

Each bid shall be a firm bid for a period of sixty (60) days from the date of bid opening.

B. FORMAT

Bids shall be submitted by transmitting two (2) copies of the bid executed by bidder to show complete and final acceptance of the terms set forth therein. Transmitting to the office of the State Lands Commission, 1807 13th Street Sacramento, California.

In the event of a joint bid, or a bid by a partnership, each bidding party shall execute the bid. The execution may be in the form of counterparts. Corporations executing a bid shall submit with the bid evidence of the authority of the officer or officers executing the bid on behalf of the corporation and shall affix the corporate seal.

No deviation from any requirements or provisions which are specifically set forth in this Solicitation, shall be permitted.

Each bidder shall transmit with its bid evidence satisfactory to the State Lands Commission of the bidder's plan and ability to satisfy the requirements set forth in the bid lease and this Solicitation and to manage the subject lands safely, competently, and in compliance with all applicable laws, rules and regulations. This shall include a description of the nature, type, and frequency of services to be provided, the areas to which such services shall extend, and a description of the bidder's present abilities to perform said services and what will be needed or will be done to provide the services by lease commencement.

Bidder must specify the anticipated initial capital investment necessary to fulfill the terms of the lease and the means by which bidder intends to provide that capital. In the discussion, the bidder shall address the manner in which mooring equipment shall be provided.

Bidder shall submit a projected fee schedule including rates for mooring site rentals (both daily and annual, or otherwise as established by bidder), service charges, and all other charges. The fee schedule will set forth rates to be charged upon the beginning date of the lease and shall also detail what formula or procedure will be used to calculate rate changes thereafter.

Each bidder shall submit with a bid a financial report prepared in accordance with good accounting practice and upon principles consistently applied, establishing to the satisfaction of the Commission such bidder's financial ability to undertake and fulfill all obligations under the prospective lease. The Financial Report must include a Balance Sheet, Income Statement and Statements of Changes in Financial Position, if any, for the current fiscal year and two immediately preceding fiscal years, and all notes to all financial statements submitted. Each of the financial statements submitted shall be certified as to their truth and accuracy by a financial officer of each bidder, according to the form attached hereto as Exhibit "E". Such financial statements shall be accurate as of the date of certification, which date shall not be earlier than October 1, 1981. The findings of the State Lands Commission as to whether the successful bidder has the financial ability to undertake and fulfill all obligations under the bid lease, shall be final and conclusive. In connection therewith the State Lands Commission reserves the right to demand and receive additional evidence from the successful bidder prior to the awarding of the bid lease by the Commission of the bidder's financial ability and/or ability to perform all of the conditions of the bid lease. All information required to be provided by this paragraph shall be treated as confidential except in any litigation or arbitration proceedings between prospective lessee and State, and except also that State may divulge such information to a governmental agency, department, or employee demanding the information under legal authority.

EXHIBIT 2

Bidder must certify, on the form provided by the State and attached hereto as Exhibit "F", that bidder, or if bidder is an organization any member of the bidding organization, does not have a financial or other interest in more than one bid submitted.

Each bidder shall designate, by letter of authority, the name and address of a California resident who is authorized to give or receive any notice to or from the State Lands Commission with regard to its bid and to receive any refund of sums due the bidder. Said letter shall be submitted with the bid and shall be duly executed by the bidder. In the case of a joint bid, said letter shall be duly executed by each person or other entity joining in said bid. The California resident so authorized to receive notice shall, in the case of the successful bidder, be deemed to be the agency duly authorized to give and receive all notices on behalf of the lessee, including service of process. A checklist of information necessary to a complete bid is attached hereto as Exhibit "G". Any bid not including all such information requested by Commission may be rejected by the Commission.

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3. DEPOSIT

Each bid shall be accompanied by a certified or cashier's check or checks of a California bank in good standing made payable to the State of California in the sum of \$25,000.00. Said sum will be offered as a deposit on payments which may become due the State under the bid lease, and as evidence of the bidder's good faith.

Sixty (60) days after the sealed bids have been opened and the selected bidder has been identified, any other bidder may request the refund of the deposit submitted with its bid. Any request for a refund shall be submitted on the form provided by the Commission, attached hereto as Exhibit "H". Such request for refund shall be deemed both a withdrawal of such bidder's offer and a waiver of all rights the bidder may have in connection with its bid.

The State Lands Commission reserves the right, in its discretion, at any stage of these proceedings to withdraw this offer to receive bids, and upon such withdrawal there shall be returned all deposits accompanying all bids. The State Lands Commission reserves the right, in its discretion, at any stage of these proceedings, to reject all bids, and upon such rejection, there shall be returned all deposits accompanying any rejected bid or bids.

D. AWARD OF BID

The findings of the State Lands Commission as to bidder qualifications, ability to perform terms and conditions of the bid lease, or other proposals for lease operation or rental charges shall be at the sole discretion of the Commission and their findings shall be final and conclusive. The State Lands Commission reserves the right in its sole discretion to reject any and all bids.

The successful bid will be determined by consideration of the type and quality of services to be provided, the rate schedule to lease sublessees and other charges to be levied by lessee, and the rental factor submitted. The weight to be given each of the foregoing elements shall be at the sole discretion of the State Lands Commission. The Commission reserves the right to reject any and all bids.

Rental factor will be based upon a percentage of gross annual income, with a fixed minimum dollar amount payable in advance. Minimum acceptable rental factor is hereby set at 17.0000% of gross annual income. Any rental factor fixing a percentage less than 17.0000% of gross annual income will not be considered. Bids should specify a percentage rental factor to four decimal points. The minimum annual rental will be \$125,000.00 payable in advance as specified in the bid lease. Award of the bid lease will be made pursuant to approval by the State Lands Commission.

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Should the successful bidder fail or refuse within ten (10) days after the award of the bid lease by the Commission to complete execution thereof and file the executed copy with the Commission together with good and sufficient corporate surety bond in the amount of \$125,000.00, guaranteeing the performance of the terms of the bid lease and this Solicitation, the award shall be cancelled and the required deposit or \$25,000.00 shall be forfeited to the State of California. Otherwise, the deposit shall be applied upon the minimum annual rental for the first year.

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EXHIBIT "A"

DESCRIPTION OF LEASE PREMISES

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EXHIBIT "A"

LAND DESCRIPTION

WP 3639

PARCEL 1 - Isthmus Cove

All that area bounded on the west, south, and southeast by the mean lower low waterline and on the north by a straight line extending from a point on the mean high tide line at approximately 33° 26' 35" North Latitude, 118° 29' 25" West Longitude to a point on the mean high tide line at approximately 33° 26' 45" North Latitude, 118° 29' 50" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

ALSO EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing freight ramp and two existing launching ramps.

PARCEL 2 - Fourth of July Cove

All that area bounded on the north, west and south by the mean lower low waterline and on the east by a straight line beginning at a point on the mean high tide line at approximately 33° 26' 56" North Latitude, 118° 29' 55" West Longitude, thence northeasterly 50 feet, more or less, to a point offshore at approximately 33° 26' 56" North Latitude, 118° 29' 54" West Longitude; thence southeasterly 1,200 feet, more or less, to a point on the mean high tide line described as 33° 26' 45" North Latitude, 118° 29' 50" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 3 - Howland's Landing

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean high tide line at approximately 33° 27' 40" North Latitude, 118° 31' 07" West Longitude to a point on the mean high tide line at approximately 33° 27' 55" North Latitude, 118° 31' 15" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

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PARCEL 4 - Emerald Bay

All that area bounded on the west and south by the mean lower low waterline and on the north and east by a line beginning at a point on the mean high tide line at approximately 33° 28' 10" North Latitude, 118° 31' 45" West Longitude; thence easterly 1,500 feet, more or less, to a point seaward of Indian Rock at approximately 33° 28' 10" North Latitude, 118° 31' 30" West Longitude; thence southeasterly to a point on the mean high tide line at approximately 33° 27' 58" North Latitude, 118° 31' 20" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath two existing piers TOGETHER WITH a necessary use area extending 10 feet from the extremities of said piers.

PARCEL 5 - Catalina Harbor

All that area bounded on the west, north and east by the mean lower low waterline and on the south and southeast by a line beginning at a point on the mean high tide line at approximately 33° 25' 41" North Latitude, 118° 30' 21" West Longitude; thence west 848 feet, more or less, to a point at approximately 33° 25' 41" North Latitude, 118° 30' 31" West Longitude; thence southwesterly 1,625 feet, more or less, terminating at a point on the mean high tide line at approximately 33° 25' 30" North Latitude, 118° 30' 39" West Longitude.

EXCEPTING THEREFROM that portion of tideland owned by the Santa Catalina Island Company generally described as a portion of Tideland in Catalina Harbor of approximately 12.8 acres lying between the ordinary high water and ordinary low water mark along the east and north shore of Catalina Harbor beginning at Ballast Point.

ALSO EXCEPTING THEREFROM all those tide and submerged lands lying beneath three existing dingy piers and one existing commercial pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said dingy piers and commercial pier.

ALSO EXCEPTING THEREFROM all those tide and submerged lands lying beneath two existing ramps.

PARCEL 6 - Buttonshell Beach

All that area bounded on the north and west by the mean lower low waterline and on the east by a straight line extending from a point on the mean high tide line at approximately 33° 24' 02" North Latitude, 118° 31' 59" West Longitude to a point on the mean high tide line at approximately 33° 24' 23" North Latitude, 118° 31' 56" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

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PARCEL 7 - White's Landing

All that area bounded on the northwest, west, and south by the mean lower low waterline and on the north, northeast, and southeast by a line beginning at approximately 33° 23' 42" North Latitude, 118° 22' 07" West Longitude; thence northeasterly 100 feet, more or less, to a point at approximately 33° 23' 44" North Latitude, 118° 22' 06" West Longitude; thence on a straight line 1,460 feet, more or less, to a point at approximately 33° 23' 31" North Latitude, 118° 21' 59" West Longitude; thence southwesterly 556 feet, more or less, to a point on the mean high tide line at approximately 33° 23' 27" North Latitude, 118° 22' 03" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 8 - Moonstone Cove

All that area bounded on the west and south by the mean lower low waterline and on the northeast and northwest by a line beginning at approximately 33° 23' 27" North Latitude, 118° 22' 03" West Longitude; thence northeasterly 556 feet, more or less, to a point at approximately 33° 23' 31" North Latitude, 118° 21' 58" West Longitude; thence southeasterly 1,460 feet, more or less, to a point on the mean high tide line at approximately 33° 23' 18" North Latitude, 118° 21' 51" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 9 - Toyon Bay

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean high tide line at approximately 33° 22' 26" North Latitude, 118° 21' 12" West Longitude, to a point on the mean high tide line at approximately 33° 22' 37" North Latitude, 118° 21' 14" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 10 - Gallagher Beach

All that area bounded on the west, south, and east by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean high tide line at approximately 33° 22' 13" North Latitude, 118° 20' 47" West Longitude, to a point on the mean high tide line at approximately 33° 22' 20" North Latitude, 118° 20' 56" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath a float, boat and pulley TOGETHER WITH a necessary use area extending 10 feet from the extremities of said float, boat and pulley.

PARCEL 11 - Cherry Cove

All that area bounded on the north, west, and south by the mean lower low waterline and on the east by a straight line extending from a point on the mean high tide line at approximately 33° 27' 11" North Latitude, 118° 30' 02" West Longitude; thence southeasterly 1,200 feet to a point offshore approximately 33° 26' 59" North Latitude, 118° 29' 56" West Longitude; thence southwesterly 150 feet more or less to a point on the mean high tide line at approximately 33° 26' 58" North Latitude, 118° 29' 57" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 12 - Little Geiger

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean high tide line at approximately 33° 27' 23" North Latitude, 118° 30' 42" West Longitude to a point on the mean high tide line at approximately 33° 27' 32" North Latitude, 118° 30' 56" West Longitude.

PARCEL 13 - Hen Rock

All that area bounded on the north, west and south by the mean lower low waterline and on the east by a straight line extending from a point on the mean high tide line at approximately 33° 23' 42" North Latitude, 118° 22' 07" West Longitude, to a point on the mean high tide line at approximately 33° 23' 57" North Latitude, 118° 21' 41" West Longitude.

PARCEL 14 - Willow Cove

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean lower low waterline at approximately 33° 22' 38" North Latitude, 118° 21' 16" West Longitude, to a point on the mean high tide line at approximately 33° 22' 41" North Latitude, 118° 21' 20" West Longitude.

PARCEL 15 - Empire Landing

An area 200 feet in width lying 100 feet on each side of the centerline of an existing pier, the shoreward end of said centerline being at approximately 33° 25' 43" North Latitude, 118° 26' 23" West Longitude, extending 200 feet seaward from the mean lower low waterline.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 16 - Smeltz Cove (Big Geiger)

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean lower low waterline at approximately 33° 27' 32" North Latitude, 118° 30' 56" West Longitude to a point on the mean lower low waterline at approximately 33° 27' 37" North Latitude, 118° 31' 02" West Longitude.

PARCEL 17 - Little Harbor

All that area bounded on the north and east by the mean lower low waterline and on the south by a straight line extending from a point on the mean lower low waterline at approximately 33° 23' 06" North Latitude, 118° 28' 21" West Longitude, for approximately 980 feet to a point offshore, being a point on the most easterly end of the harbor reef at approximately 33° 22' 48" North Latitude, 118° 28' 36" West Longitude, then north along a straight line for approximately 500 feet to a point on the mean high tide line at approximately 33° 23' 09" North Latitude, 118° 28' 34" West Longitude.

PARCEL 18 - Doctor's Cove

All that area bounded on the west and south by the mean lower low waterline and on the north and east by a straight line extending from a point on the mean high tide line at approximately 33° 28' 17" North Latitude, 118° 31' 52" West Longitude to a point on the mean high tide line at approximately 33° 28' 12" North Latitude, 118° 31' 47" West Longitude.

PARCEL 19 - Ripper's Cove

All that area bounded on the east, south and west by the mean lower low waterline and a straight line on the north, beginning at a point on the mean high tide line at approximately 33° 25' 40" North Latitude, 118° 26' 03" West Longitude, and extending to a point on the mean high tide line at approximately 33° 25' 38" North Latitude, 118° 25' 50" West Longitude.

PARCEL 20 - Cabrillo Harbor

All that area bounded on the west and south by the mean lower low waterline and on the north and east by a straight line extending from a point on the mean high tide line at approximately 33° 25' 15" North Latitude, 118° 24' 14" West Longitude, to a point approximately 100 feet offshore being approximately 33° 25' 13" North Latitude, 118° 24' 13" West Longitude, then southwesterly to a point on the mean lower low waterline being approximately 33° 25' 11" North Latitude, 118° 24' 12" West Longitude.

PARCEL 21 - Parson's Landing

All that area bounded on the east, south and west by the mean lower low waterline and on the north by a straight line extending from a point on the mean high tide line at approximately 33° 28' 26" North Latitude, 118° 33' 09" West Longitude, to a point on the mean lower low waterline at approximately 33° 28' 08" North Latitude, 118° 32' 55" West Longitude.

END OF DESCRIPTION

PREPARED NOVEMBER 2, 1981 BY TECHNICAL SERVICES UNIT, ROY MINNICK, SUPERVISOR.

EXHIBIT "B"

SITE MAP

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EXHIBIT "C"
BID LEASE FORM

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STATE OF CALIFORNIA
STATE LANDS COMMISSION

FOR RECORDERS USE ONLY

RECORDED AT THE REQUEST OF
State of California/State Lands Commission
Official Business — Document entitled to free
recording pursuant to Government Code
Section 27383.

WHEN RECORDED MAIL TO
State Lands Commission
1807 - 13th Street
Sacramento, CA. 95814
Attention: Title Unit

LEASE NO. _____

This Lease consists of this summary and the following attached and incorporated parts:

- Section 1 Basic Provisions
- Section 2 Special Provisions amending or supplementing Section 1 or 4
- Section 3 Description of Lease Premises
- Section 4 General Provisions

SECTION
BASIC

THIS LEASE FORM IS SUBJECT TO FURTHER
MODIFICATIONS TO CONFORM TO THE SPECIFICATIONS
SET FORTH IN THE BID PACKAGE AND SPECIFIC
PROPOSALS SET FORTH IN THE BID AWARDED.

THE STATE OF CALIFORNIA, hereinafter referred to as the LESSOR, acting by and through the STATE LANDS COMMISSION (1807 - 13th Street, Sacramento, California 95814), pursuant to Division 6 of the Public Resources Code and Title 2, Division 3 of the California Administrative Code, and for the consideration specified in the Lease, does hereby lease,

demise and let to: _____
hereinafter referred to as Lessee:
WHOSE MAILING ADDRESS IS: _____

those certain lands described in Section 3 subject to the reservations, terms, covenants and conditions of this Lease.

LEASE TYPE: Commercial
LAND TYPE: Submerged Lands LOCATION: Pacific Ocean adjacent to Santa Catalina Island
LAND USE OR PURPOSE: Provision and maintenance of 729 recreational moorings, together with open coves for anchorage. See Section 2

TERM: 15 years; beginning January 1, 1982 (see, however, Section 2, Paragraph 1)
ending December 31, 1996, unless sooner terminated as provided under this Lease.

CONSIDERATION: \$ See Section 2, Paragraph 2

subject to modification by Lessor as specified in Paragraph 2(b) of Section 4.

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	Form 55-18 (1/78)

AUTHORIZED IMPROVEMENTS: See Section 2.

EXISTING: See Section 2

TO BE CONSTRUCTED; CONSTRUCTION MUST BEGIN BY: _____

AND BE COMPLETED BY: _____
LIABILITY INSURANCE: Combined single limit of \$5,000,000.00; State reserves the right to require modification of policy limits consistent with standard price indices. See also Section 4, Paragraph 8.
SURETY BOND OR OTHER SECURITY: Lessee shall provide surety bond in the amount of \$125,000.00; see Section 4, Paragraph 9.

SECTION 2
SPECIAL PROVISIONS

BEFORE THE EXECUTION OF THIS LEASE, ITS PROVISIONS ARE AMENDED, REVISED OR SUPPLEMENTED AS FOLLOWS:

1. Term: The term of the bid lease will be fifteen (15) years, beginning January 1, 1982, and terminating December 31, 1996. If Lessor, for any reason whatsoever, cannot deliver possession of the lease premises to Lessee at the commencement of the said term, as hereinbefore specified, this lease shall not be void or voidable, nor shall Lessor be liable to Lessee for any loss or damage resulting therefrom; but in that event there shall be a proportionate deduction of rent covering the period between the commencement of the said term and the time when Lessor can deliver possession. The term of this lease shall not be extended by such delay.

2. Consideration

(a) Annual rental payable to Lessor shall be _____ (rental factor) Percent of the Gross Income, as defined below, attributable to the lease premises, more specifically described in Exhibit "A" attached hereto. The sum of the above less a \$125,000 minimum annual rental paid in advance, in accordance with other terms of this lease, shall be due and payable on the 25th of January following the end of each lease year.

(b) Minimum annual rental -- Lessee shall pay the minimum annual rental of \$125,000.00 to Lessor in advance on or before the beginning date of this lease and on or before each anniversary of its beginning date during each year of the lease term.

(c) Definitions: "Gross Income" for the purpose of computing rental due to Lessor, shall mean all sales, revenues and receipts, by cash or credit, properly accrued during each lease year and attributable directly or indirectly to operations in, on or from the lease premises, including, without limitations, all gross revenue attributable to:

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- (1) All sources of mooring revenue;
- (2) All boat rental revenue;
- (3) All sublease revenue or site use revenue (including movie and location fees and other special projects);
- (4) All service and patrol boat revenue;
- (5) All other sources of revenue attributable to the lease premises.

(d) Reporting Form -- Lessee shall submit, on forms approved by Lessor, an annual report detailing all gross income attributable to the lease premises for the preceding lease year whether or not any additional rental is due. These reports shall be due on or before the twenty-fifth (25th) day of January following the end of each lease year.

(e) Financial Statements -- Lessee shall submit to Lessor on or before the twenty-fifth (25th) day of February following the end of each lease year an audited Balance Sheet of the Lessee as of the last day covered on the annual report, and an audited Income Statement covering the results of the Lessee's operations for the year ended on the last day covered by the annual report. These financial statements must be audited by an independent Certified Public Accountant.

(f) Books and Records -- Lessee shall keep and maintain books and records of all financial transactions relating to the lease premises in accordance with generally accepted accounting principles. These records shall be supported by source documents such as mooring leases, copies of invoices, receipts, and other pertinent documents. If requested by Lessor, Lessee shall allow representatives of the State Lands Commission to examine copies

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of Federal and State Income Tax Returns, and Board of Equalization Tax Returns in order to corroborate information shown on reports to Lessor. Further, Lessee shall keep said books and records on the lease premises, or other location acceptable to Lessor.

(g) Examination of Books and Records -- All annual reports submitted to Lessor are subject to audit and revision by Lessor,

and Lessee agrees that Lessor may inspect all Lessee's books, records, and documents relating to the operation of the lease premises at all reasonable times. Any statutory or other rights that Lessee may have to object to such inspection by Lessor are hereby waived.

(h) Penalty and Interest -- Lessee agrees that any rental or other monetary consideration accruing under the provisions of this lease and not paid when due shall be subject to a ten (10) percent penalty and shall bear interest at the specified rate as provided in Public Resources Code Section 6224 from the date when the amount was due until the date it is received by Lessor.

Notwithstanding the provisions of Paragraph 15 of Section 4 of this lease, any holding-over by Lessee after the expiration of the lease term, with or without the express or implied consent of Lessor, shall constitute a tenancy from month-to-month and not an extension of the lease term and shall be on the terms, covenants and conditions of the lease with any fixed rental, royalty or consideration provided for in the expired lease being payable in advance on the first day of the month at the rate of one-twelfth (1/12th) of the annual amount, and any variable rental, royalty or other consideration being payable monthly in arrears in accordance with the rate schedule set forth in the expired lease.

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3. Land Use or Purpose

Initially, activities to be conducted on the lease premises must be of a nature that will have no significant effect on the environment, such as to be categorically exempt from the provisions of CEQA pursuant to California Administrative Code Sections 15100 et seq. Examples of such activities may include (a) continuation of the existing operation without expansion, or (b) replacement or reconstruction of the existing structures and facilities to be located on the same site as the structure replaced and having the same purpose and capacity of the structure replaced. Existing operations are defined to include provision and maintenance of a maximum of 729 recreational mooring buoys, located upon the lease premises as indicated below in Section 2, Paragraph 4 of this lease, together with open coves used for anchorage. No moorings or other improvements may be placed on those portions of the lease premises which were maintained as open space on October 1, 1981.

Lessee may propose to the State a project which will require modification of the current use of the lease premises. Any such proposed project must satisfy the requirements of all applicable laws, including but not limited to pertinent regulations of local, State, and federal agencies, the California Environmental Quality Act and CEQA Guidelines. Any such proposed project will require an amendment to this lease and will be subject to the prior approval of Lessor. Lessor, in its consideration of an application to so amend this Lease, will examine Lessee's compliance with applicable laws and regulations, economic, social, safety, environmental, and other pertinent factors, including, but not limited to, the proposed method of transition from current use to proposed

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4. Intensity of Use

(a) The maximum number of mooring buoys to be located in specific coves included in this lease shall be as follows:

<u>Parcel</u>	<u>Location</u>	<u>Total No. of Moorings</u>
1	Isthmus Cove	244
2	Fourth of July Cove	42
3	Howland's Landing	43
4	Emerald Bay	104
5	Catalina Harbor (including Weil's Beach)	97
6	Buttonsell Beach	9
7	White's Landing	17
8	Moonstone	38
9	Toyon Bay	7
10	Gallagher Beach	3
11	Cherry Cove	101
12	Little Geiger Cove	1
13	Hen Rock	23
14-21		0
Total		729

(b) Any increase in the number of buoys within any given cove above the numbers designated in Paragraph 4(a) above will be subject to the prior written approval of Lessor.

(c) Any new structures to be placed on the lease premises will be subject to the prior written approval of Lessor.

5. Fuel Sales

This agreement does not contemplate fuel sales.

6. Assignment, Subletting, Encumbrancing: Lessee shall not assign, sublet, or encumber the lease premises without the prior consent of Lessor, except as set forth below regarding Individual Mooring Site Subleases. Any agreement between Lessee and any third party regarding management of the lease premises will be subject to the prior approval of Lessor.

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7. Individual Mooring Site Subleases:

- (a) Individual mooring site subleases shall be issued by a standard form which has been previously approved by the State Lands Commission. A list of individual mooring site sublessees effective January 1 of each year shall be provided to the Commission by January 25 of that same year. The State reserves the right to require that individual mooring site subleases be subject to the prior approval of the State.
- (b) Any individual mooring site sublessee may hold only one individual mooring site sublease at any given time.
- (c) Individual mooring site subleases shall be on an annual basis with the right of annual renewals for the term of this bid lease.
- (d) Lessee or operator shall reserve the right to and shall assign individual mooring sites on a daily basis when not in use by an annual sublessee.
- (e) Holders of existing individual mooring site subleases of the subject lands under the current lease, PRC 3639.1, will be given a preferential right

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to renew those subleases under any new lease on terms and conditions established by a new lessee for the term of said lease.

(f) (1) Individual mooring site sublessees who, on December 31, 1981, own the mooring equipment on the site, shall have the right to make one assignment of their interest, provided their assignees meet all reasonable requirements imposed by the lessee under this lease. Such right of assignment shall terminate on December 31, 1987. All other individual mooring site subleases shall be nontransferable.

(2) The lessee under this lease shall provide each sublessee with written notice, no later than lease commencement of the limitations on assignment set forth in this subdivision. Such notice shall be incorporated into all subleases entered into under this lease.

No assignments shall be accepted by the lessee unless he has been provided with satisfactory evidence that the proposed assignee has been informed, in writing, that he will have no further right to assign the sublease.

(3) Except as provided in this paragraph, all individual mooring site subleases shall be non-transferable.

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(4) In order to assure continued use of a mooring site by the same party, a copy of current boat registration shall be provided annually as a prerequisite to issuance of an individual mooring site sublease or renewal thereof.

(g) In the event multiple parties are presently (as of October 1, 1981) sublessees, all parties must be listed on the new sublease as sublessees. To qualify for renewal for the new sublease, all parties must have equal shares of the new sublease. No additional parties may be added after the parties are first registered. All remaining parties may continue to use the sublease until their number is diminished to zero, thereupon the sublease terminates and returns to the lessee for assignment from the waiting lists.

Except as provided herein, no future multiple party mooring site subleases shall be granted.

(h) Use of the subleased premises may only be had by the named sublessees. Guest or non-sublessee use shall be on a daily basis pursuant to paragraph (d) above.

(i) Operator shall maintain waiting lists for use in issuing available mooring site subleases. Initially, the waiting lists maintained by Bombard under the current lease, PRC 3639.1, if made available by Bombard, will be adopted by the lessee under the bid lease. If the lists are not made available to the lessee under the bid lease, that lessee shall establish new waiting lists by fair and equitable

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lottery. Thereafter, the waiting lists shall be maintained on the first come, first served basis, except that consideration may be given to the suitability of the mooring site for the type and size of applicant's boat. The lists may be maintained by cove and length and type of boat.

A copy of the waiting lists effective January 1 of each year shall be provided to the State Lands Commission by January 25 of that same year.

- (j) No moorings or other related improvements on the lease premises or subleased by lessee in connection with any upland development projects on Catalina Island or elsewhere nor shall participation in any such development be made a condition of obtaining a mooring site sublease.

8. General Public Use:

No less than 12 mooring sites shall be available to the general public.

9. Required Services:

- (a) Lessee shall provide on a daily basis garbage pick-up and environmentally appropriate disposal adequate to service all boats on the subject lands.
- (b) Patrol boats shall be in service on a twenty-four hour basis, May 15 to October 15, balance of year 8 a.m. to 5 p.m. weekdays, 24 hours weekends and shall assure authorized, safe, and orderly use of the subject lands.

(c) Health and Safety:

- (1) Lessee shall provide anchorage and mooring assistance upon the subject lands for the protection of individuals, property, and the subject lands.
- (2) Lessee's boats shall be equipped with rescue and fire equipment but this shall not obligate lessee to provide services currently provided by governmental agencies.
- (3) Lessee shall assure the availability of towing and mechanical services at reasonable rates to boaters on the subject lands.

(d) Service of moorings:

Lessee shall assure that all mooring equipment located on the subject lands is constructed adequately to provide safe mooring for boats occupying such moorings. In order to further assure the safe use of the subject lands, Lessee shall (1) inspect each mooring located on the subject lands for damage not less than once a week during the period from May 15 - October 15; (2) repair any damage to any mooring located on the subject lands during the period May 15 - October 15 within four hours on Friday or Saturday or within twenty-four hours on other days, after having received notice of such damage; and

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(3) at least once each year during the period October 15- May 15 completely overhaul each mooring, lifting the weight and chain aboard; strip chain of marine growth and inspect; replace any weak chain or shackle; check weight; overhaul buoys and pickup poles; and replace lines of each mooring on the subject lands.

(e) Access to upland

Lessee will not interfere with reasonable access to the upland including the preservation of any existing fairways or landings.

(f) Lessee shall make available on a daily basis at reasonable rates to all boaters adequate water reprovisioning on the leased premises.

(g) Although under this lease no rental is charged for anchorage in the open coves, nothing herein shall restrict lessee from charging reasonable rates for actual services furnished in the open coves.

(h) Reasonable shoreboat service shall be provided.

Liability Insurance: Lessee shall provide liability insurance naming the State as a co-insured or additional insured with a minimum combined single limit of \$5,000,000.00. State reserves the right to require modification of policy limits consistent with standard price indices.

Surety Bond or Other Security: Lessee shall provide a surety bond in the amount of \$125,000.00.

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Entitlement to Use Littoral or Riparian Lands:

Notwithstanding the provisions of Paragraph 10(b) of Section 4 of the bid lease, entitlement to use littoral or riparian lands adjacent to the subject lands shall not be a prerequisite of the bid lease, provided however, that Lessee shall not unreasonably interfere with access to those lands.

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LAND DESCRIPTION

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PARCEL 1 - Isthmus Cove

All that area bounded on the west, south, and southeast by the mean lower low waterline and on the north by a straight line extending from a point of the mean high tide line at approximately 33° 26' 35" North Latitude, 118° 29' 25" West Longitude to a point on the mean high tide line at approximately 33° 26' 45" North Latitude, 118° 29' 50" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

ALSO EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing freight ramp and two existing launching ramps.

PARCEL 2 - Fourth of July Cove

All that area bounded on the north, west and south by the mean lower low waterline and on the east by a straight line beginning at a point on the mean high tide line at approximately 33° 26' 56" North Latitude, 118° 29' 55" West Longitude, thence northeasterly 50 feet, more or less, to a point offshore at approximately 33° 26' 56" North Latitude, 118° 29' 54" West Longitude, thence southeasterly 1,200 feet, more or less, to a point on the mean high tide line described as 33° 26' 45" North Latitude, 118° 29' 50" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 3 - Howland's Landing

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean high tide line at approximately 33° 27' 40" North Latitude, 118° 31' 07" West Longitude to a point on the mean high tide line at approximately 33° 27' 55" North Latitude, 118° 31' 15" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

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PARCEL 4 - Emerald Bay

All that area bounded on the west and south by the mean lower low water line and on the north and east by a line beginning at a point on the mean high tide line at approximately $33^{\circ} 28' 10''$ North Latitude, $118^{\circ} 31' 45''$ West Longitude; thence easterly 1,500 feet, more or less, to a point seaward of Indian Rock at approximately $33^{\circ} 28' 10''$ North Latitude, $118^{\circ} 31' 30''$ West Longitude; thence southeasterly to a point on the mean high tide line at approximately $33^{\circ} 27' 58''$ North Latitude, $118^{\circ} 31' 20''$ West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath two existing piers TOGETHER WITH a necessary use area extending 10 feet from the extremities of said piers.

PARCEL 5 - Catalina Harbor

All that area bounded on the west, north and east by the mean lower low water line and on the south and southeast by a line beginning at a point on the mean high tide line at approximately $33^{\circ} 25' 41''$ North Latitude, $118^{\circ} 30' 21''$ West Longitude; thence west 848 feet, more or less, to a point at approximately $33^{\circ} 25' 41''$ North Latitude, $118^{\circ} 30' 31''$ West Longitude; thence southwesterly 1,625 feet, more or less, terminating at a point on the mean high tide line at approximately $33^{\circ} 25' 30''$ North Latitude, $118^{\circ} 30' 39''$ West Longitude.

EXCEPTING THEREFROM that portion of tideland owned by the Santa Catalina Island Company generally described as a portion of Tideland in Catalina Harbor of approximately 12.8 acres lying between the ordinary high water and ordinary low water mark along the east and north shore of Catalina Harbor beginning at Ballast Point.

ALSO EXCEPTING THEREFROM all those tide and submerged lands lying beneath three existing dingy piers and one existing commercial pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said dingy piers and commercial pier.

ALSO EXCEPTING THEREFROM all those tide and submerged lands lying beneath two existing ramps.

PARCEL 6 - Buttonshell Beach

All that area bounded on the north and west by the mean lower low water line and on the east by a straight line extending from a point on the mean high tide line at approximately $33^{\circ} 24' 02''$ North Latitude, $118^{\circ} 31' 59''$ West Longitude to a point on the mean high tide line at approximately $33^{\circ} 24' 23''$ North Latitude, $118^{\circ} 31' 56''$ West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

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PARCEL 7 - White's Landing

All that area bounded on the northwest, west, and south by the mean lower low waterline and on the north, northeast, and southeast by a line beginning at approximately 33° 23' 42" North Latitude, 118° 22' 07" West Longitude; thence northeasterly 100 feet, more or less, to a point at approximately 33° 23' 44" North Latitude, 118° 22' 06" West Longitude; thence on a straight line 1,460 feet, more or less, to a point at approximately 33° 23' 31" North Latitude, 118° 21' 59" West Longitude; thence southwesterly 556 feet, more or less, to a point on the mean high tide line at approximately 33° 23' 21" North Latitude, 118° 22' 03" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 8 - Moonstone Cove

All that area bounded on the west and south by the mean lower low waterline and on the northeast and northwest by a line beginning at approximately 33° 23' 27" North Latitude, 118° 22' 03" West Longitude; thence northeasterly 556 feet, more or less, to a point at approximately 33° 23' 31" North Latitude, 118° 21' 58" West Longitude; thence southeasterly 1,460 feet, more or less, to a point on the mean high tide line at approximately 33° 23' 18" North Latitude, 118° 21' 51" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 9 - Toyon Bay

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean high tide line at approximately 33° 22' 26" North Latitude, 118° 21' 01" West Longitude, to a point on the mean high tide line at approximately 33° 22' 37" North Latitude, 118° 21' 14" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 10 - Gallagher Beach

All that area bounded on the west, south, and east by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean high tide line at approximately 33° 22' 13" North Latitude, 118° 20' 47" West Longitude, to a point on the mean high tide line at approximately 33° 22' 20" North Latitude, 118° 20' 56" West Longitude.

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EXCEPTING THEREFROM all those tide and submerged lands lying beneath a float, boat and pulley TOGETHER WITH a necessary use area extending 10 feet from the extremities of said float, boat and pulley.

PARCEL 11 - Cherry Cove

All that area bounded on the north, west, and south by the mean lower low waterline and on the east by a straight line extending from a point on the mean high tide line at approximately 33° 27' 11" North Latitude, 118° 30' 02" West Longitude; thence southeasterly 1,200 feet to a point offshore at approximately 33° 25' 59" North Latitude, 118° 29' 56" West Longitude; thence southwesterly 150 feet more or less to a point on the mean high tide line at approximately 33° 26' 58" North Latitude, 118° 29' 57" West Longitude.

EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 12 - Little Geiger

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean high tide line at approximately 33° 27' 23" North Latitude, 118° 30' 42" West Longitude to a point on the mean high tide line at approximately 33° 27' 32" North Latitude, 118° 30' 56" West Longitude.

PARCEL 13 - Hen P

All that area bounded on the north, west and south by the mean lower low waterline and on the east by a straight line extending from a point on the mean high tide line at approximately 33° 23' 42" North Latitude, 118° 22' 07" West Longitude, to a point on the mean high tide line at approximately 33° 23' 57" North Latitude, 118° 21' 41" West Longitude.

PARCEL 14 - Willow Cove

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean lower low waterline at approximately 33° 22' 38" North Latitude, 118° 21' 16" West Longitude, to a point on the mean high tide line at approximately 33° 12' 41" North Latitude, 118° 21' 20" West Longitude.

PARCEL 15 - Empire Landing

An area 200 feet in width lying 100 feet on each side of the centerline of an existing pier, the shoreward end of said centerline being at approximately 33° 25' 43" North Latitude, 118° 26' 23" West Longitude, extending 200 feet seaward from the mean lower low waterline.

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EXCEPTING THEREFROM all those tide and submerged lands lying beneath an existing pier TOGETHER WITH a necessary use area extending 10 feet from the extremities of said pier.

PARCEL 16 - Smeltz Cove (Big Geiger)

All that area bounded on the west and south by the mean lower low waterline and on the northeast by a straight line extending from a point on the mean lower low waterline at approximately $33^{\circ} 27' 32''$ North Latitude, $118^{\circ} 30' 56''$ West Longitude to a point on the mean lower low waterline at approximately $33^{\circ} 27' 37''$ North Latitude, $118^{\circ} 31' 02''$ West Longitude.

PARCEL 17 - Little Harbor

All that area bounded on the north and east by the mean lower low waterline and on the south by a straight line extending from a point on the mean lower low waterline at approximately $33^{\circ} 23' 56''$ North Latitude, $118^{\circ} 28' 27''$ West Longitude, for approximately 980 feet to a point offshore, being a point on the most easterly end of the harbor reef at approximately $33^{\circ} 22' 48''$ North Latitude, $118^{\circ} 28' 36''$ West Longitude, then north along a straight line for approximately 500 feet to a point on the mean high tide line at approximately $33^{\circ} 23' 09''$ North Latitude, $118^{\circ} 28' 34''$ West Longitude.

PARCEL 18 - Doctor's Cove

All that area bounded on the west and south by the mean lower low waterline and on the north and east by a straight line extending from a point on the mean high tide line at approximately $33^{\circ} 28' 17''$ North Latitude, $118^{\circ} 31' 52''$ West Longitude to a point on the mean high tide line at approximately $33^{\circ} 28' 12''$ North Latitude, $118^{\circ} 31' 47''$ West Longitude.

PARCEL 19 - Ripper's Cove

All that area bounded on the east, south and west by the mean lower low waterline and a straight line on the north, beginning at a point on the mean high tide line at approximately $33^{\circ} 25' 40''$ North Latitude, $118^{\circ} 26' 03''$ West Longitude, and extending to a point on the mean high tide line at approximately $33^{\circ} 25' 38''$ North Latitude, $118^{\circ} 25' 50''$ West Longitude.

PARCEL 20 - Cabrillo Harbor

All that area bounded on the west and south by the mean lower low waterline and on the north and east by a straight line extending from a point on the mean high tide line at approximately $33^{\circ} 25' 15''$ North Latitude, $118^{\circ} 24' 14''$ West Longitude, to a point approximately 100 feet offshore being approximately $33^{\circ} 25' 13''$ North Latitude, $118^{\circ} 24' 13''$ West Longitude, then southwesterly to a point on the mean lower low waterline being approximately $33^{\circ} 25' 11''$ North Latitude, $118^{\circ} 24' 12''$ West Longitude.

PARCEL 21 - Parson's Landing

All that area bounded on the east, south and west by the mean lower low waterline and on the north by a straight line extending from a point on the mean high tide line at approximately 33° 28' 26" North Latitude, 118° 33' 09" West Longitude, to a point on the mean lower low waterline at approximately 33° 28' 08" North Latitude, 118° 32' 55" West Longitude.

END OF DESCRIPTION

PREPARED NOVEMBER 2, 1981 BY TECHNICAL SERVICES UNIT, ROY MINNICK, SUPERVISOR.

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SECTION 4 GENERAL PROVISIONS

1. GENERAL

These provisions are applicable to all leases, permits, rights-of-way, easements, or licenses or other interests in real property conveyed by the State Lands Commission.

2. CONSIDERATION

(a) Categories:

(1) Rental:

Lessee shall pay the annual rental as stated in Section 1 or 2 to Lessor without deduction, delay or offset, on or before the beginning date of this Lease and on or before each anniversary of its beginning date during each year of the Lease term.

(2) Royalty or other consideration:

Lessee shall pay a royalty or other consideration in the amount, method and manner as specified in Section 1 or 2.

(3) Non-Monetary Consideration:

If a monetary rental, royalty, or other consideration is not specified in Section 1 or 2, consideration to Lessor for this Lease shall be the public use, benefit, health or safety, as appropriate, however Lessor shall have the right to review such consideration at any time and to set a monetary rental if the State Lands Commission, at its sole discretion, determines that such action is in the best interest of the State. Lessee shall notify Lessor within ten (10) days in the event that the public is charged any direct or indirect fee for use and enjoyment of the Lease Premises.

(b) Modification:

Lessor may modify the amount or rate of consideration effective on each fifth anniversary of the beginning date of this Lease. Should Lessor fail to exercise such right effective on any fifth anniversary it may do so effective on any one (1) of the next four (4) anniversaries following such fifth anniversary, without prejudice to its right to effect such modification on the next or any succeeding fifth anniversary. Any modification of the amount or rate of consideration made pursuant to this paragraph shall conform to Title 2, Division 3 of the California Administrative Code and no such modification shall become effective unless Lessee is given written notice at least sixty (60) days prior to the effective date.

(c) Penalty and Interest:

Any installments of rental, royalty, or other consideration accruing under this Lease not paid when due shall be subject to a penalty and shall bear interest as specified in Public Resources Code Section 6224 and Section 2.

3. BOUNDARIES

This Lease is not intended to establish the State's boundaries and is made without prejudice to either party regarding any boundary claims which may be asserted presently or in the future.

4. LAND USE

(a) General:

Lessee shall use the Lease Premises only for the purpose or purposes stated in Section 1 or 2 and only for the operation and maintenance of the improvements authorized in Section 1 or 2. Lessee shall commence use of the Lease Premises within ninety (90) days of the beginning date of this lease. Thereafter Lessee's discontinuance of such use for a period of ninety (90) days shall be conclusively presumed to be an abandonment.

(b) Repairs and Maintenance:

Lessee shall, at its own expense, keep and maintain the Lease Premises and all improvements in good order and repair and safe condition.

(c) Additions, Alterations and Removal:

(1) Additions — No improvements other than those ex-

pressly authorized in Section 1 or 2 of this Lease shall be constructed by the Lessee on the Lease Premises without the prior written consent of Lessor. Lessee shall notify Lessor within ten (10) days after commencing the construction of authorized improvements and within sixty (60) days after completing them.

(2) Alteration or Removal — Except as provided under this Lease, no alteration or removal of existing improvements on or natural features of the Lease Premises shall be undertaken without the prior written consent of Lessor.

(d) Conservation:

Lessee shall practice conservation of water and other natural resources and shall prevent pollution and harm to the environment in or on the Lease Premises.

(e) Enjoyment:

Nothing in this Lease shall preclude Lessee from excluding persons from the Lease Premises when their presence or activity constitutes a material interference with Lessee's use and enjoyment of the Lease Premises as provided under this Lease.

(f) Discrimination:

Lessee in its use of the Lease Premises shall not discriminate against any person or class of persons on the basis of race, color, creed, national origin, sex, age, or physical handicap.

(g) Residential Use:

Unless otherwise allowed under this Lease, improvements on the Lease Premises shall not be used as a residence or for the purpose of mooring a floating residence.

5. RESERVATIONS, ENCUMBRANCES AND RIGHTS-OF-WAY

(a) Reservations:

(1) Lessor expressly reserves all natural resources in or on the Lease Premises, including but not limited to oil, coal, natural gas and other hydrocarbons, minerals, aggregates, timber and geothermal resources, as well as the right to grant leases in and over the Lease Premises for the extraction of such natural resources, however such leasing shall be neither inconsistent nor incompatible with the rights or privileges of Lessee under this Lease.

(2) Lessor expressly reserves a right to go on the Lease Premises and all improvements for any purpose associated with this Lease or for carrying out any function required by law, or the rules, regulations or management policies of the State Lands Commission. Lessor shall have a right of reasonable access to the Lease Premises across Lessee owned or occupied lands adjacent to the Lease Premises for any purpose associated with this Lease.

(3) Lessor expressly reserves to the public an easement for convenient access across the Lease Premises to other State-owned lands located near or adjacent to the Lease Premises and a right of reasonable passage across and along any right-of-way granted by this Lease. However, such easement or right-of-way shall be neither inconsistent nor incompatible with the rights or privileges of Lessee under this Lease.

(4) Lessor expressly reserves the right to lease, convey, or encumber the Lease Premises, in whole or in part, during the lease term for any purpose not inconsistent nor incompatible with the rights or privileges of Lessee under this Lease.

(b) Encumbrances:

This Lease may be subject to pre-existing contracts, leases, licenses, easements, encumbrances and claims and it is made without warranty by Lessor of title, condition or fitness of the land for the State's intended use.

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(c) Rights-of-Way:

If this Lease is for a right-of-way covering one or more pipelines or conduits, the Lease Premises include only land actually underlying the pipelines or conduits, and Lessor hereby grants to Lessee a non-exclusive right to go onto the lands adjacent to the Lease Premises as is reasonable and necessary for installation, inspection and maintenance of the pipelines or conduits.

6. RULES, REGULATIONS AND TAXES.

(a) Lessor and Lessee shall comply with and be bound by all presently existing or subsequently enacted rules, regulations, statutes or ordinances of the State Lands Commission or any other governmental agency or entity having lawful authority and jurisdiction.

(b) Lessee recognizes and understands in accepting this Lease that Lessee may be liable for a possessory interest tax imposed by a city or county on its leasehold interest and that its payment of such a tax shall not reduce the amount of consideration due Lessor under this Lease and that Lessor shall have no liability for the payment of such a tax.

7. INDEMNITY

(a) Lessor shall not be liable and Lessee shall indemnify, hold harmless and, at the option of Lessor, defend Lessor, its officers, agents, and employees against and for any and all liability, claims, damages or injuries of any kind and from any cause, occurring on the Lease Premises or improvements, or arising out of or connected in any way with the issuance of this Lease.

(b) Lessee shall give prompt notice to Lessor in case of any accident, injury or casualty on the Lease Premises.

8. LIABILITY INSURANCE

(a) If so specified in Section 1 or 2, Lessee shall obtain at its own expense and keep in full force and effect during the Lease term with an insurance company acceptable to Lessor comprehensive liability insurance, for specified categories and amounts, insuring Lessee and Lessor against any and all claims or liability arising out of the ownership, use, occupancy, condition or maintenance of the Lease Premises and all improvements.

(b) The insurance policy or policies shall name the State as an additional insured or co-insured party as to the Lease Premises and shall identify the Lease by its assigned number. Lessee shall provide Lessor with a certificate of such insurance and shall keep such certificate current.

(c) The liability insurance coverage specified in this Lease shall be in effect at all times during the Lease term and subsequently until all of the Lease Premises have been either accepted as improved by Lessor or restored pursuant to Paragraph 13.

9. SURETY BOND

(a) If so specified in Section 1, Lessee shall provide a surety bond or other security device acceptable to Lessor, for the specified amount, and naming the State of California as the assured, to guarantee to Lessor the faithful observance and performance by Lessee of all of the terms, covenants and conditions of this Lease.

(b) Lessor may increase the amount of the surety bond or other security device to cover any additionally authorized improvements, alterations or purposes and any modification of consideration.

(c) The surety bond or other security device shall be maintained in full force and effect at all times during the Lease term and subsequently until all of the Lease Premises have been either accepted as improved by Lessor or restored pursuant to Paragraph 13.

10. ASSIGNMENT, ENCUMBRANCING OR SUBLetting

(a) Lessee shall not either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease and shall not sublet the Lease Premises, in whole or in part, or allow any person other than the Lessee's employees, agents, servants and invitees to occupy or use all or any portion of the Lease Premises without the prior written consent of Lessor.

(b) This Lease shall be appurtenant to littoral or riparian land and any ownership interest or use rights of Lessee in such lands and it shall not be severed from such rights or interests without the prior written consent of Lessor.

11. DEFAULT AND REMEDIES:**(a) Default:**

The occurrence of any one or more of the following events shall constitute a default or breach of this Lease by Lessee:

(1) Lessee's failure to make any payment of rental, royalty, or other consideration as required under this Lease.

(2) Lessee's failure to obtain or maintain liability insurance or a surety bond or other security device as required under this Lease.

(3) Lessee's vacation or abandonment of the Lease Premises during the Lease term.

(4) Lessee's failure to observe or perform any other covenant or condition of this Lease to be observed or performed by the Lessee when such failure shall continue for a period of sixty (60) days after Lessor's giving written notice; however, if the nature of Lessee's default or breach is such that more than sixty (60) days are reasonably required for its cure, then Lessee shall not be deemed to be in default or breach if Lessee commences such cure within such sixty (60)-day period and diligently proceeds with such cure to completion.

(b) Remedies:

In the event of a default or breach by Lessee and Lessee's failure to cure such default or breach, Lessor may at any time and with or without notice do any one or more of the following:

(1) Re-enter the Lease Premises, remove all persons and property, and repossess and enjoy such premises.

(2) Terminate this Lease and Lessee's right of possession of the Lease Premises. Such termination shall be effective upon Lessor's giving written notice and upon receipt of such notice Lessee shall immediately surrender possession of the Lease Premises to Lessor.

(3) Maintain this Lease in full force and effect and recover any rental, royalty, or other consideration they become due without terminating Lessee's right of possession regardless of whether Lessee shall have abandoned the Lease Premises.

(4) Exercise any other right or remedy which Lessor may have at law or in equity.

12. LESSEE'S TERMINATION

Lessee may terminate this Lease for any reason upon giving Lessor at least sixty (60) days prior written notice. Lessee agrees that on the effective date of termination it shall responsibly leave and surrender the Lease Premises to Lessor in a state of good order, condition, repair, and restoration as provided under Paragraphs 4(b) and 13. The exercise of such right of termination shall not release Lessee from liability for any unpaid but accrued rental, royalty or other consideration which may be due under this Lease or from any other obligations still applicable under the Lease. No portion of any rental paid by Lessee in advance shall be refunded.

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13. RESTORATION OF LEASE PREMISES

(a) Upon expiration or sooner termination of this Lease, Lessor may accept all or any portion of the Lease Premises, as then improved with structures, buildings, pipelines, machinery, facilities and fills in place; or Lessor may require Lessee to remove all or any portion of such improvements at its sole expense and risk; or Lessor may itself remove or have removed all or any portion of such improvements at Lessee's sole expense.

(b) In removing any such improvements Lessee shall restore the Lease Premises as nearly as possible to the conditions existing prior to their installation or construction.

(c) All such removal and restoration shall be to the satisfaction of Lessor and shall be completed within ninety (90) days of the expiration or sooner termination of this Lease.

14. QUITCLAIM

Lessee shall, within ninety (90) days of the expiration or sooner termination of this Lease, execute and deliver to Lessor in a form provided by Lessor a good and sufficient release of all rights under this Lease. Should Lessee fail or refuse to deliver such a release, a written notice by Lessor reciting such failure or refusal shall, from the date of its recordation, be conclusive evidence against Lessee and all other claimants of the termination of this Lease and any rights or interests of Lessee in the Lease Premises.

15. HOLDING-OVER

Any holding-over by Lessee after the expiration of the Lease term, with or without the express or implied consent of Lessor, shall constitute a tenancy from month-to-month and not an extension of the Lease term and shall be on the terms, covenants and conditions of this Lease with rental, royalty or other consideration payable in advance on the first day of each month, at the rate of one-twelfth (1/12th) of the annual amount.

16. ADDITIONAL PROVISIONS

(a) Waiver:

(1) No term, covenant or condition of this Lease and no default or breach of any such term, covenant or condition shall be deemed to have been waived, by Lessor's acceptance of a late or nonconforming performance or otherwise, unless such a waiver is expressly acknowledged by Lessor in writing.

(2) Any such waiver shall not be deemed to be a waiver of any other term, covenant or condition or any other default or breach of any term, covenant or condition of this Lease.

(b) Time:

Time is of the essence of this Lease and each and all of its terms, covenants or conditions in which performance is a factor.

(c) Notice:

All notices required to be given under this Lease shall be given in writing, sent by United States mail with postage prepaid, to Lessor at the offices of the State Lands Commission and to Lessee at the address specified in Section 1. Lessee shall give Lessor notice of any change in its name or address.

(d) Consent:

Where Lessor's consent is required under this Lease its consent for one transaction or event shall not be deemed to be a consent to any subsequent occurrence of the same or any other transaction or event.

(e) Changes:

This Lease may be terminated and its term, covenants and conditions amended, revised or supplemented by mutual agreement of the parties.

(f) Successors:

The terms, covenants and conditions of this Lease shall extend to and be binding upon and inure to the benefit of the heirs, successors, and assigns of the respective parties and if more than one Lessee is a party to this Lease, the obligations of the Lessees shall be joint and several.

(g) Captions:

The captions of this Lease are not controlling and shall have no effect upon its construction or interpretation.

(h) Severability:

If any term, covenant or condition of this Lease is judicially determined to be invalid, it shall be considered deleted and shall not invalidate any of the remaining terms, covenants and conditions.

STATE OF CALIFORNIA — STATE LANDS COMMISSION

LEASE P.R.C. No. _____

This lease will become binding upon the State only when duly executed on behalf of the State Lands Commission of the State of California;

IN WITNESS WHEREOF, the parties hereto have executed this lease as of the date hereafter affixed.

LESSEE

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

Title _____

Date _____

ACKNOWLEDGEMENT

The issuance of this lease was authorized by the State Lands Commission on _____

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STATE LANDS COMMISSION

EXHIBIT "D"
STATEMENT OF QUALIFICATIONS

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