

Marc C. Tonnesen
Assessor/Recorder

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| Fees | 0.00 |
| Taxes | 0.00 |
| Other | 0.00 |
| PAID | \$0.00 |

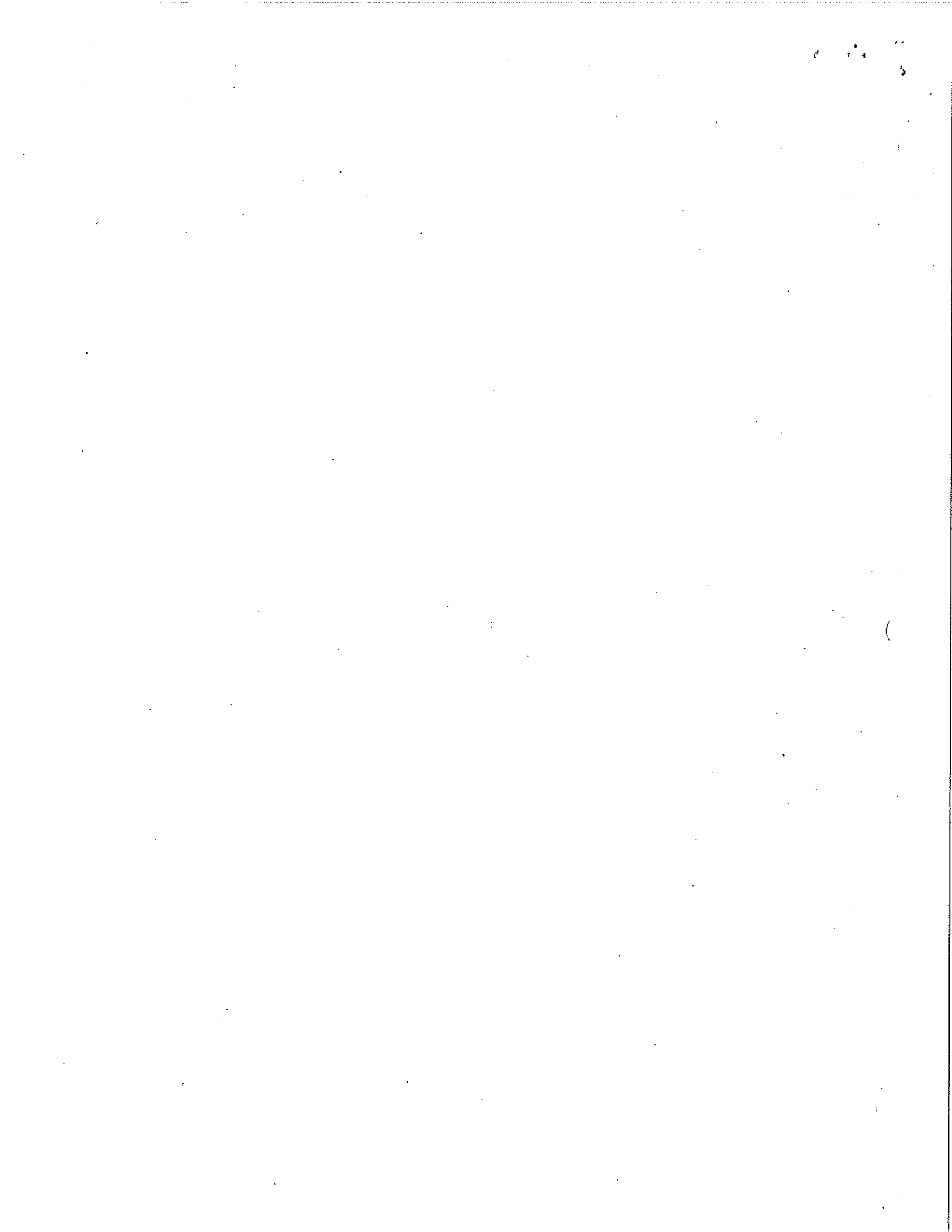
**RECORDING FEES
EXEMPT PURSUANT TO
GOVERNMENT CODE §27383**

**RECORDING REQUESTED BY:
CITY OF VACAVILLE**

WHEN RECORDED MAIL TO:

**MICHELLE A. THORNBRUGH
CITY CLERK
CITY OF VACAVILLE
650 MERCHANT STREET
VACAVILLE, CA 95688**

**DEVELOPMENT AGREEMENT
BY AND AMONG THE CITY OF VACAVILLE,
THE REDEVELOPMENT AGENCY OF THE CITY OF VACAVILLE
AND STATE COMPENSATION INSURANCE FUND**



**DEVELOPMENT AGREEMENT
BY AND AMONG THE CITY OF VACAVILLE,
THE REDEVELOPMENT AGENCY OF THE CITY OF VACAVILLE
AND STATE COMPENSATION INSURANCE FUND**

January 11, 2007

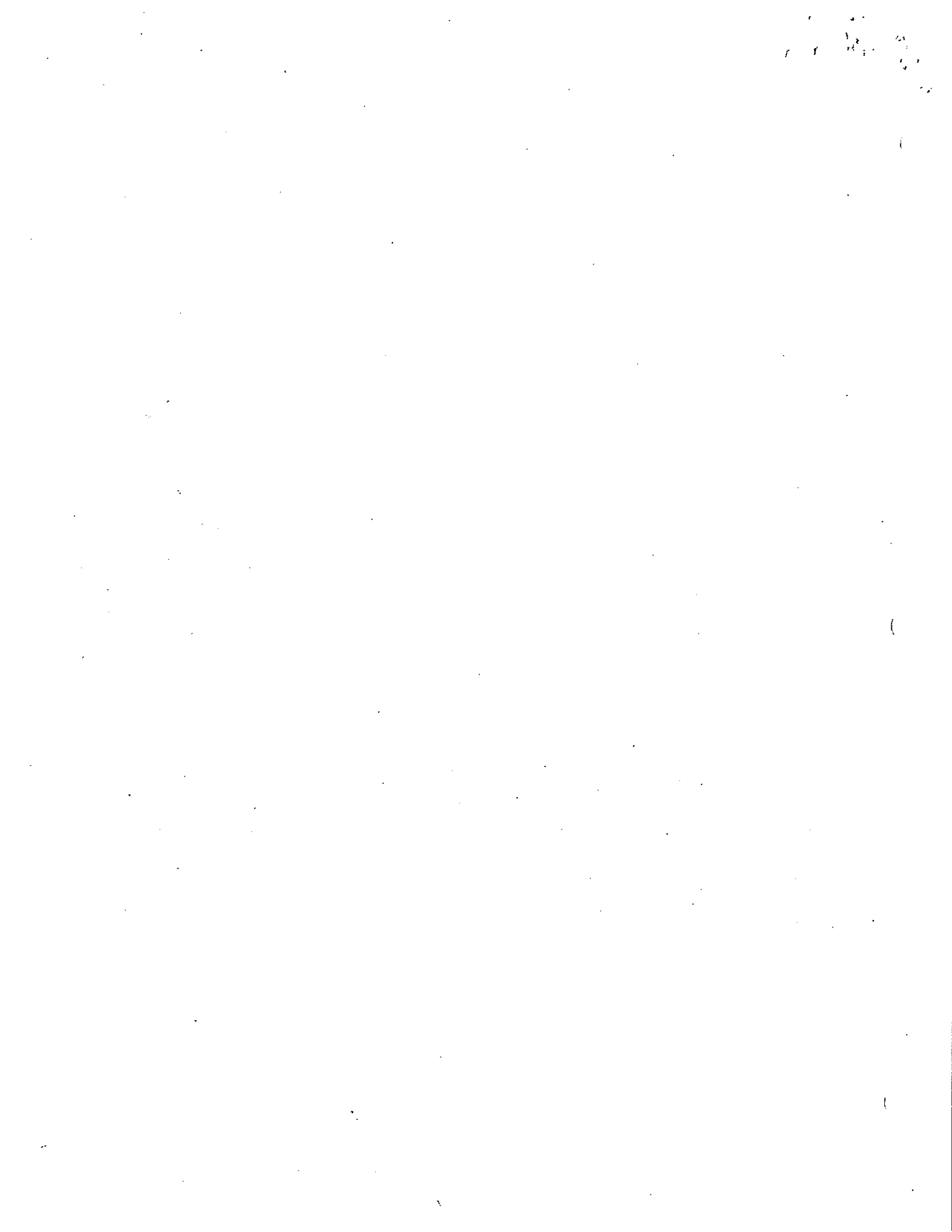


TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| ARTICLE I. EFFECTIVE DATE AND TERM..... | 3 |
| Section 1.1. <u>Effective Date</u> | 3 |
| Section 1.2. <u>Term</u> | 3 |
| ARTICLE II. DESCRIPTION OF PROJECT | 4 |
| Section 2.1. <u>Phase I and Future Proposed Buildout</u> | 4 |
| Section 2.2. <u>Project Approvals</u> | 4 |
| Section 2.3. <u>Subsequent Approvals</u> | 4 |
| ARTICLE III. ESTABLISHMENT OF VESTED RIGHTS | 5 |
| Section 3.1. <u>In General</u> | 5 |
| Section 3.2. <u>Parameters of Project</u> | 5 |
| Section 3.3. <u>Vested Elements</u> | 5 |
| ARTICLE IV. APPLICABLE LAW | 5 |
| Section 4.1. <u>In General</u> | 5 |
| Section 4.2. <u>No Conflicting Enactments</u> | 6 |
| Section 4.3. <u>Uniform Codes</u> | 7 |
| Section 4.4. <u>State and Federal Law</u> | 7 |
| Section 4.5. <u>Timing of Protect Construction and Completion</u> | 7 |
| ARTICLE V. FINANCIAL COMMITMENTS OF AGENCY TO DEVELOPER..... | 8 |
| Section 5.1. <u>In General</u> | 8 |
| Section 5.2. <u>Certain Defined Terms</u> | 8 |
| Section 5.3. <u>Payment of Development Impact Fees in General</u> | 9 |
| Section 5.4. <u>Adjustments to Fee Credit Incentives; Target Employment and Wage</u> <u>Rates</u> | 10 |
| Section 5.5. <u>Reconciliation; Determination of Final Fee Credit Incentive</u> | 11 |
| Section 5.6. <u>Developer Responsibility for Paying Eligible Development Impact Fees</u> | 11 |
| Section 5.7. <u>Property Tax Appeals</u> | 11 |
| Section 5.8. <u>Sales and Use Taxes</u> | 12 |
| ARTICLE VI. OTHER COMMITMENTS OF CITY AND AGENCY | 12 |
| Section 6.1. <u>Repurchase of Unused Water Rights</u> | 12 |
| Section 6.2. <u>Employee Training Assistance</u> | 12 |
| Section 6.3. <u>Other Governmental Permits</u> | 12 |
| Section 6.4. <u>Agency Existence; Authority</u> | 12 |
| ARTICLE VII. OTHER COMMITMENTS OF DEVELOPER | 13 |
| Section 7.1. <u>In General</u> | 13 |
| Section 7.2. <u>Legal Subdivision of Phases</u> | 13 |
| ARTICLE VIII. CONSIDERATION OF SUBSEQUENT APPROVALS..... | 13 |

TABLE OF CONTENTS
(Continued)

| | <u>Page</u> |
|---|-------------|
| Section 8.1. <u>Expedited Processing</u> | 13 |
| Section 8.2. <u>Approval of Applications for Subsequent Approvals</u> | 13 |
| Section 8.3. <u>Limitations on Discretionary Actions</u> | 13 |
| Section 8.4. <u>Applicable Law</u> | 13 |
| Section 8.5. <u>Administrative Approvals</u> | 13 |
| Section 8.6. <u>Other Approvals</u> | 14 |
| Section 8.7. <u>Life of Approvals</u> | 14 |
| ARTICLE IX. AMENDMENTS | 14 |
| Section 9.1. <u>Amendments of Agreement</u> | 14 |
| ARTICLE X. DEFAULT, REMEDIES, TERMINATION OF AGREEMENT | 15 |
| Section 10.1. <u>Defaults</u> | 15 |
| Section 10.2. <u>Termination by City</u> | 15 |
| Section 10.3. <u>Other Remedies</u> | 15 |
| Section 10.4. <u>No Waiver</u> | 15 |
| Section 10.5. <u>Governing Law: Attorneys' Fees</u> | 16 |
| Section 10.6. <u>Force Majeure</u> | 16 |
| Section 10.7. <u>Developer Right to Terminate</u> | 16 |
| ARTICLE XI. MEETINGS AND EXCHANGES OF INFORMATION; ANNUAL REVIEW..... | 17 |
| Section 11.1. <u>Meetings and Exchanges of Information</u> | 17 |
| Section 11.2. <u>Annual Review in General</u> | 17 |
| Section 11.3. <u>Showing Required</u> | 17 |
| Section 11.4. <u>Notice Of Staff Reports, Opportunity To Respond</u> | 17 |
| Section 11.5. <u>Director's Findings: Appeal</u> | 17 |
| Section 11.6. <u>Notice Of Termination</u> | 18 |
| Section 11.7. <u>Notice Of Compliance</u> | 18 |
| ARTICLE XII. TRANSFERS AND ASSIGNMENTS..... | 18 |
| Section 12.1. <u>Transfers and Assignments</u> | 18 |
| Section 12.2. <u>Release Upon Transfer</u> | 18 |
| ARTICLE XIII. MORTGAGEE PROTECTION | 19 |
| Section 13.1. <u>Impairment of Mortgage or Deed of Trust</u> | 19 |
| Section 13.2. <u>Notice of Default to Mortgagee</u> | 19 |
| Section 13.3. <u>Right of Mortgagee to Cure</u> | 19 |
| Section 13.4. <u>Liability for Past Defaults or Obligations</u> | 19 |
| ARTICLE XIV. GENERAL PROVISIONS | 20 |
| Section 14.1. <u>Incorporation of Recitals</u> | 20 |
| Section 14.2. <u>Covenants</u> | 20 |

**DEVELOPMENT AGREEMENT
BY AND AMONG THE CITY OF VACAVILLE,
THE REDEVELOPMENT AGENCY OF THE CITY OF VACAVILLE
AND STATE COMPENSATION INSURANCE FUND**

THIS DEVELOPMENT AGREEMENT (the "Agreement") is entered into as of January 11, 2007, by and among STATE COMPENSATION INSURANCE FUND, a non-profit public enterprise fund, ("Developer"), the CITY OF VACAVILLE, a municipal corporation ("City"), and the CITY OF VACAVILLE REDEVELOPMENT AGENCY, a public agency created pursuant to the California Community Redevelopment Law ("Agency").

RECITALS

A. In order to strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic costs of development, the Legislature of the State of California enacted Sections 65864 et seq. of the California Government Code (the "Development Agreement Legislation"). The Development Agreement Legislation authorizes City to enter into a development agreement for the development of real property with any person having a legal or equitable interest in real property. City has authorized the undertaking of Development Agreements within the City of Vacaville and established procedures for entering into Development Agreements through the adoption of Division 14.17 of the Vacaville Municipal Code.

B. In order to provide greater flexibility for governments to support economic development, the State of California enacted Sections 33300 et seq. of the California Health and Safety Code (the "Community Redevelopment Law"). Pursuant to the Community Redevelopment Law and the "Redevelopment Plan" (defined below), Agency was created and authorized to enter into agreements with owners of real property to provide for the development of such real property.

C. Developer has a legal or equitable interest in certain real property consisting of approximately 32.71 acres located in Vacaville, California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the "Project Site"). The Project Site is located within that certain 360-acre business and industrial park commonly known as the "Vaca Valley Business Park." As more fully set forth below, the Project Site is included in a redevelopment project area known as the 1-505/80 Redevelopment Project Area.

D. Developer has proposed to develop and operate on the Project Site a series of office buildings (as more fully described below, the "Project").

E. On June 21, 2006, Developer, City and Agency entered into certain draft business points for a proposed development agreement outlining certain terms and conditions pursuant to which Developer would consider developing the Project on the Project Site (the "Business Points"). As set forth in the Business Points, Developer, City and Agency anticipated that the terms set forth in the Business Points would be included and merged into a binding agreement between them pursuant to the authority of the Development Agreement Legislation and the Community Redevelopment Law. This Agreement supersedes and replaces in its entirety the Business Points, which is hereby terminated.

F. City and Agency recognize the need to expand the long-term employment opportunities of the citizens of Vacaville. They further acknowledge that this Agreement will facilitate development of the Project on the Project Site and, therefore, will provide increased employment opportunities and other public benefits that might not otherwise be obtained including, without limitation, increased tax revenues and coordinated planning of development. These represent special benefits to City and Agency, as Developer is proposing a significant capital investment in the Project and the creation of an anticipated one (1) job for every 350 square feet of buildings constructed in the Project. In exchange for these and other public benefits specified below, City and Agency desire to enter into this Agreement.

G. In exchange for the benefits to City and Agency described above, Developer will receive by this Agreement certain financial commitments from City and Agency and certain assurances that it may proceed with the Project in accordance with "Applicable Law," the "Project Approvals" and the "Subsequent Approvals" (all as defined below) and, therefore, desires to enter into this Agreement.

H. City or Agency has adopted the following policy-level planning documents, all of which apply to the development and use of the Project Site:

(1) During July, 1979, City approved the Vaca Valley Business Park Policy Plan (as amended, the "Policy Plan"). Uses permitted in the zoning district created under the Policy Plan include, among other things, general office use.

(2) During April, 1983, the Agency approved the 1-505/80 Redevelopment Project Plan (as amended, the "Redevelopment Plan"). The Redevelopment Plan established the 1-505/80 Redevelopment Project Area and provides for the redevelopment, rehabilitation and revitalization of the Project Site. In connection with its adoption of the Redevelopment Plan, Agency prepared and certified an Environmental Impact Report pursuant to CEQA.

(3) On August 21, 1990, the City approved a comprehensive update to its general plan (as amended, the "General Plan"). The General Plan designates the Project Site as "Business Park," which designation permits several types of land uses including, among others, office facilities. In connection with its update of the General Plan, City prepared and certified an Environmental Impact Report pursuant to the provisions of the California Environmental Quality Act, Cal. Pub. Res. Code § 21000 *et seq.* and the CEQA Guidelines adopted by the Governor's Office of Planning and Research (collectively, "CEQA").

(4) On August 28, 2006, acting in its capacity as lead agency under CEQA, the City circulated for public review a mitigated negative declaration (the "Mitigated Negative Declaration") evaluating the Project and concluding that, subject to the imposition of certain mitigation measures described therein, the Project would have no significant environmental impacts. On October 3, 2006, after reviewing the Mitigated Negative Declaration and comments received thereon from the public and other governmental agencies, the City adopted the Mitigated Negative Declaration and the City and the Agency each made findings as required by CEQA.

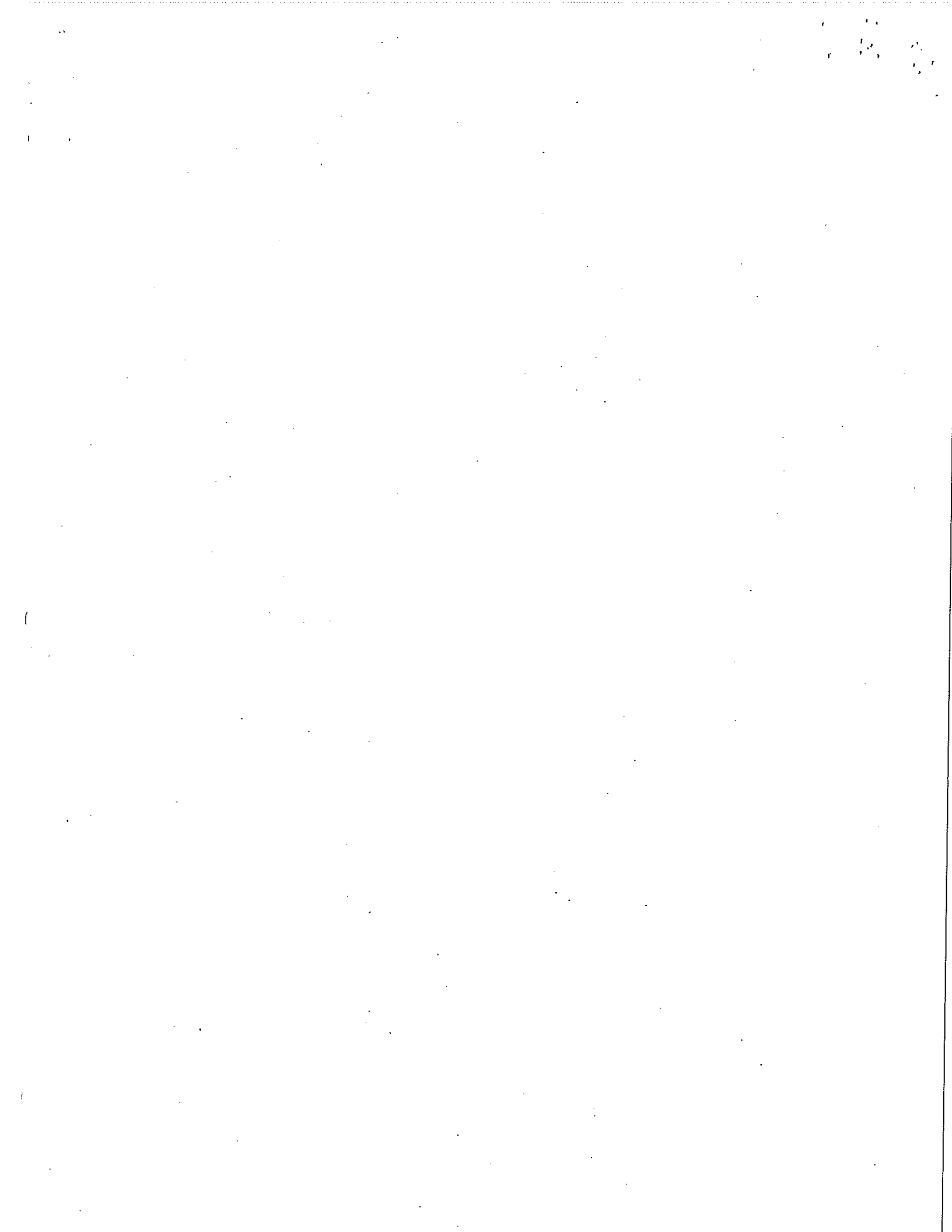


TABLE OF CONTENTS
(Continued)

| | <u>Page</u> |
|--|-------------|
| Section 14.3. <u>Project Is A Private Undertaking</u> | 20 |
| Section 14.4. <u>Hold Harmless: Indemnity</u> | 20 |
| Section 14.5. <u>Cooperation in the Event of Legal Challenge</u> | 20 |
| Section 14.6. <u>Notices</u> | 21 |
| Section 14.7. <u>No Joint Venture Or Partnership</u> | 22 |
| Section 14.8. <u>Severability</u> | 22 |
| Section 14.9. <u>Completion Or Revocation</u> | 22 |
| Section 14.10. <u>Estoppel Certificate</u> | 22 |
| Section 14.11. <u>Further Assurances</u> | 22 |
| Section 14.12. <u>Construction</u> | 22 |
| Section 14.13. <u>Counterpart Execution</u> | 23 |
| Section 14.14. <u>Time</u> | 23 |
| | |
| Exhibit A Legal Description of Project Site | |
| Exhibit B Description and Schematic Illustrations of Project | |
| Exhibit C Eligible Development Impact Fees as of the Approval Date | |
| Exhibit D Tax Increment Pass Throughs as of the Approval Date | |
| Exhibit E Sample Calculation of initial Phase 1 Fee Credit Incentive | |
| Exhibit F Sample Calculation of initial Subsequent Phase Fee Credit Incentive | |
| Exhibit G Sample Annual Report Forms | |
| Exhibit H Water Rights Purchase Agreement | |

(5) On October 3, 2006, the City issued to Developer its design review approval (the "Design Review Approval") of the Project pursuant to the Zoning Ordinance (as defined in Section 2.2 hereof).

(6) On October 17, 2006, the City of Vacaville Planning Commission, after a duly noticed public hearing, made the findings required by Section 14.17.214.020 of the Vacaville Municipal Code and recommended approval of this Agreement through adoption of a Resolution.

(7) On December 12, 2006, (the "Approval Date"), after a duly noticed public hearing, the City made the findings required by Section 14.17.214.030 of the Vacaville Municipal Code and adopted an Ordinance approving the Agreement.

(8) On the November 14, 2006, after a duly noticed public hearing, the Agency made the findings required by law and adopted a Resolution approving this Agreement.

(9) On November 15, 2006, the City and the Agency filed a notice of determination required by CEQA and such notice of determination was duly posted in the office of the County Clerk.

NOW, THEREFORE, in consideration of the premises, covenants and provisions set forth herein, the parties agree as follows:

AGREEMENT

ARTICLE I.

EFFECTIVE DATE AND TERM

Section 1.1. Effective Date. This Agreement shall become effective on the later to occur of the thirty-first (31st) day following the Approval Date, or the date upon which this Agreement is executed by the parties hereto, or the date of receipt of the certified results of a referendum election (the "Effective Date").

Section 1.2. Term.

(a) Except as otherwise specifically provided herein or agreed to in writing by the parties hereto, this Agreement shall commence upon the Effective Date and shall remain in effect until the earlier of: (i) five (5) years (or such longer period as is necessary to account for any occurrence of a "Permitted Delay" under Section 10.6 below) after completion of the Project, as evidenced by a certificate of occupancy issued by the City's Building Division (a "Certificate of Occupancy") enabling Developer to occupy all portions of the Project and (ii) twenty (20) years (or such longer period as is necessary to account for any occurrence of a "Permitted Delay" under Section 10.6 below) from the Effective Date (the "Term"). Notwithstanding the foregoing, in the event that Developer has not commenced construction of some Phase of the Project on or before the

fifth (5th) anniversary of the Effective Date, this Agreement shall terminate without any further actions by the City or the Agency.

(b) This Agreement shall be of no further force and effect following the expiration or termination of the Term; provided, however, that in no event shall the expiration or termination of this Agreement affect or limit, without further action of City and Agency, any right then held by Developer under any Project Approval or Subsequent Approval.

(c) If the Term of this Agreement is reduced to twenty (20) years as set forth above, City, Agency and Developer shall execute a certificate in recordable form stating that the Term has been so reduced, and such certificate shall be recorded in the Official Records of Solano County.

ARTICLE II.

DESCRIPTION OF PROJECT

Section 2.1. Phase I and Future Proposed Buildout. The Project is intended as an office campus consisting of a series of Class A office buildings totaling up to a maximum of 430,000 square feet (the "Project"). The Project is intended to be constructed and occupied in phases (each, a "Phase", with the first Phase being "Phase 1", the second Phase being "Phase 2" and the third Phase, if necessary being "Phase 3") as determined by Developer. General descriptions and schematic illustrations of the potential Project are included in Exhibit B, attached hereto.

Section 2.2. Project Approvals. For the purposes of this Agreement, the term "Project Approvals" shall mean the following approvals previously issued or adopted by City: (i) the General Plan designation of, and General Plan provisions applicable to, the Project Site as of the Approval Date, (ii) the provisions of City's zoning ordinance, Vacaville Municipal Code Division 14.09 (the "Zoning Ordinance"), applicable to the Project Site as of the Approval Date, (iii) the provisions of the Policy Plan applicable to the Project Site as of the Approval Date, (iv) the Mitigated Negative Declaration, (v) the Design Review Approval and (vi) any other permits or approvals received as of the Effective Date.

Section 2.3. Subsequent Approvals. Applications for certain land use permits and approvals other than the Project Approvals may be necessary or desirable for the development of the Project in accordance with the provisions of this Agreement, including (i) design review and approval, (ii) subdivision maps, parcel maps or similar approvals, (iii) permits and approvals such as landscape plans, grading plans and building permits, (iv) any amendments to any of the foregoing, or to the Project Approvals, that may be necessary or appropriate for the development of the Project Site and (v) permits and approvals that may be needed for future Phases of the Project (collectively, the "Subsequent Approvals").

ARTICLE III.

ESTABLISHMENT OF VESTED RIGHTS

Section 3.1. In General. Developer shall, throughout the Term of this Agreement, have a vested right to develop the Project and the Project Site in a manner consistent with the provisions of this Agreement, "Applicable Law" (defined below), the Project Approvals and any Subsequent Approvals required by Applicable Law and issued or approved by City or Agency. Notwithstanding the foregoing, Developer's right to develop any portion of the Project or the Project Site is subject to issuance by City of any Subsequent Approvals required by Applicable Law for such development.

Section 3.2. Parameters of Project. The permitted uses of the Project Site, the density and intensity of use and the maximum height, size, bulk and floor area ratio ("FAR") of buildings included in the Project shall be as specified in the Policy Plan as of the Approval Date.

Section 3.3. Vested Elements. The Project Approvals are declared binding and not subject to change except if specifically stated to the contrary in other Sections of this Agreement. Such Project Approvals are sometimes hereinafter referred to herein as the "Vested Elements." No part of the Vested Elements may be revised or changed during the Term hereof without the consent of the owner of the portion of the Project Site to which the change applies (or that would be affected by any reduction or decrease in rights or increase in burdens caused by such change), unless expressly stated to the contrary in other Sections of this Agreement. The Vested Elements shall be effective against, and shall not be amended by, any subsequent ordinance or regulation, whether adopted or imposed by the City Council or through the initiative or referendum process. The foregoing notwithstanding, applications for permits, entitlements, and other approvals shall be subject to such changes in the General Plan, the Vacaville Municipal Code, the zoning codes, and other rules, regulations, ordinances and official policies hereinafter adopted (and in effect at the time of the application) that do not conflict with the Vested Elements or materially deprive Developer of the benefits thereof.

ARTICLE IV.

APPLICABLE LAW

Section 4.1. In General.

(a) Except as otherwise set forth in this Agreement, the rules, regulations and official policies applicable to the Project and the Project Site (the "Applicable Law") shall be those rules, regulations and official policies of City and Agency (including the plans, codes, ordinances, resolutions and other local laws and regulations of City and Agency) in force and effect on the Approval Date.

(b) Not in limitation of the foregoing, Applicable Law shall include, without limitation, (i) all of the terms and provisions of the General Plan, the Zoning Ordinance in force and

effect on the Effective Date, (ii) the provisions of the Redevelopment Plan (and any rules of Agency implementing the Redevelopment Plan) in force and effect on the Approval Date; (iii) the provisions of the Policy Plan in force and effect on the Approval Date and (iv) the terms and conditions of the Project Approvals in force and effect on the Approval Date. Applicable Law also shall include City's subdivision ordinance as it existed on the Approval Date and as it may be amended from time to time to the extent necessary to comply with the Subdivision Map Act, provided that City shall not apply to the Project any provision of such amended subdivision ordinance that materially is more burdensome than the requirements of the Subdivision Map Act.

(c) Applicable Law shall apply to the entire Project and the Project Site during the Term of this Agreement, including any portions of the Project or the Project Site not anticipated for development, or actually developed, as a part of the proposed Project.

Section 4.2. No Conflicting Enactments.

(a) Except as otherwise specifically agreed to by Developer (or as set forth in Section 4.3 or Section 4.4 below), City shall not apply to or impose against the Project or the Project Site in any manner (including any application or imposition by initiative, referendum, consideration or issuance of a Subsequent Approval or otherwise) any rule, regulation, official policy or other measure that is in conflict with Applicable Law (including, without limitation, any "Conflicting Enactment" as defined below) or reduces the development rights provided by this Agreement.

(b) Without limiting the generality of the foregoing, any rule, regulation, official policy or other measure of City shall be deemed to conflict with Applicable Law, and shall therefore be considered a "Conflicting Enactment" for the purposes of this Agreement, if it would:

(i) limit or reduce the permitted density or intensity of development of any portion of the Project Site below the maximum permitted by Applicable Law and the Project Approvals, or require any reduction in the square footage, number, height, size, bulk or FAR of proposed buildings; except that development of the Project must comply with Applicable Law including, without limitation, the design requirements, parking requirements, landscaping and setbacks;

(ii) modify the permitted or conditional uses of the Project Site as established under Applicable Law and the Project Approvals;

(iii) limit or control the rate, timing, phasing or sequencing of the approval, development or construction of any portion of the Project in any manner (other than by requiring that infrastructure be provided as and when necessary to serve the Project as set forth in Section 4.5(c) below);

(iv) limit or control the location of buildings or structures on the Project Site, except to the extent City is authorized specifically to do so in connection with the design review thereof;

(v) apply to the Project any measure otherwise allowed by this Agreement that is not uniformly applied on a city-wide basis provided; however, that City shall not be prevented from establishing (in accordance with Applicable Law) zones of benefit, rate zones, benefit districts, assessment districts or similar financing mechanisms that apply to the Project Site, so long as the costs associated with such zones or districts are uniformly applied to all similar uses within the zone or district and not limited in applicability to the Project;

(vi) require the issuance of permits or approvals other than those specifically required by Applicable Law or (in accordance with Section 4.4 below) which City is required to impose by the authority of the state or federal government or of special districts or agencies that are not subject to the authority of City or Agency and whose jurisdiction extends to the Project Site; or

(vii) prevent development of the Project or the Project Site in accordance with this Agreement, the Project Approvals or, as and when issued, the Subsequent Approvals.

Section 4.3. Uniform Codes. City may apply to the Project and Project Site standards contained in the Uniform Building Code and other uniform construction, fire or other codes and in City's Standard Specifications for Public Improvements ("Standard Specifications"), as the same may be adopted or amended from time to time by City, provided that the provisions of any such uniform code or Standard Specifications shall apply to the Project and Project Site only to the extent that such code or Standard Specifications is or are in effect on a city-wide basis.

Section 4.4. State and Federal Law. Nothing in this Agreement shall preclude the application to the Project Site of changes in the rules, regulations or official policies of City to the extent that the application of such changes is specifically required by changes in state or federal laws or regulations. If the application of such changes prevents or precludes compliance with one or more provisions of this Agreement, such provisions shall be modified or suspended, or performance thereof delayed, as may be necessary to comply with such changes and, subject to the provisions of Section 10.6 below, City and Developer shall take any and all such actions as may be necessary or appropriate to ensure that this Agreement shall be implemented and the rights hereunder vested to Developer to the maximum extent practicable.

Section 4.5. Timing of Protect Construction and Completion.

(a) There is no requirement that Developer initiate or complete development of the Project within any particular period of time (although failure to do so according to the schedule specified in Section 1.2(a) above shall have the consequences set forth therein), and City shall not include such a requirement in any Subsequent Approval. The parties acknowledge that Developer cannot at this time predict when or the rate at which the Project will be developed. Such decisions depend upon numerous factors which are not within the control of Developer.

(b) In light of the foregoing, the parties agree that Developer shall be able to develop in accordance with Developer's own time schedule as such schedule may exist from time to

time. In particular, the parties desire to avoid the result of the California Supreme Court's holding in Pardee Construction Co. v. City of Camarillo, 37 Cal.3d 465 (1984), where the failure of the parties therein to consider and expressly provide for the timing of development resulted in a later-adopted initiative restricting the timing of development to prevail over such parties' agreement, and therefore acknowledge that Developer shall have the right to develop the Project at such time as Developer deems appropriate within the exercise of its subjective business judgment.

(c) Nothing in this Section 4.5 shall limit City's right to ensure that infrastructure shall be provided as and when necessary to serve the Project or to require compliance with (i) obligations stated in a separate agreement or undertaking that is entered into voluntarily by Developer in support of any community facilities or assessment district creation or financing, (ii) conditions for commencement of construction stated in any design review approval for construction of specific improvements on a specific portion of the Project Site, or (iii) requirements of the Subdivision Map Act as included in any subdivision ordinance as applied to a subdivision improvement agreement with Developer.

ARTICLE V.

FINANCIAL COMMITMENTS OF AGENCY TO DEVELOPER

Section 5.1. In General. This Article V sets forth certain financial commitments of Agency to Developer with respect to the Project. These commitments are made to assist Developer in locating the Project in City, to assist Agency in meeting the objectives of the Redevelopment Plan and secure to City and its citizens new jobs and economic opportunities for the future. Agency also acknowledges that it is willing to provide Developer with the undertakings contained in this Agreement because Agency has determined that development of the Project Site will provide public benefits that could not be obtained without vested approval of large-scale development including, without limitation, increased tax revenues, coordinated planning of development and creation of additional needed local employment opportunities. These represent special benefits to Agency, as Developer is proposing a significant capital investment in the Project, the creation of an anticipated one (1) job for every 350 square feet of buildings constructed in the Project and the payment to employees employed at each Phase of an average annual base salary, excluding benefits, of a minimum of Forty-Five Thousand and 00/100 Dollars (\$45,000).

Section 5.2. Certain Defined Terms. As used herein, the following terms have the following meanings:

(a) "Eligible Development Impact Fees" means the processing, permit application, development impact and other fees arising from each Phase of the Project described on Exhibit C hereto.

(b) "Fee Credit Incentive" means the actual amount of the Net Tax Increment required to be paid by Agency hereunder with respect to any Phase of the Project as determined pursuant to Section 5.5.

(c) "Five-Year Incentive Period" means the period of time commencing in the property tax year in which the Certificate of Occupancy for the first building of the applicable Phase of the Project is issued and ending after the expiration of the fifth (5th) full tax year thereafter.

(d) "Net Tax Increment" means the net property tax revenues received by Agency with respect to any Phase of the Project determined after deducting the Tax Increment Pass Throughs from the gross property tax revenues.

(e) "Phase 1 Incentive Period" shall mean the Five Year Incentive Period for Phase 1 of the Project.

(f) "Subsequent Phase" shall mean any Phase of the Project other than Phase 1.

(g) "Subsequent Phase Incentive Period" shall mean any Five Year Incentive Period for any Phase of the Project subsequent to Phase 1.

(h) "Tax Increment Pass Throughs" means all tax increment pass-through agreements, State-mandated diversions of tax increment revenues, housing set-asides, etc. applicable to the Agency and the Project Site from time to time during the Term of this Agreement.

Section 5.3. Payment of Development Impact Fees in General. Subject to the terms of this Section 5.3, Agency shall pay, on behalf of Developer as and when due, all or part of the Eligible Development Impact Fees with respect to each Phase of the Project in an amount not to exceed the Net Tax Increment received by the Agency during the applicable Five-Year Incentive Period. Agency represents that the Tax Increment Pass Throughs shown on Exhibit D hereto are accurate, true, correct and complete as of the Approval Date; however, Developer acknowledges that such Tax Increment Pass Throughs may change during the Term of this Agreement and that any increase in such Tax Increment Pass Throughs may reduce the amount of any Fee Credit Incentive available to Developer under this Agreement.

(a) Determination of Initial Phase 1 Fee Credit Incentive. Agency shall pay, on behalf of Developer as and when due, the Eligible Development Fees attributable to Phase 1 of the Project in the maximum amount determined as follows:

(i) Multiply the gross square footage of the contemplated buildings in Phase 1 by Two Hundred Twenty-Five and 00/100 Dollars (\$225), (ii) add to that product the amount of Seventeen Million Two Hundred Thousand and 00/100 Dollars (\$17,200,000), which is the assumed assessed value of the Project Site (\$17,200,000), (iii) multiply that amount by one percent (1%), (iv) multiply that amount by forty-four percent (44%), to determine the initial Fee Credit Incentive attributable to the first year of the Phase One Incentive Period, (v) increase that amount by two percent (2%) for each of years two (2) through five (5) of the Phase One Incentive Period to determine the initial Fee Credit Incentive attributable to years two (2) through five (5) of the Phase 1 Incentive Period and (vi) add together each of the amounts determined by clauses (iv) and (v) above. An example of the foregoing calculation is attached hereto as Exhibit E.

(b) Determination of initial Fee Credit Incentive for Subsequent Phases. Agency shall pay, on behalf of Developer as and when due, the Eligible Development Fees attributable to each Subsequent Phase of the Project in the maximum amount determined as follows:

(i) Multiply the gross square footage of the contemplated buildings in each subsequent Phase by Two Hundred Twenty-Five and 00/100 Dollars (\$225) (which amount shall be adjusted for inflation with reference to the Engineering News Record Construction Costs Index for San Francisco, measured from the date of issuance of a building permit for Phase 1), (ii) multiply that amount by one percent (1%), (iii) multiply that amount by forty-four percent (44%) to determine the initial Fee Credit Incentive attributable to the first year of such Subsequent Phase Incentive Period, (iv) increase that amount by two percent 2% for each of years two (2) through five (5) of the Subsequent Phase Incentive Period to determine the initial Fee Credit Incentive attributable to years two (2) through five (5) of the Subsequent Phase Incentive Period and (v) add together each of the amounts determined by clauses (iii) and (iv) above. An example of the foregoing calculation is attached hereto as Exhibit F.

Section 5.4. Adjustments to Fee Credit Incentives; Target Employment and Wage Rates. Developer acknowledges that Agency's willingness to provide the Fee Credit Incentives is based, in part, on the expectation that for each Phase, Developer will achieve the employment and wage targets described in clauses (a) and (b) below; and, failure of Developer to reach such targets will decrease the amount of the Fee Credit Incentive available to Developer for the applicable Phase. Accordingly, the parties agree to adjustment of the Fee Credit Incentives as provided in the remainder of this Section 5.4.

(a) Target Employment Rate. Developer expects to employ an average number of Full Time Equivalent employees ("FTE") in each Phase at the rate of one (1) FTE for every 350 square feet of buildings constructed in that Phase (the "Target FTE"). Accordingly, during each Five-Year Incentive Period, within thirty (30) days of the anniversary date of the issuance of the Certificate of Occupancy for that Phase, Developer shall provide Agency with an annual report detailing the Target FTE for that Phase and the actual number of FTEs employed during the previous year (the "Actual FTEs"). At the conclusion of each Five-Year Incentive Period, Developer shall provide to Agency a report averaging the aforesaid employment results from the annual reports. Dividing such average employment results by the FTE Target for that Phase will demonstrate the average employment percentage compliance for that Phase (the "Employment Compliance Rate"). By way of example, if the Target FTE for a given Phase was 500 FTEs and the average of the annual Actual FTEs for that Phase was 400 FTEs, then Developer would have earned, and be eligible for, eighty percent (80%) of the Fee Credit Incentive for such Phase. Examples of the report forms are attached hereto as Exhibit G.

(b) Target Wage Rate. Developer expects to pay FTEs employed in each Phase an average annual base salary, excluding benefits, of a minimum of Forty-Five Thousand and 00/100 Dollars (\$45,000) (the "Target Average Wage"). Accordingly, during each Five-Year Incentive Period, within thirty (30) days of the anniversary date of the issuance of the Certificate of

Occupancy for that Phase, Developer shall also include in the required annual report the average base salary, excluding benefits, for the Actual FTEs employed during the previous year. At the conclusion of each Five-Year Incentive Period, Developer shall provide to Agency a report averaging the aforesaid annual average wage numbers from the annual reports delivered during such Five-Year Incentive Period which will result in the percentage of compliance for that Phase with the Target Average Wage (the "Wage Compliance Rate").

Section 5.5. Reconciliation; Determination of Final Fee Credit Incentive. For each Phase, within sixty (60) days after receipt by Agency of the Net Tax Increment for the year in which the Five-Year Incentive Period expires, Agency shall provide Developer with a statement specifying the amount of the Net Tax Increment for such Phase which shall be the maximum amount of the Fee Credit Incentive available to Developer for that Phase. The actual amount of the Fee Credit Incentive due to Developer for such Phase shall then be determined by multiplying such Net Tax Increment for such Phase by the Employment Compliance Rate for such Phase and then multiplying that outcome by the Wage Compliance Rate for that Phase. By way of example, if the maximum Fee Credit Incentive is determined to be \$1,000,000 and the Employment Compliance Rate is 96% and the Wage Compliance Rate is 98%, then $\$1,000,000 \times 96\% = \$960,000 \times 98\% = \$940,800$. If the amount of Eligible Development Impact Fees paid by Agency on behalf of Developer for such Phase pursuant to Section 5.3 is less than the actual, reconciled Fee Credit Incentive as determined pursuant to this Section 5.5, then Agency shall pay such difference to Developer within ninety (90) days after Agency's delivery of such statement. If the amount of Eligible Development Impact Fees paid by Agency on behalf of Developer for such Phase pursuant to Section 5.3 is more than the actual, reconciled Fee Credit Incentive as determined pursuant to this Section 5.5, then Developer shall pay such difference to Agency within ninety (90) days after Agency's delivery of such statement.

Section 5.6. Developer Responsibility for Paying Eligible Development Impact Fees. Developer is responsible for payment of all Eligible Development Impact Fees for any Phase where the estimated amount of Fee Credit Incentive being paid by Agency pursuant to Section 5.3 is less than the total amount of the required Eligible Development Impact Fees. Developer shall pay the foregoing Eligible Development Impact Fees (if any) at the time when the applicable permit is issued. In no event shall Developer's failure to qualify for all or part of any Fee Credit Incentive for a Phase limit or abrogate Agency's obligation to make any Fee Credit Incentive available for any other Phase.

Section 5.7. Property Tax Appeals. Should Developer appeal the real property tax assessment determined by the Solano County Assessor for any Phase which results in a refund of real property taxes paid by Developer but returned to Developer either through the payment of Eligible Development Impact Fees pursuant to Section 5.3 or as a cash rebate through the reconciliation process set forth in Section 5.5 above, then Agency shall be permitted to recalculate the Fee Credit Incentive applicable to the Phase, taking into account the reduced assessed value of such Phase, and Developer shall pay Agency the difference between the revised Fee Credit Incentive calculation and the amount of the Fee Credit Incentive made available to Developer either through

the payment of Eligible Development Impact Fees pursuant to Section 5.3 or as a cash rebate through the reconciliation process set forth in Section 5.5 above.

Section 5.8. Sales and Use Taxes. Agency shall reimburse and return back to Developer all sales and use taxes paid in connection with the construction and equipping of the Project prior issuance of a Certificate of Occupancy for that Phase. Developer recognizes that it retains primary responsibility for maximization of the benefits hereunder as designation of points of sale or use rests with Developer.

ARTICLE VI.

OTHER COMMITMENTS OF CITY AND AGENCY

Section 6.1. Repurchase of Unused Water Rights. Within one (1) year of the Effective Date of this Agreement, Agency agrees to repurchase from Developer the Water Treatment and Distribution Rights, as defined in the Water Rights Purchase Agreement attached hereto as Exhibit H, that Developer desires to sell to Agency at a price of Four Thousand and 00/100 Dollars (\$4,000) per each Water Treatment and Distribution Right.

Section 6.2. Employee Training Assistance. City agrees to cooperate with Developer to identify and secure employment screening and training/retraining assistance from sources for which Developer is eligible.

Section 6.3. Other Governmental Permits. City shall cooperate with Developer in its endeavors to obtain any other permits and approvals as may be required from other governmental or quasi-governmental agencies having jurisdiction over the Project Site or portions thereof (such as, for example but not by way of limitation, public utilities or utility districts and agencies having jurisdiction over wetlands and air quality issues) and shall, from time to time, at the request of Developer join with Developer in the execution of such permit applications and agreements as may be required to be entered into with any such other agency, so long as the action of that nature will not require City to be exposed to any unreimbursed cost, liability or expense. City shall not unreasonably withhold approval of any amendment to this Agreement, or to any Project Approval or Subsequent Approval, mandated by conditions of approval imposed by any other governmental agency.

Section 6.4. Agency Existence; Authority. City and Agency will take all appropriate actions to maintain in existence the Agency and the Redevelopment Plan, and City's and Agency's lawful authority to perform these commitments, as to the Project Site. The commitments of City and Agency set forth in Articles V and VI are subject to the continuing legal ability of City or Agency, as appropriate, to satisfy such commitments and a reduction in incentives equivalent to any reduction in taxes received by City or Agency, as appropriate, due to the action of another governmental agency. If such legal ability is compromised or such taxes are reduced by such governmental agency action, City and Agency shall use good faith efforts to restore the financial commitments set forth herein to

the extent feasible and without impacting on a net basis the general fund of the City, subject to all applicable requirements of law and in accordance with all applicable procedures prescribed by law.

ARTICLE VII.

OTHER COMMITMENTS OF DEVELOPER

Section 7.1. In General. Any portion of the Project that the Developer chooses to develop will be developed in a manner consistent with the provisions of this Agreement, Applicable Law, the Project Approvals, and any Subsequent Approvals required by Applicable Law and issued or approved by the City or the Agency. The foregoing, subject to the provisions of this Agreement, includes, but is not limited to, required mitigation measures determined through the environmental assessment and development application review process, and the payment of prevailing wages for construction of the project.

Section 7.2. Legal Subdivision of Phases. Developer agrees to legally subdivide the Project Site prior to the initiation of a particular Phase so that each Phase will be assessed for real property tax purposes separately from each of the other Phases.

ARTICLE VIII.

CONSIDERATION OF SUBSEQUENT APPROVALS

Section 8.1. Expedited Processing. City shall provide priority and expedited processing and approval of all applications for Subsequent Approvals. Not in limitation of the foregoing, (i) City shall commit the necessary time and resources of City staff to work with the Developer on the timely processing of applications for Subsequent Approvals in order to maintain an agreed upon pre-construction schedule, including providing on-site inspection services sufficient so that Developer's Project is not delayed on account of delays in such inspections and (ii) City shall accept, process and review, in good faith and in a timely manner (subject to payment of such applicable fees as may be charged hereunder in connection therewith), all applications so submitted by Developer.

Section 8.2. Approval of Applications for Subsequent Approvals. City shall not deny applications for Subsequent Approvals that are consistent with this Agreement, the Project Approvals and Applicable Law.

Section 8.3. Limitations on Discretionary Actions. City shall limit discretionary actions for the Project to those required under Applicable Law.

Section 8.4. Applicable Law. All applications for Subsequent Approvals submitted by Developer shall be considered by City in light of and in accordance with Applicable Law.

Section 8.5. Administrative Approvals. Except as otherwise specifically required under state law, all applications for discretionary Subsequent Approvals that are consistent with the Policy Plan (as it exists on the Approval Date) shall be given approval by City's Director of Community

Development or his or her designee ("Director") with opportunity for appeal by Developer to the Planning Commission, with further opportunity for appeal to the City Council.

Section 8.6. Other Approvals. City shall act in accordance with General Plan and Policy Plan policies restricting approval of incompatible land uses in the vicinity of the Project Site.

Section 8.7. Life of Approvals. Except as otherwise specifically required under state law, no Project Approval or Subsequent Approval shall expire prior to the expiration of the term of the Agreement, provided that any tentative parcel map shall have a term equivalent to that provided under Applicable Law.

ARTICLE IX.

AMENDMENTS

Section 9.1. Amendments of Agreement. This Agreement may be amended from time to time by mutual consent of the parties or their successors in interest, in accordance with the provisions of Government Code Section 65867 and 65688, and Vacaville Municipal Code Chapter 14.17, provided that:

(a) Procedural Exemptions. Any amendment to this Agreement which does not relate to the Term of the Agreement, permitted uses of the Project Site, provisions for the reservation or dedication of land, the conditions, terms, restrictions and requirements relating to subsequent discretionary approvals of City, or monetary exactions of Developer, shall be considered an "Administrative Amendment" and shall not require notice or public hearing before the parties may execute an amendment thereto. The City Manager and Executive Director of the Agency is authorized to execute Administrative Amendments on behalf of City and the Agency and no action by the City Counsel (e.g. notice public hearing) shall be required before the parties may enter into an Administrative Amendment. However, if in the judgment of the City Manager and the Executive Director or any member of the City Council that notice and public hearing on any Administrative Amendment would be appropriate, then there shall be a noticed public hearing on said Administrative Amendment.

(b) Amendments of Approvals. No amendment of a Project Approval or Subsequent Approval, or any other issuance of a Subsequent Approval, shall require an amendment to the Agreement. All such amendments and issuances automatically shall be incorporated into this Agreement and vested hereby.

(c) Minor Amendments. Minor amendments of Project Approvals and Subsequent Approvals may be approved without notice or public hearing.

ARTICLE X.

DEFAULT, REMEDIES, TERMINATION OF AGREEMENT

Section 10.1. Defaults.

(a) Any failure by either party to perform any term or provision of this Agreement, which failure continues uncured for a period of sixty (60) days following written notice of such failure from the other party (unless such period is extended by written mutual consent), shall constitute a default under this Agreement. Any notice given pursuant to the preceding sentence shall specify the nature of the alleged failure and, where appropriate, the manner in which said failure satisfactorily may be cured. If the nature of the alleged failure is such that it cannot reasonably be cured within such 60-day period, then the commencement of the cure within such time period, and the diligent prosecution to completion of the cure thereafter, shall be deemed to be a cure within such 60-day period. If the failure is cured, then no default shall exist and the noticing party shall take no further action. If the failure is not cured, then a default shall exist under this Agreement and the non-defaulting party may institute legal proceedings to enforce the terms of this Agreement (as set forth below) or, in the event of a material default, terminate this Agreement.

(b) During any such cure period or during any period prior to notice of failure or default, the party charged shall not be considered in default for purposes of this Agreement. If there is a dispute regarding default or any other matter under this Agreement, the parties shall otherwise continue to perform their obligations hereunder, to the maximum extent practicable in light of the disputed matter and pending its resolution or formal termination of the Agreement.

Section 10.2. Termination by City. If City elects to consider terminating this Agreement due to a material default of Developer, then City shall give a notice of intent to terminate this Agreement and the matter shall be scheduled for consideration and review by the City Council in the manner set forth in California Government Code §§ 65865, 65867, and 65868. If the City Council determines that a material default has occurred and is continuing, and elects to terminate this Agreement, City shall give written notice of termination of this Agreement to Developer by certified mail and this Agreement shall be terminated thereby; provided, however, that Developer reserves any and all rights it may have to challenge in court City's termination of this Agreement and the basis therefor.

Section 10.3. Other Remedies. Except as otherwise specifically stated in this Agreement, either party may, in addition to any other rights or remedies, institute legal action to cure, correct, or remedy any default, enforce any covenant or agreement herein, enjoin any threatened or attempted violation hereof, recover damages for any default, enforce by specific performance the obligations and rights of the parties hereto or obtain any other remedy consistent with this Agreement.

Section 10.4. No Waiver. Failure or delay in giving notice of default shall not constitute a waiver of default, nor shall it change the time of default. Except as otherwise expressly provided in this Agreement, any failure or delay by a party in asserting any of its rights or remedies as to any

default shall not operate as a waiver of any default or of any such rights or remedies; nor shall it deprive any such party of its right to institute and maintain any actions or proceedings that it may deem necessary to protect, assert or enforce any such rights or remedies.

Section 10.5. Governing Law; Attorneys' Fees. 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, or to obtain a declaration of rights hereunder, the prevailing party shall be entitled to reasonable attorneys' fees, court costs and such other costs as may be fixed by the Court.

Section 10.6. Force Majeure. Performance by any party of its obligations hereunder (other than for payment of money) shall be excused during any period of "Permitted Delay" as hereinafter defined. For purposes hereof, Permitted Delay shall include delay beyond the reasonable control of the party claiming the delay (and despite the good faith efforts of such party) including, but not limited to (i) acts of God, (ii) civil commotion, (iii) riots, (iv) strikes, picketing or other labor disputes, (v) shortages of materials or supplies, (vi) damage to work in progress by reason of fire, floods, earthquake or other casualties, (vii) failure, delay or inability of the other party to act, (viii) as to Developer only, the failure, delay or inability of City to provide adequate levels of public services, facilities or infrastructure to the Project Site including, by way of example only, the lack of water to serve the Project Site, or any part thereof due to drought; (ix) delay caused by governmental restrictions imposed or mandated by other governmental entities, (x) enactment of conflicting state or federal laws or regulations, (xi) judicial decisions or similar basis for excused performance; and (xii) litigation brought by a third party attacking the validity of this Agreement. Any party claiming delay shall promptly notify the other party (or parties) of any delay hereunder as soon as possible after the same has been ascertained.

Section 10.7. Developer Right to Terminate. Notwithstanding anything to the contrary contained herein, Developer may terminate this Agreement by giving written notice to City and Agency, and this Agreement shall terminate as of the date of such notice and be of no further force or effect, upon the occurrence of any of the following:

(a) The legal ability of City or Agency to maintain the financial incentives set forth in Article V above is compromised, or the taxes received by the City or Agency are reduced, in such a manner that City or Agency cannot maintain or must reduce such incentives (notwithstanding the good faith efforts of City or Agency under Section 6.4 above to restore such incentives) to an amount or level insufficient to justify (in Developer's sole business judgment) the continuation of this Agreement; or

(b) City applies new measures to the Project under Section 4.4 above and such measures render infeasible the Project in Developer's sole business judgment; or

(c) this Agreement is made subject to a referendum in accordance with the provisions of Government Code § 65454.

ARTICLE XI.

MEETINGS AND EXCHANGES OF INFORMATION; ANNUAL REVIEW

Section 11.1. Meetings and Exchanges of Information. Regardless of whether an annual review is conducted during any given year as set forth in Sections 11.2 through 11.5 below, City and Developer shall meet, confer and exchange information regarding the Project and other matters as follows:

(a) Developer shall provide to City the information specified in Section 5.4 at the times specified therein. Agency shall provide to Developer the information specified in Section 5.5 at the times specified therein.

(b) Developer and City shall meet and confer, on an annual basis or as reasonably requested by either of them, to discuss the coordinated planning and development of the Project and the Project Site.

Section 11.2. Annual Review in General. The good faith compliance of Developer with the provisions of this Agreement shall be subject to annual review pursuant to Government Code § 65865.1 and Chapter 14.17.218.010 of the Vacaville Municipal Code, utilizing the procedures set forth therein. City recognizes that the development contemplated by this Agreement is unique and necessitates a much reduced annual report in comparison to development agreements that relate to residential development, for example.

Section 11.3. Showing Required. During the annual review, Developer shall be required to demonstrate good faith compliance with the terms of this Agreement and provide such documents in connection with such demonstration as the Director may reasonably request.

Section 11.4. Notice Of Staff Reports, Opportunity To Respond. At least ten (10) days prior to the conduct of any annual review, Director shall deliver to Developer a copy of any staff reports and documents to be used or relied upon in conducting the review. Developer shall be permitted an opportunity to respond to Director's evaluation of its performance by written and oral testimony at a public hearing to be held before Director, if Developer elects.

Section 11.5. Director's Findings: Appeal. At the conclusion of the review, Director shall make written findings and determinations, on the basis of substantial evidence, as to whether or not Developer has complied in good faith with the terms and conditions of this Agreement. If Director finds that Developer has not complied in good faith the terms and conditions of this Agreement (and all appeal periods have expired and any appeals have been completed as set forth below), then City shall deliver to Developer a notice of failure or default as specified in Section 10.1 above. Any interested person may appeal the decision of Director directly to the City Council, such appeal to be filed within ten (10) days after Director has rendered his decision in writing or issued a Certificate of Compliance.

Section 11.6. Notice Of Termination. If City determines to terminate or modify this Agreement due to any default by Developer (or any person, firm or entity holding a recorded interest in the Project Site or any portion thereof) then (i) if termination is proposed, it shall apply solely with respect to that portion of the Project Site (if less than all) affected by the failure to show good faith compliance and (ii) if modification hereof is proposed, the modification shall pertain solely to the provisions hereof as applicable to that portion of the Project Site (if less than all) affected by the condition that has prompted the proposed modification.

Section 11.7. Notice Of Compliance. Upon Developer's request, City shall provide Developer with a written notice of compliance, in recordable form, duly executed and acknowledged by City with respect to any year for which annual review has been conducted or waived and Developer has been found or deemed to be in compliance. Any person (including any "Financing Entity" or "Lender," as defined below) having a recorded interest in any portion of the Project Site will have the right to record such notice.

ARTICLE XII.

TRANSFERS AND ASSIGNMENTS

Section 12.1. Transfers and Assignments. Developer shall have the right to sell, assign, hypothecate, mortgage, pledge, encumber or otherwise transfer (each a "Transfer") its rights to any all or any portion of the Project Site or any interest or estate therein. All of Developer's rights, duties and obligations under this Agreement, with respect to the portion of the Project Site so transferred or assigned, shall pass to the party acquiring fee simple title to such portion of the Project Site so transferred.

Section 12.2. Release Upon Transfer. Upon any Transfer, Developer shall be released from its obligations under this Agreement, provided: (i) Developer was not in default of this Agreement beyond applicable notice and cure periods at the time of conveyance, (ii) Developer provided to City and Agency prior written notice of such transfer, and (iii) with respect to the sale or transfer of any lot for which construction of a Phase has commenced but such construction has not been completed, the transferee executes and delivers to City and Agency a written assumption agreement in which (A) the name and address of the transferee is set forth, and (B) the transferee expressly assumes the obligations of Developer under this Agreement as to the portion of the Project Site conveyed. Failure to deliver a written assumption agreement as aforesaid shall not negate, modify or otherwise affect the liability of any transferee pursuant to the provisions of this Agreement. Nothing contained herein shall be deemed to grant to City or Agency discretion to approve or deny such Transfer except as otherwise expressly provided.

ARTICLE XIII.

MORTGAGEE PROTECTION

The parties hereto agree that this Agreement shall not prevent or limit Developer's right to encumber the Project Site or any portion thereof or any improvement thereon by any mortgage, deed of trust or other security device securing financing with respect to the Project Site. City acknowledges that lenders providing such financing and other "Mortgagees" (defined below) may require certain Agreement interpretations and modifications and agrees upon request, from time to time, to meet with Developer and representatives of such lenders to negotiate in good faith any such request for interpretation or modification. City will not unreasonably withhold its consent to any such requested interpretation or modification provided such interpretation or modification is consistent with the intent and purposes of this Agreement. Any person holding a mortgage or deed of trust on all or any portion of the Project Site made in good faith and for value (each, a "Mortgagee"), shall be entitled to the following rights and privileges:

Section 13.1. Impairment of Mortgage or Deed of Trust. No breach of this Agreement shall defeat, render invalid, diminish, or impair the lien of any mortgage or deed of trust on the Project Site made, or other interest in the Project Site acquired by, any Mortgagee in good faith and for value.

Section 13.2. Notice of Default to Mortgagee. If a Mortgagee of any mortgage or deed of trust encumbering the Project Site, or any part thereof, has submitted a request in writing to City in the manner specified herein for giving notices, it shall be entitled to receive written notification from City of any failure or default by Developer in the performance of Developer's obligations under this Agreement.

Section 13.3. Right of Mortgagee to Cure. If City timely receives a request from a Mortgagee requesting a copy of any notice of failure or default given to Developer under the terms of this Agreement, City shall provide a copy of that notice to the Mortgagee within ten (10) days of sending the notice of default to Developer. The Mortgagee shall have the right, but not the obligation, to cure the failure or default during the remaining cure period allowed such party under this Agreement, plus an additional 60 days if, in order to cure such failure or default, it is necessary for the Mortgagee to obtain possession of the property such as by seeking the appointment of a receiver or other legal process.

Section 13.4. Liability for Past Defaults or Obligations. Subject to the provisions of Article XII above, any Mortgagee, including the successful bidder at a foreclosure sale, who comes into possession of the Project Site or any part thereof pursuant to foreclosure, eviction or otherwise, shall take the Project Site, or part thereof, subject to the terms of this Agreement; provided, however, in no event shall such Mortgagee be liable for any defaults or monetary obligations of Developer arising prior to acquisition of possession of the Project Site, or part thereof, by such Mortgagee and provided further in no event shall any such Mortgagee or its successors or assigns be entitled to a

building permit or occupancy certificate until all fees and other monetary obligations due under this Agreement have been paid to City.

ARTICLE XIV.

GENERAL PROVISIONS

Section 14.1. Incorporation of Recitals. The Recitals set forth above, and all defined terms set forth in such Recitals and in the introductory paragraph preceding the Recitals, are incorporated herein as though set forth in full.

Section 14.2. Covenants. Except as otherwise specifically set forth herein, the provisions of this Agreement shall constitute covenants or servitudes which shall run with the land comprising the Project Site, and the burdens and benefits of this Agreement shall bind and inure to all estates and interests in the Project Site and all successors in interest to Developer.

Section 14.3. Project Is A Private Undertaking. The development proposed to be undertaken by Developer on the Project Site is a private development. City has no interest in, responsibility for or duty to third persons concerning any of said improvements; and Developer shall exercise full dominion and control over the Project Site, subject only to the limitations and obligations of Developer contained in this Agreement.

Section 14.4. Hold Harmless: Indemnity. Developer shall hold and save harmless City and Agency, their officers and employees, and shall indemnify them of and from any and all claims, loss, cost, damage, injury, or expense, arising out of or in any way related to the physical development of the Project to the extent attributable to the sole and simple negligence, recklessness or willful misconduct of Developer.

Section 14.5. Cooperation in the Event of Legal Challenge. In the event of any administrative, legal or equitable action or other proceeding instituted by any person not a party to this Agreement challenging the validity of this Agreement or any Project Approval or Subsequent Approval, the parties shall cooperate in defending such action or proceeding. City shall promptly notify Developer of any such action against City. If City fails promptly to notify Developer of any legal action against City or if City fails to cooperate in the defense, Developer shall not thereafter be responsible for City's defense. The parties shall use best efforts to select mutually agreeable legal counsel to defend such action, and Developer shall pay the fees and expenses for such legal counsel; provided, however, that such fees and expenses shall include only those paid to counsel not otherwise employed as City staff and shall exclude, without limitation, City Attorney time and overhead costs and other City staff overhead costs and normal day-to-day business expenses incurred by City. Developer's obligation to pay for legal counsel shall not extend to fees incurred on appeal unless otherwise authorized by Developer. In the event City and Developer are unable to select mutually agreeable legal counsel to defend such action or proceeding, each party may select its own legal counsel as its own expense. City shall not reject any reasonable settlement; if City does reject a settlement acceptable to Developer, City may continue to defend such action at its own cost.

Section 14.6. Notices. Any notice or communication required hereunder between City or Agency and Developer must be in writing, and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail) or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice or communication shall be deemed to have been given and received when delivered to the party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day or on a Saturday, Sunday or holiday shall be deemed to have been given and received on the next normal business day. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the courier. Such notices or communications shall be given to the parties at their addresses set forth below:

If to City or Agency, to:

City of Vacaville
650 Merchant Street
Vacaville, CA 95688
Attention: David J. Van Kirk, City Manager/Executive Director
Facsimile: 707-449-5149

With copies to:

City of Vacaville
650 Merchant Street
Vacaville, CA 95688
Attention: Michelle Thornbrugh, City Clerk
Facsimile: 707-449-5149

If to Developer, to:

State Compensation Insurance Fund
1275 Market Street
San Francisco, California 94103
Attention: Denise Burian, Real Property Manager
Facsimile: (415) 565-3388

With copies to:

Attention: _____
Facsimile: _____

Any party hereto may at any time, by giving ten (10) days written notice to the other parties, designate any other address or facsimile number in substitution of the address or facsimile number to which such notice or communication shall be given.

Section 14.7. No Joint Venture Or Partnership. Nothing contained in this Agreement or in any document executed in connection with this Agreement shall be construed as creating a joint venture or partnership between City and Developer or Agency and Developer.

Section 14.8. Severability. If any provision of this Agreement is held invalid, void or unenforceable but the remainder of this Agreement can be enforced without failure of material consideration to any party, then this Agreement shall not be affected and it shall remain in full force and effect, unless amended or modified by mutual consent of the parties. If any material provision of this agreement is held invalid, void or unenforceable, however, Developer shall have the right in its sole and absolute discretion to terminate this agreement by providing written notice of such termination to City.

Section 14.9. Completion Or Revocation. Upon completion of performance by the parties or revocation of this Agreement, a written statement acknowledging such completion or revocation, signed by the appropriate parties shall be recorded in the Official Records of Solano County.

Section 14.10. Estoppel Certificate. Any party (and, in the case of Developer or Mortgagee with a recorded interest in any portion of the Project Site) may, at any time, and from time to time, deliver written notice to the other party or parties requesting such party or parties to certify in writing that, to the knowledge of the certifying party, (i) this Agreement is in full force and effect and a binding obligation of the parties, (ii) this Agreement has not been amended or modified either orally or in writing, and if so amended, identifying the amendments, and (iii) the requesting party is not in default in the performance of its obligations under this Agreement, or if in default, to describe therein the nature and amount of any such defaults. A party receiving a request hereunder shall execute and return such certificate or give a written detailed response explaining why it will not do so within thirty (30) days following the receipt thereof. Each party acknowledges that such a certificate may be relied upon by third parties acting in good faith. A certificate provided by City or Agency establishing the status of this Agreement shall be in recordable form and may be recorded at the expense of the recording party.

Section 14.11. Further Assurances. Each party shall execute and deliver to the other party or parties all such other further instruments and documents and take all such further actions as may be reasonably necessary to carry out this Agreement, the Project Approvals and Subsequent Approvals and to provide and secure to the other party or parties the full and complete enjoyment of its rights and privileges hereunder.

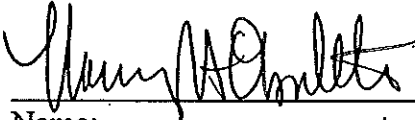
Section 14.12. Construction. All parties have been represented by counsel in the preparation of this Agreement and no presumption or rule that ambiguity shall be construed against a drafting party shall apply to interpretation or enforcement hereof. Captions on sections and subsections are provided for convenience only and shall not be deemed to limit, amend or affect the meaning of the provision to which they pertain.

Section 14.13. Counterpart Execution. This Agreement may be executed in any number of counterparts and shall be deemed duly executed when each of the parties has executed such a counterpart.


Section 14.14. Time. Time is of the essence of each and every provision hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

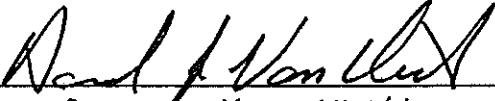
STATE COMPENSATION INSURANCE
FUND, a non-profit public enterprise fund

By: 
Name:
Title: Vice President
Date: 12-28-2006


CITY OF VACAVILLE, a municipal
corporation

By: 
Name: DAVID S. VAN KIRK
Title: CITY MANAGER
Date: 12-14-06

REDEVELOPMENT AGENCY OF THE CITY
OF VACAVILLE, a public body, corporate and
politic

By: 
Name: DAVID S. VAN KIRK
Title: EXECUTIVE DIRECTOR
Date: 12-14-06

APPROVED AS TO FORM:



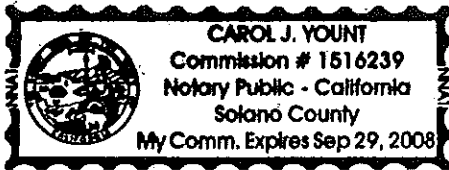
Shana Faber
Assistant City Attorney

State of CALIFORNIA)

County of SOLANO)

On 12-14-06 before me, CAROL J. YOUNT, a Notary Public, personally appeared DAVID J. VAN KIRK, 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~~/their authorized capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS by hand and official seal



Carol J. Yount
Signature of Notary

My commission expires: 9-29-08

Commission No.: 1516239

State of _____)

County of _____)

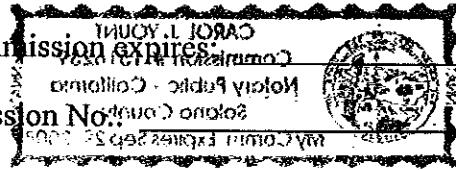
On _____ before me, _____, a Notary Public, personally appeared _____, personally known to me, or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS by hand and official seal

Signature of Notary

My commission expires _____

Commission No. _____

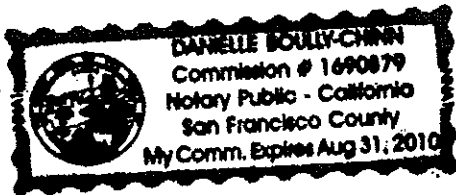


State of California)

County of San Francisco)

On December 28,
2006 before me, Danielle Bouilly-Chinn, a Notary Public, personally appeared Nancy Obertello, 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/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS by hand and official seal



Danielle Bouilly-Chinn
Signature of Notary

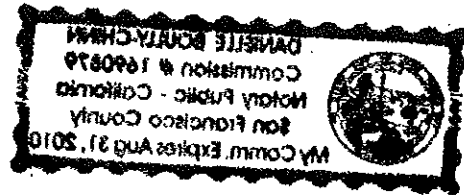
My commission expires: August 31, 2010

Commission No.: 1690879

EXHIBIT A

Legal Description of Project Site

[See attached]



Real property in the City of Vacaville, County of Solano, State of California, described as follows:

PARCEL ONE:

Parcels 10 and 11, as shown on the Parcel Map filed August 20, 2002 in Book 43 of Parcel Maps, page 59, Solano County Records.

EXCEPTING THEREFROM:

An undivided 1/2 interest in all minerals, mineral deposits, oil, gas, and other hydrocarbon substances of every kind and character below 500 feet from the surface of said land, but without, however, the right of surface entry, as excepted and reserved in Deeds from Margaret Josephine Shellhammer recorded June 12, 1956, in Book 833 of Official Records, Page 480, January 4, 1963 in Book 1178 of Official Records, Page 520, and recorded January 4, 1963, in Book 1178 of Official Records, Page 529, Solano County Records.

ALSO EXCEPTING THEREFROM:

Rights reserved in Deed from Chevron U.S.A., Inc., recorded April 1, 1987, in Book 1987, Page 42125, as follows:

"A) An undivided one-half interest in all oil, gas, and other hydrocarbons; non-hydrocarbon gasses or gaseous substances; all other minerals of whatsoever nature; without regard to similarity to the above-mentioned substances; and all substances that may be produced therewith from said real property.

B) An undivided one-half (1/2) interest in all geothermal resources, embracing: indigenous steam, hot water and hot brines; steam and other gasses, hot water and hot brines resulting from water, gas or other fluids artificially introduced into subsurface formations; heat or other associated energy found beneath the surface of the earth; and byproducts of any of the foregoing such as minerals (exclusive of oil or hydrocarbon gas that can be separately produced) which are found in solution or association with or derived from any of the foregoing.

C) The sole and exclusive right from time to time to bore or drill or maintain wells and other works into and through said real property and adjoining streets, roads and highways below a depth of five hundred (500') feet from the surface thereof for the purposes of exploring for and producing energy resources; the right to produce, inject, store and remove from and through said bores, wells or works, oil, gas, water, and other substances of whatever nature, including the right to perform below said depth any and all operations deemed by Grantor necessary or convenient for the exercise of such rights.

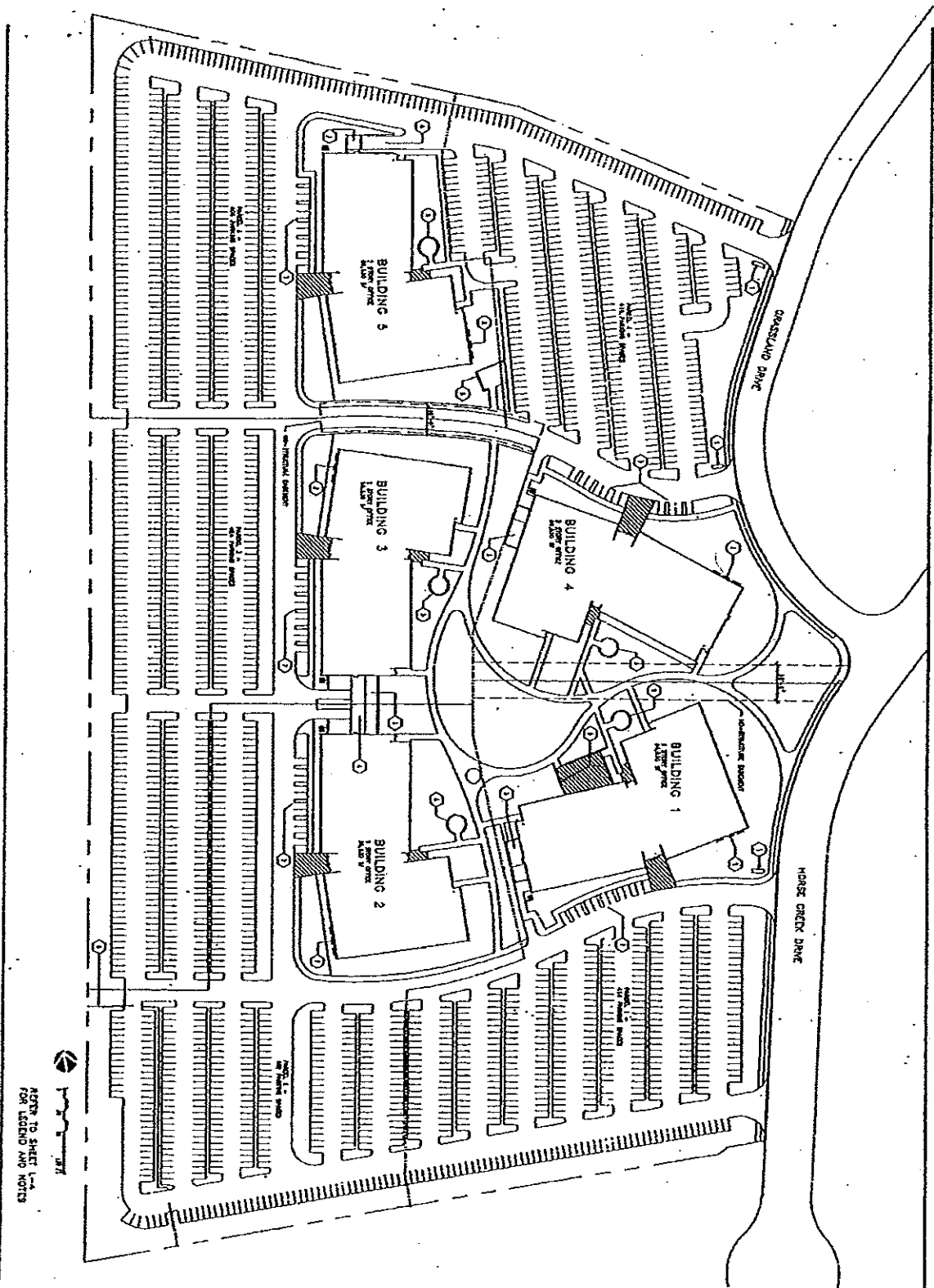
The rights hereinabove excepted and reserved to Grantor do not include and do not except or reserve to Grantor any right of Grantor to use the surface of said real property or the first five hundred (500') feet below said surface or to conduct any operations thereon or therein."

APN: 0133-120-430(Affects Parcel 10) and 0133-120-420(Affects Parcel 11)

EXHIBIT B

Description and Schematic Illustrations of Project

[See attached]



REFER TO SHEET C-4
FOR LEGEND AND NOTES

DATE: 11/11/88
BY: [Signature]

SITE MASTER PLAN

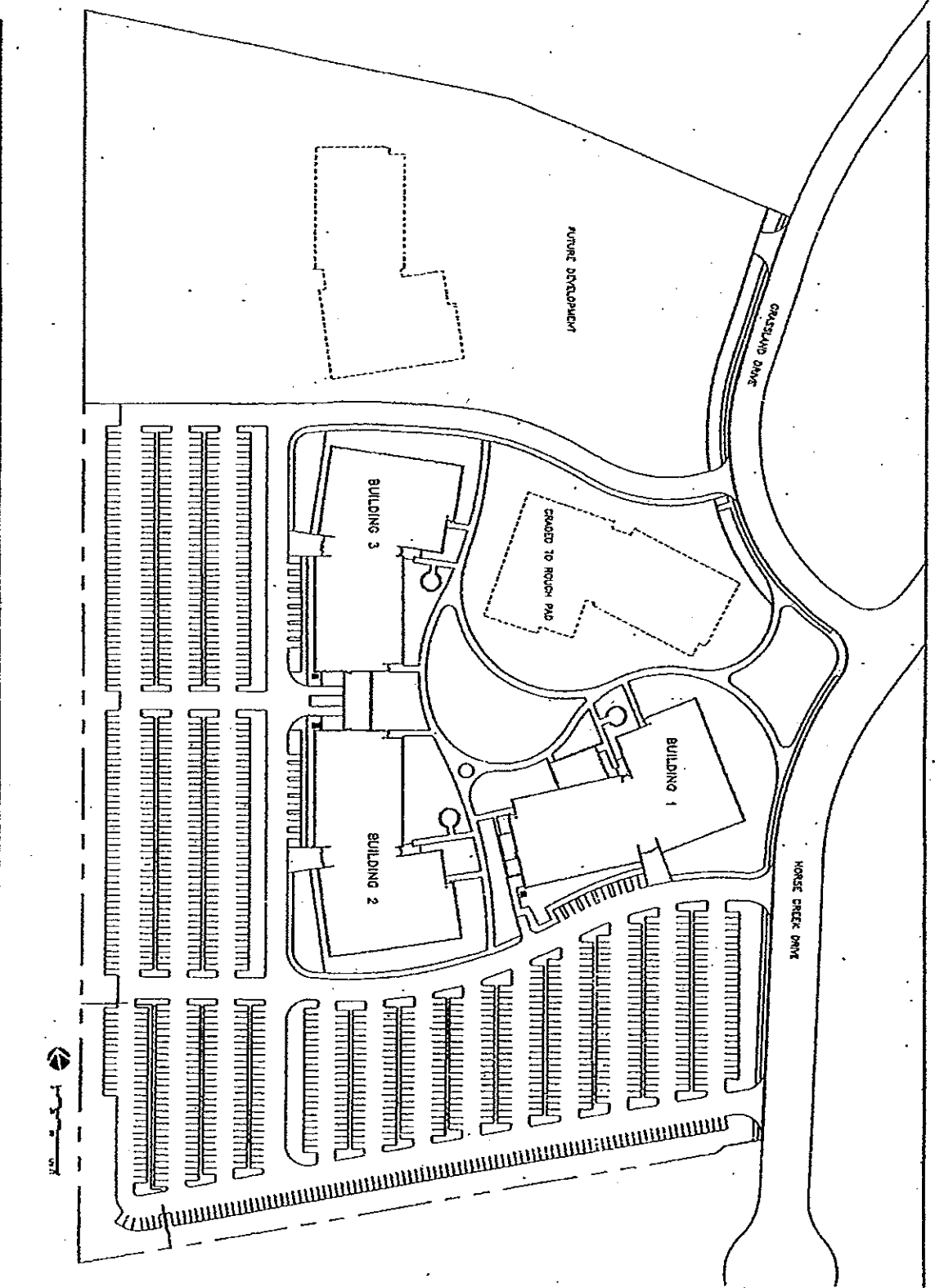
| NO. | DESCRIPTION | DATE |
|-----|-----------------------|----------|
| 1 | PRELIMINARY SITE PLAN | 11/11/88 |
| 2 | FINAL SITE PLAN | 11/11/88 |
| 3 | AS BUILT | 11/11/88 |

PREPARED BY: [Firm Name]
1234 MAIN STREET
VACAVILLE, CA 94991
TELEPHONE: (707) 442-1234

FOR INFORMATION ONLY
THIS PLAN IS NOT TO BE USED FOR CONSTRUCTION
UNLESS APPROVED BY THE LOCAL AGENCIES
AND THE STATE OF CALIFORNIA

1988
REGISTERED ARCHITECT
STATE OF CALIFORNIA
NO. 12345
DATE: 11/11/88

STATE FARM
FOR RENT
VACAVILLE CAMPUS



STATE FARM
FUND
 VACAVILLE CAMPUS

Contract No.

REPLACEMENT OF EXISTING BUILDINGS AND
 CONSTRUCTION OF NEW BUILDINGS AND
 PARKING LOT AT STATE FARM VACAVILLE CAMPUS
 VACAVILLE, CALIFORNIA

IRI
 International Real Estate
 10000 Wilshire Blvd., Suite 1000
 Beverly Hills, CA 90210
 Tel: (310) 276-1100
 Fax: (310) 276-1101
 www.iri.com

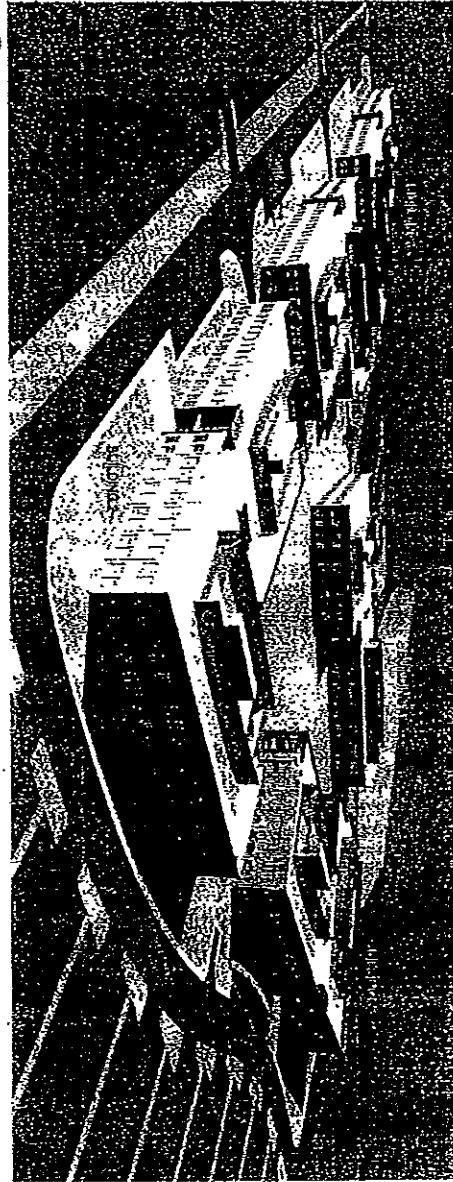
As prepared by the
MULTISCOPE + LOUIS
 ARCHITECTS
 10000 Wilshire Blvd., Suite 1000
 Beverly Hills, CA 90210
 Tel: (310) 276-1100
 Fax: (310) 276-1101
 www.multiscope.com

DATE: 01/15/03
 SCALE: AS SHOWN
 PROJECT NO: 03-001

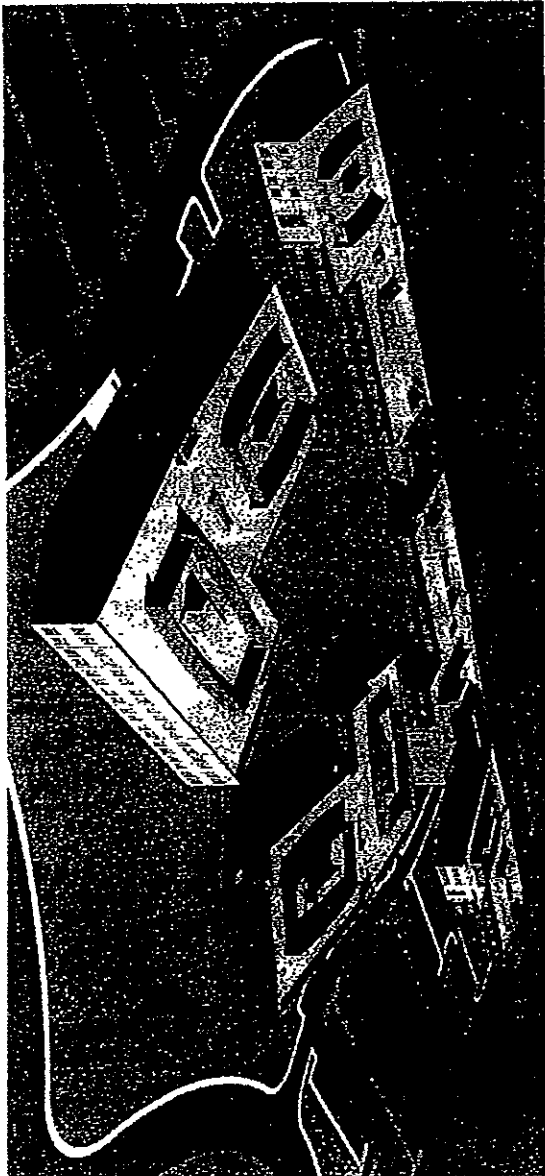
SITE PHASE 1 PLAN

1-3

Originals for viewing on file with City of Vacaville



1 AERIAL VIEW



2 AERIAL VIEW

STATE OF CALIFORNIA
 COUNTY OF SONOMA
 VACAVILLE CAMPUS

1981
 [Illegible text]

INDUSTRIAL & LIGHT
 COMMERCIAL ZONING
 MAP
 [Illegible text]

AERIAL VIEWS
 [Illegible text]

STATE
OF
KENTUCKY
VACAVILLE CAMPUS

Contract No.

191
 ARCHITECTURAL FIRM
 1000 W. MARKET ST.
 CINCINNATI, OHIO 45202
 LICENSE NO. 10000
 REGISTERED PROFESSIONAL ARCHITECT

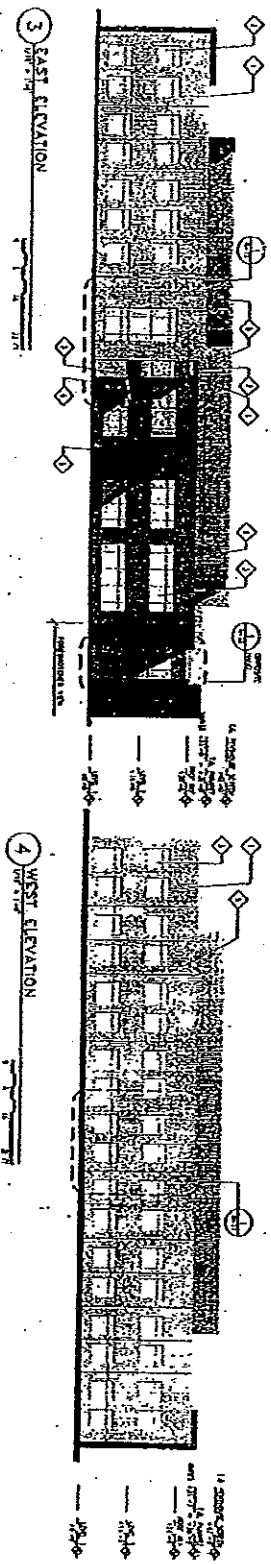
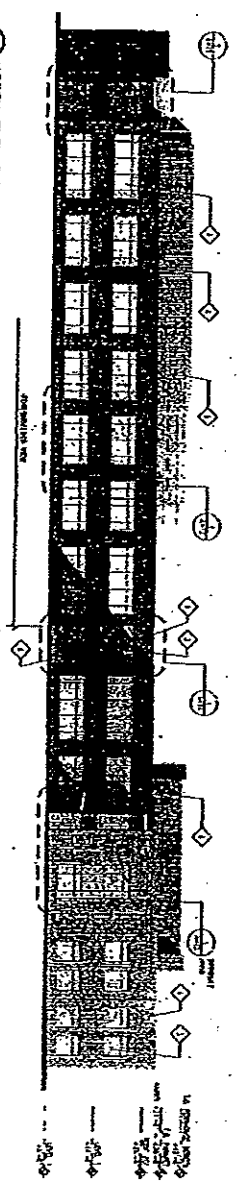
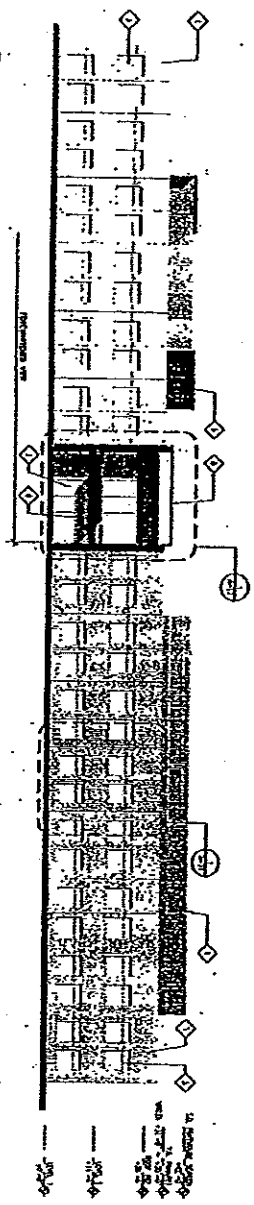
191
 ARCHITECTURAL FIRM
 1000 W. MARKET ST.
 CINCINNATI, OHIO 45202
 LICENSE NO. 10000
 REGISTERED PROFESSIONAL ARCHITECT

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 1000 W. MARKET ST.
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 REGISTERED PROFESSIONAL ARCHITECT

191
 ARCHITECTURAL FIRM
 1000 W. MARKET ST.
 CINCINNATI, OHIO 45202
 LICENSE NO. 10000
 REGISTERED PROFESSIONAL ARCHITECT

| NO. | DESCRIPTION | QUANTITY | UNIT | PRICE | TOTAL |
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EXTERIOR ELEVATIONS
 A-6

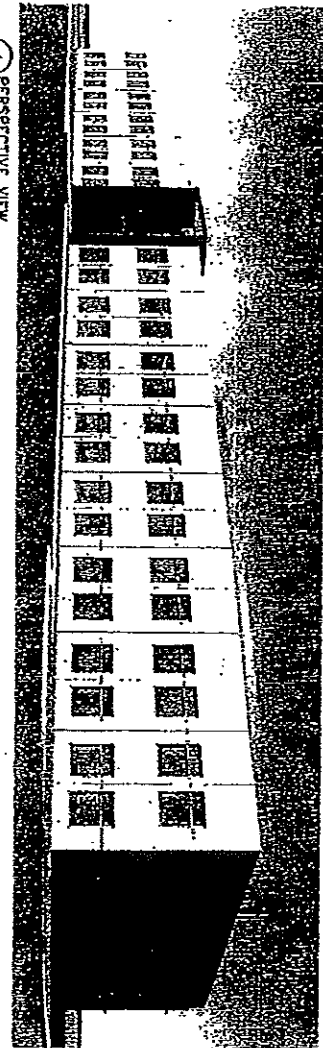


- NOTES**
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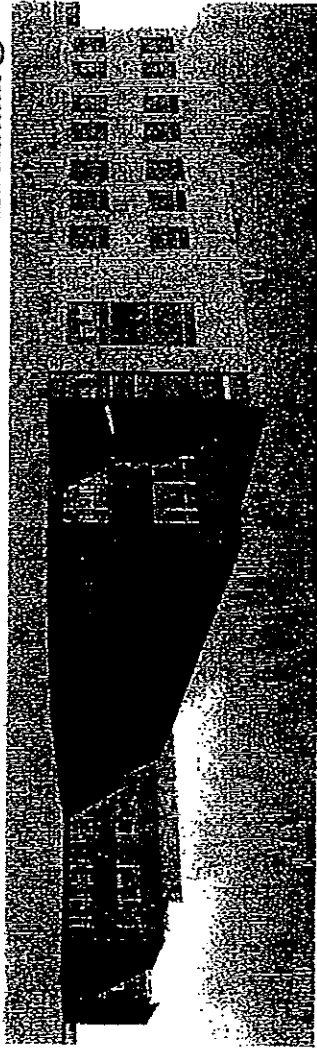
- MATERIAL LEGEND**
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Originals for viewing on file with City of Vacaville

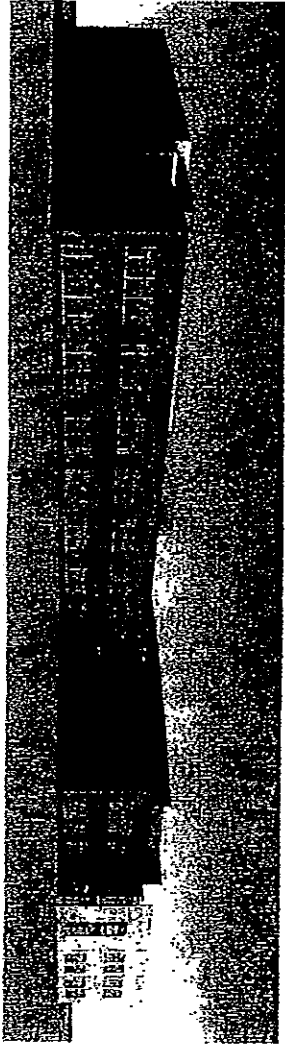
420-470-0000 FAX 420-470-0000



1 PERSPECTIVE VIEW



2 PERSPECTIVE VIEW



3 PERSPECTIVE VIEW



STATE
FUND
VACAVILLE CAMPUS

Drawn by:

DATE: 10/1/00
SCALE: AS SHOWN
PROJECT: STATE FUND VACAVILLE CAMPUS

LRP

PROJECT: STATE FUND VACAVILLE CAMPUS
DATE: 10/1/00
SCALE: AS SHOWN

PROJECT: STATE FUND VACAVILLE CAMPUS
DATE: 10/1/00
SCALE: AS SHOWN

PERSPECTIVE VIEWS

EXHIBIT C

Eligible Development Impact Fees as of the Approval Date

Water Connect-Plant Fee(s)

Water Connect-Distribution Fee(s)

Sewer Connection Fee(s)

General Facilities Impact Fee

Police Development Impact Fee

Fire Development Impact Fee

Traffic Impact Fee

EXHIBIT D

Tax Increment Pass Throughs as of the Approval Date

- (1) the pass-through of funds to Solano County and other agencies (set at 36% as of the Approval Date);
- (2) the low-income and moderate-income housing set aside (set at 20% of the tax increment as of the Approval Date);
- (3) the City's Paramedic/Ambulance Program Fund (set at 0.03% of assessed value as of the Approval Date);
- (4) the City's North Bay Aqueduct/Napa Make Whole Program Fund (set at 0.001349% of assessed value as of the Approval Date);
- (5) the Vacaville Unified School Bonds Fund (set at 0.057407% of assessed value as of the Approval Date);
- (6) the Solano Community College Bond Fund (estimated at 0.018% of assessed value as of the Approval Date);
- (7) Solano County Administration Fee (1.13% of gross revenue as of the Approval Date); and
- (8) Tier 1 and Tier 2 Tax Sharing Payments – Vacaville Unified School District pursuant to Section 33607.7 of the California Health and Safety Code.

EXHIBIT E

Sample Calculation of initial Phase 1 Fee Credit Incentive

| | | | |
|--|---|----------------------|--------------------|
| Est. Gross Building Square Footage (Phase 1) | | 261,000 Sq. Ft. | |
| Assumed Assessed Value/ Sq. Ft. | x | <u>\$225 Sq. Ft.</u> | |
| | | \$58,725,000 | |
| Assumed Assessed Value/Sq. Ft. | + | <u>\$17,200,000</u> | |
| Property Tax Rate (0.01) | x | <u>\$759,250</u> | |
| Net Property Tax Increment (0.44) | x | \$334,070 | First Year |
| | | | |
| Est. Gross Building Square Footage (Phase 1) | | 261,000 Sq. Ft. | |
| Assumed Assessed Value/ Sq. Ft. | x | <u>\$225 Sq. Ft.</u> | |
| | | \$58,725,000 | |
| Assumed Assessed Value/Sq. Ft. | + | <u>\$17,200,000</u> | |
| Property Tax Rate (0.01) | x | <u>\$759,250</u> | |
| Net Property Tax Increment (0.44) | x | \$334,070 | |
| Adjusted Net Property | | | |
| Increase Tax Increment (0.02%) | + | <u>\$6,681</u> | |
| | | \$340,751 | Second Year |
| | | | |
| Increase Tax Increment (0.02%) | + | <u>\$6,815</u> | |
| | | \$347,566 | Third Year |
| | | | |
| Increase Tax Increment (0.02%) | + | <u>\$6,951</u> | |
| | | \$354,517 | Fourth Year |
| | | | |
| Increase Tax Increment (0.02%) | + | \$7,090 | |
| | | \$361,607 | Fifth Year |
| | | | |
| Total Five-Year Fee Credit Incentive | | \$1,738,511 | |

EXHIBIT F

Sample Calculation of initial Subsequent Phase Fee Credit Incentive

| | | | |
|---|---|---------------------|--------------------|
| Est. Gross Building Square Footage | | 100,000 Sq. Ft. | |
| Assumed Assessed Value/ Sq. Ft. | | | |
| \$225 Sq. Ft. adjusted for inflation | | | |
| Engineering News record est. | | | |
| 15% ± over 5 years | | \$260 ±/ Sq. Ft. | |
| | | \$26,000,000 | |
| Property Tax Rate (0.01) | x | <u>\$260,000</u> | |
| Net Property Tax Increment (0.44) | x | \$114,400 | First Year |
| Increase Tax Increment (0.02%) | + | <u>\$2,288</u> | |
| | | \$116,688 | Second Year |
| Increase Tax Increment (0.02%) | + | <u>\$2,334</u> | |
| | | \$119,022 | Third Year |
| Increase Tax Increment (0.02%) | + | <u>\$2,380</u> | |
| | | \$121,402 | Fourth Year |
| Increase Tax Increment (0.02) | + | <u>\$2,428</u> | |
| | | \$123,830 | Fifth Year |
| TOTAL 5-YR. FEE CREDIT INCENTIVE | | \$595,342 | |

EXHIBIT G

Sample Annual Report Forms

(Two Reports – Annual and 5-Year Summary)

**STATE FUND ANNUAL AVERAGE EMPLOYMENT AND WAGE REPORT
TO VACAVILLE REDEVELOPMENT AGENCY**

Phase _____

Date Prepared _____ (Due Within 30 days of anniversary
of issuance of C of O)

ANNUAL EMPLOYMENT REPORT

Target # of FTE employees _____ (Divide gross floor area by 350)

Actual # of FTE employees _____

Average Employment Percentage _____

ANNUAL WAGE REPORT

Average Base Salary _____ (Back up material provided upon
Request)

**STATE FUND 5-YEAR AVERAGE EMPLOYMENT AND WAGE SUMMARY
REPORT TO VACAVILLE REDEVELOPMENT AGENCY**

Phase _____ Date Prepared _____

Target # of FTE employees _____

Actual average # of FTE
employees from annual reports.

Average Base Salary from annual reports

Year 1 _____

Year 1 _____

Year 2 _____

Year 2 _____

Year 3 _____

Year 3 _____

Year 4 _____

Year 4 _____

Year 5 _____

Year 5 _____

5-Year Average of Average
Annual # of FTE

5-Year Average of Average
Annual Base Salary

Target # of FTE employees _____ %
Average # of FTE
over 5-year period

Total of Annual Averages _____ %
5

EXHIBIT H

Water Rights Purchase Agreement

[See attached]

WATER RIGHTS PURCHASE AGREEMENT

APPROVAL COPY

This agreement is entered into by and between the City of Vacaville, (hereinafter "City") and Chevron Land and Development Company (hereinafter "Purchaser") on this _____ day of _____ 1987, at Vacaville, California.

Recitals

- A. City owns and operates a water filtration plant situated on Elmira Road in the City of Vacaville.
- B. The plant is nearing the daily treatment capacity for which it was designed.
- C. City has contracted for an additional annual 5100 acre feet of water through the North Bay Aqueduct (NBA) through the year 2015.
- D. In order to treat this additional water, a new water treatment plant (hereinafter "plant") must be constructed at an approximate cost of thirteen million dollars (\$13,000,000).
- E. In addition to the construction of the new plant facility, it will also become necessary in the immediate future for City to begin construction of certain ancillary support storage and delivery systems for the benefit of the general public. (hereinafter "Distribution System") such as water storage reservoirs, underground water transmission mains, and deep water wells to complement the construction of the plant and allow for the storage and delivery of treated water to future development.
- F. City has determined that the most economically feasible way of financing such construction is through the sale of capacity rights in the plant facility (hereinafter "Water Treatment Right") and in the distribution system (hereinafter "Distribution Right").

Government Code 27361.7

I certify under penalty of perjury that the notary seal on the document to which this statement is attached reads as follows:

Name of Notary Danielle Bouilly-Chinn

Commission Number 1690879

Commissioned in San Francisco County

Date Commission Expires Aug. 31, 2010

Vendor ID number NNA1

Date: 4/12/07

Kim Laum

Signature

City of Vacaville

Firm Name (if any)

