

BAE Systems
Ship Repair
750 West Berkley Avenue
Norfolk, VA 23523



February 10, 2017

Via Federal Express and Email

Ms. Elaine Forbes
Executive Director
Port of San Francisco
Pier 1, The Embarcadero
San Francisco, CA 94111

- Subj: Letter dated February 1, 2017 from Ms. Elaine Forbes, Executive Director, Port of San Francisco to Mr. Mark Henry, Vice President Corporate Development, BAE Systems, Inc. and Mr. Neil Turney, President, Puglia Engineering, Inc.
- Re: a) Lease No. L-15875 (Lease)
b) Consent to Assignment between the City and County of San Francisco, San Francisco Port Commission, BAE Systems San Francisco Ship Repair Inc., and Puglia Engineering, Inc., dated December 30, 2016 (Consent)
c) Email from Mr. Mark Henry to Mr. Gerry Roybal, dated January 18, 2017 and the accompanying email chain, FW: BAE SFSR Security Deposit/IRREVOCABLE STANDBY LC

Dear Ms. Forbes:

This letter is in response to your letter dated February 1, 2017 regarding the reference a) Lease between the Port of San Francisco (the Port) and Puglia Engineering, Inc. (Puglia), as "Assignee" of the Lease from BAE Systems San Francisco Ship Repair Inc. in accordance with the reference b) Consent. As you have noted in your letter, the reference b) Consent was executed by the relevant parties on December 30, 2016.

100% of the equity interests of BAE Systems San Francisco Ship Repair Inc. were sold to Puglia effective January 2, 2017. Therefore, should the Port seek information related to books or records of BAE Systems San Francisco Ship Repair Inc., which is now wholly-owned by Puglia, the Port will need to obtain the same from BAE Systems San Francisco Ship Repair Inc. or Puglia. Accordingly, I am copying Messrs. Turley and Gerbracht (of Puglia and BAE Systems San Francisco Ship Repair Inc., respectively) on this letter.

As noted above, BAE Systems San Francisco Ship Repair Inc. was party to the Lease with the Port and as such, was the "Assignor" of the Lease, not BAE Systems, Inc. As such, any correspondence having to do with the Consent or the Lease should be addressed to BAE Systems San Francisco Ship Repair Inc. or Puglia in accordance with paragraph 9 of the Consent, and not to BAE Systems, Inc., BAE Systems Ship Repair, Inc., or any of their current affiliates.

In addition, the Port continues to hold the original BAE Letter of Credit number 3131825 despite Mr. Roybal's statement in the reference c) correspondence that the original Letter of Credit would be returned to BAE Systems. As you are aware, the agreement among Puglia, the Port and BAE was that the BAE Letter of Credit was to remain in effect only until such time as Puglia provided a replacement Letter of Credit in its own name. As the Puglia replacement Letter of Credit has been delivered, the Port's

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failure to return the BAE Letter of Credit is without justification and is inconsistent with the parties' agreement. Thus, consistent with the reference c) correspondence, we hereby request that the Port tender the original BAE Letter of Credit number 3131825 to Ms. Chandra Chudamani, BAE Systems, 1101 Wilson Blvd., Suite 2000, Arlington, VA 22209 within three (3) business days of receipt of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "B Moyer".

Brad Moyer
Vice President

cc: Mr. Neil Turney, President, Puglia
Mr. Michael Gerbracht, General Manager, BAE Systems San Francisco Ship Repair Inc.
Mr. Joseph C. Campbell, Vice President & General Manager, BAE Systems Ship Repair Inc.
Ms. Anne M. Donohue, Deputy Chief Counsel, BAE Systems Ship Repair Inc.