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September 23, 2014

Anthony L. Lombardo
Anthony Lombardo & Associates
450 Lincoln Avenue, Suite 101
Salinas, CA 93901

Re: Pillar Point Seafood—Letter of September 15, 2014

Dear Mr. Lombardo:

This office serves as General Counsel to the San Mateo County Harbor District (District) and your letter of September 15, 2014 regarding the District's March 13, 2013 lease with Pillar Point Seafood (Lease) has been referred to me for a response.

First, you have asserted that the placement of a hoist for Three Captains Sea Products—another of the three wholesalers who have leases with the District—interferes with Pillar Point Seafood's rights to peaceful and undisturbed possession of the leased premises under Section 10.1 of the Lease. The District is unaware of any instances in which the new hoist has ever inconvenienced Pillar Point Seafood's operations, or interfered with its rights under the Lease. Nor did your letter provide any evidence, or even any indication, of any such interference or inconvenience.

Moreover, pursuant to Section 2.1.2 of the Lease, which provision is mirrored in all three of the leases with wholesalers, tenants must cooperate with each other in operating their respective enterprises and may not interfere with each other's operations. Under Section 2.1.2 of the Lease, any claim Pillar Point Seafood would have for such interference must be made against another tenant, not against the District. The District is not responsible for differences or conflicts that may arise between Pillar Point Seafood and other tenant's operations. For this reason alone, the District does not take responsibility for any inconvenience that Pillar Point Seafood allegedly may have suffered.

The placement of the additional hoist—which Three Captains Sea Products, like Pillar Point Seafood, has a right to under Section 9.0(b)(i) of the Lease—was approved by the District's Harbor Master after careful consideration of the location of existing fire protection equipment, the location of the existing freezers, and the needs of the work dock. Locating the hoist at any other location would have required impractical relocation of other facilities, to the detriment of all the lessees, including to Pillar Point Seafood. It is also worth noting that although the Harbor Master may have approved the placement of the hoist, Three Captains Sea Products, under the same lease provision as exists in Pillar Point Seafood's lease, is responsible for obtaining all necessary permits for construction and installation of its hoist. We therefore cannot comment on your assertion that the existing hoist is not properly permitted.

Anthony L Lombardo
September 23, 2014
Page 2

Notwithstanding the foregoing, and consistent with its role as Lessor, the District wishes to help resolve this issue. It therefore pledges that its Harbor Master, consistent with his duties, will continue to manage vessel traffic for the benefit of all lease holders. If there are specific actions that the Harbor Master can take, consistent with his duties, to help resolve what appears to be an issue between tenants, please do not hesitate to ask for his assistance.

Second, you raise an issue concerning fish unloading fees charged by the District under Section 6.1 of the Lease. Your letter refers to "wharfage fees," "landing fees," and "unloading fees." Those terms are not used in the Lease, but we interpret those references all to be to what Section 6.1 of the Lease calls "Fish Off-Loading" fees. You state that "it has been over a year since the District agreed to reconsider its wharfage fees." In fact, at its Board meeting on May 21, 2014, the District adopted a motion that the District would consider a request from a tenant such as Pillar Point Seafood to renegotiate the financial terms of the lease. The District has not received such a request from Pillar Point Seafood, despite the express invitation of the District's Board of Commissioners.

In case your September 15, 2014 letter constitutes a request to renegotiate the financial terms of its lease, the District will respond as it would to any of the three concerned lessees, including Three Captains Sea Products. We reject the implication of the penultimate paragraph of your letter that the District is treating Pillar Point Seafood any differently from any other tenant.

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 above-referenced Commission action was taken. Please also keep in mind that any amendment(s) to the Lease require, 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, entered into after arms-length negotiations and struck to the mutual benefit of both the District and Pillar Point Seafood as of the Commencement Date of the Lease. Presumably, Pillar Point Seafood entered into the Lease because it 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, the District requires more information if Pillar Point Seafood would like to request a renegotiation in accordance with the Commission's action. If you would like to pursue this matter further, please provide the following, at a minimum:

- Precisely what Lease term(s) is Pillar Point Seafood seeking to modify?
- What is Pillar Point Seafood's proposal regarding these specific Lease term(s)?
- What is the basis by which Pillar Point Seafood thinks it are entitled to a modification in a specified Lease term? If Pillar Point Seafood is suggesting a modification to the Fish Off-Loading fee referenced in Section 6.1(b), please provide information regarding why it believes this fee is unfair—for instance any

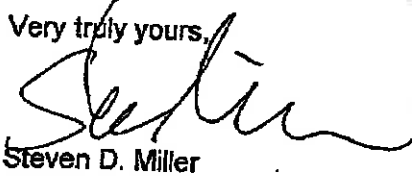
Anthony L Lombardo
September 23, 2014
Page 3

impact on its 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 the request essentially that the District negotiate against itself with nothing in return?

The District values its relationship with Pillar Point Seafood and appreciates the opportunity to respond to the issues raised in your September 15, 2014 letter. I hope this letter is helpful in addressing your client's concerns. Please don't hesitate to contact me directly if you have any questions or would like to discuss further.

Very truly yours,



Steven D. Miller

cc: Peter Grenell, District General Manager
Scott Grindy, District Harbor Master
Larry Fortado, Three Captains Sea Products
David Mallory, Morning Star Fisheries