

PARKING LEASE AGREEMENT

This Parking Lease Agreement (the "**Agreement**") is entered into on this 1st day of October, 2008, by and between MENDOCINO RAILWAY (referred to variously as "**Skunk Train**" or "**Lessor**") and the CITY OF FORT BRAGG, a municipal corporation ("**City**" or "**Lessee**") Lessor and City are hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, Lessor is the owner of that certain parking lot located between Laurel and Pine Streets and west of Main Street in the City of Fort Bragg, and more particularly described in **Exhibit A** attached hereto and incorporated herein by this reference (the "**Parking Lot**"); and

WHEREAS, in 1996, City provided financial assistance for certain improvements to the parking lot; and

WHEREAS, in exchange for paving the parking lot, City entered into an agreement to lease the Parking Lot with California Western Railroad, Inc., the owner of the Parking Lot in 1996, which agreement has since expired; and

WHEREAS, Lessor desires to reserve spaces for Skunk Train riders in order to ensure adequate parking is available for its customers during the peak season; and

WHEREAS, City desires to lease from Lessor parking spaces in the Parking Lot in order to provide public parking; and

WHEREAS, City desires to designate certain parking spaces in the Parking Lot for business owners and their employees on a permit basis; and

NOW, THEREFORE, in consideration of the recitals and obligations of the Parties herein expressed, City and Lessor hereby agree as follows:

1. **LEASED PREMISES.**

City does hereby lease from Lessor, and Lessor does hereby lease to City, all spaces in the Parking Lot except for those spaces reserved for use by Skunk Train employees, customers, and invitees (the "**Leased Parking Spaces**").

2. **TERM.**

The term of this Agreement (the "**Term**") shall be for a period of ten (10) years, commencing on October 1, 2008, ("**Effective Date**") and shall expire on the tenth (10th) anniversary of the Effective Date (the "**Expiration Date**"). The Lessee shall have the option to extend the Term for an additional ten (10) year period by giving written notice of its desire to exercise the renewal option not less than one hundred twenty (120) days prior to the Expiration Date. City and Lessor agree to meet and confer at least once every two (2) years from the Effective Date to address operational issues that were not contemplated on the Effective Date. The Parties agree to execute and record a Memorandum of Lease in the official records of

Mendocino County in accordance with Section 14 of this Agreement in substantially the same form as the Memorandum of Parking Lease Agreement attached hereto as **Exhibit B**.

3. RENT.

The annual rent on the Effective Date shall be \$8,000 per year; commencing on the Effective Date, City will pay to Lessor rent for the parking Lot ("**Rent**") during the Term as follows: (i) City will make an initial payment of the pro rata annual rent for the Parking Lot for the period commencing on the Effective Date through July 14, 2008; (ii) thereafter, City will pay the Rent annually to Lessor not later than July 15 of each year; and (iii) commencing July 15, 2009, the annual Rent increase shall be indexed to the Consumer Price Index, All Urban Consumers, All Items, for the western states, as published by the U.S. Department of Labor, Bureau of Labor Statistics.

4. USE.

City shall use the Parking Lot for public parking and for no other uses without the prior written consent of Lessor. City's use of the Parking Lot shall be in accordance with the following:

A. City accepts the Parking Lot in its now existing condition and agrees to provide maintenance as set forth in Section 6 of this Agreement.

B. The Parking Lot is separated into two general areas, including the Public Parking Lot and the Skunk Train Customer Lot as defined in Exhibit C: Map of Skunk Train Parking Lot.

C. City may, at its option, limit public parking in the Parking Lot to two hours, and enforce the parking limits pursuant to Section 5 of this Agreement. City reserves the right to install parking meters in some or all of the parking spaces in the Public Parking Lot. Skunk Train customers will be exempt from paying the metered rate and from the time limits for one day, if the Skunk Train customer has a date-stamped placard or other form of validation displayed on the vehicle's dashboard.

C. To ensure adequate parking availability for its customers and employees, Lessor may designate up to fifty (50) spaces as reserved for Skunk Train customers and employees during the Skunk Train's normal operating season, which runs from March through November. These spaces are designated as the Skunk Train Customer Lot. Lessor shall provide signage that specifies the dates and times of the restricted parking. Users of the reserved spaces will be required to display a date-stamped placard or other form of validation on their vehicle dashboard.

D. City may reserve up to ten (10) spaces in the Permit Parking Lot for parking by permit holders, with permits to be issued through the City's parking permit program.

E. Parking in the Public Parking Lot is limited to passenger vehicles and pickup trucks. Recreational vehicles and commercial trucks shall be prohibited from parking in the Public Parking Lot.

F. Neither City nor Lessor will use, generate, manufacture, produce, store, release, discharge, or dispose of on, under or about the Parking Lot, or transport to or from the Parking Lot any Hazardous Substance or allow any other person or entity to do so except: (i) Hazardous Substances which may be brought on the Parking Lot and used in compliance with all Environmental Laws; or (ii) petroleum or gasoline used to operate motor vehicles. As used herein, the term "Environmental Law" shall mean and include without limitation those substances included within the definition of "Hazardous Substance," "Hazardous Waste," "Hazardous Material," "Toxic Substance," "Solid Waste," or "Pollutant" or "Contaminant" in any federal, state, or local law, statute, ordinance or regulation pertaining to health, industrial hygiene, occupation or environmental conditions and such other substances, materials, and wastes that are or

become regulated or classified as hazardous or toxic under federal, state, or local laws and regulations. Each Party agrees to defend, indemnify, and hold the other Party free and harmless from any and all claims and liability which arise or result from a breach of this covenant by such Party. City and Lessor each agree to promptly notify the other of any communication received from any governmental entity concerning Hazardous Substances or the violation of any Environmental Law that relates to the Parking Lot.

G. Both City and Lessor can use the Parking Lot for special events with prior written consent from the other party, which consent shall not be unreasonably withheld. If the Parking Lot is being used by, or at the request of, City for a special event, then City shall indemnify Lessor for claims arising out of such use in accordance with Section 10(i) below. If the Parking Lot is being used by, or at the request of, Lessor for a special event, then Lessor shall indemnify City for claims arising out of such use in accordance with Section 10(ii) below.

5. PARKING ENFORCEMENT.

City shall be responsible for enforcing the following: (i) time limitations on public parking in the Parking Lot; (ii) violations of state and local laws by vehicles parked in the Parking Lot; (iii) prohibition on overnight camping in vehicles parked in the Parking Lot; and (iv) illegal activities and nuisance conditions in the Parking Lot. City will coordinate with the County of Mendocino to abate and/or remove abandoned vehicles in the Parking Lot.

6. MAINTENANCE AND REPAIR; IMPROVEMENTS.

City shall be responsible for on-going maintenance, repairs, and improvements to the Parking Lot, including re-stripping parking spaces and repairing potholes, up to a maximum expenditure of \$1,500 per year for such maintenance, repairs and improvements ("Maximum Annual Expenditure"). If the actual cost of maintenance, repairs and improvements are less than \$1,500 in any given year during the Term, the difference between \$1,500 and the actual cost will be accrued in a restricted maintenance fund for use in subsequent years. If the cost of maintenance, repairs or improvements exceeds the Maximum Annual Expenditure amount, City shall obtain authorization from Lessor prior to conducting additional maintenance, repairs or improvements. All costs of repairs, maintenance or improvements that exceed the Maximum Annual Expenditure (plus any accrued funds) shall be paid by Lessor. The Parties agree to "meet and confer" every two years, beginning in July of 2009, to consider modifications to this Agreement to address operational issues relating to the Parking Lot that were not contemplated at the time of execution of this Agreement.

7. TAXES AND UTILITIES.

Lessor shall pay all real property taxes and general and special assessments on the Parking Lot. Lessor shall also pay for all utility costs incurred in operating the Parking Lot. If City makes improvements to the Parking Lot that require additional utilities, such as lighting, the City shall pay the increased utility costs resulting from the improvements.

8. SIGNAGE.

The Parking Lot will be signed for both public parking and parking for Skunk Train customers and employees. City shall provide the public and permit parking signage, and Lessor shall provide signage for its customers, employees and invitees.

9. INSURANCE.

City and Lessor shall both procure, at their sole expense, and maintain in full force and effect during the Term of this Agreement, a commercial general liability insurance policy in an amount not less than Two Million Dollars (\$2,000,000) per occurrence against the risk of bodily injury, property damage and personal injury liability. Each party shall be named as an additional insured and/or loss payee on the policy of the other Party.

10. INDEMNITY.

Each Party covenants and agrees to indemnify, defend and hold the other Party and its directors, officers, employees, contractors and agents harmless from and against any and all claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees, expert witness fees and other expenses, and costs of suit incurred in connection with such claims), including any actions or proceedings brought thereon (collectively "**Claims**"), arising from or as a result of the injury to or death of any person, or damage to the property of any other person or entity, as follows: (i) if the incident giving rise to the Claims occurs on any portion of the Parking Lot being used by the public other than Skunk Train customers or pursuant to a permit issued by City, then City shall indemnify the Lessor as provided herein; or (ii) if the incident giving rise to the Claims occurs on any portion of the Parking Lot being used by customers, employees, and/or invitees of the Lessor, then Lessor shall indemnify City as provided herein. Each Party shall further indemnify the other Party against liability for Claims that result from the indemnifying Party's failure to comply with the terms of this Agreement. The Parties' respective indemnity obligations under this provision shall not extend to Claims that arise as a result of the indemnitee's gross negligence or willful misconduct.

11. TERMINATION OF AGREEMENT; SALE.

This Agreement may only be terminated by the mutual written agreement of the Parties or as otherwise provided by law, or provided that Lessor gives the City Twenty-four (24) months' prior written notice of intent to terminate the Agreement. If the Lessor sells, transfers, assigns or conveys all or any portion of the right, title and estate of the Lessor in the Parking Lot and in this Agreement, any such sale, transfer, assignment or conveyance shall be subject to this Agreement, and City's other rights arising out of this Agreement shall not be affected or disturbed in any way by any such sale, transfer, assignment or conveyance.

12. NO OBSTRUCTION/INTERFERENCE.

The Parties to this Agreement shall not unreasonably interfere with the use of the Parking Lot by the other Party or the general public. No walls, fences, or barriers of any sort or kind shall be constructed or maintained by a Party within the Parking Lot; provided, however, that reasonable traffic controls as may be necessary to guide and control the orderly flow of traffic or for security purposes may be installed, so long as access and use of such areas is not unreasonably impaired.

13. MEMORANDUM OF LEASE AGREEMENT.

A Memorandum of Lease Agreement substantially in the form attached hereto as Exhibit B shall be executed by the Parties to this Agreement and recorded in the Official Records of Mendocino County.

14. REPRESENTATIONS.

The Parties hereby represent and warrant that all of the following are true and correct as of the Effective Date:

A. The Party making the representation ("**Representing Party**") has taken all requisite action in connection with the execution of this Agreement and the undertaking of the obligations set forth herein. This Agreement constitutes the legally valid and binding obligation of the Representing Party enforceable against the Representing Party in accordance with its terms, except as it may be affected by bankruptcy, insolvency or similar laws or by legal or equitable principles relating to or limiting the rights of contracting parties generally; and

B. The execution of this Agreement and the acceptance of the obligations set forth herein do not violate any court order or ruling binding upon the Representing Party or any provision of any indenture, agreement or other instrument to which the Representing Party is a party or may be bound. Neither the entry into nor the performance of this Agreement will violate, be in conflict with or constitute a default under any charter, bylaw, partnership agreement, trust agreement, mortgage, deed of trust, indenture, contract, judgment, order or other agreement, charge, right or interest applicable to the Representing Party.

15. FAILURE TO ENFORCE NOT A WAIVER.

The failure of either Party to insist upon strict performance of any covenant, condition, or restriction in this Agreement shall not be construed as a waiver of any future breach of such provisions.

16. MODIFICATION.

This Agreement may be modified only by a subsequent writing, signed by both Parties.

17. SEVERABILITY.

If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

18. NOTICES.

Except as otherwise specified herein, all notices to be sent pursuant to this Agreement shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other Party in accordance with this Section. All such notices shall be sent by:

- A. personal delivery, in which case notice is effective upon delivery;
- B. certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt;
- C. nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service; or

D. facsimile transmission, in which case notice shall be deemed delivered upon transmittal, provided that (i) a duplicate copy of the notice is promptly delivered by first-class or certified mail or by overnight delivery, or (ii) a transmission report is generated reflecting the accurate transmission thereof. Any notice given by facsimile shall be considered to have been received on the next business day if it is received after 5:00 p.m. recipient's time or on a nonbusiness day.

City: City of Fort Bragg
416 N. Franklin Street
Fort Bragg, CA 95437
Attention: City Manager
Telephone: (707) 961-2823
Facsimile: (707) 961-2802

With copy to: Michael Gogna, City Attorney
Meyers Nave Riback Silver & Wilson
401 Mendocino Ave., Suite 100
Santa Rosa, CA 95401
Telephone: (707) 545-8009
Facsimile: (707) 545-6617

Lessor: Skunk Train
~~330 South Sierra Avenue~~ *Foot of Laurel Street*
~~Oakdale, CA 95361~~ *Fort Bragg, CA 95438*
Attn: ~~Robert Jason Pinoli, Vice President~~ *General Manager*
Phone: ~~(209) 848-8455~~ *707 964 6371*
Fax: ~~(209) 847-1439~~ *707 964 6428*



With copy to: Torgny Nilsson, General Counsel
Sierra Railroad Company
221 First Street
Davis, CA 95616

19. CAPTIONS; CONSTRUCTION.

The section headings and captions used herein are solely for convenience and shall not be used to interpret this Agreement. The Parties acknowledge that this Agreement is the product of negotiation and compromise on the part of both Parties, and the Parties agree that since both Parties have participated in the negotiation and drafting of this Agreement with the advice of counsel, this Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

20. SUCCESSORS AND ASSIGNS.

This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any permitted successor and assign of such Party who has acquired an interest in compliance with this Agreement as if in every case so expressed.

21. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws. Any action to enforce or interpret this Agreement shall be filed in the Superior Court of Mendocino County, California or in the Federal District Court for the Northern District of California.

22. ATTORNEYS' FEES.

If either Party commences an action against the other to enforce any obligation contained herein, or to interpret any provision hereof, the prevailing Party shall be entitled to recover from the other Party reasonable attorneys' fees, costs and necessary disbursements, as determined by the court having jurisdiction over the action.

23. INDEMNITY INCLUDES DEFENSE COSTS.

In any case where either Party is obligated under an express provision of this Agreement, to indemnify and to save the other Party harmless from any damage or liability, the same shall be deemed to include defense of the indemnitee by the indemnitor, such defense to be through legal counsel reasonably acceptable to the indemnitee.

24. NO THIRD-PARTY BENEFICIARIES; DISCLAIMER OF PARTNERSHIP, LENDER/BORROWER RELATIONSHIP.

Nothing contained in this Agreement is intended to or shall be deemed to confer upon any person, other than the Parties, any rights or remedies hereunder. The relationship of the Parties under this Agreement is solely that of lessor and lessee, and it is expressly understood and agreed that City does not as a result of this Agreement in any way nor for any purpose become a partner of the Lessor or a joint venturer with the Lessor in the conduct of the Lessor's business or otherwise. This Agreement is not intended to, and shall not be construed to, create the relationship of principal and agent, partnership, joint venture, or association as between City and Lessor. It is further expressly understood and agreed that this Agreement is not intended to, and shall not be construed to create the relationship of lender and borrower, and City does not, solely as a result of this Agreement, become a lender to the Lessor.

25. ENTIRE AGREEMENT.

This Agreement, together with Exhibits A and B which by this reference are hereby incorporated herein, contains the entire agreement between the Parties relative to the transactions covered hereby. All previous correspondence, communications, discussions, agreements, understandings or proposals and acceptances thereof between the Parties or their representatives, whether oral or written, are deemed to have been integrated into and superseded by this Agreement and are of no further force and effect except as expressly provided in this Agreement.

26. WAIVER; MODIFICATION.

No waiver of any breach of any covenant or provision of this Agreement shall be deemed a waiver of any subsequent breach of the same or any other covenant or provision hereof. No waiver shall be valid unless

in writing and executed by the waiving party. An extension of time for performance of any obligation or act shall not be deemed an extension of the time for performance of any other obligation or act, and no extension shall be valid unless in writing and executed by the waiving party. This Agreement may be amended or modified only by a written instrument executed by the Parties.

27. TIME IS OF THE ESSENCE.

Time is of the essence of this Agreement and of each provision hereof.

28. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

29. NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS.

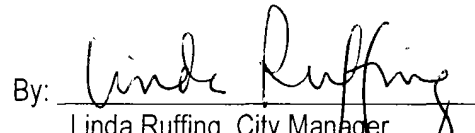
No member, official, employee or agent of City shall be personally liable to Lessor or its successors in interest in the event of any default or breach by City or for any amount which may become due to the Lessor or the Lessor's permitted successors in interest pursuant to this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first shown above.

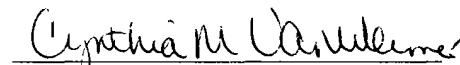
MENDOCINO RAILWAY, LESSOR

By: 
DAVID MAGAW
President

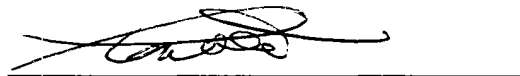
CITY OF FORT BRAGG

By: 
Linda Ruffing, City Manager

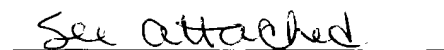
ATTEST:


Cynthia M. VanWormer, CMC,
City Clerk

APPROVED AS TO FORM


Torgny Nilsson, General Counsel

APPROVED AS TO FORM


Michael Gogna, City Attorney

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MENDOCINO RAILWAY, LESSOR

CITY OF FORT BRAGG

By _____

By: _____
Linda Ruffing, City Manager

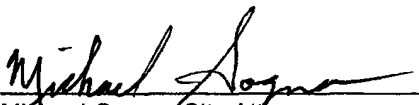
ATTEST:

Cynthia M. VanWormer, CMC,
City Clerk

APPROVED AS TO FORM

APPROVED AS TO FORM

Torgny Nilsson, General Counsel


Michael Gogna, City Attorney

1063130

Exhibit A
PROPERTY
Legal Description

008-053-29
A P.N.: ~~005-149-08~~

File No.: 2306-1301837
(DN)
Date: 04/14/2004

Beginning at U.S.C. & G.S. Station "Soldier;" thence North 54° 31' 38" East, bearings based on the Grid Meridian (State Plane Coordinates) North 3,856.96 feet to the True Point of Beginning a 3/4" rebar L.S. 4455; thence North 04° 59' 33" West, 170.31 feet to a 3/4" rebar L.S. 4455; thence North 0° 56' 11" East, 215.00 feet to a 3/4" rebar L.S. 4455, hereinafter known as "Point A," said point is the beginning of a tangent curve of 387.31 feet radius, concave Southeasterly; thence Northeasterly through a central angle of 18° 52' 22" a distance of 127.58 feet to a 3/4" rebar L.S. 4455 at the beginning of a non-tangent line bearing North 12° 56' 20" West, thence along said line 23.98 feet to the Southeast corner of a concrete fuel tank enclosure; thence South 77° 18' 00" West 49.95 feet to a "PK" Nail and L.S. 4455 tag at the Southwest corner said enclosure; thence North 12° 55' 37" West 24.00 feet to the Northwest corner said enclosure; thence North 77° 18' 00" East, 49.95 feet to a "PK" Nail and L.S. 4455 tag at the Northeast corner said enclosure; thence North 20° 26' 46" East, 85.46 feet to a "PK" Nail and L.S. 4455 tag in a concrete footing of a cyclone fence post; thence North 70° 43' 18" East, 30.18 feet to a "PK" Nail and L.S. 4455 tag in another concrete footing of a cyclone fence post, hereinafter known as "Point B," thence North 67° 45' 41" East, 69.81 feet to a "PK" Nail and L.S. 4455 tag in a third concrete footing of a cyclone fence post; thence North 39° 34' 19" East 221.07 feet to a 3/4" rebar tagged L.S. 4455 on the South line of Pine Street; thence South 88° 27' 14" East 113.71 feet along said South line to a "PK" Nail and L.S. 4455 tag; thence South 01° 32' 46" West, 275.00 feet along the Westerly boundary of City Lots; #16, #15, #14, #13, #12 and #11 of Block #14; thence North 88° 27' 14" West 50.00 feet to a 3/4" rebar tagged L.S. 4455; thence South 01° 32' 47" West, 185.55 feet to the South line of Laurel Avenue; thence along said South line North 88° 41' 11" West, 39.96 feet to a "PK" Nail and Brass Washer stamped L.S. 3184 on the Northerly boundary of property conveyed to the City of Fort Bragg in Record of Survey filed in Map Case 2, Drawer 42, page 75, Mendocino County Records; thence along the Westerly boundary said Record of Survey. The following courses and distances:

South 01° 18' 49" West, 7.01 feet; South 33° 21' 13" West, 18.01 feet; South 01° 18' 49" West, 16.06 feet; South 89° 15' 40" West, 54.70 feet; South 00° 21' 27" West, 198.73 feet; to a 3/4" rebar L.S. 3184 at the Southwest corner of property conveyed to the City by said Record of Survey; thence North 88° 41' 11" West, 2.83 feet to a 3/4" rebar tagged L.S. 3184 at the Northwest corner of property conveyed to Daly Eureka Corporation in Record of Survey filed in Map Case 2, Drawer 42, page 59, Mendocino County Records; thence along the Westerly boundary said Record of Survey, the following courses and distances:

South 01° 11' 41" West, 40.72 feet; North 88° 17' 49" West, 18.18 feet; South 01° 30' 45" West, 72.30 feet; to a 3/4" rebar tagged L.S. 4455; thence North 89° 19' 16" West, 31.70 feet, leaving said Westerly boundary to a point on the Easterly boundary of a Parking Area, leased by Daly Eureka Corporation from George-Pacific as shown on Record of Survey filed in Map Case 2, Drawer 42, page 59; thence along said Lease boundary the following courses and distances:

North 01° 01' 21" East, 37.55 feet; North 89° 39' 42" West, 13.55 feet; North 00° 48' 38" East, 59.39 feet; to the Northeast corner Parking Lease Area, hereinafter known as "Point C," thence continuing North 00° 48' 38" East, 160.86 feet to a 3/4" rebar tagged L.S. 4455; thence North 88° 36' 24" West, 75.06 feet to a 3/4" rebar tagged L.S. 4455; thence South 01° 19' 53" West, 63.35 feet to a "PK" Nail and L.S. 4455 tag in concrete; thence North 88° 40' 13" West, 2.50 feet to a 3/4" rebar tagged L.S. 4455; thence South 11° 50' 48" West, 94.29 feet to a "PK" Nail and L.S. 4455 tag in concrete footing of a cyclone fence; thence South 01° 57' 25" West, 139.33 feet to a 3/4" rebar tagged L.S. 4455; thence North 86° 18' 13" West, 41.31 feet to the True Point of Beginning.

Exhibit B
FORM OF MEMORANDUM OF LEASE

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

City of Fort Bragg
416 N. Franklin Street
Fort Bragg, CA 95437
Attn: City Clerk

EXEMPT FROM RECORDING FEES PER
GOVERNMENT CODE §§ 6103, 27383

Space above this line for Recorder's use

MEMORANDUM OF PARKING LEASE AGREEMENT

This Memorandum of Parking Lease Agreement (this "**Memorandum**"), dated for reference purposes as of _____, 2008, is executed by and between MENDOCINO RAILWAY (the "**Lessor**") and the CITY OF FORT BRAGG, a municipal corporation (the "**Lessee**"), in reference to and consideration of that certain Parking Lease Agreement dated as of _____, 2008, by and between Lessor and Lessee (the "**Lease**").

1. The purpose of this Memorandum is to provide notice of the existence of the Lease which is incorporated herein by this reference. This Memorandum incorporates all of the terms and provisions of the Lease as though fully set forth herein.
2. The Lessor is the owner of fee title to that certain parking lot located between Laurel and Pine Streets and west of Main Street in the City of Fort Bragg, and more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the "**Parking Lot**");
3. Pursuant to the Lease, the Lessor leases to the Lessee, and the Lessee leases from the Lessor, the Parking Lot subject to all of the terms and conditions set forth in the Lease.
4. The term of the Lease is ten (10) years, commencing on _____, 2008. Lessee has the right to extend the Lease for an additional ten (10) year term.
5. This Memorandum may be executed in counterparts, each of which shall be an original, and all of which together shall constitute one fully-executed agreement.
6. Information regarding the specific terms and conditions of the Lease can be obtained from the City Clerk at the city of Fort Bragg, located at 416 N. Franklin Street, Fort Bragg.

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first set forth above.

LESSEE:

CITY OF FORT BRAGG

By: _____
Linda Ruffing, City Manager

LESSOR:

MENDOCINO RAILWAY

By: _____

Attest:

Cynthia M. VanWormer, CMC
City Clerk

1140620.1

Exhibit C: Map of Skunk Train Parking Lot

_____ Blue = Approximate Location of Public Parking Lot
_____ Red = Approximate Location of Skunk Train Parking Lot

