Attachment III:

Agreement Regarding District use of the City Fire Station and Transfer of Ownership of City Fire Apparatus and Equipment to the District- "Lease of Premises and Equipment Disposition Agreement"

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT

333 JOHNSON STREET
SAUSALITO, CALIFORNIA

TENANT:

THE SOUTHERN MARIN FIRE PROTECTION DISTRICT

LANDLORD:

THE CITY OF SAUSALITO

5a
84

TABLE OF CONTENTS

LEASE SUMMARY

1. PREMISES AND EQUIPMENT
   1.1 Premises
   1.2 Equipment

2. TERM
   2.1 Term
   2.2 Possession of Premises

3. RENTAL
   3.1 Rent
   3.2 Additional Rent
   3.3 Rent Commencement Date
   3.4 Interest and Late Charges

4. UTILITIES

5. USE AND CONDITION OF PREMISES
   5.1 Tenant's Use
   5.2 Landlord's Use
   5.3 Condition of Premises
   5.4 Hazardous Materials

6. MAINTENANCE, REPAIR AND ALTERATIONS
   6.1 Tenant's Obligations
   6.2 Landlord's Rights and Obligations
   6.3 Alterations and Additions

7. INSURANCE AND INDEMNIFICATION
   7.1 Minimum Scope of Insurance
   7.2 Minimum Limits of Coverage
   7.3 Deductibles and Self-Insured Retentions
   7.4 Other Insurance Provisions
   7.5 Acceptability of Insurers
   7.6 Verification of Coverage
   7.7 Subrogation Waiver
   7.8 Indemnification

8. DAMAGE OR DESTRUCTION
   8.1 Damage
   8.2 Damage - End of term
   8.3 Complete Destruction

8.4 Abatement of Rent

9 CONDEMNATION
9.1 Total Taking
9.2 Partial Taking
9.3 Compensation
9.4 Voluntary Sale; Waiver

10. ASSIGNMENT, SUBLEASE, TRANSFER
10.1 Definition
10.2 Use
10.3 Instrument, Consent
10.4 Rent
10.5 Excess Rent from Assignment or Sub-Tenancy

11. DEFAULT
11.1 Tenant's Default
11.2 Remedies
11.3 Landlord's Default

12. CONDUCT OF BUSINESS

13. GENERAL PROVISIONS
13.1 Transfer of Landlord's Interest
13.2 Estoppel Statement
13.3 Financial Statement
13.4 Subordination; Attornment
13.5 Access to Premises
13.6 Holding Over
13.7 Merger
13.8 Recording
13.9 Prior Agreements; Amendments
13.10 Attorney's Fees
13.11 Remedies; Choice of Law
13.12 Successors and Assigns
13.13 Severability
13.14 Authority
13.15 Signs
13.16 Time of Essence
13.17 Covenants and Conditions
13.18 Captions
13.19 Waiver
13.20 No Setoffs
13.21 Force Majeure
13.22 Notices

13.23 Brokers
13.24 Keys

5a
87

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT
333 JOHNSON STREET
SAUSALITO, CALIFORNIA

LEASE SUMMARY

DATE OF LEASE	Effective Date – Date of Finalization of Annexation (Exhibit B)
LANDLORD	City of Sausalito
TENANT	The Southern Marin Fire Protection District
ADDRESS OF TENANT	308 Reed Boulevard, Mill Valley, CA 94941
PREMISES	333 Johnson Street, Sausalito CA
TERM	]30 Years
BASE RENT	$100,000 per year
ADDITIONAL RENT	See Section 3.2
UTILITIES	Additional
PERMITTED USE	Fire Prevention Services

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT
333 JOHNSON STREET
SAUSALITO, CALIFORNIA

This **LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT** (this "Lease"), executed in duplicate, is by and between **THE CITY OF SAUSALITO**, a municipal corporation ("Landlord" or "City") and **THE SOUTHERN MARIN FIRE PROTECTION DISTRICT**, a special district formed and operating pursuant to the Fire Protection District Act of 1987 ("SMFPD" or "Tenant").

ARTICLE 1. PREMISES AND EQUIPMENT.

1.1 Premises. Landlord leases to Tenant and Tenant leases from Landlord, subject to the following terms and conditions, the real property which is located at 333 Johnson Street, City of Sausalito, County of Marin, State of California, (the "Premises").

Upon the expiration or termation of this Lease, Tenant shall return the Premises to Landlord as set forth in Section 6.1(b).

1.2 Equipment. Landlord transfers to Tenant possession and title to:

a. The existing fire apparatus owned by the City includes: i) the City's 45% interest in the 1994 Pierce 105' Aerial Truck; ii) the 1995 Spartan Fire Pumper; iii) 1996 GMC Pickup Truck; iv) Achilles 16' Inflatable Rescue Boat; v) 2004 34' Fire Boat (Liberty); and vi) 2007 Pierce Fire Pumper (collectively the "Fire Apparatus") and all portable equipment normally carried on said apparatus. In the event that SMFPD or a successor entity no longer provides fire services in the City, SMFPD will be required to transfer all Fire Apparatus back to City. The Fire Boat (Liberety) shall be transferred back in its then current condition all other Fire Apparatus shall be transferefed back to the City in substantially the same or better condition as it was delivered along with accumulated replacement. In consideration of SMFPD's responsibility to replace the Fire Apparatus at the end of its useful life upon the Commencement Date as defined in Section 2.1 below, the City shall also transfer to Tenant the sum of Two Hundred Forty Three Thousand Four Hundred Sixty Two Dollars and 00/100 ($243,462.00) which represents the depreciated value of the Fire Apparatus.

b. All existing tools, equipment and all Fire Station furnishings and equipment including without limitation the items set forth in the Fire Station Property Inventory attached hereto as Exhibit A which includes all items having a value of One Thousand Dollars and 00/100 ($1000.00) or more along with each item's value (the "Fire Station Property"). The Parties agree that the Fire Station Property is in good condition and is less than one year old. In consideration of the transfer of the Fire Station Property SMFPD shall pay the City the amount of Ninety Nine Thousand Two

Hundred Eighty Two Dollars and 00/100 ($99,282.00).) upon the Commencement Date defined in Section 2.1 below.

ARTICLE 2. TERM.

2.1 Term. This Lease shall be for a period of thirty(30) years ("Term") commencing upon the date that is the effective date of the annexation of the City into the SMFPD which date shall be inserted in Exhibit B ("Commencement Date"). This Lease shall end thirty (30) years from the Commencement Date, ("Expiration Date"), unless otherwise terminated or extended in accordance with the provisions of this Lease. Notwithstanding the foregoing, the effectiveness of this Lease is expressly contingent on the annexation of the City to the SMFPD for the purpose of fire protection services on or before July 1, 2012; in the event that this condition precedent is not met this Lease shall automatically be of no force or effect with no further action required on the part of the City or the SMFPD.

2.2 Possession of Premises. Tenant is currently in possession of the Premises.

ARTICLE 3. RENTAL.

3.1 Rent. Tenant agrees to pay Landlord, as "Base Rent" for the Premises, One Hundred Thousand and 00/100 ($100,000.00) annually plus such additional sums as required in this Lease. If Tenant's obligation to pay Rent does not commence on the first day of a calendar month, the Rent payable by Tenant for the first fractional month shall be prorated on a thirty (30) day basis. Tenant shall pay Landlord the Base Rent in four (4) quarterly payments of Twenty Five Thousand Dollars and 00/100 ($25,000.00) each to be paid on each January 1, April 1, July 1, and October 1 during the Term.

3.2 Additional Rent. Tenant shall pay as "Additional Rent" upon demand from Landlord such other sums due and payable hereunder. Said sums shall be paid upon demand from Landlord and without setoff.

3.3 Rent Commencement Date. Payment of Rent shall commence on the Commencement Date payable in accordance with Section 3.1.

3.4 Interest and Late Charges. If Tenant shall fail to pay when due and payable any Rent, Additional Rent or other amounts or charges which Tenant is obligated to pay under the terms of this Lease, such unpaid amounts shall bear interest at the maximum rate allowed in the State of California. In addition to such interest, Tenant acknowledges that the late payment of any monthly installment of Rent or Additional Rent will cause Landlord to incur costs and expenses

not contemplated under this Lease, including but not limited to administrative and collection costs and processing and accounting expenses the exact amount of which is extremely difficult to fix. Therefore, if any such payment is not received by Landlord within ten (10) days from the date such payment is due, Tenant shall pay Landlord a late charge equal to ten percent (10%) of such payment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered by such nonpayment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease.

ARTICLE 4. UTILITIES. Tenant shall pay for all heat, gas, electricity, telephone and other utilities and services provided to or for the Premises, including taxes thereon. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service being provided to the Premises, and no such failure or interruption shall entitle Tenant to terminate this Lease or to discontinue the payment of rent or any other amount due hereunder.

ARTICLE 5. USE AND CONDITION OF PREMISES.

5.1. Tenant's Use. Tenant shall use or permit the Premises to be used only for the normal services provided by a fire department, including, but not limited to, fire protection services, fire prevention services, emergency medical services, public education and public relations events and shall not use or permit the use of the Premises for any other purpose without obtaining the prior written consent of Landlord. Tenant shall not use or permit the Premises to be used in any manner that may result in waste or the creation of a nuisance, and Tenant shall maintain the Premises free of any objectionable noises, odors or disturbances. Tenant shall fully comply with all health and police regulations and shall not use or permit the use of the Premises for any purpose or in any manner which may constitute a violation of the laws of the United States or the laws, ordinances, zoning requirements, regulations or requirements of any governmental entity having authority in the jurisdiction where the Premises are located. Tenant acknowledges that no warranties or representations have been made regarding the fitness or suitability of the Premises for the conduct of Tenant's business or proposed use.

5.2 Landlord's Use. The parties acknowledge and agree that a portion of the Premises, specifically the ground level conference room, serves as the City's Emergency Operations Center (EOC) and that the City shall be entitled to continue to utilize the EOC on an as needed basis as determined by the City during the Term. In addition, Landlord may use the conference room and other portions of the Premises as mutually agreed by the City and the SMFPD at no charge to the City.

5.3 Condition of Premises. Tenant acknowledges that it has had an opportunity to inspect the Premises and that the Premises are being taken on an "as-is" condition with no warranties expressed or implied by Landlord. Tenant takes possession hereunder subject to all laws, ordinances and regulations applicable to the Premises, and their use, and any covenants or restrictions of record. Tenant shall, at Tenant's expense, comply promptly with all laws, ordinances and regulations applicable to the Premises or their use which are or may be in effect during the Term.

5.4 Hazardous Materials.

Landlord and Tenant agree as follows with respect to the existence or use of Hazardous Materials on the Property.

a. Environmental Laws shall mean all present and future applicable federal, state and local laws, ordinances or regulations or policies pertaining to Hazardous Materials (including, without limitation, the use, handling, transportation, production, disposal, discharge or storage thereof) or to industrial hygiene or the environmental conditions on, under or about the Premises and to the protection of the environment or human or animal health and safety.

b. Hazardous Materials shall mean any hazardous or toxic substance, material or waste the storage, use, or disposition of which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term Hazardous Material includes, without limitation, any material or substance which is (i) defined as hazardous or extremely hazardous pursuant to Article II of Title 22 of the California Administrative Code, Division 4, Chapter 20, (ii) defined as a hazardous waste pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq. (42 U.S.C. 69093), (iii) defined as a hazardous substance pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq. (42 U.S.C. 9601) or (iv) is listed or defined as a hazardous waste, hazardous substance , or other similar designation by any regulatory scheme of the State of California or the U.S. Government that is similar to the foregoing.

c. Tenant shall not use, generate, manufacture, produce, store, release, discharge, or dispose of, on, under or about the Premises or transport to or from the Premises any Hazardous Material or allow its employees, agents , contractors, licenses, invitees or subtenants (collectively, Tenant' s Agents) to do so. Tenant shall comply with and shall cause Tenant's Agents to comply with, and shall keep and maintain the Premises and cause Tenant's Agents to keep and maintain the Premises in compliance with all Environmental Laws.

d. Tenant shall give written notice to Landlord promptly after Tenant receives notice of any of the following: (i) any proceeding or inquiry by, notice from, or order of any governmental authority (including, without limitation, the California State Department of Health Services) with respect to the presence of any Hazardous Material on, under or about the Premises or the migration thereof from or to other property; and (ii) all claims made or threatened by any third party against Tenant or the Premises relating to any loss or injury resulting from any Hazardous Materials. Tenant shall give written notice to Landlord promptly after Tenant becomes aware of any spill, release or discharge of Hazardous Materials with respect to the Premises by Tenant or Tenant's Agents.

e. Tenant shall protect, defend, indemnify and hold harmless Landlord, its officers, elected and appointed officials, employees, agents, volunteers, successor and assigns from and against any and all claims, fines, judgments, penalties, losses, damages, costs, expenses or liability (including reasonable attorneys' fees and costs) to the extent directly or indirectly arising out of or attributable to the use, generation, manufacture, production, storage, release, threatened release, discharge or disposal of any Hazardous Material on, under or about the Premises or the transportation of any Hazardous Material to or from the Premises by Tenant or Tenant's Agents including, without limitation, the costs of any investigation, monitoring, removal, restoration, abatement, repair, cleanup, detoxification or other ameliorative work of any kind or nature (collectively, "Remedial Work"). Tenant's obligations under this Section 7.5(e) shall survive the expiration or earlier termination of this Lease.

f. Upon any spill or release of Hazardous Materials by Tenant or Tenant's Agents, Tenant shall promptly notify Landlord of the spill or release of Hazardous Materials and shall, at its sole expense and promptly after demand by Landlord, commence to perform and thereafter diligently prosecute to completion such Remedial Work as is required under Environmental Laws.

ARTICLE 6. MAINTENANCE, REPAIR AND ALTERATIONS.

6.1 Tenant's Obligations.

a. Subject the provisions of Article 8 hereof, Tenant shall, at Tenant's sole cost and expense, maintain in good repair, order and serviceable condition the Premises and every part thereof, including but not limited to all plumbing, ventilation, heating, electrical systems, refrigeration, and equipment in, on or exclusively serving the Premises, roof, foundations, exterior walls, windows, doors, storefronts, plate glass, interior walls and ceilings which are part of the Premises. In addition, Tenant shall be responsible for maintenance, repair and/or replacement (at its option) of the solar panels on the building. Tenant shall contract with a

service company for necessary periodic maintenance of the heating, ventilating and air conditioning equipment exclusively serving the Premises and Tenant shall furnish to Landlord a copy of such service contract within five (5) days after request therefor. Except in case of an emergency, prior to Tenant's making any repair, Tenant shall give Landlord written notice that such work will be performed and Landlord shall have the right to approve or disapprove the plans for such repair and all repairs shall be performed in accordance with all applicable regulations, including without limitation applicable provisions of the City of Sausalito Municipal Code. To the extent the cost of any repairs or maintenance are covered by warranties held by Landlord, Landlord agrees to coordinate with Tenant to ensure the work is done under the warranty.

b. Upon the expiration or earlier termination of this Lease, Tenant shall return the Premises to Landlord broom clean and in the same condition as on the date Tenant took possession, except for normal wear and tear. Any damage to the Premises, including any structural damage, resulting from Tenant's use or from the removal of Tenant's fixtures, furnishing and equipment pursuant to section 8.3(d) shall be repaired by Tenant at Tenant's expense.

6.2 Landlord's Rights and Obligations. If Tenant refuses or neglects to make repairs and/or maintain the Premises, or any part thereof, in a manner reasonably satisfactory to Landlord, without prejudice to any other remedy Landlord may have hereunder, upon giving Tenant ten (10) days prior written notice, Landlord shall have the right to enter the Premises and perform such maintenance or make such repairs on behalf of and for the account of Tenant. In the event Landlord so elects, Tenant shall pay the cost of such repairs or maintenance promptly following Tenant's receipt of a bill therefor, with interest thereon at the maximum allowable legal rate from the date of Tenant's receipt of such bill until the date paid. The costs incurred by Landlord in making such repairs shall be treated as Additional Rent. Tenant agrees to permit Landlord or its agent to enter the Premises at any time during normal business hours for the purpose of inspecting the Premises. Landlord shall be responsible for maintenance, repair and/or replacement of the emergency generator.

6.3 Alterations and Additions.

a. SMFPD shall not make any additions, alterations or improvements to the Premises without obtaining the prior written consent of Landlord, except for minor additions, alterations and improvements, the cost of which do not exceed Five Thousand Dollars and 00/100 ($5,000.00) as adjusted annually by the change in the Consumer Price Index for All Urban Consumers, San Francisco Area (or successor index) for the preceding twelve months for which data is available. Such permission shall not be unreasonably withheld or delayed by

Landlord. Landlord's consent may be conditioned upon the SMFPD's agreement to remove any such additions, alterations or improvements at the termination of this Lease. All work with respect to any addition, alteration or improvement shall be done in a good and workmanlike manner by property qualified and licensed personnel, and such work shall be diligently prosecuted to completion.

b. Prior to the commencement of any Tenant improvements or remodeling which exceed Five Thousand Dollars and 00/100 as adjusted as set forth in Section 6.3a Tenant shall provide to Landlord a true copy of the written, executed agreement between Tenant and the contractor hired to make such improvements for Landlord's approval. During the course of said construction, Tenant shall provide Landlord with all written, executed change orders for Landlord's approval. If Landlord fails to object to any provisions of the agreement or subsequent change order(s) within five (5) days of receipt, then the agreement or change order(s) shall be deemed accepted. Prior to the commencement of any work, Landlord reserves the right to require Tenant post a sum equal to the total amount of the cost of said improvements, including subsequent change order(s), in cash, in a special account, or provide a performance bond equal to the cost of said improvements and subsequent change order(s) and provide satisfactory evidence of same to Landlord.

c. Tenant shall pay the costs of any work done on the Premises pursuant to section 6.3(a), and shall keep the Premises free and clear of liens of any kind. Tenant shall indemnify, defend against and keep Landlord free and harmless from all liability, loss, damage, costs, attorneys' fees and any other expense incurred on account of claims of lien by any person performing work or furnishing materials or supplies for Tenant or any person claiming under Tenant.

d. Tenant shall keep Tenant's leasehold interest, and any additions or improvements which are or become the property of Landlord under this Lease, free and clear of all attachment or judgment liens. Before the actual commencement of any work for which a claim of lien may be filed, Tenant shall give Landlord written notice of the intended commencement date a sufficient time before said date to enable Landlord to post notices of non-responsibility or any other notices which Landlord deems necessary for the proper protection of Landlord's interest in the Premises and Landlord shall have the right to enter the Premises and post such notices at any reasonable time.

e. For any Tenant improvements or remodeling which exceed Five Thousand Dollars and 00/100 as adjusted as set forth in Section 6.3a Landlord may require, at Landlord's sole option, that Tenant provide to Landlord, at Tenant's expense, a lien and completion bond in an amount equal to at least one and one-half (1-1/2) times the total estimated cost of any

additions, alterations or improvements to be made in or to the Premises, to protect Landlord against any liability for mechanic's and materialman's liens and to insure timely completion of the work. Provided, however, nothing contained herein shall relieve Tenant of its obligation under section 6.3(b) to keep the Premises free of all liens. Tenant shall keep a record of all alterations, additions, improvements and repairs made by Tenant to the Premises, having a useful life of more than three (3) years and exceeding Five Thousand Dollars ($5,000.00) in value. This dollar threshold shall be adjusted annually by the change in the Consumer Price Index for All Urban Consumers, San Francisco Area (or successor index) for the preceding twelve months for which data is available. Tenant shall keep a record of the annual depreciated value of such additions, alterations, improvements and repairs based on the fixed asset depreciation schedules for public entities set forth in Governmental Accounting Standards Board Statement No. 34 (GASB 34).

f. Unless their removal is required by Landlord as provided in section 6.3(a), all additions, alterations and improvements made on the Premises shall become the property of Landlord and be surrendered with the Premises upon the expiration of the Term of this Lease; provided, however, Tenant's equipment, machinery and trade fixtures which can be removed without damage to the Premises shall remain the property of Tenant and may be removed, subject to the provisions of section 6.1(b).

ARTICLE 7. INSURANCE AND INDEMNIFICATION. Tenant shall procure and maintain for the duration of the Term insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Tenant's operation and use of the Premises in accordance with the terms and conditions of this Article 9. The cost of such insurance shall be borne by Tenant.

7.1 Minimum Scope of Insurance. The insurance required to be maintained by Tenant shall provide coverage at least as broad as:

a. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).
b. Workers' Compensation insurance as required by the State of California and Employer's Liability insurance (for tenants with employees).

c. Property insurance against all risks of direct physical loss unless otherwise specially excluded.

7.2 Minimum Limits of Insurance. Tenant shall maintain limits no less than:

a. General Liability: **$1,000,000** per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

b. Employer's Liability: **$1,000,000** per accident for bodily injury or disease.

c. Property Insurance: Full replacement cost with no coinsurance penalty provision.

7.3 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by Landlord. At the option of Landlord, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects Landlord, its officers, elected and appointed officials, employees, agents and volunteers; or the Tenant shall provide a financial guarantee satisfactory to Landlord guaranteeing payment of losses and related investigations, claim administration and defense expenses.

7.4 Other Insurance Provisions. The general liability policy is to contain, or be endorsed to contain, the following provisions:

a. Landlord, its officers, elected and appointed officials, employees, agents and volunteers are to be covered as insureds with respect to liability arising out of ownership, maintenance or use of that part of the Premises.

b. Tenant's insurance coverage shall be primary insurance as respects Landlord, its officers, elected and appointed officials, employees, agents and volunteers. Any insurance or self-insurance maintained by Landlord, its officers, elected and appointed officials, employees, agents or volunteers shall be excess of Tenant's insurance and shall not contribute with it.

c. Should any of the required insurance policies required by this Lease be cancelled or non-renewed, it is the Tenant's duty to notify the Landlord immediately upon receipt of the notice of cancellation or non-renewal and provide evidence of other coverage.

7.5 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

7.6 Verification of Coverage. Lessee shall furnish Landlord with original certificates and amendatory endorsements effecting coverage required by this Article 9. The endorsements should be on forms provided by Landlord or on other than the Landlord's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the Landlord before the Commencement Date. Landlord reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

7.7 Subrogation Waiver. Landlord and Tenant hereby waive any rights of recovery each may have against the other for any loss or damage to Landlord or Tenant, or their respective property, the Premises or its contents arising from any risk insured by fire, extended coverage and any other property insurance policies in effect at the time of such loss or damage. The foregoing waivers of subrogation shall be effective to the extent permitted by Landlord's and Tenant's respective insurers and provided that no policy of insurance is invalidated as a result of such waivers.

7.8 Indemnification. Tenant shall indemnify and hold Landlord, its elected and appointed officials, officers, employees, agents and volunteers harmless against and from liability and claims of any kind including, without limitation, claims for loss or damage to property of Tenant or any other person, or for any injury to or death of any person, arising out of: (a) Tenant's use and occupancy of the Premises, or any work, activity or other things allowed or suffered by Tenant to be done in, on or about the Premises; (b) any breach or default by Tenant of any of Tenant's obligations under this Lease; or (c) any negligent or otherwise tortuous act or omission of Tenant, its agents, employees, invitees or contractors. Tenant shall, at Tenant's sole cost and expense, defend Landlord its elected and appointed officials, officers, employees, agents and volunteers in any action or proceeding arising from any such claim by counsel satisfactory to Landlord and shall indemnify Landlord its elected and appointed officials, officers, employees, agents and volunteers against all costs, attorneys' fees, expert witness fees and any other expenses incurred in or for such action or proceeding.

Landlord shall indemnify and hold Tenant, its elected and appointed officials, officers, employees, agents and volunteers harmless against and from liability and claims of any kind including, without limitation, claims for loss or damage to property of Landlord or any other person, or for any injury to or death of any person, arising out of: (a) Landlord's use of the Premises, or any activity or other things allowed or suffered by Landlord to be done in, on or about the Premises; (b) any breach or default by Landlord of any of Landlord's obligations under this Lease; or (c) any negligent or otherwise tortuous act or omission of Landlord, its agents, employees, invitees or contractors. Landlord shall, at Landlord's sole cost and expense, defend Tenant, its elected and appointed officials, officers, employees, agents and volunteers in any

action or proceeding arising from any such claim by counsel satisfactory to Tenant and shall indemnify Tenant, its elected and appointed officials, officers, employees, agents and volunteers against all costs, attorneys' fees, expert witness fees and any other expenses incurred in or for such action or proceeding.

ARTICLE 8. DAMAGE OR DESTRUCTION.

8.1 Damage.

a. If the Premises are damaged by perils covered by Landlord's insurance, Landlord shall, within ninety (90) days, commence repair, reconstruction and restoration of the Premises and this Lease shall remain in full force and effect.

b. If the Premises are damaged by perils covered by insurance required to be maintained by Tenant hereunder, and if the proceeds received by Landlord from such insurance are not sufficient to complete the required repair, reconstruction and restoration, Landlord shall give Tenant written notice of the amount of the deficiency and Tenant may, within thirty (30) days after receipt of such notice, contribute such amount. If Tenant elects not to contribute such amount, Landlord shall have the right, at Landlord's option, to terminate this Lease with no liability to Tenant. If Tenant elects to contribute such amount, Landlord shall, within ninety (90) days, commence repair, reconstruction and restoration and this Lease shall continue in full force and effect. Tenant shall not have a right of reimbursement from Landlord for any amount contributed under the provisions of this Section 10.1(b).

c. If the Premises are damaged by perils not covered by insurance, Landlord shall repair, reconstruct and restore the Premises, provided, however, if the extent of such damage is greater than twenty five percent (25%) of the total cost for complete restoration of the Premises, excluding therefrom the replacement cost of Tenant's trade fixtures and equipment and the restoration costs of building foundations, then Landlord may elect not to restore the Premises, in which case Landlord shall have the right to terminate this Lease with no liability to Tenant. Landlord shall give Tenant written notice of its election not to restore the Premises within thirty (30) days from the date such damage occurs and if such notice is not given, Landlord shall be deemed to have elected to restore the Premises, in which case Landlord shall commence repair, reconstruction and restoration within ninety (90) days from the end of said thirty (30) day period. If Landlord elects not to restore the Premises Tenant may elect to restore the Premises at Tenant's expense by serving written notice of such election upon Landlord within ten (10) days after receipt of Landlord's notice. If Tenant so elects, this Lease shall remain in full force and effect and Tenant shall, within ninety (90) days, commence repair, reconstruction and restoration of the

Premises. Tenant shall not have a right of reimbursement from Landlord for any amount expended by Tenant under the provisions of this Section 10.1(c).

8.2 Damage - End of Term. Notwithstanding anything to the contrary contained in this Lease, if the Premises are partially destroyed or damaged during the last six (6) months of the Term hereof, Landlord may elect to terminate this Lease as of the date such destruction or damage occurred with no liability to Tenant, by serving written notice of such election to terminate on Tenant within thirty (30) days from the date such destruction or damage occurred.

8.3 Complete Destruction. If the Premises are completely destroyed (excluding foundations) at any time during the Term of this Lease from any cause, whether insured or uninsured, then this Lease shall automatically terminate as of the date of such destruction.

8.4 Abatement of Rent. In the event of repair, reconstruction and restoration as provided for under this Article 10, the Rent to be paid by Tenant under Article 3 hereof shall be abated proportionately with the degree to which the Tenant's use of the Premises is impaired, commencing from the date of damage and continuing during the period of such repair, reconstruction and restoration. Tenant shall continue to operate its business on the Premises during any such period to the extent reasonably practicable from the standpoint of prudent business management and the obligation of Tenant to pay rent and additional charges due hereunder shall remain in full force and effect. Tenant shall not be entitled to any compensation or damages from Landlord for loss of use of the Premises or any part thereof, or for any other loss resulting from such damage, repair, reconstruction or restoration.

ARTICLE 9. CONDEMNATION.

9.1 Total Taking. If the entire Premises are taken under the power of eminent domain, this Lease shall terminate as of the date Tenant is required to vacate the Premises, and Landlord and Tenant shall each thereafter be released from any further liability under this Lease, except, subject to the terms of this Lease, for the return or application of any prepaid rents or security deposits.

9.2 Partial Taking. If a portion in excess of twenty-five percent (25%) of the Premises is taken under the power of eminent domain, or if, as a result of any taking regardless of the extent, the remainder of the Premises is not one undivided parcel of property, either Landlord or Tenant may terminate this Lease as of the date Tenant is required to vacate the Premises, by serving written notice of such election within thirty (30) days after receipt by Tenant of written notice from Landlord that the Premises have been so taken. If this Lease is so terminated each party shall thereinafter be released from any further liability hereunder. If both parties elect not to

terminate this Lease, Tenant shall remain in that portion of the Premises not so taken and, in that event, Landlord agrees, at Landlord's cost and expense, to restore the remaining portion of the Premises as soon as possible to a complete unit of like quality and character as existed prior to such taking; and thereafter the Rent set forth in Article 3 hereof shall be equitably reduced, taking into account the relative value of the portion taken as compared to the portion remaining.

9.3 Compensation. In the event of any taking and regardless of whether such taking results in termination of this Lease, Landlord shall be entitled to the entire award or compensation in such proceeding; provided, however, Tenant's right to receive compensation or damages for its fixtures and personal property shall not be affected hereby.

9.4 Voluntary Sale; Waiver. For purposes of this Article 11, a voluntary sale or conveyance in lieu of condemnation, under threat of condemnation, shall be deemed a taking under the power of eminent domain. Tenant hereby waives any statutory rights of termination Tenant may have by reason of any partial taking of the Premises under the power of eminent domain.

ARTICLE 10. ASSIGNMENT, SUBLEASE, TRANSFER.

10.1 Definition. For purposes of this Article 12, the terms "assign" and "assignment" shall include and mean any act attempting to or document purporting to assign, transfer, sublet, enter into license or concession agreements for, change ownership of, mortgage or hypothecate this Lease or Tenant's interest in and to the Premises or any part thereof. Tenant shall not assign this Lease or Tenant's interest in and to the Premises without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, subject to the terms, covenants and conditions contained herein. If the transfer is a sublease of all or part of the Premises or an assignment of this lease, Landlord has the right to terminate this Lease as of the effective date of the assignment or sublease (if less than the entire Premises, for that portion of the Premises subleased or assigned), in which case the Landlord may elect to enter into a direct lease with the proposed assignee or subtenant. Any attempt to assign this Lease without the prior written consent of Landlord shall be a breach hereof, and Landlord may, at Landlord's option, terminate this Lease.

10.2 Use. It is expressly agreed that Tenant shall not have the power to assign this Lease or sublet the Premises (a) for any use other than the use specified in Article 7 hereof, (b) to any party, if in Landlord's reasonable business judgment the quality of the business operation is or may be adversely affected thereby, or (c) to any party whose financial worth at the time of any proposed assignment or subletting is less than the financial worth of Tenant as of the date of this Lease, and any such purported assignment or subletting without Landlord's consent shall be void

and of no force or effect and shall not confer any benefit or estate on any person, and Landlord shall not be required to terminate this Lease to prevent any such assignment or subletting.

10.3 Instrument, Consent. Any assignment to which Landlord has consented shall be by an instrument in writing satisfactory to Landlord, and any assignee, sublessee, transferee, licensee, concessionaire or mortgagee shall agree for the benefit of Landlord to be bound by, assume and perform all the terms, covenants and conditions of this Lease. Consent by Landlord to any assignment shall not constitute consent to any subsequent assignment. Notwithstanding Landlord's consent, Tenant shall remain fully liable hereunder as primary obligor during the unexpired term of this Lease.

10.4 Rent. If Tenant assigns its interest in this Lease, the Base Rent provided in Article 3 hereof shall be increased effective as of the date of such assignment based upon the Consumer Price Index for all Urban Consumers, (base year 1998=100) for San Francisco-Oakland published by the U.S. Department of Labor, Bureau of Labor Statistics (the Index). The Index published as of the month prior to the Commencement Date of the Term shall be considered the "the Base Index". The index, which is published most immediately proceeding the date of the assignment shall be considered "the Extension Index". Upon the date of the assignment, the Rent shall be increased by a percentage equal to the percentage increase, if any, in the Extended Index over the Base Index (Adjusted Rent). Notwithstanding any subsequent decrease in the Index, the Adjusted Rent shall not be less than the Rent paid by Tenant.

10.5 Excess Rent from Assignment or Sub-Tenancy. Should the Tenant assign or sublet its interests in this Lease, any monies received by Tenant from said assignment or sub-tenancy over and above the amount of Base Rent due Landlord shall be payable to Landlord.

ARTICLE 11. DEFAULT.

11.1 Tenant's Default. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

a. Abandoning or vacating the Premises; or

b. Failing to pay any Base Rent, Additional Rent or any other charges when due and payable by Tenant, if such failure continues for ten (10) days after the due date for such payment provided for in this Lease; or

c. Failure to promptly and fully perform any other covenant, condition or agreement contained in this Lease should such failure continue for thirty (30) days after written notice

thereof from Landlord to Tenant; provided, however, if the failure to perform is such that it cannot reasonably be cured within thirty (30) days, Tenant shall not be in default hereunder if Tenant commences to cure within said thirty (30) day period and diligently prosecutes such curing to completion; or

d. Permitting Tenant's assets to be placed in the hands of a receiver or trustee for a period in excess of thirty (30) days; making an assignment for the benefit of creditors; instituting any proceedings under any bankruptcy act wherein Tenant seeks to be adjudicated a bankrupt, to be discharged of its debts or to effect a plan of liquidation, extension or reorganization; failing to have dismissed within sixty (60) days any involuntary proceeding filed against Tenant under any bankruptcy act; becoming insolvent; or failing to have dismissed within thirty (30) days any proceedings seeking to execute or levy against or attach fifty percent (50%) or more of Tenant's assets.

11.2 Remedies. In the event of Tenant's default hereunder, in addition to any other rights or remedies, Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind to do the following:

a. Terminate this Lease and Tenant's right to possession of Premises and reenter the Premises and take possession thereof, and Tenant shall have no further claim to Premises or under this Lease; or

b. Continue this Lease in full force and effect, reenter and occupy the Premises for the account of Tenant and collect any unpaid rental or other charges which have or may thereafter become due and payable; or

c. Reenter the Premises under the provisions of subparagraph (b), and thereafter elect to terminate this Lease and Tenant's right to possession of the Premises.

Should Landlord reenter the Premises under the provisions of subparagraphs (b) or (c) above, Landlord shall not be deemed to have terminated this Lease or the obligation of Tenant to pay any rental or other charges thereafter accruing, unless Landlord notifies Tenant in writing of Landlord's election to terminate this Lease in the event of any reentry or retaking of possession by Landlord. Landlord shall have the right, but not the obligation, to remove all or any part of the personal property in the Premises and to place such property in storage at a public warehouse at the expense and risk of the Tenant.

Should Landlord elect to terminate this Lease under the provisions of subparagraph (a) or (c) above, Landlord may recover as damages from Tenant the following:

1. The worth at the time of award of any unpaid Rent and Additional Rent which had been earned at the time of termination; plus

2. The worth at the time of the award of the amount by which the unpaid Rent and Additional Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Tenant proves could have been reasonably avoided; plus

3. The worth at the time of the award of the amount by which the unpaid Rent and Additional Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

4. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to any costs of expenses including attorneys' fees, incurred by Landlord in (a) retaking possession of the Premises, (b) maintaining the Premises after Tenant's default, (c) preparing the Premises for reletting to a new tenant including any repairs or alterations and (d) reletting the Premises including broker's commissions.

"The worth at the time of the award," as used in (1) and (2) above, is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award," as used in (3) above, is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the location of the Premises at the time of the award plus one percent (1%).

The waiver by Landlord of any breach of any term, covenant or condition of this Lease shall not be deemed a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition. Acceptance of Rent and/or Additional Rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular Rent also accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rental. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

11.3 Landlord's Default. If Landlord fails to perform any covenant, condition or agreement contained in this Lease within thirty (30) days after receipt of written notice from Tenant specifying such default, or if such default cannot reasonably be cured within thirty (30) days, if Landlord fails to commence to cure within said thirty (30) day period, then Landlord

shall be liable to Tenant for any damages sustained by Tenant as a result of Landlord's breach; provided, however, it is expressly understood and agreed that if Tenant obtains a money judgment against Landlord resulting from any default or other claim arising under this Lease, such judgment shall be satisfied only out of rents, issues, profits and other income actually received on account of Landlord's right, title and interest in the Premises or in the building of which the Premises are a part and the underlying real property, and no other real, personal or mixed property of Landlord wherever situated, shall be subject to levy to satisfy any such judgment. Tenant shall not have the right to terminate this Lease or to withhold, reduce or offset any amount against any payments of rent or any other charges due and payable hereunder.

ARTICLE 12. CONDUCT OF BUSINESS. Tenant covenants and agrees that from and after the Commencement Date of this Lease, Tenant will continuously and uninterruptedly operate and conduct within the Premises the business it is permitted to operate and conduct under the provisions of this Lease, except while the Premises are untenantable by reason of fire or other casualty.

ARTICLE 13. GENERAL PROVISIONS

13.1 Transfer of Landlord's Interest. In the event of any sale, transfer, or reversion by Landlord of the Premises or the building of which the Premises are a part, and assignment of this Lease by Landlord, Landlord shall be and is hereby entirely freed and relieved of any and all liability and obligations contained in or derived from this Lease arising out of any act, occurrence or omission relating to the Premises or this Lease occurring after the consummation of such sale or transfer, provided the purchaser shall expressly assume all of the covenants and obligations of Landlord under this Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit or prepaid rent to Landlord's successor and upon such transfer, Landlord shall be relieved of any and all further liability with respect thereto.

13.2 Estoppel Statement. Upon not less than ten (10) days prior written request from Landlord, Tenant shall execute and deliver to Landlord or Landlord's designee, a written statement certifying (a) that this Lease is unmodified and in full force and effect, or in full force and effect as modified and stating the modifications; (b) the amount of Rent and the date to which said rent and other charges have been paid in advance; (c) the amount of any security deposited with Landlord; and (d) that Landlord is not in default hereunder or, if Landlord is claimed to be in default, stating the nature of any claimed default. Any such statement may be relied upon by a purchaser, assignee or lender. Tenant's failure to execute and deliver such statement within the time allowed shall be conclusive upon Tenant that: (1) this Lease is in full force and effect and has not been modified except as represented by Landlord; (2) there are no

uncured defaults in Landlord's performance and that Tenant has no right of offset, counter-claim or deduction against rental; and (3) not more than one month's rent has been paid in advance.

13.3 Financial Statement. Upon request from Landlord, Tenant agrees to deliver to Landlord and/or any holder of a mortgage or deed of trust and/or to a mortgage, deed of trust beneficiary or proposed mortgages or deed of trust beneficiary, upon fifteen (15) days written request therefor, such financial information as may be required by such party. Landlord agrees that such information, if confidential, shall to the extent permitted by law, be held in confidence and disclosed only for the purposes and to the parties set forth above.

13.4 Subordination; Attornment. Upon written request of Landlord, or any first mortgagee, first deed of trust beneficiary of Landlord, or lessor of Landlord, Tenant shall, in writing, subordinate its rights hereunder to the lien of any first mortgage, first deed of trust, or the interest of any lease in which the Landlord is lessee, and to all advances made or hereafter to be made upon the security therefor; provided, however, prior to executing any such subordination agreement, Tenant shall have the right to obtain from any lender or lessor of Landlord requesting such subordination, an agreement in writing providing that, as long as Tenant is not in default hereunder, this Lease shall remain in full force and effect for the full Term hereof. The holder of any security interest may, upon written notice to Tenant, elect to have this Lease prior to such security interest regardless of the time of granting or recording such security interest.

In the event of any foreclosure sale, transfer in lieu of foreclosure or termination of the lease in which the Landlord is lessee, Tenant shall attorn to the purchaser, transferee or lessor as the case may be, and recognize such party as Landlord under this Lease, provided such party acquires and accepts the Premises subject to this Lease.

13.5 Access to Premises. During any emergency, Landlord may enter the Premises at any time without any notice to Tenant required.

13.6 Holding Over. If Tenant, with Landlord's consent, retains possession of the Premises after the expiration of the Term or termination of the Lease, such possession shall be deemed to be a month-to-month tenancy terminable upon thirty (30) days written notice given at any time by either party. During any such month-to-month tenancy Tenant shall pay Base Rent as required by this Lease and such month-to-month tenancy shall be subject to all provisions of this Lease except those pertaining to Term.

13.7 Merger. The voluntary or other surrender of this Lease by Tenant or termination hereof shall not cause a merger but shall, at Landlord's option, terminate any existing subtenancies or operate as an assignment to Landlord of any such subtenancies.

13.8 Recording. This Lease shall not be recorded by either Landlord or Tenant, provided, however, upon obtaining the prior written consent of the other party, either party may record a memorandum of lease.

13.9 Prior Agreements; Amendments. This Lease represents the entire agreement between the parties pertaining to the Premises and supersedes and cancels any and all previous negotiations, arrangements, representations, agreements and communications between the parties whether written or oral, and none of the foregoing shall be used to construe or interpret this Lease. This Lease may be amended or modified only by written agreement of all parties.

13.10 Attorneys' Fees. In the event of any action or proceeding brought by either party against the other pertaining to or arising out of this Lease, the finally prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred on account of such action or proceeding.

13.11 Remedies; Choice of Law. No remedy or election exercised hereunder shall be deemed exclusive but shall be cumulative with all other remedies at law or in equity. This Lease shall be governed by the laws of the State of California. Venue shall be in Marin County, California.

13.12 Successors and Assigns. Subject to the provisions regarding assignment contained herein, this Lease shall apply to and bind the heirs, personal representatives, successors and assigns of the parties hereto.

13.13 Severability. A final determination by a court of competent jurisdiction that any provision of this Lease is invalid shall not affect the validity of any other provision, and any provision so determined to be invalid shall, to the extent possible, be construed to accomplish its reflected intent.

13.14 Authority. By their signatures below, each of the following represent that they have the authority to execute this Agreement and to bind the party on whose behalf their execution is made. When this Lease calls for action or approval to be taken by the City such action or approval shall be undertaken by the City Manager or his designee; provided, however, that the City Manager may determine in his sole and absolute discretion that the action requires approval by the City Council. When this Lease calls for action or approval to be taken by SMFPD such action or approval shall be undertaken by the Fire Chief or his designee; provided, however, that the Fire Chief may determine in his sole and absolute discretion that the action requires approval by the SMFPD Board.

13.15 Signs. Tenant shall not, without Landlord's written consent, place, construct, maintain or permit the placement of any sign, advertisement, name, insignia, trademark, or similar item on the exterior side walls, rear wall or roof of the Premises or of the building of which the Premises are a part. Landlord shall have the right to approve or disapprove the use of any sign, advertisement, name insignia, trademark, or similar item to be placed, constructed, or maintained on the exterior front wall of the Premises or of the building of which the Premises are a part. In addition to the foregoing, Tenant shall comply with all applicable provisions of the Sausalito Municipal Code regarding such signs. Tenant shall have the right to maintain, place, or construct whatever signs Tenant wants on the interior walls of the Premises so long as such construction does not constitute an alteration to the Premises as defined herein.

13.16 Time of Essence. Time is of the essence in the performance of each and every term, covenant and condition of this Lease.

13.17 Covenants and Conditions. Each and every provision of this Lease to be performed by Tenant shall be deemed both a covenant and condition.

13.18 Captions. The article and section captions contained herein are for reference purposes only and are not a part of this Lease.

13.19 Waiver. A waiver by Landlord of any breach or default shall not be deemed a waiver of any other breach or default. Landlord's consent to or approval of any act by Tenant requiring such consent or approval shall not be deemed to waive or abrogate the requirement of Landlord's consent or approval of any subsequent or similar act.

13.20 No Setoffs. All payments to be made by Tenant hereunder shall, unless otherwise expressly provided, be paid to Landlord without notice or demand and without adjustment, deduction or setoff, in lawful money of the United States.

13.21. Force Majeure. Any provision, delay or stoppage which is due to strikes, labor disputes, inability to obtain labor, materials, equipment or reasonable substitutes therefor, acts of God, governmental restrictions or requisitions or controls, judicial orders, enemy or hostile government actions, civil commotion, fire or other casualty, or other causes beyond reasonable control of the party obligated to perform hereunder, shall excuse performance by such party for a period equal to the duration of such prevention, delay or stoppage, except where such performance is the payment of rental or other charges to be paid by Tenant pursuant to the provisions of this Lease.

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT
333 JOHNSON STREET
SAUSALITO, CALIFORNIA

13.22 Notices. Wherever in this Lease it is required or permitted that notice or demand be given or served by either party to this Lease to or on the other, such notice or demand shall be in writing and shall be deemed duly served or given only if personally delivered or sent by United States mail, certified or registered, postage prepaid, to the address of the parties as specified below.

To Landlord	To Tenant
THE CITY OF SAUSALITO CITY MANAGER CITY OF SAUSALITO 420 LITHO STREET SAUSALITO, CA 94965	SOUTHERN MARIN FIRE PROTECTION DISTRICT 308 REED BOULEVARD MILL VALLEY, CA 94941

Landlord and Tenant may change their respective addresses for notices by giving notice of such new address in accordance with this section 13.22.

13.23 Brokers. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease.

13.24 Keys. In the event Tenant changes the access code, door hardware, locks, or tumblers to Premises, Tenant shall provide Landlord with the access code and/or a set of keys to all said changed locks within twenty (24) four hours of said change. In the event Tenant fails to provide said keys within five (5) days of written demand of Landlord, then Landlord may change said access code and/or locks at Tenant's expense and provide Tenant with new keys and/or access codes

[SIGNATURES ON FOLLOWING PAGE]

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT
333 JOHNSON STREET
SAUSALITO, CALIFORNIA

LANDLORD:

CITY OF SAUSALITO, a municipal corporation

Dated:_____, 2011

By:_____
Herb Weiner, Mayor

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

TENANT:

SOUTHERN MARIN FIRE PROTECTION DISTRICT, a special district formed and operating pursuant to the Fire Protection District Act of 1987

Dated:_____, 2011

By: _____
Printed name: _____

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110

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT
333 JOHNSON STREET
SAUSALITO, CALIFORNIA

APPROVED AS TO FORM:

_____
SMFPD Attorney

Exhibit "A"

Sausalito Fire Station Furnishings Tranferred to Southern Marin Fire Protection District

Room	Item Number	Item Description	Quantity		Category Total
207	RPF1827BP STEELCASE	Pedestal-Fixed, 2 File Drawers	2		7798.5
Fire	RPF1827AP STEELCASE	Pedestal-Fixed, 2 Box/1 File Drawer	2		
Marshal	LSM48K STEELCASE	Light-Shelf, Electronic Ballast	2		
	X3D000601	Screen-Core Mounted, Straight, 20x60	1		
	X3D000481 STEELCASE	Screen-Core Mounted, Straight, 20x48	1		
	XBB48 STEELCASE	Cabinet Package-Overhead, Single Door	1		
	XBB54 STEELCASE	Cabinet Package-Overhead, Double Door	1		
	X1AR24483 STEELCASE	Core Unit-Straight, End/Inside Supports	1		
	X1AR24603	Core Unit-Straight, End/Inside Supports	1		
	X1AL24540	Core Unit-Straight, End/Inside Supports	1		
	X1AR24548	Core Unit-Straight, End/Inside Supports	1		
	Impress	Task Chair	2	747.9	
202	LS1FSC STEELCASE	Cord-Starter, Daisy Chain, 6-1/2'	1		7783.93
Lieutenant	LSM48KFD STEELCASE	Light-Shelf, Economizer Electronic	2		
	RPF1827AP STEELCASE	Pedestal-Fixed, 2 Box/1 File Drawer	1		
	RPF1827BP	Pedestal-Fixed, 2 File Drawers	1		
	XBB72	Cabinet Package-Overhead, Double Door	1		
	XBB48 STEELCASE	Cabinet Package-Overhead, Single Door	1		
	X3F000720	Screen-Core Mounted, Corner, Right Hand	1		
	X3F000483	Screen-Core Mounted, Corner, Right Hand	1		
	X1AI24242	Core Unit-Straight, Inside/ Inside	1		
	TaskChair-Impress	TaskChair-Impress	1	525	
	GuestChair-Peretti	GuestChair-Peretti	1	350	
	X1NL24725	Core Unit-Corner, Extended	1		
	X1MR32727	Core Unit-Corner, Extended	1		
204	LS1FSC STEELCASE	Cord-Starter, Daisy Chain, 6-1/2'	1		9299.49
Chief	LSM48KFD STEELCASE	Light-Shelf, Economizer Electronic	2		
	X3D000728	Screen-Core Mounted, Straight, 20x7	1		
	X3E000482	Screen-Core Mounted, Corner, Left Hand	1		
	XBB72	Cabinet Package-Overhead, Double Door	1		
	XBB48 STEELCASE	Cabinet Package-Overhead, Single Door	1		
	RPF1827AP STEELCASE	Pedestal-Fixed, 2 Box/1 File Drawer	1		
	X1DR24668	Table-Jetty, Conference/Inside Supports	1		
	X1AI24242	Core Unit-Straight, Inside/ Inside	1		
	X1NL24608	Core Unit-Corner, Extended	1		
	Arc	Guest Chair	4	1588.2	
	Cinturon	Task Chair	1	873	
205	LS1FSC STEELCASE	Cord-Starter, Daisy Chain, 6-1/2'	1		9,299.49
Captain	LSM48KFD STEELCASE	Light-Shelf, Economizer Electronic	2		
	X3D000728	Screen-Core Mounted, Straight, 20x7	1		

	X3E000483	Screen-Core Mounted, Corner, Right Hand	1		
	XBB72	Cabinet Package-Overhead, Double Door	1		
	XBB48 STEELCASE	Cabinet Package-Overhead, Single Door	1		
	RPF1827AP STEELCASE	Pedestal-Fixed, 2 Box/1 File Drawer	1		
	X1DL24660	Table-Jetty, Conference/Inside Supports	1		
	X1AI24242	Core Unit-Straight, Inside/ Inside	1		
	X1MR24605	Core Unit-Corner, Extended	1		
	Arc	Guest Chair	4	1588.2	
	Cinturon	Task Chair	1	873	
Other	RLF18425P	Lateral File-1 Lift Up Door/Fixed Shelf	3		3608.64
210	800RW	Rails	37		479.52
202, 204, 2	RLF18362P	Lateral File-2 Dr	3		2145.6
201	RLF18363P	Lateral File-3 Dr	2		1862.4
Dorms	TwinXLMattress Simmor	TwinXLMattress SimmonsBeautyrestClassic	15	689	10335
	Headboards	Headboards	15	115	1725
	Nightstand-	Nightstand-	15	146	2190
	Desk	Desk	5	238	1190
	Chair- Peretti	Chair- Peretti	4	354.9	1419.6
	Blankets and mattress pac	Blankets and mattress pads			2125
Patio	Tropitone-	Tropitone-	2	388.32	776.64
	Chairs-TropitoneOpus8	Chairs-TropitoneOpus8	8	156	1248
	Umbrella-8'/base	Umbrella-8'/base	2	523.42	1046.84
	Planters	Planters	2		1681
212	Table-	Table-	1		2232.9
Dayroom	Dunhill Round Sta Tables	Dunhill Round Sta Tables	2	591.75	1183.5
	DiningChairs- Peretti	DiningChairs- Peretti	8	500	4000
	Stools	Stools	3	400	1200
	Console/Cabinet	Console/Cabinet	1	500	500
	Recliners	Recliners	5	849.95	4249.75
	OccasionalTables	OccasionalTables	3	525	1575
	DoublePed.Desk	DoublePed.Desk	1	2000	2000
	TaskChair-Impress	TaskChair-Impress	1	525	525
	EntertainmentConsole1	EntertainmentConsole1	2	2150	4300
201	U-desk	U-desk	1		6852
Admin/Rec	TaskChair-Impress	TaskChair-Impress	1	373.95	373.95
	Lounge Chairs	Lounge Chairs	2	500	1000
	Table	Table	1	500	500
118	Task Chair	Task Chair	1	373.95	373.95
Radio					
102	FoldingTable-	FoldingTable-	8	530.1	4240.8
EOC/Train	Chairs-	Chairs-	16	386.05	6176.8

5a
113

		Cart/Lecturn	Cart/Lecturn	1		3354.75
	101	LoungeChair	LoungeChair	3	400-950	1500
Lobby		OccasionalTable	OccasionalTable	1	500	500
			Sub-Total			**$102,353.05**
			3% Depreciation			**3070.5915**
						$99,282.46

LEASE OF PREMISES AND EQUIPMENT DISPOSITION AGREEMENT
333 JOHNSON STREET
SAUSALITO, CALIFORNIA

Exhibit B

Date of Effectiveness of Annexation: _____