

LEASE

THIS LEASE is made as of July 1, 1996, by and between the Rancho Murieta Community Services District ("RMCS D"), a special district under the laws of the State of California, and Rancho Murieta Association ("RMA"), a California non-profit mutual benefit corporation, who agree as follows:

1. Lease

Subject to the terms and conditions hereinafter set forth, RMCS D hereby leases to RMA, and RMA hereby leases from RMCS D, the approximately 20 acre portion of parcel 073-0190-046 owned by RMCS D, located in the planned development of Rancho Murieta, County of Sacramento, State of California, set forth in Exhibit A (hereafter, "the leased property"). The leased property is depicted on the map attached hereto as Exhibit A.

2. Term

The term of this lease shall be for ten (10) years commencing ^{SEPT 1} ~~July 1~~, 1996, and ending ^{AUGUST 31} ~~June 30~~, 2006, subject to RMA's option to renew the lease term for an additional five (5) years in accordance with paragraph 4, below, and further subject to prior termination by RMCS D upon 30 days written notice of any of the following:

a) RMA has breached any of the terms or conditions of the lease and, as to any breach other than the payment of rent, has failed to cure the breach within thirty (30) days following receipt of written notice from RMCS D describing the nature of the breach;

b) a court or other legally binding authority has determined that any of the Park Development Agreements between RMA, RMCS D and various property owners at Rancho Murieta is illegal, unenforceable, or subordinate to any lien or property interest;

c) RMA has ceased to use the portion of the leased property hereafter defined as the "park area" for park purposes pursuant to the Park Development Agreements between RMA, RMCS D and property owners at Rancho Murieta, or has revised or rescinded any such agreement without the express written permission of the RMCS D; or

d) a developer or property owner has become obligated by contract, land use condition or other lawful obligation to provide the leased property to RMA, RMCS D, or some other community organization for use as a park.

In the event this lease is terminated for the reason set forth in paragraph (d), above, RMCS D agrees that it will sell the leased property to the property owner or developer obligated to provide the leased property for park purposes for the fair market value of the property (not subject to the lease or restricted to use as a park).

3. Reparcelization of the Leased Property.

RMCS D and RMA anticipate that the leased property may be subdivided; that a new parcel consisting of approximately 20 acres of the leased property will be conveyed to RMA pursuant to the Park Development Agreements relating to the Rancho Murieta planned unit development; and that a parcel consisting of all or a portion of the leased property may be leased or sold to RMA for uses not limited to park and recreational facilities. RMA agrees that it will cooperate with RMCS D in obtaining a parcel map or maps to subdivide the leased property, including a parcel map for a park site of approximately 20 acres. RMCS D agrees that it will pay the costs of obtaining the parcel map for the park parcel if the costs are not paid by the Parks Committee established to implement and administer the Park Development Agreements. Upon the recording of a parcel map for a park site of approximately 20 acres on the leased property, this lease shall apply solely to the park parcel and shall terminate as to the remainder of the leased property.

4. Option to Extend Term

RMA shall have an option to renew the lease for an additional five-year term commencing on ~~July 1, 2006~~^{Sept. 2006}, by delivery to RMCS D of a written notice of RMA's exercise of this renewal option not later than thirty (30) days prior to the commencement of the renewal term. If this option is exercised, the terms of this lease shall remain the same, except as to the amount of the rent. The rent for the renewal term shall be established by agreement between RMCS D and RMA. If RMCS D and RMA do not agree as to the amount of the rent prior to the commencement of the renewal term of the Lease, the rent shall be the fair rental value of the leased property, not subject to the lease or restricted to use as a park. If RMCS D and RMA do not agree as to the fair rental value of the leased property within 30 days after the commencement of the renewal term, either party may seek arbitration pursuant to section 1280, *et. seq.*, of the California Code of Civil Procedure to establish the fair rental value of the leased property for the period of the renewal term.

5. Rent

RMA shall annually pay rent to RMCS D on or before January 1 of each year in the sum of One Thousand Two Hundred Dollars (\$1,200) during the first term of the lease. Should RMA exercise the option to extend the lease term in accordance with paragraph 4, above, the annual rate shall be adjusted in accordance with paragraph 4. Each rental payment shall be made to the Rancho Murieta Community Services District, P.O. Box 1050, Rancho Murieta, California 95683.

A late charge of ten percent (10%) of the amount due shall be added to any amount which is not received by RMCS D on or before the date due.

6. Permitted Use

During the term of this lease, all portions of the property leased to RMA under this lease shall be used as common area of RMA. The park area shall be improved by RMA with community park recreational facilities and shall be made available to residents of Rancho Murieta pursuant to the Park Development Agreements between RMA, RMCS D, and various Rancho Murieta land owners. A portion of the leased property is occupied by two wastewater ponds that currently are not being used by RMCS D but serve as RMCS D's emergency back-up for effluent wastewater storage. RMA acknowledges that this lease is subject to the potential need for use of the two wastewater storage ponds, pending rehabilitation of the yellow bridge over the Cosumnes River or other solution to the utility line crossing of the Cosumnes River. When the ponds are no longer needed for emergency storage, the ponds can be reclaimed for expanded recreational facilities.

a) RMA, during the term of this lease, shall occupy, maintain, and operate the park area of the leased property as a community park for the purposes generally described above. RMA's failure to (i) commence construction of at least two baseball fields (or a baseball field and adjacent multi-purpose field) and a basketball court on the leased property within the first 12 months of this lease, or (ii) to occupy, maintain, and operate the leased property may result in termination of the lease, as set forth in paragraph 24;

b) RMA shall neither permit nor carry on any activity nor allow any condition on the leased property which is a public or private nuisance;

c) RMA shall comply with all the terms and conditions of the currently expired maintenance area lease dated August 1, 1987, in its use of the maintenance operation area, except insofar as inconsistent with the terms of this lease;

c) RMA shall not operate, or permit the operation of, any amplified sound or music system on the leased property in a manner which interferes with the reasonable enjoyment by the public of adjacent areas or of private citizens within adjacent private property. RMA shall immediately comply with any written RMCS D request concerning the use of such sound system including, but not limited to, a request to: (1) cease the use of said equipment; and (2) reduce the level of sound output of such system.

7. Taxes on Possessory Interest

RMCS D hereby informs RMA, pursuant to Revenue and Taxation Code section 107.6, that this lease may create a possessory interest in the leased property that is

subject to property taxation, and that RMA may be subject to the payment of property taxes levied on such interest.

8. No Warranties by RMCS D

RMCS D makes no representation or warranty concerning the suitability of the property or of the state of the law concerning the property which RMA may contemplate. However, RMCS D agrees to cooperate fully with RMA in obtaining any necessary approvals to continue to use the leased property for the current uses, or to expand the uses to the extent the expanded use is consistent with the community park recreational facilities described in paragraph 6 above. RMA represents and warrants that it has independently made a full and thorough investigation and examination of the property and that it is entering this lease, relying only upon facts ascertained from said independent investigation. RMCS D represents and warrants that it has no actual knowledge of any hazardous substance (as defined in Health and Safety Code section 25316) contamination of the leased property.

9. RMCS D's Right of Entry

RMCS D and its agents shall have the right to enter upon the leased property at all times for the purpose of inspection, maintenance, and repair of its facilities.

10. Terms and Conditions Applicable to Construction of Improvements

During the term of this lease, RMA may construct and maintain recreational facilities on the leased property. In addition to the facilities described in paragraph 6, above, RMA may elect to construct additional capital improvements on the leased property provided that written notice and tentative plans of intended improvements are provided to RMCS D and written approval of RMCS D and other governmental agency approvals are obtained prior to commencement of construction. RMCS D's approval shall not be unreasonably withheld.

All work shall be performed in a good and workmanlike manner, shall substantially comply with plans and specifications submitted to RMCS D as required by this lease, and shall comply with all applicable governmental permits, laws, ordinances, and regulations. RMCS D agrees to cooperate fully with RMA in obtaining any approvals needed by government agencies to improve the leased property consistent with this lease.

Upon completion of any work of improvement, RMA shall notify RMCS D of all changes in plans or specifications made during the course of the work. Changes that do not substantially alter plans and specifications previously approved by RMCS D shall not constitute a breach of RMA's obligations under the lease.

Upon termination or expiration of this lease, any new improvements placed on the leased property by RMA (except those funded by the RMCS D) shall become sole property of the RMA. RMCS D shall provide a reasonable and acceptable time period for

any equipment or improvement removal from the elapsed premises. In removing its improvements and/or equipment from the leased property, RMA shall not damage the premises or any improvements thereon belonging to RMCS D.

11. Operation and Maintenance of Premises

a) RMA agrees that the facilities operated or placed on the park area of the leased property shall be operated by non-profit organizations and/or community parks purposes in accordance with the Park Agreements;

b) RMA agrees that no discrimination, distinction, or restriction shall be made on account of sex, color, race, religion, handicap, ancestry, sexual orientation or national origin contrary to the provisions of Section 51 of the Civil Code of the State of California, which is incorporated herein by reference as if set forth in full. Upon a final determination by a court of competent jurisdiction that RMA has violated said section or any other applicable civil rights law, this lease may, at RMCS D's option, be deemed forfeited;

c) RMA shall pay all charges and assessments for water, sewer, drainage, heat, gas, and electricity; the disposal of garbage, refuse, and rubbish; and all other public service conveniences used on the leased property during the term hereof;

d) RMA shall maintain the leased property on a year-round basis at RMA's sole expense including, but not limited to, water system for turfed areas, baseball backstops, soccer goals, basketball hoops, parking, protective fencing, bleachers, grounds, structures, appurtenances, and all other incidentals necessary for the safe operation of the approved uses;

e) RMA shall keep the leased property and all facilities and improvements (i.e., fences, bleachers, and recreation equipment installed on the leased property and the areas immediately adjacent thereto) in a high degree of cleanliness and repair at all times and shall conduct its operation in such a way as to prevent the escape of debris from these activities;

f) Any bleachers or other seating facilities shall be constructed strictly in accordance with federal, state, and local safety standards applicable to such improvements. This requirement shall include, but not be limited to, the duty to immediately correct any conditions which constitute a hazard to persons using said bleachers;

g) Upon RMA's failure to properly maintain facilities, RMCS D shall have the right to perform such maintenance work at RMA's expense, but such right shall not be construed as constituting a legal obligation upon RMCS D to perform such duties; and

h) Upon termination of the lease, the leased property will be restored to its original condition by RMA unless RMA and RMCS D otherwise agree in writing.

12. Reporting and Notification Requirements

a) RMA agrees to secure and provide all necessary licenses and permits and shall pay before delinquency, all lawful taxes, assessments, fees, or charges which at any time may be levied by the State of California, County of Sacramento, RMCS D, or any tax-assessment-levying body on any interest in this lease or any possessory right which RMA may have in or to premises or improvements thereon by reason of its use and occupancy or otherwise, as well as taxes, assessments, fees, licenses, and charges on goods, merchandise, fixtures, appliances, and equipment owned or used in or about, the leased property other than those applicable to any improvements, funded by or for the benefit of, RMCS D. RMA shall provide RMCS D with current copies of all necessary licenses as they are renewed;

b) RMA shall provide RMCS D with an annual financial statement indicating revenues produced from the operation of the facility and the manner in which said revenues were expended or retained; and

c) RMA shall provide RMCS D with a list of Rancho Murieta Association officers including names, addresses, and telephone numbers, and shall notify RMCS D of any changes in offices. This list shall be provided on or before the thirty-first (31st) day of January.

13. Security Devices

RMA may provide at its own expense any legal devices, installations, or equipment designed for the purpose of protecting the premises from theft, burglary, or vandalism; provided, however, that written approval for any such installation be obtained from RMCS D.

14. Indemnity and Hold Harmless

RMA shall assume the defense of, and indemnify and save harmless, RMCS D, its directors, officers, employees, and agents, and each and every one of them, from and against all actions, damages, costs, liability, claims, losses, and expenses of every type and description to which any or all of them may be subjected by reason of, or resulting from, directly or indirectly, or arising out of or connected in any way with work performed on the premises by RMA, or the use and operation of the leased property by RMA, whether within or without the scope of this lease, whether or not it is caused in part by a party indemnified hereunder. The foregoing includes, but is not limited to, any attorney fees reasonably incurred by RMCS D. This indemnity and hold harmless provision shall not be construed as an obligation to defend or indemnify any party indemnified hereunder from actions, damages, costs, liability, claims, losses, and expenses of every type and description which are caused primarily by the indemnified party's own acts or omissions.

15. Insurances

(a) Coverage.

During the term of this lease, RMA and RMCS D shall maintain in full force and effect at their own cost and expense, the following insurance coverage:

General Liability Insurance,
Broad Form Property Damage Liability,
Personal Injury Liability,
Products Liability,
Contractual Liability, and
Legal Liability

The amount of the RMA policy or policies shall be no less than Two Million Dollars per occurrence, issued by an admitted insurer or insurers as defined by the California Insurance Code, providing that RMCS D, its directors, officers, employees, and agents are to be named as "Additional Insured" under the policy, and the policy or policies shall stipulate that this insurance will operate as Primary Insurance, and that no other insurance insuring RMCS D or other Named Insured(s) will be called on to contribute to a loss covered thereunder. The RMCS D shall maintain similar insurance, naming RMA, its directors, officers, employees, and agents are to be named as "Additional Insured" under the policy or policies, but not stipulating that this insurance of RMCS D will operate as Primary Insurance, or that no other insurance insuring RMCS D or other Named Insured(s) will be called on to contribute to a loss covered thereunder.

b) Certificates of Insurance. RMA shall provide RMCS D with a certificate or certificates of insurance completed within thirty (30) days of the execution of this lease and prior to engaging in any operation or activity set forth in this lease. The certificated policy or policies shall provide that no cancellation, change in coverage, or expiration by the insurance company or the insured shall occur during the term of this lease without thirty (30) days written notice to RMCS D prior to the effective date of such cancellation or change in coverage. RMCS D shall provide a similar certificate or certificates to RMA within (30) days of the execution of this lease.

Should RMA or RMCS D fail to maintain the required insurance coverage in full force and effect throughout the entire term of the lease or fail to provide the other with the required certificate or certificates of insurance within thirty 30 days after written notice by the other requesting the same, the party not provided the insurance or certificate(s) of insurance shall have the right to terminate this lease.

16. Assignment, Subletting, Hypothecation, Etc.

RMA shall not directly or indirectly assign, sublet, or hypothecate any interest, use, or permit to be used, the leased property or improvements for security for any debt.

Excepting only change in name, the term "assignment" shall include any change in the form of business entity of the RMA or any merger or consolidation of RMA from that of a California non-profit organization whether voluntarily or by operation of law; provided, however, that a change of status due only to a change in the California Corporation Code shall not be deemed to be an assignment.

17. Non-Waiver

The waiver by RMCS D of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition herein contained. The subsequent acceptance of any sum due hereunder by RMCS D shall not be deemed to be a waiver of any prior-occurring breach by RMA of any term, covenant, or condition of this lease, other than the failure of RMA to pay the particular sum so accepted, regardless of RMCS D's knowledge of such prior existing breach at the time of acceptance of such sum.

18. Captions

The captions of the various articles and paragraphs of this lease are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope of intent of this lease or any part or parts of this lease.

19. Entire Agreement

This lease was negotiated in contemplation of the Park Development Agreements to which the parties are both signatories and contains the entire agreement between the two parties. No promise, representation, warranty, or covenant not included in this lease has been or is relied on by either party. Each party has relied on its own examination of this lease, the counsel of its own advisors, and the warranties, representation, and covenants in the lease itself. The failure or refusal of either party to inspect the leased property or improvements, the lease or other documents, or to obtain legal or other advice relevant to this transaction constitutes a waiver or any objection, contention, or claim that might have been on such reading, inspection, or advice.

20. Surrender

At the end of the term of this lease, or at any time this lease may be terminated, RMA shall surrender to RMCS D the leased property in as good order and condition as reasonable use and wear thereof shall permit. After such surrender, RMA shall remove all improvements belonging to RMA, including, without limitation, fences, dugouts, backstops, snack shack, toilets, sprinkler system, and lighting system unless otherwise agreed to in writing by both parties. In the event that RMA shall hold over at the end of the term of this lease with the consent of RMCS D, such holding over shall be from month to month only, and shall be subject to the terms and conditions of this lease, but shall not be renewed hereof, and rental to be paid shall be at the rate prevailing under the terms of this lease.

21. Notices

Any notices and orders that may be given under this lease may be served by first-class mail or in person to Rancho Community Services District at P. O. Box 1050, 15160 Jackson Road, Rancho Murieta, California 95683 and to RMA, Rancho Murieta Association, at 7191 Murieta Parkway, Rancho Murieta, California 95683, or any address as either may provide the other in writing. Service shall be deemed complete upon deposit in the mail or upon personal delivery.

22. Arbitration of Certain Disputes; Attorney's Fees

In the event of a dispute between the parties as to their performance under the lease or as to any term or condition of the lease (except as to the provisions set forth in paragraph 14 (Indemnity and Hold Harmless)) such dispute shall be submitted to final and binding arbitration pursuant to the provisions of the California Codes on arbitration. The provisions of paragraph 14 (Indemnity and Hold Harmless) shall be subject to judicial enforcement. Any violation of the provision of paragraph 15 (Insurance) shall result in immediate termination of this lease. In any arbitration proceeding, the prevailing party shall be entitled to attorney fees and costs, including the cost of the arbitrator.

23. Amendment in Writing

This lease may be amended only by writing and signed by both parties.

24. Termination

RMCS D shall be entitled to terminate this lease in the event that RMA has breached any material item or condition set forth herein or in the event of the occurrence of any of the conditions set forth in paragraph 2, above; provided, however, that in the event of default, except as to payment of the rental, or as to the insurance provisions, RMCS D shall provide RMA with written notice of the default, and RMA shall have thirty (30) days, or such longer time as the parties may mutually agree upon in writing, to cure the default. If RMA fails to cure the default within said time, RMCS D shall be entitled to all remedies available to RMCS D at law or in equity.

25. No Joint Venture

The parties to this lease do not constitute a joint venture, partnership, or association other than that of landlord and tenant pursuant to this lease.

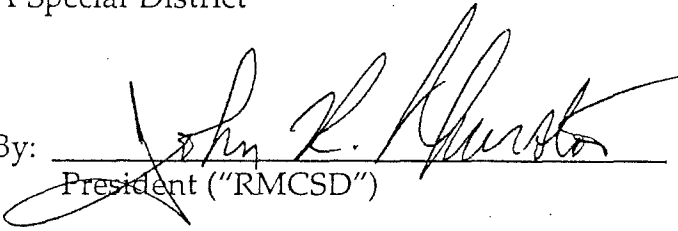
26. Severability

In the event that any provision of this lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

27. Time of Essence

Time is expressly declared to be of the essence in this lease.

Rancho Murieta Community Services District
A Special District

By: 
President ("RMCS D")

Rancho Murieta Association
A California non-profit corporation

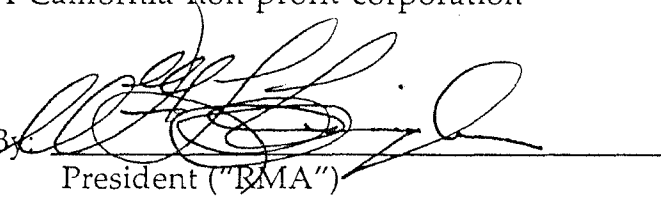
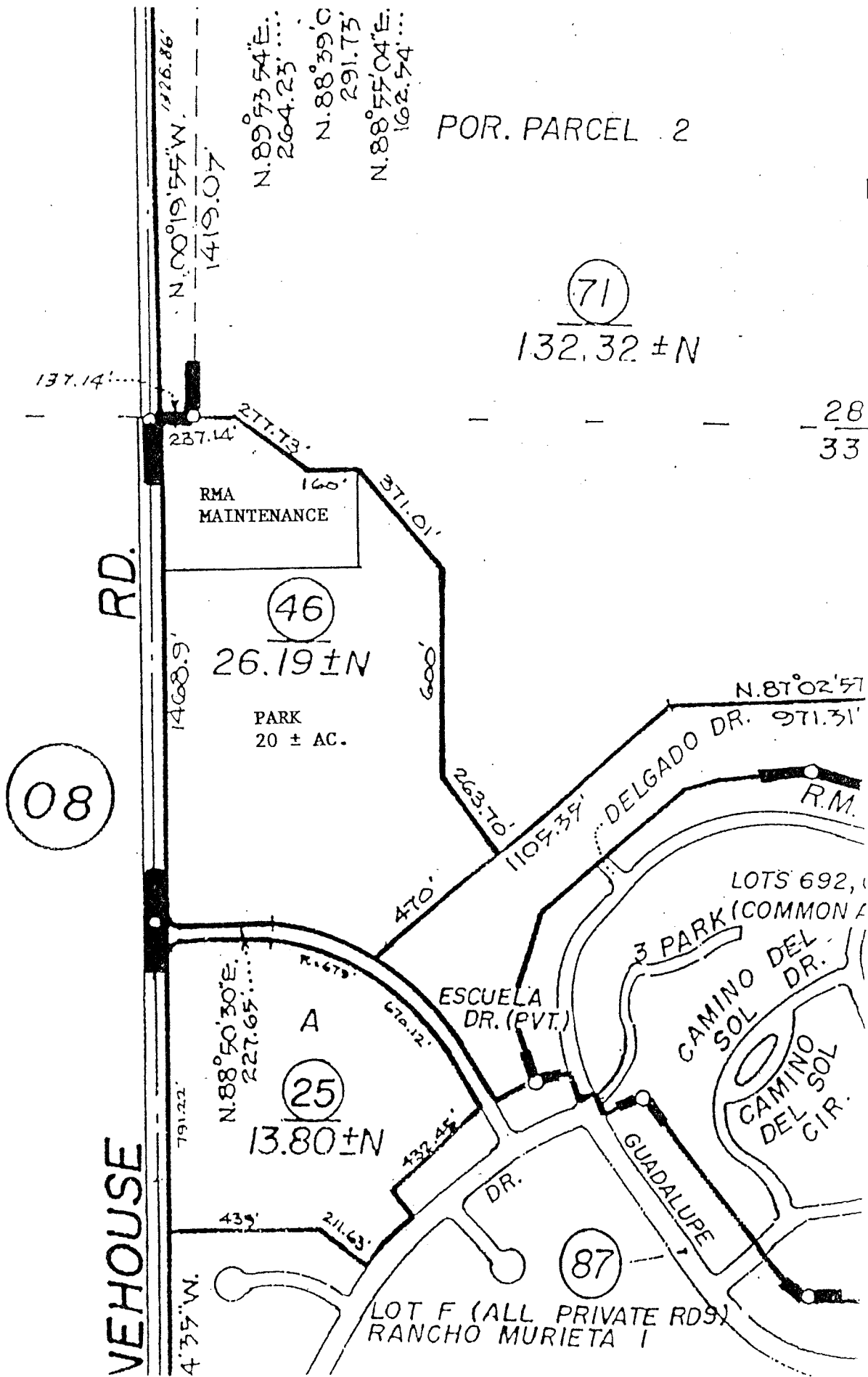
By: 
President ("RMA")

EXHIBIT "A"



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