

EXHIBIT 21-A

GROUND LEASE

between

CITY OF SEASIDE,
a municipal corporation
("Landlord")

and the

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT,
a California public entity organized under the
California Water Code
("Tenant")

_____, 2015

EXHIBIT 21-A

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TABLE OF EXHIBITS

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EXHIBIT "B"	DESCRIPTION OF THE WORK/IMPROVEMENTS
EXHIBIT "C"	FORM OF MEMORANDUM OF GROUND LEASE

GROUND LEASE

THIS GROUND LEASE (the "Lease") is dated as of _____, 2015 [TO BE DATED AS OF LANDLORD/CITY COUNCIL APPROVAL], and is entered into by and between the CITY OF SEASIDE, a municipal corporation ("Landlord"), and the MONTEREY PENINSULA WATER DISTRICT, a California public entity organized under the California Water Code ("Tenant"). [TO BE SIGNED BY TENANT FIRST, THEN DELIVERED TO LANDLORD FOR APPROVAL AND EXECUTION]

RECITALS

A. Landlord has certain rights to acquire the land described in Exhibit "A" attached hereto (the "Property") and it is anticipated that Landlord will acquire the Property.

B. On the terms and conditions set forth in this Lease, Tenant desires to lease the Property from Landlord for use in connection with an underground reservoir, and desires to construct certain improvements thereon necessary for the reservoir, and thereafter maintain and operate such improvements.

NOW THEREFORE, in consideration of the mutual promises contained herein, Landlord and Tenant agree as follows:

1. Initial Fee; "AS-IS" Condition.

1.1 Initial Lease Fee. In consideration of this Lease, and concurrently with its execution and delivery of the Lease, Tenant shall pay to Landlord, the sum of Twenty-Two Thousand and no/100 Dollars (\$22,000.00), which shall be non-refundable.

1.2 AS-IS Condition. Tenant acknowledges that Tenant currently occupies and uses the Property under the easement described in Section 2.2 below, and that Tenant has inspected the Property and title thereto and is familiar with the condition of and title to the Property. Tenant accepts the Property in its existing condition, "AS IS", without representation or warranty (express or implied) and subject to all defects and conditions, whether patent or latent, all recorded matters affecting title, all matters affecting title that would be visible upon a physical inspection of the Property, all legal requirements (including possessory interest taxes, assessments, zoning, permit requirements and building codes), and based solely on Tenant's own inspections, analyses and evaluations and not in reliance on any information provided by or on behalf of Landlord.

2. Term of Lease; Termination of Existing Easement.

2.1 Term; Extensions. The term of this Lease shall commence on the date on which the City acquires title to the Property and shall continue until the date that is forty (40) years thereafter. Landlord will inform Tenant in writing of the commencement of the Term. Tenant may extend the Term in five (5) year increments for as long as the Property is used for underground reservoir purposes or for equipment relating thereto by giving Landlord written notice of the applicable extension at least six (6) months prior to the end of the then-current term. The initial term, as so extended, is hereinafter referred to as the "Term".

2.2 Termination of Easement. Upon the commencement of the Term, that certain Easement No. DALA05-9-02-605 granted by the Department of the Army shall, as between Landlord and Tenant, be deemed terminated and of no force or effect, it being the intent of the parties that the Lease shall govern and prevail.

3. Rent.

3.1 Base Rent. During the Term, Tenant shall pay to Landlord, without prior notice or demand and without abatement, deduction, offset or credit, as rent for the Property (“Base Rent”), in lawful money of the United States at the time of payment, on the first day of September each year, in advance, the sum of Eleven Thousand Six Hundred Eighty and no/100 Dollars (\$11,680.00) per calendar year (prorated for any partial calendar year during the Term), subject to annual increases as set forth in Section 3.2 below; provide, however, that the first such payment shall also include payment for any portion of calendar year at the beginning of the Term.

3.2 Annual Adjustment of Base Rent. The Base Rent shall be adjusted every five (5) years on the anniversary of the commencement of the Term (each, an “Adjustment Date”) by the percentage increase or decrease, as applicable, in the Index (as hereinafter defined and described). In order to determine the adjustment, the then-current Base Rent shall be multiplied by a fraction, the numerator of which shall be the Index (as defined below) last published before the applicable Adjustment Date and the denominator of which shall be the Index last published before the previous Adjustment Date (or in the case of the first adjustment, the Index last published prior to the commencement of the Term). The term “Index” shall mean the Consumer Price Index for All Urban Consumers, All Items, San Francisco-Oakland San Jose CMSA, utilizing a base of 1982-1984 = 100, as published by the United States Department of Labor, Bureau of Labor Statistics (the “Index”); provided, however, that if during the Term a later base year replaces the base year, then such later base year shall be used in determining the Index, and if the Index is discontinued or revised during the Term, subsequent adjustments to the Base Rent shall be computed on the basis of any replacement index published by the Bureau of Labor Statistics or any successor agency, or, if no replacement index is published, on the basis of any index published by any governmental or non-governmental agency or entity that generally measures changes in the purchasing power of the U.S. dollar, as selected by Landlord in its good faith discretion.

3.3 Place for Payment. All Base Rent and other sums that become payable by Tenant to Landlord under this Lease (collectively, “Rent”) shall be paid to Landlord on or before the due date in lawful currency of the United States at Landlord’s offices located at 440 Harcourt Avenue, Seaside, California 93955, Attention: Accounting/Finance, or at any other place or places that Landlord may designate by written notice to Tenant.

4. Utilities. Tenant shall obtain, at Tenant’s expense, and thereafter pay for all electricity, gas, potable water, fire suppression water, sewer, waste water services and other utilities provided to the Property during the Term.

5. Net Lease; Possessory Interest Tax. This Lease is a “triple-net” lease; all Rent shall be paid to Landlord absolutely net of all costs, taxes and expenses. Without limiting the

generality of the foregoing, Tenant shall be responsible for all aspects of maintaining and operating the Property, including the payment when and as due of all property taxes and assessments from time to time assessed against the Property or Tenant's possessory interest therein, and of all charges for gas, electricity, telephone service, water, sewer service, trash removal and other utilities and services furnished to the Property during the Term; provided, however, that Landlord may at any time, in its discretion, pay any such taxes, assessments and charges that Tenant fails to pay when and as due, including, in Landlord's discretion, any fees, penalties and charges assessed by reason of Tenant's failure to make timely payment, in which case Tenant shall reimburse Landlord within thirty (30) days after Landlord delivers written request for reimbursement. Tenant shall indemnify and hold Landlord Landlord's property, including the Property and any improvements now or hereafter on the Property, free and harmless from any liability, loss, or damage resulting from any taxes, assessments, or other charges required by this Lease to be paid by Tenant and from all interest, penalties, and other sums imposed thereon and from any sales or other proceedings to enforce collection of any such taxes, assessments, or other charges.

LANDLORD HEREBY GIVES TENANT NOTICE, AND TENANT ACKNOWLEDGES RECEIPT OF SUCH NOTICE, AS REQUIRED PURSUANT TO CALIFORNIA REVENUE AND TAXATION CODE SECTION 107.6, THAT THE LEASEHOLD INTEREST CREATED BY THIS LEASE MAY RESULT IN A POSSESSORY INTEREST TAX BEING LEVIED AGAINST THE PROPERTY AND/OR TENANT'S LEASEHOLD INTEREST, AND THAT IN SUCH EVENT TENANT SHALL BE OBLIGATED TO PAY SUCH TAX. (TENANT MAY BE EXEMPT FROM SUCH TAX IF TENANT APPLIES AND QUALIFIES FOR AN APPLICABLE EXEMPTION.)

6. Use; Hazardous Materials; Compliance with Laws; Inspections.

6.1 Use of Property. Tenant may use the Property for the development, construction, operation and maintenance of the improvements described on Exhibit "B"; provided, however, that: (a) Tenant shall not use or permit the Property or any portion of the Property to be improved, developed, used, or occupied in any manner or for any purpose that is in any way in violation of any federal, state or local law, ordinance, or regulation; and (b) Tenant shall not maintain, commit or permit the maintenance or commission of any fire or health hazards, or any nuisance, or the Property.

6.2 Hazardous Materials.

(a) Definitions.

"Hazardous Materials" shall mean any substance that now or in the future requires investigation or remediation under, or is regulated or defined as a hazardous waste or hazardous substance, by any governmental authority or instrumentality or any law, regulation, rule or order, or any amendment thereto, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. § 9601 et seq. and the Resource Conservation and Recovery Act, 42 U.S.C. § 9601 et seq., or that is otherwise toxic, explosive, corrosive, flammable, infectious, mutagenic, radioactive, carcinogenic, a pollutant or a

contaminant, including gasoline, diesel, petroleum hydrocarbons, polychlorinated biphenyls (PCBs), asbestos, radon and urea formaldehyde foam insulation.

“Environmental Requirements” shall mean all present and future governmental laws, regulations, rules, orders, permits, licenses, approvals, authorizations and other requirements of any kind applicable to Hazardous Materials, including common law tort principles (such as public and private nuisance and strict liability for conducting abnormally dangerous activities).

“Handle,” “Handled” or “Handling” shall mean any installation, handling, generation, storing, treatment, use, disposal, discharge, release, manufacture, refinement, emission, abatement, removal, transportation, presence or migration of any Hazardous Materials brought on the Property by Tenant or Tenant’s Representatives, or any other activity or any type in connection with or involving Hazardous Materials.

“Tenant’s Representatives” shall mean all Tenant’s officers, employees, contractors, representatives, assignees, sublessees, licensees, agents, invitees, and any trespassers on the Property.

(b) Indemnification by Tenant. In addition to, and not in derogation of any other indemnification contained in this Lease, Tenant agrees to indemnify, defend and hold harmless Landlord, its successors and assigns, and its and their directors, officers, shareholders, employees, agents and affiliates from all costs, expenses, damages, liabilities, claims, fines, penalties, interest, judgments, and losses of any kind arising from or in any way related to Tenant’s or Tenant’s Representatives’ Handling of Hazardous Materials during the Term or failure to comply in full with this Section 6.2 (collectively, “Environmental Losses”), including consequential damages, damages for personal or bodily injury, property damage, damage to natural resources occurring on or off the Property, encumbrances, liens, costs and expenses of investigations, monitoring, clean up, removal or remediation of Hazardous Materials, defense costs of any claims (whether or not such claim is ultimately defeated), good faith settlements, attorneys’ and consultants’ fees and costs, and losses attributable to the diminution of value, loss or use or adverse effects on marketability or use of any portion of the Property, whether or not such Environmental Losses are contingent or otherwise, matured or unmatured, foreseeable or unforeseeable. If Landlord is ever made a party to any action or proceeding by reason of a matter for which Tenant is obligated to indemnify Landlord, then Tenant, upon notice from Landlord, shall, at Landlord's option, either defend that action or proceeding on behalf of Landlord at Tenant's expense with counsel satisfactory to Landlord or reimburse Landlord for all defense costs Landlord actually incurs in defending against such action or proceeding, whether or not the action or proceeding is ultimately defeated. This indemnity is intended by the parties to be as broad and comprehensive as possible under law and shall apply regardless of the fault (including active or passive negligence) of either Tenant or Landlord.

(c) Delivery of Certain Documents to Landlord. Concurrently with the execution of this Lease, and in any event upon request by Landlord, Tenant shall deliver to Landlord copies of all permits, authorizations, plans and reports, and supporting documentation therefor, including any Hazardous Materials Management Plan, which are required by law or by any governmental authority with respect to Tenant’s use or proposed use of the Property, including any Handling of Hazardous Materials. The provisions of this Section 6.2 shall apply to

all Hazardous Materials, whether or not Landlord has given Tenant its consent to Handle such Hazardous Materials. Tenant's and Tenant's Representatives' Handling of all Hazardous Materials shall comply at all times with all Environmental Requirements and Tenant shall, at its own expense, promptly take all actions required by any governmental authority in connection with Tenant's or Tenant's Representatives Handling of Hazardous Materials at or about the Property. Tenant notify Landlord in writing as soon as possible after any spill, release, discharge or emission of Hazardous Materials in, on or about the Property.

(d) Compliance Program. Tenant shall maintain, at its own expense, a written program to ensure and monitor Tenant's continued compliance with this Section 6.2 and all Environmental Requirements. At Landlord's request, Tenant shall provide Landlord with a copy of such program, including monitoring results; provided, however, that Tenant acknowledges that such program will be supplied to Landlord solely for informational purposes, and that Landlord shall have no obligation to review the information provided, shall not be deemed to have approved or consented to any matter set forth therein, and shall have no liability for any deficiencies therein. Landlord agrees not to disclose to any third parties the contents of any such written program provided by Tenant, unless Tenant consents to such disclosure; provided, however, Landlord may disclose such information on a confidential basis to its attorneys, property managers or its other agents, or as required in connection with the procurement of insurance or financing, or as required by law.

(e) Lease Closure. Prior to the expiration or termination of this Lease, Tenant shall, at its sole expense, promptly remove from the Property, using the then best available technology, all Hazardous Materials Handled by Tenant or Tenant's Representatives during the Term (collectively, "Lease Closure"), notwithstanding any lesser standard of removal or remediation which might be allowable under applicable law or governmental policies, and perform or cause to be performed all actions necessary, as determined by Landlord in its reasonable business judgment, to ensure that Lease Closure has been completed, including inspection, testing and post-Lease Closure monitoring. Tenant, at its sole expense, shall repair any damage caused by such work and unless otherwise requested by Landlord, shall close, at the completion of all testing and monitoring, in accordance with applicable law, any and all monitoring and extraction wells and boreholes installed as a result of or in connection with Tenant's occupancy of the Property or otherwise installed by Tenant, or at Tenant's direction. All consultants or contractors performing work on behalf of Tenant pursuant to this Section 6.2 shall be qualified and licensed to undertake the applicable work and shall be selected by Tenant; provided that Landlord shall be notified of the selected consultant(s) at least 10 business days prior to the commencement of any work by such consultant(s) (except in an emergency, in which case Landlord shall be notified within one business day after the selection of the consultant(s)) and Landlord shall have the right to disapprove the use of such consultant(s) in the exercise of Landlord's reasonable business judgment. All work required to be performed under this Section 6.2, and Tenant's and Tenant's Representatives' Handling of all Hazardous Materials, shall be performed in a good, safe and workmanlike manner and in a manner that will not interfere with the use, operation, leasing or sale of the Property.

(f) Tenant Representatives. Tenant shall be responsible and liable for the compliance with all of the provisions of this Section 6.2 by Tenant's Representatives.

(g) Discharge of Liens. Tenant shall discharge and remove at its own expense, by bond or otherwise, all liens or charges of any kind filed or recorded against the Property in connection with Tenant's or Tenant's Representatives' Handling of Hazardous Materials, within ten (10) business days after the filing or recording of such lien or charge, and if Tenant fails to do so, Landlord shall have the right, but not the obligation, to remove the lien or charge at Tenant's expense in any manner Landlord deems expedient.

(h) Landlord's Rights. Landlord and its representatives and consultants shall have the right, but not the obligation, to enter the Property at any reasonable time upon 72 hours' prior notice and in the presence of a Tenant representative but only if Tenant timely makes the representative available (except that no notice or tenant representative shall be required in the case of an emergency) (i) to confirm Tenant's compliance with the provisions of this Section 6.2, including the right to physically investigate the condition of the Property and review all permits, reports, plans, and other documents regarding the Handling of Hazardous Materials, and (ii) to perform Tenant's obligations under Section 6.2(c), (g) and/or (e) as applicable if Tenant has failed to timely do so. Tenant shall pay the costs of Landlord's consultants' fees and all other costs incurred by Landlord pursuant to clause (i) above if such investigation is undertaken because Tenant has failed to provide full and complete information regarding any release, discharge or other Handling of Hazardous Materials and shall pay, in any case, all such costs incurred pursuant to clause (ii) above. Landlord shall use reasonable efforts to minimize any interference with Tenant's sublessees caused by Landlord's entry into the Property, but Landlord shall not be responsible for any interference caused thereby.

(i) Environmental Audit. Landlord shall have the right, but not the obligation, to require, no more often than once every three (3) calendar years and again within five (5) business days after the termination or expiration of the Term, that a detailed review ("Environmental Audit") be undertaken to determine whether the Property and Tenant and Tenant's Representatives' Handling of all Hazardous Materials comply with this Section 6.2. Tenant shall pay all costs incurred in connection with any Environmental Audit required by Landlord, including without limitation, the costs and expenses of all consultants and sampling and analysis, in the event that (i) as a result of the Environmental Audit, it is determined that the Property or Tenant's or Tenant's Representatives' Handling of all Hazardous Materials do not comply with this Paragraph 6.2, or (ii) the Environmental Audit is undertaken at the termination or expiration of the Term. In all other cases, Landlord shall pay the costs of any Environmental Audit it requires pursuant to this Section 6.2. The Environmental Audit shall be conducted by independent, qualified, licensed environmental consultants selected by Tenant and acceptable to Landlord. If the consultants chosen by Tenant are unacceptable to Landlord, Landlord shall be entitled to engage its own consultants to conduct the Environmental Audit, and Tenant shall pay Landlord's consultants' fees and all costs incurred by Landlord in performing the Environmental Audit. The Environmental Audit shall include an inspection of the Property, interviews with the occupants of the Property and any other matters which the consultants believe, in the exercise of their professional judgment, are necessary to ascertain whether the Property are in compliance with this Section 6.2, including the installation of monitoring wells, and soils and water testing. Tenant shall fully cooperate with the consultants and comply with all information requests. After the completion of the Environmental Audit, a written report shall be prepared and copies shall be distributed to both Landlord and Tenant.

(j) Release of Hazardous Materials. In the event of any release, discharge or other event caused or contributed to by the acts or omissions of the Tenant or Tenant's Representatives which poses a threat of damage or contamination to the Property or the environment, whether discovered by Landlord or Tenant, Tenant shall fully document the facts relating to the event, including the circumstances existing prior to and after the occurrence of the event, the precise nature of the release, discharge or event, including specific compounds and quantities involved, and all actions Tenant has taken and will take to remediate the release, discharge or event. Tenant shall provide such documentation to Landlord promptly after the occurrence in question. Tenant shall pay the reasonable costs and fees charged by Landlord's environmental consultants to review such documentation and provide peer review confirming the adequacy of the measures, past and future, taken by Tenant to remediate the problem.

6.3 Compliance with Applicable Requirements. Tenant, shall, at Tenant's sole expense, fully, diligently and in a timely manner, comply with all applicable laws, building codes, regulations, ordinances, rules, directives, covenants, or restrictions of record, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Landlord's engineers and/or consultants which relate in any manner to the Property (collectively, "Applicable Requirements"), without regard to whether such Applicable Requirements are now in effect or become effective hereafter. Tenant shall, within ten (10) days after receipt of Landlord's written request, provide Landlord with copies of all permits and other documents, and other information evidencing Tenant's compliance with any Applicable Requirements specified by Landlord, and shall immediately upon receipt, notify Landlord in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Tenant or the Property to comply with any Applicable Requirements.

7. Construction and Installation of Improvements.

7.1 The Work. At no cost to Landlord, Tenant may cause to be performed all construction, alterations, additions, installations, repairs and refurbishment required to complete the work and install the improvements described on Exhibit "B" (collectively, the "Work"). Tenant shall not alter the Work or install or construct any other improvements or fixtures without the prior written consent of Landlord.

7.2 Construction Contracts. All Work shall be performed only by competent and qualified contractors duly licensed under the laws of the State of California pursuant to written contracts requiring the payment of prevailing wages under California Labor Code § 1720, et seq.

7.3 Review of Plans and Permits. Landlord shall not be deemed to have reviewed any plans, drawings or specifications from an engineering or technical standpoint, and Landlord shall have no liability whatsoever to Tenant or any third party based on or arising out of any patent or latent defect in the design or construction of the Work, whether or not such defect is actually known or apparent to Landlord.

7.4 Compliance with Law and Quality. Tenant shall pay, or cause to be paid, the prevailing rates of wages for all work and shall comply with Section(s) 1720 et seq. of the

California Labor Code and related regulations. Tenant shall cause the Work and any other construction, alterations, additions, installations, repairs and refurbishment at any time undertaken on or in the Property to be performed (a) in a workmanlike manner with only new and high quality building materials, (b) in compliance with all applicable building codes and other applicable laws, ordinances, regulations, and orders Landlord and of all federal, state, county, and local governmental agencies or entities having jurisdiction over the Property, and (c) in compliance with all applicable insurance requirements. Without limiting the generality of the foregoing provisions, Tenant shall not permit any component of the Work to be commenced until all required building permits and other governmental permits, licenses and approvals required in connection with such component of the Work have been issued.

7.5 First Source Hiring. [INTENTIONALLY OMITTED]

7.6 Notices of Nonresponsibility. Landlord shall, at any and all times during the Term, have the right to post and maintain on the Property and to record as required by law any notice or notices of nonresponsibility provided for by the mechanics' lien laws of the State of California. Tenant shall give Landlord not less than thirty (30) days' written notice prior to the commencement of any Work (including site preparation work) or the delivery of building materials to the Property.

7.7 Mechanics' Liens. At all times during the Term, Tenant shall keep the Property and all building and improvements now or hereafter located on the Property free and clear of all liens and claims of liens for labor, services, materials, supplies, or equipment performed on or furnished to the Property. Should Tenant fail to pay and discharge or cause the Property to be released from any such lien or claim of lien within thirty (30) days after service on Tenant of written request from Landlord to do so, Landlord may pay, adjust, compromise and discharge any such lien or claim of lien on such terms and manner as Landlord may deem appropriate. In such event, Tenant shall, on or before the first day of the next calendar month following any such payment by Landlord, reimburse Landlord for the full amount paid by Landlord in paying, adjusting, comprising, and discharging such lien or claim of lien, including any attorneys' fees and other costs expended by Landlord, together with interest as provided in Section 13.5 from the date of payment by Landlord to the date of repayment by Tenant.

7.8 Ownership of Improvements. Any and all buildings and improvements placed or erected on the Property as well as any and all other alterations, additions, improvements and fixtures (except for improvements that are excluded from the Property and also except for Tenant's furniture and trade fixtures) made or placed in or on the Property by Tenant shall be owned by Tenant until the expiration or any earlier termination of this Lease, or if Tenant removes the same and restores the Property during the term of this Lease. Any such improvements that remain on the expiration or any earlier termination of this Lease shall become the sole property of Landlord or, if Landlord so elects and upon written notice to Tenant given written ninety (90) days prior to or after the expiration or any earlier termination of this Lease, shall be promptly demolished and removed by Tenant from the Property at Tenant's sole expense or else Landlord may do so and Tenant shall reimburse Landlord for the cost thereof within thirty (30) days after written demand. Tenant shall not remove any improvements from the Property, commit or permit any waste, or destroy or modify any improvements on the Property except as

expressly permitted by this Lease. This Section 7.8 shall survive the expiration and any earlier termination of this Lease.

8. Maintenance and Repairs.

8.1 Maintenance by Tenant. At all times during the Term, Tenant shall, at Tenant's own cost and expense, keep and maintain the Property and all improvements thereon (including all structural, non-structural, interior, exterior, landscaped areas, systems, equipment, facilities, driveways, parking lots, fences, and signs) in good order, condition and repair (whether or not the portion of the Property or improvements requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Tenant, and whether or not the need for such repairs occurs as a result of Tenant's use, any prior use, the elements or the age of such portion). Tenant's maintenance obligations shall include restorations, replacements and renewals when necessary to keep the Property and all improvements thereon in good order, condition and repair. Tenant shall, during the Term, keep the exterior appearance of the Property and all improvements in a first-class condition consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, exterior repainting. In keeping the Property in good order, condition and repair, Tenant shall exercise and perform good maintenance practices, specifically including the procurement and maintenance at Tenant's expense of service contracts for HVAC equipment, any boiler and pressure vessels, fire protection systems, landscaping and irrigation systems, the roof and drains, and asphalt and parking lots, each with a contractor specializing and experienced in the maintenance of the applicable equipment or improvements. Tenant shall provide Landlord with a complete and correct copy of each such service contract and any amendments thereto. Tenant's maintenance obligations under this Section shall not be construed as limiting any right or requirement expressly provided for elsewhere in this Lease for Tenant to alter, modify, demolish, remove or replace any improvement. No deprivation, impairment or limitation of use resulting from any event or work contemplated by this Section shall entitle Tenant to any offset, abatement or reduction in rent nor to any termination or extension of the Term.

8.2 Requirements of Governmental Agencies. At all times during the Term, Tenant shall, at Tenant's own cost and expense:

(a) make all alterations, additions, or repairs to the Property (including the improvements and facilities on the Property) required by any law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, county, local, or other governmental agency or entity;

(b) observe and comply with all laws, ordinances, statutes, orders, and regulations now or hereafter made or issued respecting the Property by any federal, county, local, or other governmental agency or entity; and

(c) indemnify, defend and hold Landlord and the property of Landlord, including the Property, free and harmless from any and all claims, liabilities, losses, damages, fines, penalties, claims, and actions resulting from Tenant's failure to comply with the requirements of this Section 8.

8.3 Tenant's Duty to Restore Property. Should, at any time during the Term, any buildings or improvements now or hereafter on the Property be destroyed in whole or in part by fire, theft, the elements, or any other cause not the fault of Landlord, and Tenant reasonably determines that operation of the restored improvements would no longer be economically feasible and delivers to Landlord a written explanation thereof (with reasonable supporting documentation) within sixty (60) days after the damage, then Tenant may in such written notice terminate this Lease (in which case Tenant shall promptly remove the improvements and restore the Premises at Tenant's cost, and if Tenant fails to do so, Landlord may do so and Tenant shall reimburse Landlord for Landlord's costs thereof within thirty (30) days after written demand and Tenant's obligations hereunder shall survive the termination of this Lease). If this Lease is not so terminated, then Tenant, at Tenant's own cost and expense, shall repair and restore the damaged or destroyed buildings or improvements according to the original final plans and specifications therefore or according to any modified plans and specifications that provide for improvements consistent in terms of size, design and quality with the original buildings and improvements. If the work of repair and restoration does not require the issuance of any building permit or other permit from governmental authorities or the preparation of plans, then such work shall be commenced by Tenant within sixty (60) days after the damage or destruction occurs and shall be completed as soon as possible and in any event within nine (9) months after such work is commenced. If the work of repair and restoration requires the issuance of any building permit or other permit from governmental authorities or the preparation of plans, then such work shall commence within ninety (90) days after the last to occur of obtaining of the necessary permit or permits or the preparation of plans and shall be completed as soon as possible and in any event within one year after such work is commenced. The Parties agree that events or conditions may preclude in some instances the immediate making of permanent repairs. The Parties agree that in those instances Tenant shall make interim repairs that will protect the improvements from further deterioration and permit the continued use of the Property to the extent possible for the purposes for which they were demised. In such event Tenant, upon demand, shall provide Landlord sufficient information for Landlord to satisfy itself that the time for making permanent repairs must be extended as reasonable beyond the time limits specified hereinbefore. In all other respects, the work of repair and restoration shall be done in accordance with the requirements for the original Work set forth in Section 7. No deprivation, impairment or limitation of use resulting from any event or work contemplated by this Section shall entitle Tenant to any offset, abatement or reduction in Rent or to any termination or extension of the Term.

8.4 Application of Insurance Proceeds. Any and all fire or other insurance proceeds that become payable at any time during the Term because of damage to or destruction of any buildings or improvements on the Property shall be paid to Tenant's lender or to Landlord and shall be used toward the repair, restoration and replacement of damaged or destroyed buildings or improvements in the manner required by Section 8.3; provided, however, that any fire or other insurance proceeds remaining after the repair, restoration, reconstruction and/or replacement of the damaged or destroyed buildings or improvements has been completed to the satisfaction of Landlord (the "Remaining Insurance Proceeds") shall be allocated between Tenant and Landlord as follows:

(a) that percentage of the Remaining Insurance Proceeds which equals the percentage of the unexpired portion of the Term, at the time the repair, restoration,

reconstruction and/or replacement of the damaged or destroyed buildings has been completed, shall belong to and be the sole property of Tenant; and

(b) that percentage of the Remaining Insurance Proceeds which equals the percentage of the expired portion of the Term, at the time the repair, restoration, reconstruction and/or replacement of the damaged or destroyed buildings has been completed, shall belong to and be the sole property of Landlord.

8.5 Landlord's Rights of Entry. Landlord and Landlord's agents shall have the right to enter after prior notice (except in an emergency) of the time and place of entry into and upon said portions of the Property as necessary for the purpose of ascertaining that the improvements on the Property are kept and maintained in good condition and repair as provided for in this Section 8 and that the terms of this Lease are observed, provided that Tenant shall have the right to have a representative of Tenant accompany the inspecting person(s) if Tenant makes such representative available at the applicable time and place.

9. Indemnity and Insurance.

9.1 Exculpation of Landlord. Landlord shall not be liable to Tenant for any damage to Tenant or Tenant's property for any cause, except for any damage to Tenant or Tenant's property resulting from the gross negligence and willful misconduct of Landlord or its authorized representatives. Tenant waives all claims against Landlord for damage to person or property arising, or asserted to have arisen, for any reason, except that Landlord shall be liable to Tenant for any damage to Tenant resulting from the gross negligence or willful misconduct of Landlord, provided that under no circumstances shall Landlord be liable for any injury to Tenant's business or for any loss of income or profit. Subject to the foregoing provisions, Landlord agrees to, defend, indemnify and hold Tenant and its officers, directors, employees, agents and affiliates and their respective assets free and harmless against and from any and all liabilities, claims, losses, damages, and expenses (including attorneys' fees and court costs) resulting from or arising out of Landlord's failure to perform any of Landlord's obligations under this Lease when and as required by the terms hereof.

9.2 Indemnity. Tenant agrees to, and does hereby defend, indemnify and hold Landlord and its officers, directors, employees, agents and affiliates and their respective assets, including the Property and all improvements now or hereafter on the Property, free and harmless against and from any and all liabilities, claims, losses, damages, and expenses (including attorneys' fees and court costs) resulting from or arising out of Tenant's occupation and use of the Property, specifically including any liability, claim, loss, damage, or expense arising by reason of:

(a) The death or injury of any person, including any person who is an employee or agent of Tenant, or the damage to or destruction of any property, including property owned by Tenant or by any person who is an employee or agent of Tenant, from any cause whatsoever while such person or property is on the Property;

(b) Any work performed on the Property or materials furnished to the Property at the instance or request of Tenant or any person or entity acting for or on behalf of Tenant; or

(c) Tenant's failure to comply with any requirement of law or any requirement imposed on Tenant or the Property by any governmental agency or authority;

(d) Tenant's failure to perform any of Tenant's obligations under this Lease when and as required by the terms hereof; or

(e) The inaccuracy of any representation made by Tenant to Landlord in this Lease.

9.3 Liability Insurance. Tenant shall, at Tenant's own cost and expense, secure promptly after execution of this Lease and maintain during the entire Term a general liability insurance policy issued by Special District Risk Management Authority ("SDRMA") or ACWA JPIA, or as permitted under Section 9.7, insuring Tenant and Landlord against loss or liability caused by or connected with Tenant's occupation, use, disuse, or condition of the Property under this Lease in an amount not less than \$2,500,000 per occurrence.

9.4 Increase in Insurance Coverage. Not more frequently than each five (5) years, if, in the reasonable opinion of Landlord, the amount of public liability and property insurance coverage at that time is not adequate, Tenant shall increase the insurance coverage as reasonably required by Landlord.

9.5 Evidence of Insurance. Prior to entering the Premises for any purpose, Tenant shall deliver to Landlord an insurance certificate showing that Tenant has obtained and is maintaining the insurance required by this Section 9. Upon written request of Landlord, Tenant shall deliver to Landlord a complete and correct copy of each insurance policy required by this Section 9. All insurance policies required by express provisions of this Lease shall be nonassessable and shall contain language to the effect that (a) any loss shall be payable notwithstanding any act or negligence of Landlord that might otherwise result in the forfeiture of the insurance, (b) that the insurer waives the right of subrogation against Landlord, and (c) the policies are primary and non-contributing with any insurance that may be carried by Landlord.

9.6 Notice of Cancellation of Insurance. Each insurance policy required by this Section 9 shall contain a provision that it cannot be cancelled or materially changed for any reason unless 30 days' prior written notice of such cancellation or change is given to Landlord in the manner required by this Lease for service of notices on Landlord by Tenant.

9.7 Different Insurer. If the then-existing insurer ceases to exist or no longer issues such insurance, or if Tenant desires to obtain such insurance from a different insurer, Tenant may obtain such insurance from an insurance company authorized to issue insurance in California and having a rate of at least "A-13" in the then-current Best's Insurance Guides, provided Tenant delivers a new insurance certificate to Landlord reflecting the insurance required hereunder.

10. Condemnation.

10.1 Total Condemnation. Should, during the Term, title to the Property be taken under the power of eminent domain by any public or quasi-public agency or entity, this Lease shall terminate as of 12:01 A.M. of, whichever first occurs, (a) the date legal title to the Property becomes vested in or (b) actual physical possession of the Property is taken by the agency or entity exercising the power of eminent domain, and both Landlord and Tenant shall thereafter be released from all future obligations under this Lease, except those specified in Sections 10.4 and 10.5.

10.2 Partial Condemnation. Should, during the Term, title of only a portion of the leased Property be taken under the power of eminent domain by any public or quasi-public agency or entity, all compensation and damages payable by reason the taking by eminent domain of any improvements (but not land) shall be available to and used, to the extent reasonably needed, by Tenant to replace the improvements so taken to the extent practicable under then existing laws and conditions with improvements of the same type on the remaining portion of the Property. Tenant shall submit to Landlord conceptual plans for the replacement improvements and shall consult with Landlord and keep Landlord informed concerning development and construction of replacement improvements; provided, however, that should the improvements taken by eminent domain result in a net loss of one-half or more of the total area of Tenant's improvements, after taking into consideration such improvements that could be reasonably constructed on the remaining portion of the Property, Tenant may terminate this Lease in the manner prescribed by Section 10.3.

10.3 Termination for Partial Taking. Tenant may terminate this Lease for the reasons stated in Section 10.2 by serving written notice of termination on Landlord within ninety (90) days after Tenant has been deprived of actual physical possession of the portion of the Property taken by eminent domain. This Lease shall terminate as of 12:01 A.M. of the first day of the calendar month following the calendar month in which the notice of termination described in this Section is served on Landlord. Upon any termination of this Lease pursuant to this Section, all subleases and subtenancies in or on the Property or any portion or portions of the Property created by Tenant under this Lease shall also terminate and the Property shall be delivered to Landlord free and clear of all such subleases and subtenancies; provided, however, that Landlord may, at Landlord's option, by mailing written notice to a subtenant allow any subtenant to attorn to Landlord and continue the subtenant's occupancy of the Property as a tenant of Landlord. On termination of this Lease pursuant to this Section, however, both Landlord and Tenant shall be released from all future obligations under this Lease except those specified in Sections 10.4 and 10.5.

10.4 Condemnation Award. Any compensation or damages awarded or payable because of the taking of all or any portion of the Property by eminent domain shall be allocated between Landlord and Tenant as follows:

(a) All compensation or damages awarded or payable for the taking by eminent domain of any land that is part of the Property shall be paid to and be the sole property of Landlord free and clear of any claim of Tenant or any person claiming rights to the Property through or under Tenant.

(b) All compensation or damages awarded or payable for the taking by eminent domain of any improvements located on the Property where only a portion of the Property is taken by eminent domain and Tenant is not entitled to or does not terminate this Lease, shall be applied in the manner specified in Section 10.2 toward the replacement of such improvements with equivalent new improvements on the remaining portions of the Property.

(c) All compensation or damages awarded or payable for the taking by eminent domain of any improvements located on the Property where this Lease is terminated because of such taking, whether all or only a portion of the Property is taken, shall be allocated between Tenant and Landlord as follows:

(i) That portion of the compensation or damages awarded or payable for the taking of improvements in existence on the date of this Lease shall belong to and be the sole property of Landlord.

(ii) That percentage of the compensation or damages awarded or payable for the taking of improvements not in existence on the date of this Lease which equals the percentage of the expired portion of the Term at the time of the taking shall belong to and be the sole property of Landlord.

(iii) That portion of the compensation or damages awarded or payable for the taking of improvements not in existence on the date of this Lease which equals the percentage of the unexpired portion of the Term at the time of the taking shall belong to and be the sole property of Tenant.

(iv) The term "time of taking" as used in this subparagraph shall mean 12:00 A.M. of, whichever shall first occur, the date title or the date physical possession of the portion of the Property on which the improvements are located is taken by the agency or entity exercising the eminent domain power.

(v) Any severance damages awarded or payable because only a portion of the Property is taken by eminent domain shall be the sole property of Tenant during the first fifteen (15) years of the Term and shall be the sole and separate property of Landlord thereafter.

10.5 Allocation of Award Between Land and Improvements. For purposes of this Section any compensation or damages awarded or payable because of the taking by eminent domain of all or any portion of the Property shall be allocated between the land and any improvements so taken in accordance with any allocation made by the court in any eminent domain proceeding. If the court does not make any such allocation, or if Landlord should voluntarily convey title to all or a portion of the Property pursuant to Section 10.7, then that portion of any compensation or damages awarded which is equal to the then fair market value of any land within the Property that is taken by eminent domain (the "Land Value") shall be deemed compensation or damages awarded for the taking of such land, and the remainder of any compensation or damages awarded shall be deemed to be compensation or damages awarded for the taking of any improvements constructed or located on the Property taken by eminent domain.

The Land Value shall be determined as though the Property were not subject to this Lease or any other lease or encumbrance and shall be established as follows:

(a) Landlord and Tenant shall attempt in good faith to agree on the Land Value. If Landlord and Tenant do not agree on the Land Value within ten business days after such taking, the Land Value shall be determined by appraisal in accordance with paragraphs (b) through (e) below.

(b) Within ten (10) business days after any taking, each party hereto shall deliver to the other a written notice appointing as such party's appraiser a disinterested person with at least 10 years' experience as a real estate appraiser, who shall be a member of a recognized society of real estate appraisers and shall have had experience in appraising industrial properties in Sacramento, California and its environs.

(c) Within ten (10) business days after the appointment of the second of the two appraisers, the two appraisers shall jointly appoint a third appraiser whose qualifications meet the standards set forth above.

(d) Within thirty (30) days after the appointment of the second appraiser, the first two appraisers shall make their respective determinations of the Land Value and shall submit their appraisal reports to Landlord and Tenant.

(e) The Land Value shall be conclusively deemed to the arithmetic average of the two fair market values shown in the appraisal reports submitted by the first two appraisers; provided, however, that if within thirty (30) days after the appointment of the second appraiser only one appraisal report shall have been submitted, the Land Value shall be conclusively deemed to the fair market value shown in such appraisal report; and provided further that if two appraisal reports are submitted within thirty (30) days after the appointment of the second appraiser and if the difference between the two appraised values is greater than 10% of the higher appraised value, then upon the written request of either Landlord or Tenant made within five business days after the submission of the second appraisal report, the third appraiser shall be instructed to select as the Land Value one of the appraised values determined by the first two appraisers. The value so selected shall be conclusively deemed to be the Land Value.

10.6 Abatement of Base Rent for Partial Taking. Should, during the Term, title and possession of only a portion of the Property be taken under the power of eminent domain by any public or quasi-public agency or entity and Tenant does not or cannot under Section 10.2 terminate this Lease, then this Lease shall terminate as to the portion of the Property taken under eminent domain as of 12:01 A.M. of, whichever first occurs, the date title is taken or the date actual physical possession of the portion taken by eminent domain is taken by the agency or entity exercising the eminent domain power. Furthermore, the Base Rent payable under this Lease shall, as of that time, be reduced in the same proportion that the value of the portion of the Property taken by eminent domain bears to the full value of the Property at that time as reasonably determined by Landlord; provided, however, that subject to the provision of Sections 10.2 and 10.3, Tenant shall replace any improvements or facilities with equivalent new facilities on the remaining portion of the Property and do all other acts, at Tenant's own cost and expense,

required by the eminent domain taking to make the remaining portion of the Property fit for the uses specified in this Lease.

10.7 Voluntary Conveyance in Lieu of Eminent Domain. Landlord reserves the right in its sole discretion to voluntarily convey title to all or a portion of the Property to a public or quasi-public agency or entity in lieu of and under threat by such agency or entity to take the same by eminent domain proceedings, provided that Landlord shall give Tenant prior notice of intent or willingness to voluntarily convey title. Such voluntary conveyance by Landlord of title to all or a portion of the Property to a public or quasi-public agency or entity in lieu of and under threat by such agency or entity to take the same by eminent domain proceedings shall be considered a taking of title to all or such portion of the Property under the power of eminent domain subject to the provisions of this Section 10.

11. Assignment and Subletting.

11.1 Landlord's Consent Required. Provided Tenant notifies Landlord in writing in advance of the name, address and qualifications of the operator, Tenant may hire a reputable operator with respect to Tenant's leasehold interest hereunder and the Property. Tenant shall not voluntarily or by operation of law assign, encumber or otherwise transfer its leasehold estate under this Lease or any right or interest in this Lease or the Property, or (except for the operator described above) permit all or any portion of the Property to be occupied by anyone other than Tenant, or sublet all or any part of the Property, without the express prior written consent of Landlord, which shall not be unreasonably withheld. Any such assignment or subletting without the prior written consent of Landlord, whether voluntary or involuntary, by operation of law or otherwise, shall be void and shall constitute a non-curable Event of Default. A consent by Landlord to any one assignment or subletting shall not be deemed to be a consent to any subsequent assignment or subletting. Without limiting the matters that may be considered by Landlord in determining whether to consent to any requested assignment or subletting, Landlord may take into account the proposed assignee's or subtenant's financial strength and ability to perform all of the obligations of Tenant under this Lease. No assignment of this Lease shall be effective unless and until the proposed assignee shall have executed and delivered to Landlord a written agreement in form and content satisfactory to Landlord pursuant to which the proposed assignee shall assume and agree to perform when due all of Tenant's obligations under this Lease.

11.2 Additional Provisions Regarding Assignment and Subletting.

(a) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Landlord's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including the intended use and/or required modification of the Property, if any, together with a fee of \$300.00 (as increased on each anniversary of the date of this Lease by the percentage increase in the Index over the year ending on the applicable anniversary, as determined in good faith by Landlord) to compensate Landlord for considering and processing such request. Tenant shall also reimburse Landlord for Landlord's reasonable attorneys' fees incurred in connection with any such assignment or subletting for which Landlord's consent is required. Tenant agrees to

provide Landlord with such other or additional information and documentation as may be reasonably requested.

(b) Landlord may accept Rent or performance of Tenant's obligations from any person other than Tenant pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Landlord's right to exercise its remedies for Tenant's default.

(c) Landlord's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) Following any assignment of this Lease, the assigning Tenant shall remain fully liable for the full and timely performance and observance of each obligation of the "Tenant" under this Lease, as it may be amended from time to time. Such continuing liability shall be primary and concurrent with that of the successor Tenant, and shall not be affected by any amendment of this Lease entered into between Landlord and the successor Tenant after the date of the assignment. Upon any Event of Default, Landlord may proceed directly against the assigning Tenant or anyone else responsible for the performance of Tenant's obligations under this Lease, including any assignee, without first exhausting Landlord's remedies against any other person or entity responsible therefor, or any security held by Landlord.

(e) Any assignee of this Lease shall, by reason of accepting such assignment, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Tenant during the term of said assignment, other than such obligations as are contrary to or inconsistent with provisions of an assignment to which Landlord has specifically consented to in writing.

(f) No assignee or sublessee shall have a right further to assign or sublet without complying with this Section 11.

(g) Any payments and other economic consideration received by Tenant (whether before or after the date of such adjustment) as a result of any assignment or subletting shall be remitted to Landlord after Tenant has recovered from such payments and consideration the actual brokerage commissions and reasonable attorneys' fees incurred in the assignment or subletting, and as shown by reasonable evidence delivered to Landlord prior to the effective date of the assignment, and in the case of a subletting, after deduction of the rent paid by Tenant to Landlord under this Lease. Such remittance shall be payable to Landlord as additional Rent under this Lease (i) in the case of an assignment, when the payment/consideration is received by the Tenant; and (ii) in the case of a sublease, on a monthly basis (i.e., sublease profit shall be calculated on a monthly basis, and only the Lease rent for the month in question shall be deducted from that month's sublease rent).

(h) The term of any sublease shall not extend beyond the Term.

(i) Each sublease shall by its own terms be expressly subject to all of the terms, covenants and conditions of this Lease, and Tenant shall remain fully liable to Landlord for the payment of rents and performance of all other obligations under this Lease.

(j) Each sublease shall contain a provision, satisfactory to Landlord, that upon the termination of this Lease for any reason, at Landlord's election either (i) the sublease shall terminate or (ii) the sublessee shall attorn to Landlord and pay rent and perform all of the other obligations of the sublessee under its sublease directly to Landlord.

(k) Each sublease shall contain a provision, satisfactory to Landlord, prohibiting the payment of rent more than three months in advance.

(l) Each sublease shall contain a provision, satisfactory to Landlord, that if Tenant defaults under this Lease and fails to deliver to Landlord any security deposit or prepaid rent paid to Tenant by a subtenant under such sublease, then (i) Landlord shall have no obligation or liability to such subtenant for the return of any security deposit or prepaid rent paid to Tenant, (ii) such subtenant shall be solely responsible to pursue its rights and remedies against Tenant for recovery of any security deposit or prepaid rent paid to Tenant, and (iii) such subtenant shall deliver to Landlord, within thirty (30) days after demand by Landlord, a security deposit in the same amount as set forth in such sublease, and notwithstanding any prepayment by such subtenant of rent to Tenant, shall be obligated to pay to Landlord rent set forth in such sublease commencing upon termination of this Lease and notice thereof to such subtenant by Landlord.

(m) Promptly after execution of any sublease or an amendment to any sublease, Tenant shall deliver to Landlord a complete and correct copy of the fully executed and effective sublease or amendment, including all exhibits and attachments.

(n) Tenant hereby assigns and transfers to Landlord all of Tenant's interest in all rent payable to Tenant under any sublease, and Landlord may collect such rent and apply same toward Tenant's obligations under this Lease; provided, however, that until an Event of Default shall have occurred under this Lease, Tenant may collect such rent, subject to Section 11.2(g). Landlord shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of any rent thereunder, be deemed liable to the sublessee for any failure of Tenant to perform and comply with any of Tenant's obligations to such sublessee. Tenant hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Landlord stating that an Event of Default exists under this Lease, to pay to Landlord all rent due and to become due under the sublease. The sublessee shall rely upon any such notice from Landlord and shall pay such rent to Landlord without any obligation or right to inquire as to whether such Event of Default exists, notwithstanding any claim from Tenant to the contrary.

(o) Upon the occurrence of any Event of Default under this Lease, Landlord may, at its option, require sublessee to attorn to Landlord, in which event Landlord shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, that Landlord shall not be liable for any prepaid rent or security deposit paid by such sublessee (except to the extent actually paid over to Landlord) or for any prior defaults of such sublessor.

12. Default and Remedies.

12.1 Events of Default by Tenant. Any of the following events shall constitute an “Event of Default” under this Lease:

(a) Tenant fails to make any payment of money called for by any provision of this Lease (whether to Landlord or any third party) within fifteen (15) days after delivery of written notice by Landlord that the payment is past due; or

(b) Tenant fails to perform fully and when due any of its other covenants, conditions or obligations under this Lease and after written notice from Landlord specifying the nature of such failure of Tenant, Tenant: (i) does not promptly commence taking all necessary and appropriate actions to remedy such failure, or (ii) does not thereafter diligently and continuously pursue all such remedial actions, or (iii) does not fully cure such failure within the minimum period of time reasonably required under the circumstances to achieve a cure, but in any event within ninety (90) days after Landlord’s written notice of such failure, time being strictly of the essence; provided, however, that Tenant shall not be entitled to cure the breach of any covenant that is “non-curable”; or

(c) any voluntary or involuntary assignment, transfer, encumbrance or subletting of this Lease occurs in violation of Section 11; or

(d) any material statement or disclosure made by Tenant to Landlord in order to induce Landlord to enter into this Lease is false or misleading; or

(e) any right or interest of Tenant is subjected to attachment, execution, or other levy, or to seizure under legal process, which is not released within sixty (60) days; or

(f) a receiver is appointed to take possession or control of the Property, the leasehold estate of Tenant under this Lease, or Tenant’s operations on the Property for any reason, including assignment for benefit of creditors or voluntary or involuntary bankruptcy proceedings; or

(g) Tenant makes a general assignment for the benefit of creditors or a voluntary or involuntary petition is filed by or against Tenant under any law for the purpose of adjudicating Tenant a bankrupt, or for extending time for payment, adjustment or satisfaction of Tenant’s liabilities, or for reorganization, dissolution or arrangement on account of or to prevent bankruptcy or insolvency, unless such assignment or proceeding, and all consequent orders, adjudications, custodies and supervisions are dismissed, vacated or otherwise permanently stayed or terminated within sixty (60) days after such assignment, filing or other initial event.

12.2 Landlord Event of Default. The following shall constitute a “Landlord Event of Default” under this Lease:

Landlord fails to perform of its obligations under this Lease after written notice from Tenant specifying the nature of such failure of Landlord, and Landlord: (i) does not thereafter commence taking all necessary and appropriate actions to remedy such failure with

reasonable diligence, or (ii) does not thereafter pursue all such remedial actions with reasonable diligence.

12.3 Remedies. Upon the occurrence of any Landlord Event of Default, Tenant shall have all of its rights and remedies at law or in equity. Upon the occurrence of any Event of Default by Tenant, and without the giving of any additional notice not otherwise required hereunder or by law, Landlord may exercise the following rights and remedies in addition to all other rights and remedies provided by law or equity, either cumulatively (to the extent permitted by applicable law) or in the alternative:

(a) Terminate Tenant's right to possession of the Property by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Property to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the unpaid Rent that had been earned at the time of termination; plus (ii) the worth at the time of award of the amount by which the unpaid Rent that would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iii) 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 such rental loss that Tenant proves could be reasonably avoided; plus (iv) any other amounts necessary to compensate Landlord for all the detriment approximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including the cost of recovering possession of the Property, expenses of reletting, including necessary renovation and alteration of the Property, reasonable attorneys' fees, and that portion of any leasing commission paid by Landlord in connection with this Lease applicable to the unexpired Term. The worth at the time of award of the amount referred to in clause (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Landlord shall have the right to recover in such proceeding any unpaid Base Rent, Percentage Rent and damages as are recoverable therein, or Landlord may reserve the right to recover all or any part thereof in a separate suit. If any notice required under Section 12.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Tenant under the unlawful detainer statute shall also be deemed to constitute the notice required by Section 12.1. In such case, any applicable grace period required by Section 12.1 and the unlawful detainer statute shall run concurrently, and the failure of Tenant to cure the Event of Default within the greater of the two such grace periods shall constitute both an unlawful detainer and an Event of Default entitling Landlord to the remedies provided for in this Lease and/or by said statute.

(b) Maintain this Lease and Tenant's right to possession of the Property in effect and continue to enforce all of Landlord's rights and remedies hereunder, including the remedy described in California Civil Code Section 1951.4 (granting a landlord the right to continue a lease in effect after a tenant's breach and abandonment and to recover all rent as it becomes due if the tenant has the right to sublet or assign, subject only to reasonable limitations) provided that upon Landlord's election of such remedy, Landlord shall not and may not unreasonably withhold its consent to any assignment or subletting. Acts of maintenance or preservation or efforts to relet the Property or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease shall not constitute a termination of this

Lease or Tenant's right to possession unless written notice of termination is given by Landlord to Tenant.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the State of California. The expiration or termination of this Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the Term or by reason of Tenant's occupancy of the Property.

12.4 Landlord's Performance of Tenant's Obligations. If Tenant fails to perform any affirmative duty or obligation under this Lease within five (5) business days after written notice (or in case of an emergency, without notice), the Landlord may, at its option, perform such duty or obligation on Tenant's behalf, including the obtaining of reasonably required bonds, insurance policies, or governmental permits, licenses and approvals. The costs and expenses of any such performance by Landlord shall be due and payable by Tenant upon Landlord's written demand. If any check given to Landlord by Tenant shall not be honored by the bank upon which it is drawn, Landlord, at its option, may require that all future payments by Tenant to Landlord be made by bank cashier's check.

12.5 Remedies Cumulative. To the extent permitted by applicable law, the remedies of each party shall not be exclusive but shall be cumulative with and in addition to all remedies now or hereafter allowed by law or provided in this Lease.

12.6 Waiver of Breach. The waiver of any breach of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent breach either of the same or a different provision of this Lease. No waiver, benefit, privilege or service voluntarily given or performed by either party shall give the other any contractual right by custom, estoppel or otherwise. The subsequent acceptance of rent pursuant to this Lease shall not constitute a waiver of any preceding default by Tenant other than default in the payment of the particular rental payment so accepted, regardless of Landlord's knowledge of the preceding breach at the time of accepting the rent, nor shall acceptance of rent or any other payment after termination constitute a reinstatement, extension or renewal of the Term or revocation of any notice or other act by Landlord.

13. Miscellaneous.

13.1 Tenant's Duty to Surrender Property. At the expiration or any earlier termination of the Term, Tenant shall surrender to Landlord the possession of the Property and, subject to Section 7.8, all improvements and fixtures installed or constructed by or for Tenant thereon free and clear of all claims to or against them by Tenant or any third person or party. Tenant shall defend, indemnify and hold Landlord harmless from any and all claims, losses, damages, liabilities and expense resulting from the delay or failure to surrender or failure to comply with Section 7.8, including claims made by any succeeding tenant or any purchaser or prospective purchaser founded on or resulting from any such delay or failure.

13.2 Holding Over. This Lease shall terminate without further notice at the expiration of the Term. Notwithstanding Landlord's acceptance of Rent after expiration or any

earlier termination of the Term, any holding over by Tenant shall not constitute a renewal or extension of the Term or give Tenant any rights in or to the Property. In the event that Tenant holds over, then the Base Rent shall be increased to one hundred and fifty percent (150%) of the Base Rent applicable during the month immediately preceding the expiration or earlier termination of the Term. Nothing contained herein shall be construed as a consent by Landlord to any holding over by Tenant.

13.3 Survival. Each obligation of Tenant's obligations under this Lease that, by its nature, is to be, or may need to be, performed after the expiration or any earlier termination of this Lease shall survive such expiration or termination. Without limiting the generality of the preceding sentence, Tenant's indemnification and defense obligations under this Lease shall survive the expiration or termination of this Lease.

13.4 Force Majeure Delays. Except as otherwise expressly provided in this Lease, should the performance of any act required by this Lease to be performed by either Landlord or Tenant be prevented or delayed by reason of any act of God, strike, war, lockout, labor trouble, or inability to secure materials (but not by reason of delay in the issuance of any required governmental permit, license or approval), the time for performance of the act will be extended for a period equivalent to the period of delay and performance of the act during the period of delay will be excused; provided, however, that nothing contained in this Section shall excuse the full payment when due of any Rent payable by Tenant or the performance of any act rendered difficult or impossible solely because of the financial condition of the party required to perform the act; and provided further that any such extension of the time for performance shall not affect the commencement or expiration of the Term.

13.5 Interest on Overdue Payments. All Rent and other sums of any nature that Tenant fails to pay to Landlord when due under any provision of this Lease or that Landlord pays to any third party on behalf of Tenant pursuant to any provision of this Lease shall bear interest from the date due to Landlord or paid by Landlord, as applicable (the "Due Date"), at the lesser of the rate of 10% per annum, accruing daily but not compounded, or the maximum rate permitted by law. Such interest shall be payable immediately and without the necessity of any demand by Landlord. The fact that Landlord is entitled to interest under this Section shall not be construed to excuse or mitigate any default by Tenant.

13.6 Attorneys' Fees. In the event either party brings a suit, action or other proceeding against the other party that in any way relates to or arises out of this Lease, the prevailing party (meaning the party that obtains substantially the relief sought by it) shall be entitled to have and recover from the other party all costs and expenses of the suit, action or proceeding, including attorneys' fees, from the commencement of the suit, action or proceeding through the entry of judgment. The trial court shall determine which party is the prevailing party as well as the amount of attorneys' fees and costs to be awarded immediately following the entry of judgment (and without awaiting any appeal) in a post-trial proceeding such as is conducted when a cost bill is submitted. If an appeal is timely filed and if the awarding or amount of attorneys' fees and costs is at issue in the appeal, then the appellate court (or the trial court, acting pursuant to an order of the appellate court) shall determine such issue, and the recoverable attorneys' fees and costs shall include those incurred through the entry of final judgment following the appeal. In the event that Landlord shall be a party to any legal proceedings

instituted in connection with or arising out of this Lease where Tenant is named as a defendant, Tenant agrees to pay to Landlord all sums paid or incurred by Landlord as costs and expenses in such legal proceedings, including Landlord's reasonable attorneys' fees.

13.7 Estoppel Certificates by Tenant. Tenant shall within ten (10) days after written notice from Landlord execute, acknowledge and deliver to Landlord an estoppel certificate in writing, in form similar to the then most current "Tenancy Statement" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and statements as may be reasonably requested by Landlord. Any such statement by Tenant may be given by Landlord to any prospective purchaser or encumbrancer of the Property. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct. If Tenant does not deliver such statement to Landlord within such 10-day period, Landlord and any prospective purchaser or encumbrancer may conclusively presume that: (a) the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (b) this Lease has not been canceled or terminated except as otherwise represented by Landlord; (c) not more than one month's Base Rent has been paid in advance; and (d) Landlord is not in default under this Lease. In such event, Tenant shall be estopped from denying the truth of any such presumption. If Landlord desires to finance, refinance, or sell the Property or any part thereof, Tenant shall deliver to any potential lender or purchaser designated by Landlord such financial statements as may be reasonably required by such lender or purchaser, including Tenant's financial statements for the past three years. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

13.8 Limitation on Landlord's Liability. The obligations of Landlord under this Lease shall not constitute personal obligations of Landlord or its councilmembers, officers, employees or affiliates, and Tenant shall look to the Property, and not to any other assets of Landlord, for the satisfaction of any liability of Landlord with respect to this Lease, and shall not seek recourse against Landlord or its individual directors, officers, employees or affiliates, or any of their personal assets for such satisfaction.

13.9 Subordination; Attornment; Non-Disturbance.

(a) Subordination. This Lease shall be subject and subordinate to any deed of trust or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed by Landlord upon the Property, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof.

(b) Attornment. Subject to the non-disturbance provisions of paragraph (c) below, Tenant agrees to attorn to any lender or any other party who acquires ownership of the Property by reason of a foreclosure of a Security Device, and in the event of such foreclosure, such new owner shall not (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses that Tenant might have against any prior lessor, or (iii) be bound by any prepayment of more than one calendar quarter's Base Rent.

(c) Non-Disturbance. With respect to Security Devices entered into by Landlord after the execution of this Lease, Tenant's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement") from the lender to the effect that Tenant's possession of the Property shall not be disturbed so long as Tenant is not in default hereunder and attorns to the record owner of the Property.

(d) Self-Executing. The agreements contained in this Section 13.9 shall be effective without the execution of any further documents; provided, however, that, upon the written request of Landlord or any lender in connection with a sale, financing or refinancing of the Property, Tenant and Landlord shall execute such further writings as may be reasonably required to separately document the subordination, attornment and Non-Disturbance Agreement provided for herein.

13.10 Consents. Whenever the consent, approval, judgment or determination of Landlord is required or permitted under any provision of this Lease, Landlord may exercise its good faith business judgment in granting or withholding such consent or approval or in making such judgment or determination without reference to any extrinsic standard of reasonableness, unless the provision for such consent, approval, judgment or determination specifies that Landlord's consent or approval is not to be unreasonably withheld, or that such judgment or determination is to be reasonable, or otherwise specifies the standards under which Landlord may withhold its consent. If it is determined that Landlord failed to give its consent where it was required to do so under this Lease, Tenant shall be entitled to specific performance but not to monetary damages for such failure. Landlord's actual reasonable costs and expenses (including architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Tenant for any Landlord consent, including consents to an assignment, a subletting or the presence or use of a Hazardous Materials, shall be paid by Tenant upon receipt of an invoice and supporting documentation therefor. Landlord's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Event of Default by Tenant of this Lease exists, nor shall such consent be deemed a waiver of any then existing Event of Default, except as may be otherwise specifically stated in writing by Landlord at the time of such consent. The failure to specify herein any particular condition to Landlord's consent shall not preclude the imposition by Landlord at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. The review or approval by Landlord of any item to be reviewed or approved by Landlord under the terms of this Lease shall not impose upon Landlord any liability for accuracy or sufficiency of any such item or the quality or suitability of such item for its intended use. Any such review or approval is for the sole purpose of protecting Landlord's interest in the Property or under this Lease, and no third parties, including Tenant or the representatives and visitors or Tenant or any person or entity claiming by, through or under Tenant, shall have any rights hereunder.

13.11 Reservations by Landlord. Landlord reserves to itself the right, from time to time and without the consent or joinder of Tenant, to grant such easements, rights and dedications as Landlord may deem necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Property by Tenant. Tenant agrees to sign any

documents reasonably requested by Landlord to effectuate any such easement rights, dedication, map or restrictions.

13.12 Authority. Each individual executing this Lease on behalf of Landlord or Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on such party's behalf. Each party shall, within thirty (30) days after written request, deliver to the other party satisfactory evidence of such authority.

13.13 Jurisdiction and Governing Law. Any action brought by Landlord against Tenant in connection with this Lease or any matter that in any way relates to the transactions contemplated by this Lease may be brought by Landlord in any court in Monterey County or in any other court of competent jurisdiction, wherever located, having personal jurisdiction over Tenant. The judgment in any such action may be enforced by any court of competent jurisdiction wherever located. Without limiting the generality of the foregoing, Tenant hereby submits to the jurisdiction and venue of any court in Monterey County, California. In connection with any action brought by either party hereto against the other party, Landlord may take depositions in the State of California or in any other locations worldwide in which Tenant maintains an office or records; Tenant shall take depositions only in the State of California. Regardless of who initiates an action or the jurisdiction and venue in which such action is brought, this Lease and all matters that in any way relate to the transactions contemplated by this Lease shall be governed by the laws of the State of California.

13.14 Quiet Enjoyment. Subject to Tenant's compliance with the terms of this Lease, Tenant shall and may peacefully and quietly have, hold and enjoy the Property hereby demised, for the Term, on the terms and subject to the conditions contained in this Lease.

13.15 Notices. All notices required or permitted by this Lease shall be in writing and may be delivered by overnight courier or may be sent by certified mail, with postage prepaid, and shall be deemed sufficiently given if served in a manner specified in this Section. Until changed by a notice given in accordance with the provisions of this Section, the respective addresses of Landlord and Tenant for the purpose of receiving notices required or permitted by this Lease are as follows:

Landlord:

City of Seaside
440 Harcourt Avenue
Seaside, CA 93955
Attn: City Manager

Tenant:

Monterey Peninsula Water Management District
P. O. Box 85
Monterey, CA 93942-0085
Attn: _____

Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. Notices delivered by overnight courier that guarantee next day delivery shall be deemed given on the next business day after delivery of the same to the courier. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

13.16 Successors and Assigns. This Lease shall be binding on and enforceable by, and shall inure to the benefit of, Landlord and Tenant and their respective successors, and assigns, subject to the provisions of Section 11.

13.17 Time of Essence. Time is expressly declared to be the essence of each provision of this Lease in which time is a factor.

13.18 Memorandum of Lease. Concurrently with its execution of this Lease, Tenant shall execute and deliver to Landlord a memorandum of this Lease in the form of Exhibit "C", duly acknowledged. Upon the commencement of the Term (i.e., after Landlord has acquired title to the Property), Landlord shall execute the memorandum and cause it to be recorded in the Official Records of Monterey County.

13.19 Counterparts. This Lease may be executed in counterparts, all of which together shall constitute one and the same document.

13.20 Partial Invalidity. Should any provision of this Lease be held by a court of competent jurisdiction to be either invalid, void, or unenforceable, the remaining provisions of this Lease shall remain in full force and effect unimpaired by the holding.

13.21 Entire Agreement. This instrument constitutes the sole and only agreement between Landlord and Tenant regarding the subject matter of this Lease. Any agreements or representations respecting the Property, their leasing to Tenant by Landlord, or any other matter discussed in this Lease not expressly set forth in this instrument, are hereby superseded and are null and void.

13.22 Amendments. This Lease may be modified only by a written instrument signed by the parties in interest at the time of the modification. Tenant agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a lender in connection with any financing or refinancing of the Property, provided that such modifications do not materially change Tenant's obligations hereunder.

13.23 Construction of Lease. This Lease shall be construed fairly as to all parties and not in favor of or against any party, regardless of which party prepared this Lease. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections and paragraphs of this Lease are for convenience only and do not define or limit any terms or provisions. Unless otherwise specifically provided, references in this Lease to sections, paragraphs and exhibits shall be to sections, paragraphs and exhibits of or to this Lease. All exhibits hereto are incorporated herein by the references thereto in this Lease. The use in this Lease of the word "include" or any derivative thereof shall be construed as providing examples or illustration only and shall not limited the generality of any provision in which it is used. As

used in this Lease, the term "business day" means any day on which commercial banks are open for business in the State of California, and the term "day" means a calendar day when not expressly stated to be a business day. If any period or deadline specified in this Lease ends or falls on a day that is not a business day, such period or deadline shall be extended to end or fall on the next succeeding business day. Wherever used in this Lease, the symbol "\$" refers to dollars in currency of the United States of America.

13.24 Effect of Delivery. The delivery of any unexecuted draft of this Lease shall not constitute an offer by the delivering party or otherwise bind the delivering party or create any enforceable rights in favor of the other party. This Lease shall not be binding or enforceable unless and until it is executed and delivered by both Landlord and Tenant.

13.25 Landlord as Governmental Entity. Although Landlord is a governmental entity, none of Landlord's consents, approvals or performance of obligations under this Lease shall constitute consents, approvals or acts in the Landlord's governmental capacity, but shall only constitute consents, approvals and acts by Landlord in its proprietary capacity as the landlord under this Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date first above written.

LANDLORD:

CITY OF SEASIDE,
a municipal corporation

By: _____
Print Name: _____
Title: _____

ATTEST:

_____, City Clerk

TENANT:

MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT,
a California public entity organized under the
California Water Code

By: _____
Print Name: _____
Title: _____

EXHIBIT "A"

DESCRIPTION OF LAND

THE FOLLOWING LAND IN THE CITY OF SEASIDE, COUNTY OF MONTEREY, STATE OF CALIFORNIA:

The portion of Parcel 1, as shown on the map filed for record on September 7, 1994 on Sheet 4 in Volume 19, "Record of Surveys", Page 1, Records of Monterey County, described as follows:

Beginning at a point, from which Corner #1, whose state plane coordinates are North 2121541.64 feet, East 5734939.34 feet (NAD 83 CA Zone IV), as shown on said Record of Survey, bears North 8°24'58" East, 650.64 feet; thence, from said Point of Beginning,

- 1) North 30°46'34" East, 42.00 feet; thence,
- 2) North 22°59'46" West, 41.18 feet; thence,
- 3) North 26°21'19" East, 139.15 feet; thence,
- 4) South 67°34'40" East, 209.16 feet; thence,
- 5) North 47°21'20" East, 158.12 feet; thence,
- 6) South 24°28'06" East, 124.07 feet; thence,
- 7) South 41°12'42" West, 177.06 feet; thence,
- 8) South 54°39'09" West, 128.63 feet; thence,
- 9) West, 149.81 feet; thence,
- 10) North, 66.56 feet; thence,
- 11) North 63°48'00" West, 63.34 feet to the Point of Beginning.

Containing an area of 1.90 Acres, more or less. (Bearings refer to Grid Meridian NAD 83 CA Zone IV)

EXHIBIT "B"

DESCRIPTION OF THE WORK/IMPROVEMENTS

DRAFT

EXHIBIT "C"

FORM OF MEMORANDUM OF GROUND LEASE

(Attached.)

DRAFT

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

City of Seaside
440 Harcourt Avenue
Seaside, California 93955
Attn: _____

[Space Above For Recorder's Use Only]

The undersigned Lessor declares that this Memorandum of Ground Lease is exempt from Recording Fees pursuant to California Government Code Section 27383.

Documentary Transfer Tax is \$0.00; exempt conveyance to a public entity (City of Seaside, County of Monterey).

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE (this "**Memorandum**") is dated as of _____, 2015 and is entered into by and between the CITY OF SEASIDE, a municipal corporation ("**Landlord**") and the MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, a California public entity organized under the California Water Code ("**Tenant**").

RECITALS

A. Landlord and Tenant executed that certain Ground Lease dated _____, 2015 (the "**Lease**") affecting the land described on Exhibit "A" (the "Property") prior to Landlord's acquisition of the Property.

B. Landlord has acquired the Property, and Landlord and Tenant therefore desire to record this Memorandum in order to, among other things, comply with law requiring that municipal leases be recorded, and to give constructive notice of the existence of the Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, and the covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Ground Lease.** Landlord has leased the Property to Tenant, and Tenant has leased the Property from Landlord, upon and subject to the terms and conditions set forth in the Lease. The Lease is hereby incorporated herein by this reference.

2. **Term.** The term of the Lease commenced on _____, 201_ and expires forty (40) years thereafter, subject to extension by Tenant in five year increments for up to 15 years (such that the term could be extended to 55 years).

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum as of the date and year first above written.

LANDLORD:

CITY OF SEASIDE,
a municipal corporation

By: _____
Print Name: _____
Title: _____

ATTEST:

_____, City Clerk

TENANT:

MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT

By: _____
Print Name: _____
Title: _____

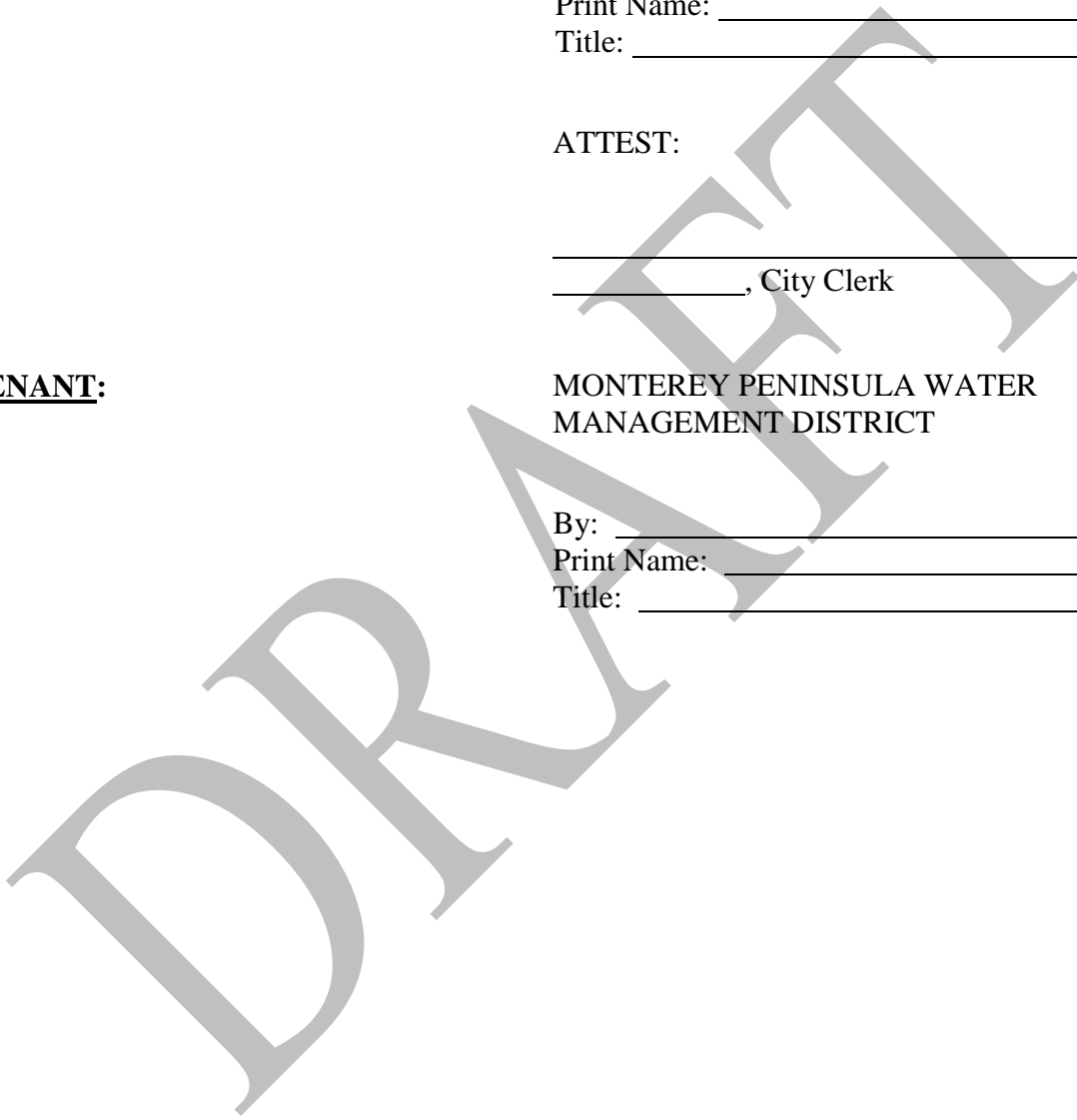


EXHIBIT A TO MEMORANDUM OF LEASE

DESCRIPTION OF LAND

THE FOLLOWING LAND IN THE CITY OF SEASIDE, COUNTY OF MONTEREY, STATE OF CALIFORNIA:

The portion of Parcel 1, as shown on the map filed for record on September 7, 1994 on Sheet 4 in Volume 19, "Record of Surveys", Page 1, Records of Monterey County, described as follows:

Beginning at a point, from which Corner #1, whose state plane coordinates are North 2121541.64 feet, East 5734939.34 feet (NAD 83 CA Zone IV), as shown on said Record of Survey, bears North 8°24'58" East, 650.64 feet; thence, from said Point of Beginning,

- 1) North 30°46'34" East, 42.00 feet; thence,
- 2) North 22°59'46" West, 41.18 feet; thence,
- 3) North 26°21'19" East, 139.15 feet; thence,
- 4) South 67°34'40" East, 209.16 feet; thence,
- 5) North 47°21'20" East, 158.12 feet; thence,
- 6) South 24°28'06" East, 124.07 feet; thence,
- 7) South 41°12'42" West, 177.06 feet; thence,
- 8) South 54°39'09" West, 128.63 feet; thence,
- 9) West, 149.81 feet; thence,
- 10) North, 66.56 feet; thence,
- 11) North 63°48'00" West, 63.34 feet to the Point of Beginning.

Containing an area of 1.90 Acres, more or less. (Bearings refer to Grid Meridian NAD 83 CA Zone IV)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Monterey)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

DRAFT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Monterey)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)