

**GRAZING LEASE AGREEMENT
BY AND BETWEEN THE
IRONHOUSE SANITARY DISTRICT
AND
AUBURN RAVINE RANCH, INC**

FOR A PORTION OF THE PROPERTY KNOWN AS
JERSEY ISLAND IN CONTRA COUNTY, CALIFORNIA

This Grazing Lease ("Lease Agreement") is by and between Auburn Ravine Ranch, Inc, a diversified livestock and farming operation ("Lessee") and the Ironhouse Sanitary District, a California sanitary district ("District"). District and Lessee may each be referred to as a "Party" or may be collectively referred to herein as the "Parties."

R E C I T A L S

A. The District owns a 3,500 acre leveed island adjacent to its wastewater facility property, in Contra Costa County, State of California, generally known as Jersey Island ("Jersey Island"). Jersey Island is bound to the west by the San Joaquin River, on the north by False River, on the northeast by Piper Slough, on the east of Taylor Slough and on the south by Dutch Slough. The majority of Jersey Island is in a flood plain.

B. The District purchased Jersey Island in 1993 to allow for its disposal needs at the time. In 2011, the District installed a pipeline for the facility's recycled water discharge to the San Joaquin River Delta.

C. Since 1997, the District has owned and managed a cattle operation on Jersey Island. District employees have operated the cattle operation, as well as farming on Jersey Island. District staff currently grows 2,000 tons of hay per year. Part of the hay has been fed to the cattle owned by the District. The rest is sold to feed lots in the Central Valley and local ranches.

D. The District has been considering options with respect to the long-term sustainability of Jersey Island. In May 2019, the District entered into a Partner Agreement with Montezuma Water to assess the feasibility of a variety of uses on Jersey Island. In May 2021, the District Board directed staff to sell the cattle herd and issue a Request for Proposals (RFP) for a grazing lease with a third party lessee over certain lease parcels on Jersey Island. The sale of all District cattle is anticipated to be complete by April 30, 2022. The District may issue an RFP for farming operations. Until that time, District staff will continue to operate the farming operation.

E. The District issued an RFP for this Grazing Lease on Feb 17, 2022 Lessee was the proposer selected by District.

F. Lessee is aware of District's intention to continue to assess various uses on Jersey Island and desires to enter into this Lease Agreement under the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the above referenced recitals and the following mutual covenants, agreements and obligations of the Parties, the District and Lessee agree as follows:

ARTICLE 1 PROPERTY AND BACKGROUND

1.1 Description of Leased Premises. District agrees to lease to Lessee, and Lessee agrees to lease from District the Leased Premises, as defined below, which consists of a portion of Jersey Island and certain improvements located thereon. The portion of the Jersey Island Property which comprises the leased real property ("Premises") consists of approximately 2,395 acres of ranch land, to be used for grazing purposes, more fully described in Exhibit A. The Premises consist of 19 pastures, which are siphon irrigated, contour irrigated or not irrigated, as set forth in more detail in Exhibit A. The following improvements are located on the Premises and subject to this Lease Agreement: (a) 29 siphons and a ditch system to provide irrigation of the pastures and cattle drinking water; (b) two wells located on the Premises, subject to District's retained water rights; (c) water troughs associated with the wells; (d) three cattle working facilities (referred to as Main, Southern and Southeastern); (e) loading and unloading facilities; (f) sweep tubs; (g) a hay barn storage facility; (h) fencing and gates; and (i) scale box ("Improvements"). The Premises and Improvements are defined herein as the "Leased Premises." The Leased Premises do not include the cattle shoots. The Premises may be modified by District in its sole discretion as provided in Section 1.2 below.

1.2 Alternative Uses. It is understood that District contemplates the erection and operation of other uses on the Premises. After an initial period of 42 months, the District may reduce the acreage of the Premises by no more than 10 percent. In such event, District shall provide Lessee with at least six months prior written notice of any reduction in the Premises. The rental payments shall be adjusted in proportion to the number of grazing acres remaining in the Lease Agreement following the reduction.

1.3 Water. During the Term, as defined in Section 2.1 below, water shall be made available to Lessee for the Livestock from siphons and ditches presently existing on the Premises. Water from the sources to or on the Premises available to Lessee under this Lease Agreement shall be used only on the Premises and in the performance of Lessee's obligations under this Lease Agreement. Lessee shall not export this water for any other use or to any other property. District assumes no responsibility to Lessee for any water shortage from the facilities mentioned above and assumes no responsibility for and does not warrant, the quality or quantity of the water supply on or to the Premises. If water rights are curtailed to the extent that they impact the ability of Lessee to maintain its operations, the Parties shall meet in good faith to discuss potential amendments to the Lease Agreement. During such discussions, this Lease Agreement shall remain in full force and effect. All watering systems presently on the Premises shall be for the exclusive use of Livestock while this Lease Agreement applies to the areas where the systems are located. District shall retain all underlying water rights to water on the Premises.

1.4 No Utilities. Lessee acknowledges that there is no utility service provided to the Premises. Therefore, neither District nor Lessee shall be responsible for any utility costs.

1.5 District Retained Oil, Gas, Mineral and Wind Rights. All rights in minerals, oil, gas, wind, and other hydrocarbons located on, over or under the Premises are reserved to District, along with such rights as may be necessary for District to explore and investigate such uses, and are excluded from the Leased Premises.

ARTICLE 2 TERM

2.1 Term. The initial term of this Lease Agreement is for five years beginning on May 1, 2022 (the "Initial Term"). After the first 42 months, District may modify the Premises to reduce the acreage of the Premises, as set forth in Section 1.2 above. This Lease Agreement may be extended by mutual agreement of the Parties. The Initial Term plus any approved extensions shall be referred to herein as the "Term."

ARTICLE 3 RENT

3.1 Rent. Lessee shall pay District rent on a semi-annual basis, with the first semi-annual payment to be made on or before May 1 of each year and the second semi-annual payment to be made on or before November 1 of each year. [\$401,000 (Four hundred one thousand dollars)]. All required rent payments shall be made payable to the Ironhouse Sanitary District and delivered to the Finance Department of the Ironhouse Sanitary District, 450 Walnut Meadows Drive, Oakley, CA 94561.

3.2 Additional Rent. Lessee shall at Lessee's own expense perform all requirements in accordance with Exhibit B, attached hereto and incorporated herein by reference. If Lessee fails to perform such requirements, District may arrange for the work to be completed and Lessee shall be required to reimburse District for costs incurred.

3.3 Delinquency Charge. Failure of Lessee to pay the rent as set forth in Section 3.1 shall constitute a default. In the event that Lessee fails to pay the applicable rent as set forth in Section 3.1, in addition to any other remedy provided by this Lease Agreement, Lessee shall pay District a late charge of five percent, which shall start accruing thirty (30) days after the rent was due. It is the intent of this provision that District shall be compensated by such additional sums for loss resulting from rental delinquency including costs incurred by District for servicing the delinquent account. District, at its option, may waive any such delinquency compensation required herein, upon written application of Lessee.

3.4 Security Deposit. In addition to the above rent, to secure the faithful performance of Lessee's obligations hereunder, Lessee shall provide to District a security deposit in the sum of twenty-five thousand dollars (\$25,000). The security deposit will be deposited in a bank or savings institution in the name of District. Any interest earned during the time the funds are retained as a security deposit are payable to Lessee. These funds shall be retained during the entire term of this Lease Agreement and any extensions. District may use such amounts as are reasonably necessary to remedy Lessee's default in performance under this Lease Agreement including defaults in the payment of rent, repair of damages caused by Lessee, and cleaning of the Premises if necessary. Upon this occurrence, Lessee agrees to reinstate the total security deposit of \$25,000 upon five days written notice to Lessee.

ARTICLE 4 TAXES AND ASSESSMENTS

4.1 Taxes and Assessments. The property interest created by this Lease Agreement may be subject to property taxation and the Lessee in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest. Lessee agrees to pay all lawful taxes, assessments or charges which at any time may be levied by the State of California, County of Contra Costa, or any tax or assessment levying body upon any interest in this Lease Agreement or any possessory right which Lessee may have in possessory interest or to the Leased Premises by reason of its use or occupancy thereof or otherwise, as well as all taxes, assessments and charges on goods, merchandise, fixtures, appliances, equipment and property owned by it in or about the Leased Premises and shall hold District harmless therefrom.

ARTICLE 5 USE, CHARACTER, OPERATION AND MAINTENANCE

5.1 Use of Property. The Premises is leased to Lessee for the express purpose of feeding, grazing, maintenance, and production of livestock and livestock products. Use shall in accordance with Exhibit B, Use Requirements, attached hereto and incorporated herein by this reference. Livestock shall consist of cattle, sheep and goats only. Human occupancy overnight is not allowed, except under special circumstances as pre-authorized in writing by the District. Commercial wholesale or retail operations are not allowed on the Premises. Lessee shall not use, or permit to be used, any part of the Premises for any purpose other than the purposes for which the Premises are leased. All operations incident to this use of the Premises shall be carried on according to the best course of husbandry practiced in the vicinity including maintaining fencing and providing firebreaks, as may be required by governmental authority, law, order, rule or regulation. On default of Lessee to do so, District reserves the right, upon thirty (30) days' written notice, to take necessary remedial measures at the expense of Lessee, for which Lessee agrees to reimburse District on demand.

5.2 Lease Agreement Subject to Rights of District and Others. This Lease Agreement is subject to the following conditions and restrictions:

5.2.1 All existing easements, servitudes, licenses, and rights-of-way for canals, ditches, levees, roads, telephone, electric and other power transmission lines, pipelines, and other purposes, whether recorded or not;

5.2.2 The rights of other lessees under any existing or future oil, gas, and mineral lease or leases affecting the entire or any portion of the Premises, whether recorded or not; and,

5.2.3 The rights retained by District under this Lease Agreement, including but not limited to:

(a) The nonexclusive rights of ingress and egress to the Premises by existing roadways to District and its contractors, tenants, visitors, or assigns, in order to gain access to the Premises; and

- (b) District's existing water rights on the Premises; and
- (c) The right to maintain and improve District's levee system, including without limitation levees, ditches and associated equipment, on the Premises; and
- (d) Ongoing farming operations on the Premises; and
- (e) The right to reduce the Premises as set forth in Section 1.2 above.

5.3 Improvements. All improvements constructed or installed under the provisions of this Lease Agreement shall become the property of District and shall remain in place and intact upon the expiration or earlier termination of this Lease Agreement. Lessee shall not make, or permit to be made, alterations of the Premises, without first obtaining District's written consent. Lessee, during the term and at the termination of this Lease Agreement, if not in default hereunder, may remove any of its personal property (including identification signs) from the Premises which can be removed without causing any damage to the Premises. Any personal property to be removed pursuant to this section must be removed from the Leased Premises prior to the last day of this Lease Agreement. Subject to the prior written approval of the District, Lessee shall have the right to erect temporary structures on the Premises as may be necessary or incidental to its use under this Lease Agreement. Lessee shall pay any and all taxes imposed on such structures. All such structures shall remain the property of Lessee and Lessee shall remove these structures from the Premises prior to the expiration of the term of this Lease Agreement. All property not removed shall be deemed abandoned by Lessee and may be used or disposed of by District in manner whatsoever without compensation to Lessee. Such abandonment shall in no way reduce any obligation of Lessee to restore the Premises.

5.4 Entry by District. Lessee shall permit District at all reasonable times, to enter the Premises and to use the roads established on the premises now or in the future, for the purposes of inspection, compliance with the terms of this Lease Agreement, exercise of all rights under this Lease Agreement, posting notices and all other lawful purposes. Lessee shall supply District with keys and other instruments necessary to effect entry on the Premises. Lessee shall make and keep pertinent records of all operations and conduct under this Lease Agreement and shall make them available to District at all reasonable times for inspection.

5.5 Waste. Lessee shall not commit, or permit others to commit, on the Premises, waste, or a nuisance, or any other act that could disturb the quiet enjoyment of District or any other tenant of District on the Premises or adjacent property. Lessee understands and agrees that the storage and/or disposal of the Premises of any hazardous material that is regulated by any appropriate agency, whether local, county, state, or national is not permitted in or on the ground or into any drains, wash basins, toilets or the like, including storm drains. Lessee agrees to have any such liquid and/or material removed from the Premises including, if necessary, the hiring of a commercial disposal service, all at Lessee's expense and to the satisfaction of District.

ARTICLE 6 CONDITION OF PROPERTY

6.1 Condition of Property. Lessee has examined, knows and accepts the condition and state of the Leased Premises and all appurtenances on an "AS-IS, WITH ALL FAULTS"

basis, inclusive of any and all faults, defects, legal, physical and economic, whether known or unknown. Lessee further agrees and acknowledges that District has made no representation concerning such condition or any agreement or promise to alter, improve, adapt, repair or keep in repair the Leased Premises and appurtenances, or any item thereof, which has not been fully set forth in this Lease Agreement which contains all the agreements made and entered into between Lessee and District. Lessee acknowledges and agrees that Tenant has been given an opportunity to obtain review, inspect and investigate the Leased Premises and the suitability of the Leased Premises for grazing. District makes no warranty of suitability for grazing or any other purpose which Lessee is authorized to do under this Lease Agreement.

ARTICLE 7 LIENS AND DAMAGE

7.1 Liens. Lessee shall pay for all labor done or materials furnished in the repair, replacement, or improvement of the Premises by Lessee and shall keep the Premises and Lessee's possessory interest therein free and clear of any lien or encumbrance of any kind whatsoever created by Lessee's act or omission.

7.2 Damage to District Property. In the event of the destruction of or damage to any District property located on or adjacent to the Premises by Lessee, or any of its officers, agents, servants, employees, subtenants, licensees or invitees, Lessee shall promptly repair or replace such property to the satisfaction of District, or pay to District an amount of money sufficient to compensate it for the loss or damage sustained, as District shall elect.

ARTICLE 8 TERMINATION AND CONDEMNATION

8.1 Termination for Cause. District shall have the right to terminate this Lease Agreement, in whole or in part, at any time, after thirty (30) days written notice to Lessee, upon default, after notice and opportunity to cure as set forth in section 9.1.2 below, by Lessee of any of the terms and conditions of this Lease Agreement. In the event that District terminates this Lease Agreement on account of breach by Lessee of any of the terms and conditions of this Lease Agreement, no adjustment in advance rentals paid by Lessee shall be made. Additionally, District shall be entitled to recover, and Lessee shall pay to District, all of the following amounts:

8.1.1 The cost incurred in resuming possession of the Premises; and

8.1.2 The costs incurred in performing any obligation on behalf of Lessee which is required to be performed under this Lease Agreement; and

8.1.3 An amount equal to the aggregate of all rents and charges assumed hereunder and not theretofore paid, less the net rentals, if any, collected by District on the reletting of the Premises. Such amounts shall be due and payable at the time when the rent under this Lease Agreement would become due and payable.

8.2 Holding Over. Lessee expressly waives the benefits conferred by California Code of Civil Procedure Section 1161, which relates to the holding over upon grazing land after the termination of a Lease Agreement.

8.3 Abandonment. Lessee shall not vacate or abandon the Premises at any time during the term; and if Lessee does abandon, vacate, or surrender the Premises, or is dispossessed by process of law, or otherwise, personal property belonging to the Lessee and left on the Premises shall be kept for a reasonable time by District, but in no event longer than fifteen (15) days after District gives Lessee notice to remove the property from the Premises, after which time, if it has not been reclaimed by Lessee, it may be treated by District as abandoned.

8.4 Lessee Obligations upon Termination. Upon termination of this Lease Agreement, Lessee covenants and agrees to peacefully and quietly quit and surrender possession of the Premises and all appurtenances to District subject to all the covenants, conditions, terms and agreements of this Lease Agreement, and Lessee agrees to pay all monies then due and owing to District at such time, provided for in this Lease Agreement, or as a result of operations thereunder by Lessee, or in consequence thereof. Before the expiration of this Lease Agreement or the prior termination thereof, Lessee shall, if required to do so by District, restore the Premises to the general condition existing as of the date of this Lease Agreement, or to such improved condition as they may have been placed in by District or Lessee during the term of this or any prior Lease Agreement, reasonable wear and tear and damaged by the elements or from other causes over which Lessee had no control excepted.

8.5 Right of Entry as Agent. In any and all cases in which provision is made herein for the termination of this Lease Agreement, Lessee hereby irrevocably appoints the District the agent of Lessee to enter the Premises and remove any and all persons and/or property whatsoever situated into or upon the Premises, and place all or any portion of said property, except such property as may be forfeited to the District, in storage for account of and at expense of Lessee; and in such case the District may relet the Premises upon such terms as it may deem fit, and if a sufficient sum shall not thus be realized after paying expenses of such reletting and collecting to satisfy the rent and other sums herein agreed to be paid, Lessee agrees to satisfy and pay any deficiency, and to pay expenses of such reletting and collecting. Lessee hereby exempts and agrees to save harmless the District from any cost, loss or damage arising out of or caused by any such entry or re-entry into and upon the Premises and/or property and storage of such property by the District or its agents.

8.6 Condemnation. If a part of the Leased Premises is condemned for a public use, and the remaining part which is not condemned is retained by Lessee, this Lease Agreement shall terminate, as to the part taken, on the date that a certified copy of the final order of condemnation is filed in the office of the County Recorder. The rent payable under this Lease Agreement shall be adjusted in proportion to the number of acres remaining in the Premises following condemnation. District may, at its option, restore fences and replace facilities lost by the condemnation or District may terminate this Lease Agreement. In the event that the Premises is reduced by more than fifty percent (50%), and the remaining acreage is less than that which is acceptable to the Lessee, Lessee has the option, upon sixty (60) days written notice to District, to terminate this Lease Agreement. If the entire or a part of the Leased Premises is taken or condemned, all compensation awarded on condemnation shall go to District, with Lessee having no claim to compensation. Lessee irrevocably assigns and transfers to District any right to compensation or damages to which Lessee may become entitled during the term of this Lease Agreement by the condemnation of the entire or a part of the Leased Premises.

ARTICLE 9 DEFAULT

9.1 Forfeitures and Right to Cure Defaults.

9.1.1 It is mutually covenanted and agreed and this Lease Agreement is made upon the condition that if rents or other sums which Lessee herein agrees to pay, or any part thereof, shall be unpaid on the date on which the same shall become due, or if uncured default be made in any of the terms, agreements, conditions or covenants herein contained on the part of Lessee, or should Lessee abandon and cease to use the Premises for a period of thirty (30) days except when use of the Premises is prevented by fire, earthquake, war, strike or other calamity beyond its control, then in any such event, at its option, the District may declare this Lease Agreement forfeited, whereupon all improvements of every kind and description including all Leasehold Interests shall, at the option of the District, be forfeited to and become the property of the District, and the District may exercise all rights of entry and re-entry into and upon the Project.

9.1.2 Lessee shall not be considered to be in default until the expiration of fifteen (15) days, in the case of a failure in the payment of rent or other sums herein provided to be made by Lessee, or ninety (90) days, in all other instances, after written notice by the District to Lessee. If during such fifteen (15) or ninety (90) day period, such failure or condition in violation of the provisions of this Lease Agreement shall have been cured or obviated by Lessee, any right of the District to terminate this Lease Agreement or re-enter the Premises by reason of such failure shall cease.

ARTICLE 10 INSURANCE AND INDEMNITY

10.1 Insurance Requirements. During the Term of this Agreement, and for any time period set forth in Exhibit C, attached hereto and incorporated herein by this reference, Lessee shall provide and maintain in full force and effect, at no cost to District, insurance policies with coverage amounts, required endorsements, certificates of insurance, and coverage verifications as set forth in Exhibit C.

10.2 Insurance Hazards. Lessee shall not use the Leased Premises nor permit others to use them, nor do or permit acts that will increase the existing rates of insurance on the Premises, or cause a cancellation of any insurance policy covering, in whole or in part; nor shall Lessee sell, or permit to be kept, used, or sold, in or about the Premises, any articles that are prohibited by the standard form of fire insurance policies. Lessee shall comply with all requirements, applying to the Premises, of any insurance organization or company, necessary for the maintenance of reasonable fire and public liability insurance.

10.3 Hold Harmless/Indemnification. Lessee agrees to protect, defend, hold harmless and indemnify District, its Board members, commissions, officers, employees, volunteers, representatives and agents from and against any demand, claim, injury, liability, loss, cost, and/or expense or damage, including all costs and reasonable attorney's fees, arising out of Lessee's acts, errors, or omissions under this Lease Agreement, except to the extent such Claims are caused by

the active negligence or willful misconduct of District. This section 10.3 shall survive expiration or earlier termination of this Lease Agreement.

ARTICLE 11 ASSIGNMENT

11.1 Assignment or Subletting. Lessee may not assign this Lease Agreement, or any rights under it, and shall not sublet the entire or any part of the Leased Premises, or any right or privilege appurtenant to the Leased Premises, or permit any other person (with the exception of the agents of Lessee) to occupy or use the entire or any portion of the Leased Premises, without first obtaining District's written consent, which shall not be unreasonably withheld. Lessee and the proposed assignee shall provide District with a written request for approval of an assignment accompanied by evidence of the proposed assignee's experience and financial capability to comply with the terms of this Lease Agreement, along with any other information reasonably requested by District to review the proposed assignment. An assignment or a subletting without District's consent shall be void, and shall, at District's option, terminate this Lease Agreement. Any approved assignment or sublet shall be documented by an agreement in a form reasonably approved by District. No interest of Lessee in this Lease Agreement shall be assignable by operation of law without District's written consent. No assignment, subletting, or encumbrance by Lessee shall release Lessee from any obligations hereunder.

ARTICLE 12 MISCELLANEOUS

12.1 Independent Contractor. It is agreed that Lessee shall act and be an independent contractor and not an agent nor employee of District.

12.2 Federal Subsidy Participation (If Applicable). Lessees of agricultural land who wish to enter into any United States Department of Agriculture, Agricultural Stabilization and Conservation Service ("USDA/ASCS") programs or agreements shall do so solely at the discretion of and subject to the USDA/ASCS rules and regulations. District makes no guarantees regarding agricultural uses of the Leased Premises regarding normal crop acreage, allotments for crops, or the qualification of the land for USDA/ASCS programs.

12.3 Notices. Any notice to be given to either party by the other shall be in writing and shall be delivered by (a) personal delivery; (b) United States registered or certified mail, return receipt requested, postage prepaid; or (c) Federal Express or other equivalent overnight delivery service addressed as follows:

District:
Ironhouse Sanitary District
Attn: General Manager
450 Walnut Meadows Drive
Oakley, CA 94561
Email: davisson@isd.us.com

And

Ironhouse Sanitary District
Attn: Assistant General Manager
450 Walnut Meadows Drive
Oakley, CA 94561
Email: zimmerman@isd.us.com

Lessee:
Auburn Ravine Ranch, Inc.
Attn: Bert Lefty
1364 Ferreira Road
Lincoln, CA 95648
Email: bert@Auburnravineranch.com

12.4 No Discrimination. During the term of this Lease Agreement, Lessee shall not discriminate against any employee or applicant for employment because of race, color, creed, national origin, gender, sexual orientation, age, disability, religion, ethnic background, or marital status, in violation of state or federal law.

12.5 Waiver. Lessee agrees that waiver by District of any one or more of the conditions of performance under this Agreement shall not be construed as waiver(s) of any other condition of performance under this Agreement.

12.6 Rules and Regulations. Lessee shall comply with such rules and regulations may be prescribed, from time to time, by the District.

12.7 Title; Captions. The captions of the various sections, paragraphs and subparagraphs of this Agreement are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

12.8 Time of Essence. Time is of the essence in this Lease Agreement.

12.9 Law Governing Contract and Venue. This Agreement shall be governed and construed in accordance with the statutes and laws of the State of California. The venue of any suit filed by either Party shall be vested in the state courts of the County of Contra Costa, or if appropriate, in the United States District Court, Northern District of California.

12.10 Amendment. This Lease Agreement may be amended only with the written consent of both Parties.

12.11 Dispute Resolution. Unless otherwise mutually agreed to by the Parties, any controversies between Lessee and District regarding the construction or application of this Lease Agreement, and claims arising out of this Lease Agreement or its breach, shall be submitted to mediation within thirty (30) days of the written request of one Party after the service of that request on the other Party. The Parties may agree on one mediator. If they cannot agree on one mediator, the Party demanding mediation shall request the Superior Court of Contra Costa

County to appoint a mediator. The mediation meeting shall not exceed one day (eight (8) hours). The Parties may agree to extend the time allowed for mediation under this Lease Agreement. The costs of mediation shall be borne by the Parties equally. For any contract dispute, mediation under this section is a condition precedent to filing an action in any court. In the event of mediation which arises out of any dispute related to this Lease Agreement, the Parties shall each pay their respective attorney's fees, expert witness costs and cost of suit, through mediation only.

12.12 Conflict of Interest. To prevent a conflict of interest, Lessee certifies that no District officer, employee or authorized representative has any financial interest in the business of Lessee and that no person associated with Lessee has any interest, direct or indirect, which could conflict with the faithful performance of this Agreement. Lessee is familiar with the provisions of California Government Code Section 87100 and following, and certifies that it does not know of any facts which would violate these code provisions. Lessee will advise District if a conflict arises.

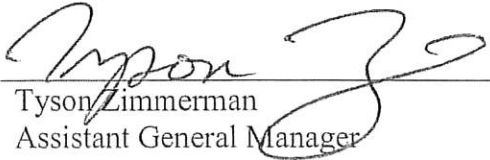
12.13 Counterparts. This Lease Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute one and the same instrument; and, the Parties agree that signatures on this Agreement shall be sufficient to bind the Parties.

[Signatures follow on next page]

IN WITNESS WHEREOF, Lessee and District have caused this Lease Agreement to be executed on their behalf by their respective officers duly authorized to execute this Lease Agreement.
A

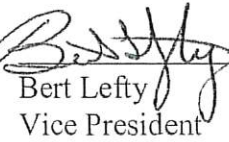
DISTRICT:

IRONHOUSE SANITARY DISTRICT, a
California special district

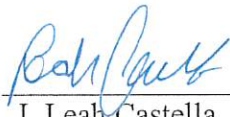
By: 
Tyson Zimmerman
Assistant General Manager

LESSEE:

AUBURN RAVINE RANCH, INC.

By: 
Bert Lefty
Vice President

APPROVED AS TO FORM:

By: 
J. Leah Castella
General Counsel

ATTEST:

By: 
District Secretary

EXHIBIT A

DESCRIPTION OF THE PREMISES

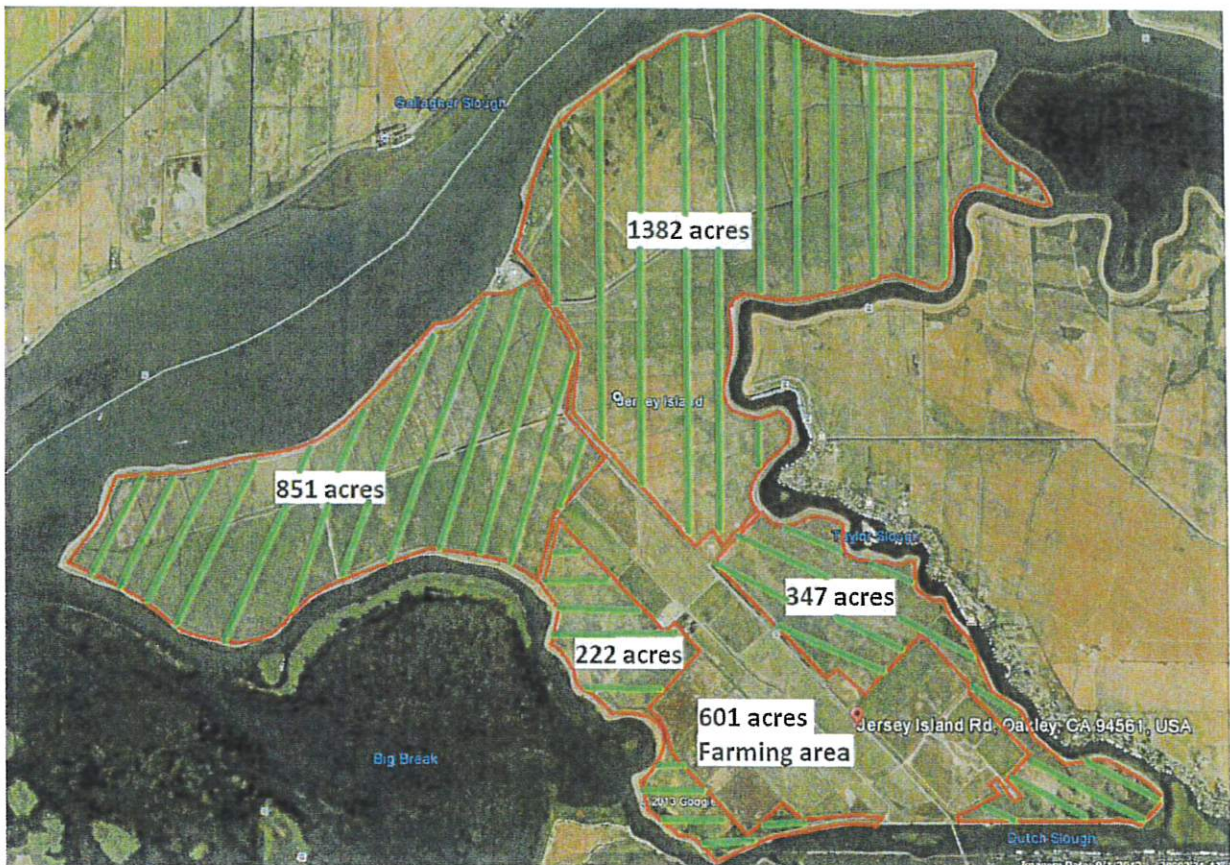


EXHIBIT B

LESSEE RESPONSIBILITIES

Lessee shall comply with the following requirements and use the Leased Premises by following generally accepted grazing practices. Lessee shall in no manner substantially change the condition of the Leased Premises except for such changes prescribed by the General Manager.

1. Site Coordination. Lessee shall closely coordinate Lessee's operations with District. The District shall designate a Range Manager as a single point of contact for District ("ISD Range Manager"). Lessee must be available at all times to correct emergency situations in regards to this Lease Agreement. Lessee must provide District with emergency telephone numbers where Lessee may be contacted during working and nonworking hours, including at least one alternate contact (name, address, and phone number) who may act on behalf of Lessee in emergency situations. Lessee's contacts must be available for contact seven days per week, 24 hours per day, and must arrive on site within two hours of an emergency. Lessee must provide information for a qualified veterinarian that is authorized to care for the livestock by Lessee in case of an emergency.
2. Grazing Management. Lessee shall submit a Herd Management Plan to District for approval annually each year on or before April 1 of each year for the period from May 1 to April 30. The Herd Management Plan shall ensure that the amount of grazing is sufficient each year to reduce overall fire hazard while protecting against soil erosion and also ensure that the leased Premise is not overgrazed. In addition, the Herd Management Plan shall address the following: (a) tagging of Livestock; (b) Livestock distribution; (c) animal health; (d) removal of dead Livestock; (e) standards of operation; (f)
3. Security and Access. Access to and from the Premises is strictly controlled. Lessee shall ensure access gates are closed and locked outside of normal business hours unless actively being used by Lessee. Lessee shall coordinate access and security with the ISD Range Manager.
4. Maintenance. Lessee shall be responsible, at Lessee's expense, for the maintenance of all water, fencing and cattle handling facilities on the Premises. Lessee shall frequently inspect and maintain existing Livestock watering facilities during the Term, including siphons, wells (except for the third well, which shall be maintained by District), water troughs and irrigation ditches. Maintenance includes, but is not limited to: maintaining water free of excessive amounts of algae, silt and manure; clearing obstructions away from drain and spillways; repairing float and valve mechanisms; cleaning or replacing blocked or damaged piping; repairing spring boxes; and maintaining the scale box and certifying it annually. Lessee shall maintain the Leased Premises and appurtenances of the Leased Premises, including, but not limited to, fences, cattle handling facilities, water troughs, and fire breaks, in the same or better order and condition in which received, ordinary wear and tear excepted. All materials used in maintaining the Improvements shall be of at least the same type of quality as

those used in original construction. All materials used for such repairs shall become the property of District and shall not be removed by Lessee upon termination of this Lease Agreement.

5. Capital Improvements. Capital improvements to water, fencing and cattle handling facilities may be performed by the Lessee only with the prior written approval of the ISD Range Manager. The cost of approved capital improvements will be credited against future lease payments in an amount to be approved by the ISD Range Manager.

6. Pest Management. Lessee shall, at his own cost and expense, comply with all state, county, District, and district weed and rodent control programs. Weeds and rodents shall be controlled to the satisfaction of the ISD Range Manager. The primary weeds and rodents that shall be controlled are:

- a. Poison Hemlock (*Conium maculatum*)
- b. Russian thistle/tumbleweed (*Salsola kali*)
- c. Star thistle (*Centaurea solstitialis*)
- d. Bull thistle (*Cirsium vulgare*)
- e. Wild artichoke (*Cynara cardunculus*)
- f. Milk thistle (*Silybum marianum*)
- g. Cocklebur (*Xanthium strumarium*)
- h. Black berries (*Rubus occidentalis*)
- i. California ground squirrel (*Otospermophilus beecheyi*).

7. Fertilizer and Pesticide Application. Lessee may apply limestone or commercial fertilizer to established meadows and pastures for soil improvement at Lessee's expense and consistent with the terms of the Lease Agreement. Lessee shall be responsible for complying with all federal, State, and local environmental standards, including obtaining required permits. At least five working days prior to pesticide application, Lessee shall furnish the ISD Range Manager with the following information:

- a. Common name/concentration of the product;
- b. Formulation of the product;
- c. Amount to be used;
- d. Target pest or weed (if applicable);
- e. Crop and acreage to be treated;
- f. Application rate/acre; and
- g. Time/frequency of application.

8. Fire Prevention. Lessee agrees to repair and maintain all firebreaks to the extent such repairs or maintenance is required from time to time by the ISD Range Manager. Lessee shall comply with local fire control and prevention regulations.

9. Engine-Driven Equipment. All engine-driven equipment used by Lessee on the Leased Premises must be equipped with properly operating spark arresters, mufflers, and tailpipe assemblies. In addition, any vehicle having a catalytic converter pollution device

may not be driven off of improved roads due to the extreme heat generated by the device during the dry season.

10. Storage of Equipment and Materials. Equipment utilized by Lessee under this Lease Agreement may be stored in an area approved by District. No hazardous materials shall be stored on the Leased Premises.

11. Debris Removal. Lessee shall maintain all areas of the Leased Premises in a neat and orderly appearance at all times. Broken or discarded equipment or materials shall be removed from the Leased Premises immediately. Lessee may burn debris or waste located on the Premises only with the previous written permission of the ISD Range Manager, which shall only be granted on a limited basis. Lessee must also obtain the appropriate permits from governmental agencies before any burning is done on the Premises.

12. Erosion Control. The Premises shall be managed to prevent erosion. Lessee, at Lessee's sole expense, shall control weeds on the Premises by mowing, chopping or spraying. Any spraying shall be preapproved in writing by the ISD Range Manager.

13. Cooperation with Easement Holders. Pacific Gas and Electric Company (PG&E), Calpine, PEOCO and the Western Area Power Administration (WAPA) own independent easements for electric and gas transmission lines on Jersey Island. The ISD outfall line is an important underground facility on Jersey Island. These easement holders and ISD occasionally perform maintenance of the facilities. The ISD Range Manager will advise the Lessee of maintenance activities and coordinate between the Lessee and the easement holders during the maintenance activities. Any digging within the easement areas or near the ISD outfall line will require the prior written approval of the ISD Range Manager.

14. Hunting. No hunting or sport shooting is allowed on the Premises. Any use of firearms to dispose of injured animals must be coordinated with the ISD Range Manager.

EXHIBIT C

INSURANCE REQUIREMENTS

1. **Lessee's Duty to Show Proof of Insurance.** Lessee, in order to protect District and its board members, officials, agents, officers, and employees against all claims and liability for death, injury, loss and damage as a result of Lessee's acts, errors, or omissions in connection with this Lease Agreement shall secure and maintain insurance as described below. Lessee shall have no rights to occupy the Premises until Lessee has obtained all insurance required under this section and the required certificates of insurance and all required endorsements have been filed with the District's authorized insurance representative, insurance Tracking Services Inc. (ITS). Receipt of evidence of insurance that does not comply with all applicable insurance requirements shall not constitute a waiver of the insurance requirements set forth herein. The required documents must be signed by the authorized representative of the insurance company shown on the certificate. Upon request, Lessee shall supply proof that such person is an authorized representative thereof, and is authorized to bind the named underwriter(s) and their company to the coverage, limits and termination provisions shown thereon, Lessee shall promptly deliver to ITS a certificate of insurance, and all required endorsements, with respect to each renewal policy, as necessary to demonstrate the maintenance of the required insurance coverage for the term specified herein. Such certificates and endorsements shall be delivered to ITS prior to the expiration date of any policy and bear a notation evidencing payment of the premium thereof if so requested. Lessee shall immediately pay any deductibles and self-insured retentions under all required insurance policies upon the submission of any claim by Lessee or District as an additional insured.

1.1 Fire and Extended Coverage Insurance

Fire and extended coverage insurance in All-Risk form, with vandalism and malicious mischief endorsements (and, if requested by District, earthquake and flood endorsements), covering the Leased Premises, Lessee's equipment and livestock against loss or damage in an amount not less than 100 percent of the replacement cost.

1.2 Commercial General Liability Insurance

Commercial General Liability Insurance including, but not limited to, Contractual Liability Insurance (specifically concerning the indemnity provisions of this Lease Agreement with the District), Personal Injury (including bodily injury and death), and Property Damage for liability arising out of this Lease Agreement. The Commercial General Liability insurance shall contain no exclusions or limitation for independent contractors working on the behalf of the named insured. The amount of said insurance coverage required by this Agreement shall be the policy limits, which shall be at least

five million dollars (\$5,000,000) each occurrence and five million dollars (\$5,000,000) aggregate.

1.3 Business Automobile Liability Insurance

Automobile Liability Insurance against claims of Personal Injury (including bodily injury and death) and Property Damage covering any vehicle and/or all owned, leased, hired and non-owned vehicles with coverage equal to the policy limits, which shall be at least one million dollars (\$1,000,000) each occurrence.

1.4 Workers' Compensation Insurance

Lessee shall submit written proof that Lessee is insured against liability for workers' compensation in accordance with the provisions of section 3700 of the California Labor Code. If any class of employees engaged in work or services performed under this Lease Agreement is not covered by California Labor Code section 3700, Lessee shall provide adequate insurance for the coverage of employees not otherwise covered. Lessee shall also maintain employer's liability insurance with limits of one million dollars (\$1,000,000) for bodily injury or disease.

1.5 Pollution Liability Insurance

Pollution Liability (Environmental Liability) with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate.

1.6 Self-Insured Retention

Any self-insured retentions in excess of \$100,000 must be declared on the Certificate of insurance or other documentation provided to District and must be approved by the District Risk Manager.

1.7 Claims-Made Basis Coverage

If any of the insurance coverages required under this Agreement is written on a claims-made basis, Lessee, at Lessee's option, shall either (i) maintain said coverage for at least five (5) years following the termination of this Agreement with coverage extending back to the effective date of this Agreement; (ii) purchase an extended reporting period of not less than five (5) years following the termination of this Agreement; or (iii) acquire a full prior acts provision on any renewal or replacement policy.

2. **Insurance terms and conditions:**

2.1 Cancellation of Insurance

The above stated insurance coverages required to be maintained by Lessee shall be maintained until the completion of all of Lessee's obligations under this Lease Agreement except as otherwise indicated herein. Each insurance policy supplied by Lessee shall not be suspended, voided, cancelled or reduced in coverage or in limits except after ten (10) days written notice by Lessee in the case of non-payment of premiums, or thirty (30) days written notice in all other cases. This notice requirement does not waive the insurance requirements stated herein. Lessee shall immediately obtain replacement coverage for any insurance policy that is terminated, canceled, non-renewed, or whose policy limits have been exhausted or upon insolvency of the insurer that issued the policy.

2.2 District as Additional Insured

On Lessee's Commercial General Liability and Automobile policies, the Ironhouse Sanitary District, its officers, directors, agents, employees, and volunteers, shall be named as additional insured's, but only with respect to liability arising out of the activities of the named insured. Any endorsement shall be provided using one of the following three options: (i) on ISO form CG 20 10 1 1 85; or (ii) on ISO form CG 20 37 10 01 plus either ISO form CG 20 10 10 01 or CG 20 33 10 01; or (iii) on such other forms which provide coverage at least equal to or better than form CG 20 10 1 1 85.

2.3 All insurance shall be issued by a company or companies admitted to do business in California and listed in the current "Best's Key Rating Guide" publication with a minimum rating of A-; VII Any exception to these requirements must be approved by the District Risk Manager.

2.4 If Lessee is, or becomes during the term of this Agreement, self-insured or a member of a self-insurance pool, Lessee shall provide coverage equivalent to the insurance coverages and endorsements required above. The District will not accept such coverage unless the District determines, in its sole discretion and by written acceptance, that the coverage proposed to be provided by Lessee is equivalent to the above-required coverages.

2.5 For any claims related to the Agreement, the Lessee's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the District, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the District, its officers, officials, employees, or volunteers shall be excess of the Lessee's insurance and shall not contribute with it.

2.6 Insurance coverages in the minimum amounts set forth herein shall not be construed to relieve Lessee for any liability, whether within, outside, or in excess of such

coverage, and regardless of solvency or insolvency of the insurer that issues the coverage; nor shall it preclude the District from taking such other actions as are available to it under any other provision of this Agreement or otherwise in law.

2.7 Failure by Lessee to maintain all such insurance in effect at all times required by this Agreement shall be a material breach of this Lease Agreement by Lessee. District, at its sole option, may terminate this Lease Agreement and obtain damages from Lessee resulting from said breach. Alternatively, District may purchase such required insurance coverage, and without further notice to Lessee, District shall deduct from sums due to Lessee any premiums and associated costs advanced or paid by District for such insurance. If the balance of monies obligated to Lessee pursuant to this Lease Agreement are insufficient to reimburse District for the premiums and any associated costs, Lessee agrees to reimburse District for the premiums and pay for all costs associated with the purchase of said insurance. Any failure by District to take this alternative action shall not relieve Lessee of its obligation to obtain and maintain the insurance coverages required by this Agreement.

2.8 Lessee hereby grants to District a waiver of any right to subrogation which any insurer of Lessee may acquire against District by virtue of the payment of any loss under such insurance. Lessee agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the District has received a waiver of subrogation endorsement from the insurer.

2.9 Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defenses costs be included in such general aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limit specified above.