

LEASE AGREEMENT
FOR THE GRAZING OF NON-DAIRY LIVESTOCK
ON LAGUNA COUNTY SANITATION DISTRICT PROPERTY

THIS LEASE AGREEMENT is made between the

LAGUNA COUNTY SANITATION DISTRICT
a county sanitation district in the County of Santa Barbara,
state of California, hereinafter referred to as “DISTRICT”;

and

K2 CATTLE COMPANY, LLC.
hereinafter referred to as “LESSEE”;

with reference to the following:

WHEREAS, the DISTRICT is the owner of certain real properties known as Assessor Parcel Numbers 113-200-013, 113-210-015, and 113-240-015 comprising of a total of 542.6 acres, as shown in Exhibit “A”, containing approximately 353 irrigable acres on 4 pastures as shown in Exhibit “B”, attached hereto and made a part hereof; and

WHEREAS, the LESSEE is desirous of entering into a lease with the DISTRICT for the grazing of non-dairy livestock owned by LESSEE on irrigated pasture on said property; and

WHEREAS, the DISTRICT produces disinfected tertiary recycled water and may produce undisinfected secondary recycled water, for which the irrigation of pasture for animals not producing milk for human consumption is an allowed use as defined in Section 60304 of Title 22 of the California Code of Regulations. DISTRICT is further regulated pursuant to Waste Discharge Requirements and Master Reclamation Permit Order No. R3-2011-0217 issued by the Central Coast Regional Water Quality Control Board (hereinafter “DISTRICT’s Permit”). DISTRICT’s Permit may be replaced during the term of this Lease Agreement, which may require amendment(s) to this Lease Agreement; and

WHEREAS, the DISTRICT supplies disinfected tertiary recycled water to offsite customers on a primary basis. Water not used by primary customers is stored in the reservoir or lower ponds located on the parcel housing Pasture 3 as shown in Exhibit “B”. Other primary customers may draw water from storage. Stored water may either be disinfected tertiary recycled water or undisinfected secondary recycled water. DISTRICT will irrigate stored water as available to irrigated pasture defined above as available.

NOW, THEREFORE, in consideration of the following conditions, DISTRICT and LESSEE agree as follows:

1. LOCATION: DISTRICT leases to LESSEE property shown in Exhibit "A", upon which the designated area representing irrigable land is shown in Exhibit "B". The property is hereinafter referred to as the "Premises".

2. TERM: This Lease Agreement shall commence on April 1, 2020 and end on December 31, 2024 unless sooner terminated as hereinafter provided.

3. WATER SUPPLY: LESSEE understands that the amount of recycled water available from storage may vary from year to year depending on the number of primary users, the demand from primary users, and weather variability and that water availability may not meet hydrologic or agronomic criteria. LESSEE may find it necessary to reduce the number of cattle grazing on the Premises or provide supplemental feed if the amount of water or forage available does not meet minimum grazing needs. Supplemental feed shall not be provided in such a way as to cause damage to the forage grass. LESSEE shall not make any claim against DISTRICT based on water supply, including, without limitation any claim for injury or damage to livestock.

4. GRAZING OPERATION: LESSEE recognizes and agrees that overgrazing of the Premises may contribute degradation of the forage and damage to the land. Therefore, LESSEE agrees to follow best management grazing practices as determined by the County Agricultural Extension Service, County Farm Advisor, or any other recognized experts in the field of livestock grazing practices. LESSEE agrees to comply with all requests made by DISTRICT in order to carry out such practices. Specific operational conditions are as follows:

a) The annual average total number of cattle should not exceed 240 as the sum of cows, cow-calf pairs, and breeding bulls. LESSEE must either graze a sufficient minimum number of cattle as allowed by water availability to maintain forage grass heights, or mow as needed, to allow for continued irrigation. All cattle must be owned by LESSEE only.

b) Water is typically irrigated by DISTRICT Monday through Saturday, with Sunday as a rest day. Water application may not exceed hydraulic or nitrogen loading rates. Based on average rainfall, average evapotranspiration and current nitrogen concentration, the governing factor for water application is the nitrogen uptake of the

perennial and annual grass pasture and the maximum irrigation per month per pasture in millions of gallons is given below:

Month	Pasture 1	Pasture 2	Pasture 3	Pasture 5
January	1.00	0.97	0.96	0.52
February	1.32	1.27	1.25	0.68
March	5.92	5.10	4.84	2.54
April	13.02	10.93	10.28	5.35
May	17.45	14.59	13.70	7.12
June	18.04	15.07	14.15	7.35
July	18.20	15.21	14.27	7.41
August	16.60	13.87	13.01	6.76
September	13.39	11.20	10.51	5.46
October	10.14	8.50	7.99	4.15
November	4.22	3.60	3.41	1.78
December	0.84	0.81	0.80	0.44
Totals	120.14	101.11	95.16	49.56

Upon completion of the proposed treatment plant upgrade, changes to the nitrogen concentration in the recycled water will allow maximum irrigation volumes be based on hydraulic loading rates. The revised maximum irrigation per month per pasture in millions of gallons given below:

Month	Pasture 1	Pasture 2	Pasture 3	Pasture 5
January	1.60	1.60	1.60	1.60
February	2.10	2.09	2.08	2.08
March	9.42	8.39	8.07	7.75
April	20.71	18.00	17.15	16.30
May	27.77	24.03	22.86	21.69
June	28.71	24.82	23.60	22.39
July	28.97	25.04	23.81	22.58
August	26.41	22.83	21.71	20.59
September	21.30	18.44	17.54	16.65
October	16.13	13.99	13.33	12.66
November	6.72	5.93	5.68	5.44
December	1.34	1.34	1.34	1.34
Totals	191.16	166.48	158.77	151.05

c) Modification to the pasture grass is prohibited without prior approval by the DISTRICT including reseeding, using nitrogen-rich fertilizer, etc. DISTRICT will cause the prompt emptying of ponded water to promote the use of the water troughs provided. Pasture 5 also functions as habitat for endangered species and is not bermed. Therefore,

runoff from irrigation on Pasture 5 is prohibited and may not collect on the pool located on the east side. Pasture 5 is subject to the terms of a Habitat Conservation Plan and associated management practices related to the preservation of endangered species.

d) Existing pasture grass on Pastures 1, 2, and 3 primarily consists of perennial bermudagrass. It is recommended that wilted or young regrowth should not be grazed for several days until it has had the opportunity to mature. Pasture 5 consists of local annual grasses.

e) When grass is available in Pasture 5, cattle must graze 3 pastures at one time to allow rest periods on the remaining pasture. Rest periods shall be a 2 week minimum from May through October and a 4 week minimum November through March. If grass is not available in Pasture 5, LESSEE may graze cattle in the remaining pastures.

f) DISTRICT will to the extent possible, irrigate pastures in such a way to maintain forage health year-round.

5. LEASE ARRANGEMENT: Over the course of this Lease Agreement LESSEE shall pay DISTRICT \$8,500.00 (zero dollars) per month for the term of the Lease Agreement period. Said amount will be billed by the 15th of the month prior with payment due 30 days after the billing date.

6. LESSEE'S RESPONSIBILITIES: LESSEE shall provide personnel as necessary to move, run and operate its cattle operations including monitoring and reporting cattle numbers. LESSEE shall make repairs to improvements such as fences, gates, trough facilities, stables and paddocks; perform mowing, pruning, weed abatement, trash removal, brush clearing and other maintenance activities associated with LESSEE's cattle operation. Specific LESSEE responsibilities include:

a) Performing its activities during DISTRICT working hours, which are 6:30 am to 5:00 pm daily. LESSEE shall coordinate access to the pastures with DISTRICT staff.

b) LESSEE will provide and maintain insurance and indemnification as described in Exhibit "C", attached hereto and made a part hereof. Noncompliance with any provision of this paragraph shall constitute a material breach of this Lease Agreement and in addition to any remedies provided by law, DISTRICT shall have the right to terminate this Lease Agreement and the interest hereby created without liability therefor.

c) LESSEE shall provide appropriate training regarding the use of recycled water to all personnel accessing the Premises. DISTRICT shall provide LESSEE with a recycled water use area instructional video.

7. HOLDING OVER AT EXPIRATION OF LEASE: Should the LESSEE occupy the Premises after the expiration date of this Lease Agreement, with the consent of DISTRICT, express or implied, such tenancy shall be a tenancy from month-to-month and the conditions described herein shall continue as if this Lease Agreement were to continue in full force and effect.

8. ADMINISTRATION AND ENFORCEMENT: The provisions of this Lease Agreement, including the TERMINATION provisions as provided in Section 35, shall be administered and enforced for DISTRICT by the Chief Plant Operator of the Laguna County Sanitation District. DISTRICT's failure to discover or object to any violations of the Lease Agreement will not constitute an acquiescence therein or a waiver of DISTRICT's right to require LESSEE to comply with this Lease Agreement or seek any other legal remedy; and every power and remedy given by this Lease Agreement to DISTRICT shall be exercised from time to time and as often as may be deemed expedient in the sole discretion of DISTRICT.

9. INSTALLATION OF FENCING: Fencing and gates or any other permanent improvements installed by LESSEE shall become permanent fixtures of the land. Temporary corrals are not considered permanent improvements.

10. LAND USE: The premises covered herein shall be used by LESSEE for the purpose of grazing non-dairy livestock and purposes necessarily incidental thereto and for no other purposes whatsoever. All such incidental purposes shall be compatible with the use of recycled water treated to the appropriate level for pasture irrigation for animals not producing milk for human consumption. No cropping or harvesting of fodder or any other crop is permitted on the Premises under this Lease Agreement.

11. GRAZING REPORT: To ensure good grazing practices, the LESSEE shall provide DISTRICT with an initial grazing plan and annual report by June 30 of each year. The grazing plan and report shall identify actual maximum and minimum number, duration, and type of non-dairy livestock for the prior year as well as the proposed maximum and minimum number, duration, and type of non-dairy livestock proposed for the next year. Total cattle numbers shall be reported monthly. DISTRICT shall approve LESSEE's proposed plan or require changes to it

within thirty (30) days of its submittal and, following approval of initial plan, LESSEE may bring livestock upon the Premises. Failure of the DISTRICT to take action on LESSEE's proposed plan within forty-five (45) days of submittal shall constitute approval.

12. DISTRICT RESPONSIBILITIES: DISTRICT shall provide at its expense, recycled water (as available from storage), storage facilities, pumps, distribution piping, irrigation piping, equipment and labor to effect irrigation of the irrigable land on the Premises. As stated above, no guarantee is made as to the daily or seasonal availability of recycled water.

13. UTILITIES: LESSEE agrees that no utilities may be constructed or placed on the Premises, either permanent or temporary in nature without DISTRICT approval.

14. EXERCISE OF SOVEREIGNTY: DISTRICT reserves the right to modify the use of all or any portion of the land which is covered by this Lease Agreement, for which use may restrict grazing rights granted herein and preempt rights of LESSEE.

15. NO INTERFERENCE WITH FACILITIES: LESSEE will not interfere with any existing or future facilities of the DISTRICT required for operation and maintenance of the Premises, including roads, trails, utilities, ditches, canals, laterals, conduits, or pipelines, or with any use of the Premises by DISTRICT.

16. RIGHTS OF WAY: LESSEE will not interfere with the right of ingress or egress of officers, officials, agents, employees, licensees, or permittees of the DISTRICT, at all proper times and places for the purpose of exercising, enforcing, and protecting the right of the DISTRICT and for the purpose of operating and maintaining the Premises. LESSEE will supply its own locks to gates and shall provide DISTRICT with keys or combinations to those locks.

17. NO WASTE: No waste shall be deposited on the Premises, nor shall any nuisance or other act be committed that disturbs the use or enjoyment of DISTRICT or any other LESSEE of DISTRICT of the Premises. LESSEE shall promptly remove livestock carcasses at LESSEE's expense.

18. RESIDENCE PROHIBITED: No residence shall be established on either a permanent or temporary basis on the Premises.

19. HUNTING PROHIBITED: Hunting is prohibited on the Premises. Special circumstances such as a depredation permit issued by the appropriate authorities may be considered and approved by the DISTRICT based on need.

20. NO TIMBER CUTTING: Timber cutting is prohibited on the Premises except by advance written consent by DISTRICT in each instance. Brush and downed trees may be removed by LESSEE or as directed by DISTRICT at LESSEE's expense to maintain access.

21. IMPROVEMENTS: No building improvements shall be constructed on the Premises.

22. COMPLIANCE WITH THE LAW: LESSEE shall comply with all local, County, State, and Federal laws, rules, and regulations affecting the Premises and the operations to be conducted pursuant to the provisions of the Lease Agreement, now or hereafter in effect, including, but not limited to, the District's Incidental Take Permit and Habitat Conservation Plan.

23. POSSESSORY INTEREST TAXES: The use or occupancy of the Premises by LESSEE constitutes a property interest which may be subject to possessory interest taxes and LESSEE shall be liable for the payment of same.

24. ASSIGNMENT/HYPOTHECATION/SUBLEASE: LESSEE shall not sublease, assign, or otherwise grant any interest or any right or privilege appurtenant to this Lease Agreement, and any attempt to so sublease, assign, or otherwise grant any interest or any right or privilege appurtenant to this Lease Agreement shall be void and without legal effect. Noncompliance with any provision of this paragraph shall constitute a material breach of this Lease Agreement and in addition to any remedies provided by law, DISTRICT shall have the right to terminate this Lease Agreement and the interest hereby created without liability therefor.

25. FIRE HAZARD: LESSEE shall maintain the Premises to prevent fires in accordance with any applicable laws, regulations and/or rules.

26. ENVIRONMENTAL IMPAIRMENT: LESSEE shall comply with all applicable laws, regulations, rules, and orders including amendments thereto, regardless of when they become or became effective, including without limitation those relating to construction, grading, signing, health, safety, noise, environmental protection, waste disposal, water and air quality, and shall furnish satisfactory evidence of compliance upon request of DISTRICT.

Should any discharge, leakage, spillage, emission, or pollution of any type occur upon or from the Premises due to LESSEE's use and occupancy, LESSEE shall clean and repair all property affected to the satisfaction of DISTRICT and any governmental body having jurisdiction. LESSEE shall indemnify, hold harmless, and defend DISTRICT and the County of Santa Barbara from and against all liabilities, claims, cost, and expenses (including without

limitation any fines, penalties, judgments, litigation costs, attorney's fees, and consulting engineering and construction costs) incurred by DISTRICT as a result of LESSEE's breach of this section, or as a result of any such discharge, leakage, spillage, emission or pollution, regardless of whether such liability, cost or expense arises during or after the Lease term, and regardless of negligence, active or passive, of DISTRICT.

27. GATES: LESSEE shall maintain all existing and future gates. All boundary gates shall be kept locked at all times when not being used for access.

DISTRICT, at its expense, shall maintain all recycled water delivery and distribution systems and appurtenances on and to Premises. The foregoing notwithstanding, LESSEE shall reimburse DISTRICT for any repair work necessitated by acts or omissions of LESSEE's employees, agents or guests. Reimbursement by LESSEE shall be due within thirty (30) days of demand by DISTRICT.

28. DESIGNATED REPRESENTATIVE: Jeremy Chaja, Chief Plant Operator at phone number (805) 934-6281 is the authorized representative for DISTRICT and will administer this Lease Agreement for and on behalf of DISTRICT. Michael Echeverria, Managing Partner at phone number (661) 342-3934 is the authorized representative for LESSEE. Changes in designated representatives shall be made only after advance written notice to the other party.

29. NOTICES: Any notice or consent required or permitted to be given under this Lease Agreement shall be given to the respective parties in writing, by personal delivery, or with postage prepaid by first class mail, registered or certified mail, or express courier service, to the following:

DISTRICT: Laguna County Sanitation District
620 West Foster Road
Santa Maria, CA 93455

LESSEE: K2 Cattle Company, LLC
6216 Alfred Harrell Highway
Bakersfield, CA 93308-9654

or to DISTRICT or LESSEE at such other place as may be designated in writing. If sent by first class mail, notices and consents under this section shall be deemed to be received five (5) days following their deposit in the U.S. mail. This Notice section shall not be construed as meaning that either party agrees to service of process except as required by applicable law.

30. REMEDY IN EVENT OF MATERIAL BREACH: Upon occurrence of any event of material breach specifically identified in this Lease Agreement, in addition to any and all other events deemed to constitute material breach under the law, regardless of their dissimilarity to the events of material breach specifically identified in this Lease Agreement, DISTRICT shall have, at its option, and in addition to and not in limitation of any other remedy permitted by law, the right to terminate this Lease Agreement upon written notice to LESSEE of such material breach and intent to terminate, with LESSEE's allowance of seven (7) days from receipt of that written notice to cure such material breach, and, thereafter, if LESSEE has failed to cure such material breach, then the termination shall become effective. In the event of termination of this Lease Agreement, LESSEE shall immediately surrender the Premises to DISTRICT.

31. WAIVER: Waiver by DISTRICT of a breach of any term of this Lease Agreement shall not be construed to be a waiver of any future breach of the same or any other requirement contained in this Lease Agreement.

Acceptance of any fees or reimbursements by DISTRICT shall not be treated as a waiver of any breach by LESSEE of any term of this Lease Agreement, regardless of DISTRICT's knowledge of a previous breach at the time of acceptance thereof. Nor shall it relieve LESSEE of the obligation to pay any other fees or reimbursements then due or which may be due in the future.

32. TERMINATION: This Lease Agreement shall terminate and all rights of LESSEE shall cease and LESSEE shall quietly and peacefully deliver to DISTRICT, possession and interest in the Premises:

- a) At the expiration of the term as provided in Section 2, TERM.
- b) At the election of DISTRICT upon occurrence of any event of material breach as provided in Section 30, REMEDY IN EVENT OF MATERIAL BREACH.
- c) At the requirement by the DISTRICT as provided in Section 14, EXERCISE OF SOVEREIGNTY.
- d) Without fault at an earlier date provided that DISTRICT (or LESSEE) shall give LESSEE (or DISTRICT) at least One Hundred Eighty (180) days notice in writing.

33. REMOVAL OF PROPERTY ON TERMINATION: Upon termination of this Lease Agreement by material breach, expression, or any other reason, LESSEE shall vacate and return possession of the Premises to the DISTRICT. Prior to returning possession of the Premises,

LESSEE shall, unless allowed in writing by DISTRICT to remain, remove any and all structures, equipment or improvements constructed or installed by LESSEE on said Premises not expressly reserved for ownership of DISTRICT such as fencing as described in Section 9. The removal of improvements shall be performed prior to LESSEE's vacating Premises and shall be accomplished by LESSEE at its sole cost and expense. LESSEE shall restore such areas where improvements are removed as nearly as possible to their original condition and in a manner satisfactory to DISTRICT.

34. ACCEPTANCE OF PREMISES: LESSEE has examined the Premises and determined that the Premises are suitable for the needs and operation of LESSEE. LESSEE acknowledges that DISTRICT makes no representation or warranty about the condition of the Premises or the suitability of the Premises for the intended use by LESSEE.

35. REMEDIES NOT EXCLUSIVE: No remedy herein conferred upon or reserved to DISTRICT is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

36. CALIFORNIA LAW AND JURISDICTION: This Lease Agreement shall be governed by the laws of the State of California. Any litigation regarding this Lease Agreement or its contents shall be filed in the County of Santa Barbara, if in state court, or in the federal district court nearest to Santa Barbara County, if in federal court.

37. SECTION HEADINGS: The headings of the several sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof.

38. SEVERABILITY: If any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions hereof, and such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Lease Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

39. EXECUTION OF COUNTERPARTS: This Lease Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the parties shall preserve undestroyed, shall together constitute one and the same instrument.

40. AUTHORITY: All parties to this Lease Agreement warrant and represent that they have the power and authority to enter into this Lease Agreement in the names, titles and capacities herein stated and on behalf of any entities, persons, or firms represented or purported to be represented by such entity(ies), person(s), or firm(s) and that all formal requirements necessary or required by any state and/or federal law in order to enter into this Lease Agreement have been fully complied with. Furthermore, by entering into this Lease Agreement, LESSEE hereby warrants that it shall not have breached the terms or conditions of any other contract or agreement to which LESSEE is obligated, which breach would have a material effect hereon.

41. ENTIRE AGREEMENT AND AMENDMENT: This Lease Agreement contains the entire agreement of the parties hereto and no obligation other than those set forth herein will be recognized. This Lease Agreement may be altered, amended, or modified only by an instrument in writing, executed by the parties to this Lease Agreement. Each party waives their future right to claim, contest or assert that this Lease Agreement was modified, canceled, superseded, or changed by any oral agreements, course of conduct, waiver or estoppel.

IN WITNESS WHEREOF, LESSEE AND DISTRICT have executed this Lease Agreement by the respective authorized officers as set forth below to be effective as of the date executed by DISTRICT.

“DISTRICT”
LAGUNA COUNTY SANITATION DISTRICT
GREGG HART

By: 
Chair, Board of Directors

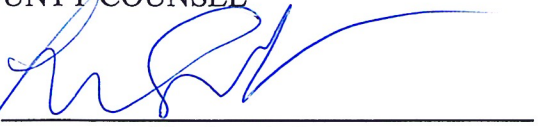
Date: 2-11-20

“LESSEE”
K2 CATTLE COMPANY, LLC.
MICHAEL ECHEVERRIA

By: 
Managing Partner

Date: 12/23/19


APPROVED AS TO FORM:
MICHAEL C. GHIZZONI
COUNTY COUNSEL

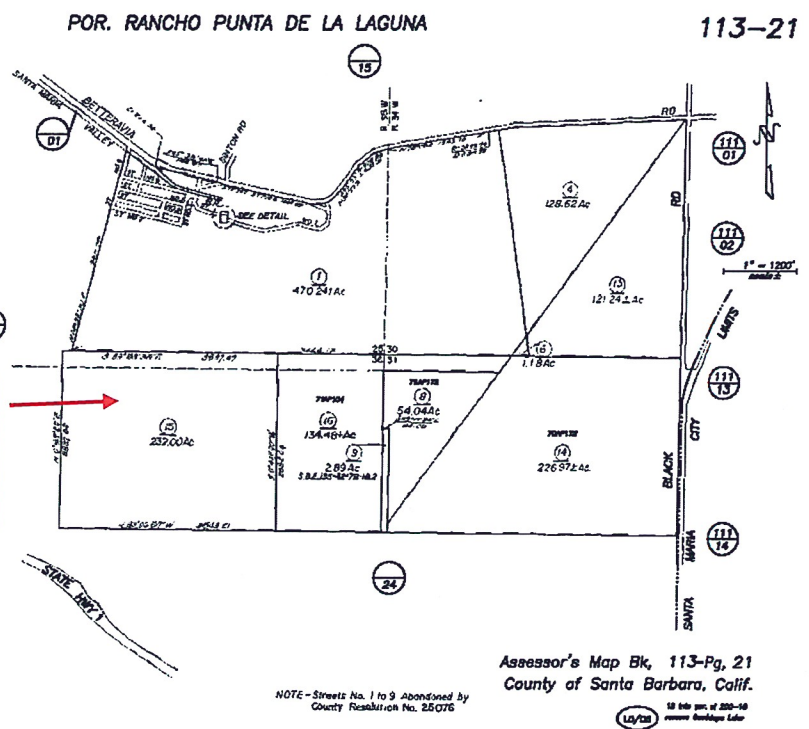
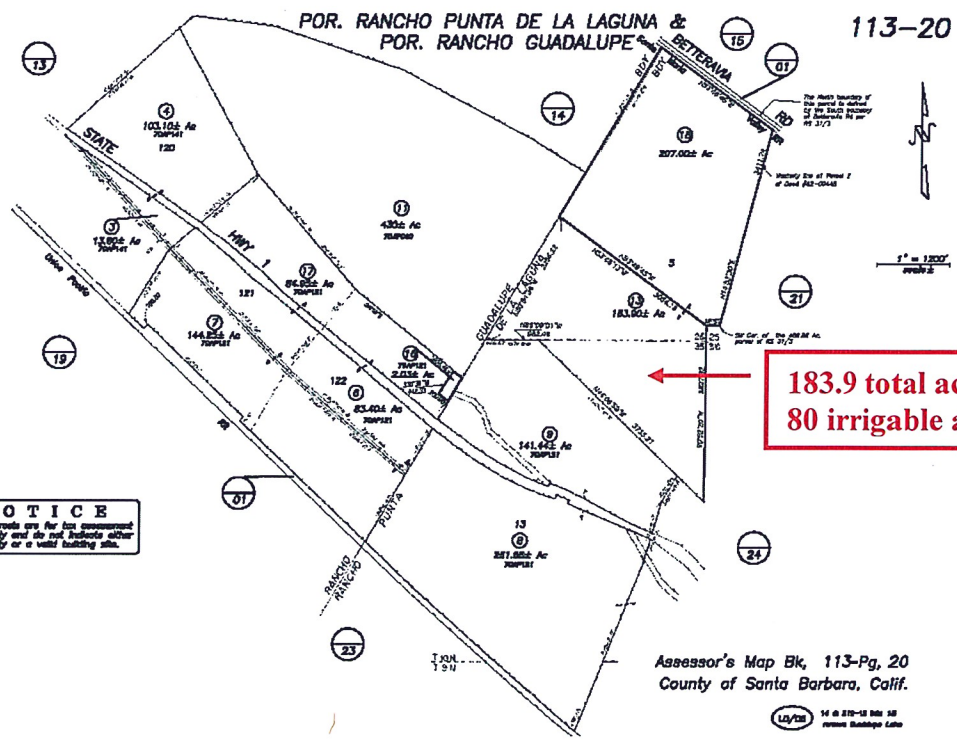
By: 
Lina Somait, Deputy

APPROVED AS TO ACCOUNTING FORM:
BETSY M. SCHAFFER, C.P.A.
AUDITOR-CONTROLLER

By:  _____

APPROVED AS TO FORM:
RAY AROMATORIO
RISK PROGRAM ADMINISTRATOR

By:  _____



POR. RANCHO PUNTA DE LA LAGUNA

113-24

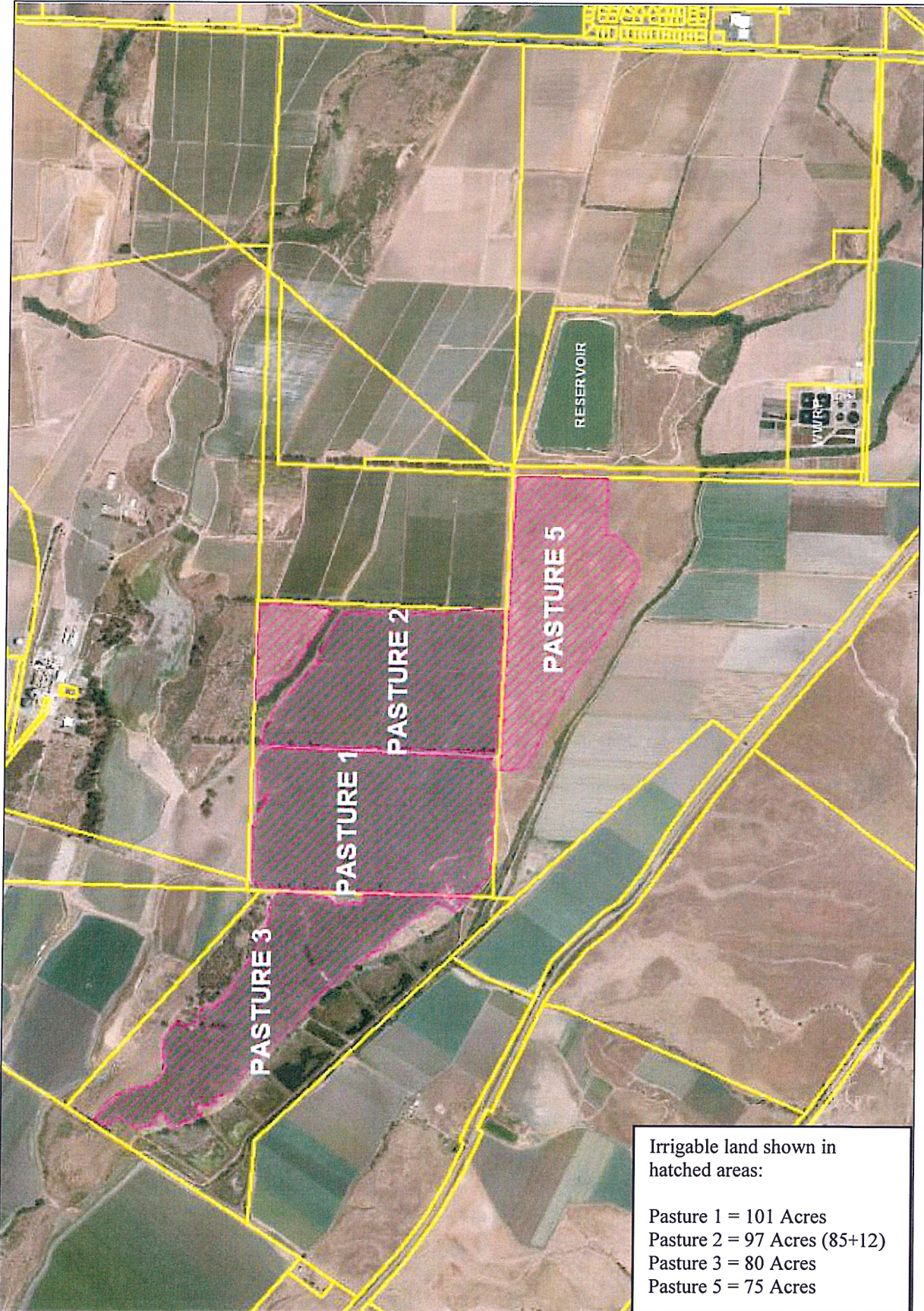
126.7 total acres
75 irrigable acres



NO.	BARNS	DSYACLS
1.1	AS53125W	133.97
1.2	AS53130W	111.24
1.3	AS74240W	110.04
1.4	A732234W	108.54
1.5	AS64223W	354.19
1.6	AS64111W	208.40
1.7	A772235W	535.56
1.8	AS62232W	203.33
1.9	AS53222W	132.02
1.10	AS51133W	432.18
1.11	AS53244W	653.22
1.12	AS64255W	62.87
1.13	AS14610W	53.89
1.14	AS65255W	171.78
1.15	AS65174W	329.69
1.16	AS53258W	707.01
1.17	AS45632W	22.91
1.18	AS22574W	18.24
1.19	AS72259W	48.25
1.20	AS61102W	270.97
1.21	A762741W	743.40
1.22	AS23212W	262.70
1.23	AS62245W	132.06
1.24	A774935W	376.33

NOTICE
Assessor Parcels are for tax assessment purposes only and do not indicate either parcel legality or a valid building site.

Assessor's Map Bk, 113-Pg, 24
County of Santa Barbara, Calif.



Indemnification and Insurance Requirements (For Lease Agreements)

INDEMNIFICATION

LESSEE agrees to indemnify, defend (with counsel reasonably approved by DISTRICT) and hold harmless DISTRICT and its officers, officials, employees, agents and volunteers from and against any and all claims, actions, losses, damages, judgments and/or liabilities arising out of this Agreement from any cause whatsoever, including the acts, errors or omissions of any person or entity and for any costs or expenses (including but not limited to attorneys' fees) incurred by DISTRICT on account of any claim except where such indemnification is prohibited by law. LESSEE's indemnification obligation applies to DISTRICT's active as well as passive negligence but does not apply to DISTRICT's sole negligence or willful misconduct.

NOTIFICATION OF ACCIDENTS AND SURVIVAL OF INDEMNIFICATION PROVISIONS

LESSEE shall notify DISTRICT immediately in the event of any accident or injury arising out of or in connection with this Agreement. The indemnification provisions in this Agreement shall survive any expiration or termination of this Agreement.

INSURANCE

LESSEE shall procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Lessee's operation and use of the leased premises. The cost of such insurance shall be borne by the Lessee.

A. Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL):** Insurance Services Office (ISO) Form CG 00 01 covering CGL on an "occurrence" basis, including products-completed operations, personal & advertising injury, with limits no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate.
2. **Automobile Liability:** ISO Form Number CA 00 01 covering any auto (Code 1), or if LESSEE has no owned autos, hired, (Code 8) and non-owned autos (Code 9), with limit no less than \$1,000,000 per accident for bodily injury and property damage.
3. **Workers' Compensation:** as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
4. **Property Insurance:** against all risks of loss to any tenant improvements or betterments, at full replacement cost with no coinsurance penalty provision

If the LESSEE maintains higher limits than the minimums shown above, the DISTRICT requires and shall be entitled to coverage for the higher limits maintained by the LESSEE. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the DISTRICT.

B. Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

1. **Additional Insured** – The DISTRICT, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Lessee including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Lessee's insurance at (least as broad as ISO Form CG 20 10).
2. **Primary Coverage** – For any claims related to this Agreement, the LESSEE's insurance coverage shall be primary insurance as respects the DISTRICT, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by the DISTRICT, its officers, officials, employees, agents or volunteers shall be excess of the LESSEE's insurance and shall not contribute with it.
3. **Notice of Cancellation** – Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the DISTRICT.
4. **Waiver of Subrogation Rights** – LESSEE hereby grants to DISTRICT a waiver of any right to subrogation which any insurer of said LESSEE may acquire against the DISTRICT by virtue of the payment of any loss under such insurance. LESSEE agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation, but this provision applies regardless of whether or not the DISTRICT has received a waiver of subrogation endorsement from the insurer.
5. **Deductibles and Self-Insured Retention** – Any deductibles or self-insured retentions must be declared to and approved by the DISTRICT. The DISTRICT may require the LESSEE to purchase coverage with a lower deductible or retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.
6. **Acceptability of Insurers** – Unless otherwise approved by Risk Management, insurance shall be written by insurers authorized to do business in the State of California and with a minimum A.M. Best's Insurance Guide rating of "A- VII".
7. **Verification of Coverage** – LESSEE shall furnish the DISTRICT with proof of insurance, original certificates and amendatory endorsements as required by this Agreement. The proof of insurance, certificates and endorsements are to be received and approved by the DISTRICT before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the LESSEE's obligation to provide them. The LESSEE shall furnish evidence of renewal of coverage throughout the term of the Agreement. The DISTRICT reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

8. **Failure to Procure Coverage** – In the event that any policy of insurance required under this Agreement does not comply with the requirements, is not procured, or is canceled and not replaced, DISTRICT has the right but not the obligation or duty to terminate the Agreement. Maintenance of required insurance coverage is a material element of the Agreement and failure to maintain or renew such coverage or to provide evidence of renewal may be treated by DISTRICT as a material breach of contract.
9. **Special Risks or Circumstances** – DISTRICT reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Agreement. LESSEE agrees to execute any such amendment within thirty (30) days of receipt.

Any failure, actual or alleged, on the part of DISTRICT to monitor or enforce compliance with any of the insurance and indemnification requirements will not be deemed as a waiver of any rights on the part of DISTRICT.