

Attachment 7

Insurance Requirements

SECTION I. Environmental Insurance.

(A) General. The Parties will reasonably cooperate with each other to obtain environmental insurance providing coverage to the Parties for defense costs and loss associated with third party claims arising from pollution conditions, as well as first party coverage for clean-up costs associated with pollution conditions, as set forth below. Terms used in this Attachment have the meanings set forth in the Disposition and Development Agreement between the Agency and Developer to which this Attachment 7 is attached (the “Agreement”).

(1) Parcel A. On or before the Agency accepts title to Parcel A, the Parties will obtain a bound environmental insurance policy providing the above-described coverage to all of Parcel A (not just Parcel A-1) in the amount of 25 million dollars in the aggregate and 25 million dollars per claim, for a fifteen year term, with a deductible requirement of 250 thousand dollars per incident. The Agency will be the First Named Insured, and the Developer will be an Additional Named Insured. The Parties may mutually agree upon conferring Additional Named Insured or Additional Insured status on other related parties.

(2) Parcel A-1. Effective upon the Close of Escrow transferring title of Parcel A-1 from the Agency to Developer, the Parties will obtain endorsements to the above-described environmental insurance policy increasing the policy limit to 50 million dollars in the aggregate and 50 million dollars per incident, and changing the First Named Insured for Parcel A-1 to Developer, with the Agency becoming an Additional Named Insured for Parcel A-1.

(3) Parcel B-1. Effective upon the Close of Escrow transferring title of Parcel B-1 from the Agency to Developer, the Parties will obtain endorsements to the above-described environmental insurance policy increasing the policy limit to 150 million dollars in the aggregate and 50 million dollars per incident.

(4) Order of Conveyance. This Section I(A) assumes that Parcel A will be the first Parcel of the Shipyard conveyed from the Navy to the Agency, and that Parcel A-1 will be the first Parcel conveyed from the Agency to Developer, with Parcel B-1 to follow. If for any reason this order of conveyance is changed, then the Parties will review the insurance requirements in this Section I(A) to determine, in good faith, whether modifications of the insurance requirements are reasonably necessary given the changed order of conveyance. The Parties’ intent is for the types of insurance specified in this Section I(A) to be in place when any portion of the Shipyard is conveyed from the Navy to the Agency.

(B) Cost Allocation. The Parties agree to allocate the costs of premiums and deductible payments for the above-described environmental insurance policy as described below. For purpose of this cost allocation agreement, the term “deductible payment” includes costs associated with a claim under the policy that are expended in satisfaction of the deductible requirement pursuant to the terms of the policy.

(1) Initial Premium. Developer is entitled to recover eighty percent of the initial premium amount (and associated brokerage fees and taxes) as described in Section I(A)(1), as a Soft Cost pursuant to the Financing and Revenue Sharing Plan attached as Attachment 25 to the Agreement. The balance of the premium amount (and associated brokerage fees and taxes) will be considered a recoverable cost under Net Operating Income pursuant to the Interim Lease attached as Attachment 29 to the Agreement.

(2) Subsequent Premiums. Developer is entitled to recover one hundred percent of the premium (and associated brokerage fees and taxes) necessary to obtain the increased coverage described in both Sections I (A)(2) and (A)(3) above as a Soft Cost pursuant to Attachment 25.

(3) Deductible During Infrastructure Build-Out. Any deductible payment associated with Parcel A-1 will be considered a Soft Cost pursuant to Attachment 25 during the period Infrastructure is being constructed and Lots are being sold.

(4) Deductible After Infrastructure Build-Out. The following cost allocation will be applied to deductible payments after Infrastructure has been completed and all Lots have been sold, for the respective parcel for which the deductible payments are incurred, during the remainder of the 15-year policy term:

(a) For third party claims, if one Party is named and not the other, that “named” Party will pay the deductible, except to the extent the Party has secured an agreement from other non-Party insureds named in the third party claim to contribute to payment of the deductible.

(b) For third party claims where both Parties are named, each Party shall pay one-half of the amount of the deductible, but the Parties agree to cooperate in good faith to secure contributions, which the Parties will share equally, from other non-Party insureds named in the third party claim.

(c) For first party cleanup claims, the deductible will be paid by the owner of the property for which the cleanup costs will be incurred. If the cleanup costs relate to a plume or other environmental condition that is located on properties owned by different owners, then the affected owners will determine, in good faith, a reasonable allocation of the deductible based on the

cleanup costs reasonably attributable to that portion of the environmental condition on each party's respective property.

(C) Changes. The Parties acknowledge that this agreement to obtain environmental insurance in the manner described above has been informed by the progress made by the Parties prior to execution of the Agreement in mutually agreeing to select Chubb Environmental Solutions as the insurance carrier, and in securing the indication containing premium quotes for various coverage options dated February 4, 2003. The Parties further acknowledge that changes in Chubb's organization in personnel since that time may require the use of another environmental insurer. Even if the insurer is changed, the Parties intend to maintain the agreements, including the coverage limits and policy terms, specified in this Section I. However, the Parties acknowledge that changing the insurer, or other changes in conditions, may require the Parties to determine, in good faith, whether different coverage limits, policy terms and other terms and conditions are reasonably required or appropriate in light of the premium costs and the then insurance market.

SECTION II. Other Insurance.

(A) Developer's Insurance. Developer shall procure and maintain for the duration of the Agreement, including any extensions (and, for completed operations and errors and omissions insurance, for the additional periods specified), insurance against claims for injuries or death to persons or damages to property which may arise from or in connection with the Agreement and the performance of any work pursuant to the Agreement by Developer, its agents, representatives, employees, contractors or subcontractors.

(1) Minimum Scope of Insurance. Coverage shall be at least as broad as:

(a) Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001);

(b) Insurance Services Office form number CA 00 01 covering Automobile Liability, code 1 (any auto); and

(c) Workers' Compensation insurance as required by the State of California and Employers Liability insurance.

(2) Minimum Limits of Insurance. Developer shall maintain limits no less than:

(a) General Liability: \$25,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to Phase 1 or the general aggregate limit shall be twice the required occurrence limit;

(b) Automobile Liability: \$10,000,000 combined single limit per accident for bodily injury and property damage; and

(c) Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the State of California and Employer's Liability limits of \$2,000,000 per accident for bodily injury or disease.

(3) Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the Agency. At the Agency's option, either the insurer shall reduce or eliminate such deductibles or self insured retention(s) as respects the Agency, the City and their respective Commissioners, Supervisors, officers, agents and employees, or Developer shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

(4) Other Insurance Provisions. The policies are to contain, or be endorsed to contain, the following provisions:

(a) General Liability and Automobile Liability Coverages:

(i) The Agency, the City and their respective Commissioners, Supervisors, officers, agents and employees are to be covered as insureds as respects: liability arising out of activities performed by or on behalf of Developer, products and completed operations of Developer, premises owned, occupied or used by Developer, or automobiles owned, leased, hired or borrowed by Developer. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, the City and their respective Commissioners, Supervisors, officers, agents and employees;

(ii) Developer's insurance coverage shall be primary insurance as respects the Agency, the City and their respective Commissioners, Supervisors, officers, agents and employees. Any insurance or self-insurance maintained by the Agency, the City and their respective Commissioners, Supervisors, officers, agents or employees shall be excess of Developer's insurance and shall not contribute with it;

(iii) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Agency, the City and their respective Commissioners, Supervisors, officers, agents or employees; and

(iv) Developer's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(b) Worker's Compensation and Employers Liability Coverage. The insurer shall agree to waive all rights of subrogation against the Agency, the City and their respective Commissioners, Supervisors, officers,

agents and employees for losses arising from work performed by or for Developer.

(c) All Coverages. Each insurance policy required by this Section II shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Agency.

(2) Increases. Not more often than every five (5) years and upon not less than sixty (60) days prior written notice, the Agency may require Developer to increase the insurance limits set forth above if the Agency finds in its reasonable judgment that it is the general commercial practice in San Francisco to carry insurance in amounts substantially greater than those amounts carried by Developer with respect to risks comparable to those associated with Developer's activities.

(3) Acceptability. Insurance is to be placed with insurers with a current A. M. Best's rating of no less than A:VII, unless otherwise approved by the Agency.

(4) Verification of Coverage. Developer must furnish the Agency with certificates of insurance and with original endorsements evidencing coverage required by this Section II. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements may be on forms provided by the Agency. All certificates and endorsement are to be received and approved by the Agency before work commences. The Agency reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by these specifications at any time.

B. Contractor's Insurance. Developer shall cause its contractors, subcontractors and design professionals to have insurance coverage of the types and amounts (and as to contractors and subcontractors, performance and completion bonds) reasonably determined by the Agency and Developer, given the contractor's, subcontractors or design professional's scope of work, the then insurance markets and the Additional Business, Employment, Construction Assistance/Opportunities and Community Benefits Program set forth in Exhibit B of Attachment 24 attached to the Agreement. For design professionals, this will include Professional Errors & Omissions Liability Insurance, which will be in effect for the duration of the applicable statute of limitations (or such shorter period as the Agency and Developer determine is commercially reasonable given the then insurance market) and the retroactive date of which will precede the date services were first performed by the design professional under its scope of work. With respect to general liability coverage, Developer will utilize a General Liability Owner Consolidated Insurance Program ("OCIP") as a single wrap-up

insurance program covering Developer and its related entities, and eligible and enrolled contractors and subcontractors, as described in the document appended to this Attachment 7 entitled *General Liability Owner Consolidated Insurance Program “OCIP) Lennar Corporation – Western Region*. Bonding requirements will incorporate the Agency’s Surety Bond Program, and Developer’s supplement thereto under Exhibit B of Attachment 24.