

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY OF SAN DIEGO AND
THE ORFILA VINEYARDS**

This Memorandum of Understanding ("MOU") is entered into by the City of San Diego Public Utilities Department, ("Grantor") and the ORFILA VINEYARDS, INC ("Grantee") for the purpose of setting forth the terms on which the Grantee shall be permitted to occupy City of San Diego property in San Pasqual Valley Area for the use, operating, maintenance and repair of the City of San Diego's water well.

Grantor agrees to permit Grantee to occupy the area for a total of approximately one acre ("Premises") on City of San Diego property located in the City of San Diego, County of San Diego, State of California, and further described in Exhibit A as "MOU Premises" and further subject to the following terms and conditions:

1. Premises.

As shown on the attached in Exhibit A as MOU Premises.

2. Use of Premises.

It is expressly agreed that the premises granted to the Grantee for the sole and exclusive purpose of the use, operating, maintaining & repair of an existing city groundwater well and immediate surrounding infrastructure and for no other purpose whatsoever.

The use of the premises for any unauthorized purpose shall constitute a substantial default and subject this Memorandum of Understanding to termination at the sole option of the City.

3. Term of Agreement.

Commencement Date of the Agreement is when the agreement is signed by both parties and will run with the Grantee's current lease agreement. When the Grantee's current lease terminates the MOU will terminate.

4. Water Payment.

No change.

5. Improvements/Alterations.

No improvements, structures or installations shall be constructed or altered by Grantee without prior written approval by the Grantor.

6. Entry and Inspection.

Grantor reserves and shall always have the right, but not the obligation, to enter Premises for the purpose of viewing, testing and ascertaining the condition of the Premises.

7. Condition of Premises.

By taking possession of the Premises, Grantee acknowledges that the Premises are in good order and condition and agrees to take possession "as is". Grantee will maintain the Premises in good condition and repair, and will not cause or permit the Premises to be damaged or defaced.

8. Maintenance, Repair and Infrastructure Cost.

Grantee shall, at its own expense, keep and maintain the Premises and Infrastructure in a clean and safe condition.

(8.1) Grantee may only make material modifications to existing well or construct new wells with the express written approval of Grantor and per appropriate County Code. Said approval shall not be unreasonably withheld and Grantor shall respond within 30 days of a written request for approval from Grantee. Grantee shall provide record of any maintenance, repairs or modification made to the infrastructure of the well. Any abandoned well shall be closed per the standards of the County of San Diego.

(8.2) Grantor has made and makes no representations or guarantees to Grantee as to the quantity or quality of water which may be available to Grantee.

a. Grantee agrees that upon termination of this agreement, it will leave any wells developed or used on the Premises during the term of Grantee's Lease in good working order and condition and that the casing shall be left in place.

b. Grantor shall at all times have the right to reasonable access to the Premises to protect its water rights and water quality; for monitoring the level and quality of water surface and groundwater over and under the Premises; and, for purposes necessary to the implementation of any groundwater management plan that may be adopted by Grantor. Should monitoring indicate any surface water and/or groundwater quality degradation, the Grantor shall in its sole discretion have the right to require reasonable alteration of any irrigation or other practices by Grantee which may cause such water quality degradation as determined by Grantor.

9. Termination.

The MOU will terminate when the Grantee's current Lease agreement with the City expires.

10. Notices.

Any party entitled or required to receive notice under this MOU may by like notice designate a different address to which notices shall be sent.

Attention: Real Estate Assets Manager
City Administration Building
202 "C" Street, M.S. 9B
San Diego, CA 92101

and to Grantee as follows:

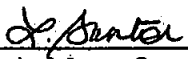
Orfila Vineyards, Inc.
c/o Alejandro Orfila
13455 San Pasqual Rd
San Diego, CA 92025

11. No Further Modification. Except as set forth in this MOU, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect. Effective as of the Effective Date, hereof, all references to the "Lease" shall refer to the Lease as amended by this MOU. Idemnification language in Grantee's current lease section (5.1) is applicable to the area defined in Exhibit A as the MOU Premises.

IN WITNESS WHEREOF, this Agreement is executed by Grantor, and by Grantee.

THE CITY OF SAN DIEGO
PUBLIC UTILITIES DEPARTMENT

Date 9/28/16

By 
Lee Ann Jones-Santos, Assistant Director

GRANTEE: ORFILA VINEYARDS, INC.

Date 9/28/16

By 
Justin Mund, Operations Manager

