RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

Director of Public Works
City of St. Helena
1480 Main Street
St. Helena, California 94574

EXEMPT FROM RECORDING FEES PURSUANT TO GOVERNMENT CODE SECTION 6103

Assessor's Parcel Nos. 27-120-48, 27-120-49 and 27-120-03

AGREEMENT

(GOLDEN STATE VINTNERS WATER AGREEMENT)

THIS AGREEMENT, entered into on March 22, 2000, between the City of St. Helena, a municipal corporation (City), and Golden State Vintners, a California corporation (Customer), provides as follows:

RECITALS

A. Customer is the owner of three parcels of real property (the Property) located in the County of Napa (County), California, outside the City limits, as more particularly described in Exhibit "A" attached hereto. A wine tasting facility is located on one of the parcels, Assessor’s Parcel No. 27-120-48, as authorized by Use Permit # 118586 and minor modification of same approved on July 19, 1991; Use Permit # 92345-S; and Use Permit # 96539-MOD. A winery is located on the remaining two parcels, Assessor’s Parcel Nos. 27-120-49 and 27-120-03, as authorized by Use Permit # 697475, Use Permit # 638384 and Use Permit # 97365-MOD. Use Permit # 638384, which was issued on July 25, 1984, authorized the winery’s maximum production level of 2,805,000 gallons of wine per year. In 1998, the County approved winery Use Permit # 97365-MOD, which required, as a condition of approval, that Customer execute a water agreement with the City.

B. City, through the St. Helena Water Enterprise, has provided unlimited water services to the Property for many years. The highest annual water usage on the Property since 1980 occurred during the 1990-1991 fiscal year, in which 12,040 hcf (9.006 million gallons) were used.

C. City has an overburdened water system and is concerned about guaranteeing unlimited water to the Property in perpetuity.
D. Customer has not yet fully utilized its existing use permit rights and is concerned about ensuring the availability of a sufficient supply of water to the Property to preserve those rights.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

**AGREEMENT**

1. City agrees to and shall provide water to the Property up to an annual level (Annual Limitation), which shall increase each water year (Water Year) between December 1999 and December 2002 until an Annual Limitation of twelve million (12,000,000) gallons is reached, upon the terms and conditions set forth herein. The increasing annual levels are as follows:

<table>
<thead>
<tr>
<th>Water Year</th>
<th>Annual Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2000</td>
<td>9,000,000 gallons</td>
</tr>
<tr>
<td>2000-2002</td>
<td>10,000,000 gallons</td>
</tr>
<tr>
<td>Each subsequent year</td>
<td>12,000,000 gallons</td>
</tr>
</tbody>
</table>

As used herein, the term Water Year shall mean the twelve-month period between the City’s last water meter reading of a calendar year and the last water meter reading of the following calendar year. At present, City’s last meter reading in a calendar year is in mid-December; a Water Year will run from mid-December to the following mid-December.

2. Customer shall install at its expense, on all new construction and existing facilities, only low volume flush toilets and urinals, showerheads and faucets. All existing faucets and showerheads shall be equipped with flow restrictors. The retrofitting of existing facilities shall be completed within one year after date of this agreement. Security of $500.00 (500 per each toilet and urinal) shall be deposited with the City upon execution of this agreement, which sum City shall keep in an interest-bearing account and which sum, along with all allowed interest, City shall return to owner upon proof of completion of the required retrofitting.

3. City water shall be used for wine production processes and domestic purposes only. City water shall in no event be used for landscape, vineyard or agricultural irrigation.

4. While water is furnished to Customer pursuant to this Agreement, Customer shall be bound by and subject to all lawful resolutions, rules, regulations, directives, ordinances and orders of the City pertaining to water services as may be enacted from time to time for all other applicable users of City water, including, without limitation, provisions relating to rate charges and water shortage emergencies.

5. Customer shall monitor its water usage on a bimonthly basis and employ all
measures necessary to ensure that the applicable Annual Limitation is not exceeded. In the event the City Director of Public Works reasonably determines that the Annual Limitation inevitably will be exceeded or that the Annual Limitation has been exceeded, City may require Customer to undertake reasonable additional conservation measures, and may require Customer, upon ten (10) days’ prior written notice to terminate water services for nonessential uses. For purposes of this Agreement, the term “nonessential uses” shall mean uses where non-potable water will suffice.

6. In the event Customer exceeds its Annual Limitation, it shall pay to City a penalty surcharge equal to 60% of the water rate charge for each hundred cubic feet, or portion thereof, used in excess of the Annual Limitation. Such penalty surcharge shall be due and payable within 30 days after calculation and demand by City. In addition to the 60% surcharge, City may avail itself of all rights and remedies set forth in Paragraph 8 of this Agreement.

7. Customer agrees that if any future request or application for approval of amendments or modifications to any of the use permits for the Property is submitted to the Napa County Planning Commission (the Planning Commission) or Board of Supervisors (the Board), City shall be informed on or before the date on which any such request or application is submitted. In addition, Customer agrees to provide City with copies of all supporting documents or other information submitted in connection with such requests or applications on or before the date such materials are submitted to the Planning Commission or the Board.

8. In addition to any other rights or remedies, either party may institute legal action to cure, correct or remedy any default of this Agreement; to enforce any covenants or agreements herein or to enjoin any threatened or attempted violation thereof; to recover damages for any default; or to obtain any other remedy consistent with the purpose of this Agreement.

9. This Agreement shall be construed and enforced in accordance with the laws of the State of California. Should any legal action be brought by either party because of breach of this Agreement or to enforce any provision of this Agreement, the prevailing party in such action shall be entitled to all reasonable attorney’s fees, court costs and necessary disbursements in connection with such litigation.

10. The parties hereto agree that the provisions of this Agreement are severable. If any provision of this Agreement is held invalid, the remainder of this Agreement shall not be affected and shall remain in full force and effect unless amended or modified by mutual consent of the parties in writing.

11. The provisions of this Agreement shall be binding on all heirs, assigns and successors in interest to the parties hereto and shall be a covenant that runs with the land.

Executed the day and year first above written.
CUSTOMER: GOLDEN STATE VINTNERS, a California corporation

Dated: 3.22.00

By: [Signature]
Jeffrey B. O'Neill
Its: C.E.O.

CITY: CITY OF ST. HELENA, a municipal corporation,

Dated: 4.12.00

By: [Signature]
Bonnie Long
Its: City Administrator

ATTEST:

[Signature]
Delia Guijosa, City Clerk

APPROVED AS TO FORM:

[Signature]
Diane M. Price, City Attorney
STATE OF CALIFORNIA

COUNTY OF (Napa)

On 3/27/00, before me, Gabriel Greece, a Notary Public in and for the State of California, personally appeared JEFFREY B. O'NEILL, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

STATE OF CALIFORNIA

COUNTY OF NAPA

On 4/2/00, 2000, before me, the undersigned, City Clerk of the City of St. Helena, personally appeared Bonnie Long, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature: Delia Guijosa, City Clerk
EXHIBIT A

Description of the Property

All of that certain real property, together with all appurtenances thereto and all improvements now or hereafter located thereon, situated in the County of Napa, State of California, and described as follows:

PARCEL ONE:
Commencing at the most Eastern corner of Parcel Two as shown on the map entitled, "Record of Survey Map Portion of the Lands of Steve Leitner, et ux", filed July 27, 1967 in Book 15 of Surveys at page 59 in the office of the County Recorder of said Napa County; thence along the boundary of said Parcel Two, the following courses and distances: North 43° 11' West 482.82 feet, South 46° 16' West 168.23 feet, North 43° 11' West 168.23 feet, South 46° 15' West 483.56 feet, South 44° 02' 15" East 648.42 feet to the most Western corner of said Parcel "A" as shown on the map entitled, "Record of Survey Map Portion of the Lands of Steve Leitner, et ux", filed October 28, 1965 in Book 14 of Surveys at page 62, said Napa County Records; thence along the Southwestern line of said Parcel "A" South 44° 02' 15" East 326.32 feet to the most Southern corner thereof; thence along the Southeastern line of Parcel "A" North 46° 30' East 534.29 feet to the most Eastern corner thereof; thence South 43° 30' East 808.41 feet to a point distant North 43° 30' West 122.0 feet from the Northwesterly line of Inglewood Avenue; thence North 46° 30' East 160.00 feet and South 43° 30' East 122.0 feet to the said Northwesterly line of Inglewood Avenue; thence along same, North 46° 30' East 60.0 feet; thence leaving said Avenue line, North 43° 30' West, 122.0 feet, North 46° 30' East, 326.45 feet, North 43° 30' West, 488.0 feet to the most Western corner of the parcel of land described in the Deed to Albert R. Mori, recorded June 25, 1974 in Book 939 at page 183 of Official Records of Napa County; thence South 46° 30' West 240 feet; thence North 43° 30' West 380.90 feet to the Southeastern line of the parcel of land described in the Deed to Napa Cooperative Winery, recorded August 7, 1935 in Book 99 at page 158 of Official Records of Napa County; thence along said Southeastern line and its continuation South 46° 30' West 398.70 feet; thence North 43° 30' West, 368.10 feet to a point that bears South 46° 30' West from the point of commencement; thence North 46° 30' East, 197 feet to the point of commencement.

PARCEL TWO:
Commencing at the most Northern corner of the parcel of land described in the Deed to Napa Valley Cooperative Winery recorded August 7, 1935 in Book 99 at page 158 of Official Records of Napa County; thence along the Northwestern line of said parcel and the continuation thereof, South 46° 30' West 788.70 feet; thence South 43° 30' East 368.10 feet to a point that bears South 46° 30' West 197.0 feet form the most Southern corner of the aforesaid parcel; thence North 46° 30' East to and along the Southeastern line of said parcel 398.70 feet; thence South 43° 30' East 380.98 feet to a point that bears South 46° 30' West from the most Western corner of the parcel of land described in the Deed to Albert R. Mori, recorded June 25, 1974 in Book 939 at page 183 of Official Records of Napa County; thence North 46° 30' East 240 feet to said most Western corner; thence along the Northwestern line of said Mori parcel North 46° 30' East 210 feet to the Southwesterly State highway line; thence along the

(Continued)
State Highway line, North 43° 30' West, 380.90 feet to a point that bears North 46° 30' East 60 feet from the most Eastern corner of the parcel of land described in the Deed to Napa Valley Cooperative Winery recorded August 7, 1935 in Book 99 at page 158 of Official Records of Napa County; thence South 46° 30' West 60.0 feet to said most Eastern corner which bears South 43° 30' East from the point of commencement; thence North 43° 30' West 368.10 feet to the point of commencement.

EXCEPTING THEREFROM that portion granted to Southern Pacific Railroad Co. in Deed recorded December 23, 1948 in Book 300 at page 125 of Official Records of Napa County.

PARCEL THREE:
Beginning at the point of intersection of the Southwestern line of the Right of Way heretofore conveyed to San Francisco, Vallejo and Napa Valley Railroad Company, a corporation, by Deed of record in Book 88 of Deeds at page 104, said Napa County Records, with the Northwestern line of the 40 acre tract of land described as "First Tract" in Deed to Calistoga Vineyard Company, Ltd., a corporation, of record in Book 58 at page 40 of Official Records of Napa County, said point of beginning being the most Northerly corner of that certain 5 acre tract of land conveyed to Napa Valley Cooperative Winery by Deed of record in Book 99 at page 158 of Official Records of Napa County; thence Southeasterly along the Northeasterly line of said 5 acre tract 368.1 feet to the most Easterly corner of said 5 acre tract; thence Northeasterly along the prolongation Northeasterly of the Southeasterly line of said 5 acre tract 60 feet to the Southwesterly line of the State Highway; thence Northerly along said Southwesterly line of the State Highway 368.1 feet to the point of intersection of said Southwesterly line with the prolongation Northeasterly of the Northwesterly line of said 5 acre tract; thence Southwesterly along said prolongation, 60 feet to the point of beginning.

EXCEPTING THEREFROM the interest granted to Southern Pacific Railroad Company by the instrument recorded April 14, 1937 in Book 138 at page 120 of Official Records of Napa County, excluding from this exception, that portion lying within the bounds of the parcel described in the Quitclaim Deed to Napa Valley Cooperative Winery recorded December 23, 1948 in Book 300 at page 123 of Official Records of Napa County.

APN 027-120-003, -048, -049
LEGEND

1. Original Circa 1885 Winery Building
   Building to be preserved and roof to be rebuilt similar to original.

2. Existing Warehouse & production Building with aesthetic improvements.


4. New shed roofing to shade and cool New Tank area.

5. Replanted agricultural vineyard

6. Process Wastewater Pond

7. Property Line

8. Existing & Relocated Redwood trees to screen Tank Area and Warehouse.

9. Vegetable & Herb Garden with Crushed granite pathway

10. Formal Mulberry Bosque

11. Remodeled Tasting Room

12. Fruitless Plum Tree shaded lawn with perimeter garden

13. Garden Pond

14. Formal Sycamore Bosque

15. Existing Septic Leach Field planted with Grasses Agricultural Access Road

16. Guest Parking Area
    Existing Asphalt Parking Lots - reduced in area.

17. Sycamore Tree Lined Crushed granite Path

18. Entry Court

19. Sycamore Tree Lined Paved Entry Drive

20. New Entrance Signage on Stone Wall with Annual Flower Beds replanted seasonally

21. Split Rail Fence

22. Vineyard Gate

23. Flower Bed

24. Production Facility Entry - Existing Asphalt Drive way

25. Existing Scale Facility

26. Employee Parking

27. Recessed Truck Loading Dock

28. Walled Loading Dock & Parking Area

29. Existing Administration Building

30. Cedar Trees

31. New Hedge to screen Fence enclosed Production Wastewater Pond

32. Landscaped Employee Break Area