NOTICE IS HEREBY GIVEN THAT A *SPECIAL* MEETING OF THE LOLETA COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS WILL BE HELD

Saturday, September 12, 2026 AT 5:00PM

LOCATION: LCSD OFFICE
358 MAIN STREET
LOLETA, CA

Meetings are regularly held on the third Thursday of every month at 7:00 p.m. in the fire station meeting hall.
For agenda item consideration, all documents need to be submitted before noon 10 days preceding any meeting.

AGENDA

1.) Call to Order

2.) Roll Call

Seth Marks -
David Struve -
John Sarico -
Joel Geck-Moeller -

3.) Presiding Officers Announcements:

4.) Approval of Agenda Order:

5.) Consent Calendar:

-None

6.) Public Comment:

This time is provided for people to address the Board or submit written communications on matters not on the agenda. At the conclusion of all oral and written communications, the Board may respond to statements. Any request that requires Board action will be set by the Board for a future agenda or referred to staff. Speakers addressing the Board may be limited to three minutes and a time limit on the overall length of oral communications may be imposed.

7.) <u>Written Communications:</u>

A. None

8.) <u>Staff Reports:</u>

A. None

9.) <u>New Business:</u>

A. Resolution No. 2026-05: Authorize the Execution of an Option to Purchase Property with R4 Ranches for the WWTF Project *pg. (3-33)*
Review, Discuss, Vote

10.) <u>Old Business:</u>

A. None

Review, Discuss, Vote

11.) <u>Dates of Future Meetings:</u>

September 18, 2026

12.) <u>Closed Session:</u>

A. None

13.) <u>Closed Session Report out:</u>

14.) <u>Announcements:</u>

15.) <u>Adjournment:</u>

Motion: 1st____________________ 2nd_____________________ Vote ___________________

Time ___________________

ADA Compliance: Persons with a disability, who requires a modification or accommodation in order to participate in the public meeting, please contact LCSD 733-1717 at least 10 hours prior to the scheduled meeting.

STAFF REPORT

DATE: SEPTEMBER 12, 2026

TO: BOARD OF DIRECTORS

FROM: DENNIE HER, GENERAL MANAGER

SUBJECT: CONSIDERATION OF OPTION TO PURCHASE REAL PROPERTY FROM R4 RANCHES FOR POTENTIAL FUTURE WASTEWATER TREATMENT FACILITY SITE

RECOMMENDATION

Staff recommends that the Board of Directors:

1. Approve Resolution No. 2026-05, authorizing the District to enter into an Option to Purchase Real Property with R4 Ranches for approximately 0.77 acres of APN 309-191-012-000;

2. Authorize the General Manager to execute the Option Agreement on behalf of the District, subject to review and approval by District Counsel;

3. Authorize payment of the $1,000 option fee, which will be credited toward the purchase price if the District ultimately exercises the option; and

4. Authorize staff to continue the necessary due diligence and governmental approval processes associated with the potential acquisition and future use of the property.

BACKGROUND

The Loleta Community Services District (District) is evaluating property necessary to accommodate potential future improvements to the District's wastewater treatment system.

As part of this process, the District has been working with the owners of property identified as APN 309-191-012-000 regarding the potential acquisition of approximately 0.77 acres of the property.

Rather than immediately committing the District to purchase the property, the proposed agreement establishes an option to purchase. This approach provides the District with additional time to complete due diligence and pursue necessary governmental approvals while preserving the opportunity to acquire the property if the required conditions can be satisfied.

PROPOSED OPTION AGREEMENT

The proposed Option to Purchase Real Property provides the District with the right, but not the obligation, to purchase the identified property from R4 Ranches.

The principal terms are as follows:

Term: Proposed Agreement

Property: Approximately 0.77 acres of APN 309-191-012-000

Seller: R4 Ranches

Buyer: Loleta Community Services District

Option Fee: $1,000

Purchase Price: $16,740.26

Initial Option Term: Two years

Potential Extension: One additional year if reasonably necessary to obtain governmental approvals

Credit of Option Fee: $1,000 option fee credited toward purchase price if option is exercised

Due Diligence: Environmental, engineering, surveying, land-use and other necessary investigations

Governmental Approvals: Includes, as applicable, CEQA, LCP amendment, zoning/reclassification, lot-line adjustment/parcel map and related approvals

The option does not require the District to ultimately purchase the property. The District may proceed with its evaluation and approvals during the option period and determine whether exercising the option remains in the District's best interest.

PURPOSE OF THE OPTION

The proposed option is intended to provide the District with adequate time to:

- Conduct environmental and site due diligence;
- Complete engineering and surveying work;
- Evaluate the property's suitability for the District's potential wastewater treatment facility needs;
- Pursue applicable land-use approvals;
- Evaluate and pursue a Local Coastal Program amendment, if required;
- Pursue zoning or land-use reclassification, if required;
- Pursue a lot-line adjustment or other required subdivision-related approvals;
- Complete applicable CEQA review; and
- Evaluate project feasibility, costs, funding and other considerations before making a final decision regarding acquisition.

The option therefore provides the District with site control without requiring an immediate purchase commitment.

CEQA AND LAND-USE CONSIDERATIONS

The proposed acquisition and any future development of the property are subject to applicable governmental approvals and environmental review.

Importantly, the proposed Option Agreement does not itself authorize construction or development of a wastewater treatment facility on the property.

The agreement recognizes that any future use of the property will be subject to applicable governmental approvals and compliance with CEQA and other applicable laws.

Staff's intent is to maintain sufficient flexibility to complete the required environmental review and land-use approval processes before the District makes a final commitment to a specific development project.

The Board's approval of the Option Agreement should therefore be understood as approval of the option and property-acquisition strategy, rather than approval of construction of a future wastewater treatment facility.

FINANCIAL CONSIDERATIONS

The District would initially be responsible for the $1,000 option fee.

If the District ultimately exercises the option, the $1,000 fee will be credited toward the agreed purchase price of $16,740.26, resulting in the remaining purchase price being reduced by the amount of the credited option payment.

In addition to the option fee and eventual purchase price, the District may incur costs associated with due diligence, including but not limited to:

- Surveying;
- Environmental review;
- Engineering;
- Legal review;
- Land-use planning;
- CEQA documentation;
- Lot-line adjustment or parcel map processing; and
- Other governmental application and processing fees.

Approval of the option does not obligate the District to incur all such costs or to ultimately purchase the property.

RISKS AND CONSIDERATIONS

The proposed option provides the District with flexibility while limiting the immediate financial commitment. However, several considerations remain.

1. Governmental approvals

The District may not receive all approvals necessary for the intended future use of the property. Approval of the option does not guarantee approval of any future wastewater treatment facility project.

2. CEQA

The District must complete the applicable CEQA process before taking action that would constitute approval or commitment to the future project. The proposed agreement is structured to preserve the District's ability to complete that review.

3. Due diligence

The District should continue to evaluate environmental, engineering, title, access, land-use and other property considerations before exercising the option.

4. Future project feasibility

Even if the property is acquired, the District will need to determine whether the property remains suitable and financially feasible for the District's future wastewater needs.

5. Option expiration

Staff will need to monitor the option period and any applicable extension provisions to ensure that the District does not allow the option to expire before completing necessary evaluations and approvals.

FISCAL IMPACT

Initial fiscal impact: $1,000 option fee.

The option fee is proposed to be credited against the purchase price if the District exercises the option.

Additional expenditures associated with due diligence and governmental approvals would be brought forward through the District's normal budgeting and authorization processes, as applicable.

The proposed Option Agreement does not itself obligate the District to purchase the property.

STAFF CONCLUSION

Staff believes that obtaining an option to purchase the property provides the District with a reasonable mechanism to preserve the opportunity to acquire the site while allowing sufficient time to complete due diligence, environmental review, land-use processing and other governmental approvals.

The proposed agreement does not require the District to ultimately purchase the property and does not approve construction or development of a future wastewater treatment facility.

Staff therefore recommends that the Board approve Resolution No. 2026-05 and authorize execution of the Option to Purchase Real Property with R4 Ranches, subject to final review by District Counsel.

ATTACHMENTS

Attachment A: Resolution No. 2026-05 – Authorizing the Execution of Option to Purchase Real Property with R4 Ranches for Approximately 0.77 Acres of Property Located in Loleta, Humbold County, California

Attachment B: Option to Purchase Real Property Agreement

RESOLUTION NO. 2026-05

AUTHORIZE THE EXECUTION OF OPTION TO PURCHASE REAL PROPERTY WITH R4 RANCHES FOR APPROXIMATELY 0.77 ACRES OF PROPERTY LOCATED IN LOLETA, HUMBOLDT COUNTY, CALIFORNIA

WHEREAS,

The Loleta Community Services District ("District") is a California special district responsible for providing wastewater and other public services within its service area; and

WHEREAS,

R4 Ranches, a California general partnership ("Owner"), is the owner of certain real property located in Humboldt County, California, consisting of approximately 0.77 acres that is a portion of Assessor's Parcel Number 309-191-012-000 (the "Property"); and

WHEREAS,

The District desires to secure site control over the Property for planning, environmental review, permitting, and related governmental approval purposes associated with a potential future wastewater treatment facility project; and

WHEREAS,

The Owner is willing to grant the District an exclusive and irrevocable option to purchase the Property pursuant to an Option to Purchase Real Property ("Option Agreement"), substantially in the form presented to the Board of Directors; and

WHEREAS,

Under the proposed Option Agreement, the District would have an initial option term of two (2) years, with the ability to extend the option for one additional twelve (12) month period if, despite the exercise of reasonable diligence, the District has not secured all required governmental approvals for the proposed acquisition and project; and

WHEREAS,

The Option Agreement provides for an option fee of One Thousand Dollars ($1,000), which shall be credited toward the purchase price if the District exercises the option and otherwise shall be non-refundable except in the event of a default by the Owner; and

WHEREAS,

If the District exercises the option, the Purchase and Sale Agreement attached to the Option Agreement as an exhibit will become effective and will govern the purchase and sale of the Property, with a purchase price of Sixteen Thousand Seven Hundred Forty Dollars and Twenty-Six Cents ($16,740.26); and

WHEREAS,

The Option Agreement provides the District with the ability to conduct due diligence, including surveys, environmental assessments, engineering investigations, soil testing, and other studies reasonably related to the District's evaluation of the Property; and

WHEREAS,

The Option Agreement permits the District to pursue governmental approvals affecting the Property, including a lot line adjustment or parcel map, zoning or zone reclassification, Local Coastal Program amendments, and related land use entitlements; and

WHEREAS,

The Option Agreement expressly provides that execution and approval of the Option Agreement does not authorize or approve any physical change to the environment and does not commit the District to acquire the Property or to any specific use or development of the Property; and

WHEREAS,

The Option Agreement provides that the District shall have no obligation to exercise the option unless and until the District determines that applicable California Environmental Quality Act ("CEQA") requirements have been satisfied; and

WHEREAS,

Any future acquisition, improvement, or development of the Property shall remain subject to applicable CEQA requirements and all other required governmental approvals, and nothing in the Option Agreement is intended to limit the discretion of the District, the County of Humboldt, the California Coastal Commission, or any other public agency with respect to future environmental review, permitting, approval, denial, mitigation measures, alternatives, or the no-project alternative; and

WHEREAS,

The Board of Directors has reviewed the proposed Option Agreement and finds that securing an option to purchase the Property is in the District's interest because it provides the District with site control while allowing the District time to complete appropriate due diligence and pursue necessary governmental and environmental approvals without committing the District to the ultimate acquisition or development of the Property.

NOW, THEREFORE, BE IT RESOLVED,

by the Board of Directors of the Loleta Community Services District as follows:

Section 1. Approval of Option Agreement.

The Board of Directors hereby approves the Option to Purchase Real Property between the Loleta Community Services District and R4 Ranches, substantially in the form presented to the Board, including the Purchase and Sale Agreement attached thereto as an exhibit.

Section 2. Authorization to Execute.

The General Manager, is hereby authorized and directed to execute the Option Agreement on behalf of the Loleta Community Services District, together with such non-substantive changes as may be approved by District Counsel and are consistent with the intent of this Resolution.

Section 3. Option Fee.

The General Manager is authorized to cause the District to pay the One Thousand Dollar ($1,000) option fee required under the Option Agreement from legally available District funds.

Section 4. Due Diligence and Governmental Approvals.

The General Manager and District staff are authorized to take actions reasonably necessary to implement the Option Agreement, including conducting due diligence and pursuing applicable governmental approvals relating to the Property, including, as applicable, CEQA review, lot line adjustment or parcel map approval, Local Coastal Program amendments, zoning or zone reclassification, and related land use approvals.

Section 5. No Commitment to Future Development.

Approval of the Option Agreement shall not constitute approval of, or a commitment to undertake, any future wastewater treatment facility, expansion, construction, improvement, or other physical change to the Property.

Nothing in this Resolution or the Option Agreement shall be construed to limit or predetermine the District's discretion with respect to CEQA review, alternatives, mitigation measures, project design, project approval or denial, or any future use or development of the Property.

Section 6. Exercise of Option.

The Board acknowledges that the Option Agreement provides the District with the right, but not the obligation, to exercise the option during the applicable Option Term. Exercise of the option shall remain subject to the terms and conditions of the Option Agreement and the Purchase and Sale Agreement, including applicable contingencies and required governmental approvals.

Section 7. Further Authority.

The General Manager is authorized to execute such additional documents and take such additional administrative actions as may be reasonably necessary to carry out the purposes of this Resolution and the Option Agreement, provided that such actions are consistent with the terms approved by the Board and do not materially alter the economic or substantive terms of the agreement without further Board authorization.

Section 8. CEQA.

The Board recognizes that the Option Agreement expressly provides that its approval and execution do not authorize or approve a physical change to the environment and do not commit the District to acquire the Property or to any specific use or development thereof.

The District shall comply with all applicable CEQA requirements before exercising the option or undertaking any future acquisition, improvement, or development requiring CEQA compliance.

Section 9. Effective Date.

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Directors of the Loleta Community Services District at a regular meeting held on __________________, 2026, by the following vote:

AYES: ______________________________________

NOES: ______________________________________

ABSENT: ____________________________________

ABSTAIN: ___________________________________

____

Board President
Loleta Community Services District

ATTEST:

____

General Manager
Loleta Community Services District

OPTION TO PURCHASE REAL PROPERTY

THIS OPTION TO PURCHASE REAL PROPERTY ("Agreement") is entered into as of ____________, 2026 ("Effective Date"), by and between R4 RANCHES, a California general partnership ("Owner"), and the LOLETA COMMUNITY SERVICES DISTRICT, a California special district ("District").

RECITALS

A. Owner is the owner of certain real property located in Humboldt County, California, consisting of approximately 0.77 acres, being a portion of Assessor's Parcel Number 309-191-012-000, as depicted on the map attached hereto as Exhibit A ("Property").

B. District desires to secure site control over the Property for planning, environmental review, permitting, and related governmental approval purposes associated with a potential future wastewater treatment facility project.

C. Owner is willing to grant District an option to purchase the Property on the terms set forth herein.

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Grant of Option.** Owner hereby grants to District an exclusive and irrevocable option to purchase the Property (the "Option") upon the terms and conditions set forth in this Agreement.

2. **Option Term.** The Option shall commence on the Effective Date and shall remain in effect for a period of two (2) years thereafter (the "Initial Option Term"). The Option Term may be extended for one (1) additional twelve (12) month period if, despite the exercise of reasonable diligence, District has not secured all required governmental approvals for the proposed project (acquiring the 0.77 acres), including compliance with the California Environmental Quality Act ("CEQA"), approval of a lot line adjustment or parcel map, Local Coastal Program approvals, zoning or reclassification approvals, or other discretionary land use entitlements. The Option Term shall be extended upon District's written notice to Owner delivered prior to expiration of the Initial Option Term. The Initial Option Term together with any extension exercised pursuant to this Section is referred to collectively as the "Option Term."

3. **Option Consideration**. As consideration for the Option, District shall pay to Owner an option fee in the amount of One Thousand Dollars ($1,000.00) within five (5) business days after the Effective Date (the "Option Fee"). The Option Fee shall be credited toward the purchase price if the Option is exercised and shall otherwise be non-refundable except in the event of a default by Owner.

4. **Exercise of Option.** District may exercise the Option at any time during the Option Term by delivering written notice to Owner (the "Notice of Exercise"). Upon delivery of

the Notice of Exercise, the Purchase and Sale Agreement attached hereto as **Exhibit B** (the "PSA") shall automatically become effective and shall govern the purchase and sale of the Property. The Option Fee shall be deemed the deposit under the PSA, and escrow shall open in accordance with the terms of the PSA without further action by the parties. The Effective Date of the Purchase and Sale Agreement shall be deemed to be the date of the Notice of Exercise.

5. **CEQA.** District's right to exercise the Option is expressly conditioned upon completion of review under CEQA for the property acquisition. District shall have no obligation to exercise the Option unless and until such CEQA compliance has occurred, as determined by District in its sole discretion. The parties acknowledge and agree that approval and execution of this Agreement do not authorize or approve any physical change to the environment and do not commit District to acquire the Property or to any specific use or development thereof. Any future acquisition, improvement, or development of the Property shall occur only after full compliance with CEQA. This Agreement does not, and is not intended to, bind or limit the discretion of District, the County of Humboldt, the California Coastal Commission, or any other public agency in connection with future environmental review, permitting, approval, denial, or modification of any project that may be proposed for the Property, including consideration of mitigation measures, alternatives, and the no-project alternative.

6. **Condition of Property; Interim Use.** During the Option Term, Owner shall maintain the Property in substantially the same condition as of the Effective Date and shall not create or permit any new lien, lease, easement, license, or other encumbrance affecting the Property without District's prior written consent. Existing agricultural uses, including grazing, may continue during the Option Term provided such uses do not materially interfere with District's rights under this Agreement.

7. **Right of Entry.** During the Option Term, Owner grants to District and its officers, employees, consultants, agents, and contractors a right of entry upon reasonable advance notice to conduct surveys, environmental assessments, engineering investigations, soil testing, and other due diligence activities reasonably related to District's evaluation of the Property. District shall restore the Property to substantially the same condition as existed prior to any such entry and shall indemnify and hold Owner harmless from claims arising from District's entry, except to the extent caused by the negligence or willful misconduct of Owner.

8. **Title Matters and Legal Description.** District may obtain one or more preliminary title reports during the Option Term at its own expense. Owner shall reasonably cooperate with District in providing existing title information and executing documents reasonably necessary to facilitate preparation of a legal description and plat for the Property based on the approved lot line adjustment or parcel map.

9. **Owner Consent to Land Use Applications.** Owner hereby consents to and authorizes District, during the Option Term, to apply for, process, and pursue governmental approvals affecting the Property, including without limitation a lot line adjustment or parcel map, zoning or zone reclassification, amendments to the Local Coastal Program, and related discretionary or ministerial land use entitlements (collectively, "Land Use Applications").

Owner agrees to execute, acknowledge, and deliver all owner-authorization forms, applications, affidavits, declarations, and other documents reasonably required by the County of Humboldt, the California Coastal Commission, or any other governmental agency in connection with the Land Use Applications. Such consent and authorization are irrevocable during the Option Term and shall not be withdrawn so long as this Agreement remains in effect.

Nothing in this Section shall require Owner to (i) incur out-of-pocket costs, (ii) dedicate land beyond the Property, (iii) waive vested rights with respect to Owner's remaining property, or (iv) accept conditions of approval that materially and adversely affect the remainder of Owner's property, without Owner's prior written consent. District shall be solely responsible for all costs associated with the Land Use Applications.

Owner shall not oppose, object to, or otherwise interfere with District's pursuit of the Land Use Applications during the Option Term.

Owner's failure to comply with this Section shall constitute a material default under this Agreement.

10. **Owner Representations and Warranties.** Owner hereby represents and warrants to District as of the Effective Date and continuously throughout the Option Term as follows:

A. Owner is a duly formed and validly existing California general partnership. The individuals executing this Agreement on behalf of Owner are the duly authorized general partners of Owner and have full right, power, and authority to execute and deliver this Agreement and to bind Owner in accordance with its terms. No consent or approval of any other partner or third party is required for Owner's execution, delivery, or performance of this Agreement or the conveyance of the Property pursuant to the Purchase and Sale Agreement attached hereto.

B. Owner is the sole legal and beneficial owner of fee title to the Property and has good, valid, and marketable title thereto, subject only to matters of record that will be permitted exceptions under the Purchase and Sale Agreement. Owner has full right and authority to grant the Option and, upon exercise, to convey the Property free and clear of all liens, claims, encumbrances, and interests except as expressly permitted.

C. The execution and performance of this Agreement and the grant and exercise of the Option do not and will not violate or conflict with any agreement, deed of trust, lease, license, judgment, order, or other instrument binding upon Owner or affecting the Property.

D. There is no action, suit, proceeding, arbitration, administrative action, condemnation, or investigation pending or, to Owner's actual knowledge, threatened against Owner or affecting the Property that would impair Owner's ability to perform this Agreement, convey the Property, or cooperate in the Land Use Approvals.

E. To Owner's actual knowledge, the Property is not in violation of any applicable law, ordinance, regulation, zoning requirement, or governmental order, and Owner has not received any written notice of violation that has not been resolved.

F. Owner has not received any written notice from a governmental authority alleging the presence, release, or threatened release of hazardous materials on, under, or from the Property in violation of applicable environmental laws. Owner has not caused or knowingly permitted the disposal, release, or storage of hazardous materials on the Property in violation of law. Owner makes no representation regarding the absence of hazardous materials except as expressly set forth herein.

G. Owner represents that the Property is currently used for agricultural purposes and that no easements, licenses, leases, or agreements exist that would prevent the approval of a lot line adjustment, zoning or reclassification, or Local Coastal Program amendment affecting the Property, other than matters disclosed in writing to District.

H. Owner has not entered into any option, right of first refusal, purchase agreement, lease, license, or other agreement granting any third party rights to acquire or use the Property that would survive the Option Term or interfere with District's rights under this Agreement.

I. Owner has not engaged or dealt with any broker, finder, or agent in connection with this transaction. Owner shall indemnify and hold District harmless from any claim for brokerage commissions arising from Owner's actions.

J. All information provided by Owner to District regarding the Property is, to Owner's actual knowledge, true and correct in all material respects and does not omit any material fact necessary to make such information not misleading.

All representations and warranties of Owner contained in this Agreement shall be deemed continuing throughout the Option Term and shall survive expiration or termination of this Agreement and, if the Option is exercised, shall survive closing as provided in the Purchase and Sale Agreement.

11. Default and Remedies.

A. Owner Default. Owner shall be in default under this Agreement if Owner fails to perform any material covenant, obligation, or representation required to be performed or maintained by Owner under this Agreement, and such failure continues beyond the applicable cure period set forth below.

Upon the occurrence of an alleged default by Owner, District shall provide Owner with written notice specifying the nature of the default in reasonable detail ("Notice of Owner Default"). Owner shall have thirty (30) days after receipt of such notice to cure the default. If the default is not reasonably capable of cure within such thirty (30) day period, Owner shall not be deemed in default provided that Owner commences cure within such thirty (30) day period and thereafter diligently and continuously prosecutes such cure to completion.

If Owner fails to timely cure the default, District shall be entitled to exercise any and all remedies available at law or in equity, including, without limitation, specific performance of this Agreement, injunctive relief, extension of the Option Term as reasonably necessary to cure the effects of the default, recovery of the Option Fee and District's reasonable out-of-pocket costs incurred as a result of the default, and any other remedy expressly provided herein. All remedies of District shall be cumulative and not exclusive.

B. District Default. District shall be in default under this Agreement only if District materially breaches a material obligation expressly required to be performed by District under this Agreement and fails to cure such breach within the applicable cure period set forth below.

Upon the occurrence of an alleged default by District, Owner shall provide District with written notice specifying the nature of the alleged default in reasonable detail ("Notice of District Default"). District shall have thirty (30) days after receipt of such notice to cure the alleged default. If the alleged default is not reasonably capable of cure within such thirty (30) day period, District shall not be deemed in default provided that District commences cure within such thirty (30) day period and thereafter diligently and continuously prosecutes such cure to completion.

For the avoidance of doubt, District shall not be deemed in default for (i) electing not to exercise the Option, (ii) failing to secure governmental approvals, (iii) delaying or discontinuing pursuit of approvals in the exercise of District's discretion, or (iv) complying with CEQA or other applicable law, all of which are expressly within District's sole discretion.

C. Owner Remedies for District Default. If District fails to timely cure a material default after receipt of notice and expiration of the applicable cure period, Owner's sole and exclusive remedy shall be to terminate this Agreement by written notice to District. Upon such termination, Owner shall retain the Option Fee as liquidated damages, and neither party shall have any further obligation under this Agreement except for obligations that expressly survive termination.

In no event shall Owner be entitled to damages, specific performance, injunctive relief, or any other equitable or monetary remedy requiring District to exercise the Option, acquire the Property, or proceed with any development or project.

D. No Waiver; No Election of Remedies. The failure of either party to give notice of default, to declare a default, or to insist upon strict performance of any provision of this Agreement shall not constitute a waiver of such provision or of the right to enforce the same in the future. No remedy exercised by either party shall be deemed an election of remedies or preclude the exercise of any other remedy available at law or in equity.

E. Survival. The provisions of this Section shall survive expiration or termination of this Agreement to the extent necessary to enforce rights or obligations arising prior to such expiration or termination.

F. Upon exercise of the Option, remedies for default shall be governed by the Purchase and Sale Agreement.

12. **Assignment.** District may assign this Agreement to another public agency, joint powers authority, or financing entity related to the proposed wastewater treatment facility project upon written notice to Owner and provided that such assignment does not materially increase Owner's obligations.

13. **Memorandum of Option; Recordation.** At any time during the Option Term, District shall have the right, but not the obligation, to record in the Official Records of Humboldt County a memorandum of this Option Agreement (the "Memorandum of Option") in a form reasonably acceptable to Owner. The Memorandum of Option shall not disclose the purchase price or other economic terms of this Agreement and shall state only the names of the parties, a legal description of the Property, and the existence and expiration date of the Option.

Owner agrees to execute, acknowledge, and deliver the Memorandum of Option, and any reasonable amendments thereto, within five (5) business days after District's written request. Upon expiration or earlier termination of this Agreement without exercise of the Option, District shall promptly record a release of the Memorandum of Option or other instrument reasonably required to clear title.

14. **Governing Law and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any action arising out of this Agreement shall be brought in the Superior Court of the State of California in and for the County of Humboldt.

15. **Entire Agreement.** This Agreement, together with the exhibits attached hereto, constitutes the entire agreement between the parties with respect to the Option and supersedes all prior negotiations or agreements, whether written or oral.

16. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

SIGNATURE PAGE FOLLOWS THIS PAGE

SIGNATURES

OWNER: R4 Ranches, a General Partnership

By:____
Name:____
Its: General Partner

By:____
Name:____
Its: General Partner

DISTRICT: LOLETA COMMUNITY SERVICES DISTRICT, a California special district

By:____
Name: Dennie Her
Its: General Manager and authorized agent

SCHEDULE OF EXHIBITS

Exhibit 1	Depiction of Property
Exhibit 2	Purchase and Sale Agreement

AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS

This **AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS** (this "Agreement") is made as of the ______day of_________________, 2026 (the "Effective Date"), by and between **R4 RANCHES,** a Partnership acting by and through its general partners Jim Renner and Joe Renner, ("Seller"), and the **LOLETA COMMUNITY SERVICES DISTRICT**, a California special district ("Buyer").

RECITALS

A. **WHEREAS,** Seller is the owner of certain unimproved real property located in the unincorporated area of Loleta, County of Humboldt, State of California, consisting of a portion of real property measuring approximately 0.77 acres depicted in Exhibit A, attached hereto, which is a portion of the real property commonly known as Humboldt County APN 309-191-012-000) (the portion described in Exhibit A is referred to herein as the "Property").

B. **WHEREAS,** Seller desires to sell the Property to Buyer, and Buyer desires to purchase the Property from Seller, all on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, the parties hereto agree as follows:

AGREEMENT

1. **PURCHASE AND SALE.** Seller agrees to sell the Property to Buyer, and Buyer agrees to purchase the Property from Seller, on the terms and conditions hereinafter set forth in this Agreement.

2. **PURCHASE PRICE.** The total purchase price ("Purchase Price") for the Property shall be Sixteen Thousand, Seven Hundred and Forty and 26/100 Dollars ($16,740.26), payable by Buyer to Seller as follows:

(a) Within five (5) business days after the Effective Date, Buyer shall deliver to Escrow Holder (as defined in Paragraph 12.1 below), the amount of One Thousand Dollars ($1,000.00) (the "Deposit") by good check or wire transfer of immediately available funds, which shall be deposited by Title Company in an interest-bearing account and held and released in accordance with the terms of this Agreement.

(b) Unless the Agreement is sooner terminated, the Deposit shall be applied toward the payment of the Purchase Price at Close of Escrow.

(c) The balance of the Purchase Price shall be deposited in Escrow by Buyer prior to Close of Escrow for delivery to Seller by way of wire transfer of immediately available funds at the Close of Escrow.

3. TITLE / SURVEY.

3.1 Preparation of Legal Description. Buyer and Seller acknowledge that, as of the Effective Date, the precise legal description of the Property has not yet been finalized and that the Property is presently described generally as the approximately 0.77-acre portion of Assessor's Parcel Number 309-191-012 depicted on Exhibit A (the "Preliminary Map"). During Escrow, Buyer shall cause a licensed land surveyor or civil engineer to prepare a metes-and-bounds legal description and corresponding plat (collectively, the "Legal Description") based upon the approved lot line adjustment or parcel map creating the Property. The Legal Description shall be submitted to Seller and Escrow Holder for review and approval. Seller's approval shall not be unreasonably withheld, conditioned, or delayed and shall be limited to confirming that the Legal Description conforms to the boundaries shown on the Preliminary Map. Upon mutual written approval, the Legal Description shall automatically replace the Preliminary Map and be deemed incorporated into this Agreement and the Grant Deed. In the event the Legal Description differs materially from the Preliminary Map, either party may terminate this Agreement by written notice to the other, in which case all funds and documents shall be returned to the parties who deposited them, and neither shall have any further liability hereunder except as expressly surviving termination.

3.2 Title. Title to the Property shall be conveyed to Buyer upon the Close of Escrow by a Grant Deed, free and clear of all liens except for (a) liens securing real property taxes and assessments (which constitute liens not yet due and payable) and (b) such other "Permitted Exceptions" as defined below. Prior to the expiration of the Inspection Period, Buyer shall obtain an CLTA title insurance commitment ("Title Commitment") from a national title insurance company of Buyer's choice ("Title Company") and deliver to Seller a written statement (the "Title Objection Notice") of any title exceptions to which Buyer objects ("Title Objections"). Within five (5) business days of receipt of the Title Objection Notice ("Seller's Title Response Date"), Seller shall notify Buyer as to which Title Objections, if any, Seller will cure prior to Close of Escrow (as defined in Paragraph 12.2 below). If Seller does not timely respond to the Title Objection Notice, then Seller shall be deemed to have elected to cure no Title Objections. If Seller does not elect to cure all Title Objections prior to Close of Escrow, then, at the option of Buyer, Buyer may (i) terminate this Agreement by providing written notice of such termination to Seller prior to 5:00 p.m. Pacific Time on the date that is ten (10) business days following Seller's Title Response Date (or due date if no response issue), or (ii) proceed to close and take title subject to such Title Objections. In the event of termination as provided herein, the entire Deposit shall be returned to Buyer, Buyer and Seller shall each pay one-half (1/2) of the escrow costs, and the parties shall have no further rights, duties, liabilities or obligations hereunder, except for those matters that specifically survive termination of this Agreement. Any exceptions to title to which Buyer does not object or which Seller does not agree to cure shall be deemed "Permitted Exceptions"; provided, however, that no liens, except for liens securing real property taxes and assessments (which constitute liens not yet due and payable), shall be considered Permitted Exceptions under any circumstance without the written consent of Buyer.

3.3 Seller's Disclosures. Within twenty (20) days following the Effective Date, Seller shall deliver to Buyer all information actually known to Seller which may be reasonably necessary to evaluate the condition or marketability of the Property, other than matters that would be obvious and apparent to the Buyer from a limited inspection of the Property.

4. CONTINGENCIES.

4.1 Buyer's obligation to purchase the Property is subject to the following contingencies described in subparagraphs (a) through (d) below in this Paragraph 4.1 ("Contingencies"). Each and all of the following Contingencies are for the sole benefit of Buyer and may be waived or deemed satisfied by Buyer in Buyer's sole and absolute discretion.

(a) Due Diligence/Inspection Period. Buyer's inspection and examination of the Condition of the Property (as defined in Paragraph 9.1 below). During the Inspection Period, Buyer shall have access to the Property at reasonable times and shall have the right to conduct, at Buyer's expense, environmental investigations, architectural feasibility studies for intended uses, and such other studies with respect to the Condition of the Property as Buyer may desire. Buyer shall have until 5:00 p.m. Pacific Time on the date which is ninety (90) days following the Effective Date (the "Inspection Period"), to conduct such tests and studies, and to give written notice to Seller of any conditions unacceptable to Buyer. Buyer agrees to restore any damage to the Property caused by any entry by Buyer or its agents. Buyer shall hold and save Seller harmless from and against any and all loss, cost, damage, liability, injury or expense, arising out of or in any way related to damage to property, injury to or death of persons, or the assertion of lien claims caused by such entry, inspection and implementation of environmental investigations and other studies with respect to the Condition of the Property. If Buyer elects to terminate this Agreement by reason of failure of the Contingency set forth in this subparagraph (a), Buyer shall promptly upon such election deliver to Seller the Survey from Paragraph 3.2, if any, and due diligence materials provided to Buyer by Seller.

(b) Zoning Contingency. Buyer's determination that zoning and other governmental regulations affecting the use of the Property are satisfactory for Buyer's intended use. Prior to expiration of the Inspection Period, Buyer shall make such determination and give written notice to Seller of any zoning or governmental regulations which are unacceptable to Buyer.

(c) Lot Split Contingency. A lot split, lot line adjustment, or minor subdivision and/or parcel map shall be approved whereby the Buyer can acquire the Property separately from the full legal parcel. The lot split, lot line adjustment, or minor subdivision and/or parcel map shall be completed concurrent with or subsequent to the close of escrow. The lot split, lot line adjustment, or minor subdivision and/or parcel map shall be completed and recorded as a condition precedent to the Close of Escrow.

(d) CEQA. Buyer's compliance with the California Environmental Quality Act and expiration of any applicable statute of limitations regarding the same prior to Closing. The contingency set forth in this paragraph shall remain in place up to the time of Close of Escrow. Close of Escrow shall not occur until (i) final and unappealable approval of the Local Coastal

Program Amendment, zone reclassification, and parcel map; and (ii) satisfaction of all CEQA requirements, including expiration of applicable limitation periods.

(e) Governmental Approvals. This Agreement and Buyer's obligation to close are conditioned upon the County of Humboldt and the California Coastal Commission approving the LCPA and related land use entitlements for the proposed use as a wastewater treatment facility expansion.

If Buyer disapproves of the satisfaction of any Contingency within the applicable time period provided above, Buyer's sole remedy shall be to terminate this Agreement by issuance of written notice of termination to Seller and Seller shall have no obligation to remedy any Contingency which Buyer disapproves. If this Agreement is timely terminated by Buyer as a result of the failure of the satisfaction of any of the Contingencies, all sums and documents deposited in Escrow shall be returned to the parties who respectively deposited the same, and Buyer and Seller shall each pay one-half (1/2) of the Escrow costs, and the parties shall have no further rights, duties, liabilities or obligations hereunder, except for those matters that specifically survive termination of this Agreement.

4.2 If Buyer fails to give written notice to Seller of its disapproval of any Contingency within the respective applicable time limit set forth above in Paragraph 4.1, it shall conclusively be deemed that Buyer has waived such Contingency and such Contingency shall conclusively be deemed satisfied.

5. EXCHANGE. Buyer and Seller acknowledge that Seller shall have the right to cause this Agreement to be modified so that Seller may effectuate an exchange under the Internal Revenue Code of 1954, and the California Revenue and Taxation Code. Seller shall exercise its right to modify this Agreement by giving Buyer written notice by no later than ten (10) calendar days prior to the date scheduled for the close of Escrow. Buyer shall bear no additional cost, expense or liability (whether actual or contingent) as a result of the exchange transaction and shall not be required to take title to any other property as part of such exchange transaction.

6. REPRESENTATIONS AND WARRANTIES BY SELLER.

6.1 Seller makes the representations and warranties in this Paragraph 6, each and all of which shall survive any and all inquiries and investigations made by Buyer and shall survive the Close of Escrow and recordation of the Grant Deed.

6.1.1 Seller has the power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. Seller, and the specific individual parties signing this Agreement on behalf of Seller, represent and warrant that the parties signing this Agreement on behalf of the Seller have the full legal power, authority and right to execute and deliver this Agreement.

6.1.1.1 Seller represents and warrants that it is a duly formed and validly existing California general partnership, in good standing under the laws of the State of California, and that it has full power and authority to own and convey the

Property and to perform its obligations under this Agreement. The individuals executing this Agreement on behalf of Seller are the duly authorized partners of Seller and have full right, power, and authority to execute and deliver this Agreement and to bind the partnership in accordance with its terms. No consent or approval of any partner or third party is required for the execution or delivery of this Agreement or the performance by Seller of its obligations hereunder, other than those that have been duly obtained prior to execution.

6.1.2 To the best of Seller's knowledge, neither the entering into this Agreement nor the performance of any of Seller's obligations under this Agreement will violate the terms of any contract, agreement or instrument to which Seller is a party.

6.1.3 Seller has not been served (by means of formal, legal service of process as required by law) or formally notified in writing by any governmental or quasi-governmental authority (i) that the Property contains or may contain any "Hazardous Materials" in violation of any "Environmental Regulations" (as those terms are defined in this Paragraph 6.1.3, below); or (ii) that the Seller has stored, used or maintained Hazardous Materials or suffered, permitted, allowed or acquiesced in any storage, use or maintenance of Hazardous Materials on, in or under the Property in violation of any Environmental Regulations. As used in this Agreement, the terms "Environmental Regulations" and "Hazardous Materials" shall have the following meanings:

(a) "Environmental Regulations" shall mean all applicable statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, and similar items, of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial and administrative and regulatory decrees, judgments and orders relating to the protection of human health or the environment, including, without limitation: (i) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Materials, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, whether solid, liquid or gaseous in nature; and (ii) all requirements pertaining to the protection of the health and safety of employees or the public.

(b) "Hazardous Materials" shall mean (i) any flammables, explosive or radioactive materials, hazardous wastes, toxic substances or related materials including, without limitation, substances defined as "hazardous substances," "hazardous materials", "toxic substances" or "solid waste" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sec. 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Toxic Substances Control Act, 15 U.S.C., Section 2601 et seq.; the Resource Conservation and Recovery Act of 1976, 42

U.S.C. Section 6901 et seq.; and in the regulations adopted and publications promulgated pursuant to said laws; (ii) those substances listed in the United States Department of Transportation Table (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 C.F.R. Part 302 and amendments thereto); (iii) those substances defined as "hazardous wastes," "hazardous substances" or "toxic substances" in any similar federal, state or local laws or in the regulations adopted and publications promulgated pursuant to any of the foregoing laws or which otherwise are regulated by any governmental authority, agency, department, commission, board or instrumentality of the United States of America, the State of California or any political subdivision thereof, (iv) any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials, or substances within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, all as amended; (v) petroleum or any by-products thereof; (vi) any radioactive material, including any source, special nuclear or by-product material as defined at 42 U.S.C. Sections 2011 et seq., as amended, and in the regulations adopted and publications promulgated pursuant to said law; (vii) asbestos in any form or condition; and (viii) polychlorinated biphenyls.

6.1.4 Until the Close of Escrow, the Property will continue to be operated in substantially the same manner as operated as of the Effective Date. Seller will not do or cause anything to be done that would change, alter or modify the operation of the Property without the prior written consent of Buyer.

6.1.5 Seller has neither engaged nor dealt with any broker or finder in connection with the sale contemplated by this Agreement. Seller shall pay, and shall hold Buyer harmless from and against, any commission or finder's fee payable to any agent or broker who represents or claims to represent Seller.

6.1.6 Seller will not alter the physical condition of the Property from and after the date of this Agreement, reasonable wear and tear excepted. If, through no fault of Seller, the physical condition of the Property is different on the date scheduled for the Close of Escrow as of the date of this Agreement, the terms and conditions of Paragraph 6.2, below shall apply.

6.1.7 There are no contracts or leases affecting or relating to the ownership, operation, maintenance or construction of the Property that will survive past the Close of Escrow. Subsequent to the Effective Date and continuing until the Close of Escrow, unless this Agreement is terminated earlier, Seller will not enter into any new contracts or leases with respect to the Property which will continue past the Close of Escrow without Buyer's prior written consent, which consent may be withheld in Buyer's sole and absolute discretion.

6.1.8 Seller, without limiting Buyer's obligation to independently inspect the Property, is not aware of any material defects affecting the Property which would render it unfit for human occupancy or use.

6.2 If, prior to the Close of Escrow, new events have occurred which were beyond the control of Seller and which render any previously true representation or warranty untrue, Seller shall, within three (3) days thereafter, disclose those matters by written notice to Buyer. Buyer shall have ten (10) days after the earlier of (i) such disclosure; or (ii) Buyer's independent discovery that such representation or warranty has become untrue, to elect, in its sole and absolute discretion, and as its sole remedy, by written notice to Seller within said ten (10) day period, whether (1) to purchase the Property or (2) terminate this Agreement. If Buyer elects to terminate this Agreement pursuant to this Paragraph 6.2, Escrow shall immediately terminate upon Seller's receipt of Buyer's notice of election to terminate this Agreement and all sums (including Buyer's Deposit and any portion thereof otherwise deemed non-refundable) and documents deposited in Escrow shall be returned to the parties who deposited the same and Seller and Buyer shall each pay one-half (1/2) of Escrow costs. If Buyer fails to notify Seller and Escrow Holder of its election to terminate this Agreement within said ten (10) day time period provided above, Buyer shall be deemed to have accepted the modified representations and warranties and elected to purchase the Property.

6.3 Other than those express representations and warranties contained in Paragraphs 6.1 through 6.2 of this Agreement, above, Seller makes no warranty or representation, express or implied, including but not limited to, implied warranties of merchantability and fitness for a particular purpose, and all such other warranties are expressly disclaimed.

6.4 Except to the extent Seller has made a specific representation and warranty with respect thereto, no document or information provided by Seller to Buyer shall constitute a representation as to the completeness or accuracy of such documents or information.

7. REPRESENTATIONS AND WARRANTIES BY BUYER.

7.1 Buyer makes the following representations and warranties in this Paragraph 7, each and all of which shall survive any and all inquiries and investigations made by Seller and shall survive the Close of Escrow and recordation of the Grant Deed.

7.1.1 Each and all of the information delivered by Buyer to Seller is true and correct.

7.1.2 Buyer has neither engaged nor dealt with any broker or finder in connection with the sale contemplated by this Agreement. Buyer shall pay any commission or finder's fee payable to any other party who represents or claims to represent Buyer.

7.1.3 Buyer has the power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The Buyer warrants that the parties signing this Agreement have the full legal power authority and right to execute and deliver this Agreement.

7.1.4 Buyer has made or will make its own investigation concerning the Condition of the Property (as said term is defined in Paragraph 9.1 of this Agreement, below), the condition of title or any other matter pertaining to the Property, and, other than the specific representations and warranties made by Seller pursuant to Paragraphs 6.1 through 6.2 of this Agreement, above, Buyer is not relying on any representations, warranties or inducements of Seller or Seller's broker with respect to the Condition of the Property.

8. INDEMNIFICATION.

8.1 Subject to any other provisions of this Agreement to the contrary, each party ("Indemnitor") agrees to indemnify and hold the other party ("Indemnitee") harmless from and against any claim, loss, damage or expense, including any reasonable attorneys fees (including attorneys fees on appeal), asserted against or suffered by the Indemnitee resulting from: (a) Any material breach by the Indemnitor of this Agreement; (b) Any liability of the Indemnitor with respect to the Property; or (c) The inaccuracy or breach of any of the representations, warranties or covenants made by the Indemnitor.

8.2 Indemnitee shall submit any claim for indemnification under this Agreement to the Indemnitor in writing within a reasonable time after Indemnitee determines that an event has occurred which has given rise to a right of indemnification under this Paragraph 8 and shall give Indemnitor a reasonable opportunity to investigate and cure any default of Indemnitor under this Agreement and eliminate or remove any claim by a third party. Notwithstanding the foregoing, if the nature of Indemnitor's default or the third party claim is such that it would be impractical or unreasonable to give Indemnitor an opportunity to investigate and cure such default and remove such claim, Indemnitee need not give Indemnitor such opportunity.

8.3 If such claim for indemnification relates to a claim or demand presented in writing by a third party against Indemnitee, Indemnitor shall have the right to employ counsel reasonably acceptable to Indemnitee to defend any such claim or demand, and Indemnitee shall make available to Indemnitor, or its representatives, all records and other materials in its possession or under its control reasonably required by Indemnitor for its use in contesting such liability. If Indemnitor does not elect to defend any such claim or demand, Indemnitee may do so at its option, but shall not have any obligation to do so.

Initials:__________________________ __________________________

BUYER SELLER

9. "AS-IS" SALE; ASSUMPTION OF RESPONSIBILITIES AND RELEASE.

9.1 "As Is" Sale. Buyer and its representatives, prior to the Close of Escrow, will have been afforded the opportunity to make such inspections of the Property and matters related thereto as Buyer and its representatives desire, including, without limitation, governmental laws and regulations and actions to which the Property is subject, and Buyer shall accept the Property upon the basis of its review and determination of the applicability and effect of such laws and regulations. Buyer acknowledges and agrees that the Property is to be sold and conveyed to and accepted by Buyer in an "AS IS" condition with all faults. Except for those representations and warranties stated in Paragraphs 6.1 through 6.2 of this Agreement, above, Seller does not make any representations or warranties, oral or written, past, present or future, of any kind whatsoever, either express or implied with respect to either the Property or the condition, value, or quality of the Property (collectively the "Condition of the Property").

10. LIQUIDATED DAMAGES. IF BUYER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS HEREIN PROVIDED BY REASON OF ANY DEFAULT OF BUYER, IT IS AGREED THAT THE DEPOSITS ACTUALLY MADE PURSUANT TO PARAGRAPH 2(a) OF THIS AGREEMENT SHALL BE NON-REFUNDABLE AND SELLER SHALL BE ENTITLED TO SUCH DEPOSITS, WHICH AMOUNTS SHALL BE ACCEPTED BY SELLER AS LIQUIDATED DAMAGES AND NOT AS A PENALTY AND (TOGETHER WITH THE RIGHT TO RECEIVE ATTORNEYS' FEES AS PROVIDED IN THIS AGREEMENT) SHALL BE SELLER'S SOLE AND EXCLUSIVE REMEDY. IT IS AGREED THAT SAID AMOUNT CONSTITUTES A REASONABLE ESTIMATE OF THE DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTION 1671 ET SEQ. BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL OR IMPOSSIBLE TO PRESENTLY PREDICT WHAT MONETARY DAMAGES SELLER WOULD SUFFER UPON BUYER'S FAILURE TO COMPLETE ITS PURCHASE OF THE PROPERTY. BUYER DESIRES TO LIMIT THE MONETARY DAMAGES FOR WHICH IT MIGHT BE LIABLE HEREUNDER AND BUYER AND SELLER DESIRE TO AVOID THE COSTS AND DELAYS THEY WOULD INCUR IF A LAWSUIT WERE COMMENCED TO RECOVER DAMAGES OR OTHERWISE ENFORCE SELLER'S RIGHTS. IF FURTHER INSTRUCTIONS ARE REQUIRED BY ESCROW HOLDER TO EFFECTUATE THE TERMS OF THIS PARAGRAPH 10, BUYER

AND SELLER AGREE TO EXECUTE THE SAME. THE PARTIES ACKNOWLEDGE THIS PROVISION BY PLACING THEIR INITIALS BELOW:

Initials:________________________ ________________________
BUYER SELLER

11. BUYER'S RIGHT TO COMPEL SPECIFIC PERFORMANCE. In the event of a breach or default by Seller, Buyer shall have the right to compel Seller to specifically perform this Agreement along with any other legal and/or equitable rights and remedies available to Buyer.

12. ESCROW AND CLOSING.

12.1 As soon as possible after the Effective Date, Buyer and Seller shall open an escrow for the purpose of consummating the purchase and sale contemplated by this Agreement ("Escrow") by depositing an executed copy of this Agreement with Fidelity National Title Company, at 1075 S Fortuna Blvd., Suite B, Fortuna, CA 95540 ("Escrow Holder"). This

Agreement shall constitute escrow instructions to Escrow Holder. Seller and Buyer shall, promptly upon request by Escrow Holder, execute such additional escrow instructions as may be reasonably required by Escrow Holder, including Escrow Holder's standard printed conditions and stipulations with respect to escrows concerning the purchase and sale of real property; provided, however, that if there is any conflict between the provisions of this Agreement and the provisions of any such additional instructions, the provisions of this Agreement shall prevail. Upon delivery to Escrow of a fully executed copy of this Agreement by both parties, Escrow shall be deemed opened on the terms and conditions set forth in this Agreement.

12.2 Escrow shall close, and the Grant Deed shall be recorded in the Office of the County Recorder of Humboldt County, California, on or before the date which is ninety (90) days following the expiration of the Inspection Period ("Close of Escrow").

12.3 Within the time set forth below, or if none is specified, prior to the Close of Escrow, Seller shall deliver to Escrow Holder, or if so indicated, to Buyer, the following documents and items:

(a) At least one (1) day prior to the Close of Escrow, the duly executed and acknowledged Grant Deed in a form approved by Buyer in advance.

(b) At least one (1) day prior to Close of Escrow, Seller shall deliver such certifications, declarations or other documents as may be required under Internal Revenue Code §1445 and California Revenue and Tax Code §18662, together with any and all other documents required by law pertaining to foreign or out-of-state sellers.

(c) To Buyer, at the location of the Property, at Close of Escrow, all keys to the Property, adequately and properly labeled.

12.4 Within the time set forth below, or if none is specified, prior to the Close of Escrow, Buyer shall deliver to Escrow Holder, or if so indicated, to Seller, the following documents and items:

(a) At least one (1) day prior to Close of Escrow the balance of the cash portion of the Purchase Price set forth in Paragraph 2, together with an additional sum sufficient to cover Buyer's portion of the closing costs as set forth in Paragraph 12.7.2, below.

12.5 On the Close of Escrow, the Escrow Holder shall record the Grant Deed and shall deliver the monies and instruments to which each party is entitled pursuant to this Agreement, only when the Title Company is in a position to issue its CLTA policy of title insurance subject only (i) to the Permitted Exceptions; and (ii) Title Company's standard pre-printed exceptions, with liability in the amount of the Purchase Price, showing title to the Property vested in Buyer (or as designated by Buyer) ("Title Policy").

12.6 Upon Close of Escrow, possession of the Property shall be delivered to Buyer and the following items, documents and monies shall be delivered to the parties by Escrow Holder as set forth below:

(a) To Seller: the cash portion of the Purchase Price as set forth in Paragraph 2, reduced by the amount of Seller's closing costs as set forth in Paragraph 12.7.1, below.

(b) To Buyer: the Title Policy.

12.7 Upon Close of Escrow, Escrow and title charges shall be paid in the manner provided below.

12.7.1 Seller shall pay:

(a) The cost of the Title Policy;

(b) The cost of any and all documentary transfer tax or stamps or other sales tax; and

(c) One-half (1/2) of the Escrow fees.

12.7.2 Buyer shall pay:

(a) All recording fees;

(b) All loan related expenses, if any;

(c) One-half (1/2) of the Escrow fees.

12.8 If Escrow fails to close as a result of the default of this Agreement by a party, the defaulting party shall pay all title and escrow charges; provided, however, that nothing in this Paragraph 12.8 shall be deemed to limit, and the provisions of this Paragraph 12.8 shall be in addition to, all other rights and remedies of the non-defaulting party pursuant to this Agreement.

12.9 Escrow Holder is authorized and instructed to debit Seller for Seller's closing costs as set forth in Paragraph 12.7.1, above.

13. PRORATIONS.

13.1 Prorations shall be made as of the Close of Escrow. All prorations shall be made on the basis of a thirty (30) day month and shall be paid in cash to Seller if it is entitled thereto, or shall be credited against the cash portion of the Purchase Price if Buyer is entitled thereto. Such prorations shall be made by Escrow Holder on the basis of a statement(s) approved by Buyer and Seller and deposited into the Escrow prior to the Close of Escrow. The date used for prorations is hereinafter referred to as the "Proration Date."

(a) All real estate taxes and all personal property taxes due and owing as of the Proration Date, and all penalties and interest thereon, shall be paid by Seller. Current real estate taxes, special assessments and personal property taxes which are not yet due and owing shall be prorated based upon the most recent tax bill, so that the portion of current taxes allocable to the period from the beginning of such tax year through the Proration Date shall be charged to and paid by Seller and the portion of the current taxes allocable to the portion of such tax year from the Proration Date to the end of such tax year shall be charged to and paid by Buyer. Proration of taxes and assessments shall be final as of the Proration Date, regardless of the amount of taxes or assessments that actually are, or subsequently become, due.

(b) Expenses of operating the Property (other than insurance premiums, taxes and utility charges) which were prepaid by Seller for a period beyond the Proration Date.

13.2 Buyer shall be responsible for obtaining and paying for utility services from and after Close of Escrow.

14. DAMAGE OR DESTRUCTION PRIOR TO CLOSE OF ESCROW.

If the Property, or any portion thereof, is damaged or destroyed prior to the Close of Escrow from any cause whatsoever, whether an insured risk or not, including but not limited to, fire, flood, accident or other casualty which, according to the Buyer's and Seller's best estimate, would cost more than Ten Thousand Dollars ($10,000.00) to repair, Buyer shall have the option, upon written notice to Seller, to either (i) terminate this Agreement, or (ii) purchase the Property. If Buyer elects to terminate this Agreement, Escrow shall immediately terminate upon Seller's receipt of Buyer's notice of election to terminate and Escrow Holder shall thereupon promptly return all documents, items and monies in its possession to the party who shall have deposited same with Escrow Holder. In the event of such termination, each party shall pay one-half (1/2) of the Escrow fees. If Buyer elects to purchase the Property, Buyer shall be entitled to, and Seller shall assign to Buyer, all insurance proceeds covering such damage or destruction and, in addition, Seller shall pay Buyer the amount of any deductible (which can be paid by Seller by means of a credit against the Purchase Price). In the event that Buyer's and Seller's best estimate of the cost of repair is Ten Thousand Dollars ($10,000.00) or less, Buyer shall purchase the Property and be entitled to, and Seller shall assign to Buyer, all insurance proceeds covering such damage or destruction. In addition, the difference between the amount of insurance proceeds available and the cost of repair shall be deducted from the cash portion of the Purchase Price. Should any damage or destruction occur prior to the Close of Escrow, the date scheduled for the Close of Escrow shall be extended for a period of time not to exceed thirty (30) days, for the purpose of allowing Buyer and Seller sufficient time to estimate the cost of repair. If Buyer fails to notify Seller of its election under this Paragraph 14, Buyer shall be deemed to have elected to purchase the Property.

15. EMINENT DOMAIN.

15.1 The words "condemnation" or "condemned" as used in this Paragraph 15 shall mean the exercise of, or intent to exercise, the power of eminent domain expressed in writing, as well as the filing of any action or proceeding for such purpose, by any person, entity, body, agency or authority having the right or power of eminent domain (the "condemning authority").

15.2 If Seller receives written notice from a condemning authority advising of a condemnation of all or any portion of the Property ("Condemnation Notice"), Seller shall within three (3) business days notify Buyer of same in writing and deliver therewith a copy of the Condemnation Notice. Within ten (10) days after Buyer's receipt of the Condemnation Notice, Buyer shall notify Seller of its election to either (i) terminate this Agreement and the Escrow or (ii) purchase the Property. If Buyer elects to terminate this Agreement, Escrow shall immediately terminate upon Seller's receipt of Buyer's notice of election to terminate this Agreement and Escrow Holder shall thereupon promptly return all documents, items and monies in its possession to the party who shall have deposited same with Escrow Holder. In the event of such termination, each party shall pay one-half (1/2) of the Escrow fees. If Buyer elects to purchase the Property, Seller shall transfer to Buyer at the Close of Escrow all proceeds from condemnation or Seller's right to receive all such proceeds. If Buyer fails to notify Seller of its election under this Paragraph 15, Buyer shall be deemed to have elected to purchase the Property.

16. SURVIVAL OF CLOSE OF ESCROW. All representations, warranties, covenants, conditions, agreements and obligations contained in or relating to this Agreement shall survive the Close of Escrow and the recordation of the Grant Deed and shall not merge therein unless specifically stated otherwise in this Agreement.

17. NOTICES. All notices to be given pursuant to this Agreement shall be either (i) personally delivered; (ii) sent via certified or registered mail, postage prepaid; (iii) overnight courier (such as Federal Express, DHL, etc.); (iv) by electronic scan and transfer by e-mail; or (v) by telecopy transmittal. If sent via certified or registered mail, receipt shall be deemed effective forty-eight (48) hours after being deposited in the United States mail. If sent via telecopy transmission, a confirming copy shall be sent to the sender, and receipt of the telecopy transmittal shall be deemed effective at the time the telecopy is transmitted from the location where the transmission originates. If sent via overnight courier, receipt shall be deemed effective twenty-four (24) hours after the sending thereof. If sent via electronic scan and transfer by e-mail, receipt shall be deemed effective at the time the e-mail correspondence is transmitted from the location where the transmission originates; if the electronic scan and transfer by e-mail occurs on a Saturday, Sunday or Holiday (recognized by the California State Legislature), the transmission will not be deemed delivered until the next following business day. All notices to be given pursuant to this Agreement shall be given to the parties at the following respective address.

To Seller:

E-mail:________________________[INSERT EMAIL]

To Buyer: Dennie Her
General Manager
Loleta Community Services District
generalmanagerlcsd@gmail.com

18. ENTIRE AGREEMENT. This Agreement, and the Exhibits attached hereto, represent the entire Agreement between the parties in connection with the transactions contemplated hereby and the subject matter hereof and this Agreement supersedes and replaces any and all prior and contemporaneous agreements, understandings and communications between the parties, whether oral or written, with regard to the subject matter hereof. There are no oral or written agreements, representations or inducements of any kind existing between the parties relating to this transaction which are not expressly set forth herein. This Agreement may not be modified except by a written agreement signed by both Buyer and Seller. Without limiting the foregoing, Buyer and Seller expressly acknowledge and agree that they have not relied on any written or oral statements made by the other party's real estate broker in entering into this Agreement.

19. BINDING EFFECT AND ASSIGNMENT.

19.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, administrators, successors in interest and assigns.

19.2 Buyer shall have the right to freely assign its rights and interest in this Agreement, provided that any such assignee first executes a counterpart of this Agreement agreeing to abide by, observe and perform all obligations of Buyer stated in this Agreement. Furthermore, any such assignment shall not exonerate Buyer from its obligations under this Agreement, and Buyer, jointly along with Buyer’s assignee, shall remain obligated to Seller to abide by, observe and perform all obligations of Buyer stated in this Agreement.

20. WAIVER. No waiver by any party at any time of any breach of any provision of this Agreement shall be deemed a waiver or a breach of any other provision herein or a consent to any subsequent breach of the same or another provision. If any action by any party shall require the consent or approval of another party, such consent or approval of such action on any one occasion shall not be deemed a consent to or approval of such action on any subsequent occasion or a consent to or approval of any other action.

21. CAPTIONS AND HEADINGS. The captions and paragraphs numbers appearing in this Agreement are inserted only as a matter of convenience and do not define, limit, construe, or describe the scope or intent of this Agreement.

22. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be considered an original and all of which taken together shall constitute one and the same instrument.

23. GOVERNING LAW. This Agreement has been prepared, negotiated and executed in, and shall be construed in accordance with, the laws of the State of California. Any action or proceeding relating to or arising out of this Agreement shall be filed, if a State action, in the Superior Court of the State of California for the County of Humboldt.

24. ATTORNEYS FEES. If either party named herein brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action (or proceeding), on trial or appeal, shall be entitled to its reasonable attorneys' fees to be paid by the losing party as fixed by the Court.

25. TIME OF ESSENCE. Time is of the essence with respect to all matters contained in this Agreement.

26. DATE OF AGREEMENT. All references in this Agreement to the “Effective Date”, “the date of this Agreement” or “the date hereof” shall be deemed to refer to the date set forth in the first paragraph of this Agreement.

27. INVALIDITY OF ANY PROVISION. If any provision (or any portion of any provision) of this Agreement is held to be illegal, invalid, or unenforceable by a court of competent jurisdiction under present or future laws effective during the term of this Agreement, the legality, validity, and enforceability of the remaining provisions (or the balance of such provision) shall not be affected thereby.

28. NO RECORDATION. Buyer shall not record this Agreement, any memorandum of this Agreement, any assignment of this Agreement, or any other document which would cause a cloud on the title to the Property. Notwithstanding the foregoing, Buyer may record a memorandum of option or similar instrument as expressly permitted under the Option to Purchase Agreement.

29. DRAFTING OF AGREEMENT. Buyer and Seller acknowledge that this Agreement has been negotiated at arm's length, that each party has been represented by independent counsel and that this Agreement has been drafted by both parties and no one party shall be construed as the draftsperson.

30. NO THIRD PARTY BENEFICIARY RIGHTS. This Agreement is entered into for the sole benefit of Buyer and Seller and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.

31. INCORPORATION OF EXHIBITS. Each and all of the exhibits attached to this Agreement are incorporated herein as if set forth in full in this Agreement.

SIGNATURE PAGE FOLLOWS THIS PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth in the first paragraph of this Agreement.

SIGNATURES

SELLER: R4 Ranches, a General Partnership

By:____
Name:____
Its: General Partner

By:____
Name:____
Its: General Partner

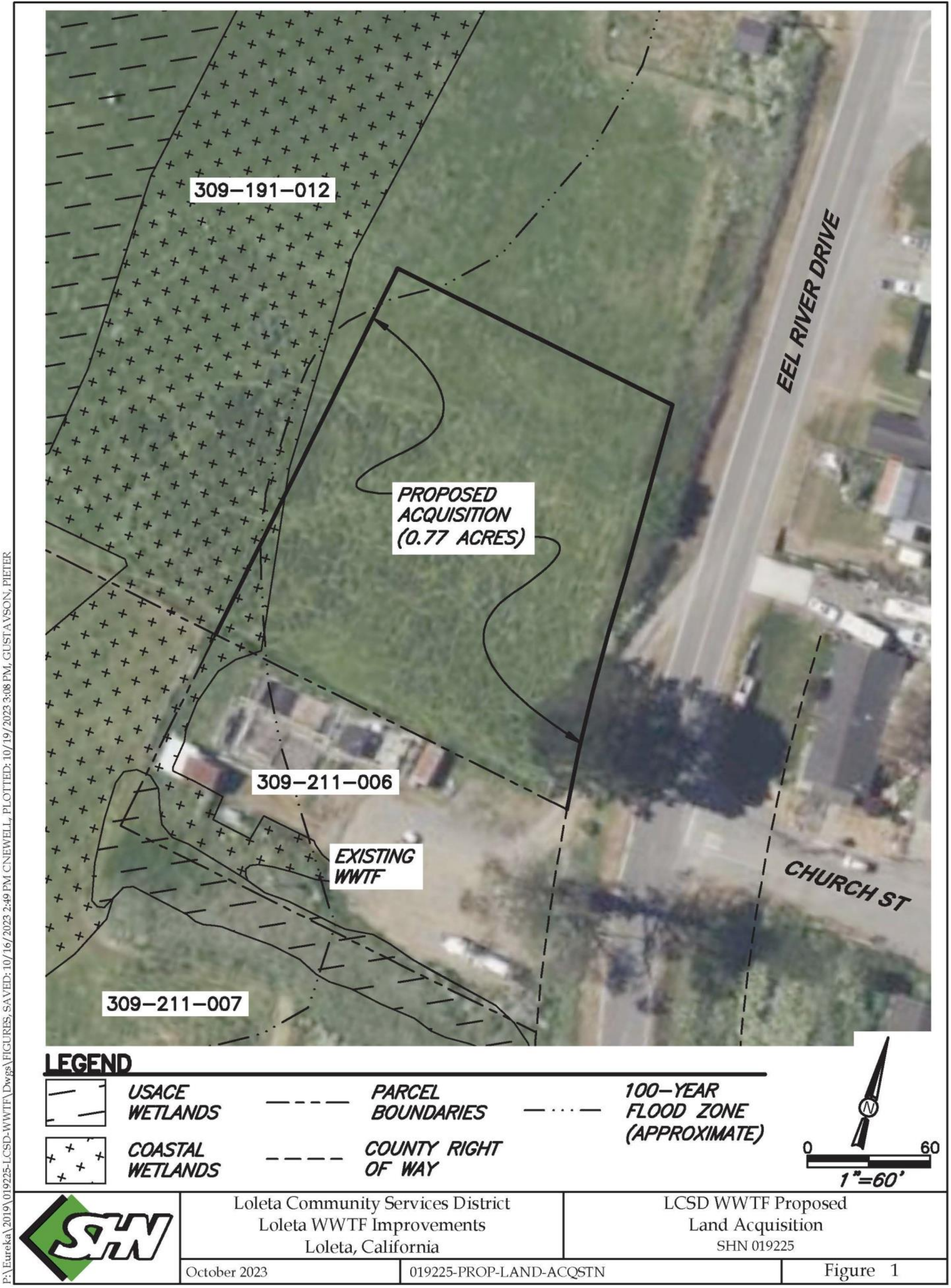
BUYER: LOLETA COMMUNITY SERVICES DISTRICT, a California special district

By:____
Name: Dennie Her
Its: General Manager and authorized agent

SCHEDULE OF EXHIBITS

Exhibit 1 Depiction of Property

EXHIBIT 1
Depiction of Property



Seller #1 Initials:______Seller #2 Initials_____:/ Buyer's Initials: ______