

TO: JAMES L. APP, CITY MANAGER
FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR *BLA*
SUBJECT: OWNER PARTICIPATION AGREEMENT WITH
MARTIN RESORTS, INC. (PASO ROBLES INN)
DATE: MARCH 7, 2000

Needs: For the City Council and Redevelopment Agency to authorize the City Manager and Agency Executive Director to execute an Owner Participation Agreement (OPA) with Martin Resorts, Inc. The Agreement provides for Redevelopment Agency and City to provide incentives for the development of a new conference facility and rehabilitation of the historic dining room of the Paso Robles Inn. Approval of the OPA is recommended by the Council's Fiscal Committee and the Redevelopment Agency's Project Area Committee (PAC).

- Facts:
1. The City's Economic Development Strategy for Tourism calls for the following implementation policy:

"Encourage expansion and improvement of existing facilities and/or new hotel development.

 - A. *Create incentives to encourage existing hotels to construct additional rooms and meeting / convention facilities.*
 1. *Offer fee reduction, waiver, off-site improvement assistance.*
 2. *Provide assistance from the Agency.*
 - B. *Facilitate the construction of a hotel with a convention center in the following area:*
 1. *Within walking distance to the downtown.*
 2. *Promote and encourage use of the Library / City Hall Conference facility at a market-driven fee to complement these facilities."*
 2. In addition, the Economic Development Strategy contains support policies for hot springs / spa facilities (Tourism) and generating new investment in the downtown to create continuous pedestrian activities (Retail/Commercial Development).

3. The proposed OPA calls for the City and Redevelopment Agency to provide a total of \$400,000 in financial incentives (\$150,000 in the form of a commercial rehabilitation loan through the Agency; \$50,000 from the City in the form of "fee write-downs" (per the Council's adopted policy), and an opportunity to share in certain new Transient Occupancy Tax (TOT) revenues generated by the project up to a potential maximum of \$200,000).

The commercial rehabilitation loan and the ability to share in future TOT revenues are contingent upon issuance of Certificates of Occupancy for both the new conference facility and the rehabilitation of the historic dining room and would be secured by a trust deed on the property.

4. The nature and timing of the City and Agency incentives are designed to encourage completion of both a new conference facility and rehabilitation of the existing historic dining room of the Paso Robles Inn. The combined conference space will total approximately 7,000 square feet.
5. The City Council's Fiscal Committee has recommended approval of the essential elements contained in the attached OPA.
6. On November 8, 1999 the PAC met and discussed the OPA. The consensus of the PAC was to support the project and the financial incentive program in the form that had been drafted at that time.
7. On February 3, 2000, the PAC met again and discussed the latest version of the incentive program. The PAC supports the program as presented, with one vote in opposition and one PAC member abstaining.

Analysis
and

Conclusion:

The Martin Resorts, Inc. proposal to create new and rehabilitated conference facilities totaling approximately 7,000 square feet would appear closely consistent with the City Council's adopted Economic Development Strategy.

The conference facilities on the Paso Robles Inn property would encourage increased hotel occupancy, foster compatible use of the City's conference facilities, and provide economic stimulus for the continued revitalization of the downtown area.

The Project Area Committee is supportive of the project, including the latest form of the financial incentive program.

Policy

Reference:

Council Policy No. A-3A, dated January 18, 1994; Paso Robles Redevelopment Plan.
City Economic Development Policy

Fiscal

Impact:

The OPA provides a total of \$400,000 in financial incentives from the General Fund, of which \$150,000 would be in the form of a commercial rehabilitation loan provided through the Redevelopment Agency (with funds transferred from the City's Economic Incentive account).

Income projections from the conference facility and the anticipated gains in property tax increment and transient occupancy tax income is expected to repay the incentives within five years. There is no impact to Agency finances.

The Agency loan must be repaid before any new additional TOT revenues will be shared with the developer. Moreover, the obligation to share in new TOT revenues ends five (5) years from the date of the promissory note from the developer to the Agency (which is anticipated to be executed at the same time as the Certificate of Occupancy of the second conference facility). Thus, the economic incentives being provided are entirely dependent upon the actual construction and operation of the Paso Robles Inn and the degree to which they are successful.

- Options:
- a. That the Redevelopment Agency and the Council, by separate motions, take the following actions:
 - (1) That the Agency pass the attached Resolution approving the proposed Owner Participation Agreement and authorizing the Executive Director to execute the Owner Participation Agreement with Martin Resorts, Inc.
 - (2) That the City Council pass the attached Resolution approving the proposed Owner Participation Agreement, appropriating \$50,000 in incentive funds, transferring \$150,000 from the General Fund to the Redevelopment Agency, and authorizing the City Manager to execute the Owner Participation Agreement with Martin Resorts, Inc. The remaining \$200,000 will come, if earned, directly out of a share of incremental increases in TOT.
 - b. Amend, modify or reject Option a.

h:\prinn\99\Martin agr 22c Feb 00

RESOLUTION NO. RA-00-

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF PASO ROBLES APPROVING AND AUTHORIZING EXECUTION OF AN OWNER PARTICIPATION AGREEMENT WITH MARTIN RESORTS, INC.

WHEREAS, City Council policy A-3A, dated January 18, 1994, provides the basis for the City Council and Redevelopment Agency to provide financial assistance to encourage projects of "...substantial benefit to the purpose and intent of the Redevelopment Project or the Economic Development Strategy..."; and,

WHEREAS, the City Council's adopted Economic Development Strategy specifically focuses on ways to encourage tourism and "Develop Paso Robles into an 'End Destination' Tourist Attraction"; and

WHEREAS, the Strategy specifically cites steps to achieve these goals, which include capitalizing on the historic use of sulfur baths; encouraging existing hotels to construct additional rooms and meeting / convention facilities; and locating convention facilities within walking distance to the downtown; and

WHEREAS, the plans filed by Martin Resorts, Inc. for the Paso Robles Inn and approved by the Planning Commission have components that fit each of the above described objectives of the Economic Development Strategy; and

WHEREAS, in addition to consistency with the Economic Development Strategy, the Paso Robles Inn property contains one of the more historically significant structures from the turn of the 20th Century, the former dining room of the Paso Robles Hot Springs Hotel. This unique structure is listed in the City's Inventory of Historic Buildings; and

WHEREAS, construction of new conference facilities will assist in increasing room occupancy rates, particularly during the non-peak weekday period. This increased occupancy would benefit the City by generating additional transient occupancy tax revenues and downtown retail business revenues; and

WHEREAS, the construction of new conference facilities, in conjunction with preservation and use of the historic dining room of the former Paso Robles Hot Springs Hotel will also help achieve the goals of the Paso Robles Redevelopment Plan to strengthen retail activity within the Project Area; and

WHEREAS, the Agency is vested with the responsibility for implementing the Paso Robles Redevelopment Plan;

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the Redevelopment Agency of the City of El Paso de Robles that the Agency hereby approves the attached Owner Participation Agreement, in substantially the form attached hereto as "Exhibit A" and incorporated herein by reference, subject to any technical, non-substantive changes as approved by the Agency Executive Director and Agency Counsel and authorizes the Agency Executive Director to execute the Owner Participation Agreement.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 7^h day of March 2000 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Duane Picanco, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING AND AUTHORIZING EXECUTION OF AN
OWNER PARTICIPATION AGREEMENT WITH MARTIN RESORTS, INC.

WHEREAS, City Council policy A-3A, dated January 18, 1994, provides the basis for the City Council and Redevelopment Agency to provide financial assistance to encourage projects of "...substantial benefit to the purpose and intent of the Redevelopment Project or the Economic Development Strategy..."; and,

WHEREAS, the City Council's adopted Economic Development Strategy specifically focuses on ways to encourage tourism and "Develop Paso Robles into an 'End Destination' Tourist Attraction"; and

WHEREAS, the Strategy specifically cites steps to achieve these goals including capitalizing on the historic use of sulfur baths; encouraging existing hotels to construct additional rooms and meeting / convention facilities; and locating convention facilities within walking distance to the downtown; and

WHEREAS, the plans filed by Martin Resorts, Inc. for the Paso Robles Inn and approved by the Planning Commission have components that fit each of the above described objectives of the Economic Development Strategy; and

WHEREAS, in addition to consistency with the Economic Development Strategy, the Paso Robles Inn property contains one of the more historically significant structures from the turn of the 20th Century, the former dining room of the Paso Robles Hot Springs Hotel. This unique structure is listed in the City's Inventory of Historic Buildings; and

WHEREAS, construction of new conference facilities will assist in increasing room occupancy rates, particularly during the non-peak weekday period. This increased occupancy would benefit the City by generating additional transient occupancy tax revenues and downtown retail business revenues; and

WHEREAS, the construction of new conference facilities, in conjunction with preservation and use of the historic dining room of the former Paso Robles Hot Springs Hotel will also help to achieve the goals of the Paso Robles Redevelopment Plan to strengthen retail activity within the Project Area;

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of El Paso de Robles that it hereby approves the attached Owner Participation Agreement, in substantially the form attached hereto as "Exhibit A", and incorporated herein by reference, subject to any technical, non-substantive changes as approved by the City Manager and City Attorney, and authorizes the City Manager to execute the Owner Participation Agreement, and that a budget appropriation is hereby approved from the Economic Incentive Fund in the amount of \$50,000 to budget account 115-110-5235-101, to provide the assistance described in Section 302 of said Agreement.

BE IT FURTHER RESOLVED by the City Council of the City of El Paso de Robles that an operating transfer from the Economic Incentive Fund to the Redevelopment Agency Debt Service Fund, Budget Account 115-000-5899-000 to 702-000-4899-000, in the amount of \$150,000 is hereby approved to provide the assistance described in Section 301 of said Agreement.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 7th day of March 2000 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Duane Picanco, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

OWNER PARTICIPATION AGREEMENT

By and Between

**THE REDEVELOPMENT AGENCY
OF THE CITY OF EL PASO DE ROBLES,**

THE CITY OF EL PASO DE ROBLES

And

**MARTIN RESORTS, INC,
a California corporation**

(Paso Robles Inn)

Paso Robles Redevelopment Project

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Attachments

- Attachment No. 1 Map of the Site
- Attachment No. 2 Legal Description of the Site
- Attachment No. 3 Scope of Development
- Attachment No. 4 Form of Certificate of Completion
- Attachment No. 5 Agreement to be Recorded Affecting Real Property
- Attachment No. 6 Form of Promissory Note
- Attachment No. 7 Form of Deed of Trust

OWNER PARTICIPATION AGREEMENT

THIS AGREEMENT is entered into as of the ___ day of _____, 2000, by and between the REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES (hereinafter referred to as the "Agency"), THE CITY OF EL PASO DE ROBLES (hereinafter referred to as the "City"), and MARTIN RESORTS, INC., a California corporation (hereinafter referred to as the "Participant"). The Agency, the City and the Participant agree as follows:

I. [§100] SUBJECT OF AGREEMENT

A. [§101] Purpose of This Agreement

The primary purposes of this Agreement are to effectuate (a) the Redevelopment Plan (the "Redevelopment Plan") for the Paso Robles Redevelopment Project (the "Redevelopment Project") by providing for the improvement of certain real property (the "Site") included within the boundaries of the Redevelopment Project (the "Redevelopment Project Area"); and (b) the City's Economic Development Assistance Policy by providing for the location and expansion of the Participant's existing business operations within the City.

The improvement of the Site pursuant to this Agreement and the fulfillment generally of this Agreement are in the vital and best interests of the City and the health, safety, morals and welfare of its residents and in accordance with the public purposes and provisions of applicable federal, state and local laws and requirements. Implementation of this Agreement will further the goals and objectives of the Redevelopment Plan and the Economic Development Assistance Policy.

The Agency and City have determined that the development of the Project provided for hereunder will present certain public benefits and opportunities which are made possible by the parties hereto. This Agreement will, among other things: (1) ensure the preservation of a unique historic resource and accelerate the development of a conference facility in the City; (2) strengthen the City's economic base and employment opportunities; (3) reduce uncertainties in planning and provide for the orderly rehabilitation and development of the Site; (4) contribute to the provision of needed public improvements and infrastructure; and (5) provide for the reimbursement to the Participant of costs for certain development fees and construction of public improvements in order to make development of the Project economically feasible and achieve the City's and Agency's goals described above.

This Agreement provides a mechanism for the Agency and City to participate in a portion of the costs of certain off-site public improvements.

Accordingly, this Agreement constitutes a contract, obligation and evidence of indebtedness within the meaning of Section 53511 of the California Government Code.

B. [§102] The Redevelopment Plan

This Agreement is subject to the provisions of the Redevelopment Plan which was approved and adopted by the City Council of the City of El Paso de Robles on November 30, 1987, by Ordinance No. 540 N.S., and as amended to date. Said Redevelopment Plan, as it now exists and as it may be subsequently amended, is incorporated herein by reference and made a part hereof as though fully set forth herein.

C. [§103] The Redevelopment Project Area

The Redevelopment Project Area is located in the City of El Paso de Robles, California, and the exact boundaries of the Redevelopment Project Area are specifically described in the Redevelopment Plan.

D. [§104] The Site

The Site is that portion of the Redevelopment Project Area shown on the "Map of the Site," attached to this Agreement as Attachment No.1 and incorporated herein by reference, and as more particularly described in the "Legal Description of the Site," attached hereto as Attachment No.2 and incorporated herein by reference. The Site is composed of real property and the improvements existing thereon, which are presently owned by the Participant.

As more fully set forth below in this Agreement and the Scope of Development attached hereto, the Participant shall reconstruct, rehabilitate and renovate the improvements currently existing on the Site and construct certain new improvements on the Site.

E. [§105] Parties to This Agreement

1. [§106] The Agency

The Agency is a public body, corporate and politic, exercising governmental functions and powers and organized and existing under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et seq.).

The principal office of the Agency is located at 1000 Spring Street, Paso Robles, California 93446.

"Agency," as used in this Agreement, includes the Redevelopment Agency of the City of El Paso de Robles and any assignee of or successor to its rights, powers and responsibilities.

2. [§107] The City

The Agency is a general law city and municipal corporation of the State of California.

The principal office of the City is located at 1000 Spring Street, Paso Robles, California 93446.

"City," as used in this Agreement, includes the City of El Paso de Robles and any assignee of or successor to its rights, powers and responsibilities.

3. [§108] The Participant

The Participant is Martin Resorts, Inc., a California corporation.

The principal address of the Participant is P. O. Box 12060, San Luis Obispo, CA 93406.

Whenever the term "Participant" is used herein, such term shall include any permitted nominee, assignee or successor in interest as herein provided.

The Participant qualifies as an "owner participant" as that term is used in the Redevelopment Plan and the Community Redevelopment Law.

The qualifications and identity of the Participant are of particular concern to the Agency, and it is because of such qualifications and concerns that the Agency and City have entered into this Agreement with the Participant. No voluntary or involuntary successor in interest of the Participant shall acquire any rights or powers under this Agreement except as expressly set forth herein. This Agreement may be terminated by the Agency and/or City if there is any significant change (voluntary or involuntary) in the ownership or control of the Participant prior to the completion of rehabilitation and development of the Site as evidenced by the issuance of a final Certificate of Completion therefor.

Except as otherwise expressly permitted by this Agreement, the Participant shall not assign all or any part of this Agreement without the prior written approval of the Agency, which approval shall not be unreasonably withheld or delayed. It shall not be unreasonable for the Agency to withhold such approval if the proposed assignee fails to demonstrate to the reasonable satisfaction of the Agency that it possesses the financial resources and development experience with

comparable hotel/conference center facilities necessary to develop the Site in accordance with this Agreement.

II. [§200] IMPROVEMENT OF THE SITE

A. [§201] Improvement of the Site by the Participant

1. [§202] Scope of Development

The Participant agrees to rehabilitate and develop the Site as provided in the "Scope of Development," attached hereto as Attachment No. 3 and incorporated herein by reference.

2. [§203] Cost of Construction

The cost of developing the Site and rehabilitating and/or constructing all improvements thereon shall be borne by the Participant, except for the work specified in the Scope of Development (Attachment No. 3) to be performed or paid for by the Agency or others.

3. [§204] Submittal, Review and Approval of Construction Drawings and Related Documents

The rehabilitation and/or construction of the improvements on the Site shall be undertaken in substantial accordance with the final construction drawings and landscaping plans therefor approved by the city pursuant to the city's plan review process. Participant shall prepare and submit such plans, construction drawings and related documents, and in such form and detail, as required by City's plan review processes. The Participant shall have the normal appeal rights granted applicants under the City's plan review processes. Except as may otherwise be set forth in this Agreement, Participant agrees that is shall comply with all of the conditions contained in the City's Planning Commission Resolution No. PC 99-024.

4. [§205] Schedule of Performance

Subject to the terms and conditions of this Agreement, the Participant shall promptly begin and thereafter prosecute diligently to completion the development of the Site and the rehabilitation and/or construction of all of the improvements on the Site as provided in the Scope of Development (Attachment No. 3). All such work shall be completed in accordance with a schedule of performance mutually agreeable to the parties, subject to delays beyond the reasonable control of any party.

5. [§206] Bodily Injury and Property Damage Insurance: Indemnification

Prior to the commencement of construction (or any work related thereto) upon the Site, the Participant shall furnish, or cause to be furnished, to the Agency duplicate originals or appropriate certificates of bodily injury and property damage insurance policies in the amount of at least FIVE HUNDRED THOUSAND DOLLARS (\$500,000) for any person, ONE MILLION DOLLARS (\$1,000,000) for any occurrence and THREE HUNDRED THOUSAND DOLLARS (\$300,000) property damage, naming the Agency and the City as additional insureds. The policy limits of such policies may be in lesser amounts if the Participant shall provide the Agency with duplicate originals or appropriate certificates of a binder (approved by the Agency) which indemnifies and holds the Agency and the City harmless from and against all liability, loss, damage, costs or expenses (including reasonable attorneys' fees and court costs) arising from or as a result of the death of any person or any accident, injury, loss or damage whatsoever caused to any person, or to the property of any person, which shall occur on or adjacent to the Site and which shall be directly or indirectly caused by any acts done thereon, or by any errors or omissions, of the Participant and its agents, servants, employees and contractors, and which provides for the defense of the Agency and the City against all claims or causes of action arising therefrom. Such insurance policies shall be maintained and kept in force, and such obligation to indemnify shall continue, during periods of construction upon the Site and until the Agency has issued a Certificate of Completion for the Site.

6. [§207] City and Other Governmental Agency Permits

Prior to the commencement of construction (or any work related thereto) upon the Site, the Participant shall secure, or cause to be secured, any and all permits which may be reasonably required by the City or any other governmental agency affected by such construction. The Agency and the City shall provide all proper assistance to the Participant in securing these permits.

7. [§208] Rights of Access During Construction

Representatives of the Agency and the City shall have the reasonable right of access to the Site without charges or fees, during normal construction hours during the period of construction for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed in rehabilitating and/or constructing the improvements.

8. [§209] Local, State and Federal Laws

The Participant shall carry out the construction and/or rehabilitation of all of the improvements on the Site in conformity with all applicable laws, including all applicable federal and state labor standards. The

Participant understands and agrees that all work on the Public Improvements, whether or not paid for with public funds, will be subject to prevailing wage requirements based on State wage rate determinations.

9. [§210] Antidiscrimination During Construction

The Participant, for itself and its successors and assigns, agrees that in the construction of improvements on the Site provided for in this Agreement, the Participant will not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry or national origin.

B. [§211] Prohibition Against Transfer and Assignment of Agreement

Prior to the issuance of a final Certificate of Completion with respect to the construction and/or rehabilitation of the improvements on the Site, the Participant shall not, except as permitted by this Agreement, assign or attempt to assign this Agreement or any rights herein, nor make any total or partial sale, transfer, conveyance, assignment or lease of the whole or any part of the Site or the improvements thereon, without the prior written approval of the Agency (which approval shall not be unreasonably withheld or delayed). This prohibition shall not apply subsequent to the issuance of the final Certificate of Completion. This prohibition shall not be deemed to prevent the granting of easements, licenses or permits to facilitate the development of the Site or to prohibit or restrict the leasing or rental of all or any portion of the improvements on the Site for the uses specified herein and in the Redevelopment Plan. This prohibition shall also not be deemed to prohibit the granting of any security interests in the Site for the purpose of securing loans or funds to be used for financing the construction of the improvements on the Site.

Any proposed buyer, transferee, conveyee, assignee or lessee shall have the qualifications and financial responsibility necessary and adequate, as may be reasonably determined by the Agency, to fulfill the obligations undertaken in this Agreement by the Participant. Any such proposed buyer, transferee, conveyee, assignee or lessee, by an instrument in writing reasonably satisfactory to the Agency and in a form recordable among the land records, for itself and its successors and assigns, and for the benefit of the Agency, shall expressly assume all of the obligations of the Participant under this Agreement and agree to be subject to all conditions and restrictions to which the Participant is subject hereunder. There shall be submitted to the Agency for review all instruments and other legal documents proposed to effect any such sale, transfer, conveyance, assignment or lease, and, if approved by the Agency, such approval shall be indicated to the Participant in writing, and shall include a provision releasing Participant from all obligations hereunder.

In the absence of specific written agreement by the Agency, no such sale, transfer, conveyance, assignment or lease, or the approval thereof by the Agency, shall be deemed to relieve the Participant or any other party from any obligations under this Agreement.

C. [§212] Security Financing: Rights of Holders

1. [213] Holder Not Obligated to Construct

The holder of any mortgage, deed of trust or other security interest pertaining to the Site shall in no way be obligated by the provisions of this Agreement to rehabilitate and/or construct, or complete such construction of, the improvements, or to guarantee such construction or completion. Absent City's and Agency's prior written consent, nothing in this Agreement shall be deemed to construe, permit or authorize any such holder to devote the Site to any uses, or to rehabilitate and/or construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

2. [§214] Notice of Default to Mortgage, Deed of Trust or Other Security Interest Holders; Right to Cure

Whenever the Agency shall deliver any notice or demand to the Participant with respect to any breach or default by the Participant in the completion of the construction of the improvements, the Agency shall at the same time deliver to each holder of record of any mortgage, deed of trust or other security interest authorized by this Agreement (who has previously made a request therefor) a copy of such notice or demand. Each such holder shall (insofar as the rights of the Agency are concerned) have the right, at its option within ninety (90) days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default and to add the cost thereof to the security interest debt and the lien on its security interest. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction of the improvements, or the completion thereof (beyond the extent necessary to conserve or protect the improvements or construction already made) without first having expressly assumed the Participant's obligations to the Agency by written agreement satisfactory to the Agency. The holder in that event must agree to complete, in the manner provided in this Agreement, the construction of the improvements to which the lien or title of such holder relates and submit evidence satisfactory to the Agency that it has the qualifications and financial responsibility necessary to perform such obligations.

D. [§215] Certificate of Completion

Promptly after the completion of all rehabilitation and construction work to be completed on the Site as set forth in the Scope of Development (Attachment No. 3 hereto), and upon the written request by the Participant, the

Agency shall furnish the Participant with a Certificate of Completion for the Site in the form attached hereto as Attachment No. 4 and incorporated herein by reference, which evidences and determines the satisfactory completion of the rehabilitation and construction work required by this Agreement upon the entire Site.

The Certificate of Completion shall not be withheld or delayed by the Agency unless the Participant shall have failed to satisfactorily complete the construction required by this Agreement, in substantial compliance with the terms and provisions hereof. Upon issuance of a Certificate of Completion, the respective rights and obligations of the parties with reference to the Site shall be limited to those set forth in the Agreement to be Recorded Affecting Real Property as described in Section 216 of this Agreement.

A Certificate of Completion shall not be deemed or construed to constitute evidence of compliance with or satisfaction of any obligation of the Participant to any holder of a mortgage or any insurer of a mortgage securing money loaned to finance the construction of the improvements on the Site, or any portion thereof. A Certificate of Completion is not a notice of completion as referred to in Section 3093 of the California Civil Code.

E. [§216] Agreement to be Recorded Affecting Real Property

Concurrently with this Agreement, the Participant and the Agency have executed an "Agreement to be Recorded Affecting Real Property," attached hereto as Attachment No. 5 and incorporated herein by reference, which provides for certain covenants and agreements on the part of the Participant consistent with the terms and purpose of this Agreement and by which the Agency agrees to waive its legal right to acquire the Site by eminent domain. The Agency is authorized to, and shall, record the Agreement to be Recorded Affecting Real Property only after issuance of a Certificate of Completion pertaining to the Site.

III. [§300] AGENCY AND CITY PARTICIPATION AND ASSISTANCE

A. [§301] Agency Advance

Pursuant to Health and Safety Code section 33444.5, the Agency agrees to loan to the Participant an amount equal to ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000.00) (the "Agency Advance") to assist in financing the rehabilitation and construction of the improvements on the Site. The Participant shall execute and deliver a promissory note (the "Note") to the Agency in the form substantially as set forth in Attachment No. 6 hereto and incorporated herein by reference. The Note shall be secured by a deed of trust (the "Deed of Trust") to be recorded against the Site in the form substantially as set forth in Attachment No. 7 hereto and incorporated herein by reference.

The Agency shall deliver the proceeds of the Agency Advance to the Participant, upon completion of all of the following:

(a) The issuance by the City of a Certificate of Occupancy for (i) the rehabilitation work to be done on the historic ballroom, or (ii) the construction of the new conference facilities, as set forth in the Scope of Development (Attachment No. 3), whichever is later;

(b) The Participant shall execute and deliver to the Agency in recordable form the Note and Deed of Trust evidencing the Agency Advance; and

(c) The Participant shall deliver to the Agency a binding commitment by a title insurance company acceptable to the Agency to issue a CLTA lender's policy of title insurance ("Title Policy"), with such endorsements the Agency may reasonably require, insuring the Agency in the principal amount of the Agency Advance, of the validity and the priority of the Note and Deed of Trust as a lien upon the Site, subject only to matters of record approved by the Agency in writing and the Participant's approved financing as set forth herein, and showing fee simple title to the Site in the name of the Participant.

The Agency agrees that the Deed of Trust shall be subordinate to a deed of trust executed in favor of Participant's primary lender for its rehabilitation and construction of the improvements on the Site, in an amount not to exceed FOUR MILLION DOLLARS (\$4,000,000.00), subject to the provisions set forth in paragraph 5 of the Addendum to Deed of Trust (Attachment No. 7).

B. [§302] City Participation

Pursuant to the City's Economic Development Assistance Policy, City wishes to encourage and assist in the rehabilitation and construction of the improvements on the Site. Inasmuch as this Agreement provides for the participation of the Participant in financing the public improvements required to carry out the project approvals required hereunder, this Agreement constitutes a financing agreement within the meaning and scope of Government Code section 53511 in that it provides for a means of satisfying financing obligations for various public improvements and facilities to be owned by or maintained for the benefit of City and the public generally in the City's planning area. The City assistance shall be as follows:

1. In consideration of the Participant's rehabilitation and construction of the improvements on the Site, the City agrees to waive a portion of the development related fees imposed or assessed by or on behalf of the City ("City Development Fees") which the Participation would be required to pay with respect to the rehabilitation and construction of the improvements on the Site. The amount of fees waived shall be FIFTY THOUSAND DOLLARS (\$50,000) (the "City Fee Waiver"). The Participant shall be responsible for payment of any and all fees

imposed or assessed by or on behalf of any other entity with respect to the rehabilitation and construction of the improvements on the Site, plus the total amount of any City Development Fees, if any, which exceed the maximum amount of the City Fee Waiver set forth above.

2. In further consideration of the Participant's rehabilitation and construction of the improvements on the Site and their importance to revitalizing the core downtown area of the City, the City agrees to pay to Participant, as an additional economic incentive, an aggregate amount not to exceed TWO HUNDRED THOUSAND DOLLARS (\$200,000) ("Economic Development Incentive Payment"), subject to all of the following terms and conditions;

(a) The Note from the Agency to the Participant shall have been repaid in full, in accordance with the terms thereof;

(b) The amount of any annual Economic Development Incentive Payment shall be equal to Fifty Percent (50%) of the Additional Transient Occupancy Tax (as defined herein), beginning with the calendar year after which the Note has been repaid in full. As used herein, "Additional Transient Occupancy Tax" shall mean the amount of transient occupancy tax paid to the City for the operation of the improvements on the Site in a calendar year less the amount of transient occupancy tax paid to the City from the operation of the improvements on the Site in calendar year 1999;

(c) The last calendar year for which the City will have any obligation to make the Economic Development Incentive Payment shall be the calendar year in which the fifth (5th) anniversary of the date of the Note occurs, and thereafter City shall have no further obligation to make an payment under this paragraph 1. of Section 302.

C. [§303] Additional Financing

The Participant shall secure such additional construction and permanent financing as may be reasonably necessary to undertake and complete the rehabilitation and construction of the improvements on the Site in accordance with the provisions of this Agreement.

IV. [§400] USE AND MAINTENANCE OF THE SITE

A. [§401] Use of the Site

The Participant covenants and agrees for itself, its successors, its assigns and every successor in interest to devote the Site to the uses specified in the Redevelopment Plan (which are the same as those set forth in the City's General Plan) and to comply with all other provisions and conditions of the Redevelopment Plan for the period of time the Plan is in force and effect. The foregoing covenants shall run with the land.

B. [§402] Maintenance of the Site

The Participant agrees to maintain the improvements and landscaping on the Site in a clean and orderly condition and in good condition and repair, subject to normal wear and tear, and keep the Site free from any accumulation of debris and waste materials for the period of time the Redevelopment Plan is in force and effect.

C. [§403] Obligation to Refrain from Discrimination

The Participant covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall the Participant itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site. The foregoing covenants shall run with the land and shall remain in effect in perpetuity.

D. [§404] Form of Nondiscrimination and Nonsegregation Clause

The Participant shall refrain from restricting the rental, sale or lease of the Site on the basis of race, color, creed, religion, sex, marital status, ancestry or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the

land herein conveyed, nor shall the grantee or any person claiming under or through him or her establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

2. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

"That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry, or national origin in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

3. In contracts: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land."

E. [§405] Rights of Access

For the purposes of assuring compliance with this Agreement, representatives of the Agency and the City shall have the reasonable right of access to the Site during normal business hours and with reasonable notice to Participant, without charges or fees for the purpose of inspection of the Site as to maintenance of the improvements thereon. Such representatives of the Agency or the City shall be those who are so identified in writing by the Executive Director of the Agency.

F. [§406] Effect and Duration of Covenants

The covenants contained in Sections 401 and 402 of this Agreement shall remain in effect until the termination date of the Redevelopment Plan. The covenants against discrimination contained in Sections 403 and 404 of this Agreement shall remain in effect in perpetuity. The covenants established in this Agreement shall, without regard to technical classification and designation, be binding on the part of the Participant and any successors and assigns to the Site or any part thereof, and the tenants, lessees, sublessees and occupants of the Site, for the benefit of and in favor of the Agency, its successors and assigns, the City and any successor in interest thereto.

V. [§500] **DEFAULTS AND REMEDIES**

A. [§501] Defaults

Failure or delay by any party to perform any term or provision of this Agreement constitutes a default under this Agreement. A nondefaulting party shall notify the defaulting party that a default exists, the nature and extent of the default, and that the defaulting party must cure same within thirty (30) days of receipt of the notice of default. The party receiving a notice of default 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.

B. [§502] Legal Actions

In addition to any other rights or remedies, any party may institute legal action to cure, correct or remedy any default, to recover damages for any default or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of San Luis Obispo, State of California, in any other appropriate court in that county, or in the Federal District Court in the appropriate district of California.

A nondefaulting party may also, at its option and after proper notice and the failure by the defaulting party to cure the specific breach, cure the breach and sue in any court of proper jurisdiction to collect the reasonable costs incurred by virtue of curing or correcting the defaulting party's breach. Further, a nondefaulting party may file legal action to require the defaulting party to specifically perform the terms and conditions of this Agreement.

C. [§503] Applicable Law

The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

D. [§504] Agency's Right to Acquire in the Event of Default by the Participant

The Agency hereby waives its legal right to acquire the Site by purchase or eminent domain to enable the Participant to rehabilitate and/or construct the improvements on the Site and to otherwise develop, use and maintain the Site in accordance with the Redevelopment Plan as more particularly described in this Agreement, provided that the Participant completes such improvements and develops, uses and maintains the Site as required by this Agreement. In the event that the Participant fails to complete such construction within the time or in the manner provided herein, or in the event that the Site is not developed, used and maintained as required by this Agreement, then the Agency and/or City may terminate this Agreement and may exercise its right to acquire the Site. The amount to be paid by the Agency to the Participant shall be the fair market value of the Site (or any portion thereof to be acquired) with existing improvements as of the date of purchase or offer of purchase by the Agency. If the Agency and the Participant are unable to agree upon the fair market value of the Site, the Agency may institute an action in eminent domain, and this Agreement until then constitutes a stipulation on the part of the Participant that the only issue involved in said action shall be the fair market value of the Site (or portion thereof to be acquired).

To the extent applicable, the provisions of this Section 504 are set forth in the Agreement to be Recorded Affecting Real Property (as described in Section 216 of this Agreement).

VI. [§600] GENERAL PROVISIONS

A. [§601] Conflicts of Interest

No member, official or employee of the Agency or City shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to this 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.

The Participant warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement.

B. [§602] Nonliability of Agency and City Officials and Employees

No member, official or employee of the Agency or City shall be personally liable to the Participant in the event of any default or breach by the

Agency or City or for any amount which may become due to the Participant or on any obligations under the terms of this Agreement.

VII. [§700] ENTIRE AGREEMENT, WAIVERS AND AMENDMENTS

This Agreement is executed in three (3) duplicate originals, each of which is deemed to be an original. This Agreement comprises pages 1 through 16, inclusive, and Attachment Nos. 1 through 7, which constitute the entire understanding and agreement of the parties.

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the subject matter hereof.

All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Agency, the City and the Participant, and all amendments hereto must be in writing and signed by the appropriate authorities of the Agency, the City and the Participant.

VIII. [§800] TIME FOR ACCEPTANCE OF AGREEMENT BY AGENCY AND CITY

This Agreement, when executed by the Participant and delivered to the Agency, must be authorized, executed and delivered by the Agency and the City within forty-five (45) days after the date of signature by the Participant or this Agreement shall be void, except to the extent that the Participant may consent in writing to further extensions of time for the authorization, execution and delivery of this Agreement. The effective date of this Agreement shall be the date when this Agreement has been signed by the Agency and City.

_____, 2000

REDEVELOPMENT AGENCY OF THE
CITY OF EL PASO DE ROBLES

By: _____
Executive Director

Attest:

By: _____
Secretary

"AGENCY"

APPROVED AS TO FORM:

Agency or City or for any amount which may become due to the Participant or on any obligations under the terms of this Agreement.

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_____, 2000

REDEVELOPMENT AGENCY OF THE
CITY OF EL PASO DE ROBLES

By: _____
Executive Director

Attest:

By: _____
Secretary

"AGENCY"

APPROVED AS TO FORM:

Agency Counsel

-AND-

_____, 2000

CITY OF EL PASO DE ROBLES

By: _____
City Manager

Attest:

By: _____
City Clerk

"CITY"

APPROVED AS TO FORM:

City Attorney

_____, 2000_

MARTIN RESORTS, INC.,
a California corporation,

By: _____

Title: _____

"PARTICIPANT"

[ATTACH NOTARIZATION OF SIGNATURES]

ATTACHMENT NO. 1

MAP OF THE SITE

[To Be Inserted.]

ATTACHMENT NO. 2

LEGAL DESCRIPTION OF THE SITE

[To Be Inserted.]

ATTACHMENT NO. 3

SCOPE OF DEVELOPMENT

I. PRIVATE DEVELOPMENT

A. General

The Participant agrees that the Site shall be rehabilitated, developed and improved in accordance with the provisions of this Agreement and the plans, drawings and related documents approved by the Agency pursuant hereto. The Participant, its supervising architect, engineer and contractor, shall work with Agency staff to coordinate the overall design, architecture and color of the improvements on the Site.

B. Participant's Improvements

The Participant shall rehabilitate and reconstruct the historic ballroom from the improvements currently existing on the Site. In addition to renovating the existing ballroom, which contains approximately 4,000 square feet, the Participant shall construct new conference facilities containing approximately 3,000 square feet of space, including public meeting rooms and other appurtenant improvements and facilities. The Participant's improvements shall also include construction and development of adequate parking to meet the needs of the project, landscaping, and common pedestrian areas as outlined in the site plan drawings approved by the Agency. Participant shall comply with all conditions set forth in Planning Commission Resolution No. PC 99-024; provided, however, that the renovation of the existing ballroom and construction of new conference facilities as set forth herein shall be deemed to satisfy the conditions in said Planning Commission Resolution regarding the square footage of new meeting facilities to be constructed

C. Architecture and Design

The Participant's improvements shall be of high architectural quality, shall be well-landscaped, and shall be effectively and aesthetically designed. The shape, scale of volume, exterior design and exterior finish of the building must be consonant with, visually related to, physically related to, and an enhancement of adjacent buildings within the Project Area. The Participant's plans submitted to the Agency shall describe in detail the architectural character intended for the Participant's improvements.

D. Landscaping

Landscaping shall embellish all open spaces upon the Site to integrate the Participant's improvements with adjacent sites within the Project Area. Landscaping includes such materials as paving, trees, shrubs and other plant materials, landscape containers, top soil preparation, automatic irrigation, landscape and pedestrian lighting. Landscaping shall carry out the objectives and principles of the Agency's desire to accomplish an aesthetic environment.

E. Signs

All signs on the exterior of the buildings are of special concern to the Agency and must be approved by the Agency (which approval shall not be unreasonably withheld or delayed).

F. Screening

Trash areas shall be screened on at least three (3) sides and have movable doors or other devices to obscure such areas from view. All fire standpipes and such other fire related mechanical devices shall be screened with plant materials. Rooftop equipment shall be reasonably hidden so as to diminish views from principal elevations surrounding the development.

G. Applicable Codes

The Participant's improvements shall be constructed in accordance with the Uniform Building Code (with any City modifications adopted as of the time of construction) and the Municipal Code.

ATTACHMENT NO. 4

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

CERTIFICATE OF COMPLETION OF
REHABILITATION, CONSTRUCTION AND DEVELOPMENT

PASO ROBLES REDEVELOPMENT PROJECT

WHEREAS, pursuant to an Owner Participation Agreement dated _____, 2000, by and between the REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES (hereinafter referred to as the "Agency"), the CITY OF EL PASO DE ROBLES (hereinafter referred to as the "City"), and MARTIN RESORTS, INC., a California corporation (hereinafter referred to as the "Participant"), the Participant has rehabilitated and developed the real property (the "Site") legally described on the attached Exhibit A by rehabilitating and constructing, or causing to be rehabilitated and constructed, the improvements thereon according to the terms and conditions of said Owner Participation Agreement; and

WHEREAS, pursuant to Section 215 of the Owner Participation Agreement, promptly after completion of all work of rehabilitation and construction to be completed by the Participant upon the Site, the Agency is required to furnish the Participant with a Certificate of Completion upon written request therefor by the Participant; and

WHEREAS, the issuance by the Agency of the Certificate of Completion shall be conclusive evidence that the Participant has complied with the terms of the Owner Participation Agreement pertaining to the development of the Site and to the work of rehabilitation and construction of the improvements on the Site; and

WHEREAS, the Participant has requested that the Agency furnish the Participant with the Certificate of Completion; and

WHEREAS, the Agency has conclusively determined that the work of rehabilitation, construction and development on the Site herein as required by the Owner Participation Agreement has been satisfactorily completed;

NOW, THEREFORE:

1. As provided in the Owner Participation Agreement, the Agency does hereby certify that development of the Site and the work of rehabilitation and construction of the improvements on the Site have been fully and satisfactorily performed and completed, and that such development is in full compliance with said Owner Participation Agreement.

2. Said Owner Participation Agreement is therefore of no further force and effect, and all rights, duties, obligations and liabilities of the Agency and the Participant thereunder shall cease to exist. Any continuing and existing rights, duties, obligations and liabilities pertaining to the Site are provided in an Agreement to be Recorded Affecting Real Property which is recorded concurrently with issuance of this Certificate of Completion. Additional rights, duties, obligations and liabilities pertaining to the Site shall be as provided for under that certain Promissory Note executed by the Participant in favor of the Agency, and the Deed of Trust securing said Note which is recorded against the Site, until such time as all amounts due and owing to the Agency under the Note and Deed of Trust have been paid in full.

3. This Certificate of Completion shall not be deemed or construed to constitute evidence of compliance with or satisfaction of any obligation of the Participant to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance the construction of the improvements on the Site. This Certificate of Completion is not a notice of completion as referred to in Section 3093 of the California Civil Code.

IN WITNESS WHEREOF, the Agency has executed this Certificate as of this __ day of _____, 20__.

REDEVELOPMENT AGENCY OF THE
CITY OF EL PASO DE ROBLES

By: _____
Executive Director

"AGENCY"

ATTEST:

Secretary

CITY OF EL PASO DE ROBLES

By: _____
City Manager

"CITY"

ATTEST:

City Clerk

ACCEPTED BY:

MARTIN RESORTS, INC., a
California corporation

By: _____

Title: _____

"PARTICIPANT"

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

[To Be Inserted.]

ATTACHMENT NO. 5

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

AGREEMENT TO BE RECORDED AFFECTING REAL PROPERTY

THIS AGREEMENT is entered into this ___ day of _____, 2000, by and between the REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES, a public body, corporate and politic (hereinafter referred to as the "Agency"), the CITY OF EL PASO DE ROBLES (hereinafter referred to as the "City"), and MARTIN RESORTS, INC., a California corporation (hereinafter referred to as the "Participant") with reference to the following:

A. The Participant is the present owner of certain real property (the "Site") located in the City of El Paso de Robles, County of San Luis Obispo, State of California, legally described in the attached Exhibit A.

B. The Site is within the Paso Robles Redevelopment Project (the "Project") in the City of El Paso de Robles and is subject to the provisions of the Redevelopment Plan for the Project adopted by the City Council of the City of El Paso de Robles on November 30, 1987, by Ordinance No. 540 N.S., as amended to date. The Redevelopment Plan, as it now exists and as it may be subsequently amended, is incorporated herein by reference and made a part hereof as though fully set forth herein.

C. Recordation of this Agreement at the Agency's request is conclusive evidence that the Participant has rehabilitated and constructed the improvements on the Site and has otherwise developed the Site in accordance with the Redevelopment Plan and pursuant to the terms and provisions of a certain "Owner Participation Agreement" entered into between the Agency and the Participant on _____, 1999, and that the Agency has waived its legal right to acquire the Site provided that the terms, conditions and covenants set forth herein are faithfully and dutifully performed.

NOW, THEREFORE, THE AGENCY AND THE PARTICIPANT HEREBY AGREE AS FOLLOWS:

1. The Agency hereby acknowledges that the Participant has rehabilitated and constructed the improvements on the Site and has otherwise developed the Site in accordance with the Redevelopment Plan and pursuant to the terms and provisions of the Owner Participation Agreement. The Agency hereby agrees that the terms and provisions of the Owner Participation Agreement have been fully and satisfactorily performed by the Participant and that the Owner Participation Agreement shall be of no further force and effect. The Agency further agrees to waive its legal right to acquire the Site or any part thereof through the use of eminent domain, provided the Agency may acquire the Site (or any part thereof) through the use of eminent domain in the event that:

a. The Participant or its successors, assigns or any successor in interest to the Site or any part thereof shall fail or refuse to faithfully and dutifully perform and abide by each and every term, condition and covenant provided in this Agreement; or

b. The improvements on the Site, or any part thereof, are destroyed or damaged and the Participant or its successors, assigns or any successor in interest to the Site or any part thereof shall fail or refuse to promptly repair, restore or rebuild (or cause the repair, restoration or rebuilding of) such improvements in accordance with the Redevelopment Plan.

If the Agency shall institute an action in eminent domain to acquire the Site or any portion thereof, this Agreement shall then constitute a stipulation on the part of the Participant and its successors, assigns, and each successor in interest that the only issue involved in said eminent domain action shall be the fair market value of the Site (or portion thereof to be acquired).

2. The Participant, on behalf of itself and its successors, assigns and each successor in interest to the Site or any part thereof hereby covenants and agrees:

a. To use, devote and maintain the Site and each part thereof for the uses specified in the Redevelopment Plan.

b. To maintain the improvements and landscaping on the Site in a clean and orderly condition and in good condition and repair, (ordinary wear and tear excepted) and to keep the Site free from any accumulation of debris and waste materials.

c. Not to discriminate upon the basis of race, color, creed, religion, sex, marital status, ancestry or national origin in the sale, lease, sublease, transfer or rental or in the use, occupancy, tenure or enjoyment of the Site or any improvements thereon. Each and every deed, lease and contract entered into with

respect to the Site shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(1) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(2) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

"That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, ancestry, or national origin in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of, tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

(3) In contracts: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with

reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land."

3. There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, or any part thereof, nor shall the Participant, its successors, assigns or successors in interest to the Site, or any part thereof, or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site or any part thereof.

4. The City agrees that, for the period of time and upon the satisfaction of the terms and conditions set forth in Section 302, paragraph 1. of the OPA, it will make certain payments to Participant.

5. The covenants and agreements established in this Agreement shall, without regard to technical classification and designation, be binding on the Participant and any successor in interest to the Site, or any part thereof, for the benefit of and in favor of the Agency and its successors and assigns and the City of El Paso de Robles. The covenants contained in Sections 1, 2.a and 2.b of this Agreement shall remain in effect until the termination date of the Redevelopment Plan. The covenants against discrimination (contained in Sections 2.c and 3 of this Agreement) shall remain in perpetuity.

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

REDEVELOPMENT AGENCY OF THE
CITY OF EL PASO DE ROBLES

By: _____
Executive Director

By: _____
Secretary

"AGENCY"

-AND-

CITY OF EL PASO DE ROBLES

By: _____
City Manager

Attest:

By: _____
City Clerk
"CITY"

MARTIN RESORTS INC.,
a California corporation

By: _____

Title: _____

"PARTICIPANT"

t or

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

[To Be Inserted.]

ATTACHMENT NO. 6

FORM OF PROMISSORY NOTE

\$150,000

Paso Robles, California

FOR VALUE RECEIVED, the undersigned, MARTIN RESORTS, INC., a California corporation (herein called the "Participant") hereby promises to pay to the REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (herein called the "Agency"), a principal sum of ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000) (the "Principal"), at 1000 Spring Street, Paso Robles, California 93446, together with interest at the rate of seven percent (7%) per annum, simple interest. The Principal, plus interest, shall be payable in lawful money of the United States of America. The place of payment may be changed from time to time as the Agency or any permitted assignee thereof may designate in writing.

This Promissory Note (hereinafter called the "Note") is made and delivered pursuant to and in implementation of an Owner Participation Agreement entered into between the Agency, the City of El Paso de Robles and the Participant dated _____, 2000 (the "OPA"). The OPA provides for the Participant to rehabilitate and construct certain improvements on certain real property (the "Site") within the Paso Robles Redevelopment Project Area of the City of El Paso de Robles, California. Pursuant to the OPA, the Agency has agreed to loan funds to the Participant to assist in the rehabilitation and construction of the improvements. This Note evidences the amount of the loan, which amount is to be repaid in accordance with this Note.

A. Repayment; Credit

Beginning in the year in which Participant receives a Certificate of Completion, Participant shall receive an annual credit against repayment of this Note in an amount equal to the sum of (i) the Additional Transient Occupancy Tax (as defined herein) plus (ii) the Additional Tax Increment (as defined herein). The "Additional Transient Occupancy Tax" shall mean the amount of transient occupancy tax paid to the City from the operation of the improvements on the Site in a calendar year less the amount of transient occupancy tax paid to the City from the operation of the improvements on the Site in calendar year 1999. "Additional Tax Increment" shall mean eighty percent (80%) of the amount of tax increments (as

determined pursuant to Section 33670(b) of the Health and Safety Code) allocated to the Agency from the Site less eighty percent (80%) of the tax increments allocated to the Agency from the Site in tax year 1998-99.

Notwithstanding anything herein to the contrary, the entire unpaid balance of principal and interest shall be immediately due and payable either (i) in the event of the sale of Participant's interest in the Site or any portion thereof (unless Agency has expressly agree in writing that this Note may be assumed by such buyer or transferee and such buyer or transferee has assumed such obligation in writing); or (ii) upon the fifth (5th^h) anniversary of the date of this Note. Upon any such sale, proceeds from such sale shall be applied, first, to payment of accrued interest and then to payment of principal hereunder.

B. Transferability

The Agency, at its option, may negotiate transfer or assumption of this Note.

C. Prepayment

The Participant shall have the right to prepay, at any time and from time to time, all or any portion of the Principal of this Note provided all Interest which may be due and payable under this Note is also paid, without any premium or penalty.

D. Deed of Trust.

This Note shall be secured by a deed of trust (the "Deed of Trust") of even date herewith recorded against the Site.

The Participant agrees to pay the following costs, expenses and attorneys' fees paid or incurred by the Agency or adjudged by a Court: (1) reasonable costs of collection, costs and expenses, and attorneys' fees paid or incurred in connection with the collection, enforcement or foreclosure sale of any security for this Note, or of any covenant of this Note or such security, whether or not suit is filed; (2) costs of suit and such sums the Court may adjudge as attorneys' fees in any action to enforce payment of this Note or any part of it; and (3) costs of suit and such sum as the Court may adjudge as attorneys' fees in any other litigation or controversy connected with the enforcement of this Note, or the security for it, including, but not limited to, actions for declaratory relief that the Agency is required to prosecute or defend and actions for relief based on rescission, or actions to cancel this Note that the Agency is required to defend.

E. The occurrence of any of the following shall constitute an event of default under this Note: (i) Participant fails to pay any amount due hereunder within fifteen (15) days of its due date; or (ii) Any default by Participant under the

Deed of Trust which is not cured within 30 days after notice, or under the OPA which is not cured within 90 days after notice and a reasonable opportunity to cure; or (iii) any sale or transfer of the Site or any portion thereof in violation of this Note or the OPA; or (iv) any material default by Participant under the Agreement Affecting Real Property recorded against the Site after notice and a reasonable opportunity to cure.

Upon the occurrence of any event of default and expiration of any applicable cure period, or at any time thereafter, at the option of the Agency hereof and without notice, the entire unpaid principal and interest owing on this Note shall become immediately due and payable. This option may be exercised at any time following any such event, and the acceptance of one or more installments thereafter shall not constitute a waiver of Agency's option. Agency's failure to exercise such option shall not constitute a waiver of such option with respect to any subsequent event. Agency's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.

F. Except as otherwise provided herein, Participant and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without any way affecting or discharging this liability.

G. Participant agrees to pay immediately upon demand all costs and expenses of Agency including reasonable attorneys' fees, (i) if after default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after a default hereunder or under the Deed of Trust, the OPA or under any loan document referred to herein Agency finds it necessary or desirable to secure the services or advice of one or more attorneys with regard to collection of this Note against Participant, any guarantor or any other party liable therefor or to the protection of its rights under this Note, the Deed of Trust, the OPA or other loan document, or (iii) if Agency seeks to have the Site abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

H. If Agency shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the property or the title thereto or the interest of the Agency under the Deed of Trust, including, without limitation, any form of condemnation or eminent domain proceeding, Agency shall be reimbursed by Participant immediately upon

demand for all costs, charges and attorneys' fees incurred by Agency in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Site.

I. Any notices provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested at the address stated in this Note or at such address as either party may designate by written notice.

J. This Note shall be binding upon Participant, its successors and assigns.

K. This Note shall be construed in accordance with and be governed by the laws of the State of California.

L. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

PARTICIPANT:

MARTIN RESORTS, INC.,
a California corporation

By: _____

Title: _____

Exhibit A
Schedule of Repayments/Credits

Amount of Repayment/Credit

Date

ATTACHMENT NO. 7

FORM OF DEED OF TRUST

[_____ TITLE COMPANY (OR OTHER TITLE COMPANY
APPROVED BY AGENCY) STANDARD FORM OF DEED OF TRUST TO BE USED
WITH THE ATTACHED "ADDENDUM TO DEED OF TRUST" ATTACHED
THERE TO.]

ADDENDUM TO DEED OF TRUST

This Addendum to Deed of Trust is part of the Deed of Trust dated _____ to which it is attached between MARTIN RESORTS, INC., a California corporation, as Trustor, and the REDEVELOPMENT AGENCY OF THE CITY OF EL PASO DE ROBLES, as Beneficiary. The following provisions are made a part of the Deed of Trust:

1. This Deed of Trust, and the Note secured hereby, are entered into in implementation of that certain Owner Participant Agreement (the "OPA") between Trustor (as the Participant) and Beneficiary (as the Agency), dated _____, 1999.

2. No Discrimination. The Trustor covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, sexual preference, age, marital status, physical handicap, medical condition, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Trustor itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property.

3. Nondiscrimination Clauses. All deeds, leases or contracts made relative to the Property, the improvements thereon or any part thereof, shall contain or be subject to the nondiscrimination clauses set forth in California Health and Safety Code Section 33436.

4. Default. Notwithstanding any other provisions in this Deed of Trust, the occurrence of any of the following shall constitute an event of default under the Note and this Deed of Trust, and a default may be declared under this Deed of Trust solely upon the occurrence of any of the following: (i) any failure by Trustor to pay any amount due under the Note within fifteen (15) days of its due date; or (ii) any sale or transfer of the Property in violation of the provisions of the Note or the OPA; or (ii) any other default by Trustor under the terms of the Note, OPA, or the Agreement Affecting Real Property recorded against the Property.

5. Subordination. Beneficiary agrees that the terms and conditions of the Note and this Deed of Trust shall be subject to and subordinate to the terms and conditions of a deed of trust in favor of Trustor's lender for Trustor's rehabilitation and construction financing for rehabilitation and construction of the improvements on the Site (as defined in the Note); provided that such lender shall be an approved lender pursuant to the terms and conditions of the OPA, and provided, further, that any such priority lien for Trustor's construction and permanent financing shall not

exceed the total amount of FOUR MILLION DOLLARS (\$4,000,000.00) at any one time.

