

The City of Garden Grove as Successor
Garden Grove Agency for Community Development

INTER-DEPARTMENT MEMORANDUM

To:	Matthew J. Fertal	From:	Kingsley Okereke	
Dept:	Director	Dept.	Finance	
Subject:	ADOPTION OF A RESOLUTION APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD OF JANUARY 1, 2014 TO JUNE 30, 2014		Date:	September 24, 2013

OBJECTIVE

The purpose of this report is to request that The City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development ("Successor Agency") adopt a Resolution approving the Recognized Obligation Payment Schedule ("ROPS") pursuant to Section 34177 of the Health and Safety Code, and transmit said ROPS to the Oversight Board for approval.

BACKGROUND/ANALYSIS

Staff has prepared for the Successor Agency's consideration and approval, the ROPS for the period covering January 1, 2014, through June 30, 2014. The attached Successor Agency Resolution approves the ROPS and authorizes its transmittal to the Oversight Board, the County Auditor-Controller, the Department of Finance, and the State Controller's Office.


FINANCIAL IMPACT

None.

RECOMMENDATION

Staff recommends that the Successor Agency:

- Adopt a Resolution approving the Recognized Obligation Payment Schedule for the period of January 1, 2014, to June 20, 2014, pursuant to Section 34177 of the Health and Safety Code; and
- Direct staff to transmit the approved ROPS to the Oversight Board for review and approval.




KINGSLEY OKEREKE
Finance Director



By: Jim DellaLonga
Senior Project Manager

Recommended for Approval



for Matthew Fertal
Director

Attachment 1: Successor Agency Resolution
Attachment 2: Recognized Obligation Payment Schedule

GARDEN GROVE SUCCESSOR AGENCY

RESOLUTION NO.

A RESOLUTION OF THE CITY OF GARDEN GROVE AS SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT APPROVING A RECOGNIZED OBLIGATION SCHEDULE AND AUTHORIZING CERTAIN OTHER ACTIONS PURSUANT TO HEALTH & SAFETY CODE SECTION 34177 OF THE DISSOLUTION ACT

WHEREAS, the Garden Grove Agency for Community Development ("Agency") was established as a community redevelopment agency that was previously organized and existing under the California Community Redevelopment Law, Health and Safety Code Sections 33000, *et seq.* ("CRL"), and previously authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council ("City Council") of the City of Garden Grove ("City");

WHEREAS, Assembly Bill x1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code, which laws cause the dissolution and wind down of all redevelopment agencies ("Dissolution Act");

WHEREAS, on December 29, 2011, in the petition *California Redevelopment Association v. Matosantos*, Case No. S194861, the California Supreme Court upheld the Dissolution Act and thereby all redevelopment agencies in California were dissolved as of and on February 1, 2012 under the dates in the Dissolution Act that were reformed and extended thereby ("Supreme Court Decision");

WHEREAS, Assembly Bill 1484 ("AB 1484") enacted on June 27, 2012, made certain amendments to the Dissolution Act, including with respect to the process for adopting Recognized Obligation Payment Schedules;

WHEREAS, the Agency is now a dissolved community redevelopment agency pursuant to the Dissolution Act;

WHEREAS, by a Resolution considered and approved by the City Council at an open public meeting the City chose to become and serve as the Successor Agency to the dissolved Agency under the Dissolution Act;

WHEREAS, as of and on and after February 1, 2012, the City serves as the "Successor Agency" will perform its functions as the successor agency under the Dissolution Act to administer the enforceable obligations of the Agency and otherwise unwind the Agency's affairs, all subject to the review and approval by a seven-member Oversight Board formed thereunder;

WHEREAS, under Part 1.8 of the Dissolution Act, the Agency prior to its dissolution adopted an original and an amended Enforceable Obligation Payment Schedule ("EOPS") and authorized the Director and/or Finance Director or their authorized designee to augment or modify the EOPS to the City (in its capacity as

Successor Agency) and to the County Auditor-Controller, the Department of Finance and the State Controller's Office;

WHEREAS, under Part 1.8 of the Dissolution Act, the Agency prior to its dissolution adopted an original and an Initial Recognized Obligation Payment Schedule ("IROPS") and authorized the Director and/or Finance Director or their authorized designee to augment or modify the EOPS to the City (in its capacity as Successor Agency) and to the County Auditor-Controller, the Department of Finance and the State Controller's Office;

WHEREAS, pursuant to Section 34171(h) of the Dissolution Act, a "Recognized Obligation Payment Schedule" means the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each six-month fiscal period as provided in subdivisions (l) and (m) of Section 34177;

WHEREAS, pursuant to subdivisions (l) and (m) of Section 34177 of the Dissolution Act, the City, acting as Successor Agency to the Agency, has prepared its Recognized Obligation Payment Schedule ("ROPS") for the period covering January 1, 2014 through June 30, 2014, in the form attached to this Resolution as Attachment No. 1 and incorporated herein by this reference;

WHEREAS, by this Resolution, pursuant to Section 34177(l)(2)(B) of the Dissolution Act, as amended by AB 1484, the City Council, serving as and on behalf of the Successor Agency, approves the ROPS and authorizes the transmittal of the ROPS to the Oversight Board and concurrently to the County Administrative Officer, the County Auditor-Controller, and the State Department of Finance; and

WHEREAS, pursuant to Section 34177(l)(2)(C) of the Dissolution Act, a copy of the ROPS, upon approval by the Oversight Board, is submitted to the State Controller's Office and the Department of Finance and shall be posted on the Successor Agency's website.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF GARDEN GROVE AS THE SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT:

Section 1. The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part hereof.

Section 2. The ROPS is approved together with such augmentation, modification, additions or revisions as the Director and/or the Finance Director or their authorized designees may make thereto.

Section 3. The Director or his authorized designees on behalf of the Successor Agency shall cause the ROPS to be transmitted to the Oversight Board and to be transmitted to the County Auditor-Controller, the State Controller's

Office, and the Department of Finance; further, upon approval by the Oversight Board, the Director or his authorized designees on behalf of the Successor Agency shall cause the ROPS to be posted on the City's website.

Section 4. This Resolution shall be effective immediately upon adoption.

Section 5. The Secretary on behalf of the Successor Agency shall certify to the adoption of this Resolution.

ATTACHMENT NO. 1

(attach ROPS)

Recognized Obligation Payment Schedule (ROPS 13-14B) - Summary

Filed for the January 1, 2014 through June 30, 2014 Period

Name of Successor Agency: Garden Grove
 Name of County: Orange

		Six-Month Total
Current Period Requested Funding for Outstanding Debt or Obligation		
A	Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding Sources (B+C+D):	\$ 3,436,049
B	Bond Proceeds Funding (ROPS Detail)	-
C	Reserve Balance Funding (ROPS Detail)	-
D	Other Funding (ROPS Detail)	3,436,049
E	Enforceable Obligations Funded with RPTTF Funding (F+G):	\$ 14,417,417
F	Non-Administrative Costs (ROPS Detail)	13,997,492
G	Administrative Costs (ROPS Detail)	419,925
H	Current Period Enforceable Obligations (A+E):	\$ 17,853,466

Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding		
I	Enforceable Obligations funded with RPTTF (E):	14,417,417
J	Less Prior Period Adjustment (Report of Prior Period Adjustments Column U)	(1,407,819)
K	Adjusted Current Period RPTTF Requested Funding (I-J)	\$ 13,009,598

County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding		
L	Enforceable Obligations funded with RPTTF (E):	14,417,417
M	Less Prior Period Adjustment (Report of Prior Period Adjustments Column AB)	-
N	Adjusted Current Period RPTTF Requested Funding (L-M)	14,417,417

certification of Oversight Board Chairman:
 Pursuant to Section 34177(m) of the Health and Safety code, I
 hereby certify that the above is a true and accurate Recognized
 obligation Payment Schedule for the above named agency.

 Name
 Title
 /s/ _____
 Signature

 Date

Recognized Obligation Payment Schedule (ROPS) 13-14B - Report of Fund Balances
(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K								
											Fund Sources						Total	Comments
											Bond Proceeds		Reserve Balance		Other			
Bonds Issued on or before 12/31/10	Bonds Issued on or after 01/01/11	Due Diligence Review balances retained for approved enforceable obligations	RPTTF balances retained for bond reserves	Rent, Grants, Interest, Etc.	Non-Admin	Admin												
Fund Balance Information by ROPS Period																		
ROPS III Actuals (01/01/13 - 6/30/13)																		
	Beginning Available Fund Balance (Actual 01/01/13)																	
1	Note that for the RPTTF, 1 + 2 should tie to columns L and Q in the Report of Prior Period Adjustments (PPAs)					156,736	532,187				\$ 688,923							
	Revenue/Income (Actual 06/30/13) Note that the RPTTF amounts should tie to the ROPS III distributions from the County Auditor-Controller					275,719	12,543,332	380,364			\$ 13,199,415							
2	Expenditures for ROPS III Enforceable Obligations (Actual 06/30/13) Note that for the RPTTF, 3 + 4 should tie to columns N and S in the Report of PPAs					73,491	11,733,566	380,364			\$ 12,187,421							
3	Retention of Available Fund Balance (Actual 06/30/13) Note that the Non-Admin RPTTF amount should only include the retention of reserves for debt service approved in ROPS III										\$ -							
4	ROPS III RPTTF Prior Period Adjustment Note that the net Non-Admin and Admin RPTTF amounts should tie to columns O and T in the Report of PPAs.						1,407,819				\$ 1,407,819							
5	Ending Actual Available Fund Balance (1 + 2 - 3 - 4 - 5)	\$ -	\$ -	\$ -	\$ -	\$ 358,964	\$ (65,866)	\$ -	\$ -	\$ -	\$ 293,098							
ROPS 13-14A Estimate (07/01/13 - 12/31/13)																		
7	Beginning Available Fund Balance (Actual 07/01/13) (C, D, E, G, and I = 4 + 6, F = H4 + F6, and H = 5 + 6)	\$ -	\$ -	\$ -	\$ -	\$ 358,964	\$ 1,341,953	\$ -	\$ -	\$ -	\$ 1,700,917							
8	Revenue/Income (Estimate 12/31/13) Note that the RPTTF amounts should tie to the ROPS 13-14A distributions from the County Auditor-Controller					267,500	8,237,546	250,000			\$ 8,755,046							
9	Expenditures for 13-14A Enforceable Obligations (Estimate 12/31/13)					156,893	7,937,546	250,000			\$ 8,344,439							
10	Retention of Available Fund Balance (Estimate 12/31/13) Note that the RPTTF amounts may include the retention of reserves for debt service approved in ROPS 13-14A										\$ -							
11	Ending Estimated Available Fund Balance (7 + 8 - 9 - 10)	\$ -	\$ -	\$ -	\$ -	\$ 469,571	\$ 1,641,953	\$ -	\$ -	\$ -	\$ 2,111,524							

Pursuant to Health and Safety Code section 34177(f), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

Recognized Obligation Payment Schedule (ROPS) 13-14B - Report of Prior Period Adjustments
 Reported for the ROPS III (January 1, 2013 through June 30, 2013) period. The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved for the ROPS 13-14B (January through June 2014) period will be offset by the SA's self-reported ROPS II prior period adjustment. HSC Section 34.186 (a) also specifies that the prior period adjustments self-reported by SAs are subject to audit by the county auditor-controller (CAC) and the State Controller.
 (Report Amounts in Whole Dollars)

A	B	Non-RPTTF Expenditures												U	V	W				
		LAMIF (includes LAMIF Due Diligence Review) (DDR) retained balances				Other Funds				Non-Admin							Admin			
		Authorized		Actual		Authorized		Actual		Authorized		Actual					Authorized		Actual	
	Item #	Project Name / Debt Obligation	Authorized	Actual	Authorized	Actual	Authorized	Actual	Authorized	Actual	Authorized	Actual	Authorized	Actual	Authorized	Actual	Authorized	Actual		
		1 2003 Tax Allocation Bonds																		
		2 Hyatt Regency OPA																		
		3 Residence Inn DDA																		
		4 Sheraton Hotel DDA																		
		5 Orlinway Con Retail 4/11/13																		
		6 Orlinway Con Retail 4/11/13																		
		7 Hooters Collision North																		
		8 Augustin Note																		
		9 Coastline Leasing Payments																		
		10 S&S Center Building Lease																		
		11 Fire Department HD																		
		12 Garden Grove Humana																		
		13 Union Bank Leasing Group																		
		14 Embassy Suites DDA																		
		15 Amendment																		
		16 Sycamore Walk DDA																		
		17 Amendment																		
		18 Amendment																		
		19 Walkways Hotel DDA																		
		20 Site B2 DDA																		
		21 Site C DDA																		
		22 Brookhurst Triangle DDA																		
		23 Project Labor for Item 19																		
		24 Project Labor for Item 20																		
		25 Project Labor Costs Item 19																		
		26 Purchase & Sale Agreement																		
		Agency Property																		
		27 Administrative Labor (Actual)																		
		28 \$318,704																		
		Administrative Contractual																		
		29 Successor Agency Outstanding																		
		30 (Actual \$1,665,500)																		
		31 Administrative Allowance																		
		GSUSD FY 2015-08																		
		32 Through Enrollment																		

ROPS III Successor Agency (SA) Self-reported Prior Period Adjustments (PPA): Pursuant to HSC Section 34.186 (a), SAs are required to report the differences between their actual available funding and their actual expenditures for the ROPS III (July through December 2013) period. The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved for the ROPS 13-14B (January through June 2014) period will be offset by the SA's self-reported ROPS II prior period adjustment. HSC Section 34.186 (a) also specifies that the prior period adjustments self-reported by SAs are subject to audit by the county auditor-controller (CAC) and the State Controller.

Recognized Obligation Payment Schedule 13-14B - Notes

January 1, 2014 through June 30, 2014

Item #	Notes/Comments
1	A portion of the requested \$2,168,862 is retained for the period July 1, 2014 through December 31, 2014.
2	This amount is retained for the period July 1, 2014 through December 31, 2014 due to property tax disbursement. This agreement is performance based. Therefore, the total obligation is estimated and adjusted for each ROPS period. The maximum assistance is \$33M or 17 years, whichever comes first.
3	This amount is retained for the period July 1, 2014 through December 31, 2014 due to property tax disbursement. This agreement is performance based. Therefore, the total obligation is estimated and adjusted for each ROPS period. The maximum assistance is \$17M or 17 years, whichever comes first.
4	This amount is retained for the period July 1, 2014 through December 31, 2014 due to property tax disbursement.
5	This obligation is based on the sales performance of the entity. Therefore, the total outstanding obligation is estimated.
6	This agreement is performance based. Therefore, the total outstanding obligation is estimated.
7	This amount is retained for the period July 1, 2014 through December 31, 2014 due to property tax disbursement.
9	This obligation to Coastline Community College is now being paid from lease revenue received from California State University, Fullerton. Property maintenance and management costs, as outlined in the lease and sublease will be paid from a combination of other revenues and RPTTF monies, if needed. Approximately \$36,000 is estimated to be needed from RPTTF for this period.
11	The final payment on this obligation was made in August, 2013.
13	This obligation was approved by the Redevelopment Agency after the effective date of ABx1-26.
15	Termination date is estimated and dependent upon completion of improvements.
16	The estimated annual remediation/monitoring costs are \$23,000 per year, and is paid in June. We split this payment across the two ROPS periods.
18	Termination date is estimated and dependent upon start of payments and amounts of payments towards the obligation.
19	This amount is the second portion of the \$5,000,000 payment due the developer upon issuance of building permits for the parking structure of the project. This payment is anticipated to be made in early 2014. Termination date is estimated and dependent on timing of bond issue and completion of project.
20	Termination date is estimated and dependent upon when the project is completed.
22	Termination date is estimated.
23	Project Management staff support is anticipated to continue through the issuance of the Certificate of Occupancy of the Hotel (approximately a 2 year construction period from start). Termination date is estimated.
24	Project Management staff support is anticipated to continue through the issuance of the Certificate of Occupancy of the Hotel (approximately a 2 year construction period from start). Termination date is estimated.
25	Total outstanding obligation and termination date are estimates.
27	Total outstanding obligation and termination date are estimates.
31	This amount is 3% of the amount requested from the RPTTF on the ROPS. Total obligation and termination date are estimated.
32	This is a one-time payment of the 2005-06 Component Three Pass-Through Entitlement. This payment was not made due to a clerical error. Please see attached letter of explanation and a copy of the Pass-Through Agreement.
33	This property was acquired in 2002 as part of the Brookhurst Triangle Project. The Purchase Contract (attached) indicates that any future sale proceeds over the amount initially paid by the Agency to original seller are to be split 50/50 between the original seller and the City of Garden Grove (see page 7, section 30). The calculation for the amounts on the ROPS are attached as is a map of the site. All remaining proceeds will be remitted to the CAC for disbursement to the taxing entities.
34	This property was acquired in 2002 as part of the Brookhurst Triangle Project. The Purchase Contract (attached) indicates that any future sale proceeds over the amount initially paid by the Agency to original seller are to be split 50/50 between the original seller and the City of Garden Grove (see page 7, section 30). The calculation for the amounts on the ROPS are attached as is a map of the site. All remaining proceeds will be remitted to the CAC for disbursement to the taxing entities.
35	This property was acquired in 2002 as part of the Brookhurst Triangle Project. The Purchase Contract (attached) indicates that upon conveyance, the seller is to be paid \$300,000 (see page 7, section 30).
	This obligation encompasses a disposition and development agreement, a lease agreement, and a reciprocal easement agreement to provide parking to the Garden Grove Higher Education Center. The Successor Agency receives \$1/year in lease revenue. The lease has multiple options that increase the term of the lease to a total of 99 years. Though the LRPMP process, it was indicated that this should be placed on the ROPS even though no payment is made by the
36	Agency.



CITY OF GARDEN GROVE

September 25, 2013

Mr. Steve Szalay
Local Government Consultant
Department of Finance
State of California
915 L. Street
Sacramento, CA 95814

Bruce A. Broadwater
Mayor

Dina Nguyen
Mayor Pro Tem

Steven R. Jones
Council Member

Christopher V. Phan
Council Member

Kris Beard
Council Member

Re: Item No. 32 on ROPS 13-14B

Dear Mr. Szalay,

This letter provides additional documentation regarding item no. 32 on ROPS 13-14B: *One time payment for 2005-06 component three pass-through entitlement not made due to clerical error.*

Documentation of Entitlement

The former Garden Grove Agency for Community Development ("RDA") entered into a pass-through agreement (Capital Facilities Agreement or "Agreement") with Garden Grove Unified School District ("District") dated August 25, 1992 (Agreement attached). Pursuant to Section 2 of the Agreement, the District's pass-through entitlements include in effect three components:

1. Per Section 2 (i)-(ii), payment of the following fixed dollar amounts:
 - \$500,000 per year for FYs 1992-93 through 1994-95
 - \$1,000,000 per year for FYs 1995-96 through 2006-07
2. Per Section 2 (iii), annual payment for FYs 2007-08 through 2031-32 of "10 [percent] of the amount which would have been payable to the District from Current Plan Tax Increment from the Existing Territory"
3. Per the first paragraph of Section 2, annual payment "commencing in FY 1997-98 of an amount equal to "50 [percent] of the District's Share of the Redevelopment Project Area Tax Increment ["RPATI"], net of the Agency's [20 percent] housing set-aside obligation," etc.

Prior to dissolution of the former RDA, the RDA paid the District's (i) scheduled fixed dollar payment under component 1; (ii) formula-driven payments from CPTI under component 2 beginning with FY 2007-08; and (iii) formula-driven payments from RPATI under component 3, as required by the Agreement. *However, payment of the component three pass-through entitlement for FY 2005-06 was not made due to clerical error.*¹

Reason for Non-Payment

Because the District received separate checks from the RDA for each pass-through component, the District didn't discover it had *not* received the component 3 payment for FY 2005-06 until September 25, 2012. The Garden Grove Successor Agency agreed that the component 3 pass-through in the amount of \$1,307,616 had inadvertently *not* been made, and is still owed to the District under the terms of the Agreement.

Previous Denial by DOF

Accordingly, the Garden Grove Successor Agency added new enforceable obligation no. 32—“One time payment for 2005-06 Component Three Pass-Through Entitlement was not made due to clerical error”—to ROPS 13-14A in the amount of \$1,307,616. However, in its letters to the Successor Agency dated March 29, 2013 and May 17, 2013, DOF ruled that “this item is not eligible for RPTTF funding.”

Subsequent Direction from DOF

In a phone conference with DOF's Chris Hill on July 9, 2013, the District's consultant, Dante Gumucio of Public Economics, Inc., was told that a number of weeks ago, DOF had clarified its position to DOF staff that pass-through payments owed for prior years (i.e., pre-dissolution) *are* enforceable obligations of the Successor Agency payable from the RPTTF, and *should* appear on the ROPS. Mr. Hill advised that the Successor Agency should put item no. 32 on ROPS 13-14B, along with a copy of the agreement and this brief letter documenting the pass-through entitlement and the reason why it was previously unpaid by the former RDA.

Conclusion

If you have any questions or concerns about item no. 32 on ROPS 13-14B, or this letter of explanation (or the attached Agreement), please do not hesitate to contact me.

Thank you.

Sincerely yours,


Jim DellaLonga
Senior Project Manager

¹ “*Component Three Pass-Through Entitlement*” is part of the typology adopted by the District (and the former RDA) back in 2002. It does NOT include additional pass-throughs per Section 2(i)-(ii) of the agreement (Component 1—now lapsed) or per Section 2(iii) (Component 2), both of which were previously paid by the RDA to the District for FY 2005-06.

CAPITAL FACILITIES AGREEMENT

THIS CAPITAL FACILITIES AGREEMENT (the "Agreement") is entered into on the 25th day of August, 1992, by and between the GARDEN GROVE UNIFIED SCHOOL DISTRICT, a public agency ("District"), and the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body corporate and politic (the "Agency").

RECITALS

A. The Agency is a redevelopment agency existing pursuant to the provisions of the California Community Redevelopment Law (California Health and Safety Code Section 33000, et seq.) which has been authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council of the City of Garden Grove (the "City Council").

B. The City Council has adopted Ordinance No. 2232 pursuant to the California Community Redevelopment Law approving an amendment (the "Plan Amendment") to the Redevelopment Plan (the "Plan") for the Garden Grove Community Project (the "Project"). The Plan Amendment would add certain territory to the Project (the "Added Territory"), increase the debt and tax increment limitations of the Project, as well as make other changes to the Plan.

C. The Plan, as amended (the "Amended Plan"), contains provisions authorizing the allocation to the Agency of property tax revenues derived from property located within the existing territory located within the Project (the "Existing Territory") and the Added Territory (the Existing Territory and Added Territory are referred to herein collectively as the "Redevelopment Project Area") authorizing the allocation to the Agency of property taxes pursuant to California Health and Safety Code Section 33670(b) ("Tax Increment"). The legal descriptions of the Existing Territory and the Added Territory are recorded in the Official Records of the County of Orange and are specifically referenced in this Agreement as the best evidence of the properties included within the Redevelopment Project Area.

D. The District is an affected taxing entity, as defined in Section 33353.2 of the Health and Safety Code, which has general purpose and special bonded indebtedness ad valorem property taxes levied on its behalf by the County of Orange (the "County") on certain areas that comprise portions of the Redevelopment Project Area under the Amended Plan in Fiscal Year 1991-92.

E. Section 33445 of the Health and Safety Code authorizes the Agency to expend tax increment to fund capital improvements and facilities which are inside or outside the Redevelopment Project Area and of benefit to such area, including funding the capital improvements and facilities of other public agencies.

F. The Final Environmental Impact Report, certified as adequate by the City Council at its meeting of July 7, 1992, indicates that the implementation of the Plan Amendment may have an impact on capital facilities needs of the District. In addition, the District has submitted evidence to the Agency that the Plan Amendment will have a financial burden or detriment on the District pursuant to Health and Safety Code Section 33012. The Agency has found and determined that it would be appropriate to include within the Amended Plan certain capital improvements and facilities of benefit to the Redevelopment Project Area which are of mutual benefit to the District and the Agency. The Agency further finds and determines that the financial burden or detriment caused to the District by the Plan Amendment would be addressed by depositing certain tax increment into a Special Fund (as hereinafter defined) to pay for all or a portion of certain District capital facilities and improvements all consistent with this Agreement, all in accordance with Sections 33445 and 33679 of the Health and Safety Code. The financial burden and detriment on the District has been based on the increased costs to the District to provide adequate real properties and capital facilities necessary to accommodate student enrollments caused by implementation of the Amended Plan, and for which there is no other reasonable means of financing such capital improvement projects available to the District.

G. The District and the Agency desire to resolve and settle, once and for all times, certain present, past and future controversies, claims, causes of action or purported causes of action, differences or disputes, both real and potential, ensuing against the City of Garden Grove ("City") and/or the Agency in relationship to the Project as it relates to the Plan Amendment or certain Agency or City Amended Plan implementation activities.

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

1. Definitions. For purposes of this Agreement, the following terms will have the stated definitions:

a. "Added Territory" means the territory proposed to be added to the "Project Area" by the "Plan Amendment."

b. "Agency" means the Garden Grove Agency for Community Development, a public body corporate and politic.

c. "Amended Plan" means the "Plan," as amended by the "Plan Amendment" and in effect after the effective date of the Ordinance.

d. "City" means the City of Garden Grove, California, a California municipal corporation.

e. "City Council" means the Garden Grove City Council and/or the legislative body of the Agency.

f. "County" means the County of Orange, California.

g. "Current Plan Tax Increment" means that portion of tax increment funds generated in Fiscal Year 1991-1992 from Existing Territory under the Plan and prior to the effective date of the Ordinance allocated to and received by the Agency pursuant to Health and Safety Code Section 33670(b). The calculation of "Current Plan Tax Increment" shall include all tax increment funds generated in Fiscal Year 1991-92 if and when received by the Agency whether in Fiscal Year 1991-92 or thereafter.

h. "District" means the Garden Grove Unified School District.

i. "District Base Years Revenues" shall exclude Current Plan Tax Increment and shall mean pursuant to Health and Safety Code Section 33670(a) that portion of the taxes which would be produced by the property tax rate upon which the tax is levied each year for the District upon the total sum of the assessed value of the taxable property in the Redevelopment Project Area as shown upon the assessment roll used in connection with the taxation of that property by the District which was last equalized prior to the applicable base years, that is prior to the effective dates of each of the ordinances which comprise the Amended Plan, and are allocable to and when collected are paid by the County to the District. The District Base Years Revenues shall also include those duly established increases in the rate of tax imposed for the benefit of the District which tax levy occurs after the applicable base years in which the ordinances which comprise the Amended Plan became effective, as set forth in Health and Safety Code Section 33676(a)(1), or a successor subsection of such statute dealing with approved special tax rate increases.

j. "District's Share" shall not include any portion of Current Plan Tax Increment and shall mean that portion of Redevelopment Project Area Tax Increment allocated to

and received by the Agency pursuant to Health and Safety Code Section 33670(b) from and after the effective date of the Ordinance approving the Plan Amendment resulting from the one percent (1%) general purpose tax levy of the District allowed under Article XIII A of the California Constitution that, had the Amended Plan not been adopted, would have been allocated and paid to the District from the Redevelopment Project Area for the benefit of the District's general fund, as computed by the Orange County Auditor-Controller, in accordance with the applicable provisions of the California Revenue and Taxation Code.

k. "Existing Indebtedness" means all existing pledges or promises of tax increment by the Agency for bonded indebtedness, contracts, obligations, or instruments of indebtedness of the Agency, which indebtedness was incurred or obligated prior to the effective date of this Agreement, including, without limitation, the Agency's 1979 Tax Allocation Bonds and the 1986 Tax Allocation Bonds for the Project, including indebtedness which is incurred in the future that refunds or refinances these bonds, other contracts, obligations, or instruments of indebtedness, so long as such refunding or refinancing does not increase the "Maximum Annual Debt Service" as set forth and defined in said 1979 and 1986 Tax Allocation Bonds for the Project or the maximum annual debt payments under the other contracts, obligations or instruments of indebtedness. The Official Statements of the 1979 and 1986 Tax Allocation Bond Issues are appended to this Agreement as Exhibit "C" and are hereby fully incorporated by this reference. The District acknowledges to the Agency that it has received and reviewed a list of Existing Indebtedness ("Existing Indebtedness List") that at the time of this Agreement includes to the best knowledge and information of the Director of the Agency the bonds, contracts, obligations and other instruments of indebtedness of the Agency incurred or obligated prior to the effective date of this Agreement for which annual (or more often) debt service payments are payable after the effective date of this Agreement in the Fiscal Years 1992-1993 through 1996-1997, inclusive. "Existing Indebtedness" also includes any other indebtedness of the Agency incurred prior to the effective date of this Agreement which indebtedness may not be set forth on the Existing Indebtedness List because the Director is currently unaware of such indebtedness; provided, however, that in no event shall the total maximum annual debt service payments, required to be paid with respect to Existing Indebtedness exceed the amount of Seven Million Dollars (\$7,000,000) in any Fiscal Year.

The Agency represents to the District that, subject to potential legislative changes to the Community Redevelopment Law as discussed in Section 6 herein and except as to the pledges of tax increment revenues contained in the 1979

Tax Allocation Bonds and the 1986 Tax Allocation Bonds, the annual debt service on the contracts, obligations and other instruments of indebtedness will be payable from Current Plan Tax Increment and to the best information and belief of the Agency the Current Plan Tax Increment is sufficient to meet the annual debt service requirements of such contracts, obligations and other instruments of indebtedness which constitute Existing Indebtedness. Nothing in the foregoing representation shall modify the terms and provisions of such Existing Indebtedness. Nothing in the foregoing representation shall modify any provision of Section 5 herein. The Existing Indebtedness is acknowledged by the parties to constitute prior express pledges of tax allocation funds for purposes of Health and Safety Code Sections 33670 and 33671.5.

1. "Existing Territory" means the territory within the City which is located in the "Project" under the Plan and prior to the adoption of the "Plan Amendment" pursuant to the "Ordinance."

m. "Fiscal Year" shall mean the period from and including July 1 to and including the immediately following June 30.

n. "Future Bonded Indebtedness" shall mean indebtedness incurred by the Agency for any bonds, notes, interim certificates, debentures, certificates of participation or other bond debt issued by the Agency after the execution of this Agreement (except the refunding or refinancing of bonds other contracts, obligations, or instruments of indebtedness which qualifies as Existing Indebtedness) as in its sole discretion it deems necessary or appropriate in implementation and for the furtherance of the Amended Plan pursuant to Article 5 (commencing with Section 33640) of Chapter 6, Part 1 of the Health and Safety Code.

o. "Ordinance" shall mean Ordinance No. 2232 adopted by the City Council on July 14, 1992 approving the Plan Amendment.

p. "Plan" means the Redevelopment Plan for the Garden Grove Community Project, adopted by the City Council by ordinance no. 1339, as amended by ordinance nos. 1388, 1476, 1548, 1576, 1642, 1699, 1760 and 2035 and which was in full effect prior to the effective date of the Ordinance.

q. "Plan Amendment" means the changes to the Plan adopted by the Ordinance which amend the Plan by adding the Added Territory to the "Project," increasing the debt and tax allocations of the Project, and making other changes to the Plan.

r. "Project" means the Garden Grove Community Project.

s. "Redevelopment Project Area" means the Added Territory and the Existing Territory.

t. "Redevelopment Project Area Tax Increment" shall mean those tax revenues which are allocated and paid to the Agency pursuant to California Health and Safety Code Section 33670(b) during the Term in each Fiscal Year after the effective date of the Ordinance approving the Plan Amendment from the Redevelopment Project Area in accordance with and under the Amended Plan, less Current Plan Tax Increment, and less the sum that the Agency is required to set aside and expend for the purposes of low- and moderate-income housing pursuant to Health and Safety Code Section 33334.2, et seq., or successor statutes, from such remaining amount, and less the sum that the Agency is required to set aside or pay to or expend for any affected taxing entity, particularly to or for school districts and community college districts, pursuant to legislative requirements of or revisions to the Community Redevelopment Law or other statutes or regulations in which the Agency is mandated to pay tax increment to any affected taxing entity, except that any and all credits to the Agency permitted by such legislative provisions from capital facilities and/or pass through payments or agreements to affected taxing entities shall be included within the definition of Redevelopment Project Area Tax Increment.

u. "Special Fund" shall mean a joint special trust account of the Agency and District in a financial institution and which is administered and directed by the trustee or administrator of such account. The trustee or administrator shall be mutually selected by the District and the Agency. The administrator of the Special Fund may be the Agency or its designee, if mutually agreed upon by the parties. All proceeds of the allocation of funds by the Agency to the District pursuant to Section 2 herein shall be deposited by the Agency into the Special Fund. The District shall only obtain disbursements from the Special Fund through the trustee or administrator in compliance with this Agreement. All costs of management and administration of the Special Fund incurred by the third party trustee or administrator, the City, the Agency, and/or the District shall be payable from the Special Fund. Interest, if any, earned on the monies deposited into the Special Fund shall accrue to the Special Fund to the benefit of the District for the purposes intended hereunder.

v. "Term" of the Amended Plan shall mean the term of the Amended Plan as defined in such Amended Plan.

2. Allocation of Tax Increment. Subject to the limitations of Sections 5 and 6 hereof, the Agency shall pay into the Special Fund for each Fiscal Year of the Term of the Amended Plan commencing in Fiscal Year 1997-1998 an amount equal to fifty percent (50%) of the District's Share of the Redevelopment Project Area Tax Increment (said payment of the 50% share of the District's Share is exclusive and net of the Agency's housing set-aside obligation and any other set aside or mandatory payment to affected taxing entities as set forth herein.) The Agency acknowledges that the District Base Years Revenues shall be and shall continue to be paid by the County to the District pursuant to Health and Safety Code Sections 33670(a) and 33676(a)(1).

Subject to the limitations of Sections 5 and 6 hereof, in addition to the payment described in the above paragraph, and for each Fiscal Year through 2031-2032, inclusive, or such later time as set forth in (iii) below, the Agency agrees to pay into the Special Fund from the Current Plan Tax Increment the following:

- (i) for each Fiscal Year during Fiscal Years 1992-1993 through 1994-1995, inclusive, the annual amount of Five Hundred Thousand Dollars (\$500,000); and
- (ii) for each Fiscal Year during Fiscal Years 1995-1996 through 2006-2007, inclusive, the annual amount of One Million Dollars (\$1,000,000); and
- (iii) for each Fiscal Year during Fiscal Years 2007-2008 through 2031-2032, inclusive, the annual amount of ten percent (10%) of the amount which would have been payable to the District from Current Plan Tax Increment from the Existing Territory allocated to and received by the Agency pursuant to Health and Safety Code Section 33670(b) for each of the various areas which comprise the Existing Territory under the various ordinances which comprise the Plan resulting from the one percent (1%) general purpose tax levy of the District allowed under Article XIII A of the California Constitution that, had the various ordinances which comprise the Plan for the Existing Territory not been adopted, would have been allocated and paid to the District from the Existing Territory for the benefit of the District's general fund, as computed pursuant to applicable provisions of the California Revenue and Taxation Code; provided that, if and to the extent permitted by law, in the event that the Agency is required to repay indebtedness beyond the stated termination date of the Amended Plan (2031-32), Agency shall continue

to pay into the Special Fund the amount described in this subparagraph (iii) until the Agency retires its other indebtedness.

Within fifteen business days (15) after Agency receipt of the allocation and payment by the County Auditor-Controller to the Agency of Redevelopment Project Area Tax Increment the Agency will credit the District's account in the Agency's internal accounting system (i) which account is the Special Fund if a third party trustee or administrator is not utilized, or (ii) if a third party trustee or administrator is utilized the Agency will not more often than quarterly, upon and at the District's discretion, make transfer(s) of such funds to the third party trustee or administrator into the Special Fund of up to the total untransferred and unobligated amount at the time of the District's request.

To the extent during any Fiscal Year the Agency is unable to pay the full amount due and owing to the District from Current Plan Tax Increment pursuant to subsections (i) through (iii) above, the full amount of such deficit shall be paid by the Agency to the District from Current Plan Tax Increment in the next following Fiscal Year. At the time of such delayed payment the Agency shall pay from Current Plan Tax Increment the full amount due with interest at a rate equal to the average annual rate earned by the Orange County Treasurer on other District investments for the full period of the delay.

The Agency shall not be liable in any respect for any costs, expenses, fees, charges or assessments of whatever nature incurred by the Agency, the City, their officers, employees, agents or consultants, the administrator or the trustee in establishing, maintaining, directing or administering the Special Fund. The District acknowledges and agrees that any and all direct and indirect costs incurred by or assessed to the Agency or the City or their officers, employees, agents or consultants, in allocation to and in establishing, maintaining, directing or administering the Special Fund, and the disbursements by the trustee to the District therefrom, shall be charged to and then directly reimbursed to the Agency or the City by the administrator or the trustee through withdrawal of such costs directly from the Special Fund.

At the sole cost to the District, the Agency shall, within thirty (30) days after receipt of written request from the District, make available to the District for review or audit its records or statements regarding the allocation and payment of Redevelopment Project Area Tax Increment to the Agency and/or the Special Fund in accordance with the Amended Plan pursuant to Health and Safety Code Section 33670(b).

The Agency acknowledges and agrees that any and all direct and indirect costs incurred by the District in directing and administering the capital projects and real property acquisition or lease as is authorized pursuant to the Agreement shall be charged to the Special Fund, in accordance with the following procedure:

1. The District shall be entitled to receive from the Special Fund, an annual direct administrative fee for the purpose of providing specialized District required project services, equal to ten percent (10.0%) of the annual actual expenditures of tax increment to the Special Fund pursuant to Section 2 of this Agreement on June 30, 1993, and each year thereafter for the term of the Agreement;
2. The District shall be entitled to receive from the Special Fund its annual indirect costs based upon the State approved J-380 Annual Program Cost Data Report, and/or a comparable State or Federal document, as established and amended. In the event the State deletes the formula, District shall be entitled to use an indirect rate equivalent to the City's adjusted annual indirect rate.

The proceeds deposited into the Special Fund shall be drawn and, to the extent so authorized by the District, expended by the administrator or trustee as directed by the District pursuant to and in compliance with this Agreement only to finance the acquisition or lease of real property for schools and/or the planning, construction and completion of other capital improvements, structures, buildings, and facilities of benefit to the Project Area as set forth in Exhibit "A" and which acquisition or lease or capital improvement projects are also located within or outside the Redevelopment Project Area (but are within the City) and which are of benefit to the Redevelopment Project Area and in compliance with all applicable laws.

Permissible uses of the Special Fund proceeds include, but are not limited to, the lease or purchase of land and/or school facilities for use as schools, District administrative and operations facilities, and/or the construction, expansion, addition to, or reconstruction of school buildings, facilities, structures or other public improvements, including without limitation any and all direct predevelopment costs for planning, engineering, and architectural services and costs for contract administration expenses incurred in connection with the planning, construction or completion of such public improvements, provided that such expenditures are of benefit to the Redevelopment Project Area. The use of the Special Fund for

normal maintenance or operations (as distinguished from the Deferred Maintenance projects set forth in Exhibit "A" hereto) of school buildings, facilities, structures, or other public improvements or payment of salaries, wages or benefits to District employees is strictly prohibited. The use of the Special Fund for arbitrage purposes is strictly prohibited. A list of permitted capital improvement projects which comply with this Agreement is attached hereto as Exhibit "A" and hereby incorporated herein by reference.

All disbursements from the Special Fund through the administrator or trustee by the Agency shall be made only if all of the following have occurred:

(a) the District shall have submitted to the Agency Director: (i) a description of the proposed capital improvement project or real property acquisition or lease or such capital project shall have been included within the Exhibit "A" list of permitted capital projects; (ii) evidence that the District has duly entered into a contract for public work for the construction of the subject capital improvement project or a contract and escrow for the acquisition or lease of real property, whichever is applicable; and (iii) reasonable evidence that the Special Fund proceeds are immediately needed for payments to third party contractors, subcontractors, suppliers, and/or landowners in connection therewith; (iv) all third party invoices and bills for actual costs incurred and due for payment in connection with (ii) above (the requested Special Fund withdrawal amount shall be payable by warrant or check to such payee third party); and (v) a statement, including descriptive analysis, of the anticipated use, if any, of those facilities by the District, or by any parties other than the District, for non-governmental or non-educational purposes; and

(b) the Agency and the City shall have made findings by resolution and the District shall have certified that the proposed capital improvement project or real property lease or acquisition: (i) meets the requirements of this Agreement; (ii) is of benefit to the Redevelopment Project Area; (iii) no other reasonable means of financing such capital improvement project or real property acquisition exists; and (iv) meets the requirements of Health and Safety Code Sections 33445 and 33679; and

(c) the Agency shall have found and the District shall have represented and warranted to the Agency (in a form acceptable to the Agency) that: (i) the anticipated private business use, if any, of the proposed capital improvement project or real property acquisition will not exceed twenty-five percent (25%) of the overall use of such facility; (ii) the proposed capital improvement project or real property acquisition is not being acquired for the purpose of resale,

investment or private reuse (the foregoing subsection (ii) shall not preclude the District from declaring school property surplus, subject to applicable legal restrictions or requirements with the proceeds of such resale to be deposited into the Special Fund or if the Special Fund does not exist then such proceeds may be returned to the District and expended for the purposes described herein); (iii) no Special Fund monies will be expended on the working capital needs (which includes operational and maintenance expenses as distinguished from the Deferred Maintenance projects set forth in the attached Exhibit "A") of the School District; and (iv) the proposed expenditure will not violate any covenants of the Agency as set forth in the 1979 Tax Allocation Bonds or the 1986 Tax Allocation Bonds for the Community Project.

With respect to the findings that are required by the Agency or City Council with respect to this Section 2 subsections (a) through (c), inclusive, the Agency shall exercise its discretion reasonably and in good faith and within a reasonable period. The parties currently anticipate that in the absence of the necessity for some action by a third party, ninety (90) days from the date of submittal by the District of all evidentiary support and warranties and representations deemed necessary by the Agency and/or City Council with respect to the proposed capital improvement project or real property acquisitions, as the case may be, is a reasonable period. However, nothing in the foregoing sentence in any respect prejudices or predetermines the Agency's or the City Council's consideration of or exercise of their discretion or the legal notices or requirements which may be necessary to be taken by the City or the Agency prior to such findings.

The Special Fund shall be expended on capital improvement projects selected by the District in the District's sole discretion, provided that the Agency and City Council shall have determined that such expenditure is permissible pursuant to Health and Safety Code Sections 33445 and 33679 and this Agreement.

3. Section 3 - Intentionally Omitted.

4. Section 33676 Resolutions. The District agrees that it shall not request receipt of revenues pursuant to Section 33676(a)(2) of the Health and Safety Code, and within sixty (60) days of executing this Agreement, the District shall immediately repeal the resolution, if any, that it may have adopted pursuant to Health and Safety Code Section 33676(b) regarding the Amended Plan and/or the Plan Amendment.

5. Conditions and Limitations to Allocations by Agency to Special Fund for the Benefit of District. Payments by the Agency to the Special Fund pursuant to Section 2 are expressly subject to all of the conditions and limitations set forth in this Section 5:

(a) The Agency's obligation under this Agreement to make payments to the Special Fund is deemed to constitute an "indebtedness" within the meaning of Health and Safety Code Sections 33670 and 33675 and an express pledge of funds for purposes of Section 33671.5 of the Health and Safety Code, but shall be junior in right of payment to Existing Indebtedness.

(b) Except as set forth herein, the Agency's obligation to make payments hereunder shall be limited to Current Plan Tax Increment and Redevelopment Project Area Tax Increment from the Redevelopment Project Area which is actually received by the Agency. In no way shall the Agency be liable for such obligations from any other revenues. The City shall have no financial obligation or any other obligations by virtue of this Agreement, and shall not be responsible for the discharge of obligations of the Agency herein.

(c) It is understood by the parties that certain amounts of the taxes allocated to the Agency pursuant to Section 33670 of the California Health and Safety Code must be set aside by the Agency in special funds to service Existing Indebtedness and meet the Agency's obligation under Health and Safety Code Section 33334.2, or a successor statute. The Agency's obligation to make the payments pursuant to Section 2 herein to the District shall be first subject to and junior and subordinate in right of payment to the Agency's obligation under Health and Safety Code Section 33334.2, or a successor statute, and to Existing Indebtedness, as herein defined.

The parties understand that future legislative changes made to Health and Safety Code Section 33334.2 or other sections of the California Community Redevelopment Law may increase or decrease the amount of Current Plan Tax Increment and Redevelopment Project Area Tax Increment which is available to the Agency and which is payable to the District hereunder, and agree that no such statutory changes shall entitle the parties to modify or terminate this Agreement, or to seek a change in the tax sharing formula set forth in this Agreement.

(d) Subject to Section 6 herein, it is further understood by the parties that certain additional amounts of the taxes allocated to the Agency pursuant to Section 33670 of the California Health and Safety Code may be required to be set aside or paid to affected taxing entities, particularly school districts and community college districts, to meet legislative requirements which may be imposed on some or all redevelopment

agencies pursuant to currently proposed or subsequent legislation. The parties understand that such potential legislative changes to the Community Redevelopment Law may increase or decrease the amount of Current Plan Tax Increment and/or Redevelopment Project Area Tax Increment which is available to the Agency and thus available for payment to the District hereunder.

Subject to the rights of the District and/or the Agency to terminate this Agreement pursuant to Section 6 herein and to the extent the parties elect to proceed hereunder, the full amount, if any, paid by the Agency to the District pursuant to any mandatory pass through to the District due to legislative requirements each year shall be credited to the Agency and offset and deducted from the amounts due by the Agency to the District pursuant to Section 2 herein, or alternatively, in any year if no payments by the Agency to the District are mandated by legislative requirements due to the form or exceptions of this Agreement, the full amount excepted shall be included within the amount of available Redevelopment Project Area Tax Increment for the payment by the Agency to the District required by Section 2 herein.

(e) Nothing in this Agreement shall be construed to give the District the right to approve Agency Future Bonded Indebtedness.

(f) The District may request from time to time that the Agency, in connection with the Agency's election to issue and sell bonds secured by Redevelopment Project Area Tax Increment from the Redevelopment Project Area under the Amended Plan payable to the District pursuant to the first paragraph of Section 2 except as provided in the fourth paragraph of this subsection 5(f), include in the sizing of the bond issuance an amount to be secured by the Redevelopment Project Area Tax Increment payable to the District pursuant to the first paragraph of Section 2 of this Agreement. Such request for a joint bond issuance by the District shall be subject in all respects to the Agency's full discretion to determine the amount of the bond issue, maturity, interest rates and all other material terms. The Agency agrees to consider in good faith the request and endeavor to include such amount in the bond issuance. In the event bonds are issued pursuant to this paragraph, the Agency shall pay to the District, upon receipt, that applicable portion of the bond proceeds which is secured by the Redevelopment Project Area Tax Increment payable to the District pursuant to the first paragraph of Section 2 hereof (as reduced by the pro rata costs of issuance, reserve funds and all other amounts allocable to that portion of the bond issuance secured by the District's portion of the Redevelopment Project Area Tax Increment and that such costs are directly paid to the Agency from the bond proceeds or in cash upon closing of such

bond transaction.) To the extent of such payment, the Agency's obligation pursuant to the first paragraph of Section 2 hereof to pay Redevelopment Project Area Tax Increment shall be fully satisfied. The District shall evidence in writing, to the satisfaction of Agency's bond counsel, its consent to the terms of the issuance and the extinguishment of the Agency's obligation to pay to the extent applicable the corresponding Redevelopment Project Area Tax Increment. The District acknowledges that numerous laws, restrictions and regulations apply to the issuance of bonds and if bonds are issued by the Agency pursuant to this paragraph and the Redevelopment Project Area Tax Increment is included in the issuance, then the District agrees to comply with all requirements that Agency's bond counsel may deem applicable in its judgment, including, without limitation, all applicable federal tax and security law requirements and all other applicable requirements of state and federal law. With respect to this paragraph, if and when the Agency in its sole discretion elects to initiate procedures toward a bond issue secured by the Redevelopment Project Area Tax Increment under which the District may desire to join, the Agency shall give written notice to the District of such election to initiate bond issue procedures within fifteen (15) business days of such decision. The District shall have fifteen (15) business days from the date of such notice to request in writing that the District join in such bond issue. If the District fails to timely respond within such fifteen (15) business days, the District shall be deemed to have rejected such request. Nothing in the foregoing shall in any respect qualify or modify the statement of subsection (5)(e) above.

The District may also request from time to time that the Agency issue and sell bonds for the benefit of the Project Area secured by the Redevelopment Project Area Tax Increment from the Redevelopment Project Area under the Amended Plan payable to the District pursuant to the first paragraph of Section 2 of this Agreement. Such request for Agency issuance of bonds for the benefit of the District shall be subject in all respects to the Agency's full discretion to determine the amount of the bond issue, maturity, interest rates and all other material terms. The Agency agrees to consider in good faith the request and assist the District in such issuance by the Agency for the benefit of the District. In the event of such issuance the Agency shall pay to the District upon receipt the bond proceeds which are secured by the Redevelopment Project Area Tax Increment payable to the District pursuant to the first paragraph of Section 2 hereof (as reduced by the costs of issuance) Agency bond counsel and other Agency costs, reserve funds and all other amounts of the bond issuance) secured by such District portion of the Redevelopment Project Area Tax Increment. All costs incurred by the Agency shall be paid from the bond proceeds or in cash upon the closing of such bond transaction. To the extent of such payments, the Agency's

obligations pursuant to the first paragraph of Section 2 hereof shall be fully satisfied. The District shall evidence in writing, to the satisfaction of Agency's bond counsel, its consent to the terms of the issuance and the extinguishment of the Agency's obligation to pay to the extent applicable the corresponding Redevelopment Project Area Tax Increment. The District acknowledges that numerous laws, restrictions and regulations apply to the issuance of bonds and if bonds are issued by the Agency pursuant to this paragraph and the Redevelopment Project Area Tax Increment is included in the issuance, then the District agrees to comply with all requirements that Agency's bond counsel may deem applicable in its judgment, including, without limitation, all applicable federal tax and security law requirements and all other applicable requirements of state and federal law.

To the extent the District (itself and not the Agency as issuer) desires or intends to issue bonds secured by the District's portion of the Redevelopment Project Area Tax Increment allocated pursuant to the first paragraph of Section 2 herein, District agrees that it will give the Agency a reasonable opportunity to review and comment on any financing documents, including disclosure documents, utilized by the District in connection with any financing of the capital improvements projects in which payments hereunder are an anticipated source of repayment, and the District shall reimburse the Agency from the proceeds of such financing for the reasonable customary and actual cost of such review. Agency shall be under no obligation to conduct such review.

To the extent the District desires to request that any Agency/District joint bond issue, an Agency bond issue for the benefit of the Project Area, or a District bond issue include as security for such proposed bond issue the District's portion of subordinate Current Plan Tax Increment pledged to the District by the Agency pursuant to the second paragraph of Section 2 herein, the District may request such in writing from the Agency, but such request shall in all respects as determined by the Agency in its sole and absolute discretion be subject to (i) the applicable requirements of the above three paragraphs, and (ii) the Agency's sole and absolute discretion and its special counsel's and/or special bond counsel's and/or the independent financial advisor's opinion, request, requirements or advice concerning the Current Plan Tax Increment, Existing Indebtedness, the refunding or refinancing of such Existing Indebtedness, or the conditions, provisions and requirements thereto.

(g) Notwithstanding the other provisions of this Section 5 hereof, no payment shall be made by the Agency in any Fiscal Year pursuant to this Agreement if such payment would impair any Existing Indebtedness.

(h) Notwithstanding any other provisions of this Agreement to the contrary, the Agency's obligation to make payments to the District under this Agreement in any single Fiscal Year shall not: (i) exceed the amount of Current Plan Tax Increment and Redevelopment Project Area Tax Increment which would have been received by the District if all the Current Plan Tax Increment and Redevelopment Project Area Tax Increment from the Redevelopment Project Area had been allocated to all the affected taxing agencies without regard to the division of taxes required by Health and Safety Code Section 33670; (ii) violate the expenditure limitation under Article XIII B of the California Constitution; (iii) be contrary to any provision of the laws of the State of California; or (iv) be contrary to any covenants of the Agency as set forth in the Community Project 1979 Tax Allocation Bonds or the 1986 Tax Allocation Bonds.

(i) No payments shall be made by the Agency into the Special Fund from the Current Plan Tax Increment and Redevelopment Project Area Tax Increment to the District except as expressly set forth in this Agreement.

(j) The District shall indemnify, defend and hold harmless the Agency, the City and their respective officers, employees, representatives and agents from any and all claims, liabilities and causes of action asserted by any third party against the Agency or the City by reason of the legal authority of the Agency to make the payment of funds in the manner described in Section 2 of this Agreement.

District agrees that Agency and City and their respective officers, employees, representatives, and agents shall have no responsibility whatsoever for the use and expenditure of payments from the Special Fund by the Agency, trustee, or administrator hereunder. District shall comply with all applicable laws in the planning, use and expenditure of payments from the Special Fund and in the planning, processing, acquisition, construction, use, operation and maintenance of the public improvements projects and acquisitions intended under this Agreement. In addition to, and not by way of limitation of, the hold harmless and indemnity provisions of this Agreement, District agrees to indemnify, defend and hold harmless City and Agency and their officers, employees and agents for any liability, claims, challenges to legal authority or causes of action arising out of the District's implementation of the public improvement projects, leases and acquisitions, including without limitation the items listed in Exhibit "A," intended under this Agreement or any of them, or the use and expenditure hereunder to such implementation, to the maximum extent permitted by law.

The damages for which the District is holding harmless and indemnifying the Agency and/or City hereunder shall include, without limitation, any consequential damages. By way of example and not by way of limitation, the District by its use of the Special Fund could cause the Agency bonds to become taxable thereby resulting in financial damages to the bondholders.

6. Effective Date and Term. This Agreement shall become effective upon the date of action and the approval of this Agreement by the Agency and shall remain in effect throughout the Term of the Plan.

Notwithstanding the foregoing, this Agreement by its own terms shall terminate automatically and be of no further force or effect in the event the adoption of the Plan Amendment or the Amended Plan should be set aside, annulled, or modified as the result of litigation of whatever form against the Plan Amendment or the Amended Plan. The word modified as used in the previous sentence shall mean a modification of the Amended Plan which affects: (i) the financial provisions (including the tax increment limitation and the limitation on bonded indebtedness), (ii) the authorized powers of the Agency or its legislature body, (iii) the intended public or private projects or improvements, (iv) the Term, (v) the period of eminent domain, or (vi) the Added Area. With respect to (i) through (vi) inclusive above, if the intent and factual and legal assumptions of the parties to this Agreement cannot be fulfilled or are affected contrary to the objectives as mutually agreed herein then this Agreement shall be so terminated.

If litigation of whatever form is filed by any person or entity challenging the Plan Amendment, the Ordinance or any proceeding in connection with such adoption proceeding, then the payment requirements of the Agency in Section 2 hereunder shall be tolled and delayed for the period of such litigation.

If as a result of the terms and conditions of this Agreement any department of the State of California, the State of California Legislature, or a court of law, imposes restrictions, conditions, penalties, mandatory payments by the Agency to taxing entities, or any other conditions or requirements, which in any way adversely affects the normal, accepted, and standard revenue sources and accounting practices and amount of revenues with regards to the financing of services and facilities of the District as provided for by the Community Redevelopment Law or otherwise by the State of California, then at the sole discretion of the District this Agreement shall be terminated and be of no other further force or effect and thereafter be renegotiated between the District and the Agency.

If any department of the State of California, the State of California Legislature, or a court of law imposes restrictions, conditions, penalties, statutory requirements,

mandatory payments to taxing entities or any other requirements which in any way adversely affects the current method of tax increment allocation and/or thereby the amount of tax increment payable to and/or expendable by the Agency for non-mandated purposes under the Amended Plan, and/or the amount of tax increment allocable to the Agency to pay the District, and/or the amount of funds to be set aside or mandated to be paid to or expended for taxing entities as provided for by the Community Redevelopment Law or otherwise by the State of California, then at the sole discretion of the Agency this Agreement shall be terminated and be of no other further force or effect and thereafter be renegotiated between the District and the Agency.

In clarification of the foregoing two paragraphs, in the event the Agency or the District in their respective discretionary acts terminate this Agreement or a court modifies the Amended Plan as described in the second paragraph of this Section 6, the Agency and District agree each is obligated to negotiate in good faith toward an amended or new pass-through contract, which contract provides reasonably remaining financial benefit to the District and reasonably equivalent remaining tax increment funds allocable and paid to and/or expendable by the Agency in relation to the legislative requirements and circumstances at the time of such renegotiations, all in full compliance with the Community Redevelopment Law and all other applicable laws.

7. Modification and Termination. In the event any section or portion of this Agreement shall be held, found or determined to be unenforceable or invalid for any reason whatsoever, the remaining provisions shall remain in effect, and the parties thereto shall take further actions as may be reasonably necessary and available to them to effectuate the intent of the parties as to all provisions set forth in this Agreement. However, in respect to this Section 7 the Agency makes no representation to the District regarding the validity or enforceability of this Agreement.

8. Notice of Plan Amendment. The District certifies to the Agency that it has received all notices, written or published, that it is required by the California Community Redevelopment Law to receive during the process leading to the adoption of the Plan Amendment, and hereby waives any and all legal rights it may have to contest the Plan Amendment due to a failure to receive any statutorily required notice.

9. Qualified Release and Covenant Not to Sue or Challenge Plan. The District releases the City and the Agency from any and all claims or causes of action, and covenants and agrees and irrevocably binds itself and its officers, employees, agents and representatives forever at no time or place to commence or participate in or prosecute any actions at the

expense, direction, recommendation or encouragement of the District on account of any claim or causes of action, whether past, present or future, with regard to the City's and the Agency's adoption of the Plan Amendment, the Ordinance adopting the Plan Amendment, and/or the certification of the Environmental Impact Report for the Project under the Amended Plan.

The District agrees that neither it, nor its officers, employees, agents or representatives at the expense, direction, recommendation or encouragement of the District, shall file or participate in opposition to the Agency or the City in any challenge attacking or otherwise questioning (i) the validity of the Amended Plan, or (ii) the adoption or approval of the Plan Amendment, or (iii) any of the findings, determinations, or filings previously made by the Agency or the City Council in connection with the Plan Amendment, or (iv) the implementation of the Amended Plan, or any of its supporting documentation, including, without limitation, the City's General Plan, any Environmental Impact Report prepared for the Amended Plan or the Plan Amendment in connection with the actions undertaken by the Agency, or (v) any development proposal for (a) any and all projects listed in the attached and hereby incorporated Exhibit "B" (which Exhibit "B" includes a list of some of the projects the parties agree may be implemented without District intervention pursuant to this Agreement and in implementation of the Amended Plan), (b) for any and all senior citizen residential housing development projects in which occupancy is restricted of record to "senior citizens" or "qualifying residents" as those terms are defined under Civil Code Section 51.3, and (c) for any and all single family or multi-family residential developments of ten (10) or fewer units, and (d) for any and all non-residential projects (including without limitation commercial or industrial projects) undertaken by the Agency pursuant to a disposition development agreement or owner participation agreement in implementation of the Amended Plan (whether or not such projects are listed in Exhibit "B" or are inside or outside the Project Area. Provided, however, that with respect to item (d) above, the District may challenge a development project outside the project area on grounds relating to any direct impact of the non-residential development proposal on existing school facilities; provided further that such direct impact shall not include overcrowding of school facilities.

Except as provided in the paragraph immediately above, the District furthermore agrees that neither it, nor its officers, employees, agents or representatives at the expense, direction, recommendation or encouragement of the District, shall file or participate in opposition in any challenge to any zoning changes, general plan amendments, conditional use permits, environmental assessments or any other specific development applications within the Redevelopment Project Area

(or outside the Redevelopment Project Area if pursuant to Sections 33445 or 33679 of the Health and Safety Code or successor statutes) proceeding through the entitlement process of the City and/or the Agency pursuant to the Amended Plan for those projects described in (v) including (a) through (d) inclusive above implemented by the Agency under the Amended Plan.

As to projects to be implemented by the Agency or the City which are not set forth in (v) including (a) through (d) inclusive above (herein "Other Developments"), the District furthermore agrees that neither it, nor its officers, employees, agents, representatives at the expense, direction, recommendation, or encouragement of the District shall file or participate in opposition to such Other Developments, except opposition and/or a challenge or challenges based upon compliance or alleged non-compliance with the California Environmental Quality Act, local or state land use laws or regulations, or on the City General Plan's adequacy or conformity, or the update or amendment of the City General Plan.

Notwithstanding the foregoing, the District agrees that neither it, nor its officers, employees, agents, representatives at the expense, direction, recommendation, or encouragement of the District, shall file or participate in opposition to any Agency or Agency funded projects or City Council actions (whether described in (v) above or Other Developments) undertaken pursuant to the Amended Plan based on or otherwise questioning the Agency's or the City's compliance or alleged non-compliance with any of the provisions of the Community Redevelopment Law, Health and Safety Code Section 33000, et seq., and successor statutes. As to Exhibit "B" the Agency in no respect whatsoever states or represents that such listed projects will be implemented, nor does the Agency in any respect whatsoever predetermine or exercise its discretion concerning such projects or their consideration or implementation. The list is for reference purposes only under this Agreement.

The District acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The District hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

10. Section 10 - Intentionally Omitted.

11. No Overcrowding Resolution. The District certifies that it has not and covenants that it has not in the past and will not in the future make or transmit findings or take actions pursuant to Section 33445.5 of the Community Redevelopment Law.

12. Default. Except to the extent required by law, failure or delay by any party to perform any term or provision of this Agreement constitutes a default under this Agreement. The party who so fails or delays must immediately commence to cure, correct or remedy such failure or delay, and shall complete such cure, correction or remedy with reasonable diligence and during any period of curing shall not be in default. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. If the default is not commenced to be cured within thirty (30) days after service of such notice of default and is not cured promptly in a continuous and diligent manner within a reasonable period of time after commencement, the defaulting party shall be liable for any damages caused by such default, and the non-defaulting party may thereafter commence an action for damages with respect to such default or for specific performance of this Agreement.

13. Indemnification. The Agency shall indemnify and hold harmless the District and its officers, agents, employees, representatives and volunteers, from and against any loss, liability, claim or judgment relating in any manner to the Agency's breach of its obligations pursuant to this Agreement. The District shall indemnify and hold harmless the Agency and its officers, agents, employees, representatives and volunteers, from and against any loss, liability, claim or judgment relating in any manner to the District's breach of its obligations pursuant to this Agreement.

14. Notices. Written notices, demands and communications between the parties shall be sufficiently given if delivered by hand, or overnight delivery service, or dispatched by registered or certified mail, postage prepaid, return receipt requested, to the addresses specified below:

To Agency:

Garden Grove Agency For Community Development
11391 Acacia Parkway
Garden Grove, California 92642
Attention: Director

To District:

Garden Grove Unified School District
10331 Stanford Avenue
Garden Grove, California 92640-6353
Attention: Superintendent

All notices and communications sent to the parties shall be deemed to have been received three (3) days after the notice or communication has been deposited in the U.S. Mail, and the next business day after the notice or communication has been delivered by hand or sent by overnight delivery service.

15. Attorneys' Fees. In the event any action by either party is taken to enforce this Agreement pursuant to Section 25 hereof, the prevailing party shall be entitled to recover its actual attorneys' fees and costs of litigation from the other party.

16. Nonliability of Officials and Employees of Parties. No member, official or employee of the parties hereto shall be personally liable to the other party, or any successor in interest, in the event of any default or breach of this Agreement or for any amount which may become due hereunder, or on any obligations under the terms of this Agreement.

17. Conflicts of Interest. No member, official or employee of the parties hereto shall have any personal interest, direct or indirect, in this Agreement, nor shall any member, official or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested.

18. Entire Agreement. This Agreement, including Exhibits "A", "B" and "C", constitutes the entire understanding and agreement of the parties, integrates all of the terms and conditions mentioned herein or incidental hereto, and supercedes all negotiations or previous agreements between the parties with respect to all or any part of the subject matter hereof.

19. Waivers and Amendments. All waivers of the provisions of this Agreement shall be in writing and executed by the appropriate authorities of the parties, and all amendments hereto shall be in writing and executed by the appropriate authorities of the parties.

20. Time of Essence. Time is of the essence with respect to every portion of this Agreement of which time is a material part.

21. Legal Challenge. The District and Agency agree that in the event litigation is initiated by someone not a party to this Agreement attacking the validity or the implementations of all or any portion of this Agreement, to the extent the provisions are enforceable and valid, both parties shall support and seek to uphold this Agreement.

22. Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

23. Further Assurances. Each party without further consideration agrees to execute such other and further documents, and to perform such other and further acts, as may be necessary or proper in order to consummate the settlement and transaction contemplated by this Agreement.

24. Severability. Except as described specifically herein, if any term or provision of this Agreement shall be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

25. Resolution of Disputes. Either party shall submit any and all disputes seeking specific performance of the terms of this Agreement, or to cure, correct or remedy any default, to recover damages for any default, or to obtain any other legal or equitable remedy consistent with the purpose of this Agreement, only to a retired Judge of the Superior Court in and for the State of California (hereinafter "Superior Court") in the following manner:

- (a) The parties must agree on the Judge's identity within five (5) days after the dispute arises or, at the end of the fifth day, the parties' respective counsel shall be authorized to agree upon the Judge's identity and bind their clients. Failure to cooperate in this selection process waives the uncooperative party's right to participate in the selection process, or object to the Judge selected.
- (b) Disputed matters shall be promptly submitted to the Judge in a manner determined by him/her following his/her selection. Once a matter is submitted to the Judge, s/he is empowered with the full authority of a judge sitting on the bench of the Superior Court in and for the State of California (hereinafter "Superior Court"), and may make any ruling consistent with that power. In

order to implement this provision, the parties, by executing this Agreement, agree to execute and file with the Superior Court of the County of Orange, such papers as are appropriate to procure the appointment of said Judge as a Judge Pro-Tempore of the Superior Court.

- (c) The Judge may make any order s/he feels is appropriate regarding which party should bear or be awarded attorneys' fees and/or costs, and which party or parties should pay for the fees and costs of the Judge.
- (d) The rights of judicial review granted under this Paragraph are the only rights of judicial review that are available to the parties hereto. They are exclusive of all other rights of relief which might otherwise be held by them. It is their intention that all of the disputes arising out of, or related to, their execution of this Agreement, or the rights or responsibilities granted or imposed by this Agreement, be resolved exclusively in the manner provided for in this Paragraph and its subparts. Consistent with this intention, the parties, by executing this Agreement, specifically acknowledge that the decisions and orders of the Judge are nonappealable and nonreviewable, and, therefore, they are waiving their rights to seek relief in the State or Federal Courts, except for the purpose of securing and confirming the authority of the Judge provided for herein, and to enforce his/her decisions and orders by confirmation pursuant to the California Code of Civil Procedure Section 1280 et. seq., or through appropriate injunctive relief. In the event that a party files any action inconsistent with the terms of this Paragraph, then the party filing the action will be liable for all fees and costs actually incurred by the other party in responding to said action, regardless of its outcome.

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

GARDEN GROVE UNIFIED SCHOOL DISTRICT,
a public agency

By: Joyce J. Johnson
Its: President, Board of Education

"DISTRICT"

ATTEST:

Ed Anderson

APPROVED AS TO FORM:

GARDEN GROVE AGENCY FOR COMMUNITY
DEVELOPMENT, a public body corporate
and politic

By: Walt Brown
Chairman

"AGENCY"

ATTEST:

Carolyn Morris
Agency Secretary

APPROVED AS TO FORM:

Celeste Halstead
Stradling, Yocca, Carlson & Rauth
Agency Special Counsel

EXHIBIT "A"

Garden Grove Unified School District
Projects Under Amended Plan

The Garden Grove Unified School District projects for which the Special Fund may be used, including the following improvements and/or facilities, provided the requirements of the Agreement and California Health & Safety Code Section 33445 and 33679 are fully met, and such improvements are located within the territorial jurisdiction of the Garden Grove Agency for Community Development:

1. All improvement and facilities rehabilitation projects which have been approved by the Board of Trustees and are on the District's State School Allocation Board Deferred Maintenance Five-Year Plan approved in accordance with the State School Deferred Maintenance Law, and which shall exclude (a) ongoing normal or preventative maintenance and/or operation; (b) repair and maintenance of school facilities that are no longer needed for K-12/Adult Education; (c) repair and maintenance of facilities leased by or for the District; (d) repair and maintenance of furniture and equipment; (e) installation of new items which did not exist previously; (f) energy conservation; and (g) new handicapped compliance and requirements, except as the State School Deferred Maintenance Law may be amended, or as may be included in the District's Capital Facilities Master Plan, all of which as approved and/or authorized by the State Allocation Board, Department of Education, State Architect, Office of Local Assistance, and/or authorized pursuant to any State statute and/or guideline.

2. All capital outlay expenditures including purchase, rental, lease or lease with option to purchase, which have been approved by the Board of Trustees and are on the District's Capital Facilities Master Plan, including (a) sites and improvements to sites, including acquisition of land, improvement of new and old sites and adjacent ways, and acquisition of physical property of a permanent nature attached to land; (b) buildings including the construction or purchase cost of new buildings and additions, the razing of existing obsolete or old buildings to clear sites for new buildings, building fixtures and service systems, and any other expenditure directly related to the construction or acquisition of buildings; (c) improvement of buildings including alterations, remodeling, renovations, and replacement of buildings in whole or in

part; (d) building fixtures including attachments to buildings that are not subject to transfer or removal, function as integral parts of the building, and have fairly long and useful lives; (e) service systems including any parts of a building that are intended to serve a single function throughout the building, are usually included as a part of the original construction or subsequently added in whole or in part, are built as integral parts of the buildings, and are expected to have a long and useful life; and (f) the purchase of initial or additional equipment only to the extent necessary to accommodate new or expanded facilities, including movable personal property of a relatively permanent nature and/or significant value, all (a)-(f) as defined pursuant to the California Department of Education Accounting Manual, as may hereinafter be amended.

3. All capital outlay expenditures and all improvements and facilities rehabilitation projects as defined in paragraphs 1 and 2 above which are approved by the Board of Trustees and are necessary and required to address emergency or temporary needs of the District, so as to provide adequate facilities and sites for enrollment of growth of the District, including the acquisition and/or lease of relocatable, portable, or trailer classrooms and support capital outlay.

4. Any and all direct or indirect pre- or post-development expenditures to the District, which include planning, engineering, architecture, contract or project management administration, inspection and tests, plan check fees, State and local fees, appraisals, and bid documentation and processing, so long as such costs are specifically and directly related to the capital outlay expenditures and deferred maintenance authorized by and contemplated under the Agreement.

Notwithstanding the inclusiveness of the items described in (1) - (4) above, the Special Fund may not be used for any item unless such item is permissible under the Agreement and California Health & Safety Code Section 33445 and 33679.

The above described capital outlay expenditures, improvements and facilities, and rehabilitation projects are authorized on the following sites:

GARDEN GROVE UNIFIED SCHOOL DISTRICT

FACILITIES SERVING PRIMARILY GARDEN GROVE RESIDENTS

(The following school sites are within the City of Garden Grove.)

Elementary

<u>School</u>		<u>Address</u>	
Barker	12565	Springdale	Garden Grove
Brookhurst	9821	Catherine Ave.	Garden Grove
Bryant	8371	Orangewood	Garden Grove
Clinton	13641	Clinton St.	Garden Grove
Cook	9802	Woodbury Rd.	Garden Grove
Crosby	12181	West St.	Garden Grove
Edgar	6202	Cerulean	Garden Grove
Eisenhower	13221	Lilly St.	Garden Grove
Enders	12302	Springdale	Garden Grove
Evans	12281	Nelson St.	Garden Grove
Excelsior	10421	Woodbury Rd.	Garden Grove
Faylane	11731	Morrie Lane	Garden Grove
Garden Park	6562	Stanford Ave.	Garden Grove
Gilbert	9551	Orangewood	Garden Grove
Hill	9681	11th St.	Garden Grove
Lawrence	12521	Monroe	Garden Grove
Mark Twain	11802	Loara St.	Garden Grove
Mitchell	13451	Taft Ave.	Garden Grove
Morningside	10521	Morningside Dr.	Garden Grove
Murdy	14851	Donegal Dr.	Garden Grove
Paine	15792	Ward St.	Garden Grove
Parkview	12272	Wilken Way	Garden Grove
Patton	6861	Santa Rita	Garden Grove
Peters	13162	Newhope St.	Garden Grove
Riverdale	13222	Lewis St.	Garden Grove
Simmons	11602	Steele Dr.	Garden Grove
Skylark	11250	MacMurray	Garden Grove
Stanford	12721	Magnolia St.	Garden Grove
Stanley	12201	Elmwood Ave.	Garden Grove
Sunnyside	9972	Russell Ave.	Garden Grove
Violette	12091	Lampson Ave.	Garden Grove
Wakeham	7772	Chapman Ave.	Garden Grove
Warren	12871	Estock Dr.	Garden Grove
Woodbury	11362	Woodbury Rd.	Garden Grove
Zeyen	12081	S. Magnolia	Garden Grove

Intermediate

<u>School</u>			<u>Address</u>
Alamitos	12381	Dale	Garden Grove
Bell	12345	Springdale	Garden Grove
Dolg	12752	Trask Ave.	Garden Grove
Hare	12012	S. Magnolia	Garden Grove
Irvine	10552	Hazard Ave.	Garden Grove
Jordan	9821	Woodbury Rd.	Garden Grove
Ralston	10851	Lampson Ave.	Garden Grove
Walton	12181	Buaro St.	Garden Grove

High School

<u>School</u>			<u>Address</u>
Bolsa Grande	9401	Westminster Ave.	Garden Grove
Garden Grove	11271	Stanford Ave.	Garden Grove
Lake	10801	Orangewood Ave.	Garden Grove
Pacifica	6851	Lampson Ave.	Garden Grove
Rancho Alamitos	11351	Dale St.	Garden Grove
Santiago	12342	Trask Ave.	Garden Grove

Adult Education

<u>School</u>			<u>Address</u>
Chapman Center	11852	Knott Ave.	Garden Grove
Lincoln Center	11262	Gard. Grove Blvd.	Garden Grove
Hettings Center	11700	Knott Ave.	Garden Grove

Special Education

<u>School</u>			<u>Address</u>
Jordan Secondary Learning Ctr.	9821	Woodbury Rd.	Garden Grove
Mendenhall Special Educ.	13581	Clinton St.	Garden Grove

District Facilities

<u>School</u>			<u>Address</u>
Education Center	10331	Stanford Ave.	Garden Grove
Maintenance Ctr.	8211	Lampson Ave.	Garden Grove

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EXHIBIT "A"
Page 4 of 5

NOTE: The inclusions of this project list in the Amended Plan and/or the Capital Facilities Agreement between the District and the Agency, is not an obligation by the District, the Agency, or the City to pursue, undertake and/or complete any of the projects set forth herein, but are identified to authorize the expenditure of the Special Fund revenues should the District choose to proceed with any one or more of the projects.

EXHIBIT "B"

Proposed Project List
under Section 10

<u>PROJECT</u>	<u>DESCRIPTION</u>	<u>LOCATION</u>
45 Acres	Price Club Major Retailer Major Retailer Promotional Center Mixed Use Project (non-residential project)	SWC G.G. Blvd/Taft SEC G.G. Blvd/Taft NEC G.G. Blvd/Nelson SWC G.G. Blvd/Euclid NWC G.G. Blvd/Euclid
Axiom Medical	6 Story Office Bldg.	SEC Palm/Harbor
Smith's Center	Shopping Center	NEC Harbor/Flagstone
Acacia Terrace	45 Unit Senior Project	Acacia/Westlake
Lucky's Relocation	Shopping Center	Euclid/G. G. Blvd.
Garden Grove Blvd./ Magnolia	Shopping Center Rehab.	NWC G.G. Blvd/Magnolia
Women's Club	Mixed Use/Entertainment	NEC Chapman/Gilbert
Pavilion's West	Promotional Center	SEC Chapman/Gilbert
Kaiser Site	(non-residential use)	SEC Euclid/Chapman
Fire Station Inn	250 Room Hotel (non-residential Project)	Harbor Blvd/So of Lampson
Trailer Land	250 Room Hotel (non-residential Project)	Harbor Blvd/So of Lampson
Hyatt Expansion	400 Room Hotel Convention Center Restaurants/Shops/Etc.	NWC Chapman/Harbor
6.2 acres	66 single family or attached housing	G.G. Blvd/Netwood

POTENTIAL PROJECTS

<u>ADDED PROJECT AREA</u>	<u>DESCRIPTION</u>
A - Katella Avenue	Commercial Rehab
B - Katella/Palmwood	New Commercial/Office
C - Katella/Euclid	Major Renovation
D -Chapman/Gilbert	Commercial Rehab/New Business
E - Chapman/Euclid	New Commercial
F - Garden Grove Blvd.	New Commercial/Rehab existing centers Auto Center Expansion
G - Trask/Magnolia	Auto Center Related
H - Brookhurst/Westminster	Redevelop Center
I - Pearl/Nelson Construction	Industrial Rehab/New
J - Euclid/Trask	New Commercial
K - Trask/Newhope	Street Widening
L - Westminster/Newhope	Industrial Rehab
M - Westminster/Harbor	Industrial Rehab
N - SWC Harbor/Chapman	400 Room Hotel, Meeting Rooms, Restaurants, Entertainment
O - Harbor Blvd.	New Office
P - SEC Harbor/Chapman	Center Rehab/Expansion/New Commercial
Q - SEC Harbor/Lampson	Commercial Rehab
R - Garden Grove Blvd/ Fairview	Commercial Rehab
S - Chapman/Valley View	2 - Rehab Center, Mixed Use- Entertainment 3 - Redevelopment Center, Entertainment

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EXHIBIT "B"
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EXHIBIT "C"

Officials Statements of 1979 and 1986
Tax Allocation Bonds

(to be inserted)

07/29/92
1144Q/2012/84

EXHIBIT "C"



STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE (Non-Residential) American Industrial Real Estate Association

July 29, 2002 (Date for Reference Purposes)

1. Buyer.

1.1 G.G. Agency for C.D. Public Body Department of Redevelopment (the Agency) ("Buyer") hereby offers to purchase the real property, hereinafter described, from the owner thereof ("Seller") (collectively, the "Parties" or individually, a "Party"), through an escrow ("Escrow") to close on October 21, 2002 ("Expected Closing Date") to be held by Stewart Title ("Escrow Holder") whose address is 180 N Riverview Drive, Suite 100, Anaheim, CA (Marian Holiday)

upon the terms and conditions set forth in this agreement ("Agreement"). Buyer shall have the right to assign Buyer's rights hereunder, but any such assignment shall not relieve Buyer of Buyer's obligations herein unless Seller expressly releases Buyer.

1.2 The term "Date of Agreement" as used herein shall be the date when by execution and delivery (as defined in paragraph 20.2) of this document or a subsequent counteroffer thereto, Buyer and Seller have reached agreement in writing whereby Seller agrees to sell, and Buyer agrees to purchase, the Property upon terms accepted by both Parties.

2. Property.

2.1 The real property ("Property") that is the subject of this offer consists of (insert a brief physical description) an approximately 7.05 acres of bare land

is located in the City of Garden Grove, County of Orange, State of California, is commonly known by the street address of 12791 Brookhurst, 12801 Brookhurst, 12857 Brookhurst, 12882 Brookhurst and is legally described as: to be supplied in escrow

(APN: 089-071-24, 089-661-03, 04, 05)

2.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of Stewart Title ("Title Company"), which shall issue the title policy hereinafter described.

2.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which pursuant to applicable law are a part of the property, as well as the following items, if any, owned by Seller and at present located on the Property: electrical distribution systems (power panel, bus ducting, conduits, disconnects, lighting fixtures); telephone distribution systems (lines, jacks and connections only); space heaters; heating, ventilating, air conditioning equipment ("HVAC"); air lines; fire sprinkler systems; security and fire detection systems; carpets; window covering; wall coverings; and N/A

2.4 The fire sprinkler monitor: [] is owned by Seller and included in the Purchase Price, or [] is leased by Seller, and Buyer will need to negotiate a new lease with the fire monitoring company.

2.5 Except as provided in Paragraph 2.3, the Purchase Price does not include Seller's personal property, furniture and furnishings, and N/A

3. Purchase Price.

3.1 The purchase price ("Purchase Price") to be paid by Buyer to Seller for the Property shall be \$5,300,000, payable as follows:

(a) Cash down payment, including the Deposit as defined in paragraph 4.3 (or if an all cash transaction, the Purchase Price): \$1,766,666.67

(Strike if not applicable) (b) Amount of "New Loan" as defined in paragraph 5.1, if any: \$

(c) Buyer shall take title to the Property subject to the following existing deed(s) of trust ("Existing Deed(s) of Trust") securing the existing promissory note(s) ("Existing Note(s)"): (i) An Existing Note ("First Note") with an unpaid principal balance as of the Closing of approximately: \$

(Strike if not applicable) Said First Note is payable at \$ per month, including interest at the rate of % per annum until paid (and/or the entire unpaid balance is due on)

(ii) An Existing Note ("Second Note") with an unpaid principal balance as of the Closing of approximately: \$ Said Second Note is payable at \$ per month, including interest at the rate of % per annum until paid (and/or the entire unpaid balance is due on)

(Strike if not applicable) (d) Buyer shall give Seller a deed of trust ("Purchase Money Deed of Trust") on the Property, to secure the promissory note of Buyer to Seller described in paragraph 6 ("Purchase Money Note") in the amount of: \$3,533,333.33

Total Purchase Price: \$5,300,000.00

3.2 If Buyer is taking title to the Property subject to, or assuming, an Existing Deed of Trust and such deed of trust permits the beneficiary to demand payment of fees including, but not limited to, points, processing fees, and appraisal fees as a condition to the transfer of the Property, Buyer agrees to pay such fees up to a maximum of 1.5% of the unpaid principal balance of the applicable Existing Note.

4. Deposits.

4.1 [] Buyer has delivered to Broker a check in the sum of \$, payable to Escrow Holder, to be held by Broker

Handwritten initials

Handwritten initials

until both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder, or Buyer shall deliver to Escrow Holder a check in the sum of \$ 100,000 when both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder. When cashed, the check shall be deposited into the Escrow's trust account to be applied toward the Purchase Price of the Property at the Closing. Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

4.2 Additional deposits:

(a) Within 5 business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of \$ N/A to be applied to the Purchase Price at the Closing.

(b) Within 5 business days after the contingencies discussed in paragraph 9.1 (a) through (k) are approved or waived, Buyer shall deposit with Escrow Holder the additional sum of \$ N/A to be applied to the Purchase Price at the Closing.

4.3 Escrow Holder shall deposit the funds deposited with it by Buyer pursuant to paragraphs 4.1 and 4.2 (collectively the "Deposit"), in a State or Federally chartered bank in an interest bearing account whose term is appropriate and consistent with the timing requirements of this transaction. The interest therefrom shall accrue to the benefit of Buyer, who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. Buyer's Federal Tax Identification Number is _____ . NOTE: Such interest bearing account cannot be opened until Buyer's Federal Tax Identification Number is provided.

~~5. Financing Contingency. (Strike if not applicable)~~

~~5.1 This offer is contingent upon Buyer obtaining from an insurance company, financial institution or other lender, a commitment to lend to Buyer a sum equal to at least _____% of the Purchase Price, at terms reasonably acceptable to Buyer. Such loan ("New Loan") shall be secured by a first trust or mortgage on the Property. If this Agreement provides for Seller to carry back junior financing, then Seller shall have the right to approve the terms of the New Loan. Seller shall have 7 days from receipt of the commitment setting forth the proposed terms of the New Loan to approve or disapprove of such proposed terms. If Seller fails to notify Escrow Holder, in writing, of the disapproval within said 7 days it shall be conclusively presumed that Seller has approved the terms of the New Loan.~~

~~5.2 Buyer hereby agrees to diligently pursue obtaining the New Loan. If Buyer shall fail to notify its Broker, Escrow Holder and Seller, in writing within _____ days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.~~

~~5.3 If, after due diligence, Buyer shall notify its Broker, Escrow Holder and Seller, in writing, within the time specified in paragraph 5.2 hereof, that Buyer has not obtained said New Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of the Deposit, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.~~

6. Seller Financing (Purchase Money Note). (Strike if not applicable)

6.1 The Purchase Money Note shall provide for interest on unpaid principal at the rate of 7.5 % per annum, with principal and interest paid as follows: Interest only payment to be made monthly. Buyer shall make annual principal installment payment at the sale anniversary date in the amount of: Year 1 - \$1,766,666.67, and Year 2 - \$1,766,666.66. See Paragraph 30.

The Purchase Money Note and Purchase Money Deed of Trust shall be on the current forms commonly used by Escrow Holder, and be junior and subordinate only to the Existing Note(s) and/or the New Loan expressly called for by this Agreement.

6.2 The Purchase Money Note and/or the Purchase Money Deed of Trust shall contain provisions regarding the following (see also paragraph 10.3 (b)):

(a) *Prepayment.* Principal may be prepaid in whole or in part at any time without penalty, at the option of the Buyer.

(b) *Late Charge.* A late charge of 6% shall be payable with respect to any payment of principal, interest, or other charges, not made within 10 days after it is due.

(c) *Due On Sale.* In the event the Buyer sells or transfers title to the Property or any portion thereof, then the Seller may, at Seller's option, require the entire unpaid balance of said Note to be paid in full.

6.3 If the Purchase Money Deed of Trust is to be subordinate to other financing, Escrow Holder shall, at Buyer's expense prepare and record on Seller's behalf a request for notice of default and/or sale with regard to each mortgage or deed of trust to which it will be subordinate.

6.4 **WARNING: CALIFORNIA LAW DOES NOT ALLOW DEFICIENCY JUDGEMENTS ON SELLER FINANCING. IF BUYER ULTIMATELY DEFAULTS ON THE LOAN, SELLER'S SOLE REMEDY IS TO FORECLOSE ON THE PROPERTY.**

7. Real Estate Brokers.

7.1 The following real estate broker(s) ("Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check the applicable boxes):

Coldwell Banker - George Realty (Shumei Kam) represents Seller exclusively ("Seller's Broker");

Lee & Associates - Orange, Inc. (Jim Hawkins) represents Buyer exclusively ("Buyer's Broker"); or

_____ represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that Brokers are the procuring cause of this Agreement. See paragraph 24 for disclosures regarding the nature of a real estate agency relationship. Buyer shall use the services of Buyer's Broker exclusively in connection with any and all negotiations and offers with respect to the Property for a period of 1 year from the Date of Agreement.

7.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Brokers named in paragraph 7.1, and no broker or other person, firm or entity, other than said Brokers is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for compensation, commission or charges which may be claimed by any broker, finder or other similar party, other than said named Brokers by reason of any dealings or act of the indemnifying Party.

8. Escrow and Closing.

8.1 Upon acceptance hereof by Seller, this Agreement, including any counter-offers incorporated herein by the Parties, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not prepare any further escrow instructions restating or amending the Agreement unless specifically so instructed by the Parties or a Broker herein. Subject to the reasonable approval of the Parties, Escrow Holder may, however, include its standard general escrow provisions.

8.2 As soon as practical after the receipt of this Agreement and any relevant counteroffers, Escrow Holder shall ascertain the Date of Agreement as defined in paragraphs 1.2 and 20.2 and advise the Parties and Brokers, in writing, of the date ascertained.

8.3 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law and custom and practice of the community in which Escrow Holder is located, including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

8.4 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "Closing") by recording a general warranty deed (a grant deed in California) and the other documents required to be recorded, and by disbursing the funds and documents in accordance with this Agreement.

8.5 Buyer and Seller shall each pay one-half of the Escrow Holder's charges and Seller shall pay the usual recording fees and any required documentary transfer taxes. Seller shall pay the premium for a standard coverage owner's or joint protection policy of title insurance.

8.6 Escrow Holder shall verify that all of Buyer's contingencies have been satisfied or waived prior to Closing. The matters contained in paragraphs 9.1 subparagraphs (b), (c), (d), (e), (g), (i), (n), and (o), 9.4, 9.5, 12, 13, 14, 16, 18, 20, 21, 22, and 24 are, however, matters of agreement between the Parties only and are not instructions to Escrow Holder.

8.7 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in paragraph 9.2, then neither of the

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Parties shall thereafter have any liability to the other under this Agreement, except to the extent of a breach of any affirmative covenant or warranty in this Agreement. In the event of such termination, Buyer shall be promptly refunded all funds deposited by Buyer with Escrow Holder, less only Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.

8.8 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, if the Closing does not occur by the Expected Closing Date and said Date is not extended by mutual instructions of the Parties, a Party not then in default under this Agreement may notify the other Party, Escrow Holder, and Brokers, in writing that, unless the Closing occurs within 5 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

8.9 Except as otherwise provided herein, the termination of Escrow shall not relieve or release either Party from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained therein.

8.10 If this Escrow is terminated for any reason other than Seller's breach or default, then at Seller's request, and as a condition to the return of Buyer's deposit, Buyer shall within 5 days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property. Provided, however, that Buyer shall not be required to deliver any such report if the written contract which Buyer entered into with the consultant who prepared such report specifically forbids the dissemination of the report to others.

9. Contingencies to Closing.

9.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies. IF BUYER FAILS TO NOTIFY ESCROW HOLDER, IN WRITING, OF THE DISAPPROVAL OF ANY OF SAID CONTINGENCIES WITHIN THE TIME SPECIFIED THEREIN, IT SHALL BE CONCLUSIVELY PRESUMED THAT BUYER HAS APPROVED SUCH ITEM, MATTER OR DOCUMENT. Buyer's conditional approval shall constitute disapproval, unless provision is made by the Seller within the time specified therefore by the Buyer in such conditional approval or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer. Escrow Holder shall promptly provide all Parties with copies of any written disapproval or conditional approval which it receives. With regard to subparagraphs (a) through (l) the pre-printed time periods shall control unless a different number of days is inserted in the spaces provided.

(a) *Disclosure.* Seller shall make to Buyer, through escrow, all of the applicable disclosures required by law (See American Industrial Real Estate Association ("AIR") standard form entitled "Seller's Mandatory Disclosure Statement") and provide Buyer with a completed Property Information Sheet ("Property Information Sheet") concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the AIR within 10 or _____ days following the Date of Agreement. Buyer has 10 days from the receipt of said disclosures to approve or disapprove the matters disclosed.

(b) *Physical Inspection.* Buyer has 10 or 30 _____ days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the physical aspects and size of the Property.

(c) *Hazardous Substance Conditions Report.* Buyer has 30 or _____ days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the environmental aspects of the Property. Seller recommends that Buyer obtain a Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties. Any such report shall be paid for by Buyer. A "Hazardous Substance" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "Hazardous Substance Condition" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) *Soil Inspection.* Buyer has 30 or _____ days from the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the condition of the soils on the Property. Seller recommends that Buyer obtain a soil test report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any soils report that Seller may have within 10 days of the Date of Agreement.

(e) *Governmental Approvals.* Buyer has 30 or _____ days from the Date of Agreement to satisfy itself with regard to approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property and which Buyer deems necessary or desirable in connection with its intended use of the Property, including, but not limited to, permits and approvals required with respect to zoning, planning, building and safety, fire, police, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters.

(f) *Conditions of Title.* Escrow Holder shall cause a current commitment for title insurance ("Title Commitment") concerning the Property issued by the Title Company, as well as legible copies of all documents referred to in the Title Commitment ("Underlying Documents") to be delivered to Buyer within 10 or 30 _____ days following the Date of Agreement. Buyer has 10 days from the receipt of the Title Commitment and Underlying Documents to satisfy itself with regard to the condition of title. The disapproval of Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this contingency, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(g) *Survey.* Buyer has 30 or _____ days from the receipt of the Title Commitment and Underlying Documents to satisfy itself with regard to any ALTA title supplement based upon a survey prepared to American Land Title Association ("ALTA") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures and things located within 10 feet of either side of the Property boundary lines. Any such survey shall be prepared at Buyer's direction and expense. If Buyer has obtained a survey and approved the ALTA title supplement, Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto.

(h) *Existing Leases and Tenancy Statements.* Seller shall within 10 or 30 _____ days of the Date of Agreement provide both Buyer and Escrow Holder with legible copies of all leases, subleases or rental arrangements (collectively, "Existing Leases") affecting the Property, and with a tenancy statement ("Estoppel Certificate") in the latest form or equivalent to that published by the AIR, executed by Seller and/or each tenant and subtenant of the Property. Seller shall use its best efforts to have each tenant complete and execute an Estoppel Certificate. If any tenant fails or refuses to provide an Estoppel Certificate then Seller shall complete and execute an Estoppel Certificate for that tenancy. Buyer has 10 days from the receipt of said Existing Leases and Estoppel Certificates to satisfy itself with regard to the Existing Leases and any other tenancy issues.

(i) *Other Agreements.* Seller shall within 10 or 30 _____ days of the Date of Agreement provide Buyer with legible copies of all other agreements ("Other Agreements") known to Seller that will affect the Property after Closing. Buyer has 10 days from the receipt of said Other Agreements to satisfy itself with regard to such Agreements.

(j) *Financing.* If paragraph 5 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.

(k) *Existing Notes.* If paragraph 3.1(c) has not been stricken, Seller shall within 10 or _____ days of the Date of Agreement provide Buyer with legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, "Loan Documents") to which the Property will remain subject after the Closing. Escrow Holder shall promptly request from the holders of the Existing Notes a beneficiary statement ("Beneficiary Statement") confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid, and (2) the nature and amount of any impounds held by the beneficiary in connection with such loan. Buyer has 10 or _____ days from the receipt of the Loan Documents and Beneficiary Statements to satisfy itself with regard to such financing. Buyer's obligation to close is conditioned upon Buyer being able to purchase the Property without acceleration or change in the terms of any Existing Notes or charges to Buyer except as otherwise provided in this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in paragraph 3.2 hereof.

(l) *Personal Property.* In the event that any personal property is included in the Purchase Price, Buyer has 10 or 30 _____ days from the Date of Agreement to satisfy itself with regard to the title condition of such personal property. Seller recommends that Buyer obtain a UCC-1 report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any liens or encumbrances affecting such personal property that it is aware of within 10 or 30 _____ days of the Date of Agreement.

(m) *Destruction, Damage or Loss.* There shall not have occurred prior to the Closing, a destruction of, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than \$10,000.00 to repair or cure. If the cost of repair or cure is \$10,000.00 or less, Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within 10 days after receipt of written notice of a loss costing more than \$10,000.00 to repair or cure, to either terminate this transaction or to purchase the Property notwithstanding such loss, but without deduction or offset against the Purchase Price. If the cost to repair or cure is more than \$10,000.00, and Buyer does not elect to terminate this transaction, Buyer shall be entitled to any insurance proceeds applicable to such loss. Unless otherwise notified in writing, Escrow Holder shall assume no such destruction, damage or loss has occurred prior to Closing.

(n) *Material Change.* Buyer shall have 10 days following receipt of written notice of a Material Change within which to satisfy itself with regard to such change. "Material Change" shall mean a change in the status of the use, occupancy, tenants, or condition of the Property that occurs after the date of this offer and prior to the Closing. Unless otherwise notified in writing, Escrow Holder shall assume that no Material Change has occurred prior to the

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Closing.

(o) *Seller Performance.* The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

(p) *Warranties.* That each representation and warranty of Seller herein be true and correct as of the Closing. Escrow Holder shall assume that this condition has been satisfied unless notified to the contrary in writing by any Party prior to the Closing.

(q) *Brokerage Fee.* Payment at the Closing of such brokerage fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Brokers ("Brokerage Fee"). It is agreed by the Parties and Escrow Holder that Brokers are a third party beneficiary of this Agreement insofar as the Brokerage Fee is concerned, and that no change shall be made with respect to the payment of the Brokerage Fee specified in this Agreement, without the written consent of Brokers.

9.2 All of the contingencies specified in subparagraphs (a) through (p) of paragraph 9.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "Buyer Contingencies."

9.3 If any Buyer's Contingency or any other matter subject to Buyer's approval is disapproved as provided for herein in a timely manner ("Disapproved Item"), Seller shall have the right within 10 days following the receipt of notice of Buyer's disapproval to elect to cure such Disapproved Item prior to the Expected Closing Date ("Seller's Election"). Seller's failure to give to Buyer within such period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's Election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the election, within 10 days after Seller's Election to either accept title to the Property subject to such Disapproved Item, or to terminate this transaction. Buyer's failure to notify Seller in writing of Buyer's election to accept title to the Property subject to the Disapproved Item without deduction or offset shall constitute Buyer's election to terminate this transaction. Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substance Conditions or to the Financing Contingency. Unless the Parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's said Elections would expire on a date after the Expected Closing Date, the Expected Closing Date shall be deemed extended for 3 business days following the expiration of: (a) the applicable contingency period(s), (b) the period within which the Seller may elect to cure the Disapproved Item, or (c) if Seller elects not to cure, the period within which Buyer may elect to proceed with this transaction, whichever is later.

9.4 Buyer understands and agrees that until such time as all Buyer's Contingencies have been satisfied or waived, Seller and/or its agents may solicit, entertain and/or accept back-up offers to purchase the subject Property.

9.5 The Parties acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of Hazardous Substances. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Brokers. The Parties acknowledge that they have been advised by Brokers to consult their own technical and legal experts with respect to the possible presence of Hazardous Substances on this Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Brokers with respect thereto. The Parties hereby assume all responsibility for the impact of such Hazardous Substances upon their respective interests herein.

10. Documents Required at or before Closing:

10.1 Five days prior to the Closing date Escrow Holder shall obtain an updated Title Commitment concerning the Property from the Title Company and provide copies thereof to each of the Parties.

10.2 Seller shall deliver to Escrow Holder in time for delivery to Buyer at the Closing:

(a) Grant or general warranty deed, duly executed and in recordable form, conveying fee title to the Property to Buyer.

(b) If applicable, the Beneficiary Statements concerning Existing Note(s).

(c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer. The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the AIR or its equivalent.

(d) If applicable, Estoppel Certificates executed by Seller and/or the tenant(s) of the Property.

(e) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

(f) If the Property is located in California, an affidavit executed by Seller to the effect that Seller is not a "nonresident" within the meaning of California Revenue and Tax Code Section 18662 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Franchise Tax Board such sum as is required by such statute.

(g) If applicable, a bill of sale, duly executed, conveying title to any included personal property to Buyer.

(h) If the Seller is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the sale of the Property.

10.3 Buyer shall deliver to Seller through Escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement shall be deposited by Buyer with Escrow Holder, by federal funds wire transfer, or any other method acceptable to Escrow Holder as immediately collectable funds, no later than 2:00 P.M. on the business day prior to the Expected Closing Date.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of those documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of the full replacement cost naming Seller as a mortgage loss payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

(c) The Assignment and Assumption of Lessor's Interest in Lease form specified in paragraph 10.2(c) above, duly executed by Buyer.

(d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.

(e) If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.

(f) If the Buyer is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the purchase of the Property.

10.4 At Closing, Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if elected pursuant to 9.1(g)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

11. Prorations and Adjustments.

11.1 *Taxes.* Applicable real property taxes and special assessment bonds shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate as of the Closing any taxes assessed against the Property by supplemental bill levied by reason of events occurring prior to the Closing. Payment of the prorated amount shall be made promptly in cash upon receipt of a copy of any supplemental bill.

11.2 *Insurance.* WARNING: Any insurance which Seller maintained will terminate on the Closing. Buyer is advised to obtain appropriate insurance to cover the Property.

11.3 *Rentals, Interest and Expenses.* Scheduled rentals, interest on Existing Notes, utilities, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves outside of Escrow any rents received after the Closing.

11.4 *Security Deposit.* Security Deposits held by Seller shall be given to Buyer as a credit to the cash required of Buyer at the Closing.

11.5 *Post Closing Matters.* Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

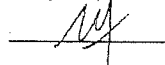
11.6 *Variations in Existing Note Balances.* In the event that Buyer is purchasing the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the Closing will be more or less than the amount set forth in paragraph 3.1(c) hereof ("Existing Note Variation"), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per paragraph 3.1(a) shall be reduced or increased by the amount of such Existing Note Variation.

11.7 *Variations in New Loan Balance.* In the event Buyer is obtaining a New Loan and the amount ultimately obtained exceeds the amount set forth in paragraph 5.1, then the amount of the Purchase Money Note, if any, shall be reduced by the amount of such excess.

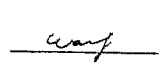
12. Representation and Warranties of Seller and Disclaimers.

12.1 Seller's warranties and representations shall survive the Closing and delivery of the deed for a period of 3 years, and, are true, material and relied upon by Buyer and Brokers in all respects. Seller hereby makes the following warranties and representations to Buyer and Brokers:

(a) *Authority of Seller.* Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.



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(b) *Maintenance During Escrow and Equipment Condition At Closing.* Except as otherwise provided in paragraph 9.1(m) hereof, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted. The HVAC, plumbing, elevators, loading doors and electrical systems shall be in good operating order and condition at the time of Closing.

(c) *Hazardous Substances/Storage Tanks.* Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or non-existence on the Property of any Hazardous Substance, nor of the existence or prior existence of any above or below ground storage tank.

(d) *Compliance.* Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, code, covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company requiring any investigation, remediation, repair, maintenance or improvement to be performed on the Property.

(e) *Changes in Agreements.* Prior to the Closing, Seller will not violate or modify any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) *Possessory Rights.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) *Mechanics' Liens.* There are no unsatisfied mechanics' or materialmen's lien rights concerning the Property.

(h) *Actions, Suits or Proceedings.* Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, arbitrator, court or tribunal that would affect the Property or the right to occupy or utilize same.

(i) *Notice of Changes.* Seller will promptly notify Buyer and Brokers in writing of any Material Change (see paragraph 9.1(n)) affecting the Property that becomes known to Seller prior to the Closing.

(j) *No Tenant Bankruptcy Proceedings.* Seller has no notice or knowledge that any tenant of the Property is the subject of a bankruptcy or insolvency proceeding.

(k) *No Seller Bankruptcy Proceedings.* Seller is not the subject of a bankruptcy, insolvency or probate proceeding.

(l) *Personal Property.* Seller has no knowledge that anyone will, at the Closing, have any right to possession of any personal property included in the Purchase Price nor knowledge of any liens or encumbrances affecting such personal property, except as disclosed by this Agreement or otherwise in writing to Buyer.

12.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement, Buyer is purchasing the Property in its existing condition and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the occupational safety and health laws, Hazardous Substance laws, or any other act, ordinance or law, have been made by either Party or Brokers, or relied upon by either Party hereto.

12.3 In the event that Buyer learns that a Seller representation or warranty might be untrue prior to the Closing, and Buyer elects to purchase the Property anyway then, and in that event, Buyer waives any right that it may have to bring an action or proceeding against Seller or Brokers regarding said representation or warranty.

12.4 Any environmental reports, soils reports, surveys, and other similar documents which were prepared by third party consultants and provided to Buyer by Seller or Seller's representatives, have been delivered as an accommodation to Buyer and without any representation or warranty as to the sufficiency, accuracy, completeness, and/or validity of said documents, all of which Buyer relies on at its own risk. Seller believes said documents to be accurate, but Buyer is advised to retain appropriate consultants to review said documents and investigate the Property.

13. Possession.

Possession of the Property shall be given to Buyer at the Closing subject to the rights of tenants under Existing Leases.

14. Buyer's Entry.

At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No destructive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

15. Further Documents and Assurances.

The Parties shall each, diligently and in good faith, undertake all actions and procedures reasonably required to place the Escrow in condition for Closing as and when required by this Agreement. The Parties agree to provide all further information, and to execute and deliver all further documents, reasonably required by Escrow Holder or the Title Company.

16. Attorneys' Fees.

If any Party or Broker brings an action or proceeding (including arbitration) involving the Property whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees awarded shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

17. Prior Agreements/Amendments.

17.1 This Agreement supersedes any and all prior agreements between Seller and Buyer regarding the Property.

17.2 Amendments to this Agreement are effective only if made in writing and executed by Buyer and Seller.

18. Broker's Rights.

18.1 If this sale is not consummated due to the default of either the Buyer or Seller, the defaulting Party shall be liable to and shall pay to Brokers the Brokerage Fee that Brokers would have received had the sale been consummated. If Buyer is the defaulting party, payment of said Brokerage Fee is in addition to any obligation with respect to liquidated or other damages.

18.2 Upon the Closing, Brokers are authorized to publicize the facts of this transaction.

19. Notices.

19.1 Whenever any Party, Escrow Holder or Brokers herein shall desire to give or serve any notice, demand, request, approval, disapproval or other communication, each such communication shall be in writing and shall be delivered personally, by messenger or by mail, postage prepaid, to the address set forth in this Agreement or by facsimile transmission.

19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered. Any such communication sent by regular mail shall be deemed given 48 hours after the same is mailed. Communications sent by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed delivered 24 hours after delivery of the same to the Postal Service or courier. Communications transmitted by facsimile transmission shall be deemed delivered upon telephonic confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If such communication is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

19.3 Any Party or Broker hereto may from time to time, by notice in writing, designate a different address to which, or a different person or additional persons to whom, all communications are thereafter to be made.

20. Duration of Offer.

20.1 If this offer is not accepted by Seller on or before 5:00 P.M. according to the time standard applicable to the city of

Garden Grove, California

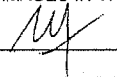
on the date of August 21, 2002

it shall be deemed automatically revoked.

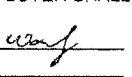
20.2 The acceptance of this offer, or of any subsequent counteroffer hereto, that creates an agreement between the Parties as described in paragraph 1.2, shall be deemed made upon delivery to the other Party or either Broker herein of a duly executed writing unconditionally accepting the last outstanding offer or counteroffer.

21. **LIQUIDATED DAMAGES.** (This Liquidated Damages paragraph is applicable only if initiated by both Parties).

THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX, PRIOR TO SIGNING THIS AGREEMENT, THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED BY SELLER IF BUYER FAILS TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT. THEREFORE, IF, AFTER THE SATISFACTION OR WAIVER OF ALL CONTINGENCIES PROVIDED FOR THE BUYER'S BENEFIT, BUYER BREACHES THIS AGREEMENT, SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF \$50,000. UPON PAYMENT OF SAID SUM TO SELLER, BUYER SHALL




Initials



Initials

BE RELEASED FROM ANY FURTHER LIABILITY TO SELLER, AND ANY ESCROW CANCELLATION FEES AND TITLE COMPANY CHARGES SHALL BE PAID BY SELLER.


Buyer Initials


Seller Initials

22. ARBITRATION OF DISPUTES. *(This Arbitration of Disputes paragraph is applicable only if initiated by both Parties.)*

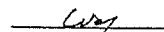
22.1 ANY CONTROVERSY AS TO WHETHER SELLER IS ENTITLED TO THE LIQUIDATED DAMAGES AND/OR BUYER IS ENTITLED TO THE RETURN OF DEPOSIT MONEY, SHALL BE DETERMINED BY BINDING ARBITRATION BY, AND UNDER THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("COMMERCIAL RULES"). ARBITRATION HEARINGS SHALL BE HELD IN THE COUNTY WHERE THE PROPERTY IS LOCATED. ANY SUCH CONTROVERSY SHALL BE ARBITRATED BY 3 ARBITRATORS WHO SHALL BE IMPARTIAL REAL ESTATE BROKERS WITH AT LEAST 5 YEARS OF FULL TIME EXPERIENCE IN BOTH THE AREA WHERE THE PROPERTY IS LOCATED AND THE TYPE OF REAL ESTATE THAT IS THE SUBJECT OF THIS AGREEMENT. THEY SHALL BE APPOINTED UNDER THE COMMERCIAL RULES. THE ARBITRATORS SHALL HEAR AND DETERMINE SAID CONTROVERSY IN ACCORDANCE WITH APPLICABLE LAW, THE INTENTION OF THE PARTIES AS EXPRESSED IN THIS AGREEMENT AND ANY AMENDMENTS THERETO, AND UPON THE EVIDENCE PRODUCED AT AN ARBITRATION HEARING. PRE-ARBITRATION DISCOVERY SHALL BE PERMITTED IN ACCORDANCE WITH THE COMMERCIAL RULES OR STATE LAW APPLICABLE TO ARBITRATION PROCEEDINGS. THE AWARD SHALL BE EXECUTED BY AT LEAST 2 OF THE 3 ARBITRATORS, BE RENDERED WITHIN 30 DAYS AFTER THE CONCLUSION OF THE HEARING, AND MAY INCLUDE ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY PER PARAGRAPH 16 HEREOF. JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT OF COMPETENT JURISDICTION NOTWITHSTANDING THE FAILURE OF A PARTY DULY NOTIFIED OF THE ARBITRATION HEARING TO APPEAR THEREAT.

22.2 BUYER'S RESORT TO OR PARTICIPATION IN SUCH ARBITRATION PROCEEDINGS SHALL NOT BAR SUIT IN A COURT OF COMPETENT JURISDICTION BY THE BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE UNLESS AND UNTIL THE ARBITRATION RESULTS IN AN AWARD TO THE SELLER OF LIQUIDATED DAMAGES, IN WHICH EVENT SUCH AWARD SHALL ACT AS A BAR AGAINST ANY ACTION BY BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE.

22.3 NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.


Buyer Initials


Seller Initials

23. Miscellaneous.

23.1 **Binding Effect.** This Agreement shall be binding on the Parties without regard to whether or not paragraphs 21 and 22 are initiated by both of the Parties. Paragraphs 21 and 22 are each incorporated into this Agreement only if initiated by both Parties at the time that the Agreement is executed.

23.2 **Applicable Law.** This Agreement shall be governed by, and paragraph 22.3 is amended to refer to, the laws of the state in which the Property is located.

23.3 **Time of Essence.** Time is of the essence of this Agreement.

23.4 **Counterparts.** This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

23.5 **Waiver of Jury Trial.** THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

23.6 **Conflict.** Any conflict between the printed provisions of this Agreement and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

24. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

24.1 The Parties and Brokers agree that their relationship(s) shall be governed by the principles set forth in the applicable sections of the California Civil Code, as summarized in paragraph 24.2.

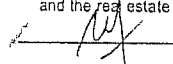
24.2 When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Brokers in this transaction, as follows:

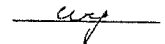
(a) **Seller's Agent.** A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) *To the Seller:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) **Buyer's Agent.** A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations. (1) *To the Buyer:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) **Agent Representing Both Seller and Buyer.** A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. (1) In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Seller or the Buyer. b. Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 24.2. (2) In representing both Seller and Buyer, the agent may not without the express permission of the respective Party, disclose to the other Party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(d) **Further Disclosures.** Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure. Brokers have no responsibility with respect to any default or breach hereof by either Party.


Initials


Initials

The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Agreement shall not exceed the fee received by such Broker pursuant to this Agreement; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

24.3 Confidential Information: Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

25. Construction of Agreement. In construing this Agreement, all headings and titles are for the convenience of the parties only and shall not be considered a part of this Agreement. Whenever required by the context, the singular shall include the plural and vice versa. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days. This Agreement shall not be construed as if prepared by one of the parties, but rather according to its fair meaning as a whole, as if both parties had prepared it.

26 Additional Provisions:

Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum consisting of paragraphs 28 through 31. (If there are no additional provisions write "NONE".)

28. Buyer agrees to cooperate with Seller's desire to accomplish a tax-deferred exchange according to IRS Code Section 1033.

29. Seller agrees to pay 2% of the purchase price (\$5,300,000) as commission to the selling agent, Lee & Associates - Orange, Inc. This paragraph shall supercede paragraph 27.

30. It is the intention of the Buyer to convey this property to the Agency designee for development. When this property is conveyed the Seller will be paid an additional \$300,000. In any subsequent sale of this property at a price over \$5,600,000 the difference between \$5,600,000 and the sale price will be divided equally, 50/50 between the original seller and the City of Garden Grove.

31. This sale is contingent upon the final approval of the Agency, which shall be given within thirty (30) days from the date of the AIR Standard Offer, Agreement and Escrow Instructions for the Purchase of Real Estate.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS AGREEMENT OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PROPERTY. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE INTEGRITY AND CONDITION OF ANY STRUCTURES AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PROPERTY FOR BUYER'S INTENDED USE.

WARNING: IF THE PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THIS AGREEMENT MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

NOTE:

1. THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
 2. IF THE BUYER IS A CORPORATION, IT IS RECOMMENDED THAT THIS AGREEMENT BE SIGNED BY TWO CORPORATE OFFICERS.
- The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

BROKER:
Lee & Associates - Orange, Inc.
Attn: Jim Hawkins
Title: Principal
Address: 701 S Parker Street, Suite 1000
Orange, CA 92868
Telephone: 714-564-7126
Facsimile: 714-543-5285
Federal ID No.

BUYER:
G.G. Agency for C.D. Public Body
Department of Redevelopment (the Agency)
By: Matthew Ferial
Date: August 15, 2002
Name Printed: Matthew Ferial
Title: Director
Telephone/Facsimile: 714-741-5127

By:
Date:
Name Printed:
Title:
Address: PO Box 3070
Garden Grove, CA 92842
Telephone/Facsimile: 714-741-5121/ 714-741-5136
Federal ID No.


27. Acceptance.


27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.

27.2 Seller acknowledges that Brokers have been retained to locate a Buyer and are the procuring cause of the purchase and sale of the Property set forth in this Agreement. In consideration of real estate brokerage service rendered by Brokers, Seller agrees to pay Brokers a real estate Brokerage Fee in a sum equal to 4.5% of the Purchase Price divided in such shares as said Brokers shall direct in writing. This Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such Brokerage Fee to Brokers out of the proceeds accruing to the account of Seller at the Closing.

27.3 Seller acknowledges receipt of a copy hereof and authorizes Brokers to deliver a signed copy to Buyer.

Subject to attached additional provision 30. & 32.


Initials


Initials
Form OFA-4-8/00E

NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

BROKER:
Coldwell Banker - George Realty

Attn: Shumei Kam

Title: _____
Address: 660 W Huntington Drive
Arcadia, CA

Telephone: 626-445-6660

Facsimile: 626-445-1100

Federal ID No. _____

SELLER:
Dr. Chien Che Wang

By: Chien che wang

Date: Aug 21 2002

Name Printed: _____

Title: _____

Telephone/Facsimile: _____

By: _____

Date: _____

Name Printed: _____

Title: _____

Address: _____

Telephone/Facsimile: _____

Federal ID No. _____

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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Additional provisions

30. It is the intention of the Buyer to convey this property to a City of Garden Grove Designee for development. Upon such conveyance, Buyer shall pay Seller additional \$300,000 if the price is equal to or less than \$5,600,000. However, if the price is over \$5,600,000, then Buyer (City of Garden Grove) shall pay \$300,000 to Seller (Chien Che Wang) plus the difference between the sale price and \$5,600,000 to Seller and City of Garden Grove. The difference between the price and \$5,600,000 shall be shared equally between the Seller and City of Garden Grove. The meaning of "conveyance" shall mean any transfer of ownership, including but not limiting to sale, partial interest transfer, joint ventures, quit claim or exchange to/with third parties.

32. At the end of the due diligence period, the deposit of \$100,000 (one hundred thousand dollars) shall be immediately released to Seller by escrow agent, which becomes non-refundable but applicable towards purchase price. Should Buyer fail to close escrow due to Buyer's faults, Seller shall have the right to cancel escrow and be held harmless, but all funds released to Seller shall be kept as liquidated damage without recourse.

Buyer:
G. G. Agency for C. D. Public Body
Department of Redevelopment (the Agency)

By: Matthew Fintel

Title: Director

Date: Aug 15, 2002

Seller:
Dr. Chien Che Wang

By: Chien Che Wang

Title: _____

Date: Aug 21 2002

Items 33 & 34 - Brookhurst Triangle DDA - Disposition of Real Property

Step 1: Total Site Information			
Phase I Sales Price	\$ 6,000,000	157,252 s.f.	3.61 acres
Phase II Sales Price	\$ 18,000,000	448,232 s.f.	10.29 acres
Total Sales Price	\$ 24,000,000		
Site Size (acres)	13.9		
Site Size (s.f.)	605,484		
Price per s.f.	\$ 39.64		

Step 2: Former Wang Property Information				
Former Wang property comprises 7 acres of the Brookhurst Triangle Site.				
	Total Purchase Price/Value	Price Per Square Foot	Square Feet	Acres
Current Value of Wang property	\$ 12,086,331	\$ 39.64	304,920	7
Original Purchase Price of Wang Property	\$ 5,600,000	\$ 18.37	304,920	7
Value Exceeding Original Purchase Price	\$ 6,486,331	\$ 21.27	304,920	7
<i>Section 30 of purchase agreement indicates a 50/50 split of sales proceeds in excess of \$5.6 million.</i>				
On a per square footage basis, the per square footage cost of the amount exceeding the original purchase price is equal to: \$39.64 psf - \$18.37 psf or \$21.27 psf.				

Step 3: Brookhurst Triangle Project Phase I				
Phase I of the project is made up of 3.61 acres, all of which are comprised of the former Wang property.				
	Amount	Price Per Square Foot	Square Feet	Acres
Phase I of Project over the original purchase price (\$5.6M)	\$ 3,345,094	\$ 21.27	157,252	3.61
50% of Total to Wang	\$ 1,672,547			
50% of Total to City	\$ 1,672,547			
Proceeds distribution:	Wang	City	Taxing Entities	
Phase I = \$6M	\$ 1,672,547	\$ 1,672,547	\$ 2,654,906	

Step 4: Brookhurst Triangle Project Phase II				
Phase II of the project is made up of 10.29 acres, 3.39 acres (147,668 s.f.) are comprised of the former Wang property.				
	Amount	Price Per Square Foot	Square Feet	Acres
Phase I of Project over the original purchase price (\$5.6M)	\$ 3,141,237	\$ 21.27	147,668	3.39
50% of Total to Wang	\$ 1,570,619			
50% of Total to City	\$ 1,570,619			
Proceeds Distribution:	Wang	City	Taxing Entities	
Phase II = \$18M	\$ 1,570,619	\$ 1,570,619	\$ 14,858,763	

Step 1: We determined the price per square foot of the entire Brookhurst Triangle site, based on the sales price in the Disposition and Development Agreement (DDA). Additionally, we showed the size of both Phase I and Phase II of the project in acres and square feet for future calculations.

Step 2: We addressed the former Wang property by calculating its acreage and square footage and calculated its value at the time of purchase in 2002, as well as its current value based on the sales price in the DDA. We then determined what the increase in value is between the 2002 purchase price, and the current selling price in total value and price per square foot.

The increase in value exceeding the original purchase price is \$6,486,331 or \$21.27 per square foot. This amount per square foot will be used to determine the sales proceeds in excess of the original purchase price (\$5.6M), to be split between the seller (Wang) and the City of Garden Grove pursuant to Section 30 of the purchase agreement.

Step 3: Because both phases of the project contain portions of the former Wang property, we have to determine the proportion of the property to allocate to Phase I and the proportion to allocate to Phase II and calculate the increase in value over the 2002 purchase price. The former Wang property makes up 100% of Phase I and 3.39 acres of the 10.29 acres of Phase II of the project.

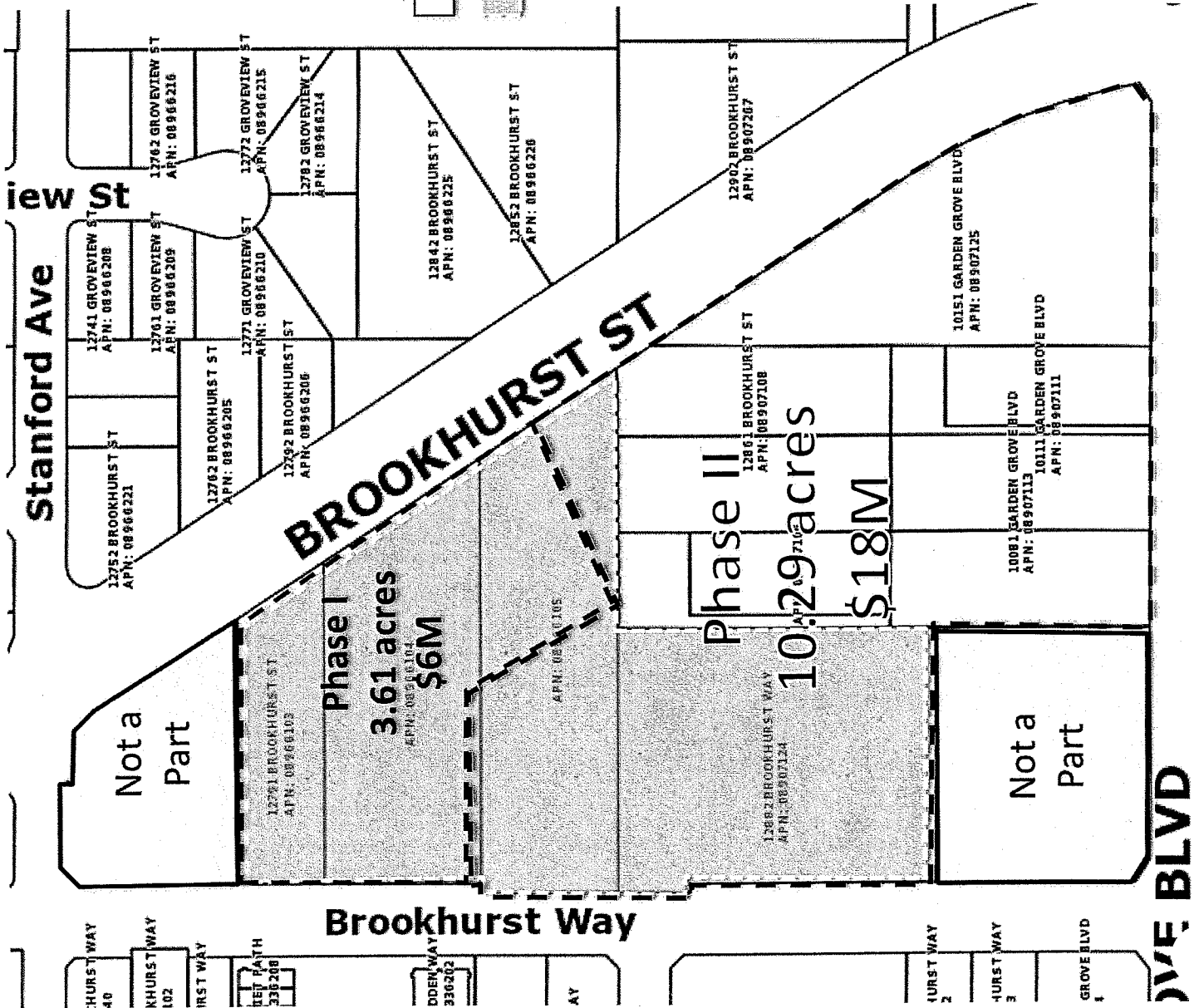
For Phase I of the project, when the price per square foot in excess of the original purchase price (\$21.27) is calculated, the total excess sales proceeds for Phase I of the project is \$3,345,094. Pursuant to Section 30 of the purchase agreement, 50% of this is paid to the seller (Wang) and 50% is paid to the City of Garden Grove.

After these payments are made, the County Auditor/Controller will receive \$2,654,906 to distribute to the taxing entities.

Step 4: The former Wang property makes up 3.39 acres or 147,668 square feet of Phase II of the project. As with Phase I, the price per square foot in excess of the original purchase price (\$21.27) is applied to the square footage. For Phase II, the total excess sales proceeds for Phase II of the project is calculated to be \$3,141,237. Again, pursuant to Section 30 of the purchase agreement, 50% of this amount is paid to the seller (Wang) and 50% is paid to the City of Garden Grove.

After these payments are made, the County Auditor/Controller will receive \$14,858,763 to distribute to the taxing entities.

Brookhurst Triangle Project



LEGEND

Not a Part

Former Wang Property



North

Not to Scale