

**SUMMARY OF  
POLLUTION LEGAL LIABILITY POLICY  
CARSON CITY YARDS**

January 5, 2020

In connection with the City of Carson's (the "City") transfer of its current City-Yards property located at 2390, 2400 and 2410 East Dominguez Street in Carson, California (the "Former City Yards") to Prologis Targeted U.S. Logistics Fund, LP ("Prologis") in exchange for cash consideration and the properties currently owned by Prologis located at 18620 South Broadway and 18601 South Main Street in Carson, California (the "New City Yards"), comprising 6.4 acres, the City obtained a site-specific pollution legal liability quote from Allied World Assurance Company, effective through December 31, 2019 (the "PLL Quote"). The PLL Quote will be bound prior to December 31, 2019 (once bound, the "PLL Policy"). This memorandum summarizes the coverage components and the key policy enhancements of the PLL Policy.

**I. PLL TERMS GENERALLY**

Subject only to express exclusions and policy limitations, the PLL Policy provides claims-made primary pollution coverage for the Former City Yards and the New City Yards for third-party bodily injury and property damage claims and for clean-up costs arising out of pre-existing or new pollution conditions at, on, under or migrating from the properties. The PLL Policy contains \$10,000,000 limits of liability per incident and in the aggregate, a self-insured retention of \$250,000 per incident and a term of ten (10) years for pre-existing conditions and five (5) years for new conditions. The PLL Policy is structured to provide affirmative coverage to the City for: (i) pre-existing and new conditions at the New City Yards (since the City will commence operations at the New City Yards post-closing); and (ii) conditions commencing at the Former City Yards prior to the closing date. The total premium, surplus lines taxes and stamping fees for the PLL Policy is \$153,352.06.

**II. KEY LIMITATIONS AND EXCLUSION**

1. No New Conditions at Former City Yards. The PLL Policy does not provide coverage at the Former City Yards for pollution incidents first commencing after the transfer closing date. Given that the City will cease operations at the Former City Yards and Prologis waived claims against the City, there is no exposure for conditions commencing after the City vacates. The PLL Policy does, however, provide coverage for pollution incidents at the Former City Yards that commenced before the closing, which is the only risk to the City associated with the Former City Yards.

2. Pre-Existing Conditions at New City Yards Subject to Third-Party Claim. Coverage for clean-up costs at the New City Yards arising out of a pre-existing condition (*i.e.*, conditions that first commenced prior to the City occupying the New City Yards) is limited to losses incurred as a result of a third-party claim, which includes claims from a governmental entity. The PLL Policy, therefore, does not provide coverage for the City voluntarily investigating and remediating the New City Yards without a regulatory or third-party requirement to do so. The New City Yards will be fully developed by Prologis prior to the closing date, so it is unlikely that the City will ever voluntarily investigate the New City Yards with no legal requirement to do so.

*Exhibit 2*

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**III. POLICY ENHANCEMENTS**

1. *Additional Defense Costs.* The PLL Policy provides an additional \$2,500,000 of coverage outside of the policy limits for legal defense costs responding to a covered claim.
2. *Full Third-Party BI/PD Coverage.* The PLL Policy provides full third-party bodily injury and property damage claims coverage for pre-existing and new pollution conditions at the New City Yards.
3. *Mold and Legionella Coverage.* The PLL Policy contains no exclusions for losses resulting from mold or legionella. The PLL Policy, therefore, provides coverage, with no retro-active date limitation, for (i) third-party bodily injury and property damage claims arising out of mold or legionella at, on, under or migrating from the New City Yards; and (ii) first-party remediation expenses for mold and legionella within any structure on the New City Yards.
4. *Aggregate SIR.* Once the insured incurs \$750,000 in self-insured retention payments for claims covered under the PLL Policy, all future claims are subject to a \$50,000 maintenance "per incident" self-insured retention.
5. *Business Interruption Coverage.* The PLL Policy includes coverage for business interruption (subject to a 3-day deductible) losses caused by a pollution condition.