

COMMERCIAL LEASE AGREEMENT

This Lease Agreement ("Lease") is entered into and made effective as of January 1, 2024, by and between:

LANDLORD: Hernandez Family Trust

TENANT: Central Valley Organics LLC

WHEREAS, Landlord is the owner of certain real property located at Rural Route 4, Sections 12-14, Valley Township, Fresno County, CA 93706; and

WHEREAS, Tenant desires to lease said premises for the purpose of organic farming, crop cultivation, and agricultural processing and storage;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1 - PREMISES

1.1 Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the premises located at Rural Route 4, Sections 12-14, Valley Township, Fresno County, CA 93706 (the "Premises"), as more particularly described in Exhibit A attached hereto and incorporated herein by reference.

ARTICLE 2 - TERM

2.1 The term of this Lease shall commence on January 1, 2024 (the "Commencement Date") and shall expire on December 31, 2028 (the "Expiration Date"), unless sooner terminated in accordance with the provisions of this Lease.

2.2 Renewal Options: Automatic renewal for successive five-year terms unless either party gives written notice of non-renewal at least twelve (12) months prior to the expiration of the then-current term. This Lease may continue indefinitely through automatic renewals.

ARTICLE 3 - RENT

3.1 Base Rent: Tenant shall pay to Landlord base monthly rent in the amount of \$6,250.00 per month, payable in advance on the first day of each calendar month during the term of this Lease. Annual base rent equals \$75,000.00.

3.2 Security Deposit: Tenant shall deposit with Landlord a security deposit in the amount of \$12,500.00, to be held by Landlord as security for the faithful performance by Tenant of all terms, covenants, and conditions of this Lease. The security deposit shall be returned to Tenant within thirty (30) days following the expiration or earlier termination of this Lease, less any amounts applied to cure Tenant defaults.

3.3 Escalation: Rent is adjusted every two (2) years based on the USDA National Agricultural Statistics Service (NASS) farmland rental survey for Fresno County. Minimum monthly rent: \$6,000. Rent shall not decrease below the prior period's rate.

3.4 Late Payment: If any installment of rent is not received by Landlord within five (5) business days after the due date, Tenant shall pay a late charge equal to 5% of the overdue amount, plus interest at the rate of 1.5% per month on the unpaid balance.

ARTICLE 4 - PERMITTED USE

4.1 Organic farming, crop cultivation, and agricultural processing and storage. No livestock operations permitted. Tenant must maintain current USDA organic certification (NOP) throughout the lease term.

4.2 Tenant shall not use the Premises for any unlawful purpose or in any manner that would constitute a nuisance, violate any applicable zoning ordinance, or increase the rate of insurance on the Premises or the building in which the Premises are located.

ARTICLE 5 - LEASE TYPE AND ADDITIONAL CHARGES

5.1 Lease Type: This Lease is a Gross (Agricultural) lease.

5.2 CAM Charges: Not applicable for agricultural land lease.

5.3 Tax Obligations: Property taxes are paid by Landlord and are factored into the rent calculation. The property is assessed under California Williamson Act (Land Conservation Act) at agricultural use value.

ARTICLE 6 - RENEWAL OPTIONS

6.1 Automatic renewal for successive five-year terms unless either party gives written notice of non-renewal at least twelve (12) months prior to the expiration of the then-current term. This Lease may continue indefinitely through automatic renewals.

ARTICLE 7 - TERMINATION

7.1 Landlord may terminate if Tenant fails to maintain USDA organic certification for the leased acreage, provided Landlord gives Tenant ninety (90) days to cure (re-obtain certification). Tenant may terminate after crop failure in two (2) consecutive growing seasons, with six (6) months prior written notice. 'Crop failure' means a yield of less than 50% of the Fresno County average for the applicable crop type.

7.2 Upon expiration or termination, Tenant shall surrender the Premises in good condition and repair, reasonable wear and tear excepted, and shall remove all personal property and trade fixtures.

ARTICLE 8 - MAINTENANCE AND REPAIRS

8.1 Tenant Responsibilities:

- All irrigation systems including wells, pumps, drip lines, and sprinklers
- Soil conservation measures including cover cropping and erosion control
- All fencing and boundary markers
- Farm access roads and internal roads
- Maintenance of USDA organic certification including record-keeping and inspections
- Pest management using only certified organic methods

8.2 Landlord Responsibilities:

- Well pump replacement (well pump is owned by Landlord)

- Primary water infrastructure including main water lines from well to distribution point
- Property tax payment (factored into rent calculation)

ARTICLE 9 - INSURANCE

9.1 Tenant shall maintain the following insurance coverages throughout the term of this Lease:

- General Liability (\$2,000,000 per occurrence)
- Crop Insurance (USDA Federal Crop Insurance program or equivalent)
- Workers Compensation (statutory limits)

9.2 Minimum aggregate coverage: \$2,000,000.

9.3 Tenant shall name Landlord as an additional insured on all liability policies and shall provide Landlord with certificates of insurance upon request.

9.4 All insurance policies shall be issued by carriers with an A.M. Best rating of A- VII or better.

ARTICLE 10 - KEY PROVISIONS AND SPECIAL TERMS

10.1 Total leased area: 480 acres across three (3) sections of Valley Township.

10.2 Senior water rights: The property includes pre-1914 appropriative water rights to the Kings River, providing approximately 2,400 acre-feet per year. These water rights are critical and must not be abandoned or forfeited.

10.3 USDA organic certification (NOP Certificate No. CA-2023-ORG-4891) must be maintained throughout the lease term and any renewal periods. Loss of certification is a default.

10.4 Tenant must submit an annual crop rotation plan to Landlord no later than November 1 of each year for the following growing season. The plan must demonstrate sustainable farming practices.

10.5 Tenant has a right of first refusal if the land is offered for sale. Landlord shall provide written notice of any bona fide offer, and Tenant shall have sixty (60) days to match the offer.

10.6 Existing improvements on the property include: two wells (Well #12-A and Well #14-B), a 5,000 SF packing shed, a 2,000 SF cold storage facility, and equipment storage buildings.

ARTICLE 11 - WATER RIGHTS

The pre-1914 appropriative water rights appurtenant to the property are among the most senior water rights in the Kings River system. Tenant shall exercise these water rights in accordance with all applicable California water law, including the reasonable and beneficial use doctrine. Tenant shall not waste water or allow water rights to be abandoned. Any reduction in water allocation due to drought, regulatory action, or court order shall not constitute a breach by either party but may form the basis for Tenant's crop failure termination right.

ARTICLE 12 - SOIL HEALTH

Tenant shall maintain soil organic matter content at or above the level measured at the commencement of this Lease (baseline: 3.2% organic matter as measured by UC Davis Analytical Laboratory, Report No. 2023-FA-4412). Tenant shall conduct soil testing annually and provide results to Landlord. Any significant decline in soil health shall be addressed through Tenant's crop rotation and soil amendment program.

ARTICLE 13 - WILLIAMSON ACT

The property is enrolled in the California Williamson Act (Government Code Section 51200 et seq.) providing for reduced property tax assessment in exchange for a commitment to maintain the land in agricultural use. Tenant shall not use the property for any purpose that would violate the Williamson Act or cause the property to lose its Williamson Act classification.

GENERAL PROVISIONS

Governing Law: This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located, without regard to conflict of law principles.

Entire Agreement: This Lease constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, representations, warranties, commitments, offers, and agreements, whether written or oral.

Amendments: This Lease may not be modified or amended except by a written instrument signed by both Landlord and Tenant.

Notices: All notices required or permitted under this Lease shall be in writing and shall be deemed delivered when personally delivered, or three (3) business days after deposit in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the respective parties at the addresses set forth above or at such other address as either party may designate by notice.

Severability: If any provision of this Lease is held to be invalid or unenforceable, the remaining provisions shall continue in full force and effect.

Waiver: The failure of either party to enforce any provision of this Lease shall not be construed as a waiver of such provision or the right to enforce it at a later time.

SIGNATURES

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first written above.

LANDLORD:

Hernandez Family Trust
Date: January 1, 2024

TENANT:

Central Valley Organics LLC

Date: January 1, 2024