

TO: James L. App, City Manager
FROM: Doug Monn, Interim Public Works Director
SUBJECT: Municipal Landfill: Property Acquisition – 53 Acres Near The Hwy 46E & Union Road Intersection
DATE: December 6, 2005

NEEDS: For the City Council to consider approving the acquisition of four parcels equaling 53 acres abutting the westerly side of the Landfill.

- FACTS:**
1. The Municipal Landfill currently occupies 80 acres, with 65 permitted for active use and the remaining acres for buffer and possible expansion.
 2. The Landfill currently receives approximately 47,000 tons of solid waste annually, operates seven (7) days per week, and is planned to continue in operation for decades to come.
 3. The proposed property acquisition of 53 acres is immediately adjacent to the active landfill at its entrance off Highway 46 East.
 4. The 53 acres are divided into 4 parcels ranging in size from 12.6 to 14.2 acres each. The parcels are under County jurisdiction and zoned Agricultural.
 5. The Agricultural zoning would allow the construction of a single family residence on each of the four parcels.
 6. Residential construction adjacent to the landfill could result in future compatibility issues effecting the operation of the Landfill. Acquisition of the parcels would allow the City time to more closely examine the prudence, propriety and degree of contiguous buffer for landfill operations.
 7. The cost of the 53 acres is \$1,950,000.
 8. The City entered into escrow on the property on August 19, 2005 by placing \$35,000 into an escrow account.
 9. An appraisal and Phase I Environmental review of the property was conducted. The appraisal determined the value of the property was consistent with the asking price. The Environmental assessment concluded that no environmental concerns existed.
 10. Should the City Council opt to purchase said property, the City may finance the amount of over time via “private placement” because no issuance costs would be incurred. Solid waste collection rates would need to be increased approximately 3.12% % to pay the annual debt service cost.

**ANALYSIS
AND**

CONCLUSION: The continued operation of the Landfill is important to the economic and environmental well being of the City. Residential Development adjacent to the landfill property could impact the long term operation of the landfill as a result of the equipment noise and traffic associated with its operation. To prevent this from occurring, the City would need to control the development of the adjacent parcels, thereby precluding the potential development single family residential homes along the westerly border of the landfill. Therefore it would seem prudent to purchase the four parcels (53 acres) adjacent to the landfill.

POLICY

REFERENCE: None.

FISCAL

IMPACT: A “private placement financing” would be the best method to fund the acquisition as it would eliminate issuance costs normally incurred with public financings. A proposal from Municipal Finance Corporation (MFC recommended by the City’s financial advisor and is the same firm that provided financing on a competitive bid basis for both the City’s last two financing) was obtained. Their proposal is for a 15 year term at 4.5% paid in semi-annual installments.

This financing option has two alternatives, finance the entire \$2,000,000 asking price or place a down payment of \$500,000 from the Solid Waste Contingency Fund and finance the balance. Without a down payment the annual debt service cost would be \$184,800 or \$138,600 with a \$500,000 down payment. In either case, an increase in solid waste collection rates is required to meet the annual debt service For the purposes of this analysis and acquisition, staff has assumed a \$500,000 down payment, 15 year term at 4.5% and that debt service would be funded directly from a solid waste collection rate fee increase (surcharge).

Subject to final analysis it is estimated that to fund \$138,600 in annual debt service, solid waste collection rates would need to be adjusted by 3.12%. The impact upon selected, not all, collection rate categories is illustrated as follows:

	Current Rate	Adjusted Rate
Residential:		
40 Gallon Automated at Curb	\$ 23.82	\$ 24.56
60 Gallon Automated at Curb	31.58	32.57
90 Gallon Automated at Curb	34.97	36.06
Commercial:		
40 gal. can, 1 time per week	\$ 28.95	\$ 29.85
40 gal. can, 2 times per week	50.87	52.46
60 gal. can, 1 time per week	42.86	44.20
60 gal. can, 2 times per week	81.92	84.48
90 gal. can, 1 time per week	53.78	55.46
90 gal. can, 2 times per week	110.47	113.92
1 yd. bin, 1 time per week	77.96	80.39
1 1/2 yd. bin, 1 time per week	88.47	91.23
1 1/2 yd. bin, 2 times per week	140.47	144.85
1 1/2 yd. bin, 3 times per week	192.47	198.48
2 yd. bin, 1 time per week	104.08	107.33
2 yd. bin, 2 times per week	171.61	176.96
2 yd. bin, 3 times per week	239.30	246.77

NOTE: Time is of the essence in this acquisition, therefore the City may need to front the purchase amount from its reserves and be reimbursed from financing proceeds. Additionally, the solid waste collection rate increase necessitates an amendment to the franchise agreement and, concurrently, PRWD is requesting a rate increase for their operating needs.

- OPTIONS:**
- a. Adopt the following:
 1. Resolution No. 05-xxx authorizing the execution and delivery of a sublease agreement and site lease and directing certain actions in connection therewith including authorizing the Director of Administrative Services/City Treasurer to execute any and all documents associated with said financing; and
 2. Resolution No. 05-xxx approving budget appropriations for the property acquisition and annual debt service obligation; or
 - b. Reject the above Resolutions and direct staff to withdraw from escrow and not purchase the property.
 - c. Amend, modify, or reject the above options.

Attachments:

- 1) Resolution 05-
- 2) Resolution 05-
- 3) Lease Assignment
- 4) Site Lease Agreement
- 5) Sublease Option Agreement

TO BE RECORDED AND WHEN RECORDED
RETURN TO:
MUNICIPAL FINANCE CORPORATION
23945 Calabasas Road, Suite 103
Calabasas, CA 91302

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

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ASSIGNMENT OF LEASE AND SITE LEASE

Dated as of December 6, 2005

Between

MUNICIPAL FINANCE CORPORATION

and

WESTAMERICA BANK

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ASSIGNMENT OF LEASE AND SITE LEASE

FOR VALUE RECEIVED, MUNICIPAL FINANCE CORPORATION ("Corporation") without recourse does hereby sell, assign, and transfer to WESTAMERICA BANK ("Assignee") and its successors and assigns (i) all of its rights, title and interest in and to the Sublease/Option Agreement dated December 6, 2005 between MUNICIPAL FINANCE CORPORATION ("Corporation") as sublessor and CITY OF PASO ROBLES ("City") as sublessee (hereinafter said lease and any supplements, amendments, annexations, extensions or renewals thereof is referred to as the "Lease") relating to the land and improvements described in Exhibit A attached hereto (the "Site"), (ii) all moneys, sums and amounts now due or hereinafter to become due under the Lease and (iii) all of Corporation's rights and interests in the Site Lease dated December 6, 2005 between Corporation and City (the "Site Lease"). The Lease and the Site Lease delivered to the Corporation are one of two duly executed duplicate originals, that the duplicate originals comprise the entire writing, obligation and agreement between Corporation and City.

Corporation represents and warrants that it has made no prior sale or assignment of any interest covered hereby; that the Lease and the Site Lease are genuine and in all respects are what they purport to be; that Assignee shall not be liable for and does not assume responsibility for the performance of any of the covenants, agreements, or obligations specified in the Lease to be kept, paid or performed by Corporation with exception of Assignee's obligation to issue notices upon City's default of the Lease and to convey Assignee's leasehold interest in the Site and improvements thereon to City upon City's exercise of its option to purchase such leasehold interest in conformance with the terms of the Lease. The Corporation further represents and warrants that as of the date this Assignment is made, the Lease and the Site Lease are in full force and effect and the City is not in default of any terms thereunder.

Corporation hereby constitutes and irrevocably appoints Assignee the true and lawful attorney of Corporation to demand, receive and endorse payments and to give receipts, releases and satisfactions either in the name of Assignee or in the name of Corporation in the same manner and with the same effect as Corporation could do if this Assignment of Lease and Site Lease had not been made. Within fifteen (15) days after receiving its full bargain, Assignee shall cause to be released to City its vested interest in all property subject to the Lease and the Site Lease.

This Assignment of Lease and Site Lease shall be construed and governed in accordance with the laws of the State of California. Any provision of this Assignment of Lease and Site Lease found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Assignment of Lease and Site Lease.

This Assignment of Lease and Site Lease shall be binding upon and inure to the benefit of the parties and their respective successors and assigns and is made in accordance with the Municipal Lease Placement Agreement dated as of January 1, 1999, as amended, entered into between Corporation and Assignee. In the case of litigation, the prevailing party shall be entitled to recover from the opposing party all costs

and expenses, including attorneys' fees which may be the allocable cost of in-house counsel, incurred by the prevailing party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions, or provisions hereof.

IN WITNESS WHEREOF, Corporation has caused this Assignment of Lease and Site Lease to be executed by its authorized agent on the date specified below.

MUNICIPAL FINANCE CORPORATION

By _____

Title _____

Date _____

ACKNOWLEDGEMENT OF ASSIGNMENT

The undersigned hereby acknowledges the Assignment by MUNICIPAL FINANCE CORPORATION over to WESTAMERICA BANK of that certain Sublease/Option Agreement ("Lease") dated DECEMBER 6, 2005, entered into between MUNICIPAL FINANCE CORPORATION as sublessor and the undersigned as sublessee.

Further, the undersigned hereby acknowledges the Assignment by MUNICIPAL FINANCE CORPORATION over to WESTAMERICA BANK of that certain Site Lease dated December 6, 2005 entered into between undersigned as lessor and MUNICIPAL FINANCE CORPORATION as lessee.

With respect to the Lease, the undersigned agrees to pay, commencing with the first scheduled rental payment, all rentals and moneys due or to become due under said Lease to WESTAMERICA BANK, Credit Administration Department (A-2D), P.O. Box 1200, Suisun City, CA 94585-1200, and further agrees it shall have no counterclaim or offset against rentals due thereunder as to said Assignee and expressly further agrees that said Assignee shall not (except for the obligations specifically set forth in the foregoing Assignment of Lease and Site Lease) be liable for any of the obligations or burdens of the sublessor under said Lease.

IN WITNESS WHEREOF, City has caused this Acknowledgment of Assignment to be executed by its authorized agent on the date specified below.

CITY OF PASO ROBLES

By _____

Title _____

Date _____

ASSIGNMENT OF LEASE AND SITE LEASE: Dated December 6, 2005

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

THE REAL PROPERTY SITUATED IN THE COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA AND LEGALLY DESCRIBED AS FOLLOWS:

TO BE RECORDED AND WHEN RECORDED
RETURN TO:
MUNICIPAL FINANCE CORPORATION
23945 Calabasas Road, Suite 103
Calabasas, CA 91302

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

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SITE LEASE

Dated as of December 6, 2005

Between

CITY OF PASO ROBLES

and

MUNICIPAL FINANCE CORPORATION

=====

SITE LEASE

This SITE LEASE dated December 6, 2005 (this "Site Lease") is by and between the CITY OF PASO ROBLES, a municipal corporation duly organized and existing under the laws of the State of California ("City") as lessor and MUNICIPAL FINANCE CORPORATION, a corporation organized and operating under the laws of the State of California ("Corporation") as lessee.

RECITALS:

WHEREAS, City deems it essential for its own governmental purpose to finance the acquisition of certain real property (the "Site"); and

WHEREAS, City shall finance the Site by leasing the Site to Corporation pursuant to this Site Lease (the "Site Lease") and leasing back from Corporation the Site pursuant to a Sublease/Option Agreement dated of even date herewith (the "Lease"); and

WHEREAS, City possesses statutory authority to lease the Site and its governing body has duly authorized the execution and delivery of the Lease and this Site Lease.

WITNESSETH:

NOW THEREFORE, for and in consideration of the premises and covenants and conditions hereinafter contained, the parties agree as follows:

SECTION 1. Lease. City leases to Corporation, and the Corporation leases from City, on the terms and conditions set forth herein, the Site situated in the County of San Luis Obispo, State of California, more specifically described in Exhibit "A" attached hereto, excluding any real property improvements hereafter affixed thereto. Hereinafter, reference to Corporation means Corporation and Corporation's assigns for those rights, interests and obligations that may be assigned by Corporation.

SECTION 2. Term. The term of this Site Lease shall commence as of the Lease Issuance Date (as defined in the Lease) and shall remain in full force and effect from such date to and including the expiration date of the term of the Lease unless such term is extended or earlier terminated as hereinafter provided:

(a) If City exercises its option to prepay the Lease in whole (but not in part) pursuant to Section 28 of the Lease, by paying the then-applicable prepayment price set forth in Exhibit "B" of the Lease, then the term of this Site Lease shall end on the date of such prepayment in whole; or

(b) If prior to the expiration date of the term of the Lease, all Rental Payments under the Lease have been fully paid and retired or provision made for such payment and retirement, the term of this Site Lease shall end ten (10) days thereafter or ten (10) days after written notice to Corporation, whichever is earlier; provided, however, if

Corporation exercises its option to re-enter and re-let the Site under Section 24 of the Lease, then this Site Lease shall continue in full force and effect to and including December 6, 2025.

SECTION 3. Representations, Covenants and Warranties of City.
City represents, covenants and warrants to Corporation that:

(a) City has good and merchantable fee title to the Site and has authority to enter into and perform its obligations under this Site Lease;

(b) There are no liens or encumbrances on the Site other than permitted encumbrances;

(c) All taxes, assessments or impositions of any kind with respect to the Site, except current taxes, have been paid in full;

(d) The Site is or will be properly zoned for the intended purpose and utilization of the Site;

(e) City is in compliance with all laws, regulations, ordinances and orders of public authorities applicable to the Site;

(f) To the best of City's knowledge with no duty to investigate, there is no litigation of any kind currently pending or threatened regarding the Site or City's use of the Site for the purposes contemplated by this Site Lease and the Lease;

(g) To the best of City's knowledge, with no duty to investigate:
(i) no dangerous, toxic or hazardous pollutants, contaminants, chemicals, waste, materials or substances, as defined in or governed by the provisions of any State or Federal Law relating thereto (hereinafter collectively called "Environmental Regulations"), and also including urea-formaldehyde, polychlorinated biphenyls, asbestos, asbestos containing materials, nuclear fuel or waste, radioactive materials, explosives, carcinogens and petroleum products, or any other waste, material, substance, pollutant or contaminant which would subject the owner of the Site to any damages, penalties or liabilities under any applicable Environmental Regulation (hereinafter collectively called "Hazardous Substances"), are now or have been stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited or disposed of in, upon, under, over or from the Site; (ii) no threat exists of a discharge, release or emission of a Hazardous Substance upon or from the Site into the environment; (iii) the Site has not been used as or for a mine, a landfill, a dump or other disposal facility, industrial or manufacturing facility, or a gasoline service station; (iv) no underground storage tank is now located in the Site or has previously been located therein but has been removed therefrom; (v) no violation of any Environmental Regulation now exists relating to the Site, no notice of any such violation or any alleged violation thereof has been issued or given by any governmental entity or agency, and there is not now any investigation or report involving the Site by any governmental entity or agency which in any way relates to Hazardous Substances; (vi)

no person, party or private or governmental agency or entity has given any notice of or asserted any claim, cause of action, penalty, cost or demand for payment or compensation, whether or not involving any injury or threatened injury to human health, the environment or natural resources, resulting or allegedly resulting from any activity or event described in (i) above; (vii) there are not now any actions, suits, proceedings or damage settlements relating in any way to Hazardous Substances, in, upon, under over or from the Site; (viii) the Site is not listed in the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or any other list of Hazardous Substance sites maintained by any federal, state or local governmental agency; and (ix) the Site is not subject to any lien or claim for lien or threat of a lien in favor of any governmental entity or agency as a result of any release or threatened release of any Hazardous Substance.

SECTION 4. Representations and Warranties of Corporation. Corporation represents and warrants to City that:

(a) Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of California, with full corporate power and authority to lease and own real and personal property.

(b) Corporation has full power, authority and legal right to enter into and perform its obligations under this Site Lease, and the execution, delivery and performance of this Site Lease have been duly authorized by all necessary corporate actions on the part of the Corporation and do not require any further approvals or consents.

(c) Execution, delivery and performance of this Site Lease do not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which Corporation is a party or by which it or its property is bound.

(d) There is no pending or, to the best of Corporation's knowledge with no duty to investigate, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of the Corporation to perform its obligations under this Site Lease.

SECTION 5. Rental. Corporation shall pay to the City as and for advance rental hereunder the sum of \$1,500,000.00 (the "Site Lease Payment"), on the Lease Issuance Date (as defined in the Lease). The Site Lease Payment will be the sole and exclusive rental payable by Corporation hereunder.

SECTION 6. Purpose. Corporation shall use the Site solely for the purpose of subleasing the Site back to City; provided, that upon the occurrence of an Event of Default by City under the Lease, Corporation may exercise the remedies provided for in the Lease.

SECTION 7. Termination. Corporation agrees, upon termination of this Site Lease, (i) to quit and surrender the Site in the same

condition as it was upon termination of the Lease, reasonable wear and tear excepted, (ii) to release and reconvey to City any liens and encumbrances created or caused by Corporation and (iii) agrees that any permanent improvements and structures existing upon the Site at the time of the termination of this Site Lease shall remain thereon and title thereto shall vest in City.

SECTION 8. Quiet Enjoyment. City covenants and agrees that it will not take any action to prevent Corporation's quiet enjoyment of the Site during the term hereof; and, that in the event City's fee title to the Site is ever challenged so as to interfere with Corporation's right to occupy, use and enjoy the Site, City will use all governmental powers at its disposal, including the power of eminent domain, to obtain unencumbered fee title to the Site and to defend Corporation's right to occupy, use, and enjoy the Site.

SECTION 9. No Liens. City shall not mortgage, sell, assign transfer or convey the Site or any part thereof to any person during the term of this Site Lease, without the written consent of Corporation. City also shall not create or suffer to be created any lien or encumbrance on the Site or any portion thereof without the prior written consent of Corporation. Nothing herein shall preclude City from granting utility easements across the Site to facilitate the use and operation of the Site for which it is intended.

SECTION 10. Right of Entry. City reserves the right for any of its duly authorized representatives to enter upon the Site at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 11. Assignment and Subleasing. Corporation will not assign or otherwise dispose of or encumber the Site or this Site Lease without the written consent of the City, unless an Event of Default has occurred, in which event Corporation may use and/or sublease or sell its interest in the Site without consent of City.

SECTION 12. No Waste. Corporation agrees that at all times that it is in possession of the Site it will not commit, suffer or permit any waste on the Site, and it will not willfully or knowingly use or permit the use of the Site for any illegal act or purpose.

SECTION 13. Default. In the event Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to Corporation, City may not terminate this Site Lease or Corporation's right to possession of the Site, but may exercise any and all other remedies granted by law or in equity.

SECTION 14. Eminent Domain. In the event the whole or any part of the Site or the improvements thereon is taken by eminent domain, the financial interest of Corporation shall be recognized and is hereby determined to be the amount of all Rental Payments then due or past due under the Lease, the next succeeding Rental Payment and the prepayment

option price stated in the Lease less any unearned interest as of the date Corporation receives payment in full. The balance of the award, if any, shall be paid to City. So long as City is not in default under the Lease, City may exercise other options available to it under Section 18 of the Lease.

SECTION 15. Taxes. City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Site or the improvements thereon.

SECTION 16. (Reserved.)

SECTION 17. Waiver of Personal Liability. All liabilities under this Site Lease on the part of Corporation are solely liabilities of Corporation, and City hereby releases each and every incorporator, member, director and officer of Corporation of and from any personal or individual liability under this Site Lease. No incorporator, member, director or officer of Corporation shall at any time or under any circumstances be individually or personally liable for anything done or omitted to be done by Corporation under this Site Lease.

SECTION 18. Partial Invalidity. If any one or more of the terms, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 19. Notices. Any notices or filings required to be given or made under this Site Lease shall be served, given or made in writing upon City or Corporation, as the case may be, by personal delivery or registered mail to the respective addresses given below.

SECTION 20. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon City, Corporation and their respective successors and assigns.

SECTION 21. Amendments, Changes and Modifications. This Site Lease shall not be effectively amended, changed, modified, altered or terminated without the written agreement of City and Corporation.

SECTION 22. Execution in Counterparts. This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 23. Applicable Law. This Site Lease shall be governed by and construed in accordance with the laws of the State of California.

SECTION 24. Headings. The captions or headings in this Site Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Site Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Site Lease by their authorized officers as of the dates so indicated under their respective signatures.

MUNICIPAL FINANCE CORPORATION
23945 Calabasas Road, Suite 103
Calabasas, CA 91302

CITY OF PASO ROBLES
1000 Spring Street
Paso Robles, CA 93446

By _____

By _____

Title _____

Title _____

Date _____

Date _____

SITE LEASE DATED: December 6, 2005

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

THE REAL PROPERTY SITUATED IN THE COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA AND LEGALLY DESCRIBED AS FOLLOWS:

TO BE RECORDED AND WHEN RECORDED
RETURN TO:
MUNICIPAL FINANCE CORPORATION
23945 Calabasas Road, Suite 103
Calabasas, CA 91302

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

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SUBLEASE/OPTION AGREEMENT

Dated as of December 6, 2005

Between

CITY OF PASO ROBLES

and

MUNICIPAL FINANCE CORPORATION

=====

SUBLEASE/OPTION AGREEMENT

This SUBLEASE/OPTION AGREEMENT dated December 6, 2005 (this "Lease") is by and between MUNICIPAL FINANCE CORPORATION, ("Corporation") a corporation duly organized and operating under the laws of the State of California as sublessor and CITY OF PASO ROBLES, a municipal corporation duly organized and existing under the laws of the State of California ("City") as sublessee.

RECITALS:

WHEREAS, City deems it essential for its own governmental purpose to finance the acquisition of certain real property (the "Site"); and

WHEREAS, City shall finance the Site by leasing the Site to Corporation pursuant to a site lease dated of even date herewith (the "Site Lease") and leasing back from Corporation the Site pursuant to the terms of this Lease; and

WHEREAS, it is intended that this Lease be treated as a tax-exempt obligation of City for federal income tax purposes;

WHEREAS, City and Corporation agree to mutually cooperate now and hereafter, to the extent possible, in order to sustain the intent of this agreement and the bargain of both parties hereto.

WITNESSETH:

NOW, THEREFORE in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Sublease; No Merger. Corporation hereby subleases to City, and City hereby subleases and hires from Corporation the Site excluding any real property improvements hereafter affixed thereto in accordance with the provisions herein for the full term of the Lease. Hereinafter, reference to Corporation means Corporation and Corporation's assigns for those rights, interests and obligations that may be assigned by Corporation.

The subleasing by Corporation to City of the Site shall not effect or result in a merger of the City's subleasehold estate pursuant to this Lease and its fee estate as lessor under the Site Lease, and Corporation shall continue to have and to hold a leasehold estate in the Site pursuant to the Site Lease throughout the term thereof and the term of this Lease.

SECTION 2. Term. The terms and conditions of this Lease shall become effective upon the authorized execution of this Lease by the parties hereto. The rental term of the Site leased hereunder commences and terminates on the dates specified in Exhibit B unless the term of this Lease is extended as provided in this Section. If on the scheduled date of termination of this Lease the Rental Payments shall not be fully paid, or provision therefor made, or if such Rental Payments shall have been abated at any time and for any reason, then the term of this Lease shall be extended until the date upon which all such Rental

Payments shall be fully paid, except that the term of this Lease shall in no event extend beyond December 6, 2025.

SECTION 3A. Representations and Warranties of City. City represents and warrants to Corporation that:

(a) City is a municipal corporation duly organized and existing under the Constitution and laws of the State of California with authority to enter into this Lease and the Site Lease and to perform all of its obligations hereunder and thereunder.

(b) City's governing body has duly authorized the execution and delivery of this Lease and the Site Lease and further represents and warrants that all requirements have been met and procedures followed to ensure their enforceability.

(c) The execution, delivery and performance of this Lease and the Site Lease do not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which City is a party by which it or its property is bound.

(d) There is no pending or, to the best of City's knowledge with no duty of investigation, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of City to perform its obligations under this Lease and the Site Lease.

(e) The Site is essential to City in the performance of its governmental functions and its estimated useful life to the City exceeds the term of this Lease.

SECTION 3B. Budget and Appropriation. City shall take such action as may be necessary to include all rental payments in its annual budget and annually to appropriate an amount necessary to make such rental payments. During the term of this Lease, City will furnish to Corporation, if so requested, copies of each proposed budget of City within thirty (30) days after it is filed and of each final budget of the City within thirty (30) days after it is printed. The covenants on the part of City shall be deemed and construed to be duties imposed by law and it shall be the duty of each and every public official of City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable City to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by City.

SECTION 4. Representations and Warranties of Corporation. Corporation represents and warrants to City that:

(a) Corporation is a corporation duly organized, validly existing and in good standing as a corporation under the laws of the State of California, with full corporate power and authority to lease and own real and personal property.

(b) Corporation has full power, authority and legal right to enter into and perform its obligations under this Lease and the Site Lease, and the execution, delivery and performance of this Lease and the Site Lease have been duly authorized by all necessary corporate actions on the part of Corporation and do not require any further approvals or consents.

(c) The execution, delivery and performance of this Lease and the Site Lease do not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which the Corporation is a party by which it or its property is bound.

(d) There is no pending or, to the best of Corporation's knowledge with no duty of investigation, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of the Corporation to perform its obligations under this Lease and the Site Lease.

(e) The Corporation will not mortgage or encumber the Site or the Lease or assign this Lease or its rights to receive rental payments hereunder, except as permitted herein.

SECTION 5. Reserved.

SECTION 6. Acquisition of the Site; Site Lease Payment. City will acquire the Site on _____ (the "Lease Issuance Date") and lease the Site to Corporation pursuant to the Site Lease for a Site Lease Payment in the amount of \$1,500,000.00. City shall simultaneously sublease the Site from the Corporation pursuant to this Lease.

SECTION 7. Rental Payments. CITY SHALL PAY CORPORATION RENTAL PAYMENTS (the "Rental Payments") IN THE AMOUNTS AND AT THE TIMES SET FORTH IN EXHIBIT B, AT THE OFFICE OF CORPORATION OR TO SUCH OTHER PERSON OR AT SUCH OTHER PLACE AS CORPORATION MAY FROM TIME TO TIME DESIGNATE IN WRITING. Should City fail to pay any part of the Rental Payments herein within fifteen (15) days from the due date thereof, City shall upon Corporation's written request, pay interest on such delinquent Rental Payment from the date said Rental Payment was due until paid at the rate of twelve percent (12%) per annum or the maximum legal rate, whatever is less. City shall pay Rental Payments exclusively from legally available funds, in lawful money of the United States of America, to Corporation. The obligation of City to pay the Rental Payments hereunder shall constitute a current expense of City and shall not in any way be construed to be a debt of City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by City, nor shall anything contained herein constitute a pledge of the general tax revenues of City. Except as specifically provided in Section 9, the obligation of City to pay the Rental Payments will be absolute and unconditional in all events, and will not be subject to set-off, defense, abatement, reduction, counterclaim, or recoupment for any reason whatsoever.

SECTION 8. Fair Rental Value. Rental Payments shall be paid by City in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Site during each rental period. The parties hereto have agreed and determined that such total rental is not in excess of the fair rental value of the Site. In making such determination, consideration has been given to the fair market value of the Site, other obligations of the parties under this Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Site and the benefits therefrom which will accrue to City and the general public, and the ability of City to make additions, modifications and improvements to the Site and to replace the Site.

SECTION 9. Rental Abatement. Rental Payments due hereunder with respect to the Site shall be subject to abatement during any period in which, by reason of material damage to or destruction of the Site, there is substantial interference with the use and right of possession by City of the Site or any substantial portion thereof. For each potential incident of substantial interference, decisions to be made on i) whether or not abatement shall apply; ii) the date upon which abatement shall commence; iii) the applicable portion of Rental Payments to be abated and; iv) the concluding date of the particular abatement shall all be subject to determinations by the City in concert with the provider of the insurance issued pursuant to Section 19 herein. The amount of rental abatement shall be such that the Rental Payments paid by City during the period of Site restoration do not exceed the fair rental value of the usable portions of the Site. The actual amount of Rental Payments paid by City shall be conclusive as to its fair value. In the event of any damage or destruction to the Site, this Lease shall continue in full force and effect.

SECTION 10. Reserved.

SECTION 11. Use of Site. Except as provided in Sections 12 and 24, during the term of this Lease, Corporation shall not take any action to prevent City's quiet use and enjoyment of the Site without suit, trouble or hindrance from the Corporation or its assigns. City will not use, operate or maintain the Site improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Lease. City shall obtain all permits and licenses, if any, necessary for the operations on the Site. In addition, City agrees to comply in all respects with all laws of all jurisdictions involving the Site; provided, however, that City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Corporation, adversely affect the estate of Corporation in and to the Site or its interest or rights under this Lease.

SECTION 12. Corporation's Inspection/Access to the Site. City agrees that Corporation, any Corporation representative and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon the Site to examine and inspect the Site. City further agrees that Corporation, any Corporation representative, and the Corporation's successors or assigns shall have such rights of access to the Site as may be reasonably necessary to

cause the proper maintenance of the Site in the event of failure by City to perform its obligations hereunder.

SECTION 13. Disclaimer of Warranty. CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE OR FITNESS OF THE SITE FOR ITS INTENDED USE OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE SITE. IN NO EVENT SHALL CORPORATION BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, IN CONNECTION WITH OR ARISING OUT OF THIS LEASE FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR USE OF THE SITE, EXCEPT FOR THOSE DAMAGES CAUSED BY ITS OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

SECTION 14. Alterations and Attachments. All additions and improvements that are made to the Site shall thereafter comprise part of the Site and be subject to this Lease. Separately identifiable trade fixtures or equipment added to the Site by City remain the property of City. At Corporation's request, City agrees to remove all trade fixtures and equipment and restore the Site to its original condition in the event of failure by City to perform its obligations hereunder.

SECTION 15. Maintenance and Repairs. City, at its own cost and expense, shall furnish necessary labor and materials to maintain the Site in good repair, condition, and working order.

SECTION 16. Utilities. City shall, in its own name, contract for and pay the expenses of all utility services required for the Site, such utilities including all air conditioning, heating, electrical, gas, water, and sewer units. City shall be liable for payment as well as maintenance of all utility services received.

SECTION 17. Risk of Loss; Damage, Destruction or Condemnation. With the exception of acts resulting from willful misconduct or gross negligence by Corporation, its agents and representatives, City hereby assumes and shall bear the entire risk of loss and damage to or condemnation of the Site from any and every cause whatsoever. No loss or damage to the Site or any part thereof shall impair any obligation of City under this Lease which shall continue in full force and effect, subject to Section 9 of this Lease. City waives the benefit of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this Lease by virtue of any damage or destruction or condemnation of the Site.

SECTION 18. Physical Damage/Public Liability Insurance. City shall keep the Site insured, as nearly as practicable, against risk of loss or damage from any peril covered under an "all risk" insurance policy for not less than the full replacement value thereof, and City shall carry public liability and property damage insurance covering the Site. All said insurance shall be in form and amount and with reputable companies and shall name Corporation as an additional insured and loss payee. City shall pay the premiums therefore and deliver certification of said policies to Corporation. Each insurer shall agree, by endorsement upon the policy or policies issued by it or by independent instrument furnished to Corporation that it will give Corporation thirty (30) days' written notice before the policy or policies shall be altered or canceled. The proceeds of such insurance or the proceeds of

any condemnation award received with respect to the Site, at the option of City, shall be applied: (a) toward the replacement, restoration, or repair of the Site, or (b) toward payment of the total remaining obligations of City hereunder; provided, however, that City shall be responsible for the amount by which such insurance proceeds or condemnation award are insufficient to satisfy the cost of option (a) or option (b) above, as applicable. Should City replace, restore, or repair the Site as set out in option (a) above, this Lease shall continue in full force and effect. City may self-insure up to specified limits as evidenced by a certificate of self insurance to be attached hereto in form and amount acceptable to Corporation. Any self-insurance program in which City is a participant shall comply with the provisions under this Lease respecting cancellation and modification and payment of losses to Corporation as its respective interests may appear. Such self-insurance shall be maintained on a basis which is actuarially sound as established by City's risk manager or an independent insurance consultant which determination shall be made annually. Any deficiency shall be corrected within sixty (60) days of City becoming aware of such deficiency.

SECTION 19. Reserved.

SECTION 20. Title Insurance. City will, at its expense, cause to be provided to Corporation a California Land Title Association Policy, with endorsement so as to be payable to Corporation or its assigns, insuring the leasehold interest of Corporation, with only such exceptions as are approved by Corporation. The policy or policies shall provide coverage equal to the Site Lease Payment. The title insurance policy or policies shall be issued by a title insurance company licensed to do business in California.

SECTION 21. Liens and Taxes. City shall keep the Site free and clear of all levies, liens, and encumbrances and shall promptly pay all fees, assessments, charges, and taxes (municipal, state and federal), including personal property taxes, which may now or hereafter be imposed upon the ownership, leasing, renting, sale, possession, or use of the Site, excluding, however, all taxes on or measured by Corporation's income.

SECTION 22. Indemnity. Subject to California law concerning contribution and enforceability of indemnifications, City shall indemnify Corporation against and hold Corporation harmless from any and all claims, actions, suits, proceedings, costs, expenses, damages, and liabilities, including attorneys' fees, arising out of, connected with or resulting from any acts of omission or commission by City's employees and agents or claims resulting from incidents or occurrences involving third parties on the Site, including without limitation, the construction, possession, use or operation of the Site and further, City agrees, to the extent the law allows, to indemnify Corporation against and hold Corporation harmless from and against any and all claims, actions, suits, proceedings, cost, expenses, damages, and liabilities, including attorney's fees, arising out of, connected with or resulting from the clean-up of any hazardous materials or toxic wastes from the Site provided, however, that City shall not be required

to indemnify Corporation in the event that such liability or damages are caused by the negligence or willful misconduct of Corporation.

SECTION 23. Events of Default. The term "Event of Default", as used in this Lease, means the occurrence of any one or more of the following events: (a) City fails to make any Rental Payment (or any other payment) within fifteen (15) days after the due date thereof or City fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder and such failure to either make the payment or perform the covenant, condition or agreement is not cured within ten (10) days after written notice thereof by Corporation; (b) Corporation discovers that any statement, representation or warranty made by City in this Lease, any Exhibit or in any document ever delivered by City pursuant hereto or in connection herewith is false, misleading or erroneous in any material respect; (c) City becomes insolvent, is unable to pay its debts as they become due, makes an assignment for the benefit of creditors, applies or consents to the appointment of a receiver, trustee, conservator or liquidator of City or of all or a substantial part of its assets, or a petition for relief is filed by City under federal bankruptcy, insolvency or similar laws.

SECTION 24. Remedies. Upon the occurrence of an Event of Default, Corporation may exercise any and all remedies available pursuant to law or in equity or granted pursuant to this Lease. Corporation is expressly authorized to enter and re-enter the Site and, in addition, at its option, with or without such entry to terminate this Lease. Upon the occurrence of an Event of Default and notwithstanding any entry or re-entry by Corporation, City shall continue to remain liable for the payment of Rental Payments and damages for breach of this Lease and the performance of all conditions herein. Such Rental Payments and damages shall be payable to the Corporation at the time and in the manner set forth in subsections (a) and (b) of this Section:

(a) In the event that Corporation does not elect to terminate this Lease, City agrees to and shall remain liable for the payment of Rental Payments at the times and in the amounts set forth in Exhibit "B" and the performance of all conditions herein and shall reimburse Corporation for any deficiency arising out of the re-letting of the Site, or, in the event that Corporation is unable to re-let the Site, then for the full amount of the Rental Payments to the end of the Lease term. City hereby irrevocably appoints Corporation as the agent and attorney-in-fact of City to enter upon and re-let the Site upon the occurrence of an Event of Default by City. If the Site is re-let to a private operator, the agreement evidencing such re-letting shall conform with requirements of state and federal law in a manner that will not cause the interest portion of the Rental Payments to become includable in gross income for federal income tax purposes.

(b) Upon the occurrence of an Event of Default and Corporation elects to terminate this Lease, the Corporation shall give ten (10) days written notice of intention to terminate this Lease. City shall be relieved of the default if City complies with all terms of this Lease within said ten (10) day period by remitting to Corporation all past

due payments together with interest thereon at the rate of twelve percent (12%) per annum or the maximum legal rate, whichever is less. In the event of termination of this Lease by Corporation (and notwithstanding any re-entry upon the Site by Corporation in any manner whatsoever or the re-letting of the Site), City nevertheless agrees to pay to Corporation all costs, loss or damages howsoever arising or occurring as a result of City's breach of this Lease and the re-letting of the Site, payable at the same time and in the same manner as in the case of payment of Rental Payments. Neither notice to pay Rental Payments or to deliver up possession of the Site given pursuant to law nor any proceeding in unlawful detainer taken by Corporation shall of itself operate to terminate this Lease. Furthermore, no termination of this Lease on account of default by City shall be or become effective by operation of law or otherwise, unless and until Corporation shall have given written notice to City in accordance with Section 34 hereof of the election on the part of Corporation to terminate this Lease.

In addition to the remedies set forth above, upon the occurrence of an Event of Default, then Corporation shall be entitled to proceed to protect and enforce the rights vested in Corporation by this Lease by such appropriate judicial proceeding as Corporation shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Lease, or in aid of the exercise of any power granted in this Lease, or to enforce any other legal or equitable right vested in Corporation by this Lease or by law. The provisions of this Lease and the duties of City its officers, agents and employees shall be enforceable by Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Without limiting the generality of the foregoing, Corporation shall have the right:

(a) By action or suit in equity to require City and its officers, agents and employees to account as the trustee of an express trust;

(b) By action or suit in equity or enjoin any acts or things which may be unlawful or in violation of the rights of Corporation;

(c) By action pursuant to Section 1085 of the California Civil Code, or as otherwise provided by law, for the issuance of a writ of mandate enforcing, for the entire balance of the Lease term, the ministerial duty of the City to appropriate and take all other administrative steps necessary for the payment of Rental Payments; and/or

(d) By mandamus or other suit, action or proceeding at law or in equity to enforce the rights of Corporation against City and any of its officers, agents and employees to compel performance and compliance with the duties and obligations under the law the covenants and agreements provided herein.

No right or remedy herein conferred upon or reserved to Corporation is exclusive of any other right or remedy herein, but each

shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time; provided, however, that notwithstanding any provisions to the contrary herein, the Corporation shall not under any circumstances have the right to accelerate the Rental Payments that fall due in future rental periods or otherwise declare any Rental Payments not then in default to be immediately due and payable.

SECTION 25. Non-Waiver. No covenant or condition of this Lease can be waived except by the written consent of Corporation. Forbearance or indulgence by Corporation in any regard whatsoever shall not constitute a waiver of the covenant or condition in question. Until performance by City of said covenant or condition is complete, Corporation shall be entitled to invoke any remedy available to Corporation under this Lease or by law or in equity despite said forbearance or indulgence.

SECTION 26. Assignment and Subleasing. City shall not (a) assign, transfer, pledge, or hypothecate this Lease, the Site, or any part thereof, or any interest therein, or (b) sublet or lend the use of the Site or any part thereof except with the prior written consent of Corporation which, in the case of subletting, shall not be unreasonably withheld; provided such subletting shall not affect the tax-exempt status of the interest components of the Rental Payments payable by City hereunder. No such pledge, assignment, sublease or any other transfer shall in any event affect or reduce the obligation of City to make the Rental Payments due hereunder. Consent to any of the foregoing prohibited acts applies only in the given instance and is not a consent to any subsequent like act by the City or any other person. Corporation shall not assign its obligations under this Lease with the exception of its obligation to issue default notices and its obligations pursuant to Section 29. Corporation may assign its right, title and interest in this Lease, the Rental Payments and other amounts due hereunder and the Site in whole or in part to one or more assignees or subassignees at any time, without the consent of the City. Any such assignment by the Corporation or its assigns shall comply with the requirements of Sections 5950-5955 of the California Government Code. No such assignment shall be effective as against the City unless and until the Corporation shall have filed with the City written notice thereof. The City shall pay all Rental Payments due hereunder pursuant to the direction of Corporation or the assignee named in the most recent assignment or notice of assignment filed with the City. During the Lease term, the City shall keep a complete and accurate record of all such notices of assignment. Subject to the foregoing, this Lease inures to the benefit of, and is binding upon, the successors and assigns of the parties hereto.

SECTION 27. (Reserved.)

SECTION 28. Prepayment Option. If City is not in default of any term, condition or payment specified hereunder, City may exercise options to prepay this Lease and purchase Corporation's leasehold interest in the Site in "as-is" and "where-is" condition on the specified dates and for the specified amounts set forth in Exhibit B.

Each prepayment option payment specified for a particular date is exclusive of the Rental Payment due on the same date.

SECTION 29. Release of Liens. Upon City either making all of the Rental Payments scheduled herein or making a prepayment option payment, this Lease and the Site Lease shall terminate and Corporation, its successors or assigns shall cause (i) the release of any and all liens created under the provisions for this Lease and the Site Lease, and (ii) any other documents required to terminate the Site Lease and this Lease.

SECTION 30. Tax Covenants.

(a) Generally. City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest components of the Rental Payments to become includable in gross income for federal income tax purposes.

(b) Private Activity. City will not take or omit to take any action or make any use of the Site or the Lease Proceeds which would cause this Lease to be a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

(c) Arbitrage. City will not take any action or omit to take any action which action or omission, if reasonably expected on the date of this Lease, would cause this Lease to be an "arbitrage bond" within the meaning of Section 148 of the Code.

(d) Federal Guarantee. The Rental Payments are not directly guaranteed or indirectly guaranteed in whole or in part by the United States or any agency or instrumentality of the United States so as to cause this Lease to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Reimbursement Regulations. The Site Lease Payment used for reimbursement of prior expenditures will be made pursuant to and in compliance with Income Tax Regulations Section 1.150-2.

(f) Information Reporting. City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(g) Bank Qualified. City hereby designates this Lease for purposes of paragraph (3) of Section 265(b) of the Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Code, except qualified 501(c)(3) bonds as defined in Section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including this Lease, has been or will be issued by City, including all subordinate entities of City, during calendar year 2005.

SECTION 31. Extraordinary Costs. In the case of litigation, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including attorneys' fees, incurred by the prevailing party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions hereof.

SECTION 32. Severability. If any provision of this Lease shall be held invalid or unenforceable by a court of competent jurisdiction, such holdings shall not invalidate or render unenforceable any other provision of this Lease, unless elimination of such provision materially alters the rights and obligations embodied in this Lease.

SECTION 33. Entire Agreement. This Lease and Exhibits A and B hereof, the Site Lease and Exhibit A thereof, and any agreements that specifically refer to this Lease and the Site Lease that are duly executed by authorized agents of the parties hereto constitute the entire agreement between Corporation and City, and it shall not be further amended, altered, or changed except by a written agreement that is properly authorized and executed by the parties hereto.

SECTION 34. Notices. Service of all notices under this Lease shall be sufficient if given personally or mailed to the party involved at its respective address hereinafter set forth or at such address as such party may provide in writing from time to time. Any such notice mailed to such address shall be effective when deposited in the United States mail, duly addressed and with postage prepaid. Any change in the addresses noted shall not be binding upon the other party unless preceded by no less than thirty (30) days prior written notice.

SECTION 35. Titles. The titles to the Sections of this Lease are solely for the convenience of the parties and are not an aid in the interpretation thereof.

SECTION 36. Further Assurances and Corrective Instruments. Corporation and City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may be reasonably required for correcting any inadequate or incorrect description of the Site hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

SECTION 37. Execution in Counterparts. This Lease may be executed in several counterparts, each of which shall be original and all of which shall constitute but one and the same instrument.

SECTION 38. Time. Time is of the essence in this Lease and each and all of its provisions.

SECTION 39. Lease Interpretation. This Lease and the rights of the parties hereunder shall be determined in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused their authorized agents to execute this Lease on the dates specified below.

MUNICIPAL FINANCE CORPORATION
23945 Calabasas Road, Suite 103
Calabasas, CA 91302

CITY OF PASO ROBLES
1000 Spring Street
Paso Robles, CA 93446

By _____

By _____

Title _____

Title _____

Date _____

Date _____

SUBLEASE/OPTION AGREEMENT DATED: December 6, 2005

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

THE REAL PROPERTY SITUATED IN THE COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA AND LEGALLY DESCRIBED AS FOLLOWS:

SUBLEASE/OPTION AGREEMENT DATED: December 6, 2005

EXHIBIT "B"

RENTAL PAYMENT SCHEDULE

B-1

B-1

RESOLUTION NO. 05-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
AUTHORIZING THE EXECUTION AND DELIVERY OF A SUBLEASE/OPTION
AGREEMENT AND SITE LEASE AND AUTHORIZING AND DIRECTING
CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City of Paso Robles (the "City") is a municipal corporation duly organized and existing under the laws of the State of California; and

WHEREAS, the City desires to finance the acquisition of certain real property (the "Site"); and

WHEREAS, Municipal Finance Corporation (the "Corporation") has offered the City a cost-effective 15 year lease financing arrangement in the amount of \$1,500,000.00 at a 4.50% interest rate.

THEREFORE, BE IT RESOLVED AS FOLLOWS:

SECTION 1. Sublease/Option Agreement and Site Lease. The City Council hereby approves entering into a Sublease/Option Agreement and Site Lease with the Corporation to finance the Site, and authorizes the Director of Administrative Services or a designee in writing (each, an "Authorized Officer") to execute and deliver the Sublease/Option Agreement and Site Lease, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of approval thereof.

SECTION 2. Attestations. The City Clerk or other appropriate City officer is hereby authorized and directed to attest the signature of an Authorized Officer or of such other person or persons as may have been designated by an Authorized Officer, and to affix and attest the seal of the City, as may be required or appropriate in connection with the execution and delivery of the Sublease/Option Agreement and the Site Lease.

SECTION 3. Other Actions. An Authorized Officer and other officers of the City are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements, documents and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution, the Sublease/Option Agreement and the Site Lease. Such actions are hereby ratified, confirmed and approved.

SECTION 4. Qualified Tax-Exempt Obligations. The Sublease/Option Agreement is hereby designated as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The City, together with all subordinate entities of the City, do not reasonably expect to issue during the calendar year in which the Sublease/Option Agreement is issued more than \$10,000,000 of obligations which it could designate as "qualified tax-exempt obligations" under Section 265(b) of the Code.

SECTION 5. Reimbursement of Prior Expenditures. The City declares its official intent to be reimbursed from the proceeds of the Lease approved hereby for a maximum principal amount of \$289,000 of expenditures occurring no earlier than sixty days prior to the adoption of this Resolution. All reimbursed expenditures will be capital expenditures as defined in Section 1.150-1(b) of the Federal Income Tax Regulations.

SECTION 6. Effect. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 6th day of December 2005 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

RESOLUTION NO. 05-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING BUDGET APPROPRIATIONS FOR THE ACQUISITION OF REAL PROPERTY
AND RELATED ANNUAL DEBT SERVICE

WHEREAS, the City Council has authorized the closing of escrow to acquire 53 acres adjacent to the Municipal Landfill; and

WHEREAS, the City Council has authorized the use of lease-purchase financing as the means to acquire said property; and

WHEREAS, the current budget does not contain a budget appropriation for the acquisition nor the related annual debt service obligation; and

WHEREAS, it is desirable that the City Council adopt budget appropriations for said acquisition and related annual debt service obligation.

THEREFORE BE IT RESOLVED AS FOLLOWS:

SECTION 1. That the City Council of the City of Paso Robles does hereby approve a one time budget appropriation from the General Fund in the amount of \$2,000,000 to budget account #100-310-5450-167 and a revenue adjustment of \$1,500,000 to revenue account #100-000-4511-000 and a revenue transfer from the Solid Waste Contingency Fund to the General Fund in the amount of \$500,000; and

SECTION 2. That the City Council of the City of Paso Robles does hereby approve a base budget adjustment for annual debt service and revenues as follows:

Fiscal Year 2005	100-310-5340-167	\$ 35,600
	100-310-5341-167	\$ 33,800
	100-000-4771-000	\$(42,000)
Fiscal Year 2006	100-310-5340-167	\$ 73,500
	100-310-5341-167	\$ 65,100
	100-000-4771-000	\$(138,600)

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 6th day of December 2005 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk