

GROUND LEASE

Preamble and Recitals

This lease is entered into on June _____, 2019 by and between North Sacramento Land Company (NSLC), a California corporation, referred to in this lease as "Landlord," and American River Flood Control District, a Municipal Service District, referred to in this lease as "Tenant."

A.

Landlord is the owner of certain real property in the County of Sacramento, State of California, commonly known as APN 275-0300-001-0000 "the Premises".

B.

Tenant desires to lease the Premises (together with certain appurtenant rights and easements) for the purpose of storage in accordance with the agreement of the parties as set forth in this lease.

ARTICLE 1 LEASE OF PREMISES AND TERM OF LEASE

Agreement to Lease

Section 1.01. For and in consideration of the rents to be paid and covenants to be performed by Tenant under this lease, Landlord agrees to lease the Premises to Tenant, and Tenant agrees to lease the Premises from Landlord, on the terms and conditions set forth in this lease. Except as expressly otherwise provided in this lease, "the Premises" includes the real property plus any appurtenances and easements of this lease, exclusive of any Improvements now or subsequently located on the Premises, notwithstanding that any Improvements may or shall be construed as affixed to and as constituting part of the described Premises, and without regard to whether ownership of the Improvements is in Landlord or in Tenant.

Status of Title

Section 1.02. Title to the leasehold estate created by this lease is subject to all exceptions, easements, rights, rights-of-way, and other matters of record set forth on the Preliminary Title Report issued by _____, dated _____, a copy of which is attached as Exhibit "A."

Term of Lease

Section 1.03. The term of this lease shall be for a period of 5 years commencing on August 1, 2019, and continuing for 60 months, unless terminated earlier as provided in this lease.

ARTICLE 2 RENT

Minimum Rent

Section 2.01. Tenant agrees to pay to Landlord minimum monthly rent ("Minimum Rent") for each year during the term of this lease in the following amounts:

- (a) \$600.00 per month on the first of month for months 1-24;
- (b) \$612.00 per month for months 25-36;
- (c) \$624.24 per month for months 37-48; and,

(d) \$636.72 per month for months 49-60.

Additional Rent

Section 2.02. During the term of this lease in lieu of additional rent or additional minimum rent Tenant shall provide weed abatement service on the following parcels, as shown on Exhibit "B", provided they are still owned by Landlord:

275-0270-028

275-0310-007

275-0270-027

275-0260-050

275-0254-003

275-0253-016

275-0251-033

Time and Place for Payment of Rent

Section 2.03. All Minimum Rent provided for in Section 2.01 of this lease shall be paid by Tenant on a monthly basis on the first day of each calendar month. All rent required under this lease (Minimum and Percentage) shall be paid to Landlord at 400 Slobe Avenue, Sacramento, CA 95815, or any other place or places that Landlord may designate by written notice to Tenant.

No Partnership or Joint Venture

Section 2.04. Nothing in this lease shall be construed to render Landlord in any way or for any purpose a partner, joint venturer, or associate in any relationship with Tenant other than that of Landlord and Tenant, nor shall this lease be construed to authorize either to act as agent for the other.

ARTICLE 3 USE OF PREMISES

Permitted Use

Section 3.01. Tenant shall use the Premises solely for the purpose of storing equipment and supplies. Tenant shall not change the use of the Premises without first obtaining the written consent of Landlord.

Compliance With Laws

Section 3.02. Tenant shall, at Tenant's own cost and expense, comply with all statutes, ordinances, regulations, and requirements of all governmental entities, both federal and state and county or municipal, including those requiring capital improvements to the Premises or Improvements, relating to any use and occupancy of the Premises (and specifically not limited to any particular use or occupancy by Tenant), whether those statutes, ordinances, regulations, and requirements are now in force or are subsequently enacted. If any license, permit, or other governmental authorization is required for the lawful use or occupancy of the Premises or any portion of the Premises, Tenant shall procure and maintain it throughout the term of this lease. The judgment of any court of competent jurisdiction, or the admission by Tenant in a proceeding brought against Tenant by any government entity, that Tenant has violated any such statute, ordinance, regulation, or requirement shall be conclusive as between Landlord and Tenant and shall constitute grounds for termination of this lease by Landlord.

Prohibited Uses

Section 3.03. Tenant shall not use or permit the Premises or any portion of the Premises to be improved, developed, used, or occupied in any manner or for any purpose that is in any way in violation of any valid law, ordinance, or regulation of any federal, state, county, or local governmental agency, body, or entity. Furthermore, Tenant shall not maintain, commit, or permit the maintenance or commission of any nuisance as now or hereafter defined by any statutory or decisional law applicable to the Premises or any part of the Premises.

ARTICLE 4 REPAIRS AND RESTORATION

Maintenance by Tenant

Section 4.01. At all times during the term of this lease Tenant shall, at Tenant's own cost and expense, keep and maintain the Premises, all Improvements, and all appurtenances now or hereafter on the Premises in a first-class condition, in good order and repair, and in a safe and clean condition.

Requirements of Governmental Agencies

Section 4.02. At all times during the term of this lease, Tenant, at Tenant's own cost and expense, shall do all of the following:

(a)

Make all alterations, additions, or repairs to the Premises or the Improvements on the Premises required by any valid law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, state, county, local, or other governmental agency or entity;

(b)

Observe and comply with all valid laws, ordinances, statutes, orders, and regulations now or hereafter made or issued respecting the Premises or the Improvements on the Premises by any federal, state, county, local, or other governmental agency or entity;

(c)

Contest if Tenant, in Tenant's sole discretion, desires by appropriate legal proceedings brought in good faith and diligently prosecuted in the name of Tenant, or in the names of Tenant and Landlord when appropriate or required, the validity or applicability to the Premises of any law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, state, county, local, or other governmental agency or entity; provided, however, that any such contest or proceeding, though maintained in the names of Tenant and Landlord, shall be without cost to Landlord, and Tenant shall protect the Premises and Landlord from Tenant's failure to observe or comply during the contest with the contested law, ordinance, statute, order, or regulation; and

(d)

Indemnify and hold Landlord and the property of Landlord, including the Premises, free and harmless from any and all liability, loss, damages, fines, penalties, claims, and actions resulting from Tenant's failure to comply with and perform the requirements of this section.

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Tenant's Duty to Restore Premises

Section 4.03. If at any time during this lease's term, any Improvements now or hereafter on the Premises are destroyed in whole or in part by fire, theft, the elements, or any other cause not the fault of Landlord, this lease shall continue in full force and effect and Tenant, at Tenant's own cost and expense, shall repair and restore the damaged Improvements. Any restoration by Tenant shall comply with original plans for the Improvements described in Article 5, except as may be modified by Tenant to comply with the terms of any sublease of the Improvements, or except as may be otherwise modified by Tenant and approved in writing by Landlord. The work of repair and restoration shall be commenced by Tenant within 60 days after the damage or destruction occurs and shall be completed with due diligence not later than 120 days after the work is commenced.

ARTICLE 5 INDEMNITY AND INSURANCE

Indemnity Agreement

Section 5.01. Tenant shall indemnify and hold Landlord and Landlord's property, including the Premises and Improvements now or hereafter on the Premises, free and harmless from any and all liability, claims, loss, damages, or expenses resulting from Tenant's occupation and use of the Premises, specifically including, without limitation, any liability, claim, loss, damage, or expense arising by reason of the following:

(a)

The death or injury of any person, including Tenant or any person who is an employee or agent of Tenant, or by reason of the damage to or destruction of any property, including property owned by Tenant or by any person who is an employee or agent of Tenant, from any cause whatever while that person or property is in or on the Premises or in any way connected with the Premises or with any of the Improvements or personal property on the Premises;

(b)

The death or injury of any person, including Tenant or any person who is an employee or agent of Tenant, or by reason of the damage to or destruction of any property, including property owned by Tenant or any person who is an employee or agent of Tenant, caused or allegedly caused by either (1) the condition of the Premises or some building or improvement on the Premises, or (2) some act or omission on the Premises of Tenant or any person in, on, or about the Premises with the permission and consent of Tenant;

(c)

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

(d)

Tenant's failure to perform any provision of this lease or to comply with any requirement of law or any requirement imposed on Tenant or the Premises by any duly authorized governmental agency or political subdivision.

Liability Insurance

Section 5.02. Tenant shall, at Tenant's own cost and expense, procure and maintain during the entire term of this lease a broad form comprehensive coverage policy of public liability insurance issued by an insurance company licensed by the State of California insuring Tenant and Landlord against loss or

liability caused by or connected with Tenant's occupation and use of the Premises under this lease in amounts not less than the following:

(a)

\$2,000,000.00 for injury to or death of one person and, subject to that limitation for the injury or death of one person, of not less than \$5,000,000.00 for injury to or death of two or more persons as a result of any one accident or incident; and

(b)

\$1,000,000.00 for damage to or destruction of any property.

Deposit of Insurance With Landlord and Lender

Section 5.03. Tenant shall, within 10 days after the execution of this lease and promptly thereafter when any such policy is replaced, rewritten, or renewed, deliver to Landlord and Lender a true and correct copy of each insurance policy required by this Article of this lease or a certificate executed by the insurance company or companies or their authorized agent evidencing that policy or policies.

Notice of Cancellation of Insurance

Section 5.04. Each insurance policy required under this Article shall contain a provision that it cannot be cancelled for any reason unless at least [*minimum notice period, e.g., 10 days*] prior written notice of the cancellation is given to Landlord and to Lender in the manner required by this lease for service of notices on Landlord by Tenant.

ARTICLE 6 CONDEMNATION

Total Condemnation

Section 6.01. If, during the term of this lease, fee title to all of the entire leasehold estate of Tenant is taken under the power of eminent domain by any public or quasi-public agency or entity (a "Total Taking"), this lease shall terminate as of 12:01 A.M. on whichever of the following occurs first: (1) the date legal title becomes vested in the agency or entity exercising the power of eminent domain, or (2) the date actual physical possession is taken by the agency or entity exercising the power of eminent domain. Thereafter, both Landlord and Tenant shall be released from all obligations under this lease.

ARTICLE 7 ASSIGNMENT AND SUBLEASING

No Assignment Without Landlord's Consent

Section 7.01. Tenant may assign this lease or any interest in this lease, subject to the prior written consent of Landlord. Landlord shall not unreasonably withhold or delay its consent, and shall grant consent if the proposed assignee is financially qualified and has sufficient experience in the operation and management of commercial shopping centers to perform all the agreements, undertakings, and covenants of this lease and all other agreements entered into by Tenant which relate to the management, operation, maintenance, construction, and restoration of the Improvements and the Premises. To assist Landlord in determining whether or not the proposed assignee is so qualified, Tenant shall furnish to Landlord at no expense to Landlord, before that assignment, detailed and complete financial statements of the proposed assignee, audited by a certified public accountant reasonably satisfactory to Landlord (if the proposed transferee causes its statements to be so audited in its normal course of business), together with detailed and complete information about the business of the proposed assignee, including its experience in operating commercial shopping centers, the use to be made of the Premises and Improvements by the proposed assignee, projections by the proposed assignee of the sources of funds to be used to repay any indebtedness of Tenant that the proposed

assignee will assume or take subject to, or agree to pay to Tenant, and other claims on and requirements for those funds, together with any other information as Landlord may reasonably require to assist Landlord in determining whether or not the proposed assignee is so qualified. Landlord shall have 30 days after receipt of the information described above to notify Tenant of whether it consents or does not consent to the proposed assignment. Absent any such notification by Landlord during the 30-day period, Landlord shall be conclusively deemed to have consented to the assignment. A consent by Landlord to one assignment shall not be deemed to be a consent to any subsequent assignment. Any assignment made contrary to the terms of this section shall be null and void unless otherwise permitted by this Article.

ARTICLE 8 DEFAULT AND REMEDIES

Continuation of Lease in Effect

Section 8.01. Should Tenant breach this lease and abandon the Premises before the natural expiration of the lease's term, Landlord may continue this lease in effect by not terminating Tenant's right to possession of the Premises, in which event Landlord shall be entitled to enforce all Landlord's rights and remedies under this lease, including the right to recover the rent specified in this lease as it becomes due under this lease.

Termination and Unlawful Detainer

Section 8.02. In the event of a tenant default under this lease, Landlord may terminate this lease by written notice to Tenant and may also do the following:

(a)

Bring an action to recover the following from Tenant:

- (1) The worth at the time of award of the unpaid rent that had been earned at the time of termination of the lease;
- (2) The worth at the time of award of the amount by which the unpaid rent that would have been earned after termination of the lease until the time of award exceeds the amount of rental loss that Tenant proves could have been reasonably avoided;
- (3) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided; and
- (4) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this lease; and

(b)

Bring an action, in addition to or in lieu of the action described in subsection (a) of this section, to reenter and regain possession of the Premises in the manner provided by the laws of unlawful detainer of the State of California then in effect.

Breach and Default by Tenant

Section 8.03. All covenants and agreements contained in this lease are declared to be conditions to this lease and to the term hereby leased to Tenant. Should Tenant fail to perform any covenant, condition, or agreement contained in this lease and the default is not be cured within 30 days after

written notice of the default is served on Tenant by Landlord, then Tenant shall be in default under this lease.

Cumulative Remedies

Section 8.04. The remedies given to Landlord in this Article shall not be exclusive but shall be cumulative with and in addition to all remedies now or hereafter allowed by law and elsewhere provided in this lease.

Waiver of Breach

Section 8.05. The waiver by Landlord of any breach by Tenant of any of the provisions of this lease shall not constitute a continuing waiver or a waiver of any subsequent breach by Tenant of either the same or a different provision of this lease.

Surrender of Premises

Section 8.06. On expiration or earlier termination of this lease, Tenant shall surrender the Premises and all Improvements in or on the Premises to Landlord in as good, safe, and clean condition as practicable, reasonable wear and tear excepted.

ARTICLE 9 OTHER PROVISIONS

Force Majeure

Section 9.01. Except as otherwise expressly provided in this lease, if the performance of any act required by this lease to be performed by either Landlord or Tenant is prevented or delayed by reason of any act of God, strike, lockout, labor trouble, inability to secure materials, restrictive governmental laws or regulations, or any other cause (except financial inability) not the fault of the party required to perform the act, the time for performance of the act will be extended for a period equivalent to the period of delay and performance of the act during the period of delay will be excused. However, nothing contained in this section shall excuse the prompt payment of rent by Tenant as required by this lease or the performance of any act rendered difficult or impossible solely because of the financial condition of the party required to perform the act.

Attorneys' Fees

Section 9.02. Should any litigation be commenced between the parties to this lease concerning the Premises, this lease, or the rights and duties of either in relation thereto, the party prevailing in that litigation shall be entitled, in addition to any other relief that may be granted in the litigation, to a reasonable sum as and for that party's attorneys' fees in that litigation that shall be determined by the court in that litigation or in a separate action brought for that purpose.

Notices to Landlord

Section 9.03. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this lease or by law to be served on or given to Landlord by Tenant or any Lender described in Article 6 of this lease shall be in writing and shall be deemed duly served and given when personally delivered to Landlord, to any managing employee of Landlord, or, in lieu of personal service, when deposited in the United States mail, first-class postage prepaid, and sent by express mail that allows for tracking, addressed to Landlord at 500 Calvados Avenue, Sacramento, CA 95815. Landlord may change Landlord's address for the purpose of this Section by giving written notice of that change to Tenant in the manner provided in Section 9.04.

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Notices to Tenant

Section 9.04. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this lease or by law to be served on or given to Tenant by Landlord shall be in writing and shall be deemed duly served and given when personally delivered to Tenant, any managing employee of Tenant, or, in lieu of personal service, when deposited in the United States mail, first-class postage prepaid, and sent by express mail that allows for tracking, addressed to Tenant at 165 Commerce Circle, Sacramento, CA 95815. Tenant may change its address for the purpose of this section by giving written notice of that change to Landlord in the manner provided in Section 9.03 of this lease.

Governing Law

Section 9.05. This lease, and all matters relating to this lease, shall be governed by the laws of the State of California in force at the time any need for interpretation of this lease or any decision or holding concerning this lease arises.

Binding on Heirs and Successors

Section 9.06. This lease shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of the parties hereto, but nothing in this section shall be construed as a consent by Landlord to any assignment of this lease or any interest in the lease by Tenant except as provided in Article 10 of this lease.

Partial Invalidity

Section 9.07. If any provision of this lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions of this lease shall remain in full force and effect unimpaired by the holding.

Sole and Only Agreement

Section 9.08. This instrument constitutes the sole and only agreement between Landlord and Tenant respecting the Premises, the leasing of the Premises to Tenant, the construction of the Shopping Center described in this lease on the Premises, and the lease terms set forth in this lease, and correctly sets forth the obligations of Landlord and Tenant to each other as of its date. Any agreements or representations respecting the Premises, their leasing to Tenant by Landlord, or any other matter discussed in this lease not expressly set forth in this instrument are null and void.

Time of Essence

Section 9.09. Time is expressly declared to be of the essence of this lease.

Memorandum of Lease for Recording

Section 9.10. Neither Landlord nor Tenant shall record this lease without the written consent of the other. However, Landlord and Tenant shall, at the request of either at any time during the term of this lease, execute a memorandum or "short form" of this lease for purposes of, and in a form suitable for, recordation. The memorandum or "short form" of this lease shall describe the parties, set forth a description of the leased premises, specify the term of this lease, incorporate this lease by reference, and include any other provisions required by Lender(s).

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Option to Extend Lease Term

Section 9.11. (a) Tenant is hereby granted and shall, if not then in default under this lease, have an option to extend the term of this lease for an additional period of ten years only from the original expiration date of this lease, in two successive periods of five years each as follows: but otherwise on the same terms, covenants, and conditions [and subject to the same exceptions and reservations] contained in this lease, except that the rent to be paid by Tenant to Landlord for the extended term shall by 2% annually over the prior year's basic rent.

(b)

This option shall be exercised only by Tenant's delivering to Landlord 120 days before expiration of the term of this lease, written notice of Tenant's election to renew the term of this lease as provided in this section. This written notice shall be deemed effective on personal delivery to Landlord or on the date it is deposited in the United States mail in accordance with the provisions of Section 9.03.

(c)

In the event that Tenant does not extend the term of this lease as herein provided, and holds over beyond the expiration of the term of this lease, that holding over shall be deemed a month-to-month tenancy only at the rental of 150% of the last rental rate at the end of the current term, payable on the first day of each and every month thereafter until the tenancy is terminated in a manner provided by law.

(d)

During any extended term either party may terminate the lease upon giving the other party 120 days written notice under Sections 9.03 or 9.04.

EXECUTED on June _____, 2019, at Sacramento, California.

LANDLORD
North Sacramento Land Company

Robert J. Slobe, President

TENANT
American River Flood Control District

Tim Kerrs, Executive Director