

RECORDED AT THE REQUEST OF AND
RETURN TO:

Napa Sanitation District
1515 Soscol Ferry Road
Napa, CA 94558

Exempt from Recording Fees
Per G.C. 27383

Re: Lots 1 and 4-11 on Book 27 of Record Maps Pages 23-26 (27 RM 23/26)

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT is made as of this ____ day of _____ 20____, by and between Pearl Avenue Partners, L.P., a California limited partnership ("Owner") and the Napa Sanitation District, a California special district ("District") with reference to the following facts.

RECITALS

A. Owner owns certain property located in the County of Napa, California, commonly known as Wine Country Cottages located at 4215 Wine Country Court, 4245 Wine Country Court, 4255 Wine Country Court, 4265 Wine Country Court, 4275 Wine Country Court, 4270 Wine Country Court, 4260 Wine Country Court, 4235 Wine Country Court, and 4225 Wine Country Court, Lots 1 and 4-11 on Book 27 of Record Maps Pages 23-26 (27 RM 23/26) (the "Property").

B. The Owner is redeveloping the Property and in connection with such development, it has been requested that the District provide sanitary sewer services to the Property.

AGREEMENT

NOW THEREFORE, Owner and District, for good and valuable consideration agree as follows:

1. Owner plans to install pervious concrete/pavers ("Site Improvements") on the Property.
2. Owner agrees to notify the District prior to installation of any new Site Improvements within the easement.
3. Owner agrees to indemnify and hold District, its board members, officers, officials, employees and agents, harmless from any claim made against District or any liability,

loss or damage suffered by District of any kind or nature, except on account of District's sole negligence, resulting from Owner's installation and maintenance of site improvements within the sanitary sewer easement that was recorded as: 27 RM 23/26

4. In the event that the District has to access the underground sewer line, then Owner will remove the Site Improvements in the easement that are in the way of the repair or reconstruction, within five (5) business days of receipt of a request to do so from the District. If Owner does not remove the Site Improvements after receiving a request from the District to do so, or if there is an emergency and the District has to immediately remove the Site Improvements to repair or reconstruct the sewer line, then Owner will pay the District all costs incurred for the removal of the Site Improvements. The District shall itemize costs incurred. Upon completion of repairs or reconstruction of the underground sewer line, the District will restore the Property to the condition it was in before the District completed the repairs or reconstruction except that the District will not be under any obligation to replace the Site Improvements. Additionally, the District will not be responsible for any repairs to the Site Improvements due to settling and/or cracking. If Site Improvements are removed by the District in order to access the underground sewer line, Owner shall have the right to replace the Site Improvements.

5. Owner agrees that the obligations under this Agreement shall be continuing and irrevocable. No modification or waiver of any provision of this Agreement shall be binding upon the District unless such modification or waiver shall be in writing and signed by an authorized officer of the District.

6. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

7. No failure on the part of the District to pursue any remedy under this Agreement shall constitute a waiver on the part of the District of its right to pursue such remedy on the basis of the same or a subsequent breach.

8. If either party is required to utilize the services of an attorney in order to enforce this Agreement, the non-prevailing party will pay any attorney's fees and costs incurred by the prevailing party.

9. Any costs or attorney's fees incurred by the District as prevailing party pursuant to this Agreement shall become a lien and a special assessment against the property which is the subject of this Agreement.

10. This Agreement shall run with the property as both a covenant and an equitable servitude and is binding on Owner's heirs, successors in interest and assigns. It shall be recorded with the Napa County Recorder.

11. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be personally delivered or deposited in the U.S. mail,

first class and postage prepaid, addressed to the parties at their respective addresses as listed below.

If to Indemnitor: Pearl Avenue Partners, L.P.
21771 Stevens Creek Blvd. Suite 200A
Cupertino, CA 95014

If to Indemnitee: Napa Sanitation District
1515 Soscol Ferry Road
Napa, CA 94558

Notice shall be deemed duly given upon personal delivery or, if mailed, two days after mailing. The foregoing addresses may be changed by notice given as provided in the Agreement.

* * * * *

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

OWNER: Pearl Avenue Partners, L.P., a California
Limited Partnership

By: Edenbridge Master, LLC, a California
Limited Liability Company
Its: General Partner

By: Edenbridge Investments, Inc.,
a California Corporation
Its: Sole Member

By: 

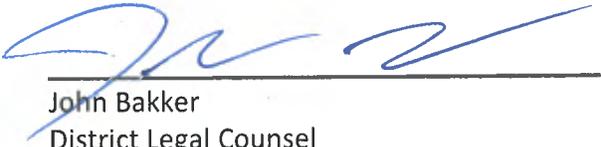
Patrick J. Geary
Its: President

NAPA SANITATION DISTRICT: Napa Sanitation District, a California Special District

By: _____
Jill Techel
Chair, Board of Directors

ATTEST: By: _____
Cheryl Schuh
Secretary, Board of Directors

APPROVED AS TO FORM:

By: 

John Bakker
District Legal Counsel