateo County Harbor District will be null and void if applicant is required to have San Mateo County, City of South San Francisco, or City of Half Moon Bay permit or license and does not obtain said permits or license.

Prior to commencing any activities hereunder, applicant shall furnish to District satisfactory evidence of insurance written upon a form and by a company acceptable to the District, insuring District, its directors, officers, agents and employees against any losses or liabilities which may arise out of applicant's use of the facilities, including all costs of defending any action. Said insurance shall consist of a Comprehensive General Liability policy with a Broad Form Endorsement that provides coverage for bodily injury and property damage in the amount of $1,000,000 per occurrence and $2,000,000 in aggregate. Said policy shall be in favor of, and name applicant and District, its directors, officers, agents and employees as additionally insured and shall be maintained in full force and effect during the term of the permit.

Absence of insurance makes the Event Permit null and void.

In signing this application, and accepting the permit issued thereby, the undersigned certifies under penalty of perjury that any and all events or activities will be attended by the applicant personally or by individuals known to the applicant, the names of whom must be provided in advance to the District on this application, or on any future amendment to this application, to enable the District to monitor the use of their facilities.

The applicant by his or her signature certifies that all the information given is complete and correct, and that no false or misleading information or false statements have been given.

Signature_____ Date 7/24/15

Note: This is an application only, and does not serve as permit to conduct any use of the Harbor or Marina. If your request is approved, a permit containing applicable terms and conditions will be sent to the person designated on the application. The permit must be signed by the responsible person and return to the San Mateo County Harbor District prior to the event for final approval by the General Manager or his/her designee.

13 TITLE: **Special Event Permit for Mavericks Invitational LLC**
REPORT: Grenell, Memo, Attachments
PROPOSED ACTION: Approve Special Event Permit for Mavericks Invitational LLC

Grenell stated this item is a request for a special use permit under the District's new event policy. He stated that the request is for a Mavericks surf event for the 2013-2014. He stated that the contest window would be from November 1st through March 31st, as in previous years. He stated that the last couple of years, contest staff and contestants would be the only people provided access down to the west trail from the parking lot to the trail. He stated that Mavericks Invitational has made well organized arrangements for mobilizing the contestants, working with the various safety agencies, as well as having an arrangement with Oceano Hotel & Spa to hold their festival behind their hotel. Grenell stated that the festival happened last year very successfully. He stated that the packet includes the application and the plan. He stated that in past years before the new policy was adopted the practice was to require payment of fees by the applicant on or before the opening of the permit window. He stated that it is very important for the applicant to line up their sponsors, which is why the request is before the Commission now. Grenell stated that the applicant would like to pay the application fee now but pay the permit fee closer to the event, which would be an exception to the new event policy.

Tucker stated that he was concerned with the request of a 3 year permit but understands the reason behind the request. He stated that the event policy is a three-tiered system of fees, there is an application fee of $5,000, and permit fee is $6,800 plus $4,800 because it is a water-related event. He asked Grenell if the applicant is asking to pay the permit fee at the time of the event. Grenell stated the applicant was there and deferred to them. Cassandra Clark stated that the event is unique to the harbor. She stated that since there is no cost incurred by the District and their permit is unique as it is for a certain window of time, she would like to pay the permit fee prior to the window opening of November 1, 2013. She stated the need to secure the permit early is to obtain sponsors and let them know that the permit is in place. She stated that the reason for the three year permit is to also let the sponsors know that the permit is secure and hope that they can secure a sponsor for multiple years ahead of time. Tucker asked Clark if she had a problem paying the $5,000 application fee now. Clark stated that she did ask Grenell if that payment could be deferred to November 1 as well. Tucker stated that the application fee is different than the permit fee and rather than change the event policy he felt that it would be okay if the permit fee was paid prior to the start window of the event but not the application fee. He asked Clark if a three year permit was to be approved, was she asking to pay the application fee of $5,000 one time, or pay it each year for the next three years. Clark stated that she would still like the item to be brought to the Board each year but have the approval for the three year permit tonight. Parravano clarified that the current item is a request for a three year permit. Clark stated yes and that each year they would pay the $5,000 application fee. Grenell conferred with counsel regarding the multi-year permit and given the good track record of the applicant felt that a three year permit was not unreasonable. Brennan asked for clarification regarding the three year permit. Tucker stated that the Board would act and give Mavericks Invitational permission for three years but the fees would be paid during the contest period for each event. He stated that it enables them to go to their sponsors and say they have secured a permit from

the Harbor District for three years. Clark stated that there are 16 other agencies involved in the event and the three year permit allows them to work with those agencies and allows those agencies to budget for the next year years. Bernardo felt that asking for the application fee upfront was reasonable and was fine with the permit being paid prior to the event start window. He stated he supports the event and commended Mavericks Invitational regarding the thoroughness of the report and detail provided. Holsinger stated he felt comfortable with the application fee being paid each year on July 1 on the same terms and conditions. Brennan asked if there were any issues that came up during a contest, what protection the District had and would the applicant be allowed to continue with future events. Grenell stated that there is language in the permit that either party can withdraw.

Action: Motion by Brennan, second by Bernardo to allow the application fee of $5,000 due July 1 of each year and approve the special use permit for Mavericks Invitational, Inc. for use of specified District facilities and services for an annual Mavericks Big Wave surf contest event during 2013-2014 at or in the vicinity of Pillar Point Harbor, and for up to two additional years (2014-2015 and 2015-2016), conditioned upon the right of the Harbor District to review and modify its approval of the additional years as may be deemed appropriate by the District. Grenell stated there was a typo in this memo and corrected the name of the event production company from Rhody Co. to Mountain Sports International. Savaree stated that the motion didn't clarify when the permit fee would be due. Tucker stated on or before November 1. The motion passed by a roll call vote.

Ayes:	4
Nays:	0
Abstention:	1 (Holsinger)

ITEM 5

STAFF REPORT

TO: San Mateo County Harbor District Commissioners

VIA: Glenn Lazof, Interim General Manager

FROM: Marcia Schnapp, Interim Administrative Services Manager

DATE: August 5, 2015

SUBJECT: Extension of Professional Services Contract with McCoy's Patrol Service at Oyster Point Marina/Park at Current Rates through November 30, 2015

Request Board to Extend Professional Services Contract with McCoy's Patrol Service at Oyster Point Marina/Park at Current Rates through November 30, 2015.

Background

The previous HR Manager was responsible for renewing contracts. It has come to the attention of Staff that the contract needs to be renewed. Therefore, Staff is requesting the following:

1) In the interim, extend McCoys Patrol Services contract for enough time to allow Staff to draft and issue an RFP;

2) Issue an RFP to ensure that McCoys Patrol Services continues to be the lowest cost provider of service.

The District began contracting with McCoys Patrol Services as of October 30, 2008. McCoys was selected via a competitive bidding process at the time. The District has annually extended their contract for a one year period since October 2009. The current extension expired on March 31, 2014. The District has been continuing to pay for service at the 2013 rates since that time (approximately $20/hr per staff), with no additional contract extension in place.

Previous to contracting with a patrol service to provide security services for Oyster Point Marina/Park from 10PM to 6AM, the Harbor District paid staff to work the graveyard shift. Given the limited activity requiring District attention between the hours of 10PM and 6AM, the District made the decision to utilize a security service for less than the cost of providing a deputy harbormaster to work these hours.

The cost of the service is approximately $240/evening, or approximately $87,500 a year. The expense covers 7 days a week, 10 hours of service a night: 8 hours at $20.33/hr for

the guard gate at OPM, and 2 hours at $37.76/hr for 2 hours aggregate of patrol services at OPM.

As a comparison, 10 hours a night times 7 days a week equates to 70 hours a week, or the equivalent of two full time harbor staff. This would equate to an estimated cost to the District of over $180 thousand a year, including payroll, vacation, sick leave, health insurance and retirement benefits, and workers compensation costs. In addition, because it is the graveyard shift, it is difficult to have staff do much productive work, given how dark it is and the higher risk for injury when having staff do work during nighttime hours.

Financial Impact

The Fiscal Year 2015-16 Budget has already budgeted for the continuation of this service. There is no budget amendment needed at this time.

Recommendation

Staff recommends the Board extend the Professional Services Contract to McCoys Patrol Services through November 30, 2015 to allow time for staff to draft and issue an RFP for Security Services at Oyster Point Marina/Park.

Alternatives

1) Cancel contract and have no security coverage;
2) Cancel contract and increase expense by hiring harbor workers to provide security services;

ITEM 6

San Mateo County Harbor District

Memo

Date: August 5, 2015

To: Board of Harbor Commissioners

From: Debra Galarza, Director of Finance

CC: Glenn Lazof, Interim General Manager

Re: Fiscal Year 2014-15 Salary Schedule Correction

RECOMMENDATION

Approve amended FY 2014-15 Salary Schedule as corrected.

BACKGROUND

During the review of the Salary Schedule I noted the "Office Assistant" Annual Range Bottom was higher than the Annual Range Top scale. It appears there were typographical errors in this schedule and it should be corrected for the record. (See Exhibit A)

DISCUSSION

I brought this error to the attention of our auditors, JJACPA, during the preliminary field work and they directed that the schedule be corrected. (See Exhibit B)

FISCAL IMPACT

There is no fiscal impact to this item. Currently, there is no one in the position of Office Assistant.

EXHIBIT A

San Mateo County Harbor District

Wage and Salary Schedule
Fiscal Year 2014-2015
Effective July 1, 2014- 2.50 % Wage Increase and 2.6 COLA
Effective on April 16, 2015

Title		Hourly Range Bottom	Annual	Hourly Range Top	Annual	Salary Range Bottom	Salary Range Top
Management*							
Executive	General Manager					$ 121,294.49	$ 175,000.00
Management	Director of Finance					$ 91,874.37	$ 134,174.02
	Harbor Master					$ 91,874.37	$ 140,552.89
	Human Resources Manager					$ 91,874.37	$ 128,285.86
Administrative							
Administrative Assistant 4	Accountant	33.509	69,698.72	44.905	93,402.40		
Administrative Assistant 3	Accounting Specialist	29.401	61,154.08	39.826	82,838.34		
	Administrative Asst./						
	Deputy Secretary						
Administrative Assistant 2	Accounting Technician/	25.730	53,518.40	34.484	71,726.72		
	Administrative Asst.						
Administrative Assistant 1	Administrative Assistant	21.331	44,368.91	28.593	59,472.48		
Office Assistant	Office Assistant	13.646	28,382.65	16.290	28,043.01		
Project Coordinator						$72,389.296	$97,009.528
Operations							
Assistant Harbormaster (AHM)	Assistant Harbormaster	40.429	84,092.32	46.795	97,334.16		
Deputy Harbormaster B (DHMB)	Deputy Harbormaster B	31.673	65,879.84	36.667	76,267.36		
Deptuy Harbormaster A (DHMA)	Deputy Harbormaster A	27.359	56,907.19	30.133	62,676.64		
Harbor Worker C	Lead Maintenance Specialist	36.668	76,269.44	42.447	88,289.76		
Harbor Worker B (HWB)	Harbor Worker	15.219	31,656.46	22.948	47,732.45		
Harbor Worker A	Lifeguard			19.304			

EXHIBIT B

Wage and Salary Schedule
Fiscal Year 2014-2015
Effective July 1, 2014- 2.50 % Wage Increase and 2.6 COLA
Corrected on August 5, 2015

Title		Hourly Range Bottom	Annual	Hourly Range Top	Annual	Salary Range Bottom	Salary Range Top
Management*							
Executive	General Manager					$ 121,294.49	$ 175,000.00
Management	Director of Finance					$ 91,874.37	$ 134,174.02
	Harbor Master					$ 91,874.37	$ 140,552.89
	Human Resources Manager					$ 91,874.37	$ 128,285.86
Administrative							
Administrative Assistant 4	Accountant	33.509	69,698.72	44.905	93,402.40		
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Harbor Worker C	Lead Maintenance Specialist	36.668	76,269.44	42.447	88,289.76		
Harbor Worker B (HWB)	Harbor Worker	15.219	31,656.46	22.948	47,732.45		
Harbor Worker A	Lifeguard			19.304			

PROCLAMATION

SAN MATEO COUNTY HARBOR DISTRICT

* * * * * * * * *

TO COMMEND

MICHELLE RELOBA

PROCLAIMED, by the Board of Harbor Commissioners that:

WHEREAS, San Mateo County Harbor District employee Michelle Reloba demonstrated emergency response skills and behaviors in actions to save a life of an office visitor who was threatening to take his own life by calming the visitor when he entered the Oyster Point Marin/Parka Harbormaster Office; and,

WHEREAS, Michelle Reloba properly took immediate action to obtain emergency services, while reducing the visitors actions and behaviors in order to delay the problematic situation; and,

WHEREAS, the Oyster Point Marina/Park staff were greatly impressed with heroic actions taken by Michelle Reloba.

THEREFORE, BE IT KNOWN that the Board of Harbor Commissioners hereby commends the OYSTER POINT MARINA/PARK staff member Michelle Reloba for her contribution to the Harbor District and the Oyster Point Marina/Park community generally.

WITNESS my hand this5th day of August, 2015.

COMMISSIONERS: _____ ***President***

_____ _____

_____ _____

Draft

Staff Report

Refinance Of Division Of Boating And Waterways (DBW) Loan Educational Session On Options, Direction To Staff Regarding Refinancing Of Existing Loan, And Inclusion Of Funding For Other Capital Projects

Glenn Lazof: Interim General Manager (IGM)

Background: Commissioners requested additional information regarding Public Finance options prior to making a decision on the refinancing of the existing Division of Boating and Waterways loan. Staff has set up this presentation to provide additional general information. Both of these firms are aware that they are here in an educational role, and while their participation is much appreciated, that there is no obligation regarding the District's future debt financing.

Wiest Law: Attorney Cameron Wiest of Wiest Law in Scott's Valley has volunteered his time to make a presentation. In addition to acting as Bond Counsel, Wiest Law has experience with many of the other roles in Public Finance, including working directly with banks that could fund the District's refinancing. This firm has worked with Moss Landing, Humboldt Bay Port Harbor District, and The Port of Santa Cruz.

Holman Capital Group is a private company that packages public agency financing for what they describe as "local banks". They provide this service with a minimal cost of issuance ($10,000), offer quick close, and minimal impact on the workload of District Staff. This firm has worked with District and Cities including Mission Springs Water District, Diablo Water District, City of Vacaville, City of Santa Ana, and City of Hayward among others.

The packet also includes Capital Projects that were included in the Preliminary 2015/2016 budget, most of which were pulled for lack of funding, when the final budget was adopted. Staff has begun taking a second look at the cost estimates for possible updating, consideration of contingencies, and the adequacy of project management services.

Please also see attached e-mail from Stern Brothers regarding interest rates.

Recommendation: Direct staff regarding proceeding with refinancing of Division of Boating and Waterways Loan, and funding of other Capital Projects.

Fiscal Impact: The longer the district delays in refinancing, the longer we are paying above market interest. Currently we project $250,000-$340,000 in interest savings through Fiscal Year 2019, assuming tax exempt status, in addition to savings in staff time and other benefits from being released from DBW requirements. A decision to add additional Capital needs or extending the term of the loan will naturally impact costs and payments going forward.

Capital Improvement Projects

Oyster Point Marina:	
Correct Flooding Issues	25,000
Compactor	40,000
Dock 12 Referbishment	500,000
Total Oyster Point Marina	**565,000**
Pillar Point Harbor:	
Mooring Replacements	25,000
Leasee Sidewalk	300,000
Rip Rap Fishing Pier Repair	300,000
Johnson Pier Electrical Feed Power	173,000
Dock Fingers	580,257
Radon Boat Replacement or Repair	120,000
Harbor Office Remodel	200,000
Romeo Pier	650,000
Trench Drains at Boat Launch Ramp	40,000
Launch Ramp Restroom Design	250,000
Inner Harbor Dredging	70,000
West Trail-Fix Erosion	355,933
Total Oyster Point Marina/Park:	**3,064,190**
TOTAL DISTRICT	**3,629,190**

Glenn Lazof

From: Andrew G. Ciocca <ACiocca@sternbrothers.com>
Sent: Friday, July 24, 2015 9:20 AM
To: Glenn Lazof
Subject: Follow up

Mr. Lazof:

I just wanted to check in to see if there is any follow up information I can provide in considering the refunding of the San Mateo Harbor Districts DBW loans. The markets, although volatile, still present an opportunity in the range of 1.75% to 2.25% which provide for relatively attractive savings. I am in the Bay Area for the next few weeks and would be happy to make myself available to discuss in person any thoughts, ideas or plans you might have.

Thank you for your time,

Drew Ciocca

Andrew G. Ciocca
Vice President
Stern Brothers & Company
(415)710-8920
aciocca@sternbrothers.com

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California Debt Issuance Primer – Summary of Financial Instruments

INSTRUMENT	ISSUER	SECURITY	LEGAL AUTHORITY	ADMINISTRATIVE PROCEEDINGS	RESTRICTIONS
DIRECT BONDS					
Assessment Bonds	Multiple Entities (see reference table D-1-2 for listing)	Assessments on Property / Fees	Improvement Bond Act of 1911 and 1915 (see reference Table D-1-1 for list of statutes) State Constitution - Proposition 218.	State Constitution - Proposition 218 and Special Assessment, Investigation, Limitation and Majority Protest Act of 1931 for detailed requirements.	Projects must distinguish between and identify parcels being assessed and specific benefits received.
Typical Projects: Works of a "local nature". Improvements authorized by the Bond Acts of 1911 and 1915.					
Project Examples: Streets, roads, parks, sewer, lighting, water, drains, transportation, water, gas, electric power.					
Local Agency General Obligation Bonds	Multiple Entities (see reference Table D-2-1 for listing of special districts authorized to issue general obligation bonds)	Ad Valorem Tax	Improvement Bond Act of 1911 and 1915 (See Tables D-1-2 and D-2-1 for listings). Article XVI, Section 18 and Article XIIIA Section 1(b) of the California Constitution. Cities, Counties, School districts and Special districts each have specific requirements.	Article XVI, Section 18 and Article XIIIA Section 1(b) of the California Constitution. Cities (GC 43600), Counties (GC 29900), School Districts (Ed Code 15100) and Special districts (see D-2-1 for listings) each have specific requirements.	2/3 majority approval of voters in specified area (with some exceptions).
Typical Projects: Projects are classified by City, County, School District and Special District.					
Project Examples: Schools, parks, highways bridges, airports. (See tables in Local Agency General Obligation Bonds section for a comprehensive description of projects financed categorized (by county, city and school district).					
Mello-Roos Bonds	Community Facilities District(CFD)	Parcel Taxes	Mello-Roos Facilities Act of 1982.	See "Mello-Roos" bond section for the establishment of a CFD and approval process.	2/3 majority voter approval of landowners in district. Must be sold using competitive bid unless negotiated bid cost is proven lower.
Typical Projects: the CFD.					
Project Examples: Local parks, recreation, open-space, schools, libraries, child care centers, water/power/gas facilities. Services such as police, fire, recreation, and park maintenance.					
Pension Obligation Bonds	Local Agencies	General Fund	Structured as refunding bonds issued pursuant to the Local Agency Refunding Law (GC Section 53580) Article XVI, Section 18. Qualify for exception of "obligations imposed by law" No 2/3 majority needed.	Resolution of issuance, validation procedures.	Must be bond issuance refunding. Cannot exceed Unfunded Accrued Actuarial Pension Liability(UAAL).
Typical Projects: Refunding of UAAL.					
Project Examples: Restricted to UAAL.					

California Debt Issuance Primer – Summary of Financial Instruments

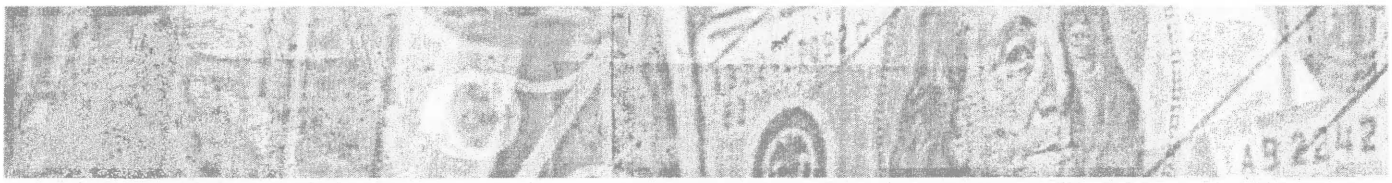
INSTRUMENT	ISSUER	SECURITY	LEGAL AUTHORITY	ADMINISTRATIVE PROCEEDINGS	RESTRICTIONS
DIRECT BONDS					
Sales Tax Bonds	Special sales tax districts	Sales and use tax revenues	Revenue Bond Act of 1941. See Table D-6-1 for listing of statutory authorizations.	Revenue Bond Act of 1941.	California Constitution, Article XVI Sec 18 for issuing, Community Redevelopment Act of 1993 (AB1290) for restrictions.
Typical Projects: Transportation infrastructure.					
Project Examples: Highway improvement, expansion, and maintenance. Public transit systems.					
Tax Allocation / Redevelopment Bonds	Redevelopment Agencies, Chartered Cities	Mostly tax increment but may include tax allocations, transient occupancy taxes, revenues or income from projects, contributions from state or federal government.	California Constitution Article XVI Sec 16, Health and Safety Code Sections 33640,33204.	California Constitution Article XVI Sec 16, Health and Safety Code Sections 33640,33204.	Community Redevelopment Act of 1993 (AB1290) for a complete listing of restrictions.
Typical Projects: Activities that reduce or eliminate blight within a project area not expected to be improved by private or government action.					
Project Examples: Buildings, housing, freeway interchange, sewer systems.					
Public Enterprise Revenue Bonds	Cities, Counties, Joint Powers Authorities	Revenue from the enterprise	Revenue Bond Act of 1941. See Table D-3-1 for listing of statutory authorizations.	Revenue Bond Act of 1941. See Table D-3-1 for specific codes relating to issuance requirements.	
Typical Projects: Revenue producing enterprises. See "Public Enterprise Revenue Bond" section for examples.					
Project Examples: Public buildings, stadiums, electric utilities, water and sewer treatment, airports, police stations, libraries, low-income housing, police and fire vehicles, computers.					
Public Lease Revenue Bonds	Joint Powers Authorities, Non Profits, Redevelopment Agencies, Parking Authorities, Public Works Departments	Lease Payments	Instruments structured as leases, not classified as debt for purposes of debt limit and voter approval. See Table D-4-1 for codes addressing authorization for specific issuers.	See Table D-4-1 for codes addressing approval procedures for specific issuers.	Maturity cannot be longer than useful life of project. A legally enforceable lease must be created.
Typical Projects: Capital improvements to be leased by a public agency.					
Project Examples: Stadiums, parking facilities, convention centers, school buildings, airports, entire water or sewer systems.					

California Debt Issuance Primer – Summary of Financial Instruments

INSTRUMENT	ISSUER	SECURITY	LEGAL AUTHORITY	ADMINISTRATIVE PROCEEDINGS	RESTRICTIONS
CONDUIT BONDS					
Conduit Revenue Bonds - Economic Development	CEDFA, CPCFA, Joint Powers Authorities, Industrial Development Agencies	Revenue derived from project	Various - See Table D-8-1 for specific issuers.	Various - See Table D-8-1 for specific issuers.	CDLAC Volume Cap, CIDFAC Approval, CPCFA Approval.
Typical Projects: Small manufacturing facilities, pollution control facilities, specific narrowly defined projects.					
Project Examples: Manufacturing, assembly fabrication, renovation or processing plants for goods or agriculture. Hazardous waste disposal and processing facilities, waste collection/treatment facilities.					
Conduit Revenue Bonds - Educational Facility	CEFA, Joint Powers Authorities, Charter Citiess	Payments from Educational Facility	California Educational Facilities Act - Education Code Section 94100.	California Educational Facilities Act - Education Code Section 94100.	No facilities for religious worship.
Typical Projects: Educational facilities.					
Project Examples: Dormitories, administration buildings, dining halls, student unions, school libraries, research facilities, student loan programs.					
Conduit Revenue Bonds - Hospital and Health Care	CHFFA, County Health Care Districts, Charter Cities, Joint Powers Authorities	Payments from Health Care Facility	California Health Care Facilities Financing Authority Act - GC Section 15430.	California Health Care Facilities Financing Authority Act - GC Section 15430	TEFRA hearing required.
Typical Projects: Construction, renovation, expansion of health care facilities.					
Project Examples: Acute care hospitals, psychiatric care hospitals, skilled nursing facilities, community clinics, outpatient hospitals.					
Conduit Revenue Bonds - Multifamily Housing	Cities, Counties, Joint Powers Authorities, Housing Authorities, Redevelopment Agencies (Described in Table D-9-1)	Revenue derived from project or lending program	See Code Sections described in Table D-9-1.	See Code Sections described in Table D-9-1.	CDLAC Volume Cap. Various rent and income limitations.
Typical Projects: Financing and/or refinancing construction, renovation, rental housing developments for private developers.					
Project Examples: Multi-family projects, including apartment buildings.					
Marks-Roos Bonds	Joint Powers Authorities	General Fund or revenue derived from participating local agency	Marks-Roos Local Bond Pooling Act of 1985- GC Section 6584. See "Marks-Roos" bond section for complete discussion.	Marks-Roos Local Bond Pooling Act of 1985- GC Section 6584. See "Marks-Roos" bond section for complete discussion.	
Typical Projects: Assisting local agencies with financing needs. Capital improvement bonds, bond pooling and working capital or insurance programs.					
Project Examples: Public buildings, stadiums, electric utilities, water and sewer treatment, airports, police stations, libraries, low-income housing, mass transit, telecommunications.					
Single Family Mortgage Revenue Bonds	Cities, Counties, Joint Powers Authorities, Housing Authorities	Revenue from project	Authorized through CA Health and Safety Code. See table D-7-1 for specific issuers.	Authorized through CA Health and Safety Code. For codes related to issuance procedure, see table D-7-1.	CDLAC Volume Cap, various rent and income limitations.
Typical Projects: Below market loan programs for low to moderate income families, acquisition, rehabilitation and improvement of single family homes.					
Project Examples: Purchase mortgage loans originated by one or more lenders participating in the program.					

California Debt Issuance Primer – Summary of Financial Instruments

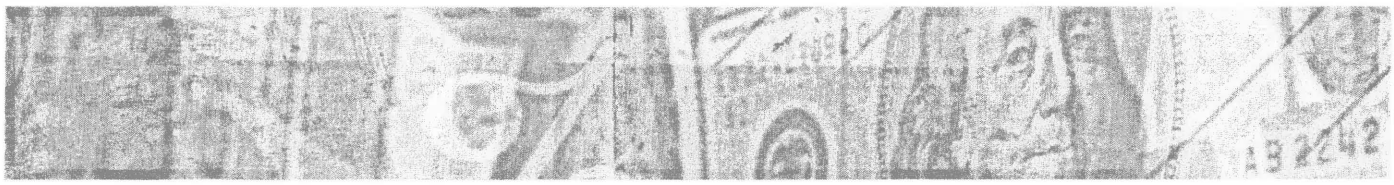
INSTRUMENT	ISSUER	SECURITY	LEGAL AUTHORITY	ADMINISTRATIVE PROCEEDINGS	RESTRICTIONS
LEASES					
Certificates of Participation / Financial Leases	Joint Powers Authority, Non-Profit Corporation, Leasing Company, Bank or Other Lessor	Rent	Instruments structured as lease, not classified as debt for purposes of debt limit and voter approval. See Table D-5-1 for codes addressing authorization for specific issuers.	See Table D-5-1 for codes addressing approval procedures for specific issuers.	May be used for land and depreciable property.
Typical Projects: Public buildings. Only land and depreciable property that a public agency has statutory authorization to lease.					
Project Examples: Educational facilities; irrigation, water, sewer, police and fire facilities; transportation equipment.					
SHORT TERM DEBT /OTHER					
Commercial Paper	State, Local Agencies	General Fund	Issuer must have statutory authority to issue notes in an unlimited principal amount and sell in negotiated sale.	Governing body adopts resolution authorizing the issuance.	Denominations of $25 Million
Typical Projects: Provide short term working capital.					
Project Examples: Operating expenses or capital project start-up costs.					
Tax and Revenue Anticipation Notes (TRANS)	Public Agencies	General Fund	General and individual entity authorizations detailed in GC Sections 53820 thru 53859.08.	General and individual entity authorizations detailed in GC Sections 53820 thru 53859.08.	15 month maturity, 85% of estimated uncollected taxes, income, revenue or other sources needed to repay notes.
Typical Projects: Fund cash flow deficits in a fiscal year.					
Project Examples: Provide funds to cover operating expenses (salaries, miscellaneous expenses) for a school districts					
Teeter Plan	Counties	Delinquent property taxes, fines, and penalties	California Revenue and Tax Code Sections 4701-4717.	Teeter Plan Bond Law of 1994. GC Sections 54773 - 54783.	
Types of Projects: County financing of local agency's delinquent property taxes fines and penalties.					
Project Examples: County acts as "bank" to local agencies and loans on delinquent property taxes and penalties.					



California DEBT ISSUANCE PRIMER

HANDBOOK

California Debt and Investment Advisory Commission
Phil Angelides
State Treasurer and Chair
CDIAC #05-06



Introduction to Debt Financing

FUNDAMENTAL PROCEDURES AND BASIC TERMS USED IN DEBT FINANCING

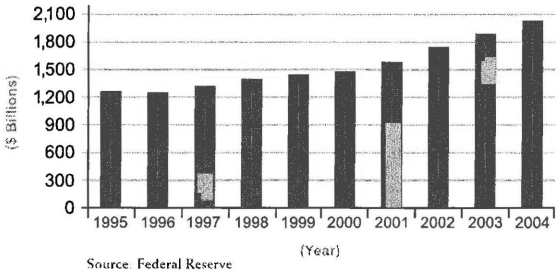
Municipal bonds represent a promise by state or local agencies or other qualified issuers to repay to investors an amount of money borrowed, called the principal, along with interest according to a fixed payment schedule. Municipal bonds generally are repaid, or mature, anywhere from one to 40 years from the date they are issued.

THE MARKET FOR MUNICIPAL BONDS

Bonds are utilized to finance a wide variety of projects in addition to satisfying ongoing cash flow requirements. Projects range from streets and roads to low-income housing.

The municipal bond market consists of the primary market, which deals in newly issued bonds and the secondary market, where securities are bought, sold, and traded after they have been issued. There were approximately $2 trillion dollars in municipal bonds outstanding in the U.S. at year-end 2004.

U.S. MUNICIPAL BONDS OUTSTANDING



Source: Federal Reserve

The key to understanding the secondary market for municipal bonds is recognizing that it differs from other security markets. The municipal bond secondary market, unlike the corporate stock and bond markets, is not a formal market. There are no public listings of sale offerings and no institutions such as the New York Stock Exchange for these bonds to be traded. The size of the market, types of dealers and their function in the market, sources of information determining the market, and uniform regulations governing trading practices all serve to make this secondary market unique.

OVERVIEW OF CALIFORNIA'S MUNICIPAL DEBT MARKET

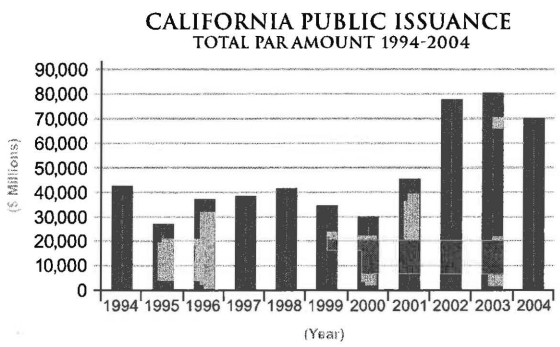
Debt issuance in California, as with the national market, is governed by a number of factors including the economy, public need, and the availability of funds. The following charts provide information reported to CDIAC on the major components of debt issued by public agencies in California for the year 2004.

California Local Government Debt Issuance by Type 2004
($ in millions)

Debt Instrument	$ Issued
Conduit revenue bond	$4,479
General obligation bond	7,228
Limited tax obligation bond	1,568
Other bond	2,948
Public enterprise revenue bond	6,166
Public lease revenue bond	927
Revenue bond (pool)	1,566
Sales tax revenue bond	416
Special assessment bond	439
Tax allocation bond	2,530
Certificates of participation/leases	3,303
Commercial paper	794
Tax and revenue anticipation notes	5,960
Other notes	266
Total Local Issues	**$38,590**

The types and issuance of debt involves many facets–it includes both long-term and short-term debt, tax-exempt and taxable debt, as well as debt issued for the purpose of refunding existing indebtedness.

California has been a significant issuer relative to other states and continues to be a prime contributor to the growth in U.S. municipal debt markets. Total California debt issuance, including state and local agencies, normally ranges between $40-50 billion annually, but has risen sharply over the three years ending prior to 2004. The following chart describes issuance over the prior 10-year period.



Counties, cities, school districts and joint powers authorities (groups of counties and/or cities) make up the majority of issuers. Other issuers include special districts that target specific purposes. The following tables provide an overview of the local issuers, types of debt and purpose for issuing debt for the year 2004.

California Local Government Debt Issuance by Agency 2004
($ in millions)

Government Type	$ Issued
County Government	$4,684
City Government	5,046
City and County Government	442
Joint Powers Authorities	9,600
K-12 School Districts	7,874
Other Issuers	10,944
Total	**$38,590**

California law allows for both competitive bidding and negotiated sale in placing debt issues. Over the ten-year period from 1994-2004, an average of 70 percent of the issues have been sold through negotiated sale.

California Local Government Debt Issuance by Project 2004
($ in millions)

Project Type	$ Issued
Capital Improvement and Public Works	$13,119
Education	8,021
Hospital and Health Care Facilities	2,777
Housing	2,316
Interim Financing	6,828
Redevelopment/Multiple Purposes	2,858
Other	2,671
Total	**$38,590**

Additional California Issuance Statistics are available on the CDIAC website under ***"Current and Historical Data" and "Publications and Policy Information/Annual Reports".***

KEY TERMS RELATING TO MUNICIPAL BONDS

Municipal bonds have certain key components that are described below.

Principal. Debt instruments typically have a "principal" component. Principal is the total amount borrowed and owed. The term principal is also referred to as the face or par value of the debt investment. Interest typically accrues based on the principal.

Interest. A key characteristic of a debt instrument is that it bears interest on the outstanding principal amount; the "interest" component is compensation by the debtor to the lender for the use of money for a period of time. Interest is calculated as a percentage of the principal amount borrowed over the time period of the financing. The basis of calculating is routinely a defined term of days such as a 360 day year with 30 days per month (30/360) or a 365 day year with actual days per month (actual/365).

Maturity. A key characteristic of a debt instrument is that principal is typically payable by a certain date. The term "maturity" means the date that the stated principal amount or face amount of the debt issuance becomes due and payable to the lender. Principal also may "mature" on multiple dates, such as with serial bond issues.

Face Value/Par Value. The face value, also known as the par value, is the amount of money a bondholder will receive back once a bond matures. A newly issued bond usually sells at par value. The par value is NOT the price of the bond. A bond's price fluctuates throughout its life in response to a number of variables. When a bond's price trades above the face value it is said to be selling at a premium. When a bond sells below face value, it is said to be selling at a discount.

Denomination. Denomination means the minimum increments by which debt investments may be sold to investors. Minimum denominations may be used for investor and seller convenience. They are also used to limit the types of entities that may be potential purchasers by limiting minimum denominations to those that would typically be purchased by "institutional investors." Most municipal bonds are sold to investors in denominations of $5,000.

Yield. Yield is the annual interest rate paid by a bond, expressed as a percentage of its current market price. Yield calculations are expressed in a variety of ways depending on the investor's analytical needs.

There is an inverse relationship between the yield and the price on municipal bonds. As interest rates rise, fixed income municipal bonds become less desirable and lose value, and as interest rates decline, they become more valuable. This is important to the issuer, as it dictates the cost of money at different times within the economic cycle and must be a consideration in project and debt issuance planning.

A detailed review of yields and the time value of money are available in Chapter 7 under ***"Capital Market Considerations".***

Bond Rating. Municipal bond credit ratings measure the issuer's risk of paying all interest and principal back to investors. A bond rating system helps investors distinguish a company's credit risk. Municipal issuers rely on specialized rating agencies to determine the overall risk of the issue and assign a "grade" to the bond. The three major rating agencies are Moody's Investor Services, Standard and Poor's, and Fitch Ratings. Ratings have a significant affect on both the ability of the issuer to raise funds and the price the issuer will be required to pay. Investors seek high quality issues, while lower quality issues are harder to place, at a much higher interest cost.

See Chapter – 1 ***"Credit Rating Agencies"*** *for a complete description of the rating process.*

Bond Insurance. Insurance may be purchased by the issuer from a bond insurer pursuant to which the insurer promises to make scheduled payments of interest, principal and the mandatory sinking fund on an issue if the issuer fails to make timely payments. When an issue is insured, the investor relies upon the creditworthiness of the insurer rather than the issuer.

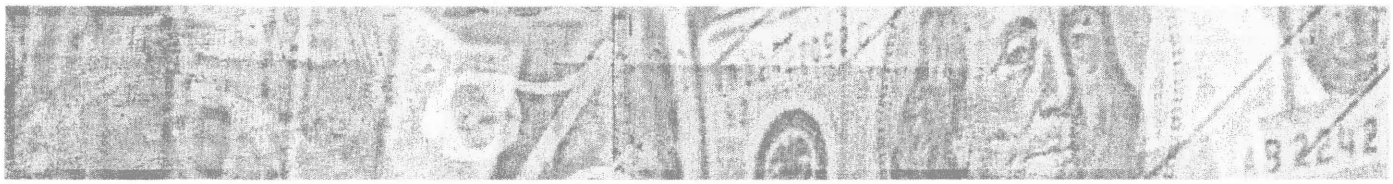
Refunding. Generally, the purpose of a refunding is either to reduce the interest rate paid on the outstanding bonds or to remove or replace a restrictive covenant imposed by the terms of the refunded bonds. The proceeds of the refunding bonds are either deposited in escrow to pay the refunded bonds when subsequently due or applied immediately to the payment of the refunded bonds.

For additional definitions and terms please refer to Chapter 7 – ***"Capital Market Considerations",*** *Chapter 11-* ***"Evaluating Investment Alternatives",*** *and Appendix C –* ***"Debt Financing Terms and Concepts".***

SOURCES OF INFORMATION

A significant amount of bond issuance information is available for municipal issuers. Information provided by financial institutions, government organizations, trade groups, educators, along with state and local oversight a gencies is available through traditional published and electronic Internet sources. The following sources contribute significantly to the understanding of issues related to markets, credit ratings, oversight, and current trends in the industry.

ORGANIZATION	PURPOSE
The Bond Market Association® http://www.bondmarkets.com/	The main trade association representing firms involved in the debt markets.
The Bond Buyer http://www.bondbuyer.com/	The daily newspaper serving the municipal bond industry.
The Government Finance Officers Association (GFOA) http://www.gfoa.org/	Principal professional association of state and local finance officers in the United States.
Fitch Ratings http://www.fitchratings.com/ **Moody's Investor Services** http://www.moodys.com/ **Standard and Poor's** http://www.standardandpoors.com/	The three largest nationally recognized credit rating agencies utilized as sources for credit ratings, research and risk analysis.
The Municipal Securities Rulemaking Board (MSRB) http://www.msrb.org/	Makes rules and regulations, along with setting standards for all municipal securities dealers.
The Governmental Accounting Standards (GASB) Board http://www.gasb.org/	Establishes and improves standards of state and local governmental accounting and financial reporting.
California Debt and Investment Advisory Commission http://www.treasurer.ca.gov/cdiac	Provides information, education, and technical assistance on debt issuance and public fund investment to local agencies.
Internal Revenue Service http://www.irs.gov/	Provides information and technical assistance on tax law and requirements.
Securities and Exchange Commission http://www.sec.gov/	Oversees securities markets, including stock exchanges, broker-dealers, investment advisors, and mutual funds companies.



The Financing Team

An Overview of the Participants and their Roles

The coordinated efforts of a specialized group of professionals all working in concert is required to successfully issue debt. This section provides an overview of the participants and their roles.

*Please refer to Chapter 1 – "**Roles and Responsibilities of Principal Participants.**"*

ISSUER

The tax-exempt status of the municipal issuer distinguishes them from other issuers of debt. A municipal debt issuer can be any entity authorized by the Internal Revenue Service (IRS) to issue tax-exempt securities. IRS code defines tax-exempt municipal issuers in a variety of ways, but the main types of municipal issuers are states, counties, cities, and school districts. In addition to these typical government units, there is a category of entities classified as "special districts". A special district is a limited-purpose government unit with the authority to tax and includes, among others, water districts, sanitation districts, and community facilities districts.

INVESTOR

Three classes of investors dominate the municipal marketplace: (1) households, consisting of individuals acting directly or through investment counsel; (2) mutual funds typically classified as closed-ended funds, open-ended mutual funds, and money market funds, and (3) financial institutions (primarily commercial banks and property/casualty insurance companies). The investment market for municipal bonds is one of the world's largest securities markets with approximately $2 trillion worth of municipal bonds in the hands of investors. There are more than 50,000 state and local entities that issue municipal securities comprising approximately two million separate bond issues outstanding. The principal characteristic of all buyers of municipal bonds is that they are in a sufficiently high tax bracket that they can benefit from the tax exemption.

BOND COUNSEL

Bond counsel is the attorney, firm of attorneys, or group of firms that give the legal opinion delivered with the bonds confirming that the bonds are valid and binding obligations of the issuer and that interest on the bonds is exempt from federal and state income taxes.

DISCLOSURE COUNSEL

Disclosure counsel is the attorney or law firm retained by the issuer to provide advice on issuer disclosure obligations and to prepare the official statement and continuing disclosure agreement.

FINANCIAL ADVISOR

A financial advisor is a professional consultant retained to advise and assist the issuer in formulating and/or executing a debt-financing plan to accomplish the public purposes chosen by the issuer. The role of or necessity for the financial advisor may depend upon the financial sophistication of the issuer and its staff, the workload capacity of the issuer's staff and the division of labor among the staff and other participants in the debt financing. A financial advisor may be a consulting firm, an investment banking firm or a commercial bank.

UNDERWRITER

An underwriter is a firm, or group of firms, that purchases bonds directly from a bond issuer and resells them to investors. Underwriters are intermediaries between issuers and investors.

Underwriters fill the void in the marketplace by purchasing whole bond issues and then reselling them, ideally for a profit, to investors. The responsibilities and functions of the underwriter will depend primarily on whether the bonds are to be sold at competitive bid or at negotiated sale.

UNDERWRITER'S COUNSEL

Underwriter's counsel is customarily selected by the underwriter to represent the underwriter and its interests in a negotiated sale. Normally, no underwriter's counsel is retained in a competitive sale. Underwriter's counsel will customarily review, from the underwriter's perspective the documents prepared by bond counsel, and will negotiate matters relating to those documents on behalf of the underwriter.

CREDIT RATING AGENCIES

Debt issued by governmental entities is rated to reflect the degree of risk and probability of repayment of all interest and principal to the investor. Investors use the bond ratings to determine the level of repayment risk associated with the specific issue and determine a minimum rate of return for the risk involved. If the bonds have high ratings, they are assumed to have low risk and the investor will therefore require a lower yield. Just the opposite will occur for a lower rated (riskier) bond. There are four major investment grade ratings assigned to bonds by the rating agencies - Highest (AAA/Aaa), High (AA/Aa), Above Average (A), and Medium (BBB/Baa). All long-term bonds rated below the fourth category are judged to be below investment grade (speculative grade) and are often referred to as "junk" bonds. Most financial institutions are prohibited from lending on any securities rated below (BBB/Baa).

TRUSTEE

The trustee is responsible for carrying out the administrative functions that are required under the bond documents. These functions include establishing the accounts and holding the funds relating to the debt issue, authenticating the bonds, maintaining a list of holders of the bonds, paying principal and interest on the debt, and representing the interests of the bondholders in the event of default.

CREDIT ENHANCEMENT PROVIDER

Credit enhancement provider and credit provider are terms describing any entity that guarantees or insures, in one form or another, the sufficiency of revenues to pay the bonds. The credit enhancement provider will make available, for a fee, additional security for the bonds. The credit enhancement increases the credit rating of the issue and thereby, lowers the required yield. Typical forms of credit enhancement include bond insurance and letters of credit.

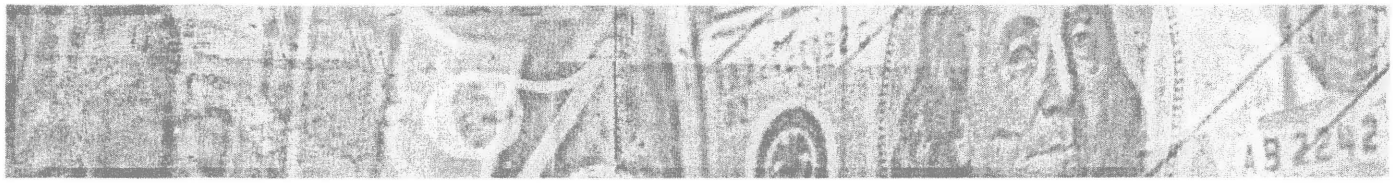
INVESTMENT ADVISOR

In many cases, issuers will wish to retain an investment advisor to assist them in investing bond proceeds. Investment advisors are professionals with experience, training, and special expertise in the area of investment management.

With a few limited exceptions, investment advisors must register with the Securities and Exchange Commission (SEC) or the California Department of Corporations. However, there is no required license exam or certification for investment advisors. Investment advisors receive a fee for their service. Certain investment advisors specialize in the management of local agency funds.

NON-GOVERNMENT BORROWER

In California, various issuers are authorized to issue bonds and lend the proceeds to one or more nongovernmental borrowers to finance the development of facilities which is deemed to serve a public purpose. Such financings are often called conduit financings and the nongovernmental borrowers are often called "conduit beneficiaries". Such facilities include, among others, single-family housing, multifamily housing, student loan programs, hospitals and other health care facilities, educational facilities, pollution control facilities, solid waste facilities, power facilities, airports, seaports, marinas, various sports facilities, and certain other types of industrial or commercial facilities.



DEBT STRUCTURE

AN OVERVIEW OF GENERAL BOND STRUCTURES AVAILABLE TO THE MUNICIPALITY

Debt comes in many specialized forms that are tailored to the local agency's funding needs. This chapter provides an overview of general bond structures available to the municipality.

STRUCTURING THE BOND ISSUANCE

There are many variations on the structure and security for bonds. Bonds which are general obligations are payable from general funds of the issuer. Others are limited obligations payable from only a specified source of funds. Bonds can have one maturity date or multiple maturity dates. Bonds can have a fixed interest rate or a variable interest rate. A primary consideration in any financing plan is the relationship between the term of the financing and the life of the asset being financed.

A BOND TYPICALLY SPECIFIES:

An obligation to pay a stated amount (the "principal"), at a given time (the "maturity") with interest at a stated percent (" the rate")

SHORT-TERM VERSUS LONG-TERM BOND ISSUANCE

Short-term borrowing is generally defined as debt maturing no later than one year after the date of its issuance. The two basic reasons for borrowing short term are to smooth out cash flows due to the timing of tax receipts and to cover start-up costs for large projects until the actual final costs are known. For example, short-term operating needs are generally financed with short-term borrowing, such as a "tax and revenue anticipation note" (TRAN), while a capital asset, such as a library building, is typically financed with a debt instrument having a longer maturity.

Long-term debt is usually defined as bonds or other obligations with maturity of 10 years or longer. Most "long-term" assets such as public buildings and major infrastructure are financed over 25 or 30 years. On the other hand, equipment, which typically has a much shorter economic useful life, is usually financed over an intermediate term of 3 to 10 years.

FIXED AND VARIABLE-RATE BONDS

FIXED-RATE BONDS

Most municipal bonds are issued as fixed-rate bonds, which means that the rate of interest to be paid is "fixed" at the time of issuance and never changes over the life of the bond.

VARIABLE-RATE BONDS

In recent years, a significant proportion of municipal bonds have been issued as variable-rate bonds, which do not have a fixed rate of interest. Instead, the interest rate is re-set periodically to match current market conditions, often daily, weekly or monthly. The re-setting can be based upon an index of interest rates, such as a U.S. Treasury Index, Bond Market Association (BMA) Index, or the London Interbank Offered Rate (LIBOR). Using this mechanism, issuers can borrow long term at lower short-term rates if the rate environment is favorable.

Key types of variable-rate bonds:

- ***!Variable-Rate Demand Obligations (VRDO)***

  A variable-rate demand obligation (VRDO) is a security for which the interest rate is reset periodically according to a specified index.

The bond's demand feature permits the bondholder to require the purchase of the bonds by the issuer or by a specified third party, either periodically, at a certain time prior to maturity, or upon the occurrence of specified events or conditions. This process is often referred to as "putting" a bond or exercising a "tender option." Interest rates generally are based on market conditions and the length of time until the bondholder can exercise the put option. VRDOs typically have a 1-day or 7-day put option where the investor receives the par value plus accrued interest. The minimum denomination is $100,000.

Almost all VRDOs carry credit enhancement, either a Letter of Credit (LOC), or Stand-by Purchase Agreement (SBPA).

The market for VRDOs is large, with many issuers and investors. Issuers include state and local governments and municipal service providers such as water and sewer districts healthcare entities and colleges. Investors include money market funds (VRDOs qualify for purchase under SEC rule 2a-7), corporations, and high net worth individuals.

- ***Auction Rate Securities (ARS)***

Auction Rate Securities (ARS) are long-term, variable-rate bonds tied to short-term interest rates. ARS have a long term nominal maturity with interest rates reset through a modified Dutch auction process, at predetermined short-term intervals, usually 7, 28, or 35 days. They trade at par and are callable at par on any interest payment date at the option of the issuer. Interest is paid at the current period based on the interest rate determined in the prior auction period. Although ARS are issued and rated as long-term bonds (20 to 30 years), they are priced and traded as short-term instruments because of the liquidity provided through the interest-rate reset mechanism.

*A CDIAC **"Issue Brief" on Auction Rate Securities** is available at the CDIAC website.*

- ***Tax-exempt Commercial Paper (TXCP)***

TXCP notes are usually unsecured obligations payable from a specified source of funds.

Exempt from SEC registration, TXCP generally matures in a short period of time and usually does not exist for more than 270 days. The average maturity of TXCP is between 30 and 35 days. The average investment is about $100,000, but some investors like TXCP because they are able to negotiate note amounts and maturities that fit their investment objectives and portfolio needs. Major investors in commercial paper include money market mutual funds and commercial bank trust departments. These large institutional investors often prefer the cost savings inherent in using commercial paper instead of traditional bank loans.

Although commercial paper is occasionally issued as an interest-bearing note, it typically trades at a discount to its par value. In other words, investors usually purchase TXCP below par and then receive its face value at maturity. The discount, or the difference between the purchase price and the face value of the note, is the interest received on the investment. All TXCP interest rates are quoted on a discounted basis.

One attractive feature is that TXCP notes can generate quick cash; investors pay for notes on the day notes are sold. Another attractive feature is that TXCP interest rates are typically lower than long-term fixed rates. A third attractive feature is simplicity of documentation in that TXCP notes can be sold without an Official Statement or other issuer-prepared disclosure document, although, as explained below, TXCP dealers have been pressing issuers to take responsibility for disclosure.

Dealers are generally unwilling to undertake a TXCP program unless a minimum amount (say $25 million) of notes will be outstanding. Consequently, smaller borrowers do not have access to the TXCP market and small programs are generally not cost effective.

In order to undertake a TXCP program, an issuer must have statutory authority to issue notes in an unlimited principal amount and sell notes in a negotiated sale.

INTEREST RATE SWAPS AND CAPS

Interest rate swaps are contracts that allow a debt issuer to "swap" the interest rate it currently pays on an outstanding debt issue. For instance, an issuer with variable-rate debt outstanding may want to lock in a fixed-rate of interest. To do this, the issuer enters into a floating-to-fixed rate swap, whereby the issuer will now pay a fixed interest rate. The counterparty to this swap is then obligated to pay a floating rate of interest as determined by some benchmark, such as LIBOR or the BMA Index. Neither the principal nor the actual interest payments change hands. Instead, the net difference between the two interest rates is determined - monthly, semiannually, or annually - and is paid by the party whose payment obligation exceeds that of the other.

*A CDIAC **"Issue Brief"** on Interest Rate Swaps is available at the CDIAC website.*

Under an *interest rate cap*, an issuer enters into a contract with a counterparty who, upon receipt of a one-time premium from the bond issuer, agrees to pay the issuer if a specified interest rate index rises above a certain percentage rate, known as the cap or strike rate. The main advantage of caps is the protection they offer against rising interest rates. They can provide an issuer the stability associated with fixed rate debt, while allowing the issuer to take advantage of the lower interest rates often associated with variable rate debt.

SERIAL BONDS AND TERM BONDS

There are two approaches to structuring the maturity of bonds. A *serial bond* issue consists of a series of bonds that mature in a regular pattern, usually annually over the entire life of the issue. The interest on each series is paid at regular intervals until that particular bond matures. Serial bonds allow the investor a variety of maturities to fit his or her specific needs. Usually, a single bond issue will consist of a series of bonds with different maturities. The further away the maturity of a bond, generally the higher the risk of the investment and the higher the interest rate associated with the bond.

A *term bond* issue has a single maturity date when the entire principal will be repaid for all the bonds in the issue. A term bond is usually financed through the use of a sinking fund. A sinking fund is a fund into which the issuer makes payments so that when the maturity date of the term bond arrives there will be sufficient funds available to repay the bonds.

CREDIT ENHANCEMENT

Credit enhancements generally provide a source of repayment funds that may be relied upon if the primary source of repayment becomes unavailable. Common types of credit enhancement include (1) bond insurance, which insures the timely payment of scheduled principal and interest on the bonds, (2) a letter of credit, which is a standby obligation of a bank to make payments with respect to debt service on bonds if the issuer fails to do so, and (3) a liquidity facility, which is often used with variable rate issues to provide the issuer the amount necessary to purchase the bonds if the investor exercises the option to "put" the bonds back to the issuer.

CALL PROVISIONS

Most sizable tax-exempt bonds contain provisions that allow the issuer to redeem all or a portion of its bonds prior to maturity at specific prices. Issuers frequently want the option to refund previously issued bonds to obtain interest-rate savings in lower interest-rate environments than when the bonds were issued. On the other hand, investors normally prefer the certainty of a fixed maturity with no possibility of a call.

Callable bonds typically will carry a higher interest rate (10 to 50 basis points in the current environment) to offset the risk to the bondholders of having their investment cashed out. Often the bond includes a call protection period of five to ten years after the sale date. During this period, the bonds cannot be called. After the call protection period has expired, the issuer must decide if it is in its best interest to call the debt. Most call

provisions require the issuer to pay a call premium to compensate the investor for an early retirement of the debt. The call premium is usually 2 percent to 5 percent above the par value of a bond and will often decrease as the bond ages.

REFUNDING

A substantial amount of long-term debt issuance consists of debt issued to refund other existing outstanding debt. In simple terms, new debt is issued to pay off old debt, normally to achieve cost savings associated with lower interest rates.

A current refunding is a transaction where the outstanding bonds to be refunded are called and paid off within 90 days of the date of issuance of the refunding bonds. There is no federal limitation on the number of current refundings that an issuer may conduct. In an advance refunding, the issuer sells new bonds and places the proceeds into an escrow account. These proceeds, along with the interest earnings that result from their investment, are used to pay off the bonds at their scheduled maturity or first call date (which is more than 90 days after the date of issuance of the refunding bonds). Federal tax law generally provides that a bond issue may be advance refunded only once (although bonds issued prior to 1986 may be advance refunded twice). Issuers should believe that the savings to be generated by the advance refunding if it is done now significantly exceed the potential savings that could be generated if it is done later in a more favorable interest rate environment.

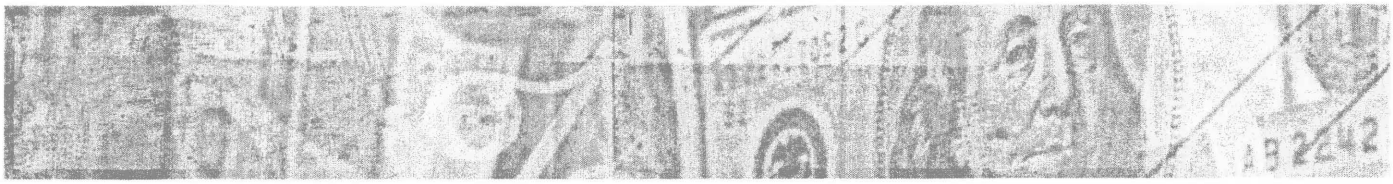
Detailed reviews of refundings and advance refundings are available in Chapter 7 – under ***"Restructuring Debt Service."***

ARBITRAGE

Arbitrage in the municipal bond market is the difference in the interest paid on an issuer's tax-exempt bonds and the interest earned by investing the bond proceeds in taxable securities. Proceeds from a bond issue are usually put into short-term investments until either they are spent on their intended use or, in the case of a refunding issue, used to call the original bonds. Both of these situations can generate arbitrage earnings. If interest rates on investments are below the interest rates on the bonds, then there is "negative arbitrage." If interest ra tes on investments are higher than interest on the bonds, then there is "positive" arbitrage.

During the 1980s, the federal government became concerned that municipal governments were abusing their power to issue bonds by issuing bonds unnecessarily in order to try to take advantage of positive arbitrage. The 1986 Tax Reform Act put into place a variety of restrictions and regulations designed to prevent such abuse.

A detailed discussion of federal arbitrage restrictions also is contained in Chapter 4 of the ***CDIAC California Public Fund Investment Primer.***



TYPES OF INSTRUMENTS

VARIOUS TYPES OF FINANCING INSTRUMENTS AVAILABLE TO THE LOCAL AGENCY

Chapter 6 presents a full description of types of instruments including legal authority and allowable projects.

Appendix E – provides a quick reference table summarizing all the instruments described in the Primer.

ASSESSMENT BONDS

Assessment bonds are repaid from taxes collected from those who benefit from the project. An assessment is any levy or charge imposed upon real property by a local agency for a special benefit conferred upon the real property from a public improvement.

Assessment bonds are issued upon the security of the assessments and are payable from either (a) scheduled installments of assessments, collected either by a direct billing to the property owner or by posting to the secured property tax roll of the county in which the real property is located or (b) proceeds of prepayments of assessments made by property owners to discharge the lien of the unpaid assessment on a specific parcel.

GENERAL OBLIGATION BONDS

General obligation (GO) bonds are bonds secured either by a pledge of the full faith and credit of the issuer and/or by a promise to levy taxes in an unlimited amount as necessary to pay debt service. The State of California's GO bonds are full faith and credit bonds, to which the state's general fund, rather than any particular tax revenue, is pledged.

With very few exceptions, local agencies are not authorized to issue "full faith and credit" bonds. The GO bonds of such agencies are typically payable only from ad valorem property taxes, which are required to be levied in an amount sufficient to pay interest and principal on the bonds maturing in each year.

While GO bonds typically are the least expensive debt available to a government, there are drawbacks to using GO debt in certain situations. GO bonds require voter approval, which may delay the financing of a project. If the voters do not approve the bonds, then officials must find another way to finance the project, or cancel the project outright. Furthermore, the ability to issue GO bonds may be constrained by legal debt limits for entities with such restrictions.

REVENUE BONDS

Revenue bonds are long-term debt instruments retired by specific dedicated revenues, often revenues generated by a project funded out of bond proceeds. Revenue bonds are designed to be self-supporting through user fees or other special earmarked receipts; the general taxing powers of the jurisdiction are not pledged. The debt created through the issuance of revenue bonds is to be repaid by the earnings from the operations of a revenue-producing enterprise (an enterprise revenue bond), from special taxes (a special revenue bond), or from contract leases or rental agreements (a lease revenue bond).

MARKS – ROOS BONDS

The Marks-Roos Local Bond Pooling Act of 1985 provides Joint Powers Authorities (JPAs) with broad powers to issue bonds for a wide variety of purposes. As the name of the Act implies, the law was originally enacted to facilitate local bond pooling efforts, which allowed local agencies to achieve lower costs of issuance through spreading fixed costs across a number of small issues.

MELLO-ROOS BONDS

The Mello-Roos Community Facilities Act of 1982 authorizes a public entity to form a Community Facilities District (a "CFD" or "district"), otherwise known as a Mello-Roos district. Once formed, the district can finance facilities and provide services. Upon approval by a two-thirds vote of the registered voters or landowners within the district, the district may issue bonds secured by the levy of special taxes. The special taxes are not assessments, and there is no requirement that the special tax be apportioned on the basis of benefit to property. A special tax levied by a district is not an ad valorem property tax, however the lien of the special taxes has the same priority as property taxes.

PRIVATE ACTIVITY (CONDUIT) BONDS

Private activity bonds are used either entirely or partially for private purposes and are given tax-exempt status. Section 141 of the Internal Revenue Code qualifies a bond as tax-exempt if it meets the private business test and falls within certain categories.

A bond issue is categorized as a private-activity, tax-exempt bond if it meets the following criteria; (1) more than ten percent of the proceeds of the issue are to be used in the trade or business of any person other than a governmental unit, (2) more than ten percent of the payment of principal or interest on the issue is, directly or indirectly, secured by property used in a trade or business, or derived from payments related to property used in a trade or business, or (3) the amount of the proceeds of the issue to be used to make or finance loans to persons other than governmental units exceeds the lesser of five percent of such proceeds, or $5,000,000.

TAX AND REVENUE ANTICIPATION NOTES

Tax and revenue anticipation notes (TRANs) are issued by public agencies to fund cash flow deficits in a fiscal year. Typically, they would be issued at the beginning of the fiscal year and mature at the end of such fiscal year. Similarly, grant anticipation notes (GANs) are issued by a public agency to cover anticipated shortfalls in project funds pending receipt of federal or state grant monies. A bond anticipation note (BAN) is a short-term debt instrument that is issued by a municipality or a state to fund the start-up costs for a project prior to the actual long-term debt issuance. At maturity, the debt is paid from the proceeds of a new bond issue.

FINANCING LEASES AND CERTIFICATES OF PARTICIPATION (COPS)

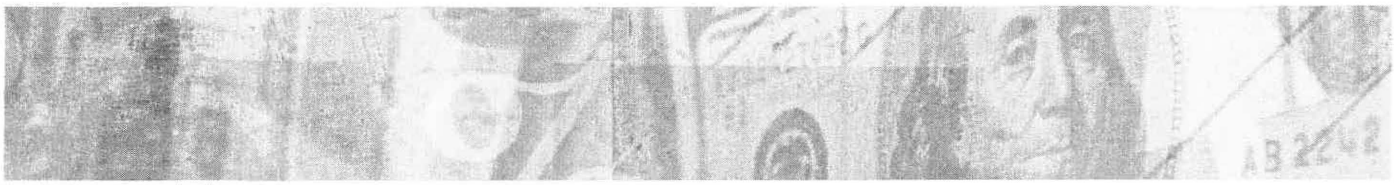
In a lease-purchase agreement, a government seeking to acquire an asset makes a series of lease payments that are considered installments toward the purchase of the asset.

The participants in a lease-purchase agreement are (1) the lessee, which is a government, (2) the lessor, which may be a private firm, vendor, or another governmental entity, and (3) investors. Often the lessor, after arranging an agreement, will assign the rights to the lease payments to a number of investors.

Certificates of participation, (COPs), are a widely used type of lease-purchase financing mechanism. Each certificate signifies that the investor owns a proportional interest in the lease payments to be made by the governmental entity. In a typical COP transaction, the lessor assigns the lease and lease payments along with its rights and obligations to a trustee, who executes the certificates. The tax-exempt status will be passed through to the owners of the COP to whom the interest component is distributed.

PENSION OBLIGATION BONDS

Pension obligation bonds (POBs) are financing instruments typically used to pay some or all of the pension plan's unfunded pension liability. In order to achieve the expected financial relief, the issuer hopes to invest the bond proceeds at a rate higher than the total cost of borrowing. POBs were originally tax-exempt borrowings. Currently, pension obligation bonds must be issued on a taxable basis because federal law restricts the use of tax-exempt proceeds for investment in higher yielding taxable securities.



SELLING YOUR BONDS

BASIC FACTS ON THE UNDERWRITING PROCESS

Most local governments do not have the expertise or resources to find investors for their proposed bond offerings and will require the services of a specialized municipal securities dealer, underwriter or a syndicate of underwriters to sell the bonds for them.

The legally required procedural steps vary widely among the different types of public debt financing. For example, some types of debt require voter approval; some require approval by ordinance subject to referendum; and others may be approved by simple resolution of the governing body of the issuer. Some types of debt require action by official bodies other than the issuer; others need only be approved by the issuer.

Nevertheless, much of the process is common to virtually all types of public debt. Broadly speaking, the issuer must undertake the above steps before and after the debt is issued.

COMPETITIVE SALE VERSUS NEGOTIATED BID PROCESS

Special restrictions on the types of sales process are different for many different circumstances and types of debt instruments. Please see Chapter 1 for a general overview and Chapter 6 for restrictions on specific debt instruments. In addition a CDIAC ***"Issue Brief" on competitive sale versus negotiated bid*** *is available at the CDIAC website.*

The decision of how to market municipal bonds should be based on the characteristics of the issuer, the bond issue, and the market. Governmental entities usually issue bonds through competitive bid or a negotiated sale. The goal of an issuer undertaking a bond issue should be the proper administration of the bond issue at the least possible issuance cost and interest rate. Both methods are used frequently in bringing municipal bonds to market. The overriding concern of many issuers is the minimization of interest rates and issuance costs; however, there currently is disagreement in the industry regarding which types of sale results in the lowest costs.

Competitive bidding is appropriate when the issuer is well known, good demand for the bonds is predicted, and the market is stable. A negotiated sale is more appropriate when the issuer is less known, the market instrument is complex and less well understood by investors, and/or the market is less stable.

Competitive Bid Process. In a competitive bid sale, the issuer conducts all of the tasks necessary to offer bonds for sale including structuring the maturity schedule, preparing the official statement, verifying legal documents, obtaining a bond rating, securing credit enhancement, if advantageous, and timing the sale. These tasks are normally done with the assistance of outside consultants, including a financial advisor and bond counsel. Once the issue is structured, the public sale begins with the publication of an official notice of sale that delineates the size, maturities, purpose, and structure of the proposed issue, along with instructions for submitting bids.

Underwriters submit closed bids to the issuer on the day and time designated in the official notice of sale. The bonds are awarded to the underwriter that has submitted the best bid, i.e. the lowest true interest cost bid. No structural aspects of the bonds

are changed regardless of the success or failure of the underwriter/underwriting syndicate to sell the bonds. Any unsold bonds remain the responsibility of the underwriter.

Negotiated Sale Process. In a negotiated sale, the bond issue is not structured before an underwriter is chosen. If the issuer has not retained a separate financial advisor, the underwriter may assist the issuer in determining what is to be financed, the method of financing and the financing structure. The underwriter is chosen based on expertise, financial resources, compatibility, and experience. After the underwriter is selected, the issuer and the underwriter will begin the process of structuring the bond issue and completing the other origination tasks. The underwriter starts the marketing process and develops an interest rate to be negotiated with the issuer. The issuer often employs a financial advisor not associated with the underwriting firm to represent the issuer's interests in the process.

PRIOR TO ISSUING DEBT	AFTER DEBT IS ISSUED AND CLOSED
Determine that a project or program to be financed is necessary or desirable	Ensure that continuing disclosure undertakings are fulfilled
Select the financing team	Respond to investor inquiries
Structure the financing	Calculate and file arbitrage rebate returns
Obtain formal approval by the governing body of the issuer and, if applicable, conduit borrower	Administer any assessments or special taxes securing the issue
	Administering any construction or acquisition program !
Market and close the issue	Comply with ongoing covenants
	Deal with any workout-related issues !

THE COSTS OF ISSUANCE

Borrowing costs money, in addition to the interest on the amount borrowed. Additional costs include expenses for:

- Bond Counsel Services,
- Publishing Bond Documentation,
- Determining Credit Ratings,
- Trustee/Paying Agent Services,
- Financial Advisor Consulting Fees, and
- Underwriter Commission.

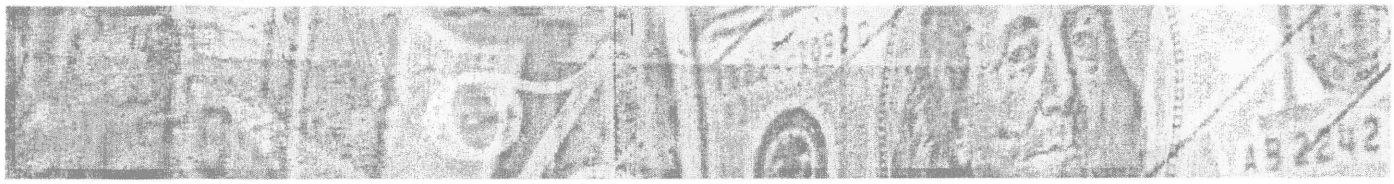
The profits made by underwriters are referred to as the spread. The spread is the difference between the price the underwriter pays the issuer for the bonds and the price the underwriter receives from the resale of those bonds to investors. The spread can be calculated by basis points. One percent of the bond issuance equals 100 basis points. For example, an underwriting spread of 100 basis points or $10 per $1000 bond would equal one percent of the principal amount of the bonds.

*A CDIAC **"Issue Brief" on the Underwriter's Spread** is available at the CDIAC website.*

For both competitive and negotiated bids, the spread is made up of four separate components: the management fee, expenses, the underwriting fee and the takedown.

- !**The Management Fee** - The management fee compensates the underwriters for their efforts in creating and implementing the financing package. The amount of the management fee depends on the complexity of the issuance.
- !**Underwriting Fee** - The underwriting fee, also known as the "risk" component of the spread, is designed to compensate the underwriter for the risk incurred by buying the entire issuance before it has received orders from investors for all the bonds.

AB 28559
Secretary of the Treasury
ONE HUNDRED DOLLARS



INVESTING BOND PROCEEDS

A GENERAL SURVEY OF INVESTMENT ALTERNATIVES AVAILABLE FOR BOND PROCEEDS

*Chapter 11 - **"Investment of Bond Proceeds"** for a description of issues affecting the investment of proceeds.*

CONSIDERATIONS FOR THE INVESTMENT OF PUBLIC FUNDS

The fundamental considerations for the investment of public funds are safety, liquidity and yield.

SAFETY

Preservation of principal (or safety) is the first and most important consideration of public investment. Public agencies address the safety consideration through the implementation of an investment program that controls exposure to many risks, including risk of principal loss through excess exposure to market or credit risk. The public investment program must provide for third party custody of the agency's assets to avoid the possibility of principal loss through theft or collusion, and must avoid strategies that may provide higher yield, but hold risk that is inappropriate for the public agency.

In the context of public fund investment, safety relates to preserving the principal of an investment in an investment portfolio; local agencies address the concerns of safety by controlling exposure to risks.

Interest Rate Risk (Market Risk)

Interest rate risk, also known as market risk, means the potential risk that the value of securities will decline as the general level of interest rates rises. For example, given a fixed coupon rate, the value (price) of an investment is inversely related to interest rates. As interest rates rise, price falls.

Credit Risk

Credit risk means the risk that the financial performance or status of an issuer will fall during the time a security remains outstanding. In the context of a debt security, credit risk means the possibility that the issuer will be unable to make scheduled payments of principal and interest. A more common concern for investors is that the market's perception of an issuer's credit will cause the market value of a security to decline, even if default is not expected.

LIQUIDITY

The second consideration of public fund investment (after safety concerns are addressed) is liquidity. Public agencies invest funds that are intended to meet their ongoing demands for cash for operations and capital spending. One of the agency's objectives must be to structure a portfolio that ensures adequate cash flow to meet both anticipated and unanticipated expenditures when needed. Beyond projected cash flow needs, the agency must be prepared for the unexpected, such as when actual revenues fall short of projections due to a weakening economy. The agency can meet this need with additional short-term investments or securities that can readily be sold without the risk of a significant loss of principal risk to meet unexpected cash flow needs.

In the context of public fund investing, liquidity can have different meanings. Liquidity can mean the measure of the ability to convert an instrument to cash on a given date. Another definition of liquidity is the ability of an agency to pay its expenditures with cash equivalent investments, or with investments that mature on the date cash is needed.

Staff Report

Amend Interagency Agreement With Regional Government Services To For Finance Project Manager. Increase Not To Exceed Amount $30,000 To A $180,000 Total; Approve Budget Resolution Increasing Miscellaneous Revenue $30,000 And Contract Services Expenditures $30,000

Glenn Lazof: Interim General Manager (IGM)

Background: Staff has reported that our administrative resources are not adequate to make good progress on implementing direction given by the commission.

We can expect RGS to supply us with someone with Finance Director level experience.

The current IGM is an employee of Regional Government Services, a public agency (Joint Powers Authority).

Analysis: The District has a number of finance projects on which it wishes to make expedient progress in implementation. Note that most of these projects either have never been done, not been done in recent history, or have not been done sufficiently, therefore additional staff resources are required.

These projects include, but are not limited to:

- Cost Allocation – Public Vs Enterprise
  - Revisions to Chart of Accounts
  - Journals to properly and efficiently track labor expense
- Review Financial Policies and Recommend Revisions including
  - Procurement
  - Reserve Policy
  - Debt Management
  - Auditing Leases
- Completion of Capital Improvement Plan (workload depends on assignment to Lisa Wise Consulting as part of Strategic Plan)
- Implementing Commission Chosen Debt Finance Options (Refinance DBW loan or combine with longer term loan to fund Capital Improvements)
- Open Gov Implementation
  - Data Transfers
  - "Canned" Reports
  - Frequently Asked Questions
  - Improve ability to respond to questions and concerns which result from greater transparency
  - Development of Transparent Budgeting Tools
  - Budget Reporting Actual YTD to Budget, Public Vs Enterprise, etc.
- Improved Contract Tracking
- Provision of Cost Information to Support Labor Negotiations
- Grant Reporting and Review

- New Emphasis on Grants requires Fiscal Review of applications
  - Additional Cost Accounting and Tracking of Grant Funds and Match
  - Keeping Current on current Vessel Abatement Grant Reporting
  - Oil Recycling Cost Share Information
- Tracking Insurance Reimbursements
- Development of Recommendations for District Fees
- Leases
  - Completing and Developing Summary of Lease Information
  - Improved Lessee Water and Utility Billing
  - Auditing and Audit Adjustments
- RFP for new Independent Auditors

Depending on Commission action, several of these projects could result in additional revenue for the district. The additional $30,000 will purchase 240 hours of a Finance Project manager. This should be adequate for the new GM to assess the usefulness of this resource. A permanent GM has the authority to choose to use or not use this resource as they see fit within the parameters of the contract. Per the action taken on July 14, the new GM will be able to utilize RGS support within the contract not to exceed amount as needed.

Recommendation: Approve resolution authorizing staff to amend the Agreement with Regional Government Services to (a) permit adding a Finance Project Manager, (b) increase the not to exceed amount by $30,000 to $180,000, and (c) Approve budget adjustment.

Fiscal Impact: The additional revenue in the budget adjustment is from repayment of funds owed by Coastside Water District, see IGM report.

Resolution 35-15
to
Amend the Current Contract with Regional Government Services
and to
Amend the Fiscal Year 2015-16
Integrated Operating and Capital Budget
of the
San Mateo County Harbor District
for
Outside Contractual Service

Whereas, the Board of Harbor Commissioners authorizes the Interim General Manager to amend the current contract with Regional Government Services to hire a Finance Project Manager; and

Whereas, the Board of Harbor Commissioners, through Resolution 20-15, adopted the Final Integrated Operating and Capital Budget for Fiscal Year 2014-15 on June 17, 2015; and

Whereas, subsequent to the adoption of the Final Integrated Operating Budget for Fiscal Year 2015-16 said Board authorized the execution of contracts for Outside Contractual Service with Regional Government Services, and

Whereas, fulfillment of these contracts will require additional appropriation authority by the Commission for the Administration budget.

Now, Therefore, Be It Resolved that an Amendment to the Final Integrated Operating and Capital Budget for Fiscal Year 2015-16 of $30,000 as set forth in Exhibit A, attached hereto and by reference incorporated herein, be adopted for Fiscal Year 2015-16.

Approved this 5th day of August, 2015 at the regular meeting of the Board of Harbor Commissioners by a recorded vote as follows:

For:
Against:
Absent:

Attested **BOARD OF HARBOR COMMISSIONERS**

Debbie Nixon
Deputy Secretary

Tom Mattusch
President

Exhibit A

The Fiscal Year 2015-16 Budget that was adopted by Resolution 20-15 on June 17, 2015 needs to be amended due to the need for additional administrative services for additional Finance department duties.

The augmented amount of $30,000 needed is offset by the additional miscellaneous revenue in the budget adjustment from repayment of funds owed by Coastside Water District referenced in the Interim General Manager's Report.

See Details below:

Outside Contractual Services Increase contract with Regional Government Services		
Outside Contractual Services	$	30,000
Total Cost	$	30,000
Miscellaneous Revenue from repayment of funds owed by Coastside Water Dist.	$	30,000
Augmentation needed in FY 2015-16 Budgeted For Legal Svcs-Oyster Point Marina/Park	$	0

Staff Report

ROMEO PIER UPDATE: REPORT ON PERMITS, BIDS, FUNDING OPTIONS, AND PROPOSED TIMELINE

Recommendation
This item was placed on the Agenda by Commissioner David. The Commission will review Status of Actions Regarding Romeo Pier and may provide direction to staff.

Background
The pier was built around 1950. The Harbor District identified a replacement pier for Romeo Pier as a priority; it remains, but now as a long term priority. In 1996, the Army Corps of Engineers produced a Phase I Reconnaissance Study for a deep water navigation channel from the federal breakwater entrance to the pier; it had a positive 2.5:1 benefit/cost ratio. Project was discontinued because the Harbor District had not established a location for a replacement pier. In 1998 The Romeo Pier had an engineer's investigation report performed (see attached).In 2000 there was an update performed to the 1998 report (see attached). In 2014, Moffitt Nichol Engineering was tasked with developing a demolition plan for the pier due to the pier's failing condition. The planning was stopped at the 50% point awaiting approval to move forward bidding and related permitting processes.

At the same time in April of 2014, an Emergency Permit request was submitted to the California Coastal Commission; however the Commission action to fund the approximate $600,000 removal of the pier did not occur. Staff was informed in April of 2015 that proceeding with permitting will require a regular Coastal Development Permit (CDP) and not an emergency permit. It is anticipated that a Water Board Permit and a San Mateo County Building Permit will also be required upon the CDP being approved for the piers removal.

The total pier area is approximately 18,000 square feet. Pier buildings total approximately 2,800 square feet.

Two components of the project that should also occur are the mitigation credits for the amount of creosote pilings removed for future piling installation of new material pilings in the harbor, and the historic photographic documentation of the pier and its buildings as part of a preservation action. Additionally, the old growth (redwood and fir) salvageable lumber should be collected and dispersed for public preservation projects around San Mateo County.

Moffitt Nichol Engineering upon board direction is prepared to move towards acquiring all permits, finalizing bid documents and project management of the pier removal.

Analysis
Under the present lineal timeline below noted the start to end of this project could last up to 10 months, this really depends on permits, construction bidding and direction to move forward.

The staff recommendation is to perform two tasks in parallel, task one would be to obtain all permits for the project, and task two would be to put to bid the project with an allowance incase permit agencies require any additional tasks beyond the original bid. The desire to fast track this project where possible before winter storms cause additional impact prior the project start.

An overall estimated timeline for completion of this project is as follows:

- Coastal Development Permit, and other required permits 3-4 months
- Bidding 30-60 days from permit approval
- Demolition (start to finish) 60-90 days *{assuming no fish window impacts}
- Project closeout (documents, billing, permit closeouts etc.) 30 days

Fiscal Impact

Construction demolition costs **MACC** (Maximum Allowable Construction Cost) was estimated in 2014 to be approximately $600,000.

Presently in the budget Moffat & Nichol have a carryover balance of $55,796 from when the effort stopped in 2014. Moffat & Nichol have provided report an update to their project cost reflecting that an Emergency permit has changed to a Coastal Development Permit. In addition the FY 2015-16 has an additional $50,000 for study/engineering for this project.

Staff recommends further in the bid process that an "alternate" be provided in the bid to reduce costs by leaving pilings that are still secure. Depending on outcome of bid results this alternate could be added to the overall bid costs. Construction work is not budgeted in the FY 2015-16 budget, however, augmentations to the budget can be made and would be taken out of the District's unrestricted reserves.

Conclusion

It is anticipated this winter will have a greater amount of El Nino storm impacts, and it would be staff's expectation that the pier will have a greater potential for failing. Most of the pilings do not touch the surface of the harbor bottom. Pier structure is too weak for top side removal of buildings and deck surfaces without increased safety concerns.

No action could result in debris above and below water surfaces interfering with vessel traffic, and adding to harbor pollution concerns.

Alternatives

None proposed at this time.

ROMEO PIER
PILLAR POINT HARBOR

INVESTIGATION REPORT

PREPARED FOR

SAN MATEO HARBOR DISTRICT
EL GRANADA, CALIFORNIA

PREPARED BY

MOFFATT & NICHOL ENGINEERS
WALNUT CREET, CALIFORNIA

JANUARY 1998
M&N FILE NO. 4062

ROMEO PIER INVESTIGATION REPORT

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4	Fish Handling Building
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7	Fender Pile Connection Damage at Deck Level
8	Fender Pile Broken at Waterline

1. EXECUTIVE SUMMARY

San Mateo Harbor District, as a participant in a dredging project at Pillar Point Harbor with the Corps of Engineers, needed an assessment of the condition of the pier structure and the implication of dredging to a deeper depth adjacent to the eastern side of the pier. This report presents the results of a field inspection of the pier and engineering analysis to determine probable costs to retrofit the pier, and an assessment of the implications of the proposed dredging. The results were developed to provide planning guidance.

As shown by the costs developed to retrofit the pier, it does not appear to be economically viable to proceed with a retrofit program. Also, because dredging to a deeper depth adjacent to the pier would be detrimental to the structure, we do not recommend that this pier be retrofitted. Although this study does not include an evaluation of the feasibility of constructing a new pier, we recommend that this approach be investigated. To that end, we recommend repairing the present pier and modifying usage so that it can be used safely for the length of time necessary (two to three years) to investigate and possibly construct a new pier.

Romeo Pier is a timber structure constructed approximately 50 years ago. It extends approximately 640 feet out from shore. A building at the pier head, used for fish handling operations, covers 2,800 square feet of the pier. The total pier area is approximately 18,000 square feet.

The inspection consisted of an abovewater and an underwater inspection. Results of that inspection indicate that the structural members are generally in good condition, and that about 10 percent of the members need replacement. However, the engineering analysis shows that the pier has a capacity for vertical load that is significantly less than the 15,000 pound truck weight limit posted at the approach. This is primarily due to the deck planks, and to a lesser extent the stringers. Also, the pier is not adequate for lateral loads. It is severely overstressed from earthquake loading, and to a lesser extent from wind loading. The deficient lateral capacity is primarily due to the lack of a horizontal diaphragm at the deck level, and the inadequate bending capacity in the piles.

Retrofitting the structure was investigated. Both retrofit for vertical load and retrofit for lateral were studied. Three alternatives to retrofit for lateral load were identified. Alternative 1 requires installing cross-bracing on the piles. Alternative 2 provides batter piles to resist the lateral loads, and Alternative 3 utilizes new vertical steel piles to resist lateral loads. Costs were developed for all retrofit methods investigated. For comparison, costs to replace the pier structure were estimated. A summary of the cost figures are shown on the following page. It should be noted that these costs were developed based on limited information and are therefore meant to provide a comparison between the various approaches.

ROMEO PIER REPAIR/RETROFIT

COST SUMMARY COMPARISION

APPROACH	AMOUNT $ (1000s)
ALTERNATIVE 1	
Repair for Vertical Load	924
Retrofit for Seismic Load	1,190
	$2,114
ALTERNATIVE 2	
Repair for Vertical Load	924
Retrofit for Seismic Load	684
	$1,608
ALTERNATIVE 3	
Repair for Vertical Load	924
Retrofit for Seismic Load	684
	$1,608
NEW PIER STRUCTURE	
New Pier Construction	1,800
Existing Pier Demolition	360
	$2,160

2. PURPOSE AND SCOPE OF INVESTIGATION

2.1 PURPOSE OF STUDY

San Mateo County Harbor District is participating in a dredging project with the U.S. Army Corps of Engineers in Pillar Point Harbor alongside Romeo Pier. The District requested that a structural assessment be made to determine the adequacy of the pier to support vertical and lateral loads, and the estimated costs to retrofit the pier if required. The effects on the pier, if any, of dredging to a deeper depth adjacent to the pier was also requested in order to assess the District's interest in continuing with the dredging project.

2.2 SCOPE OF WORK

The scope of work included a field inspection of the pier structure, preparation of engineering calculations to assess the condition and capacity of the structure, and identification of possible retrofit methods and the estimated costs of the retrofits. The field inspection included both abovewater members and selected underwater inspection of piles. The building was not inspected as a part of this study. The field inspection and engineering assessment was made of selected elements of the structure to determine the general condition of the pier to provide planning assistance to the District.

3. DESCRIPTION OF ROMEO PIER

Romeo Pier is a timber framed and timber pile supported structure which is approximately 50 years old. The pier in plan consists of a 16 foot wide by 390 foot long approach section and a 35 foot wide by 250 foot long head section, for a total length of 640 feet. It is oriented in a north/south direction with the landfall at the northern end. A plan view, elevation and sections of the structure are shown in Figure 1 and Figure 2. Grid lines are shown on the plan view of the pier. These grid lines are used as a reference system in this report to help identify specific locations being discussed in the text. It should be emphasized that the gird is an idealized representation of the pier, and the actual pier is skewed in many locations. The pier deck is at Elevation +13.8 Ft relative to Mean Lower Low Water (MLLW). This relatively high deck elevation is because the pier was constructed before the breakwater was built and therefore at one time required clearance for storm waves. Total plan area of the pier is 18,000 square feet. Photographs 1 through 3 provide a general view of the pier structure.

Framing consists of 3 x 12 deck planks supported on 6 x 12 stringers with 4 x 12s along the deck edges. The stringers are supported on 12 x 12 pile caps. Timber piles range in diameter from 8-inch to 12-inch. Cores taken indicate all framing is Douglas Fir timber.

The ocean bottom slopes down rather quickly to an elevation of −7.00 Ft (MLLW) approximately 285 feet from the pier abutment on shore, and then continues relatively flat from that location to the end of the pier. Maximum height from mudline to deck is therefore approximately 21 feet.

The pier supports a two-story building used for fish handling operations (Photographs 2 and 4). The building occupies approximately 2,800 square feet of pier area. Abalone tanks are located at the head of the pier under the shelter of the building. The pier also supports a number of storage containers along the western side (Photograph 5). Utilities on the pier include water, gravity sewer, power, and a dry seawater line.

Fishing boats berth along the eastern face at the outer end for general fish offloading operations, and at the southwest corner for access to the abalone tanks. Timber fender piles, a boat access stair, and two cranes for offloading are located along the eastern face.

4. INSPECTION METHODS AND RESULTS

4.1 INSPECTION METHODS

4.1.1 Above-water Inspection

Pier structural members above the water were inspected by visual examination and by probing and recorded as good, fair, or poor condition. Field notes, still and video photography were used to record the condition of the structure. Members inspected included the deck planks, stringers, pile caps, and above water portion of the piles. Pile inspection is discussed in Section 4.1.2. Deck planks were observed for their general condition, and were probed where the condition appeared fair to poor. Deck stringers can generally be seen from under the deck. However, stringers were probed from above the deck from between the deck planks along the approach, and over selected areas of the remainder of the pier. Pile caps were probed from over the deck and visually observed from under the deck. Deck planks were removed in specific locations, to observe or confirm the condition of the stringers and pile caps (Photograph 6). Utility pipes are supported along the western side of the pier on the deck on a timber framed pipe support. The condition of this pipe support was also observed.

4.1.2 Underwater Inspection

The underwater inspection work was conducted by a two-person dive team consisting of two registered professional engineers-divers and a boat attendant. The boat and attendant were provided by the District. Pile condition was listed as a percentage of section remaining: 0 to 25%, 26% to 50%, 51% to 75%, and above 75%. This inspection consisted of visually inspecting, probing with an awl, and sounding with a hammer to assess timber integrity and the presence of and/or extent of marine borer damage. A total of 70 piles were inspected under water. In addition, cores taken from seven piles were sent to a materials laboratory for analysis. All core holes were plugged with treated timber dowels. Piles were also inspected visually above water, and selected piles were drilled through to determine if pile cores were rotted out while appearing visually sound. Field notes, still and video photography were used to record the pile condition. No fender piles were inspected.

Depth to mudline measurements were taken at selected locations along the length of the pier. This information was used to estimate the pile lengths used in the engineering analysis.

4.2 INSPECTION RESULTS

4.2.1 Deck Planks

Deck planks are generally in good condition. There are a number of planks, which have been replaced during the past couple of years. Approximately ten percent of the deck planks are recommended for replacement. Those recommended for replacement show excessive wear, end cracking, and in some instances general

decay. The ice maker in the building leaks water which then keeps some deck planks in the ice maker area wet. This has allowed moss to grow on the planks. The planks in this area do not appear to have been adversely affected by this wetness.

4.2.2 Deck Stringers

Stringers are generally in good condition. Approximately 9 percent (35 stringers out of 400 total) are recommended for replacement. These stringers are spongy with significant deterioration, and as such, pose either a current safety hazard or will pose this level of hazard in the near future. Wet stringers also occur under the icemaker as discussed in Section 4.2.1. Stringers identified for replacement are shown in Figure 3.

4.2.3 Pile Caps

Pile caps are also in good condition. A total of 80 lineal feet of cap material, out of approximately 1,230 feet, is recommended for replacement. Those caps recommended for replacement show significant deterioration. One specific area of deterioration is located under steel plates placed on the deck at Grid Line 29. These plates have been placed at this location because the cap is no longer capable of safely carrying load. Pile caps identified for replacement are shown in Figure 3.

4.2.4 Piles

Piles are generally between fair and good condition. All pile cores indicated piles are treated with creosote. Many of the older piles have been replaced with 'sister' piles located directly beside the old pile. These piles were driven next to the existing pile and then pulled into place under the existing pile cap. The piles replaced with sister piles were typically not removed. A total of 50 piles are identified for replacement as shown in Figure 4.

Fender piles were not specifically inspected. However, it is apparent based on a general observation of these piles that the fender system is very old, deteriorated and in need of replacement. Photograph 7 shows a fender pile connection at the deck level that is no longer attached due to a deteriorated timber. Photograph 8 shows a fender pile attached at the deck level, but broken at the waterline. It is therefore being held in place by the connection at the deck.

5. ENGINEERING EVALUATION

5.1 VERTICAL LOAD CAPACITY

The vertical load carrying capacity of the pier was calculated using the 1994 Uniform Building Code (UBC) as the basis for allowable member stresses. The strength of the existing structural members was assessed by assuming a grade of timber and then calculating the allowable load carrying capacity. Allowable timber stresses are typically determined by visual grading. The UBC specifies allowable stresses for various grades and species of timber. The laboratory analysis indicated that the timber is Douglas Fir. A grade of timber one level below the best possible grade was used for allowable stress levels in the deck planks and stringers. This means that the allowable bending stress assumed for the planks and stringers is 20 to 25 percent lower than the maximum obtained by assuming the best grade. The allowable stress assumed for the pile caps is about 45 percent lower than the maximum, but the caps do not have stresses which are of concern. Douglas Fir piles have one grade and therefore one level of allowable stresses.

Vertical load carrying capacity was investigated for self-weight plus live loading. A 15,000 pound truck, assuming an AASHTO 'H' load distribution, was used for the live load condition. The 'H' loading specifies that 80 percent of the truck weight be placed on the rear axle. This rear axle weight is divided equally between the wheels so that 40 percent is applied under one set of wheels. A 50 pounds per square foot uniform live load was also used in areas not accessible to truck traffic.

Results of the vertical load carrying capacity check are described below.

- Decking: Two thicknesses of 3x12 deck planks occur on the pier; full section planks and net section planks. The full section planks measure 3 inches by 12 inches. The net section planks measure 2 ½ inches by 11 ½ inches. The net section planks will support less load and were used in this analysis. The truck weight, which can be supported by the deck planking, varies based on the span of the deck planks. The maximum allowable weight varies from 11,154 pounds for a 16-inch span to 5,310 pounds for a 48-inch span. Figure 5 shows the change in allowable truck weight versus span.

- Stringers: The allowable truck weight on the stringers varies from 12,425 lbs. for a 14-foot span to 8,300 lbs. for a 21-foot span, as shown in Figure 5.

- Pile Caps: Caps are capable of supporting a 15,000 lb. truck up to the maximum span of 16 feet found on the pier.

- Piles: Piles (assuming 12-inch diameter) are capable of supporting the vertical load from dead load (self weight) and live loads (truck or uniform load). Piles under the building structure with the live load are approximately 1 percent overstressed under the vertical load condition with no lateral loading.

5.2 LATERAL LOAD CAPACITY

5.2.1 Earthquake Load

The structure was evaluated for seismic loading based on the 1994 UBC. The pier relies on bending in the piles to resist the lateral loads. The lateral forces are transferred to the piles, which in turn resist the load in bending. They act as a cantilever fixed at some point below the mudline. There are two primary deficiencies in the pier to resist lateral loads. First, there is not a horizontal diaphragm to transfer the loads to the piles. Second, the piles do not have adequate bending capacity.

This check assumed a typical framing condition with 12-inch diameter piles; all members in good condition. Framing, both member sizes and spans vary considerably throughout the pier structure. The intent of this analysis was to determine the general condition of the structure without the expense of measuring and analyzing each member size and span. The framing pattern from Guidelines 1 to 26 was used as the typical framing pattern for this study. Based on this framing layout, the structure is adequate for seismic loads from the beginning of the approach out approximately 270 feet to Gridline 19. From that location and farther out the piles are overstressed. The ratio of actual stress to allowable stress varies from 1.0 at Bent 19 to 3.7 at the end of the pier under the building. The ratio would be higher for both those piles in less than good condition and for those smaller than the assumed 12-inch diameter.

5.2.2 Wind Load

Wind loading on the building also overstresses the piles in this area but to a smaller degree than the earthquake loading condition.

5.2.3 Boat Impact Load

This condition was not calculated; however, it is apparent that the structure is deficient with regard to lateral capacity. Lateral movement of the pier from general vehicular use on the pier, as well as impact of the boats moored to the structure is easily felt on the pier.

5.2.4 Wave Load

Romeo Pier is located within a protected harbor and will be exposed to relatively low period and therefore low energy waves for any wave height greater than about 2 feet. Wave heights of approximately four feet have been observed at the pier during storm conditions and would have had relatively low energy due to the low period. Based on this information, earthquake and wind conditions are more severe and were therefore used for this assessment.

6. EFFECTS OF DREDGING ALONG PIER

The structure is just adequate for vertical load, and does not meet code recommendations for lateral load. Dredging alongside the pier will increase the water depth another six feet. There are three significant problems associated with the additional water depth. First, the capacity of the piles to carry vertical load is reduced due to the additional pile height. This is because the piles will have a lower stress threshold before buckling can occur. Second, the bending stresses due to lateral loads increase in direct proportion to the pile length. Bending stress is already the primary problem, increasing the pile length by dredging will make the situation worse. Third, the embedment of the piles is not known. Dredging another six feet could undermine the piles.

7. REPAIR/RETROFIT ALTERNATIVES

7.1 RETROFIT FOR VERTICAL LOAD

Retrofit of the pier structure would require work at various locations on all of the structural member types; deck planks, stringers, pile caps, piles, and pipe supports. The estimate of amount of work required is based on the general review of typical conditions as described elsewhere in this report, and is not meant to serve as a detailed breakdown of items to be completed. Retrofit work is described below for each primary structural member type on the pier.

- Deck Planks: Approximately 1,600 square feet of deck plank needs replacement. This work would require removing the existing planks and installing new 3x12 planks.

- Stringers: Approximately 35 stringers require replacement. This work would require removing the existing planks and stringers and installing new 6x12 stringers. A small number of new stringers could be installed to reduce the maximum deck plank spans.

- Pile Caps: Approximately 80 lineal feet of pile caps are in need of replacement. This work would require removing the existing deck planks, stringers and caps. The new 12x12 caps must be attached to the piles with drift pins or bolted plate connections.

- Piles: Approximately 50 piles require replacement. Replacement of these piles would require removal of members supported by the piles or providing temporary support. The piles can be driven adjacent to the existing piles and then pulled in to align with the cap.

- Pile Wraps: We recommend wrapping piles, which are in good condition. This will help to maintain these piles in their good condition.

- Boat Landing Stair: The boat landing stair area on the eastern side of the pier has deteriorated to an unsafe condition. We recommend that the stair be replaced and new support members be installed, or that the stair be removed if not needed, and the area be re-framed.

- Reset/Add Spikes and Bolts: Deck planks are not adequately attached to the stringers. The spikes, which are holding the planks, are loose, and many of the planks do not have adequate spikes attaching them to the stringers. All bolts on the structure should be checked for tightness and replaced where severely corroded.

- Fender Piles: The existing fender piles are either in poor condition or are missing. The fender piles are important for absorbing energy from boat berthing and for resisting loads from boat mooring loads. Installation of fender piles is essential to resist the boatloads so that the main structure has limited exposure to either the abrasion or loading.

- Guard Rail: The pipe support along the western edge of the pier is in disrepair. We recommend that a new pipe support/guard rail be installed along the western side and a new guardrail be provided along the eastern edge to provide added safety.

- Wheel Planks: The low allowable truck weight is primarily due to the capacity of the deck planks. This situation can be improved to a large extent by the addition of wheel planks as shown in Figure 6. Loaded trucks should be restricted to the areas with wheel planks. These planks should be installed in areas where loaded trucks are expected to require access for normal fish handling operations on the pier.

- Ladders: Access ladders along the eastern side of the pier should be inspected and re-supported were necessary.

7.2 RETROFIT FOR LATERAL LOAD

Three alternatives were investigated to provide additional lateral load capacity to the pier. Although these alternatives would not bring the pier up to current code recommendations, they would provide a significant improvement to the structure. It should be noted that it is difficult, and in most respects impractical, to retrofit a pier of this age and type to resist current code defined loads. The existing structure has no inherent lateral system, and installing one is difficult because the piles do not align, and framing bents are all different dimensions. Development of the following alternatives affords an opportunity to develop estimates of construction cost for comparison with other approaches such as a replacement structure.

7.2.1 Alternative 1: Cross-Bracing

A significant deficiency of the existing structure is bending of the piles due to lateral load. This bending can be reduced by bracing the structure. Lateral loading from an earthquake can occur from any direction. Therefore, cross bracing would be required in both directions; transverse to the pier and longitudinal to the pier. Although not a practical solution for this pier because the piles do not align, this has been a relatively common method of bracing timber piers, and is included for cost comparison purposes. It would be difficult to implement on Romeo Pier because of the irregular pattern of the piling and resulting difficulty of installation. Due to the high bending stress in the piles, the bracing would be required to extend below the waterline, necessitating underwater work. Figure 7 illustrates this retrofit alternative.

7.2.2 Alternative 2: Batter Piles

Introducing batter piles to the structure has an effect similar to cross-bracing the structure by taking the lateral load in the batter piles rather than by bending of the older timber piles. Batter piles would be required in both the transverse and longitudinal directions because earthquakes can occur from any direction. The batter piles could be spaced so that the batter piles are not required at each frame. Spacing the batter piles requires that a new horizontal bracing system be installed

to transfer the lateral load to the bents with batter piles. Horizontal bracing would be less expensive than installing batter piles at each bent. This alternative is illustrated in Figure 8.

7.2.3 Alternative 3: Vertical Steel Piles

This alternative is similar to using batter piles except that vertical steel piles are used in place of the batter piles. The advantage of this method is less interference with the existing structure, and the possibility of using these same piles as fender piles along the eastern side of the dock. A horizontal bracing system is also required. This alternative is illustrated in Figure 9.

7.3 MINIMUM REPAIR

If the present structure is to be replaced within the next three to five years, the following repairs are recommended as minimum work to maintain a safer work environment.

- Replace deck planks, stringers, and pile caps where required.
- Rebuild or remove stair to boat landing.
- Add fender piles as required (this could be done for those specific areas where boats currently tie up and restricting vessels to those areas).
- Replace piles as required (this can be investigated to identify those piles which must be replaced to help ensure a safe working environment).
- Add wheel planks (Adding the wheel planks adds a significant upgrade to the structure, as well as additional safety feature. The wheel planks could be limited to certain areas and then restrict loaded trucks to those areas).
- Inspect and repair access ladders.

8. ESTIMATED COSTS OF REPAIRS/RETROFIT

Construction costs were developed for both vertical load and lateral load repairs and retrofit. These costs are conceptual estimates, based on square foot prices due to the level of engineering analysis done and on the detail of inspection work carried out at the pier to determine the extent of work required. A cost summary comparison of the repair/retrofit alternatives are shown below. A new pier structure is included for comparison purposes. It assumes that a pier of approximately the same area be constructed. The cost of providing a new building on the pier for fish handling is not included. A detail of the repair cost for vertical load follows the cost summary comparison.

REPAIR/REPLACE COST SUMMARY COMPARISON

APPROACH	AMOUNT $ (1000s)
ALTERNATIVE 1	
Repair for Vertical Load	924
Retrofit for Seismic Load	1,190
	$2,114
ALTERNATIVE 2	
Repair for Vertical Load	924
Retrofit for Seismic Load	684
	$1,608
ALTERNATIVE 3	
Repair for Vertical Load	924
Retrofit for Seismic Load	684
	$1,608
NEW PIER STRUCTURE	
Pier	1,800
Pier Demolition	360
	$2,160

REPAIR FOR VERTICAL LOAD

ITEM	UNITS	AMOUNT $(1000s)
Replace Decking where Required	(1600 SF)	5
Replace Stringers where Required	(500 LF)	40
Replace Caps where Required	(80 LF)	10
Replace Piles where Required	(50 EA)	200
Add Wheel Planks	(500 LF)	40
Add Pile Wraps	(280 EA)	280
Add Guard Rail	(1200 LF)	35
Rebuild Stair to Boat Landing	(LS)	5
Reset/Add Spikes and Tighten Bolts	(LS)	5
Add Fender Piles	(50 EA)	150
Total		770
Contingency (20%)		154
Estimated Total		$924

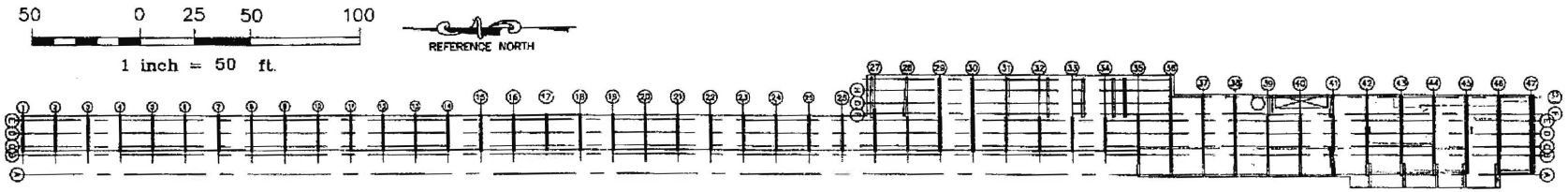
9. RECOMMENDATIONS

The cost to retrofit the pier is almost as much as the cost of constructing a new pier structure. Furthermore, retrofitting the pier will not resolve the issues related to dredging to a deeper depth adjacent to the pier. We, therefore, do not recommend retrofitting the pier for use in conjunction with the Corps of Engineers proposed dredging project. Although this study does not include an evaluation of the feasibility of constructing a new pier, we suggest that this approach be investigated. To that end, we recommend repairing the present pier and modifying usage so that it can be used safely for the length of time necessary to investigate and possibly construct a new pier. The items identified in Section 7.3 – Minimum Repair, should be included in a repair program for continued use of the pier for the next two to three years.

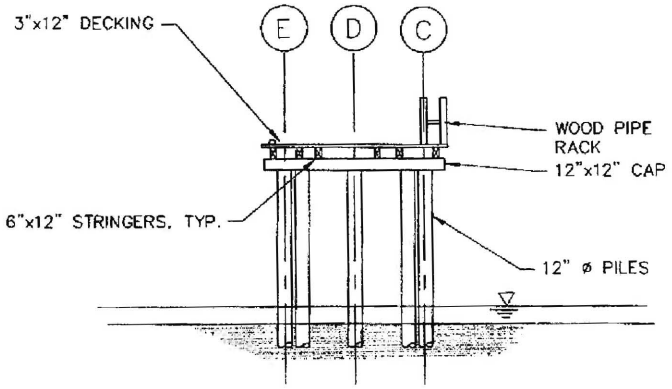
We also recommend that the pier be re-posted to show a lower allowable truck weight until the deck plank, stringer, and pile cap repairs noted in Section 7.3 are completed. Installation of the wheel planks should also be considered to increase the allowable truck weight.

Even though we are not able to predict when an earthquake might occur, the District can take measures that would help minimize the risk to personnel, such as limiting activities on the pier to items essential to the fish handling operations only as opposed to more permanent uses. A final recommendation would be to vacate the pier structure during storm conditions. It is recommended that a threshold wind speed be determined and that the pier be closed during wind conditions, which exceed that level.

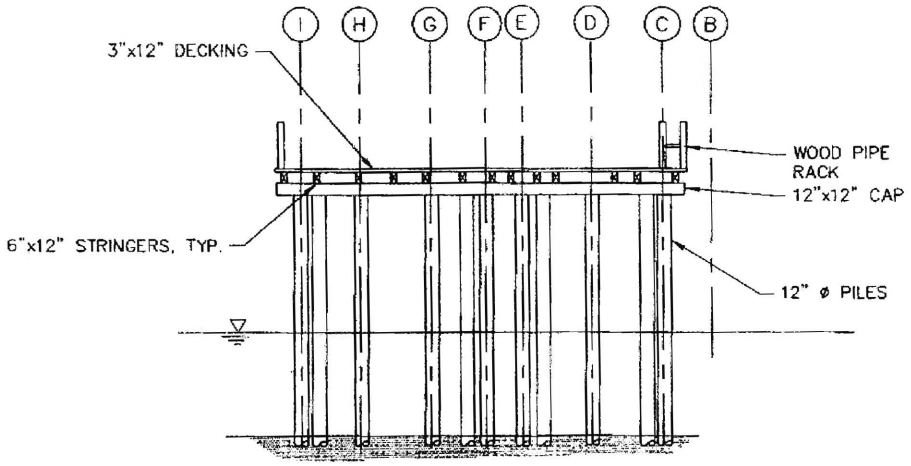
10. FIGURES



PIER PLAN



BENTS 1 TO 26--ELEVATION



BENTS 27 TO 36--ELEVATION

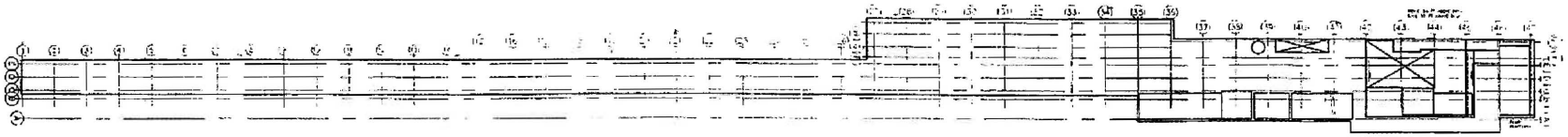
FIGURE 1

MOFFATT & NICHOL ENGINEERS WALNUT CREEK, CALIFORNIA	EXISTING PIER--PLAN AND SECTIONS ROMEO PIER JOB NO. 4062

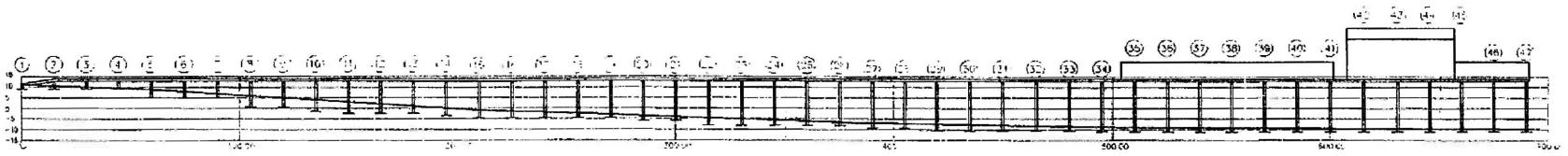
50 0 25 50 100

1 inch = 50 ft.

REFERENCE NORTH



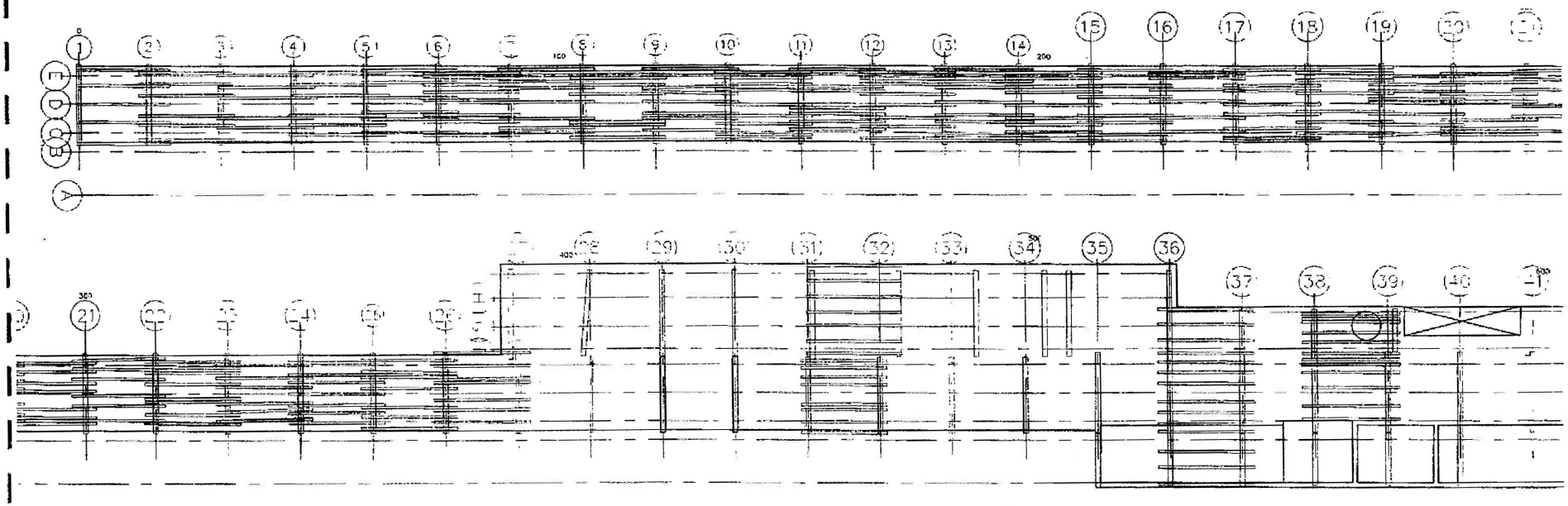
PLAN

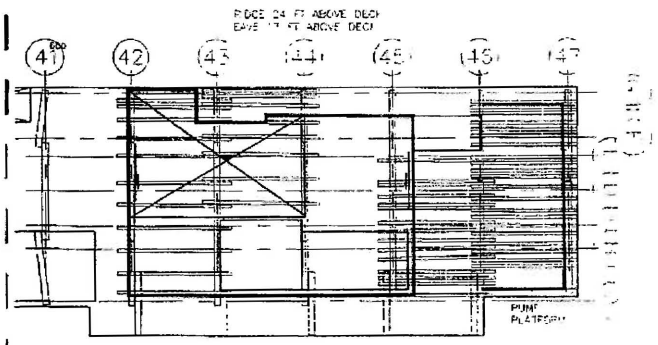


ELEVATION

FIGURE 2

MOFFATT & NICHOL ENGINEERS WALNUT CREEK, CALIFORNIA	EXISTING PIER—PLAN AND ELEVATION ROMEO PIER JOB NO. 4062





CAP BEAM OR STRINGER, NO DAMAGE NOTED

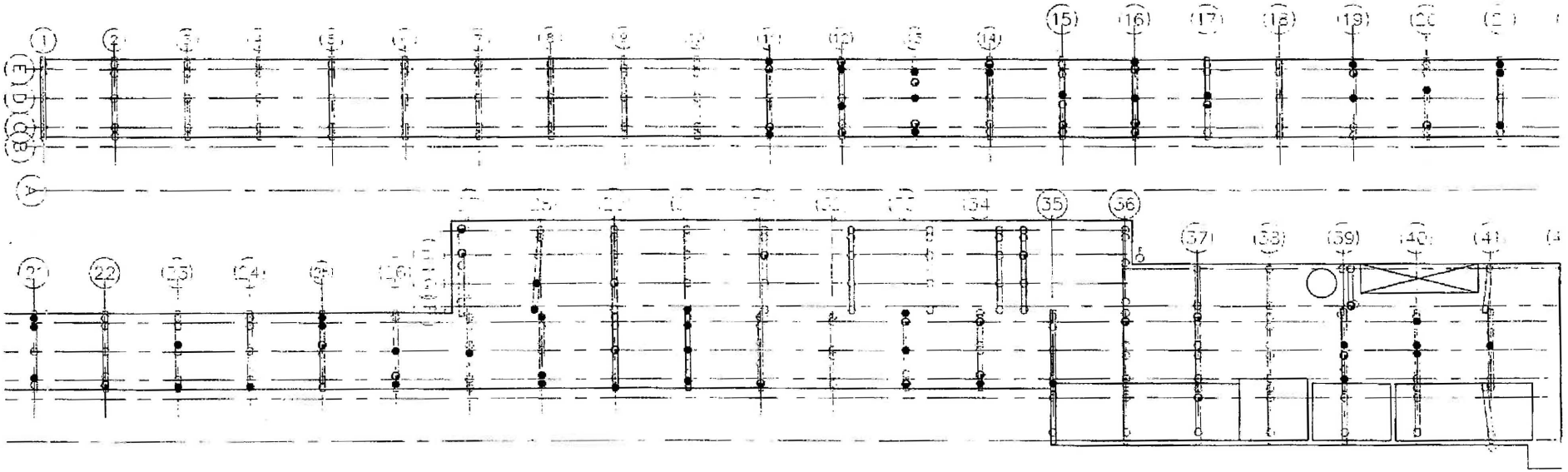
CAP BEAM OR STRINGER, POOR CONDITION

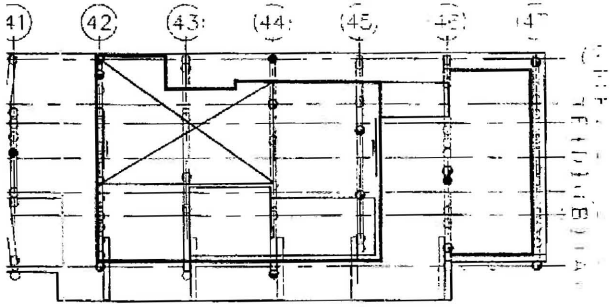
NOTES:

1. THIS DRAWING IS A SCHEMATIC OF THE STRUCTURAL FRAMING SYSTEM BASED UPON LIMITED FIELD MEASUREMENTS OF REPRESENTATIVE CONDITIONS NO DRAWINGS ARE AVAILABLE OF THE PIER STRUCTURE.
2. ONLY STRINGERS OBSERVED DURING THE FIELD INSPECTION ARE SHOWN.

FIGURE 3

MOFFATT & NICHOL ENGINEERS WALNUT CREEK, CALIFORNIA	CONDITION ASSESSMENT-STRINGERS & PILE CAPS ROMEO PIER JOB NO. 4062





KEY

- ○ VERTICAL PILE
- ○ PILE INSPECTED, GOOD CONDITION
- ◑ PILE INSPECTED, FAIR CONDITION (DAMAGE OR DETERIORATION BETWEEN 50% AND 25%)
- ● PILE INSPECTED, POOR CONDITION (DAMAGE OR DETERIORATION GREATER THAN 50%)

NOTES:

1. THIS DRAWING IS A SCHEMATIC OF THE STRUCTURAL FRAMING SYSTEM BASED UPON LIMITED FIELD MEASUREMENTS OF REPRESENTATIVE CONDITIONS NO DRAWINGS ARE AVAILABLE OF THE PIER STRUCTURE.

FIGURE 4

MOFFATT & NICHOL ENGINEERS WALNUT CREEK, CALIFORNIA	CONDITION ASSESSMENT: PILES ROMEO PIER JOB NO. 4062

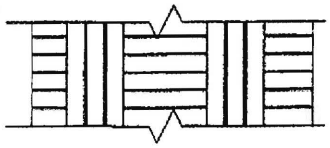
DECK PLANKS

DECK PLANK SPAN (Stringer Spacing)	ALLOWABLE TRUCK WEIGHT
16 INCHES	11,150 POUNDS
24 INCHES	8,780 POUNDS
30 INCHES	7,870 POUNDS
36 INCHES	7,080 POUNDS
42 INCHES	6,070 POUNDS
48 INCHES	5,310 POUNDS

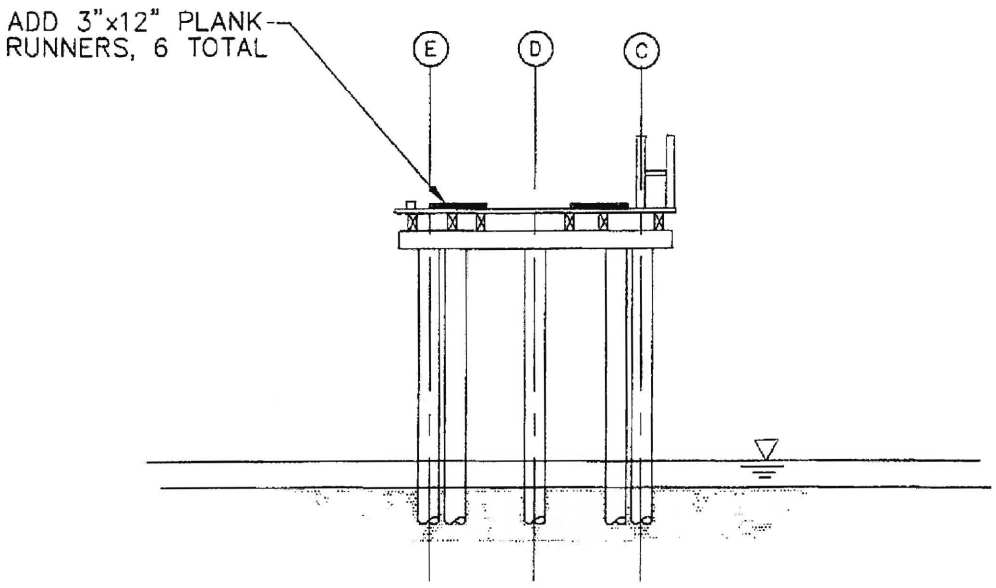
STRINGERS

STRINGER SPAN	ALLOWABLE TRUCK WEIGHT
14 FEET	12, 420 POUNDS
17.5 FEET	9,940 POUNDS
21 FEET	8,300 POUNDS

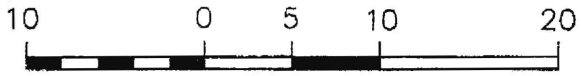
ALLOWABLE TRUCK WEIGHT
BASED ON DECK PLANKS AND STRINGER SPANS
FIGURE NO. 5



PLAN



SECTION



1 inch = 10 ft.

FIGURE 6

MOFFATT & NICHOL ENGINEERS

WALNUT CREEK, CALIFORNIA

WHEEL PLANK IMPROVEMENT

ROMEO PIER

JOB NO. 4062

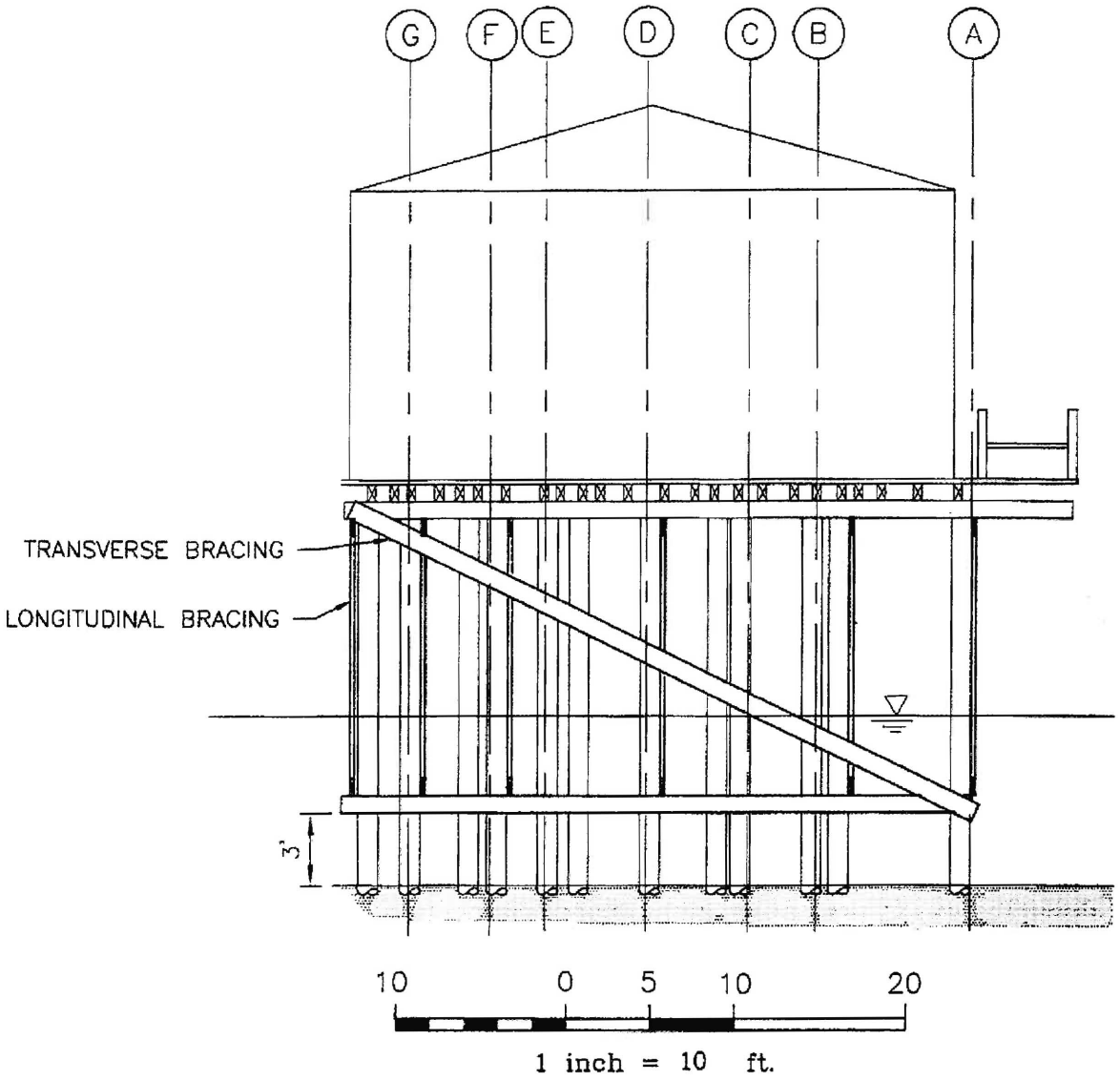
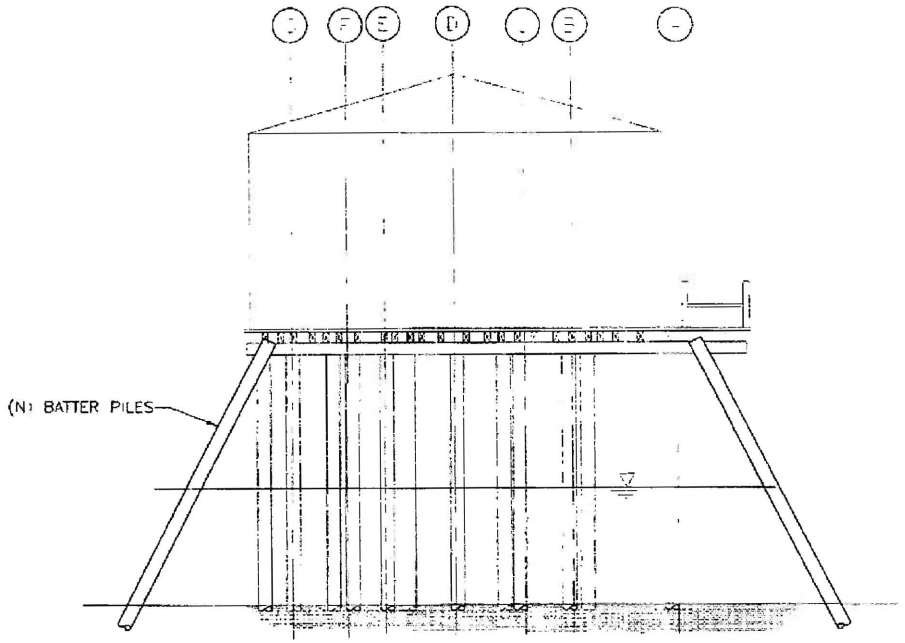


FIGURE 7

MOFFATT & NICHOL ENGINEERS

WALNUT CREEK, CALIFORNIA

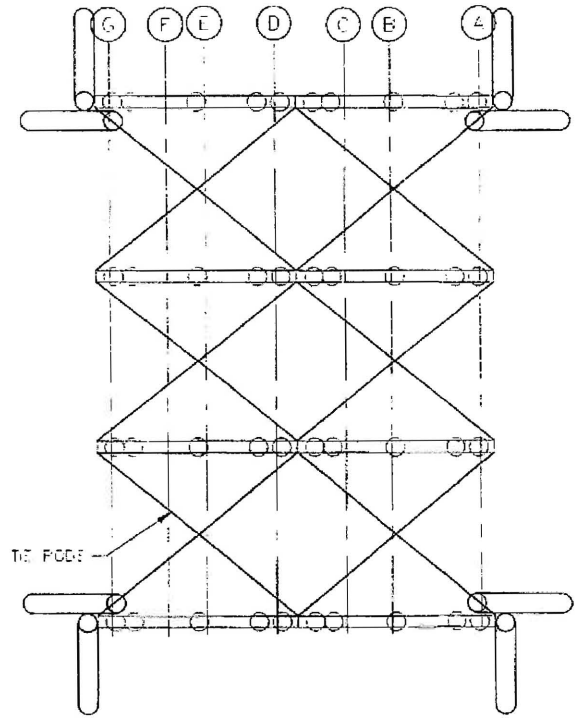
LATERAL LOAD RETROFIT
ALTERNATIVE 1– CROSS–BRACING
ROMEO PIER
JOB NO. 4062



NEW BATTER PILES--ELEVATION

10 0 5 10 20

1 inch = 10 ft

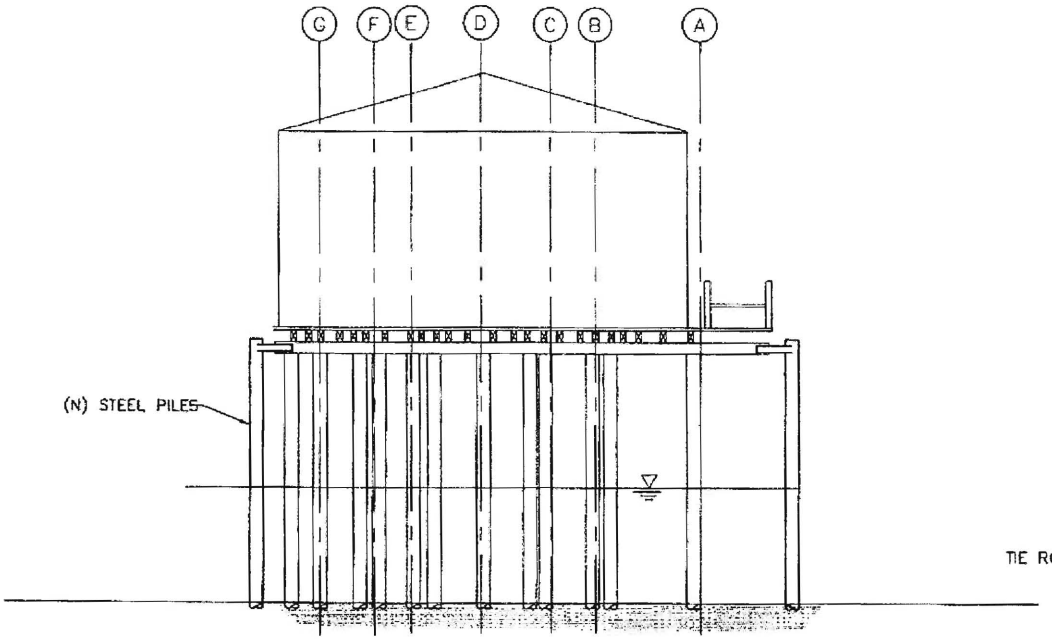


HORIZONTAL BRACING AND BATTER PILES--PLAN

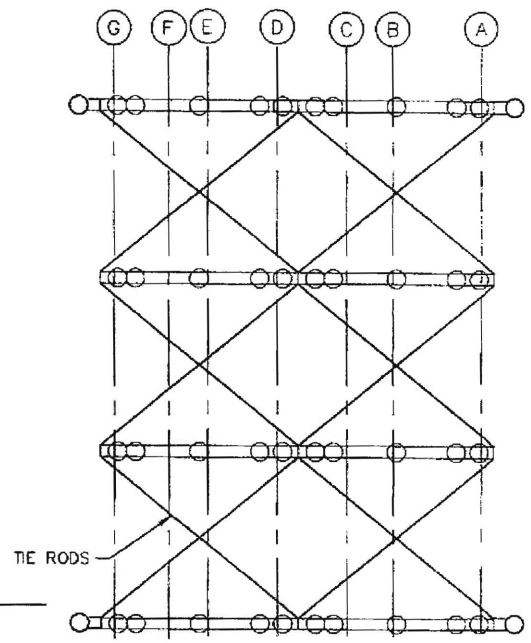
FIGURE 8

MOFFATT & NICHOL ENGINEERS
WALNUT CREEK, CALIFORNIA

LATERAL LOAD RETROFIT
ALTERNATIVE 2 - BATTER PILES
ROMEO PIER
JOB NO. 4062



NEW STEEL PILES--ELEVATION



HORIZONTAL BRACING--PLAN

FIGURE 9

MOFFATT & NICHOL ENGINEERS
WALNUT CREEK, CALIFORNIA

LATERAL LOAD RETROFIT
ALTERNATIVE 3 – VERTICAL STEEL PILES
ROMEO PIER
JOB NO. 4062

11. PHOTOGRAPHS

PIER FROM SHORE LOOKING SOUTH
PHOTOGRAPH NO. 1

SOUTH END OF PIER LOOKING WEST SHOWING FISH HANDLING BUILDING
PHOTOGRAPH NO. 2

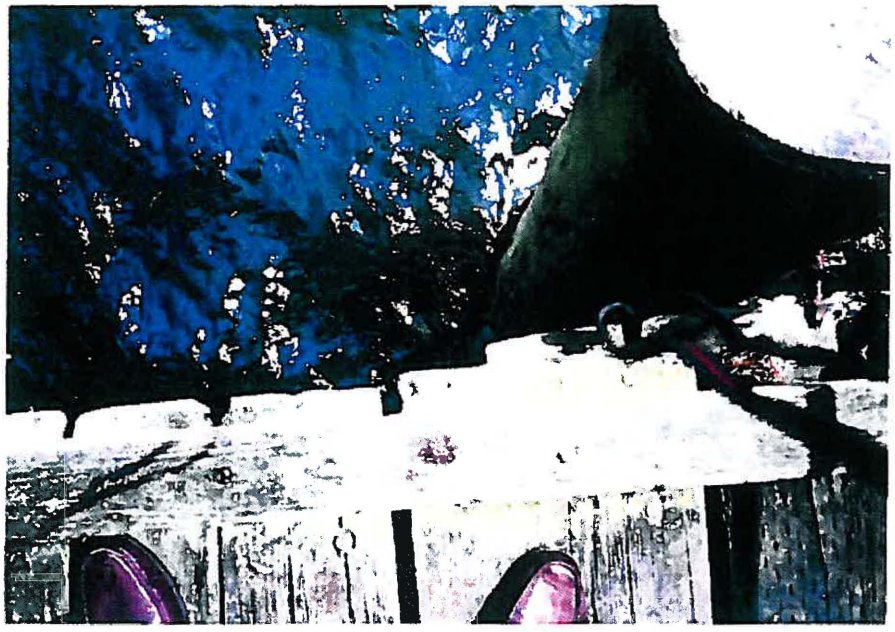
VIEW OF PIER FROM WATER AT GRIDLINE 20 SHOWING FRAMING PATTERN LINE
(NOTE CABLES HOLDING PIER)
PHOTOGRAPH NO. 3

FISH HANDLING BUILDING
PHOTOGRAPH NO. 4

STORAGE ON DECK
PHOTOGRAPH NO. 5

STRINGER AND PILE CAP INSPECTION
PHOTOGRAPH NO. 6

FENDER PILE CONENCTION DAMAGE AT DECK LEVEL
PHOTOGRAPH NO. 7



FENDER PILE BROKEN AT WATERLINE
PHOTOGRAPH NO. 8

12. PILE INSPECTION FORM

ROMEO PIER-PILE INSPECTION: SEPT 29, OCT 1, 1997

BENT	*PILE #*	PN NO	North (1)	East (1)	OBSERVED CONDITION (2)	DIVE COND	VIS COND	DIA	COMMENTS	CAP SPAN
1	*1*	11	0.0	15.0	S		3			6.0
1	*2*	12	0.0	14.0	S		3			4.0
1	*3*	13	0.0	8.0	S		3			1.5
1	*4*	14	0.0	2.0	S		3			2.0
1	*5*	15	0.0	1.0	S		3			2.3
2	*1*	21	15.0	15.0	S		3			1.0
2	*2*	22	15.0	14.0	S		3			1.0
2	*3*	23	15.0	8.0	S		3			1.0
2	*4*	24	15.0	2.0	S		3			1.0
2	*5*	25	15.0	1.0	S		3			6.0
3	*1*	31	30.0	15.0	S		3			6.0
3	*2*	32	30.0	14.0	S		3			4.2
3	*3*	33	30.0	8.0	S		3			5.5
3	*4*	34	30.0	2.0	S		3			6.0
3	*5*	35	30.0	1.0	S		3			1.0
4	*1*	41	45.0	15.0	S		3			1.8
4	*2*	42	45.0	14.0	S		3			1.0
4	*3*	43	45.0	8.0	S		3			1.0
4	*4*	44	45.0	2.0	S		3			-37.25
4	*5*	45	45.0	1.0	S		3			1.0
5	*1*	51	60.0	15.0	S		3			4.9
5	*2*	52	60.0	14.0	S		3			4.3
5	*3*	53	60.0	8.0	S		3			4.0
5	*4*	54	60.0	2.0	S		3			1.0
5	*5*	55	60.0	1.0	S		3			1.0
6	*1*	61	75.0	15.0	S		3			1.0
6	*2*	62	75.0	14.0	S		3			6.0
6	*3*	63	75.0	8.0	S		3			6.0
6	*4*	64	75.0	2.0	S		3			6.0
6	*5*	65	75.0	1.0	S		3			6.0
7	*1*	71	90.0	15.0	S		3			3.0
7	*2*	72	90.0	14.0	S		3			1.4
7	*3*	73	90.0	8.0	S		3			1.5
7	*4*	74	90.0	2.0	S		3			1.0
7	*5*	75	90.0	1.0	S		3			1.8
8	*1*	81	105.0	15.0	S		3			1.3
8	*2*	82	105.0	14.0	S		3			
8	*3*	83	105.0	8.0	S		3			1.2
8	*4*	84	105.0	2.0	S		3			5.3
8	*5*	85	105.0	1.0	S		3			
9	*1*	91	120.0	14.0	S		3			1.0
9	*2*	92	120.0	8.0	S		3			1.0
9	*3*	93	120.0	2.0	S		3			7.5
10	*1*	101	135.0	15.0	S		3			6.0
10	*2*	102	135.0	14.0	S		3			3.7
10	*3*	103	135.0	8.0	S		3			1.25
10	*4*	104	135.0	2.0	S		3			9
10	*5*	105	135.0	1.0	S		3			5.25
11	*1*	111	150.0	15.0	D1	1	1			7.75
11	*2*	112	150.0	14.0	D3	3	3			6.25
11	*3*	113	150.0	8.0	S		3			7.75
11	*4*	114	150.0	2.0	D2	2	2			6.0
11	*5*	115	150.0	1.0	D1	1	1			1.0
12	*1*	121	165.0	15.0	D4	4	4			2.3

ROMEO PIER-PILE INSPECTION: SEPT 29, OCT 1, 1997

BENT	*PILE #*	PN NO	North (1)	East (1)	OBSERVED CONDITION (2)	DIVE COND	VIS COND	DIA	COMMENTS	CAP SPAN
12	2	122	165.0	14.0	S		3			2.5
12	3	123	165.0	9.3	D1	1	1			2.8
12	4	124	165.0	8.0	S		3			
12	5	125	165.0	2.0	S1		1			
12	6	126	165.0	1.0	D3	3	3			8.0
13	1	131	180.0	15.0	D1	1	1			8.3
13	2	132	180.0	14.0	D4	4	4			1.5
13	3	133	180.0	8.0	S1		1		Crack/Checked	1.8
13	4	134	180.0	3.0	D4	4	4			3.8
13	5	135	180.0	2.0	D1	1	1			1.0
13	6	136	180.0	1.0	S		3			1.5
14	1	141	195.0	15.0	S		3			1.5
14	2	142	195.0	14.0	S		3			2.0
14	3	143	195.0	8.0	S		3			3.8
14	4	144	195.0	2.0	D1	1	1			5.8
14	5	145	195.0	1.0	D2	2	2			6.0
15	1	151	210.0	15.0	S		3	14		6.5
15	2	152	210.0	13.6	D4	4	4			16.4
15	3	153	210.0	9.3	S		3	8		1.0
15	4	154	210.0	8.0	D1	1	1	11		2.3
15	5	155	210.0	2.0	S		3			3.8
15	6	156	210.0	1.0	S		3			4.0
16	1	161	225.0	15.0	D3	3	3			4.5
16	2	162	225.0	14.0	D3	3	3			5.2
16	3	163	225.0	8.0	D1	1	1			8.2
16	4	164	225.0	2.0	D3	3	3			1.5
16	5	165	225.0	1.0	D1	1	1			1.5
17	1	171	240.0	15.0	S		3			1.5
17	2	172	240.0	9.3	D2	2	2			1.5
17	3	173	240.0	8.0	D1	1	1			5.8
17	4	174	240.0	2.0	S		3			6.0
17	5	175	240.0	1.0	S		3			7.8
18	1	181	255.0	15.0	S		3			7.8
18	2	182	255.0	14.0	S		3			7.8
18	3	183	255.0	8.0	S		3			3.8
18	4	184	255.0	2.0	S		3			3.8
18	5	185	255.0	1.0	S		3			3.8
19	1	191	270.0	15.0	S		3	12		3.8
19	2	192	270.0	14.0	S		3	8		5.5
19	3	193	270.0	8.0	D1	1	1			1.8
19	4	194	270.0	2.0	D4	4	4			2.0
19	5	195	270.0	1.0	D1	1	1			2.5
20	1	201	285.0	15.0	S		3	10		5.8
20	2	202	285.0	14.0	D4	4	4	14		6.0
20	3	203	285.0	8.0	S		3			
20	4	204	285.0	6.3	S1		1			1.5
20	5	205	285.0	2.0	S		3			1.5
20	6	206	285.0	1.0	S		3			4.3
21	1	211	300.0	15.0	S		3			5.5
21	2	212	300.0	14.0	S1		1		Hollowed out	5.8
21	3	213	300.0	8.0	S		3			5.8
21	4	214	300.0	2.0	D1	1	1			5.8
21	5	215	300.0	1.0	D1	1	1		Crack/Checked	2.3
22	1	221	315.0	15.0	D4	4	4	12		2.3

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BENT	PILE #	PN NO	North (1)	East (1)	OBSERVED CONDITION (2)	DIVE COND	VIS COND	DIA	COMMENTS	CAP SPAN
22	2	222	315.0	14.0	S		3	9		2.4
22	3	223	315.0	8.0	S		3			3.0
22	4	224	315.0	2.0	S		3			3.8
22	5	225	315.0	1.0	S		3			4.0
23	1	231	330.0	15.0	S1		1		Hollowed out	7.0
23	2	232	330.0	14.0	S		3			7.8
23	3	233	330.0	8.0	S		3	8		1.3
23	4	234	330.0	6.6	D1	1	1		Split--Drilled 30%	1.5
23	5	235	330.0	2.0	S		3			2.3
23	6	236	330.0	1.0	S		3			5.5
24	1	241	345.0	15.0	S1		1		Hollowed out	5.5
24	2	242	345.0	14.0	S		3			5.5
24	3	243	345.0	8.0	S		3			5.5
24	4	244	345.0	2.0	S		3			5.8
24	5	245	345.0	1.0	S		3			1.5
25	1	251	360.0	15.0	S		3		Crack/Checked	1.8
25	2	252	360.0	14.0	S		3			1.8
25	3	253	360.0	8.0	S		3		Crack/Checked	3.0
25	4	254	360.0	6.7	D3	3	3		Crack/Checked	3.0
25	5	255	360.0	2.0	D1	1	1			5.3
25	6	256	360.0	1.0	S1		1		Hollowed out	1.0
26	1	261	375.0	15.0	S1		1		Bent is Leaning-was rebuilt	1.0
26	2	262	375.0	14.0	D4	4	4			1.0
26	3	263	375.0	8.0	S1		1		Hollowed out	1.2
26	4	264	375.0	1.0	S		3	9		1.5
27	7	275	388.5	0.0	S		3	10		6.5
27	8	276	388.6	-6.3	S		3			8.5
27	9	277	388.6	-12.1	D2	2	2			-35.9
27	10	278	388.6	-15.8	S		3			1.0
27	11	279	388.6	-17.3	S		3			1.0
27	1	271	390.0	15.0	S		3	10	Bent is leaning	5.0
27	2	272	390.0	14.0	S		3	15	Crack/Checked	5.3
27	3	273	390.0	8.0	S1		1			6.0
27	4	274	390.0	6.8	S		3	10		6.3
27	5	275	390.0	2.0	S		3			6.3
27	6	276	390.0	1.0	S		3		Crack/Checked	2.0
28	1	281	403.6	-0.6	D1	1	1			3.0
28	2	282	404.1	-6.0	D1	1	1			5.0
28	3	283	404.5	-11.8	S		3			5.0
28	4	284	404.8	-15.5	S		3		Crack/Checked	5.0
28	5	285	405.0	-17.0	S		3		Crack/Checked	1.0
28	6	286	405.0	15.0	S1		1		Hollowed out	1.5
28	7	287	405.0	14.0	D1	1	1	7		1.5
28	8	288	405.0	8.0	S1		1		Hollowed out	1.5
28	9	289	405.0	6.5	S		3			1.5
28	10	2810	405.0	2.0	S		3			1.9
28	11	2811	405.0	1.0	S		3			1.0
29	1	291	420.0	15.0	S1		1		Hollowed out	1.0
29	2	292	420.0	14.0	S		3			1.0
29	3	293	420.0	8.0	D4	4	4	8		-35.0
29	4	294	420.0	2.0	S		3		CAP GONE	-32.0
29	5	295	420.0	1.0	S		3			1.0
29	6	296	420.0	-0.5	S		3			1.0

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BENT	PILE #	PN NO	North (1)	East (1)	OBSERVED CONDITION (2)	DIVE COND	VIS COND	DIA	COMMENTS	CAP SPAN
29	7	297	420.0	-6.0	D4	4	4			1.0
29	8	298	420.0	-11.8	S		3			5.5
29	9	299	420.0	-15.5	S		3			6.0
29	10	2910	420.0	-17.0	S		3			7.8
30	1	301	435.0	15.0	S		3			10.3
30	2	302	435.0	14.0	S1		1		Hollowed out	4.6
30	3	303	435.0	12.9	S		3			4.7
30	4	304	435.0	9.3	S		3	10		4.8
30	5	305	435.0	8.0	S1		1		Hollowed out	4.8
30	6	306	435.0	2.0	S2		2		Crack/Checked	1.5
30	7	307	435.0	1.0	S		3			2.3
30	8	308	435.0	-0.5	S1		1		Hollowed out	1.0
30	9	309	435.0	-6.0	S		3		Need to replace cap	1.3
30	10	3010	435.0	-11.8	S		3			1.0
30	11	3011	435.0	-15.5	S		3			1.0
30	12	3012	435.0	-17.0	S		3			1.0
31	1	311	450.0	15.0	D2	2	2			1.0
31	2	312	450.0	10.8	S		3			1.0
31	3	313	450.0	6.5	S		3		Crack/Checked	1.0
31	4	314	450.0	2.0	S		3			1.0
31	5	315	450.0	1.0	S		3			1.0
31	6	316	451.0	-0.5	S		3	9		1.0
31	7	317	451.0	-6.0	S		3	8		1.0
31	8	318	451.0	-11.8	D3	3	3			1.0
31	9	319	451.0	-15.5	S		3			1.0
31	10	3110	451.0	-17.0	S		3			1.0
32	1	321	465.0	15.0	S		3	14	replaced bent	1.0
32	2	322	465.0	9.2	S		3			1.0
32	3	323	465.0	8.0	S1		1			6.0
32	4	324	465.0	2.0	S		3			6.0
32	5	325	465.0	1.0	S		3			7.0
32	6	326	469.0	-0.5	S		3			11.3
32	7	327	469.0	-6.0	S		3			1.0
32	8	328	469.0	-11.8	S		3			1.0
32	9	329	469.0	-15.5	S		3			1.0
32	10	3210	469.0	-17.0	S		3			6.0
33	1	331	480.0	15.0	D2	2	2		Hollow @ waterline	6.0
33	2	332	480.0	13.0	S		3			6.0
33	3	333	480.0	8.0	D1	1	1			6.0
33	4	334	480.0	2.0	D4	4	4		Hole @1' above mudline	6.0
33	5	335	480.0	1.0	D1	1	1			6.0
33	6	336	485.0	-0.5	S		3			6.0
33	7	337	485.0	-6.0	S		3			6.0
33	8	338	485.0	-11.8	S		3			6.0
33	9	339	485.0	-15.5	S		3			6.0
33	10	3310	485.0	-17.0	S		3			6.0
34	1	341	495.0	15.0	D1	1	1			5.3
34	2	342	495.0	14.0	D3	3	3			5.5
34	3	343	495.0	8.0	S		3			6.0
34	4	344	495.0	6.9	S		3			6.0
34	5	345	495.0	2.0	D3	3	3			6.0
34	6	346	495.0	1.0	S		3			3.8
34	7	347	499.0	-0.5	S		3			4.3

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BENT	PILE #	PN NO	North (1)	East (1)	OBSERVED CONDITION (2)	DIVE COND	VIS COND	DIA	COMMENTS	CAP SPAN
34	8	348	499.0	-6.0	S		3			4.5
34	9	349	499.0	-11.8	S		3			5.0
34	10	3410	499.0	-15.5	S		3			1.7
34	11	3411	499.0	-17.0	S		3			2.3
35	1	351	504.0	-0.5	S		3			2.5
35	2	352	504.0	-6.0	S		3			2.7
35	3	353	504.0	-11.8	D3	3	3			3.6
35	4	354	504.0	-15.5	S		3			1.3
35	5	355	504.0	-17.0	S		3			1.3
35	6	356	510.0	18.0	S		3			1.4
35	7	357	510.0	15.0	D1	1	1			7.5
35	8	358	510.0	14.0	S		3			9.0
35	9	359	510.0	8.0	S		3			10.3
35	10	3510	510.0	2.0	S		3			1.0
35	11	3511	510.0	1.0	S		3			1.1
36	1	361	525.0	18.0	S		3			6.0
36	2	362	525.0	15.0	S		3			6.0
36	3	363	525.0	14.0	S		3			6.0
36	4	364	525.0	8.0	S		3			6.0
36	5	365	525.0	7.0	S		3	10		6.0
36	6	366	525.0	2.0	D3	3	3	10		7.0
36	7	367	525.0	0.2	S		3			6.0
36	8	368	525.0	-2.1	S		3			6.0
36	9	369	525.0	-10.3	S		3			6.0
36	10	3610	525.0	-15.5	S		3			6.0
36	11	3611	525.0	-17.0	S		3			6.0
37	1	371	540.0	18.0	D4	4	4			6.0
37	2	372	540.0	15.0	S		3			6.0
37	3	373	540.0	14.0	S		3			6.0
37	4	374	540.0	8.0	S		3	10		6.0
37	5	375	540.0	7.0	S		3			6.0
37	6	376	540.0	2.0	S		3			6.0
37	7	377	540.0	1.0	D3	3	3			6.0
37	8	378	540.0	-1.3	S		3			6.0
37	9	379	540.0	-9.0	S		3			6.0
38	1	381	555.0	18.0	S		3			6.0
38	2	382	555.0	15.0	S		3		Crack/Checked	6.0
38	3	383	555.0	14.0	S		3			4.3
38	4	384	555.0	8.0	S		3			4.3
38	5	385	555.0	7.0	S		3			4.7
38	6	386	555.0	2.0	S		3			5.0
38	7	387	555.0	1.0	S		3			5.7
38	8	388	555.0	-1.3	S		3			5.8
38	9	389	555.0	-9.0	S		3			6.0
39	1	391	570.0	18.0	S		3			6.0
39	2	392	570.0	14.0	S		3			6.0
39	3	393	570.0	13.0	S1		1		Hollowed out	6.0
39	4	394	570.0	12.0	S		3			6.0
39	5	395	570.0	8.0	D3	3	3			1.0
39	6	396	570.0	7.0	D1	1	1			1.0
39	7	397	570.0	0.0	S		3		7,8,9 are a grou[	1.0
39	8	398	571.5	-1.3	D4	4	4		CRANE ROTTING OUT	1.1
39	9	399	571.5	-9.0	S		3			1.2
40	1	401	585.0	18.0	S		3			1.3

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BENT	PILE #	PN NO	North (1)	East (1)	OBSERVED CONDITION (2)	DIVE COND	VIS COND	DIA	COMMENTS	CAP SPAN
40	2	402	585.0	15.0	S		3			1.5
40	3	403	585.0	14.0	S		3			2.8
40	4	404	585.0	8.0	S		3			2.8
40	5	405	585.0	7.0	D1	1	1		Hollowed out	4.0
40	6	406	585.0	2.0	D1	1	1		Hollowed out	5.5
40	7	407	585.0	1.0	S		3			5.5
41	8	418	597.7	-1.4	S		3			5.7
41	9	419	598.8	15.8	S		3			5.8
41	10	4110	598.9	-0.6	S		3			6.0
41	11	4111	599.9	-9.0	S		3			1.0
41	1	411	600.0	15.7	S		3			1.0
41	2	412	600.0	14.0	S		3			2.0
41	3	413	600.0	7.0	S		3			2.0
41	4	414	600.0	4.3	S		3			3.0
41	5	415	600.0	2.0	S		3			3.0
41	6	416	600.0	0.1	S		3		Hollowed out	3.0
42	7	427	614.8	-1.1	S		3			1.8
42	1	421	615.0	27.0	D4	4	4	11	Leaning	1.0
42	2	422	615.0	25.0	S		3			1.0
42	3	423	615.0	22.3	S		3			1.0
42	4	424	615.0	20.0	S		3			1.3
42	5	425	615.0	18.0	S		3			1.7
42	6	426	615.0	15.0	S		3			1.0
42	7	427	615.0	12.0	S		3			1.0
42	8	428	615.0	8.0	S		3			1.0
42	9	429	615.0	6.0	S		3			1.0
42	10	4210	615.0	2.0	S		3			1.0
42	11	4211	615.0	0.0	S		3			1.0
42	12	4212	615.0	-3.8	S		3			1.0
42	13	4213	615.0	-6.3	D2	2	2		drilled--ok, rerate 3	1.0
42	14	4214	615.0	-9.0	D2	2	2		drilled--single knot hole, borer hollowed out	1.0
43	1	431	630.0	28.5	S		3			1.0
43	2	432	630.0	27.0	S		3			1.0
43	3	433	630.0	16.8	S		3			1.0
43	4	434	630.0	11.3	S		3		Crack/Checked	1.0
43	5	435	630.0	1.0	S		3			1.0
43	6	436	630.0	-7.5	S		3			1.0
43	7	437	630.0	-9.0	S		3			1.0
44	1	441	645.0	28.3	D2	2	2		extends through deck, cap does not bear	1.0
44	2	442	645.0	27.0	S		3		replacement-top block	1.0
44	3	443	645.0	18.0	S		3	14	replacement-top block	1.0
44	4	444	645.0	12.8	s2		4		replacement-top block	1.0
44	5	445	645.0	5.0	S		3		replacement-top block	1.0
44	6	446	645.0	-1.3	D3	3	3		replacement-top block	
44	7	447	645.0	-9.0	D1	1	1		replacement-top block	1.5
45	1	451	660.0	23.8	S		3			10.25
45	2	452	660.0	22.0	S		3			10.25
45	3	453	660.0	14.5	D4	4	4		open span	8.5
45	4	454	660.0	3.3	D2	2	2			1.5
45	5	455	660.0	-1.5	S		3			-32.75
45	6	456	660.0	-8.0	S		3			1.75
46	7	467	668.0	27.9	S		3			11.25

ROMEO PIER-PILE INSPECTION: SEPT 29, OCT 1, 1997

BENT	PILE #	PN NO	North (1)	East (1)	OBSERVED CONDITION (2)	DIVE COND	VIS COND	DIA	COMMENTS	CAP SPAN
46	1	461	675.0	27.0	S		3			4.75
46	2	462	675.0	25.3	s1				Hollowed out	6.5
46	3	463	675.0	23.8	D4	4	4			-35.8784
46	4	464	675.0	19.5	S		3			0.9
46	5	465	675.0	17.3	S		3			1.5
46	6	466	675.0	12.0	D1	1	1		Hollow @ waterline	4.3
46	7	467	675.0	10.3	D3	3	3			2.3
46	8	468	675.0	7.3	S		3			1.8
46	9	469	675.0	5.5	S		3			3.0
46	10	4610	675.0	3.3	S		3			1.8
46	11	4611	675.0	-4.8	S		3			2.3
46	12	4612	675.0	-6.5	S		3			8
46	13	4613	675.0	-8.8	S		3			1.75
47	1	471	690.0	26.9	D3	3	3		Hole @1' above mudline	2.25
47	2	472	690.0	22.9	S		3			4.0
47	3	473	690.0	20.1	S		3			2.8
47	4	474	690.0	17.6	S		3			2.5
47	5	475	690.0	12.1	S		3			5.5
47	6	476	690.0	10.1	S		3			2.0
47	7	477	690.0	4.9	S		3			5.3
47	8	478	690.0	0.6	S		3			4.3
47	9	479	690.0	-1.9	S		3			2.5
47	10	4710	690.0	-8.4	D4	4	4			6.5

SUMMARY					
	Dive	Surf&Dive		Cond	Number
#piles	71	342		1	46
Avg Cond	2.31	2.75		2	11
SD Cond	1.23	0.75		3	266
				4	18
					341

Notes:

(1) Northing and Easting are theoretical coordinates with north origin at the pier abutment and the east edge of the deck at the abutment.

(2) The method of observation is indicated as:

S- Surface, observed from boat at -1.0 tide

D-Diving with SCUBA, but inspection from the bottom to the water surface

The number that follows the letter indicates the amount of damage to the pile at the worst location which is typically within the intertidal zone:

1	< 25% remains
2	25-50%
3	50-75%
4	>75%

example: D3 indicates I pile that was inspected by diving, and has 50-75% of the section remaining at the worst location on the pile.

All piles were observed from the surface. Those that have an "S" indication only, appeared to be sound and had no visible defects, except as noted in the comments column. Those surface piles that have a number indicated (e.g. S2) were sounded with a hammer or drilled.

ROMEO PIER
EVALUATION REPORT

Prepared For
SAN MATEO HARBOR DISTRICT
El Granada, California

Prepared By
MOFFATT & NICHOL ENGINEERS
3000 Citrus Circle, Suite 230
Walnut Creek, California

Date of Site Investigation
October 26, 2000

Investigating Staff
Brad Porter, P.E.
Don Coats

November 22, 2000
M&N File No. 4062-01

SUMMARY

The San Mateo Harbor District purchased Romeo pier in 1996. Soon after the purchase an evaluation of the structural condition of the pier was performed (Moffatt & Nichol Engineers, January, 1998) in which replacement of the pier was recommended and that certain minimum repairs be performed, if the pier was to remain in service prior to replacement. Since 1998, some of these repairs were made and the pier has remained in service. The Harbor District wants to continue to use the pier and requested an update to the previous evaluation, which is the focus of this report.

The current condition of the pier is substantially the same as it was in 1997, but with three years of additional deterioration. The structural framing consisting of the piles, pile caps, stringers and decking are in fair condition and are adequate to support a reduced load from the original condition. Replacement of pier members by the District since 1998 has been limited to the decking and stringers. Replacement of deteriorated piles and pile caps need to be performed, as well as ongoing replacement of the, more easily accessible, decking and stringers. If this work is performed, the useful life of the pier can be extended.

PURPOSE AND SCOPE OF WORK

The purpose of this investigation was to assess the change in condition of Romeo pier since the last evaluation in 1998. The level of detail presented in the previous report was not requested. Rather this investigation was to identify significant changes in the condition of the pier structure since the previous report.

PIER DESCRIPTION

Romeo Pier is a timber framed and timber pile supported structure which is approximately 50 years old. The pier in plan consists of a 16 foot wide by 390 foot long approach section and a 35 foot wide by 250 foot long head section, for a total length of 640 feet. It is oriented in a north/south direction with the landfall at the northern end. A plan view, elevation and sections of the structure are shown in Figure 1. Grid lines are shown on the plan view of the pier. These grid lines are used as a reference system in this report to help identify specific locations being discussed in the text. It should be emphasized that the gird is an idealized representation of the pier, and the actual pier is skewed in many locations. The pier deck is at Elevation +13.8 ft relative to Mean Lower Low Water (MLLW). This relatively high deck elevation is because the pier was constructed before the breakwater was built and therefore at one time required clearance for storm waves. Total plan area of the pier is 18,000 square feet. Photograph 1 provides a general view of the pier structure.

Framing consists of 3 x 12 deck planks supported on 6 x 12 stringers with 4 x 12s along the deck edges. The stringers are supported on 12 x 12 pile caps.

Timber piles range in diameter from 8-inch to 12-inch. Cores taken in 1997 indicate all framing is Douglas Fir timber.

The ocean bottom slopes down rather quickly to an elevation of –7.00 ft (MLLW) approximately 285 feet from the pier abutment on shore, and then continues relatively flat from that location to the end of the pier. Maximum height from mudline to deck is therefore approximately 21 feet.

The pier supports a two-story building used for fish handling operations. The building occupies approximately 2,800 square feet of pier area. Abalone tanks are located at the head of the pier under the shelter of the building. The pier also supports a number of storage containers along the western side. Utilities on the pier include water, gravity sewer, power, and a dry seawater line.

Fishing boats berth along the eastern face at the outer end for general fish offloading operations, and at the southwest corner for access to the abalone tanks. Timber fender piles, a boat access stair, and two cranes for offloading are located along the eastern face.

INVESTIGATION

An investigation was performed on October 26, 2000 by Moffatt & Nichol Engineers (Brad Porter, P.E.) with assistance from the Harbor District staff (Don Coats). The investigation consisted of visual observation of the pier structure from above and below deck. The below deck observation was conducted from a boat at low tide, to observe the condition of the piles. Field notes, photographs and a videotape recording was made to record the conditions observed. Prior to the field investigation, Harbor staff had marked (with colored paint) areas of the pier structure that had been replaced and those that needed repair/replacement. Blue paint marked areas that need repair and white paint marked areas that had been replaced. Figure 2 shows three different items: 1) needed repairs identified in the 1998 report, 2) repairs that have been made since the 1998 report and 3) additional repairs identified during this investigation.

DECKING

The overall condition of the decking is fair to good. Some members have recently been replaced. Splitting at the ends where deck members are nailed to stringers was observed and rotting of the deck members was observed at the end of the pier, particularly along the exterior walls of the building. Of particular concern is the west side of the building on that portion of the deck that cantilevers out from the deck (see Photograph 2).

The deck runners that were recommended in the 1998 report have yet to be installed. However, Harbor staff reported that there are plans to install these in

4. Replace piles as required (this can be investigated to identify those piles which must be replaced to help ensure a safe working environment).

5. Add wheel planks (adding the wheel planks adds a significant upgrade to the structure, as well as additional safety feature. The wheel planks could be limited to certain areas and then restrict loaded trucks to those areas).

6. Inspect and repair access ladders.

It is recommended that those repairs that have not been completed to date be performed in the near future. In particular, the following should be performed immediately:

1. Install an additional pile on the east side of bent 26.

2. Replace the pile caps at bents 29 and 30.

3. Repair the decking on the west side of the building or close the area.

4. Install additional stringers in the areas where spans exceed 3.5 ft.

5. Place a new posting sign at the pier entrance clearly indicating a maximum vehicle weight of 9,000 lbs.

6. Install wheel planks in all areas of vehicle access.

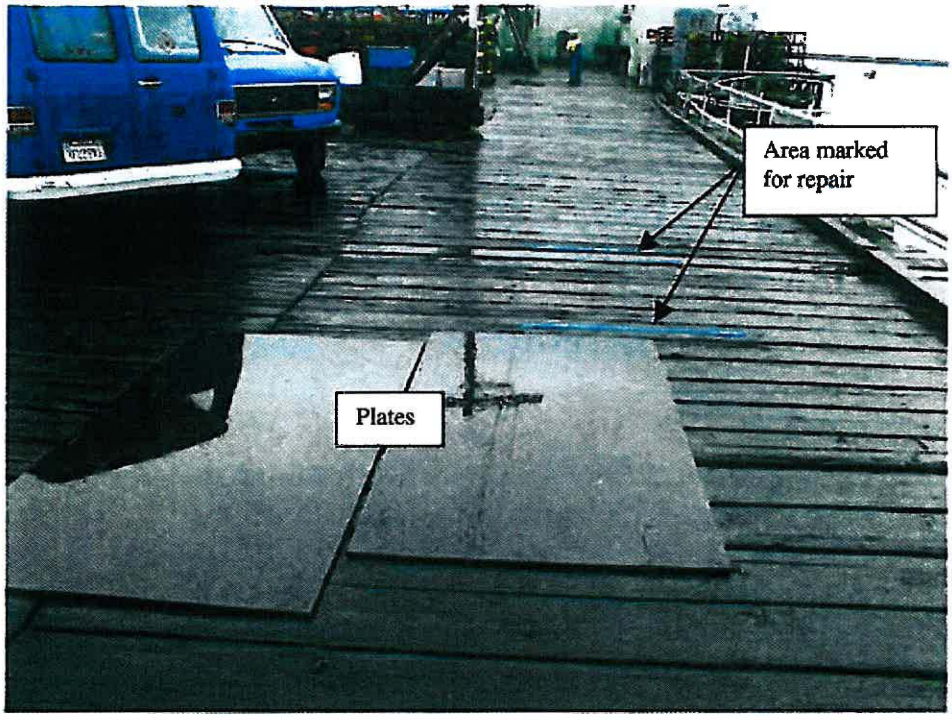
LIMITATIONS

This investigation and evaluation report of Romeo Pier was prepared based on an observation of the general condition of the pier. It is not intended to represent an investigation covering all details of the structure which might affect the operability of the pier. This report, therefore, does not provide a warranty that the structure will provide continued service without possible damage due to pier operations.

Photograph 1 – Romeo Pier

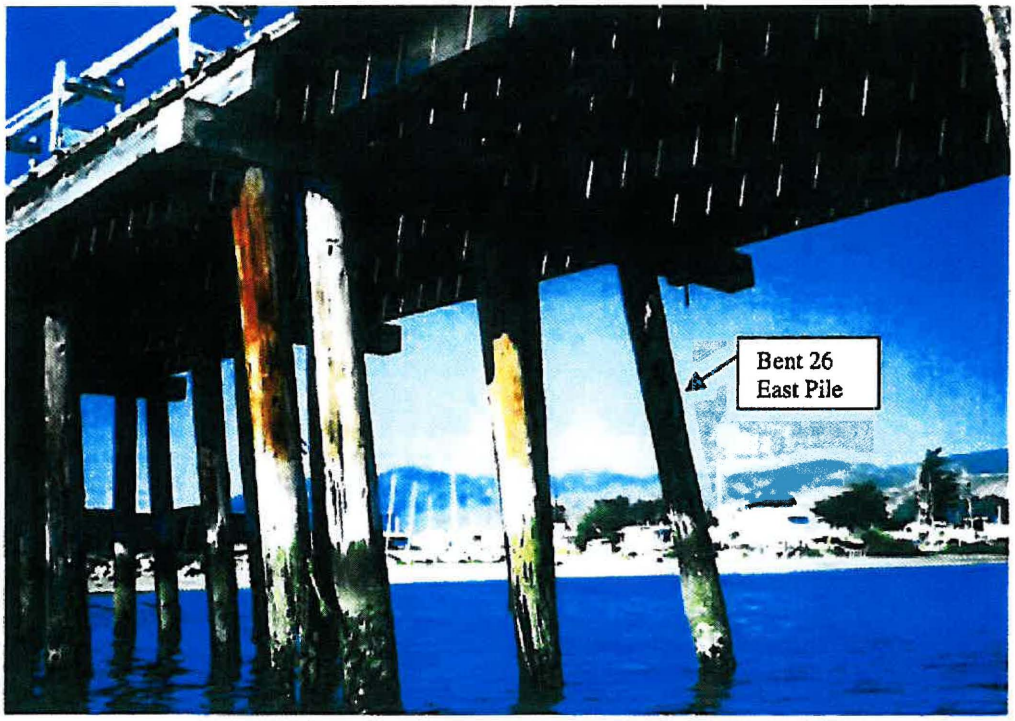
Photograph 2 – West Side of Building

Photograph 3

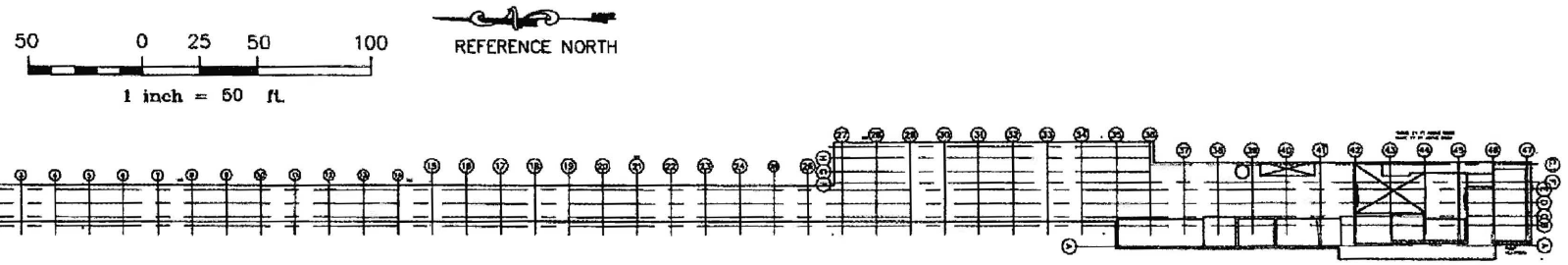


Photograph 4 – Plates over Damaged Pile Cap

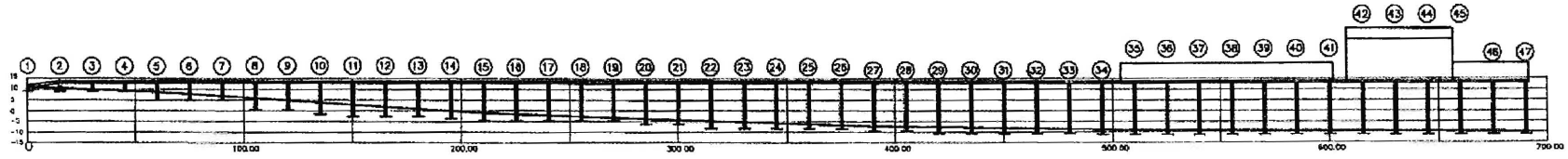
Photograph 5



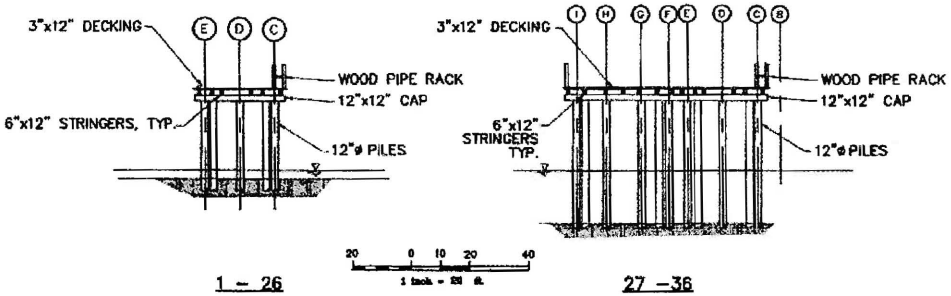
Photograph 6 Taken in 1997



PLAN



ELEVATION



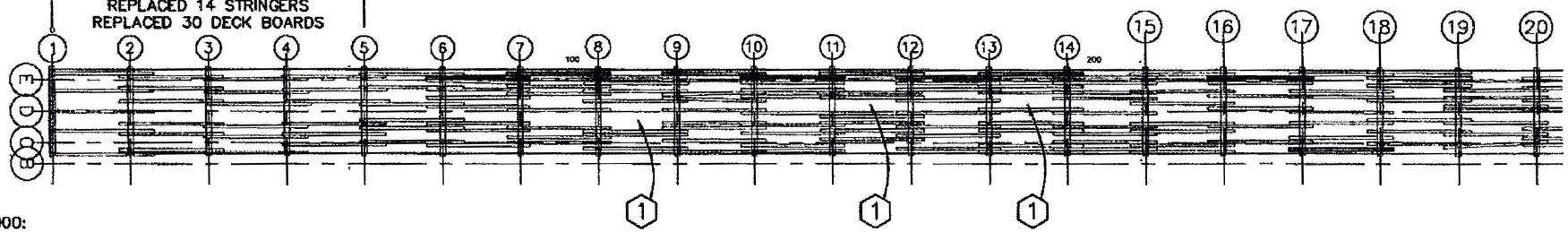
TYPICAL STRUCTURAL SECTION

FIGURE 1

MOFFATT & NICHOL ENGINEERS WALNUT CREEK, CALIFORNIA 11–22–00	EXISTING PIER – PLAN, ELEVATION & TYPICAL FRAMING ROMEO PIER JOB NO. 4062

REPAIRS PERFORMED SINCE 1997:

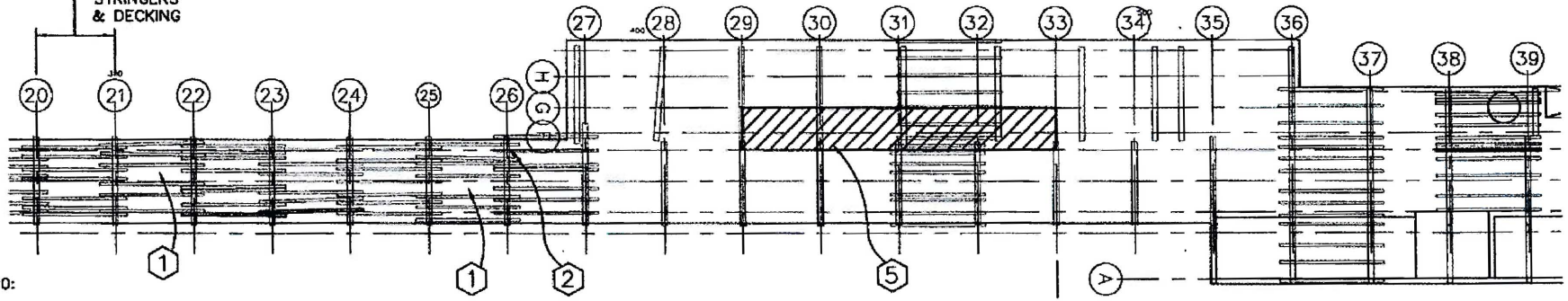
REPLACED 4 PILE CAPS
REPLACED 14 STRINGERS
REPLACED 30 DECK BOARDS



ADDITIONAL DEFICIENCIES NOTED 10/2000:

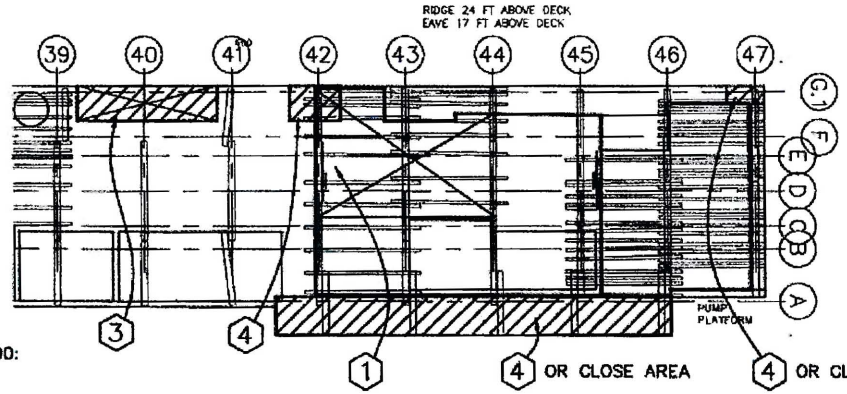
REPAIRS PERFORMED SINCE 1997:

REPLACED STRINGERS & DECKING



ADDITIONAL DEFICIENCIES NOTED 10/2000:

REPAIRS PERFORMED SINCE 1997:



ADDITIONAL DEFICIENCIES NOTED 10/2000:

DEFICIENCIES IDENTIFIED IN 1997 REPORT:

- CAP BEAM OR STRINGER, NO DAMAGE NOTED
- CAP BEAM OR STRINGER, POOR CONDITION

ADDITIONAL DEFICIENCIES NOTED IN 2000:

1. ADD STRINGERS AS MARKED IN FIELD (BY HARBOR DISTRICT STAFF) IN BLUE.
2. INSTALL PILE ON EAST.
3. REPLACE STAIR AND FRAME, OR REMOVE AND BAR ACCESS.
4. REPLACE DECKING.
5. REPLACE DECKING THAT HAS SPLIT ENDS.

FIGURE 2

MOFFATT & NICHOL ENGINEERS
WALNUT CREEK, CALIFORNIA
11-22-00

CONDITION ASSESSMENT – STRINGERS & PILE CAPS

ROMEO PIER
JOB NO. 4062

Debbie Nixon

From: Ananda, Renee@Coastal <Renee.Ananda@coastal.ca.gov>
Sent: Thursday, April 23, 2015 1:47 PM
To: Scott Grindy
Cc: Cave, Nancy@Coastal; Manna, Jeannine@Coastal
Subject: RE: G-2-14-0016 (Romeo Pier)

Thank you Scott. The information that you've generated for the Emergency Permit application can be used for the CDP application, as long as it is still pertinent and applies to the proposed project. RTA

From: Scott Grindy [mailto:sgrindy@smharbor.com]
Sent: Wednesday, April 22, 2015 4:50 PM
To: Ananda, Renee@Coastal
Cc: Cave, Nancy@Coastal; Manna, Jeannine@Coastal; Scott Grindy
Subject: RE: G-2-14-0016 (Romeo Pier)

Understood.

Scott

From: Ananda, Renee@Coastal [mailto:Renee.Ananda@coastal.ca.gov]
Sent: Wednesday, April 22, 2015 4:49 PM
To: Scott Grindy
Cc: Cave, Nancy@Coastal; Manna, Jeannine@Coastal
Subject: RE: G-2-14-0016 (Romeo Pier)

Scott,

Just to circle back. I spoke with my District Supervisor and the District Manager and they concur that an ECDP is no longer appropriate. The proposal to remove Romeo Pier does not meet the criteria for issuance of an ECDP, as defined by Section 13009 of Coastal Commission Regulations. The proposed project is not required for a "sudden unexpected occurrence demanding immediate action to prevent or mitigate loss or damage to life, health, property or essential public services." Please prepare and submit a regular CDP application for the removal of Romeo Pier. Feel free to contact me if you have questions. Thank you, RTA

From: Scott Grindy [mailto:sgrindy@smharbor.com]
Sent: Wednesday, April 22, 2015 3:20 PM
To: Ananda, Renee@Coastal
Cc: Scott Grindy
Subject: RE: G-2-14-0016 (Romeo Pier)

Hi,

And thank you. Yes the district still needs to move forward, last year the budget had some issues at the board level, the Romeo pier was left on the budget but with no funding. With a new board this year, it is a concern and was even spoken with positive movement / action discussion at last week's budget work shop with the board. It is a high ticket disposal item at an estimate of over $600k.

Thanks for asking and checking.

Best

Scott

From: Ananda, Renee@Coastal [mailto:Renee.Ananda@coastal.ca.gov]
Sent: Wednesday, April 22, 2015 2:53 PM
To: Scott Grindy
Subject: RE: G-2-14-0016 (Romeo Pier)

Hello Scott,

We never received this memo. It has been a year since there was any activity, I just want to confirm that the Harbor District wants to proceed with processing an ECDP? I plan to make certain on my end that an ECDP is still appropriate. Thank you for the quick reply. RTA

From: Scott Grindy [mailto:sgrindy@smharbor.com]
Sent: Wednesday, April 22, 2015 2:07 PM
To: Ananda, Renee@Coastal
Cc: Scott Grindy
Subject: RE: G-2-14-0016 (Romeo Pier)

Hi Renee, not sure if Peter forwarded this memo but I have attached it.

The pier status:

1. Pier is gated/fenced off at its entry to prevent access by the public.
2. Ladders on the side of the pier have been removed to stop water access.
3. Each storm seems to have more lumber pieces etc. fall into the water.
4. The board has it on the agenda for the budget process for covering the cost of the demo of the pier.
5. My hope is we can obtain piling credits when the work is done so if we need to add pilings somewhere in the harbor, the credits could apply.

Let me know if this is enough info or if more is needed.

Best

Scott

From: Ananda, Renee@Coastal [mailto:Renee.Ananda@coastal.ca.gov]
Sent: Wednesday, April 22, 2015 12:06 PM
To: Scott Grindy
Subject: G-2-14-0016 (Romeo Pier)

Hello Scott,

We received the subject Emergency Coastal Development Permit (ECDP) application from the Harbor District on April 16, 2014 and subsequently requested additional project information. Please refer to the e-mail thread below, fyi. Can you please update me on the status of things? Thank you, RTA

From: Peter Grenell [mailto:pgrenell@smharbor.com]
Sent: Thursday, May 15, 2014 8:45 AM
To: Ananda, Renee@Coastal; Cave, Nancy@Coastal
Cc: Scott Grindy
Subject: RE: scanned document

Scott and I will follow up with M&N.

pg

From: Ananda, Renee@Coastal [mailto:Renee.Ananda@coastal.ca.gov]
Sent: Wednesday, May 14, 2014 4:32 PM
To: Peter Grenell; Cave, Nancy@Coastal
Cc: Scott Grindy
Subject: RE: scanned document

Hello Peter,

I look forward to receiving detailed answers to be generated by M & N, as their 4/21/14 memo does not include the following information:

1. How long will it take for the demo and removal
2. Identify any public access within the vicinity of the project site and describe how access will be addressed during the demo and removal work; specify how you will ensure there is no interference with public access as appropriate and to the extent is feasible.
3. Description of method of containment of debris material during activities
4. Re: the removal of the landward trestle portion of the pier, depict on a map the location of the proposed beach access route and equipment staging for removal activities.

Thank you. RTA

From: Peter Grenell [mailto:pgrenell@smharbor.com]
Sent: Wednesday, May 14, 2014 11:55 AM
To: Ananda, Renee@Coastal; Cave, Nancy@Coastal
Cc: Scott Grindy
Subject: FW: scanned document

Renee,

1. Here, belatedly, is the 1998 Romeo Pier engineers investigation report. A following email will contain their 2000 update report.
2. The pier was built around 1950; we're trying to get a firm figure.
3. It was in use until the mid-2000s. Originally, Romeo Packing Co. used it to unload sardines for processing. Eventually the business switched over to production and packing of fertilizer, which continues today (although not on the pier). Morningstar Fisheries occupied the pier building for its fish handling operations until 2002, when they took over the Caito Fisheries lease on the Johnson Pier in the inner harbor. Morningstar vacated because of the Harbor District's safety concerns about Romeo Pier following the two engineering investigations. A private operator was permitted to pump sea water from on the pier for a short time afterward, but eventually the pier was closed for safety reasons.
4. Fish unloading, at the pier end building (two story, 2,800 sq. ft. footprint); brief sea water pumping (for aquariums).

5. The Harbor District identified a replacement pier for Romeo Pier as a priority; it remains, but now as a long term priority. In 1996, the Army Corps of Engineers produced a Phase I Reconnaissance Study for a deep water navigation channel from the federal breakwater entrance to the pier; it had a positive 2.5:1 benefit/cost ratio. Project was discontinued because the Harbor District had not established a location for a replacement pier. The District's Strategic Business Plan, just getting underway, will revisit the new pier possibility.
6. Remaining questions: I believe in late April you received a memo from Moffatt & Nichol regarding the proposed Romeo Pier removal method. That may answer some of your questions. Since then, M&N is now proceeding on a detailed preconstruction task which will generate answers to your remaining question.
7. Regarding our question about mitigation credits, FYI, the total pier area is approximately 18,000 sq. ft.

Peter Grenell

From: KonicaC451@SMHarbor.com [mailto:KonicaC451@SMHarbor.com]
Sent: Wednesday, May 14, 2014 12:46 PM
To: Peter Grenell
Subject: scanned document

SEA FISH

SAN MATEO COUNTY HARBOR DISTRICT

ROMEO PIER REMOVAL

50% Submittal - Estimate of Construction Cost 6/26/2014

Item	Description	Qty	Units	Unit Cost	Sub Total
1	**Mobilization & Demobilization (Barge, Crane)**	**1**	**LS**	**$ 70,000**	**$ 70,000**
2	**Remove Pier bents 27-47 from water**				**$ 100,000**
	Crane Barge Crew (2 weeks)	10	Crew Day	$ 10,000	$ 100,000
3	**Remove Trestle**				**$ 45,000**
	Landside Crew (2 weeks, 7 persons)	10	Crew Day	$ 4,500	$ 45,000
4	**Disposal**				**$ 243,000**
	Disposal -Pier	522	TON	$ 400	$ 209,000
	Disposal - Bldg	32	TON	$ 400	$ 12,800
	Disposal- Sheds, misc equip	24	TON	$ 400	$ 9,600
	Haul (20 tons/load, 4 hours /load)	116	HR	$ 100	$ 11,600
					$ -
				Subtotal	**$ 458,000**

Project Subtotal		$	458,000
Contingency	15%	$	69,000
Project With Contingency		**$**	**527,000**

1. Costs shown include contractor's overhead and profit. Numbers are rounded.
2. Costs are based upon bid results (escalated to present dollars) and generally prevailing costs for the work involved.
3. Costs are based on 50% design drawings.
4. Means and methods assumed are barge crane to perform work on southern portion of pier, land based equipment on trestle.

moffatt & nichol

2185 N. California Blvd., Suite 500
Walnut Creek, CA 94596-3500

(925) 944-5411 Fax (925) 944-4732
www.moffattnichol.com

MEMORANDUM

To: **Peter Grenell, General Manager, SMCHD**

From: **Brad Porter, PE**

Date: **July 17, 2014**

Subject: **Romeo Pier Removal –50% Progress Report**

M&N Job No.: **8281-03**

The purpose of this memorandum is to describe the removal of the existing Romeo Pier (see Figure 1 and Figure 7) located in Pillar Point Harbor (see Figure 2). Attached are 50% progress drawings for the removal of the pier, an estimate of the removal cost and description of the anticipated construction methods and considerations.

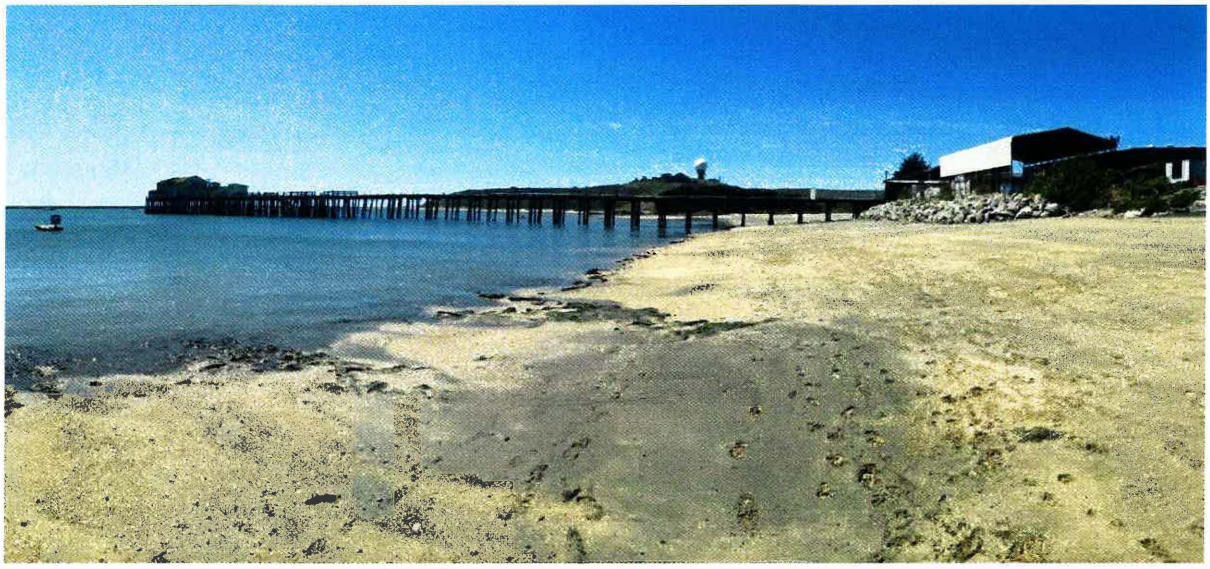


Figure 1 Romeo Pier in 2014

Removal Cost

The cost to remove the pier is estimated to be in the range of $458,000 to $527,000.
The breakdown of this cost is shown on the attached cost estimate, dated 6/26/2014.
A significant portion of the cost is the mobilization of the barge and crane. Considering this, the most cost effective method will be to remove the entire pier structure at one time rather than phasing the work and incurring the cost of mobilizing the equipment multiple times to the site.

Construction Methods and Considerations

Because of the deteriorated condition of the Pier, it is anticipated that the equipment to remove the timber will be staged from the water for the outer portion of the pier and from the beach for the trestle portion. The pier structure has deteriorated to the point that it cannot support construction equipment on the deck.

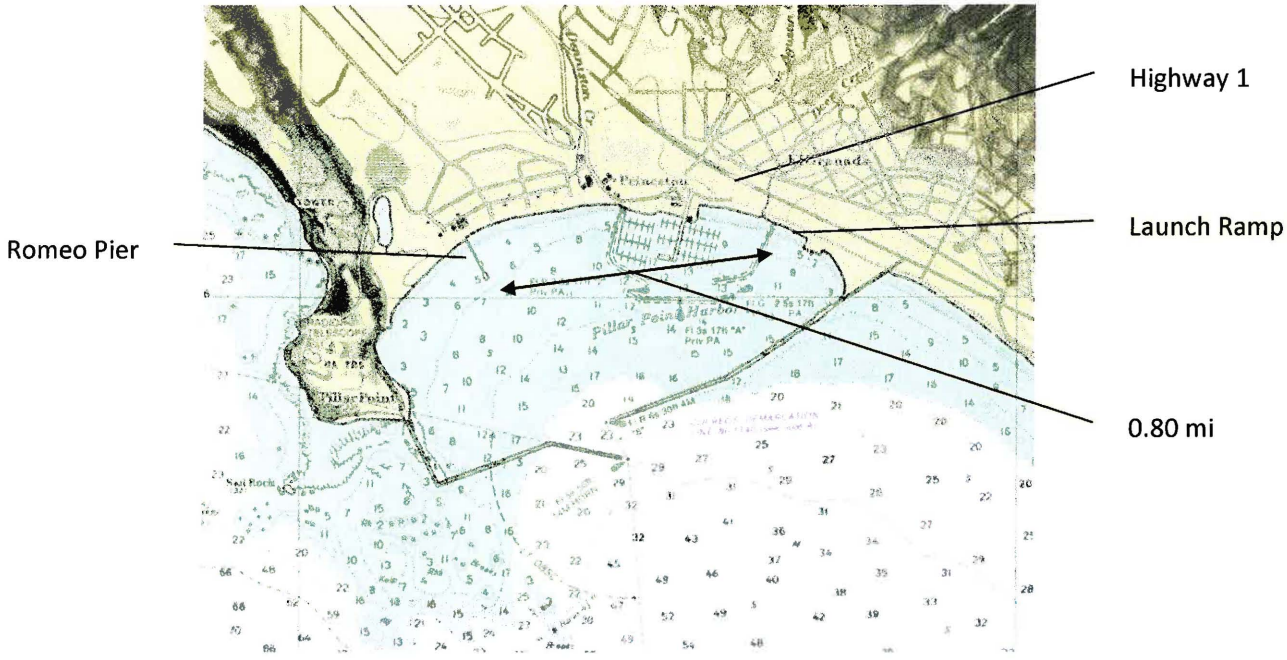


Figure 2 Pillar Point Harbor

Outer Pier

The majority of the timber (approximately 80%) is located on the outer 300 feet of the pier, which is the widened portion where the buildings are located. This portion would be removed by a floating barge mounted crane where there is adequate depth to access (see Figure 4). The buildings and wharf would be removed by the crane and loaded onto a barge for transfer and off load onto the land. The Outer Pier is estimated to be approximately 500 tons of material. It is possible that a marine demolition contractor could load all the material onto a single barge and transport it to their offload facility in the San Francisco Bay Area for removal and disposal to suitable landfill. Alternatively, a smaller barge could be used that would periodically be towed to the boat ramp located within the Harbor (see Figure 4) where the timber would be removed with a land-based mobile crane onto trucks for transport to the appropriate landfill.

Landward Trestle

The landward portion of the pier is too shallow for the crane barge to access; this is the trestle portion that leads from the land out to the wider wharf. It is anticipated that a mobile crane- either a track mounted crawler crane or rubber tired crane- would access the pier at lower tides from the sand beach and reach out to remove the decking. The material would then be loaded on to an adjacent truck for transport to the landfill.

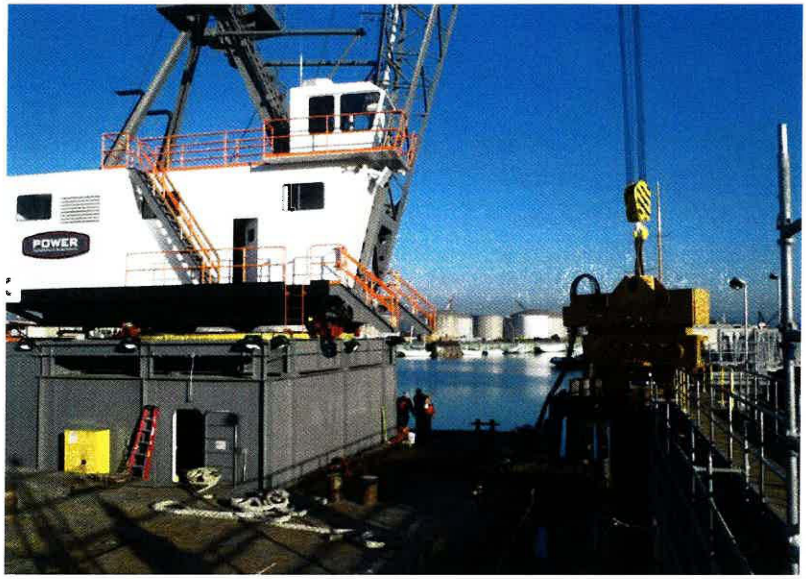


Figure 3 Barge Mounted Crane and Vibratory Hammer

Figure 4 Offloading Material at Boat Ramp with Containment Boom

The piles will be removed with a vibratory hammer for their entire length where possible. Due to the deteriorated condition of many of the piles below the waterline it would not be possible to vibrate these

out, those piles will be broken off with a cable attachment as far below the sand line as possible and as much of the pile extracted as practical.

Final construction methods will be determined by the construction contractor once the project is awarded, based upon the requirements and review by the San Mateo County Harbor District.

Permitting Considerations:

It is anticipated that the timber will be classified as construction debris and can be disposed of at a landfill in the San Francisco Bay Area. The timber will be tested for classification for proper disposal. The piles may have creosote treatment and the deck timbers may have been treated with preservatives. The buildings on top of the pier will be tested for the 17 components required by the California Administrative Manual (CAM – 17).

Loading of the material and transport will be performed in accordance with all applicable regulations for demolition using standard available construction equipment. Initial inquiry was made by the SMCHD to the California Coastal Commission regarding permitting for the emergency removal of the pier. Comments were received from the Coastal Commission (email of May 14, 2014) and the following responses were provided:

1. How long will it take for the demo and removal

   Response: It is estimated to take 8-10 weeks *(note: upon further investigation it is estimated that the removal can be accomplished in less than ½ of this time, on the order of 4 weeks).*

2. Identify any public access within the vicinity of the project site and describe how access will be addressed during the demo and removal work; specify how you will ensure there is no interference with public access as appropriate and to the extent is feasible.

   Response: There is public access on the beach below the Pier. The only impact to public access will occur during removal of the trestle. In order to keep continuous public access during the removal of the landward trestle, the contractor will be required to limit staging of equipment and operations to a limited area that does not block access and allows access across the trestle and to provide flaggers for safety when the full debris bins are transported from the beach to trucks for off haul.

3. Description of method of containment of debris material during activities.

   Response: The contractor will be required to provide continuous containment beneath all operations. The type of containment will be tight woven netting suspended above the water surface or continuous raft of floats or a combination of these 2 systems.

4. Re: the removal of the landward trestle portion of the pier, depict on a map the location of the proposed beach access route and equipment staging for removal activities.

   Response: Figures 5 and 6 depict these locations.

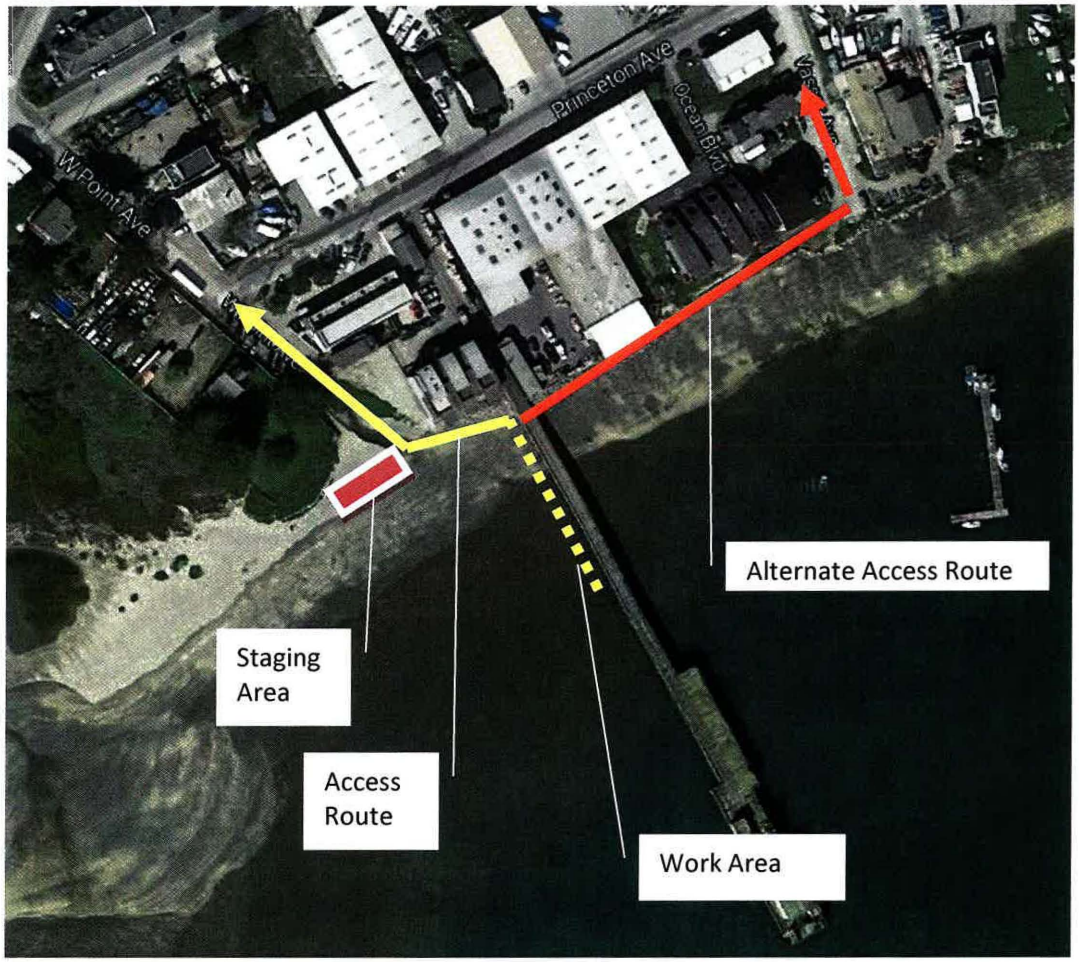


Figure 5 Beach Access Route and Staging (Google Maps Aerial)

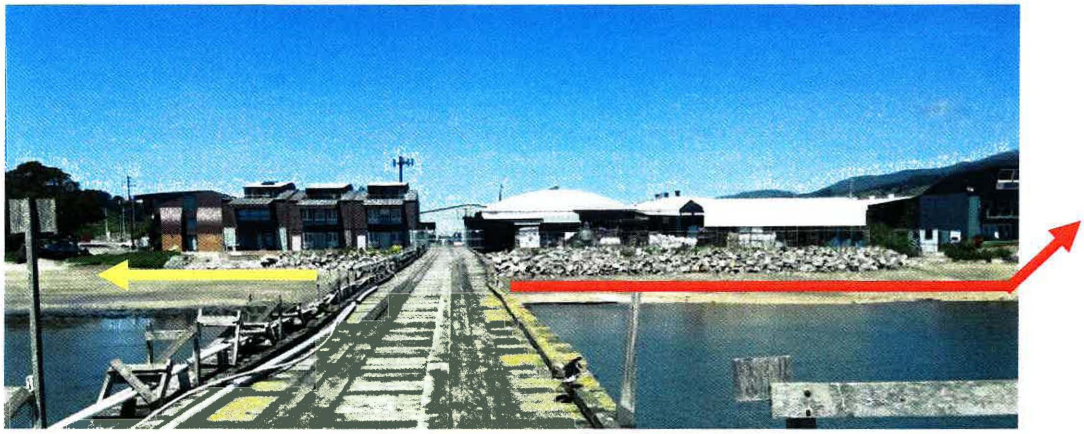


Figure 6 Beach Area for Access Routes

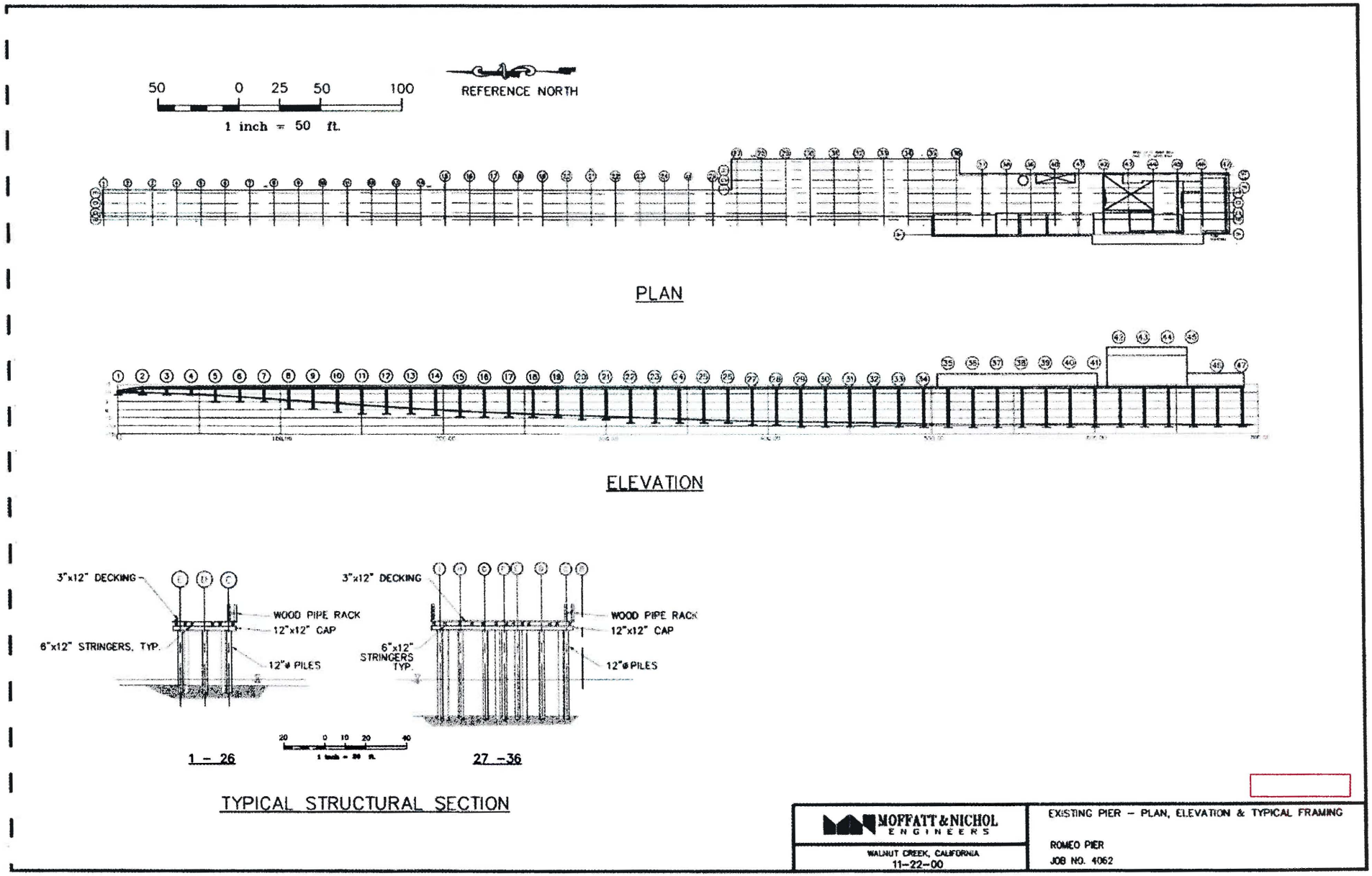


Figure 7 Pier Plan and Elevation

ROMEO PIER DEMOLITION

SAN MATEO COUNTY HARBOR DISTRICT

PILLAR POINT, CALIFORNIA

ROMEO PIER LOCATION PLAN

ROMEO PIER PLAN

INDEX OF DRAWINGS		
SHEET NUMBER	DRAWING NUMBER	TITLE
1	T1	TITLE, LEGEND AND GENERAL NOTES
2	C1	PLAN AND ELEVATION
3	C2	PLAN AND SECTIONS
4	C3	PHOTOS

GENERAL NOTES:

1. PILES ARE CREOSOTE TREATED TIMBER. TIMBER USED IN PIER STRUCTURE IS TREATED AND UNTREATED TIMBER.
2. DEMOLITION ACCESS LIMITED BY TIDAL STAGE AND SHALLOW DEPTH IN WORK AREA.
3. ALL WORK SHALL BE PERFORMED IN COMPLIANCE WITH THE CONDITIONS OF THE PERMITS ISSUED BY REGULATORY AGENCIES (BCDC, RWQCB, ARMY CORPS). PROVIDE CONTAINMENT TO PREVENT DEBRIS FROM FALLING INTO WATER DURING OPERATIONS.
4. DO NOT BLOCK PUBLIC ACCESS ALONG THE SHORE AT ANY TIME.
5. THE PIER STRUCTURE IS DETERIORED, MINIMIZE ACCESS ON STRUCTURE, ANALYZE CAPACITY TO SUPPORT EQUIPMENT AND ACCESS PRIOR TO WORK.

50% REVIEW JUN 27, 2014

SAN MATEO COUNTY HARBOR DISTRICT
400 Oyster Point Blvd, Suite 300
South San Francisco, CA 94080
(650) 583-4400

REVISION	DESCRIPTION	BY	DATE

moffatt & nichol
2185 N.California Blvd, Suite 500
Walnut Creek, California 94596(925) 944-5411

DSGN	DR	CHK
BP	TAE	
JOB NO. 8281-02	SUBMITTED BY	TITLE

ROMEO PIER DEMOLITON	DATE 06/26/14
PILLAR POINT HARBOR	SHEET 1 OF 4
TITLE AND GENERAL NOTES	T1

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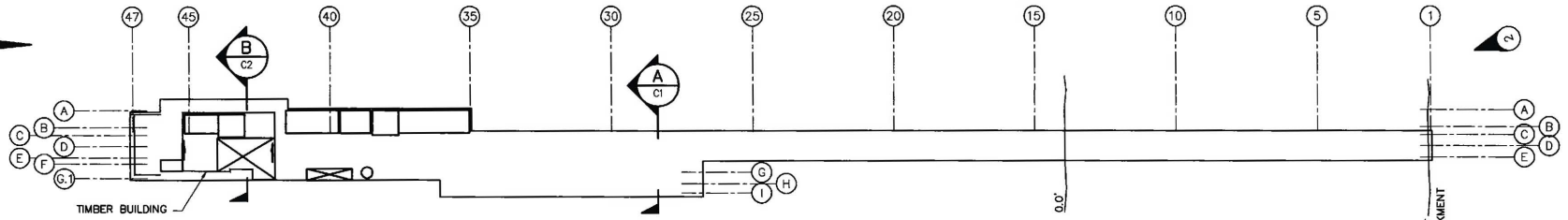
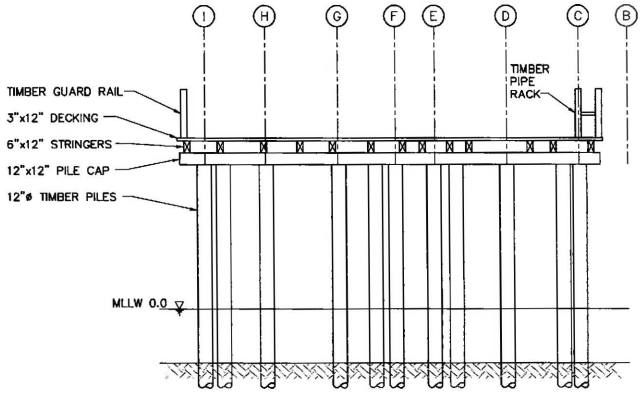


ROMEO PIER PLAN
SCALE: 1" = 30'

ROMEO PIER ELEVATION
SCALE: 1" = 30'

1 – PIER LOOKING WEST

2 – PIER LOOKING SSE



TYPICAL PIER STRUCTURE
A / C1 SECTION
SCALE: 1"=5'-0"

NOTES:

1. REMOVE ENTIRE PIER STRUCTURE (PILES, BEAMS, DECKING, BUILDINGS) AND DISPOSE OF LEGALLY OFFSITE.
2. PILES SHALL BE REMOVED FOR THEIR ENTIRE LENGTH. PILES BETWEEN BENTS 13 AND 27 MAY BE BROKEN OFF 2 FT BELOW THE BOTTOM IF REMOVAL OF ENTIRE LENGTH CANNOT BE ACCOMPLISHED AND IF USING LAND BASED EQUIPMENT.

30' 0 30' 60'
SCALE: 1"=30'-0"

5' 0 5' 10'
SCALE: 1"=5'-0"

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ROMEO PIER DEMOLITON
PILLAR POINT HARBOR
PLAN AND ELEVATION

DATE 06/26/14
SHEET 2 OF 4
C1

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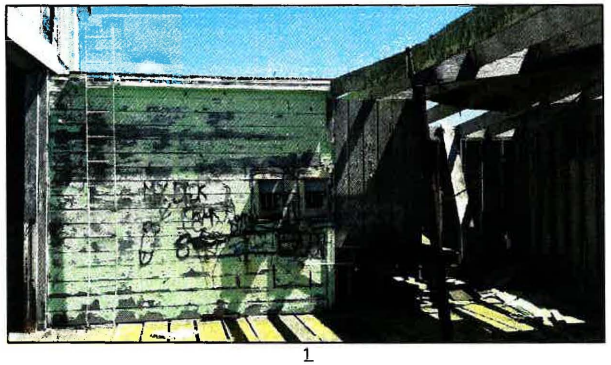

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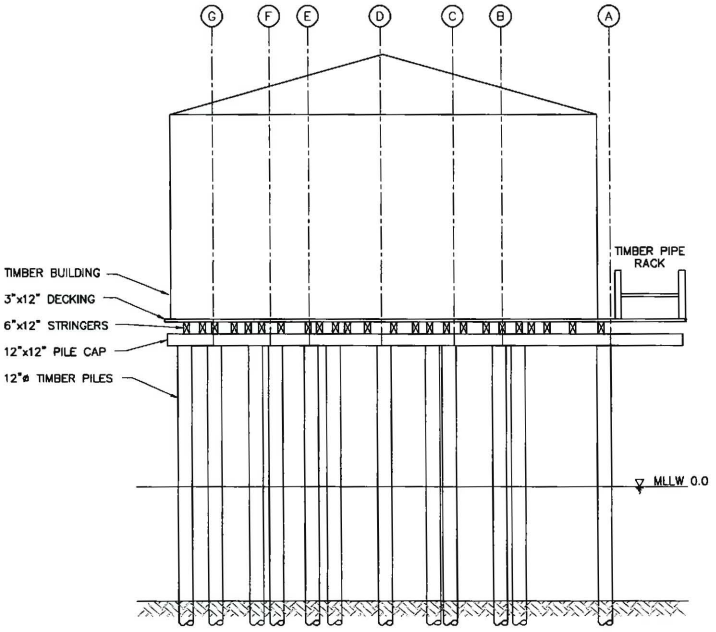
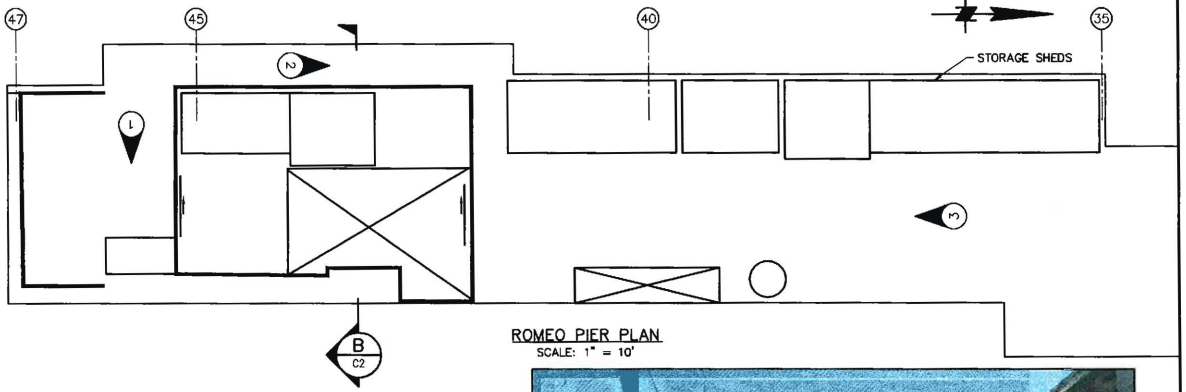


B / C2 SECTION
SCALE: 1"=1'-5"



ROMEO PIER PLAN
SCALE: 1" = 10'

PHOTO 1

3

10' 0 10' 20'
SCALE: 1"=10'-0"

5' 0 5' 10'
SCALE: 1"=5'-0"

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ROMEO PIER DEMOLITON
PILLAR POINT HARBOR
PLAN AND SECTIONS

DATE 06/26/14
SHEET 3 OF 4
C2

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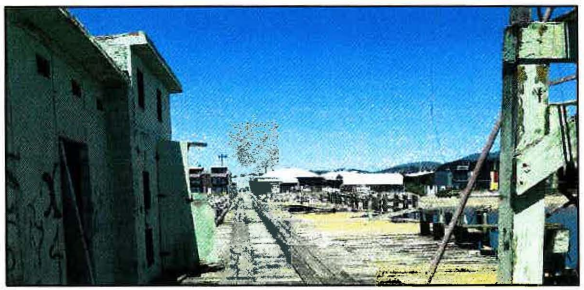

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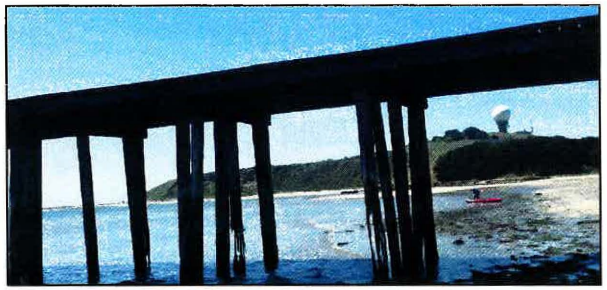

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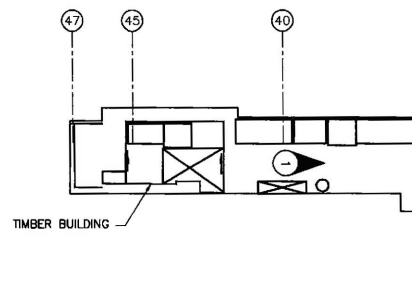
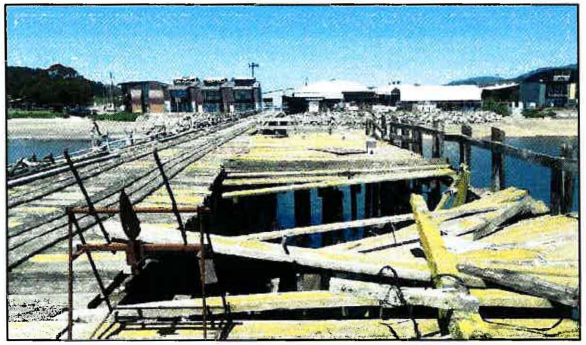


ROMEO PIER PLAN
SCALE: 1" = 30'



4

5

30' 0 30' 60'
SCALE: 1"=30'-0"

5' 0 5' 10'
SCALE: 1"=5'-0"

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ROMEO PIER DEMOLITON
PILLAR POINT HARBOR
PHOTOS

DATE 06/26/14
SHEET 2 OF 4
C3

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moffatt & nichol

2185 N. California Blvd., Suite 500
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(925) 944-5411 Fax (925) 944-4732
www.moffattnichol.com

April 10, 2014

Peter Grenell, General Manager
San Mateo County Harbor District
400 Oyster Point Blvd, Suite 300
South San Francisco, CA 94080

Subject: **Proposal to Provide Engineering Services for Romeo Pier Removal**

M&N Project No. PWCGEN-19

Dear Peter,

We are writing to describe the services that we propose to provide to the San Mateo County Harbor District (the Harbor District) to assist in the preparation of construction documents to remove the Romeo Pier; a timber pier within the outer breakwater at Pillar Point Harbor. The pile structure has recently started to collapse due to its age and state of deterioration of the supporting members. An evaluation of the pier was performed in 1998 which recommended the pier be replaced at that time. The structure is at the end of its useful life and the Harbor District would like to remove the structure in order to reduce risk of injury or damage due to the collapse of the pier into the ocean water.

Based upon this, we propose to provide the following engineering services to the Harbor District.

SCOPE OF WORK

Construction Documents

1. Review existing drawings, reports, and other relevant documents that pertain to the construction and repair of the pier.
2. Conduct up to 2 site visits to document conditions of the pier. During the site visit we will verify dimensions and observe the overall condition of the pier, in addition we will:
    - Obtain samples of the painted timber on the buildings on the pier and have it tested for the 17 hazardous material metals (CAM-17) per California Administration Manual (CCR Title 23).
    - Prepare a a photographic record of existing conditions that will be documented for inclusion into the bid document package and to provide record of the pier for

the historic record. We will consult with and coordinate the efforts of the Half Moon Bay Historic Association in preparing the photographic records.

3. Prepare preliminary demolition plans and estimate quantities of pile and deck removal for use by the District to prepare permit applications.
4. Assist the District in their preparation Army Corps and Regional Water Board permit applications for the removal of the pier, if required. If consultation with other resource agencies (National Marine Fisheries, Fish & Wildlife Service, and Fish & Game) is required for the Corps permit, we will facilitate the process by contacting the appropriate agency staff.
5. Prepare a Bid Document package for the District, which will consist of the Bid Schedule, Design Drawings, and Technical Specifications. We assume the District will provide us with Standard General Conditions, review the Bid Document package, and issue the actual Call for Bids.

Bid Support

- Assist the District with identifying likely contractors for the work, answering questions related to the Call for Bids, attending a pre-Bid meeting, and providing assistance with Contractor selection.

Construction support

- Provide engineering support during construction by answering Requests for Information and attending up to 3 half-day meetings or site visits during the progress of the work.

FEE & SCHEDULE

We anticipate the following schedule for the proposed scope of work.

Task	Schedule `	Fee
Construction Documents		$38,500
Review Documents / Conduct Site Visits	3 wks from NTP	
Prepare Preliminary Demolition Plans	6 wks from NTP	
Prepare Draft Bid Document Package	12 wks from NTP	
Prepare Final Bid Document Package	2 wks from receipt of comments	
Provide Bid Support	6-8 wks	$ 6,800
Provide Engineering Support During Construction	6-12 wks	$15,900
Total		**$61,200**

We propose to provide these services on a time and material basis per our standard rates; we anticipate that the total will not exceed $61,200 and will not exceed this amount without your prior written approval.

We assume that if this proposal is accepted by the Harbor District they will provide a form of contract to provide these services.

Sincerely,
MOFFATT & NICHOL

Brad Porter, PE
Project Manager

ITEM 11

STAFF REPORT

TO: San Mateo County Harbor District Commissioners

VIA: Glenn Lazof, Interim General Manager

FROM: Marcia Schnapp, Interim Administrative Services Manager

DATE: July 1, 2015

SUBJECT: Adopt Resolution 33-15 to Amend the Fiscal Year 2015-16 Budget by Increasing the Commission's Expense Portion of the Budget by $7,500 to allow for Board Member attendance at CSDA Annual Conference and other Special District Training Courses

---

Request Board to Adopt Resolution 33-15 to Amend the Fiscal Year 2015-16 Budget by Increasing the Commission's Expense Portion of the Budget by $7,500 to allow for Board Member attendance at CSDA Annual Conference and other Special District Training Courses.

Background

In the District's recent responses to both the Grand Jury and LAFCO (San Mateo County Local Agency Formation Commission), the District committed to having the Board of Harbor Commissioners complete training courses in Board leadership, compliance, management and behavior within the coming fiscal year. Due to the cost of this training, the Fiscal Year 2015-16 Adopted Budget will need to be amended to accommodate the additional training courses anticipated to be completed by June 2016.

The California Special District Association (CSDA) has a certificate program, "Recognition of Special District Governance", that requires completion of 4 core courses. In addition to the 4 core courses, there is an additional 10 hours of continuing education required to be completed every two years. One Commissioner has completed 3 of the 4 core courses, and may have completed the 4th by the time this staff report goes to print. The other four commissioners would need to complete most or all of the 4 core courses. The additional 10 hours of continuing education may be completed by attendance at the CSDA annual conference in Monterey September 21-24.

Financial Impact

The Fiscal Year 2015-16 Budget will need to be amended by increasing the Commission's expense portion of the budget by an additional $7,500 to accommodate the additional training expense. It is anticipated that the District will received unbudgeted revenue in the form of a payment from Coastside Water District in the amount of $7,500. Should the District receive that revenue, it will offset this budget amendment request such that the overall impact to the budget will be no net effect.

Recommendation

Staff recommends the Board adopt Resolution 33-15 amending the Fiscal Year 2015-16 Budget by increasing the Commission's portion of the Budget by $7,500.

Attachments:
Commissioner Course Completion/Training History
Calendar of Upcoming Courses
CSDA Annual Conference Attendee Registration Form
Board Resolution 33-15

Commissioner Training/ Education History:

Robert Bernardo

Date	Title	Hours Completed
07/21/14	Public Service Ethics Education – AB1234	2 hrs 11 min
03/26/15	Ethics Training –Port of Oakland	
07/07/15	Prevention of Unlawful Harassment Training - Port of Oakland	

Sabrina Brennan

Date	Title	Hours Completed
01/15/13	Open Ethical Leadership – AB1234	2 hrs
01/15/13	How to be an Effective Board Member	8 hrs
03/18/13	Board's Role in Human Resources	8 hrs
03/19/13	Setting Direction/Community Leadership	8 hrs
10/14/14	Public Service Ethics	2 hrs 16 min
01/25/15	Special District – SDLA Conference	20 hrs
02/18/15	Understand Board & District Liability	2 hrs
05/19/15	Special Legislative Days	12 hrs
06/10/15	Harassment Prevention Training – AB1825 - CSDA	2 hrs

Nicole David

Date	Title	Hours Completed
02/10/14	Harassment Prevention and Training for California Supervisors	
11/20/14	Public Service Ethics Education – AB1234	3 hrs 36 min
01/25/15	Special District – SDLA Conference	20 hrs
02/26/15	Intro to Special District Finances	2 hrs
06/10/15	Harassment Prevention Training – AB1825 - CSDA	2 hrs

Tom Mattusch

Date	Title	Hours Completed
12/10/14	Public Service Ethics Education – AB1234	2 hrs 26 min
01/25/15	Special District – SDLA Conference	20 hrs
02/26/15	Intro to Special District Finances	2 hrs
05/18/15	Best Practices in Strategic Planning	6 hrs
05/19/15	Special Legislative Days	12 hrs
06/10/15	Harassment Prevention Training – AB1825 - CSDA	2 hrs

Pietro Parravano

Date	Title	Hours Completed
03/03/08	Harassment Policy and Harassment Prevention Training	
03/03/08	Ethics Training – AB1234	
02/24/11	Public Service Ethics Education – AB1234	2 hrs 58 min
10/25/12	Public Service Ethics Education – AB1234	2 hrs 19 min
10/16/14	Public Service Ethics Education – AB1234	4 hrs 41 min
06/10/15	Harassment Prevention Training – AB1825 - CSDA	2 hrs

Sign up for all four academy courses and save $$$

$800 - CSDA Member; $1400 - Non-Member

8/18 – Sacramento

Board's Role in Finance & Fiscal Accountability – Academy Course

This course will focus on how to develop a method for approving the district's annual budget, communicate budget information to the public, establish financial goals for the district, review district finances, develop and analyze capital improvement plans and reserve guidelines, comprehend the relationship between district finance and district belief and values as set forth in the district mission and strategic goals. 08:30 am - 09:00 am Sign-in & Registration 09:00 am - 12:00 pm Workshop 12:00 pm - 01:00 pm Lunch (On Your Own) 01:00 pm - 04:00 pm Workshop:

$225 - CSDA Member

$375 - Non-Member

When: 8/18/2015 - 8/18/2015

Where: CSDA Training Center

1112 I Street, Suite 250

Sacramento, CA 95814

8/20 - Webinar: Understanding the Brown Act: Beyond the Basics – Cont. Ed

This webinar provides advanced training for California's open meeting law. This interactive session will cover some of the more complex aspects of the Brown Act: from serial meetings, to open and closed session agenda and reporting out requirements, to teleconferencing, email and social media considerations. Participants will work through hypotheticals to apply their knowledge of the law. Common mistakes made under the Brown Act and practical tips to avoid violations will also be covered. 10:00 am - 12:00 pm

Free - SDRMA Member; $69 - CSDA Member; $99 - Non-Member

9/21 – Monterey: 9:00 a.m. – 3:00 p.m.

CSDA SDLA, Module 1: Governance Foundations – Academy Course

$225 Member • $375 Non-member

As the core curriculum of CSDA's Special District Leadership Academy, this workshop serves as the "foundation" for the series on effective governance of special districts. It is specifically designed for special district board members and meets the requirement for six hours of governance training for Special District Leadership Foundation programs.

9/21-9/24 2015 Annual Conference & Exhibitor Showcase
Cost through 8/14: $550 – CSDA Member
(travel, food & lodging expense additional)
Where: Marriott Monterey
350 Calle Principal
Monterey, CA 93940

The CSDA Annual Conference & Exhibitor Showcase is the one conference special district Leaders can't afford to miss! It is the most densely packed educational and networking experience available to special districts. Come together with other special district leaders from across the state to meet with industry suppliers, hear from the best in special district-specific topics with over thirty breakout session options, network with your peers and more at the THE leadership conference for special districts.

7/9/15 UPDATE: As of this date, rooms are very limited at the Monterey Marriott and Portola Hotel & Spa.

CSDA has secured an additional block of sleeping rooms at the Hotel Pacific at the rate of $169 + taxes and fees. Room rate includes deluxe continental breakfast. Reservations can be made by calling 800-554-5542 and asking for the CSDA room block.

Additional rooms are available at the Hotel Abrego at the rate of $169 + taxes and fees by calling 831-372-7551 and requesting the CSDA room block.

- Room types are quoted subject to availability within your nightly allotment.
- All reservations must be guaranteed by a credit card.
- Guests may request reservations via email or phone:
- Email: reservations@hotelabrego.com
- Phone: 831-372-7551

2015 Conference

SCHEDULE AT A GLANCE

Creative Strategies for Turning Challenges into Opportunity and Change into Advantage

MONDAY, SEPTEMBER 21, 2015	
Registration	8:00 a.m. - 5:00 p.m.
So You Want to Be A General Manager?*	8:00 a.m. - 3:45 p.m.
SDLF: Special District Administrator (SDA) Exam	9:00 - 11:00 a.m.
Building Confidence in Public Speaking*	9:00 a.m. - 3:00 p.m.
Special District Leadership Academy Module 1: Governance Foundations*	9:00 a.m. - 3:00 p.m.
Communication Strategies for Board Members and General Managers*	12:00 - 3:00 p.m.
CSDA Annual Golf Tournament*	10:00 a.m. - 3:00 p.m.
Elk Horn Slough Safari ™ and Moss Landing Harbor District Tours*	10:00 a.m. - 3:00 p.m.
Pure Water Monterey Tour*	12:00 - 3:00 p.m.
District NetWorks Meetings	4:00 - 5:00 p.m.
President's Reception with the Exhibitors	5:30 - 7:30 p.m.
TUESDAY, SEPTEMBER 22, 2015	
Registration	7:30 a.m. - 5:00 p.m.
Exhibitor Showcase Open	7:30 a.m. - 6:00 p.m.
Continental Breakfast with the Exhibitors	7:30 - 8:45 a.m.
Opening Keynote Presentation: Peter Sheahan - FLIP! Creative Strategies for Turning Challenges into Opportunity and Change into Advantage	9:00 - 10:45 a.m.
Breakout Session Options	11:00 a.m. - 12:00 p.m.
Lunch with the Exhibitors	12:00 - 1:45 p.m.
Breakout Session Options	2:00 - 3:15 p.m.
Breakout Session Options	3:30 - 4:30 p.m.
Mix and Mingle in the Exhibit Hall + Grand Prize Drawing	4:30 - 6:00 p.m.
Exhibit Hall Closes	6:00 p.m.
WEDNESDAY, SEPTEMBER 23, 2015	
Registration	All day
SDRMA sponsored full plated breakfast	8:15 - 9:00 a.m.
SDRMA General Session, Safety Awards and Keynote Presentation: Michael Bazzell - Hiding from the Internet	9:00 - 10:45 a.m.
CSDA Finance Corporation Board Meeting	11:00 a.m. - 12:15 p.m.
Breakout Session Options	11:00 a.m. - 12:15 p.m.
CSDA Annual Awards Luncheon	12:30 - 2:00 p.m.
Breakout Session Options	2:15 - 3:30 p.m.
Breakout Session Options	3:45 - 4:45 p.m.
SDLF Taste of the City Event: BBQ, Blues and Brews	6:00 - 8:00 p.m.
THURSDAY, SEPTEMBER 24, 2015	
Registration	8:00 a.m. - 12:00 p.m.
Breakout Session Options	8:30 - 10:00 a.m.
Closing Brunch: 2015 Legislative Update	10:15 a.m. - 12:00 p.m.

* pre-registration/payment required

2015 Conference

ATTENDEE REGISTRATION FORM

Powered By informz

one form per attendee, please print

Three Ways to Register:

1. ONLINE by visiting the CSDA Annual Conference website at conference.csda.net
2. FAX your registration form to 916-520-2465. All faxed forms must include payment.
3. MAIL CSDA, 1112 I Street, Suite 200, Sacramento, CA 95814, please include registration form along with payment. Check should be made payable to: California Special Districts Association.

Not sure if you are a member?

Contact the CSDA office at 877-924-2732 to find out if your agency or company is already a member. To learn more about the benefits of membership contact Cathrine Lemaire at cathrinel@csda.net or call toll-free 877-924-2732.

Registration fee includes:

- President's Reception with the Exhibitors Monday evening
- Keynote Sessions and all Breakout Sessions
- Continental Breakfast with the Exhibitors on Tuesday
- Lunch with the Exhibitors on Tuesday
- Mix and Mingle in the Exhibit Hall on Tuesday
- SDRMA Full Plated Breakfast on Wednesday
- Awards Luncheon on Wednesday
- SDLF "Taste of the City" Reception on Wednesday
- Closing Brunch on Thursday

Name:	Title:	
District:		
Address:		
City:	State:	Zip:
Phone:	Fax:	
Email:	Website:	
Emergency Contact:		
Member status: ☐ Member ☐ Non-member	☐ Vegetarian ☐ Any Special Needs:	

Conference Registration Fees	Early Bird (on or before Aug. 14)	Regular (after Aug. 14)	SUBTOTAL
☐ CSDA Member - Full Conference	$550.00	$600.00	
☐ Non-member - Full Conference	$750.00	$800.00	
☐ Guest - Full Conference (Cannot be from a district/company) ☐ Vegetarian	$260.00	$300.00	
☐ CSDA Member - One-day registration ☐ Tuesday ☐ Wednesday ☐ Thursday	$260.00 each day	$275.00 each day	
☐ Non-member - One-day registration ☐ Tuesday ☐ Wednesday ☐ Thursday	$375.00 each day	$435.00 each day	

Separate Registration Fees	Member	Non-member	SUBTOTAL
☐ Pre-Conference Workshop: SDLA Module 1: Governance Foundations - Sept. 21	$225.00	$375.00	
☐ Pre-Conference Workshop: Building Confidence in Public Speaking - Sept. 21	$225.00	$375.00	
☐ Pre-Conference Workshop: Comm. Strategies for Board Members & Gen. Man. - Sept. 21	$125.00	$175.00	
☐ Pre-Conference Workshop: So You Want to Be A General Manager? - Sept. 21	$100.00 (includes breakfast and lunch) (limited to 20 attendees)		
☐ Tour: Moss Landing Harbor District and Elkhorn Slough Safari™ - Sept. 21	$ 48.00 (includes transportation) (limited to 21 attendees)		
☐ Tour: Pure Water Monterey, Monterey Peninsula Water Management District and Monterey Regional Water Pollution Control Agency - Sept. 21	$ 45.00 (includes transportation and lunch)		
☐ CSDA Golf Tournament - Sept. 21	$ 95.00 (includes lunch)		
☐ CSDA Awards Luncheon (Guests only) - Sept. 23	$ 40.00		
☐ SDLF "Taste of the City" Reception (Guests only) - Sept. 23	$ 55.00		
		TOTAL	

Payment type: ☐ Check ☐ Visa ☐ MasterCard ☐ AMEX ☐ Discover	
Account name:	Account Number:
Expiration date:	Authorized Signature:

Cancellations/Substitution Policy: Cancellations must be in writing and received by CSDA not later than August 28, 2015. All cancellations received by this date will be refunded less a $75 processing fee. There will be no refunds for cancellations made after August 28, 2015. Substitutions are acceptable and must be done in writing no later than September 4, 2015. Please submit any cancellation notice or substitution request to sharonf@csda.net or fax to 916-520-2465.

Consent to Use Photographic Images: Registration and attendance at, or participation in, CSDA meeting and other activities constitutes an agreement by the registrant to CSDA's use and distribution (both now and in the future) of the registrant or attendee's image or voice in photographs, videotapes, electronic reproductions and audiotapes of such events and activities.

Resolution 33-15
to
Amend the Fiscal Year 2015-16
Integrated Operating and Capital Budget
of the
San Mateo County Harbor District

Whereas, the Board of Harbor Commissioners, through Resolution 20-15, adopted the Final Integrated Operating and Capital Budget for Fiscal Year 2014-15 on June 17, 2015 and

Whereas, the District would like to adhere to best practices in Special District Leadership and Administration;

Whereas, the California Special District Association offers courses to meet the goal of training District Commissioners how to govern under Special District best practices;

Whereas, subsequent to the adoption of the Final Integrated Operating Budget for Fiscal Year 2015-16 additional appropriation is required to fulfill these goals;

Now, Therefore, Be It Resolved that an Amendment to the Final Integrated Operating and Capital Budget for Fiscal Year 2015-16, to increase the Commission expense portion of the budget the amount of $7,500, as set forth in Exhibit A, attached hereto and by reference incorporated herein, be adopted for Fiscal Year 2015-16.

Approved this 5th day of August, 2015 at the regular meeting of the Board of Harbor Commissioners by a recorded vote as follows:

For:

Against:

Absent:

Attested **BOARD OF HARBOR COMMISSIONERS**

Debbie Nixon
Deputy Secretary

Tom Mattusch
President

Exhibit A

The Fiscal Year 2015-16 Budget that was adopted by Resolution 20-15 on June 17, 2015 needs to be amended due to the need for CSDA Courses and Seminars for the Commission for Special District Leadership.

The augmented amount of $7,500 needed is offset by the additional revenue in the budget adjustment from repayment of funds owed by Coastside Water District (see IGM report).

Details below:

Seminars & Professional Development Special District Leadership Foundation Classes Estimated 5 Commissioners @ $1,500	
Budget Amendment – Line Item: Meeting/Travel/Training – Commission	$ 7,500
Miscellaneous Revenue from repayment of funds owed District by Coastside Water District	$ (7,500)
Net change to FY2015-16 Budget	$ 0

STAFF REPORT

TO: San Mateo County Harbor District Commissioners

VIA: Glenn Lazof, Interim General Manager

FROM: Marcia Schnapp, Interim Administrative Services Manager

DATE: July 1, 2015

SUBJECT: Adopt Resolution 33-15 to Amend the Fiscal Year 2015-16 Budget by Increasing the Commission's Expense Portion of the Budget by $7,500 to allow for Board Member attendance at CSDA Annual Conference and other Special District Training Courses

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Request Board to Adopt Resolution 33-15 to Amend the Fiscal Year 2015-16 Budget by Increasing the Commission's Expense Portion of the Budget by $7,500 to allow for Board Member attendance at CSDA Annual Conference and other Special District Training Courses.

Background

In the District's recent responses to both the Grand Jury and LAFCO (San Mateo County Local Agency Formation Commission), the District committed to having the Board of Harbor Commissioners complete training courses in Board leadership, compliance, management and behavior within the coming fiscal year. Due to the cost of this training, the Fiscal Year 2015-16 Adopted Budget will need to be amended to accommodate the additional training courses anticipated to be completed by June 2016.

The California Special District Association (CSDA) has a certificate program, "Recognition of Special District Governance", that requires completion of 4 core courses. In addition to the 4 core courses, there is an additional 10 hours of continuing education required to be completed every two years. One Commissioner has completed 3 of the 4 core courses, and may have completed the 4th by the time this staff report goes to print. The other four commissioners would need to complete most or all of the 4 core courses. The additional 10 hours of continuing education may be completed by attendance at the CSDA annual conference in Monterey September 21-24.

Financial Impact

The Fiscal Year 2015-16 Budget will need to be amended by increasing the Commission's expense portion of the budget by an additional $7,500 to accommodate the additional training expense. It is anticipated that the District will received unbudgeted revenue in the form of a payment from Coastside Water District in the amount of $7,500. Should the District receive that revenue, it will offset this budget amendment request such that the overall impact to the budget will be no net effect.

Recommendation

Staff recommends the Board adopt Resolution 33-15 amending the Fiscal Year 2015-16 Budget by increasing the Commission's portion of the Budget by $7,500.

Attachments:
Commissioner Course Completion/Training History
Calendar of Upcoming Courses
CSDA Annual Conference Attendee Registration Form
Board Resolution 33-15

Staff Report

HALF MOON BAY ART AND PUMPKIN FESTIVAL-HARBOR DISTRICT PARTICIPATION OCTOBER 17-18

Scott Grindy Harbor Master

Background:
For the past few years the San Mateo County Harbor District has been a sponsor of the Half Moon Bay Art and Pumpkin Festival. As a sponsor at the $2,500 level, sponsorship provided the district a booth opportunity to provide marketing activities to the thousands of visitors to Half Moon Bay. {One (1) 10' x 10' space to conduct outreach, marketing and promotional activities}

A higher level of sponsorship has also been offered at $5,000 of which provides:
- One (1) 10' x 10' space to conduct outreach, marketing and promotional activities.
  PLUS
- Co-Sponsorship of the Made on the Coast Music stage featuring all day music on the Sunday Locals Block in the Cunha's store lot with one banner (you provide) displayed on the stage.

We received a request from the promoters again this year to participate and come to the Harbor Commission for the discussion and possible approval to participate. (see attached email)

Analysis:
This marketing opportunity has helped the positive visibility of the Harbor District, and during the event, both staff, and Harbor Commissioners have staffed the booth. It is anticipated that if marketing supplies are also provided at the event, an additional $2,500 should be made available for staff to purchase items.

This also would be an excellent opportunity to advertise to the public the Holiday Boat Lighting event and the Fish and Fleet event in the coming months.

Recommendation: To Be Determined

Fiscal Impact:

$2,500 for the booth and sponsorship

$2,500 for marketing supplies

A total of $5,000.

Debbie Nixon

From: Timothy R.Beeman <tim@miramarevents.com>
Sent: Tuesday, July 21, 2015 4:55 PM
To: Scott Grindy
Subject: Half Moon Bay Art & Pumpkin Festival

Warm greetings Scott,

Thanks for participating this past year in the **Half Moon Bay Art & Pumpkin Festival** — the 2014 festival enjoyed outstanding attendance and success and we trust you were pleased with your participation.

We're moving forward planning the 2015 Pumpkin Festival — **it's Oct. 17-18** — and I'm touching base to see if you'd like to participate again this year on the sameor expanded terms as last year (see below — last year, you were a $2,500 Stage Banner sponsor – I've also provided a $5k option which includes additional sponsorship of the Made on the Coast Stage, featuring all day music on the Sunday Locals Blcok in the Cunha's store lot).

This is an important relationship and critical piece that we'd like to solidify ASAP as we move forward with our planning.

Please let me know if you'd like to renew and I'll send you the contract.

Feel free to call or email if you have questions.

Thank you,

Tim Beeman, CEO/650-726-3491

$5,000 EXHIBITOR/STAGE BANNER SPONSORSHIP
•One (1) 10' x 10' space to conduct outreach, marketing and promotional activities.
PLUS
•Co-Sponsorship of the Made on the Coast Music stage featuring all day music on the Sunday Locals Block in the Cunha's store lot with one banner (you provide) displayed onthe stage.

$2,500 EXHIBITOR PACKAGE
•One (1) 10' x 10' space to conduct outreach, marketing and promotional activities.

HALF MOON BAY ART & PUMPKIN FESTIVAL (45th annual), Half Moon Bay, California
When: October 17-18, 2015; 9 a.m. - 5 p.m.
What: The World Pumpkin Capital of Half Moon Bay celebrates its bountiful fall harvest and autumn splendor with a special display of gigantically enormous/heavyweight champion pumpkins, smashing entertainment with three stages of stellar live music, the Great Pumpkin Parade, a bone-chilling Haunted House, harvest-inspired crafts, homestyle foods, expert pumpkin carver Farmer Mike sculpting a monster 1,200+ pound pumpkin into a one-of-a-kind masterpiece, photos with the grand champion mega-gourd, pie-eating and costume contests, pumpkin carving for fun, *"Smashing Pumpkins: Battle of the Bands"*, the *Comcast Take 5 Lounge* with giant screen TV, ultra-thrilling zip-line and bungee jump, tasty wines and microbrews, pumpkin-infused ales (Mavericks Pumpkin Harvest Ale) and margaritas, and the Sunday-only "Made on the Coast" local artists block with music, authors, book signings and a haiku contest.
Attendance: 200,000

Where:	Main Street, Half Moon Bay CA, 20 miles south of San Francisco
Promotion:	$300,000 TV, radio, newspaper, magazine
Audience:	51% female, 65% ages 25-49, 74% household income $75,000+

- -

Tim Beeman, CEO
Miramar Events
direct: 650-726-3491
mobile: 415-999-2428
fax: 650-726-5181
http://www.miramarevents.com
http://twitter.com/miramarevents
http://www.miramarevents.com/facebook.html
http://www.linkedin.com/in/timbeeman

BUDGET SUMMARY

DESCRIPTION	PILLAR POINT HARBOR	OYSTER POINT MARINA/ PARK	ADMINISTRATION	COMMISSION	TOTAL
OPERATING EXPENSES:					
Advertising	11,200	8,000	2,500	8,000	29,700
Bad Debt Expense	65,000	75,000	0	0	140,000
Communications	21,000	13,100	12,500	0	46,600
WiFi Services	4,440	6,500	0	0	10,940
Computer - Hardware and software	11,750	5,000	7,500	0	24,250
Postage	9,000	4,000	9,000	100	22,100
Meetings/Travel/ Training	21,600	20,300	6,500	9,800	58,200
Auto Mileage Reimbursement	500	400	1,500	200	2,600
Memberships/ Exams/ Subscriptions	400	250	17,500	0	18,150
Personnel Tests	1,100	1,150	2,500	0	4,750
Property & Casualty Insurance	135,000	139,200	0	14,935	289,135
Fuel	12,000	6,400	0	0	18,400
Operating Supplies	67,900	31,500	0	0	99,400
Office Supplies	7,500	5,400	19,685	3,800	36,385
Uniform Expenses	9,000	7,500	0	0	16,500
Legal Services	55,000	15,000	100,000	270,361	440,361
Contractual Services-IT	10,500	13,000	21,000	4,000	48,500
Contractual Services-Professional	50,000	79,800	75,000	0	204,800
Outside Contractual Services	163,400	127,080	33,150	21,500	345,130
Special Events Expense	6,500	6,500	0	0	13,000
Bank & Credit Card Fees	16,400	22,300	750	0	39,450
Office Space and Equipment Rentals	0	4,500	85,800	0	90,300
Repair and Maintenance	467,000	132,500	0	0	599,500
Garbage Collections	158,300	26,500	0	0	184,800
Harbor/ Marina Equipment	17,150	5,000	0	0	22,150
Vessel Destruction	65,000	75,000	0	0	140,000
Water and Electrical Utility Expenses	168,500	108,000	0	0	276,500
LAFCO Fees	0	0	7,500	0	7,500
Property Tax Admin. Fee	0	0	29,000	0	29,000
Employee Appreciation Dinner	0	0	0	5,000	5,000
Total Operating Expenses	**1,555,140**	**938,880**	**431,385**	**337,696**	**3,263,101**
Total All Operating, Salary and Benefit Expenses	**3,382,651**	**2,144,068**	**1,567,590**	**441,658**	**7,535,966**
NON-OPERATING EXPENSES:					
Debt Service-Principal	501,927	477,647	0	0	979,573
Interest Expense - DBAW Loan	211,885	201,635	0	0	413,520
Total Non-Operating Expenses	**713,812**	**679,282**	**0**	**0**	**1,393,094**
TOTAL OE&E EXPENSE	**4,096,462**	**2,823,350**	**1,567,590**	**441,658**	**8,929,060**

Staff Report

Discussion and Possible Action on Fees for Fish Off-Loading, Fees for Wholesale Purchase and Fees for Retail Sales

Glenn Lazof: Interim General Manager (IGM), Scott Grindy: Harbor Master

Background: This item was placed on the Agenda by Commissioner Brennan. Her e-mailed comments and other submitted materials are attached.

Leases are also in the packet. The Fish Buyer Leases were signed and effective April 1, 2013. The expiration date is through April 1, 2018, with options through 2023.

Last year, the district formally invited at least two of the three fish buyers to submit information indicating that the high fees are impacting them unfairly and economically. The response from Larry Fortado is also in the agenda packet, (staff has not yet located other responses, if received).

Analysis:

Staff continues to report that our resources are outstripped by the backlog of very necessary tasks. All of our commercial leases need attention (along with a lot of other tasks). Where do we start? The IGM recommends that staff first complete the summary overview of all of our leases to help identify which issues need to be of the highest priority. This project continues to be underway, but has been hampered by the lack of staff resources.

The highest priority commercial lease modifications are those which might be most productive from a revenue standpoint, as well as those that are close enough to termination date such that the District is in a strong position to negotiate if an agreement is below market.

No commissioner has thus far suggested reducing Fish Fees without an increase in base rent and thereby keeping our overall revenue intact. Staff is unsure whether a revenue neutral approach is also amenable to our tenants. Revising the fees would require renegotiating leases and approval by DBW, (the latter can mitigated by refinancing the existing loan).

Regarding the question of base rent vs. these fees, while one cannot doubt that proper collection of Fish Buyer Fees poses some difficulties, there are also strong arguments that these Fees are a more equitable manner to raise revenue then base rent. First that method enables Fish Buyers to pay less in bad years and more in good years. Second revenues based on the volume of fish better represent the wear and tear on our facilities. Attachments show two major recent repairs to Johnson Pier, which in some part reflect wear and tear from commercial activities that would be heaviest during the best fishing years.

The level at which fish buying fees are eventually set should be adequate to cover the cost of adequate management, including proper and adequate auditing. Additionally, options have not been exhausted to verify fish unloading weights. For example, weighmaster tickets are public documents which do not reveal the location of the catch, and could be used to validate Fish buyer fees based the amount of unload.

There are possibly good reasons why the rates are on the high end of the industry, given the location of the District, to various fisheries, and various market factors. The District did have an offer from another Fish Buyer, Bettencourt Fisheries, who had submitted a proposal during 2013 to be one of the fish buyers at Johnson Pier. Reportedly that proposal would have resulted in higher payments to the District.

Information has also been included in attachments pertaining to discussions on the CAP

Recommendation: Continue completing summary information on all District Commercial Leases in preparation for Commission discussion regarding which commercial lease issues to tackle first.

No action needs to be taken to continue the current course.

Fiscal Impact: None

Debbie Nixon

From: Sabrina Brennan <sabrina@dfm.com>
Sent: Monday, July 27, 2015 2:28 PM
To: Debbie Nixon
Cc: Tom Mattusch; Sabrina Brennan
Subject: Fwd: Fish Buyers: Aug. 1, 2012 & June 20, 2012 Reg. Meetings

Hello Debbie,

I'm emailing regarding the agenda item I requested for the Aug. 5, 2015 board meeting: **Discussion and Possible Action on Fees for Fish Off-Loading, Fees for Wholesale Purchase and Fees for Retail Sales**

Hopefully Tom already forwarded you my July 17 email below regarding **Fish Buying Fees** and **Commercial Activity Permits for Non-Lessee Wholesale Commercial Fish Buyers at Pillar Point Harbor** . The info should help you find the relevant documents for the Aug. 5 board packet. I'll send you list of documents for the board packet tomorrow.

Thanks,
Sabrina

Begin forwarded message:

From: Sabrina Brennan <sabrina@dfm.com>
Subject: Fish Buyers: Aug. 1, 2012 & June 20, 2012 Reg. Meetings
Date: July 17, 2015 at 10:28:10 PM PDT
To: Tom Mattusch <TMattusch@smharbor.com>
Cc: Sabrina Brennan <SBrennan@smharbor.com>, Steven Miller <smiller@hansonbridgett.com>
Reply-To: Sabrina Brennan <SBrennan@smharbor.com>

Hello Tom,

At our July 15th meeting it appeared the IGM was unfamiliar with the Fish Buying Lease/Fee concerns. You might want to pass this email on to staff regarding the Fish Buying Lease/Fee agenda item I requested for the Aug. 5th board meeting. I've attached past meeting info that might help staff research this item.

The IGM might want to spend some time talking with the three fish buyers to get updated on their concerns regarding the current lease agreements.

My suggestion has always been to remove the fees from the lease agreements and charge a higher monthly base rent. **I don't believe the District has the staff capacity to enforce and audit a fish buying fee arrangement.**

Any changes to the leases would require a lease amendment or we could consider drafting new leases. All proposed changes will need to be negotiated with the fish buyers. The staff and counsel should develop a workable plan for addressing the outstanding concerns.

The Commercial Activity Permits for Non-Lessee Wholesale Commercial Fish Buyers should also be discussed at an upcoming board meeting. The board might want to consider terminating the CAP for Non-Lessee Wholesale Commercial Fish Buyers policy since the District has never collected these CAP fees. It might make sense to approve a new policy that's enforceable at a later date. It's bad practice to have District polices that are not adhered to. In this case it raises concerns about gift of public funds. Better not to require fees the District does not make any effort to collect.

At a time when public perception of the District is low it would be helpful to get these issues resolved.

Thanks,
Sabrina

Award of Fish Buying Leases

June 6, 2012 Reg. Meeting minutes: http://www.smharbor.com/minutes/mf060612.pdf

Public Hearing

2 TITLE: **Lease Proposals for Fish Buying and Fish Unloading; Pillar Point Seafood (McHenry), Three Captains Sea Products, Inc. (Fortado), Morning Star Fisheries (Mallory), Bettencourt Fisheries, Inc. (Bettencourt), Johnson Pier, Pillar Point Harbor, El Granada, San Mateo County, APN 047-083-060**

Action: Motion by Padreddii, second by Bernardo to close the public hearing. The motion passed by a roll call vote.

Ayes:	4
Nays:	0
Recused:	1 (Parravano)

Action: Motion by Tucker, second by Bernardo to award a lease to Pillar Point Seafood, Morningstar Fisheries and Three Captains Sea Products. The motion passed by a roll call vote.

Ayes:	3
Nays:	0
Abstention:	1 (Holsinger)
Recused:	1 (Parravano)

Commercial Activity Permits for Non-Lessee Wholesale Commercial Fish Buyers at Pillar Point Harbor

Aug. 1, 2012 Reg. Meeting: http://www.smharbor.com/harbordistrict/agendas/08012012a.pdf

Continued Business

2	TITLE:	**Adopt Amendment to District Ordinance Code Section 5.2.1.6 Concerning Process for Approving and Issuing Commercial Activity Permits for Non-Lessee Commercial Fish Buyers at Pillar Point Harbor**
	REPORT:	Grenell, Memo, Resolution
	PROPOSED ACTION:	Adopt amendment to District Ordinance Code section 5.2.1.6 concerning process for approving and issuing Commercial Activity Permits for Non-Lessee Wholesale Commercial Fish Buyers at Pillar Point Harbor

June 20, 2012 Reg. Meeting: http://www.smharbor.com/harbordistrict/agendas/06202012.pdf

6	TITLE:	**Introduce Amendment to District Ordinance Code Section 5.2.1.6 Concerning Process for Approving and Issuing Commercial Activity Permits for Non-Lessee Wholesale Commercial Fish Buyers at Pillar Point Harbor**
	REPORT:	Grenell, Memo
	PROPOSED ACTION:	Direct the General Manager to publish a notice in compliance with the provisions of Harbors and Navigation Code Section 6070.2 to provide for public review and comment on the proposed ordinance amendment

Debbie Nixon

From:	Sabrina Brennan <sabrina@dfm.com>
Sent:	Tuesday, July 28, 2015 5:24 PM
To:	Debbie Nixon
Cc:	Tom Mattusch; Sabrina Brennan
Subject:	Dornbush Report & JJACPA Audit
Attachments:	Dornbush Invoices for Fish Buying Fee Audit & Report.pdf

Hello Debbie,

I'm emailing regarding the agenda item I requested for the Aug. 5, 2015 board meeting: **Discussion and Possible Action on Fees for Fish Off-Loading, Fees for Wholesale Purchase and Fees for Retail Sales**

Please include the attached PDF file (Invoices from Dornbush and JJACPA for **$20,400**) in the Aug. 5th board packet along with the two corresponding reports.

Please be sure to include both the Dornbush Report & JJACPA Audit in the Aug. 5th board packet along with the attached invoices.

Please let me know if you have any questions.

Thank you,
Sabrina

05-10-14 P 1:53 OUT

Mr. Peter Grenell
General Manager
San Mateo County Harbor District
400 Oyster Point Blvd., Suite 300
South San Francisco, California 94080

78235

Invoice for:	Analysis of Rent and Fees for Wholesale Fish Purchase, Off-Loading and Retail Fish Sales
Date:	June 4, 2014
Period:	April – May, 2014
Payee:	Dornbusch Associates 2907 Claremont Avenue, Suite 120 Berkeley, California 94705
Total Fee:	$14,750
Total This Invoice:	80% of $14,750 = **$11,800**

P.O. #: 3460
Acct. #:
201 760 030
Pay Amt: 11,800
Approved:
Dir. Fin:
Dept. PPH:
Dept. OPM:
Gen. Mgr.
Notes:

07-24-14P12:28 RCVD

Mr. Peter Grenell
General Manager
San Mateo County Harbor District
400 Oyster Point Blvd., Suite 300
South San Francisco, California 94080

Invoice for:	Analysis of Rent and Fees for Wholesale Fish Purchase, Off-Loading and Retail Fish Sales
Date:	July 22, 2014
Period:	June-July, 2014
Payee:	Dornbusch Associates 2907 Claremont Avenue, Suite 120 Berkeley, California 94705
Total Fee:	$14,750
Total This Invoice:	20% of $14,750 = **$2,950**

78466

PO # 260
Acct # 201.760.030

Pay Amt 2,950.00
Approved.
Dir. Fin:
Dept. PPH:
Dept OPM:
Gen. Mgr.
Notes:

Invoice

JJACPA, Inc.
7080 Donlon Way
Suite 204
Dublin, CA 94568-2787

Date	Invoice #
9/4/2014	407

Bill To
San Mateo County Harbor District Attn: Debra Galarza 400 Oyster Pt Blvd Suite 300 South San Francisco, CA 94080

Description	Amount
Agreed Upon Procedures for Fish Buyers Lease Agreement Revenue Verification Preparation of report and supporting schedules Joe Arch 7 hours Brett Jones 36 hours Not to exceed $3,750 Total time and expense $5,568.70	3,750.00

It's been a pleasure working with you!

Total $3,750.00

Invoice

JJACPA, Inc.
7080 Donlon Way
Suite 204
Dublin, CA 94568-2787

Date	Invoice #
12/23/2014	444

Bill To
San Mateo County Harbor District Attn: Debra Galarza 400 Oyster Pt Blvd Suite 300 South San Francisco, CA 94080

14404

Description	Amount
Agreed Upon Procedures for Fish Buyers Lease Agreement Revenue Verification Preparation of report and supporting schedules additional work per amended engagement letter Joe Arch 1 hour Brett Jones 5.5 hours Not to exceed $5,650 Previous billing (3,750) Amount remaining $1,900 Total time and expense $6,955.95	1,900.00

It's been a pleasure working with you!

Total $1,900.00

San Mateo County Harbor District Fish Buyer Audit
April 2013 - March 2014

Description	Date	Hours	Mileage
Conversation with Debra Galarza, Finance Director regarding fish buyer off-loading procedures	3/4/2014	0.25	
Conversation with Scott Grindy, Harbor Master, over fish buyer off-loading procedures.	3/4/2014	0.25	
Conversation with Joann Eres, of the Department of Fish and Wildlife regarding scale maintenance and landing receipts	3/6/2014	0.25	
Drafting of Confirmation letters to be sent to Department of Fish and Wildlife to confirm fish off-loaded.	3/12/2014	0.5	
Drafting of information request letters to be sent to leaseholders.	4/16/2014	0.5	
Conversation with Sabrina Brennan regarding the Fish Buyer audit.	4/23/2014	0.25	
Conversations with leaseholders to obtain supporting documents to conduct our audit.	6/9/2014	0.5	
Additional attempts of contacting Morningstar Fisheries and notification of District Finance Director of non-response.	6/27/2014	0.25	
Travel from Pacifica to Pillar Point Harbor to pick up invoices Kim and Mike McHenry at Pillar Point Seafood.	7/1/2014	2	34
Conversation with Kim McHenry to request April, May and June 2013 invoices that were not provided.	7/8/2014	0.25	
Reconciliation of Three Captains invoices to monthly fish purchase and off-loading fees worksheet.	8/4/2014	4	
Reconciliation of Pillar Point Seafood 9 months of invoices to monthly fish purchase and off-loading fees worksheet.	8/5/2014 - 8/6/2014	6	
Follow up conversation with Mike McHenry requesting the April, May and June 2013 invoices.	8/8/2014	0.5	
Work paper completion	8/8/2014	6	
Draft report of findings	8/9/2014- 8/11/2014	8	
Report and Work paper Review	8/11/2014	6 2	
Meeting to go over report findings	9/4/2014	2	
Report Revisions	8/11/2014 9/4/2014	3.5 2	
Additional mileage - To pick up documentation from Dave Mallory from Pillar Point Harbor	10/29/2014	2	45
Additional work - Review invoices and update draft of report	12/16/2014	5	
Report Review	12/16/2014	1	
Report issuance	12/18/2014	0.5	
		53.5	79
			0.55

Rate:					
Brett	$125	44.50	$5,562.50	$43.45	$5,605.95
Joe	150	9	1350		1350
					$6,955.95

Contract Amount	$ 5,650.00
Paid	(3,750.00)
Remaining	1,900.00

ANALYSIS OF FEES FOR FISH OFF-LOADING, WHOLESALE PURCHASE, & RETAIL SALES

PILLAR POINT HARBOR

PILLAR POINT SEAFOOD, MORNING STAR FISHERIES, AND THREE CAPTAINS SEA PRODUCTS LEASES

Presented to

San Mateo County Harbor District

By

Dornbusch Associates

Berkeley, California

DECEMBER 2014

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I. INTRODUCTION AND BACKGROUND INFORMATION

A. Study Purpose and Objective

The San Mateo County Harbor District (SMCHD) engaged Dornbusch Associates (Dornbusch) to analyze fees that SMCHD levies on lessees who engage in fish off-loading, wholesale purchase, and retail sales at Pillar Point Harbor. The three lessees are Pillar Point Seafood, Morning Star Fisheries, and Three Captains Sea Products. Dornbusch compared fees at Pillar Point to fees in place at other harbors in Northern California, including Monterey, Moss Landing, Santa Cruz, San Francisco, Spud Point (Bodega Bay), and Noyo (Fort Bragg).

Although the methodology of this report involves a comparability study and an analysis of fees as a percentage of lessees' revenues, another way to approach the problem would be to focus on SMCHD's needs for the fees generated by the lessees. SMCHD might require a certain minimum amount of fees to cover debt service or to fund projected capital improvements that would benefit the lessees (such as improvements to the pier, roadway, or building exterior, etc.)

Note that the San Mateo County Harbor District has fewer options for generating fee revenue as compared to larger ports, especially in Monterey and San Francisco, which earn fees not only from slip rentals but also from large numbers of restaurants and retail operations. Therefore, SMCHD relies to a relatively greater extent on fees from these lessees. Nevertheless, the total rents and fees generated by these three contracts represent only around 8% of Pillar Point Harbor's overall operating revenue of $2.1 million for 2013-2014, according to SMCHD's final budget. The majority of operating revenue at Pillar Point (around 70%) comes from berth fees and another 10% comes from other rents and leases at the harbor.

Pillar Point is in a relatively high cost area for construction as compared to other marinas in the comparable set, which might justify slightly higher fees than comparables. For example, the weighted average construction cost index is 115.2 for Half Moon Bay-San Mateo and 108.9 for Monterey-Salinas in 2014. This suggests that it is approximately 6% more costly to complete construction and capital improvement projects at Pillar Point than it would be at Monterey Harbor.

These differences were taken into consideration when developing the recommendations at the end of this report.

B. Overview of Key Lease Parameters

The current leases for off-loading, wholesale purchase and retail sales went into effect in March 2013 and have an initial term of 5 years, with two 5-year renewal options. The approximate square footage of each lessee's space in the building on Johnson Pier, including upper and

lower levels, is 1,250 square feet. Lesees also have designated storage spaces on another area of the pier as well as apron space along the pier where their hoists are located. Lessees and off-loaded fish are accessed by buyers and their refrigerated trucks by the pier rather than onshore.

Minimum Base Rent was initially set at $2,500 per month under the new leases. (Note: initial base rent under the previous 30-year leases had been set at $2,000, but had increased to $2,140 over time.) In addition to Minimum Base Rent, there are fees for Wholesale Fish Purchase, Fish Off-Loading, and Retail Fish Sales.

For Wholesale Fish Purchase, fees are $10 per ton for wetfish and 1 cent per pound ($20 per ton) for finfish and shellfish.

For Fish Off-Loading, fees are similarly $10 per ton for wetfish and 1 cent per pound ($20 per ton) for finfish and shellfish.

For Retail Fish Sales, the fee is 5% of gross receipts.

Note that fees are in addition to Base Rent under the new leases. Under the previous leases, fees only applied after the percentage fee exceeded Base Rent. As an example, if there were a 5% fee on retail revenue of $50,000, the total rent and fees paid under the previous contracts would be $2,500 (because the $2,500 percentage fee exceeded base rent). Under the new contracts, the total fee would be the fee on retail revenue ($2,500) PLUS the base rent of $2,500, for a total of $5,000. So in this example, total rent + fees would be doubled under the new contracts as compared to the previous contracts.

Payments of fees are due monthly under the new contracts, as compared to quarterly under the previous contracts. Lessees noted in interviews that they found this increased frequency burdensome.

II. FEES FOR FISH OFF-LOADING

A. Summary of Fees Paid Since April 2013

For Fish Off-Loading, fees are $10 per ton for wetfish and $0.01 per pound ($20 per ton) for finfish and shellfish. The following table presents off-loading fees paid to SMCHD since April 2013. Note that these fees have not been audited, and their calculation relies on lessee's data.

Table 1. Off-Loading Fees Paid from April 2013 to March 2014

Month	Morning Star	Pillar Point Seafood	Three Captains	Total Off-Loading Fees
April 2013		$187.13		$187.13
May	$165.37	$1,529.30		$1,694.67
June	$35.21	$968.95		$1,004.16
July		$7,091.81		$7,091.81
August	$134.86	$8,979.81	$19,825.03	$28,939.70
September	$60.87	$8,729.97	$24.84	$8,815.68
October	$40.04	$375.92	$41.62	$457.58
November		$7,962.70	$302.71	$8,265.41
December		$1,589.69		$1,589.69
January 2014		$185.00		$185.00
February		$7.79	$236.35	$244.14
March	$40.62	$213.56	$212.10	$466.28
12 Month Total	**$476.97**	**$37,821.63**	**$20,642.65**	**$58,941.25**
Monthly Average	**$39.75**	**$3,151.80**	**$1,587.90**	**$4,533.94**

As the table shows, the three lessees paid a total of almost $59,000 in off-loading fees over the 12-month period, or an average of approximately $4,500 per month. Pillar Point Seafood had the most off-loading business, accounting for around 64% of the total fees paid by the three lessees. Three Captains accounted for 35% and Morning Star fisheries the remaining 1%. Monthly fees for off-loading were over $3,100 for Pillar Point Seafood, almost $1,600 for Three Captains, and $40 for Morning Star.

Most of the individual monthly figures in the table reflect fees paid on finfish and shellfish, with the exception of the large August 2013 figure for Three Captains, which primarily represents a large landing of squid/wetfish (1,963 tons at $10/ton = $19,630 of that month's fee) and the July, August, and September 2013 figures for Pillar Point Seafood (around $21,500 of the $23,000 in fees paid by Pillar Point Seafood during those three months were for squid/wetfish, representing around 2,150 tons). Total wetfish off-loading by the lessees was therefore approximately 4,000 tons over the period.

NOTE: according to Dave Mallory (owner of Morning Star), Morning Star and Three Captains had an agreement to share off-loading responsibilities for the large amount of squid that shows up as part of the $19,825.03 fee for Three Captains in August 2013. Although Three Captains

booked the revenue and the entire fee to SMCHD, it passed through a portion to Morning Star according to their agreement. All appropriate fees were paid to SMCHD, but we report this in order to note that Morning Star is also more affected by the off-loading fees than the figures in the table would suggest.

So, of the $59,000 in total fees paid, approximately $40,000 was for wetfish and the remaining $19,000 for finfish and shellfish. On average, Morning Star off-loaded two tons (4,000 pounds) of finfish and shellfish per month, Pillar Point Seafood off-loaded 54.3 tons (108,500 pounds) of finfish and shellfish per month, and Three Captains off-loaded 3.4 tons (6,800 pounds) of finfish and shellfish per month. Total finfish and shellfish off-loading was around 60 tons per month or 720 tons (1,440,000 pounds) over the 12-month period.

Table 2. Breakdown of Monthly Fees by Type of Fish

Type	Morning Star	Pillar Point Seafood	Three Captains
Wetfish	$0	$2,066.80	$1,652.08
Finfish and Shellfish	$39.75	$1,085.00	$68.14
Total Monthly Average	**$39.75**	**$3,151.80**	**$1,720.22**
12 Month Total	**$476.97**	**$37,821.63**	**$20,642.65**

The table shows that fees on wetfish accounted for approximately two-thirds of Pillar Point Seafood's total off-loading fees and 96% of Three Captains' total off-loading fees.

B. Average Prices that Lessees Charge to Fishermen for Off-Loading

Mike McHenry of Pillar Point Seafood reported that he typically charges fishermen 25 cents per pound to offload salmon and 17 cents per pound to offload crab. The 1 cent fee levied by SMCHD for off-loading these finfish/shellfish species represents 4% of revenue received for salmon ($0.01 fee/$0.25 revenue per pound) and approximately 6% of revenue received for crab ($0.01/$0.17). For groundfish such as sole, cod, sand dabs, halibut, and rockfish, fishermen are typically charged 5 cents per pound, so the 1 cent per pound fee represents 20% of revenue received ($0.01/$0.05). However, these groundfish species represent a very small amount of overall landings.

For wetfish (primarily squid), McHenry reported that he charges fishermen $30 per ton to off-load. The $10 per ton fee levied by SMCHD represents 33.3% of the revenue received for off-loading squid. For off-loading 100 tons, the lessee would receive $3,000 and would then pay $1,000 in fees to SMCHD. This fee for wetfish offloading represents a very high share of revenue and has a direct impact on lessee profits.

Dave Mallory reported that Morning Star and Three Captains charged $35 per ton to off-load squid. The $10 per ton fee represents 28.6% of the of the revenue received.

The following table summarizes fees as a percentage of revenue for SMCHD lessees.

Table 3. Off-Loading Fees as a Percentage of Off-Loading Revenue

Species	Revenue	Fee	Fee as % of Revenue
Salmon	25 cents/lb	1 cent/lb	4%
Crab	17 cents/lb	1 cent/lb	6%
Groundfish	5 cents/lb	1 cent/lb	20%
Wetfish (squid)	**$30-$35/ton**	**$10/ton**	**28-33%**

The table illustrates the relatively high fee levied for off-loading wetfish. Again, although the fee on groundfish also appears high, groundfish represents a very small share of overall off-loading revenue.

In our experience analyzing leases and concessions contracts for local, state, and national agencies, a 10% fee would be high for businesses associated with food processing, handling or retailing. Something in the 5% range or slightly lower would be more in line with industry comparables.

C. Comparable Off-Loading Prices and Fees

The City of Monterey currently charges $1.78 per ton (less than 1/10th of 1 cent per pound) wharfage, regardless of species (same fee for wetfish and finfish/shellfish) to lessees who off-load fish on Municipal Wharf II. The fee increases slightly each year based on an inflation factor but has not had a major adjustment based on comparables since current leases went into effect several years ago.

The City of Monterey's 2013 *Fishing Community Sustainability Plan,* which considered harbors throughout Northern and Southern California, included a recommendation to increase wharfage to $5 per ton for wetfish and higher fees for finfish and shellfish depending on species.

According to Steve Scheiblauer (Harbormaster) and Rick Marvin (Property Manager), Monterey is also currently conducting other analyses in preparation for lease renewals that will be occurring in coming years. Recommendations that emerge from these analyses may be incorporated into future lease terms.

At Spud Point (Bodega Bay), the Harbor has its own hoist and charges fishermen directly. According to Noah Wagner, Marina Supervisor, resident fishing boats (permanent berth holders) are charged 8 cents/lb for crab, 10 cents/lb for salmon and 5 cents/lb for all other species. For residents, the first 125 pounds of fish or 300 pounds of crab are free. For non-resident boats, the Harbor charges 15 cents/lb for crab, 20 cents/lb for salmon and 10 cents/lb for all other species. There is a $15 minimum fee for non-residents. Outside buyers that come in and off-load fish with their own equipment pay the same fees to the Harbor for poundage. The must also pay $250 for a six-month permit to buy fish.

Spud Point also has one lessee that provides off-loading services that pays a base rent of $2,500 per month for warehouse space and 4 cents per pound wharfage (only if the fee exceeds minimum base rent, so the fee would only kick in after 62,500 pounds are off-loaded in one month).

Santa Cruz Harbor does not charge wharfage and resident boats can use a public hoist for free to off-load their own catch. However, they have a designated off-loader/buyer (H&H Fresh Fish Company) that is permitted to charge fishermen between 10 and 15 cents per pound for off-loading finfish (according to Hans Haveman at H&H, most of the wetfish business at Santa Cruz is handled by a couple of boats that off-load their own catch). Outside boats may use the public hoist to off-load but must pay the resident off-loader/buyer the same fee (10-15 cents per pound for finfish).

San Francisco, Noyo (Fort Bragg) and Moss Landing do not charge wharfage. At Moss Landing, most of the off-loading is handled by Bay Fresh Seafoods, which charges 25 cents per pound to fishermen for off-loading different species of finfish and shellfish. Bay Fresh also has a squid pump and typically charges $25 per ton for off-loading squid, according to owner Roger Whitney.

The following table summarizes off-loading fees at harbors in Northern California.

Table 4. Off-Loading Fees

Location	Fees
Pillar Point	$10/ton wetfish, 1 cent/pound finfish, shellfish
Monterey (current)	$1.78/ton (< 0.1 cent/pound) all species
Monterey (recommended in 2013 report)	$5/ton wetfish, higher for finfish, shellfish
Spud Point	4 cents/pound finfish, shellfish (only if exceeds base)

Off-loading fees are currently higher at Pillar Point than they are at Monterey. However, a recent report for Monterey recommended an increase in wharfage to $5/ton for wetfish and higher fees for finfish and shellfish at that harbor (up to 1% of ex-vessel value in some cases, which would roughly correspond to 5 cents/pound or $100/ton for many species). Other analyses underway at Monterey may also impact the terms of future leases there.

The following table summarizes what fishermen pay to have their catch off-loaded at Northern California harbors (what fishermen are charged for off-loading, as opposed to fees that harbor authorities collect).

Table 5. Off-Loading Costs for Fishermen

Location	Off-Loading Costs, Finfish and Shellfish	Off-Loading Costs, Wetfish
Pillar Point	25 cents/lb salmon, 17 cents/lb crab	$30-35/ton
Monterey	15-30 cents/lb	$25-$30/ton
Moss Landing	25 cents/lb salmon, 25 cents/lb crab	$25/ton
Santa Cruz	10-15 cents/lb	Fishermen use public hoist
San Francisco	20-30 cents/lb	
Spud Point (Bodega Bay)	5-10 cents/lb resident, 10-20 cents/lb non-resident	

The table shows that off-loading prices that Pillar Point lessees charge to fishermen are generally in line or slightly higher with prices at other harbors in Northern California. This suggests that some of the costs are being passed through to fishermen. However, off-loaders at Pillar Point face higher fees than off-loaders in other locations.

III. FEES FOR WHOLESALE FISH PURCHASE AND RETAIL FISH SALES

A. Summary of Fees Paid Since April 2013

The current leases specify that lessees pay fees of $10 per ton of wetfish purchased and 1 cent per pound per ton of finfish or shellfish purchased wholesale. Additionally, SMCHD requires lessees to pay 5% of gross receipts on retail fish sales to the general public.

The following table presents total wholesale purchase fees and average monthly fees paid by Morning Star and Three Captains from April 2013 to March 2014. Pillar Point Seafood does not purchase fish or engage in retail sales.

Table 6. Fees Paid for Wholesale Fish Purchase

Lessee	Morning Star	Three Captains	TOTAL
Total Fees Apr. 13-Mar. 14	$4,761.77	$5,686.11	**$10,447.88**
Average Monthly Fees	$396.81	$473.84	**$870.66**

Morning Star paid an average of around $400 per month in fees and Three Captains paid an average of less than $500 per month in fees on wholesale fish purchases.

The following table presents total Retail Fish Sales fees and average monthly fees paid by Morning Star and Three Captains from April 2013 to March 2014. Pillar Point Seafood does not purchase fish or engage in retail sales.

Table 7. Fees Paid for Retail Fish Sales

Lessee	Morning Star	Three Captains	TOTAL
Total Fees Apr. 13-Mar. 14	$1,226.19	$10,852.89	**$12,079.08**
Average Monthly Fees	$102.18	$904.41	**$1,006.59**

Morning Star paid an average of around $100 per month in fees and Three Captains paid an average of $900 per month in fees on retail fish sales. Based on these figures, which equal 5% of gross revenue, retail fish sales totaled $24,524 for Morning Star and $217,058 for Three Captains over the period.

B. Average Wholesale and Retail Prices and Comparable Fees

Average wholesale prices for salmon are typically in the $4 to $6 range, but due to scarcity and fishing area closures they have approached $8 this year. Wholesale prices for halibut and other finfish are currently in the $4 to $6 range. Wholesale prices for most fish species typically represent around one half of the retail price (in other words, the retail mark-up represents 50% of the retail sales price). This is another way of saying that the gross margin on fish sales is around 50%. A 5% fee on retail sales revenue represents a 10% fee on this gross margin, which in our experience is reasonable but slightly high. For example, one pound of halibut purchased

wholesale for $4 might sell retail for $8. The 5% fee on the $8 retail sale would be 40 cents. This represents 10% of the $4 gross profit that the seller earned on the sale.

Monterey currently imposes a fee of 2% on retail sales for fish markets. This fee will likely be reconsidered with other lease terms when leases are renewed at Monterey over the next few years. There are no fees imposed by harbor authorities on retail fish sales at Santa Cruz, Moss Landing, or Fort Bragg. At Bodega Bay, there are sales to the public directly off boats and sellers are charged a flat $15 per day fee to sell.

Although we do not judge the current 5% fee on retail sales to be overly burdensome for lessees, a slight reduction (to 2.5% or 3%) would put the fee more in line with fees charged at Monterey.

IV. SUMMARY OF TOTAL RENT AND FEES PAID

The previous sections discussed Base Rent, Off-Loading Fees, and Wholesale Purchase and Retail Sales Fees separately. In this section, we present a monthly and annual summary of total fees paid. The following table presents average monthly rent and fees paid by category for each of the three lessees over the April 2013-March 2014 period.

Table 8. Average Monthly Rent and Fees Paid from April 2013 to March 2014

Fee Type	Morning Star	Pillar Point Seafood	Three Captains	Total
Monthly Fees				
Off-Loading Wetfish	$0	$2,066.80	$1,652.08	$3,718.88
Off-Loading Finfish	$39.75	$1,085.00	$68.14	$1,192.89
Wholesale Purchase	$396.81	$0	$473.84	$870.65
Retail Sales	$102.18	$0	$904.41	$1,006.59
Total Monthly Fees	**$538.74**	**$3,151.80**	**$3,098.47**	**$6,789.01**
Monthly Base Rent	**$2,500.00**	**$2,500.00**	**$2,500.00**	**$7,500.00**
Monthly Rent + Fees	**$3,038.74**	**$5,651.80**	**$5,598.47**	**$14,289.01**

Under the previous leases, the lessees were paying $2,140 in Minimum Base Rent, and percentage fees on sales rarely exceeded minimum base rent. **Total average monthly Rent + Fees paid over the 2013-2014 period represented a 42% increase (above the $2,140 base rent) for Morning Star, 164% increase for Pillar Point Seafood and 162% for Three Captains. In other words, Pillar Point Seafood and Three Captains are now paying over 2.5 times the rent and fees they were previously paying.** (And, since Morning Star actually incurred more fees due to its squid off-loading agreement with Three Captains, Morning Star's actual monthly fees are effectively higher than the table shows—while Three Captains are effectively slightly lower). The following table presents annual totals for each of these categories.

Table 9. Annual Rent and Fees Paid from April 2013 to March 2014

Fee Type	Morning Star	Pillar Point Seafood	Three Captains	Total
Annual Fees				
Off-Loading Wetfish	$0	$24,802	$19,825	$44,627
Off-Loading Finfish	$477	$13,020	$818	$14,315
Wholesale Purchase	$4,762	$0	$5,686	$10,448
Retail Sales	$1,226	$0	$10,853	$12,079
Total Annual Fees	**$6,465**	**$37,822**	**$37,182**	**$81,468**
Annual Base Rent	**$30,000**	**$30,000**	**$30,000**	**$90,000**
Annual Rent + Fees	**$36,465**	**$67,822**	**$67,182**	**$171,468**

As shown in the table, SMCHD collected $90,000 in base rent and $81,468 in fees over the period, for a total of $171,468.

V. KEY FINDINGS AND RECOMMENDATIONS

The following bullet points list the key findings of this report:

- Lessees were paying minimum base rents of $2,140 per month under the previous leases prior to March 2013. The $2,500 monthly rent specified in the first year under the current leases represented a 16.8% increase, and base rent has increased by another 3% to $2,575 in the second year of the contracts. While significant, the 16.8% increase represented a bit of a "catch-up" as rents had not been increased by inflation indexes on a regular basis during the previous lease term.
- Fees levied on off-loading finfish and shellfish (1 cent/pound) represent approximately 4% of off-loading revenue for salmon and 6% for crab. In our experience analyzing leases and contracts for public agencies, these fees on finfish and shellfish off-loading are reasonable.
- Fees levied on off-loading wetfish ($10/ton) represent approximately 28-33% of off-loading revenue for squid ($30-35/ton). This 28-33% range is very high and has a significant impact on lessees' profit margins.
- Pillar Point Seafood paid $38,000 in off-loading fees and Three Captains paid $21,000 in off-loading fees over the 12-month period April 2013-March 2014.
- The 5% fee on retail fish sales is within a reasonable range, although slightly higher than the fee on retail fish sales at Monterey.
- Total average monthly Rent + Fees paid over the 2013-2014 period represented a 42% increase (above $2,140) for Morning Star, 164% increase for Pillar Point Seafood and 162% for Three Captains. In other words, Pillar Point Seafood and Three Captains are now paying over 2.5 times the rent and fees they were previously paying.

Based on these findings, we recommend a significant reduction in the fee charged for off-loading wetfish, and a possible reduction in fees on retail fish sales. We present two possible alternative scenarios for reducing fees below and discuss the impacts to fees paid by lessess and fee revenue received by SMCHD.

Alternative Scenario 1: Reduce Off-Loading Fee on Wetfish to $3/ton

Reducing the Off-Loading Fee on wetfish to $3/ton would set that fee to approximately 10% of the revenue generated by the service (the average price for off-loading wetfish is $30/ton), which would be less burdensome than the current fee of $10/ton (33% of the average price for off-loading).

If the Off-Loading Fee on wetfish were reduced to $3/ton but Base Rent and all other fees remained the same, Pillar Point Seafood's fees would be reduced by around $17,400 and Three Captains' fees would be reduced by around $13,900. SMCHD would collect $31,300 less in total fees for the year, which represents around 18% of total Rent and Fees collected between April 2013 and March 2014.

Under the previous contracts, SMCHD collected total annual Base Rent of around $77,000 ($2,140/month x 12 months x 3 lessees). Even with the $31,000 reduction in fees under this scenario, SMCHD would collect around $140,000 in annual rent and fees ($171,000-$31,000).

Alternative Scenario 2: Reduce Fees by 50%

Reducing the Off-Loading Fee for wetfish from $10 to $5/ton would put Pillar Point in line with the recommendation made in the 2013 *Fishing Community Sustainability Plan* for Monterey. Reducing the fee on retail sales from 5% to 2.5% would put Pillar Point more in line with the percentage charged to fish markets on Monterey's Municipal Wharf II.

If Base Rent remained the same but fees were reduced by 50% across the board (to $5/ton for off-loading and purchasing wetfish, one-half cent per pound for off-loading and purchasing finfish, and 2.5% on retail fish sales, Morning Star's annual fees would be reduced by over $3,200, Pillar Point Seafood's fees would be reduced by around $18,900, and Three Captains' fees would be reduced by around $18,600. SMCHD would have collected $40,700 less in total fees for the past year, which represents around 24% of total Rent and Fees collected between April 2013 and March 2014. SMCHD would still collect a total of $130,000 in annual rent and fees.

SAN MATEO COUNTY HARBOR DISTRICT

FISH BUYER LEASE REVENUE VERIFICATION

FOR THE PERIOD OF APRIL 2013

THROUGH MARCH 2014

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San Mateo County Harbor District
Fish Buyer Lease Revenue Verification
For the period April 2013 through March 2014

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JJACPA, Inc.
A Professional Accounting Services Corp.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To Management of the
San Mateo County Harbor District
South San Francisco, California

We have performed the procedures enumerated below, which were agreed to by the management of San Mateo County Harbor District (District), solely to assist you in evaluating the monthly fish purchase and off-loading fees for the period April 2013 through March 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1) Perform a desk audit of three fish buyer leases, which include off loading and buying fees in addition to their base rent. Verification procedures included tracing fish off-loaded and purchased by Tenant to supporting invoices and recalculating fees due to the District.

2) Provide the above desk audit in a report format.

   Findings: See page 16 for Summary of Findings

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the monthly fish purchase and off-loading fees for the period identified. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the Harbor Commission and is not intended to be and should not be used by anyone other than these specified parties.

JJACPA, Inc.

December 17, 2014 **JJACPA, Inc.**

7080 Donlon Way, Suite 204, Dublin, CA 94568 • phone (925) 556-6200 • fax: (925) 556-6201
www.jjacpa.com

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EXHIBIT A

Pillar Point Seafood

San Mateo County Harbor District
Fish Buyer Lease Revenue Verification
For the period April 2013 through March 2014
Pillar Point Seafood

	Amounts Reported on Monthly Fish Purchase and Off-Loading Fees Worksheet		
Month	Total Paid for Wetfish Off-Loaded	Total Paid for Finfish and Shellfish Off-Loaded	Total Paid to District
April 2013	$ -	$ 187.13	$ 187.13
May 2013	-	1,529.30	1,529.30
June 2013	-	968.95	968.95
July 2013	6,797.67	294.14	7,091.81
August 2013	8,512.29	467.52	8,979.81
September 2013	8,251.23	478.74	8,729.97
October 2013	-	375.92	375.92
November 2013	-	7,962.70	7,962.70
December 2013	-	1,589.69	1,589.69
January 2014	-	185.00	185.00
February 2014	-	7.79	7.79
March 2014	-	213.56	213.56
Total	$ 23,561.19	$ 14,260.44	$ 37,821.63

Notes:

N/A: Indicates we could not draw a conclusion on fees due to the lack of information provided by the Tenant.

1) Variance represents the overpayment of wetfish off-loaded due to potential error in calculation. See the Summary of Findings and Recommendations for further discussion.

Exhibit A

Audited Off-Loading Fees

Total Fee for Wetfish Off-Loaded	Total Fee for Finfish and Shellfish Off-Loaded	Total Fee Due	Additional Fees Due to (from) District
$ -	N/A	$ -	N/A
-	N/A	-	N/A
-	N/A	-	N/A
6,797.67	N/A	6,797.67	-
5,151.81	N/A	5,151.81	(3,360.48) [1]
4,506.70	N/A	4,506.70	(3,744.53) [1]
-	375.92	375.92	-
-	7,965.78	7,965.78	3.08
-	1,589.64	1,589.64	(0.05)
-	185.01	185.01	0.01
-	77.99	77.99	70.20
-	213.56	213.56	-
$ 16,456.18	$ 10,407.90	$ 26,864.08	$ (7,031.77)

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EXHIBIT B

Three Captains Sea Products

San Mateo County Harbor District
Fish Buyer Lease Revenue Verification
For the period April 2013 through March 2014
Three Captains Sea Products

	Amounts Reported on Monthly Fish Purchase and Off-Loading Fees Worksheet			
Month	Total Paid for Wetfish Off-Loaded	Total Paid for Finfish and Shellfish Off-Loaded	Total Paid for Finfish Purchased by Lessee	Total Paid to District
April 2013	$ -	$ -	$ 39.96	$ 39.96
May 2013	-	39.96	769.74	809.70
June 2013	-	-	394.07	394.07
July 2013	-	-	262.90	262.90
August 2013	19,630.00	-	195.03	19,825.03
September 2013	10,083.00	-	24.84	10,107.84
October 2013	-	-	41.62	41.62
November 2013	-	302.71	2,959.28	3,261.99
December 2013	-	-	1,641.50	1,641.50
January 2014	-	-	348.44	348.44
February 2014	-	-	236.35	236.35
March 2014	-	-	212.10	212.10
Total	$ 29,713.00	$ 342.67	$ 7,125.83	$ 37,181.50

Notes:

N/A: Indicates we could not draw a conclusion on fees due to the lack of information provided by the Tenant.

Exhibit B

Audited Off-Loading Fees

Total Fee for Wetfish Off-Loaded	Total Fee for Finfish and Shellfish Off-Loaded	Total Paid for Finfish/Shellfish Purchased by Lessee	Total Fees Due	Additional Fees Due to (from) District
$ -	$ -	$ 39.96	$ 39.96	$ -
-	N/A	813.29	N/A	N/A
-	-	394.07	394.07	-
-	-	262.90	262.90	-
19,630.00		195.03	19,825.03	-
11,200.00	-	24.84	11,224.84	1,117.00
-	-	41.62	41.62	-
-	302.71	2,959.88	3,262.59	0.60
-	-	1,641.50	1,641.50	-
-	-	348.44	348.44	-
-	-	236.35	236.35	-
-	-	212.10	212.10	-
$ 30,830.00	$ 302.71	$ 7,169.98	$ 37,489.40	$ 1,117.60

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EXHIBIT C

Morning Star Fisheries

San Mateo County Harbor District
Fish Buyer Lease Revenue Verification
For the period April 2013 through March 2014
Morning Star Fisheries

Month	Amounts Reported on Monthly Fish Purchase and Off-Loading Fees Worksheet			
	Total Paid for Finfish and Shellfish Off-Loaded	Total Paid for Finfish and Shellfish Purchased by Lessee	Total Paid for Gross Receipts for Lessee's On-Site Retail Fish Sales	Total Paid to District
April 2013	$ -	$ 41.19	$ 15.95	$ 57.14
May 2013	165.37	467.36	87.20	719.93
June 2013	35.21	286.34	110.94	432.49
July 2013	-	42.63	269.65	312.28
August 2013	134.86	25.46	28.10	188.42
September 2013	60.87	9.60	5.00	75.47
October 2013	40.04	3.92	-	43.96
November 2013	-	2,198.47	291.30	2,489.77
December 2013	-	1,023.80	185.25	1,209.05
January 2014	-	317.38	88.00	405.38
February 2014	-	188.37	82.60	270.97
March 2014	40.62	157.25	62.20	260.07
Total	$ 476.97	$ 4,761.77	$ 1,226.19	$ 6,464.93

Exhibit C

Audited Off-Loading Fees

Total Fee for Finfish and Shellfish Off-Loaded	Total Fee for Finfish and Shellfish Purchased by Lessee	Total Fee for Gross Receipts for Lessee's On-Site Retail Fish Sales	Total Fees Due	Additional Fees Due to (from) District
$ -	$ 48.96	$ 15.95	$ 64.91	$ 7.77
111.34	452.84	87.20	651.38	(68.55)
35.21	275.75	110.94	421.90	(10.60)
-	48.64	263.70	312.34	0.06
167.17	11.73	28.10	207.00	18.58
80.87	9.60	5.00	95.47	20.00
32.65	3.93	-	36.58	(7.38)
-	2,054.06	405.10	2,459.16	(30.61)
-	1,010.32	185.25	1,195.57	(13.48)
-	330.09	88.00	418.09	12.71
-	188.17	82.60	270.77	(0.20)
90.62	157.25	62.20	310.07	50.00
$ 517.86	$ 4,591.33	$ 1,334.04	$ 6,443.23	$ (21.70)

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NOTES TO STATEMENTS

1. Overview of the Fish Buyer Fees

In accordance with the provisions contained in the Lease Agreements between the San Mateo County Harbor District (District) and Pillar Point Seafood, Morning Star Fisheries and Three Captains Sea Products (Tenants), a fee is imposed on each tenant for the privilege to operate at Pillar Point Harbor. In additional to minimum base rent, each tenant agrees to pay to the District the following amounts:

1. Wholesale Fish Purchase: $10.00 per ton actual scale gross weight for wet fish and $.01 per pound gross weight for finfish and shellfish purchased by Tenant for fish at the premises on or before the first day of each and every successive calendar month during the term of the lease on or before the first day of each and every successive calendar month during the term of the lease.

2. Fish Off-Loading: $10.00 per ton actual scale gross weight for wet fish and $.01 per pound gross weight for finfish and shellfish off-loaded by Tenant at premises on or before the first day of each and every successive calendar month during the term of the lease on or before the first day of each and every successive calendar month during the term of the lease.

3. Retail Fish Sales: Tenant will pay Landlord five percent (5%) of its gross receipts for all fish sold to the general public on or before the first day of each and every successive calendar month during the term of the lease on or before the first day of each and every successive calendar month during the term of the lease.

Purchase and off-loading fees at the rates set forth above shall be paid monthly and shall be due and payable on the 15th day following the end of each month.

As provided in Section 6.3 of the lease agreement all documents, books and accounting records kept by Tenant relating to the lease shall be open to inspection by the District or its authorized representative at any reasonable time during the lease term and for three (3) years thereafter.

2. Summary of Significant Accounting Policies

Basis of Presentation

The statements of monthly fish purchase and off loading fees have been prepared on the cash basis of accounting, in which amounts reported reflect cash received or paid in the same period, and include all wet fish and finfish off-loaded by the tenants and payments made to the District.

FINDINGS

Pillar Point Seafood

April 2013: No supporting documentation provided.

May 2013: No supporting documentation provided.

June 2013: No supporting documentation provided.

July 2013: Invoices reconciling finfish and shellfish off-loaded not provided.

August 2013: The Tenant improperly calculated the wet fish fees paid to the District. Based on the information that was provided to us, it appears that the Tenant reported wetfish unloaded in pounds and incorrectly used the $.01 per pound finfish and shellfish rate, instead of the $10 per ton wet fish rate. Also, the unloaded wetfish on the fee worksheet is different than the supporting documentation provided to us during our engagement. From the information provided it appears that the Tenant overpaid fees in the amount of $3,360.48, calculated as follows:

Per Fee Worksheet		
Total Wetfish Off-Loaded	851,229	lbs
Incorrect Rate Used by Tenant	$0.01	per lbs
Total Paid to District for Wetfish	$ 8,512.29	
Per Audit		
Total Wetfish Off-Loaded	1,030,361	lbs
Converted to Tons	515.18	tons
Correct Rate for Wetfish	$10	per ton
Total Fees Due for Wetfish	$ 5,151.81	
Difference (overpayment) by Tenant:	$ (3,360.48)	

See recommendation 2 on page 20 for further discussion on this finding. Additionally invoices reconciling finfish and shellfish off-loaded were not provided.

September 2013: 1) The Tenant improperly calculated the wet fish fees paid to the District. Based on the information that was provided to us, it appears that the Tenant reported wetfish unloaded in pounds and incorrectly used the $.01 per pound finfish and shellfish rate, instead of the $10 per ton wet fish rate. Also, the unloaded wetfish on the fee worksheet is different than the supporting documentation provided to us during our engagement. From the information provided it appears that the Tenant overpaid fees in the amount of $3,744.53, calculated as follows:

FINDINGS, Continued

Pillar Point Seafood, continued

Per Fee Worksheet		
Total Wetfish Off-Loaded	825,123	lbs
Incorrect Rate Used by Tenant	$0.01	per lbs
Total Paid to District for Wetfish	$ 8,251.23	
Per Audit		
Total Wetfish Off-Loaded	901,340	lbs
Converted to Tons	450.67	tons
Correct Rate for Wetfish	$10	per ton
Total Fees Due for Wetfish	$ 4,506.70	
Difference (overpayment) by Tenant:	$ (3,744.53)	

See recommendation 2 on page 20 for further discussion on this finding. Additionally invoices reconciling finfish and shellfish off-loaded were not provided.

October 2013: No findings.

November 2013: There is a difference in what was reported to the District on the fee worksheet, and what was provided to us during our engagement. The Tenant off-loaded 796,579 lbs of finfish and shellfish. A total of 796,270 was reported and $7,962.70 was paid to the District. There is a variance of 308 lbs, resulting in an underpayment of $3.08.

December 2013: There is a difference in what was reported to the District on the fee worksheet and what was provided to us during our engagement. There is 5 lbs variance between what was off-loaded and reported, resulting in an overpayment of $.05.

January 2014: No findings

February 2014: There is a difference in what was reported to the District on the fee worksheet and what was provided to us during our engagement. The tenant off-loaded 7,799 lbs of finfish. A total of 779 lbs was reported to the District, resulting in an underpayment of fees of $70.20.

March 2014: No findings.

FINDINGS, Continued

Three Captains Sea Products

April 2013: No findings.

May 2013: The May fees worksheet provided to us by the District is different from the worksheet provided to us by the Tenant. Fees due on the District's version are $809.70, while the fees due on the Tenant's worksheet are $1,386.74. The Tenant worksheet has April crossed out and May inserted, therefore we could not tell if the two worksheets are for the same period and a variance actually exists. We suggest management review the May worksheet with the Tenant to determine if all fees have been received.

On the fees worksheet provided to us by the Tenant, fish purchased by Tenant ties out to supporting invoices. But invoices reconciling the fish off-loaded were not provided.

June 2013: No findings.

July 2013: No findings.

August 2013: No findings.

September 2013: We noticed a variance in the supporting invoice listing provided to us by the Tenant, which could not have been detected by the District. It appears that the Tenant deducted 10% of the weight off-loaded for water, resulting in an underpayment of $1,117. There does not appear to be provisions in the lease agreement that allow this deduction. We suggest management discuss this deduction with the Tenant to determine if it should have been made.

October 2013: No findings.

November 2013: We noticed a variance in the supporting invoice listing provided to us by the Tenant, which could not have been detected by the District. It appears that there was an error in completing the fees worksheet which caused the Tenant to underpay the District by $.60.

December 2013: No findings.

January 2014: No findings

February 2014: No findings.

March 2014: No findings.

FINDINGS, Continued

Morning Star Fisheries

For each month tested, there was a difference in what was reported to the District on the fee worksheet and what was provided to us during our engagement. The additional fees due to (from) the District for each month were as follows, as provided in Exhibit C:

April 2013:	$7.77
May 2013:	$(68.55)
June 2013	$(10.60)
July 2013	$0.06
August 2013	$18.58
September 2013	$20.00
October 2013	$(7.38)
November 2013	$(30.36)
December 2013	$(13.36)
January 2014	$12.71
February 2014	$(0.20)
March 2014	$50.00
Total:	$(21.70)

RECOMMENDATIONS

1) Additional Supporting Documentation

For several of the months tested the wetfish, finfish and shellfish off-loaded did not tie to the fee worksheets and for the months tested without exception, the possibility still exists that supporting documents could be manipulated. We suggest management implement procedures to have Tenants provide additional supporting documentation to verify the fee worksheets are complete and accurate. Given the complexity of the off-loading and documentation process, the District may have to consider several alternatives.

- The most reliable source of validation would be the Department of Fish and Wildlife landing receipts. Given that both Tenants and Department of Fish and Wildlife are reluctant to supply the receipts, management may have to work with both parties to set up a special arrangement to view the receipts. Management could work with the Department to set up confirmation procedures to verify off-loads, or work with Tenants to set up verification checks of landing receipts where the District would not need to take copies.
- Tenants could provide the supporting documentation they use to complete the fee worksheet. This documentation could be copies of invoices or receipts sent to fishing boats or vendors. The District could use these invoices to reconcile what was off-loaded to the fee worksheets. The issue with this method is with reliability of the information provided. The opportunity exists for Tenants to falsify documents, or not provide all of the complete information.
- The District could provide standardized forms to be used by all Tenants. Fee worksheets could include a sample calculation to avoid confusion. The District could issue its own sequential, triplicate receipt forms to be used by the Tenants to ensure the off-loads are complete.

2) Fee Worksheet Calculations

For the months of August and September, Pillar Point Seafood improperly calculated the amount due to the District for wetfish. There are two different conclusions that one could draw based on how the worksheets were completed:

1. the Tenant reported tons, rounded to three decimal places multiplied by the $10 wetfish rate; or
2. the Tenant incorrectly reported pounds, and incorrectly used the $.01 finfish rate.

From the limited information provided to Management, they assumed the first conclusion. The supporting invoices provided to us by the Tenant are recorded in pounds. Given this information, we support the second conclusion. We suggest management discuss the August and September worksheets with the Tenant to determine how they completed the worksheets and determine if they were completed correctly.

RECOMMENDATIONS, Continued

3) Outsourcing Property Management

We encountered significant difficulties in performing our engagement. Requests for information went ignored, leaving us with the only alternative of notifying District management of the lack of cooperation. Only after the District's involvement did we receive information from Morning Star Fisheries. Pillar Point Seafood made the decision to withhold three months of information from us. If business relations continue to deteriorate in this manner, litigation is a very likely outcome.

We recommend the District consider outsourcing the services of commercial and real estate management to a local property management company. As an intermediary between the District and its Tenants, a professional property management company can provide management skills and support that the District is unable to provide. An independent property manager would be responsible for collecting, reviewing and submitting the correct fees to the District. This suggestion is also provided in the Grand Jury report. We agree with the Grand Jury's conclusion that outsourcing of these non-core activities will result in greater focus on harbor management.

Debbie Nixon

From:	Sabrina Brennan <sabrina@dfm.com>
Sent:	Tuesday, July 28, 2015 5:44 PM
To:	Debbie Nixon
Cc:	Sabrina Brennan; Tom Mattusch
Subject:	Letter to SMCHD from HMBSMA regarding fish off-loading fees
Attachments:	HMBSMA-SMCHD-May21-2014.pdf; HMBSMA-SMCHD-July17.pdf

Hello Debbie,

I'm emailing regarding the agenda item I requested for the Aug. 5, 2015 board meeting: **Discussion and Possible Action on Fees for Fish Off-Loading, Fees for Wholesale Purchase and Fees for Retail Sales**

Please include the two attached PDF letters from the HMBSMA in the Aug. 5th board packet.

Thank you,
Sabrina

May 21, 2014

To: San Mateo County Harbor District President Robert Bernardo, Commissioners, Pietro Paravanno, James Tucker, Sabrina Brennan, William Holsinger

From: Half Moon Bay Seafood Marketing Association

RE: May 21, 2014 Agenda Item # 11- Wholesale Fish Handlers Leases: Update on Review of Lease Fees and Charges and Possible Next Steps

A Public Notice for applications for Fish Buying lease locations was issued by the SMCHD on 12/11/11, and the current leaseholders were awarded leases at the 6/6/12 SMCHD meeting. These leases and the fish buying fees associated with them have been the subject of Grand Jury requests, multiple closed session agenda items, and countless public comments over the past 2 ½ years without resolution.

We, the members of the Half Moon Bay Seafood Marketing Association are largely dependent on the fish buying businesses on Johnson Pier for the unloading and marketing of our catch. The sustainability and fairness of these leases for all three fish businesses, both in lease amounts due, and fees applied, have a direct impact on the commercial fishing fleet.

As stated in our letter to the SMCHD presented on July 17, 2013 (attached), we do not support fees that will ultimately be paid by fishermen. We do, however, support the owners of Morning Star Fisheries, Pillar Point Seafood, and Three Captains Seafood as these businesses have supported the fleet for decades. We expect our Harbor District to provide, legal, equitable, competitive and sustainable leases and lease locations for these leaseholders (and for all SMCHD leaseholders).

Unfortunately, based on the handling of this process thus far, we do not have confidence that these leases and fees can be successfully and fairly reviewed without the help of outside negotiators and without oversight to the process.

Therefore we respectfully request that the San Mateo County Harbor District create a transparent process for these leases and fees to be reviewed by an independent party.

Thank You
Half Moon Bay Seafood Marketing Association

cc: San Mateo County Supervisors: President Dave Pine, Carole Groom, Don Horsley, Warren Slocum, Adrienne Tissier, Sylvia Ortega Hunter Deputy Director of Department of Boating and Waterways, State Parks Director Major General Anthony L. Jackson.

PO Box 872 Half Moon Bay, CA 94019 hmbsmaboard@gmail.com

July 17, 2013

To: San Mateo County Harbor District Commissioners
From: Half Moon Bay Seafood Marketing Association
RE: Fish Buying Fees at Pillar Point Harbor

The membership of the Half Moon Bay Seafood Marketing Association are not in favor of unloading or purchasing fees being assessed on fish buyers or unloaders in Pillar Point Harbor. Ultimately these fees will be paid by the fishermen, who cannot continually bear the burden of increased fees and decreased services by this harbor. These fees are not charged in other ports and we do not believe they should be levied here. Furthermore, we are not willing to provide fish landing receipts or any other proprietary information to fish buyers or to the harbor for the purposes of validating poundage offloaded or purchased.

Sincerely,

Geoff Bettencourt
Vice-President
Half Moon Bay Seafood Marketing Association

PO Box 872 Half Moon Bay, CA 94019 hmbsmaboard@gmail.com

July 17, 2013

To: San Mateo County Harbor District Commissioners
From: Half Moon Bay Seafood Marketing Association
RE: Fish Buying Fees at Pillar Point Harbor

The membership of the Half Moon Bay Seafood Marketing Association are not in favor of unloading or purchasing fees being assessed on fish buyers or unloaders in Pillar Point Harbor. Ultimately these fees will be paid by the fishermen, who cannot continually bear the burden of increased fees and decreased services by this harbor. These fees are not charged in other ports and we do not believe they should be levied here. Furthermore, we are not willing to provide fish landing receipts or any other proprietary information to fish buyers or to the harbor for the purposes of validating poundage offloaded or purchased.

Sincerely,

Geoff Bettencourt
Vice-President
Half Moon Bay Seafood Marketing Association

PO Box 872 Half Moon Bay, CA 94019 hmbsmaboard@gmail.com

Debbie Nixon

From:	Sabrina Brennan <sabrina@dfm.com>
Sent:	Tuesday, July 28, 2015 10:07 PM
To:	Debbie Nixon
Cc:	Sabrina Brennan; Tom Mattusch
Subject:	Aug. 5, 2015 board PDF files
Attachments:	Fish Buying Fees Harbor District Meeting Aug. 7, 2013.pdf; CAP for non-lessee fish buyers Harbor District Meeting Nov. 20, 2013.pdf; 186897451-Del-Mar-Seafood-Inc-LETTER.pdf; 158132814-Lease-Proposals-for-Fish-Buying-Item-2-June-6-2012.pdf; 187114375-Fish-Research-Emails.pdf; 158372500-Lease-Proposals-for-Fish-Buying-Item-4-5-April-18-2012.pdf; 186898367-Oxnard-Harbor-Squid-Offloading-Tariff.pdf

Hello Debbie,

I'm emailing regarding the agenda item I requested for the Aug. 5, 2015 board meeting: **Discussion and Possible Action on Fees for Fish Off-Loading, Fees for Wholesale Purchase and Fees for Retail Sales**

Please include the attached eight PDF files in the Aug. 5th board packet.

Thank you,
Sabrina

Harbor District Meeting: Aug. 7, 2013

AGENDA ITEM 5

Review of Fish Buying Lease, Fish Buying Fees and Fee Enforcement

Commissioner Brennan's comments:

During the July 17th 2013 Harbor District meeting in South San Francisco the board reviewed and discussed current Fish Buying Fees, Fish Offloading Fees, Fee Enforcement and Fish Buying Activity Permits.

The General Manager made it clear at the July meeting that the fish buying fees and fish offloading fees required in the leases held by Morningstar, Pillar Point Seafood and Three Captains don't reflect market conditions of Northern California commercial fishing ports.

All three Harbor District leases currently require fish buyers pay $10.00 per ton for wet-fish, $.01 per pound for finfish and shellfish, and five percent (5%) for all retail fish sold on-top of $.01 per pound. Additionally the leases require fish off-loaders pay $10.00 per ton for wet-fish and $.01 per pound for finfish and shellfish. That means that if a leaseholder offloads fish and buys fish they would be required to pay a total of $20.00 per ton for wet-fish and $.02 per pound for shellfish and finfish.

Fishermen that sell finfish and shellfish/crab from fishing vessels at Pillar Point Harbor are not required to pay the District five percent (5%) for retail sales, and for this reason it's inconsistent to require Morning Star Fisheries, Pillar Point Seafood and Three Captains to pay a 5% retail sales fee.

Based on data included in the General Managers July 10, 2013 Memo it's apparent that other Northern California commercial

fishing ports charge no fees or much lower fees for fish offloading and fish buying.

> *At the July 17th meeting it was noted that the wet-fish offloading fee included in the General Managers July 10, 2013 memo was incorrect. The City of Monterey charges $1.74 per ton NOT $1.74 per lb. for squid offloading. The General Manager should correct the misinformation included in his Memo, as he was aware of the correct fee on May 17, 2013 9:33 am via an email from staff.*

After reviewing the fee data provided at the July 17 meeting it's clear that SMC Harbor District wetfish, shellfish and finfish fees are not competitive with other commercial fishing ports in the area.

Fish Purchasing Fees and Fish Buying Fees trickle down to commercial fishermen. When the Harbor District attempts to extract fees from commercial fishing businesses, without accurate data and sound reasons for comparatively high fees the District runs the risk of harming small business and weakening the local economy.

The fees and fee enforcement included in the current leases are structured in a way that is counterproductive to the goals and priorities of the Harbor District.

The Coastal Commission adopted SMC Harbor District Appeal No. 133-79 that specified Condition (1B), "one-half of all slips for the exclusive use of active commercial fishing boats." Local Coastal Program (LCP) section 12.5.A states, "commercial fishing and recreational boating are on an equal basis, and to accommodate those needs accordingly." This applies specifically to Pillar Point Harbor with regards to space and resources.

The Harbor District has a vested interest in the success of the commercial fishing fleet. Requiring arbitrarily high fees for offloading and fish buying at Pillar Point Harbor isn't a sustainable approach to generating revenue and it's not in keeping with the goals and priorities of the Harbor District or the Midcoast LCP.

COMMISSIONER BRENNAN'S MOTION:

For these reasons I move to amend all three leases, discontinue all fees and raise the minimum base rent to $3000.00 per month, to be effective as of July 1, 2013.
EndFragment

The motion failed for lack of a second.

It should be noted that the Harbor District currently has no way to enforce the fish offloading and buying fees at Pillar Point Harbor. Johnson Pier does not have a scale, a gate, video cameras or a staff person dedicated to counting fish.

Harbor District Meeting: Nov. 20, 2013

AGENDA ITEM 6: COMMERCIAL ACTIVITY PERMITS FOR NON-LESSEE FISH BUYERS

The following questions were asked at the Nov. 20, 2013 Harbor District meeting regarding the Commercial Activity Permits For Non-Lessee Fish Buyers policy approved by the board of Harbor Commissioners in 2012.

How this relates to current business at the harbor in real terms:

1. **How are these "buyers" defined?** Do fishermen who are berth holders count? Are they exempt as suggested by memo from Commissioner Hollsinger? Are these companies with multiple trucks? Single people with a private vehicle? Anyone with a Fish & Game book? Is there a threshold for volume? A permit if you buy one time? 100 lbs or more? only semis full?

2. **How are buyers identified?** Assuming that a definition is determined, how are buyers identified? How is a truck owned by Three Captains or Morning Star and a truck owned by a non-lessee buyer differentiated? What about unmarked vehicles? Is this for private vehicles? Semi trucks? When one buyer has multiple trucks how is that handled? What about fish walking off of the pier on a hand truck or driving off on a fork lift etc? Does that count?

3. **How will fees be assessed?** Assuming buyers can be identified (which is a big leap) how will the quantity/volume purchased be reported and verified? How will the buyers pay fees? Who will calculate the fees due? Is there a minimum volume? Are "buyers" supposed to pay for purchasing 100 lbs? Stop by the office and pay $1.00? Will they receive a bill

in the mail? Is it the leaseholder at the end of Johnson Pier's job to invoice their non-lessee partners?

4. **How will this be enforced?** Assuming buyers can be identified and volume can be verified (which is hard to fathom) how will this be enforced? Is there a penalty if the three leaseholders allow people to buy fish without a permit? Is there going to be additional harbor staff hired to inspect and enforce? Is there going to be a gate at the end of the pier, video camera at each hoist? Is every vehicle leaving the pier going to be inspected? What happens if someone is unaware of the system? What if someone knows about the system, but doesn't have 30 days notice to get a permit? Will harbor staff impound the truck full of fish?

Will this hurt commercial fishermen and small buyers? Who will pay for the enforcement? The fishermen? Will the District start enforcement with "non-lessee" buyers with large-scale businesses that have partnered officially or unofficially with existing leaseholders, and installed equipment on Johnson Pier? When CAP permits be required for non-lessee fish buyers? When will non-lessee fish buyers be required to pay fees include in the policy approved by Harbor Commissioners in 2012?

PACKERS OF:
OCEAN ANGEL

TELEPHONE: (831) 763-3000
FAX: (831) 763-2444

DEL MAR SEAFOODS, INC. 331 Ford Street Watsonville, CA 95076

Processors and Distributors of Monterey Bay Squid

August 7, 2013

Board of Harbor Commissioners
400 Oyster Point Blvd
Suite 300
South San Francisco, CA 94080

We are one of the companies that unload Squid in HMB. We have been unloading in HMB for over 20 years. It's been brought to our attention that the Harbor is looking at imposing a wharfage fee of $10 per ton to the fish buyer. As a fish buyer we are already paying to have our fish unloaded. We unload at six different ports up and down the coast and none of them charge the fish buyer a separate wharfage fee. If we choose to unload for somebody else no fee is imposed. We would think the harbor would want to promote fish buying and attract other buyers to HMB. Not deter them away to go elsewhere and buy fish.

We do lease property and at those locations we do pay a wharfage fee. Our wharfage fees on those leased properties range from zero to 3 in the surrounding areas. The $10 that is being discussed by the Commissioners seems excessive. Please consider a reasonable fee that will benefit local fish buyers as well as local fishermen.

Sincerely,

Joe Roggio

Public Hearing

2	TITLE:	**Lease Proposals for Fish Buying and Fish Unloading; Pillar Point Seafood (McHenry), Three Captains Sea Products, Inc. (Fortado), Morning Star Fisheries (Mallory), Bettencourt Fisheries, Inc. (Bettencourt), Johnson Pier, Pillar Point Harbor, El Granada, San Mateo County, APN 047-083-060**
A.	Declare Hearing Open:	President Tucker
B.	Report of Notice Given:	Grenell
C.	Staff Report and Recommendation:	Grenell, Memo
D.	Public Testimony:	
E.	Harbor Commission Questions:	
F.	Close Public Testimony:	President Tucker
G.	Commission Deliberation:	
H.	Recommended Commission Action:	To be determined

Tucker declared the hearing open. Grenell stated notice had been given. Parravano recused himself. Grenell stated that the three leases for the premises on Johnson Pier expired and have been extended on a month to month basis. He stated that the Department of Boating and Waterways (DBAW) was asked if the District could use Section 72.2 of the Harbors and Navigation Code to invite all interested parties to provide proposals to the District for consideration. He stated that the alternative approach would have been to use Section 72 in the Code, which provides for a bid process and states that the Board would be required to accept the highest bid.

Grenell stated that four proposals were received from Pillar Point Seafood, Three Captains Sea Products, Morning Star Fisheries, and Bettencourt Fisheries, Inc. in response to a Public Notice. He stated that the required public hearing on the proposals was on April 18th and stated that the Commission did not take any action at that time. He stated that staff then communicated with and discussed with all four of the proposers. He stated when interest was shown, the proposer was provided with another copy of the public notice, a lease application form, and a copy of a sample lease. He stated that the sample lease was only a beginning point for negotiations.

Grenell stated that the basic lease terms have been modified as follows: lease term at 5 years plus two 5 year options to renew, which is a shorter lease term than the original leases. He stated that: (a) the District felt the leases needed to have more flexibility given the state of the industry; (b) base minimum rent has been increased to $2,500 per month plus CPI (Consumer Price Index); (c) the lease has maintained language that says a lessee would have a non-exclusive right to purchase fish and the District felt that there should be maximum opportunity for the participants in the Pillar Point Harbor fisheries and for maximum flexibility; (d) two items have been changed from the old leases: (1) any lessee who purchases fish will be charged $10 per ton for wetfish and a penny a pound for finfish and shellfish; and (2) there will be a fish unloading fee of $10 per pound for wetfish and a penny a pound for finfish and shellfish. The old leases did have language about unloading fees which was discretionary and the district never levied an unloading fee in the past. He stated that the old leases included a fee for retail sales by lessees; the existing fee was 6% of gross retail sales and was adjusted down to 5%.

should say ton NOT pound

Wet Fish Fees $10.00 + 10:00 = $20.00 per ton

Fin/shell Fish Fees 1 cent + 1 cent = 2 cents per pound

He clarified that if a lessee chooses to unload fish only, the Harbor Commission has approved a requirement for a Commercial Activity Permit for any non-lessee wholesale commercial fish buyer. He stated that this is necessary to bring those buyers into compliance with the District's Ordinance Code which requires anyone doing business in the Harbor to have a permit. He stated that there will be a separate tracking mechanism for tracking and monitoring the fees from those Commercial Activity Permits.

Tucker stated that there was one item Grenell missed regarding the lease which is the additional 2% of minimum rent at the beginning of each option period for each lease. Grenell stated that at the previous public hearing there were comments from the public about Community Fishing Associations (CFA) and how this might affect Pillar Point Harbor and the leases. He stated that this is an alternative approach to Individual Fishing Quotas (IFQ) that the Federal Government has put into place for regulating groundfish. Grenell stated that at this time there is no Community Fishing Association at Pillar Point Harbor but there is some interest in forming one.

Tucker asked Grenell if he felt the loop-holes have been closed and have generated additional resources regarding the leases. Grenell stated they have and he concluded that it was reasonable to recommend an award of leases to three parties: Pillar Point Seafood, Three Captains Sea Products and Morningstar Fisheries.

Geoff Bettencourt stated that he stands on his package and always has. He stated he believes that his package is the best for the Harbor and meets the goals of the Harbor. He stated that the goal is to do what is best for the Harbor. He stated that to conclude that the other three packages are better than his is laughable. He stated that if the goal is to do what is best for the Harbor, he felt that he should be awarded a lease.

Lisa Bettencourt stated that they have trusted the process from day one and followed every word in the public notice. She stated that everything they have done has been done as a participant in the process and trusting at the end of the day the process will work. She stated that after every meeting, they leave with the feeling that their package is the better package. She stated that she has presented herself for questions many times and there have been no questions asked of her, no phone calls, and no meetings. She stated that she thought that she was clear with her presentation and with the contents of her package but after reading the recommendation on the staff report, she said maybe she wasn't. She reiterated that she is available for questions.

Mike McHenry stated that he realizes that the District doesn't recognize San Francisco or Moss Landing as competition but he stated that they have a huge financial advantage over Pillar Point Harbor. He stated that he is reluctantly willing to operate under the new lease but feels it will be difficult to compete. He stated that in the new lease it is unclear how the tonnage and poundage fees will work. He understands that there will be a charge of $10 per pound for wetfish to unload as lease holders but may be unloading for another company and asked if that company would also have to pay the $10 per pound fee. McHenry stated that the unloading fee for squid is $30 per ton, so $10 a ton would be a huge cut. He stated that if fish buyers have to pay these fees, he believes it will deter people and they will go to San Francisco and/or Moss Landing where those fees are charged. He stated that the 2012 salmon season just ended on June 4, 2012 for a month. He stated that he unloaded 45,494 pounds of salmon, at fifteen cents per pound, which is what Moss Landing charges, which would come to $6,824.00 which is what he made for the month. He stated that the wages he paid his crew were roughly $3,400.00. He stated that with a base rent of $2,400.00 that leave $900. He stated that under the new lease, the one cent a pound for the 45,494 pounds of fish would total $454 dollars out of that $900. He stated that he is still willing to have the opportunity to maintain the lease for another five years. He stated that some of the wetfish sell for a high price and some for a low price and asked if there would still be a $10 a ton charge for a $60 a ton fish.

Grenell explained the third party purchase. He stated that a Commercial Activity Permit will need to be obtained by non-lessee buyers. Once it is issued, they can continue to operate the way they have been operating, however they will need to provide the District with documentation regarding what they bought. Tucker stated that the third party will pay off from what was unloaded to them. Grenell stated that was correct and stated that the lessee will not be paying what the permit holders are paying. Tucker stated that there was a

question raised about the different degree of wetfish. Grenell stated that it is written in the lease that the price is for all wetfish. He stated that if the Commission feels that it is worth examining further and concludes that maybe there could be a split, he would look into it.

Zeke Grader with the Pacific Coast Federation of Fishermen's Associations stated that the Half Moon Bay Fishing Association has an interest in creating a Community Fishing Association and stated that the recommendation made by staff will help with that opportunity in the future if there is an interest from the fishermen at Pillar Point Harbor. He stated that McHenry was the first one who they approached and he expressed his willingness to work with the group.

Action: Motion by Padreddii, second by Bernardo to close the public hearing. The motion passed by a roll call vote.

Ayes:	4
Nays:	0
Recused:	1 (Parravano)

Action: Motion by Tucker, second by Bernardo to award a lease to Pillar Point Seafood, Morningstar Fisheries and Three Captains Sea Products. The motion passed by a roll call vote.

Ayes:	3
Nays:	0
Abstention:	1 (Holsinger)
Recused:	1 (Parravano)

3 TITLE: Continuance of Hearing: Preliminary Operating and Capital Budget for Fiscal Year 2012-2013

A. Declare Hearing Open:	President Tucker
B. Report of Notice Given:	Grenell
C. Staff Report and Recommendation:	Preliminary Budget FY 2012/13
D. Public Testimony:	
E. Harbor Commission Questions:	
F. Close Public Testimony:	President Tucker
G. Commission Deliberation:	
H. Recommended Commission Action:	To be determined

Tucker declared the hearing open. Grenell stated notice had been given. Grenell stated that there have been a few additions to the budget and deferred to Frederick. Frederick stated that there is a memo with the budget breaking down all the additions to the budget. This includes (a) reimbursement of $2 million from the City of South San Francisco for the Dock 11

Katherine Mickelson

From: Scott Grindy
Sent: Tuesday, March 12, 2013 3:32 PM
To: Katherine Mickelson
Cc: Scott Grindy (sgrindy@smharbor.com)
Subject: Fish research
Attachments: HMB_PRD_EconomicReport_03-04-13.pdf

Katie,

Need you to start a spreadsheet and start calling on fees charged by harbor districts etc on this.

Anchovies, Squid, Groundfish, halibut, chillipepper rockfish, petrale sole, salmon, spot prawn, brown rockfish, sablefish and albacore.

I will be at Admin most of Wed, so lets discuss Thursday

Call the following locations:

San Francisco Pier 39 manna (415) 705 - 5436
Moss landing
Monterey 831 - 646 - 3950
Bodega
Spud point 707 - 875 - 3935
Santa Cruz Harbor - 831 - 475-6161

charge fees:

Buying + unloading wet fish, (squid)

Katherine Mickelson

From: Katherine Mickelson
Sent: Friday, May 17, 2013 9:33 AM
To: Scott Grindy; Peter Grenell
Subject: RE: Mike McHenry

Here is the information I found out.

- **Moss Landing**-- They charge between $25 - $30 per ton
  - Bay Fresh is a company that owns their own docks and property in the Harbor who unloads fish. (The Harbor is not affiliated with the company that unloads)
- **Monterey** – Here is the breakdown of charges:
  - $1.74 per ton
  - He said they also have a smaller vendor who gets charged $2.00 per ton
- **Spud Point**—Here is the breakdown of charges:
  - $0.08/ lb for crab
  - $0.10/ lb for salmon
  - $0.05 / lb for all other species
- **Pier 39 Marina**- left messages, but no call back
- **Santa Cruz Harbor**—fishermen have to use the local wholesale buyer, which is H & H fisheries.
  - Their regulations is that everybody gets charged $0.10/lb. Also, H & H does not pay a % to Harbor.

Let me know if there are other Harbors you would like me to contact.

Thanks
Katie

From: Scott Grindy
Sent: Thursday, May 16, 2013 5:37 PM
To: Katherine Mickelson; Peter Grenell
Subject: Fw: Mike McHenry

Katie
Please email Peter and I the most recent rate study information in total. Thx

Sent from my Verizon Wireless 4G LTE DROID

-----Original message-----
From: Roberto Bernardo <roberto_bernardo@yahoo.com>
To: Peter Grenell <pgrenell@smharbor.com>
Cc: sgrindy@smharbor.com
Sent: Thu, May 16, 2013 17:16:58 PDT
Subject: Mike McHenry

Hi Peter,

McHenry just called and left a voicemail complaining that his issues were never addressed by you. Those were: 1) Rates and fees and 2) Rate comparison chart of other harbors.

Please advise as I thought he had everything he requested.

Robert

Katherine Mickelson

From: Katherine Mickelson
Sent: Tuesday, May 21, 2013 2:44 PM
To: Peter Grenell; Scott Grindy
Subject: FW: fish purchase and unloading prices information - Questions

Here are the fees for Spud Point:

2. **Seafood Off-Loading**
Including, but not limited to: salmon, crab, albacore, swordfish, rock cod, prawns, drag boat caught.
Permanent Berthers: $15 minimum fee for use of hoist; first 125 lbs. of fish or one fish box and 300 lbs of crab offloaded with no offloading charge, thereafter, crab: $0.08 per lb.; all other species: $0.05 per lb.
Transient Vessels: $15 minimum fee for use of hoist, plus offloading charges: crab: $0.15 per lb.; all other species: $0.15 per lb.

D. SEAFOOD SALES:
1. Fish Buying Permit: $250.00 for 180 days (buying fish from vessels)
2. Boat Retail Fish Sales: $15.00 per day (selling fish from vessel)

From: Katherine Mickelson
Sent: Tuesday, May 21, 2013 1:48 PM
To: Peter Grenell; Scott Grindy
Subject: RE: fish purchase and unloading prices information - Questions

Here is the information I have so far. **Spud Point** does charge a fee and it depends on what kind of fish it is. They are going to be sending me a list of the breakdown of charges, so I will forward that to you once I receive it.

- **Monterey**- The % goes to the City and not the Harbor. He said whatever the amount is listed in their lease, goes to the City.
  - There is a fee for buying fish but he did not know the breakdown
- **Moss Landing**
  - They only charge an unloading fee and a % does not go to the Harbor.

Thanks
Katie

From: Peter Grenell
Sent: Tuesday, May 21, 2013 12:19 PM
To: Scott Grindy
Cc: Katherine Mickelson
Subject: fish purchase and unloading prices information - Questions

Hi, Scott,

I have Katie's information. I have a question or two:

The new leases for McHenry, etc. have the same provisions, which say:

$10/ton for wetfish purchase and $0.01/lb. for finfish and shellfish purchase.
The same prices for offloading, respectively.

Now, Katie's information is as follows:

Moss Landing: $25-$30/ton. The Bay Fresh company unloads the fish; Harbor not affiliated.
Monterey: $1.74/lb. A smaller vendor "who gets charged" $2.00/lb.
Spud Point: $0.08/lb for crab, $0.01/lb for salmon, $0.05/lb for all other species.
Santa Cruz: H&H is the buyer fishermen must use. $0.10/lb. is what all are charged.

My questions:

1. When she talks of charging, I assume she talks of what the fishermen get charged for having their fish unloaded. Correct?
2. Further, it looks like all of the information refers only to unloading charges. Correct?
3. If so, what is being paid for buying fish? Do any harbors get a cut?
4. H&H in Santa Cruz "does not pay a % to Harbor." No other mention of payments to harbors in the information given. Do any of the harbors listed get payments? If so, how much and for what, and who pays it: fishermen or buyers?

I need to get back to McHenry soon, so if we can clarify all this fast it would help. Thanks in advance.

Peter

Katherine Mickelson

From: Peter Grenell
Sent: Wednesday, June 26, 2013 2:38 PM
To: Scott Grindy; Katherine Mickelson
Subject: Another round

I spoke yesterday with Kim McHenry about the fish prices. Seems we need a bit more clarification, unfortunately:

1. Monterey: Please confirm the $1.74/ton price for wetfish unloading. Since Moss Landing is $25-$30/ton, according to your data, that's a huge difference. Back with Monterey, if the harbor office didn't know what percentage goes to the City, might the City's finance office know? Also, does the unloader (the 1.74 one) have a lease? Does the "smaller vendor" charged $2.00/lb have a lease?

   Finance dept :

2. Moss Landing: the $25-$30/ton unloading is for wetfish, yes?

3. Spud Point: the hoist fee is for the public hoist, yes? Also, the buying permit ($250) is

4. Santa Cruz: Is the $0.10/lb charge for wetfish? And is that buyer H&H or H&N?

5. Lastly, please check with San Francisco for their numbers. It's possible they only charge a space rental fee, but whatever, get it all.

Thanks,

pg

(831)
Monterey: Revenue dept 646-3944

Finance dept 5

Port of SF. 415 - 274-0533

there is no provision beyond the end of the lease. She requested approval of the proposed lease with an additional provision that would allow for discussion or negotiations at the end of the last option period that would allow them to extend the lease.

Tucker asked Ingles what her understanding is of the length of the term of the proposed lease. Ingles stated that her understanding is that it is a 5 year lease with 2 five year options. She stated at the end of the second option of the current lease there was no provision to do so. Tucker stated that at any time she has the right to negotiate. Ingles stated that she would like the option to possibly extend the lease past the initial term, for example at year 14, she would like to be able to negotiate for another 5 years. Tucker stated that she has already had that option. Ingles said that is contrary to what she was told before. Tucker asked Grenell if he was correct. Grenell stated that the leases did not have any language provision in them for that. Tucker clarified what Ingles was asking for. Ingles stated an initial 5 year term with 2 five year option to extend and language to negotiate at the end of the term. Tucker stated he was fine with that.

Action: Motion by Padreddii, second by Bernardo to approve the lease for Half Moon Bay Sportfishing. The motion passed unanimously by a roll call vote.

Action: Motion by Padreddii, second by Bernardo to close the public hearing. The motion passed.

4	TITLE:	**Lease Proposals for Fish Buying and Fish Unloading; Pillar Point Seafood (McHenry), Three Captains Sea Products, Inc. (Fortado), Morning Star Fisheries (Mallory), Bettencourt Fisheries, Inc. (Bettencourt), Johnson Pier, Pillar Point Harbor, El Granada, San Mateo County, APN 047-083-060**
A.	Declare Hearing Open:	President Tucker
B.	Report of Notice Given:	Grenell
C.	Staff Report and Recommendation:	Grenell, Memo
D.	Public Testimony:	
E.	Harbor Commission Questions:	
F.	Close Public Testimony:	President Tucker
G.	Commission Deliberation:	
H.	Recommended Commission Action:	To be determined

Tucker declared the hearing open. Grenell stated that notice had been given. Tucker asked the Commission if it would be all right to allow a bit of flexibility with the three minute time

limit to speak as this is a very important step in the lives of many people and felt a little flexibility was in order. The Commission concurred.

Zeke Grader, Executive Director with the Pacific Coast Federation of Fisheries Association, who represents fishermen and fishermen's organizations up and down the coast, primarily in California. He stated that for the last year or so, the association has been working for the establishment of a network of community fishing associations along the coast. The reason for this is to protect access for the local community to the fishing in adjacent waters. He stated that this is a concern because the Federal Fishery Agency has been putting in place individual fishing quotas (IFQ's). He stated that this system looks good on paper, but has had a negative affect by vastly consolidating fishing fleets and at time leaving communities with no vessels in the ports with quota to fish. He stated that in 2006, Congress created Community Fishing Associations which allows local communities to come together and can then work to hold quota to ensure that local communities can maintain their access to fish off shore. He stated that so far there is one on the coast in operation, in San Francisco but they need to be established up and down the coast. He stated that part of the problem is the time it takes to establish the association. He stated that he approached McHenry to see if he was interested in being a part of the Association. Grader requested that the Commission give them an extra 60 days to submit a proposal to include the opportunity to establish the Community Fishing Association with McHenry. Tucker asked Grader if he could develop a proposal in the next 60 days. Grader stated yes.

Larry Collins with the Crab Boat Owners Association and the San Francisco Community Fishing Association spoke regarding the Community Fishing Association (CFA) in San Francisco. He stated that the reason to create these CFA's is because under the Magnuson Act, CFA's can hold quotas in perpetuity for their members. He stated that with the Catch Shares, all three states said that only 175 boats own 90% of the ground fish. He said that these are public resources and this is a system someone created which doesn't make sense, it would be like saying that they own the air or the water. He stated that he went to New Zealand eight years ago to see what the fishing community looked like after 20 years of catch shares. He stated that what ended up happening after 20 years was that six companies owned 80% of the fish in New Zealand. When he returned from New Zealand he knew catch shares would make its way to the community. He stated that the Crab Boat Owners Association is the first CFA on the coast and feels that every harbor on the coast needs one so they can hold quota and every harbor needs an open hoist.

Duncan MacLean with the Half Moon Bay Fishermen's Association spoke regarding catch shares or individual quotas and stated that it is a bad thing. He stated that there are a lot of non-fishing entities that are trying to push catch shares on the fishermen. He stated that when fleets become consolidated and skippers are hired to drive the vessel, there is no incentive for sustainable fishing. He stated that Half Moon Bay is very lucky to be surrounded by seafood loving people who come from 500 miles away to visit the harbor on the weekends and purchase fresh fish right off the boats. He stated that if catch shares are implemented, all of that will go away. He stated that being independent is one reason why some people are fishermen. He stated without these Community Associations there will be an over-impact of resources in certain areas and under-impact in others and the only way to have this work is to allocate the shares. He urged the Commission to write a letter to the Pacific Council (i.e.

Pacific Fisheries Management Council) to let them know the interest Pillar Point Harbor has in forming the CFA's.

MacLean stated that on April 23, 2012 there will be a blessing of the fleet at Pillar Point Harbor at 1:00 p.m. and extended the invitation to all.

Jim Salter is a Commercial Fisherman out of Pillar Point Harbor for the last 37 years. He is relaying his thoughts and observations to the Commission. He stated that there is a good healthy competitive mix of fish wholesalers at Pillar Point now, best it has been in the last 37 years. He stated that times have changed over the years, a great deal over the years for the fishing industry. He spoke regarding tying up, to negotiate a reasonable price for the catch. He stated that it is dominated by the influence of very large west coast buyers. He stated that the open hoist operated by McHenry offers efficient and fast unloading for a fee and they've drawn several large wholesalers from Canada and from Oakland to Pillar Point. He asked the Commission to consider the Pillar Point fishing community and to not make any decisions that might jeopardize the fishermen.

Mark Russo, owner of a 67' crab boat in Half Moon Bay and has been crabbing out of Pillar Point for 46 years. He stated that he is an advocate for McHenry and his hoist he operates. He stated that he would not be able to operate out of Pillar Point if McHenry didn't run his business the way he does. He stated that without McHenry in the harbor and running the business the way he does, he would have to go to San Francisco to unload. He stated that the other two businesses are smaller scale compared to McHenry. He stated that it is his understanding that there are higher offers for the location, however, that cost would fall upon fish buyers. He stated that crab season has been good for the last 2 years and there are signs showing that next year will be good as well. He asked the Commission to consider giving McHenry the lease.

Phoebe Higgins with the Environmental Defense Fund, which is a non-profit organization that aims to find innovative and equitable solutions to society's most urgent environmental problems, spoke in support of the Bettencourt Fisheries lease application by highlighting a few ways it addresses environmental and societal needs. She stated that Bettencourt Fisheries intends to support a variety of important fisheries, including crab, salmon, and ground fish and in particular the ground fish IFQ fishery completed an important transition in January 2011. She stated that the Individual Fishing Quota (IFQ) program for ground fish is an important step toward preserving vibrant and profitable fishing businesses and sustaining working waterfront communities like Half Moon Bay. Higgins stated this program utilizes full accountability and strict by-catch measures that encourage less wasteful fishing and more environmentally friendly harvest of ground fish. She stated that IFQ's make it easier for fishermen and buyers to plan for business each year because they can predict their catch levels more easily. She stated that in order for an IFQ program to succeed fishermen need to have IFQ-compliant off-loading facilities that offer the needed services. She stated that Bettencourt Fisheries is offering those services and would be a critical link in the seafood supply chain. Higgins stated that the IFQ program is working in Morro Bay. She stated by leasing the space to Bettencourt Fisheries it is not only allowing the company to prosper but the community and fishing industry as well.

Dave Mallory stated that he appreciated the earlier speakers briefing the Commission on the IFQ's as he was not sure if they knew much about them. He stated that he is a certified IFQ facility, but the problem is that is far from being a proven success. He stated that IFQ's favor bigger boats. He stated that these boats have an observer on them and that person can also watch you weigh the fish when you off-load. He stated that the price to have someone do that is $365 which will come out of his pocket.

Lisa Bettencourt responded to a few comments that were made earlier about the open hoist. She stated that having an open hoist is part of their business plan so every boat can unload. She stated that her proposal meets all the requirements and some exceed it. She stated that nothing has changed since the initial proposal.

Geoff Bettencourt stated that they have put a lot of effort into their proposal and feel that it is what is best for the harbor. He stated that after hearing Community Fishing Association stuff, he agrees 100% that they should be formed. He stated that not all pieces of the story are being presented. Bettencourt stated that IFQ's were industry-forced. He stated that if you did not belong to a fishery, then you did not get IFQ.

Lisa Bettencourt clarified that IFQ is a piece of their package but not their whole package and is an additional revenue stream.

Porter McHenry stated that he has been a full-time commercial fisherman for the last ten years. He stated that the open hoist is such an integral piece of Pillar Point Harbor and the fishing community. He stated that he does not have much information about IFQ's and stated that there are only a handful of boats in the harbor that fish from the IFQ's.

Mike McHenry handed out some information to the Commission. He stated he has been fishing out of Pillar Point Harbor for 53 years and has been a lease holder for 30 years. He stated that since he turned in his lease proposal in February, he thought he would have the opportunity to negotiate the lease. He stated after several meetings with Grenell, he feels that he is not completely aware of the importance of the existing tenants. He stated that he would like to meet with at least 3 of the Commissioners as they will determine their fate. He stated that while glancing through the four proposals, he was surprised to see that the top floor was offered to an environmental group and that there is a proposal to have an education center where the freezers are currently located. He stated that he has been approached numerous times over the year by various agencies and groups looking for a "pent-house office" and have always refused them because it goes against the purpose the three fish stations were built for. McHenry stated that his purpose is to service the fleet as quickly and efficiently as possible to get them back out fishing. He stated that there are numerous items that need to be discussed in private with the leasing committee. He stated that the fourth proposal will not bring any new business to the harbor, but will only redistribute existing business. McHenry stated that the last time he addressed the Board, he informed the Board that San Francisco to the north and Moss Landing to the south have monthly fees that are half or less than the proposed fee with no hoisting fee and wanted to know if any of the Commissioners had done any research on that. He stated that if crab season continues the way it has been then the proposed fees are fair, but as it is known, the cycle will go the other way and the elevated rent will bankrupt him. He stated that he could pay the proposed $3,000 but would like it to be $2,500. McHenry stated that the new Harbor Master's salary is $112,000 plus benefits and

stated that he has not met the minimum requirements to serve as the Pillar Point Harbor Master because he is not qualified to operate search and rescue. He stated with the recent tragedies that have occurred, it is imperative to have a capable Harbor Master to operate a search and rescue vessel. McHenry felt that the position should have gone to Assistant Harbor Master Draper as he felt he was the most qualified.

Tucker clarified with McHenry that he is opposed to the increase of cost in the proposed lease. McHenry stated that he is willing to negotiate but would like to do that directly with the Commissioners as he feels that there is lost communication between the General Manager and the Commission. McHenry stated that there is a lot of competition with San Francisco and Moss Landing and they do not have a poundage fee that the District is imposing.

Tucker asked McHenry to speak on staff's recommendation to pay for unloading of wet fish. McHenry stated the proposed lease is asking $10 per ton. He stated that to unload wet fish, squid, sardine and anchovies at Moss Landing costs $25 per ton. If the District wants $10 of that, it is 40% of their earnings.

Tucker asked McHenry to speak about Community Fishing Associations (CFA). McHenry stated that CFA's are a new thing and Larry Collins and Zeke are just getting this underway. He stated that if it is implemented at Pillar Point Harbor, he feels that it would affect most of the boats under his hoist. He stated that most of the boats that are under his hoist are some of the largest producers on the west coast. He stated that he has no intention in taking any business away from Fortado or Mallory and stated that they are an important part of the harbor. He stated that he would not be able to predict the outcome of a CFA.

Padreddii clarified with McHenry that he is willing to negotiate the terms of the lease. McHenry stated absolutely and that information has been lost during communications from the General Manager to the Commission. He wanted the Commission to be aware of the situations the fish buyers encounter.

Tucker stated that he was given some flexibility with addressing the Board with respect to his tenure but his concerns regarding the new Harbor Master are a separate issue. He stated he is more concerned with his thoughts and comments on the fish buyers lease. Tucker stated that Grenell does the negotiating for the Board. Tucker stated that he has met with Mr and Mrs. McHenry and listened to his concerns and they are the same as what Grenell has informed the Commission about.

Fortado, owner of Three Captains Sea Food Products stated he is an IFQ certificate holder. He stated that he has been negotiating with Grenell and feels they are not too far away from settling on lease terms. He is concerned with the unloading fee and feels it is too high. Tucker stated that Fortado asked for a second hoist in his negotiation and asked him to speak about that request. Fortado stated that he is the only one who has to go through the building to get to the hoist and needs a place to unload crab pots and feels that he is at a disadvantage being in the middle. Tucker asked Fortado about the freezer boxes that are at the end of the pier. Fortado stated that in the past Salmon was their biggest thing and he had the ice boxes for freezing bait and salmon. He stated that he has agreed to clean up the area where the freezer boxes are located. Tucker asked him if it was all his equipment. Fortado stated that the freezer boxes are his and the pallets are the fishermen's.

Bernardo asked Fortado to speak about his feelings on the proposed poundage fee. Fortado stated that the proposal is half a cent for $10 per ton, which like McHenry said, if they unload someone, he can only charge a cent and a half at the most. He stated that during crab season if he were to unload 600,000 pounds of crab it would be almost $4,000. He stated that during salmon season he used to unload 300,000 - 400,000 pounds of salmon a year that would be a lot of money.

Tucker asked Fortado about the length of the lease. Fortado stated that he thought it was pretty fair.

Tucker said that he received a call from McHenry and have met with Mr. and Mrs McHenry at their request to listen to their concerns about the lease process. He stated that he also received a call from Geoff Bettencourt and met with him and his sister Lisa along the same lines. He stated those are the only two meetings he has had and asked his fellow Commissioners if they have met with anyone. No other Commissioner has met with any of the fish buyer proposers.

Tucker stated that one new thing that was heard tonight was in reference to the Community Fishing Associations and the request for a 60 day extension for a future plan that may be submitted. He stated that he understands the concept of CFA's but is not that familiar with it and would like to give some time to see if a plan is submitted. He stated that a decision will not be made that evening and suggested putting the item over to the May 2, 2012 meeting. He asked his fellow Commissioners for their thoughts and comments.

Bernardo stated that he agreed with Tucker and stated that there was a lot of new information tonight and would like to add 60 days to ensure that everything is thought out fully and that they have a complete understanding of everything.

Padreddii stated that he thought this was going to be an easy negotiation. He concurred with the President and stated that there was a lot of new information disclosed tonight and would like time to see what is proposed.

Tucker stated that with the passing of Commissioner Campbell and not having her and her knowledge for these negotiations and Parravano's conflict of interest puts the decision on Bernardo, Padreddii and himself and he would like to take the necessary time to ensure they have all of the information.

MacLean stated that he isn't sure if 60 days is enough time. He stated that the CFA Council process is going to take more than 60 days. Tucker stated that their hope was to have these leases finalized by May 1, 2012, the opening of salmon season, but that is not going to work out. Tucker informed Grader that the Commission is interested in seeing his proposal. Grader stated that he felt confident he would be able to provide the Commission with more detail by May 1, 2012.

Fortado questioned what the CFA has to do with their lease negotiations. Bettencourt stated that his impression was the proposals were from individuals not CFA's and if something has changed he would like to know as he would then be rearrange his proposal.

Action: Motion by Bernardo, second by Padreddii to continue the public hearing to the May 2, 2012 meeting. The motion passed.

Ayes: 3
Nays: 0
Absent: 1 (Parravano)

New Business, Continued

5 TITLE: **Commercial Activity Permits for Non-Lessee Commercial Fish Buyers**

REPORT: Grenell, Memo

PROPOSED ACTION: Authorize General Manager to inform prospective non-lessee fish buyers of the requirement to obtain a Commercial Activity Permit and approve draft Commercial Activity Permit provisions

Grenell stated that this item is for independent non-lessee companies who intend to purchase fish from the fishermen or fish unloaders. He stated that currently there are companies that are making use of District facilities and the District is not receiving any monetary compensation from it. Grenell stated that the permit would include the usual permit fee of $250 and a fee for poundage. He recommended approval.

Action: Motion by Bernardo, second by Padreddii to authorize the General Manager to inform the prospective non-lessee fish buyers of the requirements to obtain a Commercial Activity Permit and approve draft Commercial Activity Permit provisions. The motion passed.

Ayes: 3
Nays: 0
Absent: 1 (Parravano)

OXNARD HARBOR DISTRICT
333 Ponoma St.
P.O. Box 608
Port Hueneme, CA 93044
Phone (805) 488-3677
Fax (805) 488-2620

OXNARD HARBOR DISTRICT

WHARFAGE STATEMENT

Port of Hueneme
OXNARD HARBOR DISTRICT

Vessel: _____ LOA _____ Responsible party for Wharfage: Company: So Cal

Arrival: _____ Address: _____

Departure: 7-4-13

Cargo/Commodity	UNIT			
	Metric Tons	Cubic Meters	Units/ Cartons	Number of Containers
Endeavor 841637	38.40			
Lady J 124086	56.30			
Totals	94.70			

RECEIVED
JUL -4 2013
OXNARD HARBOR DISTRICT
WHARFINGER DEPARTMENT

WHARFAGE CALCULATION

UNIT		RATE	WHARFAGE
94.70	x	4.08	= $ 386.37
	x		=
	x		=
	x		=
TOTAL WHARFAGE			

I hereby certify the above to be a correct and complete statement of all cargo _____ loaded onto and/or _____ discharged from the above named vessel and voyage.

AGENT: _____ Date: 7-4-13

By: _____

Prepare in triplicate, submit original and yellow copy to Oxnard Harbor District, pink copy for customer.

OHD-OPS 4

SAN MATEO COUNTY
ASSESSOR'S OFFICE
PROPERTY TRANSFER

MAR 2 7 2013

ORIGINAL

2013-046464

Lease
between
Morningstar Fisheries
and
San Mateo County Harbor District

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LIST OF EXHIBITS:

EXHIBIT A – DEPICTION OF THE PREMISES
EXHIBIT B – INITIAL TENANT IMPROVEMENTS
EXHIBIT C – FORM OF LEASE MEMORANDUM

SAN MATEO COUNTY HARBOR DISTRICT

LEASE

This Lease (hereinafter called "Lease") is made and entered into as of this 13th day of March, 2013, by and between the San Mateo County Harbor District, a political subdivision of the State of California (hereinafter called "Landlord"), having its principal place of business at 400 Oyster Point Blvd., Suite 300, South San Francisco, CA 94080 and Morningstar Fisheries, (hereinafter called "Tenant"), having its principal place of business at Area 1, Johnson Pier, Pillar Point Harbor, mailing address: PO Box 1714, El Granada, CA 94018, with references to the following facts and objectives:

RECITALS

A. Landlord is the operator of that certain parcel of real property situated in the County of San Mateo, State of California known as Pillar Point Harbor, APN 047-083-060 (hereinafter called "Harbor").

B. Tenant desires to lease from Landlord and Landlord desires to lease to Tenant a portion of the aforementioned real property known as Area 1 at Johnson Pier, consisting of approximately thirty three (33) feet by nineteen (19) feet, including upper and lower levels of the building located at the westerly extension of the Johnson Pier and more particularly described in Exhibit A attached hereto and by this reference made a part hereof (hereinafter called "Premises").

C. Tenant wishes to lease the Premises for its commercial fish-buying business, and in accordance with the terms and conditions below.

NOW, THEREFORE, for and in consideration of the Premises and of the mutual obligations, agreements, and representations and warranties herein contained, the parties do hereby agree as follows:

AGREEMENT

1.0 TERMS AND DEFINITIONS

As used in this Lease, the following words and phrases have the following meanings:

Alteration: any addition or change to, or modification of, the Premises or demolition and construction of new Improvements made by Tenant, whether as part of the Initial Tenant Improvements or otherwise.

Approvals: those permissions required by law or regulation prior to, or during, the use and operation of the Premises.

Commencement Date: the date on which Tenant opens the Premises for business, but no later than six (6) months after the Effective Date of this Lease.

County: San Mateo County.

Department: is the Department of Boating and Waterways in the State of California Natural Resources Agency.

Effective Date: the most recent date of signatures by the parties to this Lease.

Event of Default: is defined in Section 21.1.

Expiration: the coming to an end of the time specified in the Lease as its duration, including any Extension Term.

Finfish: Finned vertebrate fish other than wetfish (see definition on page 3 below) including e.g. salmon, halibut, rockfish.

Fish: shall mean any type of fish, crustacean, or other seafood harvested from the sea by any method.

Fixture: personal property that is attached to the Premises such that it becomes an irremovable part of the real property; Tenant's objects of trade ("trade fixtures") that can be removed without damage to the Premises are not Fixtures under this Lease.

Good Condition: the good physical condition of the Premises and each portion thereof. "In Good Condition" means in good order and repair, clean, broom clean, free of graffiti and accumulated trash, and fully operative.

Gross Receipts: is defined in Section 6.1(d).

Harbor Commission: shall mean the governing board of Landlord.

Hazardous Material: any hazardous or toxic substance, material or waste that is or becomes regulated by any local government authority, the State of California or the United States Government.

Impositions: all taxes and assessments due during the Lease Term.

Improvements: all buildings, other structures, fixtures, sidewalks, curbs, gutters, paved areas, structures, signs, water wells, water supply systems, sewage systems, waste water systems, fencing, utility systems, parking area improvements, service and trash area improvements, landscaping, lighting, exterior fountains, sculptures, flags, banners or historic artifacts, or any other improvements now or hereafter constructed or maintained on the Premises or any alteration or additions thereto, except for Tenant's Personal Property.

Inflation Factor: is defined in Section 5.2.

Insurance Requirements: all terms of any insurance policy covering or applicable to the Premises or any part thereof, all requirements of the issuer of any such policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the Premises or any alteration or part thereof or any use or condition of the Premises or any part thereof.

Landlord: San Mateo County Harbor District, a political subdivision of the State of California.

Law: any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order, or other requirement of any municipal, county, state, federal or other government agency or authority having jurisdiction over the parties or the Premises, in effect either at the time of execution of the Lease or at any time during the Lease Term, including without limitation, any regulation or order of a quasi-official entity or body.

Lease: this Lease.

Leasehold Mortgage: a mortgage secured by the leasehold estate created by this Lease.

Legal Requirements: all laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or any or at any time hereafter may be applicable to the Premises or any part thereof or any of the adjoining sidewalks, curbs, streets or ways, or any use or condition of the Premises or any part thereon.

Maintenance: replacement, repainting, and cleaning, and such labor and materials as required to keep the Premises clean, and any associated landscaping healthy and aesthetically pleasing, and all requirements imposed by Landlord.

Minimum Base Rent: the base rent to be paid by Tenant to Landlord on a monthly basis throughout the Lease Term, and which shall be two thousand five hundred dollars ($2,500.00) per month adjusted annually by the Inflation Factor.

Mortgage: a mortgage or deed of trust.

Mortgagee: the holder of a mortgage or deed of trust.

Non-Family Member: any Person other than Lease signatory's spouse, children, or siblings.

Person: any individual, corporation, association, partnership, joint venture, organization, or any other business entity, or a governmental or political unit or agency.

Premises: is as defined in the Recitals, herein, and including all improvements constructed by the Tenant thereon during the Lease Term.

Tenant's Personal Property: the equipment, signs, furniture, furnishings, merchandise, and moveable property placed in the Premises by the Tenant which have not become Fixtures.

Termination: the ending of the Lease Term for any reason before Expiration.

Wetfish: E.g., Sardines, mackerels, anchovies, market squid, coastal tunas.

Unavoidable Delays: delays due to strikes, acts of God, governmental restrictions, enemy action, riot, civil commotion, fire, unavoidable casualty or any other causes beyond the control of Landlord or Tenant, as the case may be; provided, however, that no delay may be deemed unavoidable if Landlord would be in danger of incurring any civil or criminal liability for Tenant's failure to perform the required act. In the event of a delay which would qualify as an Unavoidable Delay as defined herein but for the danger of the Landlord incurring civil liability, such delay shall be deemed to be an unavoidable delay if Tenant agrees in writing to indemnify Landlord and hold it harmless from and against any liability, damages, cost, expense, claim or cause of action, including without limitation, reasonable attorney's fees incurred by Landlord as a result of such delay. Unavoidable delays shall not include delays resulting from either (a) Tenant's inability to obtain sufficient funds or firm financing commitments to complete construction or (b) inability of Tenant to obtain a building permit issued by the County of San Mateo for the Initial Tenant Improvements.

2.0 AGREEMENT TO LEASE

2.1 Premises Leased. Upon and subject to the conditions and limitations set forth below, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises for the term

and at the rental provided in this Lease, together with all rights-of-way or rights of use servitudes, licenses, tenements, hereditaments, appurtenances and easements now or hereafter belonging or pertaining to any of the Premises. However, this Lease confers no rights with regard to the subsurface of the Premises more than fifteen (15) feet below ground level, except to the extent necessary to install pilings or other support for the Improvements, nor does it confer rights to airspace above the roof of the Premises other than air space rights for signs which may be placed upon the roof of the Premises but which shall comply with all Legal Requirements, as well as policies and guidelines for signage of Landlord, the County, and other regulatory agencies, provided that the total height of the Premises including the signs, shall not exceed twenty-eight (28) feet. The parties hereto agree that said letting and hiring is upon and subject to the terms, covenants and conditions herein set forth and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all its terms, covenants and conditions. Landlord shall take no action with respect to its reserved subsurface rights that would endanger or impair the Improvements or interfere with the activities taking place on the Premises.

2.1.1 Rents and Services. The ultimate purpose of the Lease for the benefit of the public is the complete and continuous use of the Premises. All facilities and services shall be made available to the public without any illegal discrimination as defined by California and Federal law.

The immediate purpose of this Lease is the use of the Premises for operation and maintenance of a fish-buying business.

It is agreed that the ultimate and immediate purposes are consistent and compatible. Accordingly, Tenant covenants and agrees to operate the Premises fully and continuously to accomplish said purpose consistent with sound business practice and subject to the terms of this Lease.

2.1.2 Cooperation Among Tenants. Tenant shall cooperate with all other tenants of Landlord who will be operating enterprises in the vicinity of the Premises, and shall conduct its operations so as to avoid interference with the operations of other tenants. Landlord may, but is not required to, resolve any difference or conflict that may arise between Tenant and other tenants operating enterprises in the vicinity of the Premises. If the operations of Tenant are impaired because of any acts or omissions of such other tenants, Tenant shall have no claim against Landlord on that account.

2.2 Lease Term. The term of the Lease (hereinafter called the "Lease Term") shall commence on the date on which Tenant opens the Premises for business but no later than six (6) months from the Effective Date of this Lease ("Commencement Date"), and expire at midnight on the same day five (5) years subsequent, unless Tenant exercises the option pursuant to Section 3.0 of this Lease, or unless sooner terminated pursuant to any provision hereof. Notwithstanding any of the provisions of this paragraph, Tenant shall submit to the County of San Mateo all necessary application materials, plans, drawings, and specifications for discretionary land use approvals permitting construction no later than ninety (90) days following the Effective Date. Failure to submit said application materials, plans, drawings, and specifications within this time period shall cause the immediate Termination of this Lease unless waived in writing by Landlord

by delivery of written notice to Tenant, whereupon each party shall be released from its obligations under this Lease effective upon the date of such notice.

2.2.1 Delay in Possession. If for any reason, Landlord fails to deliver possession of the Premises to Tenant by the Commencement Date, Landlord shall not be liable for any Damages resulting from that failure, nor shall that failure affect the validity of this Lease or the obligations of Tenant hereunder or extend the Lease Term, but in such case, Tenant shall not be obligated to pay rent or perform any other obligation under the terms of this Lease, except as may be otherwise provided in this Lease, until possession of the Premises is tendered to Tenant. If Landlord has not delivered possession to Tenant within thirty (30) days after the Commencement Date, Tenant may, however, cancel this Lease, by providing written notice to Landlord within ten (10) days after the end of the thirty(30)-day period; in that case, the parties shall be discharged from all obligations under this Lease, provided, however, that if the written notice of Tenant is not received by Landlord within that ten (10) day period, Tenant shall have no further right to terminate the Lease under this provision.

2.2.2 Right of Entry. During the period commencing upon the Effective Date and continuing through the Commencement Date, Tenant shall have a revocable license to enter the Premises for the purpose of conducting such studies, surveys, tests and investigations as are necessary for the planning and design of the Initial Tenant Improvements to be constructed. Such license shall be revocable only in the Event of a Default by Tenant, after notice provided by Landlord to Tenant regarding Tenant's default and the expiration of any applicable grace period.

During the period between the Effective Date and the Commencement Date, Landlord shall not use the Premises in a manner which results in an increase in Tenant's construction costs or interferes with the progress of Tenant's construction of the facilities. Tenant shall have no vested or possessory interest in the Premises during this period except for its right and title to the Initial Tenant Improvements it constructs thereon.

During this period, Tenant shall maintain insurance coverage as provided elsewhere in Section 16 below.

2.3 Preparation of Premises by Landlord. Landlord shall have no obligation to prepare the Premises for Tenant's occupancy. Furthermore, Landlord makes no warranties or representations as to the condition of the Premises or their suitability for Tenant's operation except as explicitly set forth in Section 10 below.

2.4 Early Termination. If, after exercising due diligence, but in no event later than one hundred twenty (120) days after the Commencement Date, Tenant has not obtained a building permit issued by the County of San Mateo permitting Tenant to construct the Initial Tenant Improvements or has not furnished to Landlord evidence of sufficient funds or firm financial commitments to complete the construction in the form of a letter of commitment from Tenant or Tenant's lending institution setting forth the amount of the loan and the terms and conditions of the financing, this Lease shall terminate immediately unless such Termination has been waived in writing by Landlord by delivery of written notice to Tenant. Upon such notice of waiver, each party shall be released from its obligations under this Lease effective upon the date of such notice, except that Tenant, at Tenant's expense, shall restore the Premises to the condition in which they were made available to Tenant if Tenant has made any modifications to them, unless Landlord waives the right to such restoration in writing.

2.5 End of Lease Term.

2.5.1 Surrender. Upon the Expiration or other Termination of the Lease Term, Tenant shall quit and surrender to Landlord, or Landlord's successor in interest, the Premises including all Improvements in good condition, except for (a) ordinary wear and tear occurring after the last necessary Maintenance made by Tenant and (b) destruction to the Premises covered by Paragraphs 17.1 and 17.2. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good Maintenance practices. Tenant shall repair any damage to the Premises occasioned by the installation or removal of Tenant's Personal Property, alterations, furnishings, and equipment. Tenant hereby agrees to execute all documents as Landlord may reasonably deem necessary to evidence any Termination of the Lease Term.

If Tenant fails to surrender the Premises to Landlord on Expiration or Termination of the Lease Term as required by this Paragraph, Tenant shall indemnify, defend and hold Landlord harmless from all Damages resulting from Tenant's failure to surrender the Premises, included but not limited to and without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises, and Tenant waives all claims against Landlord for any Damages to Tenant resulting from Landlord's retention or disposition of any Improvements, Alterations, or Tenant's Personal Property. Tenant shall be liable to Landlord for all costs incurred by Landlord for storing, removing, or disposing of any Improvements, Alterations, or Tenant's Personal Property. In addition, Tenant shall be liable to Landlord for any Damages Landlord may sustain as a result of such failure to surrender and shall pay all costs and attorney's fees as may be necessary to evict Tenant.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereon, shall not work a merger, and shall, at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies.

2.5.2 Tenant's Personal Property. Tenant shall within thirty (30) days, at its own expense, remove all of Tenant's Personal Property which, at Landlord's option, may include all removable Fixtures and installations of any kind or placed on the Premises by Tenant, and shall leave the leased Premises in clean condition, and shall perform all restoration made necessary by the removal of such Personal Property at or prior to the Expiration or Termination of the Lease Term. Landlord may remove any of the Tenant's Personal Property or Fixtures that Tenant has not removed from the Premises on Expiration or Termination of the Lease Term and store Tenant's Personal Property in a public warehouse or elsewhere for such a period of time as may be required by applicable Law, after which time Landlord may retain or dispose of all such property in accordance with applicable Law. Tenant waives all claims against Landlord for any Damage to Tenant resulting from Landlord's retention or disposition of any Tenant's Personal Property as provided herein. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of any Tenant's Personal Property.

2.5.3 Ownership of Improvements. Upon Expiration or Termination of this Lease, title to such immovable Improvements, including all buildings, structures, Fixtures and facilities constructed or placed within the Premises by Tenant, which are or have been within the Lease Term attached or fastened to the ground, deck, floor or walls of a structure, such that they cannot be removed without damage to the Premises, shall become the property of Landlord or

Landlord's successor in interest at the Expiration of the Lease or upon earlier Termination thereof, and Tenant shall execute such instruments as may be reasonably required by Landlord confirming Landlord's title to such Improvements or Fixtures located on the Premises.

2.5.4 No Relocation. Tenant acknowledges, agrees and expressly waives any and all rights to relocation benefits under federal or state law upon the Termination or Expiration of this Lease.

2.6 Holding Over. Any holding over by Tenant after the Expiration or Termination of this Lease, and any acceptance of Rent by Landlord thereafter, shall not constitute a renewal or give Tenant any rights hereunder in the Premises, except with the prior written consent of Landlord, which consent may be withheld for any reason whatsoever. Any holding over by Tenant after the Expiration or Termination of this Lease, with the written consent of Landlord, shall be construed to be a tenancy from month to month, and shall be terminable upon thirty (30) days written notice given by either Landlord or Tenant. All the terms, covenants, conditions, and provisions of this Lease shall apply to any such month-to-month tenancy. Landlord shall respond to a request to holdover within a reasonable time.

If Tenant holds over after the Expiration or Termination of this Lease without the express written consent of Landlord, upon the date of such Expiration or Termination Tenant shall become a tenant at sufferance only at a rental rate equal to one hundred fifty percent (150%) of the rent that would be applicable to the Premises pursuant to Sections 5 and 6 below, for a month-to-month tenancy, terminable upon thirty (30) days' written notice by either party to the other, and otherwise subject to the terms, covenants, conditions, and provisions herein specified, so far as applicable. Nothing in this Paragraph 2.6 shall be construed as consent by Landlord to any holding over by Tenant.

3.0 OPTION TO RENEW

Subject to the Provisions hereinafter set forth, Landlord grants to Tenant two (2) options to renew this Lease for an additional five (5) years each on the same terms, conditions, and provisions as contained in this Lease, except that the Minimum Base Rent shall be adjusted as provided in Section 5.0.

The first option to renew may be exercised by Tenant, provided no Event of Default by Tenant is then occurring, by issuing a notice in writing, received by Landlord no earlier than four (4) years after the Commencement Date but not less than one hundred eighty (180) days prior to the date of Expiration of the Lease Term. The second option to renew may be exercised by Tenant under the same terms and conditions, but not less than one hundred eighty (180) days prior to the date of Expiration of the first option to renew. Failure to give such notice will render Tenant's option to renew null and void.

4.0 SECURITY DEPOSIT

On or before the Rent Commencement Date, Tenant shall deposit with Landlord the sum of seven thousand five hundred and no/100^{ths} Dollars ($7,500.00) which shall be equal to three (3) months Minimum Base Rent as a Security Deposit for Tenant's performance under this Lease (the "Security Deposit"). The Security Deposit shall be adjusted annually and concurrently with the adjustment of Minimum Base Rent as set forth in Paragraph 5.2 of this Lease, however at all times the Security Deposit shall always be equal to three (3) months Minimum Base Rent as adjusted by the Inflation Factor, and Tenant shall annually pay Landlord an amount to adjust the

Security Deposit accordingly. The Security Deposit and Security Deposit adjustment payments shall be in the form of cash deposited with Landlord.

The Security Deposit shall guarantee Tenant's full and faithful performance of all the terms, covenants, and conditions of this Lease, and shall take the form of an initial single cash payment to Landlord with annual adjustments as described above.

If Tenant is in default hereunder, Landlord may use the Security Deposit, or any portion of it, to cure the Event of Default or to compensate Landlord for any Damages sustained by Landlord resulting from Tenant's Default. Tenant shall immediately on demand pay to the Landlord a sum equal to the portion of the Security Deposit extended or applied by Landlord as provided in Paragraph 4 so as to maintain the Security Deposit in the sum then required of Tenant. If Tenant performs all of Tenant's obligations under this Lease, the Security Deposit, or so much thereof as has not been applied by Landlord, shall be returned, without payment of interest or other increment for its use, to Tenant or, at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder, at the Expiration or Termination of this Lease and after Tenant has vacated the Premises. No trust or fiduciary relationship is created herein between Landlord and Tenant with respect to the Security Deposit.

Landlord may maintain the Security Deposit separate and apart from Landlord's general funds or may commingle the Security Deposit with Landlord's general or other funds. Tenant shall not be entitled to, and Tenant hereby specifically waives any requirement that Landlord pay, interest on the Security Deposit.

5.0 MINIMUM BASE RENT

5.1 Minimum Base Rent. Tenant agrees to pay to Landlord as base rent, without notice or demand, Two Thousand Five Hundred and no/100^{ths} Dollars ($2,500.00) ("Minimum Base Rent"), on or before the first day of each and every successive calendar month during the Term of this Lease. Tenant's obligation to pay rent shall commence on the Commencement Date. Minimum Base Rent shall be paid to Landlord without deduction or offset, in lawful money of the United States of America and at such place as Landlord may from time to time designate in writing. Minimum Base Rent for any period that is less than one (1) month shall be a prorated portion of the monthly installment herein based on a thirty (30) day month.

5.2 Adjustment to Minimum Base Rent. The Minimum Base Rent established in Paragraph 5.1 of this Lease shall be adjusted annually on each anniversary of the Commencement Date for the term of this Lease by the greater of three percent (3%) or the increase since the prior year in the San Francisco-Oakland-San Jose Cost of Living Indexes: All Item Index (All Urban Consumers Index).

5.3 Minimum Base Rent Adjustment at End of Lease Term, upon Exercise of Option, or Upon Assignment of Lease or Sale of Business to Any Non-Family Member at Any Time. At each and any of these times, Minimum Base Rent may, at Landlord's sole discretion, be adjusted to reflect two percent (2%) of the adjusted Minimum Base Rent.

6.0 FEES FOR FISH PURCHASE AND OFF-LOADING

6.1 Fees for fish purchase and off-loading. In addition to Minimum Base Rent, Tenant agrees to pay to Landlord all of the following amounts:

(a) Wholesale Fish Purchase = $10.00 per ton actual scale gross weight for wetfish and $.01 per pound gross weight for finfish and shellfish purchased by Tenant for fish at the Premises on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(b) Fish Off-Loading: $10.00 per ton actual scale gross weight for wetfish and $.01 per pound gross weight for finfish and shellfish off-loaded by Tenant at Premises on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(c) Retail Fish Sales: Tenant will pay Landlord five percent (5%) of its gross receipts for all fish sold to the general public on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(d) Gross Receipts Defined: For the purposes of subsections 6.1(a), (b) and above, "gross receipts" means all amounts derived, received, or charged by any sublessee, subtenant, concessionaire, licensee, or any other person, firm or corporation (herein called "subtenant") or by Tenant, for fish purchased, or for sales, charges for service, for the use of space made in or on the Premises, or from any and all sources of income derived in whole or in part from any business transacted in, at or from the Premises, whether from subtenants, customers, or otherwise, both for cash and on credit, and in cases of sales or charges on credit, whether or not payment is actually made.

Gross Receipts shall include, without limitation, all:

(i) Deposits not refunded;

(ii) Orders taken on or from the Premises to be filled or paid for elsewhere;

(iii) Sales or charges for all services performed, whether such sales are made or such services are rendered at or arranged through the occupied space at the Premises by long distance communication and whether initiated, performed, or completed at another location;

(iv) Consideration received by Tenant for value directly from customers, and from subtenants, including subrents;

(v) Income from off-site processing of fish unloaded at the Premises.

Each sale or charge for service or use of space on credit or in installments shall be treated as a sale or charge for the total price in the calendar year for which the sale or charge is made whether or not any payments are made within that year.

(e) Only the following amounts may be excluded or deducted from Gross Receipts at the time they are ascertained, and where not ascertainable during the period covered by a statement of Gross Receipts, then from the time of a subsequent statement when they are known:

(i) All sums collected and paid out for sales taxes, luxury taxes, excise taxes, and similar taxes required by law to be added to the total purchase price, whether now or hereinafter in force, to be collected from customers and paid by Tenant or a subtenant;

(ii) All refunds made on any sale or charge for service or use of space previously included as Gross Receipts;

(iii) Any income or receipts, under generally accepted accounting principles, which are derived from the sale or disposal of any capital assets (excluding any assets normally sold in the course of business conducted on the Premises) or from the retirement of any indebtedness, or from Tenant's or subtenant's investments of any funds not invested in the Premises or the operation of the Tenant's or subtenant's business on the Premises.

None of the above exclusions or deductions from Gross Receipts shall be excluded or deducted if in substance it is a typical sale, charge for service, or other source of Gross Receipts which is ordinarily the subject of Purchase and Off-Loading Fees, but arranged only to avoid such rent, or if actually contracted for elsewhere on other premises such as typical sale, charge for service, or other source of Gross Receipts which is ordinarily the subject of Purchase and Off-Loading Fees, but such sale, charge or service, or other Gross Receipts, is for the Lessee's or a subtenant's business benefit.

6.2 Payment of Purchase and Off-Loading Fees. Purchase and Off-Loading Fees at the rates set forth in Section 6.1 shall be paid monthly and shall be due and payable on the 15th day following the end of each month.

6.3 Documentation/Audit.

(a) Tenant shall monthly provide the Landlord with a copy of its Department of Fish and Game transportation receipts, landing receipts, and unloading receipts or other documentation of receipts satisfactory to the General Manager. Such documentation shall include but not be limited to the name of the vessel making delivery for off-loading, name of vessel operating, Tenant name, actual scale weight of species loaded, and signature of vessel operator, tenant, and buyer if other than Tenant, and number of Commercial Activity Permit of buyer if other than Tenant.

(b) Tenant shall keep records related to its business operations, including but not limited to its calculations of its Gross Receipts in a commercially reasonable form and detail, and in accordance with generally accepted accounting principles.

(c) All documents, books and accounting records kept by Tenant relating to this Lease shall be open to inspection by Landlord or its authorized representative at any reasonable time during the Lease Term and for three (3) years thereafter.

7.0 IMPOSITIONS

7.1 Possessory Interest. Pursuant to California Revenue and Taxation Code Section 107.6 Tenant is hereby advised that this Lease creates a possessory interest subject to property

taxation and, as the party in whom the possessory interest is vested, Tenant will be subject to payment of the taxes levied on said interest. Beginning the Effective Date of the Lease, Tenant shall pay all Impositions before any interest, penalty, fine or cost may be added for non-payment, and will furnish Landlord for inspection within thirty (30) days after Landlord's written request, official receipts of the appropriate taxing authority or other proof satisfactory to the Landlord evidencing such payment. Tenant shall pay all real property taxes attributable to the Premises. In addition to paying real property taxes on the Premises, Tenant shall also pay for any assessments which may be levied upon the Premises as a result of any Improvements made by Tenant. Tenant shall at all times keep current said real property taxes and assessments and shall hold Landlord harmless therefrom. Any Impositions relating to the fiscal period of any taxing authority, part of which includes any period prior to the commencement of the Lease Term or after Expiration or Termination of the Lease Term shall be apportioned between Landlord and Tenant on a pro rata basis. With regard to assessments payable in installments, Tenant shall only be required to pay those installments falling due during the Lease Term. Tenant may contest any Impositions or seek a reduction thereof provided that Tenant shall furnish to Landlord a surety bond indemnifying Landlord from any Damages arising from any such proceedings.

7.2 Taxes and Assessments. Tenant agrees to pay to the proper authority any and all taxes, assessments and similar charges on the Premises in effect at the time this Lease is entered into, or which become effective thereafter, including all taxes levied or assessed upon the possession, use, or occupancy, as distinguished from the ownership to the Premises. Tenant, on behalf of itself and any permitted successors and assigns, recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Tenant and any permitted successor or assign may be subject to the payment of such taxes. Tenant, on behalf of itself and any permitted successors and assigns, further recognizes and understands that any assignment permitted hereunder and any exercise of any option to renew or extend 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 shall report any assignment or other transfer of any interest in this Lease or any renewal or extension hereof to the County Assessor within sixty (60) days after such assignment transaction or renewal or extension. Tenant further agrees to provide such other information as may be requested by Landlord to enable Landlord to comply with any reporting requirements under applicable Law with respect to possessory interest.

8.0 UTILITIES, SERVICES AND ASSESSMENTS

Tenant shall make all arrangements for and pay the appropriate supplier for all utilities and services directly furnished to or used by it including, without limitation, gas, water, electricity, sewer, and telephone services and for all connection charges for such utilities and services. Tenant has its own water, electric, and gas meters. If any such charges for utilities and services are not paid when due, Landlord may pay the same, but shall not be required to pay the same. Tenant shall immediately pay any amount so paid, together with any other costs incurred by Landlord in connection with the handling of such payment, to Landlord as additional rent. Tenant shall also pay for taxes and assessments levied upon machines, appliances or property owned or used by Tenant.

Landlord shall not be liable for any failure or interruption of (i) any utility service furnished to the Premises, or (ii) the heating, ventilating, and air conditioning systems. No such failure or

interruption shall entitle Tenant to terminate this Lease or abate rent or to stop making any other payments due hereunder.

9.0 USE; LIMITATIONS ON USE

9.1 Use.

(a) Tenant shall use the Premises for its commercial fish-buying and/or fish-unloading business and additional ancillary and compatible uses and services pursuant to paragraph 9.1 (b)(vii) of this lease. Tenant shall not use the Premises for any other purposes without Landlord's prior written consent.

(b) Tenant shall develop, operate and maintain a first-rate and complete facility for the purpose of wholesale buying, unloading, storing, and shipment of fish and fish-related products and/or the non-exclusive right to sell fish on a retail basis as stipulated in subsection (ii) below. Tenant shall have all necessary permits for fish processing on display in order to engage in this activity.

(i) Tenant shall provide on the Premises all equipment required for the operation of said wholesale fish dealership, including winch and hoist for the purpose of loading or unloading of fish or other merchandise to and from vessels, and scales, skiff or equipment storage. Tenant may provide a second winch and hoist at a location approved in advance by the Harbor Master.

(ii) Tenant shall have the non-exclusive right to sell fish in the same condition as purchased directly from fishing boats at Pillar Point Harbor, on a retail basis, on a month-to-month basis, subject to written approval of Landlord of any plans, specifications and engineering and compliance with San Mateo County Local Coastal Plan and zoning/land use regulations. Landlord shall retain the right to delete this right if storage, traffic, pedestrian or space problems occur. Tenant shall not be allowed to do any advertising for the retail fish operation on or off-site at any time except as may be permitted by Landlord at Landlord's sole discretion. Violation of this provision will automatically rescind the right by Tenant to sell fish on a retail basis.

(iii) Tenant shall not buy fish or other seafood products from any vessel that exceeds eighty (80) feet in length, without permission of Landlord's Harbor Master or General Manager. Permission shall not be arbitrarily withheld and shall be subject to appeal to the Harbor Commission.

(iv) Tenant shall unload at the Premises only fish that it has either purchased or has caught in vessels owned or leased by Tenant, or has been purchased by a registered holder of a valid Commercial Activity Permit issued by Landlord. There will be no fish processing on the second floor of the Premises.

(v) Tenant shall provide documentation to the District for all fish unloaded that has been purchased by a registered holder of a valid Commercial Activity Permit issued by Landlord, which documentation shall include

date of landing/unloading, name of vessel and vessel operator from whom the fish were unloaded, and name of Permit holder receiving the fish.

(vi) Tenant agrees to keep free and clear a fifteen (15) foot wide area on Johnson Pier for common area access by all fish buyer tenants at all times, unless mutually agreed by all parties.

(vii) Tenant shall have sole use of a seventeen feet by twenty-eight feet (17' x 28') area totaling four hundred seventy-six square feet (476 sq. ft.) in Parking Lot "A" as designated by the Landlord at Landlord's sole discretion, to be used for storage of any gear, boxes or other items that are considered essential to the fish-buying operation. Tenant shall be solely responsible, at its expense, for fencing in said area and securing the fenced-in area with a locked, secure gate. If the area so designated is not enclosed by Tenant on or before _____, 20__, Tenant shall forfeit said space to the Landlord for the remainder of the Lease Term. Landlord shall not be responsible for the security of equipment or material stored. Tenant shall not store hazardous material on the Premises. If and when Landlord has other storage available, the fish buyers will move their storage to the new facility at Landlord's request. Any expenses incurred will be at the sole expense of Tenant. Subject to the prior written approval of Landlord, Tenant may provide additional uses and services which are ancillary to, and compatible with, the required uses and services hereunder, provided that they are not incompatible with other uses and services allowed or required for other tenants at Pillar Point Marina.

(viii) Tenant may place a sign or signs stating the name of Tenant's business on the front and landward side of the pier building housing Tenant's Premises with prior written approval of Landlord, and which comply with Landlord's Design Guidelines as amended.

(c) Tenant's operating schedule and prices shall comply with the following:

(i) Beginning on the Commencement Date, all of the uses and services specified in Subsection 9.1(b) above shall be provided with full services on the Premises during the active fishing seasons, weather permitting, on call of Landlord personnel or as needed.

(ii) Tenant shall, at all times, maintain a schedule of the prices charged for fish and fish products or charged for all goods or services or combinations thereof supplied to patrons on or from the Premises, whether the same are supplied by Tenant or by its sublessees, assignees, concessionaires, permittees, or licensees, and shall make said schedule available to Landlord.

(iii) All rates and charges to customers purchasing on or from the Premises shall be reasonable and consistent with the quality of services and facilities offered and shall be no more than rates and charges for comparable services and facilities in Northern California.

(d) Tenant's rights to buy fish shall be non-exclusive, and Landlord retains the right to permit the purchase of fish from vessels at Pillar Point Harbor. Tenant shall annually negotiate in good faith with other tenants at Pillar Point and local fisherman to establish a commercially reasonable pricing schedule for fish purchases. To the extent such agreement on pricing is reached and implemented each year, Landlord shall include in any permits that it issues for fish purchases from vessels a Fee equal to that required in subsection 6.1(a) of this Lease.

9.2 Limitations on Use. Tenant's activities on the Premises shall be in accordance with this Paragraph 9.2.

9.2.1 Prohibited Uses. The parties hereto agree that the following acts, occurrences or conduct by Tenant on or from the Premises are strictly prohibited:

(a) Engaging in, assisting, aiding or abetting in any act that constitutes a violation of any Law.

(b) Obstructing vessel or vehicle traffic on Harbor waters or land area.

9.2.2 Compliance with Laws and Legal Requirements. Tenant, at Tenant's sole cost and expense, promptly shall comply with all Laws, statutes, ordinances, resolutions, regulations, judicial decisions, proclamations, orders, decrees or policies of any municipal, county, state or federal government, or the departments, courts, commissions, boards and officers thereof, or other governmental or regulatory authority with jurisdiction over the Tenant and the Premises or any portion thereof, including without limitation, the Landlord, relating to or affecting the condition, use or occupancy of the Premises in effect either at the time of execution of this Lease or which may hereafter be in effect at any time during the term hereof, whether or not the same are now contemplated by the parties. Tenant's compliance shall include compliance with all provisions and conditions of the Federal Americans with Disabilities Act and California Harbors and Navigation Section 40. Tenant shall obtain and pay for all licenses and permits required for Tenant's construction and occupancy and use of the Premises. Compliance with Laws and Legal Requirements shall include compliance with all requirements of each regulatory agency that has jurisdiction over the Premises including but not limited to the Department of Boating and Waterways and the County of San Mateo.

9.2.3 Other Permits and Approvals

Should other permits, licenses, and/or Approvals, other than set forth in this Lease, be required to make Alterations or Improvements or to operate the Premises as a fish-buying operation or other use explicitly permitted hereunder, or if a failure to procure such a license or permit might or would, in any way, affect Landlord or the ability of Tenant to operate its businesses, it shall be the sole responsibility of Tenant to obtain and comply with the requirements of said permits, licenses, and/or Approvals.

9.2.4 Waste; Nuisance. Tenant shall not cause, maintain or permit any unreasonable annoyance or nuisance in, on, or about the Premises or on any Landlord property or Harbor waters. Tenant shall not commit or suffer to be committed any waste in or about the Premises and shall keep the Premises in first class repair and maintain the same in Good Condition during the Lease Term.

9.2.5 Hazardous Material. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about the Premises except to the extent that such Hazardous Material is necessary to Tenant's business and will be used, kept and stored in a manner that complies with all Laws, including environmental regulations, relating to such Hazardous Material. Tenant agrees to indemnify, defend and hold Landlord harmless from any liabilities, losses, claims, damages, penalties, or other expenses resulting from or arising out of the use, storage, transportation, release, or disposal of Hazardous Material on or about the Premises by Tenant. Tenant shall not have any responsibility with respect to Hazardous Material existing in, on or under the Premises as of the Effective Date.

9.2.6 Cancellation of Insurance. Tenant shall strictly observe all Insurance Requirements as set forth in Section 16 of this Lease and shall not do or permit to be done anything that will cause a cancellation of any insurance coverage of the Premises.

9.2.7 Continuous Operation. Subject to the terms of this Lease, and following completion of the Initial Tenant Improvements, Tenant shall continuously and diligently operate the Premises throughout the Lease Term and shall keep or cause the Premises to be kept open for business three hundred sixty-five days (365) per calendar year consistent with sound business practice and weather and safety conditions. Reasonable interruptions in the operation will be permitted for periodic cleaning of the Premises, for taking inventory, if it becomes necessary to change the management of the Premises, or if the Premises should be closed and the business of Tenant temporarily discontinued therein on account of strikes, lockouts, or similar causes beyond the reasonable control of Tenant. Without limiting the generality of the foregoing, in the event of a foreclosure against the leasehold by a leasehold Mortgagee, the leasehold Mortgagee shall be entitled to cease operating the Premises for a period of up to one hundred eighty (180) days; provided, however, that payment of the Minimum Base Rent and Percentage Rent shall continue.

9.2.8 Environmental Protection. Tenant shall comply with all applicable environmental Laws and regulations and take all reasonable measures available to:

(a) Avoid any pollution of the atmosphere or littering of land or water caused by or originating in, on, or about Tenant's facilities.

(b) Keep the noise level on the Premises to a minimum so that Persons in the general neighborhood will be able to comfortably enjoy other facilities leased by Landlord in the vicinity of the leased Premises.

(c) Keep the lights on the Premises from adversely affecting the operation or other use of boats in the Harbor.

(d) Prevent all waste and pollutants, including petroleum products of any nature, from being discharged from the Premises into the Harbor waters.

9.2.9 Supervision by Tenant. Tenant shall employ its own personnel or a management company or entity experienced and skilled in the management of operations as they are contemplated under this Lease. This management company or Tenant's own personnel shall give attention to efficient supervision of Lease operations, using its best skill, and shall keep employed, at all times, a competent supervisor and any necessary assistants. The management company's supervisor or assistant shall be present at all times and all directions given to the management company's supervisors shall be as binding as if given by Tenant.

9.2.10 Protection of Leased Premises. Tenant shall maintain the Premises in such a manner as to protect Landlord's property from damage, injury, loss, or liability arising from rainfall, and other action of the elements, excepting such as may be caused by fault or negligence of officers, agents, employees or contractors of Landlord.

9.2.11 Hold Harmless. Tenant shall defend, upon demand, all suits brought against Landlord or Department, their officers, agents, or employees, or naming Landlord or Department, their officers, agents, or employees as a defendant wherein it is alleged that operations by Tenant or conditions of the Premises or the Improvements on the Premises create a liability of Landlord or Department, their officers, agents, or employees, and Tenant shall pay any and all judgments against and save and hold Landlord or Department, their officers, agents, and employees harmless from any liability, cost, expense, or loss on account thereof, except to the extent liability is based on (i) acts or omissions of Landlord or Department, their officers, agents, contractors or employees or (ii) the condition of the Premises prior to the Effective Date.

9.2.12 Landlord's Right to Fix and Determine Rates. Landlord has the power and reserves the right to fix and determine the rates and prices to be charged by Tenant for the use by the public of the Premises improved, developed and leased by Tenant. Notwithstanding the foregoing, Tenant may, without the prior written consent of Landlord, make such rate or price adjustments as are deemed necessary or appropriate by Tenant in light of changing costs or other operating expenses, and such adjustments shall not be considered a violation of applicable law. Tenant agrees to provide Landlord with a copy of the most current rates and prices and will continue to do so upon request of Landlord. Landlord, however, will not unreasonably withhold its approval of said rates and prices.

10.0 WARRANTIES OF LANDLORD

10.1 Taxes and Encumbrances. Landlord represents and warrants to Tenant that as of the Effective Date, the Premises are free and clear of all tenancies or other rights of third parties, whether oral or written, and that Landlord is able to and will place Tenant in the peaceful and undisturbed possession of the Premises on said Effective Date.

10.2 Legal Proceedings to Ownership. Landlord represents, to the best of Landlord's knowledge and belief, that no lawsuits or legal proceedings are pending or threatened regarding the ownership, use, or possession of the Premises, or any part thereof, except as stated in this Lease. Landlord agrees to indemnify and hold Tenant harmless from any and all claims, Damages, judgments, liens, costs or expenses arising from any such lawsuits or legal proceedings which are currently known to exist.

10.3 Condemnation. No condemnation proceedings are pending with respect to the real property to be leased or any part thereof, or interest therein, and, to the best of Landlord's knowledge and belief, none are contemplated.

10.4 Violations. There is not located on, in, about, or under the Premises to be leased any Hazardous Material of which Landlord is aware and there are no past or present investigations, administrative proceedings, threatened or pending, alleging non-compliance with or violation of any Laws or Legal Requirements relating to the Premises or to any required environmental permits by Landlord nor any third party. As used herein, "Laws or Legal Requirements" means and includes the Comprehensive Environmental Response and Liability Act ("CERCLA" or the Federal Super Fund Act) as amended by the Super Fund Amendments

and Reauthorization Act of 1986 ("SARA") and any other Law, ordinance or regulation relating to Hazardous Materials. To the best of Landlord's knowledge, there are no new, nor have there ever been, any above-ground or underground storage tanks in or under the Premises.

11.0 HAZARDOUS MATERIALS

11.1 Hazardous Material or Contamination. Any Hazardous Material or contamination, as defined by any governmental agency having jurisdiction over the Premises, which is not a result of any act of Tenant or caused by Tenant or any agent, employee, contractor, subtenant, licensee or contractor of Tenant shall be the responsibility of the Landlord to mitigate to the extent required by a governmental agency with regulatory jurisdiction over the Premises. Without limiting the generality of the foregoing, Landlord, as owner of the property, agrees to indemnify, hold harmless and defend Tenant from any and all claims, losses, liabilities, demands, costs and fees (including attorney's fees) which may relate to or arise out of said Hazardous Material or contamination which is not a result of any act, omission or negligence of Tenant or caused by Tenant, or any agent, employee, contractor, subtenant, licensee or contractor of Tenant, and shall include the duty to remediate and mitigate (including, but not limited to, satisfying any other governmental agencies or administrative proceedings) so long as Tenant is not negligent and does not introduce any Hazardous Materials or contamination to the Premises.

11.1.1 Requirements for Handling. Neither Tenant nor its agents or invitees, shall use, generate, process, produce, package, treat, store, emit, discharge or dispose (collectively, "Handle") in, on or about the Premises any Hazardous Materials without the prior written consent of Landlord, which consent shall not be unreasonably withheld so long as Tenant demonstrates to Landlord's reasonable satisfaction that such Hazardous Material is necessary to Tenant's business, will be Handled in a manner which strictly complies with all Laws and will not materially increase the risk of fire or other casualty to the Premises. Notwithstanding the foregoing, Tenant may Handle on the Premises janitorial or office supplies or materials in such limited amounts as are customarily used for general office and janitorial purposes so long as such Handling is at all times in full compliance with all Laws.

11.1.2 Tenant Responsibility. Subject to the restrictions set forth in Paragraphs 9.2.5, 9.2.8 and 11.1.1, Tenant shall handle all Hazardous Materials discovered on the Premises during the Term of this Lease or introduced on the Premises by Tenant, its agents or invitees, in compliance with all Laws. Tenant shall not be responsible for the safe Handling of Hazardous Materials introduced on the Premises during or before the Effective Date of this Lease by Landlord or its agents. Tenant shall protect its employees and the general public in accordance with all Laws. Landlord may from time to time request, and Tenant shall be obligated to provide, information reasonably adequate for Landlord to determine that any and all Hazardous Materials are being handled in a manner which complies with all Laws. Landlord shall have the right to inspect the Premises for Hazardous Materials at reasonable times, pursuant to its rights of entry provided for hereunder.

11.1.3 Requirement to Remove. Prior to Expiration or Termination of this Lease, Tenant, at its sole cost and expense, shall remove any and all Hazardous Materials introduced in, on, under or about the Premises by Tenant, its agents or invitees. Further, Tenant, at its sole cost and expense, shall remove any Hazardous Material discovered on the Premises during the Lease Term which is required to be removed by any governmental agency, including Landlord;

provided however, that Tenant shall not be obligated to remove any Hazardous material introduced onto the Premises during the term of this Lease by the Landlord or its agents.

12.0 INITIAL TENANT IMPROVEMENTS

12.1 Tenant Obligations. Tenant shall be responsible, at its sole cost and expense, for the construction of the Initial Tenant Improvements described more particularly in Exhibit B. Construction of the Initial Tenant Improvements shall comply with this Section 12, as well as with the general requirements applicable to all Alterations in Section 13 below.

12.2 Tenant's obligation to Provide Schematic Drawings. Within thirty (30) days from the Effective Date of this Lease, Tenant agrees to prepare and deliver to Landlord, for review, schematic drawings of the Initial Tenant Improvements to be constructed or improved on the Premises. Landlord shall reasonably approve or disapprove said drawings within thirty (30) days after its receipt. Disapproval shall be accompanied by specification or the grounds for disapproval. Thereafter, if Landlord and Tenant cannot agree on said drawings, then this Lease shall terminate and each party shall be released from its obligations (except those obligations incurred prior to such Termination) under this Lease. There shall be no change in the approved schematic drawings without the prior written approval of Landlord for each change. Tenant hereby agrees to construct or make the Initial Tenant Improvements to the Premises at its own cost, in substantial accordance with the schematic drawings.

12.2.1 Building Permit Application Filing. Tenant shall file a complete application for a building permit within sixty (60) days of the approval of the schematic drawings.

12.3 Construction Schedule. Tenant shall commence construction of the Initial Tenant Improvements within sixty (60) days of obtaining a building permit from the County of San Mateo, and shall complete construction within sixty (60) days after commencing construction.

13.0 ALTERATIONS

13.1 General. If not in default under this Lease, Tenant, at its sole cost and expense, may make reasonable Alterations to the interior of any improvement on the Premises without the prior written consent of the Landlord; provided, however, that any such Alteration (a) shall not change the exterior character of the Improvements or reduce the gross area of the Improvements, (b) shall not effect any change in the use of the Premises, (c) is effected with due diligence, in a good and workmanlike manner and in compliance with all Legal Requirements and Insurance Requirements, and (d) is promptly and fully paid for by Tenant. Within thirty (30) days after completion of any such Alterations, Tenant shall furnish Landlord with as-built drawings showing such Alterations. Notice shall be given to Landlord prior to the commencement of any alterations to afford Landlord the opportunity to post a notice of non-responsibility.

13.2 Improvement Plans. All Alterations constructed by Tenant shall meet all requirements of all government bodies or agencies having jurisdiction over such Alterations, and Tenant shall not make, or cause or suffer to be made, any Alterations to the Premises until Tenant has procured and paid for all regulatory Approvals required to be obtained. When approval of the building plans for the Premises has been obtained from the County of San Mateo, Tenant shall deliver two (2) sets of said plans to Landlord.

13.3 Agreements with Government Entities. Tenant shall not enter into any contract, easement or agreement with San Mateo County, the State of California or any other

governmental agency or body or public utility with reference to utility connections, street Improvements, easements or drainage facilities without prior written consent of Landlord, which consent shall not be unreasonably withheld.

13.4 Prior Notice. Tenant shall provide ten (10) days written notice to Landlord prior to the first entry on the Premises by the Tenant, its agents, employees, contractors or subcontractors for the purpose of commencing construction; said notice shall specify the nature of the work to be performed.

13.5 Landlord's Non-Responsibility. Landlord assumes no liability or responsibility for any defect in any structure by its approval of plans and specifications. Landlord may post upon the Premises a notice of non-responsibility.

13.6 Notice of Completion. Upon completion of construction of any Alterations, Tenant shall timely file or cause to be filed a notice of completion.

13.7 Construction. Tenant shall be responsible for the construction of Alterations at Tenant's sole cost and expense.

13.8 Approval of Contractor. Tenant shall provide to Landlord, on or before the commencement of construction, a copy of the construction contract that has been executed by a licensed California Contractor as well as a copy of the commitment contract between the Tenant and the lending institution. The contractor shall be in good standing. Tenant shall also furnish Landlord with a true copy of Tenant's contract with the general contractor after the same has been approved by the lending institution. If Tenant elects to act as a general contractor, reference above to contract and evidence shall be considered to apply to the contract with each subcontractor in excess of one hundred thousand dollars ($100,000). The contract shall give Landlord the right but not the obligation to assume Tenant's obligation and rights under that contract if Tenant should Default.

13.9 Evidence of Financing and Construction Security. Thirty (30) days or more prior to commencement of construction or improvement of the Premises, or any phase thereof, Tenant shall furnish to Landlord evidence of sufficient funds or firm commitments to complete the construction in the form of a letter of commitment from Tenant and other evidence that shall be reasonably satisfactory to Landlord. If said evidence of sufficient funds or firm commitments to complete the construction is not provided to Landlord by Tenant, this Lease shall immediately terminate.

13.10 Underground Conditions and Grading. Landlord makes no covenants or warranties regarding the condition of the soil or subsoil or any other condition of the Premises.

13.11 Tenant's Duty to Obtain Building Permits. Tenant shall obtain, at its sole cost and expense, all permits, Approvals, certificates and licenses under applicable zoning, building and safety and land use Laws and regulations as may be required by any and all agencies having jurisdiction over the Premises for the Alterations to the Premises as contemplated herein.

13.12 Ownership of Improvements During the Lease Term. Other than upon Expiration or Termination of this Lease in accordance with the terms herein, Landlord shall have no right, title, or interest during the Lease Term in any Alteration hereafter constructed by Tenant on the Premises, except as agreed upon by Landlord and Tenant in writing prior to commencement of construction by Tenant of said Alterations.

13.13 Final Approved As Built Plans. Tenant shall provide Landlord two (2) complete sets of final approved "as built plans" within ninety (90) days after completion of the Improvements to which they relate.

13.14 Performance Bond. Upon Landlord's written request, Tenant shall procure a performance bond in an amount recommended by a licensed civil engineer that will be sufficient to demolish the Improvements and return the Premises to the condition they were in on the Effective Date. Tenant covenants that it will return the Premises to the condition they were in on the Effective Date in the event it fails to complete construction of the Improvements.

13.15 Mechanic's Liens and Other Liabilities. Tenant shall maintain the Premises free from and clear of any claims, obligations, liabilities, liens, encumbrances and charges, including but not limited to any claims, liens or charges arising out of or in connection with the furnishing of materials or the performance of labor on the Premises. Tenant shall further protect and indemnity Landlord and the Premises from and hold them, and each of them, harmless against any and all claims, obligations, liabilities, liens, encumbrances and charges.

13.16 Imposition of Lien. In the event a lien is imposed upon the Premises as result of such construction, repair, alteration, or installation, Tenant shall either:

(i) Record a valid release of lien, or

(ii) Procure or cause to be procured and record or cause to be recorded a bond in accordance with Section 3143 of the Civil Code, which frees the Premises from the claim of the lien or stop-notice and from any action brought to foreclose the lien.

13.17 Compliance with Laws. Tenant shall make any and all alterations or repairs on the Premises that may be required by all Laws from time to time applicable thereto, including, but not limited to, the San Mateo County Local Coastal Program and zoning and land use regulations. All Alterations and Improvements permitted under this Paragraph 13.17 shall be accomplished in a good and workmanlike manner, in conformity with all Laws, Legal Requirements, Insurance Requirements, and any design criteria adopted by the Harbor Commission. Upon completion of any such work, Tenant shall supply Landlord "as built plans." Tenant shall indemnify and hold Landlord harmless from and against all actions, claims and Damages arising by reason of Tenant's failure to comply with the foregoing Provisions.

13.18 Surrender. Upon Expiration or Termination of this Lease as provided herein, any Alteration made by Tenant under provisions of this Paragraph 13 shall be deemed Improvements and the provisions of Paragraph 2.5.3 shall govern the right of the parties with respect thereto.

13.19 Landlord's Obligations. Landlord shall have no obligation to alter, remodel, improve, decorate or paint the inside of the Premises or any part thereof during the Lease Term.

13.20 Improvements Part of Realty. Subject to the Provisions of Paragraphs 2.5.3 and 13.18 of this Lease, all Alterations to the Premises made by or on behalf of the Tenant which may not be removed without substantial injury to the Premises shall become part of the realty immediately upon completion, shall be owned by Landlord and shall, at the end of the term hereof, remain in the Premises without compensation to Tenant, unless Landlord first waives its right to the Alterations in writing. Notwithstanding the foregoing, Landlord at its option may require Tenant to remove any Alterations at Tenant's sole expense regardless of whether title has

or has not vested in Landlord, and regardless of whether consent was, or was not given. Tenant shall repair any Damages occasioned by such removal at Tenant's sole cost and expense.

14.0 CONDITION OF PREMISES, MAINTENANCE

14.1 Condition of Premises.

(a) Landlord shall deliver the Premises to Tenant clean and free of debris on the Effective Date.

(b) Except as otherwise provided in this Lease, Tenant hereby accepts the Premises in their condition existing as of the Effective Date or the date that Tenant takes possession of the Premises, whichever is earlier, including but not limited to the requirements of the State of California Regional Water Quality Board and subject to all applicable zoning, municipal, county, and state Laws, ordinances, and regulations governing and regulating the use of the Premises, and any covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business.

14.2 Existing Conditions. Tenant has made a thorough inspection of the real property and is familiar therewith, and has accepted the Premises in an "as is" physical condition. Landlord makes no representation or warranty with respect to the condition of the Premises, including without limitation, the seismological condition thereof, or their fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein.

14.3 Tenant's Maintenance Obligations.

(a) Tenant shall, at all times during the Term of this Lease, at its sole cost and expense, keep the Premises in Good Condition and maintained in good working order and condition, and repair the Premises and all Improvements and Alterations thereon, including water, electric, and gas lines located inside the Premises. Tenant shall provide routine custodial Maintenance of the Premises, which includes all ordinary housekeeping and maintenance of equipment and replacement of supplies that are normally performed on a day-to-day basis in order to keep the Premises operating in an efficient, clean, safe, and Good Condition. Routine maintenance includes, but is not limited to:

(i) Replacing light bulbs as needed where no specialized equipment is required to do so.

(ii) Regular cleaning of the area, storage spaces, and regular washing of windows to be done not less than weekly; daily removal of interior and exterior graffiti, and daily emptying of trash receptacles and ash trays.

(b) At least once each quarter, representative(s) of Tenant responsible for supporting and overseeing operations of the Premises shall meet with representative(s) of Landlord and inspect the Premises and confer on status of operations and possible improvements.

(c) Tenant shall be responsible, at its sole expense, for all interior building repairs, including repairs to exterior doors. Tenant shall also be responsible for repairing, at its sole expense, all damage to ladders, piers and fender pilings caused by any vessel using Harbor facilities to access the Premises in connection with Tenant's operations. A video will be given to Tenant prior to the Commencement Date to establish the baseline state of conditions.

(d) Landlord 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, except that Landlord shall maintain the outside and roof of the structure containing the Leased Premises, including painting the outside of the structure.

(e) In the event that the Tenant, its agent or invitees cause any Damages (excepting ordinary wear and tear) to the Premises, Landlord may repair the same at Tenant's expense and Licensee shall immediately reimburse Landlord therefor. Tenant shall make or cause others to make all repairs, replacements or renewals, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen, necessary or appropriate to maintain the Premises in Good Condition. Tenant shall provide and maintain established standards of public health and cleanliness established by Landlord.

(f) In the event Tenant fails to maintain the Premises in Good Condition as required by this Paragraph 14, Landlord may give Tenant written notice specifying what actions are required to correct the conditions of the Premises. In the event Tenant fails to initiate such actions as are indicated by Landlord in its notice within thirty (30) days after Tenant's receipt of such notice, or thereafter fails to diligently proceed to complete such actions, such failure shall be deemed an Event of Default within the meaning of Paragraph 21 and Landlord shall have all the rights, powers and remedies provided for in this Lease or at Law including the right to enter on the Premises and maintain or cause the Maintenance of the Premises as required by this Paragraph 14. In such event Landlord shall be entitled to reimbursement for any amounts spent plus a fee of ten percent (10%) of the cost of the work performed which shall be due and payable five (5) days after Tenant receives Landlord's statement therefore. In the event Tenant fails to pay such amounts within such five (5) day period, Landlord shall be entitled to interest thereon at the Default Rate established in Section 21.4 from the end of such five (5) days until paid.

14.4 Common Maintenance and Landscaping Program. If Landlord shall, after the Effective Date, implement a program for the common Maintenance and landscaping of common areas situated near the Premises, Tenant agrees to enter into an agreement with Landlord and Landlord's other tenants, as appropriate, implementing such a program and to pay its proportionate share of expenses.

14.5 Signage Program. Tenant agrees to comply with Landlord's regulations, policies and guidelines governing signage, and to pay costs and operational expense of installing and maintaining signage for the Premises on Harbor property. No signs, directional, guiding, or

other stripes, lines, directions or markings shall be installed or painted in or upon the Premises or removed by Tenant without prior written consent of Landlord.

14.6 Emergency Plan.

(a) Tenant shall work with Landlord to complete a detailed emergency plan. Tenant shall instruct all Persons employed by Tenant in the plan and the employee's responsibilities relating to the plan. Copies of the plan shall be posted in a prominent location on the Premises.

(b) In the event of any major emergency or condition (i.e., power outage, flooding, fire, natural catastrophe or any other unanticipated condition) that may reasonably result in a threat to Persons or property, Tenant shall immediately contact Landlord by telephone and Tenant's Manager or Assistant Manager shall report to the Premises and remain until the emergency has been resolved. If Landlord cannot be reached, Tenant shall make continued efforts to reach other staff persons as designated by Landlord until a Landlord representative has been notified. Landlord's facility operator is available 24 hours a day and can be reached by calling the Pillar Point Harbor Master, (650) 726-4382 extension 4 or contact 911.

(c) Tenant shall immediately erect and maintain such temporary signs, barricades, lights and other devices as may be necessary to warn people of any dangerous or defective conditions and shall take such actions as may be necessary to reasonably protect people from injury, loss or damage which might result because of any such condition.

(d) Any time a dangerous or defective condition may reasonably be known by Tenant to exist in the Premises or their environs, Tenant shall immediately take reasonably necessary protective action by calling the Pillar Point Harbor Master and shall immediately notify Landlord by telephone and in writing of such condition and protective action.

14.7 Security of Facilities. The security of the Premises shall be the responsibility of the Tenant.

15.0 INDEMNIFICATION AND EXCULPATION

15.1 Liability of Landlord. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other Person in or about the Premises, nor shall Landlord be liable for bodily injury to the person of Tenant, Tenant's employees, agents, or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of Landlord's property or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable for any damage arising from any act or neglect of any other tenant, occupant, or user of the Landlord's property nor from the failure of Landlord to enforce the provisions of any other lease.

15.2 Waiver of Claims by Tenant. Tenant, as a material part of the consideration to be rendered to Landlord, hereby waives any and all claims against Landlord and its agents, and agrees to hold Landlord and its agents harmless from any claims for damages to goods, wares, goodwill, merchandise, equipment, business opportunities and Persons in, upon or about the Premises for any cause arising at any time, including without limitation all claims arising from the joint or concurrent negligence of Landlord or its agents, but excluding any intentionally harmful acts committed solely by Landlord.

15.3 Indemnification of Landlord. Tenant shall indemnify and hold Landlord and its elected officials, agents, officers, directors, contractors and employees (collectively, "Agents") harmless from, and shall defend them against any and all claims, demands, direct or vicarious liability, attorney fees, causes of action or judgments, damage, injury or loss arising directly or indirectly out of: (a) any injury to or death of any Person, including employees of Tenant, or damage to or destruction of any property occurring in, on or about the Premises, or any part thereof, from any cause whatsoever, (b) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease, (c) the use, occupancy or condition of the Premises or the activities therein by Tenant, its agents, or clients, customers, invitees, guests, members, licensees, and assignees (collectively, "Invitees") or (d) any release or discharge, or threatened release or discharge, of any substance, waste or material which now or in the future is determined by any state, federal, or local governmental authority to be capable of posing a present or potential risk of injury to health, safety, the environment or property (collectively, "Hazardous Material") caused or allowed by Tenant in, under, on or about the Premises, or into the environment. This indemnity shall be enforceable regardless of the negligence of Landlord, and regardless of whether liability without fault is imposed or sought to be imposed on Tenant. This indemnity 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. This indemnity includes all such loss, damage, injury, liability or claims as described above, loss predicated in whole or in part, upon active or passive negligence of Landlord or its Agents. This indemnity shall exclude claims, liability, damage or loss resulting solely and exclusively from the willful misconduct of Landlord which is not contributed to by any act of, or by any omission to perform some duty imposed by Law or agreement on, Tenant, its agents or invitees.

In addition to Tenant's obligation to indemnify Landlord, Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Landlord from any claim that actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent. Tenant's obligation to defend shall arise at the time such claim is tendered to Tenant by Landlord and shall continue at all times thereafter.

The foregoing indemnity obligation of Tenant shall include without limitation, indemnification from all loss and liability, including attorney's fees, court costs and all other litigation expenses. This indemnification by Tenant shall begin from the first notice that any claim or demand is or may be made. The provisions of this section shall survive the Termination of this Lease with respect to any Damage, destruction, injury or death occurring prior to such Termination.

15.4 Indemnification of Tenant. Landlord agrees to indemnify Tenant against and save harmless from and defend Tenant against, all demands, claims, attorneys' fees, causes of action

or judgment for injury to persons, loss of life, or damage to property occurring on said Premises arising from Landlord's gross negligence or willful misconduct.

15.5 Indemnification and Waiver Regarding Department. The liability waivers by Tenant applicable to the Landlord and its agents under this Paragraph 15 and the indemnity obligations of Tenant to Landlord and its agents under this Paragraph 15 also apply to the benefit of the Department, its employees, and officers.

16.0 INSURANCE

16.1 Comprehensive General Liability Insurance. Prior to Tenant's entry upon the Premises and in any event throughout the term of this Lease, at Tenant's sole cost and expense, Tenant shall procure and keep in force or cause to be kept in force, at all times, for the protection of Landlord and Tenant, and naming Landlord, its agents and assignees as Additional Insured, Comprehensive General Liability Insurance including Products and Completed Operations coverage, and including coverage for bodily injury, personal injury and property damage liability arising from the use, occupancy, maintenance, disuse, or condition of the Premises and Improvements. The limits of liability should be usual and customary to the Tenant's industry, but not less than one million dollars ($1,000,000) per occurrence, two million dollars ($2,000,000) aggregate, bodily injury and property Damage including products and completed operations. In addition, excess liability in an amount not less than two million dollars ($2,000,000) will also be kept in full force and effect. Such policy shall include a Waiver of Subrogation rights, and shall not contain any intra-insured exclusions (Cross Liability) as between insured Persons or organizations. The limits of said insurance shall not, however, limit the liability of Tenant.

16.2 Tenant's Property Insurance. Throughout the Lease Term, at Tenant's sole cost and expense, Tenant shall procure and keep or cause to be kept in force, at all times, property insurance for the protection of Tenant, Lender and Landlord and naming Landlord, its agents and assignees as Additional Insured, all Improvements, all of Tenant's trade fixtures, Tenant-owned alterations, utility installations and personal property located on or appurtenant to the Premises, against loss or damage by fire and such other risks as are now or hereafter included in the Special Form, vandalism and malicious mischief. The amount of the insurance shall be sufficient to prevent either Landlord or Tenant from becoming a coinsurer under the Provisions of the policies, but in no event shall the amount be less than one hundred percent (100%) of the then actual replacement cost (herein called Full Insurable Value). Landlord shall not carry any insurance the effect of which would be to reduce the protection or payment to Tenant under any insurance that this Lease obligates Tenant to carry. If any dispute arises as to whether the amount of insurance complies with the above and said dispute cannot be resolved by agreement, Landlord may, not more often than every two (2) years, request the carrier of the insurance then in force to determine the Full Insurable Value as defined in this provision, and the resulting determination shall be conclusive between the parties for the purpose of this paragraph. Tenant may include the holder of any mortgage on the leasehold or on the fee, or both, as a loss payee.

16.3 Builder's Risk and Other Insurance. Tenant shall provide to Landlord: (i) certificates of insurance evidencing Special Form coverage for "builder's risk", (ii) evidence of workers' compensation insurance covering all Persons employed in connection with the construction of the Improvements and Alterations and with respect to whom death or bodily injury claims could be asserted against Landlord or the Premises, and (iii) evidence that Tenant

has paid or caused to be paid all premiums for coverage described in this Paragraph 16.3 sufficient to assure maintenance of all insurance required herein during the anticipated course or the construction. Tenant shall maintain, keep in force, and pay all premiums required for all insurance mentioned herein at all times during which construction work is in progress.

16.4 Loss of Income and Extra Expense Insurance. Tenant shall procure and maintain loss of income and extra expense insurance in amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants in the business of Tenant or attributable to prevention of access to the Premises as a result of such perils. Loss of income and extra expense insurance covering loss of income to the extent of net income for a six-month (6-month) period shall be procured and maintained by Tenant.

16.5 Employer's Liability and Workers' Compensation Insurance. Tenant, at its sole cost and expense shall, during the Lease Term, obtain, maintain and keep in full force and effect, Workers' Compensation Insurance as required by Law and Employer's Liability Insurance with limits or liability as required by Law, but in no event less than $1,000,000 per each accident.

16.6 Additional Insurance. Tenant at its sole cost and expense shall, during the Lease Term, obtain, maintain and keep in full force and effect such other insurance with respect to the Premises in such amounts and against such insurable hazards as Landlord, construction or permanent lenders from time to time may reasonably require.

16.7 Waiver of Subrogation Rights. The parties release each other, and their respective authorized representatives, from any claims for damage to the Premises or to the fixtures, personal property, Improvements or Alterations of either Landlord or Tenant in or on the Premises which are caused by or result from risks insured against under any property insurance policies carried by the parties and in force at the time of any such damage, to the extent such claims for damage are paid by such policies. Each party shall cause each property insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against the other party in connection with any damage covered by any policy.

16.8 Other Insurance Matters. All the insurance required under this Lease shall: (i) be issued by insurance companies authorized to do business in the State of California with a current financial rating of at least an A+ Class XV or better as rated in the most recent edition of Best's Key Rating Guide; (ii) be issued as a primary policy; (iii) contain an endorsement requiring thirty (30) days written notice from the insurance company to Landlord before cancellation or material change. Tenant shall name Landlord as an additional insured on any and all liability insurance policies.

Each insurance policy required hereunder, or a certificate of the policy, shall be deposited with Landlord prior to the Commencement Date and not less than thirty (30) days before Expiration of the term of any policy then in force, except that the policy described in Paragraph 16.1 or a certificate thereof shall be delivered to Landlord prior to Landlord's entry upon the Premises.

16.9 Failure to Procure Insurance. If Tenant fails or refuses to procure or to maintain insurance required by this Lease or fails or refuses to furnish Landlord with required proof that the insurance has been procured and is in full force and effect and paid for, Landlord shall have the right, but not the obligation, upon five (5) days written notice to Tenant, to procure and maintain such insurance. The premiums paid by Landlord shall be chargeable to Tenant and

shall bear interest at the legal rate then in effect in the State of California from the date when the premium is paid by Landlord.

16.10 Increase in Amount. Landlord may, at any time, require Tenant to increase the minimum dollar amounts for insurance required by this Lease, but every such increase shall be reasonable under the circumstances and in no event shall such increases more than double in any ten (10) year period.

16.11 Insurance during Construction. Before Tenant commences making the Initial Tenant Improvements or other Alterations to the Premises and before construction begins, Tenant shall obtain appropriate Certificates of Insurance naming Landlord as Additional Insured from any contractor employed by Tenant to make the Alterations, and shall provide Landlord with copies of said Insurance Certificates.

17.0 DAMAGE OR DESTRUCTION

17.1 Destruction Due to Risk Covered by Insurance. If a total destruction (the rendering totally unusable of fifty percent (50%) or more of Tenant's Improvements on the leased Premises), or a partial destruction (less than fifty per cent (50%)) occurs to Tenant-owned Improvements, and the loss is covered by the insurance described in Paragraph 16.2, Tenant shall within ninety (90) days thereafter commence and diligently prosecute the repair, restoration, or replacement such that the completed work, which may be different in design, shall be equal in value, quality and use to the condition of the Improvements before the event giving rise to the work.

17.2 Destruction Due to Risk Not Covered by Insurance. If any of the Tenant-owned Improvements are damaged or destroyed by any casualty not covered by the insurance Provisions of this Lease and if the leased Premises are thereby rendered unfit for the uses prescribed herein, Tenant shall have the option of removing any Improvements and alterations and returning the Premises as it was at the time of the inception of this Lease, in which event, Tenant may terminate this Lease, or rebuild the Improvements in such a way that it would be comparable in use and value (but not necessarily design) to the Improvements which had existed prior to the casualty.

18.0 NO CLAIMS AGAINST LANDLORD; NO PARTNERSHIP

Nothing contained in this Lease gives the Tenant any right, power, or authority to contract for or permit the performance of any labor or services or the furnishing of any material or other property in such a fashion as would permit the making of any claim against Landlord or its interest in the Premises. Neither the provisions set forth herein for the computation of Percentage Rent, nor any one or more agreements herein contained is intended, nor shall the same be deemed or construed, to create a partnership between Landlord and Tenant, to make them joint venturers, or to make Landlord in any way responsible for the debts or losses of Tenant.

19.0 INTEGRATED AGREEMENT; MODIFICATION

This Lease contains all of the agreements of the parties hereto with respect to any matter for which provision is made in this Lease, and no prior agreement or understanding, oral or written, express or implied, pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to and no consent or waiver shall be effective except by an instrument in writing signed by the party to be bound by such instrument. The

parties acknowledge that all prior agreements, representations and negotiations are deemed superseded by the execution of this Lease to the extent they are not incorporated herein.

20.0 ASSIGNMENT, SUBLETTING, AND HYPOTHECATION

20.1 Transfer of Tenant's Interest. Tenant shall not, voluntarily or by operation of law, assign or otherwise transfer this Lease or encumber any right or interest hereunder, or in or to any of the Improvements, or sublet or license the use of the Premises without the prior written approval of Landlord and Department. No such assignment or other transfer, whether voluntary or involuntary, by merger or operation of Law under legal process, through receivership or bankruptcy, or otherwise, and no such subletting or licensing shall be valid or effective. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without Landlord's and Department's consent shall be void, and shall constitute a breach of this Lease without the need for notice to Tenant. Any sale or other transfer, including by consolidation, merger, or reorganization, of a majority of the voting stock of Tenant, if Tenant is a corporation, or any sale or other transfer of a majority of the partnership interest in Tenant if Tenant is a partnership, shall be an assignment for purposes of this section.

20.2 Conditions for Subleasing. Each sublease shall provide that, if Tenant defaults or breaches this Lease and if the Subtenant is notified of Tenant's Default or breach and, if so instructed by Landlord, Subtenant shall make rental payments to Landlord or Encumbrance Holder (as defined in Section 20.4 below). Tenant shall not accept, directly or indirectly, more than twelve (12) months prepaid rent from any Subtenant. Subrents shall be fixed at the fair rental value for the Premises. Subleases shall be made expressly subject to this Lease and shall permit the Subtenant to perform any act required of Tenant under this Lease. Subleases shall expressly require the Subtenant to comply with the terms, covenants, and conditions of this Lease on the subleased Premises, and each sublease shall also include such other terms, covenants and conditions consistent with provisions of other leases of Landlord for similar uses, as may be required by Landlord. Tenant shall, promptly after execution of each Sublease, notify Landlord of the name and mailing address of the Subtenant and shall, promptly after demand, at Landlord's election, either provide Landlord with a copy of the Sublease or permit Landlord to examine and copy the Sublease.

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

20.3 Conditions for Assignment of Leasehold

20.3.1 Payment to Landlord for Return on General Maintenance.

(a) Notwithstanding any other Provision of this Lease to the contrary, should Tenant be allowed to assign or sell any portion or all of said Tenant's interest in this leasehold to any other Person, entity or group, said Tenant shall pay Landlord ten percent (10%) of the gross sales price (including the value of any traded property, leasehold, equipment or services involved in the "purchase"), whichever is greater, as a return to Landlord for the general maintenance, construction, improvement, advertising, and expansion of the Pillar Point Harbor area.

(b) The "gross sales price" in the sale of any above described interest in this leasehold shall not include the sale of any standard and removable stock on hand or other personal property which may normally be removed by a tenant at the end of a leasehold, not having attained the status of Fixtures. The "gross sales price" shall include the value of leasehold, any generalized goodwill associated with the leasehold on the Premises, the right to complete the term of the Lease and utilize the structure involved, and the berthing provided, and any and all fixtures in place on site which are not excluded above. Notwithstanding anything to the contrary in this Lease, without Landlord's prior written consent and without any payment being made to Landlord, the following transfer of interests in the Lease may be made: (i) any transfer resulting from the death of an individual holding an interest in the Lease; (ii) any transfer of an interest to or from a revocable trust; (iii) any transfer to a family member, defined as the Lease signator's spouse, child or sibling, or a trust for the benefit of such a family member, or to a partnership or other entity which is owned by a Person or Persons holding an interest in the Lease.

20.3.2 Additional Conditions for Assignment of Leasehold. Any assignment or sublease of all or substantially all of the leased Premises shall be deemed an assignment of the leasehold. Tenant shall file a Request to Assign Leasehold with Landlord to which shall be attached a completed proposer's questionnaire prepared by the prospective assignee. Concurrently with filing the Request to Assign Leasehold, Tenant shall pay in cash or certified or cashier's check the sum of Five Hundred Dollars ($500.00) to Landlord to enable Landlord to adequately investigate the proposed assignee's qualifications as a permitted assignee. If the proposed assignee's net worth on the date of assignment is not equal to or greater than Tenant's net worth at the commencement of this Lease, Landlord may require Tenant to guarantee such assignee's obligations hereunder for such period as Landlord deems advisable. Net worth shall mean the amount by which the total of all assets shall exceed the total of all liabilities as determined in accordance with generally accepted accounting principles as approved by the Landlord's Auditor. Tenant shall have no current lease violations or breaches of lease and shall have had no lease violations or breaches of lease including no minimum or percentage rent payment arrears within one (1) year of filing the Request to Assign Leasehold and throughout the lease assignment process. Landlord shall approve or disapprove any Request to Assign Leasehold within ninety (90) days of receipt of such request, but Landlord reserves the right to seek prospective assignees after receipt of Tenant's Request to Assign Leasehold within the ninety (90) day period. Landlord shall refer any prospective assignees to Tenant for consideration, but Landlord's action shall not limit Tenant's ability to seek an assignee directly. If Landlord does not approve or disapprove Tenant's Request to Assign Leasehold within said ninety (90) days, and Tenant has notified Landlord by registered mail that the Request to Assign Leasehold has been duly made and the sum for investigation of the prospective assignee has been duly paid, and that ninety (90) days have elapsed without approval or disapproval by Landlord, then the time period for Landlord approval or disapproval may be extended by mutual written agreement of the parties.

The consideration passing to Tenant from such assignee upon transfer of Lessee's interest in this Lease to a Landlord-approved Person or entity shall not be included as Gross Receipts for the determination of rent.

Upon assignment of Tenant's interest in this Lease to a Landlord-approved assignee who has unconditionally assumed the obligations imposed by this Lease, Tenant and its predecessors in interest shall be relieved of all obligations hereunder arising after the date of such transfer.

20.4 Hypothecation. Tenant may, with the prior written approval of Landlord, grant a security interest to this Lease for the purpose of financing construction, including "major repairs" and "minor repairs" subject to compliance with each and every condition that follows. Financing includes both the construction (or interim loan) and the take-out (or permanent or long-term) loan. Landlord shall not unreasonably withhold approval.

1. No security interest in this Lease (which term shall be deemed to include the Leasehold Mortgage or deed of trust, the note evidencing any indebtedness secured by such Leasehold Mortgage or deed of trust and all documents evidencing the commitment of financing) shall extend to or affect the fee, the reversionary interest, or the estate of Landlord in and to any land or Landlord-owned Improvements now or hereafter erected on the Leased Premises.

2. No security interest in this Lease shall cover more than one indebtedness except upon consolidation of the construction and takeout loans, and then only to the extent of such consolidation. There shall be no more than one security interest outstanding at any time during the term of this Lease. No security interest in this Lease or assignment thereof shall be binding upon Landlord in the enforcement of its rights under this Lease, nor shall Landlord be deemed to have any notice thereof, unless such security interest complies with each and every provision of this Lease pertaining to such security interest.

3. No security interest in this Lease shall be created with nor assigned to any Person or entity, natural or artificial, except an institutional lender (herein called "Encumbrance Holder") which shall mean any bona fide institution authorized under the Laws of the State of California to lend money on the security of an interest or interests in real property, including but not limited to an insurance company or trust company or real estate investment trust or Mortgage trust or mutual fund or pension and welfare profit sharing fund or endowment fund with an investment portfolio of not less than Ten Million Dollars ($10,000,000), a charitable or non-profit corporation or association with an investment portfolio of not less than Five Million Dollars ($5,000,000), any California or federally chartered savings and loan association or bank, or F.N.M.A. or similar federally chartered corporations (if legally empowered to make loans contemplated by this Lease).

4. No security interest in this Lease or assignment thereof shall be valid unless all of the following conditions are met:

    a. At the time of making such security interest this Lease is in full force and effect; and

    b. Such security interest shall have been expressly made subject to the terms, covenants, and conditions of this Lease; and

c. Such security interest shall expressly provide that Encumbrance Holder shall provide evidence to Landlord that Encumbrance Holder has accepted or approved the completed Improvements and that the funds have been property disbursed; and

d. Such security interest shall expressly provide that any proceeds from insurance, including fire or extended coverage, shall be used for repair or rebuilding of the leasehold Improvements and such other expenses as are expressly required to be paid from such proceeds by this Lease. Such security interest may provide that after such proceeds have been so applied, any remaining balance which would then be payable to Lessee could be used to repay all or part of the outstanding loan secured by such security interest.

e. Such security interest shall expressly provide that all notices of default under the note and deed of trust or Leasehold Mortgage must be sent to Landlord and Tenant, and that Landlord shall have the right, but not the obligation, to cure the default or cause the default to be cured if Tenant fails to do so. Landlord shall have twenty (20) days in which to cure any default or to cause any default to be cured after the time for Tenant to cure it has expired. Any sub-subtenant of such Subtenant of the Leased Premises shall have the right, but not the obligation, to cure any default within the period permitted for Landlord to cure such default. If any such sub-subtenant of a Subtenant cures all Tenant's defaults then existing, such sub-subtenant's or Subtenant's possession and use shall not be disturbed by Encumbrance Holder as long as the Subtenant performs its sublease provisions and continues to perform the obligations of the Tenant, including payment of rent to the Landlord and sums due the Encumbrance Holder according to their respective interests.

f. Landlord shall have received written notice of the making of such security interest within five (5) days after the execution and delivery of such security interest and such security interest or abstract thereof shall have been recorded within ten (10) days after the execution and delivery thereof.

5. If Encumbrance Holder acquired Tenant's interest in the Lease as a result of a sale under the security interest pursuant to a Judgment of foreclosure or through any transfer in lieu of foreclosure, including, without limitation, purchase at trust deed sale, such Encumbrance Holder shall have the privilege of transferring its interest in such Lease to a wholly owned subsidiary corporation without the prior consent of Landlord and, in such event, such Encumbrance Holder shall be relieved of any further liability under this Lease arising from and after such transfer.

6. Encumbrance Holder shall have the right at any time during the term of the outstanding security interest and while this Lease is in full force and effect, to do any act or thing required by this Lease to be performed by Tenant in order to prevent a forfeiture of Tenant's rights hereunder, and all such acts or things so done shall prevent a forfeiture of Tenant's rights hereunder as if done by Tenant.

7. Written consent of Encumbrance Holder shall be obtained prior to any amendment to this Lease.

8. Each and all of the provisions, agreements, terms, covenants, and conditions of this Lease to be performed, kept and observed by Landlord and Tenant shall be binding upon the heirs, executors, administrators, successors, and assigns of Landlord and Tenant, and all rights, privileges and benefits arising under this Lease in favor of Landlord, Tenant and Encumbrance Holder shall be available in favor of the heirs, executors, administrators, successors, and assigns thereof respectively; provided, however, that any assignment, hypothecation, or subletting by or through Tenant or Encumbrance Holder in violation of the provisions of this Lease shall be void, and no rights whatsoever shall be conferred thereby.

20.5 Hypothecation or Assignment for Benefit of Creditors. A general assignment by Tenant for the benefit of creditors, or any action taken by Tenant under any insolvency or bankruptcy act, shall constitute a breach of this Lease by Tenant and be cause for immediate Termination of this Lease by Landlord, anything in this Lease to the contrary notwithstanding.

21.0 DEFAULT AND REMEDIES

21.1 Events of Default. If one or more of the following events ("Events of Default") shall occur, Landlord may exercise any of the rights and remedies specified in Paragraph 21.2:

(a) Tenant fails to pay any rent when and as the same becomes due and payable and such failure continues for a period of ten (10) days after written notice thereof is delivered to Tenant;

(b) Tenant fails to comply with any Insurance Requirement, if such failure continues for twenty (20) days after written notice thereof from Landlord to Tenant.

(c) Tenant fails to perform or comply with any other term or condition of this Lease and such failure shall continue for thirty (30) days after written notice thereof from Landlord, and Tenant does not, subject to Unavoidable Delays within such period, commence with due diligence and dispatch the curing of such Default.

(d) Tenant makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due, or files a petition in bankruptcy, or is adjudged bankrupt or insolvent, or accepts or files a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, Law or regulation.

(e) Within ninety (90) days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, Law or regulation, such proceeding is not dismissed, or Tenant fails to timely commence or continue defense of such action, or if, within ninety (90) days after the appointment without the consent or acquiescence of Tenant of any Trustee or receiver, or attempt to liquidate any material part of its assets, such appointment or attempt to liquidate is not vacated, or Tenant fails to timely commence or continue defense of such action.

(f) Tenant vacates or abandons the Premises for five (5) business days in any thirty-day period.

(g) Landlord discovers that any financial statement given to Landlord by Tenant, any assignee of Tenant, any subtenant of Tenant, any successor in interest of Tenant or any guarantor of Tenant's obligation hereunder, was materially false at the time given.

21.2 Landlord's Remedies. Upon any Event of Default Landlord shall have the following remedies:

21.2.1 Tenant's Right to Possession Not Terminated. Should Tenant breach this Lease beyond notice and the expiration of any applicable grace period, Landlord may, in addition to any other remedy given Tenant by law or in equity:

(a) Continue this Lease in effect by not terminating Tenant's right to possession of the Premises, in which event Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent specified within this Lease, as such rent becomes due.

21.2.2 Termination of Tenant's Right to Possession. Landlord may terminate Tenant's right to possession of the Premises if any Event of Default as specified in Paragraph 21.1 continues for thirty (30) days after receipt of written notice by Tenant from Landlord, The Landlord may then retain or dispose of the Premises in accordance with applicable Law and recover from Tenant:

(a) The worth at the time of award of the unpaid rent which had been earned at the time of termination of the Lease; and

(b) The worth at the time of award of the amount by which the unpaid rent would have been earned after termination of the lease for the balance of the term until the time of award exceeds the amount of rental loss that Tenant proves could have been reasonably avoided for the same term; and

(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 rental loss that Tenant proves could be reasonably avoided;

(d) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under the Lease; or

(e) Terminate this lease and Tenant's right to possession of the Premises, and in addition to any recoveries that Tenant may seek hereinabove, bring an action to reenter and regain possession of the Premises in the manner provided by the laws or unlawful detainer of the State of California then in effect.

21.2.3 Landlord's Right to Cure Tenant's Default. Landlord may, in the Event of Default, cure the default at Tenant's cost. If Landlord at any time, by reason of Tenant's default,

pays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord.

21.3 Interest on Unpaid Sums. Sums not paid when due pursuant to Paragraphs 5.1, 5.2 and 5.3 of this Agreement shall bear interest at the rate equal to five percent (5%) per annum plus the prevailing rate on the 25th day of the month preceding the event which caused such interest to be payable as established by the Federal Reserve Bank of San Francisco on advances to member banks under Sections 13 and 13.a of the Federal Reserve Act as now in effect or hereafter amended (the "Default Rate") from the date due until paid. No interest shall accrue or be paid for payments made no later than seven (7) business days after the due date.

21.4 Late Charge. Late payment by Tenant to Landlord of any sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount being impractical to fix. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of Minimum Base Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after such amount shall be due, then without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's Default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of any of the aforesaid monetary obligations of Tenant, then Minimum Base Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any other provision of this Lease to the contrary.

22.0 SURVIVAL OF TENANT'S OBLIGATIONS; LANDLORD'S EQUITABLE RELIEF

No Expiration or Termination of this Lease pursuant to Paragraph 21.2.2 or by operation of Law or otherwise, shall relieve Tenant of its liabilities and obligations hereunder which have then accrued, which shall survive such Expiration or Termination, including without limitation the right of Landlord for indemnification against liability for personal injuries or for property damage occurring prior to the later of (i) Termination of this Lease or (ii) Tenant's vacation of the Premises, nor shall anything in this Lease be deemed to affect the right of Landlord to equitable relief where such relief is appropriate.

23.0 NO WAIVER BY LANDLORD

The failure of the Landlord to seek redress for violation of, or to insist on strict performance of, any term, covenant or condition of this Lease shall not be deemed a waiver of such violation or subsequent act which would have originally constituted a violation from having all the force and effect of an original violation. No delay or omission in the exercise or any right or remedy of Landlord upon any Event of Default by Tenant shall impair such a right or remedy or be construed as a waiver. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the Expiration or Termination of this Lease. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a Termination of this Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary

Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any Event of Default must be in writing and shall not be a waiver of any other Event of Default concerning the same or any other provision of the Lease.

24.0 REMEDIES CUMULATIVE

Each right, power and remedy of Landlord provided for in this Lease is now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Lease.

25.0 ENTRY BY LANDLORD

25.1 Entry for Inspection. Landlord and its respective authorized representatives shall have the right to enter the Premises, without notice, at any times during normal business hours and subject to Tenant's normal security requirements and, if required, accompanied at all times by a representative of Tenant for the purpose of inspecting the same or for the purpose of doing any work hereunder necessitated by an Event of Default, and to take all such action thereon as may be necessary or appropriate for any such purpose (but nothing herein contained in this Lease shall create or imply any duty on the part of Landlord to make any such inspection or do any such work).

25.2 Emergency Entry. Landlord may enter the Premises at any time, without notice, in the event of an emergency. Landlord shall have the right to use any and all means that Landlord may deem proper in such an emergency in order to obtain entry to the Premises. Entry to the Premises by any of said 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 Lease from the Premises or any Portion of them.

25.3 No Liability. Landlord 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 Lease fees due hereunder, arising out of Landlord's entry onto the Premises as provided in this Lease, except damage resulting solely from the gross negligence or willful misconduct of Landlord or its authorized representatives

25.4 Non-Disturbance. Landlord shall use its best efforts to conduct its activities on the Premises as allowed in this section in a manner which, to the extent reasonably practicable, will cause the least possible inconvenience, annoyance or disturbance to Tenant.

26.0 PERFORMANCE ON BEHALF OF TENANT

In the event that Tenant shall fail to make any payment or perform any act required hereunder to be made or performed by Tenant, then Landlord may, but shall be under no obligation to, provide Tenant with written notice and an opportunity to cure as specifically set forth herein, if any, following which Landlord may make such payment or perform such act with the same effect as if made or performed by Tenant; provided however, that nothing contained in this Paragraph 26 shall limit Landlord's obligation to provide written notice to Tenant under Paragraph 21 of this Lease. Entry by Landlord upon the Premises for such purpose shall not waive or release Tenant from any obligation or Event of Default hereunder. Tenant shall reimburse Landlord (with interest at the Default Rate) for all sums so paid by Landlord in connection with the performance of such act.

27.0 ACCEPTANCE OF SURRENDER

No modification, Termination or surrender of this Lease or surrender of the Premises or any part thereof or any interest therein by Tenant (except surrender upon Expiration or Termination of this Lease) shall be valid or effective unless agreed to and accepted in writing by Landlord and no act by any representative or agent of Landlord, other than such a written agreement and acceptance by Landlord shall constitute an acceptance thereof.

28.0 ESTOPPEL CERTIFICATE BY TENANT

Tenant will execute, acknowledge and deliver to Landlord within ten (10) days after receipt of Landlord's written request therefore, a certificate certifying: (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified, and stating the modification); (b) the dates, if any, to which Minimum Base Rent, Percentage Rent and other sums payable hereunder have been paid, (c) that no notice has been received by Tenant of any Default which has not been cured except as to Defaults specified in said certificate; (d) that Landlord is not in default hereunder except as specified in the certificate; and (e) any other matters reasonably requested and related to this Lease. In the event Tenant fails to execute and return such certificate to Landlord within said ten (10) day period, Landlord may, at its option, treat failure to deliver such statement as a material default of the lease, or Landlord may execute such certificate on Tenant's behalf and agrees to provide Tenant with a copy of said certificate. Any such certificate, whether executed by Tenant or Landlord on Tenant's behalf, shall be binding upon Tenant and may be relied upon by any prospective purchaser or Mortgagee of the Premises or any part thereof.

29.0 ESTOPPEL CERTIFICATE BY LANDLORD

Landlord will execute, acknowledge and deliver to Tenant within thirty (30) days of Tenant's written request, a Certificate certifying: (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified, and stating the modification); (b) the dates, if any, to which Minimum Base Rent, Percentage Rent and other sums payable hereunder have been paid; (c) whether or not to the knowledge of Landlord there are then existing any defaults under this Lease (and to specify the same); and (d) such other matters related to this Lease as are reasonably requested by the requesting party. Any such certificate shall be binding on Landlord and may be relied upon by any prospective transferee of Tenant's interest under this Lease. In the event Landlord fails to execute and return such certificate to Tenant within said thirty (30) day period, Tenant may execute such certificate on Landlord's behalf and agrees to provide Landlord with a copy of said Certificate.

30.0 CONVEYANCE BY LANDLORD

In case the original or any successor Landlord shall convey or otherwise dispose of Premises or its interest therein, it shall thereupon be released from all liabilities and obligations of Landlord under this Lease (except those accruing prior to such conveyance or other disposition) and such liabilities and obligations shall be binding solely on the then owner of the Premises. Tenant waives the protection of any statute or rule of law that gives or purports to give Tenant any right to terminate this Lease or surrender possession upon the transfer of Landlord's interest.

31.0 PROVISIONS SUBJECT TO APPLICABLE LAW

Rights, powers and remedies provided herein may be exercised only to the extent that exercise thereof does not violate any applicable Law, and are intended to be limited to the extent necessary so that they will not render this Lease invalid or unenforceable.

32.0 APPRAISAL

When the value of the Premises, or any part thereof is to be determined pursuant to any provision of this Lease, such value shall be determined by agreement of Landlord and Tenant within thirty (30) days from the date negotiations commence or, in the absence of such agreement, by one independent appraiser selected by Landlord and Tenant. If the two parties cannot agree on such value or on a single appraiser, then at the written request of either party, Landlord and Tenant within fifteen (15) days after such notice shall each appoint an appraiser to make such determination, and notice of such appointment shall be given to the other party. If either party shall fail or refuse so to appoint an appraiser and give notice thereof within such period, the appraiser appointed by the other party shall within thirty (30) dates thereafter individually make such determination. If the parties have each so appointed an appraiser within such thirty (30) day period, the appraisers thus appointed shall proceed to determine such value within thirty (30) days after notice of their appointment. If such two appraisers shall be unable to agree on such value within such thirty (30) days, they shall immediately calculate the arithmetic average of their values which shall become the value. All reasonable costs, fees and expenses of the appraisers shall be borne equally by Tenant and Landlord.

33.0 NOTICES

Whenever any notice is required or permitted hereunder, such notice shall be in writing and shall be personally delivered, sent by U.S. Registered or Certified Mail, return receipt requested, postage prepaid, or sent by a nationally recognized overnight carrier service to the address set forth below or at such other addresses as are specified by written notice delivered in accordance herewith:

Landlord: SAN MATEO COUNTY HARBOR DISTRICT
400 Oyster Point Blvd. Suite 300
South San Francisco, CA 94080

Tenant: _____
_____
_____

Any notice personally delivered as hereinabove provided shall be deemed effectively given on the date of receipt of such notice. Any notice sent by U.S. Registered or Certified Mail or by a nationally recognized overnight courier service shall be deemed effectively given on the date of delivery or attempted delivery thereon, whichever is sooner.

34.0 MEDIATION AND ARBITRATION

34.1 Service of process. Concurrently with the execution of this Lease, a form for the irrevocable appointment of an agent to receive service of process on behalf of the other party shall be executed by each party.

34.2 Disputes Subject to Mediation and Arbitration. Disputes between the parties relating to the interpretation and enforcement of their rights and obligations under this Lease shall be resolved by mediation and arbitration in accordance with the Provisions of Paragraphs 34.3, *et seq.*, of this Lease, with the exception that Landlord, at its sole discretion, may elect to proceed instead with an unlawful detainer action in Superior Court for San Mateo County in the event that Tenant defaults through failure to pay minimum or percentage rents when due under the terms of this Lease or any action to obtain a temporary restraining order or equivalent temporary relief to maintain the status quo and preserve either parties' ability to enforce the provisions of the Lease.

34.3 Initial Mediation. With respect to any dispute between the parties that is to be resolved by arbitration, the parties shall attempt in good faith for thirty (30) days, to mediate such dispute and use their best efforts to reach agreement on the matters in dispute.

34.4 Arbitration. Any dispute between the parties that is to be resolved by arbitration as provided in Paragraph 34.2 shall be settled and decided by arbitration. Any such arbitration shall be held and conducted in the County of San Mateo by an arbitrator, who shall be selected by mutual agreement of the parties; if agreement is not reached on the selection of an arbitrator within fifteen (15) days, then Landlord and Tenant shall each choose an arbitrator, each of whom shall agree to select a third arbitrator who would actually arbitrate the dispute between the parties.

The following shall apply and govern such arbitration:

(a) Any demand for arbitration shall be in writing and must be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date that institution of legal or equitable proceedings based on such claim, dispute, or other matter would be barred by the applicable statute of limitations.

(b) The arbitrator or arbitrators appointed must be former or retired judges or "attorneys" with at least ten (10) years experience in real property and commercial matters.

(c) All proceedings involving the parties shall be reported by a Certified Shorthand court reporter and written transcripts of the proceedings shall be prepared and made available to the parties.

(d) The arbitrator or arbitrators shall prepare in writing and provide to the parties factual findings and the reasons on which the decision of the arbitrator or arbitrators is based.

(e) Final decision by the arbitrator or arbitrators must be made within ninety (90) days from the date the arbitration proceedings are initiated.

(f) The prevailing party shall be awarded reasonable attorney's fees, expert and non-expert witness costs and expenses, and other costs and expenses incurred in connection with the arbitration, unless the arbitrator or arbitrators for good cause determine otherwise.

(g) Costs and fees of the arbitrator or arbitrators shall be borne by the non-prevailing party, unless the arbitrator or arbitrators for good cause determine otherwise.

(h) The award or decision of the arbitrator or arbitrators, which may include equitable relief, shall be final and judgment made shall be entered on it in accordance with applicable law in any court having jurisdiction over the matter.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE CERTAIN DISPUTEs ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION, AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

D.C.M
Initials

Initials

Initials

35.0 ATTORNEY'S FEES

Tenant shall reimburse Landlord, upon demand, for any reasonable costs or expenses incurred by Landlord in connection with an Event of Default under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees, costs for experts or other professional services, and costs incurred for the negotiation of a settlement, any enforcement of rights, or otherwise. If either party commences an action against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the losing party reasonable attorney's fees and costs of suit.

35.1 Litigation Expenses. If either party hereto brings an action or proceeding (including any cross-complaint or counterclaim) against the other party by reason of a Default, or otherwise arising out of this Lease, the prevailing party in such action or proceeding shall be entitled to recover from the other party its costs and expenses of suit, including but not limited to, reasonable attorney's fees, which fees 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.

35.2 Appeals. Attorney's fees under this section shall include attorney's fees and all other reasonable costs and expenses incurred in connection with any appeal.

36.0 QUIET ENJOYMENT

Upon Tenant's payment of Rent due hereunder, Tenant shall have quiet possession of the Premises for the Lease Term. If, at any time, Landlord's title or right to receive rent hereunder is disputed, or there is a change of ownership of Landlord's estate by any act of the parties or operation of law, Tenant may deposit in escrow Rent thereafter accruing until Tenant is furnished proof satisfactory to it as to the party entitled thereto.

37.0 MISCELLANEOUS PROVISIONS

37.1 Time is of the Essence. Time is of the essence with respect to the performance of each Provision of this Lease.

37.2 Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions to this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

37.3 Payments by Tenant. Except as otherwise expressly provided herein, Rent and all other sums payable by Tenant to Landlord under this Lease shall be paid without notice. All sums payable by Tenant shall be paid by good check in the currency of the United States at the Pillar Point Harbor office of Landlord as set forth below:

Office of the Harbor Master
Pillar Point Harbor
San Mateo County Harbor District
1 Johnson Pier
Half Moon Bay, CA 94019

or at such place and to such Person as Landlord may from time to time designate by written notice to Tenant.

37.4 Status of Parties on Termination of Lease. Except as provided in Paragraph 22, if either party elects to terminate this Lease as provided herein, on the date the Lease terminates the parties shall be released from further liabilities and obligations and the Landlord shall return to Tenant any unearned rent, so long as Tenant is not in default on the date the Lease terminates. Any Percentage Rent which has accrued but has not yet become due will be payable by Tenant to Landlord or credited in whole or in part to Tenant in the event that Landlord holds any unearned rent.

37.5 Exhibits Incorporation into Lease. All exhibits referred to in this Lease are attached to this Lease and are incorporated herein by this reference.

37.6 Governing Law. This Lease shall be construed and interpreted in accordance with the Laws of the State of California, and venue for any action relating thereto shall be in San Mateo County.

37.7 Singular and Plural and Gender. When required by the context of this Lease, the singular shall include the plural, the male the female, and vice versa.

37.8 Joint and Several Obligations. "Party" shall mean Landlord or Tenant; and if more than one Person or entity is Landlord or Tenant, the obligations imposed on that Party shall be joint and several.

37.9 Severability. The unenforceability, invalidity, or illegality of any provision of this Lease shall not render the other provisions of this Lease unenforceable, invalid or illegal, and this Lease shall remain in force and effect as if such unenforceable, invalid or illegal provision had never been a part of this Lease.

37.10 Binding Effect. Each and all provisions, agreements, terms, covenants and conditions of this Lease to be performed, kept and observed by Landlord and Tenant, shall be binding on any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease.

37.11 Third Party Beneficiaries. Except as to the Department as set forth in this Lease, there are no third party beneficiaries of this Lease.

37.12 Interpretation. This Lease shall conclusively be presumed to have been drafted jointly by both parties hereto.

37.13 Authority. If either Party has a governing board, that party shall deliver to the other Party upon the execution at this Lease a certified copy of a resolution of its board authorizing the execution of this Lease and naming the officers that are authorized to execute this Lease on behalf of the corporation.

37.14 Captions. Captions are included in this Lease for convenience only and do not constitute a part of this Lease.

37.15 Section Headings. The section headings contained herein are for convenience in reference and are not to be used to construe the intent of this Lease or any part thereof, nor to modify, amplify, or aid in the interpretation or construction of any of the Provisions thereof.

37.16 Force Majeure. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, or other cause without fault and beyond the control of the party obligated to perform (financial inability and any closure of access roads that does not effect a total blockage of all access to the Premises excepted), performance of such act shall be excused and extended for a period equivalent to the period of such delay; provided, however, that nothing in this section contained shall excuse Tenant from the prompt payment of any rent or other charge required of Tenant hereunder except as may be expressly provided elsewhere in this Lease.

37.17 Nondiscrimination Covenant. Tenant covenants not to discriminate against or segregate any Person or group of Persons, on account of race, color, creed, religion, sex, marital status, sexual orientation, age, national origin, ancestry, or disability.

37.18 Loan Agreement. The terms and conditions of this Lease are subordinate to, and subject to, the Loan Agreement between Landlord and the Department (Department Contract No. 84-21-34, dated August 23, 1984, as modified).

38.0 MEMORANDUM OF LEASE

Concurrently with execution of this Lease, the parties shall execute and acknowledge a Memorandum of Lease identifying the Lease in substantially the form of Exhibit C to be recorded in the official records of San Mateo County. Upon the request of either party, the

parties shall execute and acknowledge further Memoranda of any future amendments of this Lease. The parties hereto ratify, confirm and adopt all of the terms and conditions of the Lease.

39.0 APPROVAL BY CALIFORNIA DEPARTMENT OF BOATING AND WATERWAYS

This Lease requires the written approval of the Department and shall not take effect until such approval is obtained.

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

LANDLORD:

SAN MATEO COUNTY HARBOR DISTRICT

DATED: 3-13-13

BY: [signature]
NAME: James J Tucker
TITLE: Harbor District Board President

TENANT:

MORNINGSTAR FISHERIES

DATED: 3-12-2013

BY: [signature]
NAME: David Mallory
TITLE: Owner

EXHIBIT A

DEPICTION OF THE PREMISES

The Premises leased by Morning Star Fisheries are located in Area 1, consisting of approximately thirty-three (33) by nineteen (19) feet, including upper and lower levels of the building known variously as the fish buyers building (see Attachment 1) or the fish handlers building (see Attachment 2), which is situated at the westerly extension of the Johnson Pier in Pillar Point Harbor, in the unincorporated community of Princeton, San Mateo County, APN 047-083-060. The building is a rectangle approximately thirty-four (34) feet wide by sixty (60) feet long with the long side oriented approximately north-south. The building layout contains three equal-sized Areas, including Area 1. Area 1 (and the other two Areas) consists of an open stall on the ground floor with facing garage doors on the east and west walls. The upper floor has office, restroom and storage space.

EXHIBIT B

INITIAL TENANT IMPROVEMENTS

NONE

Board of Harbor Commissioners

Tom Mattusch, President
Nicole David, Vice President
Robert Bernardo, Secretary
Pietro Parravano, Treasurer
Sabrina Brennan, Commissioner

Glenn Lazof, Interim General Manager

ITEM 13

PART 2

504 Avenue Alhambra, 2nd Floor, PO Box 1449, El Granada, CA 94018
(650) 583-4400 T
(650) 583-4611 F

ORIGINAL

SAN MATEO COUNTY
ASSESSOR'S OFFICE
PROPERTY TRANSFER
MAR 2 7 2013

2013-046463

Lease
between
Pillar Point Seafood
and
San Mateo County Harbor District

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EXHIBIT A – DEPICTION OF THE PREMISES
EXHIBIT B – INITIAL TENANT IMPROVEMENTS
EXHIBIT C – FORM OF LEASE MEMORANDUM

SAN MATEO COUNTY HARBOR DISTRICT

LEASE

This Lease (hereinafter called "Lease") is made and entered into as of this 13th day of March, 2013, by and between the San Mateo County Harbor District, a political subdivision of the State of California (hereinafter called "Landlord"), having its principal place of business at 400 Oyster Point Blvd., Suite 300, South San Francisco, CA 94080 and Pillar Point Seafood, (hereinafter called "Tenant"), having its principal place of business at Area 3, Johnson Pier, Pillar Point Harbor, mailing address: PO Box 193, Maxwell, CA 95955, with references to the following facts and objectives:

RECITALS

A. Landlord is the operator of that certain parcel of real property situated in the County of San Mateo, State of California known as Pillar Point Harbor, APN 047-083-060 (hereinafter called "Harbor").

B. Tenant desires to lease from Landlord and Landlord desires to lease to Tenant a portion of the aforementioned real property known as Area 3 at Johnson Pier, consisting of approximately thirty three (33) feet by nineteen (19) feet, including upper and lower levels of the building located at the westerly extension of the Johnson Pier and more particularly described in Exhibit A attached hereto and by this reference made a part hereof (hereinafter called "Premises").

C. Tenant wishes to lease the Premises for its commercial fish-buying business, and in accordance with the terms and conditions below.

NOW, THEREFORE, for and in consideration of the Premises and of the mutual obligations, agreements, and representations and warranties herein contained, the parties do hereby agree as follows:

AGREEMENT

1.0 TERMS AND DEFINITIONS

As used in this Lease, the following words and phrases have the following meanings:

Alteration: any addition or change to, or modification of, the Premises or demolition and construction of new Improvements made by Tenant, whether as part of the Initial Tenant Improvements or otherwise.

Approvals: those permissions required by law or regulation prior to, or during, the use and operation of the Premises.

Commencement Date: the date on which Tenant opens the Premises for business, but no later than six (6) months after the Effective Date of this Lease.

County: San Mateo County.

Department: is the Department of Boating and Waterways in the State of California Natural Resources Agency.

Effective Date: the most recent date of signatures by the parties to this Lease.

Event of Default: is defined in Section 21.1.

Expiration: the coming to an end of the time specified in the Lease as its duration, including any Extension Term.

Finfish: Finned vertebrate fish other than wetfish (see definition on page 3 below) including e.g. salmon, halibut, rockfish.

Fish: shall mean any type of fish, crustacean, or other seafood harvested from the sea by any method.

Fixture: personal property that is attached to the Premises such that it becomes an irremovable part of the real property; Tenant's objects of trade ("trade fixtures") that can be removed without damage to the Premises are not Fixtures under this Lease.

Good Condition: the good physical condition of the Premises and each portion thereof. "In Good Condition" means in good order and repair, clean, broom clean, free of graffiti and accumulated trash, and fully operative.

Gross Receipts: is defined in Section 6.1(d).

Harbor Commission: shall mean the governing board of Landlord.

Hazardous Material: any hazardous or toxic substance, material or waste that is or becomes regulated by any local government authority, the State of California or the United States Government.

Impositions: all taxes and assessments due during the Lease Term.

Improvements: all buildings, other structures, fixtures, sidewalks, curbs, gutters, paved areas, structures, signs, water wells, water supply systems, sewage systems, waste water systems, fencing, utility systems, parking area improvements, service and trash area improvements, landscaping, lighting, exterior fountains, sculptures, flags, banners or historic artifacts, or any other improvements now or hereafter constructed or maintained on the Premises or any alteration or additions thereto, except for Tenant's Personal Property.

Inflation Factor: is defined in Section 5.2.

Insurance Requirements: all terms of any insurance policy covering or applicable to the Premises or any part thereof, all requirements of the issuer of any such policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the Premises or any alteration or part thereof or any use or condition of the Premises or any part thereof.

Landlord: San Mateo County Harbor District, a political subdivision of the State of California.

Law: any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order, or other requirement of any municipal, county, state, federal or other government agency or authority having jurisdiction over the parties or the Premises, in effect either at the time of execution of the Lease or at any time during the Lease Term, including without limitation, any regulation or order of a quasi-official entity or body.

Lease: this Lease.

Leasehold Mortgage: a mortgage secured by the leasehold estate created by this Lease.

Legal Requirements: all laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or any or at any time hereafter may be applicable to the Premises or any part thereof or any of the adjoining sidewalks, curbs, streets or ways, or any use or condition of the Premises or any part thereon.

Maintenance: replacement, repainting, and cleaning, and such labor and materials as required to keep the Premises clean, and any associated landscaping healthy and aesthetically pleasing, and all requirements imposed by Landlord.

Minimum Base Rent: the base rent to be paid by Tenant to Landlord on a monthly basis throughout the Lease Term, and which shall be two thousand five hundred dollars ($2,500.00) per month adjusted annually by the Inflation Factor.

Mortgage: a mortgage or deed of trust.

Mortgagee: the holder of a mortgage or deed of trust.

Non-Family Member: any Person other than Lease signatory's spouse, children, or siblings.

Person: any individual, corporation, association, partnership, joint venture, organization, or any other business entity, or a governmental or political unit or agency.

Premises: is as defined in the Recitals, herein, and including all improvements constructed by the Tenant thereon during the Lease Term.

Tenant's Personal Property: the equipment, signs, furniture, furnishings, merchandise, and moveable property placed in the Premises by the Tenant which have not become Fixtures.

Termination: the ending of the Lease Term for any reason before Expiration.

Wetfish: E.g., Sardines, mackerels, anchovies, market squid, coastal tunas.

Unavoidable Delays: delays due to strikes, acts of God, governmental restrictions, enemy action, riot, civil commotion, fire, unavoidable casualty or any other causes beyond the control of Landlord or Tenant, as the case may be; provided, however, that no delay may be deemed unavoidable if Landlord would be in danger of incurring any civil or criminal liability for Tenant's failure to perform the required act. In the event of a delay which would qualify as an Unavoidable Delay as defined herein but for the danger of the Landlord incurring civil liability, such delay shall be deemed to be an unavoidable delay if Tenant agrees in writing to indemnify Landlord and hold it harmless from and against any liability, damages, cost, expense, claim or cause of action, including without limitation, reasonable attorney's fees incurred by Landlord as a result of such delay. Unavoidable delays shall not include delays resulting from either (a) Tenant's inability to obtain sufficient funds or firm financing commitments to complete construction or (b) inability of Tenant to obtain a building permit issued by the County of San Mateo for the Initial Tenant Improvements.

2.0 AGREEMENT TO LEASE

2.1 Premises Leased. Upon and subject to the conditions and limitations set forth below, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises for the term

and at the rental provided in this Lease, together with all rights-of-way or rights of use servitudes, licenses, tenements, hereditaments, appurtenances and easements now or hereafter belonging or pertaining to any of the Premises. However, this Lease confers no rights with regard to the subsurface of the Premises more than fifteen (15) feet below ground level, except to the extent necessary to install pilings or other support for the Improvements, nor does it confer rights to airspace above the roof of the Premises other than air space rights for signs which may be placed upon the roof of the Premises but which shall comply with all Legal Requirements, as well as policies and guidelines for signage of Landlord, the County, and other regulatory agencies, provided that the total height of the Premises including the signs, shall not exceed twenty-eight (28) feet. The parties hereto agree that said letting and hiring is upon and subject to the terms, covenants and conditions herein set forth and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all its terms, covenants and conditions. Landlord shall take no action with respect to its reserved subsurface rights that would endanger or impair the Improvements or interfere with the activities taking place on the Premises.

2.1.1 Rents and Services. The ultimate purpose of the Lease for the benefit of the public is the complete and continuous use of the Premises. All facilities and services shall be made available to the public without any illegal discrimination as defined by California and Federal law.

The immediate purpose of this Lease is the use of the Premises for operation and maintenance of a fish-buying business.

It is agreed that the ultimate and immediate purposes are consistent and compatible. Accordingly, Tenant covenants and agrees to operate the Premises fully and continuously to accomplish said purpose consistent with sound business practice and subject to the terms of this Lease.

2.1.2 Cooperation Among Tenants. Tenant shall cooperate with all other tenants of Landlord who will be operating enterprises in the vicinity of the Premises, and shall conduct its operations so as to avoid interference with the operations of other tenants. Landlord may, but is not required to, resolve any difference or conflict that may arise between Tenant and other tenants operating enterprises in the vicinity of the Premises. If the operations of Tenant are impaired because of any acts or omissions of such other tenants, Tenant shall have no claim against Landlord on that account.

2.2 Lease Term. The term of the Lease (hereinafter called the "Lease Term") shall commence on the date on which Tenant opens the Premises for business but no later than six (6) months from the Effective Date of this Lease ("Commencement Date"), and expire at midnight on the same day five (5) years subsequent, unless Tenant exercises the option pursuant to Section 3.0 of this Lease, or unless sooner terminated pursuant to any provision hereof. Notwithstanding any of the provisions of this paragraph, Tenant shall submit to the County of San Mateo all necessary application materials, plans, drawings, and specifications for discretionary land use approvals permitting construction no later than ninety (90) days following the Effective Date. Failure to submit said application materials, plans, drawings, and specifications within this time period shall cause the immediate Termination of this Lease unless waived in writing by Landlord

by delivery of written notice to Tenant, whereupon each party shall be released from its obligations under this Lease effective upon the date of such notice.

2.2.1 Delay in Possession. If for any reason, Landlord fails to deliver possession of the Premises to Tenant by the Commencement Date, Landlord shall not be liable for any Damages resulting from that failure, nor shall that failure affect the validity of this Lease or the obligations of Tenant hereunder or extend the Lease Term, but in such case, Tenant shall not be obligated to pay rent or perform any other obligation under the terms of this Lease, except as may be otherwise provided in this Lease, until possession of the Premises is tendered to Tenant. If Landlord has not delivered possession to Tenant within thirty (30) days after the Commencement Date, Tenant may, however, cancel this Lease, by providing written notice to Landlord within ten (10) days after the end of the thirty(30)-day period; in that case, the parties shall be discharged from all obligations under this Lease, provided, however, that if the written notice of Tenant is not received by Landlord within that ten (10) day period, Tenant shall have no further right to terminate the Lease under this provision.

2.2.2 Right of Entry. During the period commencing upon the Effective Date and continuing through the Commencement Date, Tenant shall have a revocable license to enter the Premises for the purpose of conducting such studies, surveys, tests and investigations as are necessary for the planning and design of the Initial Tenant Improvements to be constructed. Such license shall be revocable only in the Event of a Default by Tenant, after notice provided by Landlord to Tenant regarding Tenant's default and the expiration of any applicable grace period.

During the period between the Effective Date and the Commencement Date, Landlord shall not use the Premises in a manner which results in an increase in Tenant's construction costs or interferes with the progress of Tenant's construction of the facilities. Tenant shall have no vested or possessory interest in the Premises during this period except for its right and title to the Initial Tenant Improvements it constructs thereon.

During this period, Tenant shall maintain insurance coverage as provided elsewhere in Section 16 below.

2.3 Preparation of Premises by Landlord. Landlord shall have no obligation to prepare the Premises for Tenant's occupancy. Furthermore, Landlord makes no warranties or representations as to the condition of the Premises or their suitability for Tenant's operation except as explicitly set forth in Section 10 below.

2.4 Early Termination. If, after exercising due diligence, but in no event later than one hundred twenty (120) days after the Commencement Date, Tenant has not obtained a building permit issued by the County of San Mateo permitting Tenant to construct the Initial Tenant Improvements or has not furnished to Landlord evidence of sufficient funds or firm financial commitments to complete the construction in the form of a letter of commitment from Tenant or Tenant's lending institution setting forth the amount of the loan and the terms and conditions of the financing, this Lease shall terminate immediately unless such Termination has been waived in writing by Landlord by delivery of written notice to Tenant. Upon such notice of waiver, each party shall be released from its obligations under this Lease effective upon the date of such notice, except that Tenant, at Tenant's expense, shall restore the Premises to the condition in which they were made available to Tenant if Tenant has made any modifications to them, unless Landlord waives the right to such restoration in writing.

2.5 End of Lease Term.

2.5.1 Surrender. Upon the Expiration or other Termination of the Lease Term, Tenant shall quit and surrender to Landlord, or Landlord's successor in interest, the Premises including all Improvements in good condition, except for (a) ordinary wear and tear occurring after the last necessary Maintenance made by Tenant and (b) destruction to the Premises covered by Paragraphs 17.1 and 17.2. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good Maintenance practices. Tenant shall repair any damage to the Premises occasioned by the installation or removal of Tenant's Personal Property, alterations, furnishings, and equipment. Tenant hereby agrees to execute all documents as Landlord may reasonably deem necessary to evidence any Termination of the Lease Term.

If Tenant fails to surrender the Premises to Landlord on Expiration or Termination of the Lease Term as required by this Paragraph, Tenant shall indemnify, defend and hold Landlord harmless from all Damages resulting from Tenant's failure to surrender the Premises, included but not limited to and without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises, and Tenant waives all claims against Landlord for any Damages to Tenant resulting from Landlord's retention or disposition of any Improvements, Alterations, or Tenant's Personal Property. Tenant shall be liable to Landlord for all costs incurred by Landlord for storing, removing, or disposing of any Improvements, Alterations, or Tenant's Personal Property. In addition, Tenant shall be liable to Landlord for any Damages Landlord may sustain as a result of such failure to surrender and shall pay all costs and attorney's fees as may be necessary to evict Tenant.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereon, shall not work a merger, and shall, at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies.

2.5.2 Tenant's Personal Property. Tenant shall within thirty (30) days, at its own expense, remove all of Tenant's Personal Property which, at Landlord's option, may include all removable Fixtures and installations of any kind or placed on the Premises by Tenant, and shall leave the leased Premises in clean condition, and shall perform all restoration made necessary by the removal of such Personal Property at or prior to the Expiration or Termination of the Lease Term. Landlord may remove any of the Tenant's Personal Property or Fixtures that Tenant has not removed from the Premises on Expiration or Termination of the Lease Term and store Tenant's Personal Property in a public warehouse or elsewhere for such a period of time as may be required by applicable Law, after which time Landlord may retain or dispose of all such property in accordance with applicable Law. Tenant waives all claims against Landlord for any Damage to Tenant resulting from Landlord's retention or disposition of any Tenant's Personal Property as provided herein. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of any Tenant's Personal Property.

2.5.3 Ownership of Improvements. Upon Expiration or Termination of this Lease, title to such immovable Improvements, including all buildings, structures, Fixtures and facilities constructed or placed within the Premises by Tenant, which are or have been within the Lease Term attached or fastened to the ground, deck, floor or walls of a structure, such that they cannot be removed without damage to the Premises, shall become the property of Landlord or

Landlord's successor in interest at the Expiration of the Lease or upon earlier Termination thereof, and Tenant shall execute such instruments as may be reasonably required by Landlord confirming Landlord's title to such Improvements or Fixtures located on the Premises.

2.5.4 No Relocation. Tenant acknowledges, agrees and expressly waives any and all rights to relocation benefits under federal or state law upon the Termination or Expiration of this Lease.

2.6 Holding Over. Any holding over by Tenant after the Expiration or Termination of this Lease, and any acceptance of Rent by Landlord thereafter, shall not constitute a renewal or give Tenant any rights hereunder in the Premises, except with the prior written consent of Landlord, which consent may be withheld for any reason whatsoever. Any holding over by Tenant after the Expiration or Termination of this Lease, with the written consent of Landlord, shall be construed to be a tenancy from month to month, and shall be terminable upon thirty (30) days written notice given by either Landlord or Tenant. All the terms, covenants, conditions, and provisions of this Lease shall apply to any such month-to-month tenancy. Landlord shall respond to a request to holdover within a reasonable time.

If Tenant holds over after the Expiration or Termination of this Lease without the express written consent of Landlord, upon the date of such Expiration or Termination Tenant shall become a tenant at sufferance only at a rental rate equal to one hundred fifty percent (150%) of the rent that would be applicable to the Premises pursuant to Sections 5 and 6 below, for a month-to-month tenancy, terminable upon thirty (30) days' written notice by either party to the other, and otherwise subject to the terms, covenants, conditions, and provisions herein specified, so far as applicable. Nothing in this Paragraph 2.6 shall be construed as consent by Landlord to any holding over by Tenant.

3.0 OPTION TO RENEW

Subject to the Provisions hereinafter set forth, Landlord grants to Tenant two (2) options to renew this Lease for an additional five (5) years each on the same terms, conditions, and provisions as contained in this Lease, except that the Minimum Base Rent shall be adjusted as provided in Section 5.0.

The first option to renew may be exercised by Tenant, provided no Event of Default by Tenant is then occurring, by issuing a notice in writing, received by Landlord no earlier than four (4) years after the Commencement Date but not less than one hundred eighty (180) days prior to the date of Expiration of the Lease Term. The second option to renew may be exercised by Tenant under the same terms and conditions, but not less than one hundred eighty (180) days prior to the date of Expiration of the first option to renew. Failure to give such notice will render Tenant's option to renew null and void.

4.0 SECURITY DEPOSIT

On or before the Rent Commencement Date, Tenant shall deposit with Landlord the sum of seven thousand five hundred and no/100^{ths} Dollars ($7,500.00) which shall be equal to three (3) months Minimum Base Rent as a Security Deposit for Tenant's performance under this Lease (the "Security Deposit"). The Security Deposit shall be adjusted annually and concurrently with the adjustment of Minimum Base Rent as set forth in Paragraph 5.2 of this Lease, however at all times the Security Deposit shall always be equal to three (3) months Minimum Base Rent as adjusted by the Inflation Factor, and Tenant shall annually pay Landlord an amount to adjust the

Security Deposit accordingly. The Security Deposit and Security Deposit adjustment payments shall be in the form of cash deposited with Landlord.

The Security Deposit shall guarantee Tenant's full and faithful performance of all the terms, covenants, and conditions of this Lease, and shall take the form of an initial single cash payment to Landlord with annual adjustments as described above.

If Tenant is in default hereunder, Landlord may use the Security Deposit, or any portion of it, to cure the Event of Default or to compensate Landlord for any Damages sustained by Landlord resulting from Tenant's Default. Tenant shall immediately on demand pay to the Landlord a sum equal to the portion of the Security Deposit extended or applied by Landlord as provided in Paragraph 4 so as to maintain the Security Deposit in the sum then required of Tenant. If Tenant performs all of Tenant's obligations under this Lease, the Security Deposit, or so much thereof as has not been applied by Landlord, shall be returned, without payment of interest or other increment for its use, to Tenant or, at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder, at the Expiration or Termination of this Lease and after Tenant has vacated the Premises. No trust or fiduciary relationship is created herein between Landlord and Tenant with respect to the Security Deposit.

Landlord may maintain the Security Deposit separate and apart from Landlord's general funds or may commingle the Security Deposit with Landlord's general or other funds. Tenant shall not be entitled to, and Tenant hereby specifically waives any requirement that Landlord pay, interest on the Security Deposit.

5.0 MINIMUM BASE RENT

5.1 Minimum Base Rent. Tenant agrees to pay to Landlord as base rent, without notice or demand, Two Thousand Five Hundred and no/100^{ths} Dollars ($2,500.00) ("Minimum Base Rent"), on or before the first day of each and every successive calendar month during the Term of this Lease. Tenant's obligation to pay rent shall commence on the Commencement Date. Minimum Base Rent shall be paid to Landlord without deduction or offset, in lawful money of the United States of America and at such place as Landlord may from time to time designate in writing. Minimum Base Rent for any period that is less than one (1) month shall be a prorated portion of the monthly installment herein based on a thirty (30) day month.

5.2 Adjustment to Minimum Base Rent. The Minimum Base Rent established in Paragraph 5.1 of this Lease shall be adjusted annually on each anniversary of the Commencement Date for the term of this Lease by the greater of three percent (3%) or the increase since the prior year in the San Francisco-Oakland-San Jose Cost of Living Indexes: All Item Index (All Urban Consumers Index).

5.3 Minimum Base Rent Adjustment at End of Lease Term, upon Exercise of Option, or Upon Assignment of Lease or Sale of Business to Any Non-Family Member at Any Time. At each and any of these times, Minimum Base Rent may, at Landlord's sole discretion, be adjusted to reflect two percent (2%) of the adjusted Minimum Base Rent.

6.0 FEES FOR FISH PURCHASE AND OFF-LOADING

6.1 Fees for fish purchase and off-loading. In addition to Minimum Base Rent, Tenant agrees to pay to Landlord all of the following amounts:

(a) Wholesale Fish Purchase = $10.00 per ton actual scale gross weight for wetfish and $.01 per pound gross weight for finfish and shellfish purchased by Tenant for fish at the Premises on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(b) Fish Off-Loading: $10.00 per ton actual scale gross weight for wetfish and $.01 per pound gross weight for finfish and shellfish off-loaded by Tenant at Premises on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(c) Retail Fish Sales: Tenant will pay Landlord five percent (5%) of its gross receipts for all fish sold to the general public on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(d) Gross Receipts Defined: For the purposes of subsections 6.1(a), (b) and above, "gross receipts" means all amounts derived, received, or charged by any sublessee, subtenant, concessionaire, licensee, or any other person, firm or corporation (herein called "subtenant") or by Tenant, for fish purchased, or for sales, charges for service, for the use of space made in or on the Premises, or from any and all sources of income derived in whole or in part from any business transacted in, at or from the Premises, whether from subtenants, customers, or otherwise, both for cash and on credit, and in cases of sales or charges on credit, whether or not payment is actually made.

Gross Receipts shall include, without limitation, all:

(i) Deposits not refunded;

(ii) Orders taken on or from the Premises to be filled or paid for elsewhere;

(iii) Sales or charges for all services performed, whether such sales are made or such services are rendered at or arranged through the occupied space at the Premises by long distance communication and whether initiated, performed, or completed at another location;

(iv) Consideration received by Tenant for value directly from customers, and from subtenants, including subrents;

(v) Income from off-site processing of fish unloaded at the Premises.

Each sale or charge for service or use of space on credit or in installments shall be treated as a sale or charge for the total price in the calendar year for which the sale or charge is made whether or not any payments are made within that year.

(e) Only the following amounts may be excluded or deducted from Gross Receipts at the time they are ascertained, and where not ascertainable during the period covered by a statement of Gross Receipts, then from the time of a subsequent statement when they are known:

(i) All sums collected and paid out for sales taxes, luxury taxes, excise taxes, and similar taxes required by law to be added to the total purchase price, whether now or hereinafter in force, to be collected from customers and paid by Tenant or a subtenant;

(ii) All refunds made on any sale or charge for service or use of space previously included as Gross Receipts;

(iii) Any income or receipts, under generally accepted accounting principles, which are derived from the sale or disposal of any capital assets (excluding any assets normally sold in the course of business conducted on the Premises) or from the retirement of any indebtedness, or from Tenant's or subtenant's investments of any funds not invested in the Premises or the operation of the Tenant's or subtenant's business on the Premises.

None of the above exclusions or deductions from Gross Receipts shall be excluded or deducted if in substance it is a typical sale, charge for service, or other source of Gross Receipts which is ordinarily the subject of Purchase and Off-Loading Fees, but arranged only to avoid such rent, or if actually contracted for elsewhere on other premises such as typical sale, charge for service, or other source of Gross Receipts which is ordinarily the subject of Purchase and Off-Loading Fees, but such sale, charge or service, or other Gross Receipts, is for the Lessee's or a subtenant's business benefit.

6.2 Payment of Purchase and Off-Loading Fees. Purchase and Off-Loading Fees at the rates set forth in Section 6.1 shall be paid monthly and shall be due and payable on the 15th day following the end of each month.

6.3 Documentation/Audit.

(a) Tenant shall monthly provide the Landlord with a copy of its Department of Fish and Game transportation receipts, landing receipts, and unloading receipts or other documentation of receipts satisfactory to the General Manager. Such documentation shall include but not be limited to the name of the vessel making delivery for off-loading, name of vessel operating, Tenant name, actual scale weight of species loaded, and signature of vessel operator, tenant, and buyer if other than Tenant, and number of Commercial Activity Permit of buyer if other than Tenant.

(b) Tenant shall keep records related to its business operations, including but not limited to its calculations of its Gross Receipts in a commercially reasonable form and detail, and in accordance with generally accepted accounting principles.

(c) All documents, books and accounting records kept by Tenant relating to this Lease shall be open to inspection by Landlord or its authorized representative at any reasonable time during the Lease Term and for three (3) years thereafter.

7.0 IMPOSITIONS

7.1 Possessory Interest. Pursuant to California Revenue and Taxation Code Section 107.6 Tenant is hereby advised that this Lease creates a possessory interest subject to property

taxation and, as the party in whom the possessory interest is vested, Tenant will be subject to payment of the taxes levied on said interest. Beginning the Effective Date of the Lease, Tenant shall pay all Impositions before any interest, penalty, fine or cost may be added for non-payment, and will furnish Landlord for inspection within thirty (30) days after Landlord's written request, official receipts of the appropriate taxing authority or other proof satisfactory to the Landlord evidencing such payment. Tenant shall pay all real property taxes attributable to the Premises. In addition to paying real property taxes on the Premises, Tenant shall also pay for any assessments which may be levied upon the Premises as a result of any Improvements made by Tenant. Tenant shall at all times keep current said real property taxes and assessments and shall hold Landlord harmless therefrom. Any Impositions relating to the fiscal period of any taxing authority, part of which includes any period prior to the commencement of the Lease Term or after Expiration or Termination of the Lease Term shall be apportioned between Landlord and Tenant on a pro rata basis. With regard to assessments payable in installments, Tenant shall only be required to pay those installments falling due during the Lease Term. Tenant may contest any Impositions or seek a reduction thereof provided that Tenant shall furnish to Landlord a surety bond indemnifying Landlord from any Damages arising from any such proceedings.

7.2 Taxes and Assessments. Tenant agrees to pay to the proper authority any and all taxes, assessments and similar charges on the Premises in effect at the time this Lease is entered into, or which become effective thereafter, including all taxes levied or assessed upon the possession, use, or occupancy, as distinguished from the ownership to the Premises. Tenant, on behalf of itself and any permitted successors and assigns, recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Tenant and any permitted successor or assign may be subject to the payment of such taxes. Tenant, on behalf of itself and any permitted successors and assigns, further recognizes and understands that any assignment permitted hereunder and any exercise of any option to renew or extend 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 shall report any assignment or other transfer of any interest in this Lease or any renewal or extension hereof to the County Assessor within sixty (60) days after such assignment transaction or renewal or extension. Tenant further agrees to provide such other information as may be requested by Landlord to enable Landlord to comply with any reporting requirements under applicable Law with respect to possessory interest.

8.0 UTILITIES, SERVICES AND ASSESSMENTS

Tenant shall make all arrangements for and pay the appropriate supplier for all utilities and services directly furnished to or used by it including, without limitation, gas, water, electricity, sewer, and telephone services and for all connection charges for such utilities and services. Tenant has its own water, electric, and gas meters. If any such charges for utilities and services are not paid when due, Landlord may pay the same, but shall not be required to pay the same. Tenant shall immediately pay any amount so paid, together with any other costs incurred by Landlord in connection with the handling of such payment, to Landlord as additional rent. Tenant shall also pay for taxes and assessments levied upon machines, appliances or property owned or used by Tenant.

Landlord shall not be liable for any failure or interruption of (i) any utility service furnished to the Premises, or (ii) the heating, ventilating, and air conditioning systems. No such failure or

interruption shall entitle Tenant to terminate this Lease or abate rent or to stop making any other payments due hereunder.

9.0 USE; LIMITATIONS ON USE

9.1 Use.

(a) Tenant shall use the Premises for its commercial fish-buying and/or fish-unloading business and additional ancillary and compatible uses and services pursuant to paragraph 9.1 (b)(vii) of this lease. Tenant shall not use the Premises for any other purposes without Landlord's prior written consent.

(b) Tenant shall develop, operate and maintain a first-rate and complete facility for the purpose of wholesale buying, unloading, storing, and shipment of fish and fish-related products and/or the non-exclusive right to sell fish on a retail basis as stipulated in subsection (ii) below. Tenant shall have all necessary permits for fish processing on display in order to engage in this activity.

(i) Tenant shall provide on the Premises all equipment required for the operation of said wholesale fish dealership, including winch and hoist for the purpose of loading or unloading of fish or other merchandise to and from vessels, and scales, skiff or equipment storage. Tenant may provide a second winch and hoist at a location approved in advance by the Harbor Master.

(ii) Tenant shall have the non-exclusive right to sell fish in the same condition as purchased directly from fishing boats at Pillar Point Harbor, on a retail basis, on a month-to-month basis, subject to written approval of Landlord of any plans, specifications and engineering and compliance with San Mateo County Local Coastal Plan and zoning/land use regulations. Landlord shall retain the right to delete this right if storage, traffic, pedestrian or space problems occur. Tenant shall not be allowed to do any advertising for the retail fish operation on or off-site at any time except as may be permitted by Landlord at Landlord's sole discretion. Violation of this provision will automatically rescind the right by Tenant to sell fish on a retail basis.

(iii) Tenant shall not buy fish or other seafood products from any vessel that exceeds eighty (80) feet in length, without permission of Landlord's Harbor Master or General Manager. Permission shall not be arbitrarily withheld and shall be subject to appeal to the Harbor Commission.

(iv) Tenant shall unload at the Premises only fish that it has either purchased or has caught in vessels owned or leased by Tenant, or has been purchased by a registered holder of a valid Commercial Activity Permit issued by Landlord. There will be no fish processing on the second floor of the Premises.

(v) Tenant shall provide documentation to the District for all fish unloaded that has been purchased by a registered holder of a valid Commercial Activity Permit issued by Landlord, which documentation shall include

date of landing/unloading, name of vessel and vessel operator from whom the fish were unloaded, and name of Permit holder receiving the fish.

(vi) Tenant agrees to keep free and clear a fifteen (15) foot wide area on Johnson Pier for common area access by all fish buyer tenants at all times, unless mutually agreed by all parties.

(vii) Tenant shall have sole use of a seventeen feet by twenty-eight feet (17' x 28') area totaling four hundred seventy-six square feet (476 sq. ft.) in Parking Lot "A" as designated by the Landlord at Landlord's sole discretion, to be used for storage of any gear, boxes or other items that are considered essential to the fish-buying operation. Tenant shall be solely responsible, at its expense, for fencing in said area and securing the fenced-in area with a locked, secure gate. If the area so designated is not enclosed by Tenant on or before _____, 20__, Tenant shall forfeit said space to the Landlord for the remainder of the Lease Term. Landlord shall not be responsible for the security of equipment or material stored. Tenant shall not store hazardous material on the Premises. If and when Landlord has other storage available, the fish buyers will move their storage to the new facility at Landlord's request. Any expenses incurred will be at the sole expense of Tenant. Subject to the prior written approval of Landlord, Tenant may provide additional uses and services which are ancillary to, and compatible with, the required uses and services hereunder, provided that they are not incompatible with other uses and services allowed or required for other tenants at Pillar Point Marina.

(viii) Tenant may place a sign or signs stating the name of Tenant's business on the front and landward side of the pier building housing Tenant's Premises with prior written approval of Landlord, and which comply with Landlord's Design Guidelines as amended.

(c) Tenant's operating schedule and prices shall comply with the following:

(i) Beginning on the Commencement Date, all of the uses and services specified in Subsection 9.1(b) above shall be provided with full services on the Premises during the active fishing seasons, weather permitting, on call of Landlord personnel or as needed.

(ii) Tenant shall, at all times, maintain a schedule of the prices charged for fish and fish products or charged for all goods or services or combinations thereof supplied to patrons on or from the Premises, whether the same are supplied by Tenant or by its sublessees, assignees, concessionaires, permittees, or licensees, and shall make said schedule available to Landlord.

(iii) All rates and charges to customers purchasing on or from the Premises shall be reasonable and consistent with the quality of services and facilities offered and shall be no more than rates and charges for comparable services and facilities in Northern California.

(d) Tenant's rights to buy fish shall be non-exclusive, and Landlord retains the right to permit the purchase of fish from vessels at Pillar Point Harbor. Tenant shall annually negotiate in good faith with other tenants at Pillar Point and local fisherman to establish a commercially reasonable pricing schedule for fish purchases. To the extent such agreement on pricing is reached and implemented each year, Landlord shall include in any permits that it issues for fish purchases from vessels a Fee equal to that required in subsection 6.1(a) of this Lease.

9.2 Limitations on Use. Tenant's activities on the Premises shall be in accordance with this Paragraph 9.2.

9.2.1 Prohibited Uses. The parties hereto agree that the following acts, occurrences or conduct by Tenant on or from the Premises are strictly prohibited:

(a) Engaging in, assisting, aiding or abetting in any act that constitutes a violation of any Law.

(b) Obstructing vessel or vehicle traffic on Harbor waters or land area.

9.2.2 Compliance with Laws and Legal Requirements. Tenant, at Tenant's sole cost and expense, promptly shall comply with all Laws, statutes, ordinances, resolutions, regulations, judicial decisions, proclamations, orders, decrees or policies of any municipal, county, state or federal government, or the departments, courts, commissions, boards and officers thereof, or other governmental or regulatory authority with jurisdiction over the Tenant and the Premises or any portion thereof, including without limitation, the Landlord, relating to or affecting the condition, use or occupancy of the Premises in effect either at the time of execution of this Lease or which may hereafter be in effect at any time during the term hereof, whether or not the same are now contemplated by the parties. Tenant's compliance shall include compliance with all provisions and conditions of the Federal Americans with Disabilities Act and California Harbors and Navigation Section 40. Tenant shall obtain and pay for all licenses and permits required for Tenant's construction and occupancy and use of the Premises. Compliance with Laws and Legal Requirements shall include compliance with all requirements of each regulatory agency that has jurisdiction over the Premises including but not limited to the Department of Boating and Waterways and the County of San Mateo.

9.2.3 Other Permits and Approvals

Should other permits, licenses, and/or Approvals, other than set forth in this Lease, be required to make Alterations or Improvements or to operate the Premises as a fish-buying operation or other use explicitly permitted hereunder, or if a failure to procure such a license or permit might or would, in any way, affect Landlord or the ability of Tenant to operate its businesses, it shall be the sole responsibility of Tenant to obtain and comply with the requirements of said permits, licenses, and/or Approvals.

9.2.4 Waste; Nuisance. Tenant shall not cause, maintain or permit any unreasonable annoyance or nuisance in, on, or about the Premises or on any Landlord property or Harbor waters. Tenant shall not commit or suffer to be committed any waste in or about the Premises and shall keep the Premises in first class repair and maintain the same in Good Condition during the Lease Term.

9.2.5 Hazardous Material. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about the Premises except to the extent that such Hazardous Material is necessary to Tenant's business and will be used, kept and stored in a manner that complies with all Laws, including environmental regulations, relating to such Hazardous Material. Tenant agrees to indemnify, defend and hold Landlord harmless from any liabilities, losses, claims, damages, penalties, or other expenses resulting from or arising out of the use, storage, transportation, release, or disposal of Hazardous Material on or about the Premises by Tenant. Tenant shall not have any responsibility with respect to Hazardous Material existing in, on or under the Premises as of the Effective Date.

9.2.6 Cancellation of Insurance. Tenant shall strictly observe all Insurance Requirements as set forth in Section 16 of this Lease and shall not do or permit to be done anything that will cause a cancellation of any insurance coverage of the Premises.

9.2.7 Continuous Operation. Subject to the terms of this Lease, and following completion of the Initial Tenant Improvements, Tenant shall continuously and diligently operate the Premises throughout the Lease Term and shall keep or cause the Premises to be kept open for business three hundred sixty-five days (365) per calendar year consistent with sound business practice and weather and safety conditions. Reasonable interruptions in the operation will be permitted for periodic cleaning of the Premises, for taking inventory, if it becomes necessary to change the management of the Premises, or if the Premises should be closed and the business of Tenant temporarily discontinued therein on account of strikes, lockouts, or similar causes beyond the reasonable control of Tenant. Without limiting the generality of the foregoing, in the event of a foreclosure against the leasehold by a leasehold Mortgagee, the leasehold Mortgagee shall be entitled to cease operating the Premises for a period of up to one hundred eighty (180) days; provided, however, that payment of the Minimum Base Rent and Percentage Rent shall continue.

9.2.8 Environmental Protection. Tenant shall comply with all applicable environmental Laws and regulations and take all reasonable measures available to:

(a) Avoid any pollution of the atmosphere or littering of land or water caused by or originating in, on, or about Tenant's facilities.

(b) Keep the noise level on the Premises to a minimum so that Persons in the general neighborhood will be able to comfortably enjoy other facilities leased by Landlord in the vicinity of the leased Premises.

(c) Keep the lights on the Premises from adversely affecting the operation or other use of boats in the Harbor.

(d) Prevent all waste and pollutants, including petroleum products of any nature, from being discharged from the Premises into the Harbor waters.

9.2.9 Supervision by Tenant. Tenant shall employ its own personnel or a management company or entity experienced and skilled in the management of operations as they are contemplated under this Lease. This management company or Tenant's own personnel shall give attention to efficient supervision of Lease operations, using its best skill, and shall keep employed, at all times, a competent supervisor and any necessary assistants. The management company's supervisor or assistant shall be present at all times and all directions given to the management company's supervisors shall be as binding as if given by Tenant.

9.2.10 Protection of Leased Premises. Tenant shall maintain the Premises in such a manner as to protect Landlord's property from damage, injury, loss, or liability arising from rainfall, and other action of the elements, excepting such as may be caused by fault or negligence of officers, agents, employees or contractors of Landlord.

9.2.11 Hold Harmless. Tenant shall defend, upon demand, all suits brought against Landlord or Department, their officers, agents, or employees, or naming Landlord or Department, their officers, agents, or employees as a defendant wherein it is alleged that operations by Tenant or conditions of the Premises or the Improvements on the Premises create a liability of Landlord or Department, their officers, agents, or employees, and Tenant shall pay any and all judgments against and save and hold Landlord or Department, their officers, agents, and employees harmless from any liability, cost, expense, or loss on account thereof, except to the extent liability is based on (i) acts or omissions of Landlord or Department, their officers, agents, contractors or employees or (ii) the condition of the Premises prior to the Effective Date.

9.2.12 Landlord's Right to Fix and Determine Rates. Landlord has the power and reserves the right to fix and determine the rates and prices to be charged by Tenant for the use by the public of the Premises improved, developed and leased by Tenant. Notwithstanding the foregoing, Tenant may, without the prior written consent of Landlord, make such rate or price adjustments as are deemed necessary or appropriate by Tenant in light of changing costs or other operating expenses, and such adjustments shall not be considered a violation of applicable law. Tenant agrees to provide Landlord with a copy of the most current rates and prices and will continue to do so upon request of Landlord. Landlord, however, will not unreasonably withhold its approval of said rates and prices.

10.0 WARRANTIES OF LANDLORD

10.1 Taxes and Encumbrances. Landlord represents and warrants to Tenant that as of the Effective Date, the Premises are free and clear of all tenancies or other rights of third parties, whether oral or written, and that Landlord is able to and will place Tenant in the peaceful and undisturbed possession of the Premises on said Effective Date.

10.2 Legal Proceedings to Ownership. Landlord represents, to the best of Landlord's knowledge and belief, that no lawsuits or legal proceedings are pending or threatened regarding the ownership, use, or possession of the Premises, or any part thereof, except as stated in this Lease. Landlord agrees to indemnify and hold Tenant harmless from any and all claims, Damages, judgments, liens, costs or expenses arising from any such lawsuits or legal proceedings which are currently known to exist.

10.3 Condemnation. No condemnation proceedings are pending with respect to the real property to be leased or any part thereof, or interest therein, and, to the best of Landlord's knowledge and belief, none are contemplated.

10.4 Violations. There is not located on, in, about, or under the Premises to be leased any Hazardous Material of which Landlord is aware and there are no past or present investigations, administrative proceedings, threatened or pending, alleging non-compliance with or violation of any Laws or Legal Requirements relating to the Premises or to any required environmental permits by Landlord nor any third party. As used herein, "Laws or Legal Requirements" means and includes the Comprehensive Environmental Response and Liability Act ("CERCLA" or the Federal Super Fund Act) as amended by the Super Fund Amendments

and Reauthorization Act of 1986 ("SARA") and any other Law, ordinance or regulation relating to Hazardous Materials. To the best of Landlord's knowledge, there are no new, nor have there ever been, any above-ground or underground storage tanks in or under the Premises.

11.0 HAZARDOUS MATERIALS

11.1 Hazardous Material or Contamination. Any Hazardous Material or contamination, as defined by any governmental agency having jurisdiction over the Premises, which is not a result of any act of Tenant or caused by Tenant or any agent, employee, contractor, subtenant, licensee or contractor of Tenant shall be the responsibility of the Landlord to mitigate to the extent required by a governmental agency with regulatory jurisdiction over the Premises. Without limiting the generality of the foregoing, Landlord, as owner of the property, agrees to indemnify, hold harmless and defend Tenant from any and all claims, losses, liabilities, demands, costs and fees (including attorney's fees) which may relate to or arise out of said Hazardous Material or contamination which is not a result of any act, omission or negligence of Tenant or caused by Tenant, or any agent, employee, contractor, subtenant, licensee or contractor of Tenant, and shall include the duty to remediate and mitigate (including, but not limited to, satisfying any other governmental agencies or administrative proceedings) so long as Tenant is not negligent and does not introduce any Hazardous Materials or contamination to the Premises.

11.1.1 Requirements for Handling. Neither Tenant nor its agents or invitees, shall use, generate, process, produce, package, treat, store, emit, discharge or dispose (collectively, "Handle") in, on or about the Premises any Hazardous Materials without the prior written consent of Landlord, which consent shall not be unreasonably withheld so long as Tenant demonstrates to Landlord's reasonable satisfaction that such Hazardous Material is necessary to Tenant's business, will be Handled in a manner which strictly complies with all Laws and will not materially increase the risk of fire or other casualty to the Premises. Notwithstanding the foregoing, Tenant may Handle on the Premises janitorial or office supplies or materials in such limited amounts as are customarily used for general office and janitorial purposes so long as such Handling is at all times in full compliance with all Laws.

11.1.2 Tenant Responsibility. Subject to the restrictions set forth in Paragraphs 9.2.5, 9.2.8 and 11.1.1, Tenant shall handle all Hazardous Materials discovered on the Premises during the Term of this Lease or introduced on the Premises by Tenant, its agents or invitees, in compliance with all Laws. Tenant shall not be responsible for the safe Handling of Hazardous Materials introduced on the Premises during or before the Effective Date of this Lease by Landlord or its agents. Tenant shall protect its employees and the general public in accordance with all Laws. Landlord may from time to time request, and Tenant shall be obligated to provide, information reasonably adequate for Landlord to determine that any and all Hazardous Materials are being handled in a manner which complies with all Laws. Landlord shall have the right to inspect the Premises for Hazardous Materials at reasonable times, pursuant to its rights of entry provided for hereunder.

11.1.3 Requirement to Remove. Prior to Expiration or Termination of this Lease, Tenant, at its sole cost and expense, shall remove any and all Hazardous Materials introduced in, on, under or about the Premises by Tenant, its agents or invitees. Further, Tenant, at its sole cost and expense, shall remove any Hazardous Material discovered on the Premises during the Lease Term which is required to be removed by any governmental agency, including Landlord;

provided however, that Tenant shall not be obligated to remove any Hazardous material introduced onto the Premises during the term of this Lease by the Landlord or its agents.

12.0 INITIAL TENANT IMPROVEMENTS

12.1 Tenant Obligations. Tenant shall be responsible, at its sole cost and expense, for the construction of the Initial Tenant Improvements described more particularly in Exhibit B. Construction of the Initial Tenant Improvements shall comply with this Section 12, as well as with the general requirements applicable to all Alterations in Section 13 below.

12.2 Tenant's obligation to Provide Schematic Drawings. Within thirty (30) days from the Effective Date of this Lease, Tenant agrees to prepare and deliver to Landlord, for review, schematic drawings of the Initial Tenant Improvements to be constructed or improved on the Premises. Landlord shall reasonably approve or disapprove said drawings within thirty (30) days after its receipt. Disapproval shall be accompanied by specification or the grounds for disapproval. Thereafter, if Landlord and Tenant cannot agree on said drawings, then this Lease shall terminate and each party shall be released from its obligations (except those obligations incurred prior to such Termination) under this Lease. There shall be no change in the approved schematic drawings without the prior written approval of Landlord for each change. Tenant hereby agrees to construct or make the Initial Tenant Improvements to the Premises at its own cost, in substantial accordance with the schematic drawings.

12.2.1 Building Permit Application Filing. Tenant shall file a complete application for a building permit within sixty (60) days of the approval of the schematic drawings.

12.3 Construction Schedule. Tenant shall commence construction of the Initial Tenant Improvements within sixty (60) days of obtaining a building permit from the County of San Mateo, and shall complete construction within sixty (60) days after commencing construction.

13.0 ALTERATIONS

13.1 General. If not in default under this Lease, Tenant, at its sole cost and expense, may make reasonable Alterations to the interior of any improvement on the Premises without the prior written consent of the Landlord; provided, however, that any such Alteration (a) shall not change the exterior character of the Improvements or reduce the gross area of the Improvements, (b) shall not effect any change in the use of the Premises, (c) is effected with due diligence, in a good and workmanlike manner and in compliance with all Legal Requirements and Insurance Requirements, and (d) is promptly and fully paid for by Tenant. Within thirty (30) days after completion of any such Alterations, Tenant shall furnish Landlord with as-built drawings showing such Alterations. Notice shall be given to Landlord prior to the commencement of any alterations to afford Landlord the opportunity to post a notice of non-responsibility.

13.2 Improvement Plans. All Alterations constructed by Tenant shall meet all requirements of all government bodies or agencies having jurisdiction over such Alterations, and Tenant shall not make, or cause or suffer to be made, any Alterations to the Premises until Tenant has procured and paid for all regulatory Approvals required to be obtained. When approval of the building plans for the Premises has been obtained from the County of San Mateo, Tenant shall deliver two (2) sets of said plans to Landlord.

13.3 Agreements with Government Entities. Tenant shall not enter into any contract, easement or agreement with San Mateo County, the State of California or any other

governmental agency or body or public utility with reference to utility connections, street Improvements, easements or drainage facilities without prior written consent of Landlord, which consent shall not be unreasonably withheld.

13.4 Prior Notice. Tenant shall provide ten (10) days written notice to Landlord prior to the first entry on the Premises by the Tenant, its agents, employees, contractors or subcontractors for the purpose of commencing construction; said notice shall specify the nature of the work to be performed.

13.5 Landlord's Non-Responsibility. Landlord assumes no liability or responsibility for any defect in any structure by its approval of plans and specifications. Landlord may post upon the Premises a notice of non-responsibility.

13.6 Notice of Completion. Upon completion of construction of any Alterations, Tenant shall timely file or cause to be filed a notice of completion.

13.7 Construction. Tenant shall be responsible for the construction of Alterations at Tenant's sole cost and expense.

13.8 Approval of Contractor. Tenant shall provide to Landlord, on or before the commencement of construction, a copy of the construction contract that has been executed by a licensed California Contractor as well as a copy of the commitment contract between the Tenant and the lending institution. The contractor shall be in good standing. Tenant shall also furnish Landlord with a true copy of Tenant's contract with the general contractor after the same has been approved by the lending institution. If Tenant elects to act as a general contractor, reference above to contract and evidence shall be considered to apply to the contract with each subcontractor in excess of one hundred thousand dollars ($100,000). The contract shall give Landlord the right but not the obligation to assume Tenant's obligation and rights under that contract if Tenant should Default.

13.9 Evidence of Financing and Construction Security. Thirty (30) days or more prior to commencement of construction or improvement of the Premises, or any phase thereof, Tenant shall furnish to Landlord evidence of sufficient funds or firm commitments to complete the construction in the form of a letter of commitment from Tenant and other evidence that shall be reasonably satisfactory to Landlord. If said evidence of sufficient funds or firm commitments to complete the construction is not provided to Landlord by Tenant, this Lease shall immediately terminate.

13.10 Underground Conditions and Grading. Landlord makes no covenants or warranties regarding the condition of the soil or subsoil or any other condition of the Premises.

13.11 Tenant's Duty to Obtain Building Permits. Tenant shall obtain, at its sole cost and expense, all permits, Approvals, certificates and licenses under applicable zoning, building and safety and land use Laws and regulations as may be required by any and all agencies having jurisdiction over the Premises for the Alterations to the Premises as contemplated herein.

13.12 Ownership of Improvements During the Lease Term. Other than upon Expiration or Termination of this Lease in accordance with the terms herein, Landlord shall have no right, title, or interest during the Lease Term in any Alteration hereafter constructed by Tenant on the Premises, except as agreed upon by Landlord and Tenant in writing prior to commencement of construction by Tenant of said Alterations.

13.13 Final Approved As Built Plans. Tenant shall provide Landlord two (2) complete sets of final approved "as built plans" within ninety (90) days after completion of the Improvements to which they relate.

13.14 Performance Bond. Upon Landlord's written request, Tenant shall procure a performance bond in an amount recommended by a licensed civil engineer that will be sufficient to demolish the Improvements and return the Premises to the condition they were in on the Effective Date. Tenant covenants that it will return the Premises to the condition they were in on the Effective Date in the event it fails to complete construction of the Improvements.

13.15 Mechanic's Liens and Other Liabilities. Tenant shall maintain the Premises free from and clear of any claims, obligations, liabilities, liens, encumbrances and charges, including but not limited to any claims, liens or charges arising out of or in connection with the furnishing of materials or the performance of labor on the Premises. Tenant shall further protect and indemnity Landlord and the Premises from and hold them, and each of them, harmless against any and all claims, obligations, liabilities, liens, encumbrances and charges.

13.16 Imposition of Lien. In the event a lien is imposed upon the Premises as result of such construction, repair, alteration, or installation, Tenant shall either:

(i) Record a valid release of lien, or

(ii) Procure or cause to be procured and record or cause to be recorded a bond in accordance with Section 3143 of the Civil Code, which frees the Premises from the claim of the lien or stop-notice and from any action brought to foreclose the lien.

13.17 Compliance with Laws. Tenant shall make any and all alterations or repairs on the Premises that may be required by all Laws from time to time applicable thereto, including, but not limited to, the San Mateo County Local Coastal Program and zoning and land use regulations. All Alterations and Improvements permitted under this Paragraph 13.17 shall be accomplished in a good and workmanlike manner, in conformity with all Laws, Legal Requirements, Insurance Requirements, and any design criteria adopted by the Harbor Commission. Upon completion of any such work, Tenant shall supply Landlord "as built plans." Tenant shall indemnify and hold Landlord harmless from and against all actions, claims and Damages arising by reason of Tenant's failure to comply with the foregoing Provisions.

13.18 Surrender. Upon Expiration or Termination of this Lease as provided herein, any Alteration made by Tenant under provisions of this Paragraph 13 shall be deemed Improvements and the provisions of Paragraph 2.5.3 shall govern the right of the parties with respect thereto.

13.19 Landlord's Obligations. Landlord shall have no obligation to alter, remodel, improve, decorate or paint the inside of the Premises or any part thereof during the Lease Term.

13.20 Improvements Part of Realty. Subject to the Provisions of Paragraphs 2.5.3 and 13.18 of this Lease, all Alterations to the Premises made by or on behalf of the Tenant which may not be removed without substantial injury to the Premises shall become part of the realty immediately upon completion, shall be owned by Landlord and shall, at the end of the term hereof, remain in the Premises without compensation to Tenant, unless Landlord first waives its right to the Alterations in writing. Notwithstanding the foregoing, Landlord at its option may require Tenant to remove any Alterations at Tenant's sole expense regardless of whether title has

or has not vested in Landlord, and regardless of whether consent was, or was not given. Tenant shall repair any Damages occasioned by such removal at Tenant's sole cost and expense.

14.0 CONDITION OF PREMISES, MAINTENANCE

14.1 Condition of Premises.

(a) Landlord shall deliver the Premises to Tenant clean and free of debris on the Effective Date.

(b) Except as otherwise provided in this Lease, Tenant hereby accepts the Premises in their condition existing as of the Effective Date or the date that Tenant takes possession of the Premises, whichever is earlier, including but not limited to the requirements of the State of California Regional Water Quality Board and subject to all applicable zoning, municipal, county, and state Laws, ordinances, and regulations governing and regulating the use of the Premises, and any covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business.

14.2 Existing Conditions. Tenant has made a thorough inspection of the real property and is familiar therewith, and has accepted the Premises in an "as is" physical condition. Landlord makes no representation or warranty with respect to the condition of the Premises, including without limitation, the seismological condition thereof, or their fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein.

14.3 Tenant's Maintenance Obligations.

(a) Tenant shall, at all times during the Term of this Lease, at its sole cost and expense, keep the Premises in Good Condition and maintained in good working order and condition, and repair the Premises and all Improvements and Alterations thereon, including water, electric, and gas lines located inside the Premises. Tenant shall provide routine custodial Maintenance of the Premises, which includes all ordinary housekeeping and maintenance of equipment and replacement of supplies that are normally performed on a day-to-day basis in order to keep the Premises operating in an efficient, clean, safe, and Good Condition. Routine maintenance includes, but is not limited to:

(i) Replacing light bulbs as needed where no specialized equipment is required to do so.

(ii) Regular cleaning of the area, storage spaces, and regular washing of windows to be done not less than weekly; daily removal of interior and exterior graffiti, and daily emptying of trash receptacles and ash trays.

(b) At least once each quarter, representative(s) of Tenant responsible for supporting and overseeing operations of the Premises shall meet with representative(s) of Landlord and inspect the Premises and confer on status of operations and possible improvements.

(c) Tenant shall be responsible, at its sole expense, for all interior building repairs, including repairs to exterior doors. Tenant shall also be responsible for repairing, at its sole expense, all damage to ladders, piers and fender pilings caused by any vessel using Harbor facilities to access the Premises in connection with Tenant's operations. A video will be given to Tenant prior to the Commencement Date to establish the baseline state of conditions.

(d) Landlord 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, except that Landlord shall maintain the outside and roof of the structure containing the Leased Premises, including painting the outside of the structure.

(e) In the event that the Tenant, its agent or invitees cause any Damages (excepting ordinary wear and tear) to the Premises, Landlord may repair the same at Tenant's expense and Licensee shall immediately reimburse Landlord therefor. Tenant shall make or cause others to make all repairs, replacements or renewals, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen, necessary or appropriate to maintain the Premises in Good Condition. Tenant shall provide and maintain established standards of public health and cleanliness established by Landlord.

(f) In the event Tenant fails to maintain the Premises in Good Condition as required by this Paragraph 14, Landlord may give Tenant written notice specifying what actions are required to correct the conditions of the Premises. In the event Tenant fails to initiate such actions as are indicated by Landlord in its notice within thirty (30) days after Tenant's receipt of such notice, or thereafter fails to diligently proceed to complete such actions, such failure shall be deemed an Event of Default within the meaning of Paragraph 21 and Landlord shall have all the rights, powers and remedies provided for in this Lease or at Law including the right to enter on the Premises and maintain or cause the Maintenance of the Premises as required by this Paragraph 14. In such event Landlord shall be entitled to reimbursement for any amounts spent plus a fee of ten percent (10%) of the cost of the work performed which shall be due and payable five (5) days after Tenant receives Landlord's statement therefore. In the event Tenant fails to pay such amounts within such five (5) day period, Landlord shall be entitled to interest thereon at the Default Rate established in Section 21.4 from the end of such five (5) days until paid.

14.4 Common Maintenance and Landscaping Program. If Landlord shall, after the Effective Date, implement a program for the common Maintenance and landscaping of common areas situated near the Premises, Tenant agrees to enter into an agreement with Landlord and Landlord's other tenants, as appropriate, implementing such a program and to pay its proportionate share of expenses.

14.5 Signage Program. Tenant agrees to comply with Landlord's regulations, policies and guidelines governing signage, and to pay costs and operational expense of installing and maintaining signage for the Premises on Harbor property. No signs, directional, guiding, or

other stripes, lines, directions or markings shall be installed or painted in or upon the Premises or removed by Tenant without prior written consent of Landlord.

14.6 Emergency Plan.

(a) Tenant shall work with Landlord to complete a detailed emergency plan. Tenant shall instruct all Persons employed by Tenant in the plan and the employee's responsibilities relating to the plan. Copies of the plan shall be posted in a prominent location on the Premises.

(b) In the event of any major emergency or condition (i.e., power outage, flooding, fire, natural catastrophe or any other unanticipated condition) that may reasonably result in a threat to Persons or property, Tenant shall immediately contact Landlord by telephone and Tenant's Manager or Assistant Manager shall report to the Premises and remain until the emergency has been resolved. If Landlord cannot be reached, Tenant shall make continued efforts to reach other staff persons as designated by Landlord until a Landlord representative has been notified. Landlord's facility operator is available 24 hours a day and can be reached by calling the Pillar Point Harbor Master, (650) 726-4382 extension 4 or contact 911.

(c) Tenant shall immediately erect and maintain such temporary signs, barricades, lights and other devices as may be necessary to warn people of any dangerous or defective conditions and shall take such actions as may be necessary to reasonably protect people from injury, loss or damage which might result because of any such condition.

(d) Any time a dangerous or defective condition may reasonably be known by Tenant to exist in the Premises or their environs, Tenant shall immediately take reasonably necessary protective action by calling the Pillar Point Harbor Master and shall immediately notify Landlord by telephone and in writing of such condition and protective action.

14.7 Security of Facilities. The security of the Premises shall be the responsibility of the Tenant.

15.0 INDEMNIFICATION AND EXCULPATION

15.1 Liability of Landlord. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other Person in or about the Premises, nor shall Landlord be liable for bodily injury to the person of Tenant, Tenant's employees, agents, or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of Landlord's property or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable for any damage arising from any act or neglect of any other tenant, occupant, or user of the Landlord's property nor from the failure of Landlord to enforce the provisions of any other lease.

15.2 Waiver of Claims by Tenant. Tenant, as a material part of the consideration to be rendered to Landlord, hereby waives any and all claims against Landlord and its agents, and agrees to hold Landlord and its agents harmless from any claims for damages to goods, wares, goodwill, merchandise, equipment, business opportunities and Persons in, upon or about the Premises for any cause arising at any time, including without limitation all claims arising from the joint or concurrent negligence of Landlord or its agents, but excluding any intentionally harmful acts committed solely by Landlord.

15.3 Indemnification of Landlord. Tenant shall indemnify and hold Landlord and its elected officials, agents, officers, directors, contractors and employees (collectively, "Agents") harmless from, and shall defend them against any and all claims, demands, direct or vicarious liability, attorney fees, causes of action or judgments, damage, injury or loss arising directly or indirectly out of: (a) any injury to or death of any Person, including employees of Tenant, or damage to or destruction of any property occurring in, on or about the Premises, or any part thereof, from any cause whatsoever, (b) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease, (c) the use, occupancy or condition of the Premises or the activities therein by Tenant, its agents, or clients, customers, invitees, guests, members, licensees, and assignees (collectively, "Invitees") or (d) any release or discharge, or threatened release or discharge, of any substance, waste or material which now or in the future is determined by any state, federal, or local governmental authority to be capable of posing a present or potential risk of injury to health, safety, the environment or property (collectively, "Hazardous Material") caused or allowed by Tenant in, under, on or about the Premises, or into the environment. This indemnity shall be enforceable regardless of the negligence of Landlord, and regardless of whether liability without fault is imposed or sought to be imposed on Tenant. This indemnity 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. This indemnity includes all such loss, damage, injury, liability or claims as described above, loss predicated in whole or in part, upon active or passive negligence of Landlord or its Agents. This indemnity shall exclude claims, liability, damage or loss resulting solely and exclusively from the willful misconduct of Landlord which is not contributed to by any act of, or by any omission to perform some duty imposed by Law or agreement on, Tenant, its agents or invitees.

In addition to Tenant's obligation to indemnify Landlord, Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Landlord from any claim that actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent. Tenant's obligation to defend shall arise at the time such claim is tendered to Tenant by Landlord and shall continue at all times thereafter.

The foregoing indemnity obligation of Tenant shall include without limitation, indemnification from all loss and liability, including attorney's fees, court costs and all other litigation expenses. This indemnification by Tenant shall begin from the first notice that any claim or demand is or may be made. The provisions of this section shall survive the Termination of this Lease with respect to any Damage, destruction, injury or death occurring prior to such Termination.

15.4 Indemnification of Tenant. Landlord agrees to indemnify Tenant against and save harmless from and defend Tenant against, all demands, claims, attorneys' fees, causes of action

or judgment for injury to persons, loss of life, or damage to property occurring on said Premises arising from Landlord's gross negligence or willful misconduct.

15.5 Indemnification and Waiver Regarding Department. The liability waivers by Tenant applicable to the Landlord and its agents under Paragraph 15 and the indemnity obligations of Tenant to Landlord and its agents under this Paragraph 15 also apply to the benefit of the Department, its employees, and officers.

16.0 INSURANCE

16.1 Comprehensive General Liability Insurance. Prior to Tenant's entry upon the Premises and in any event throughout the term of this Lease, at Tenant's sole cost and expense, Tenant shall procure and keep in force or cause to be kept in force, at all times, for the protection of Landlord and Tenant, and naming Landlord, its agents and assignees as Additional Insured, Comprehensive General Liability Insurance including Products and Completed Operations coverage, and including coverage for bodily injury, personal injury and property damage liability arising from the use, occupancy, maintenance, disuse, or condition of the Premises and Improvements. The limits of liability should be usual and customary to the Tenant's industry, but not less than one million dollars ($1,000,000) per occurrence, two million dollars ($2,000,000) aggregate, bodily injury and property Damage including products and completed operations. In addition, excess liability in an amount not less than two million dollars ($2,000,000) will also be kept in full force and effect. Such policy shall include a Waiver of Subrogation rights, and shall not contain any intra-insured exclusions (Cross Liability) as between insured Persons or organizations. The limits of said insurance shall not, however, limit the liability of Tenant.

16.2 Tenant's Property Insurance. Throughout the Lease Term, at Tenant's sole cost and expense, Tenant shall procure and keep or cause to be kept in force, at all times, property insurance for the protection of Tenant, Lender and Landlord and naming Landlord, its agents and assignees as Additional Insured, all Improvements, all of Tenant's trade fixtures, Tenant-owned alterations, utility installations and personal property located on or appurtenant to the Premises, against loss or damage by fire and such other risks as are now or hereafter included in the Special Form, vandalism and malicious mischief. The amount of the insurance shall be sufficient to prevent either Landlord or Tenant from becoming a coinsurer under the Provisions of the policies, but in no event shall the amount be less than one hundred percent (100%) of the then actual replacement cost (herein called Full Insurable Value). Landlord shall not carry any insurance the effect of which would be to reduce the protection or payment to Tenant under any insurance that this Lease obligates Tenant to carry. If any dispute arises as to whether the amount of insurance complies with the above and said dispute cannot be resolved by agreement, Landlord may, not more often than every two (2) years, request the carrier of the insurance then in force to determine the Full Insurable Value as defined in this provision, and the resulting determination shall be conclusive between the parties for the purpose of this paragraph. Tenant may include the holder of any mortgage on the leasehold or on the fee, or both, as a loss payee.

16.3 Builder's Risk and Other Insurance. Tenant shall provide to Landlord: (i) certificates of insurance evidencing Special Form coverage for "builder's risk", (ii) evidence of workers' compensation insurance covering all Persons employed in connection with the construction of the Improvements and Alterations and with respect to whom death or bodily injury claims could be asserted against Landlord or the Premises, and (iii) evidence that Tenant

has paid or caused to be paid all premiums for coverage described in this Paragraph 16.3 sufficient to assure maintenance of all insurance required herein during the anticipated course or the construction. Tenant shall maintain, keep in force, and pay all premiums required for all insurance mentioned herein at all times during which construction work is in progress.

16.4 Loss of Income and Extra Expense Insurance. Tenant shall procure and maintain loss of income and extra expense insurance in amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants in the business of Tenant or attributable to prevention of access to the Premises as a result of such perils. Loss of income and extra expense insurance covering loss of income to the extent of net income for a six-month (6-month) period shall be procured and maintained by Tenant.

16.5 Employer's Liability and Workers' Compensation Insurance. Tenant, at its sole cost and expense shall, during the Lease Term, obtain, maintain and keep in full force and effect, Workers' Compensation Insurance as required by Law and Employer's Liability Insurance with limits or liability as required by Law, but in no event less than $1,000,000 per each accident.

16.6 Additional Insurance. Tenant at its sole cost and expense shall, during the Lease Term, obtain, maintain and keep in full force and effect such other insurance with respect to the Premises in such amounts and against such insurable hazards as Landlord, construction or permanent lenders from time to time may reasonably require.

16.7 Waiver of Subrogation Rights. The parties release each other, and their respective authorized representatives, from any claims for damage to the Premises or to the fixtures, personal property, Improvements or Alterations of either Landlord or Tenant in or on the Premises which are caused by or result from risks insured against under any property insurance policies carried by the parties and in force at the time of any such damage, to the extent such claims for damage are paid by such policies. Each party shall cause each property insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against the other party in connection with any damage covered by any policy.

16.8 Other Insurance Matters. All the insurance required under this Lease shall: (i) be issued by insurance companies authorized to do business in the State of California with a current financial rating of at least an A+ Class XV or better as rated in the most recent edition of Best's Key Rating Guide; (ii) be issued as a primary policy; (iii) contain an endorsement requiring thirty (30) days written notice from the insurance company to Landlord before cancellation or material change. Tenant shall name Landlord as an additional insured on any and all liability insurance policies.

Each insurance policy required hereunder, or a certificate of the policy, shall be deposited with Landlord prior to the Commencement Date and not less than thirty (30) days before Expiration of the term of any policy then in force, except that the policy described in Paragraph 16.1 or a certificate thereof shall be delivered to Landlord prior to Landlord's entry upon the Premises.

16.9 Failure to Procure Insurance. If Tenant fails or refuses to procure or to maintain insurance required by this Lease or fails or refuses to furnish Landlord with required proof that the insurance has been procured and is in full force and effect and paid for, Landlord shall have the right, but not the obligation, upon five (5) days written notice to Tenant, to procure and maintain such insurance. The premiums paid by Landlord shall be chargeable to Tenant and

shall bear interest at the legal rate then in effect in the State of California from the date when the premium is paid by Landlord.

16.10 Increase in Amount. Landlord may, at any time, require Tenant to increase the minimum dollar amounts for insurance required by this Lease, but every such increase shall be reasonable under the circumstances and in no event shall such increases more than double in any ten (10) year period.

16.11 Insurance during Construction. Before Tenant commences making the Initial Tenant Improvements or other Alterations to the Premises and before construction begins, Tenant shall obtain appropriate Certificates of Insurance naming Landlord as Additional Insured from any contractor employed by Tenant to make the Alterations, and shall provide Landlord with copies of said Insurance Certificates.

17.0 DAMAGE OR DESTRUCTION

17.1 Destruction Due to Risk Covered by Insurance. If a total destruction (the rendering totally unusable of fifty percent (50%) or more of Tenant's Improvements on the leased Premises), or a partial destruction (less than fifty per cent (50%)) occurs to Tenant-owned Improvements, and the loss is covered by the insurance described in Paragraph 16.2, Tenant shall within ninety (90) days thereafter commence and diligently prosecute the repair, restoration, or replacement such that the completed work, which may be different in design, shall be equal in value, quality and use to the condition of the Improvements before the event giving rise to the work.

17.2 Destruction Due to Risk Not Covered by Insurance. If any of the Tenant-owned Improvements are damaged or destroyed by any casualty not covered by the insurance Provisions of this Lease and if the leased Premises are thereby rendered unfit for the uses prescribed herein, Tenant shall have the option of removing any Improvements and alterations and returning the Premises as it was at the time of the inception of this Lease, in which event, Tenant may terminate this Lease, or rebuild the Improvements in such a way that it would be comparable in use and value (but not necessarily design) to the Improvements which had existed prior to the casualty.

18.0 NO CLAIMS AGAINST LANDLORD; NO PARTNERSHIP

Nothing contained in this Lease gives the Tenant any right, power, or authority to contract for or permit the performance of any labor or services or the furnishing of any material or other property in such a fashion as would permit the making of any claim against Landlord or its interest in the Premises. Neither the provisions set forth herein for the computation of Percentage Rent, nor any one or more agreements herein contained is intended, nor shall the same be deemed or construed, to create a partnership between Landlord and Tenant, to make them joint venturers, or to make Landlord in any way responsible for the debts or losses of Tenant.

19.0 INTEGRATED AGREEMENT; MODIFICATION

This Lease contains all of the agreements of the parties hereto with respect to any matter for which provision is made in this Lease, and no prior agreement or understanding, oral or written, express or implied, pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to and no consent or waiver shall be effective except by an instrument in writing signed by the party to be bound by such instrument. The

parties acknowledge that all prior agreements, representations and negotiations are deemed superseded by the execution of this Lease to the extent they are not incorporated herein.

20.0 ASSIGNMENT, SUBLETTING, AND HYPOTHECATION

20.1 Transfer of Tenant's Interest. Tenant shall not, voluntarily or by operation of law, assign or otherwise transfer this Lease or encumber any right or interest hereunder, or in or to any of the Improvements, or sublet or license the use of the Premises without the prior written approval of Landlord and Department. No such assignment or other transfer, whether voluntary or involuntary, by merger or operation of Law under legal process, through receivership or bankruptcy, or otherwise, and no such subletting or licensing shall be valid or effective. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without Landlord's and Department's consent shall be void, and shall constitute a breach of this Lease without the need for notice to Tenant. Any sale or other transfer, including by consolidation, merger, or reorganization, of a majority of the voting stock of Tenant, if Tenant is a corporation, or any sale or other transfer of a majority of the partnership interest in Tenant if Tenant is a partnership, shall be an assignment for purposes of this section.

20.2 Conditions for Subleasing. Each sublease shall provide that, if Tenant defaults or breaches this Lease and if the Subtenant is notified of Tenant's Default or breach and, if so instructed by Landlord, Subtenant shall make rental payments to Landlord or Encumbrance Holder (as defined in Section 20.4 below). Tenant shall not accept, directly or indirectly, more than twelve (12) months prepaid rent from any Subtenant. Subrents shall be fixed at the fair rental value for the Premises. Subleases shall be made expressly subject to this Lease and shall permit the Subtenant to perform any act required of Tenant under this Lease. Subleases shall expressly require the Subtenant to comply with the terms, covenants, and conditions of this Lease on the subleased Premises, and each sublease shall also include such other terms, covenants and conditions consistent with provisions of other leases of Landlord for similar uses, as may be required by Landlord. Tenant shall, promptly after execution of each Sublease, notify Landlord of the name and mailing address of the Subtenant and shall, promptly after demand, at Landlord's election, either provide Landlord with a copy of the Sublease or permit Landlord to examine and copy the Sublease.

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

20.3 Conditions for Assignment of Leasehold

20.3.1 Payment to Landlord for Return on General Maintenance.

(a) Notwithstanding any other Provision of this Lease to the contrary, should Tenant be allowed to assign or sell any portion or all of said Tenant's interest in this leasehold to any other Person, entity or group, said Tenant shall pay Landlord ten percent (10%) of the gross sales price (including the value of any traded property, leasehold, equipment or services involved in the "purchase"), whichever is greater, as a return to Landlord for the general maintenance, construction, improvement, advertising, and expansion of the Pillar Point Harbor area.

(b) The "gross sales price" in the sale of any above described interest in this leasehold shall not include the sale of any standard and removable stock on hand or other personal property which may normally be removed by a tenant at the end of a leasehold, not having attained the status of Fixtures. The "gross sales price" shall include the value of leasehold, any generalized goodwill associated with the leasehold on the Premises, the right to complete the term of the Lease and utilize the structure involved, and the berthing provided, and any and all fixtures in place on site which are not excluded above. Notwithstanding anything to the contrary in this Lease, without Landlord's prior written consent and without any payment being made to Landlord, the following transfer of interests in the Lease may be made: (i) any transfer resulting from the death of an individual holding an interest in the Lease; (ii) any transfer of an interest to or from a revocable trust; (iii) any transfer to a family member, defined as the Lease signator's spouse, child or sibling, or a trust for the benefit of such a family member, or to a partnership or other entity which is owned by a Person or Persons holding an interest in the Lease.

20.3.2 Additional Conditions for Assignment of Leasehold. Any assignment or sublease of all or substantially all of the leased Premises shall be deemed an assignment of the leasehold. Tenant shall file a Request to Assign Leasehold with Landlord to which shall be attached a completed proposer's questionnaire prepared by the prospective assignee. Concurrently with filing the Request to Assign Leasehold, Tenant shall pay in cash or certified or cashier's check the sum of Five Hundred Dollars ($500.00) to Landlord to enable Landlord to adequately investigate the proposed assignee's qualifications as a permitted assignee. If the proposed assignee's net worth on the date of assignment is not equal to or greater than Tenant's net worth at the commencement of this Lease, Landlord may require Tenant to guarantee such assignee's obligations hereunder for such period as Landlord deems advisable. Net worth shall mean the amount by which the total of all assets shall exceed the total of all liabilities as determined in accordance with generally accepted accounting principles as approved by the Landlord's Auditor. Tenant shall have no current lease violations or breaches of lease and shall have had no lease violations or breaches of lease including no minimum or percentage rent payment arrears within one (1) year of filing the Request to Assign Leasehold and throughout the lease assignment process. Landlord shall approve or disapprove any Request to Assign Leasehold within ninety (90) days of receipt of such request, but Landlord reserves the right to seek prospective assignees after receipt of Tenant's Request to Assign Leasehold within the ninety (90) day period. Landlord shall refer any prospective assignees to Tenant for consideration, but Landlord's action shall not limit Tenant's ability to seek an assignee directly. If Landlord does not approve or disapprove Tenant's Request to Assign Leasehold within said ninety (90) days, and Tenant has notified Landlord by registered mail that the Request to Assign Leasehold has been duly made and the sum for investigation of the prospective assignee has been duly paid, and that ninety (90) days have elapsed without approval or disapproval by Landlord, then the time period for Landlord approval or disapproval may be extended by mutual written agreement of the parties.

The consideration passing to Tenant from such assignee upon transfer of Lessee's interest in this Lease to a Landlord-approved Person or entity shall not be included as Gross Receipts for the determination of rent.

Upon assignment of Tenant's interest in this Lease to a Landlord-approved assignee who has unconditionally assumed the obligations imposed by this Lease, Tenant and its predecessors in interest shall be relieved of all obligations hereunder arising after the date of such transfer.

20.4 Hypothecation. Tenant may, with the prior written approval of Landlord, grant a security interest to this Lease for the purpose of financing construction, including "major repairs" and "minor repairs" subject to compliance with each and every condition that follows. Financing includes both the construction (or interim loan) and the take-out (or permanent or long-term) loan. Landlord shall not unreasonably withhold approval.

1. No security interest in this Lease (which term shall be deemed to include the Leasehold Mortgage or deed of trust, the note evidencing any indebtedness secured by such Leasehold Mortgage or deed of trust and all documents evidencing the commitment of financing) shall extend to or affect the fee, the reversionary interest, or the estate of Landlord in and to any land or Landlord-owned Improvements now or hereafter erected on the Leased Premises.

2. No security interest in this Lease shall cover more than one indebtedness except upon consolidation of the construction and takeout loans, and then only to the extent of such consolidation. There shall be no more than one security interest outstanding at any time during the term of this Lease. No security interest in this Lease or assignment thereof shall be binding upon Landlord in the enforcement of its rights under this Lease, nor shall Landlord be deemed to have any notice thereof, unless such security interest complies with each and every provision of this Lease pertaining to such security interest.

3. No security interest in this Lease shall be created with nor assigned to any Person or entity, natural or artificial, except an institutional lender (herein called "Encumbrance Holder") which shall mean any bona fide institution authorized under the Laws of the State of California to lend money on the security of an interest or interests in real property, including but not limited to an insurance company or trust company or real estate investment trust or Mortgage trust or mutual fund or pension and welfare profit sharing fund or endowment fund with an investment portfolio of not less than Ten Million Dollars ($10,000,000), a charitable or non-profit corporation or association with an investment portfolio of not less than Five Million Dollars ($5,000,000), any California or federally chartered savings and loan association or bank, or F.N.M.A. or similar federally chartered corporations (if legally empowered to make loans contemplated by this Lease).

4. No security interest in this Lease or assignment thereof shall be valid unless all of the following conditions are met:

   a. At the time of making such security interest this Lease is in full force and effect; and

   b. Such security interest shall have been expressly made subject to the terms, covenants, and conditions of this Lease; and

c. Such security interest shall expressly provide that Encumbrance Holder shall provide evidence to Landlord that Encumbrance Holder has accepted or approved the completed Improvements and that the funds have been property disbursed; and

d. Such security interest shall expressly provide that any proceeds from insurance, including fire or extended coverage, shall be used for repair or rebuilding of the leasehold Improvements and such other expenses as are expressly required to be paid from such proceeds by this Lease. Such security interest may provide that after such proceeds have been so applied, any remaining balance which would then be payable to Lessee could be used to repay all or part of the outstanding loan secured by such security interest.

e. Such security interest shall expressly provide that all notices of default under the note and deed of trust or Leasehold Mortgage must be sent to Landlord and Tenant, and that Landlord shall have the right, but not the obligation, to cure the default or cause the default to be cured if Tenant fails to do so. Landlord shall have twenty (20) days in which to cure any default or to cause any default to be cured after the time for Tenant to cure it has expired. Any sub-subtenant of such Subtenant of the Leased Premises shall have the right, but not the obligation, to cure any default within the period permitted for Landlord to cure such default. If any such sub-subtenant of a Subtenant cures all Tenant's defaults then existing, such sub-subtenant's or Subtenant's possession and use shall not be disturbed by Encumbrance Holder as long as the Subtenant performs its sublease provisions and continues to perform the obligations of the Tenant, including payment of rent to the Landlord and sums due the Encumbrance Holder according to their respective interests.

f. Landlord shall have received written notice of the making of such security interest within five (5) days after the execution and delivery of such security interest and such security interest or abstract thereof shall have been recorded within ten (10) days after the execution and delivery thereof.

5. If Encumbrance Holder acquired Tenant's interest in the Lease as a result of a sale under the security interest pursuant to a Judgment of foreclosure or through any transfer in lieu of foreclosure, including, without limitation, purchase at trust deed sale, such Encumbrance Holder shall have the privilege of transferring its interest in such Lease to a wholly owned subsidiary corporation without the prior consent of Landlord and, in such event, such Encumbrance Holder shall be relieved of any further liability under this Lease arising from and after such transfer.

6. Encumbrance Holder shall have the right at any time during the term of the outstanding security interest and while this Lease is in full force and effect, to do any act or thing required by this Lease to be performed by Tenant in order to prevent a forfeiture of Tenant's rights hereunder, and all such acts or things so done shall prevent a forfeiture of Tenant's rights hereunder as if done by Tenant.

7. Written consent of Encumbrance Holder shall be obtained prior to any amendment to this Lease.

8. Each and all of the provisions, agreements, terms, covenants, and conditions of this Lease to be performed, kept and observed by Landlord and Tenant shall be binding upon the heirs, executors, administrators, successors, and assigns of Landlord and Tenant, and all rights, privileges and benefits arising under this Lease in favor of Landlord, Tenant and Encumbrance Holder shall be available in favor of the heirs, executors, administrators, successors, and assigns thereof respectively; provided, however, that any assignment, hypothecation, or subletting by or through Tenant or Encumbrance Holder in violation of the provisions of this Lease shall be void, and no rights whatsoever shall be conferred thereby.

20.5 Hypothecation or Assignment for Benefit of Creditors. A general assignment by Tenant for the benefit of creditors, or any action taken by Tenant under any insolvency or bankruptcy act, shall constitute a breach of this Lease by Tenant and be cause for immediate Termination of this Lease by Landlord, anything in this Lease to the contrary notwithstanding.

21.0 DEFAULT AND REMEDIES

21.1 Events of Default. If one or more of the following events ("Events of Default") shall occur, Landlord may exercise any of the rights and remedies specified in Paragraph 21.2:

(a) Tenant fails to pay any rent when and as the same becomes due and payable and such failure continues for a period of ten (10) days after written notice thereof is delivered to Tenant;

(b) Tenant fails to comply with any Insurance Requirement, if such failure continues for twenty (20) days after written notice thereof from Landlord to Tenant.

(c) Tenant fails to perform or comply with any other term or condition of this Lease and such failure shall continue for thirty (30) days after written notice thereof from Landlord, and Tenant does not, subject to Unavoidable Delays within such period, commence with due diligence and dispatch the curing of such Default.

(d) Tenant makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due, or files a petition in bankruptcy, or is adjudged bankrupt or insolvent, or accepts or files a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, Law or regulation.

(e) Within ninety (90) days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, Law or regulation, such proceeding is not dismissed, or Tenant fails to timely commence or continue defense of such action, or if, within ninety (90) days after the appointment without the consent or acquiescence of Tenant of any Trustee or receiver, or attempt to liquidate any material part of its assets, such appointment or attempt to liquidate is not vacated, or Tenant fails to timely commence or continue defense of such action.

(f) Tenant vacates or abandons the Premises for five (5) business days in any thirty-day period.

(g) Landlord discovers that any financial statement given to Landlord by Tenant, any assignee of Tenant, any subtenant of Tenant, any successor in interest of Tenant or any guarantor of Tenant's obligation hereunder, was materially false at the time given.

21.2 Landlord's Remedies. Upon any Event of Default Landlord shall have the following remedies:

21.2.1 Tenant's Right to Possession Not Terminated. Should Tenant breach this Lease beyond notice and the expiration of any applicable grace period, Landlord may, in addition to any other remedy given Tenant by law or in equity:

(a) Continue this Lease in effect by not terminating Tenant's right to possession of the Premises, in which event Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent specified within this Lease, as such rent becomes due.

21.2.2 Termination of Tenant's Right to Possession. Landlord may terminate Tenant's right to possession of the Premises if any Event of Default as specified in Paragraph 21.1 continues for thirty (30) days after receipt of written notice by Tenant from Landlord, The Landlord may then retain or dispose of the Premises in accordance with applicable Law and recover from Tenant:

(a) The worth at the time of award of the unpaid rent which had been earned at the time of termination of the Lease; and

(b) The worth at the time of award of the amount by which the unpaid rent would have been earned after termination of the lease for the balance of the term until the time of award exceeds the amount of rental loss that Tenant proves could have been reasonably avoided for the same term; and

(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 rental loss that Tenant proves could be reasonably avoided;

(d) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under the Lease; or

(e) Terminate this lease and Tenant's right to possession of the Premises, and in addition to any recoveries that Tenant may seek hereinabove, bring an action to reenter and regain possession of the Premises in the manner provided by the laws or unlawful detainer of the State of California then in effect.

21.2.3 Landlord's Right to Cure Tenant's Default. Landlord may, in the Event of Default, cure the default at Tenant's cost. If Landlord at any time, by reason of Tenant's default,

pays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord.

21.3 Interest on Unpaid Sums. Sums not paid when due pursuant to Paragraphs 5.1, 5.2 and 5.3 of this Agreement shall bear interest at the rate equal to five percent (5%) per annum plus the prevailing rate on the 25th day of the month preceding the event which caused such interest to be payable as established by the Federal Reserve Bank of San Francisco on advances to member banks under Sections 13 and 13.a of the Federal Reserve Act as now in effect or hereafter amended (the "Default Rate") from the date due until paid. No interest shall accrue or be paid for payments made no later than seven (7) business days after the due date.

21.4 Late Charge. Late payment by Tenant to Landlord of any sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount being impractical to fix. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of Minimum Base Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after such amount shall be due, then without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's Default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of any of the aforesaid monetary obligations of Tenant, then Minimum Base Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any other provision of this Lease to the contrary.

22.0 SURVIVAL OF TENANT'S OBLIGATIONS; LANDLORD'S EQUITABLE RELIEF

No Expiration or Termination of this Lease pursuant to Paragraph 21.2.2 or by operation of Law or otherwise, shall relieve Tenant of its liabilities and obligations hereunder which have then accrued, which shall survive such Expiration or Termination, including without limitation the right of Landlord for indemnification against liability for personal injuries or for property damage occurring prior to the later of (i) Termination of this Lease or (ii) Tenant's vacation of the Premises, nor shall anything in this Lease be deemed to affect the right of Landlord to equitable relief where such relief is appropriate.

23.0 NO WAIVER BY LANDLORD

The failure of the Landlord to seek redress for violation of, or to insist on strict performance of, any term, covenant or condition of this Lease shall not be deemed a waiver of such violation or subsequent act which would have originally constituted a violation from having all the force and effect of an original violation. No delay or omission in the exercise or any right or remedy of Landlord upon any Event of Default by Tenant shall impair such a right or remedy or be construed as a waiver. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the Expiration or Termination of this Lease. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a Termination of this Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary

Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any Event of Default must be in writing and shall not be a waiver of any other Event of Default concerning the same or any other provision of the Lease.

24.0 REMEDIES CUMULATIVE

Each right, power and remedy of Landlord provided for in this Lease is now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Lease.

25.0 ENTRY BY LANDLORD

25.1 Entry for Inspection. Landlord and its respective authorized representatives shall have the right to enter the Premises, without notice, at any times during normal business hours and subject to Tenant's normal security requirements and, if required, accompanied at all times by a representative of Tenant for the purpose of inspecting the same or for the purpose of doing any work hereunder necessitated by an Event of Default, and to take all such action thereon as may be necessary or appropriate for any such purpose (but nothing herein contained in this Lease shall create or imply any duty on the part of Landlord to make any such inspection or do any such work).

25.2 Emergency Entry. Landlord may enter the Premises at any time, without notice, in the event of an emergency. Landlord shall have the right to use any and all means that Landlord may deem proper in such an emergency in order to obtain entry to the Premises. Entry to the Premises by any of said 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 Lease from the Premises or any Portion of them.

25.3 No Liability. Landlord 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 Lease fees due hereunder, arising out of Landlord's entry onto the Premises as provided in this Lease, except damage resulting solely from the gross negligence or willful misconduct of Landlord or its authorized representatives

25.4 Non-Disturbance. Landlord shall use its best efforts to conduct its activities on the Premises as allowed in this section in a manner which, to the extent reasonably practicable, will cause the least possible inconvenience, annoyance or disturbance to Tenant.

26.0 PERFORMANCE ON BEHALF OF TENANT

In the event that Tenant shall fail to make any payment or perform any act required hereunder to be made or performed by Tenant, then Landlord may, but shall be under no obligation to, provide Tenant with written notice and an opportunity to cure as specifically set forth herein, if any, following which Landlord may make such payment or perform such act with the same effect as if made or performed by Tenant; provided however, that nothing contained in this Paragraph 26 shall limit Landlord's obligation to provide written notice to Tenant under Paragraph 21 of this Lease. Entry by Landlord upon the Premises for such purpose shall not waive or release Tenant from any obligation or Event of Default hereunder. Tenant shall reimburse Landlord (with interest at the Default Rate) for all sums so paid by Landlord in connection with the performance of such act.

27.0 ACCEPTANCE OF SURRENDER

No modification, Termination or surrender of this Lease or surrender of the Premises or any part thereof or any interest therein by Tenant (except surrender upon Expiration or Termination of this Lease) shall be valid or effective unless agreed to and accepted in writing by Landlord and no act by any representative or agent of Landlord, other than such a written agreement and acceptance by Landlord shall constitute an acceptance thereof.

28.0 ESTOPPEL CERTIFICATE BY TENANT

Tenant will execute, acknowledge and deliver to Landlord within ten (10) days after receipt of Landlord's written request therefore, a certificate certifying: (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified, and stating the modification); (b) the dates, if any, to which Minimum Base Rent, Percentage Rent and other sums payable hereunder have been paid, (c) that no notice has been received by Tenant of any Default which has not been cured except as to Defaults specified in said certificate; (d) that Landlord is not in default hereunder except as specified in the certificate; and (e) any other matters reasonably requested and related to this Lease. In the event Tenant fails to execute and return such certificate to Landlord within said ten (10) day period, Landlord may, at its option, treat failure to deliver such statement as a material default of the lease, or Landlord may execute such certificate on Tenant's behalf and agrees to provide Tenant with a copy of said certificate. Any such certificate, whether executed by Tenant or Landlord on Tenant's behalf, shall be binding upon Tenant and may be relied upon by any prospective purchaser or Mortgagee of the Premises or any part thereof.

29.0 ESTOPPEL CERTIFICATE BY LANDLORD

Landlord will execute, acknowledge and deliver to Tenant within thirty (30) days of Tenant's written request, a Certificate certifying: (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified, and stating the modification); (b) the dates, if any, to which Minimum Base Rent, Percentage Rent and other sums payable hereunder have been paid; (c) whether or not to the knowledge of Landlord there are then existing any defaults under this Lease (and to specify the same); and (d) such other matters related to this Lease as are reasonably requested by the requesting party. Any such certificate shall be binding on Landlord and may be relied upon by any prospective transferee of Tenant's interest under this Lease. In the event Landlord fails to execute and return such certificate to Tenant within said thirty (30) day period, Tenant may execute such certificate on Landlord's behalf and agrees to provide Landlord with a copy of said Certificate.

30.0 CONVEYANCE BY LANDLORD

In case the original or any successor Landlord shall convey or otherwise dispose of Premises or its interest therein, it shall thereupon be released from all liabilities and obligations of Landlord under this Lease (except those accruing prior to such conveyance or other disposition) and such liabilities and obligations shall be binding solely on the then owner of the Premises. Tenant waives the protection of any statute or rule of law that gives or purports to give Tenant any right to terminate this Lease or surrender possession upon the transfer of Landlord's interest.

31.0 PROVISIONS SUBJECT TO APPLICABLE LAW

Rights, powers and remedies provided herein may be exercised only to the extent that exercise thereof does not violate any applicable Law, and are intended to be limited to the extent necessary so that they will not render this Lease invalid or unenforceable.

32.0 APPRAISAL

When the value of the Premises, or any part thereof is to be determined pursuant to any provision of this Lease, such value shall be determined by agreement of Landlord and Tenant within thirty (30) days from the date negotiations commence or, in the absence of such agreement, by one independent appraiser selected by Landlord and Tenant. If the two parties cannot agree on such value or on a single appraiser, then at the written request of either party, Landlord and Tenant within fifteen (15) days after such notice shall each appoint an appraiser to make such determination, and notice of such appointment shall be given to the other party. If either party shall fail or refuse so to appoint an appraiser and give notice thereof within such period, the appraiser appointed by the other party shall within thirty (30) dates thereafter individually make such determination. If the parties have each so appointed an appraiser within such thirty (30) day period, the appraisers thus appointed shall proceed to determine such value within thirty (30) days after notice of their appointment. If such two appraisers shall be unable to agree on such value within such thirty (30) days, they shall immediately calculate the arithmetic average of their values which shall become the value. All reasonable costs, fees and expenses of the appraisers shall be borne equally by Tenant and Landlord.

33.0 NOTICES

Whenever any notice is required or permitted hereunder, such notice shall be in writing and shall be personally delivered, sent by U.S. Registered or Certified Mail, return receipt requested, postage prepaid, or sent by a nationally recognized overnight carrier service to the address set forth below or at such other addresses as are specified by written notice delivered in accordance herewith:

Landlord: SAN MATEO COUNTY HARBOR DISTRICT
400 Oyster Point Blvd. Suite 300
South San Francisco, CA 94080

Tenant: _____
_____
_____

Any notice personally delivered as hereinabove provided shall be deemed effectively given on the date of receipt of such notice. Any notice sent by U.S. Registered or Certified Mail or by a nationally recognized overnight courier service shall be deemed effectively given on the date of delivery or attempted delivery thereon, whichever is sooner.

34.0 MEDIATION AND ARBITRATION

34.1 Service of process. Concurrently with the execution of this Lease, a form for the irrevocable appointment of an agent to receive service of process on behalf of the other party shall be executed by each party.

34.2 Disputes Subject to Mediation and Arbitration. Disputes between the parties relating to the interpretation and enforcement of their rights and obligations under this Lease shall be resolved by mediation and arbitration in accordance with the Provisions of Paragraphs 34.3, *et seq.*, of this Lease, with the exception that Landlord, at its sole discretion, may elect to proceed instead with an unlawful detainer action in Superior Court for San Mateo County in the event that Tenant defaults through failure to pay minimum or percentage rents when due under the terms of this Lease or any action to obtain a temporary restraining order or equivalent temporary relief to maintain the status quo and preserve either parties' ability to enforce the provisions of the Lease.

34.3 Initial Mediation. With respect to any dispute between the parties that is to be resolved by arbitration, the parties shall attempt in good faith for thirty (30) days, to mediate such dispute and use their best efforts to reach agreement on the matters in dispute.

34.4 Arbitration. Any dispute between the parties that is to be resolved by arbitration as provided in Paragraph 34.2 shall be settled and decided by arbitration. Any such arbitration shall be held and conducted in the County of San Mateo by an arbitrator, who shall be selected by mutual agreement of the parties; if agreement is not reached on the selection of an arbitrator within fifteen (15) days, then Landlord and Tenant shall each choose an arbitrator, each of whom shall agree to select a third arbitrator who would actually arbitrate the dispute between the parties.

The following shall apply and govern such arbitration:

(a) Any demand for arbitration shall be in writing and must be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date that institution of legal or equitable proceedings based on such claim, dispute, or other matter would be barred by the applicable statute of limitations.

(b) The arbitrator or arbitrators appointed must be former or retired judges or "attorneys" with at least ten (10) years experience in real property and commercial matters.

(c) All proceedings involving the parties shall be reported by a Certified Shorthand court reporter and written transcripts of the proceedings shall be prepared and made available to the parties.

(d) The arbitrator or arbitrators shall prepare in writing and provide to the parties factual findings and the reasons on which the decision of the arbitrator or arbitrators is based.

(e) Final decision by the arbitrator or arbitrators must be made within ninety (90) days from the date the arbitration proceedings are initiated.

(f) The prevailing party shall be awarded reasonable attorney's fees, expert and non-expert witness costs and expenses, and other costs and expenses incurred in connection with the arbitration, unless the arbitrator or arbitrators for good cause determine otherwise.

(g) Costs and fees of the arbitrator or arbitrators shall be borne by the non-prevailing party, unless the arbitrator or arbitrators for good cause determine otherwise.

(h) The award or decision of the arbitrator or arbitrators, which may include equitable relief, shall be final and judgment made shall be entered on it in accordance with applicable law in any court having jurisdiction over the matter.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE CERTAIN DISPUTEs ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION, AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

Initials	Initials	Initials

35.0 ATTORNEY'S FEES

Tenant shall reimburse Landlord, upon demand, for any reasonable costs or expenses incurred by Landlord in connection with an Event of Default under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees, costs for experts or other professional services, and costs incurred for the negotiation of a settlement, any enforcement of rights, or otherwise. If either party commences an action against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the losing party reasonable attorney's fees and costs of suit.

35.1 Litigation Expenses. If either party hereto brings an action or proceeding (including any cross-complaint or counterclaim) against the other party by reason of a Default, or otherwise arising out of this Lease, the prevailing party in such action or proceeding shall be entitled to recover from the other party its costs and expenses of suit, including but not limited to, reasonable attorney's fees, which fees 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.

35.2 Appeals. Attorney's fees under this section shall include attorney's fees and all other reasonable costs and expenses incurred in connection with any appeal.

36.0 QUIET ENJOYMENT

Upon Tenant's payment of Rent due hereunder, Tenant shall have quiet possession of the Premises for the Lease Term. If, at any time, Landlord's title or right to receive rent hereunder is disputed, or there is a change of ownership of Landlord's estate by any act of the parties or operation of law, Tenant may deposit in escrow Rent thereafter accruing until Tenant is furnished proof satisfactory to it as to the party entitled thereto.

37.0 MISCELLANEOUS PROVISIONS

37.1 Time is of the Essence. Time is of the essence with respect to the performance of each Provision of this Lease.

37.2 Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions to this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

37.3 Payments by Tenant. Except as otherwise expressly provided herein, Rent and all other sums payable by Tenant to Landlord under this Lease shall be paid without notice. All sums payable by Tenant shall be paid by good check in the currency of the United States at the Pillar Point Harbor office of Landlord as set forth below:

Office of the Harbor Master
Pillar Point Harbor
San Mateo County Harbor District
1 Johnson Pier
Half Moon Bay, CA 94019

or at such place and to such Person as Landlord may from time to time designate by written notice to Tenant.

37.4 Status of Parties on Termination of Lease. Except as provided in Paragraph 22, if either party elects to terminate this Lease as provided herein, on the date the Lease terminates the parties shall be released from further liabilities and obligations and the Landlord shall return to Tenant any unearned rent, so long as Tenant is not in default on the date the Lease terminates. Any Percentage Rent which has accrued but has not yet become due will be payable by Tenant to Landlord or credited in whole or in part to Tenant in the event that Landlord holds any unearned rent.

37.5 Exhibits Incorporation into Lease. All exhibits referred to in this Lease are attached to this Lease and are incorporated herein by this reference.

37.6 Governing Law. This Lease shall be construed and interpreted in accordance with the Laws of the State of California, and venue for any action relating thereto shall be in San Mateo County.

37.7 Singular and Plural and Gender. When required by the context of this Lease, the singular shall include the plural, the male the female, and vice versa.

37.8 Joint and Several Obligations. "Party" shall mean Landlord or Tenant; and if more than one Person or entity is Landlord or Tenant, the obligations imposed on that Party shall be joint and several.

37.9 Severability. The unenforceability, invalidity, or illegality of any provision of this Lease shall not render the other provisions of this Lease unenforceable, invalid or illegal, and this Lease shall remain in force and effect as if such unenforceable, invalid or illegal provision had never been a part of this Lease.

37.10 Binding Effect. Each and all provisions, agreements, terms, covenants and conditions of this Lease to be performed, kept and observed by Landlord and Tenant, shall be binding on any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease.

37.11 Third Party Beneficiaries. Except as to the Department as set forth in this Lease, there are no third party beneficiaries of this Lease.

37.12 Interpretation. This Lease shall conclusively be presumed to have been drafted jointly by both parties hereto.

37.13 Authority. If either Party has a governing board, that party shall deliver to the other Party upon the execution at this Lease a certified copy of a resolution of its board authorizing the execution of this Lease and naming the officers that are authorized to execute this Lease on behalf of the corporation.

37.14 Captions. Captions are included in this Lease for convenience only and do not constitute a part of this Lease.

37.15 Section Headings. The section headings contained herein are for convenience in reference and are not to be used to construe the intent of this Lease or any part thereof, nor to modify, amplify, or aid in the interpretation or construction of any of the Provisions thereof.

37.16 Force Majeure. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, or other cause without fault and beyond the control of the party obligated to perform (financial inability and any closure of access roads that does not effect a total blockage of all access to the Premises excepted), performance of such act shall be excused and extended for a period equivalent to the period of such delay; provided, however, that nothing in this section contained shall excuse Tenant from the prompt payment of any rent or other charge required of Tenant hereunder except as may be expressly provided elsewhere in this Lease.

37.17 Nondiscrimination Covenant. Tenant covenants not to discriminate against or segregate any Person or group of Persons, on account of race, color, creed, religion, sex, marital status, sexual orientation, age, national origin, ancestry, or disability.

37.18 Loan Agreement. The terms and conditions of this Lease are subordinate to, and subject to, the Loan Agreement between Landlord and the Department (Department Contract NO. 84-21-34, dated August 23, 1984, as modified).

38.0 MEMORANDUM OF LEASE

Concurrently with execution of this Lease, the parties shall execute and acknowledge a Memorandum of Lease identifying the Lease in substantially the form of Exhibit C to be recorded in the official records of San Mateo County. Upon the request of either party, the

parties shall execute and acknowledge further Memoranda of any future amendments of this Lease. The parties hereto ratify, confirm and adopt all of the terms and conditions of the Lease.

39.0 APPROVAL BY CALIFORNIA DEPARTMENT OF BOATING AND WATERWAYS

This Lease requires the written approval of the Department and shall not take effect until such approval is obtained.

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

LANDLORD:

SAN MATEO COUNTY HARBOR DISTRICT

DATED: 3-13-13

BY: _____
NAME: James J Tucker
TITLE: Harbor District Board President

TENANT:

PILLAR POINT SEAFOOD

DATED: 3/12/13

BY: _____
NAME: MICHAEL D. McHENRY
TITLE: PRES.

EXHIBIT A

DEPICTION OF THE PREMISES

The Premises leased by Pillar Point Seafood are located in Area 3, consisting of approximately thirty-three (33) by nineteen (19) feet, including upper and lower levels of the building known variously as the fish buyers building (see Attachment 1) or the fish handlers building (see Attachment 2), which is situated at the westerly extension of the Johnson Pier in Pillar Point Harbor, in the unincorporated community of Princeton, San Mateo County, APN 047-083-060. The building is a rectangle approximately thirty-four (34) feet wide by sixty (60) feet long with the long side oriented approximately north-south. The building layout contains three equal-sized Areas, including Area 3. Area 3

(and the other two Areas) consists of an open stall on the ground floor with facing garage doors on the east and west walls. The upper floor has office, restroom and storage space.

EXHIBIT B

INITIAL TENANT IMPROVEMENTS

NONE

ORIGINAL

SAN MATEO COUNTY
ASSESSOR'S OFFICE
PROPERTY TRANSFER
MAR 2 7 2013

2013-046462

Lease
between
Three Captains Sea Products
and
San Mateo County Harbor District

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EXHIBIT A – DEPICTION OF THE PREMISES
EXHIBIT B – INITIAL TENANT IMPROVEMENTS
EXHIBIT C – FORM OF LEASE MEMORANDUM

SAN MATEO COUNTY HARBOR DISTRICT

LEASE

This Lease (hereinafter called "Lease") is made and entered into as of this 13th day of March, 2013, by and between the San Mateo County Harbor District, a political subdivision of the State of California (hereinafter called "Landlord"), having its principal place of business at 400 Oyster Point Blvd., Suite 300, South San Francisco, CA 94080 and Three Captains Sea Products, (hereinafter called "Tenant"), having its principal place of business at Area 2, Johnson Pier, Pillar Point Harbor, mailing address: PO Box 1971, El Granada, CA 94018, with references to the following facts and objectives:

RECITALS

A. Landlord is the operator of that certain parcel of real property situated in the County of San Mateo, State of California known as Pillar Point Harbor, APN 047-083-060 (hereinafter called "Harbor").

B. Tenant desires to lease from Landlord and Landlord desires to lease to Tenant a portion of the aforementioned real property known as Area 2 at Johnson Pier, consisting of approximately thirty three (33) feet by nineteen (19) feet, including upper and lower levels of the building located at the westerly extension of the Johnson Pier and more particularly described in Exhibit A attached hereto and by this reference made a part hereof (hereinafter called "Premises").

C. Tenant wishes to lease the Premises for its commercial fish-buying business, and in accordance with the terms and conditions below.

NOW, THEREFORE, for and in consideration of the Premises and of the mutual obligations, agreements, and representations and warranties herein contained, the parties do hereby agree as follows:

AGREEMENT

1.0 TERMS AND DEFINITIONS

As used in this Lease, the following words and phrases have the following meanings:

Alteration: any addition or change to, or modification of, the Premises or demolition and construction of new Improvements made by Tenant, whether as part of the Initial Tenant Improvements or otherwise.

Approvals: those permissions required by law or regulation prior to, or during, the use and operation of the Premises.

Commencement Date: the date on which Tenant opens the Premises for business, but no later than six (6) months after the Effective Date of this Lease.

County: San Mateo County.

Department: is the Department of Boating and Waterways in the State of California Natural Resources Agency.

Effective Date: the most recent date of signatures by the parties to this Lease.

Event of Default: is defined in Section 21.1.

Expiration: the coming to an end of the time specified in the Lease as its duration, including any Extension Term.

Finfish: Finned vertebrate fish other than wetfish (see definition on page 3 below) including e.g. salmon, halibut, rockfish.

Fish: shall mean any type of fish, crustacean, or other seafood harvested from the sea by any method.

Fixture: personal property that is attached to the Premises such that it becomes an irremovable part of the real property; Tenant's objects of trade ("trade fixtures") that can be removed without damage to the Premises are not Fixtures under this Lease.

Good Condition: the good physical condition of the Premises and each portion thereof. "In Good Condition" means in good order and repair, clean, broom clean, free of graffiti and accumulated trash, and fully operative.

Gross Receipts: is defined in Section 6.1(d).

Harbor Commission: shall mean the governing board of Landlord.

Hazardous Material: any hazardous or toxic substance, material or waste that is or becomes regulated by any local government authority, the State of California or the United States Government.

Impositions: all taxes and assessments due during the Lease Term.

Improvements: all buildings, other structures, fixtures, sidewalks, curbs, gutters, paved areas, structures, signs, water wells, water supply systems, sewage systems, waste water systems, fencing, utility systems, parking area improvements, service and trash area improvements, landscaping, lighting, exterior fountains, sculptures, flags, banners or historic artifacts, or any other improvements now or hereafter constructed or maintained on the Premises or any alteration or additions thereto, except for Tenant's Personal Property.

Inflation Factor: is defined in Section 5.2.

Insurance Requirements: all terms of any insurance policy covering or applicable to the Premises or any part thereof, all requirements of the issuer of any such policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the Premises or any alteration or part thereof or any use or condition of the Premises or any part thereof.

Landlord: San Mateo County Harbor District, a political subdivision of the State of California.

Law: any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order, or other requirement of any municipal, county, state, federal or other government agency or authority having jurisdiction over the parties or the Premises, in effect either at the time of execution of the Lease or at any time during the Lease Term, including without limitation, any regulation or order of a quasi-official entity or body.

Lease: this Lease.

Leasehold Mortgage: a mortgage secured by the leasehold estate created by this Lease.

Legal Requirements: all laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or any or at any time hereafter may be applicable to the Premises or any part thereof or any of the adjoining sidewalks, curbs, streets or ways, or any use or condition of the Premises or any part thereon.

Maintenance: replacement, repainting, and cleaning, and such labor and materials as required to keep the Premises clean, and any associated landscaping healthy and aesthetically pleasing, and all requirements imposed by Landlord.

Minimum Base Rent: the base rent to be paid by Tenant to Landlord on a monthly basis throughout the Lease Term, and which shall be two thousand five hundred dollars ($2,500.00) per month adjusted annually by the Inflation Factor.

Mortgage: a mortgage or deed of trust.

Mortgagee: the holder of a mortgage or deed of trust.

Non-Family Member: any Person other than Lease signatory's spouse, children, or siblings.

Person: any individual, corporation, association, partnership, joint venture, organization, or any other business entity, or a governmental or political unit or agency.

Premises: is as defined in the Recitals, herein, and including all improvements constructed by the Tenant thereon during the Lease Term.

Tenant's Personal Property: the equipment, signs, furniture, furnishings, merchandise, and moveable property placed in the Premises by the Tenant which have not become Fixtures.

Termination: the ending of the Lease Term for any reason before Expiration.

Wetfish: E.g., Sardines, mackerels, anchovies, market squid, coastal tunas.

Unavoidable Delays: delays due to strikes, acts of God, governmental restrictions, enemy action, riot, civil commotion, fire, unavoidable casualty or any other causes beyond the control of Landlord or Tenant, as the case may be; provided, however, that no delay may be deemed unavoidable if Landlord would be in danger of incurring any civil or criminal liability for Tenant's failure to perform the required act. In the event of a delay which would qualify as an Unavoidable Delay as defined herein but for the danger of the Landlord incurring civil liability, such delay shall be deemed to be an unavoidable delay if Tenant agrees in writing to indemnify Landlord and hold it harmless from and against any liability, damages, cost, expense, claim or cause of action, including without limitation, reasonable attorney's fees incurred by Landlord as a result of such delay. Unavoidable delays shall not include delays resulting from either (a) Tenant's inability to obtain sufficient funds or firm financing commitments to complete construction or (b) inability of Tenant to obtain a building permit issued by the County of San Mateo for the Initial Tenant Improvements.

2.0 AGREEMENT TO LEASE

2.1 Premises Leased. Upon and subject to the conditions and limitations set forth below, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises for the term

and at the rental provided in this Lease, together with all rights-of-way or rights of use servitudes, licenses, tenements, hereditaments, appurtenances and easements now or hereafter belonging or pertaining to any of the Premises. However, this Lease confers no rights with regard to the subsurface of the Premises more than fifteen (15) feet below ground level, except to the extent necessary to install pilings or other support for the Improvements, nor does it confer rights to airspace above the roof of the Premises other than air space rights for signs which may be placed upon the roof of the Premises but which shall comply with all Legal Requirements, as well as policies and guidelines for signage of Landlord, the County, and other regulatory agencies, provided that the total height of the Premises including the signs, shall not exceed twenty-eight (28) feet. The parties hereto agree that said letting and hiring is upon and subject to the terms, covenants and conditions herein set forth and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all its terms, covenants and conditions. Landlord shall take no action with respect to its reserved subsurface rights that would endanger or impair the Improvements or interfere with the activities taking place on the Premises.

2.1.1 Rents and Services. The ultimate purpose of the Lease for the benefit of the public is the complete and continuous use of the Premises. All facilities and services shall be made available to the public without any illegal discrimination as defined by California and Federal law.

The immediate purpose of this Lease is the use of the Premises for operation and maintenance of a fish-buying business.

It is agreed that the ultimate and immediate purposes are consistent and compatible. Accordingly, Tenant covenants and agrees to operate the Premises fully and continuously to accomplish said purpose consistent with sound business practice and subject to the terms of this Lease.

2.1.2 Cooperation Among Tenants. Tenant shall cooperate with all other tenants of Landlord who will be operating enterprises in the vicinity of the Premises, and shall conduct its operations so as to avoid interference with the operations of other tenants. Landlord may, but is not required to, resolve any difference or conflict that may arise between Tenant and other tenants operating enterprises in the vicinity of the Premises. If the operations of Tenant are impaired because of any acts or omissions of such other tenants, Tenant shall have no claim against Landlord on that account.

2.2 Lease Term. The term of the Lease (hereinafter called the "Lease Term") shall commence on the date on which Tenant opens the Premises for business but no later than six (6) months from the Effective Date of this Lease ("Commencement Date"), and expire at midnight on the same day five (5) years subsequent, unless Tenant exercises the option pursuant to Section 3.0 of this Lease, or unless sooner terminated pursuant to any provision hereof. Notwithstanding any of the provisions of this paragraph, Tenant shall submit to the County of San Mateo all necessary application materials, plans, drawings, and specifications for discretionary land use approvals permitting construction no later than ninety (90) days following the Effective Date. Failure to submit said application materials, plans, drawings, and specifications within this time period shall cause the immediate Termination of this Lease unless waived in writing by Landlord

by delivery of written notice to Tenant, whereupon each party shall be released from its obligations under this Lease effective upon the date of such notice.

2.2.1 Delay in Possession. If for any reason, Landlord fails to deliver possession of the Premises to Tenant by the Commencement Date, Landlord shall not be liable for any Damages resulting from that failure, nor shall that failure affect the validity of this Lease or the obligations of Tenant hereunder or extend the Lease Term, but in such case, Tenant shall not be obligated to pay rent or perform any other obligation under the terms of this Lease, except as may be otherwise provided in this Lease, until possession of the Premises is tendered to Tenant. If Landlord has not delivered possession to Tenant within thirty (30) days after the Commencement Date, Tenant may, however, cancel this Lease, by providing written notice to Landlord within ten (10) days after the end of the thirty(30)-day period; in that case, the parties shall be discharged from all obligations under this Lease, provided, however, that if the written notice of Tenant is not received by Landlord within that ten (10) day period, Tenant shall have no further right to terminate the Lease under this provision.

2.2.2 Right of Entry. During the period commencing upon the Effective Date and continuing through the Commencement Date, Tenant shall have a revocable license to enter the Premises for the purpose of conducting such studies, surveys, tests and investigations as are necessary for the planning and design of the Initial Tenant Improvements to be constructed. Such license shall be revocable only in the Event of a Default by Tenant, after notice provided by Landlord to Tenant regarding Tenant's default and the expiration of any applicable grace period.

During the period between the Effective Date and the Commencement Date, Landlord shall not use the Premises in a manner which results in an increase in Tenant's construction costs or interferes with the progress of Tenant's construction of the facilities. Tenant shall have no vested or possessory interest in the Premises during this period except for its right and title to the Initial Tenant Improvements it constructs thereon.

During this period, Tenant shall maintain insurance coverage as provided elsewhere in Section 16 below.

2.3 Preparation of Premises by Landlord. Landlord shall have no obligation to prepare the Premises for Tenant's occupancy. Furthermore, Landlord makes no warranties or representations as to the condition of the Premises or their suitability for Tenant's operation except as explicitly set forth in Section 10 below.

2.4 Early Termination. If, after exercising due diligence, but in no event later than one hundred twenty (120) days after the Commencement Date, Tenant has not obtained a building permit issued by the County of San Mateo permitting Tenant to construct the Initial Tenant Improvements or has not furnished to Landlord evidence of sufficient funds or firm financial commitments to complete the construction in the form of a letter of commitment from Tenant or Tenant's lending institution setting forth the amount of the loan and the terms and conditions of the financing, this Lease shall terminate immediately unless such Termination has been waived in writing by Landlord by delivery of written notice to Tenant. Upon such notice of waiver, each party shall be released from its obligations under this Lease effective upon the date of such notice, except that Tenant, at Tenant's expense, shall restore the Premises to the condition in which they were made available to Tenant if Tenant has made any modifications to them, unless Landlord waives the right to such restoration in writing.

2.5 End of Lease Term.

2.5.1 Surrender. Upon the Expiration or other Termination of the Lease Term, Tenant shall quit and surrender to Landlord, or Landlord's successor in interest, the Premises including all Improvements in good condition, except for (a) ordinary wear and tear occurring after the last necessary Maintenance made by Tenant and (b) destruction to the Premises covered by Paragraphs 17.1 and 17.2. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good Maintenance practices. Tenant shall repair any damage to the Premises occasioned by the installation or removal of Tenant's Personal Property, alterations, furnishings, and equipment. Tenant hereby agrees to execute all documents as Landlord may reasonably deem necessary to evidence any Termination of the Lease Term.

If Tenant fails to surrender the Premises to Landlord on Expiration or Termination of the Lease Term as required by this Paragraph, Tenant shall indemnify, defend and hold Landlord harmless from all Damages resulting from Tenant's failure to surrender the Premises, included but not limited to and without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises, and Tenant waives all claims against Landlord for any Damages to Tenant resulting from Landlord's retention or disposition of any Improvements, Alterations, or Tenant's Personal Property. Tenant shall be liable to Landlord for all costs incurred by Landlord for storing, removing, or disposing of any Improvements, Alterations, or Tenant's Personal Property. In addition, Tenant shall be liable to Landlord for any Damages Landlord may sustain as a result of such failure to surrender and shall pay all costs and attorney's fees as may be necessary to evict Tenant.

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereon, shall not work a merger, and shall, at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies.

2.5.2 Tenant's Personal Property. Tenant shall within thirty (30) days, at its own expense, remove all of Tenant's Personal Property which, at Landlord's option, may include all removable Fixtures and installations of any kind or placed on the Premises by Tenant, and shall leave the leased Premises in clean condition, and shall perform all restoration made necessary by the removal of such Personal Property at or prior to the Expiration or Termination of the Lease Term. Landlord may remove any of the Tenant's Personal Property or Fixtures that Tenant has not removed from the Premises on Expiration or Termination of the Lease Term and store Tenant's Personal Property in a public warehouse or elsewhere for such a period of time as may be required by applicable Law, after which time Landlord may retain or dispose of all such property in accordance with applicable Law. Tenant waives all claims against Landlord for any Damage to Tenant resulting from Landlord's retention or disposition of any Tenant's Personal Property as provided herein. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of any Tenant's Personal Property.

2.5.3 Ownership of Improvements. Upon Expiration or Termination of this Lease, title to such immovable Improvements, including all buildings, structures, Fixtures and facilities constructed or placed within the Premises by Tenant, which are or have been within the Lease Term attached or fastened to the ground, deck, floor or walls of a structure, such that they cannot be removed without damage to the Premises, shall become the property of Landlord or

Landlord's successor in interest at the Expiration of the Lease or upon earlier Termination thereof, and Tenant shall execute such instruments as may be reasonably required by Landlord confirming Landlord's title to such Improvements or Fixtures located on the Premises.

2.5.4 No Relocation. Tenant acknowledges, agrees and expressly waives any and all rights to relocation benefits under federal or state law upon the Termination or Expiration of this Lease.

2.6 Holding Over. Any holding over by Tenant after the Expiration or Termination of this Lease, and any acceptance of Rent by Landlord thereafter, shall not constitute a renewal or give Tenant any rights hereunder in the Premises, except with the prior written consent of Landlord, which consent may be withheld for any reason whatsoever. Any holding over by Tenant after the Expiration or Termination of this Lease, with the written consent of Landlord, shall be construed to be a tenancy from month to month, and shall be terminable upon thirty (30) days written notice given by either Landlord or Tenant. All the terms, covenants, conditions, and provisions of this Lease shall apply to any such month-to-month tenancy. Landlord shall respond to a request to holdover within a reasonable time.

If Tenant holds over after the Expiration or Termination of this Lease without the express written consent of Landlord, upon the date of such Expiration or Termination Tenant shall become a tenant at sufferance only at a rental rate equal to one hundred fifty percent (150%) of the rent that would be applicable to the Premises pursuant to Sections 5 and 6 below, for a month-to-month tenancy, terminable upon thirty (30) days' written notice by either party to the other, and otherwise subject to the terms, covenants, conditions, and provisions herein specified, so far as applicable. Nothing in this Paragraph 2.6 shall be construed as consent by Landlord to any holding over by Tenant.

3.0 OPTION TO RENEW

Subject to the Provisions hereinafter set forth, Landlord grants to Tenant two (2) options to renew this Lease for an additional five (5) years each on the same terms, conditions, and provisions as contained in this Lease, except that the Minimum Base Rent shall be adjusted as provided in Section 5.0.

The first option to renew may be exercised by Tenant, provided no Event of Default by Tenant is then occurring, by issuing a notice in writing, received by Landlord no earlier than four (4) years after the Commencement Date but not less than one hundred eighty (180) days prior to the date of Expiration of the Lease Term. The second option to renew may be exercised by Tenant under the same terms and conditions, but not less than one hundred eighty (180) days prior to the date of Expiration of the first option to renew. Failure to give such notice will render Tenant's option to renew null and void.

4.0 SECURITY DEPOSIT

On or before the Rent Commencement Date, Tenant shall deposit with Landlord the sum of seven thousand five hundred and no/100^{ths} Dollars ($7,500.00) which shall be equal to three (3) months Minimum Base Rent as a Security Deposit for Tenant's performance under this Lease (the "Security Deposit"). The Security Deposit shall be adjusted annually and concurrently with the adjustment of Minimum Base Rent as set forth in Paragraph 5.2 of this Lease, however at all times the Security Deposit shall always be equal to three (3) months Minimum Base Rent as adjusted by the Inflation Factor, and Tenant shall annually pay Landlord an amount to adjust the

Security Deposit accordingly. The Security Deposit and Security Deposit adjustment payments shall be in the form of cash deposited with Landlord.

The Security Deposit shall guarantee Tenant's full and faithful performance of all the terms, covenants, and conditions of this Lease, and shall take the form of an initial single cash payment to Landlord with annual adjustments as described above.

If Tenant is in default hereunder, Landlord may use the Security Deposit, or any portion of it, to cure the Event of Default or to compensate Landlord for any Damages sustained by Landlord resulting from Tenant's Default. Tenant shall immediately on demand pay to the Landlord a sum equal to the portion of the Security Deposit extended or applied by Landlord as provided in Paragraph 4 so as to maintain the Security Deposit in the sum then required of Tenant. If Tenant performs all of Tenant's obligations under this Lease, the Security Deposit, or so much thereof as has not been applied by Landlord, shall be returned, without payment of interest or other increment for its use, to Tenant or, at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder, at the Expiration or Termination of this Lease and after Tenant has vacated the Premises. No trust or fiduciary relationship is created herein between Landlord and Tenant with respect to the Security Deposit.

Landlord may maintain the Security Deposit separate and apart from Landlord's general funds or may commingle the Security Deposit with Landlord's general or other funds. Tenant shall not be entitled to, and Tenant hereby specifically waives any requirement that Landlord pay, interest on the Security Deposit.

5.0 MINIMUM BASE RENT

5.1 Minimum Base Rent. Tenant agrees to pay to Landlord as base rent, without notice or demand, Two Thousand Five Hundred and no/100^{ths} Dollars ($2,500.00) ("Minimum Base Rent"), on or before the first day of each and every successive calendar month during the Term of this Lease. Tenant's obligation to pay rent shall commence on the Commencement Date. Minimum Base Rent shall be paid to Landlord without deduction or offset, in lawful money of the United States of America and at such place as Landlord may from time to time designate in writing. Minimum Base Rent for any period that is less than one (1) month shall be a prorated portion of the monthly installment herein based on a thirty (30) day month.

5.2 Adjustment to Minimum Base Rent. The Minimum Base Rent established in Paragraph 5.1 of this Lease shall be adjusted annually on each anniversary of the Commencement Date for the term of this Lease by the greater of three percent (3%) or the increase since the prior year in the San Francisco-Oakland-San Jose Cost of Living Indexes: All Item Index (All Urban Consumers Index).

5.3 Minimum Base Rent Adjustment at End of Lease Term, upon Exercise of Option, or Upon Assignment of Lease or Sale of Business to Any Non-Family Member at Any Time. At each and any of these times, Minimum Base Rent may, at Landlord's sole discretion, be adjusted to reflect two percent (2%) of the adjusted Minimum Base Rent.

6.0 FEES FOR FISH PURCHASE AND OFF-LOADING

6.1 Fees for fish purchase and off-loading. In addition to Minimum Base Rent, Tenant agrees to pay to Landlord all of the following amounts:

(a) Wholesale Fish Purchase = $10.00 per ton actual scale gross weight for wetfish and $.01 per pound gross weight for finfish and shellfish purchased by Tenant for fish at the Premises on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(b) Fish Off-Loading: $10.00 per ton actual scale gross weight for wetfish and $.01 per pound gross weight for finfish and shellfish off-loaded by Tenant at Premises on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(c) Retail Fish Sales: Tenant will pay Landlord five percent (5%) of its gross receipts for all fish sold to the general public on or before the first day of each and every successive calendar month during the Term of this Lease on or before the first day of each and every successive calendar month during the Term of this Lease.

(d) Gross Receipts Defined: For the purposes of subsections 6.1(a), (b) and above, "gross receipts" means all amounts derived, received, or charged by any sublessee, subtenant, concessionaire, licensee, or any other person, firm or corporation (herein called "subtenant") or by Tenant, for fish purchased, or for sales, charges for service, for the use of space made in or on the Premises, or from any and all sources of income derived in whole or in part from any business transacted in, at or from the Premises, whether from subtenants, customers, or otherwise, both for cash and on credit, and in cases of sales or charges on credit, whether or not payment is actually made.

Gross Receipts shall include, without limitation, all:

(i) Deposits not refunded;

(ii) Orders taken on or from the Premises to be filled or paid for elsewhere;

(iii) Sales or charges for all services performed, whether such sales are made or such services are rendered at or arranged through the occupied space at the Premises by long distance communication and whether initiated, performed, or completed at another location;

(iv) Consideration received by Tenant for value directly from customers, and from subtenants, including subrents;

(v) Income from off-site processing of fish unloaded at the Premises.

Each sale or charge for service or use of space on credit or in installments shall be treated as a sale or charge for the total price in the calendar year for which the sale or charge is made whether or not any payments are made within that year.

(e) Only the following amounts may be excluded or deducted from Gross Receipts at the time they are ascertained, and where not ascertainable during the period covered by a statement of Gross Receipts, then from the time of a subsequent statement when they are known:

(i) All sums collected and paid out for sales taxes, luxury taxes, excise taxes, and similar taxes required by law to be added to the total purchase price, whether now or hereinafter in force, to be collected from customers and paid by Tenant or a subtenant;

(ii) All refunds made on any sale or charge for service or use of space previously included as Gross Receipts;

(iii) Any income or receipts, under generally accepted accounting principles, which are derived from the sale or disposal of any capital assets (excluding any assets normally sold in the course of business conducted on the Premises) or from the retirement of any indebtedness, or from Tenant's or subtenant's investments of any funds not invested in the Premises or the operation of the Tenant's or subtenant's business on the Premises.

None of the above exclusions or deductions from Gross Receipts shall be excluded or deducted if in substance it is a typical sale, charge for service, or other source of Gross Receipts which is ordinarily the subject of Purchase and Off-Loading Fees, but arranged only to avoid such rent, or if actually contracted for elsewhere on other premises such as typical sale, charge for service, or other source of Gross Receipts which is ordinarily the subject of Purchase and Off-Loading Fees, but such sale, charge or service, or other Gross Receipts, is for the Lessee's or a subtenant's business benefit.

6.2 Payment of Purchase and Off-Loading Fees. Purchase and Off-Loading Fees at the rates set forth in Section 6.1 shall be paid monthly and shall be due and payable on the 15th day following the end of each month.

6.3 Documentation/Audit.

(a) Tenant shall monthly provide the Landlord with a copy of its Department of Fish and Game transportation receipts, landing receipts, and unloading receipts or other documentation of receipts satisfactory to the General Manager. Such documentation shall include but not be limited to the name of the vessel making delivery for off-loading, name of vessel operating, Tenant name, actual scale weight of species loaded, and signature of vessel operator, tenant, and buyer if other than Tenant, and number of Commercial Activity Permit of buyer if other than Tenant.

(b) Tenant shall keep records related to its business operations, including but not limited to its calculations of its Gross Receipts in a commercially reasonable form and detail, and in accordance with generally accepted accounting principles.

(c) All documents, books and accounting records kept by Tenant relating to this Lease shall be open to inspection by Landlord or its authorized representative at any reasonable time during the Lease Term and for three (3) years thereafter.

7.0 IMPOSITIONS

7.1 Possessory Interest. Pursuant to California Revenue and Taxation Code Section 107.6 Tenant is hereby advised that this Lease creates a possessory interest subject to property

taxation and, as the party in whom the possessory interest is vested, Tenant will be subject to payment of the taxes levied on said interest. Beginning the Effective Date of the Lease, Tenant shall pay all Impositions before any interest, penalty, fine or cost may be added for non-payment, and will furnish Landlord for inspection within thirty (30) days after Landlord's written request, official receipts of the appropriate taxing authority or other proof satisfactory to the Landlord evidencing such payment. Tenant shall pay all real property taxes attributable to the Premises. In addition to paying real property taxes on the Premises, Tenant shall also pay for any assessments which may be levied upon the Premises as a result of any Improvements made by Tenant. Tenant shall at all times keep current said real property taxes and assessments and shall hold Landlord harmless therefrom. Any Impositions relating to the fiscal period of any taxing authority, part of which includes any period prior to the commencement of the Lease Term or after Expiration or Termination of the Lease Term shall be apportioned between Landlord and Tenant on a pro rata basis. With regard to assessments payable in installments, Tenant shall only be required to pay those installments falling due during the Lease Term. Tenant may contest any Impositions or seek a reduction thereof provided that Tenant shall furnish to Landlord a surety bond indemnifying Landlord from any Damages arising from any such proceedings.

7.2 Taxes and Assessments. Tenant agrees to pay to the proper authority any and all taxes, assessments and similar charges on the Premises in effect at the time this Lease is entered into, or which become effective thereafter, including all taxes levied or assessed upon the possession, use, or occupancy, as distinguished from the ownership to the Premises. Tenant, on behalf of itself and any permitted successors and assigns, recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Tenant and any permitted successor or assign may be subject to the payment of such taxes. Tenant, on behalf of itself and any permitted successors and assigns, further recognizes and understands that any assignment permitted hereunder and any exercise of any option to renew or extend 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 shall report any assignment or other transfer of any interest in this Lease or any renewal or extension hereof to the County Assessor within sixty (60) days after such assignment transaction or renewal or extension. Tenant further agrees to provide such other information as may be requested by Landlord to enable Landlord to comply with any reporting requirements under applicable Law with respect to possessory interest.

8.0 UTILITIES, SERVICES AND ASSESSMENTS

Tenant shall make all arrangements for and pay the appropriate supplier for all utilities and services directly furnished to or used by it including, without limitation, gas, water, electricity, sewer, and telephone services and for all connection charges for such utilities and services. Tenant has its own water, electric, and gas meters. If any such charges for utilities and services are not paid when due, Landlord may pay the same, but shall not be required to pay the same. Tenant shall immediately pay any amount so paid, together with any other costs incurred by Landlord in connection with the handling of such payment, to Landlord as additional rent. Tenant shall also pay for taxes and assessments levied upon machines, appliances or property owned or used by Tenant.

Landlord shall not be liable for any failure or interruption of (i) any utility service furnished to the Premises, or (ii) the heating, ventilating, and air conditioning systems. No such failure or

interruption shall entitle Tenant to terminate this Lease or abate rent or to stop making any other payments due hereunder.

9.0 USE; LIMITATIONS ON USE

9.1 Use.

(a) Tenant shall use the Premises for its commercial fish-buying and/or fish-unloading business and additional ancillary and compatible uses and services pursuant to paragraph 9.1 (b)(vii) of this lease. Tenant shall not use the Premises for any other purposes without Landlord's prior written consent.

(b) Tenant shall develop, operate and maintain a first-rate and complete facility for the purpose of wholesale buying, unloading, storing, and shipment of fish and fish-related products and/or the non-exclusive right to sell fish on a retail basis as stipulated in subsection (ii) below. Tenant shall have all necessary permits for fish processing on display in order to engage in this activity.

(i) Tenant shall provide on the Premises all equipment required for the operation of said wholesale fish dealership, including winch and hoist for the purpose of loading or unloading of fish or other merchandise to and from vessels, and scales, skiff or equipment storage. Tenant may provide a second winch and hoist at a location approved in advance by the Harbor Master.

(ii) Tenant shall have the non-exclusive right to sell fish in the same condition as purchased directly from fishing boats at Pillar Point Harbor, on a retail basis, on a month-to-month basis, subject to written approval of Landlord of any plans, specifications and engineering and compliance with San Mateo County Local Coastal Plan and zoning/land use regulations. Landlord shall retain the right to delete this right if storage, traffic, pedestrian or space problems occur. Tenant shall not be allowed to do any advertising for the retail fish operation on or off-site at any time except as may be permitted by Landlord at Landlord's sole discretion. Violation of this provision will automatically rescind the right by Tenant to sell fish on a retail basis.

(iii) Tenant shall not buy fish or other seafood products from any vessel that exceeds eighty (80) feet in length, without permission of Landlord's Harbor Master or General Manager. Permission shall not be arbitrarily withheld and shall be subject to appeal to the Harbor Commission.

(iv) Tenant shall unload at the Premises only fish that it has either purchased or has caught in vessels owned or leased by Tenant, or has been purchased by a registered holder of a valid Commercial Activity Permit issued by Landlord. There will be no fish processing on the second floor of the Premises.

(v) Tenant shall provide documentation to the District for all fish unloaded that has been purchased by a registered holder of a valid Commercial Activity Permit issued by Landlord, which documentation shall include

date of landing/unloading, name of vessel and vessel operator from whom the fish were unloaded, and name of Permit holder receiving the fish.

(vi) Tenant agrees to keep free and clear a fifteen (15) foot wide area on Johnson Pier for common area access by all fish buyer tenants at all times, unless mutually agreed by all parties.

(vii) Tenant shall have sole use of a seventeen feet by twenty-eight feet (17' x 28') area totaling four hundred seventy-six square feet (476 sq. ft.) in Parking Lot "A" as designated by the Landlord at Landlord's sole discretion, to be used for storage of any gear, boxes or other items that are considered essential to the fish-buying operation. Tenant shall be solely responsible, at its expense, for fencing in said area and securing the fenced-in area with a locked, secure gate. If the area so designated is not enclosed by Tenant on or before _____, 20__, Tenant shall forfeit said space to the Landlord for the remainder of the Lease Term. Landlord shall not be responsible for the security of equipment or material stored. Tenant shall not store hazardous material on the Premises. If and when Landlord has other storage available, the fish buyers will move their storage to the new facility at Landlord's request. Any expenses incurred will be at the sole expense of Tenant. Subject to the prior written approval of Landlord, Tenant may provide additional uses and services which are ancillary to, and compatible with, the required uses and services hereunder, provided that they are not incompatible with other uses and services allowed or required for other tenants at Pillar Point Marina.

(viii) Tenant may place a sign or signs stating the name of Tenant's business on the front and landward side of the pier building housing Tenant's Premises with prior written approval of Landlord, and which comply with Landlord's Design Guidelines as amended.

(c) Tenant's operating schedule and prices shall comply with the following:

(i) Beginning on the Commencement Date, all of the uses and services specified in Subsection 9.1(b) above shall be provided with full services on the Premises during the active fishing seasons, weather permitting, on call of Landlord personnel or as needed.

(ii) Tenant shall, at all times, maintain a schedule of the prices charged for fish and fish products or charged for all goods or services or combinations thereof supplied to patrons on or from the Premises, whether the same are supplied by Tenant or by its sublessees, assignees, concessionaires, permittees, or licensees, and shall make said schedule available to Landlord.

(iii) All rates and charges to customers purchasing on or from the Premises shall be reasonable and consistent with the quality of services and facilities offered and shall be no more than rates and charges for comparable services and facilities in Northern California.

(d) Tenant's rights to buy fish shall be non-exclusive, and Landlord retains the right to permit the purchase of fish from vessels at Pillar Point Harbor. Tenant shall annually negotiate in good faith with other tenants at Pillar Point and local fisherman to establish a commercially reasonable pricing schedule for fish purchases. To the extent such agreement on pricing is reached and implemented each year, Landlord shall include in any permits that it issues for fish purchases from vessels a Fee equal to that required in subsection 6.1(a) of this Lease.

9.2 Limitations on Use. Tenant's activities on the Premises shall be in accordance with this Paragraph 9.2.

9.2.1 Prohibited Uses. The parties hereto agree that the following acts, occurrences or conduct by Tenant on or from the Premises are strictly prohibited:

(a) Engaging in, assisting, aiding or abetting in any act that constitutes a violation of any Law.

(b) Obstructing vessel or vehicle traffic on Harbor waters or land area.

9.2.2 Compliance with Laws and Legal Requirements. Tenant, at Tenant's sole cost and expense, promptly shall comply with all Laws, statutes, ordinances, resolutions, regulations, judicial decisions, proclamations, orders, decrees or policies of any municipal, county, state or federal government, or the departments, courts, commissions, boards and officers thereof, or other governmental or regulatory authority with jurisdiction over the Tenant and the Premises or any portion thereof, including without limitation, the Landlord, relating to or affecting the condition, use or occupancy of the Premises in effect either at the time of execution of this Lease or which may hereafter be in effect at any time during the term hereof, whether or not the same are now contemplated by the parties. Tenant's compliance shall include compliance with all provisions and conditions of the Federal Americans with Disabilities Act and California Harbors and Navigation Section 40. Tenant shall obtain and pay for all licenses and permits required for Tenant's construction and occupancy and use of the Premises. Compliance with Laws and Legal Requirements shall include compliance with all requirements of each regulatory agency that has jurisdiction over the Premises including but not limited to the Department of Boating and Waterways and the County of San Mateo.

9.2.3 Other Permits and Approvals

Should other permits, licenses, and/or Approvals, other than set forth in this Lease, be required to make Alterations or Improvements or to operate the Premises as a fish-buying operation or other use explicitly permitted hereunder, or if a failure to procure such a license or permit might or would, in any way, affect Landlord or the ability of Tenant to operate its businesses, it shall be the sole responsibility of Tenant to obtain and comply with the requirements of said permits, licenses, and/or Approvals.

9.2.4 Waste; Nuisance. Tenant shall not cause, maintain or permit any unreasonable annoyance or nuisance in, on, or about the Premises or on any Landlord property or Harbor waters. Tenant shall not commit or suffer to be committed any waste in or about the Premises and shall keep the Premises in first class repair and maintain the same in Good Condition during the Lease Term.

9.2.5 Hazardous Material. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about the Premises except to the extent that such Hazardous Material is necessary to Tenant's business and will be used, kept and stored in a manner that complies with all Laws, including environmental regulations, relating to such Hazardous Material. Tenant agrees to indemnify, defend and hold Landlord harmless from any liabilities, losses, claims, damages, penalties, or other expenses resulting from or arising out of the use, storage, transportation, release, or disposal of Hazardous Material on or about the Premises by Tenant. Tenant shall not have any responsibility with respect to Hazardous Material existing in, on or under the Premises as of the Effective Date.

9.2.6 Cancellation of Insurance. Tenant shall strictly observe all Insurance Requirements as set forth in Section 16 of this Lease and shall not do or permit to be done anything that will cause a cancellation of any insurance coverage of the Premises.

9.2.7 Continuous Operation. Subject to the terms of this Lease, and following completion of the Initial Tenant Improvements, Tenant shall continuously and diligently operate the Premises throughout the Lease Term and shall keep or cause the Premises to be kept open for business three hundred sixty-five days (365) per calendar year consistent with sound business practice and weather and safety conditions. Reasonable interruptions in the operation will be permitted for periodic cleaning of the Premises, for taking inventory, if it becomes necessary to change the management of the Premises, or if the Premises should be closed and the business of Tenant temporarily discontinued therein on account of strikes, lockouts, or similar causes beyond the reasonable control of Tenant. Without limiting the generality of the foregoing, in the event of a foreclosure against the leasehold by a leasehold Mortgagee, the leasehold Mortgagee shall be entitled to cease operating the Premises for a period of up to one hundred eighty (180) days; provided, however, that payment of the Minimum Base Rent and Percentage Rent shall continue.

9.2.8 Environmental Protection. Tenant shall comply with all applicable environmental Laws and regulations and take all reasonable measures available to:

(a) Avoid any pollution of the atmosphere or littering of land or water caused by or originating in, on, or about Tenant's facilities.

(b) Keep the noise level on the Premises to a minimum so that Persons in the general neighborhood will be able to comfortably enjoy other facilities leased by Landlord in the vicinity of the leased Premises.

(c) Keep the lights on the Premises from adversely affecting the operation or other use of boats in the Harbor.

(d) Prevent all waste and pollutants, including petroleum products of any nature, from being discharged from the Premises into the Harbor waters.

9.2.9 Supervision by Tenant. Tenant shall employ its own personnel or a management company or entity experienced and skilled in the management of operations as they are contemplated under this Lease. This management company or Tenant's own personnel shall give attention to efficient supervision of Lease operations, using its best skill, and shall keep employed, at all times, a competent supervisor and any necessary assistants. The management company's supervisor or assistant shall be present at all times and all directions given to the management company's supervisors shall be as binding as if given by Tenant.

9.2.10 Protection of Leased Premises. Tenant shall maintain the Premises in such a manner as to protect Landlord's property from damage, injury, loss, or liability arising from rainfall, and other action of the elements, excepting such as may be caused by fault or negligence of officers, agents, employees or contractors of Landlord.

9.2.11 Hold Harmless. Tenant shall defend, upon demand, all suits brought against Landlord or Department, their officers, agents, or employees, or naming Landlord or Department, their officers, agents, or employees as a defendant wherein it is alleged that operations by Tenant or conditions of the Premises or the Improvements on the Premises create a liability of Landlord or Department, their officers, agents, or employees, and Tenant shall pay any and all judgments against and save and hold Landlord or Department, their officers, agents, and employees harmless from any liability, cost, expense, or loss on account thereof, except to the extent liability is based on (i) acts or omissions of Landlord or Department, their officers, agents, contractors or employees or (ii) the condition of the Premises prior to the Effective Date.

9.2.12 Landlord's Right to Fix and Determine Rates. Landlord has the power and reserves the right to fix and determine the rates and prices to be charged by Tenant for the use by the public of the Premises improved, developed and leased by Tenant. Notwithstanding the foregoing, Tenant may, without the prior written consent of Landlord, make such rate or price adjustments as are deemed necessary or appropriate by Tenant in light of changing costs or other operating expenses, and such adjustments shall not be considered a violation of applicable law. Tenant agrees to provide Landlord with a copy of the most current rates and prices and will continue to do so upon request of Landlord. Landlord, however, will not unreasonably withhold its approval of said rates and prices.

10.0 WARRANTIES OF LANDLORD

10.1 Taxes and Encumbrances. Landlord represents and warrants to Tenant that as of the Effective Date, the Premises are free and clear of all tenancies or other rights of third parties, whether oral or written, and that Landlord is able to and will place Tenant in the peaceful and undisturbed possession of the Premises on said Effective Date.

10.2 Legal Proceedings to Ownership. Landlord represents, to the best of Landlord's knowledge and belief, that no lawsuits or legal proceedings are pending or threatened regarding the ownership, use, or possession of the Premises, or any part thereof, except as stated in this Lease. Landlord agrees to indemnify and hold Tenant harmless from any and all claims, Damages, judgments, liens, costs or expenses arising from any such lawsuits or legal proceedings which are currently known to exist.

10.3 Condemnation. No condemnation proceedings are pending with respect to the real property to be leased or any part thereof, or interest therein, and, to the best of Landlord's knowledge and belief, none are contemplated.

10.4 Violations. There is not located on, in, about, or under the Premises to be leased any Hazardous Material of which Landlord is aware and there are no past or present investigations, administrative proceedings, threatened or pending, alleging non-compliance with or violation of any Laws or Legal Requirements relating to the Premises or to any required environmental permits by Landlord nor any third party. As used herein, "Laws or Legal Requirements" means and includes the Comprehensive Environmental Response and Liability Act ("CERCLA" or the Federal Super Fund Act) as amended by the Super Fund Amendments

and Reauthorization Act of 1986 ("SARA") and any other Law, ordinance or regulation relating to Hazardous Materials. To the best of Landlord's knowledge, there are no new, nor have there ever been, any above-ground or underground storage tanks in or under the Premises.

11.0 HAZARDOUS MATERIALS

11.1 Hazardous Material or Contamination. Any Hazardous Material or contamination, as defined by any governmental agency having jurisdiction over the Premises, which is not a result of any act of Tenant or caused by Tenant or any agent, employee, contractor, subtenant, licensee or contractor of Tenant shall be the responsibility of the Landlord to mitigate to the extent required by a governmental agency with regulatory jurisdiction over the Premises. Without limiting the generality of the foregoing, Landlord, as owner of the property, agrees to indemnify, hold harmless and defend Tenant from any and all claims, losses, liabilities, demands, costs and fees (including attorney's fees) which may relate to or arise out of said Hazardous Material or contamination which is not a result of any act, omission or negligence of Tenant or caused by Tenant, or any agent, employee, contractor, subtenant, licensee or contractor of Tenant, and shall include the duty to remediate and mitigate (including, but not limited to, satisfying any other governmental agencies or administrative proceedings) so long as Tenant is not negligent and does not introduce any Hazardous Materials or contamination to the Premises.

11.1.1 Requirements for Handling. Neither Tenant nor its agents or invitees, shall use, generate, process, produce, package, treat, store, emit, discharge or dispose (collectively, "Handle") in, on or about the Premises any Hazardous Materials without the prior written consent of Landlord, which consent shall not be unreasonably withheld so long as Tenant demonstrates to Landlord's reasonable satisfaction that such Hazardous Material is necessary to Tenant's business, will be Handled in a manner which strictly complies with all Laws and will not materially increase the risk of fire or other casualty to the Premises. Notwithstanding the foregoing, Tenant may Handle on the Premises janitorial or office supplies or materials in such limited amounts as are customarily used for general office and janitorial purposes so long as such Handling is at all times in full compliance with all Laws.

11.1.2 Tenant Responsibility. Subject to the restrictions set forth in Paragraphs 9.2.5, 9.2.8 and 11.1.1, Tenant shall handle all Hazardous Materials discovered on the Premises during the Term of this Lease or introduced on the Premises by Tenant, its agents or invitees, in compliance with all Laws. Tenant shall not be responsible for the safe Handling of Hazardous Materials introduced on the Premises during or before the Effective Date of this Lease by Landlord or its agents. Tenant shall protect its employees and the general public in accordance with all Laws. Landlord may from time to time request, and Tenant shall be obligated to provide, information reasonably adequate for Landlord to determine that any and all Hazardous Materials are being handled in a manner which complies with all Laws. Landlord shall have the right to inspect the Premises for Hazardous Materials at reasonable times, pursuant to its rights of entry provided for hereunder.

11.1.3 Requirement to Remove. Prior to Expiration or Termination of this Lease, Tenant, at its sole cost and expense, shall remove any and all Hazardous Materials introduced in, on, under or about the Premises by Tenant, its agents or invitees. Further, Tenant, at its sole cost and expense, shall remove any Hazardous Material discovered on the Premises during the Lease Term which is required to be removed by any governmental agency, including Landlord;

provided however, that Tenant shall not be obligated to remove any Hazardous material introduced onto the Premises during the term of this Lease by the Landlord or its agents.

12.0 INITIAL TENANT IMPROVEMENTS

12.1 Tenant Obligations. Tenant shall be responsible, at its sole cost and expense, for the construction of the Initial Tenant Improvements described more particularly in Exhibit B. Construction of the Initial Tenant Improvements shall comply with this Section 12, as well as with the general requirements applicable to all Alterations in Section 13 below.

12.2 Tenant's obligation to Provide Schematic Drawings. Within thirty (30) days from the Effective Date of this Lease, Tenant agrees to prepare and deliver to Landlord, for review, schematic drawings of the Initial Tenant Improvements to be constructed or improved on the Premises. Landlord shall reasonably approve or disapprove said drawings within thirty (30) days after its receipt. Disapproval shall be accompanied by specification or the grounds for disapproval. Thereafter, if Landlord and Tenant cannot agree on said drawings, then this Lease shall terminate and each party shall be released from its obligations (except those obligations incurred prior to such Termination) under this Lease. There shall be no change in the approved schematic drawings without the prior written approval of Landlord for each change. Tenant hereby agrees to construct or make the Initial Tenant Improvements to the Premises at its own cost, in substantial accordance with the schematic drawings.

12.2.1 Building Permit Application Filing. Tenant shall file a complete application for a building permit within sixty (60) days of the approval of the schematic drawings.

12.3 Construction Schedule. Tenant shall commence construction of the Initial Tenant Improvements within sixty (60) days of obtaining a building permit from the County of San Mateo, and shall complete construction within sixty (60) days after commencing construction.

13.0 ALTERATIONS

13.1 General. If not in default under this Lease, Tenant, at its sole cost and expense, may make reasonable Alterations to the interior of any improvement on the Premises without the prior written consent of the Landlord; provided, however, that any such Alteration (a) shall not change the exterior character of the Improvements or reduce the gross area of the Improvements, (b) shall not effect any change in the use of the Premises, (c) is effected with due diligence, in a good and workmanlike manner and in compliance with all Legal Requirements and Insurance Requirements, and (d) is promptly and fully paid for by Tenant. Within thirty (30) days after completion of any such Alterations, Tenant shall furnish Landlord with as-built drawings showing such Alterations. Notice shall be given to Landlord prior to the commencement of any alterations to afford Landlord the opportunity to post a notice of non-responsibility.

13.2 Improvement Plans. All Alterations constructed by Tenant shall meet all requirements of all government bodies or agencies having jurisdiction over such Alterations, and Tenant shall not make, or cause or suffer to be made, any Alterations to the Premises until Tenant has procured and paid for all regulatory Approvals required to be obtained. When approval of the building plans for the Premises has been obtained from the County of San Mateo, Tenant shall deliver two (2) sets of said plans to Landlord.

13.3 Agreements with Government Entities. Tenant shall not enter into any contract, easement or agreement with San Mateo County, the State of California or any other

governmental agency or body or public utility with reference to utility connections, street Improvements, easements or drainage facilities without prior written consent of Landlord, which consent shall not be unreasonably withheld.

13.4 Prior Notice. Tenant shall provide ten (10) days written notice to Landlord prior to the first entry on the Premises by the Tenant, its agents, employees, contractors or subcontractors for the purpose of commencing construction; said notice shall specify the nature of the work to be performed.

13.5 Landlord's Non-Responsibility. Landlord assumes no liability or responsibility for any defect in any structure by its approval of plans and specifications. Landlord may post upon the Premises a notice of non-responsibility.

13.6 Notice of Completion. Upon completion of construction of any Alterations, Tenant shall timely file or cause to be filed a notice of completion.

13.7 Construction. Tenant shall be responsible for the construction of Alterations at Tenant's sole cost and expense.

13.8 Approval of Contractor. Tenant shall provide to Landlord, on or before the commencement of construction, a copy of the construction contract that has been executed by a licensed California Contractor as well as a copy of the commitment contract between the Tenant and the lending institution. The contractor shall be in good standing. Tenant shall also furnish Landlord with a true copy of Tenant's contract with the general contractor after the same has been approved by the lending institution. If Tenant elects to act as a general contractor, reference above to contract and evidence shall be considered to apply to the contract with each subcontractor in excess of one hundred thousand dollars ($100,000). The contract shall give Landlord the right but not the obligation to assume Tenant's obligation and rights under that contract if Tenant should Default.

13.9 Evidence of Financing and Construction Security. Thirty (30) days or more prior to commencement of construction or improvement of the Premises, or any phase thereof, Tenant shall furnish to Landlord evidence of sufficient funds or firm commitments to complete the construction in the form of a letter of commitment from Tenant and other evidence that shall be reasonably satisfactory to Landlord. If said evidence of sufficient funds or firm commitments to complete the construction is not provided to Landlord by Tenant, this Lease shall immediately terminate.

13.10 Underground Conditions and Grading. Landlord makes no covenants or warranties regarding the condition of the soil or subsoil or any other condition of the Premises.

13.11 Tenant's Duty to Obtain Building Permits. Tenant shall obtain, at its sole cost and expense, all permits, Approvals, certificates and licenses under applicable zoning, building and safety and land use Laws and regulations as may be required by any and all agencies having jurisdiction over the Premises for the Alterations to the Premises as contemplated herein.

13.12 Ownership of Improvements During the Lease Term. Other than upon Expiration or Termination of this Lease in accordance with the terms herein, Landlord shall have no right, title, or interest during the Lease Term in any Alteration hereafter constructed by Tenant on the Premises, except as agreed upon by Landlord and Tenant in writing prior to commencement of construction by Tenant of said Alterations.

13.13 Final Approved As Built Plans. Tenant shall provide Landlord two (2) complete sets of final approved "as built plans" within ninety (90) days after completion of the Improvements to which they relate.

13.14 Performance Bond. Upon Landlord's written request, Tenant shall procure a performance bond in an amount recommended by a licensed civil engineer that will be sufficient to demolish the Improvements and return the Premises to the condition they were in on the Effective Date. Tenant covenants that it will return the Premises to the condition they were in on the Effective Date in the event it fails to complete construction of the Improvements.

13.15 Mechanic's Liens and Other Liabilities. Tenant shall maintain the Premises free from and clear of any claims, obligations, liabilities, liens, encumbrances and charges, including but not limited to any claims, liens or charges arising out of or in connection with the furnishing of materials or the performance of labor on the Premises. Tenant shall further protect and indemnity Landlord and the Premises from and hold them, and each of them, harmless against any and all claims, obligations, liabilities, liens, encumbrances and charges.

13.16 Imposition of Lien. In the event a lien is imposed upon the Premises as result of such construction, repair, alteration, or installation, Tenant shall either:

(i) Record a valid release of lien, or

(ii) Procure or cause to be procured and record or cause to be recorded a bond in accordance with Section 3143 of the Civil Code, which frees the Premises from the claim of the lien or stop-notice and from any action brought to foreclose the lien.

13.17 Compliance with Laws. Tenant shall make any and all alterations or repairs on the Premises that may be required by all Laws from time to time applicable thereto, including, but not limited to, the San Mateo County Local Coastal Program and zoning and land use regulations. All Alterations and Improvements permitted under this Paragraph 13.17 shall be accomplished in a good and workmanlike manner, in conformity with all Laws, Legal Requirements, Insurance Requirements, and any design criteria adopted by the Harbor Commission. Upon completion of any such work, Tenant shall supply Landlord "as built plans." Tenant shall indemnify and hold Landlord harmless from and against all actions, claims and Damages arising by reason of Tenant's failure to comply with the foregoing Provisions.

13.18 Surrender. Upon Expiration or Termination of this Lease as provided herein, any Alteration made by Tenant under provisions of this Paragraph 13 shall be deemed Improvements and the provisions of Paragraph 2.5.3 shall govern the right of the parties with respect thereto.

13.19 Landlord's Obligations. Landlord shall have no obligation to alter, remodel, improve, decorate or paint the inside of the Premises or any part thereof during the Lease Term.

13.20 Improvements Part of Realty. Subject to the Provisions of Paragraphs 2.5.3 and 13.18 of this Lease, all Alterations to the Premises made by or on behalf of the Tenant which may not be removed without substantial injury to the Premises shall become part of the realty immediately upon completion, shall be owned by Landlord and shall, at the end of the term hereof, remain in the Premises without compensation to Tenant, unless Landlord first waives its right to the Alterations in writing. Notwithstanding the foregoing, Landlord at its option may require Tenant to remove any Alterations at Tenant's sole expense regardless of whether title has

or has not vested in Landlord, and regardless of whether consent was, or was not given. Tenant shall repair any Damages occasioned by such removal at Tenant's sole cost and expense.

14.0 CONDITION OF PREMISES, MAINTENANCE

14.1 Condition of Premises.

(a) Landlord shall deliver the Premises to Tenant clean and free of debris on the Effective Date.

(b) Except as otherwise provided in this Lease, Tenant hereby accepts the Premises in their condition existing as of the Effective Date or the date that Tenant takes possession of the Premises, whichever is earlier, including but not limited to the requirements of the State of California Regional Water Quality Board and subject to all applicable zoning, municipal, county, and state Laws, ordinances, and regulations governing and regulating the use of the Premises, and any covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business.

14.2 Existing Conditions. Tenant has made a thorough inspection of the real property and is familiar therewith, and has accepted the Premises in an "as is" physical condition. Landlord makes no representation or warranty with respect to the condition of the Premises, including without limitation, the seismological condition thereof, or their fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein.

14.3 Tenant's Maintenance Obligations.

(a) Tenant shall, at all times during the Term of this Lease, at its sole cost and expense, keep the Premises in Good Condition and maintained in good working order and condition, and repair the Premises and all Improvements and Alterations thereon, including water, electric, and gas lines located inside the Premises. Tenant shall provide routine custodial Maintenance of the Premises, which includes all ordinary housekeeping and maintenance of equipment and replacement of supplies that are normally performed on a day-to-day basis in order to keep the Premises operating in an efficient, clean, safe, and Good Condition. Routine maintenance includes, but is not limited to:

(i) Replacing light bulbs as needed where no specialized equipment is required to do so.

(ii) Regular cleaning of the area, storage spaces, and regular washing of windows to be done not less than weekly; daily removal of interior and exterior graffiti, and daily emptying of trash receptacles and ash trays.

(b) At least once each quarter, representative(s) of Tenant responsible for supporting and overseeing operations of the Premises shall meet with representative(s) of Landlord and inspect the Premises and confer on status of operations and possible improvements.

(c) Tenant shall be responsible, at its sole expense, for all interior building repairs, including repairs to exterior doors. Tenant shall also be responsible for repairing, at its sole expense, all damage to ladders, piers and fender pilings caused by any vessel using Harbor facilities to access the Premises in connection with Tenant's operations. A video will be given to Tenant prior to the Commencement Date to establish the baseline state of conditions.

(d) Landlord 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, except that Landlord shall maintain the outside and roof of the structure containing the Leased Premises, including painting the outside of the structure.

(e) In the event that the Tenant, its agent or invitees cause any Damages (excepting ordinary wear and tear) to the Premises, Landlord may repair the same at Tenant's expense and Licensee shall immediately reimburse Landlord therefor. Tenant shall make or cause others to make all repairs, replacements or renewals, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen, necessary or appropriate to maintain the Premises in Good Condition. Tenant shall provide and maintain established standards of public health and cleanliness established by Landlord.

(f) In the event Tenant fails to maintain the Premises in Good Condition as required by this Paragraph 14, Landlord may give Tenant written notice specifying what actions are required to correct the conditions of the Premises. In the event Tenant fails to initiate such actions as are indicated by Landlord in its notice within thirty (30) days after Tenant's receipt of such notice, or thereafter fails to diligently proceed to complete such actions, such failure shall be deemed an Event of Default within the meaning of Paragraph 21 and Landlord shall have all the rights, powers and remedies provided for in this Lease or at Law including the right to enter on the Premises and maintain or cause the Maintenance of the Premises as required by this Paragraph 14. In such event Landlord shall be entitled to reimbursement for any amounts spent plus a fee of ten percent (10%) of the cost of the work performed which shall be due and payable five (5) days after Tenant receives Landlord's statement therefore. In the event Tenant fails to pay such amounts within such five (5) day period, Landlord shall be entitled to interest thereon at the Default Rate established in Section 21.4 from the end of such five (5) days until paid.

14.4 Common Maintenance and Landscaping Program. If Landlord shall, after the Effective Date, implement a program for the common Maintenance and landscaping of common areas situated near the Premises, Tenant agrees to enter into an agreement with Landlord and Landlord's other tenants, as appropriate, implementing such a program and to pay its proportionate share of expenses.

14.5 Signage Program. Tenant agrees to comply with Landlord's regulations, policies and guidelines governing signage, and to pay costs and operational expense of installing and maintaining signage for the Premises on Harbor property. No signs, directional, guiding, or

other stripes, lines, directions or markings shall be installed or painted in or upon the Premises or removed by Tenant without prior written consent of Landlord.

14.6 Emergency Plan.

(a) Tenant shall work with Landlord to complete a detailed emergency plan. Tenant shall instruct all Persons employed by Tenant in the plan and the employee's responsibilities relating to the plan. Copies of the plan shall be posted in a prominent location on the Premises.

(b) In the event of any major emergency or condition (i.e., power outage, flooding, fire, natural catastrophe or any other unanticipated condition) that may reasonably result in a threat to Persons or property, Tenant shall immediately contact Landlord by telephone and Tenant's Manager or Assistant Manager shall report to the Premises and remain until the emergency has been resolved. If Landlord cannot be reached, Tenant shall make continued efforts to reach other staff persons as designated by Landlord until a Landlord representative has been notified. Landlord's facility operator is available 24 hours a day and can be reached by calling the Pillar Point Harbor Master, (650) 726-4382 extension 4 or contact 911.

(c) Tenant shall immediately erect and maintain such temporary signs, barricades, lights and other devices as may be necessary to warn people of any dangerous or defective conditions and shall take such actions as may be necessary to reasonably protect people from injury, loss or damage which might result because of any such condition.

(d) Any time a dangerous or defective condition may reasonably be known by Tenant to exist in the Premises or their environs, Tenant shall immediately take reasonably necessary protective action by calling the Pillar Point Harbor Master and shall immediately notify Landlord by telephone and in writing of such condition and protective action.

14.7 Security of Facilities. The security of the Premises shall be the responsibility of the Tenant.

15.0 INDEMNIFICATION AND EXCULPATION

15.1 Liability of Landlord. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other Person in or about the Premises, nor shall Landlord be liable for bodily injury to the person of Tenant, Tenant's employees, agents, or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of Landlord's property or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable for any damage arising from any act or neglect of any other tenant, occupant, or user of the Landlord's property nor from the failure of Landlord to enforce the provisions of any other lease.

15.2 Waiver of Claims by Tenant. Tenant, as a material part of the consideration to be rendered to Landlord, hereby waives any and all claims against Landlord and its agents, and agrees to hold Landlord and its agents harmless from any claims for damages to goods, wares, goodwill, merchandise, equipment, business opportunities and Persons in, upon or about the Premises for any cause arising at any time, including without limitation all claims arising from the joint or concurrent negligence of Landlord or its agents, but excluding any intentionally harmful acts committed solely by Landlord.

15.3 Indemnification of Landlord. Tenant shall indemnify and hold Landlord and its elected officials, agents, officers, directors, contractors and employees (collectively, "Agents") harmless from, and shall defend them against any and all claims, demands, direct or vicarious liability, attorney fees, causes of action or judgments, damage, injury or loss arising directly or indirectly out of: (a) any injury to or death of any Person, including employees of Tenant, or damage to or destruction of any property occurring in, on or about the Premises, or any part thereof, from any cause whatsoever, (b) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease, (c) the use, occupancy or condition of the Premises or the activities therein by Tenant, its agents, or clients, customers, invitees, guests, members, licensees, and assignees (collectively, "Invitees") or (d) any release or discharge, or threatened release or discharge, of any substance, waste or material which now or in the future is determined by any state, federal, or local governmental authority to be capable of posing a present or potential risk of injury to health, safety, the environment or property (collectively, "Hazardous Material") caused or allowed by Tenant in, under, on or about the Premises, or into the environment. This indemnity shall be enforceable regardless of the negligence of Landlord, and regardless of whether liability without fault is imposed or sought to be imposed on Tenant. This indemnity 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. This indemnity includes all such loss, damage, injury, liability or claims as described above, loss predicated in whole or in part, upon active or passive negligence of Landlord or its Agents. This indemnity shall exclude claims, liability, damage or loss resulting solely and exclusively from the willful misconduct of Landlord which is not contributed to by any act of, or by any omission to perform some duty imposed by Law or agreement on, Tenant, its agents or invitees.

In addition to Tenant's obligation to indemnify Landlord, Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Landlord from any claim that actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent. Tenant's obligation to defend shall arise at the time such claim is tendered to Tenant by Landlord and shall continue at all times thereafter.

The foregoing indemnity obligation of Tenant shall include without limitation, indemnification from all loss and liability, including attorney's fees, court costs and all other litigation expenses. This indemnification by Tenant shall begin from the first notice that any claim or demand is or may be made. The provisions of this section shall survive the Termination of this Lease with respect to any Damage, destruction, injury or death occurring prior to such Termination.

15.4 Indemnification of Tenant. Landlord agrees to indemnify Tenant against and save harmless from and defend Tenant against, all demands, claims, attorneys' fees, causes of action

or judgment for injury to persons, loss of life, or damage to property occurring on said Premises arising from Landlord's gross negligence or willful misconduct.

15.5 Indemnification and Waivers Regarding Department. The liability waivers by Tenant applicable to the Landlord and its agents under this Paragraph 15 and the indemnity obligations of Tenant to Landlord and its agents under this Paragraph 15 also apply to the benefit of the Department, its employees, and officers.

16.0 INSURANCE

16.1 Comprehensive General Liability Insurance. Prior to Tenant's entry upon the Premises and in any event throughout the term of this Lease, at Tenant's sole cost and expense, Tenant shall procure and keep in force or cause to be kept in force, at all times, for the protection of Landlord and Tenant, and naming Landlord, its agents and assignees as Additional Insured, Comprehensive General Liability Insurance including Products and Completed Operations coverage, and including coverage for bodily injury, personal injury and property damage liability arising from the use, occupancy, maintenance, disuse, or condition of the Premises and Improvements. The limits of liability should be usual and customary to the Tenant's industry, but not less than one million dollars ($1,000,000) per occurrence, two million dollars ($2,000,000) aggregate, bodily injury and property Damage including products and completed operations. In addition, excess liability in an amount not less than two million dollars ($2,000,000) will also be kept in full force and effect. Such policy shall include a Waiver of Subrogation rights, and shall not contain any intra-insured exclusions (Cross Liability) as between insured Persons or organizations. The limits of said insurance shall not, however, limit the liability of Tenant.

16.2 Tenant's Property Insurance. Throughout the Lease Term, at Tenant's sole cost and expense, Tenant shall procure and keep or cause to be kept in force, at all times, property insurance for the protection of Tenant, Lender and Landlord and naming Landlord, its agents and assignees as Additional Insured, all Improvements, all of Tenant's trade fixtures, Tenant-owned alterations, utility installations and personal property located on or appurtenant to the Premises, against loss or damage by fire and such other risks as are now or hereafter included in the Special Form, vandalism and malicious mischief. The amount of the insurance shall be sufficient to prevent either Landlord or Tenant from becoming a coinsurer under the Provisions of the policies, but in no event shall the amount be less than one hundred percent (100%) of the then actual replacement cost (herein called Full Insurable Value). Landlord shall not carry any insurance the effect of which would be to reduce the protection or payment to Tenant under any insurance that this Lease obligates Tenant to carry. If any dispute arises as to whether the amount of insurance complies with the above and said dispute cannot be resolved by agreement, Landlord may, not more often than every two (2) years, request the carrier of the insurance then in force to determine the Full Insurable Value as defined in this provision, and the resulting determination shall be conclusive between the parties for the purpose of this paragraph. Tenant may include the holder of any mortgage on the leasehold or on the fee, or both, as a loss payee.

16.3 Builder's Risk and Other Insurance. Tenant shall provide to Landlord: (i) certificates of insurance evidencing Special Form coverage for "builder's risk", (ii) evidence of workers' compensation insurance covering all Persons employed in connection with the construction of the Improvements and Alterations and with respect to whom death or bodily injury claims could be asserted against Landlord or the Premises, and (iii) evidence that Tenant

has paid or caused to be paid all premiums for coverage described in this Paragraph 16.3 sufficient to assure maintenance of all insurance required herein during the anticipated course or the construction. Tenant shall maintain, keep in force, and pay all premiums required for all insurance mentioned herein at all times during which construction work is in progress.

16.4 Loss of Income and Extra Expense Insurance. Tenant shall procure and maintain loss of income and extra expense insurance in amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants in the business of Tenant or attributable to prevention of access to the Premises as a result of such perils. Loss of income and extra expense insurance covering loss of income to the extent of net income for a six-month (6-month) period shall be procured and maintained by Tenant.

16.5 Employer's Liability and Workers' Compensation Insurance. Tenant, at its sole cost and expense shall, during the Lease Term, obtain, maintain and keep in full force and effect, Workers' Compensation Insurance as required by Law and Employer's Liability Insurance with limits or liability as required by Law, but in no event less than $1,000,000 per each accident.

16.6 Additional Insurance. Tenant at its sole cost and expense shall, during the Lease Term, obtain, maintain and keep in full force and effect such other insurance with respect to the Premises in such amounts and against such insurable hazards as Landlord, construction or permanent lenders from time to time may reasonably require.

16.7 Waiver of Subrogation Rights. The parties release each other, and their respective authorized representatives, from any claims for damage to the Premises or to the fixtures, personal property, Improvements or Alterations of either Landlord or Tenant in or on the Premises which are caused by or result from risks insured against under any property insurance policies carried by the parties and in force at the time of any such damage, to the extent such claims for damage are paid by such policies. Each party shall cause each property insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against the other party in connection with any damage covered by any policy.

16.8 Other Insurance Matters. All the insurance required under this Lease shall: (i) be issued by insurance companies authorized to do business in the State of California with a current financial rating of at least an A+ Class XV or better as rated in the most recent edition of Best's Key Rating Guide; (ii) be issued as a primary policy; (iii) contain an endorsement requiring thirty (30) days written notice from the insurance company to Landlord before cancellation or material change. Tenant shall name Landlord as an additional insured on any and all liability insurance policies.

Each insurance policy required hereunder, or a certificate of the policy, shall be deposited with Landlord prior to the Commencement Date and not less than thirty (30) days before Expiration of the term of any policy then in force, except that the policy described in Paragraph 16.1 or a certificate thereof shall be delivered to Landlord prior to Landlord's entry upon the Premises.

16.9 Failure to Procure Insurance. If Tenant fails or refuses to procure or to maintain insurance required by this Lease or fails or refuses to furnish Landlord with required proof that the insurance has been procured and is in full force and effect and paid for, Landlord shall have the right, but not the obligation, upon five (5) days written notice to Tenant, to procure and maintain such insurance. The premiums paid by Landlord shall be chargeable to Tenant and

shall bear interest at the legal rate then in effect in the State of California from the date when the premium is paid by Landlord.

16.10 Increase in Amount. Landlord may, at any time, require Tenant to increase the minimum dollar amounts for insurance required by this Lease, but every such increase shall be reasonable under the circumstances and in no event shall such increases more than double in any ten (10) year period.

16.11 Insurance during Construction. Before Tenant commences making the Initial Tenant Improvements or other Alterations to the Premises and before construction begins, Tenant shall obtain appropriate Certificates of Insurance naming Landlord as Additional Insured from any contractor employed by Tenant to make the Alterations, and shall provide Landlord with copies of said Insurance Certificates.

17.0 DAMAGE OR DESTRUCTION

17.1 Destruction Due to Risk Covered by Insurance. If a total destruction (the rendering totally unusable of fifty percent (50%) or more of Tenant's Improvements on the leased Premises), or a partial destruction (less than fifty per cent (50%)) occurs to Tenant-owned Improvements, and the loss is covered by the insurance described in Paragraph 16.2, Tenant shall within ninety (90) days thereafter commence and diligently prosecute the repair, restoration, or replacement such that the completed work, which may be different in design, shall be equal in value, quality and use to the condition of the Improvements before the event giving rise to the work.

17.2 Destruction Due to Risk Not Covered by Insurance. If any of the Tenant-owned Improvements are damaged or destroyed by any casualty not covered by the insurance Provisions of this Lease and if the leased Premises are thereby rendered unfit for the uses prescribed herein, Tenant shall have the option of removing any Improvements and alterations and returning the Premises as it was at the time of the inception of this Lease, in which event, Tenant may terminate this Lease, or rebuild the Improvements in such a way that it would be comparable in use and value (but not necessarily design) to the Improvements which had existed prior to the casualty.

18.0 NO CLAIMS AGAINST LANDLORD; NO PARTNERSHIP

Nothing contained in this Lease gives the Tenant any right, power, or authority to contract for or permit the performance of any labor or services or the furnishing of any material or other property in such a fashion as would permit the making of any claim against Landlord or its interest in the Premises. Neither the provisions set forth herein for the computation of Percentage Rent, nor any one or more agreements herein contained is intended, nor shall the same be deemed or construed, to create a partnership between Landlord and Tenant, to make them joint venturers, or to make Landlord in any way responsible for the debts or losses of Tenant.

19.0 INTEGRATED AGREEMENT; MODIFICATION

This Lease contains all of the agreements of the parties hereto with respect to any matter for which provision is made in this Lease, and no prior agreement or understanding, oral or written, express or implied, pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to and no consent or waiver shall be effective except by an instrument in writing signed by the party to be bound by such instrument. The

parties acknowledge that all prior agreements, representations and negotiations are deemed superseded by the execution of this Lease to the extent they are not incorporated herein.

20.0 ASSIGNMENT, SUBLETTING, AND HYPOTHECATION

20.1 Transfer of Tenant's Interest. Tenant shall not, voluntarily or by operation of law, assign or otherwise transfer this Lease or encumber any right or interest hereunder, or in or to any of the Improvements, or sublet or license the use of the Premises without the prior written approval of Landlord and Department. No such assignment or other transfer, whether voluntary or involuntary, by merger or operation of Law under legal process, through receivership or bankruptcy, or otherwise, and no such subletting or licensing shall be valid or effective. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without Landlord's and Department's consent shall be void, and shall constitute a breach of this Lease without the need for notice to Tenant. Any sale or other transfer, including by consolidation, merger, or reorganization, of a majority of the voting stock of Tenant, if Tenant is a corporation, or any sale or other transfer of a majority of the partnership interest in Tenant if Tenant is a partnership, shall be an assignment for purposes of this section.

20.2 Conditions for Subleasing. Each sublease shall provide that, if Tenant defaults or breaches this Lease and if the Subtenant is notified of Tenant's Default or breach and, if so instructed by Landlord, Subtenant shall make rental payments to Landlord or Encumbrance Holder (as defined in Section 20.4 below). Tenant shall not accept, directly or indirectly, more than twelve (12) months prepaid rent from any Subtenant. Subrents shall be fixed at the fair rental value for the Premises. Subleases shall be made expressly subject to this Lease and shall permit the Subtenant to perform any act required of Tenant under this Lease. Subleases shall expressly require the Subtenant to comply with the terms, covenants, and conditions of this Lease on the subleased Premises, and each sublease shall also include such other terms, covenants and conditions consistent with provisions of other leases of Landlord for similar uses, as may be required by Landlord. Tenant shall, promptly after execution of each Sublease, notify Landlord of the name and mailing address of the Subtenant and shall, promptly after demand, at Landlord's election, either provide Landlord with a copy of the Sublease or permit Landlord to examine and copy the Sublease.

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

20.3 Conditions for Assignment of Leasehold

20.3.1 Payment to Landlord for Return on General Maintenance.

(a) Notwithstanding any other Provision of this Lease to the contrary, should Tenant be allowed to assign or sell any portion or all of said Tenant's interest in this leasehold to any other Person, entity or group, said Tenant shall pay Landlord ten percent (10%) of the gross sales price (including the value of any traded property, leasehold, equipment or services involved in the "purchase"), whichever is greater, as a return to Landlord for the general maintenance, construction, improvement, advertising, and expansion of the Pillar Point Harbor area.

(b) The "gross sales price" in the sale of any above described interest in this leasehold shall not include the sale of any standard and removable stock on hand or other personal property which may normally be removed by a tenant at the end of a leasehold, not having attained the status of Fixtures. The "gross sales price" shall include the value of leasehold, any generalized goodwill associated with the leasehold on the Premises, the right to complete the term of the Lease and utilize the structure involved, and the berthing provided, and any and all fixtures in place on site which are not excluded above. Notwithstanding anything to the contrary in this Lease, without Landlord's prior written consent and without any payment being made to Landlord, the following transfer of interests in the Lease may be made: (i) any transfer resulting from the death of an individual holding an interest in the Lease; (ii) any transfer of an interest to or from a revocable trust; (iii) any transfer to a family member, defined as the Lease signator's spouse, child or sibling, or a trust for the benefit of such a family member, or to a partnership or other entity which is owned by a Person or Persons holding an interest in the Lease.

20.3.2 Additional Conditions for Assignment of Leasehold. Any assignment or sublease of all or substantially all of the leased Premises shall be deemed an assignment of the leasehold. Tenant shall file a Request to Assign Leasehold with Landlord to which shall be attached a completed proposer's questionnaire prepared by the prospective assignee. Concurrently with filing the Request to Assign Leasehold, Tenant shall pay in cash or certified or cashier's check the sum of Five Hundred Dollars ($500.00) to Landlord to enable Landlord to adequately investigate the proposed assignee's qualifications as a permitted assignee. If the proposed assignee's net worth on the date of assignment is not equal to or greater than Tenant's net worth at the commencement of this Lease, Landlord may require Tenant to guarantee such assignee's obligations hereunder for such period as Landlord deems advisable. Net worth shall mean the amount by which the total of all assets shall exceed the total of all liabilities as determined in accordance with generally accepted accounting principles as approved by the Landlord's Auditor. Tenant shall have no current lease violations or breaches of lease and shall have had no lease violations or breaches of lease including no minimum or percentage rent payment arrears within one (1) year of filing the Request to Assign Leasehold and throughout the lease assignment process. Landlord shall approve or disapprove any Request to Assign Leasehold within ninety (90) days of receipt of such request, but Landlord reserves the right to seek prospective assignees after receipt of Tenant's Request to Assign Leasehold within the ninety (90) day period. Landlord shall refer any prospective assignees to Tenant for consideration, but Landlord's action shall not limit Tenant's ability to seek an assignee directly. If Landlord does not approve or disapprove Tenant's Request to Assign Leasehold within said ninety (90) days, and Tenant has notified Landlord by registered mail that the Request to Assign Leasehold has been duly made and the sum for investigation of the prospective assignee has been duly paid, and that ninety (90) days have elapsed without approval or disapproval by Landlord, then the time period for Landlord approval or disapproval may be extended by mutual written agreement of the parties.

The consideration passing to Tenant from such assignee upon transfer of Lessee's interest in this Lease to a Landlord-approved Person or entity shall not be included as Gross Receipts for the determination of rent.

Upon assignment of Tenant's interest in this Lease to a Landlord-approved assignee who has unconditionally assumed the obligations imposed by this Lease, Tenant and its predecessors in interest shall be relieved of all obligations hereunder arising after the date of such transfer.

20.4 Hypothecation. Tenant may, with the prior written approval of Landlord, grant a security interest to this Lease for the purpose of financing construction, including "major repairs" and "minor repairs" subject to compliance with each and every condition that follows. Financing includes both the construction (or interim loan) and the take-out (or permanent or long-term) loan. Landlord shall not unreasonably withhold approval.

1. No security interest in this Lease (which term shall be deemed to include the Leasehold Mortgage or deed of trust, the note evidencing any indebtedness secured by such Leasehold Mortgage or deed of trust and all documents evidencing the commitment of financing) shall extend to or affect the fee, the reversionary interest, or the estate of Landlord in and to any land or Landlord-owned Improvements now or hereafter erected on the Leased Premises.

2. No security interest in this Lease shall cover more than one indebtedness except upon consolidation of the construction and takeout loans, and then only to the extent of such consolidation. There shall be no more than one security interest outstanding at any time during the term of this Lease. No security interest in this Lease or assignment thereof shall be binding upon Landlord in the enforcement of its rights under this Lease, nor shall Landlord be deemed to have any notice thereof, unless such security interest complies with each and every provision of this Lease pertaining to such security interest.

3. No security interest in this Lease shall be created with nor assigned to any Person or entity, natural or artificial, except an institutional lender (herein called "Encumbrance Holder") which shall mean any bona fide institution authorized under the Laws of the State of California to lend money on the security of an interest or interests in real property, including but not limited to an insurance company or trust company or real estate investment trust or Mortgage trust or mutual fund or pension and welfare profit sharing fund or endowment fund with an investment portfolio of not less than Ten Million Dollars ($10,000,000), a charitable or non-profit corporation or association with an investment portfolio of not less than Five Million Dollars ($5,000,000), any California or federally chartered savings and loan association or bank, or F.N.M.A. or similar federally chartered corporations (if legally empowered to make loans contemplated by this Lease).

4. No security interest in this Lease or assignment thereof shall be valid unless all of the following conditions are met:

    a. At the time of making such security interest this Lease is in full force and effect; and

    b. Such security interest shall have been expressly made subject to the terms, covenants, and conditions of this Lease; and

c. Such security interest shall expressly provide that Encumbrance Holder shall provide evidence to Landlord that Encumbrance Holder has accepted or approved the completed Improvements and that the funds have been property disbursed; and

d. Such security interest shall expressly provide that any proceeds from insurance, including fire or extended coverage, shall be used for repair or rebuilding of the leasehold Improvements and such other expenses as are expressly required to be paid from such proceeds by this Lease. Such security interest may provide that after such proceeds have been so applied, any remaining balance which would then be payable to Lessee could be used to repay all or part of the outstanding loan secured by such security interest.

e. Such security interest shall expressly provide that all notices of default under the note and deed of trust or Leasehold Mortgage must be sent to Landlord and Tenant, and that Landlord shall have the right, but not the obligation, to cure the default or cause the default to be cured if Tenant fails to do so. Landlord shall have twenty (20) days in which to cure any default or to cause any default to be cured after the time for Tenant to cure it has expired. Any sub-subtenant of such Subtenant of the Leased Premises shall have the right, but not the obligation, to cure any default within the period permitted for Landlord to cure such default. If any such sub-subtenant of a Subtenant cures all Tenant's defaults then existing, such sub-subtenant's or Subtenant's possession and use shall not be disturbed by Encumbrance Holder as long as the Subtenant performs its sublease provisions and continues to perform the obligations of the Tenant, including payment of rent to the Landlord and sums due the Encumbrance Holder according to their respective interests.

f. Landlord shall have received written notice of the making of such security interest within five (5) days after the execution and delivery of such security interest and such security interest or abstract thereof shall have been recorded within ten (10) days after the execution and delivery thereof.

5. If Encumbrance Holder acquired Tenant's interest in the Lease as a result of a sale under the security interest pursuant to a Judgment of foreclosure or through any transfer in lieu of foreclosure, including, without limitation, purchase at trust deed sale, such Encumbrance Holder shall have the privilege of transferring its interest in such Lease to a wholly owned subsidiary corporation without the prior consent of Landlord and, in such event, such Encumbrance Holder shall be relieved of any further liability under this Lease arising from and after such transfer.

6. Encumbrance Holder shall have the right at any time during the term of the outstanding security interest and while this Lease is in full force and effect, to do any act or thing required by this Lease to be performed by Tenant in order to prevent a forfeiture of Tenant's rights hereunder, and all such acts or things so done shall prevent a forfeiture of Tenant's rights hereunder as if done by Tenant.

7. Written consent of Encumbrance Holder shall be obtained prior to any amendment to this Lease.

8. Each and all of the provisions, agreements, terms, covenants, and conditions of this Lease to be performed, kept and observed by Landlord and Tenant shall be binding upon the heirs, executors, administrators, successors, and assigns of Landlord and Tenant, and all rights, privileges and benefits arising under this Lease in favor of Landlord, Tenant and Encumbrance Holder shall be available in favor of the heirs, executors, administrators, successors, and assigns thereof respectively; provided, however, that any assignment, hypothecation, or subletting by or through Tenant or Encumbrance Holder in violation of the provisions of this Lease shall be void, and no rights whatsoever shall be conferred thereby.

20.5 Hypothecation or Assignment for Benefit of Creditors. A general assignment by Tenant for the benefit of creditors, or any action taken by Tenant under any insolvency or bankruptcy act, shall constitute a breach of this Lease by Tenant and be cause for immediate Termination of this Lease by Landlord, anything in this Lease to the contrary notwithstanding.

21.0 DEFAULT AND REMEDIES

21.1 Events of Default. If one or more of the following events ("Events of Default") shall occur, Landlord may exercise any of the rights and remedies specified in Paragraph 21.2:

(a) Tenant fails to pay any rent when and as the same becomes due and payable and such failure continues for a period of ten (10) days after written notice thereof is delivered to Tenant;

(b) Tenant fails to comply with any Insurance Requirement, if such failure continues for twenty (20) days after written notice thereof from Landlord to Tenant.

(c) Tenant fails to perform or comply with any other term or condition of this Lease and such failure shall continue for thirty (30) days after written notice thereof from Landlord, and Tenant does not, subject to Unavoidable Delays within such period, commence with due diligence and dispatch the curing of such Default.

(d) Tenant makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due, or files a petition in bankruptcy, or is adjudged bankrupt or insolvent, or accepts or files a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, Law or regulation.

(e) Within ninety (90) days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, Law or regulation, such proceeding is not dismissed, or Tenant fails to timely commence or continue defense of such action, or if, within ninety (90) days after the appointment without the consent or acquiescence of Tenant of any Trustee or receiver, or attempt to liquidate any material part of its assets, such appointment or attempt to liquidate is not vacated, or Tenant fails to timely commence or continue defense of such action.

(f) Tenant vacates or abandons the Premises for five (5) business days in any thirty-day period.

(g) Landlord discovers that any financial statement given to Landlord by Tenant, any assignee of Tenant, any subtenant of Tenant, any successor in interest of Tenant or any guarantor of Tenant's obligation hereunder, was materially false at the time given.

21.2 Landlord's Remedies. Upon any Event of Default Landlord shall have the following remedies:

21.2.1 Tenant's Right to Possession Not Terminated. Should Tenant breach this Lease beyond notice and the expiration of any applicable grace period, Landlord may, in addition to any other remedy given Tenant by law or in equity:

(a) Continue this Lease in effect by not terminating Tenant's right to possession of the Premises, in which event Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent specified within this Lease, as such rent becomes due.

21.2.2 Termination of Tenant's Right to Possession. Landlord may terminate Tenant's right to possession of the Premises if any Event of Default as specified in Paragraph 21.1 continues for thirty (30) days after receipt of written notice by Tenant from Landlord, The Landlord may then retain or dispose of the Premises in accordance with applicable Law and recover from Tenant:

(a) The worth at the time of award of the unpaid rent which had been earned at the time of termination of the Lease; and

(b) The worth at the time of award of the amount by which the unpaid rent would have been earned after termination of the lease for the balance of the term until the time of award exceeds the amount of rental loss that Tenant proves could have been reasonably avoided for the same term; and

(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 rental loss that Tenant proves could be reasonably avoided;

(d) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under the Lease; or

(e) Terminate this lease and Tenant's right to possession of the Premises, and in addition to any recoveries that Tenant may seek hereinabove, bring an action to reenter and regain possession of the Premises in the manner provided by the laws or unlawful detainer of the State of California then in effect.

21.2.3 Landlord's Right to Cure Tenant's Default. Landlord may, in the Event of Default, cure the default at Tenant's cost. If Landlord at any time, by reason of Tenant's default,

pays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord.

21.3 Interest on Unpaid Sums. Sums not paid when due pursuant to Paragraphs 5.1, 5.2 and 5.3 of this Agreement shall bear interest at the rate equal to five percent (5%) per annum plus the prevailing rate on the 25th day of the month preceding the event which caused such interest to be payable as established by the Federal Reserve Bank of San Francisco on advances to member banks under Sections 13 and 13.a of the Federal Reserve Act as now in effect or hereafter amended (the "Default Rate") from the date due until paid. No interest shall accrue or be paid for payments made no later than seven (7) business days after the due date.

21.4 Late Charge. Late payment by Tenant to Landlord of any sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount being impractical to fix. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of Minimum Base Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after such amount shall be due, then without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's Default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of any of the aforesaid monetary obligations of Tenant, then Minimum Base Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any other provision of this Lease to the contrary.

22.0 SURVIVAL OF TENANT'S OBLIGATIONS; LANDLORD'S EQUITABLE RELIEF

No Expiration or Termination of this Lease pursuant to Paragraph 21.2.2 or by operation of Law or otherwise, shall relieve Tenant of its liabilities and obligations hereunder which have then accrued, which shall survive such Expiration or Termination, including without limitation the right of Landlord for indemnification against liability for personal injuries or for property damage occurring prior to the later of (i) Termination of this Lease or (ii) Tenant's vacation of the Premises, nor shall anything in this Lease be deemed to affect the right of Landlord to equitable relief where such relief is appropriate.

23.0 NO WAIVER BY LANDLORD

The failure of the Landlord to seek redress for violation of, or to insist on strict performance of, any term, covenant or condition of this Lease shall not be deemed a waiver of such violation or subsequent act which would have originally constituted a violation from having all the force and effect of an original violation. No delay or omission in the exercise or any right or remedy of Landlord upon any Event of Default by Tenant shall impair such a right or remedy or be construed as a waiver. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the Expiration or Termination of this Lease. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a Termination of this Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary

Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any Event of Default must be in writing and shall not be a waiver of any other Event of Default concerning the same or any other provision of the Lease.

24.0 REMEDIES CUMULATIVE

Each right, power and remedy of Landlord provided for in this Lease is now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Lease.

25.0 ENTRY BY LANDLORD

25.1 Entry for Inspection. Landlord and its respective authorized representatives shall have the right to enter the Premises, without notice, at any times during normal business hours and subject to Tenant's normal security requirements and, if required, accompanied at all times by a representative of Tenant for the purpose of inspecting the same or for the purpose of doing any work hereunder necessitated by an Event of Default, and to take all such action thereon as may be necessary or appropriate for any such purpose (but nothing herein contained in this Lease shall create or imply any duty on the part of Landlord to make any such inspection or do any such work).

25.2 Emergency Entry. Landlord may enter the Premises at any time, without notice, in the event of an emergency. Landlord shall have the right to use any and all means that Landlord may deem proper in such an emergency in order to obtain entry to the Premises. Entry to the Premises by any of said 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 Lease from the Premises or any Portion of them.

25.3 No Liability. Landlord 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 Lease fees due hereunder, arising out of Landlord's entry onto the Premises as provided in this Lease, except damage resulting solely from the gross negligence or willful misconduct of Landlord or its authorized representatives

25.4 Non-Disturbance. Landlord shall use its best efforts to conduct its activities on the Premises as allowed in this section in a manner which, to the extent reasonably practicable, will cause the least possible inconvenience, annoyance or disturbance to Tenant.

26.0 PERFORMANCE ON BEHALF OF TENANT

In the event that Tenant shall fail to make any payment or perform any act required hereunder to be made or performed by Tenant, then Landlord may, but shall be under no obligation to, provide Tenant with written notice and an opportunity to cure as specifically set forth herein, if any, following which Landlord may make such payment or perform such act with the same effect as if made or performed by Tenant; provided however, that nothing contained in this Paragraph 26 shall limit Landlord's obligation to provide written notice to Tenant under Paragraph 21 of this Lease. Entry by Landlord upon the Premises for such purpose shall not waive or release Tenant from any obligation or Event of Default hereunder. Tenant shall reimburse Landlord (with interest at the Default Rate) for all sums so paid by Landlord in connection with the performance of such act.

27.0 ACCEPTANCE OF SURRENDER

No modification, Termination or surrender of this Lease or surrender of the Premises or any part thereof or any interest therein by Tenant (except surrender upon Expiration or Termination of this Lease) shall be valid or effective unless agreed to and accepted in writing by Landlord and no act by any representative or agent of Landlord, other than such a written agreement and acceptance by Landlord shall constitute an acceptance thereof.

28.0 ESTOPPEL CERTIFICATE BY TENANT

Tenant will execute, acknowledge and deliver to Landlord within ten (10) days after receipt of Landlord's written request therefore, a certificate certifying: (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified, and stating the modification); (b) the dates, if any, to which Minimum Base Rent, Percentage Rent and other sums payable hereunder have been paid, (c) that no notice has been received by Tenant of any Default which has not been cured except as to Defaults specified in said certificate; (d) that Landlord is not in default hereunder except as specified in the certificate; and (e) any other matters reasonably requested and related to this Lease. In the event Tenant fails to execute and return such certificate to Landlord within said ten (10) day period, Landlord may, at its option, treat failure to deliver such statement as a material default of the lease, or Landlord may execute such certificate on Tenant's behalf and agrees to provide Tenant with a copy of said certificate. Any such certificate, whether executed by Tenant or Landlord on Tenant's behalf, shall be binding upon Tenant and may be relied upon by any prospective purchaser or Mortgagee of the Premises or any part thereof.

29.0 ESTOPPEL CERTIFICATE BY LANDLORD

Landlord will execute, acknowledge and deliver to Tenant within thirty (30) days of Tenant's written request, a Certificate certifying: (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified, and stating the modification); (b) the dates, if any, to which Minimum Base Rent, Percentage Rent and other sums payable hereunder have been paid; (c) whether or not to the knowledge of Landlord there are then existing any defaults under this Lease (and to specify the same); and (d) such other matters related to this Lease as are reasonably requested by the requesting party. Any such certificate shall be binding on Landlord and may be relied upon by any prospective transferee of Tenant's interest under this Lease. In the event Landlord fails to execute and return such certificate to Tenant within said thirty (30) day period, Tenant may execute such certificate on Landlord's behalf and agrees to provide Landlord with a copy of said Certificate.

30.0 CONVEYANCE BY LANDLORD

In case the original or any successor Landlord shall convey or otherwise dispose of Premises or its interest therein, it shall thereupon be released from all liabilities and obligations of Landlord under this Lease (except those accruing prior to such conveyance or other disposition) and such liabilities and obligations shall be binding solely on the then owner of the Premises. Tenant waives the protection of any statute or rule of law that gives or purports to give Tenant any right to terminate this Lease or surrender possession upon the transfer of Landlord's interest.

31.0 PROVISIONS SUBJECT TO APPLICABLE LAW

Rights, powers and remedies provided herein may be exercised only to the extent that exercise thereof does not violate any applicable Law, and are intended to be limited to the extent necessary so that they will not render this Lease invalid or unenforceable.

32.0 APPRAISAL

When the value of the Premises, or any part thereof is to be determined pursuant to any provision of this Lease, such value shall be determined by agreement of Landlord and Tenant within thirty (30) days from the date negotiations commence or, in the absence of such agreement, by one independent appraiser selected by Landlord and Tenant. If the two parties cannot agree on such value or on a single appraiser, then at the written request of either party, Landlord and Tenant within fifteen (15) days after such notice shall each appoint an appraiser to make such determination, and notice of such appointment shall be given to the other party. If either party shall fail or refuse so to appoint an appraiser and give notice thereof within such period, the appraiser appointed by the other party shall within thirty (30) dates thereafter individually make such determination. If the parties have each so appointed an appraiser within such thirty (30) day period, the appraisers thus appointed shall proceed to determine such value within thirty (30) days after notice of their appointment. If such two appraisers shall be unable to agree on such value within such thirty (30) days, they shall immediately calculate the arithmetic average of their values which shall become the value. All reasonable costs, fees and expenses of the appraisers shall be borne equally by Tenant and Landlord.

33.0 NOTICES

Whenever any notice is required or permitted hereunder, such notice shall be in writing and shall be personally delivered, sent by U.S. Registered or Certified Mail, return receipt requested, postage prepaid, or sent by a nationally recognized overnight carrier service to the address set forth below or at such other addresses as are specified by written notice delivered in accordance herewith:

Landlord: SAN MATEO COUNTY HARBOR DISTRICT
400 Oyster Point Blvd. Suite 300
South San Francisco, CA 94080

Tenant: _____
_____
_____

Any notice personally delivered as hereinabove provided shall be deemed effectively given on the date of receipt of such notice. Any notice sent by U.S. Registered or Certified Mail or by a nationally recognized overnight courier service shall be deemed effectively given on the date of delivery or attempted delivery thereon, whichever is sooner.

34.0 MEDIATION AND ARBITRATION

34.1 Service of process. Concurrently with the execution of this Lease, a form for the irrevocable appointment of an agent to receive service of process on behalf of the other party shall be executed by each party.

34.2 Disputes Subject to Mediation and Arbitration. Disputes between the parties relating to the interpretation and enforcement of their rights and obligations under this Lease shall be resolved by mediation and arbitration in accordance with the Provisions of Paragraphs 34.3, *et seq.*, of this Lease, with the exception that Landlord, at its sole discretion, may elect to proceed instead with an unlawful detainer action in Superior Court for San Mateo County in the event that Tenant defaults through failure to pay minimum or percentage rents when due under the terms of this Lease or any action to obtain a temporary restraining order or equivalent temporary relief to maintain the status quo and preserve either parties' ability to enforce the provisions of the Lease.

34.3 Initial Mediation. With respect to any dispute between the parties that is to be resolved by arbitration, the parties shall attempt in good faith for thirty (30) days, to mediate such dispute and use their best efforts to reach agreement on the matters in dispute.

34.4 Arbitration. Any dispute between the parties that is to be resolved by arbitration as provided in Paragraph 34.2 shall be settled and decided by arbitration. Any such arbitration shall be held and conducted in the County of San Mateo by an arbitrator, who shall be selected by mutual agreement of the parties; if agreement is not reached on the selection of an arbitrator within fifteen (15) days, then Landlord and Tenant shall each choose an arbitrator, each of whom shall agree to select a third arbitrator who would actually arbitrate the dispute between the parties.

The following shall apply and govern such arbitration:

(a) Any demand for arbitration shall be in writing and must be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date that institution of legal or equitable proceedings based on such claim, dispute, or other matter would be barred by the applicable statute of limitations.

(b) The arbitrator or arbitrators appointed must be former or retired judges or "attorneys" with at least ten (10) years experience in real property and commercial matters.

(c) All proceedings involving the parties shall be reported by a Certified Shorthand court reporter and written transcripts of the proceedings shall be prepared and made available to the parties.

(d) The arbitrator or arbitrators shall prepare in writing and provide to the parties factual findings and the reasons on which the decision of the arbitrator or arbitrators is based.

(e) Final decision by the arbitrator or arbitrators must be made within ninety (90) days from the date the arbitration proceedings are initiated.

(f) The prevailing party shall be awarded reasonable attorney's fees, expert and non-expert witness costs and expenses, and other costs and expenses incurred in connection with the arbitration, unless the arbitrator or arbitrators for good cause determine otherwise.

(g) Costs and fees of the arbitrator or arbitrators shall be borne by the non-prevailing party, unless the arbitrator or arbitrators for good cause determine otherwise.

(h) The award or decision of the arbitrator or arbitrators, which may include equitable relief, shall be final and judgment made shall be entered on it in accordance with applicable law in any court having jurisdiction over the matter.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE CERTAIN DISPUTEs ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION, AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

LF _____ _____ _____

Initials Initials Initials

35.0 ATTORNEY'S FEES

Tenant shall reimburse Landlord, upon demand, for any reasonable costs or expenses incurred by Landlord in connection with an Event of Default under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees, costs for experts or other professional services, and costs incurred for the negotiation of a settlement, any enforcement of rights, or otherwise. If either party commences an action against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the losing party reasonable attorney's fees and costs of suit.

35.1 Litigation Expenses. If either party hereto brings an action or proceeding (including any cross-complaint or counterclaim) against the other party by reason of a Default, or otherwise arising out of this Lease, the prevailing party in such action or proceeding shall be entitled to recover from the other party its costs and expenses of suit, including but not limited to, reasonable attorney's fees, which fees 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.

35.2 Appeals. Attorney's fees under this section shall include attorney's fees and all other reasonable costs and expenses incurred in connection with any appeal.

36.0 QUIET ENJOYMENT

Upon Tenant's payment of Rent due hereunder, Tenant shall have quiet possession of the Premises for the Lease Term. If, at any time, Landlord's title or right to receive rent hereunder is disputed, or there is a change of ownership of Landlord's estate by any act of the parties or operation of law, Tenant may deposit in escrow Rent thereafter accruing until Tenant is furnished proof satisfactory to it as to the party entitled thereto.

37.0 MISCELLANEOUS PROVISIONS

37.1 Time is of the Essence. Time is of the essence with respect to the performance of each Provision of this Lease.

37.2 Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions to this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

37.3 Payments by Tenant. Except as otherwise expressly provided herein, Rent and all other sums payable by Tenant to Landlord under this Lease shall be paid without notice. All sums payable by Tenant shall be paid by good check in the currency of the United States at the Pillar Point Harbor office of Landlord as set forth below:

Office of the Harbor Master
Pillar Point Harbor
San Mateo County Harbor District
1 Johnson Pier
Half Moon Bay, CA 94019

or at such place and to such Person as Landlord may from time to time designate by written notice to Tenant.

37.4 Status of Parties on Termination of Lease. Except as provided in Paragraph 22, if either party elects to terminate this Lease as provided herein, on the date the Lease terminates the parties shall be released from further liabilities and obligations and the Landlord shall return to Tenant any unearned rent, so long as Tenant is not in default on the date the Lease terminates. Any Percentage Rent which has accrued but has not yet become due will be payable by Tenant to Landlord or credited in whole or in part to Tenant in the event that Landlord holds any unearned rent.

37.5 Exhibits Incorporation into Lease. All exhibits referred to in this Lease are attached to this Lease and are incorporated herein by this reference.

37.6 Governing Law. This Lease shall be construed and interpreted in accordance with the Laws of the State of California, and venue for any action relating thereto shall be in San Mateo County.

37.7 Singular and Plural and Gender. When required by the context of this Lease, the singular shall include the plural, the male the female, and vice versa.

37.8 Joint and Several Obligations. "Party" shall mean Landlord or Tenant; and if more than one Person or entity is Landlord or Tenant, the obligations imposed on that Party shall be joint and several.

37.9 Severability. The unenforceability, invalidity, or illegality of any provision of this Lease shall not render the other provisions of this Lease unenforceable, invalid or illegal, and this Lease shall remain in force and effect as if such unenforceable, invalid or illegal provision had never been a part of this Lease.

37.10 Binding Effect. Each and all provisions, agreements, terms, covenants and conditions of this Lease to be performed, kept and observed by Landlord and Tenant, shall be binding on any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease.

37.11 Third Party Beneficiaries. Except as to the Department as set forth in this Lease, there are no third party beneficiaries of this Lease.

37.12 Interpretation. This Lease shall conclusively be presumed to have been drafted jointly by both parties hereto.

37.13 Authority. If either Party has a governing board, that party shall deliver to the other Party upon the execution at this Lease a certified copy of a resolution of its board authorizing the execution of this Lease and naming the officers that are authorized to execute this Lease on behalf of the corporation.

37.14 Captions. Captions are included in this Lease for convenience only and do not constitute a part of this Lease.

37.15 Section Headings. The section headings contained herein are for convenience in reference and are not to be used to construe the intent of this Lease or any part thereof, nor to modify, amplify, or aid in the interpretation or construction of any of the Provisions thereof.

37.16 Force Majeure. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, or other cause without fault and beyond the control of the party obligated to perform (financial inability and any closure of access roads that does not effect a total blockage of all access to the Premises excepted), performance of such act shall be excused and extended for a period equivalent to the period of such delay; provided, however, that nothing in this section contained shall excuse Tenant from the prompt payment of any rent or other charge required of Tenant hereunder except as may be expressly provided elsewhere in this Lease.

37.17 Nondiscrimination Covenant. Tenant covenants not to discriminate against or segregate any Person or group of Persons, on account of race, color, creed, religion, sex, marital status, sexual orientation, age, national origin, ancestry, or disability.

37.18 Loan Agreement. The terms and conditions of this Lease are subordinate to, and subject to, the Loan Agreement between Landlord and the Department (Department Contract No. 84-21-34, dated August 23, 1984, as modified).

38.0 MEMORANDUM OF LEASE

Concurrently with execution of this Lease, the parties shall execute and acknowledge a Memorandum of Lease identifying the Lease in substantially the form of Exhibit C to be recorded in the official records of San Mateo County. Upon the request of either party, the

parties shall execute and acknowledge further Memoranda of any future amendments of this Lease. The parties hereto ratify, confirm and adopt all of the terms and conditions of the Lease.

39.0 APPROVAL BY CALIFORNIA DEPARTMENT OF BOATING AND WATERWAYS

This Lease requires the written approval of the Department and shall not take effect until such approval is obtained.

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

LANDLORD:

SAN MATEO COUNTY HARBOR DISTRICT

DATED: 3.13.13

BY: _____
NAME: James J Tucker
TITLE: Harbor District Board President

TENANT:

THREE CAPTAINS SEA PRODUCTS

DATED: 3-12-13

BY: _____
NAME: LARRY FONTADO
TITLE: OWNER

EXHIBIT A

DEPICTION OF THE PREMISES

The Premises leased by Three Captains Sea Products are located in Area 2, consisting of approximately thirty-three (33) by nineteen (19) feet, including upper and lower levels of the building known variously as the fish buyers building (see Attachment 1) or the fish handlers building (see Attachment 2), which is situated at the westerly extension of the Johnson Pier in Pillar Point Harbor, in the unincorporated community of Princeton, San Mateo County, APN 047-083-060. The building is a rectangle approximately thirty-four (34) feet wide by sixty (60) feet long with the long side oriented approximately north-south. The building layout contains three equal-sized Areas, including Area 2. Area 2 (and the other two Areas) consists of an open stall on the ground floor with facing garage doors on the east and west walls. The upper floor has office, restroom and storage space.

EXHIBIT B

INITIAL TENANT IMPROVEMENTS

NONE

STEVEN D. MILLER
PARTNER
DIRECT DIAL (415) 995-5831
DIRECT FAX (415) 995-3426
E-MAIL smiller@hansonbridgett.com

HansonBridgett

July 22, 2014

Larry Fortado, President
Three Captains Sea Products, Inc.
1 Johnson Pier
Princeton by the Sea, CA 94109

Re: June 4, 2014 letter to San Mateo County Harbor District

Dear Mr. Furtado,

I am the recently-appointed General Counsel to the San Mateo County Harbor District (District). In that capacity, I have been asked to respond to your letter of June 4, 2014 addressed to the Harbor Commissioners. Please let me know if you would prefer that I correspond with your legal representative. I have reviewed your letter, related Commission action, and the March 13, 2013 lease between the District and Three Captains Sea Products (the Lease).

The District values your firm as a long-standing tenant. However, the District is mindful of its obligations as a public agency to maximize the productivity of its enterprise operations. This obligation is of course balanced by a desire to be fair to the entire public, and in particular to charge fees that are reasonable. It was in the spirit of these obligations that the Commission on May 21, 2014 adopted a motion that the District would consider at a future meeting a request from a tenant such as your firm to renegotiate the financial terms of the Lease. Please also keep in mind that any amendment(s) to the Lease would need, in addition to Harbor Commission approval, the approval of the state Division of Boating and Waterways.

The District believes that the Lease represents a fair and reasonable bargain, struck to the mutual benefit of both the District and Three Captains Sea Products as of the Commencement Date of the lease. Presumably, you entered into the Lease because you felt the same. The District is mindful that the term of the lease is potentially for fifteen years and so its provisions must be viewed with an eye towards a long term relationship.

In keeping with the above, we require more than the June 4 letter -- which includes only an oblique reference to an unspecified renegotiation -- if you would like to request a renegotiation in accordance with the Commission's action. Please provide the following, at a minimum:

- Precisely what Lease term(s) are you seeking to modify?
- What is your proposal regarding these specific Lease term(s)?
- What is the basis by which you think you are entitled to a modification in a specified Lease term? Your June 4 letter refers to "unloading fees." If you are suggesting a modification to the Fish Off-Loading fee referenced in Section

6.1(b), please provide information regarding why you believe this fee is unfair—for instance any impact on your costs, revenues, and/or profits that would justify a modification to this fee, or to any other specified Lease term.

- Is there a benefit to the District that would justify any Lease amendment at this time – or is your request essentially that the District negotiate against itself?

The District looks forward to your response, and to the continued relationship with your firm. Feel free to give me a call if you have any questions.

Sincerely,

Steven D. Miller

cc: Peter Grenell, General Manager San Mateo County Harbor District

Three Captain Sea Products Inc
1 Johnson Pier
Princeton by the Sea

June 4, 2014

To the Harbor Commissioners,

From the last meeting we understand the harbor is willing to renegotiate the unloading fees. Three Captain Sea Products is looking forward to working with the Harbor Commissioners for fair and competitive rates to other commercial harbors, so our business can grow and create more revenue for the harbor.

Sincerely,

Larry Fortado

Larry Fortado
President

ITEM 5

MEMORANDUM

April 12, 2012

TO: Board of Harbor Commissioners

FROM: Peter Grenell, General Manager

SUBJECT: Commercial Activity Permits for Non-Lessee Fish Buyers at Pillar Point Harbor

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RECOMMENDATION:

Authorize the General Manager to inform non-lessee fish buyers of the requirement to obtain a Commercial Activity Permit in order to do business at Pillar Point Harbor, and approve Commercial Activity Permit terms in addition to the standard $250 permit fee to require payment to the District for wholesale fish purchases of at least $10.00 per ton gross weight for wetfish and at least $0.01 per pound gross weight for finfish and shellfish unloaded at the Pier at PPH.

BACKGROUND:

Wholesale commercial fish buyers who are not lessees of the Harbor District have been purchasing fish on the Johnson Pier at Pillar Point Harbor. The fish has been off-loaded from commercial fishing vessels at the Pier hoists by one or more lessees, who control the hoists, and taken by these non-lessee buyers. The District has received no revenue from these transactions. In contrast, the District's leases presently provide that the District receive a portion of the income from fish bought by the lessees.

The District's Ordinance Code, Section 5.2.1.2, states: "No person shall conduct or operate a business or service for hire or compensation within the boundaries of the District, or on or from lands owned by the District unless a permit is first obtained from the District in the manner prescribed by the established procedures of the District." If such transactions are to continue to be allowed, these buyers should be required to obtain a District Commercial Activity Permit or, alternatively, a License, that would provide for a reasonable share of revenue to accrue to the District.

Alternatively, Ordinance Code Section 5.1.3.1 Licensing Of District Property And Facilities – General, states: "The use of lands and facilities owned or operated by

the District and under jurisdiction of the Board [of Harbor Commissioners] may be licensed for such purpose or purposes as the Board may deem advisable."

Use of a Commercial Activity Permit (CAP) appears preferable because it provides greater control by the District as all such Permits are valid for one year only and must be renewed annually. This mechanism also provides more flexibility to the buyers and the District as its limited duration does not tie either party into a longer term license agreement.

FISCAL IMPACT:

In addition to the standard $250 permit fee, these non-lessee fish buyer CAPs should require payment to the District for wholesale fish purchases of at least $10.00 per ton gross weight for wetfish and at least $0.01 per pound gross weight for finfish and shellfish unloaded at the Pier at PPH.

This new revenue will help defray the cost of replacing the aging utility lines under the Johnson Pier that serve the pier's users. This important project, for which cost estimates are in preparation now, will be budgeted for FY 2012-13.

CONCLUSION:

Commercial Activity Permits should be required of all non-lessee fish buyers active at Pillar Point, and the permits should provide for a wholesale fish buying fee to the District.

San Mateo County Harbor District
400 Oyster Point Blvd., Suite 300
South San Francisco, CA 94080
Phone: (650) 583-4400 Fax: (650) 583-4611

Commercial Activity Permit (Independent Non-Lessee Fish-Buyer)

Permit Number:

1. Commercial Activity Permittee

1.1. Name of Permittee: [independent non-lessee fish-buyer]
1.2. Contact Person:
1.3. Address of Permittee:
1.4. Phone Number:
1.5 Facsimile Number:
1.6 Email Address:

2. Commercial Activity Permit Description

2.1. This Commercial Activity Permit is issued only for the purpose of buying fish and shellfish unloaded from registered commercial fishing vessels at Johnson Pier at Pillar Point Harbor.

3. Commercial Activity Fee

3.1. Payment of the Permit Fee of two hundred fifty dollars ($250.00) to the District is required before Permit is issued.

3.2. Permittee shall pay to the District $10.00 per ton gross actual scale weight for each species of wetfish purchased and $0.01 per pound gross actual scale weight for each species of finfish and shellfish purchased by Permittee and unloaded at Pillar Point Harbor.

3.3. Permittee shall pay to the District the required amount(s) as prescribed in section 3.2 above based upon fish unloading/landing tickets recorded at time of fish unloading on or before the first day of each and every successive month following the month in which the fish was bought and unloaded. The ticket shall specify: date of landing, date of purchase, the name of the vessel making delivery, and name of vessel operator.

3.4. Payments not paid by the due date shall bear interest at 10.00% per annum until paid.

4. Commercial Activity Terms and Conditions

4.1. Hours and Standard of Operation

4.1.1. Permittee shall operate during daylight hours only, but not later than 8:00 p.m. on weekends and holidays, without the advance written approval from the General Manager or designate.

4.1.2. Permittee shall clean up any debris, litter or other items generated from their business.

4.1.3. Permittee shall not sell food or beverages or other products at any time.

4.2 Permittee shall be required to obtain and/or comply with the following:

4.2.1 Permittee shall provide the District with a copy of the Fictitious Business License from the County of San Mateo Treasurer's Office (required in all unincorporated areas of the County of San Mateo) or a City of South San Francisco Business License (if business is located in South San Francisco) and Permit issued from the California State Board of Equalization, which entitles Permittee to buy or sell products. License shall be maintained in accordance with law and Permittee must be able to produce license when requested to do so by a representative of the District. Permit requirement only applies if applicable.

4.2.2 A Certificate of Insurance for the business activity described in Section 2.1 attesting to liability coverage consisting of a Comprehensive General Liability policy with a Broad Form Endorsement that provides coverage for bodily injury and property damage in the amount of $1,000,000.00 per occurrence and $2,000,000.00 per aggregate. Said policy shall be in favor of, and name applicant and District, its directors, officers, agents and employees as additionally insured and shall be maintained in full force and effect during the term of this permit. Said policy shall state by its terms and by an endorsement that said policy shall not be canceled until District shall have had at least thirty (30) days written notice of such cancellation.

4.2.3 Permittee shall comply with all applicable District's Ordinances and regulations as adopted.

4.2.4 Permittee must use reasonable care and may not unreasonably increase the burden on the District's facilities. Permittee may not interfere with other bona fide users of the facilities or the conduct of their business. Permittee shall comply with the Harbor Master's directions regarding access and parking on the Johnson Pier and loading of fish and shellfish.

4.2.5 The parties acknowledge that the District is obligated to control the volume and use of its facilities, particularly with respect to vehicular traffic, parking, vessel traffic and the use of berthing and other facilities. In that regard, the District reserves the right to make a finding that the availability of berthing and/or parking, and/or the public safety, is threatened due to Permittee or third-party use of the District's facilities

pursuant to this permit. In that event, the District may limit the use of the facilities by Permittee or third parties by providing a written thirty (30) day notice to the Permittee and to any known third-party users of said limitations.

4.2.6 Permittee, as a material part of the consideration to be rendered to the District under this Permit, waives all claims against the District for damages to all personal property in, on or about the District's facilities, and for injuries to persons in or about the District's facilities from any cause arising at any time. Permittee hereby agrees to defend, indemnify, and save harmless SMCHD, its governing board, commissions, officers, employees and agents, from and against any and all claims, suits, actions liability, loss, damage, expense, cost (including, without limitation, costs and fees of litigation) of every nature, kind or description, which may be brought against, or suffered or sustained by, SMCHD, its governing board, commissions, officers, employees or agents caused by, or alleged to have been caused by, the negligence, intentional tortuous act or omission, or willful misconduct of Permittee, its employees or agents in the performance of any services or work pursuant to this permit. The duty of the Permittee to indemnify and save harmless, as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code; provided, however, that nothing herein contained shall be construed to required Permittee to indemnify SMCHD, its governing board, commissions, officers, employees and agents against any responsibility or liability in contravention of Section 2782 of the California Civil Code.

4.2.7 Should either party to this agreement bring any legal action, dispute, or proceeding arising out of or relating to this permit, the parties shall meet in mediation and attempt to reach a resolution with the assistance of a mutually acceptable mediator. Neither party shall be permitted to file legal action without first meeting in mediation and making a good faith attempt to reach a mediated resolution. The costs of the mediator, if any, shall be paid equally by the parties. If a mediated settlement is reached neither party shall be deemed the prevailing party for purposes of settlement, and each party shall bear its own legal fees and costs.

4.2.8 The laws of the State of California shall govern this agreement and any suit or action initiated by either party shall be brought in the County of San Mateo, California. In the event of litigation between the parties hereto to enforce any provision of the agreement, the unsuccessful party will pay the reasonable attorney's fees, court costs, discovery costs and expenses of litigation of the successful party.

4.2.9 Permittee shall pay a fee pursuant to Section 1719 of the Civil Code for the State of California for each check that is returned to the District for lack of sufficient funds. A fee of twenty five dollars ($25) shall be paid by Permittee for the first check passed to District on insufficient funds and thirty five dollars ($35) for each subsequent check passed to District on insufficient funds.

5.0 Term of Permit

This Commercial Activity Permit is effective from January 1, 2012, and shall terminate on December 31, 2012, unless renewed. This Commercial Activity Permit becomes immediately null and void should any of the conditions specified in Section 4 above not be met, or should any required certificates expire or be revoked or suspended.

This Commercial Activity Permit may be revoked or suspended by the San Mateo County Harbor District at any time and without notice by the District for violation of any Terms or Conditions of the Commercial Activity Permit, or for violation of the Ordinances of the District.

PERMITTEE:

_____

Signature

_____

Date

SAN MATEO COUNTY HARBOR DISTRICT

_____

Peter Grenell
General Manager

_____

Date

Debbie Nixon

From: Scott Grindy
Sent: Tuesday, September 03, 2013 7:59 AM
To: Debra Galarza; Katherine Fogarty
Subject: RE: Commercial Activity Permits for Non-Lessee Commercial Fish Buyers

Yes my error as noted it's not yet

Sent from my Verizon Wireless 4G LTE DROID

-----Original message-----
From: Katherine Mickelson <KFogarty@smharbor.com>
To: Scott Grindy <sgrindy@smharbor.com>, Debra Galarza <DGalarza@smharbor.com>
Sent: Tue, Sep 3, 2013 07:57:23 PDT
Subject: RE: Commercial Activity Permits for Non-Lessee Commercial Fish Buyers

I am not aware that any of the trucks buying from the fish buyers have gotten a Commercial Activity Permit yet. I thought it was still a work in progress.

From: Scott Grindy
Sent: Monday, September 02, 2013 10:21 AM
To: Katherine Mickelson; Debra Galarza
Subject: Fw: Commercial Activity Permits for Non-Lessee Commercial Fish Buyers

Katie

Can you pull the number first thing tuesday?

Sent from my Verizon Wireless 4G LTE DROID

-----Original message-----
From: Sabrina Brennan <sabrina@dfm.com>
To: Peter Grenell <pgrenell@smharbor.com>
Cc: Robert Bernardo <smcharborcommissioner@yahoo.com>, Scott Grindy <sgrindy@smharbor.com>
Sent: Mon, Sep 2, 2013 10:06:03 PDT
Subject: Commercial Activity Permits for Non-Lessee Commercial Fish Buyers

Hello Peter,

It has come to my attention that the Harbor District may not be collecting Commercial Activity Permits for Non-Lessee Commercial Fish Buyers as approved by the board on April 18, 2012 per your recommendation. See attached PFD of the April 18, 2012 minutes, Item 5.

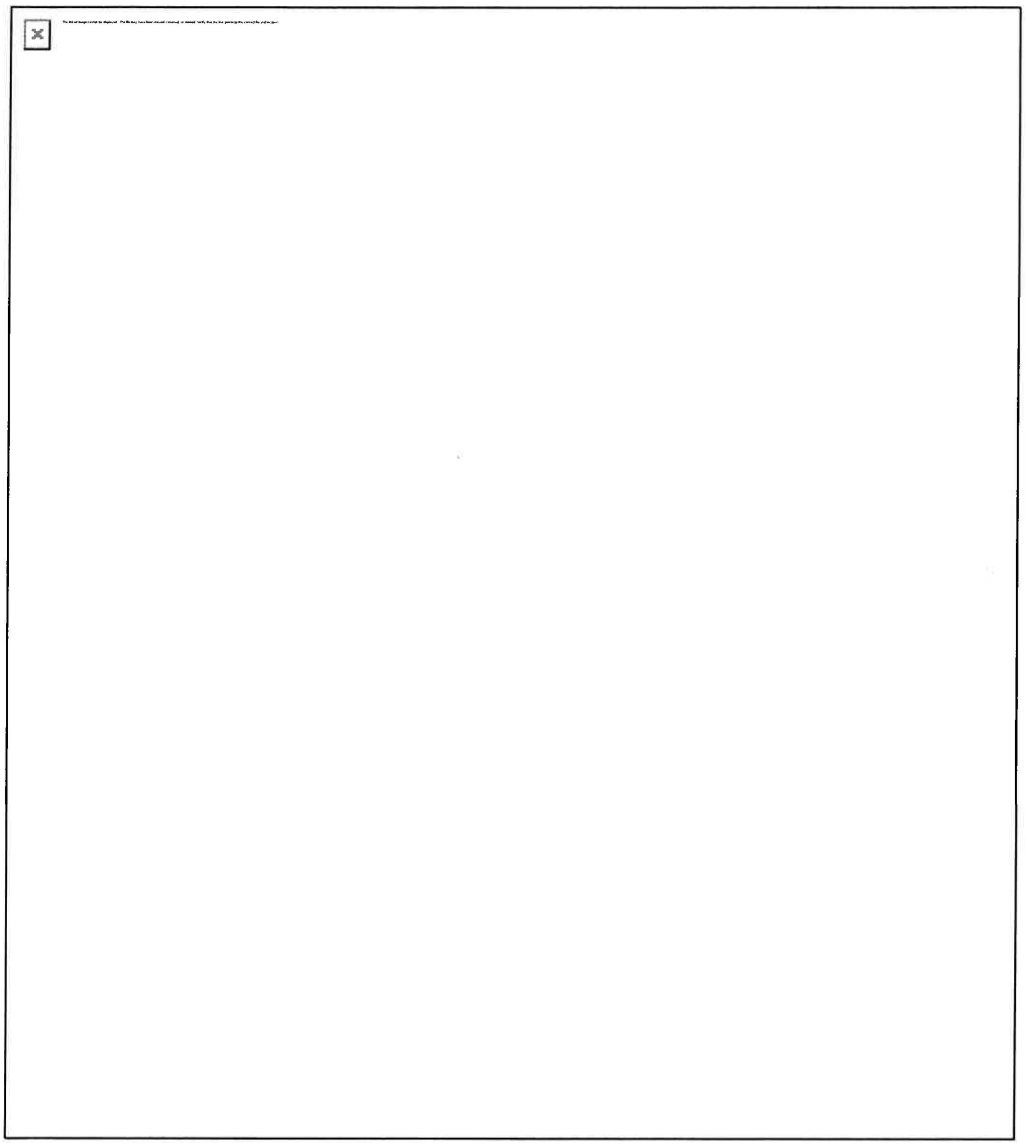
Please let me know how much the Harbor District has collected in Commercial Activity Permits for Non-Lessee Commercial Fish Buyers since April 18, 2012.

Please email the Harbor Districts enforcement procedure for collecting Commercial Activity Permits and Fees for Non-Lessee Commercial Fish Buyers.

Please email the Harbor Districts correspondence to the Non-Lessee Commercial Fish Buyers informing them that they must obtain a Commercial Activity Permit and pay a $250.00 fee.

If you have any questions about this request for information please let me know.

Thank you,
Sabrina



FISH BUYERS OFF-LOADING FEES - From April 2013 thru Present

MORNING STAR

2013	Wet Fish	Finfish/ShellFish	TOTALS
04/30/13		57.14	57.14
05/31/13		719.93	719.93
06/30/13		432.49	432.49
07/31/13		312.28	312.28
08/31/13		188.42	188.42
09/30/13		75.47	75.47
10/31/13		43.96	43.96
11/30/13		2,489.77	2,489.77
12/31/13		1,209.05	1,209.05
Totals	-	5,528.51	**5,528.51**
2013 Avg.		614.28	**614.28**

2014	Wet Fish	Finfish/ShellFish	TOTALS
01/31/14		405.38	405.38
02/28/14		270.97	270.97
03/31/14		260.07	260.07
04/30/14		217.71	217.71
05/31/14		232.51	232.51
06/31/14		197.34	197.34
07/31/14		110.37	110.37
08/30/14		266.98	266.98
09/30/14		174.90	174.90
10/31/14		162.93	162.93
11/30/14		2,124.04	2,124.04
12/31/14		1,154.04	1,154.04
Totals	-	5,577.24	**5,577.24**
2014 Avg		464.77	464.77

2015	Wet Fish	Finfish/ShellFish	TOTALS
01/31/15		541.35	541.35
02/28/15		247.23	247.23
03/30/15		164.31	164.31
04/30/15		86.82	86.82
05/31/15		202.87	202.87
06/30/15			0.00
Totals	-	1,242.58	**1,242.58**
2015 Avg		207.10	207.10

PILLAR POINT FISHERIES

2013	Wet Fish	Finfish/ShellFish	TOTALS
04/30/13		187.13	187.13
05/31/13		1,529.30	1,529.30
06/30/13		968.95	968.95
07/31/13	6,797.67	294.14	7,091.81
08/31/13	8,512.29	467.52	8,979.81
09/30/13	8,251.23	478.74	8,729.97
10/31/13		375.92	375.92
11/30/13		7,962.70	7,962.70
12/31/13		1,589.69	1,589.69
Totals	23,561.19	13,854.09	**37,415.28**
2013 Avg.	2,617.91	1,539.34	**4,157.25**

2014	Wet Fish	Finfish/ShellFish	TOTALS
01/31/14		185.00	185.00
02/28/14		7.79	7.79
03/31/14		213.56	213.56
04/30/14		98.26	98.26
05/31/14		484.59	484.59
6/31/14	2,879.42	478.41	3,357.83
07/31/14	26,230.00	411.44	26,641.44
08/30/14	8,890.78	317.58	9,208.36
09/30/14	786.91	276.60	1,063.51
10/31/14		168.56	168.56
11/30/14		9,220.15	9,220.15
12/31/14		2,142.06	2,142.06
Totals	38,787.11	14,004.00	**52,791.11**
2014 Avg	3,232.26	1,167.00	4,399.26

2015	Wet Fish	Finfish/ShellFish	TOTALS
01/31/15		1,083.48	1,083.48
02/28/15		78.94	78.94
03/30/15		86.29	86.29
04/30/15		243.31	243.31
05/31/15		367.65	367.65
06/30/15		381.19	381.19
Totals	-	2,240.86	**2,240.86**
2015 Avg		373.48	373.48

THREE CAPTAINS SEA PRODUCTS

2013	Wet Fish	Finfish/ShellFish	TOTALS
04/30/13		39.96	39.96
05/31/13		809.70	809.70
06/30/13		394.07	394.07
07/31/13		262.90	262.90
08/31/13	19,630.00	195.03	19,825.03
09/30/13	10,083.15	24.84	10,107.99
10/31/13		41.62	41.62
11/30/13		3,261.99	3,261.99
12/31/13		1,641.50	1,641.50
Totals	29,713.15	6,671.61	**36,384.76**
2013 Avg.	3,301.46	741.29	**4,042.75**

2014	Wet Fish	Finfish/ShellFish	TOTALS
01/31/14		348.44	348.44
02/28/14		236.35	236.35
03/31/14		212.10	212.10
04/30/14			0.00
05/31/14		316.28	316.28
6/31/14		184.63	184.63
07/31/14		100.73	100.73
08/30/14		102.58	102.58
09/30/14	40,902.39	224.42	41,126.81
10/31/14		18.00	18.00
11/30/14		2,779.22	2,779.22
12/31/14		950.12	950.12
Totals	40,902.39	5,472.87	**46,375.26**
2014 Avg	3,408.53	456.07	3,864.61

2015	Wet Fish	Finfish/ShellFish	TOTALS
01/31/15		655.97	655.97
02/28/15		166.48	166.48
03/30/15		123.22	123.22
04/30/15		77.26	77.26
05/31/15		268.87	268.87
06/30/15		106.51	106.51
Totals		1,398.31	**1,398.31**
2015 Avg		233.05	233.05

Grand Totals (All 3 Fish Buyers)

04/30/13	284.23
05/31/13	3,058.93
06/30/13	1,795.51
07/31/13	7,666.99
08/31/13	28,993.26
09/30/13	18,913.43
10/31/13	461.50
11/30/13	13,714.46
12/31/13	4,440.24
Totals	**79,328.55**
2013 Avg.	**8,814.28**

01/31/14	938.82
02/28/14	515.11
03/31/14	685.73
04/30/14	315.97
05/31/14	1,033.38
6/31/14	3,739.80
07/31/14	26,852.54
08/30/14	9,577.92
09/30/14	42,365.22
10/31/14	349.49
11/30/14	14,123.41
12/31/14	4,246.22
Totals	**104,743.61**
2014 Avg	**8,728.63**

01/31/15	2,280.80
02/28/15	492.65
03/30/15	373.82
04/30/15	407.39
05/31/15	839.39
06/30/15	487.70
Totals	**4,881.75**
2015 Avg	**813.63**

San Mateo County Harbor District

Board of Harbor Commissioners

James Tucker, President
Leo Padreddii, Vice President
Robert Bernardo, Treasurer
Pietro Parravano, Secretary
William Holsinger, Commissioner

Peter Grenell, General Manager

November 9, 2012

Robert O. Valentine, Jr., President
Valentine Corporation
111 Pelican Way
San Rafael, CA 94901

Ref: NOTICE OF AWARD: JOHNSON PIER REPAIRS PROJECT

Dear Mr. Valentine:

I am pleased to inform you that on November 7, 2012, our Board of Harbor Commissioners accepted your bid in the amount of $712,369.00 and awarded you the contract agreement for the project. As per Project Manual Section 00470, enclosed please find two copies each of the Agreement, bond and insurance forms and a W-9 form for your signature. Please execute them as required and return them to me at:

General Manager
San Mateo County Harbor District
400 Oyster Point Blvd., Suite 300
South San Francisco, CA 94080.

We can then issue a Notice To Proceed. We look forward to working with you on this project. Feel free to contact me or Harbor Master Scott Grindy if you have any questions.

Sincerely,

Peter Grenell
General Manager

Cc: Scott Grindy, Harbor Master
Craig Lewis, S. E., GHD Inc.

Encl: Contract documents

SECTION 00310

BID SCHEDULE

PROPOSAL FOR THE CONSTRUCTION OF

JOHNSON PIER MAINTENANCE REPAIRS PROJECT

Owner SAN MATEO COUNTY HARBOR DISTRICT

Pursuant to Section 00020, **INVITATION TO BID**, the undersigned hereby proposes and agrees that on award by the **San Mateo County Harbor District** under this Bid, and in accordance with the provisions therein stated, to execute a Contract, with necessary bonds, to furnish and install any and all labor, materials, transportation, and services for the construction of the **JOHNSON PIER MAINTENANCE REPAIRS** project, in accordance with the Plans and Specifications therefore adopted and on file with the **San Mateo County Harbor District** within the time hereinafter set forth and at the prices named in this Bid as follows:

BID SCHEDULE & BID FORM

Basis of Bid shall be the Total Amount for Items 1 through 14, complete in accordance with the drawings and specifications.

Item	Specification Section	Description	Estimated Quantity	Unit	Unit Price	Amount	
1		Mobilization	1 Job	LS	XXX	$ 64 368.00	40%
2		Allowance for Replacement of Damaged Utility Lines, Valves and Appurtenances	1 Job	LS	XXX	$20,000	N/A
3	02 23 00 05 50 00 09 97 13.26 26 27 29	Refurbish two (2) equipment hoists in commercial pier area	1 Job	LS	XXX	$ 21 000.00	50%
4	02 23 00 06 51 13	Remove existing bullrail and install new bullrail	1 Job	LS	XXX	$ 86 000.00	100%
5	02 23 00 06 51 13	Remove existing railing and install new railing	1 Job	LS	XXX	$ 40 000.00	33%
6	02 23 00 05 50 00	Remove two dock gangways and repair hinge attachments. Reinstall gangways	1 Job	LS	XXX	$ 12 000.00	N/A
7	02 23 00 02 49 00	Remove mooring cleats and install refurbished cleat	1 Job	LS	XXX	$ 8000.00	50%

Item	Specification Section	Description	Estimated Quantity	Unit	Unit Price	Amount	
8	02 23 00 02 49 00 03 15 00	Remove mooring cleats, construct new concrete base and install refurbished cleat	1 Job	LS	XXX	$ 18 000 ∞	50%
9	02 23 00 06 13 30	Replace existing ramp and decking at timber dock	1 Job	LS	XXX	$ 18 000 ∞	50%
10	02 23 00 03 15 00 22 05 29	Modification to hangers and supports for plumbing piping and electrical conduit; repair of piping damaged during repair/installation of new hangers and supports.	1 Job	LS	XXX	$ 263 000 ∞	N/A
11	10 14 00 21 12 00 22 05 29 22 05 53 22 10 00 23 11 13	Modification to piping including fire water piping, cabinets, hoses and appurtenances, other than the installation of the new water filtration system noted below; addition of new signage.	1 Job	LS	XXX	$ 35 000 ∞	N/A
12	22 05 29 22 05 53 22 10 00	Installation of new piping and filter and excluding the piping noted above.	1 Job	LS	XXX	$ 24 000 ∞	N/A
13	26 27 29	Provide exterior fused disconnect switches for four (4) kWH meters, one panelboard and three (3) jib crane hoist motors. Demolish abandoned conduit and wiring.	1 Job	LS	XXX	$ 65 000 ∞	50%

Item	Specification Section	Description	Estimated Quantity	Unit	Unit Price	Amount
14	26 57 00	Provide one (1) LED area luminaire mounted on 20-foot pole and three (3) LED wall pack luminaires.	1 Job	LS	XXX	$ 18 000 ea
		Total Base Bid Amount				$ 712 369 LD

N/A

UNIT PRICE OF PIER RAILING
Unit prices per linear foot for removal of existing timber railing and furnishing and installing new composite lumber railing, including materials and labor as required, as shown on the drawings in accordance with Specifications Section 06 51 13.

Remove Existing Railing and Install New Railing $ 160 ea **per Linear Foot**

N/A NON Fish Buyer Area's

The Harbor District reserves the right to adjust by change order the actual quantity of the unit item utilizing the quoted add unit price.

Note:
The work specified in the Contract Documents has been divided into a Base Bid, two (2) Bid Alternates and Additive Alternative #1 as detailed on the Project Drawings.

Base Bid includes all work at Johnson Pier other than rehabilitation of the deck surface in the commercial area of the pier.

Bid Alternate A includes removal of the existing deck overlay, preparation of the surface and application of an epoxy overlay.

Bid Alternate B includes removal of the existing deck overlay and concrete deck surface and application of new concrete topping as shown on Project Drawings.

Additive Alternative #1 includes replacement of two panelboards in Fish Processing Building with single panelboard.

Bid Alternate A

Item	Section	Description	Estimated Quantity	Unit	Unit Price	Amount
A	03 35 00	Remove existing deck overlay in commercial pier area. Install new epoxy deck overlay	1 Job	LS	XXX	$ 109 000
		Bid Alternate A Amount				$ 109 000

100%

Bid Alternate B

B	03 35 00	Remove existing deck overlay and concrete. Prepare surface and apply new concrete topping.	1 Job	LS	XXX	$ 130 000
		Bid Alternate B Amount				$ 130 000

N/A
NOT selected

Additive Alternative #1

Item	Section	Description	Estimated Quantity	Unit	Unit Price	Amount
16	26 27 29	Replace two existing panelboards in Fish Processing Building with a single panelboard.	1 Job	LS	$ 6 500	$ 6500
		Additive Alternate #1 Amount				$ 6 500

50%

BID SCHEDULE – BID SUMMARY
TOTAL BID: BASE BID PLUS BID ALTERNATE A

[redacted] Eight hundred twenty one thousand three hundred sixty nine Dollars and _____ Cents

(Words)

$ 821 369
(Numbers)

SAN MATEO COUNTY HARBOR DISTRICT
ONE JOHNSON PIER,
Half Moon Bay, CA 94019
(650) 726-4382 – FAX (650) 726-7740

REQUISITION

Requisition #: 14-239

DATE OF ORDER	DATE REQUIRED	ENTER PROJECT ACCOUNT CODE, IF APPLICABLE:
6-02-2014		

NAME OF RECOMMENDED VENDOR
Andreini Bros, Inc.

ADDRESS OF RECOMMENDED VENDOR
151 Main Street

CITY	STATE	ZIP
Half Moon Bay	Ca.	94019

PHONE NUMBER	FAX NUMBER	POINT OF CONTACT
650-726-265		

This requisition is for the following items:

Quantity	Description	Unit Measure	Unit Price	Extension
	See attached Invoice #775732			
	Johnson Pier sewer line at foot of Pier collapsed by Truck weight			

I do solemnly declare and certify that funds are available in my budget for payment of goods and services ordered herein. The purchase are to be considered as:
Open purchase order if under $250.00

Subtotal	$28,927.81
Taxes	512.19
Shipping & Handling	
Total	$29,440.00

General Ledger Number	Available Budget Amount	Budget Remaining After Approval
General Ledger Number	**Available Budget Amount**	**Budget Remaining After Approval**

Signature of Manager	Date Signed	Department

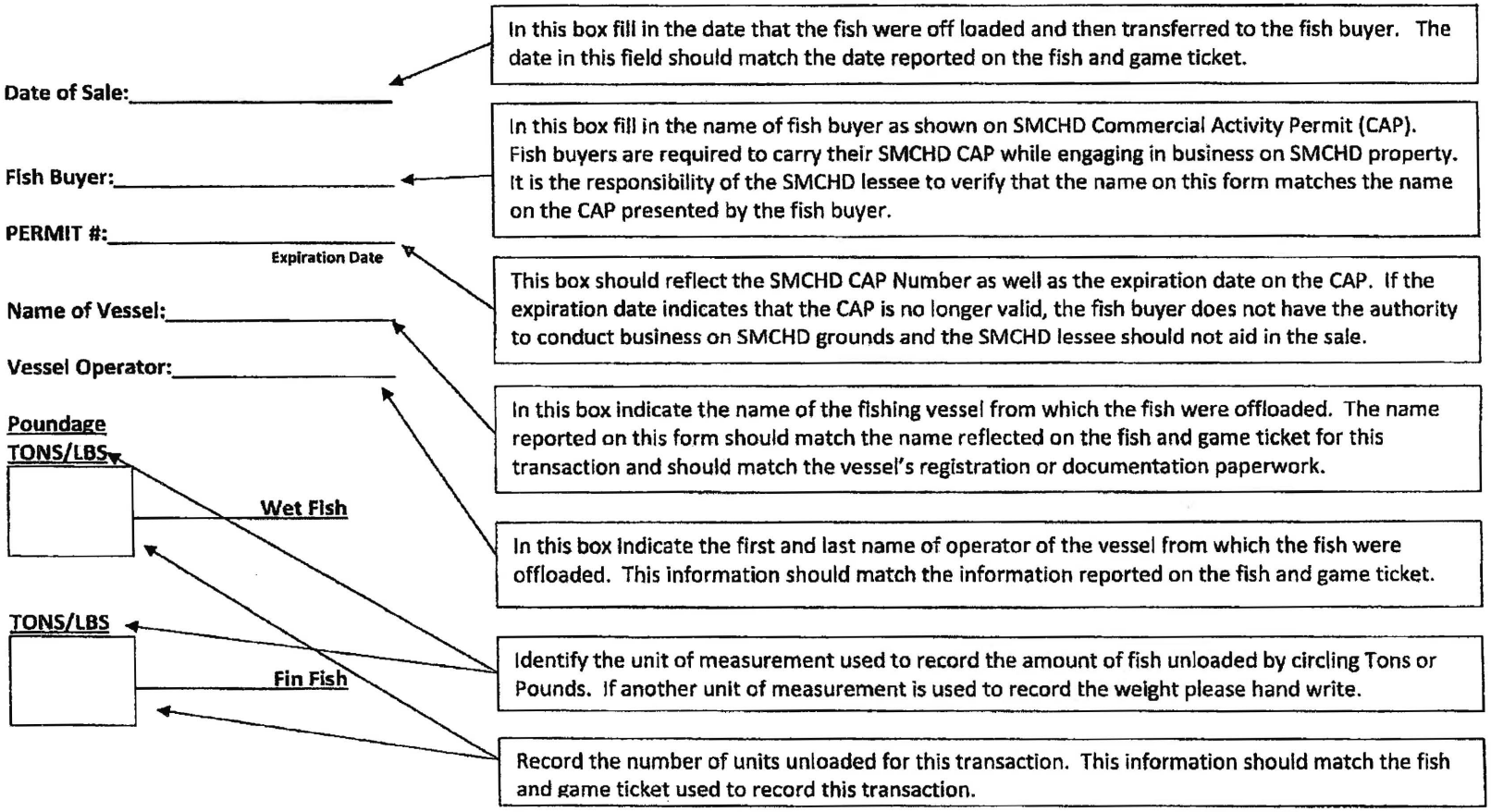
If over $250.00 complete the following section and submit to General Manager.

Name of Additional Vendor:		
Phone Number	**Fax Number**	**Point of Contact**
Name of Additional Vendor:		
Phone Number	**Fax Number**	**Point of Contact**

Signature of General Manager	Date Signed

San Mateo County Harbor District

Fish Unloader: Pillar Point Seafood



San Mateo County Harbor District

Fish Unloader: Pillar Point Seafood

Date of Sale:_____ ← In this box fill in the date

Fish Buyer:_____ ← Name as shown on SMCHD permit

PERMIT #:_____ ← SMCHD issued permit for fish buyers

Date of landing:_____ ← Date Vessel enters PPH Harbor

Name of Vessel:_____ ← Vessel name on registration

Vessel Operator:_____ ← First and Last name of Operator

TONS/LBS—Should we have them circle one ? Or if it is both require they put in the /

[ ] **Wet Fish (Should we put types of fish in parenthesis)?**

TONS/LBS

[ ] **Fin Fish (Should we put types of fish in parenthesis)?**

ITEM 14

Memorandum

TO: Harbor Commissioners

FROM: Debra Galarza and David Doyle

RE: Bills & Claims for Period Ending 8/5/15

Total Disbursements being submitted for your review:	$	635,301.70
These include:		
Handchecks in the amount of:	$	488,870.91
Payables in the amount of:	$	146,430.79

Dept. Code	Description			Page Reference
101	Harbor Commission	$	28,010.96	2
103	Administration	$	134,164.11	2
201	Pillar Point Harbor	$	187,257.36	2
301	Oyster Point Marina	$	106,546.40	2
	Payroll Related	$	179,322.87	2
	Total for Review	$	635,301.70	2

Notes:

Handchecks Written for:

Payroll Related Plus Workers Compensation Insurance	$	159,049.27
CalPers Side Fund Annual Payment due 7/31/15	$	254,779.00
Invoices with Due Dates on or Before Board Meeting	$	75,042.64
Total Handchecks Written	$	488,870.91

BILLS CLAIMS FOR 8/5/15 BOARD MEETING

VENDOR	DESCRIPTION	AMOUNT	PAYROLL RELATED	HARBOR COM 101	ADMIN 103	PILLAR POINT 201	OYSTER POINT 301
ADP, LLC	PAYROLL PROCESSING	1,653.54		258.04	309.66	622.34	463.50
ARAMARK UNIFORM SERVICES	UNIFORM SERVICES	362.18					362.18
KENNETH BERTELSEN	REFUND DEPOSIT	169.43					169.43
BLUE RIBBON SUPPLY	JANITORIAL SUPPLIES	1,688.80				1,496.59	192.21
CALIFORNIA WATER SERVICE	UTILITIES	4,351.36					4,351.36
CALPERS	PAYROLL DEDUCTION PAYABLE	13,480.60	13,480.60				
CALPERS SUPPLEMENTAL INCOME 457 PLAN	PAYROLL DEDUCTION PAYABLE	4,993.00	4,993.00				
CASPIAN IT GROUP	OFFICE RELOCATION EXPENSE	2,600.00		2,600.00			
CLARK PEST CONTROL	CONTRACTUAL SERVICES	75.00					75.00
CLEAN HARBORS ENVIRONMENTAL SVCS	HAZARDOUS WASTE REMOVAL	2,530.83				2,530.83	
JAMES D. COLOMY	REFUND DEPOSIT	283.50				283.50	
COMCAST	COMMUNICATIONS	199.56			199.56		
COX, WOOTON, LERNER, GRIFFIN & HANSEN	LEGAL SERVICES	2,110.91					2,110.91
DEPT OF JUSTICE	OFFICE RELOCATION EXPENSE	32.00		32.00			
ERBCO CONSTRUCTION SERVICES	ELECTRICAL REPAIRS	19,895.17				19,895.17	
FASTENAL COMPANY	SMALL TOOLS	109.87				109.87	
HOLLY FRANCIS	REFUND DEPOSIT	288.50					288.50
GRAINGER	REPAIRS & MAINTENANCE	38.73					38.73
HENDERSON MARINE SUPPLY, INC	REPAIRS & MAINTENANCE	215.42					215.42
KONICA MINOLTA BUSINESS SOLUTIONS	REPAIRS & MAINTENANCE	1,286.27			1,051.30	234.97	
LIEBERT, CASSIDY & WHITMORE	LEGAL SERVICES	10,609.00		3,095.50	7,513.50		
LISA WISE CONSULTING	PROFESSIONAL SVCS-STRATEGIC PLAN	42,206.35			14,068.79	14,068.78	14,068.78
MISSION UNIFORM	UNIFORM SERVICES	548.88				548.88	
JOHN NORRIS	REFUND DEPOSIT	270.47				270.47	
PACIFIC COLOR GRAPHICS	OFFICE SUPPLIES	646.91			474.39		172.52
PG&E	UTILITIES	18,837.56				11,368.84	7,468.72
PITNEY BOWES GLOBAL FIN SVCS	POSTAGE EXPENSE	5.00			5.00		
RECOLOGY OF THE COAST	GARBAGE SERVICE	304.02				304.02	
RELIABLE FIRE EXTINGUISHERS	REPAIRS & MAINTENANCE	1,004.89					1,004.89
SAFETY KLEEN SYSTEMS INC.	REPAIRS & MAINTENANCE	1,720.15				1,720.15	
SHIELDS CONSULTING GROUP, INC.	STATE MANDATED COST SERVICE	3,541.09		3,541.09			
SM COUNTY RESOURCE CONSERVATION DIST	WATER QUALITY ASSISTANCE	5,665.08				5,665.08	
STAPLES ADVANTAGE	OFFICE SUPPLIES	1,067.87			734.14	257.22	76.51
VANTAGEPOINT TRANFER AGENTS	PAYROLL DEDUCTION PAYABLE	1,800.00	1,800.00				
WEB MARKET CONSULTING	WEBSITE MAINTENANCE 4/1-6/30/12	1,838.85		1,079.00	582.40	53.30	124.15
SUB-TOTAL OF PAYMENTS TO BE PROCESSED 8/5/15		146,430.79	20,273.60	10,605.63	24,938.74	59,430.01	31,182.81
CALPERS	GASB #68 REPORTS	1,700.00	1,700.00				
AT&T	COMMUNICATIONS	1,993.85			156.41	1,174.00	663.44
BLUE RIBBON SUPPLY	OPERATING SUPPLIES	407.90				407.90	
BHI CONSULTING	GM SEARCH	5,088.26		5,088.26			
MARINE LIEN SALE SERVICES	COLLECTION EXPENSE	840.00					840.00
PG&E	UTILITES EXPENSE	391.91					391.91
RECOLOGY OF THE COAST	GARBAGE SERVICE	8,377.88				8,377.88	
REGIONAL GOVERNMENT SERVICES	CONTRACTUAL TEMPORARY-GM	28,434.00			28,434.00		
SAN DIEGO BOAT MOVERS	VESSEL ABATEMENT	1,550.00				1,550.00	
VANTAGE POINT TRANSFER AGENTS	EE CONTRIB-PAYDATE 7/2/15	1,800.00	1,800.00				
ZURICH NORTH AMERICA	WORKERS COMPENSATION INSURANCE	133,306.00	133,306.00				
BLUE RIBBON SUPPLY	OPERATING SUPPLIES	500.72				252.62	248.10
CALPERS SUPPLEMENTAL INCOME	EE CONTRIB-PAYDATE 7/17/15	5,493.00	5,493.00				
CALPERS	EE & ER CONTRIB-PAYDATE 7/17/15	13,437.27	13,437.27				
FEDEX	CONTRACTUAL SERVICES	156.45		134.67	21.78		
GOPHER BUSTERS	CONTRACTUAL SERVICES	495.00				495.00	
GREENLEAF COMPACTION, INC.	GARBAGE SERVICE	1,001.46				1,001.46	
KONICA MINOLTA BUSINESS	OFFICE SUPPLIES	89.37			89.37		
MRC	REPAIRS & MAINTENANCE	53.19			53.19		
NAUTICAL SOFTWARE SOLUTIONS	ANNUAL SOFTWARE MAINT AGREEMENT	975.00				975.00	
NEXTEL COMMUNICATIONS	COMMUNICATIONS	144.46					144.46
OPERATING ENGINEERS LOCAL	EE CONTRIBUTIONS-UNION DUES	1,080.00	1,080.00				
PITNEY BOWES GLOBAL FIN SVCS	EQUIPMENT RENTAL	1,536.54			512.18	512.18	512.18
REGIONAL GOVERNMENT SERVICES	CONTRACTUAL TEMPORARY-GM	160.11			160.11		
TEAMSTERS UNION LOCAL 856	EE CONTRIBUTIONS-UNION DUES	433.00	433.00				
VANTAGE POINT TRANSFER AGENTS	EE CONTRIB-PAYDATE 7/17/15	1,800.00	1,800.00				
LYNN S. FRANK	LEGAL SERVICES	4,500.00		4,500.00			
CALPERS	PRPYMNT UNFUNDED LIAB SIDE FUND	254,779.00			72,798.33	112,646.16	69,334.51
SOUTH SAN FRANCISCO SCAVENGERS	GARBAGE SERVICE	3,226.20					3,226.20
COASTSIDE.NET	COMMUNICATIONS	399.00				399.00	
SUDDATH REOLCATION SYSTEM	OFFICE RELOCATION EXPENSE	7,682.40		7,682.40			
TURBO DATA SYSTEMS, INC.	CITATION PROCESSING	38.94				36.15	2.79
WORKING DIRT MANAGEMENT	AUGUST 2015 OFFICE RENT	7,000.00			7,000.00		
TOTAL HANDCHECKS		488,870.91	159,049.27	17,405.33	109,225.37	127,827.35	75,363.59
TOTAL BILLS & CLAIMS		635,301.70	179,322.87	28,010.96	134,164.11	187,257.36	106,546.40
			PAYROLL	COMM	ADMIN	PPH	OPM

Memo

To: Board of Harbor Commissioners

From: Glenn Lazof, Interim General Manager

Date: July 30, 2015; covering the period July 9- July 30, 2015

Re: August 5, 2015 Activity Report

Administration

The list of administrative tasks and demands remains greater than our resources to complete these tasks, so prioritization continues.

Meetings: Doing our best to be prepared for meetings of Commissioners and assist with meeting legal requirements has to take precedence over much of our work. Below is a list of planned public meetings where preparation, support, and/or attendance occurred during this period:

Board of Harbor Commissioners:

- Special Meeting July 14, 2015
- Regular Meeting July 15, 2015
- Regular Meeting August 5, 2015

Oyster Point Marina Liaison Committee:

- City was unable to make tentative date. A reschedule is pending.

Finance Committee

- Pending consideration for rescheduling of regular meeting of July 23 to meet Brown Act requirements and best practices.

Other Board Mandated- Time Sensitive Activities

- Health Insurance 1– We received two weeks' notice from the Teamster Health and Welfare Trust that 7 individuals insured by the District would be dropped from the plan. Some are current employees or commissioners, and some receive termination benefits. Due to complicated nexus between district contract requirements, health care law, and the desire to keep these employees noticed as timely as possible, this became an urgent and time consuming task during this period. The Trust has offered to maintain these employees as if they were on COBRA continuation health coverage, for 18 months, or until the Teamsters elect to rescind the coverage. There will be a 2% additional charge. After considerable investigation, the IGM has accepted this as an interim solution. However, this is an additional incentive to find an alternative Health Plan.
- Health Insurance 2 – The Teamsters Health Welfare Trust billed us for "retroactive Health Insurance Payments" going back as far as 2012. We agreed to pay FY 2014 amounts as that was then an increase in the current year. We had thought they would drop the $70,000 in charges for 2012-2014. We recently received a letter indicating that we need to appeal those retroactive charges to the Trusts Board of Trustees.

Legal Mandates/Issues:

- Public Records Act – John Ullom notified the District that we can consider all of his outstanding PRA requests complete. Quoting his e-mail," The War has been won. Now we all need to work on winning the Peace." The IGM sent an appreciative response, "I will do my best to ensure

that you do not regret your decision, not only during my last week's as IGM, but that I will also endeavor to leave my successor with tools to enable them to deepen that commitment".

Working environment, long term health of District: As an Interim General Manager one of my most important goals is to make as much progress as possible towards creating a work environment that will support the recruitment and retention of a successor of the highest quality and professionalism.

- Preparation for and attendance at LAFCo hearing re: MSR.
- Advise recruitment committee re mitigating the impacts of dissolution discussions on recruitment.

Completed Tasks

- Approve payment to Lisa Wise Consulting upon receipt of Timeline (Timeline is located behind this report).

These are tasks where adequate progress was made during this period.

- Annual Workers Compensation Audit is scheduled the third week of August.
- Cost Accounting Enterprise and Public Purpose Activities.
    - Employee time sheet entry which will provide the basis for labor cost should begin the Pay Period starting August 9 or possibly August 23rd.
    - Coding of Invoices began July 22nd.
    - Allocations to Public and Enterprise will be made at least quarterly, and we are looking at cost efficient methods that could allow this to be timelier.

These are items in which some progress was made, but not as much as we would like.

- Open Gov. Finance Director and IGM attended initial start- up meeting. SMCHD first task is to update Chart of Accounts and GL accounts. Staff needs to update to reflect new funds that will track enterprise and public fund accounting (rather than all in general fund as current) and that will take some time with existing resources, and planned vacations.
- Reviews of routine financial and personnel documentation, prior to authorization.
- Briefings on Labor Negotiations.
- Define and attempt to locate documents Commissioner Brennan requested regarding Air Force Agreements relevant to West Trail.
- Mavericks Surf Contest Conditions and Permits
    - Background information provided to Sports Illustrated.
    - Coastal Commission staff is researching answers to our preliminary inquiries regarding the trail closure. Staff sought updates 7/14, but there was no new information on the issues below at that time.
        - They are still researching who has jurisdiction over the trail. IGM understanding is it could be County, Air Force, or this District and not sure how many others.
        - They then will researching whether a temporary trail closure lasting less than a full day, occurring for public safety reasons, requires a permit.
- Phondini Proposal - Transparency Officer/ PIO has
    - Reached out to Phondini.
    - Reviewing Commission direction with social media with General Counsel and Hanson Bridget social media specialist.
    - Progressed on developing contract for Phondini services to develop and propose a social media plan for the district.
- District Web site added "Employment Opportunities" to the home page, with a drop down for both a District application and Current Job Openings.
- Developing long term RFP for IT Services.

These are items in which some progress was made, but far less than is required to limit exposures and forestall future issues:

- Reformatting new Code of Conduct into Policy and Procedure Format.
- Reviewing potential Oyster Point Bait Shop Lease.

These are tasks in which no progress was made (there are probably others where no progress has been made perhaps because the IGM has not had time to discover they need to be done):

- Matrix of Summary information of all Commercial Leases.
- Mavericks Store Lease- end date is June 30.
- Review of Pillar Point restaurant lease regarding any requirement to conduct business in leased area.
- Development of Five Year Capital Improvement Plan (CIP).
- Revising Fees for Fiscal Year 2015/2016.
- Completing Agreement with CASPIAN IT for stop gap services, still unable to find a provider, unwilling to provide a quote for a 60 day window.
- Updating District's Reserve Policies.
- Review of Fees and Charges for increased revenue coverage of District costs including consideration of proposing:
    - Fees/ permits for Large Truck Impact on Johnson Pier.
    - Greater clarity between market rates fees and those limited by law to cost of service.
    - Consistency between fees for similar services.
    - Environmental Fee.
- Moving to a "Paperless" environment.
    - Investigating issuance of IPads for Board Meeting Use.
- Reviews and updates of all Policies and Procedures.
    - Including New Policies and Procedures for District Treasurer.

These are tasks which have been paused, either due to other priorities, and other reasons as described herein:

- Previously Reported:

  Four responses received to the RFP legal services, prior to my appointment. Additional reasons for pause: complex pending and potential legal matters need to proceed with labor negotiations. Also it seems appropriate to wait to take this up after the successful recruitment of a new GM, permitting his or her participation in these important selections.
- Completion of Office Move Improvements– Staff efforts to find a third party opinion to resolve the disagreement between staff and the committee recommendation regarding the placement of the wall such as to maximize meeting space and protect confidential documents is at impasse. We have been unable to find a reasonably priced space planner willing to work with us. This decision will be left for the new General Manager, who we are confident will be likely as good an unbiased third party as anyone.

Personnel

- Ongoing matter requiring confidentiality pertaining to individual employees, (1 significant)
- Management Vacations:
    - Finance Director will be on vacation August 3-7.
    - Harbormaster will be on vacation August 20-August 30.
- Planning for continuity of administrative staff in response to actual and anticipated turnover
    - We have hired a Temporary Administrative Assistant to District Administration and Deputy Secretary to the Board, Melanie Hadden. Ms. Hadden's experience includes eight years of general office for 10 executives in the private sector.

Transparencies

- Coastside Water District – First the good news, Coastside informs us that they overbilled up to $114,000 over the last 13 years at PPH. What is supposed to have occurred is that they bill us based on our Master Meter, deducting from it their billings to our tenants. The method they used inadvertently would charge us for the tenant billings in the previous months. Five tenants are billed for metered water use by the Coastside Water District (Ketch Joanne 2 meters, Princeton Seafood, Mavericks Surf

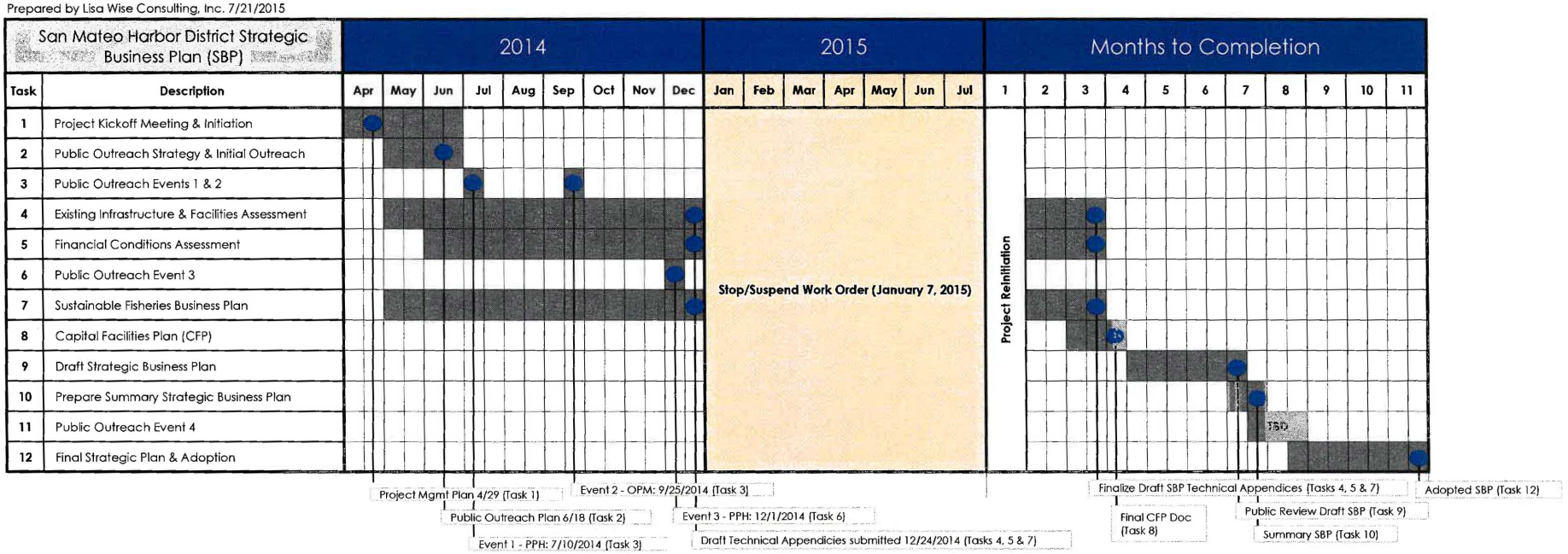
Shop, and Half Moon Bay Sportfishing). The three fish buyers are billed for their metered use directly by the district. We can expect a check for the amount owed.

The current billing method described above is not really appropriate because Coastside is really only responsible for the master meter. Ideally we should be billing our all our tenants for their water use.

- Web Market Consulting – has been providing the District with professional web site services since 2001. We cannot find a contract and are working to institute an agreement that protects our interests without jeopardizing our efforts to use the web site to increase transparency.

Revised Project Timeline

Prepared by Lisa Wise Consulting, Inc. 7/21/2015



STAFF REPORT

FROM: Debra Galarza, Director of Finance

DATE: August 5, 2015

SUBJECT: Finance Department Report to the Commission

Accounting and operations

- Ongoing expense management through detailed review of invoices and review of bills and claims.
- Bi-weekly payroll processing and review.
- Conference Call with OpenGov for implementation planning schedule. General Ledger Chart of Accounts to Open Gov by August 19th.
- Meeting with lessee regarding lease terms and audit results.
- Cal Card Administration.
- Provide requested information to negotiator and human resource staff for union negotiations.
- Accounts Payable desk coverage due to staff time-off.
- Accountant desk coverage due to staff time-off.
- Staff meetings with (some of) OPM and PPH Harbor Patrol regarding segregation of Enterprise and Public services expense accounting.
- Work with ADP for integration of Enterprise and Public service coding for timecards.
- Discussed payment plans with tenants.
- Continued planning and preparation for year-end close including auditor item requests.
- Ongoing analysis of lessee rent charges to ensure compliance with lease terms.

ITEM 17

STAFF REPORT

TO: San Mateo County Harbor District Commissioners

VIA: Glenn Lazof, Interim General Manager

FROM: Marcia Schnapp, Interim Administrative Resources Manager

DATE: August 5, 2015

SUBJECT: General Report to Board

Office Move/Status
Staff has requested proposals from professional office space planners. Only two planners have submitted proposals. Both are in excess of $3,000. Staff will consider whether it makes sense to expand design requests to a broader range of service providers.

RFPs

IT Services
Staff has a final draft of the RFP for IT Services that it is requesting comments on. Once that process is final, Staff will include in the Board's August 19 meeting package.

PPH Public Hoist (new)
Harbormaster Grindy is assisting administrative staff in developing an RFP for the PPH Public Hoist so that the work is completed prior to the opening of Crab Season.

OPM Security Services (new)
Staff will be developing an RFP for OPM Security Services once the PPH Public Hoist and IT Services RFPs have been completed, but in time to meet the November deadline for renewal.

OPM Bait Shop Lease

Web Services
Staff would like to have this RFP split between website design and ongoing maintenance. Staff feels the District may get better pricing using this model as those who are good at website design may give the District a fresh updated and more efficient website but may charge more for ongoing maintenance; whereas those vendors who are good at website maintenance may not be great website designers.

Insurance
Insurance RFP is scheduled to be released in January 2016.

District Policies

Staff is working closely with consultants to update District policies, including developing policies regarding communication and social media.

HR/Staffing

Deputy Secretary Certified List

District has advertised for applications in order to create a certified list for the Deputy Secretary position. The District already has applications for Accounting Technician and Accounting Specialist. This will ensure the District experiences minimal administrative disruption in the event of a staff departure in any one of these positions.

Deputy Harbormaster/Harbor Worker Certified Lists

Once the District has a new general manager who has a chance to review current staffing allocations, Staff will be advertising for applications to refresh its Deputy Harbormaster and Harbor Worker certified lists.

OPERATIONS

Memo

To: Board of Harbor Commissioners

From: Scott Grindy, Harbor Master

CC: Glenn Lazof, Interim General Manager

Date: July 29, 2015

Oyster Point Marina/Park

Construction Update & General Status Updates

- Additional corrections by water department to district found water line leaks on supply side of meters/backflows on existing supply lines
- In conversation with Moffatt & Nichol for OPM correctional design for high water issue at harbor office area

OPM Miscellaneous

- Spirit of Sacramento, internal/external discussion, awaiting Federal Court action
- Car and Motorcycle Show Event for April 2016 in discussions with promotor, present event is at Brisbane Marina//POSTPONED DUE TO OVERHEAD COSTS BY OTHERS
- One DHM out till early August due to personal injuries while surfing.
- Bait Shop Lease in draft review by district staff
- Meeting with two Kite Boarder Commercial Activity Permit holders regarding internal business issues and conflicts when using park area for training. 1 firm warned for potential environmental concerns at dock and Jet Ski speeding inside the marina by instructors
- Staff removing many dead trees and bushes in the park/marina area due to poor soils, water shortage and insect infestations

Pillar Point Harbor

Construction Update & General Status Updates

- Staff performing dock pedestal electrical services
- Staff performing clean up duties and actions at West Trail facilities, (re-painting wood signs, wood fences around portable toilets and replacing metal signs with new. Also working to have the Corps of Engineers replace the large wood beach sign that has been continually vandalized
- The Electrical Project for PPH/OPM is punch list complete, reviewing final billing and verification of work completed in closeout in process
- Awaiting Coastal Commission written response and permit to West Trail repairs. *(See Coastal Comm. Email on permit consolidation attached)*
- HM preparing bid for Public Hoist repairs and recertification
- HM preparing bid for Fish Buyers building roof which is now in need of repairs

- Preparing informational report on Romeo Pier demolition for the board
- (***Admin. Office***), have met with 3 security alarm providers and reviewing proposals

PPH Miscellaneous

- PPH District Hoist (near Harbor Office) is off line, and has lost its certification due to inspection findings. Due to quotes for the repairs exceeding the $5,000 limit for a public project, staff is preparing the item to go to bid for the repairs with an estimated cost of about $25,000. It is anticipated the hoist would be returned to service at approximately the end of August upon award of bid. Unit is over 40 yrs. old
- Vandalism and wear and tear to pier restroom shower doors, replacement in process. (Requisition and estimated completion by the end of July, early August upon arrival of parts). Staff working on inside to spruce space up
- HM, with the assistance of DHM Cary Smith, met with approximately 85 people from two groups for the Annual Tour Des Fleurs on Saturday July 25 at the PPH harbor
- HM coordinated and met with DBW and Fish and Wildlife for BIG (Boating Infrastructure Grant) grant discussions in support of a project (replacement of boat ramp restroom) at PPH
- HM and staff met with Coastside Water regarding metering of water and pending changes to the metering systems/services
- Met with staff and fish buyer regarding electricity and fee items
- In discussions with organizers of Fish and Fleet event
- In discussions with promoters of the Pumpkin Fest, and Crab Fest
- Met and toured west trail with SM County Parks Director for potential grant funding and similar assistance

Occupancy Overview (July)

PPH

- Total occupancy (inner harbor) –94% (this includes slips, end ties and walk way)
- Berth occupancy (inner Harbor)- 94% (347 slips out of 369 are occupied)
- Moorings (Outer Harbor) – 21% (8 out of 38 moorings occupied)

OPM

- Total Berth Occupancy 66% (284 out of 428 are occupied)
- LAB count 42 LTT count 10

Search and Rescue Activity Highlights & Urgent Need Activities:

PPH 4 Search and Rescue activities 1 medical

OPM 1 Search and Rescue Activity

Calendar Reminder Items of District Events and Activities

- September 27 @ PPH "Fish & Fleet" Event
- December 5th for OPM Decorated Boat & Holiday Tree Lighting.
- PPH "Holiday Boat Lighting" Event December 12th
- January 30-February 6 "Crab Week" at PPH Areas

EMS-Clean Marina Activities-District Wide

- PPH/OPM-Vessel Annual Inspections and new vessel inspections on going
- PPH Staff contacting the 4 mooring ball tenants in the harbor for interest in a monthly pump out service being they are liveaboards in the outer harbor.
- BayGreen Pump out Service PPH 19
- BayGreen Pump out Service OPM 12

EMS STAFF NOTES: District EMS staff are presently reviewing the ongoing study being done by the "The Los Angeles County Department of Beaches and Harbors" which is currently considering requiring all divers that perform hull cleaning in the Marina del Rey harbor to be certified in a program that includes Best Management Practices (BMPs).

As you may be aware, there are problems with marina bottoms having high copper and zinc levels in some marinas from bottom cleaning activities being performed while boats are in the water and at their slips. This has various impacts from fish and wildlife to dredging activities.

- 1. Does your port/marina require permits to conduct boat maintenance and hull cleaning? If the answer is "no", please complete question 1 and return the survey. If the answer is "yes", please complete the rest of the survey.
- 2. Does your port/marina have a hull-cleaning ordinance that requires divers to have certification related to BMPs?
- 3. If a certification program is required, who pays for the training and how often must the certification be renewed?
- 4. Are there aspects to your hull-cleaning ordinance that you would like to revise?
- 5. How is your ordinance enforced and how are certified divers identified?
- 6. What public outreach was done prior to adoption of your ordinance?
- 7. Does your port/marina currently have a TMDL related to copper paint or boat maintenance?

District staff is reviewing for implementation, and permitting processes for boat service provider vendors.

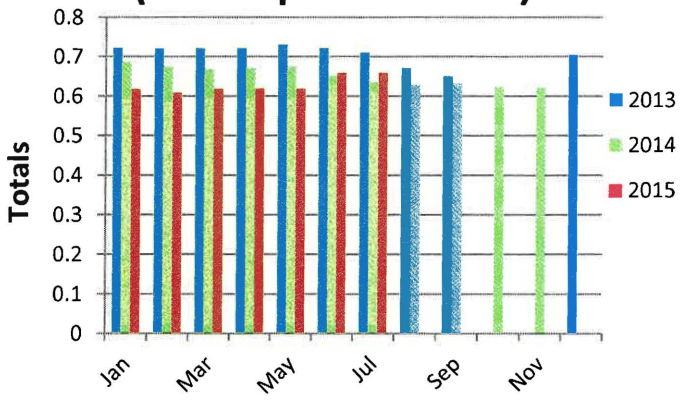
Other Misc. Items:

- Assisting with union negotiator for the first two initial meetings of OE3 and Teamsters
- Grant preliminary discussions for future board meeting discussions
- Preparing various marketing items and activities, including supply lists for the coming year events
- Harbor Staff meetings with focus on changes to account coding using *"Public", "Enterprise" "Other/Allocation"* for improved demonstration of costs of district
- Meetings & discussions regarding staff items with Human Resources

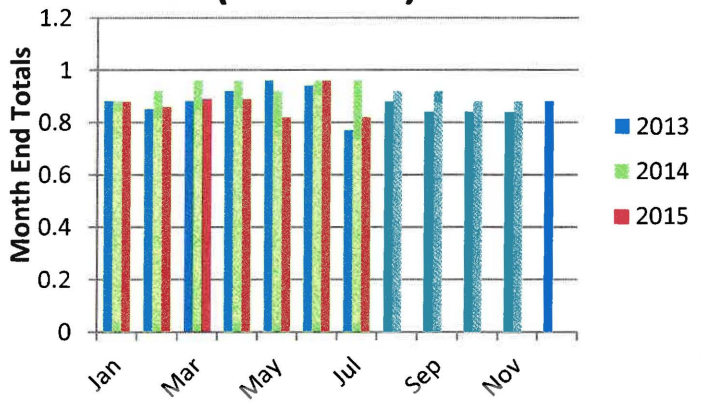
Oyster Point Marina

Monthly Marina Activity Report - June 2015

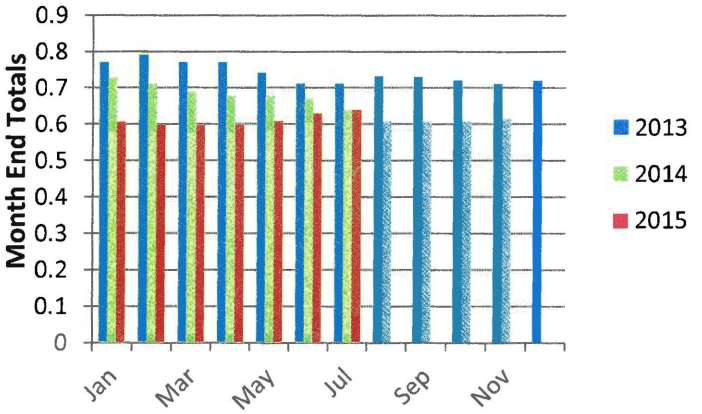
Overall Occupancy (428 Slips Available)



26 ft Slips (Total: 25)



30 ft Slips (Total: 158)



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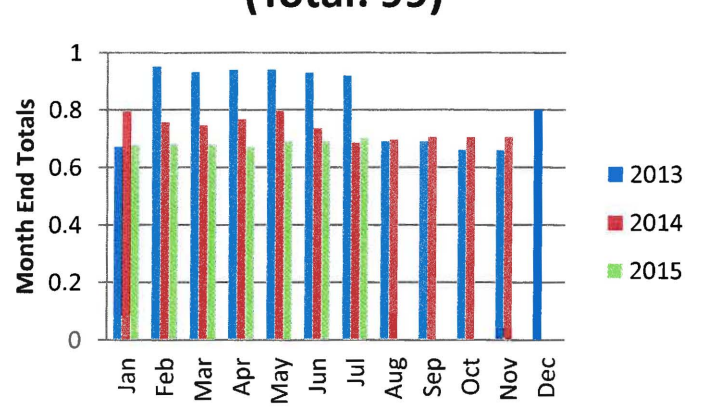
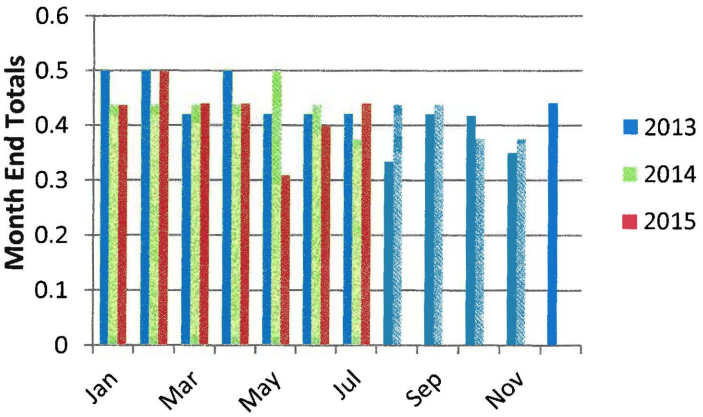
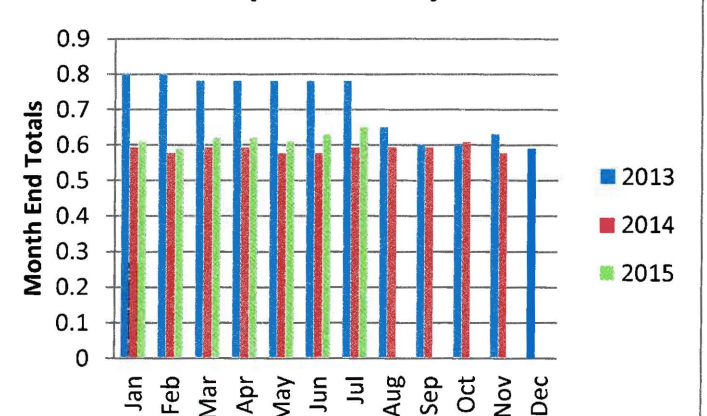
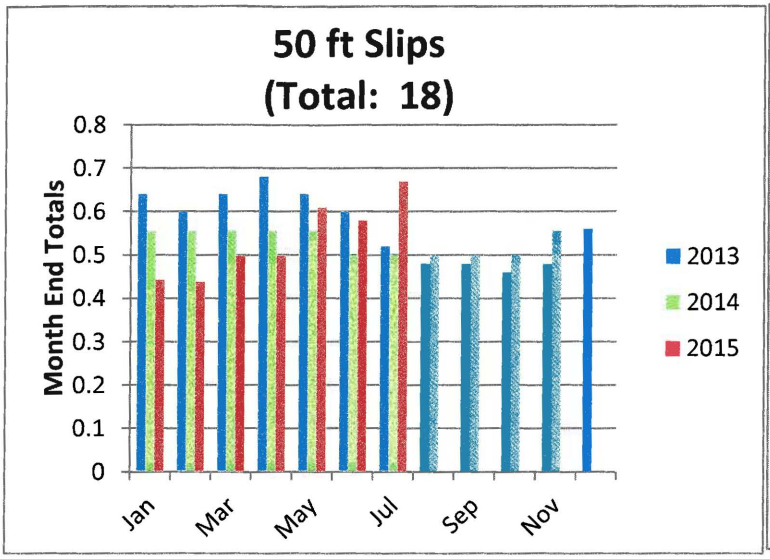


40 ft Slips (Total: 16)



45 ft slips (Total: 64)

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Mar
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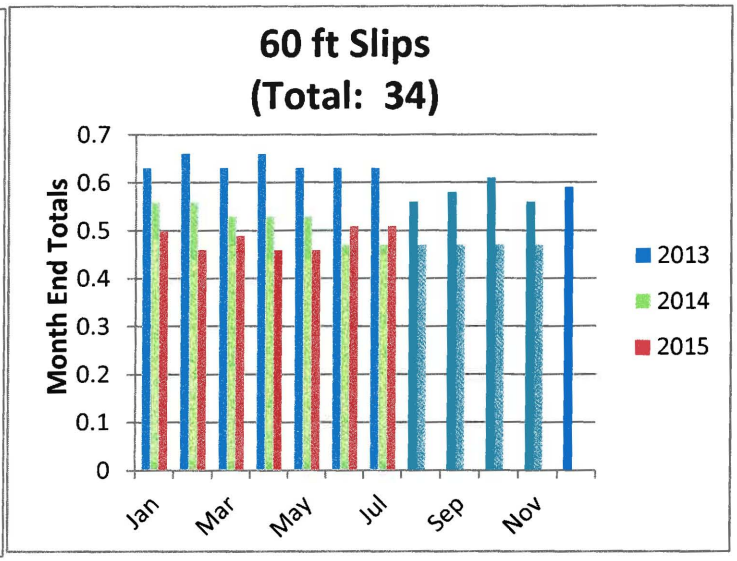
Sep
Nov
2013
2014
2015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(Total: 34)
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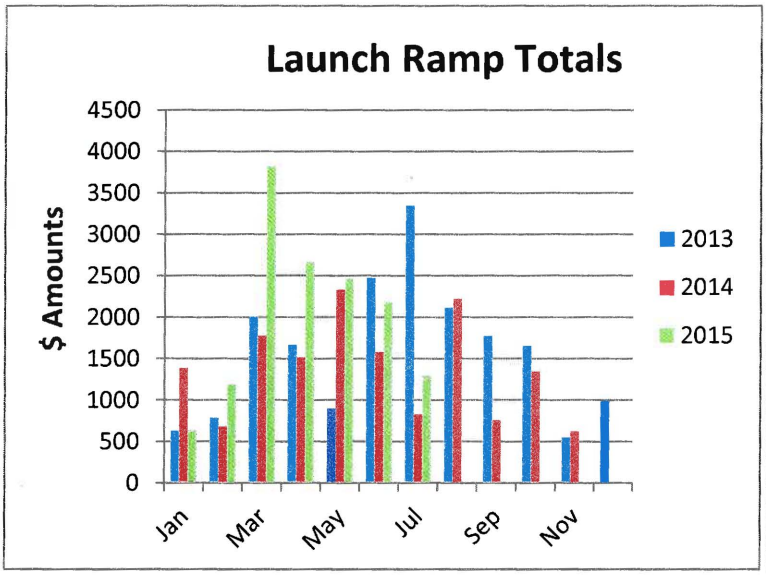
Launch Ramp Totals
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1000
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Jan
Mar
May
Jul
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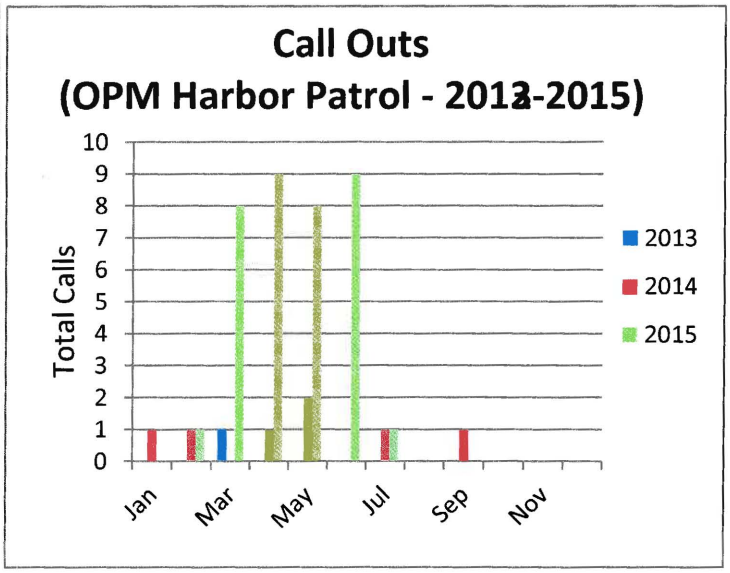
2013
2014
2015


Call Outs
(OPM Harbor Patrol - 2013-2015)
Total Calls
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6
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3
2
1
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Jan
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Jul
Sep
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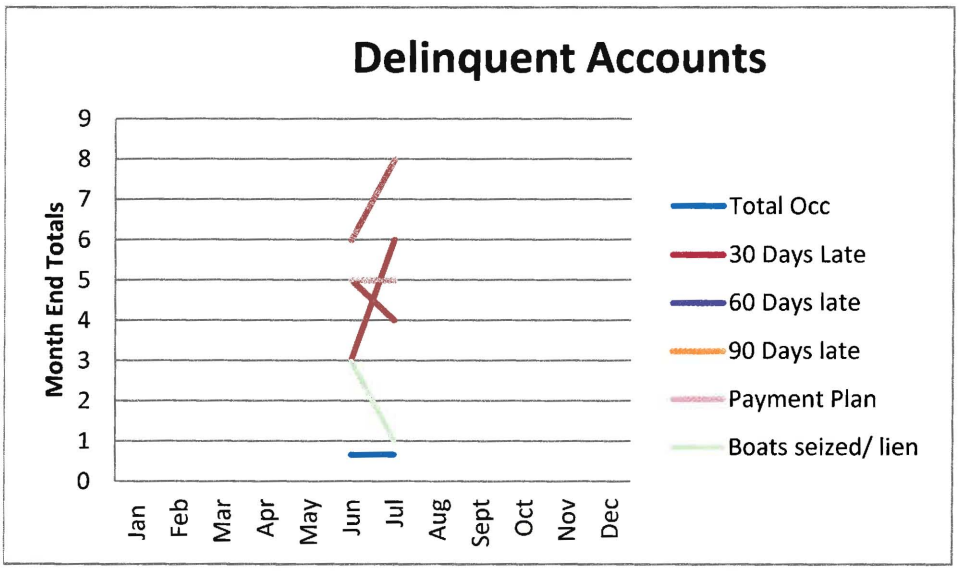
2013
2014
2015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8
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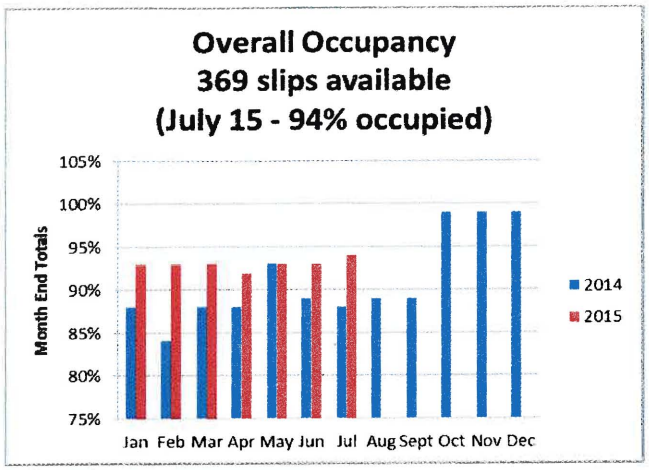
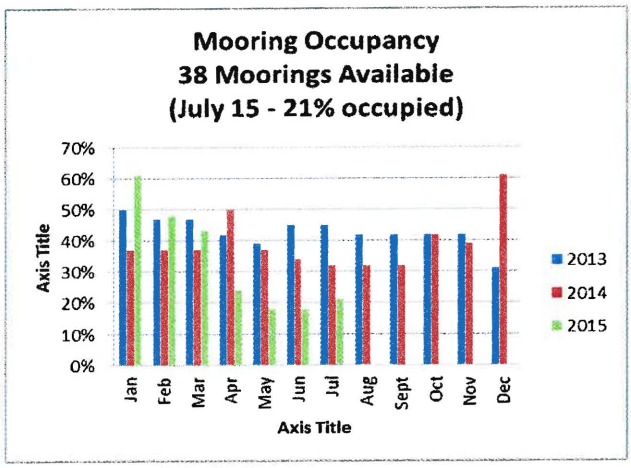
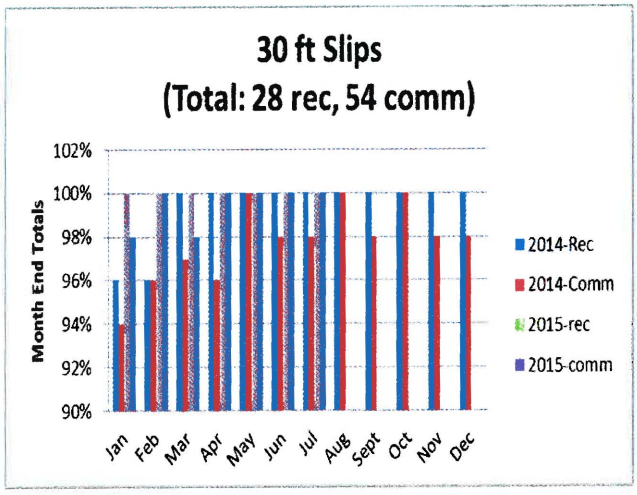
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sept
Oct
Nov
Dec
Total Occ
30 Days Late
60 Days late
90 Days late
Payment Plan
Boats seized/ lien

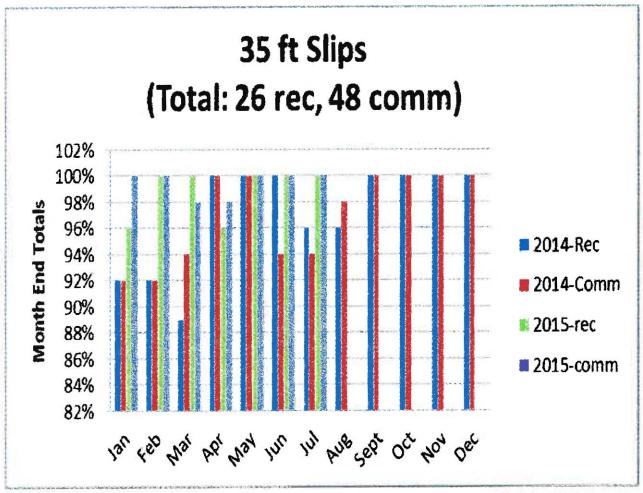
Pillar Point Harbor Dashboard

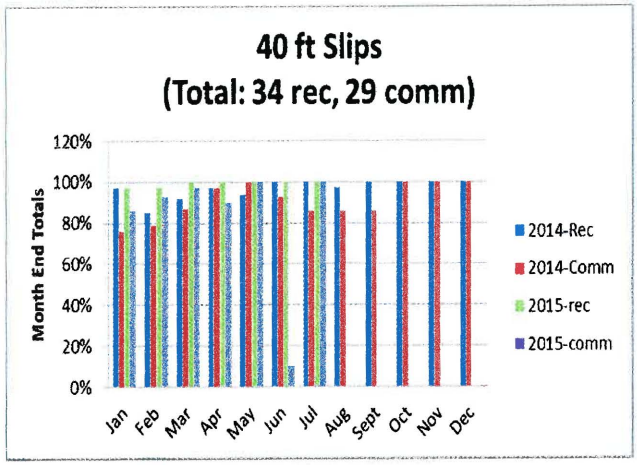
Monthly Marina Activity Report - July 2015

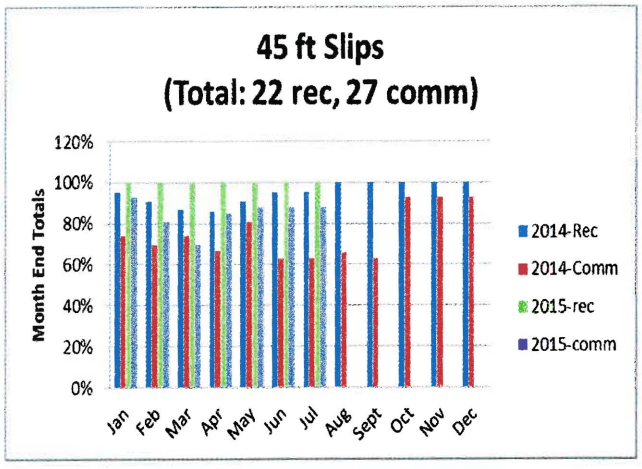






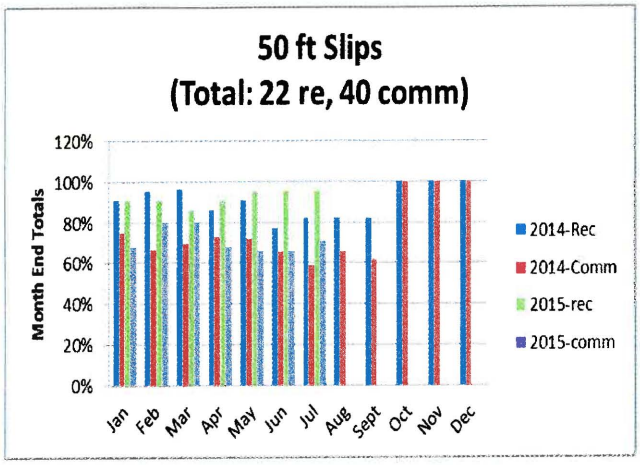


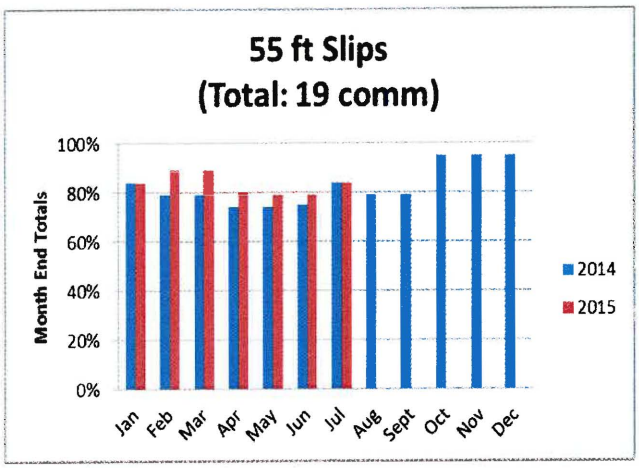


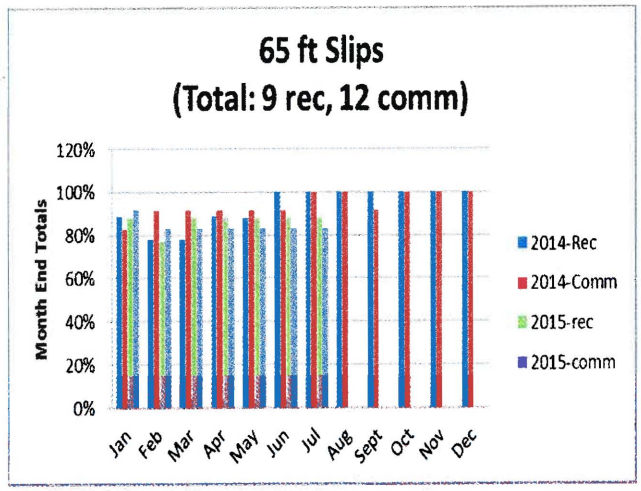


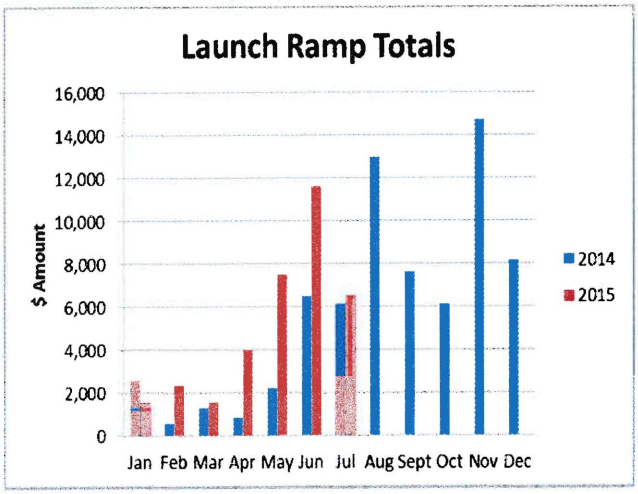
Pillar Point Harbor Dashboard

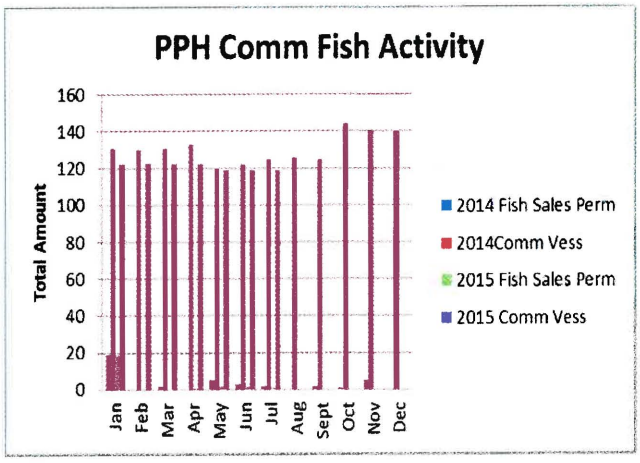
Monthly Marina Activity Report - July 2015

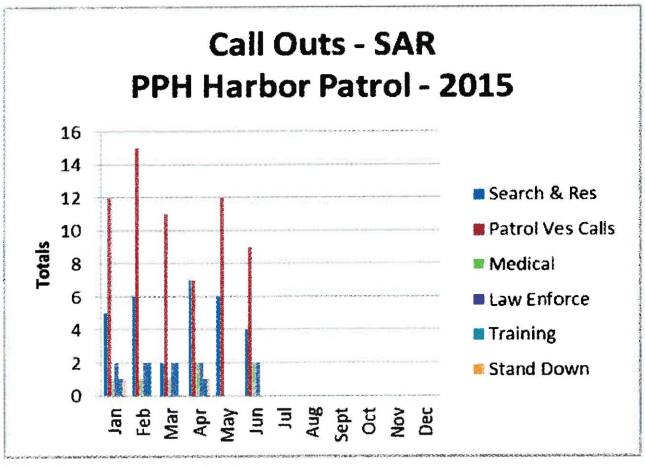


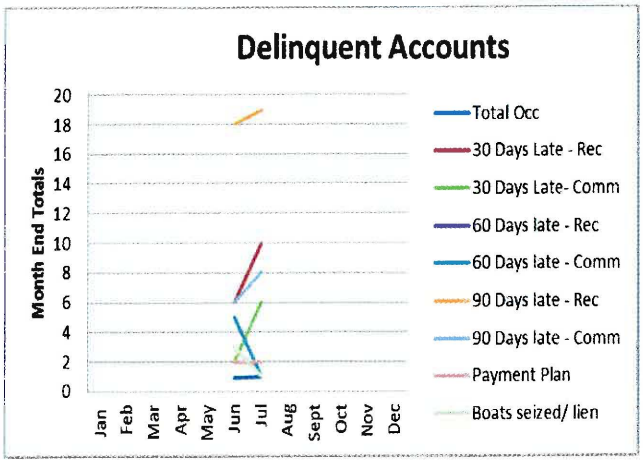











Delinquent Accounts
Month End Totals
20
18
16
14
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Jan
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Oct
Nov
Dec
Total Occ
30 Days Late - Rec
30 Days Late- Comm
60 Days late - Rec
60 Days late - Comm
90 Days late - Rec
90 Days late - Comm
Payment Plan
Boats seized/ lien

Debbie Nixon

From: Scott Grindy
Sent: Monday, July 27, 2015 1:43 PM
To: Debbie Nixon
Subject: FW: Pillar Point Corps of Engineers Wood Sign (UNCLASSIFIED)
Attachments: 20150723_110517.jpeg

Debbie, pls add to the HM report thanks

-----Original Message-----
From: Zoulas, James SPN [mailto:James.G.Zoulas@usace.army.mil]
Sent: Monday, July 27, 2015 1:38 PM
To: Scott Grindy
Cc: John Draper; Mull, Peter A SPN; Lera-Chan, Janice M SPN
Subject: RE: Pillar Point Corps of Engineers Wood Sign (UNCLASSIFIED)

Classification: UNCLASSIFIED
Caveats: NONE

Hi Scott,

Thank you for bringing this to our attention. We also noted the degraded condition of the sign during our inspection last month. I will follow up with our coastal structures program manager (Peter Mull) regarding the process for sign refurbishment.

James

James G. Zoulas, Ph.D., E.I.T.
Civil Engineer
U.S. Army Corps of Engineers
1455 Market Street, 17th Floor
San Francisco, CA 94103
415.503.6923

-----Original Message-----
From: Scott Grindy [mailto:sgrindy@smharbor.com]
Sent: Monday, July 27, 2015 1:34 PM
To: Zoulas, James SPN
Cc: Scott Grindy; John Draper
Subject: [EXTERNAL] Pillar Point Corps of Engineers Wood Sign

Hi John,

Looking for whom to get some assistance from at the Corps. The sign at Mavericks beach area, is basically shot and needs refurbishment, (see photo attached). It's a Corps sign so we have held off doing any work to it without the approvals and or knowing if the Corps had someone who does that for you.

Thanks

Scott Grindy

Harbor Master

San Mateo County Harbor District

650 515 7792

Classification: UNCLASSIFIED
Caveats: NONE

PILLAR POINT
LIVE LIKE SIGN
HARBOR
U.S. ARMY

New Directional Wayfinding Signs for the South San Francisco Area Roads and HWY 101

Staff working with Engineering Staff of the City of South San Francisco to enhance and improve wayfinding signage to the Ferry, and to the Oyster Point Marina/Park.

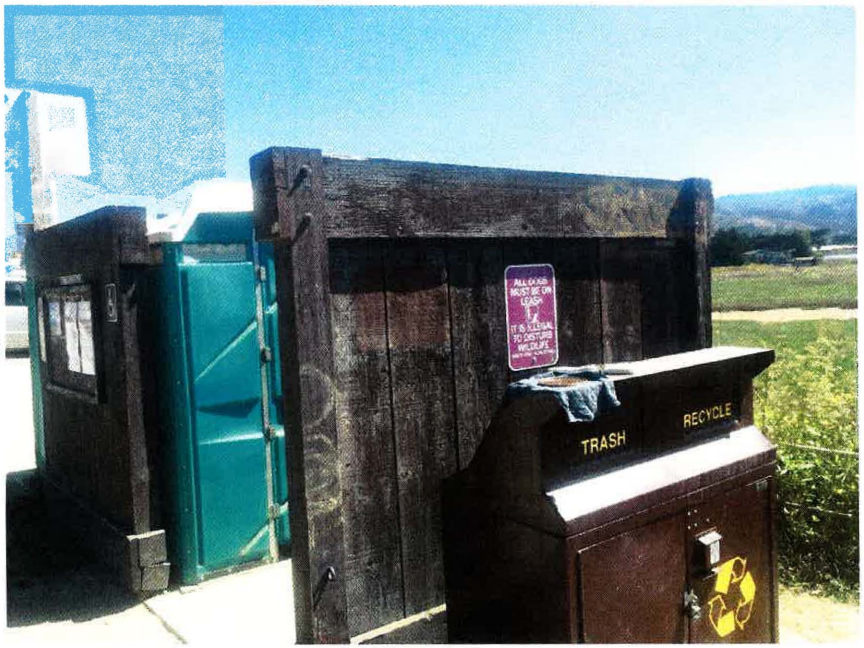
West Trail Facilities Work

Concrete Wall with Graffiti

Graffiti Removed/Covered

West Trail Facilities Work

Before clean up and stain



After clean up and staining

West Trail Facilities Work

Sign prior clean and stain **After**

Corps of Engineers Sign on West Trail Beach (COE has been contacted to replace/refinish)

San Mateo County Harbor District

Board of Harbor Commissioners

Tom Mattusch, President
Nicole David, Vice President
Robert Bernardo, Secretary
Pietro Parravano, Treasurer
Sabrina Brennan, Commissioner

Glenn Lazof, Interim General Manager

July 23, 2015

James Smith
Lead Maintenance Supervisor
Oyster Point Marina/Park

RE: Customer Comments

James,

I have attached an email I received from Mr. Joe Frezza on dock 14. His comments are a testament to the efforts and actions you have demonstrated since you were promoted to your new position.

Congratulations are in order, and to receive praise as you have from Mr. Frezza is an excellent beginning in your new role.

With the very best regards,

Scott Grindy
Harbor Master

CC: Human Resources
Assistant Harbor Master Jim Merlo
Interim General Manager Lazof
Harbor Commission

Attachment: Email from OPM Tenant Dated July 22, 2015

504 Avenue Alhambra, 2nd Floor, PO Box 1449, El Granada, CA 94018
(650) 583-4400 T
(650) 583-4611 F

Scott Grindy

From: Scott Grindy
Sent: Wednesday, July 22, 2015 8:40 AM
To: JOSEPH FREZZA
Cc: opm
Subject: RE: Great Job!

Thank you Joe.

Scott

From: JOSEPH FREZZA [mailto:joefrezza@sbcglobal.net]
Sent: Wednesday, July 22, 2015 8:13 AM
To: Scott Grindy
Subject: Great Job!

Scott,

Would like to thank-you, and Jim Smith for taking care of the problems I was concerned with the marina. Jim has done an excellant job and deserves praise! I can not believe he even got Drakes to clean-up there mess (somewhat) I know it takes time. You have a very good team working for you which makes you look good, you should be pleased. I find Mr. Smith an excellant asset to your team and should be given a good job done. Now if only the baitshop had a coat of paint it would brighten up the place....and last thing the dingy with all the junk in it(on 14) should at least be covered up, its an eye sore. I know you may not be able to do anything about but it looks bad!

Thank-you and your team,
Joe Frezza (dock 14)

San Mateo County Harbor District

Board of Harbor Commissioners

Tom Mattusch, President
Nicole David, Vice President
Robert Bernardo, Secretary
Pietro Parravano, Treasurer
Sabrina Brennan, Commissioner

Glenn Lazof, Interim General Manager

July 26, 2015

Cary Smith
Deputy Harbormaster
Pillar Point Harbor

RE: Assistance with the Annual Tour des Fleurs

Cary,

I wish to personally thank you for the professional assistance in your portion of the presentation to the 80 plus visitors to our Pillar Point Harbor this past Saturday.

Your efforts and walking presentation was well received by the guests, and I later heard from persons observing the tour that our presentation activities were the best prepared and presented for the whole tour.

We are glad you are on the team, and Job Well Done!

With the very best regards,

Scott Grindy
Harbor Master

CC: Human Resources
Assistant Harbor Master John Draper
Interim General Manager Lazof
Harbor Commission

Attachment: Flyer for Annual Tour Des Fleurs July 25, 2015

504 Avenue Alhambra, 2nd Floor, PO Box 1449, El Granada, CA 94018
(650) 583-4400 T
(650) 583-4611 F

24th
Annual Tour des Fleurs
July 25, 2015

Pillar Point Harbor
Tour Time: 1:00pm Tour E
3:00pm Tour F

Scott:

Cindy Lopez
726-8380 ext. 100

Thank you for participating in this year's Tour des Fleurs. The purpose of this event is to focus attention on Coastside agriculture & fishing and let the Bay Area know that these are our #1 industries. In order to give you a few ideas on what kinds of questions people have asked, we have a few suggestions for you to incorporate in your tour.

- A brief history of the industry.
- What you do and why...*Please be upbeat, they have not taken this tour to hear all about the gloom and doom of the industry.*
- What is your specialty?
- Keep the group moving, they don't like standing in one place and listening.
- Make sure everyone can hear you.
- HAVE A QUESTION AND ANSWER PERIOD.

If you have a place for picnicking, please let your groups know in case they have brought a picnic lunch.

We will have a Chamber Ambassador checking the people in. Each person on your tour should have a silver wristband.

Lastly, we have included a sample of each ticket (that will be brought to your tour) and the silver wristband (that will be worn). Please let us know if you have any questions!

Debbie Nixon

From: Timothy R.Beeman <tim@miramarevents.com>
Sent: Tuesday, July 21, 2015 4:55 PM
To: Scott Grindy
Subject: Half Moon Bay Art & Pumpkin Festival

Warm greetings Scott,

Thanks for participating this past year in the **Half Moon Bay Art & Pumpkin Festival** — the 2014 festival enjoyed outstanding attendance and success and we trust you were pleased with your participation.

We're moving forward planning the 2015 Pumpkin Festival — **it's Oct. 17-18** — and I'm touching base to see if you'd like to participate again this year on the sameor expanded terms as last year (see below — last year, you were a $2,500 Stage Banner sponsor – I've also provided a $5k option which includes additional sponsorship of the Made on the Coast Stage, featuring all day music on the Sunday Locals Blcok in the Cunha's store lot).

This is an important relationship and critical piece that we'd like to solidify ASAP as we move forward with our planning.

Please let me know if you'd like to renew and I'll send you the contract.

Feel free to call or email if you have questions.

Thank you,

Tim Beeman, CEO/650-726-3491

$5,000 EXHIBITOR/STAGE BANNER SPONSORSHIP
•One (1) 10' x 10' space to conduct outreach, marketing and promotional activities.
PLUS
•Co-Sponsorship of the Made on the Coast Music stage featuring all day music on the Sunday Locals Block in the Cunha's store lot with one banner (you provide) displayed onthe stage.

$2,500 EXHIBITOR PACKAGE
•One (1) 10' x 10' space to conduct outreach, marketing and promotional activities.

HALF MOON BAY ART & PUMPKIN FESTIVAL (45th annual), Half Moon Bay, California
When: October 17-18, 2015; 9 a.m. - 5 p.m.
What: The World Pumpkin Capital of Half Moon Bay celebrates its bountiful fall harvest and autumn splendor with a special display of gigantically enormous/heavyweight champion pumpkins, smashing entertainment with three stages of stellar live music, the Great Pumpkin Parade, a bone-chilling Haunted House, harvest-inspired crafts, homestyle foods, expert pumpkin carver Farmer Mike sculpting a monster 1,200+ pound pumpkin into a one-of-a-kind masterpiece, photos with the grand champion mega-gourd, pie-eating and costume contests, pumpkin carving for fun, *"Smashing Pumpkins: Battle of the Bands"*, the *Comcast Take 5 Lounge* with giant screen TV, ultra-thrilling zip-line and bungee jump, tasty wines and microbrews, pumpkin-infused ales (Mavericks Pumpkin Harvest Ale) and margaritas, and the Sunday-only "Made on the Coast" local artists block with music, authors, book signings and a haiku contest.
Attendance: 200,000

Where: Main Street, Half Moon Bay CA, 20 miles south of San Francisco
Promotion: $300,000 TV, radio, newspaper, magazine
Audience: 51% female, 65% ages 25-49, 74% household income $75,000+

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Tim Beeman, CEO
Miramar Events
direct: 650-726-3491
mobile: 415-999-2428
fax: 650-726-5181
http://www.miramarevents.com
http://twitter.com/miramarevents
http://www.miramarevents.com/facebook.html
http://www.linkedin.com/in/timbeeman

The commercial Fishing Fleet of Half Moon Bay Presents....

First Annual

HALF MOON BAY

Commercial Fishing FISH & FLEET Festival

PILLAR POINT HARBOR

Locally Caught Certifiably Sustainable Seafood

Fishermen ☀ Community ☀ Beer ☀ Crafts ☀ Music ☀ Fun

SEPTEMBER 27, 2015

10 AM TO 6 PM PILLAR POINT HARBOR

OLD PRINCETON LANDING

PUBLIC HOUSE & GRILL

SEAFOOD HALF MOON BAY MARKETING ASSOCIATION

SAN MATEO COUNTY HARBOR DISTRICT CALIFORNIA

The Nature Conservancy

Protecting nature. Preserving life.

TRUE GROUNDFISH

CALIFORNIA GROUNDFISH COLLECTIVE

HMBGMA HALF MOON BAY GROUNDFISH MARKETING ASSOCIATION

FBGA

CCSMA

Fish Wife Sweets

www.fishwifesweets.com

TITANS OF MAVERICKS

www.hmbfishandfleet.com ☀ info@hmbfishandfleet.com

Debbie Nixon

From: Scott Grindy
Sent: Tuesday, July 28, 2015 4:44 PM
To: Debbie Nixon
Subject: FW: Road Scholar Travel Tour Proposal

Please print for attachment with my HM report. thanks

From: Sue Hatfield [mailto:sfhatfield@yahoo.com]
Sent: Tuesday, July 28, 2015 4:24 PM
To: Marina Fraser; John Muller; Adora Palmer; joc@coastsidelandtrust.org; kpscott@smcgov.org; Scott Grindy; David Cresson; Nelle Lyons; Charise Hale McHugh; Nancy Nerhan; Julie Gerth
Cc: marcia.rhodes@roadscholar.org
Subject: Road Scholar Travel Tour Proposal

Dear Coastside Friends,

I want to thank each and every one of you for taking time out of your busy schedules to meet with Marcia Rhodes and me as I introduced her to our very special Coastside, its unique environment, and ever so very interesting people. Each of you provided valuable information, as well as, more ideas for developing a Road Scholar educational tour of our community.

The original proposal was mine with encouragement from our HMB Chamber of Commerce, Randy Martin of Skagit College in Washinton State, and the Global Studies Department at Skyline College. I wrote the proposal because I think we live in a very special place. The proposal was a totally volunteer project...my own little light bulb of an idea that brightened with many suggestions from friends in the community.

I am happy to report that Marcia was delighted by the beauty and variety of community from Devil's Slide to Pigeon Point including Pescadero and the San Mateo Memorial Park's redwoods. Developing the program is now in her hands. You will probably be hearing from Marcia as she works on the program development.

The plan is to provide a program in late summer, fall, or winter 2016. I will look forward to seeing it in a catalogue if the program is approved by Boston.

I hope those of you who are not familiar with the Road Scholar Organization, formerly called Elder Hostel, will find time to check out the website.

Again, I thank you for helping my "idea" move toward becoming an actual learning opportunity for education minded travelers.

Sincerely,
Sue Hatfield