

RECORDING REQUESTED BY
CHICAGO TITLE

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

Pacific Gas and Electric Company
Law Department, B30A
77 Beale Street
San Francisco, California 94105
Attention: John W. Busterud, Esq.

Doc No: 1998-040838

Rpt No: 00052229

Official Records
San Luis Obispo Co.
Julie L. Rodewald
Recorder
Jul 02, 1998
Time: 15:04

RF -1 58.00

TOTAL 58.00

[18]

**DECLARATION OF COVENANTS, CONDITIONS
AND ENVIRONMENTAL RESTRICTIONS**

This Declaration of Covenants, Conditions and Environmental Restrictions (this "Declaration") is entered into as of June 30, 1998 by Duke Energy Morro Bay LLC, a Delaware limited liability company ("Declarant"), as owner of the property commonly known as Morro Bay Power Plant, located at 1290 Embarcadero Road, Morro Bay, California, and more particularly described in Exhibit A attached hereto and by this reference made a part hereof (the "Property").

RECITALS

A. Declarant purchased the Property from Pacific Gas and Electric Company, a California corporation ("Covenantee"), pursuant to that certain Purchase and Sale Agreement by and between Covenantee and Declarant, dated November 18, 1997 (the "Purchase Agreement"), and that certain Grant Deed, made by Covenantee in favor of Declarant, dated June 30, 1998, and recorded concurrently herewith in the office of the Recorder of San Luis Obispo County, California (the "Official Records"). The Purchase Agreement provides that Covenantee will undertake the Remediation (as defined below) of certain environmental conditions under certain terms and conditions and is relieved of the obligation to undertake Remediation of such environmental conditions under other terms and conditions. As used herein, "Covenantee Environmental Conditions" refers to environmental conditions for which Covenantee has agreed to undertake Remediation under the Purchase Agreement and has not been relieved of such obligation under the Purchase Agreement.

B. Prior to Declarant's purchase of the Property, Covenantee provided Declarant with certain environmental information concerning the Property (collectively, the "Environmental Reports"). The Environmental Reports disclose the presence of Hazardous Material, as defined below, in soil or groundwater or both at various locations throughout the Property.

C. Declarant has executed that certain License Agreement, of even date herewith, and recorded concurrently herewith in the Official Records, whereby Declarant granted Covenantee a non-exclusive license for the purpose of conducting Remediation of Covenantee Environmental Conditions and specified other environmental conditions, pursuant to the terms and conditions of the Purchase Agreement.

D. Covenantee desires that the Property be used in a manner that will avoid potential harm to persons or property which may result from the presence of Hazardous Material in soil or groundwater or both at the Property, in order to protect present and future human health and safety and the environment and in order to benefit Covenantee by reducing Covenantee's potential future liability.

E. As a material condition to the Purchase Agreement, Declarant agreed to execute this Declaration.

NOW THEREFORE, in consideration of value, the receipt and sufficiency of which are hereby acknowledged, Declarant agrees as follows:

Article 1 Definitions

The terms "Covenantee," "Covenantee Environmental Conditions," "Declarant," "Declaration," "Environmental Reports," "Official Records," "Property," and "Purchase Agreement" have the meanings given them above, and the terms listed below have the following meanings:

1.1 Affiliate. "Affiliate" of a Person means any other Person that (a) directly or indirectly controls the specified Person; (b) is controlled by or is under direct or indirect common control with the specified Person; or (c) is an officer, director, employee, representative or agent or subsidiary of the Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management or policies of the specified Person, directly or indirectly, whether through the ownership of voting securities, partnership or limited liability company interests, by contract or otherwise.

1.2 Covenantee Group. "Covenantee Group" means Covenantee and its Affiliates, and each of their officers, directors, employees, partners, attorneys, agents and successors and assigns.

1.3 Declarant Group. "Declarant Group" means Declarant and its Affiliates, and each of their officers, directors, employees, partners, attorneys, agents and successors and assigns.

1.4 Environmental Laws. "Environmental Laws" means any applicable federal, state, regional or local statutes, regulations, ordinances, codes, permits, orders, or published decisions relating to: (i) air emissions, hazardous materials, storage, use and release to the environment of hazardous or toxic substances, generation, treatment, storage, and disposal of hazardous wastes, wastewater discharges and similar environmental matters; or (ii) the impact of the matters described in the preceding clause upon human health or the environment, including the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. § 1251 *et seq.*), the Clean Air Act (42 U.S.C. § 7401 *et seq.*), the Toxic Substances Control Act (15 U.S.C. § 2601 *et seq.*), the Oil Pollution Act (33 U.S.C. § 2701 *et seq.*), the Occupational Safety and Health Act (42 U.S.C. § 651 *et seq.*) and the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 *et seq.*), the Porter-Cologne Water Quality Control Act (Cal. Wat. Code § 13020, *et seq.*), the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5, *et seq.*), the Hazardous Substance Account Act (Cal. Health & Safety Code § 25300, *et seq.*), the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100, *et seq.*), and the California Air Resources Code (Cal. Health & Safety Code § 39000, *et seq.*)

1.5 Governmental Authority. "Governmental Authority" means any federal, state, local or other governmental, regulatory or administrative agency, governmental commission, department, board, subdivision, court, tribunal, or other governmental arbitrator, arbitral body or other authority, but excluding Declarant and any subsequent owner of the Site (if otherwise a Governmental Authority under this definition).

1.6 Hazardous Material. "Hazardous Material" has the definition of "hazardous material" set forth in Section 25260 of the California Health & Safety Code.

1.7 Party. "Party" means either Covenantor or Declarant, as the context requires; "Parties" means, collectively, Covenantor and Declarant.

1.8 Person. "Person" means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, or any Governmental Authority.

1.9 Remediation. "Remediation" means any or all of the following activities to the extent they relate to or arise from the presence of Covenantor Environmental Conditions: (i) monitoring, investigation, cleanup, containment, remediation, removal, mitigation, response or restoration work; (ii) obtaining any permits, consents, approvals or authorizations of any Governmental Authority necessary to conduct any such work; (iii) preparing and implementing any plans or studies for such

work; (iv) obtaining a written notice from a Governmental Authority with jurisdiction over the Property under Environmental Laws that no material additional work is required by such Governmental Authority; and (v) any other activities reasonably determined by Covenantee to be necessary or appropriate or required under Environmental Laws to address the presence of Covenantee Environmental Conditions at the Property.

1.10 Restrictions. "Restrictions" has the meaning given to it in Section 2.1 below.

1.11 Third Party Claim. "Third Party Claim" means a claim by a Person other than a member of the Covenantee Group or the Declarant Group, including: (i) any claim for the costs of conducting Remediation or seeking an order or demanding that a Person undertake Remediation; and (ii) any claim for loss or damage to persons or property allegedly arising from Covenantee Environmental Conditions.

In this Declaration, the word "including" means including without limiting the generality of any description preceding such term.

Article 2 General Declaration

Declarant hereby declares that:

2.1 This Declaration sets forth provisions, covenants, restrictions and conditions whereby the Declarant agrees to do or refrain from doing acts on the Property (collectively "Restrictions").

2.2 All of the Restrictions: (i) are for the benefit of Covenantee; (ii) are imposed upon the entire Property; (iii) run with the land and pass with the Property and any portion thereof pursuant to Section 1471 of the California Civil Code; (iv) are binding upon Declarant and each successive owner, during his, her or its ownership of the Property or any portion thereof, and upon each Person having any interest in the Property or any portion thereof derived through any owner of the Property, all for the benefit of Covenantee; and (v) relate to the use of the Property and are reasonably necessary to protect present or future human health or safety or the environment as a result of the presence of Hazardous Material in soil or groundwater or both at the Property.

Article 3
Restrictions Relating to Development and
Conveyance of Property

3.1 Restrictions on Development

3.1.1 Declarant will not develop the Property or any portion thereof for use as a permanent or temporary lodging (including hotels, motels, and the like), hospital or other health-care facility, school, day care center for children, park, playground or other recreational use. If the Property is already being used for such purposes, Declarant may permit such existing use of the Property to continue, but Declarant will not permit any new or expanded use of the Property (including expanding the portion of the Property so used) for such purposes.

3.1.2 If Declarant undertakes any activities affecting soil or groundwater or both at the Property (including any decommissioning, dismantling, or development activities, or any extraction, excavation or removal of any soil or groundwater or both at the Property), or undertakes any interactions with Governmental Authorities with jurisdiction over the Property under Environmental Law, Declarant will undertake such activities and interactions in a manner designed to avoid, to the extent reasonably practicable and reasonably consistent with achieving Declarant's development goals, the following: (1) increasing the risk that a Governmental Authority would require Remediation relating to any Covenantee Environmental Condition that is more extensive than the Remediation appropriate for the Property under its current use; (2) increasing the cost of any such Remediation; (3) increasing the risk of human exposure to Covenantee Environmental Conditions; or (4) increasing the risks that a Third Party Claim with respect to a Covenantee Environmental Condition, or the Remediation thereof, could arise.

Furthermore, in undertaking any such activities affecting soil or groundwater or both at the Property, Declarant shall (x) comply with all applicable Environmental Laws, (y) adhere to prudent engineering practices and procedures and (z) exercise due care in connection with any disruption, disturbance or excavation of soil or groundwater or both known to be contaminated with any Hazardous Material and the handling, removal and disposal of any such contaminated soil or groundwater or both.

Subject to the obligations set forth in this Section 3.1, nothing contained herein precludes Declarant from undertaking the following activities:

(1) applying for governmental permits and approvals required to implement an improvement, power plant expansion or any development plan, or dismantling, decommissioning or removal of power generation units or oil tanks or other equipment not needed for Declarant's operations, or making due diligence inquiries to

Governmental Authorities in good faith in connection with the sale, lease or financing of the Property or any portion thereof;

(2) undertaking routine operations and installations and repair of utilities and equipment in the course of Declarant's ongoing operations or expansion of Declarant's ongoing operations;

(3) conducting or causing to be conducted environmental assessments or tests of the Property or any portion thereof in connection with a proposed purchase, sale, investment in or financing of the Property, or any portion thereof, or in connection with the commencement of development activities, each to the extent such assessment activity is customary and consistent with prudent utility practices. If such assessment discloses any Covenantee Environmental Condition, Declarant will provide Covenantee with a copy of such report unless such report is privileged or subject to a confidentiality agreement that prevents Declarant from providing the assessment to Covenantee; or

(4) decommissioning, dismantling, or removing any improvements (including the oil storage tanks or power generating facility existing on the Property) and developing the Property or any portion thereof.

3.2 Notice of Transfer. Declarant will provide written notice to Covenantee at least 30 days before any sale, lease or other conveyance of the Property, or any portion thereof or interest therein, to a third Person.

3.3 Obligation of Declarant on Transfer. Declarant will incorporate its obligations under this Declaration into all deeds or other transfer documents executed by Declarant for the Property, or any portion thereof or interest therein, and any grantees or other transferees will be required to comply with this Declaration as if they were designated in this Declaration as Declarant and had executed this Declaration as Declarant. Each such party shall have liability for the performance of the obligations of Declarant hereunder only to the extent that such obligations arise during the period of time such party has an interest in the Property that subjects it to responsibility under this Declaration.

3.4 Obligation of Transferees. Regardless of whether Declarant has fulfilled its obligations under Section 3.3 above, each grantee or other transferee of the Property, or any portion thereof or interest therein, will be deemed by his, her or its receipt of his, her or its deed or other transfer document to have accepted the terms of this Declaration and to have agreed to comply with this Declaration as if he, she or it were designated in this Declaration as Declarant and had executed this Declaration as Declarant.

**Article 4
Indemnification**

Declarant will indemnify, defend and hold harmless Covenantee and its parents and Affiliates and each of their officers, directors, employees, attorneys, agents and successors and assigns from and against all damages, claims, losses, liabilities, costs and expenses, including reasonable attorneys', consultants' and accountants' fees which arise out of or relate to any breach or violation of this Declaration.

**Article 5
Duration, Termination, Modification**

5.1 Termination and Modification. Declarant cannot terminate, modify or amend this Declaration, or any provision or Restriction contained herein, without the prior written consent of Covenantee, which consent may be granted or denied in Covenantee's sole discretion. No such termination, modification or amendment is effective until a proper instrument in writing has been duly authorized and executed by Covenantee and acknowledged and recorded in the Official Records.

5.2 Term. Unless terminated, modified or amended pursuant to Section 5.1 above, this Declaration and each provision and Restriction contained herein will continue and remain in full force and effect with respect to the Property and all portions thereof in perpetuity.

**Article 6
Breach and Remedies**

Covenantee may pursue any right or remedy that may be available at law or in equity for any violation or breach of this Declaration or any Restriction herein. Each such right and remedy is cumulative and in addition to every other right or remedy that may be available for that violation or breach. Without limiting the generality of the foregoing, Covenantee may bring an action for specific performance against any Person who has violated or is attempting to violate this Declaration or any Restriction herein to enjoin or prevent such Person from doing so and to cause said violation or breach to be remedied. Notwithstanding the foregoing, Covenantee will not in any event be entitled to any punitive, incidental, indirect, special or consequential damages resulting from or arising out of any claim for violation or breach of this Declaration, including damages for lost revenues, income, profits or tax benefits.

**Article 7
Miscellaneous**

7.1 Entire Document. This Declaration contains the entire agreement between Declarant and Covenantee with respect to the matters set forth herein, and

supersede all negotiations, representations, warranties, commitments, offers, contracts and writings prior to the execution date of this Declaration, written or oral.

7.2 Severability. If any provision hereof is held invalid or unenforceable by any court of competent jurisdiction or as a result of future legislative action, this holding or action will be strictly construed and will not affect the validity or effect of any other provision hereof. To the extent permitted by law, the Parties waive, to the maximum extent permissible, any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

7.3 Assignability. This Declaration inures to the benefit of and is enforceable by Covenantee and its successors and assigns.

7.4 Captions. The captions of the various Articles and Sections of this Declaration have been inserted only for convenience of reference and do not modify, explain, enlarge or restrict any of the provisions of this Declaration.

7.5 Governing Law. The validity, interpretation and effect of this Declaration are governed by and will be construed in accordance with the laws of the State of California applicable to contracts made and performed in such State and without regard to conflicts of law doctrines except to the extent that certain matters are preempted by Federal law or are governed by the law of the jurisdiction of organization of the respective parties.

7.6 Notices. All notices, requests, demands and other communications under this Declaration must be in writing and must be delivered in person or sent by certified mail, postage prepaid, or by overnight delivery, and properly addressed as follows:

If to Covenantee:

Pacific Gas and Electric Company
Law Department, B30A
77 Beale Street
San Francisco, California 94105
Attention: John W. Busterud, Esq.

With a copy to:

Pacific Gas and Electric Company
245 Market Street, Room 1107 N11A
San Francisco, California 94105
Attention: R. Terry Nelson

If to Declarant:

Duke Energy Morro Bay LLC
5400 Westheimer Court
4th Floor
Houston, Texas 77056
Attention: Ms. Paula G. Rospot
President

Any Party may from time to time change its address for the purpose of notices to that Party by a similar notice specifying a new address, but no such change is effective until it is actually received by the Party sought to be charged with its contents.

All notices and other communications required or permitted under this Declaration which are addressed as provided in this Section 7.6 are effective upon delivery, if delivered personally or by overnight mail, and, are effective five (5) days following deposit in the United States mail, postage prepaid if delivered by mail.

7.7 Time is of the Essence. Time is of the essence of each term of this Declaration. Without limiting the generality of the foregoing, all times provided for in this Declaration for the performance of any act will be strictly construed.

7.8 No Third Party Beneficiaries. Except as may be specifically set forth in this Declaration, nothing in this Declaration, whether express or implied, is intended to confer any rights or remedies under or by reason of this Declaration on any Persons other than Covenantee and its successors and assigns, nor is anything in this Declaration intended to relieve or discharge the obligation or liability of any third Persons to any Party, nor give any third Persons any right of subrogation or action against any Party.

7.9 Waivers. No failure or delay on the part of Covenantee to enforce any Restriction or to exercise any power, right or privilege under this Declaration shall be construed to be a waiver of any right to enforce any Restriction or to exercise any power, right or privilege thereafter or to impair any power, right or privilege of Covenantee under this Declaration.

7.10 Rights of a Lender. The provisions of this Declaration do not limit the right of Covenantee or Declarant to grant a deed of trust, mortgage, or other similar lien or encumbrance to any commercial bank, trust company or other institutional lender ("Lender") providing financing to Covenantee or Declarant provided the lien of such deed of trust, mortgage or other similar lien or encumbrance is expressly subject to and subordinate to the Parties' rights and obligations under this Declaration. In the event of any foreclosure, whether judicial or nonjudicial, or any deed in lieu of foreclosure, in connection with any such deed of trust, mortgage or other similar lien or encumbrance,

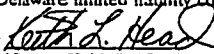
the purchaser or other transferee, and their successors in interest and assigns, shall be bound by the covenants and agreements of its borrower in this Declaration that burden the property encumbered by such deed of trust, mortgage or similar lien or encumbrance; provided, however, that until the person who acquires title to the property encumbered by such deed of trust, mortgage or other similar lien or encumbrance executes and delivers to the other party hereto a written assumption of its borrower's obligations under this Declaration, such person shall not be entitled to any of the benefits of this Declaration. No Lender, foreclosure sale purchaser or deed in lieu transferee shall be subject to any action for the breach or violation of any covenant or agreement in this Declaration which occurs prior to the date of its acquisition of title to the property encumbered by such deed of trust, mortgage or other similar lien or encumbrance.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date set forth above.

"Declarant"

DUKE ENERGY MORRO BAY LLC,
a Delaware limited liability company

By



Name: Keith L. Head
Its: Vice President

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN FRANCISCO)

On June 30, 1978, before me, Rosemary G. Trowsdale,
a Notary Public in and for said state, personally appeared Keith L. Head, personally
known to me (or proved to me on the basis of satisfactory evidence) to be the person(s)
whose name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/its authorized capacity(ies), and that by
his/her/its signature(s) on the instrument, the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Rosemary G. Trowsdale
Notary Public in and for said State



EXHIBIT A

LEGAL DESCRIPTION

[EXHIBIT A IN GRANT DEED]

FEE INTEREST IN PROPERTY WHICH IS LOCATED IN SAN LUIS OBISPO COUNTY, CALIFORNIA, FURTHER DESCRIBED AS FOLLOWS:

The parcel of land shown as Lot 1 on that certain Lot Line Adjustment designated Case No. LL 01-97 recorded on February 26, 1998 in the Official Records of San Luis Obispo County (the "Lot Line Adjustment") and more particularly described as follows: All that certain real property situated in Section 25, Township 29 South, Range 10 East, Mount Diablo Base and Meridian, in the City of Morro Bay, County of San Luis Obispo, State of California, described as follows:

Commencing at a point of intersection of the northerly right-of-way line of Surf Street (formerly known as Ninth Street) with the centerline of Scott Street (formerly known as "S" Street), as said streets are delineated and so designated on the Map of Atascadero Beach, recorded July 2, 1917 in Book 2, Page 15 of Maps in the Office of the County Recorder of said County, said point also being the point of beginning of the 48.7 acre parcel of land set forth in the quitclaim deed from the County of San Luis Obispo to the Pacific Gas and Electric Company, a corporation ("PG&E"), recorded September 25, 1951, in the office of the County Recorder of said County in Book 628 of Official Records at Page 342; thence along the centerline of Scott Street North 6°07'26" West 126.01 feet to the northeasterly corner of that certain parcel of land described in the deed from PG&E to the County of San Luis Obispo recorded July 28, 1953, in the office of the County Recorder of said County, in Volume 720 of Official Records at Page 69, said point also being the TRUE POINT OF BEGINNING; thence leaving said centerline of Scott Street, along the northerly line of the land described in last said deed South 88°19'28" West 269.38 feet to a point on the centerline of Mesa Drive as said Drive being so delineated on said Map, said point also being the northwesterly corner of the lands described in last said deed, said point also being a point on the boundary line of said 48.7 acre parcel; thence along said boundary line South 87°15'33" West 182.67 feet; thence South 20°48'10" East 122.10 feet to a point on the northerly right-of-way line of said Surf Street and the southerly boundary line of said 48.7 acre parcel; thence along said northerly right-of-way line and said southerly boundary line South 89°11'34" West 362.73 feet to the southeasterly terminus of that certain course in the southwesterly boundary line of said 48.7 acre parcel, said course having a bearing and distance of "North 53°45' West 884.13 feet;" (North 53°52'05" West 884.13 feet for the purposes of this description); said point also being the most easterly corner of the parcel of land described in the deed from the County of San Luis Obispo to PG&E, recorded

January 26, 1956 in the office of the County Recorder of said County, in Volume 833 of Official Records at Page 525; thence at right angles to last said course South 36°07'55" West 190.66 feet to a point on the southwesterly boundary line of Tide Lands Survey No. 14, recorded in Book 4 at page 11 of Record of Surveys in the office of the San Luis Obispo County Recorders office; thence along said southwesterly boundary North 59°39'45" West 201.03 feet; thence leaving said southwesterly boundary North 36°07'55" East 210.96 feet to a point on the southwesterly boundary line of said 48.7 acre parcel, said point being distant North 53°52'05" West 200.00 feet along said boundary line from said southeasterly terminus of the southwesterly boundary line of the 48.7 acre parcel; thence along the southwesterly boundary of said 48.7 acre parcel North 53°52'05" West 684.13 feet; thence at a right angle South 36°07'55" West 369.55 feet to a point on the southwesterly boundary line of the parcel of land quitclaimed to the County of San Luis Obispo by deed recorded August 1, 1949, in Book 530 at Page 214 of Official Records of said County; thence along last said southwesterly boundary North 75°37'05" West 215.33 feet; thence North 36°07'55" East 449.34 feet; thence North 53°52'05" West 286.04 feet; thence North 30°58'19" West 175.66 feet; thence North 21°19'19" West 543.47 feet to a point on the centerline of 79th Street, as said 79th Street is shown on said Map of Atascadero Beach; thence leaving the boundary of said 48.7 acre parcel, along the centerline of said 79th Street South 81°03'50" West 42.89 feet to a point of intersection with the centerline of "C" Street, as said centerline is so delineated on said Map; thence along the centerline of said "C" Street North 8°56'10" West 1,379.64 feet to a point of intersection with the centerline of 70th Street, said 70th Street being so delineated on said Map, thence continuing along said 70th Street North 81°03'50" East 736.36 feet to the southwesterly corner of Lot 27 of Block 28D of said Map, thence along the westerly line of Lot 27 and Lot 20 of said Block 28D North 8°56'10" West 149.96 feet to a point on the centerline of 69th Street, said 69th Street being so delineated on said Map, said point also being the northwesterly corner of Lot 20; thence along said centerline of 69th Street North 81°03'50" East 175.26 feet to a point of intersection with the centerline of "J" Street, said "J" Street being so delineated on said Map; thence along said centerline of "J" Street South 8°56'10" East 10.00 feet to a point of intersection with the westerly prolongation of the northerly line of Lot 6 of Block 27 of said Map; thence along said westerly prolongation and the northerly line of Lot 6 and the easterly prolongation thereof North 81°03'50" East 750.88 feet to the northwesterly corner of the parcel of land described in the deed from PG&E to the State of California recorded October 7, 1960 in the office of the County Recorder of said County in Volume 1087 of Official Records at Page 277, said northwesterly corner also being a point on the westerly right-of-way line of California State Highway 1 as shown on the California Department of Transportation Right-of-Way Map Sheets designated as postmile 29.6 and postmile 30.1 (sheets 27 and 28 of 33) on file in the office of the California Department of Transportation District 5 Right-of-Way Engineering Department in the City of San Luis Obispo, State of California; thence along said westerly right-of-way line South 20°06'36" East 550.31 feet; thence

continuing along said westerly right-of-way line South 23°32'35" East 307.51 feet to the beginning of a non-tangent curve concave easterly having a radius of 4080.00 feet, to which a radial line bears South 67°54'00" West; thence continuing along said westerly right-of-way line southeasterly along said curve through a central angle of 7°10'01" an arc distance of 510.35 feet; thence continuing along said westerly right-of-way line South 27°12'08" East 628.32 feet; thence continuing along said westerly right-of-way line South 44°10'05" East 44.29 feet to a point of intersection with the easterly boundary line of the parcel of land described in the deed from the State of California to PG&E recorded October 7, 1960, in the office of the County Recorder of said County, in Volume 1087 of Official Records at Page 273; thence leaving said westerly right-of-way line of Highway 1 along last said easterly boundary line South 17°19'03" East 136.90 feet; thence continuing along said easterly boundary line South 45°31'03" East 508.65 feet; thence South 34°07'03" East 181.13 feet to the most easterly corner of Lot 39 of Block 31 of said Map; thence along the southeasterly line of said Lot 39, last said line also being the northeasterly prolongation of the centerline of Scott Street, South 55°57'03" West 289.42 feet to the beginning of a tangent curve concave southeasterly having a radius of 175.72 feet; thence continuing along said centerline of Scott Street southwesterly along said curve through a central angle of 39°18'10" an arc distance of 120.54 feet; thence continuing along said centerline South 16°38'53" West 0.26 feet to the beginning of a tangent curve concave northwesterly having a radius of 404.66 feet; thence continuing along said centerline southwesterly along said curve through a central angle of 43°16'54" an arc distance of 305.68 feet; thence continuing along said centerline South 59°55'47" West 15.07 feet to the beginning of a tangent curve concave southeasterly having a radius of 95.71 feet; thence continuing along said centerline southwesterly and southerly along said curve through a central angle of 68°03'13" an arc distance of 113.68 feet to the TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM that portion described as follows:

Commencing at the most easterly corner of Lot 39 of Block 31 of said Map of Atascadero Beach, said corner also being a point on the easterly boundary line of said deed recorded October 7, 1960; thence along said easterly boundary line North 34°07'03" West 181.13 feet; thence continuing along said easterly boundary line North 45°31'03" West 300.40 feet to the TRUE POINT OF BEGINNING; thence leaving said easterly boundary line North 82°25'56" West 51.99 feet; thence North 80°32'04" West 49.03 feet; thence North 72°44'42" West 35.29 feet; thence South 89°09'33" West 47.97 feet; thence South 78°00'52" West 65.65 feet; thence South 56°11'46" West 49.82 feet; thence at right angles to that certain course in said southwesterly boundary line of said 48.7-acre parcel said course having a bearing and distance of "North of 53°45' West 884.13 feet" (North 53°52'05" West 884.13 feet for the purposes of this description), South 36°07'55" West 473.15 feet; thence at right angles North 53°52'05" West 148.76 feet; thence at right angles North 36°07'55" East 75.05 feet; thence at right angles North 53°52'05" West 837.90 feet; thence at right angles South 36°07'55" West 97.53 feet; thence at right angles North

53°52'05" West 176.60 feet; thence North 19°35'23" East 254.47 feet; thence North 8°25'31" East 80.98 feet; thence North 19°47'04" East 209.64 feet; thence at right angles to said southwesterly boundary line North 36°07'55" East 159.02 feet; thence North 75°19'23" East 421.36 feet; thence South 85°42'10" East 271.06 feet to the beginning of a non-tangent curve concave northeasterly having a radius of 4080.00 feet, to which a radial line bears South 62°51'50" West, said beginning point also being on said westerly right-of-way line of said California State Highway 1; thence continuing along said westerly right-of-way line southeasterly along said curve through a central angle of 2°07'51" an arc distance of 151.74 feet; thence continuing along said westerly right-of-way line South 27°12'08" East 628.32 feet; thence continuing along said westerly right-of-way line South 44°10'05" East 44.29 feet to a point of intersection with the easterly boundary line of the parcel of land described in the deed dated October 7, 1960; thence leaving said westerly right-of-way line of Highway 1 along last said easterly boundary line South 17°19'03" East 136.90 feet; thence continuing along said easterly boundary line South 45°31'03" East 208.25 feet to the TRUE POINT OF BEGINNING.

Parcel (after exception) containing 107.35 acres more or less.

[EXHIBIT A-1 IN GRANT DEED]

PARCEL ONE:

All that certain real property described in Exhibit A-1 of that certain Correction Deed dated May 12, 1978 and recorded in Book 2104 of Official Records at Page 466, San Luis Obispo County Records, being a portion of Lot 34 of the Subdivision of Rancho Moro Y Cayucos, as shown upon the map filed for record in Book "A" of Maps at page 160 in the Office of the County Recorder of San Luis Obispo County, State of California, therein described as follows:

Beginning at the most southerly corner of said Lot 34 and running thence along the southwesterly boundary line of said Lot 34

(1) North 32°23'34" West (North 34°00'30" West, geodetic) 306.00 feet, set a Pacific Gas and Electric Company aluminum monument tagged R.C.E. 12748; thence leaving said southwesterly boundary line

(2) North 15°54'58" East 2242.05 feet, set a Pacific Gas and Electric Company aluminum monument tagged R.C.E. 12748; thence

(3) North 75°47'42" East 1441.23 feet, set a Pacific Gas and Electric Company aluminum monument tagged R.C.E. 12748; in the easterly boundary line of said Lot 34, thence running along the easterly boundary line of said Lot 34

(4) South 19°35'26" East 925.95 feet, set a Pacific Gas and Electric Company aluminum monument tagged R.C.E. 12748; marking the most easterly corner of said Lot 34; thence running along the southeasterly boundary line of said Lot 34

- (5) South $56^{\circ} 50' 55''$ West 1912.68 feet, set a Pacific Gas and Electric Company aluminum monument tagged R.C.E. 12748,
- (6) South $33^{\circ} 15' 01''$ West 1014.22 feet, set a Pacific Gas and Electric Company aluminum monument tagged R.C.E. 12748; and continuing
- (7) South $33^{\circ} 15' 01''$ West 2.00 feet, more or less, to the point of beginning; containing 62.20 acres, more or less.

The bearings used in the above description (except where otherwise noted) are on the California Coordinate System, Zone V. To obtain geodetic bearings at the point of beginning, adjust all California Coordinate bearings $1^{\circ} 36' 56''$ to the left. The distances used in the above description are ground distances. Multiply all distances by 0.9999575 to obtain grid distances.

A record survey of the real property described above has been made by S. L. Taylor, R. C. E. No. 12748, and recorded in Book 29 of Licensed Survey Maps at page 49, San Luis Obispo County Records.

PARCEL TWO:

Together with that portion of the parcel conveyed from Frank V. Rodrigues and others to PG&E by easement deed dated April 8, 1976, and recorded April 27, 1976, in Book 1893 of Official Records at page 924, San Luis Obispo County Records, described and designated (a) in said deed dated April 8, 1976, and as shown on a Record of Survey filed October 11, 1977 in Book 29, Page 49 of Maps, San Luis Obispo County Records.

EASEMENT RIGHTS FURTHER DESCRIBED AS FOLLOWS:

A non-exclusive easement and right of ingress to and egress from Lot 1, as said Lot 1 is shown on that certain Certificate of Compliance Lot Line Adjustment, which is the result of Lot Line Adjustment MBAL 97-239 (Case No. LL 01-97), approved by the Subdivision Review Board on December 29, 1997 and recorded on February 26, 1998 as Document No. 1998-010270 and Document No. 1998-010271 in the Official Records of San Luis Obispo County (the "Lot Line Adjustment") and described as follows:

A non-exclusive easement and right of ingress to and egress from Lot 1, as said Lot 1 is shown on that certain Certificate of Compliance Lot Line Adjustment, which is the result of Lot Line Adjustment MBAL 97-239 (Case No. LL 01-97), approved by the Subdivision Review Board on December 29, 1997 and recorded on February 26, 1998 as Document No. 1998-010270 and Document No. 1998-010271 in the Official Records of San Luis Obispo County (the "Lot Line Adjustment") and described as follows:

STRIP ONE:

A 30 foot easement for road purposes lying within said Lot 2 of the Lot Line Adjustment, the centerline of which is described as follows:

Commencing at the most easterly corner of said Lot 1 of the Lot Line Adjustment; thence along the easterly boundary line of said Lot 1, North 34°07'03" West 181.13 feet; thence continuing along said easterly boundary line North 45°31'03" West 327.92 feet to the **TRUE POINT OF BEGINNING**; thence leaving said easterly boundary line North 80°43'15" West 81.56 feet; thence North 75°32'59" West 35.91 feet; thence North 61°27'30" West 40.49 feet; thence North 45°45'36" West 53.58 feet; thence North 36°03'09" West 92.37 feet; thence North 42°56'21" West 41.01 feet; thence North 53°51'57" West 1124.85 feet to the beginning of a tangent curve concave southerly having a radius of 60.00 feet; thence northwesterly and southwesterly along said curve through a central angle of 90°00'08" an arc distance of 94.25 feet to a point which is 15.00 feet southwesterly of, measured at right angles from, the northwesterly boundary line of said Lot 2; thence parallel with, and 15.00 feet southeasterly of said northwesterly boundary line the following four (4) courses: (1) South 36°07'55" West 92.24 feet; (2) thence South 19°47'04" West 205.99 feet; (3) thence South 08°25'31" West 80.96 feet; (4) thence South 19°35'23" West 260.39 feet to a point of termination on the southwesterly boundary line of said Lot 2, said boundary line having a bearing and distance of "North 53°52'05" West 176.60 feet".

The side lines of said 30 foot road easement are to be lengthened or shortened so as to begin at said easterly boundary line, and terminate at last said southwesterly boundary line.

STRIP TWO:

A strip of land the uniform width of 20 feet lying in Lot 2 of that certain Lot Line Adjustment designated as Case No. LL 01-97 recorded on February 26, 1998, as document #s 1998-010270 and 1998-010271, in the Official Records of San Luis Obispo County lying 10 feet on each side of the following described line:

Commencing at the northwesterly terminus of that certain course in the above described Strip One, said course having a bearing and distance of North 42°06'21" West 41.01 feet; thence North 53°51'57" West 557.62 feet; thence at a right angle North 36°08'03" East 15.00 feet to a point on the northeasterly line of the above described strip, said point also being the **TRUE POINT OF BEGINNING**; thence from said True Point of Beginning North 36°02'23" East 37.54 feet; thence North 41°58'39" East 33.58 feet; thence North 55°04'35" East 29.72 feet; thence North 63°51'57" East 55.79 feet; thence North 39°32'33" East 21.57 feet; thence North 10°35'07" East 29.09 feet; thence North 16°42'00" West 29.52 feet; thence North 31°07'18" West 35.69 feet; thence North 37°07'09" West 47.77 feet; thence North 36°28'54" West 91.48 feet; thence North 26°26'02" West 28.50 feet; thence North

10°04'40" West 24.21 feet; thence North 6°26'30" West 107.06 feet to the northerly line of said Lot 2.

The side lines of said 20 wide foot road easement are to be lengthened or shortened so as to begin at the northeasterly line of the above described Strip One, and terminate at the northerly line of said Lot 2.