

PROPERTY PURCHASE AGREEMENT

THIS AGREEMENT is dated as of May 28, 2002 (the "Effective Date"), by and between the SONOMA VALLEY COUNTY SANITATION DISTRICT, a political subdivision of the State of California (the "Seller"), and the COUNTY OF SONOMA, a political subdivision of the State of California (the "Buyer").

RECITALS

WHEREAS, Seller owns and is offering for sale the real property commonly known as 800 Grove Street, El Verano, California, and more completely described below; and

WHEREAS, Buyer desires to purchase such real property for the purposes of constructing and maintaining a Sheriff's substation; and

WHEREAS, the parties are entering into this Agreement to set forth the terms and conditions of the sale to Buyer.

NOW, THEREFORE, IN CONSIDERATION of the respective agreements hereinafter set forth, Seller and Buyer agree as follows:

A G R E E M E N T

- 1. Property Included in Sale. Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, subject to the terms and conditions set forth herein, the following:
  - (a) That certain real property commonly known as 800 Grove Street, El Verano, California, APN 052-364-033, and more particularly described in Exhibit A attached hereto (the "Real Property"); and
  - (b) All rights, privileges and easements appurtenant to the Real Property, including, without limitation, all minerals, oil, gas and other hydrocarbon substances on and under the Real Property, as well as all development rights, air rights, water, water rights and water stock relating to the Real Property and any other easements, rights-of-way or appurtenances used in connection with the beneficial use and enjoyment of the Real Property (all of which are collectively referred to as the "Appurtenances");
  - (c) All improvements and fixtures located on the Real Property, including all apparatus, equipment and appliances used in connection with the operation or occupancy of the Real Property (all of which are collectively referred to as the "Improvements");

- (d) All of the interest of Seller in any intangible personal property now or hereafter owned by Seller and used in the ownership, use and operation of the Real Property, Improvements and Personal Property, including, without limitation, the right to use any trade name now used in connection with the Real Property and, to the extent that the same are approved by Buyer pursuant to the provisions of this Agreement, any contract or lease rights, agreements, utility contracts or other rights relating to the ownership, use and operation of the Property, as defined below (all of which are collectively referred to as the "Intangible Property").

All of the items referred to in subparagraphs (a), (b), (c) and (d) above are hereinafter collectively referred to as the "Property".

2. Purchase Price

- (a) The purchase price of the Property is Two Hundred Thousand and No/100 Dollars (US \$200,000.00) (the "Purchase Price").
- (b) The Purchase Price shall be paid as follows:
- (i) Within fifteen (15) days after the execution of this Agreement by both Buyer and Seller, Buyer shall deposit in escrow with North American Title Company ("Title Company"), a deposit in the amount of Two Thousand and No/100 Dollars (\$2,000.00) (the "Deposit"). All sums constituting the Deposit shall be held in an interest-bearing account and interest accruing thereon shall be held for the account of Buyer. In the event the sale of the Property as contemplated hereunder is consummated, the Deposit plus interest accrued thereon shall be credited against the Purchase Price. In the event the sale of the Property is not consummated because of the failure of any condition or any other reason except a default under this Agreement solely on the part of Buyer, the Deposit plus interest accrued thereon shall immediately be returned to Buyer. If said sale is not consummated because of a default under this Agreement solely on the part of Buyer, the Deposit but not the interest accrued thereon shall be paid to and retained by Seller as liquidated damages. The parties have agreed that Seller's actual damages, in the event of a default by Buyer, would be extremely difficult or impracticable to determine. Therefore, by placing their initials below, the parties acknowledge the Deposit has been agreed upon, after negotiation, as the parties' reasonable estimate of Seller's damages and as Seller's exclusive remedy against Buyer, at law or in equity, in the event of a default under this Agreement solely on the part of Buyer.

Seller MK Buyer MK

(m) At the time of Closing, there will be no leases or licenses affecting the Property and the Property will be vacant.

7. Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller as follows: Buyer is a political subdivision of the State of California; this Agreement and all documents executed by Buyer which are to be delivered to Seller at the Closing are or at the time of Closing will be duly authorized, executed, and delivered by Buyer, and are or at the Closing will be legal, valid, and binding obligations of Buyer, and do not and at the time of Closing will not violate any provisions of any agreement or judicial order to which Buyer is a party or to which it is subject.

8. Indemnification.

8.1 General Indemnity. Each party hereby agrees to indemnify the other party and hold it harmless from and against any and all claims, demands, liabilities, costs, expenses, penalties, damages and losses, including, without limitation, reasonable attorneys' fees, resulting from any misrepresentations or breach of warranty or breach of covenant made by such party in this Agreement or in any document, certificate, or exhibit given or delivered to the other pursuant to or in connection with this Agreement.

8.2 Hazardous Materials Indemnity. Seller shall indemnify and defend Buyer from and against any and all claims, demands, liabilities, costs, expenses, penalties, damages and losses, including without limitation, reasonable attorneys' fees, resulting from any Hazardous Materials that initially became present on the Property at any time during Seller's ownership of the Property. Buyer shall indemnify and defend Seller from and against any and all claims, demands, liabilities, costs, expenses, penalties, damages and losses, including without limitation, reasonable attorney's fees, resulting from any Hazardous Materials that initially became present on the Property at any time during Buyer's ownership of the Property. In the event Hazardous Materials are discovered on the Property where it is determined such materials became present on the Property prior to Seller's ownership of the Property, then Seller and Buyer shall endeavor to locate the responsible party. Until such time as the responsible party is located, Seller and Buyer shall participate in the defense of any claim and/or the remediation of the Property on an equal basis (50:50).

8.3 Survival of Indemnity. The indemnification provisions of this paragraph 8 shall survive beyond the delivery of the grant deed and transfer of title, or, if title is not transferred pursuant to this Agreement, beyond any termination of this Agreement.

9. Loss by Fire or Other Casualty; Condemnation. In the event that, prior to Closing, the Property, or any part thereof, is destroyed or damaged, or if

