EXHIBIT D

LEASE OF PUBLIC TRUST PARCELS

RECORDED AT THE REQUEST OF
AND WHEN RECORDED MAIL TO:
STATE OF CALIFORNIA
California State Lands Commission
Attn: Title Unit
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

STATE OF CALIFORNIA
OFFICIAL BUSINESS
Document entitled to free recordation
pursuant to Government Code Section 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

A.P.N. N/A
County: San Diego

W 20725.101

LEASE PRC 8886

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 1

BASIC PROVISIONS

THE STATE OF CALIFORNIA, hereinafter referred to as Lessor acting by and through the **CALIFORNIA STATE LANDS COMMISSION** (100 Howe Avenue, Suite 100-South, Sacramento, California 95825-8202), pursuant to Division 6 of the Public Resources Code and Title 2, Division 3 of the California Code of Regulations, and for consideration specified in this Lease, does hereby lease, demise and let to the **22nd District Agricultural Association**, hereinafter referred to as Lessee, those certain lands described in Section 3 subject to the reservations, terms, covenants and conditions of this Lease.

MAILING ADDRESS: 2260 Jimmy Durante Boulevard
Del Mar, CA 92014

LEASE TYPE: General Lease – Public Agency Use

LAND TYPE: Public Trust Land

LOCATION: In and adjacent to the San Dieguito River/Lagoon between the Pacific Ocean on the West, Via de la Valle to the North, the San Diego Freeway to the East, and the San Dieguito River to the South, as more particularly described in Section 3.

LAND USE OR PURPOSE: Open space; wetland restoration and maintenance; use and maintenance of a public access trail; flood control improvements; temporary use and maintenance of an existing parking lot and recycling facility located in Parcel 2 as detailed in Section 2 Paragraph 3 below.

TERM: 49 years; beginning June 1, 2010; ending May 31, 2059, unless sooner terminated as provided under this Lease.

CONSIDERATION: The public use and benefit; with the State reserving the right at any time to set a monetary rent if the Commission finds such action to be in the State's best interest; subject to modification by Lessor as specified in Paragraph 2(b) of Section 4 – General Provisions.

AUTHORIZED IMPROVEMENTS:

EXISTING: Open Space, Public Access Trail, Flood Control Improvements, Parking Lot and Recycle Facility

TO BE CONSTRUCTED: N/A

CONSTRUCTION MUST BEGIN BY: N/A

AND BE COMPLETED BY: N/A

LIABILITY INSURANCE: N/A

SURETY BOND OR OTHER SECURITY: N/A

SECTION 2
SPECIAL PROVISIONS

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

1. It is understood that this Lease is being issued pursuant to a Compromise Title Settlement Agreement between the Lessee and the Lessor.

2. It is the intent of the Lessor and Lessee that the existing public access trail be extended and constructed on a portion of the Lease Premises at a future date. Once the design and placement of the trail has been finalized and CEQA review has been completed, the Lessee may apply to the Commission for consideration of an amendment to this lease to include the construction of a public access trail.

3. Lessee is authorized to use and maintain an existing parking area and recycling facility on Parcel 2 of the Lease Premises until issuance of all necessary approvals and permits authorizing the construction, use, maintenance of a public access trail, open space, wetland restoration and maintenance, landscape improvements, or flood control improvements or until January 1, 2021 whichever is sooner. By January 1, 2021, Lessee must remove any remaining recycling facility located on Parcel 2 and cease to use the area for parking. After January 1, 2021, Lessor reserves the right to construct or facilitate the construction of a public access trail on Parcel 2.

4. Any equipment to be used on the Lease Premises is limited to that which is directly required to perform the authorized use and shall not include any equipment that may cause damage to the Lease Premises.

5. Lessor is not responsible for any damage to any property, including any vehicles, equipment, tools, or machinery within the Lease Premises.

6. No nonemergency refueling, maintenance, or repairs to any equipment or vehicles will be permitted within the Lease Premises, except for maintenance and repair of equipment at the existing recycling facility that cannot feasibly be moved out of the area.

7. All trail construction activities shall be carried out in accordance with all applicable safety regulations, permits, and conditions of all other agencies.

8. Within 90 days of completion of a future public access trail and landscape improvements, Lessee shall provide to Lessor the following:
   a. A set of "As-Built" drawings certified by a California registered Civil/structural Engineer, showing the final plan and profile of the authorized improvements on the Lease Premises, and all changes or other modification to the plans as originally approved for construction.
   b. A post construction written report confirming completion in accordance with the approved plans, describing any field changes with the justification, any accidents or spills affecting the waterway and corrective measures taken, and any other extraordinary conditions that occurred during the course of the project.

9. Lessee agrees that printed material, such as handouts and signs or other types of printed notices installed to provide notification of the public use and benefit of the project as set forth herein shall contain and reasonably display a statement acknowledging the California State Lands Commission as having contributed lands for the project. The statement may read as follows: "A portion of the land required for the Public Access Trail was contributed by the California State Lands Commission."

10. Lessees acknowledge and agree:

a. The site may be subject to hazards from natural geophysical phenomena including, but not limited to, waves, storm waves, tsunamis, earthquakes, flooding and erosion.
b. To assume the risks of injury and damage to Lessee, its agents, employees, contractors, permittees, invitees and guests and the Leased Lands from such hazards in connection with the development and use of the Leased Lands subject to any Coastal Development Permit.
c. To unconditionally waive any claim or damage or liability against the State of California, its agencies, officers, agents, and employees for injury and/or damage from such hazards to Lessee, its agents, employees, contractors, permittees, invitees and guests.
d. To indemnity, hold harmless and , at the option of Lessor, defend the State of California, its agencies, officers, agents, and employees, against and for any and all liability, claims demands, damages, injuries, or costs of any kind and from any cause (including costs and fees incurred in defense of such claims), expenses, and amounts paid in settlement arising from any alleged or actual injury, damage or claim due to site hazards or connected in any way with respect to the approval of any Coastal Development Permit involving the Leased Lands, except for any such liability, claims, damage or injury solely caused by the negligence of Lessor, its officers, agents and employees.

11. The Lessee acknowledges that the following State leases and rights of way are located within or adjacent to the Lease Premises:

a. PRC 6198 and PRC 6199 – Beach Colony One, Ltd. And Beach Colony Two, Ltd. for rock riprap protection on the south side of the San Dieguito Lagoon between the railroad and the coast highway;
b. PRC 7899 – Frank and Joanne Warren for rock riprap protection on the lagoon side of their oceanfront property;
c. City of Del Mar
   PRC 6133 – for the Jimmy Durante Boulevard Bridge;
   PRC 8181 – the Camino Del Mar Bridge, including a railing and pedestrian walkway;
   PRC 8426 – to maintain a lagoon mouth opening;
   PRC 8408 – a public pedestrian trial and landscaping on the south bank of the San Dieguito River, west of Jimmy Durante Boulevard at San Dieguito Drive;
d. PRC 6982 – the Department of Transportation for maintenance of the I-5 Bridge over the lagoon;
e. PRC 6329 – the Department of Fish and Game for management of sovereign interests as part of the San Dieguito Lagoon Ecological Reserve in the north channel located between I-5 and the railroad.
f. PRC 8804 – 22nd District Agricultural Association for a sewer forcemain;
g. PRC 8553 – San Dieguito River Valley Regional Open Space Park JPA and Southern California Edison for construction, operation and maintenance of the San Dieguito Wetland Restoration Project.

Lessee acknowledges the existence of the above leases and rights of way, and that this Lease shall not be exercised in a manner inconsistent with the rights provided in those leases and rights of way.

12. The provisions of Section 4, Paragraphs 4(a) Land Use, 8 (Insurance), 9 (Surety Bond), and 12 (Restoration of Lease Premises) are not applicable.
13. So long as Lessee maintains the Lease Premises for the land use or purpose authorized herein, no rent will be charged.

14. It is understood that some of the provisions of Section 1 and Section 4 have been modified or deleted, as appropriate.

In the event of any conflict between the provisions of Section 2 and Sections 1 and 4 of this Lease, the provisions of Section 2 shall prevail.

SECTION 3

W20725.101 / AD 552

LAND DESCRIPTION

Four parcels of land situate in the City of Del Mar and the City San Diego, County of San Diego, State of California, described as follows:

PARCEL 1:

BEGINNING at a point on the east line of a parcel of land described in that certain corporate grant deed recorded in Document number 67-91649 Official Records of said County which bears N 79°46'21" E 3,443.35 feet from a 2.5 inch City of Del Mar Disk stamped "SAM 1990 PLS 4965" with CCS83, Zone 6, (1990) coordinates of East(X) = 6,251,263.20 North(Y) = 1,934,703.64, as shown on Record of Survey 12921, filed in San Diego County Records said point also being the beginning of a non tangent curve concave southerly having a radial bearing of N 27°51'01" E, and a radius of 174.00 feet; thence westerly along said curve through a central angle of 42°30'35" a distance of 129.09 feet; thence S 75°20'26" W 252.48 feet to a curve concave northerly having a radius of 541.99 feet; thence westerly along said curve through a central angle of 24°01'15" a distance of 227.22 feet; thence N 80°38'19" W 34.83 feet to a curve concave southerly having a radius of 817.86; thence westerly along said curve through a central angle of 28°06'39" a distance of 401.26 feet; thence S 71°15'02" W 18.06 feet to a curve concave northerly having a radius of 791.98 feet; thence westerly along said curve through a central angle of 9°34'14" a distance of 132.29 feet; thence S 80°49'16" W 122.56 feet; thence S 79°18'50" W 381.12 feet to a curve concave southerly having a radius of 267.99 feet; thence southwesterly along said curve through a central angle of 29°04'37" a distance of 136.00 feet; thence S 50°14'13" W 147.83 feet; thence S 50°55'10" W 138.17 feet; thence S 49°08'17" W 63.51 feet; thence S 46°24'14" W 59.74 feet to a curve concave northwesterly having a radius of 20.00 feet; thence southwesterly along said curve through a central angle of 42°19'13" a distance of 14.77 feet; thence S 88°43'27" W 8.54 feet to a curve concave southerly having a radius of 20.00 feet; thence westerly along said curve through a central angle of 34°07'48" a distance of 11.91 feet; thence S 54°35'39" W 57.11 feet; thence S 35°24'21" E 17.00 feet; thence S 54°35'39" W 8.31 feet; thence S 44°46'32" W 274.14 feet; thence S 63°22'49" W 329.52 feet; thence N 79°44'36" W 302.77 feet; thence N 58°17'52" W 226.51 feet; thence N 74°04'19" W 44.82 feet to a curve concave northerly having a radius of 259.49 feet; thence westerly along said curve through a central angle of 10°11'01" a distance of 46.12 feet; thence N 63°53'18" W 71.79 feet; thence N 62°38'39" W 12.55 to a non tangent curve concave northeasterly having a radial bearing of S 26°06'42" W and a radius of 14.50 feet; thence northerly along said curve through a central angle of 90°01'26" a distance of 22.78 feet; thence N 26°08'08" E 3.18 feet to a point on the south line of the north one half of Section 11, Township 14 South, Range 4 West, S.B.M. as described in that grant

deed recorded in Book 475, Page 5 of Official Records of said County, said point hereinafter referred to as point "A" of this description; thence along said south line N 89°42'45" W 3.13 feet to the southeasterly line of the County Road known as Road Survey No. 470 as described in that certain grant deed recorded Book 6852, Page 206 Official Records of said County; thence along said southeasterly line S 40°00'03" W 90.68 feet; thence leaving southeasterly line of said Road Survey No. 470 S 59°25'33" E 753.87 feet along the southwesterly line of said grant deed; thence along the southeasterly line of said grant deed N 51°15'55" E 714.59 feet to a point on the southerly line of the northeast quarter of Section 11 as described in Parcel "Two" of that certain grant deed recorded in Document number 1991-0587527 Official Records of said County; thence along said southerly line S 89°42'21" E 664.38 feet to the southeast corner of said northeast quarter; thence N 00°14'23" E 253.23 feet along the easterly line of said Section 11 to the southwest corner of Parcel "One" of said grant deed; thence along the southeast line of said Parcel "One" N 76°49'52" E 1577.65 feet to the east line of said Parcel "One", thence along said east line N 18°26'27" W 78.92 to the POINT OF BEGINNING.

PARCEL 2

BEGINNING at said point "A"; thence along the south line of the north one half of Section 11, Township 14 South, Range 4 West, S.B.M. as described in that grant deed recorded in Book 475, Page 5 of Official Records of said County S 89°42'45" E 7.61 feet; thence N 51°53'56" W 150.58 feet; thence N 77°11'09" W 156.06 feet; thence N 66°24'24" W 14.71 feet; thence N 68°27'17" W 66.02 feet; thence N 62°55'21" W 100.77 feet; thence N 66°26'27" W 81.55 feet; thence N 63°59'29" W 109.49 feet; thence N 73°10'18" W 75.15 feet; thence N 68°24'10" W 55.84 feet to a point on the southwest line of said grant deed; thence along said southwest line S 57°25'51" E 275.91 feet; thence S 62°34'51" E 140.96 feet; thence S 70°02'51" E 330.23 feet to a point on said south line of the north one half of Section 11; thence along said south line S 89°42'45" E 56.62 feet to the POINT OF BEGINNING.

PARCEL 3

An undivided 85 percent interest in a parcel of land described as Parcel "Two" in that certain grant deed recorded on December 1, 1988 from Helen W. Woodward M.H. Whittier Corporation Trust to The State of California in Document number 88-614453 Official Records of said County.

Together with an undivided 5 percent interest in a parcel of land described as Parcel "Two" in that certain grant deed recorded on July 1, 1991 from Rex C. Ellsworth to The State of California in Document number 1991-0320538 Official Records of said County.

Together with an undivided 5 percent interest in a parcel of land described as Parcel "Two" in that certain grant deed recorded on July 1, 1991 from Georgia Dunham to The State of California in Document number 1991-0320541 Official Records of said County.

Together with an undivided 2 ½ percent interest in a parcel of land described as Parcel "Two" in that certain grant deed recorded on July 1, 1991 from The Estate of Robert A. Oakes, deceased, by Charles G. Kerch, Trustee to The State of California in Document number 1991-0320539 Official Records of said County.

Together with an undivided 2 ½ percent interest in a parcel of land described as Parcel "Two" in that certain grant deed recorded on July 1, 1991 from Dorthea B. Oakes to The State of California in Document number 1991-0320540 Official Records of said County.

PARCEL 4

An undivided 85 percent interest in a parcel of land described as Parcel "One" in that certain grant deed recorded on December 1, 1988 from Helen W. Woodward M.H. Whittier Corporation Trust to The State of California in Document number 88-614453 Official Records of said County.

Together with an undivided 5 percent interest in a parcel of land described as Parcel "One" in that certain grant deed recorded on July 1, 1991 from Rex C. Ellsworth to The State of California in Document number 1991-0320538 Official Records of said County.

Together with an undivided 5 percent interest in a parcel of land described as Parcel "One" in that certain grant deed recorded on July 1, 1991 from Georgia Dunham to The State of California in Document number 1991-0320541 Official Records of said County.

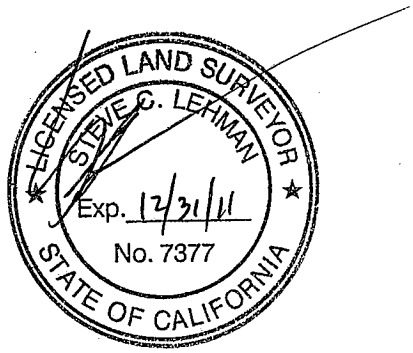
Together with an undivided 2 ½ percent interest in a parcel of land described as Parcel "One" in that certain grant deed recorded on July 1, 1991 from The Estate of Robert A. Oakes, deceased, by Charles G. Kerch, Trustee to The State of California in Document number 1991-0320539 Official Records of said County.

Together with an undivided 2 ½ percent interest in a parcel of land described as Parcel "One" in that certain grant deed recorded on July 1, 1991 from Dorthea B. Oakes to The State of California in Document number 1991-0320540 Official Records of said County.

The Basis of Bearings for this Survey is the California Coordinate System, Zone 6 NAD 83 (1990) as determined by a line bearing N 32°00'05" E between the City of Del Mar GPS Geodetic Control Survey points "SAM" and "TURF" as shown on Record of Survey Map No. 12921, filed in San Diego County Records. All distance shown herein are grid distances. Ground distance can be obtained by multiplying grid distances by a scale factor of 1.000026.

END OF DESCRIPTION

Prepared 07/21/2010 by the California State Lands Commission Boundary Unit.



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 this Lease 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) **Non-Monetary Consideration**
If the consideration to Lessor for this Lease is the public use, benefit, health, or safety, Lessor shall have the right to review such consideration at any time and 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.

(b) **Modification**
Lessor may modify the method, 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. No such modification shall become effective unless Lessee is given at least thirty (30) days notice prior to the effective date.

(c) **Penalty and Interest**
Any installments of rental 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 the Lessor's then existing administrative regulations governing penalty and interest.

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 this Lease and only for the operation and maintenance of the improvements expressly authorized in this Lease. Lessee shall commence use of the Lease Premises within ninety (90) days of the beginning date of this Lease or within ninety (90) days of the date set for construction to commence as set forth in this Lease, whichever is later. Lessee shall notify Lessor within ten (10) days after commencing the construction of authorized improvements and within sixty (60) days after completing them. Lessee's discontinuance of such use for a period of ninety (90) days shall be conclusively presumed to be an abandonment.

(b) **Continuous Use**
Lessee's use of the Lease Premises shall be continuous from commencement of the Lease until its expiration.

(c) **Repairs and Maintenance**
Lessee shall, at its own expense, keep and maintain the Lease Premises and all improvements in good order and repair and in safe condition. Lessor shall have no obligation for such repair and maintenance.

(d) **Additions, Alterations, and Removal**
(1) Additions - No improvements other than those expressly authorized in this Lease shall be constructed by the Lessee on the Lease Premises without the prior written consent of Lessor.

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

(e) **Conservation**
Lessee shall practice conservation of water, energy, and other natural resources and shall prevent pollution and harm to the environment. Lessee shall not violate any law or regulation whose purpose is to conserve resources or to protect the environment. Violation of this section shall constitute grounds for termination of the Lease. Lessor, by its executive officer, shall notify Lessee, when in his or her opinion, Lessee has violated the provisions of this section and Lessee shall respond and discontinue the conduct or remedy the condition within 30 days.

(f) **Toxics**
Lessee shall not manufacture or generate hazardous wastes on the Lease Premises unless specifically authorized under other terms of this Lease. Lessee shall be fully responsible for any hazardous wastes, substances or materials as defined under federal, state or local law, regulation, or ordinance that are manufactured, generated, used, placed, disposed, stored, or transported on the Lease Premises during the Lease term and shall comply with and be bound by all applicable provisions of such federal, state or local law, regulation or ordinance dealing with such wastes, substances or materials. Lessee shall notify Lessor and the appropriate governmental emergency response agency(ies) immediately in the event of any release or threatened release of any such wastes, substances, or materials.

(g) **Enjoyment**
Subject to the provisions of paragraph 5 (a) (2) below, 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.

(h) **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, religion, national origin, sex, age, or handicap.

(i) **Residential Use**

No portion of the Lease Premises shall be used as a location for a residence or for the purpose of mooring a structure which is used as a residence. For purposes of this Lease, a residence or floating residence includes but is not limited to boats, barges, houseboats, trailers, cabins, or combinations of such facilities or other such structures which provide overnight accommodations to the Lessee or others.

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 timber and minerals as defined under Public Resources Code Sections 6401 and 6407, 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 or 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 is made without warranty by Lessor of title, condition, or fitness of the land for the stated or intended purpose.

6. **RULES, REGULATIONS, AND TAXES**

(a) 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 understands and agrees that a necessary condition for the granting and continued existence of this Lease is that Lessee obtains and maintains all permits or other entitlements.

(c) Lessee accepts responsibility for and agrees to pay any and all possessory interest taxes, assessments, user fees or service charges imposed on or associated with the leasehold interest, improvements or the Lease Premises, and such payment shall not reduce rental due Lessor under this Lease and Lessor shall have no liability for such payment.

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, arising out of or connected in any way with the issuance, enjoyment or breach of this Lease or Lessee's use of the Lease Premises except for any such liability, claims, damage or injury solely caused by the negligence of Lessor, its officers, agents and employees.

(b) Lessee shall notify Lessor immediately in case of any accident, injury, or casualty on the Lease Premises.

8. **INSURANCE**

(a) Lessee shall obtain and maintain in full force and effect during the term of this Lease comprehensive general liability insurance and property damage insurance, with such coverage and limits as may be reasonably requested by Lessor from time to time, but in no event for less than the sum(s) specified, 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 of California, its officers, employees and volunteers as insureds 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. The policy (or endorsement) must provide that the insurer will not cancel the insured's coverage without thirty (30) days prior written notice to Lessor. Lessor will not be responsible for any premiums or other assessments on the

policy. The coverage provided by the insured (Lessee) shall be primary and non-contributing.

(c) The 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 by Lessee as provided elsewhere in this Lease.

9. **SURETY BOND**

(a) 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 require an increase in 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 by Lessee as provided elsewhere in this Lease.

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, which consent shall not be unreasonably withheld.

(b) The following shall be deemed to be an assignment or transfer within the meaning of this Lease:

(1) If Lessee is a corporation, any dissolution, merger, consolidation or other reorganization of Lessee or sale or other transfer of a percentage of capital stock of Lessee which results in a change of controlling persons, or the sale or other transfer of substantially all the assets of Lessee;

(2) If Lessee is a partnership, a transfer of any interest of a general partner, a withdrawal of any general partner from the partnership, or the dissolution of the partnership.

(c) If this Lease is for sovereign lands, it shall be appurtenant to adjoining littoral or riparian land and Lessee shall not transfer or assign its ownership interest or use rights in such adjoining lands separately from the leasehold rights granted herein without the prior written consent of Lessor.

(d) If Lessee desires to assign, sublet, encumber or otherwise transfer all or any portion of the Lease Premises, Lessee shall do all of the following:

(1) Give prior written notice to Lessor;

(2) Provide the name and complete business organization and operational structure of the proposed assignee, sublessee, secured third party, or other transferee; and the nature of the use of and interest in the Lease Premises proposed by the assignee, sublessee, secured third party or other transferee. If the proposed assignee, sublessee, or secured third party is a general or limited partnership, or a joint venture, provide a copy of the partnership agreement or joint venture agreement, as applicable;

(3) Provide the terms and conditions of the proposed assignment, sublease, or encumbrance or other transfer;

(4) Provide audited financial statements for the two most recently completed fiscal years of the proposed assignee, sublessee, secured party or other transferee; and provide pro forma financial statements showing the projected income, expense and financial condition resulting from use of the Lease Premises; and

(5) Provide such additional or supplemental information as Lessor may reasonably request concerning the proposed assignee, sublessee, secured party or other transferee.

Lessor will evaluate proposed assignees, sublessees, secured third parties and other transferees and grant approval or disapproval according to standards of commercial reasonableness considering the following factors within the context of the proposed use: the proposed party's financial strength and reliability, their business experience and expertise, their personal and business reputation, their managerial and operational skills, their proposed use and projected rental, as well as other relevant factors.

(e) Lessor shall have a reasonable period of time from the receipt of all documents and other information required under this provision to grant or deny its approval of the proposed party.

(f) Lessee's mortgage or hypothecation of this Lease, if approved by Lessor, shall be subject to terms and conditions found in a separately drafted standard form (Agreement and Consent to Encumbrancing of Lease) available from Lessor upon request.

(g) Upon the express written assumption of all obligations and duties under this Lease by an assignee approved by Lessor, the Lessee may be released from all liability under this Lease arising after the effective date of assignment and not associated with Lessee's use, possession or occupation of

or activities on the Lease Premises; except as to any hazardous wastes, substances or materials as defined under federal, state or local law, regulation or ordinance manufactured, generated, used, placed, disposed, stored or transported on the Lease Premises.

(h) If the Lessee files a petition or an order for relief is entered against Lessee, under Chapters 7,9,11 or 13 of the Bankruptcy Code (11 USC Sect. 101, et seq.) then the trustee or debtor-in-possession must elect to assume or reject this Lease within sixty (60) days after filing of the petition or appointment of the trustee, or the Lease shall be deemed to have been rejected, and Lessor shall be entitled to immediate possession of the Lease Premises. No assumption or assignment of this Lease shall be effective unless it is in writing and unless the trustee or debtor-in-possession has cured all defaults under this Lease (monetary and non-monetary) or has provided Lessor with adequate assurances (1) that within ten (10) days from the date of such assumption or assignment, all monetary defaults under this Lease will be cured; and (2) that within thirty (30) days from the date of such assumption, all non-monetary defaults under this Lease will be cured; and (3) that all provisions of this Lease will be satisfactorily performed in the future.

11. **DEFAULT AND REMEDIES**

(a) **Default**

The occurrence of any one or more of the following events shall immediately and without further notice constitute a default or breach of the 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 (including the covenant for continuous use as provided for in paragraph 4) during the Lease term;

(4) Lessee's failure to obtain and maintain all necessary governmental permits or other entitlements;

(5) Lessee's failure to comply with all applicable provisions of federal, state or local law, regulation or ordinance dealing with hazardous waste, substances or materials as defined under such law;

(6) Lessee's Failure to commence to construct and to complete construction of the improvements authorized by this Lease within the time limits specified in this Lease; and/or

(7) Lessee's failure to comply with applicable provisions of federal, state or local laws or ordinances relating to issues of Health and Safety, or whose purpose is to conserve resources or to protect the environment.

(b) Lessee's failure to observe or perform any other term, covenant or condition of this Lease to be observed or performed by the Lessee when such failure shall continue for a period of thirty (30) days after Lessor's giving written notice; however, if the nature of Lessee's default or breach under this paragraph is such that more than thirty (30) 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 thirty (30) day period and diligently proceeds with such cure to completion.

(c) **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 as it becomes due without terminating Lessee's right of possession regardless of whether Lessee shall have abandoned the Lease Premises; and/or

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

12. **RESTORATION OF LEASE PREMISES**

(a) Upon expiration or sooner termination of this Lease, Lessor upon written notice may take title to any or all improvements, including fills, or Lessor may require Lessee to remove all or any 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. Lessee shall deliver to Lessor such documentation as may be necessary to convey title to such improvements to Lessor free and clear of any liens, mortgages, loans or any other encumbrances.

(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 plans for and subsequent removal and restoration shall be to the satisfaction of Lessor and shall be completed within ninety (90) days after the expiration or sooner termination of this Lease or after compliance with paragraph 12(d), whichever is the lesser.

(d) In removing any or all the improvements Lessee shall be required to obtain any permits or other governmental approvals as may then be required by lawful authority.

(e) Lessor may at any time during the Lease term require Lessee to conduct at its own expense and by a contractor approved by Lessor an independent environmental site assessment or inspection for the presence or suspected presence of hazardous wastes, substances or materials as defined under federal, state or local law, regulation or ordinance manufactured, generated, used, placed, disposed, stored or transported on the Lease Premises during the term of the Lease. Lessee shall provide the results of the assessment or inspection to Lessor and the appropriate governmental response agency(ies) and shall further be responsible for removing or taking other appropriate remedial action regarding such wastes, substances or materials in accordance with applicable federal, state or local law regulation or ordinance.

13. **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 of the termination of this Lease and all other claimants.

14. **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, except that the annual rental then in effect shall be increased by twenty-five percent (25%).

15. **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 of 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 U.S. Mail with postage prepaid, to Lessor at the offices of the State Lands Commission and the Lessee at the address specified in this Lease. 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 only by mutual written 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.

(g) **Joint and Several Obligation**

If more than one Lessee is a party to this Lease, the obligations of the Lessees shall be joint and several.

(h) **Captions**

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

(i) **Severability**

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

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STATE OF CALIFORNIA - STATE LANDS COMMISSION

LEASE NO. PRC _____

This Lease shall become effective only when approved by and executed on behalf of the State Lands Commission of the State of California and a duly executed copy has been delivered to Lessee. The submission of this Lease by Lessor, its agent or representative for examination by Lessee does not constitute an option or offer to lease the Lease Premises upon the terms and conditions contained herein, or a reservation of the Lease Premises in favor of Lessee. Lessee's submission of an executed copy of this Lease to Lessor shall constitute an offer to Lessor to lease the Lease Premises on the terms and conditions set forth herein.

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

LESSEE:

22nd District Agricultural Association

By: _____

Title: _____

Date: _____

LESSOR:

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

Title: _____

Date: _____

NOTARY ACKNOWLEDGEMENT REQUIRED

This Lease was authorized by the California State Lands Commission on

_____
(Month Day Year)