

Staff Report 49

PARTY:

California State Lands Commission

PROPOSED ACTION:

Authorize updates to the General Lease (GL) Provisions for GL: Recreational Use, GL: Dredging, and other leases issued by the Commission.

STAFF ANALYSIS AND RECOMMENDATION:

The Commission manages 4 million acres of tide and submerged lands and the beds of natural navigable rivers, streams, lakes, bays, estuaries, inlets, and straits. These lands, often referred to as sovereign lands or Public Trust lands, stretch from the Klamath River and Goose Lake in the north to the Tijuana Estuary in the south, the Colorado River in the east, and from the Pacific Coast three miles offshore in the west to world-famous Lake Tahoe in the east, and includes California's two longest rivers, the Sacramento and San Joaquin. The Commission protects and enhances these lands and natural resources by issuing leases for use, development, and environmental preservation, and championing public access. One way the Commission provides stewardship of the state's sovereign and school lands is through its lease provisions.

The Commission's surface leases for both school lands and sovereign lands generally consist of three sections. First are the Basic Provisions, which contain key identifying information pertaining to the specific lease, such as lessee name, lease type, land type, location, land use and purpose, term, and consideration. Second are the Special Provisions, which contain detailed lease terms specific to each lease, such as construction responsibilities, project requirements, climate change monitoring and adaptation, and any revisions to the General Provisions. And finally the General Provisions section, which contains lease terms that are applicable to

the majority of the Commission's leases and include provisions regarding rental payment requirements; insurance requirements; taxes, assessments, and fees; indemnification; restoration of lease premises; requirements to comply with all applicable laws and regulations; no discrimination; conservation; assignment of lease; and survival of certain covenants.

Staff has developed three different sets of General Terms and Conditions ("Section 3, General Provisions") for use in the various leases issued by the Commission to meet the different needs identified for each category of lease. For those surface leases that are neither Recreational Use or Dredging Use, the General Provisions are utilized (Exhibit C). Due to the different nature of Recreational Use and Dredging Use leases, specific General Provisions for those two types of surface leases have been developed (Exhibits A and B, respectively). Specifically, the Recreational General Provisions restricts commercial use, utilizes an annual rental adjustment, and authorizes the Commission to record a Memorandum of Lease against the upland property. The Dredging General Provisions include requirements that the lessee use best practices for dredging operations and lease terms related to suspension of operations if unanticipated impacts are identified.

These General Provisions were last updated as outlined below:

- December 2011 – General Provisions for GL: Dredging
- October 2014 – General Provisions
- March 2015 – General Provisions for GL: Recreational Uses

General Provisions require periodic updates to reflect the evolving goals of the Commission and to best protect the State, the environment, and the Public Trust. The updated General Provisions recommended here are the result of analysis of current conditions and the experience of interactions and negotiations with applicants for a multitude of situations and uses of public lands over many years. Staff believes that approval of the updated General Provisions is in the best interests of the State.

The General Provisions are being brought to the Commission for consideration and adoption to enhance transparency for our lessees and stakeholders. Overall, the General Provisions numbering system has been reformatted and language was updated to put an emphasis on plain English to make it easier to read. Additional references to regulations and statutes were included rather than restating existing law within the lease terms. Other updates include, but are not limited to:

- Addition of climate change language previously included as a special lease term.
- Clarification about when and how rent, insurance and surety can be modified.
- Addition of new terms to protect natural resources, in and around the lease area, such as wildlife and terrestrial, freshwater, coastal and marine ecosystems.
- Clarification of the provisions related to assignments.
- Streamlined the section covering breach of the lease.
- Consolidated indemnity clauses under a single location. The prior general provisions contained indemnity clauses in several locations, such as environmental harm and premises liability.

OTHER PERTINENT INFORMATION:

1. This action is consistent with addressing the challenge and opportunities described in the Commission's 2021-2025 Strategic Plan to "embrace and safeguard multi-benefit School Lands and resource management stewardship"; and with the "Meeting Evolving Trust Needs" and "Leading Climate Activism" strategic focus areas and goals.
2. The approval of General Provisions for surface leases is not a project as defined by the California Environmental Quality Act because it is an organizational action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378 subdivision (b)(5).

EXHIBITS:

- A. Section 3 General Provisions for GL: Recreational Use
- B. Section 3 General Provisions for GL: Dredging
- C. Section 3 General Provisions for all other leases

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Authorize the use of the General Provisions in substantially similar form as attached as Exhibits A, B, and C when issuing surface leases.

EXHIBIT A – General Provisions – Recreational Use

Section 3: General Provisions- Recreational Use

Paragraph 1: Definitions

“Applicable Laws” are all local, state, and federal statutes, regulations, rules, codes (including building codes), ordinances, judgments, orders, notice requirements, and other requirements of governmental authorities pertaining to the use or condition of the Lease Premises and the conduct of Lessee’s business thereon in effect as of the date of execution of this Lease or subsequently enacted and lawfully applied hereto.

“Damages” are all liabilities, demands, claims, actions, or causes of action whether regulatory, legislative, or judicial in nature; all assessments, levies, losses, fines, penalties, damages, costs, and expenses, including, without limitation: (i) reasonable attorneys’, accountants’, investigators’, and experts’ fees and expenses sustained or incurred in connection with the defense or investigation of any such liability, and (ii) costs and expenses incurred to bring the Lease Premises into compliance with Applicable Laws, Environmental Laws, a court order, or applicable provisions of a Regulatory Agency. The term “Damages” also includes those Damages that arise as a result of strict liability, whether arising under Environmental Laws or otherwise.

“Environmental Laws” are any and all federal, state, or local environmental, health, or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits, or permit conditions, treaties and conventions currently existing and as amended, enacted, issued, or adopted in the future that are or become applicable to Lessee, and the Lease Premises with respect to: (a) the protection, preservation, or clean-up of the environment, wildlife, habitat, or natural resources; (b) the use, treatment, storage, transportation, handling, or disposal of Hazardous Materials; (c) the quality of the air and the discharge of airborne wastes, gases, particles, or other emissions; (d) the preservation or protection of waterways, groundwater, or drinking water; or (e) the health and safety of persons or property.

“Hazardous Materials” are any chemical, substance, material, controlled substance, object, condition, waste, living organism, or combination thereof that is or may be hazardous to human health or safety or to the environment

due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness, or other harmful or potentially harmful properties or effects, including, without limitation, tobacco smoke, petroleum and petroleum products, asbestos, radon, polychlorinated biphenyls (PCBs), and all of those chemicals, substances, materials, controlled substances, objects, conditions, wastes, living organisms, or combinations thereof that are now or become in the future listed, defined, or regulated in any manner by any Environmental Laws based on, directly or indirectly, such properties or effects.

“Improvements” are any modification, alteration, addition, or removal of any material and any other action that changes the condition of the Lease Premises from the natural state, whether situated above, on, or under the Lease Premises. Improvements include any construction situated on or placement of material within the Lease Premises regardless of value.

“Lease” is this document together with all subsequent amendments and exhibits.

“Major Repairs” means any work that requires a permit or approval from other agencies, requires environmental review, or requires rebuilding or replacing any of the authorized Improvement(s).

“Mineral Resources” includes timber, crops, sand, oil, gas, hard rock minerals and other mineral deposits as defined in Public Resources Code section 6407.

“Natural Resources” are all of the flora and fauna native to both the upland terrestrial, fresh water, coastal and marine ecosystems within, and adjacent to, the lease premises.

“Public Trust” means the constitutional, statutory, and common law doctrine providing the state's sovereign authority over the navigable waters of the state, including the tidelands and submerged lands underlying those waters that are held in trust for the benefit of all the people of the state and for purposes that include maritime or water-dependent commerce, navigation, fisheries, the preservation of lands in their natural state for scientific study, open space, wildlife habitat, and water-oriented recreation.

“Repairs” means work to maintain the Lease Premises and Improvements thereon in good, safe, and clean condition. Repairs are work that is minor in scope, do not require obtaining permits, approvals, or authorizations from other agencies, such as building permits, and do not require environmental review

under State or Federal environmental laws.

Paragraph 2: Rent

2.1. **Absolute Triple Net Lease.** This Lease is an absolute triple net lease, meaning Lessor has no obligation with respect to the payment of taxes, insurance, the cost of maintenance, utilities, repairs, or other costs or obligations associated with the Leased Premises, except as expressly stated herein.

2.2. **Payment of Rent.** Lessee must pay rent annually, on or before each anniversary of this Lease unless this Lease specifies a different rent schedule. The first installment is due on the beginning date of this Lease or within 60 days of Lessor authorizing the Lease at a public meeting, whichever is later. Rent is due each year in advance. Should Lessee submit payments that are less than the full amount of rent due under this Lease, Lessor may provide a supplemental billing invoice. Rent will not be refunded or prorated if Lessee discontinues use of the Lease Premises during the term.

2.3. **Place for Payment.** All payments under this Lease must be submitted to Lessor's principal office as specified in this Lease. Lessee may contact Lessor's accounting staff for Lessor's current practices for payment by credit card or electronic fund transfer.

2.4. **Courtesy Invoices.** Lessor may send courtesy invoices to the address on file for Lessee at least thirty (30) days before a rent payment is due. Lessor's failure to, or delinquency in, providing invoices will neither excuse Lessee from paying rent nor extend the time for paying rent. If Lessor does not send a courtesy invoice, Lessee must submit rent in the amount of the prior year's rent when due and contact Lessor within thirty (30) days to determine the balance due.

2.5. **Penalties and Interest.** Penalties for late payments of any amounts due under this Lease and interest thereon are as provided in Title 2, California Code of Regulations section 1911(b). Timeliness of receipt of remittances shall be as provided in Title 2, California Code of Regulations section 1911(a).

2.6. **Annual Adjustment of Rent.** The rent specified in Section 1 of this Lease will be adjusted annually by the Consumer Price Index as specified in Title 2, California Code of Regulations section 1900(m) & (n) unless otherwise specified in this Lease.

2.7. **Rent Review.** Lessor may modify the method, amount or rate of consideration during the last year of the Lease as provided in Provision 14.4 below.

2.8. Review of Non-Monetary Consideration. If rent is discounted or waived pursuant to Title 2, California Code of Regulations section 2003(e)(4), Lessor may review such determination at any time and set a monetary rental. Lessee shall be given at least thirty (30) days' notice prior to the date of the Commission meeting wherein the rent modification is considered, or thirty (30) days' notice prior to the effective date that the rent is changed, whichever provides more notice.

2.9. If Lessor elects to prepare an appraisal to establish a new rent, Lessee may, at its option, also provide a timely independent appraisal at its sole expense for Lessor's review and consideration. Prior to Lessee's contracting for such appraisal, Lessor and Lessee shall negotiate in good faith and agree upon the terms and conditions for such third-party appraisal, including but not limited to the highest and best use, appraisal methodology, and minimum appraiser credentials. Such appraisal shall be prepared in accordance with generally accepted and applicable appraisal standards as they are adopted from time to time by the Appraisal Standards Board of the Appraisal Foundation, and Lessor's Appraisal Guidelines.

Paragraph 3: Surety

3.1. Lessee to Obtain Surety. Lessee shall provide a surety bond or other security device acceptable to Lessor when required by Section 1 of this Lease. Such security shall be for the specified amount, name the State of California, California State Lands Commission, as the assured, and guarantee to Lessor the faithful observance and performance by Lessee of all the terms, covenants, and conditions of this Lease.

Paragraph 4: Insurance

4.1. Lessee Must Insure Lease Premises. Lessee must obtain and maintain in full force and effect during the term of this Lease comprehensive general liability insurance and property damage insurance against any and all claims or liability arising out of the ownership, use, occupancy, condition, or maintenance of the Lease Premises and all Improvements. The coverage limit must be no less than the amount specified in Section 1 of this Lease.

4.2. Insurance Policy Requirements. The insurance policy must identify the Lease by its assigned number. The coverage provided must be primary and non-contributing. Lessee must keep such policy current. Lessor must be named as a "certificate holder" or an "additional interest" on the policy. Lessee must always provide Lessor with a current certificate of insurance. At Lessor's request, Lessee

must provide a full copy of the current insurance policy, along with any and all endorsements or other such documents affecting the coverage. Lessor will not be responsible for any premiums or other assessments on the policy.

4.3. **Notice to Lessor.** Lessee shall notify Lessor within five (5) business days if the insurance is canceled for any reason and shall act diligently to replace the insurance. Failure to timely replace the insurance may result in a default of the lease.

4.4. **Modification.** Lessor may require an increase in the amount of insurance to cover any additionally authorized Improvements, any modification of consideration, or to provide for inflation or other need. Insurance coverage may be increased if: (i) if any additional Improvements or activities are authorized on the Lease Premises; (ii) if Lessee modifies any existing Improvements or intensity of use; (iii) Lessor determines it is in the best interest of the state.

Paragraph 5: Taxes, Assessments, and Fees

5.1. **Revenue and Tax Code Section 107.6 Statement.** Issuance of this Lease creates a possessory interest that may be subject to property taxation. The Lessee may be subject to, and is solely responsible for, any possessory interest taxes levied on the leasehold interest.

5.2. **Lessee to Pay All Taxes, Assessments, and Fees.** In addition to any Rent due under this Lease, Lessee must pay when due all real and personal property taxes imposed on or associated with the Lease Premises during the term of this Lease. This includes, without limitation: possessory interest taxes, assessments, special assessments, user fees, and service charges. If this Lease begins or ends during a tax year, Lessee must pay the taxes, assessments, and fees for the portion of the tax year the Lease was in effect.

5.3. **Reimbursement Agreements.** Lessee must pay in full any amount owed on the Application Reimbursement Agreement within 30 days of invoice.

5.4. **Records of Payments.** Lessee shall keep the official and original receipt for payments required by this paragraph and provide to Lessor upon request.

Paragraph 6: Land Use

6.1. **Only Authorized Uses.** Lessee will use the Lease Premises only for the purposes stated in this Lease. Any additional uses or Improvements require separate authorization from Lessor. Lessee must submit a separate application to Lessor to amend this Lease if Lessee intends to add to or alter the Improvements on, or change the uses of, the Lease Premises.

6.2. **Lessee to Comply with All Applicable Laws.** Lessee, at Lessee's sole expense, will comply with all Applicable Laws. Lessee must give Lessor immediate written notice on Lessee's becoming aware that the use or condition of the Lease Premises is in violation of any Applicable Laws. Lessee must obtain and maintain all permits or other entitlements.

6.3. **Lease Does Not Substitute for Permits.** This Lease does not substitute for or provide preference in obtaining approval from other federal, state, or local agencies. Lessee is solely responsible for determining what approvals, authorizations, or certifications are required, and will be solely responsible for all costs incurred thereby.

6.4. **No Discrimination.** Lessee, in its use of the Lease Premises, must not discriminate against any person or class of persons on any basis protected by federal, state, or local law.

6.5. **"As Is."** Lessee accepts the Lease Premises "as is" and acknowledges that:

6.5.1. Lessor, including its officers and employees, made no representations or warranties as to the suitability of the Lease Premises for any uses authorized under this Lease. Lessee is solely responsible for determining the suitability of the Lease Premises for any proposed use or Improvements; and

6.5.2. Lessor, including its officers and employees, has made no representations or warranties as to the quality or value of any Improvements found on the Lease Premises, or of their conformity to Applicable Laws. Lessee agrees to inspect any preexisting Improvements at its own cost to determine whether such Improvements are safe and suitable for the Lessee's intended use; and

6.5.3. Damage to or destruction of any Improvements on the Lease Premises by any cause whatsoever does not entitle Lessee to any reduction in rent or extension of this Lease; and

6.5.4. Any Improvements on the Lease Premises are considered personal property and not fixtures; and

6.5.5. Lessee accepts the hazards involved in using or improving such lands. Lessor is not responsible for any damages or reduced use of the Lease Premises caused by: local or invasive flora or fauna, flooding, erosion, climate change, sea level rise, storms, freezing, inclement weather of any kind, acts of god, maintenance or failure of protective structures, and any other such hazards. Lessee will not be reimbursed or receive offset of rent for such hazards; and

6.5.6. The Lease Premises may be subject to pre-existing contracts, leases,

licenses, easements, encumbrances, and claims. The Lease is made without warranty by Lessor of title, condition, or fitness of the land for the stated or intended purpose.

6.6. Uses Inconsistent with the Public Trust Prohibited. Unless specifically authorized in this Lease, any use of the Lease Premises which is inconsistent with the Public Trust is prohibited when the Lease Premises are lands subject to the Public Trust.

6.7. Commercial and business use of the Lease Premises, along with subleasing, or rental of the Lease Premises or Improvements thereon is prohibited and shall constitute a Breach of this Lease.

Paragraph 7: Climate Change

7.1. Lessee acknowledges that the Lease Premises and adjacent upland may be subject to the hazards exacerbated by climate change, including sea level rise. Potential hazards to the Lease Premises from climate change include but are not limited to flood damage, erosion damage, earthquakes, tsunamis, and damage from waves and storm-created debris. Lessee acknowledges that these impacts associated with climate change may require additional adaptation or protection strategies applied to the improvements on the Lease Premises and additional maintenance.

7.2. Lessee assumes the risks associated with such potential hazards and agrees to be solely responsible for all damages, costs, and liabilities arising as a result of the impacts of such hazards on the Lease Premises. Any additional maintenance or protection strategies necessitated by such hazards may be subject to environmental review and require additional approval by the Lessor.

Paragraph 8: Environmental Matters

8.1. Lessee to Comply with Environmental Laws. Lessee, at its sole cost and expense, will comply with all Environmental Laws.

8.2. Hazardous Materials. Lessee will immediately notify Lessor of any known violation of any Environmental Laws, along with any action, claim, demand, inquiry, or order relating to a violation of Environmental Laws on the Lease Premises. Lessee must immediately provide copies of all related documents upon Lessor's request. Lessee must immediately notify Lessor and the appropriate governmental emergency response agency, or agencies in the event of any release or threatened release of any Hazardous Material on or about the Lease Premises.

8.3. Cleanup of Hazardous Materials. If Hazardous Materials are located on or released onto or about the Lease Premises due to Lessee's activities on the Lease Premises, the Lessee is responsible for the cleanup and disposal of such Hazardous Materials consistent with all Applicable Laws. Lessee must submit a site assessment and removal/remediation plan prepared by a professional, licensed and qualified to remove or remediate the Hazardous Materials for review and approval by Lessor. If Lessor approves the plan in writing, Lessee must commence the removal/remediation at its sole expense, in conformance with all Applicable Laws. Alternately, Lessor may elect to perform the removal/remediation at Lessee's expense. Lessee must compensate Lessor for the actual cost of the removal/remediation within thirty (30) days of receiving a written invoice from Lessor.

8.4. Inspection. Lessee will permit Lessor or its agents to enter the Lease Premises on 24-hour notice to inspect, monitor, or take remedial action with respect to Hazardous Materials. If Hazardous Materials are generated, stored, or transported on the Lease Premises, Lessor may require Lessee to conduct an independent environmental site assessment or inspection for the presence or suspected presence of Hazardous Materials. If this assessment or inspection is required, Lessor will be allowed to review and approve the contractor, and the work will be done at Lessee's expense.

8.5. Conservation. Lessee will cooperate with and participate in conservation programs for water, electricity, composting, natural gas, and recycling programs, including those for the collection of cardboard, metals, plastics, and glass at Lessee's expense.

Paragraph 9: Repairs, Major Repairs, and Alterations

9.1. Lessee Required to Perform Repairs. Lessee is solely responsible for maintaining the Lease Premises, including all Improvements, in good order and repair and in a clean, safe, sanitary, and orderly condition. Lessee is not required to get Lessor's advanced approval for routine Repairs.

9.2. Major Repairs Require Lessor Approval. Lessee must obtain Lessor's advanced written approval prior to conducting any Major Repairs. The decision whether a Repair is a Major Repair, and the decision whether a lease amendment is necessary, will be made by Lessor and based on the scope, cost, and impacts of the work.

9.3. Alterations Require Lessor Approval. Any material change in the size, scope,

density, type, nature, or intensity of Improvements on or uses of the Lease Premises from what is authorized in this Lease will be considered an Alteration. Lessee may not conduct any Alterations without a modification of this Lease approved by Lessor. The decision whether a change constitutes an Alteration will be made by Lessor and based on the individual facts.

9.4. Improvements in Disrepair or Unsafe Condition. Lessee's failure to maintain the Lease Premises or Improvements that have become unsafe or derelict entitle Lessor to require removal under Paragraph 14. After providing notice and opportunity to cure, Lessor may require submission of a written plan to restore the Lease Premises under Paragraph 14. Lessee's failure to comply shall entitle Lessor to terminate this Lease, remove the Improvements from the Lease Premises and recover the costs incurred in doing so from the Lessee.

Paragraph 10: Lessor's Reservation of Rights

10.1. Non-Exclusive Lease. Lessee's right of occupancy is non-exclusive. Lessee may control access to the Improvements on the Lease Premises. Unless otherwise stated in this Lease, Lessee may exclude persons from the Lease Premises only when their presence or activity constitutes a material interference with the Authorized Use of the Lease Premises.

10.2. Lessee Responsible for Impacts to Natural Resources and Public Trust Uses. When the Lease Premises include school lands or sovereign lands, the Lessee is responsible for any damage or adverse impacts to Natural Resources within or adjacent to the Lease Premises. It is the intention of Lessor to limit the transfer of rights under this lease to the minimum level required to carry out the primary purpose of the Lease. Lessee's use of the Lease Premises must minimize impacts to the Public Trust if the Lease Premises are subject to the Public Trust. Lessee must not interfere with public access or Public Trust uses authorized under statute and common law.

10.3. Mineral Resources. Mineral Resources may not be removed from the Lease Premises unless specifically authorized under this Lease. Lessee shall not sell, damage, or use Mineral Resources found within the Lease Premises without specific authorization under this Lease. Lessor reserves the right to grant and transfer Mineral Resources along with the right to grant leases to third parties in and over the Lease Premises for the extraction of such natural resources. Such leasing will not be inconsistent or incompatible with the rights or privileges of Lessee under this Lease.

10.4. Right to Inspect. Lessor reserves the right to inspect the Lease Premises. If

access to the Lease Premises is reasonably accomplished by passing through adjacent property owned by Lessee, Lessor shall provide 24-hour notice prior to entry and Lessee shall grant such entry for inspection of the Lease Premises.

10.5. **Statutory Reservations.** Lessor reserves to the public an easement across the Lease Premises complying with Public Resources Code section 6210.4 and Public Resources Code section 6210.5.

10.6. **Multiple Overlapping Leases Allowed.** Lessor 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.

Paragraph 11: Indemnity

11.1. **Lessee's Sole Risk.** Lessee's use of the Lease Premises and any Improvements thereon, including use by guests and invitees, is at Lessee's sole and exclusive risk.

11.2. **Lessee to Indemnify Lessor.** Except to the extent caused by the sole negligence or willful misconduct of the Lessor, Lessee shall indemnify, hold harmless, and, at the option of Lessor, defend Lessor, its officers, agents, and employees from any and all Damages resulting from Lessee's occupation and use of the Lease Premises. Lessee shall reimburse Lessor in full for all reasonable costs and attorneys' fees, specifically including, without limitation, any Damages arising by reason of: (1) The issuance, enjoyment, interpretation, or breach of this Lease; (2) The challenge to or defense of any environmental review upon which the issuance of this Lease is based; (3) The death or injury of any person, or damage to or destruction of any property from any cause whatever in any way connected with the Lease Premises, or with any of the Improvements or personal property on the Lease Premises; (4) The condition of the Lease Premises, or Improvements on the Lease Premises; (5) An act or omission on the Lease Premises by Lessee or any person in, on, or about the Lease Premises; (6) Any work performed on the Lease Premises or material furnished to the Lease Premises; (7) Lessee's failure to comply with any Applicable Laws or violation of any Environmental Laws; (8) The costs for any cleanup or other response costs relating to the release or threatened release of Hazardous Materials on the Lease Premises during Lessee's occupation of the Lease Premises. This obligation includes any prior leases between Lessee and Lessor and will continue until Lessee has performed all duties under Paragraph 14.

11.3. **Lessor Not Required to Defend.** Lessor need not defend itself against all or

any aspect of any challenge to this Lease or any associated environmental review. However, Lessee may take whatever legal action is available to it to defend this Lease or any associated environmental review against any challenge by a third party, whether or not Lessor chooses to raise a defense against such a challenge.

11.4. **Lessee to Notify Lessor.** Lessee shall notify Lessor immediately in case of any accident, injury, or casualty on the Lease Premises.

Paragraph 12: Assignment, Encumbrance, or Sublet

12.1. **Lessor's Consent Required for Assignment.** Lessee shall not mortgage; hypothecate; encumber; assign; sublet; enter into franchise, license, or concession agreements; or otherwise transfer all or part of this Lease (collectively "Assign" or "Assignment") without Lessor's advanced and expressed consent. Any purported Assignment without Lessor's consent will be void and of no force or effect and will not confer any estate or benefit on anyone. A consent to one Assignment by Lessor will not be deemed to be a consent to any subsequent Assignment by or to any other party.

12.2. **Transfer of Upland Property.** If this Lease is issued in conjunction with littoral property, Lessee shall notify Lessor prior to sale or transfer of title to the upland property. Lessee shall notify the proposed upland parcel purchaser of this Lease.

12.3. **Lessee Actions Not Considered Assignments.** If Lessee is a public corporation whose stock is traded on a nationally recognized stock exchange, sale or transfer of such stock is not an Assignment.

12.4. **Procedures.** If Lessee desires to Assign this Lease, Lessee will apply to Lessor for the proposed Assignment. The Assignment may be considered by Lessor at a public meeting. Lessor may require any of the following in considering approval of an Assignment: (a) the nature, effective date, terms, and conditions of the assignment; (b) a description of the identity, net worth, and previous business experience of the proposed assignee; (c) a complete business plan prepared by the proposed assignee; and (d) any further information relevant to the proposed Assignment that Lessor reasonably requests. Lessor may either (i) consent to the proposed Assignment; (ii) refuse to consent to the proposed Assignment; or (iii) determine that it is preferable to terminate this Lease and issue a new lease to the proposed assignee.

12.5. **Standard for Consent.** Lessor may refuse its consent to the proposed Assignment on any reasonable grounds. Reasonable grounds include, without limitation: (a) the proposed assignee intends to use the Lease Premises for

different activities or uses than those set forth in Section 1; (b) the proposed assignee's financial condition is deemed by Lessor to be inadequate to support the financial and other obligations of Lessee under this Lease; (c) the business reputation or character of the proposed assignee is not reasonably acceptable to Lessor; (d) the proposed assignee is not likely to conduct a business of a quality substantially equal to that conducted by Lessee; (e) the proposed assignee's planned use of the Lease Premises would increase the burden on the Lease Premises, involve an increased risk of the presence, use, release, or discharge of Hazardous Materials; or (f) Lessor has not received adequate assurance that all breaches will be cured before the effective date of the proposed Assignment.

12.6. Additional Terms. Lessee's Assignment of the Lease does not release Lessee from liability for any Hazardous Materials or ordinance manufactured, generated, used, placed, disposed, stored, or transported on the Lease Premises during Lessee's tenancy. An unauthorized assignment does not relieve Lessee from its covenants and obligations under this Lease. Lessor's acceptance of any payment due under this Lease from any person other than Lessee will not be deemed to be a waiver by Lessor of any provision of this Lease or to be a consent to any Assignment.

12.7. Bankruptcy. If Lessee files a petition or an order for relief is entered against Lessee under the Bankruptcy Code (11 U.S.C. § 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 as that deadline may be extended by order of the court, 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 breaches of this Lease (monetary and non-monetary) or has provided Lessor with adequate assurances (a) that within ten (10) days from the date of such assumption or assignment, all monetary breaches of this Lease will be cured; and (b) that within thirty (30) days from the date of such assumption, all non-monetary breaches of this Lease will be cured; and (c) that all provisions of this Lease will be satisfactorily performed in the future.

12.8. Permitted Assignments. The following Assignments are permitted under this Lease without Lessor's consent: (a) Assignment caused by the death of a spouse where the full interest of the deceased spouse is Assigned to a surviving spouse who is a co-lessee on this Lease, provided Lessor is notified in writing within thirty

(30) days of the assignment; (b) assignment caused by the dissolution of the marriage of Lessee when the full interest of one spouse is assigned to the other spouse who is a co-lessee on this Lease, provided Lessor is notified in writing within thirty (30) days of the transfer; and (c) substitution or succession of a new trustee if the Lease is held in trust and the Lessee is a trustee or successor trustee thereof, provided Lessor is notified in writing no later than sixty (60) days after the named trustee as appears on the face of this Lease becomes unable or ceases to serve as trustee for any reason.

12.9. Lessee Remedies. If Lessor withholds or conditions its consent and Lessee believes that Lessor did so contrary to the terms of this Lease, then Lessee's sole remedy will be to prosecute an action for declaratory relief to determine if Lessor properly withheld or conditioned its consent, and Lessee hereby waives all other remedies.

Paragraph 13: Breach

13.1. Events of Breach. All covenants and agreements contained in this Lease are declared to be conditions to this lease. Lessee's failure to pay rent when due or any other charges under this Lease for five (5) days after written notice from Lessor to Lessee will be considered a monetary breach. Lessee's failure to perform any other promise, covenant, or agreement under this Lease for more than thirty (30) days after written notice from Lessor to Lessee will be considered a non-monetary breach. (If a non-monetary breach cannot be cured within the thirty (30)-day period, the breach will be deemed to be cured if Lessee begins to cure the breach within the thirty (30)-day period and continues to diligently complete the cure.

13.2. Breach of Lease. Lessor shall provide written notice to Lessee specifying the particulars of the breach. Should Lessee fail to cure the breach within the period specified in Paragraph 13.1, then Lessor may elect to pursue any available remedies under law, or those specified in section 13.3, below.

13.3. Remedies on Breach of Lease. In addition to any other rights or remedies at law or equity, Lessor may, without further notice, (a) terminate this Lease, reenter and take possession of the Lease Premises and remove all persons and all Improvements therefrom at Lessee's cost; or (b) keep this Lease in effect without declaring this Lease terminated and without terminating Lessee's right to possession, reenter the Lease Premises and occupy the whole or any part for and on account of Lessee and collect any unpaid rentals and other charges that have become payable or that may thereafter become payable; or (c)

terminate this Lease after reentering the Lease Premises as provided in subclause (b) above. Any notice required to be given by Lessor above will be instead of, and not in addition to, any notice required under the laws of the State of California.

13.4. Determination of Rental Value. If rent under this Lease is calculated as percentage of Lessee's income attributable to the Lease Premises and Lessee abandons the Lease Premises, then the reasonable rental value shall be the percentage of proceeds Lessor would have received had Lessee operated the Lease Premises in the usual and customary manner.

13.5. Acceptance of Rent When Lessee is in Breach. Lessor's acceptance of any rent shall not be considered a waiver of any preexisting Breach by Lessee other than the failure to pay the particular rent accepted regardless of Lessor's knowledge of the preexisting Breach at the time rent is accepted, unless the breach was a monetary breach and the payment occurs during the cure period specified in Paragraph 13.1.

13.6. Acceptance of Payments After Lease Termination. Lessee's submission or Lessor's acceptance of any payments after the expiration or termination of this Lease shall not reinstate or extend this Lease. Lessor may elect to retain any payment submitted and apply these payments to offset any damages claimed against Lessee; or Lessor may elect to allow a holdover tenancy under Paragraph 14.6; or Lessor may elect to refund the payments less a reasonable handling fee.

13.7. Waiver of Rights. The failure or delay of either party to exercise any right or remedy shall not be construed as a waiver of such right or remedy or any Breach by the other party.

Paragraph 14: Conditions of Lease Termination

14.1. Use of State Land. This Lease authorizes the use or occupation of state land for a fixed term of years without options or rights of renewal. Lessee accepts that future leases authorizing the continued existence of any Improvements constructed or maintained by Lessee on the Lease Premises are subject to a discretionary action of the California State Lands Commission. Submission of an application for a new lease does not guarantee a new lease will be granted to Lessee. Lessee acknowledges that construction of Improvements on the Lease Premises and investment in or obtaining financing for the uses authorized under this Lease is done in full understanding that future leases are not guaranteed. Lessee also affirmatively represents that the cost of removing Improvements

was considered before entering into this Lease and placing or assuming any Improvements on state land.

14.2. Abandonment. Lessee's right of access to the Lease Premises was a material consideration in Lessor issuing this Lease. If, without prior notice to Lessor, Lessee sells, abandons, or loses title to the upland property adjacent to the Lease Premises, or otherwise loses the legal right to access the Lease Premises, Lessor may deem this an abandonment of the Lease Premises. Lessee must actively maintain and manage any Improvements authorized by this Lease. Should Lessee discontinue use, management, or maintenance of the authorized Improvements, Lessor may deem this an abandonment and elect to terminate the Lease. Alternately, Lessor has the remedy described in California Civil Code section 1951.4 (Lessor may continue lease in effect after Lessee's breach and abandonment and recover rent as it becomes due if Lessee has right to sublet or assign, subject only to reasonable limitation). Abandonment of the Lease Premises shall not relieve Lessee of any obligations under this Lease.

14.3. Restoration. In issuing this Lease it is Lessor's understanding that all Improvements will be removed from state land at the expiration or termination of this Lease. If Lessee abandons the Lease Premises, or Lessor terminates this Lease, or this Lease expires without execution of a new lease authorizing Lessee's use of the Lease Premises, Lessee must: 1) remove all Improvements regardless of whether Lessee constructed or placed Improvements together with all debris at its sole expense and risk, restoring the Lease Premises to as close as possible to an unimproved condition to Lessor's satisfaction; and 2) immediately surrender possession of the Lease Premises. Lessor may, in its sole discretion, allow all or any portion of the Improvements to remain in place. In carrying out this obligation, Lessee acknowledges that further authorizations, review of the Restoration Plan, and environmental review may be necessary as outlined in Section 14.4 below.

14.4. One Year Prior to Expiration. (A) If Lessee desires to continue the uses authorized under this Lease, Lessee shall submit an application together with all required fees at least one year prior to the expiration of this Lease. Submission of an application does not guarantee a new lease will be granted to Lessee. (B) If Lessee does not desire to occupy the Lease Premises beyond the term of this Lease, then one year prior to the expiration of this Lease, Lessee shall submit an application, including a detailed plan to remove all Improvements and restore the Lease Premises to the condition existing prior to the installation or construction of any Improvements. The plan must include a timeline for

obtaining all necessary permits. The restoration plan may require a subsequent environmental review and approval from Lessor. (C) Lessor may modify annual rent and insurance within the last year of the Lease.

14.5. Failure to Restore Lease Premises. Lessee's failure to remove Improvements, restore the Lease Premises or surrender possession of the Lease Premises at the expiration or sooner termination of this Lease shall not constitute a renewal or extension and shall not give Lessee any rights in or to the Lease Premises or any part thereof. Lessee shall not be entitled to any compensation for Improvements left on the Lease Premises at the termination or expiration of this Lease. Lessor may, in its sole discretion, elect to treat the Improvements as abandoned and remove all or any portion of Improvements from the Lease Premises. Lessee's failure to adequately restore the Lease Premises imposes significant financial liability on Lessor. As a result, Lessee shall be responsible for all expenses incurred by Lessor in restoring the Lease Premises, including, without limitation, staff time, environmental work or permitting, contractor costs, and reasonable attorney's fees.

14.6. Holdover. This Lease terminates without further notice at the end of its term. Lessor may, in its sole discretion, choose to accept Rent for the Lease Premises and allow a period of holdover tenancy. Any holdover tenancy shall be on a month-to-month basis. Lessee's submittal of annual rent during holdover does not constitute tenancy longer than month-to-month. Any holdover tenancy shall be on the same terms as this Lease insofar as such terms can be applicable to a month-to-month tenancy. The rent for each month or any portion thereof during such holdover period is one hundred fifty percent (150%) of one-twelfth (1/12) of the total compensation for the most recent year paid. The month-to-month tenancy may be terminated by Lessor upon thirty (30) calendar days' prior written notice to Lessee.

14.7. Holdover on Leases with No Monetary Consideration. In the event this Lease does not require monetary consideration, 14.6 shall continue to apply, and in addition: 1) Lessor shall have the right to establish rent based on the fair market value of the Lease Premises, and 2) In no way shall the prior lease consideration limit damages for trespass.

14.8. Quitclaim. In the event this Lease is terminated prior to expiration, Lessee shall deliver a quitclaim of all rights under this Lease to Lessor on request. Lessee shall execute and deliver such quitclaim to Lessor in a form provided by Lessor. Should Lessee fail or refuse to deliver such a release, Lessor may record a written notice reciting such failure or refusal. This written notice shall, from the date of its

recordation, be conclusive evidence against Lessee of the termination of this Lease and all other claimants.

Paragraph 15: Additional Provisions

15.1. **Conflict in Terms.** In the case of any conflict between these General Provisions and Special Provisions found in Section 2, the Special Provisions control.

15.2. **Boundaries.** This Lease does not establish the State's boundaries in so far as it relates to land and resource jurisdiction and ownership and is made without prejudice to either party regarding any land and water boundary or title claims which may be asserted presently or in the future.

15.3. **No Waiver.** Lessor's acceptance of a late or nonconforming performance shall not constitute a waiver unless such waiver is expressly acknowledged by Lessor in writing. Lessor's delay in or omission to exercise any right under this Lease shall not constitute a waiver.

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

15.5. **Notice.** All notices required to be given under this Lease shall be given in writing, sent by U.S. Mail or other reputable private carrier with postage prepaid, to Lessor at the offices of the State Lands Commission and the Lessee at the address specified in this Lease. Lessor's staff and Lessee may agree to accept any notice by electronic mail. Lessee shall give Lessor notice of any change in its name or address.

15.6. **Consent.** Lessor's consent to one transaction or event shall not be deemed to be a consent to any subsequent occurrence.

15.7. **Changes.** This Lease may only be amended, revised, or supplement by written agreement of the Parties.

15.8. **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.

15.9. **Captions.** The section and paragraph captions used in this Lease are for the convenience of the Parties. The captions are not controlling and shall have no effect upon the construction or interpretation of this Lease.

15.10. **Severability.** If any term, covenant, or condition of this Lease is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and

provision of this Lease shall remain valid and enforceable to the fullest extent permitted by law.

15.11. **Representations.** Lessee agrees that no representations have been made by Lessor or by any person or agent acting for Lessor except those stated in this Lease. This document contains the entire agreement of the Parties. No verbal agreements, representations, warranties, or other understandings affect this Lease. Lessor and Lessee, as a material part of the consideration of this Lease, waive all claims against the other for rescission, damages, or otherwise by reason of any alleged covenant, agreement, or understanding not contained in this Lease.

15.12. **Gender and Plurality.** In this Lease, words importing any gender include any or all genders, and the singular number includes the plural whenever the context so requires.

15.13. **Survival of Certain Covenants.** All covenants pertaining to bond, insurance, indemnification, restoration obligations, breach or remedies shall survive the expiration or earlier termination of this Lease until Lessee has fulfilled all obligations to restore the Lease Premises as required by this Lease.

15.14. **Counterparts.** This agreement may be executed in any number of counterparts and by different Parties in separate counterparts.

15.15. **Delegation of Authority.** Lessor and Lessee acknowledge that Lessor as defined herein includes the Commission Members, their alternates or designees, and the staff of the Commission. The ability of staff of the Commission to give consent, or take other discretionary actions described herein will be as described in the then-current delegation of authority to Commission staff. All other powers are reserved to the Commission.

15.16. **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.

15.17. **Memorandum of Lease.** Lessee and Lessor shall execute, and Lessor may record a memorandum of this Lease in the official records of the county where the Lease is held.

[Remainder of the page left intentionally blank.]

STATE OF CALIFORNIA - STATE LANDS COMMISSION

LEASE NUMBER:

This Lease shall become effective only when approved by and executed on behalf of the State Lands Commission of the State of California and 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:

LESSOR: STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Execution of this document was authorized by the California State Lands Commission on _____.

ATTACH ACKNOWLEDGMENT

EXHIBIT B – General Provisions – Dredging Use

Section 3: General Provisions - Dredging

Paragraph 1: Definitions

“Applicable Laws” are all local, state, and federal statutes, regulations, rules, codes (including building codes), ordinances, judgments, orders, notice requirements, and other requirements of governmental authorities pertaining to the use or condition of the Lease Premises and the conduct of Lessee's business thereon in effect as of the date of execution of this Lease or subsequently enacted and lawfully applied hereto.

“Damages” are all liabilities, demands, claims, actions, or causes of action whether regulatory, legislative, or judicial in nature; all assessments, levies, losses, fines, penalties, damages, costs, and expenses, including, without limitation: (i) reasonable attorneys', accountants', investigators', and experts' fees and expenses sustained or incurred in connection with the defense or investigation of any such liability, and (ii) costs and expenses incurred to bring the Lease Premises into compliance with Applicable Laws, Environmental Laws, a court order, or applicable provisions of a Regulatory Agency. The term “Damages” also includes those Damages that arise as a result of strict liability, whether arising under Environmental Laws or otherwise.

“Environmental Laws” are any and all federal, state, or local environmental, health, or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits, or permit conditions, treaties and conventions, currently existing and as amended, enacted, issued, or adopted in the future that are or become applicable to Lessee, and the Lease Premises with respect to: (a) the protection, preservation, or clean-up of the environment, wildlife, habitat, or natural resources; (b) the use, treatment, storage, transportation, handling, or disposal of Hazardous Materials; (c) the quality of the air and the discharge of airborne wastes, gases, particles, or other emissions; (d) the preservation or protection of waterways, groundwater, or drinking water; or (e) the health and safety of persons or property.

“Hazardous Materials” are any chemical, substance, material, controlled substance, object, condition, waste, living organism, or combination thereof

that is or may be hazardous to human health or safety or to the environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness, or other harmful or potentially harmful properties or effects, including, without limitation, tobacco smoke, petroleum and petroleum products, asbestos, radon, polychlorinated biphenyls (PCBs), and all of those chemicals, substances, materials, controlled substances, objects, conditions, wastes, living organisms, or combinations thereof that are now or become in the future listed, defined, or regulated in any manner by any Environmental Laws based on, directly or indirectly, such properties or effects.

“Improvements” are any modification, alteration, addition, or removal of any material and any other action that changes the condition of the Lease Premises from the natural state, whether situated above, on, or under the Lease Premises. Improvements include any construction situated on the Lease Premises regardless of value.

“Lease” is this document together with all subsequent amendments and exhibits.

“Mineral Resources” includes timber, crops, sand, oil, gas, hard rock minerals and other mineral deposits as defined in Public Resources Code section 6407.

“Natural Resources” are all of the flora and fauna native to both the upland terrestrial, freshwater, coastal and marine ecosystems within, and adjacent to, the lease premises.

“Public Trust” means the constitutional, statutory, and common law doctrine providing the State's sovereign authority over the navigable waters of the state, including the tidelands and submerged lands underlying those waters that are held in trust for the benefit of all the people of the state and for purposes that include maritime or water-dependent commerce, navigation, fisheries, the preservation of lands in their natural state for scientific study, open space, wildlife habitat, and water-oriented recreation.

Paragraph 2: Rent/Royalty

2.1. **Absolute Triple Net Lease.** This Lease is an absolute triple net lease, meaning Lessor has no obligation with respect to the payment of taxes, insurance, the cost of maintenance, utilities, repairs, or other costs or obligations associated with the Leased Premises, except as expressly stated herein.

2.2. Lessee shall pay the rent or royalty as stated in this Lease to Lessor without deduction, delay, or offset.

2.3 Payment of Rent/Royalty. Lessee must pay rent/royalty annually, on or before each anniversary of this Lease unless this Lease specifies a different rent schedule. The first installment is due on the beginning date of this Lease or within 60 days of Lessor authorizing the Lease at a properly noticed public meeting, whichever is later. Rent is due each year in advance. Should Lessee submit payments that are less than the full amount of rent due under this Lease, Lessor may provide a supplemental billing invoice. Rent will not be refunded or prorated if Lessee discontinues use of the Lease Premises during the term.

2.4. Place for Payment. All payments under this Lease must be submitted to Lessor's principal office as specified in this Lease. Lessee may contact Lessor's accounting staff for Lessor's current practices for payment by credit card or electronic fund transfer.

2.5. Courtesy Invoices. Lessor may send courtesy invoices to the address on file for Lessee at least thirty (30) days before a rent payment is due. Lessor's failure to provide, or delinquency in providing, invoices will neither excuse Lessee from paying rent nor extend the time for paying rent. If Lessor does not send a courtesy invoice, Lessee must submit rent in the amount of the prior year's rent when due and contact Lessor within thirty (30) days to determine the balance due.

2.6. Penalties and Interest. Penalties for late payments of any amounts due under this Lease and interest thereon are as provided in Title 2, California Code of Regulations section 1911(b). Timeliness of receipt of remittances shall be as provided in Title 2, California Code of Regulations section 1911(a).

2.7. Annual Adjustment of Rent. The rent specified in Section 1 of this Lease will be adjusted annually by the Consumer Price Index as specified in Title 2, California Code of Regulations section 1900(m) & (n) unless otherwise specified in this Lease.

2.8. Review of Non-Monetary Consideration. If rent is discounted or waived pursuant to Title 2, California Code of Regulations section 2003(e)(4), Lessor may review such determination at any time and set a monetary rental. Lessee shall be given at least thirty (30) days' notice prior to the date of the Commission meeting wherein the rent modification is considered, or thirty (30) days' notice prior to the effective date that the rent is changed, whichever provides more

notice.

2.9. Periodic Rent Review. Lessor may modify the method, amount, or rate of consideration effective on the fifth anniversary of the beginning date of this Lease. Lessor may also modify the method, amount or rate of consideration during the last year of the Lease. Lessor shall consider the factors provided in Title 2, California Code of Regulations section 2003(d) when determining whether a rent modification is appropriate and which rental method listed in section 2003(a) should apply. Should Lessor fail to exercise such right effective on the fifth anniversary, it may do so on any one (1) of the next four (4) anniversaries following such fifth anniversary, without prejudice to its right to modify rent on the next or any succeeding tenth anniversary of the beginning date. No such modification shall become effective unless Lessee is given at least thirty (30) days' notice prior to the date of the Commission meeting wherein the rent modification is considered or thirty (30) days' notice prior to the effective date of the increase, whichever provides a greater notice period.

2.10. If Lessor elects to prepare an appraisal to establish a new rent, Lessee may, at its option, also provide a timely independent appraisal at its sole expense for Lessor's review and consideration. Prior to Lessee's contracting for such appraisal, Lessor and Lessee shall negotiate in good faith and agree upon the terms and conditions for such third-party appraisal, including but not limited to the highest and best use, appraisal methodology and minimum appraiser credentials. Such appraisal shall be prepared in accordance with generally accepted appraisal standards as they are adopted from time to time by the Appraisal Standards Board of the Appraisal Foundation, and Lessor's Appraisal Guidelines.

2.11. Books and Records. Lessee must keep and maintain full and accurate accounting books and records of transactions from the Lease Premises in accordance with generally accepted accounting principles for at least the five (5) prior years. The accounting books and records kept and maintained by Lessee for audit purposes must include all records, receipts, journals, ledgers, and documents reasonably necessary to enable Lessor or its auditors to perform a complete and accurate audit of gross sales and exclusions from gross sales in accordance with generally accepted accounting principles. Lessee must also maintain an original receipt for the payment of taxes, assessments, or installments and deliver such to Lessor upon request.

2.11.1. Lessee shall prepare and maintain accurate records of its operations

under this Lease. On or before the 15th day of the month following the lease year, Lessee shall provide to Lessor a detailed statement (hereinafter "Dredging Report") of the amount of dredged materials and copies of reports or contracts with the dredging operator substantiating the volume of dredged materials and placement or disposal of dredged materials.

2.11.2. At the request of Lessor, the Lessee shall provide additional information to assist in interpreting and evaluating the contents of Lessee's Dredging Report.

2.12. **Report of Gross Income.** On Lessor's request, Lessee must submit a Report of Gross Income on a form provided by Lessor for the prior five (5) years. This report together with supporting documentation (hereinafter collectively referred to as "Income Reports") must include all business operations located on or over the Lease Premises. The gross income of sublessees and all others generating income on the Lease Premises must be reported separately and with sufficient organization and detail so that Lessor can identify the source of all gross income generated on the Lease Premises.

2.13. **Audits.** On not less than ten (10) days' prior written notice to Lessee, Lessor may cause an audit to be made of the Income Reports and all of Lessee's records, accounting books, and Dredging Reports necessary (in Lessor's judgment) to audit such items. Lessee will make all such books and records available for the audit at the Lease Premises or at Lessor's offices. If the audit discloses an underpayment of Rent or Royalty, Lessee will immediately pay to Lessor the amount of the underpayment with "Interest" (as provided in Paragraph 2.6), which will accrue from the date the payment should have been made through and including the date of payment. If the audit discloses an underreporting of rent or royalty in excess of two percent (2%) of the reported Gross Income, then Lessee will also immediately pay to Lessor all reasonable costs and expenses incurred in the audit and in collecting the underpayment, including auditing costs and attorney fees. If the audit discloses an overpayment of Rent or Royalty, Lessee will be entitled to a credit in the amount of the overpayment against the next rent payment(s).

2.14. Lessee waives any rights or objections it may have and consents to the examination, inspection and audit of the books and records associated with the dredging activities maintained by Lessee and its subcontractors.

2.15. Lessee shall, within 30 days of Lessor's request, provide copies of all data arising from Lessee's operation on the Lease Premise including, but not limited to, surveys conducted by or for Lessee before and after dredging under this

Lease. All proprietary information and trade secrets shall be marked as such and shall be held in confidence by the Lessor.

Paragraph 3: Surety

3.1. **Lessee to Obtain Surety.** Lessee shall provide a surety bond or other security device acceptable to Lessor when required by Section 1 of this Lease. Such security shall be for the specified amount, name the State of California, California State Lands Commission, as the assured, and guarantee to Lessor the faithful observance and performance by Lessee of all the terms, covenants, and conditions of this Lease.

3.2. **Lessor's Modification of Surety.** Lessor may require an increase in the amount of the surety bond or other security device to cover any additionally authorized Improvements, any modification of consideration, or to provide for inflation or other increased need for security. The surety bond or other security device may be increased: (i) if any additional Improvements or activities are authorized on the Lease Premises; (ii) if Lessee modifies any existing Improvements such that the cost for removal of such Improvements is increased; (iii) when a periodic rent review is conducted under section 2.8; (iv) on each fifth anniversary of this Lease, (v) Lessor determines it is in the best interest of the state; (vi) within the last two years of the Lease. Should Lessor fail to exercise such right effective on any fifth anniversary, it may do so effective on any one of the next four anniversaries without prejudice to its right to modify the surety on the next fifth anniversary or as otherwise provided above. Lessor will provide at least thirty (30) days' notice prior to the date of the Commission meeting wherein the modification of the surety is considered, or thirty (30) days' notice prior to the effective date of the increase.

3.3. **Lessee's Modification of Surety.** Any security device required under this Lease must be maintained at all times during the Lease term. Lessee must first seek approval of Lessor before changing the surety holder or the type of security device used.

Paragraph 4: Insurance

4.1. **Lessee Must Insure Lease Premises.** Lessee must obtain and maintain in full force and effect during the term of this Lease comprehensive general liability insurance and property damage insurance against any and all claims or liability arising out of the ownership, use, occupancy, condition, or maintenance of the Lease Premises and all Improvements. Lessee shall also carry full and complete workers compensation insurance covering all of its employees. The coverage

limit must be no less than the amount specified in Section 1 of this Lease.

4.2. Insurance Policy Requirements. The insurance policy must identify the Lease by its assigned number. The coverage provided must be primary and non-contributing. Lessee must keep such policy current. Lessor must be named as a "certificate holder" or an "additional interest" on the policy. Lessee must provide Lessor with a current certificate of insurance at all times. At Lessor's request, Lessee must provide a full copy of the current insurance policy, along with any and all endorsements or other such documents affecting the coverage. Lessor will not be responsible for any premiums or other assessments on the policy.

4.3. Notice to Lessor. Lessee shall notify Lessor within five (5) business days if the insurance is canceled for any reason and shall act diligently to replace the insurance. Failure to timely replace the insurance may result in a default of the lease.

4.4. Modification. Lessor may require an increase in the amount of the insurance to cover any additionally authorized Improvements, any modification of consideration, or to provide for inflation or other increased need. Insurance coverage may be increased if: (i) if any additional Improvements or activities are authorized on the Lease Premises; (ii) if Lessee modifies any existing Improvements or intensity of use; (iii) a periodic rent review is conducted under section 2.8 and rent is increased; (iv) on each fifth anniversary of this Lease, (v) Lessor determines it is in the best interest of the state; (vi) within the last two years of the Lease. Should Lessor fail to exercise such right effective on any fifth anniversary, it may do so effective on any one of the next four anniversaries without prejudice to its right to modify insurance requirements on the next fifth anniversary. Lessor will provide at least thirty (30) days' notice prior to the date of the Commission meeting wherein the modification of insurance is considered, or thirty (30) days' notice prior to the effective date of the increase.

Paragraph 5: Taxes, Assessments, and Fees

5.1. Revenue and Tax Code Section 107.6 Statement. Issuance of this Lease creates a possessory interest that may be subject to property taxation. The Lessee may be subject to, and is solely responsible for, any possessory interest taxes levied on the leasehold interest.

5.2. Lessee to Pay All Taxes, Assessments and Fees. In addition to any Rent due under this Lease, Lessee must pay when due all real and personal property taxes

imposed on or associated with the Lease Premises during the term of this Lease. This includes, without limitation: possessory interest taxes, assessments, special assessments, user fees, and service charges. If this Lease begins or ends during a tax year, Lessee must pay the taxes, assessments, and fees for the portion of the tax year the Lease was in effect.

5.3. **Reimbursement Agreements.** Lessee must pay in full any amount owed on the Application Reimbursement Agreement within 30 days of invoice.

5.4. **Records of Payments.** Lessee shall keep the official and original receipt for payments required by this paragraph 5 and provide to Lessor upon request.

Paragraph 6: Land Use

6.1. **Only Authorized Uses.** Lessee will use the Lease Premises only for the purposes stated in this Lease. Any additional uses or Improvements require separate authorization from Lessor. Lessee must submit a separate application to Lessor to amend this Lease if Lessee intends to alter the Improvements on, or change the uses of, the Lease Premises.

6.2. **Lessee to Comply with All Laws.** Lessee, at Lessee's sole expense, will comply with all Applicable Laws. Lessee must give Lessor immediate written notice on Lessee's becoming aware that the use or condition of the Lease Premises is in violation of any Applicable Laws. Lessee must obtain and maintain all permits or other entitlements.

6.3. **Lease Does Not Substitute for Permits.** This Lease does not substitute for or provide preference in obtaining approval from other federal, state, or local agencies. Lessee is solely responsible for determining what approvals, authorizations, or certifications are required, and will be solely responsible for all costs incurred thereby.

6.4. **No Discrimination.** Lessee, in its use of the Lease Premises, must not discriminate against any person or class of persons on any basis protected by federal, state, or local law.

6.5. **"As Is."** Lessee accepts the Lease Premises "as is" and acknowledges that:

6.5.1. Lessor, including its officers and employees, made no representations or warranties as to the suitability of the Lease Premises for any uses authorized under this Lease. Lessee is solely responsible for determining the suitability of the Lease Premises for any proposed use or Improvements; and

6.5.2. Lessor, including its officers and employees, has made no representations

or warranties as to the quality or value of any Improvements found on the Lease Premises, or of their conformity to Applicable Laws. Lessee agrees to inspect any preexisting Improvements at its own cost to determine whether such Improvements are safe and suitable for the Lessee's intended use; and

6.5.3. Damage to or destruction of any Improvements on the Lease Premises by any cause whatsoever does not entitle Lessee to any reduction in rent or extension of this Lease; and

6.5.4. Any Improvements on the Lease Premises are considered personal property and not fixtures; and

6.5.5. Lessee accepts the hazards involved in using or improving such lands. Lessor is not responsible for any damages or reduced use of the Lease Premises caused by: local or invasive flora or fauna, flooding, erosion, climate change, sea level rise, storms, freezing, inclement weather of any kind, acts of god, maintenance or failure of protective structures, and any other such hazards. Lessee will not be reimbursed or receive offset of rent for such hazards; and

6.5.6. The Lease Premises may be subject to pre-existing contracts, leases, licenses, easements, encumbrances, and claims. The Lease is made without warranty by Lessor of title, condition, or fitness of the land for the stated or intended purpose.

6.6. **Conduct of Operations.** Lessee shall safely conduct all dredging and disposal operations in accordance with accepted dredging and disposal methods and practices with regard for the protection of life and property, preservation of the environment and the conservation of natural resources.

6.7. **Suspension of Operations.** Lessee shall immediately suspend all operations under this Lease, except those which are corrective or mitigative, when ordered by the Lessor to do so upon the Lessor's determination that Lessee's operations are causing or creating undue harm to public health and safety or to the environment or are otherwise not in the State's best interest. Lessee shall not resume operations under this Lease until the Lessor has determined that adequate and feasible corrective or mitigative measures will be implemented by the Lessee. No suspension ordered or approved under this paragraph shall relieve Lessee from any obligation under this Lease unless specifically provided in the terms of the suspension.

6.8. This Lease does not authorize Lessee to dredge for purposes of commercial resale, environmental mitigation credits, or other private benefit without the

prior written consent of the Lessor.

Paragraph 7: Climate Change

7.1. Lessee acknowledges that the Lease Premises and adjacent upland may be subject to the hazards exacerbated by climate change, including sea level rise. Potential hazards to the Lease Premises from climate change include but are not limited to flood damage, erosion damage, tsunamis, and damage from waves and storm-created debris. Lessee acknowledges that these impacts associated with climate change may require additional adaptation or protection strategies applied to the improvements on the Lease Premises and additional maintenance.

7.2. Lessee assumes the risks associated with such potential hazards and agrees to be solely responsible for all damages, costs, and liabilities arising as a result of the impacts of such hazards on the Lease Premises. Any additional maintenance or protection strategies necessitated by such hazards may be subject to environmental review and require additional approval by the Lessor.

Paragraph 8: Environmental Matters

8.1. **Lessee to Comply with Environmental Laws.** Lessee, at its sole cost and expense, will comply with all Environmental Laws.

8.2. **Hazardous Materials.** Lessee will immediately notify Lessor of any known violation of any Environmental Laws, along with any action, claim, demand, inquiry, or order relating to a violation of Environmental Laws on the Lease Premises. Lessee must immediately provide copies of all related documents upon Lessor's request. Lessee must immediately notify Lessor and the appropriate governmental emergency response agency, or agencies in the event of any release or threatened release of any Hazardous Material on or about the Lease Premises.

8.3. **Cleanup of Hazardous Materials.** If Hazardous Materials are located on or released onto or about the Lease Premises due to Lessee's activities on the Lease Premises, the Lessee is responsible for the cleanup and disposal of such Hazardous Materials. Lessee must submit a site assessment and removal/remediation plan prepared by a professional, licensed and qualified to remove or remediate the Hazardous Materials. Lessor will have an opportunity to review the plan. If Lessor approves the plan in writing, Lessee must commence the removal/remediation at its sole expense, in conformance with all Applicable

Laws. Alternately, Lessor may elect to perform the removal/remediation at Lessee's expense. Lessee must compensate Lessor for the actual cost of the removal/remediation within thirty (30) days of receiving a written invoice from Lessor.

8.4. Inspection. Lessee will permit Lessor or its agents to enter the Lease Premises on reasonable notice to inspect, monitor, or take remedial action with respect to Hazardous Materials. If Hazardous Materials are generated, stored, or transported on the Lease Premises, Lessor may require Lessee to conduct an independent environmental site assessment or inspection for the presence or suspected presence of Hazardous Materials. If this assessment or inspection is required, Lessor will be allowed to review and approve the contractor, and the work will be done at Lessee's expense.

8.5. Conservation. Lessee will cooperate with and participate in conservation programs for water, electricity, composting, natural gas and recycling programs, including those for the collection of cardboard, metals, plastics, and glass.

8.6. Lessee shall use all reasonable precautions to prevent waste of, damage to, or loss of mineral resources, fisheries, wildlife, and the environment on or in the Lease Premises and shall be liable to the Lessor for any such waste, damage, or loss to the extent that such waste, damage, or loss is caused by:

8.6.1. The intentional or negligent acts of Lessee, its employees, servants, agents, or contractors.

8.6.2. The breach of any provision of this Lease by Lessee, its employees, servants, agents, or contractors; or

8.6.3. The noncompliance of the Lessee, its employees, servants, agents, or contractors, with applicable statutes or rules and regulations of the state provided, however, that nothing shall diminish any other rights or remedies which the Lessor may have in connection with any such negligence, breach, or noncompliance.

8.7. Independent Site Assessment. Lessor may at any time during the Lease term require Lessee to conduct, at Lessee's 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 removal or other appropriate remedial action regarding such wastes, substances, or materials in accordance with applicable federal, state, or local law regulation or ordinance.

Paragraph 9: Lessor's Reservation of Rights

9.1. **Non-Exclusive Lease.** Lessee's right of occupancy is non-exclusive. Lessee may control access to the Improvements on the Lease Premises. Unless otherwise stated in this Lease, Lessee may exclude persons from the Lease Premises only when their presence or activity constitutes a material interference with the Authorized Use of the Lease Premises.

9.2. **Lessee Responsible for Impacts to Natural Resources and Public Trust Uses.** When the Lease Premises include school lands or sovereign lands, the Lessee is responsible for any damage or adverse impacts to Natural Resources within or adjacent to the Lease Premises. It is the intention of Lessor to limit the transfer of rights under this lease to the minimum level required to carry out the primary purpose of the Lease. Lessee's use of the Lease Premises must minimize impacts to the Public Trust if the Lease Premises are subject to the Public Trust. Lessee must not interfere with public access or Public Trust uses authorized under statute and common law.

9.3. **Mineral Resources.** Mineral Resources may not be removed from the Lease Premises unless specifically authorized under this Lease. Lessee shall not sell, damage, or use Natural Resources found within the Lease Premises without specific authorization under this Lease. Lessor reserves the right to grant and transfer Mineral Resources along with the right to grant leases to third parties in and over the Lease Premises for the extraction of such Mineral Resources. Such leasing will not be inconsistent or incompatible with the rights or privileges of Lessee under this Lease.

9.4. **Right to Inspect.** Lessor reserves the right to inspect the Lease Premises. If access to the Lease Premises is reasonably accomplished by passing through adjacent property owned by Lessee, Lessor shall provide reasonable notice prior to entry and Lessee shall grant such entry for inspection of the Lease Premises.

9.5. **Statutory Reservations.** Lessor reserves to the public an easement across the Lease Premises complying with Public Resources Code section 6210.4 and Public Resources Code section 6210.5.

9.6. Multiple Overlapping Leases Allowed. Lessor 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.

Paragraph 10: Indemnity

10.1. Lessee's Sole Risk. Lessee's use of the Lease Premises and any Improvements thereon is at Lessee's sole and exclusive risk.

10.2. Lessee to Indemnify Lessor. Except to the extent caused by the sole negligence or willful misconduct of the Lessor, Lessee shall indemnify, hold harmless, and, at the option of Lessor, defend Lessor, its officers, agents, and employees from any and all Damages resulting from Lessee's occupation and use of the Lease Premises. Lessee shall reimburse Lessor in full for all reasonable costs and attorneys' fees, specifically including, without limitation, any Damages arising by reason of: (1) The issuance, enjoyment, interpretation, or breach of this Lease; (2) The challenge to or defense of any environmental review upon which the issuance of this Lease is based; (3) The death or injury of any person, or damage to or destruction of any property from any cause whatever in any way connected with the Lease Premises, or with any of the Improvements or personal property on the Lease Premises; (4) The condition of the Lease Premises, or Improvements on the Lease Premises; (5) An act or omission on the Lease Premises by Lessee or any person in, on, or about the Lease Premises; (6) Any work performed on the Lease Premises or material furnished to the Lease Premises; (7) Lessee's failure to comply with any Applicable Laws or violation of any Environmental Laws; (8) The costs for environmental cleanup or other response costs relating to the release or threatened release of Hazardous Materials on the Lease Premises during Lessee's occupation of the Lease Premises. This obligation includes any prior leases between Lessee and Lessor and will continue until Lessee has performed all duties under Paragraph 13 Conditions of Lease Termination.

10.3. Lessor Not Required to Defend. Lessor need not defend itself against all or any aspect of any challenge to this Lease or any associated environmental review. However, Lessee may take whatever legal action is available to it to defend this Lease or any associated environmental review against any challenge by a third party, whether or not Lessor chooses to raise a defense against such a challenge.

10.4. **Lessee to Notify Lessor.** Lessee shall notify Lessor immediately in case of any accident, injury, or casualty on the Lease Premises.

Paragraph 11: Assignment, Encumbrance, or Sublet

11.1. **Lessor's Consent Required for Assignment.** Lessee shall not mortgage; hypothecate; encumber; assign; sublet; enter into franchise, license, or concession agreements; or otherwise transfer all or part of this Lease (collectively "Assign" or "Assignment") without Lessor's advanced and expressed consent at a properly noticed public meeting. Any purported Assignment without Lessor's consent will be void and of no force or effect and will not confer any estate or benefit on anyone. A consent to one Assignment by Lessor will not be deemed to be a consent to any subsequent Assignment by or to any other party.

11.2. **Lessee Actions Not Considered Assignments.** If Lessee is a public corporation whose stock is traded on a nationally recognized stock exchange, sale or transfer of such stock is not an Assignment.

11.3. **Procedures.** If Lessee desires to Assign this Lease, Lessee will apply to Lessor for the proposed Assignment. The Assignment will be considered by Lessor at a properly noticed public meeting. Lessor may require any of the following in considering consent of an Assignment: (a) the nature, effective date, terms, and conditions of the assignment; (b) a description of the identity, net worth, and previous business experience of the proposed assignee; (c) a complete business plan prepared by the proposed assignee; and (d) any further information relevant to the proposed Assignment that Lessor reasonably requests. Lessor may either (i) consent to the proposed Assignment; (ii) refuse to consent to the proposed Assignment; or (iii) determine that it is preferable to terminate this Lease and issue a new lease to the proposed assignee.

11.4. **Standard for Consent.** Lessor may refuse its consent to the proposed Assignment on any reasonable grounds. Reasonable grounds include, without limitation: (a) the proposed assignee intends to use the Lease Premises for different activities or uses than those set forth in Section 1; (b) the proposed assignee's financial condition is inadequate to support the financial and other obligations of Lessee under this Lease; (c) the business reputation or character of the proposed assignee is not reasonably acceptable to Lessor; (d) the proposed assignee is not likely to conduct a business of a quality substantially equal to that conducted by Lessee; (e) the proposed assignee's planned use of the Lease Premises would increase the burden on the Lease Premises, involve an

increased risk of the presence, use, release, or discharge of Hazardous Materials; or (f) Lessor has not received adequate assurance that all breaches will be cured before the effective date of the proposed Assignment.

11.5. **Additional Terms.** Lessee's Assignment of the Lease does not release Lessee from liability for any Hazardous Materials or ordinance manufactured, generated, used, placed, disposed, stored, or transported on the Lease Premises during Lessee's tenancy. An unauthorized assignment does not relieve Lessee from its covenants and obligations under this Lease. Lessor's acceptance of any payment due under this Lease from any person other than Lessee will not be deemed to be a waiver by Lessor of any provision of this Lease or to be a consent to any Assignment.

11.6. **Bankruptcy.** If Lessee files a petition or an order for relief is entered against Lessee under the Bankruptcy Code (11 U.S.C. § 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 as that deadline may be extended by order of the court, 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 breaches of this Lease (monetary and non-monetary) or has provided Lessor with adequate assurances (a) that within ten (10) days from the date of such assumption or assignment, all monetary breaches of this Lease will be cured; and (b) that within thirty (30) days from the date of such assumption, all non-monetary breaches of this Lease will be cured; and (c) that all provisions of this Lease will be satisfactorily performed in the future.

11.7. **Permitted Assignments.** The following Assignments are permitted under this Lease without Lessor's consent: (a) Assignment caused by the death of a spouse where the full interest of the deceased spouse is Assigned to a surviving spouse, provided Lessor is notified in writing within thirty (30) days of the assignment; (b) assignment caused by the dissolution of the marriage of Lessee when the full interest of one spouse is assigned to the other, provided Lessor is notified in writing within thirty (30) days of the transfer; and (c) substitution or succession of a new trustee if the Lease is held in trust and the Lessee is a trustee or successor trustee thereof, provided Lessor is notified in writing no later than sixty (60) days after the named trustee as appears on the face of this Lease becomes unable or ceases to serve as trustee for any reason.

11.8. **Lessee Remedies.** If Lessor withholds or conditions its consent and Lessee believes that Lessor did so contrary to the terms of this Lease, then Lessee's sole remedy will be to prosecute an action for declaratory relief to determine if Lessor properly withheld or conditioned its consent, and Lessee hereby waives all other remedies.

Paragraph 12: Breach

12.1. **Events of Breach.** All covenants and agreements contained in this Lease are declared to be conditions to this Lease. Lessee's failure to pay rent when due or any other charges under this Lease for five (5) days after written notice from Lessor to Lessee will be considered a monetary breach. Lessee's failure to perform any other promise, covenant, or agreement under this Lease for more than thirty (30) days after written notice from Lessor to Lessee will be considered a non-monetary breach. (If a non-monetary breach cannot be cured within the thirty (30)-day period, the breach will be deemed to be cured if Lessee begins to cure the breach within the thirty (30)-day period and continues to diligently complete the cure.

12.2. **Breach of Lease.** Lessor shall provide written notice to Lessee specifying the particulars of the breach. Should Lessee fail to cure the breach within the period specified in Paragraph 12.1, then Lessor may elect to pursue any available remedies under law, or those specified in paragraph 13.3, below.

12.3. **Remedies on Breach of Lease.** In addition to any other rights or remedies at law or equity, Lessor may, without further notice, (a) terminate this Lease, reenter and take possession of the Lease Premises and remove all persons therefrom; or (b) keep this Lease in effect without declaring this Lease terminated and without terminating Lessee's right to possession, reenter the Lease Premises and occupy the whole or any part for and on account of Lessee and collect any unpaid rentals and other charges that have become payable or that may thereafter become payable; or (c) terminate this Lease after reentering the Lease Premises as provided in subclause (b) above. Any notice required to be given by Lessor above will be instead of, and not in addition to, any notice required under the laws of the State of California.

12.4. **Determination of Rental Value.** If rent under this Lease is calculated as percentage of Lessee's income attributable to the Lease Premises and Lessee abandons the Lease Premises, then the reasonable rental value shall be the percentage of proceeds Lessor would have received had Lessee operated the

Lease Premises in the usual and customary manner.

12.5. Acceptance of Rent When Lessee is in Breach. Lessor's acceptance of any rent shall not be considered a waiver of any preexisting Breach by Lessee other than the failure to pay the particular rent accepted regardless of Lessor's knowledge of the preexisting Breach at the time rent is accepted, unless the breach was a monetary breach and the payment occurs during the cure period specified in Paragraph 13.1.

12.6. Acceptance of Payments After Lease Termination. Lessee's submission or Lessor's acceptance of any payments after the expiration or termination of this Lease shall not reinstate or extend this Lease. Lessor may elect to retain any payment submitted and apply these payments to offset any damages claimed against Lessee; or Lessor may elect to refund the payments less a reasonable handling fee.

12.7. Waiver of Rights. The failure or delay of either party to exercise any right or remedy shall not be construed as a waiver of such right or remedy or any Breach by the other party.

Paragraph 13: Conditions of Lease Termination

13.1. Use of State Land. This Lease authorizes the use or occupation of state land for a fixed term of years without options or rights of renewal. Lessee accepts that future leases authorizing the continued existence of any Improvements constructed or maintained by Lessee on the Lease Premises are subject to a discretionary action of the California State Lands Commission. Submission of an application for a new lease does not guarantee a new lease will be granted to Lessee.

13.2. Holdover. This Lease terminates without further notice at the end of its term. Activities on premises shall constitute trespass without the express consent of the Lessor. Removal of any minerals or other material without a valid lease may be considered theft, and appropriation or conversion of such minerals is subject to treble damages. (Public Resources Code section 6224.2).

13.3. Quitclaim. In the event this Lease is terminated prior to expiration, Lessee shall deliver a quitclaim of all rights under this Lease to Lessor on request. Lessee shall execute and deliver such quitclaim to Lessor in a form provided by Lessor. Should Lessee fail or refuse to deliver such a release, Lessor may record a written notice reciting such failure or refusal. This written notice shall, from the date of its recordation, be conclusive evidence against Lessee of the termination of this

Lease and all other claimants.

Paragraph 14: Additional Provisions

14.1. **Conflict in Terms.** In the case of any conflict between these General Provisions and Special Provisions found in Section 2, the Special Provisions control.

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

14.3. **No Waiver.** Lessor's acceptance of a late or nonconforming performance shall not constitute a waiver unless such waiver is expressly acknowledged by Lessor in writing. Lessor's delay in or omission to exercise any right under this Lease shall not constitute a waiver.

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

14.5. **Notice.** All notices required to be given under this Lease shall be given in writing, sent by U.S. Mail or other reputable private carrier with postage prepaid, to Lessor at the offices of the State Lands Commission and the Lessee at the address specified in this Lease. Lessor's staff and Lessee may agree to accept any notice by electronic mail. Lessee shall give Lessor notice of any change in its name or address.

14.6. **Consent.** Lessor's consent to one transaction or event shall not be deemed to be a consent to any subsequent occurrence.

14.7. **Changes.** This Lease may only be amended, revised, or supplemented by written agreement of the Parties.

14.8. **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.

14.9. **Captions.** The section and paragraph captions used in this Lease are for the convenience of the Parties. The captions are not controlling and shall have no effect upon the construction or interpretation of this Lease.

14.10. **Severability.** If any term, covenant, or condition of this Lease is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall remain valid and enforceable to the fullest extent

permitted by law.

14.11. **Representations.** Lessee agrees that no representations have been made by Lessor or by any person or agent acting for Lessor except those stated in this Lease. This document contains the entire agreement of the Parties. No verbal agreements, representations, warranties, or other understandings affect this Lease. Lessor and Lessee, as a material part of the consideration of this Lease, waive all claims against the other for rescission, damages, or otherwise by reason of any alleged covenant, agreement, or understanding not contained in this Lease.

14.12. **Gender and Plurality.** In this Lease, words importing any gender include any or all genders, and the singular number includes the plural whenever the context so requires.

14.13. **Survival of Certain Covenants.** All covenants pertaining to bond, insurance, indemnification, restoration obligations, breach or remedies shall survive the expiration or earlier termination of this Lease until Lessee has fulfilled all obligations to restore the Lease Premises as required by this Lease.

14.14. **Counterparts.** This agreement may be executed in any number of counterparts and by different Parties in separate counterparts.

14.15. **Delegation of Authority.** Lessor and Lessee acknowledge that Lessor as defined herein includes the Commission Members, their alternates or designees, and the staff of the Commission. The ability of staff of the Commission to give consent, or take other discretionary actions described herein will be as described in the then-current delegation of authority to Commission staff. All other powers are reserved to the Commission.

14.16. **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.

[Remainder of the page left intentionally blank.]

STATE OF CALIFORNIA - STATE LANDS COMMISSION

LEASE NUMBER:

This Lease shall become effective only when approved by and executed on behalf of the State Lands Commission of the State of California and 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:

LESSOR: STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Execution of this document was authorized by the California State Lands Commission on _____.

ATTACH ACKNOWLEDGMENT

EXHIBIT C – General Provisions

Section 3: General Provisions

Paragraph 1: Definitions

“Applicable Laws” are all local, state, and federal statutes, regulations, rules, codes (including building codes), ordinances, judgments, orders, notice requirements, and other requirements of governmental authorities pertaining to the use or condition of the Lease Premises and the conduct of Lessee's business thereon in effect as of the date of execution of this Lease or subsequently enacted and lawfully applied hereto.

“Damages” are all liabilities, demands, claims, actions, or causes of action whether regulatory, legislative, or judicial in nature; all assessments, levies, losses, fines, penalties, damages, costs, and expenses, including, without limitation: (i) reasonable attorneys', accountants', investigators', and experts' fees and expenses sustained or incurred in connection with the defense or investigation of any such liability, and (ii) costs and expenses incurred to bring the Lease Premises into compliance with Applicable Laws, Environmental Laws, a court order, or applicable provisions of a Regulatory Agency. The term “Damages” also includes those Damages that arise as a result of strict liability, whether arising under Environmental Laws or otherwise.

“Environmental Laws” are any and all federal, state, or local environmental, health, or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits, or permit conditions, treaties and conventions, currently existing and as amended, enacted, issued, or adopted in the future that are or become applicable to Lessee, and the Lease Premises with respect to: (a) the protection, preservation, or clean-up of the environment, wildlife, habitat, or natural resources; (b) the use, treatment, storage, transportation, handling, or disposal of Hazardous Materials; (c) the quality of the air and the discharge of airborne wastes, gases, particles, or other emissions; (d) the preservation or protection of waterways, groundwater, or drinking water; or (e) the health and safety of persons or property.

“Hazardous Materials” are any chemical, substance, material, controlled substance, object, condition, waste, living organism, or combination thereof

that is or may be hazardous to human health or safety or to the environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness, or other harmful or potentially harmful properties or effects, including, without limitation, tobacco smoke, petroleum and petroleum products, asbestos, radon, polychlorinated biphenyls (PCBs), and all of those chemicals, substances, materials, controlled substances, objects, conditions, wastes, living organisms, or combinations thereof that are now or become in the future listed, defined, or regulated in any manner by any Environmental Laws based on, directly or indirectly, such properties or effects.

“Improvements” are any modification, alteration, addition, or removal of any material and any other action that changes the condition of the Lease Premises from the natural state, whether situated above, on, or under the Lease Premises. Improvements include any construction situated on or placement of material within the Lease Premises regardless of value.

“Lease” is this document together with all subsequent amendments and exhibits.

“Major Repairs” means any work that requires a permit or approval from other agencies, requires environmental review, or requires rebuilding or replacing any of the authorized Improvement(s).

“Mineral Resources” includes timber, crops, sand, oil, gas, hard rock minerals and other mineral deposits as defined in Public Resources Code section 6407.

“Natural Resources” are all of the flora and fauna native to both the upland terrestrial, fresh water, coastal and marine ecosystems within, and adjacent to, the lease premises.

“Public Trust” means the constitutional, statutory, and common law doctrine providing the state’s sovereign authority over the navigable waters of the state, including the tidelands and submerged lands underlying those waters that are held in trust for the benefit of all the people of the state and for purposes that include maritime or water-dependent commerce, navigation, fisheries, the preservation of lands in their natural state for scientific study, open space, wildlife habitat, and water-oriented recreation.

“Repairs” means work to maintain the Lease Premises and Improvements thereon in good, safe, and clean condition. Repairs are work that is minor in

scope, do not require obtaining permits, approvals, or authorizations from other agencies, such as building permits, and do not require environmental review under State or Federal environmental laws.

Paragraph 2: Rent

2.1. **Absolute Triple Net Lease.** This Lease is an absolute triple net lease, meaning Lessor has no obligation with respect to the payment of taxes, insurance, the cost of maintenance, utilities, repairs, or other costs or obligations associated with the Leased Premises, except as expressly stated herein.

2.2. **Payment of Rent.** Lessee must pay rent annually, on or before each anniversary of this Lease unless this Lease specifies a different rent schedule. The first installment is due on the beginning date of this Lease or within 60 days of Lessor authorizing the Lease at a public meeting, whichever is later. Rent is due each year in advance. Should Lessee submit payments that are less than the full amount of rent due under this Lease, Lessor may provide a supplemental billing invoice. Rent will not be refunded or prorated if Lessee discontinues use of the Lease Premises during the term.

2.3. **Place for Payment.** All payments under this Lease must be submitted to Lessor's principal office as specified in this Lease. Lessee may contact Lessor's accounting staff for Lessor's current practices for payment by credit card or electronic fund transfer.

2.4. **Courtesy Invoices.** Lessor may send courtesy invoices to the address on file for Lessee at least thirty (30) days before a rent payment is due. Lessor's failure to, or delinquency in, providing invoices will neither excuse Lessee from paying rent nor extend the time for paying rent. If Lessor does not send a courtesy invoice, Lessee must submit rent in the amount of the prior year's rent when due and contact Lessor within thirty (30) days to determine the balance due.

2.5. **Penalties and Interest.** Penalties for late payments of any amounts due under this Lease and interest thereon are as provided in Title 2, California Code of Regulations section 1911(b). Timeliness of receipt of remittances shall be as provided in Title 2, California Code of Regulations section 1911(a).

2.6. **Annual Adjustment of Rent.** The rent specified in Section 1 of this Lease will be adjusted annually by the Consumer Price Index as specified in Title 2, California Code of Regulations section 1900(m) & (n) unless otherwise specified in this Lease.

2.7. Review of Non-Monetary Consideration. If rent is discounted or waived pursuant to Title 2, California Code of Regulations section 2003(e)(4), Lessor may review such determination at any time and set a monetary rental. Lessee shall be given at least thirty (30) days' notice prior to the date of the Commission meeting wherein the rent modification is considered, or thirty (30) days' notice prior to the effective date that the rent is changed, whichever provides more notice.

2.8. Periodic Rent Review. Lessor may modify the method, amount, or rate of consideration effective on each tenth anniversary of the beginning date of this Lease, in addition to the last two years of the Lease as provided in Provision 14.4 below. Lessor shall consider the factors provided in Title 2, California Code of Regulations section 2003(d) when determining whether a rent modification is appropriate and which rental method listed in section 2003(a) should apply. Should Lessor fail to exercise such right effective on any tenth anniversary, it may do so on any one (1) of the next nine (9) anniversaries following such tenth anniversary, without prejudice to its right to modify rent on the next or any succeeding tenth anniversary of the beginning date. No such modification shall become effective unless Lessee is given at least thirty (30) days' notice prior to the date of the Commission meeting wherein the rent modification is considered or thirty (30) days' notice prior to the effective date of the increase, whichever provides a greater notice period.

2.9. If Lessor elects to prepare an appraisal to establish a new rent, Lessee may, at its option, also provide a timely independent appraisal at its sole expense for Lessor's review and consideration. Prior to Lessee's contracting for such appraisal, Lessor and Lessee shall negotiate in good faith and agree upon the terms and conditions for such third-party appraisal, including but not limited to the highest and best use, appraisal methodology, and minimum appraiser credentials. Such appraisal shall be prepared in accordance with generally accepted and applicable appraisal standards as they are adopted from time to time by the Appraisal Standards Board of the Appraisal Foundation, and Lessor's Appraisal Guidelines.

2.10. Books and Records. Lessee must keep and maintain full and accurate accounting books and records of transactions from the Lease Premises in accordance with generally accepted accounting principles for at least the five (5) prior years. The accounting books and records kept and maintained by Lessee for audit purposes must include all records, receipts, journals, ledgers,

and documents reasonably necessary to enable Lessor or its auditors to perform a complete and accurate audit of gross sales and exclusions from gross sales in accordance with generally accepted accounting principles. Lessee must also maintain an original receipt for the payment of taxes, assessments, or installments and deliver such to Lessor upon request.

2.11. Report of Gross Income. On Lessor's request, Lessee must submit a Report of Gross Income on a form provided by Lessor for the prior five (5) years. This report together with supporting documentation (hereinafter collectively referred to as "Income Reports") must include all business operations located on or over the Lease Premises. The gross income of sublessees and all others generating income on the Lease Premises must be reported separately and with sufficient organization and detail so that Lessor can identify the source of all gross income generated on the Lease Premises.

2.12. Audits. On not less than ten (10) days' prior written notice to Lessee, Lessor may cause an audit to be made of the Income Reports and all of Lessee's records and accounting books necessary (in Lessor's judgment) to audit such items. Lessee will make all such books and records available for the audit at the Lease Premises or at Lessor's offices. If the audit discloses an underpayment of Rent, Lessee will immediately pay to Lessor the amount of the underpayment with "Interest" (as provided in Paragraph 2.5), which will accrue from the date the payment should have been made through and including the date of payment. If the audit discloses an underreporting of rent in excess of two percent (2%) of the reported Gross Income, then Lessee will also immediately pay to Lessor all reasonable costs and expenses incurred in the audit and in collecting the underpayment, including auditing costs and attorney fees. If the audit discloses an overpayment of Rent, Lessee will be entitled to a credit in the amount of the overpayment against the next rent payment(s).

Paragraph 3: Surety

3.1. Lessee to Obtain Surety. Lessee shall provide a surety bond or other security device acceptable to Lessor when required by Section 1 of this Lease. Such security shall be for the specified amount, name the State of California, California State Lands Commission, as the assured, and guarantee to Lessor the faithful observance and performance by Lessee of all the terms, covenants, and conditions of this Lease.

3.2. Lessor's Modification of Surety. Lessor may require an increase in the amount

of the surety bond or other security device to cover any additionally authorized Improvements, any modification of consideration, or to provide for inflation or other increased need for security. The surety bond or other security device may be increased: (i) if any additional Improvements or activities are authorized on the Lease Premises; (ii) if Lessee modifies any existing Improvements such that the cost for removal of such Improvements is increased; (iii) when a periodic rent review is conducted under section 2.8; (iv) on each fifth anniversary of this Lease, (v) Lessor determines it is in the best interest of the state; (v) within the last two years of the Lease. Should Lessor fail to exercise such right effective on any fifth anniversary, it may do so effective on any one of the next four anniversaries without prejudice to its right to modify the surety on the next fifth anniversary or as otherwise provided above. Lessor will provide at least thirty (30) days' notice prior to the date of the Commission meeting wherein the modification of the surety is considered, or thirty (30) days' notice prior to the effective date of the increase.

3.3. Lessee's Modification of Surety. Any security device required under this Lease must be maintained at all times during the Lease term. Lessee must first seek approval of Lessor before changing the surety holder or the type of security device used.

Paragraph 4: Insurance

4.1. Lessee Must Insure Lease Premises. Lessee must obtain and maintain in full force and effect during the term of this Lease comprehensive general liability insurance and property damage insurance against any and all claims or liability arising out of the ownership, use, occupancy, condition, or maintenance of the Lease Premises and all Improvements. The coverage limit must be no less than the amount specified in Section 1 of this Lease.

4.2. Insurance Policy Requirements. The insurance policy must identify the Lease by its assigned number. The coverage provided must be primary and non-contributing. Lessee must keep such policy current. Lessor must be named as a "certificate holder" or an "additional interest" on the policy. Lessee must provide Lessor with a current certificate of insurance at all times. At Lessor's request, Lessee must provide a full copy of the current insurance policy, along with any and all endorsements or other such documents affecting the coverage. Lessor will not be responsible for any premiums or other assessments on the policy.

4.3. Notice to Lessor. Lessee shall notify Lessor within five (5) business days if the

insurance is canceled for any reason and shall act diligently to replace the insurance. Failure to timely replace the insurance may result in a default of the lease.

4.4. Modification. Lessor may require an increase in the amount of the insurance to cover any additionally authorized Improvements, any modification of consideration, or to provide for inflation or other increased need. Insurance coverage may be increased: (i) if any additional Improvements or activities are authorized on the Lease Premises; (ii) if Lessee modifies any existing Improvements or intensity of use; (iii) when a periodic rent review is conducted under section 2.8; (iv) on each fifth anniversary of this Lease; (v) Lessor determines it is in the best interest of the state; (vi) within the last two years of the Lease. Should Lessor fail to exercise such right effective on any fifth anniversary, it may do so effective on any one of the next four anniversaries without prejudice to its right to modify insurance requirements on the next fifth anniversary. Lessor will provide at least thirty (30) days' notice prior to the date of the Commission meeting wherein the modification of insurance is considered, or thirty (30) days' notice prior to the effective date of the increase.

Paragraph 5: Taxes, Assessments, and Fees

5.1. Revenue and Tax Code Section 107.6 Statement. Issuance of this Lease creates a possessory interest that may be subject to property taxation. The Lessee may be subject to, and is solely responsible for, any possessory interest taxes levied on the leasehold interest.

5.2. Lessee to Pay All Taxes, Assessments, and Fees. In addition to any Rent due under this Lease, Lessee must pay when due all real and personal property taxes imposed on or associated with the Lease Premises during the term of this Lease. This includes, without limitation: possessory interest taxes, assessments, special assessments, user fees, and service charges. If this Lease begins or ends during a tax year, Lessee must pay the taxes, assessments, and fees for the portion of the tax year the Lease was in effect.

5.3. Reimbursement Agreements. Lessee must pay in full any amount owed on the Application Reimbursement Agreement within 30 days of invoice.

5.4. Records of Payments. Lessee shall keep the official and original receipt for payments required by this paragraph 5 and provide to Lessor upon request.

Paragraph 6: Land Use

6.1. **Only Authorized Uses.** Lessee will use the Lease Premises only for the purposes stated in this Lease. Any additional uses or Improvements require separate authorization from Lessor. Lessee must submit a separate application to Lessor to amend this Lease if Lessee intends to add to or alter the Improvements on, or change the uses of, the Lease Premises.

6.2. **Lessee to Comply with All Applicable Laws.** Lessee, at Lessee's sole expense, will comply with all Applicable Laws. Lessee must give Lessor immediate written notice on Lessee's becoming aware that the use or condition of the Lease Premises is in violation of any Applicable Laws. Lessee must obtain and maintain all permits or other entitlements.

6.3. **Lease Does Not Substitute for Permits.** This Lease does not substitute for or provide preference in obtaining approval from other federal, state, or local agencies. Lessee is solely responsible for determining what approvals, authorizations, or certifications are required, and will be solely responsible for all costs incurred thereby.

6.4. **No Discrimination.** Lessee, in its use of the Lease Premises, must not discriminate against any person or class of persons on any basis protected by federal, state, or local law.

6.5. **"As Is."** Lessee accepts the Lease Premises "as is" and acknowledges that:

6.5.1. Lessor, including its officers and employees, made no representations or warranties as to the suitability of the Lease Premises for any uses authorized under this Lease. Lessee is solely responsible for determining the suitability of the Lease Premises for any proposed use or Improvements; and

6.5.2. Lessor, including its officers and employees, has made no representations or warranties as to the quality or value of any Improvements found on the Lease Premises, or of their conformity to Applicable Laws. Lessee agrees to inspect any preexisting Improvements at its own cost to determine whether such Improvements are safe and suitable for the Lessee's intended use; and

6.5.3. Damage to or destruction of any Improvements on the Lease Premises by any cause whatsoever does not entitle Lessee to any reduction in rent or extension of this Lease; and

6.5.4. Any Improvements on the Lease Premises are considered personal property and not fixtures; and

6.5.5. Lessee accepts the hazards involved in using or improving such lands. Lessor is not responsible for any damages or reduced use of the Lease Premises caused by: local or invasive flora or fauna, flooding, erosion, climate change, sea level rise, storms, freezing, inclement weather of any kind, acts of god, maintenance or failure of protective structures, and any other such hazards. Lessee will not be reimbursed or receive offset of rent for such hazards; and

6.5.6. The Lease Premises may be subject to pre-existing contracts, leases, licenses, easements, encumbrances, and claims. The Lease is made without warranty by Lessor of title, condition, or fitness of the land for the stated or intended purpose.

6.6. Uses Inconsistent with the Public Trust Prohibited. Unless specifically authorized in this Lease, any use of the Lease Premises which is inconsistent with the Public Trust is prohibited when the Lease Premises are lands subject to the Public Trust.

Paragraph 7: Climate Change

7.1. Lessee acknowledges that the Lease Premises and adjacent upland may be subject to the hazards exacerbated by climate change, including sea level rise. Potential hazards to the Lease Premises from climate change include but are not limited to flood damage, erosion damage, earthquakes, tsunamis, and damage from waves and storm-created debris. Lessee acknowledges that these impacts associated with climate change may require additional adaptation or protection strategies applied to the improvements on the Lease Premises and additional maintenance.

7.2. Lessee assumes the risks associated with such potential hazards and agrees to be solely responsible for all damages, costs, and liabilities arising as a result of the impacts of such hazards on the Lease Premises. Any additional maintenance or protection strategies necessitated by such hazards may be subject to environmental review and require additional approval by the Lessor.

7.3. Lessee shall conduct monitoring reports within the first three years of lease execution or construction, and at five-year intervals thereafter for the life of the project; and shall also provide Lessor with monitoring reports following any extreme event, including, but not limited to: extreme tide event (including King Tides), earthquake, or tsunami that results in the declaration of a Local Emergency or a State of Emergency (as defined in Cal. Gov. Code § 8558) or a federal Emergency or Major Disaster (as defined in 44 C.F.R. § 206.2).

Paragraph 8: Environmental Matters

8.1. **Lessee to Comply with Environmental Laws.** Lessee, at its sole cost and expense, will comply with all Environmental Laws.

8.2. **Hazardous Materials.** Lessee will immediately notify Lessor of any known violation of any Environmental Laws, along with any action, claim, demand, inquiry, or order relating to a violation of Environmental Laws on the Lease Premises. Lessee must immediately provide copies of all related documents upon Lessor's request. Lessee must immediately notify Lessor and the appropriate governmental emergency response agency, or agencies in the event of any release or threatened release of any Hazardous Material on or about the Lease Premises.

8.3. **Cleanup of Hazardous Materials.** If Hazardous Materials are located on or released onto or about the Lease Premises due to Lessee's activities on the Lease Premises, the Lessee is responsible for the cleanup and disposal of such Hazardous Materials consistent with all Applicable Laws. Lessee must submit a site assessment and removal/remediation plan prepared by a professional, licensed and qualified to remove or remediate the Hazardous Materials for review and approval by Lessor. If Lessor approves the plan in writing, Lessee must commence the removal/remediation at its sole expense, in conformance with all Applicable Laws. Alternately, Lessor may elect to perform the removal/remediation at Lessee's expense. Lessee must compensate Lessor for the actual cost of the removal/remediation within thirty (30) days of receiving a written invoice from Lessor.

8.4. **Inspection.** Lessee will permit Lessor or its agents to enter the Lease Premises on 24-hour notice to inspect, monitor, or take remedial action with respect to Hazardous Materials. If Hazardous Materials are generated, stored, or transported on the Lease Premises, Lessor may require Lessee to conduct an independent environmental site assessment or inspection for the presence or suspected presence of Hazardous Materials. If this assessment or inspection is required, Lessor will be allowed to review and approve the contractor, and the work will be done at Lessee's expense.

8.5. **Conservation.** Lessee will cooperate with and participate in conservation programs for water, electricity, composting, natural gas and recycling programs, including those for the collection of cardboard, metals, plastics, and glass at Lessee's expense.

Paragraph 9: Repairs, Major Repairs, and Alterations

9.1. **Lessee Required to Perform Repairs.** Lessee is solely responsible for maintaining the Lease Premises, including all Improvements, in good order and repair and in a clean, safe, sanitary, and orderly condition. Lessee is not required to get Lessor's advanced approval for routine Repairs.

9.2. **Major Repairs Require Lessor Approval.** Lessee must obtain Lessor's advanced written approval prior to conducting any Major Repairs. The decision whether a Repair is a Major Repair, and the decision whether a lease amendment is necessary, will be made by Lessor and based on the scope, cost, and impacts of the work.

9.3. **Alterations Require Lessor Approval.** Any material change in the size, scope, density, type, nature, or intensity of Improvements on or uses of the Lease Premises from what is authorized in this Lease will be considered an Alteration. Lessee may not conduct any Alterations without a modification of this Lease approved by Lessor. The decision whether a change constitutes an Alteration will be made by Lessor and based on the individual facts.

9.4. **Improvements in Disrepair or Unsafe Condition.** Lessee's failure to maintain the Lease Premises or Improvements that have become unsafe or derelict entitle Lessor to require removal under Paragraph 14. After providing notice and opportunity to cure, Lessor may require submission of a written plan to restore the Lease Premises under Paragraph 14. Lessee's failure to comply shall entitle Lessor to terminate this Lease, remove the Improvements from the Lease Premises and recover the costs incurred in doing so from the Lessee.

Paragraph 10: Lessor's Reservation of Rights

10.1. **Non-Exclusive Lease.** Lessee's right of occupancy is non-exclusive. Lessee may control access to the Improvements on the Lease Premises. Unless otherwise stated in this Lease, Lessee may exclude persons from the Lease Premises only when their presence or activity constitutes a material interference with the Authorized Use of the Lease Premises.

10.2. **Lessee Responsible for Impacts to Natural Resources and Public Trust Uses.** When the Lease Premises include school lands or sovereign lands, the Lessee is responsible for any damage or adverse impacts to Natural Resources within or adjacent to the Lease Premises. It is the intention of Lessor to limit the transfer of rights under this lease to the minimum level required to carry out the primary purpose of the Lease. Lessee's use of the Lease Premises must minimize impacts

to the Public Trust if the Lease Premises are subject to the Public Trust. Lessee must not interfere with public access or Public Trust uses authorized under statute and common law.

10.3. **Mineral Resources.** Mineral Resources may not be removed from the Lease Premises unless specifically authorized under this Lease. Lessee shall not extract, sell, damage, or use Mineral Resources found within the Lease Premises without specific authorization under this Lease. Lessor reserves the right to grant and transfer Mineral Resources along with the right to grant leases to third parties in and over the Lease Premises for the extraction of such Mineral Resources. Such leasing will not be inconsistent or incompatible with the rights or privileges of Lessee under this Lease.

10.4. **Right to Inspect.** Lessor reserves the right to inspect the Lease Premises. If access to the Lease Premises is reasonably accomplished by passing through adjacent property owned by Lessee, Lessor shall provide 24-hour notice prior to entry and Lessee shall grant such entry for inspection of the Lease Premises.

10.5. **Statutory Reservations.** Lessor reserves to the public an easement across the Lease Premises complying with Public Resources Code section 6210.4 and Public Resources Code section 6210.5.

10.6. **Multiple Overlapping Leases Allowed.** Lessor 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.

Paragraph 11: Indemnity

11.1. **Lessee's Sole Risk.** Lessee's use of the Lease Premises and any Improvements thereon, including use by guests and invitees, is at Lessee's sole and exclusive risk.

11.2. **Lessee to Indemnify Lessor.** Except to the extent caused by the sole negligence or willful misconduct of the Lessor, Lessee shall indemnify, hold harmless, and, at the option of Lessor, defend Lessor, its officers, agents, and employees from any and all Damages resulting from Lessee's occupation and use of the Lease Premises. Lessee shall reimburse Lessor in full for all reasonable costs and attorneys' fees, specifically including, without limitation, any Damages arising by reason of: (1) The issuance, enjoyment, interpretation, or breach of this Lease; (2) The challenge to or defense of any environmental review upon which the issuance of this Lease is based; (3) The death or injury of any person, or

damage to or destruction of any property from any cause whatever in any way connected with the Lease Premises, or with any of the Improvements or personal property on the Lease Premises; (4) The condition of the Lease Premises, or Improvements on the Lease Premises; (5) An act or omission on the Lease Premises by Lessee or any person in, on, or about the Lease Premises; (6) Any work performed on the Lease Premises or material furnished to the Lease Premises; (7) Lessee's failure to comply with any Applicable Laws or violation of any Environmental Laws; (8) The costs for any cleanup or other response costs relating to the release or threatened release of Hazardous Materials on the Lease Premises during Lessee's occupation of the Lease Premises. This obligation includes any prior leases between Lessee and Lessor and will continue until Lessee has performed all duties under Paragraph 14.

11.3. Lessor Not Required to Defend. Lessor need not defend itself against all or any aspect of any challenge to this Lease or any associated environmental review. However, Lessee may take whatever legal action is available to it to defend this Lease or any associated environmental review against any challenge by a third party, whether or not Lessor chooses to raise a defense against such a challenge.

11.4. Lessee to Notify Lessor. Lessee shall notify Lessor immediately in case of any accident, injury, or casualty on the Lease Premises.

Paragraph 12: Assignment, Encumbrance, or Sublet

12.1. Lessor's Consent Required for Assignment. Lessee shall not mortgage; hypothecate; encumber; assign; sublet; enter into franchise, license, or concession agreements; or otherwise transfer all or part of this Lease (collectively "Assign" or "Assignment") without Lessor's advanced and expressed consent at a properly noticed public meeting. Any purported Assignment without Lessor's consent will be void and of no force or effect and will not confer any estate or benefit on anyone. A consent to one Assignment by Lessor will not be deemed to be a consent to any subsequent Assignment by or to any other party.

12.2. Lessee Actions Not Considered Assignments. If Lessee is a public corporation whose stock is traded on a nationally recognized stock exchange, sale or transfer of such stock is not an Assignment.

12.3. Procedures. If Lessee desires to Assign this Lease, Lessee will apply to Lessor for the proposed Assignment. The Assignment will be considered by Lessor at a public meeting. Lessor may require any of the following in considering consent

of an Assignment: (a) the nature, effective date, terms, and conditions of the assignment; (b) a description of the identity, net worth, and previous business experience of the proposed assignee; (c) a complete business plan prepared by the proposed assignee; and (d) any further information relevant to the proposed Assignment that Lessor reasonably requests. Lessor may either (i) consent to the proposed Assignment; (ii) refuse to consent to the proposed Assignment; or (iii) determine that it is preferable to terminate this Lease and issue a new lease to the proposed assignee.

12.4. Standard for Consent. Lessor may refuse its consent to the proposed Assignment on any reasonable grounds. Reasonable grounds include, without limitation: (a) the proposed assignee intends to use the Lease Premises for different activities or uses than those set forth in Section 1; (b) the proposed assignee's financial condition is deemed by Lessor to be inadequate to support the financial and other obligations of Lessee under this Lease; (c) the business reputation or character of the proposed assignee is not reasonably acceptable to Lessor; (d) the proposed assignee is not likely to conduct a business of a quality substantially equal to that conducted by Lessee; (e) the proposed assignee's planned use of the Lease Premises would increase the burden on the Lease Premises, involve an increased risk of the presence, use, release, or discharge of Hazardous Materials; or (f) Lessor has not received adequate assurance that all breaches will be cured before the effective date of the proposed Assignment.

12.5. Additional Terms. Lessee's Assignment of the Lease does not release Lessee from liability for any Hazardous Materials or ordinance manufactured, generated, used, placed, disposed, stored, or transported on the Lease Premises during Lessee's tenancy. An unauthorized assignment does not relieve Lessee from its covenants and obligations under this Lease. Lessor's acceptance of any payment due under this Lease from any person other than Lessee will not be deemed to be a waiver by Lessor of any provision of this Lease or to be a consent to any Assignment.

12.6. Bankruptcy. If Lessee files a petition or an order for relief is entered against Lessee under the Bankruptcy Code (11 U.S.C. § 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 as that deadline may be extended by order of the court, 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 breaches of this Lease (monetary and non-monetary) or has provided Lessor with adequate assurances (a) that within ten (10) days from the date of such assumption or assignment, all monetary breaches of this Lease will be cured; and (b) that within thirty (30) days from the date of such assumption, all non-monetary breaches of this Lease will be cured; and (c) that all provisions of this Lease will be satisfactorily performed in the future.

12.7. **Permitted Assignments.** The following Assignments are permitted under this Lease without Lessor's consent: (a) Assignment caused by the death of a spouse where the full interest of the deceased spouse is Assigned to a surviving spouse who is a co-lessee on this Lease, provided Lessor is notified in writing within thirty (30) days of the assignment; (b) assignment caused by the dissolution of the marriage of Lessee when the full interest of one spouse is assigned to the other spouse who is a co-lessee on this Lease, provided Lessor is notified in writing within thirty (30) days of the transfer; and (c) substitution or succession of a new trustee if the Lease is held in trust and the Lessee is a trustee or successor trustee thereof, provided Lessor is notified in writing no later than sixty (60) days after the named trustee as appears on the face of this Lease becomes unable or ceases to serve as trustee for any reason.

12.8. **Lessee Remedies.** If Lessor withholds or conditions its consent and Lessee believes that Lessor did so contrary to the terms of this Lease, then Lessee's sole remedy will be to prosecute an action for declaratory relief to determine if Lessor properly withheld or conditioned its consent, and Lessee hereby waives all other remedies.

Paragraph 13: Breach

13.1. **Events of Breach.** All covenants and agreements contained in this Lease are declared to be conditions to this Lease. Lessee's failure to pay rent when due or any other charges under this Lease for five (5) days after written notice from Lessor to Lessee will be considered a monetary breach. Lessee's failure to perform any other promise, covenant, or agreement under this Lease for more than thirty (30) days after written notice from Lessor to Lessee will be considered a non-monetary breach. If a non-monetary breach cannot be cured within the thirty (30)-day period, the breach will be deemed to be cured if Lessee begins to cure the breach within the thirty (30)-day period and continues to diligently complete the cure.

13.2. **Breach of Lease.** Lessor shall provide written notice to Lessee specifying the particulars of the breach. Should Lessee fail to cure the breach within the period specified in Paragraph 13.1, then Lessor may elect to pursue any available remedies under law, or those specified in paragraph 13.3, below.

13.3. **Remedies on Breach of Lease.** In addition to any other rights or remedies at law or equity, Lessor may, without further notice, (a) terminate this Lease, reenter and take possession of the Lease Premises and remove all persons and all Improvements therefrom at Lessee's cost; or (b) keep this Lease in effect without declaring this Lease terminated and without terminating Lessee's right to possession, reenter the Lease Premises and occupy the whole or any part for and on account of Lessee and collect any unpaid rentals and other charges that have become payable or that may thereafter become payable; or (c) terminate this Lease after reentering the Lease Premises as provided in subclause (b) above. Any notice required to be given by Lessor above will be instead of, and not in addition to, any notice required under the laws of the State of California.

13.4. **Determination of Rental Value.** If rent under this Lease is calculated as percentage of Lessee's income attributable to the Lease Premises and Lessee abandons the Lease Premises, then the reasonable rental value shall be the percentage of proceeds Lessor would have received had Lessee operated the Lease Premises in the usual and customary manner.

13.5. **Acceptance of Rent When Lessee is in Breach.** Lessor's acceptance of any rent shall not be considered a waiver of any preexisting Breach by Lessee other than the failure to pay the particular rent accepted regardless of Lessor's knowledge of the preexisting Breach at the time rent is accepted, unless the breach was a monetary breach and the payment occurs during the cure period specified in Paragraph 13.1.

13.6. **Acceptance of Payments After Lease Termination.** Lessee's submission or Lessor's acceptance of any payments after the expiration or termination of this Lease shall not reinstate or extend this Lease. Lessor may elect to retain any payment submitted and apply these payments to offset any damages claimed against Lessee; or Lessor may elect to allow a holdover tenancy under Paragraph 14.6; or Lessor may elect to refund the payments less a reasonable handling fee.

13.7. **Waiver of Rights.** The failure or delay of either party to exercise any right or remedy shall not be construed as a waiver of such right or remedy or any

Breach by the other party.

Paragraph 14: Conditions of Lease Termination

14.1. **Use of State Land.** This Lease authorizes the use or occupation of state land for a fixed term of years without options or rights of renewal. Lessee accepts that future leases authorizing the continued existence of any Improvements constructed or maintained by Lessee on the Lease Premises are subject to a discretionary action of the California State Lands Commission. Submission of an application for a new lease does not guarantee a new lease will be granted to Lessee. Lessee acknowledges that construction of Improvements on the Lease Premises and investment in or obtaining financing for the uses authorized under this Lease is done in full understanding that future leases are not guaranteed. Lessee also affirmatively represents that the cost of removing Improvements was considered before entering into this Lease and placing or assuming any Improvements on state land.

14.2. **Abandonment.** Lessee's right of access to the Lease Premises was a material consideration in Lessor issuing this Lease. If, without prior notice to Lessor, Lessee sells, abandons, or loses title to the upland property adjacent to the Lease Premises, or otherwise loses the legal right to access the Lease Premises, Lessor may deem this an abandonment of the Lease Premises. Lessee must actively maintain and manage any Improvements authorized by this Lease. Should Lessee discontinue use, management, or maintenance of the authorized Improvements, Lessor may deem this an abandonment and elect to terminate the Lease. Alternately, Lessor has the remedy described in California Civil Code section 1951.4 (Lessor may continue lease in effect after Lessee's breach and abandonment and recover rent as it becomes due if Lessee has right to sublet or assign, subject only to reasonable limitation). Abandonment of the Lease Premises shall not relieve Lessee of any obligations under this Lease.

14.3. **Restoration.** In issuing this Lease it is Lessor's understanding that all Improvements will be removed from state land at the expiration or termination of this Lease. If Lessee abandons the Lease Premises, or Lessor terminates this Lease, or this Lease expires without execution of a new lease authorizing Lessee's use of the Lease Premises, Lessee must: 1) remove all Improvements regardless of whether Lessee constructed or placed Improvements together with all debris at its sole expense and risk, restoring the Lease Premises to as close as possible to an unimproved condition to Lessor's satisfaction; and 2) immediately surrender possession of the Lease Premises. Lessor may, in its sole

discretion, allow all or any portion of the Improvements to remain in place. In carrying out this obligation, Lessee acknowledges that further authorizations, review of the Restoration Plan, and environmental review may be necessary as outlined in Section 14.4 below.

14.4. Two Years Prior to Expiration. (A) If Lessee desires to continue the uses authorized under this Lease, Lessee shall submit an application together with all required fees at least two years prior to the expiration of this Lease. Submission of an application does not guarantee a new lease will be granted to Lessee. (B) If Lessee does not desire to occupy the Lease Premises beyond the term of this Lease, then two years prior to the expiration of this Lease, Lessee shall submit an application, including a detailed plan to remove all Improvements and restore the Lease Premises to the condition existing prior to the installation or construction of any Improvements. The plan must include a timeline for obtaining all necessary permits. The restoration plan may require a subsequent environmental review and approval from Lessor. (C) Lessor may modify annual rent, surety and insurance within the last two years of the Lease.

14.5. Failure to Restore Lease Premises. Lessee's failure to remove improvements, restore the Lease Premises, or surrender possession of the Lease Premises at the expiration or sooner termination of this Lease shall not constitute a renewal or extension and shall not give Lessee any rights in or to the Lease Premises or any part thereof. Lessee shall not be entitled to any compensation for Improvements left on the Lease Premises at the termination or expiration of this Lease. Lessor may, in its sole discretion, elect to treat the Improvements as abandoned and remove all or any portion of Improvements from the Lease Premises. Lessee's failure to adequately restore the Lease Premises imposes significant financial liability on Lessor. As a result, Lessee shall be responsible for all expenses incurred by Lessor in restoring the Lease Premises, including, without limitation, staff time, environmental work or permitting, contractor costs, and reasonable attorney's fees.

14.6. Holdover. This Lease terminates without further notice at the end of its term. Lessor may, in its sole discretion, choose to accept Rent for the Lease Premises and allow a period of holdover tenancy. Any holdover tenancy shall be on a month-to-month basis. Lessee's submittal of annual rent during holdover does not constitute tenancy longer than month-to-month. Any holdover tenancy shall be on the same terms as this Lease insofar as such terms can be applicable to a month-to-month tenancy. The rent for each month or any portion thereof during

such holdover period is one hundred fifty percent (150%) of one-twelfth (1/12) of the total compensation for the most recent year paid. The month-to-month tenancy may be terminated by Lessor upon thirty (30) calendar days' prior written notice to Lessee.

14.7. **Holdover on Leases with No Monetary Consideration.** In the event this Lease does not require monetary consideration, 14.6 shall continue to apply, and in addition: 1) Lessor shall have the right to establish rent based on the fair market value of the Lease Premises, and 2) In no way shall the prior lease consideration limit damages for trespass.

14.8. **Quitclaim.** In the event this Lease is terminated prior to expiration, Lessee shall deliver a quitclaim of all rights under this Lease to Lessor on request. Lessee shall execute and deliver such quitclaim to Lessor in a form provided by Lessor. Should Lessee fail or refuse to deliver such a release, Lessor may record a written notice reciting such failure or refusal. This written notice shall, from the date of its recordation, be conclusive evidence against Lessee of the termination of this Lease and all other claimants.

Paragraph 15: Additional Provisions

15.1. **Conflict in Terms.** In the case of any conflict between these General Provisions and Special Provisions found in Section 2, the Special Provisions control.

15.2. **Boundaries.** This Lease does not establish the State's boundaries in so far as it relates to land and resource jurisdiction and ownership and is made without prejudice to either party regarding any land and water boundary or title claims which may be asserted presently or in the future.

15.3. **No Waiver.** Lessor's acceptance of a late or nonconforming performance shall not constitute a waiver unless such waiver is expressly acknowledged by Lessor in writing. Lessor's delay in or omission to exercise any right under this Lease shall not constitute a waiver.

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

15.5. **Notice.** All notices required to be given under this Lease shall be given in writing, sent by U.S. Mail or other reputable private carrier with postage prepaid, to Lessor at the offices of the State Lands Commission and the Lessee at the address specified in this Lease. Lessor's staff and Lessee may agree to accept

any notice by electronic mail. Lessee shall give Lessor notice of any change in its name or address.

15.6. **Consent.** Lessor's consent to one transaction or event shall not be deemed to be a consent to any subsequent occurrence.

15.7. **Changes.** This Lease may only be amended, revised, or supplement by written agreement of the Parties.

15.8. **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.

15.9. **Captions.** The section and paragraph captions used in this Lease are for the convenience of the Parties. The captions are not controlling and shall have no effect upon the construction or interpretation of this Lease.

15.10. **Severability.** If any term, covenant, or condition of this Lease is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall remain valid and enforceable to the fullest extent permitted by law.

15.11. **Representations.** Lessee agrees that no representations have been made by Lessor or by any person or agent acting for Lessor except those stated in this Lease. This document contains the entire agreement of the Parties. No verbal agreements, representations, warranties, or other understandings affect this Lease. Lessor and Lessee, as a material part of the consideration of this Lease, waive all claims against the other for rescission, damages, or otherwise by reason of any alleged covenant, agreement, or understanding not contained in this Lease.

15.12. **Gender and Plurality.** In this Lease, words importing any gender include any or all genders, and the singular number includes the plural whenever the context so requires.

15.13. **Survival of Certain Covenants.** All covenants pertaining to bond, insurance, indemnification, restoration obligations, breach or remedies shall survive the expiration or earlier termination of this Lease until Lessee has fulfilled all obligations to restore the Lease Premises as required by this Lease.

15.14. **Counterparts.** This agreement may be executed in any number of counterparts and by different Parties in separate counterparts.

15.15. **Delegation of Authority.** Lessor and Lessee acknowledge that Lessor as

defined herein includes the Commission Members, their alternates or designees, and the staff of the Commission. The ability of staff of the Commission to give consent, or take other discretionary actions described herein will be as described in the then-current delegation of authority to Commission staff. All other powers are reserved to the Commission.

15.16. **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.

[Remainder of the page left intentionally blank.]

STATE OF CALIFORNIA - STATE LANDS COMMISSION

LEASE NUMBER:

This Lease shall become effective only when approved by and executed on behalf of the State Lands Commission of the State of California and 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:

LESSOR: STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Execution of this document was authorized by the California State Lands Commission on _____.

ATTACH ACKNOWLEDGMENT