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DEVELOPMENT AGREEMENT

BY AND BETWEEN

THE CITY OF LODI

AND SAN JOAQUIN VALLEY LAND COMPANY, LLC

DEVELOPMENT AGREEMENT
REYNOLDS RANCH

This Development Agreement is entered into as of this 6th day of September, 2006, by and between the CITY OF LODI, a municipal corporation ("City"), and, SAN JOAQUIN VALLEY LAND COMPANY, LLC ("Landowner"). City and Landowner are hereinafter collectively referred to as the "Parties" and singularly as "Party."

RECITALS

1. **Authorization**. To strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the Legislature of the State of California adopted Government Code Section 65864, et seq. (the "Development Agreement Statute"), which authorizes the City and any person having a legal or equitable interest in the real property to enter into a development agreement, establishing certain development rights in the Property which is the subject of the development project application.

2. **Property**. Landowner holds a legal or equitable interest in certain real property located in the City of Lodi, County of San Joaquin, more particularly described in Exhibit A-1 and Exhibit A-2 attached hereto (the "Property"). Landowner represents that all persons holding legal or equitable interests in the Property shall be bound by this Agreement.

3. **Project**. Landowner has obtained various approvals from the City (described in more detail in Recital 6 below) for a mixed use project known as Reynolds Ranch (the "Project") to be located on the Property.

4. **Public Hearing**. On August 9, 2006, the Planning Commission of the City of Lodi, serving as the City's planning agency for purposes of development agreement review pursuant to Government Code Section 65867, considered this Agreement.

5. **Environmental Review**. On August 30, 2006, the City Council certified as adequate and complete, the Reynolds Ranch Project Environmental Impact Report ("EIR") for the Project. Mitigation measures were required in the EIR and are incorporated into the Project and into the terms and conditions of this Agreement, as reflected by the findings adopted by the City Council concurrently with this Agreement.

6. **Project Approvals**. The following land use approvals (together the "Project Approvals") have been granted for the Property, which entitlements are the subject of this Agreement:

6.1. The EIR. The Mitigation Measures in the EIR are incorporated into the Project and into the terms and conditions of this Agreement (City Resolution No. 2006-162);

6.2. A General Plan Amendment (the "General Plan"), (attached hereto as Exhibit B) approved by the City on August 30, 2006 (City Resolution No. 2006-163);

6.3. The Zoning of the Property (attached hereto as Exhibit B-1) approved by the City on September 6, 2006 (City Ordinance No. 1784);

6.4. Reserved;

6.5. Reserved;

6.6. The Development Plan and Infrastructure Plan for the Project (attached hereto as Exhibit D), approved by the City on August 30, 2006 by City Resolution No. 2006-164;

6.7. The Growth Management Allocations, as required by Chapter 15.34 of the Lodi Municipal Code, as set forth in Exhibit E, approved by the City on September 6, 2006 by City Ordinance No. 1785;

6.8. This Development Agreement, as adopted on September 6, 2006 by City Ordinance No. 1785 (the "Adopting Ordinance"); and,

6.9. The Annexation Approvals granted by San Joaquin County Local Agency Formation Commission as shown in Exhibit F attached hereto.

7. **Need for Services and Facilities**. Development of the Property will result in a need for municipal services and facilities, some of which will be provided by the City to such development subject to the performance of Landowner's obligations hereunder. With respect to water, pursuant to Government Code Section 65867.5, any tentative map approved for the Property will comply with the provisions of Government Code 66473.7.

8. **Contribution to Costs of Facilities and Services**. Landowner agrees to contribute to the costs of such public facilities and services as required herein to mitigate impacts on the community of the development of the Property, and City agrees to provide such public facilities and services as required herein to assure that Landowner may proceed with and complete development of the Property in accordance with the terms of this Agreement. City and Landowner recognize and agree that, but for Landowner's contributions set forth herein including contributions to mitigate the impacts arising as a result of development entitlements granted pursuant to this Agreement, City would not and could not approve the development of the Property as provided by this Agreement and that, but for City's covenant to provide certain facilities and services for development of the Property, Landowner would not and could not commit to provide the mitigation as provided by this Agreement. City's vesting of the right to develop the Property as provided herein is in reliance upon and in consideration of Landowner's agreement to make contributions toward the cost of public improvements as herein provided to mitigate the impacts of development of the Property as development occurs.

9. **Development Agreement Resolution Compliance.**. City and Landowner have taken all actions mandated by, and fulfilled all requirements set forth in, the Development

Agreement Resolution of the City of Lodi, as set forth in the City Council Resolution No. 2005-237 for the consideration and approval of the pre-annexation and development agreement.

10. Consistency with General and Specific Plan. Having duly examined and considered this Agreement and having held properly noticed public hearings hereon, the City found that this Agreement satisfies the Government Code §65867.5 requirement of general plan consistency.

11. Creation of Career-Oriented Employment Opportunities. Landowner's proposed mixed use development will assist the City in maintaining an appropriate balance between jobs and housing by providing, in part, an office development that will house a regional office for Blue Shield which will provide career-oriented employment including benefits for 1600 employees. These employment positions are in addition to the employment opportunities that will be provided as part of the operation of 350,000 square feet of retail space within the project.

NOW, THEREFORE, in consideration of the mutual promises, conditions and covenants hereinafter set forth, the Parties agree as follows:

AGREEMENT

1. Incorporation of Recitals. The Preamble, the Recitals and all defined terms set forth in both are hereby incorporated into this Agreement as if set forth herein in full.

2. Description of Property. The property, which is the subject of this Development Agreement, is described in Exhibit A-1 and depicted in Exhibit A-2 attached hereto ("Property").

3. Interest of Landowner. The Landowner has a legal or equitable interest in the Property. Landowner represents that all persons holding legal or equitable interests in the Property shall be bound by the Agreement. The Parties acknowledge that Landowner does not have a legal or equitable interest in nine parcels (APN Nos. 058-110-05, 058-130-02, 058-130-03, 058-130-05, 058-130-17, 058-130-19, 058-130-10, 058-139-14 and 058-130-18 "Added Parcels") that total 22.99 acres and are included within the area that is being prezoned and to which the General Plan and Zoning designations will apply. The Parties agree that upon Landowner's obtaining legal or equitable interest in the Added Parcels Section 2, Description of Property, may be amended pursuant to Section 11.3 (Insubstantial Amendment) to include the Added Parcels. The Parties agree that upon approval of said amendment by the Landowner and the City, the Added Parcels shall be subject to all provisions of this Agreement as though the Added Property was included within the Agreement at the date of the Effective Date. Subject to approval as to form of the amendment document by the City Attorney, the City Manager is hereby authorized to execute this amendment on behalf of the City,

4. Relationship of City and Landowner. It is understood that this Agreement is a contract that has been negotiated and voluntarily entered into by City and Landowner and that Landowner is not an agent of City. The City and Landowner hereby renounce the existence of any form of joint venture or partnership between them, and agree that nothing contained herein

or in any document executed in connection herewith shall be construed as making the City and Landowner joint venturers or partners.

5. Effective Date and Term.

5.1. Effective Date. The effective date of this Agreement ("Effective Date") is October 6, 2006, which is the effective date of City Ordinance No. 1785 adopting this Agreement.

5.2. Term. Upon execution, the term of this Agreement shall commence on the Effective Date and extend for a period of fifteen (15) years, unless said term is terminated, modified or extended by circumstances set forth in this Agreement. Following the expiration of the term, this Agreement shall be deemed terminated and of no further force and effect. Said termination of the Agreement shall not affect any right or duty created by City approvals for the Property adopted prior to, concurrently with, or subsequent to the approval of this Agreement nor the obligations of Sections 20, 24 or 25 of this Agreement. In the event that litigation is filed by a third party (defined to exclude City and Landowners or any assignees of Landowner) which seeks to invalidate this Agreement or the Project Approvals, the expiration date of this Agreement shall be extended for a period equal to the length of time from the time the summons and complaint and/or petition are served on the defendant(s) until the judgment entered by the court is final and not subject to appeal; provided, however, that the total amount of time for which the expiration date shall be extended as a result of such litigation shall not exceed four years.

5.3. Automatic Termination Upon Completion and Sale of Residential Lot. This Agreement shall automatically be terminated, without any further action by either party or need to record any additional document, with respect to any single-family residential lot within a parcel designated by the Project Approvals for residential use, upon completion of construction and issuance by the City of a final occupancy permit for a dwelling unit upon such residential lot and conveyance of such improved residential lot by Landowner to a bona-fide good-faith purchaser thereof. In connection with its issuance of a final inspection for such improved lot, City shall confirm that all improvements, which are required to serve the lot, as determined by City, have been accepted by City. Termination of this Agreement for any such residential lot as provided for in this Section shall not in any way be construed to terminate or modify any assessment district or Mello-Roos Community Facilities District lien affecting such lot at the time of termination.

6. Use of Property.

6.1. Vested Right to Develop. Landowner shall have the vested right to develop the Project in accordance with the terms and conditions of this Agreement, the Project Approvals, the City's existing policies, standards and ordinances (except as expressly modified by this Section 6.1 and Section 8.3) and any amendments to any of them as shall, from time to time, be approved pursuant to this Agreement. Landowner's vested right to develop the Property shall be subject to subsequent approvals; provided however, except as provided in Section 6.3, that any conditions, terms, restrictions and requirements for such subsequent

approvals shall not prevent development of the Property for the uses, or reduce the density and intensity of development, or limit the rate or timing of development set forth in this Agreement, so long as Landowner is not in default under this Agreement. Notwithstanding the vested rights granted herein, Landowner agrees that the following obligations, which are presently being developed, shall apply to development of the Property:

6.1.1 Payment of a development fee for a proportionate share of the cost of the Highway 99 overpass at Harney Lane.

6.1.2 Payment of Agricultural Land Mitigation fee, as identified in Mitigation Measure 3.7.2, pursuant to the ordinance and/or resolution to be adopted by the City of Lodi. The Parties agree that Landowner may satisfy this obligation through compliance with the obligation set forth in Section 2B of the Settlement Agreement assuming the obligation in Section 2B remains in force and effect.

6.1.3 Payment of Electric Capital Improvement Mitigation fee (see Section 6.4.10) pursuant to the ordinance and/or resolution to be adopted by the City of Lodi. The fee for the first 150 Planned Residential Low Density residential units shall be the fee in effect as of the Effective Date of this Agreement. All other residential units, commercial and office development shall pay the fee in effect at the time the fee is collected.

6.1.4 Payment of development fee for proporionate share of the costs of the of designing and constructing a water treatment system and/or percolation system for treatment of water acquired from Woodbridge Irrigation District (see Section 6.4.7) pursuant to the ordinance an/or resolution to be adopted by the City of Lodi.

With regards to the fees identified in Sections 6.1.1, 6.1.2, 6.1.3, and 6.1.4 and these fees only, Landowner hereby consents to their imposition as conditions of approval on any discretionary or ministerial land use entitlement subsequently granted by the City including but not limited to issuance of building permits. City agrees that the fees payable by the Landowner pursuant to Sections 6.1.1, 6.1.2, 6.1.3 and 6.1.4 shall be adopted in conformance with applicable law, and shall apply uniformly to all new development on properties within the City that are zoned consistent with the Project Approvals, or apply uniformly to all new development on properties that are similarly situated, whether by geographic location or other distinguishing circumstances. Except for the fees identified in this Agreement including but not limited to the Project Approvals, Sections 6.1.1, 6.1.2, 6.1.3, 6.1.4 and 8.3, no other subsequently enacted development or capital fee shall be imposed as a condition of approval on any discretionary or ministerial decision. The Parties acknowledge and agree that the fees applicable to the development pursuant to the Project Approvals and this Agreement may be increased during the term of this Agreement provided that the increased fees are adopted in conformance with applicable law, apply uniformly to all new development on properties within the City that are zoned consistent with the Project Approvals, or apply uniformly to all new development on properties that are similarly situated, whether by geographic location or other distinguishing circumstances.

6.2. Permitted Uses. The permitted uses of the Property, the density and intensity of use, the maximum height and size of proposed buildings, provisions for reservation or dedication of land for public purposes, location and maintenance of on-site and off-site improvements, location of public utilities and other terms and conditions of development applicable to the Property, shall be those set forth in this Agreement, the Project Approvals and any amendments to this Agreement or the Project Approvals. City acknowledges that the Project Approvals provide for the land uses and approximate acreages for the Property as set forth in Exhibit B-1 and Exhibit B-2.

Landowner acknowledges that the Project Approvals anticipate a mixed-use project that includes office, retail, commercial, residential, public/quasi-public, open space, and park uses as proposed by the Landowner. Landowner and City agree that the mix of land uses proposed, including specifically the office development for Blue Shield and the retail development, are necessary to provide an appropriate mix of land uses to promote economic development, a jobs-housing balance and public welfare for the residents of the project and the City and that the public benefits required of the Landowner in this Agreement are established at their identified level based upon the existence of that balance. With regards to the property designated in the Project Approvals for office and commercial development, Landowner agrees that during the term of this Agreement Landowner will not request and/or pursue a general plan amendment or zone change to authorize any other type of land use on the office and commercial properties without first obtaining the consent of the City which the City may, in its sole and absolute discretion, withhold. The obligation set forth in this paragraph shall terminate as to the office property upon the occupancy of the proposed office development by Blue Shield.

6.3. Moratorium, Quotas, Restrictions or Other Growth Limitations. Landowner and City intend that, except as otherwise expressly provided in this Agreement, this Agreement shall vest the Project Approvals against subsequent City resolutions, ordinances and initiatives approved by the City Council or the electorate that directly or indirectly limit the rate, timing, or sequencing of development, or prevent or conflict with the permitted uses, density and intensity of uses or the right to receive public services as set forth in the Project Approvals; provided however, Landowner shall be subject to rules, regulations or policies adopted as a result of changes in federal or state law (as provided in Section 7.3) which are or have been adopted on a uniformly applied, City-wide or area-wide basis, in which case City shall treat Landowner in a uniform, equitable and proportionate manner with all properties, public and private, which are impacted by the changes in federal or state law.

6.3.1 Allocations Under City Growth Management Program

a. Allocations Required Prior to Map Approval

Consistent with the City's Growth Management Program, which shall apply to the Project, except as otherwise provided herein, no tentative map for any portion of the Property shall be issued until such time as Landowner has obtained allocations for each residential unit within the area covered by such map, consistent with the Growth Management Ordinance (Ordinance 1521), codified as Section 15.34 of the City of Lodi Municipal Code.

b. Schedule of Allocation of Residential Units

The following schedule of residential unit allocations shall apply to the Project.

(i) Initial Allocation:

As of the Effective Date of this Agreement, the following number of residential units shall be initially allocated to the Project from the City's reserve of unused allocations ("Initial Allocation"):

150 low density units (Planned Residential Low Density)
200 high density units.

Except for the requirement set forth in Section 6.3.1(a) above the Initial Allocation shall be exempt from the provisions of the Growth Management Ordinance and Resolutions 91-170 and 91-171 (timing and point system requirements).

(ii) Subsequent Annual Allocations:

As of the Effective Date of this Agreement, Landowner shall be entitled to apply for future annual allocations in three-year increments, and on a rolling basis. Provided that Landowner otherwise complies with the City's Growth Management Program, Landowner shall be entitled to annual allocations ("Annual Allocations") under the Program for seventy-three (73) Planned Residential low density residential units, each year, for eight (8) years after the Effective Date or for the term of this Agreement including any extension thereto granted pursuant to Section 5.2. The total number of Planned Residential low density allocations granted hereunder shall be limited to the number of Planned Residential low density units approved in the Project Approvals. The use of such allocations shall be restricted to the year for which such allocations were made, consistent with the Growth Management Ordinance.

Landowner is not required to apply for such allocations on an annual basis. Landowner may instead comply with all development plan and related requirements under the Growth Management Ordinance and Resolutions 91-170 and 91-171 every third year, at which time Landowner may apply for allocations for the next three-year period. After the expiration of the year for which an Annual Allocation was issued to Landowner, Landowner may submit a request and be issued by the City another Annual Allocation, such that Landowner may maintain, on a rolling basis, a number of allocations equal to three Annual Allocations. Except for allowing the Landowner this flexibility in terms of the number of years for which Landowner may apply, all requests for Annual Allocations must otherwise comply with the Growth Management Ordinance and Resolutions 91-170 and 91-171.

The requirement that Landowner apply for Annual Allocations does not alter the vested rights of the Project, specifically as to the General Plan and zoning designation of the Project.

(c) Growth Management Ordinance in full force and effect:

Except where otherwise specifically stated herein, nothing in this section 6.3.1 is intended to modify in any way the City's Growth Management Program, including its exemptions under Section 15.34.040 (e.g., for commercial and industrial projects, and senior citizen housing).

Section 6.3.2 Future Growth Control Ordinances/Policies, Etc.

(a) One of the specific purposes of this Agreement is to assure Developer that, during the term of this Agreement no growth-management ordinance, measure, policy, regulation or development moratorium of City adopted by the City Council or by vote of the electorate after the Effective Date of this Agreement will apply to the Property in such a manner so as to the reduce the density of development , modify the permissible uses, or modify the phasing of the development as set forth in the Project Approvals.

(b) Therefore, the parties hereto agree that, except as otherwise expressly provided in the Project Approvals, Sections 6.1, 6.3.1 or 6.4 or other provision of this Agreement which expressly authorize City to make such pertinent changes, no ordinance, policy, rule, regulation, decision or any other City action, or any initiative or referendum voted on by the public, which would be applicable to the Project and which would affect in any way the rate of development, construction and build out of the Project, or limit the Project's ability to receive any other City service shall be applicable to any portion of the Project during the term of this Agreement, whether such action is by ordinance, enactment, resolution, approval, policy, rule, regulation, decision or other action of City or by public initiative or referendum.

(c) City, through the exercise of either its police power or its taking power, whether by direct City action or initiative or referendum, shall not establish, enact or impose any additional conditions, dedications, fees or other exactions, policies, standards, laws or regulations, which directly relate to the development of the Project except as provided in Sections 6.1, 6.3.1, or 6.4 herein or other provision of this Agreement which expressly allows City to make such changes. Nothing herein prohibits the Project from being subject to a (i) City-wide bond issue, (ii) City-Wide special or general tax, or (iii) special assessment for the construction or maintenance of a City-wide facility as may be voted on by the electorate or otherwise enacted; provided that such tax, assessment or measure is City-wide in nature, does not discriminate against the land within the Project and does not distinguish between developed and undeveloped parcels.

(d) This Agreement shall not be construed to limit the authority of City to charge processing fees for land use approvals, public facilities fees and building permits as they relate to plumbing, mechanical, electric or fire code permits, or other similar permits and entitlements which are in force and effect on a city-wide basis at the time those permits are applied for, except to the extent any such processing regulations would be inconsistent with this Agreement.

(e) Notwithstanding subdivision (b), the City may condition or deny a permit, approval, extension, or entitlement if it determines any of the following:

(1) A failure to do so would place the residents of the Project or the immediate community, or both, in a condition dangerous to their health or safety, or both.

(2) The condition or denial is required in order to comply with state or federal law (see Section 7.3). .

6.4. Additional Conditions.

6.4.1. Timing of Dedications and Improvements of Parks Landowner agrees to dedicate park land and complete construction of all the park improvements as described and set forth in the Project Approvals at its sole cost and expense. Landowner shall be entitled to a credit against any applicable Quimby Act fees or land dedication requirments for the value of any improvements constructed or equipment installed with the parks on the Property. The phasing of such improvements shall be in compliance with the Phasing Schedule attached hereto as Exhibit H.

6.4.2. Rehabilitation of Fifty Existing Residential Units

Landowner agrees that within eight years of the Effective Date of this Agreement, Landowner shall either rehabilitate or pay the costs up to a total of $1,250,000 of rehabilitating fifty single-family or multi-family residential units within the area bounded by the Union Pacific railroad tracks, Cherokee Lane, Kettleman Lane and Lockford Street. To satisfy this obligation, Landowner may pay to rehabilitate residential units owned by others or may purchase, rehabilitate and sell or rent said residential units. The City shall have the right to approve the residential units selected for rehabilitation; said approval shall not be unreasonably withheld by the City.

The improvements required herein to facilitate rehabilitation of residential units may include landscaping, painting, roof repair, replacement of broken windows, sidewalk repairs, non-structural architectural improvements, and demolition and reconstruction of residential units. All work performed pursuant to this section shall be done pursuant to properly issued building permits as required by City of Lodi ordinances. As part of the annual review required pursuant to Section 13, Landowner shall report on work completed during the prior year towards meeting the obligations set forth in this paragraph.

In the event that Landowner has not satisfied this obligation within eight years from the Effective Date, Landowners shall pay the City twenty-five thousand dollars ($25,000) per residential unit for each of the fifty (50) units that have not been rehabilitated as set forth above. The funds paid shall be placed in a dedicated city fund to be used for housing rehabilitation grants or loans within the area specified hereinabove.

6.4.3. Payment of Downtown Impact Fee

Prior to issuance of building permits for any commercial development with the Project, Landowner shall pay a Downtown Impact Fee of sixty cents (0.60) per gross square foot of General Retail Commercial development or four dollars and fifty cents ($4.50) per square foot of "Big Box Retail Use" as defined in the Final EIR for the Reynolds Ranch Project to the City for use by the City as rehabilitation grant or loan funding for businesses within "Downtown" area of Lodi, defined as the area described in the June 1997 Downtown Development Standards and Guidelines plus the Pine Street Corridor extending to Washington Street. The funds provided pursuant to this section may only be used by the City for grants or loans to business owners within the "downtown" area for capital improvements to their properties. The grants or loans provided through this funding shall be made available for disbursement beginning January 1, 2010. City shall administer the grant or loan program and shall be solely responsible for disbursement of funds to recipients.

As an alternative method to satisfy the obligation set forth in this section, Landowner may provide capital improvements (including, but not limited to enhancements to the building architecture) to a commercial building or commercial buildings owned or rented by Landowner within the Downtown area. In the event that Landowner completes capital improvements to a commercial building or commercial buildings it owns or rents within the Downtown area prior to January 1, 2010, Landowner shall be entitled to a refund of the funds it has paid pursuant to this section up to the lesser of the value capital improvements constructed or the funds paid to date. Landowner shall not be entitled to a credit for architectural, engineering, permit fees or other soft costs related to the capital improvements. To the extent that Landowner desires to satisfy the obligation of this section through capital improvements to property owned or rented by Landowner, the value of the improvements shall be a minimum of $210,000 assuming all retail development in the Project is General Retail Commercial. This minimum amount shall be increased commensurate with the increased price per square foot payable for the gross square feet for "Big Box Retail Use" for each gross square foot of retail space used as "Big Box Retail Use" commercial.

6.4.4 Payment of Utility Exit Fees The Lodi Electric Utility is a city-owned and operated utility that provides electrical utility services for residential, commercial and industrial customers in Lodi. As the proposed project sites would be annexed to the City of Lodi, the Lodi Electric Utility would provide electrical utility services to the project sites. To the extent that Landowner is assessed "exit fees," also known as "Cost Responsibility Surcharges," by Pacific Gas & Electric for its departing load, Landowner shall pay said fees when they are due. Landowner may, at its option and at its own cost, request a Cost Responsibility Surcharge Exemption from the California Energy Commission for any qualified departing load pursuant to Title 20, California Code of Regulations, Section 1395, et. Seq. Forms for the exemption are available on-line at http://www.energy.ca.gov/exit_fees/documents/2004-02-18_PGE_EXEMP_APPL.PDF City makes no representation that Landowner is eligible for exemptions pursuant to these regulations.

6.4.5 Maintenance of Specified Public Improvements Landowner agrees to provide or pay for all park, median strip, and other landscaping

maintenance and repairs for two years for lands dedicated by the Landowner to the City and accepted by the City. In the event that Landowner chooses to pay the City for the costs of maintenance and repair, the City shall provide an estimate of the annual costs and the Landowner shall pay the full amount within thirty calendar days after the City by U.S. Mail or email, transmits the estimate to the Landowner. If the amount paid to the City exceeds the actual amount incurred by the City plus reasonable staff costs to administer the contract, the City shall, within a reasonable period of time, refund the difference to the Landowner.

6.4.6 Fire Station Land Dedication and Payment of Construction and Equipment Costs

6.4.6.1 Fire Station Design and Construction

Not later than December 31, 2008, Landowner shall dedicate, free and clear of encumbrances, one acre of land located at (Parcel No. to be determined when map is completed) for a fire station. Landowner shall contribute two million U.S. dollars ($2,000,000) to the City for design and construction of the fire station and the necessary fixtures and furnishings at the fire station. The amount payable hereunder shall be paid based upon the following schedule of payments:

Payment Due Date	Payment Amount
1. One year after issuance of the first building permit issued pursuant to the Project Approvals or December 31, 2008 whichever is earlier	$500,000
2. One year after the first payment due date or December 31, 2009 whichever is earlier	$750,000
3. Two years after the first payment due date or December 31, 2010 whichever is earlier	$750,000

Landowner acknowledges that City will enter into a contract to construct the Fire Station and will incur the full costs of the construction upon execution of the construction contract. As consideration for City's agreement to authorize payment of the design and construction costs in installment payments, Landowner agrees to provide a letter of credit payable to the City, in a form reasonably acceptable to the City Attorney, in an amount sufficient to cover the installment payments due after the first payment is made. City agrees that Landowner may substitute a letter of credit, in a form reasonably acceptable to the City Attorney, for a lesser amount upon payment of each installment payment by the Landowner. Upon delivery of such replacement letter of credit and its approval as to form by the City Attorney, the City will release and convey to Landowner the prior letter of credit.

6.4.6.2 Fire Equipment

Not later than December 31, 2010, Landowner shall pay the City five hundred thousand U.S. dollars ($500,000) as a contribution towards the purchase of fire station apparatus.

6.4.7 Water Treatment and/or Percolation Costs Landowner shall pay a fee based on the proportionate share of the costs of designing and constructing a water treatment system and/or percolation system for treatment of water acquired by the City from the Woodbridge Irrigation District. Landowner shall pay the fee as required under the fee program to be development by the City, but in no event later than when water service connection for each residential, office and commercial unit is provided.

6.4.8 Public Art on Property Prior to issuance of a certificate of occupancy for the 151st residential unit on the Property, Landowner shall obtain City approval for and install public art on the retail portion of the Project. The value of the public art installed shall be equal to $60,000 inclusive of design and installation costs, which together shall not exceed $10,000. The public art shall be installed in a place within the Project that is visible from the public right-of-way or from an area or areas that provides public access. Landowner shall provide maintenance of the public art. Landowner shall be eligible to apply for City matching grant for the public art up to a maximum amount of $40,000. The parties agree that any matching grant provided by the City shall be in addition to the $60,000 contribution provided by Landowner pursuant to the section and shall be subject to any and all conditions normally imposed as part of the issuance of a grant by the City.

6.4.9 Animal Shelter Not later than one year after issuance of the first building permit for a residential unit, Landowner shall pay to the City fifty thousand U.S. dollars ($50,000) as a contribution towards either (1) the design and construction costs of a new or reconstructed animal shelter or (2) the costs of programs operated at the animal shelter.

6.4.10 Utility Line Extension City is preparing a policy pursuant to which property developed will pay the actual costs of capital improvements necessary to extend utility services to a development. Landowner acknowledges that such an extension is necessary to implement the Project Approvals on the Property. Landowner agrees to pay the City, pursuant to the policy to be adopted by the City, the costs of the capital improvements necessary to extend utility services to the Property. The fee for the first 150 Planned Residential Low Density residential units shall be the fee in effect as of the Effective Date of this Agreement. All other residential units, commercial and office development shall pay the fee in effect at the time the fee is collected.

6.4.11 Implementation of Obligations Arising from Settlement Agreement among San Joaquin Valley Land Company, LLC, Citizens for Open Government and the City of Lodi Pursuant to a separate agreement ("Settlement Agreement") between the City of Lodi, Landowner and Citizens for Open Government (collectively "Settlement Agreement Parties"), attached hereto as Exhibit I and incorporated herein by reference, the Settlement Agreement Parties agree, effectively immediately, to the rights, requirements, and obligations of sections 3.A, 3.B, and 3.D of the Settlement Agreement, as indicated in Exhibit I.

Pursuant to Settlement Agreement, the Settlement Agreement Parties further agree that all remaining provisions of the Settlement Agreement shall be effective only so long as (i) no litigation is filed to challenge either the certification of the EIR and/or the Project Approvals

granted by the City of Lodi, and (ii) no referendum petition is certified for election that would require Ordinance No. 1785, approving this Development Agreement, to be affirmed by the voters. Should said litigation be filed or said referendum petition be certified for election, all remaining provisions of the Settlement Agreement, except those enumerated in the above paragraph, shall no longer be effective or enforceable against the Settlement Parties.

6.5 Annexation

The ability to proceed with development of the Property pursuant to the Project Approvals shall be contingent upon the annexation of the Property into the City. Pending such annexation, Landowner may, at its own risk, process tentative parcel maps and tentative subdivision maps and improvement or construction plans and City may conditionally approve such tentative maps and/or improvement plans in accordance with the Entitlements, provided City shall not approve any final parcel map or final subdivision map for recordation nor approve the issuance of any grading permit for grading any portion of the Property or building permit for any structure within the Property prior to the annexation of the Property to the City.

City shall use its best efforts and due diligence to initiate such annexation process, obtain the necessary approvals and consummate the annexation of the Property into the City, including entering into any annexation agreement that may be required in relation thereto, subject to the City's review and approval of the terms thereof. Landowner shall be responsible for the costs reasonably and directly incurred by the City to initiate, process and consummate such annexation, the payment of which shall be due in advance, based on the City's estimate of such cost, and thereafter as and when the City provides an invoice(s) for additional costs incurred by City therefore in excess of such estimate.

7. Applicable Rules, Regulations, Fees and Official Policies.

7.1. Rules Regarding Permitted Uses Except as provided in this Agreement, the City's ordinances, resolutions, rules, regulations and official policies governing the permitted uses of the Property, the density and intensity of use, the rate timing and sequencing of development, the maximum height and size of proposed buildings, and provisions for reservation and dedication of land shall be those in force on the Effective Date of this Agreement. Except as provided in Section 8.2, this Agreement does not vest Landowner's rights to pay development impact fees, exactions and dedications, processing fees, inspection fees, plan checking fees or charges.

7.2. Rules Regarding Design and Construction. Unless otherwise expressly provided in this Agreement, all other ordinances, resolutions, rules, regulations and official policies governing design, improvement and construction standards and specifications applicable to the Project and to public improvements to be constructed by the Landowner shall be those in force and effect at the time the applicable permit approval is granted.

7.3. Changes in State or Federal Law. This Agreement shall not preclude the application to development of the Property of changes in City laws, regulations, plans or

policies, the terms of which are specifically mandated and required by changes in State or Federal laws or regulations.

7.4. Uniform Codes Applicable. Unless otherwise expressly provided in this Agreement, the Project shall be constructed in accordance with the provisions of the Uniform Building, Mechanical, Plumbing, Electrical and Fire Codes, City standard construction specifications, and Title 24 of the California Code of Regulations, relating to Building Standards, in effect at the time of approval of the appropriate building, grading, encroachment or other construction permits for the Project. If no permits are required for infrastructure improvements, such improvements will be constructed in accordance with the provisions of the Uniform Building, Mechanical, Plumbing, Electrical and Fire Codes, City standard construction specifications, and Title 24 of the California Code of Regulations, relating to Building Standards, in effect at the start of construction of such infrastructure.

8. Existing Fees, Newly Enacted Fees, Dedications, Assessments and Taxes.

8.1. Processing Fees and Charges. Landowner shall pay those processing, inspection, and plan check fees and charges required by City under then current regulations for processing applications and requests for permits, approvals and other actions, and monitoring compliance with any permits issued or approvals granted or the performance of any conditions with respect thereto or any performance required of Landowner hereunder.

8.2. Existing Fees, Exactions and Dedications Landowner shall be obligated to provide all dedications and exactions and pay all fees as required for the types of development authorized by the Project Approvals as of the Effective Date of this Agreement. With regards any fees applicable to residential development, the Parties agree that the fees shall be payable at the earliest time authorized pursuant to the Government Code Section 66007 as it exists as of the Effective Date of this Agreement. The specific categories of fees payable are listed below. The dedication and exaction obligations and fee amounts payable shall be those obligations and fee amounts applicable as of the date that the Landowner's application for the applicable vesting tentative map is deemed complete. For any development for which the Landowner has not submitted a vesting tentative map, the dedication and exaction obligations and fee amounts payable shall be those obligations and fee amounts applicable as of the date the final discretionary approval for that development is granted by the City.

Standard City Development Impact Fees Payable by the Landowner includes:

1. Development Impact Fees (Lodi Municipal Code Chapter 15.64)
2. San Joaquin County Regional Transportation Impact Fee (Lodi Municipal Code Chapter 15.65
3. County Facilities Fee (Lodi Municipal Code Chapter 15.66)
4. San Joaquin County Multi-Species Habitat Conservation and Open Space Development Fee (Lodi Municipal Code Chapter 15.68)

8.3. New Development Impact Fees, Exactions and Dedications. Landowner agrees to the pay the development fees identified in Section 6.1, including

specifically subsections 6.1.1 through 6.1.4, of this Agreement. In addition, Landowner agrees to pay any newly adopted sewer, water or electrical fees adopted in conformance with applicable law, and applied uniformly to new development on all properties within the City that are zoned consistent with the Project Approvals, or applied uniformly to all new development on properties that are similarly situated, whether by geographic location or other distinguishing circumstances. With regards any fees applicable to residential development, the Parties agree that the fees shall be payable at the earliest time authorized pursuant to the Government Code Section 66007 as it exists as of the Effective Date of this Agreement.

Except as expressly provided herein, Landowner shall not be obligated to pay or provide any development impact fees, connection or mitigation fees, or exactions adopted by City after the Effective Date of this Agreement. Notwithstanding this limitation, Landowner may at its sole discretion elect to pay or provide any fee or exaction adopted after the Effective Date of this Agreement.

8.4. Fee Reductions To the extent that any fees payable pursuant to the requirements of Sections 8.1 are reduced after the operative date for determining the fee has occurred, the Landowner shall pay the reduced fee amount.

9. Community Facilities District. Formation of a Community Facilities District for Public Improvements and Services.

9.1. Inclusion in a Community Facilities District. Landowner agrees to cooperate in the formation of a Community Facilities District pursuant to Government Code Section 53311 et seq. to be formed by the City. The boundaries of the area of Community Facilities District shall be contiguous with the boundaries of the Property excluding the portion of land zoned for commercial or office development. Landowner agrees not to protest said district formation and agrees to vote in favor of levying a special tax on the Property in an amount not to exceed $600 per year per residential dwelling unit as adjusted herein. The special tax shall be initiated for all residential dwelling units for which a building permit is issued, and shall commence to be levied beginning the subsequent fiscal year after the building permit is issued. Landowner acknowledges that the 2007-2008 special tax rate for the units in the Project will be $600 per dwelling unit and that the special tax shall increase each year by 2% in perpetuity. A vote by Landowner against the levying of the special tax or a vote to repeal or amend the special tax shall constitute an event of default under this Agreement.

9.2. Use of Community Facilities District Revenues Landowner and City agree that the improvements and services that may be provided with the special tax levied pursuant to Section 9.1 may be used for the following improvements and services:

a. Police protection and criminal justice services;
b. Fire protection, suppression, paramedic and ambulance services;
c. Recreation and library program services;
d. Operation and maintenance of museums and cultural facilities;

e. Maintenance of park, parkways and open space areas dedicated to the City;
f. Flood and storm protection services;
g. Improvement, rehabilitation or maintenance of any real or personal property that has been contaminated by hazardous substances;
h. Purchase, construction, expansion, improvement, or rehabilitation or any real or tangible property with useful life of more than five years; and,
i. Design, engineering, acquisition or construction of public facilities with a useful life of more that five years including:
    1. Local park, recreation, parkway and open-space facilities,
    2. Libraries,
    3. Childcare facilities,
    4. Water transmission and distribution facilities, natural gas, telephone, energy and cable television lines, and
    5. Government facilities.

Landowner and City agree that Property does not presently receive any of these services from the City and that all of these services are new services.

9.3. Community Facilities District for Residential Property - Financing. In addition to the funding provided as part of the Community Facilities District identified in Section 9.1, City acknowledges that Landowner may desire to finance the acquisition or construction of a portion of the improvements described in Section 8.2 through the Community Facilities District. The costs associated with the items identified in Section 8.2 shall be in addition to the annual cost imposed to comply with Section 9.1. The following provisions shall apply to any to the extent that the Landowner desires to fund any of the improvements set forth in Section 8.2 through the Community Facilities District:

9.3.1 **Issuance of Bonds**. City and Landowner agree that, with the consent of Landowner, and to the extent permitted by law, City and Landowner shall use their best efforts to cause bonds to be issued in amounts sufficient to achieve the purposes of this Section.

9.3.2 **Payment Prior to Issuance of Bonds**. Nothing in this Agreement shall be construed to preclude the payment by an owner of any of the parcels to be included within the CFD of a cash amount equivalent to its proportionate share of costs for the improvements identified in Section 8.2, or any portion thereof, prior to the issuance of bonds.

9.3.3 **Private Financing**. Nothing in this Agreement shall be construed to limit Landowner's option to install the improvements through the use of private financing.

9.3.4 **Acquisition and Payment**. City agrees that it shall use its best efforts to allow and facilitate monthly acquisition of completed improvements or completed portions thereof, and monthly payment of appropriate amounts for such improvements to the person or entity constructing improvements or portions thereof, provided City shall only be obligated to use CFD bond or tax proceeds for such acquisitions.

10. Processing of Subsequent Development Applications and Building Permits Subject to Landowner's compliance with the City's application requirements including, specifically, submission of required information and payment of appropriate fees, and assuming Landowner is not in default under the terms and conditions of this Agreement, the City shall process Landowner's subsequent development applications and building permit requests in an expeditious manner. In addition, City agrees that upon payment of any required City fees or costs, City will designate or retain, as necessary, appropriate personnel and consultants to process Landowner's development applications and building permit requests City approvals in an expeditious manner.

11. Reserved

12. Amendment or Cancellation.

12.1. Modification Because of Conflict with State or Federal Laws. In the event that State or Federal laws or regulations enacted after the Effective Date of this Agreement prevent or preclude compliance with one or more provisions of this Agreement or require changes in plans, maps or permits approved by the City, the parties shall meet and confer in good faith in a reasonable attempt to modify this Agreement to comply with such federal or State law or regulation. Any such amendment or suspension of the Agreement shall be approved by the City Council in accordance with the Municipal Code and this Agreement.

12.2. Amendment by Mutual Consent. This Agreement may be amended in writing from time to time by mutual consent of the parties hereto and in accordance with the procedures of State law and the Municipal Code.

12.3. Insubstantial Amendments. Notwithstanding the provisions of the preceding Section 12.2, any amendments to this Agreement which do not relate to (a) the term of the Agreement as provided in Section 5.2; (b) the permitted uses of the Property as provided in Sections 6.2 and 7.1; (c) provisions for reservation or dedication of land; (d) the location and maintenance of on-site and off-site improvements; (e) the density or intensity of use of the Project; (f) the maximum height or size of proposed buildings or (g) monetary contributions by Landowner as provided in this Agreement shall not, except to the extent otherwise required by law, require notice or public hearing before either the Planning Commission or the City Council before the parties may execute an amendment hereto.

12.4. Amendment of Project Approvals. Any amendment of Project Approvals relating to: (a) the permitted use of the Property; (b) provision for reservation or dedication of land; (c) the density or intensity of use of the Project; (d) the maximum height or size of proposed buildings; (e) monetary contributions by the Landowner; (f) the location and maintenance of on-site and off-site improvements; or (g) any other issue or subject not identified as an "insubstantial amendment" in Section 12.3 of this Agreement, shall require an amendment of this Agreement. Such amendment shall be limited to those provisions of this Agreement, which are implicated by the amendment of the Project Approval. Any other amendment of the Project Approval(s) shall not require amendment of this Agreement unless the amendment of the Project Approval(s) relates specifically to some provision of this Agreement.

12.5. Cancellation by Mutual Consent. Except as otherwise permitted herein, this Agreement may be canceled in whole or in part only by the mutual consent of the parties or their successors in interest, in accordance with the provisions of the Municipal Code. Any fees paid pursuant to this Agreement prior to the date of cancellation shall be retained by City.

13. Term of Project Approvals. Pursuant to California Government Code Section 66452.6(a), the term of any parcel map or tentative subdivision map shall automatically be extended for the term of this Agreement.

14. Annual Review.

14.1. Review Date. The annual review date for this Agreement shall occur either within the same month each year as the month in which the Agreement is executed or the month immediately thereafter.

14.2. Initiation of Review. The City's Planning Director shall initiate the annual review by giving to Landowner written notice that the City intends to undertake such review. Within thirty (30) days of City's notice, Landowner shall provide evidence to the Planning Director to demonstrate good faith compliance with the Development Agreement. The burden of proof, by substantial evidence of compliance, is upon the Landowner. The City's failure to timely initiate the annual review is not deemed to be a waiver of the right to do so at a later date; accordingly, Landowner is not deemed to be in compliance with the Agreement by virtue of such failure to timely initiate review.

14.3. Staff Reports. City shall deposit in the mail to Landowner a copy of all staff reports, and related Exhibits, concerning contract performance at least three (3) days prior to any annual review.

14.4. Costs. Costs reasonably incurred by the City in connection with the annual review shall be paid by Landowner in accordance with the City's schedule of fees and billing rates in effect at the time of review.

14.5. Non-compliance with Agreement; Hearing. If the Planning Director determines, on the basis of substantial evidence, that Landowner has not complied in good faith

with the terms and conditions of the Agreement during the period under review, the City Council, upon receipt of any report or recommendation from the Planning Commission, may initiate proceedings to modify or terminate the Agreement, at which time an administrative hearing shall be conducted, in accordance with the procedures of State law. As part of that final determination, the City Council may impose conditions that it considers necessary and appropriate to protect the interest of the City.

14.6. Appeal of Determination. The decision of the City Council as to Landowner's compliance shall be final, and any Court action or proceeding to attack, review, set aside, void or annul any decision of the determination by the Council shall be commenced within thirty (30) days of the final decision by the City Council.

15. Default. Subject to any applicable extension of time, failure by any party to substantially perform any term or provision of this Agreement required to be performed by such party shall constitute a material event of default ("Event of Default"). For purposes of this Agreement, a party claiming another party is in default shall be referred to as the "Complaining Party," and the party alleged to be in default shall be referred to as the "Party in Default." A Complaining Party shall not exercise any of its remedies as the result of such Event of Default unless such Complaining Party first gives notice to the Party in Default as provided in Section 15.1.1, and the Party in Default fails to cure such Event of Default within the applicable cure period.

15.1. Procedure Regarding Defaults.

15.1.1. Notice. The Complaining Party shall give written notice of default to the Party in Default, specifying the default complained of by the Complaining Party. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

15.1.2. Cure. The Party in Default shall diligently endeavor to cure, correct or remedy the matter complained of, provided such cure, correction or remedy shall be completed within the applicable time period set forth herein after receipt of written notice (or such additional time as may be deemed by the Complaining Party to be reasonably necessary to correct the matter).

15.1.3. Failure to Assert. Any failures or delays by a Complaining Party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by a Complaining Party in asserting any of its rights and remedies shall not deprive the Complaining Party of its right to institute and maintain any actions or proceedings, which it may deem necessary to protect, assert, or enforce any such rights or remedies.

15.1.4. Notice of Default. If an Event of Default occurs prior to exercising any remedies, the Complaining Party shall give the Party in Default written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, the Party in Default shall have such period to effect a cure prior to exercise of remedies by the

Complaining Party. If the nature of the alleged default is such that it cannot, practicably be cured within such thirty (30) day period, the cure shall be deemed to have occurred within such thirty (30) day period if: (a) the cure shall be commenced at the earliest practicable date following receipt of the notice; (b) the cure is diligently prosecuted to completion at all times thereafter; (c) at the earliest practicable date (in no event later than thirty (30) days after the curing party's receipt of the notice), the curing party provides written notice to the other party that the cure cannot practicably be completed within such thirty (30) day period; and (d) the cure is completed at the earliest practicable date. In no event shall Complaining Party be precluded from exercising remedies if a default is not cured within ninety (90) days after the first notice of default is given.

15.1.5. **Legal Proceedings**. Subject to the foregoing, if the Party in Default fails to cure a default in accordance with the foregoing, the Complaining Party, at its option, may institute legal proceedings pursuant to this Agreement or, in the event of a material default, terminate this Agreement. Upon the occurrence of an Event of Default, the parties may pursue all other remedies at law or in equity, which are not otherwise provided for or prohibited by this Agreement, or in the City's regulations if any governing development agreements, expressly including the remedy of specific performance of this Agreement.

15.1.6. **Effect of Termination**. If this Agreement is terminated following any Event of Default of Landowner or for any other reason, such termination shall not affect the validity of any building or improvement within the Property which is completed as of the date of termination, provided that such building or improvement has been constructed pursuant to a building permit issued by the City. Furthermore, no termination of this Agreement shall prevent Landowner from completing and occupying any building or other improvement authorized pursuant to a valid building permit previously issued by the City that is under construction at the time of termination, provided that any such building or improvement is completed in accordance with said building permit in effect at the time of such termination.

16. **Estoppel Certificate**. Either Party may, at any time, and from time to time, request written notice from the other Party requesting such Party to certify in writing that, (a) this Agreement is in full force and effect and a binding obligation of the Parties; (b) this Agreement has not been amended or modified either orally or in writing, or if so amended, identifying the amendments; and (c) to the knowledge of the certifying Party the requesting Party is not in default in the performance of its obligations under this Agreement, or if in default, to describe therein the nature and amount of any such defaults. A Party receiving a request hereunder shall execute and return such certificate within thirty (30) days following the receipt thereof, or such longer period as may reasonably be agreed to by the Parties. City Manager of City shall be authorized to execute any certificate requested by Landowner. Should the party receiving the request not execute and return such certificate within the applicable period, this shall not be deemed to be a default.

17. **Mortgagee Protection; Certain Rights of Cure**.

17.1. **Mortgagee Protection**. This Agreement shall be superior and senior to any lien placed upon the Property, or any portion thereof after the date of recording this

Agreement, including the lien for any deed of trust or mortgage ("Mortgage"). Notwithstanding the foregoing, no breach hereof shall defeat, render invalid, diminish or impair the lien of any Mortgage made in good faith and for value, but all the terms and conditions contained in this Agreement shall be binding upon and effective against any person or entity, including any deed of trust beneficiary or mortgagee ("Mortgagee") who acquires title to the Property, or any portion thereof, by foreclosure, trustee's sale, deed in lieu of foreclosure, or otherwise.

17.2. Mortgagee Not Obligated. Notwithstanding the provisions of Section 17.1 above, no Mortgagee shall have any obligation or duty under this Agreement, before or after foreclosure or a deed in lieu of foreclosure, to construct or complete the construction of improvements, or to guarantee such construction of improvements, or to guarantee such construction or completion, or to pay, perform or provide any fee, dedication, improvements or other exaction or imposition; provided, however, that a Mortgagee shall not be entitled to devote the Property to any uses or to construct any improvements thereon, authorized by the Project Approvals or by this Agreement, unless Mortgagee agrees to and does construct or complete the construction of improvements, or guarantees such construction of improvements, or pays, performs or provides any fee, dedication, improvements or other exaction or imposition as required by the Project Approvals.

17.3. Notice of Default to Mortgagee and Extension of Right to Cure. If City receives notice from a Mortgagee requesting a copy of any notice of default given Landowner hereunder and specifying the address for service thereof, then City shall deliver to such Mortgagee, concurrently with service thereon to Landowner, any notice given to Landowner with respect to any claim by City that Landowner has committed an Event of Default. Each Mortgagee shall have the right during the same period available to Landowner to cure or remedy, or to commence to cure or remedy, the Event of Default claimed set forth in the City's notice. City, through its City Manager, may extend the cure period provided in Section 15.1.2 for not more than an additional sixty (60) days upon request of Landowner or a Mortgagee.

18. Severability. Except as set forth herein, if any term, covenant or condition of this Agreement or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term, covenant or condition to persons, entities or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law; provided, however, if any provision of this Agreement is determined to be invalid or unenforceable and the effect thereof is to deprive a Party hereto of an essential benefit of its bargain hereunder, then such Party so deprived shall have the option to terminate this entire Agreement from and after such determination.

19. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

20. Attorneys' Fees and Costs in Legal Actions By Parties to the Agreement. Should any legal action be brought by either party for breach of this Agreement or to enforce

any provisions herein, the prevailing party to such action shall be entitled to reasonable attorneys' fees, court costs, and such other costs as may be fixed by the Court.

21. Attorneys' Fees and Costs in Legal Actions By Third Parties to the Agreement and Continued Permit Processing. If any person or entity not a party to this Agreement initiates an action at law or in equity to challenge the validity of any provision of this Agreement or the Project Approvals, the parties shall cooperate and appear in defending such action. Landowner shall bear its own costs of defense as a real party in interest in any such action, and Landowner shall reimburse City on an equal basis for all reasonable court costs and attorneys' fees expended by City in defense of any such action or other proceeding. The City agrees that in the event an action at law or in equity to challenge the validity of the Project Approvals is filed by a third party other than by a state or federal agency, the City will continue to process and approve permit applications that are consistent with and comply with the Project Approvals unless a court enjoins further processing of permit applications and issuance of permits.

22. Transfers and Assignments. From and after recordation of this Agreement against the Property, Landowner shall have the full right to assign this Agreement as to the Property, or any portion thereof, in connection with any sale, transfer or conveyance thereof, and upon the express written assignment by Landowner and assumption by the assignee of such assignment in the form attached hereto as Exhibit G, and the conveyance of Landowner's interest in the Property related thereto, Landowner shall be released from any further liability or obligation hereunder related to the portion of the Property so conveyed and the assignee shall be deemed to be the "Landowner," with all rights and obligations related thereto, with respect to such conveyed property. Prior to recordation of this Agreement, any proposed assignment of this Agreement by Landowner shall be subject to the prior written consent of the City Manager on behalf of the City and the form of such assignment shall be subject to the approval of the City Attorney, neither of which shall be unreasonably withheld.

23. Agreement Runs with the Land. Except as otherwise provided for in Section 15 of this Agreement, all of the provisions, rights, terms, covenants, and obligations contained in this Agreement shall be binding upon the parties and their respective heirs, successors and assignees, representatives, lessees, and all other persons acquiring the Property, or any portion thereof, or any interest therein, whether by operation of law or in any manner whatsoever. All of the provisions of this Agreement shall be enforceable as equitable servitude and shall constitute covenants running with the land pursuant to applicable laws, including, but not limited to, Section 1468 of the Civil Code of the State of California. Each covenant to do, or refrain from doing, some act on the Property hereunder, or with respect to any owned property; (a) is for the benefit of such properties and is a burden upon such properties; (b) runs with such properties; and (c) is binding upon each party and each successive owner during its ownership of such properties or any portion thereof, and shall be a benefit to and a burden upon each party and its property hereunder and each other person succeeding to an interest in such properties.

24. Bankruptcy. The obligations of this Agreement shall not be dischargeable in bankruptcy.

25. Indemnification. Landowner agrees to indemnify, defend and hold harmless City, and its elected and appointed councils, boards, commissions, officers, agents, employees, and representatives from any and all claims, costs (including legal fees and costs) and liability for (1) any personal injury or property damage which may arise directly or indirectly as a result of any actions or inactions by the Landowner, or any actions or inactions of Landowner's contractors, subcontractors, agents, or employees in connection with the construction, improvement, operation, or maintenance of the Property and the Project, provided that Landowner shall have no indemnification obligation with respect to the gross negligence or willful misconduct of City, its contractors, subcontractors, agents or employees or with respect to the maintenance, use or condition of any improvement after the time it has been dedicated to and accepted by the City or another public entity (except as provided in an improvement agreement or maintenance bond) and (2) any additional mitigation required, including but not limited to payment of any mitigation fees that may be imposed, as a result of a lawsuit filed by a third party challenging or seeking to invalidate the Project Approvals.

26. Insurance.

26.1. Public Liability and Property Damage Insurance. At all times that Landowner is constructing any improvements that will become public improvements, Landowner shall maintain in effect a policy of comprehensive general liability insurance with a per-occurrence combined single limit of not less than two million ($2,000,000) dollars and a deductible of not more than fifty thousand ($50,000) dollars per claim. The policy so maintained by Landowner shall name the City as an additional insured and shall include either a severability of interest clause or cross-liability endorsement.

26.2. Workers' Compensation Insurance. At all times that Landowner is constructing any improvements that will become public improvements, Landowner shall maintain Workers' Compensation insurance for all persons employed by Landowner for work at the Project site. Landowner shall require each contractor and subcontractor similarly to provide Workers' Compensation insurance for its respective employees. Landowner agrees to indemnify the City for any damage resulting from Landowner's failure to maintain any such insurance.

26.3. Evidence of Insurance. Prior to commencement of construction of any improvements which will become public improvements, Landowner shall furnish City satisfactory evidence of the insurance required in Sections 26.1 and 26.2 and evidence that the carrier is required to give the City at least fifteen (15) days prior written notice of the cancellation or reduction in coverage of a policy. The insurance shall extend to the City, its elective and appointive boards, commissions, officers, agents, employees and representatives and to Landowner performing work on the Project.

27. Excuse for Nonperformance. Landowner and City shall be excused from performing any obligation or undertaking provided in this Agreement, except any obligation to pay any sum of money under the applicable provisions hereof, in the event and so long as the performance of any such obligation is prevented or delayed, retarded or hindered by act of God, fire, earthquake, flood, explosion, action of the elements, war, invasion, insurrection, riot, mob

violence, sabotage, inability to procure or general shortage of labor, equipment, facilities, materials or supplies in the open market, failure of transportation, strikes, lockouts, condemnation, requisition, laws, orders of governmental, civil, military or naval authority, or any other cause, whether similar or dissimilar to the foregoing, not within the control of the Party claiming the extension of time to perform. The Party claiming such extension shall send written notice of the claimed extension to the other Party within thirty (30) days from the commencement of the cause entitling the Party to the extension.

28. **Third Party Beneficiaries**. This Agreement is made and entered into for the sole protection and benefit of the Landowner and, the City and their successors and assigns. No other person shall have any right of action based upon any provision in this Agreement.

29. **Notices**. All notices required by this Agreement, the enabling legislation, or the procedure adopted pursuant to Government Code Section 65865, shall be in writing and delivered in person or sent by certified mail, postage prepaid.

Notice required to be given to the City shall be addressed as follows:

CITY OF LODI
City Manager
P.O. Box 3006
Lodi, CA 95241-1910

Notice required to be given to the Landowner shall be addressed as follows:

SAN JOAQUIN VALLEY LAND COMPANY, LLC
1420 S. Mills Avenue, Suite K
Lodi, CA 95242

Either party may change the address stated herein by giving notice in writing to the other party, and thereafter notices shall be addressed and transmitted to the new address.

30. **Form of Agreement; Recordation; Exhibits**. Except when this Agreement is automatically terminated due to the expiration of the Term of the Agreement or the provisions of Section 5.3 (Automatic Termination Upon Completion and Sale of Residential Lot), the City shall cause this Agreement, any amendment hereto and any other termination of any parts or provisions hereof, to be recorded, at Landowner's expense, with the county Recorder within ten (10) days of the effective date thereof. Any amendment or termination of this Agreement to be recorded that affects less than all of the Property shall describe the portion thereof that is the subject of such amendment or termination. This Agreement is executed in three duplicate originals, each of which is deemed to be an original. This Agreement consists of 28 pages and 12 Exhibits, which constitute the entire understanding and agreement of the parties.

31. **Further Assurances**. The Parties agree to execute such additional instruments and to undertake such actions as may be necessary to effectuate the intent of this Agreement.

32. **City Cooperation**. The City agrees to cooperate with Landowner in securing all permits which may be required by City. In the event State or Federal laws or regulations enacted after the Effective Date, or action of any governmental jurisdiction, prevent delay or preclude compliance with one or more provisions of this Agreement, or require changes in plans, maps or permits approved by City, the parties agree that the provisions of this Agreement shall be modified, extended, or suspended as may be necessary to comply with such State and Federal laws or regulations or the regulations of other governmental jurisdictions. Each party agrees to extend to the other its prompt and reasonable cooperation in so modifying this Agrement or approved plans.

IN WITNESS WHEREOF, the City of Lodi, a municipal corporation, has authorized the execution of this Agreement in duplicate by its Mayor and attested to by its City Clerk under the authority of Ordinance No. 1785, adopted by the City Council of the City of Lodi on the 6th day of September, 2006, and Landowner has caused this Agreement to be executed.

"CITY"

CITY OF LODI,
a municipal corporation

By: _____
Name: Blair King
Its: City Manager

ATTEST:

_____
Randi Johl, City Clerk

APPROVED AS TO FORM:

_____
D. Stephen Schwabauer
City Attorney

"LANDOWNER"

SAN JOAQUIN VALLEY LAND COMPANY, LLC

By: _____
Name: Dale N. Gillespie
Its: Managing Member

EXHIBIT LIST

Exhibit A-1:	Legal Description of the Property
Exhibit A-2:	Diagram of the Property
Exhibit B:	General Plan Land Use Map
Exhibit B-1:	Zoning Map for Project Site
Exhibit C-1:	Reserved
Exhibit C-2:	Reserved
Exhibit D:	Development Plan and Infrastructure Map for the Property
Exhibit E:	Growth Management Allocations
Exhibit F:	Annexation Approvals
Exhibit G:	Form of Assignment
Exhibit H:	Schedule of Improvements
Exhibit I:	Settlement Agreement among San Joaquin Valley Land Company, LLC, Citizens for Open Government and the City of Lodi

EXHIBIT A-1

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to herein is situated in the State of California, County of San Joaquin, City of Lodi, and is described as follows:

EXHIBIT "A"

July 5, 2006

DESCRIPTION OF THE PROPOSED
REYNOLDS RANCH ANNEXATION TO THE CITY OF LODI
San Joaquin County, California

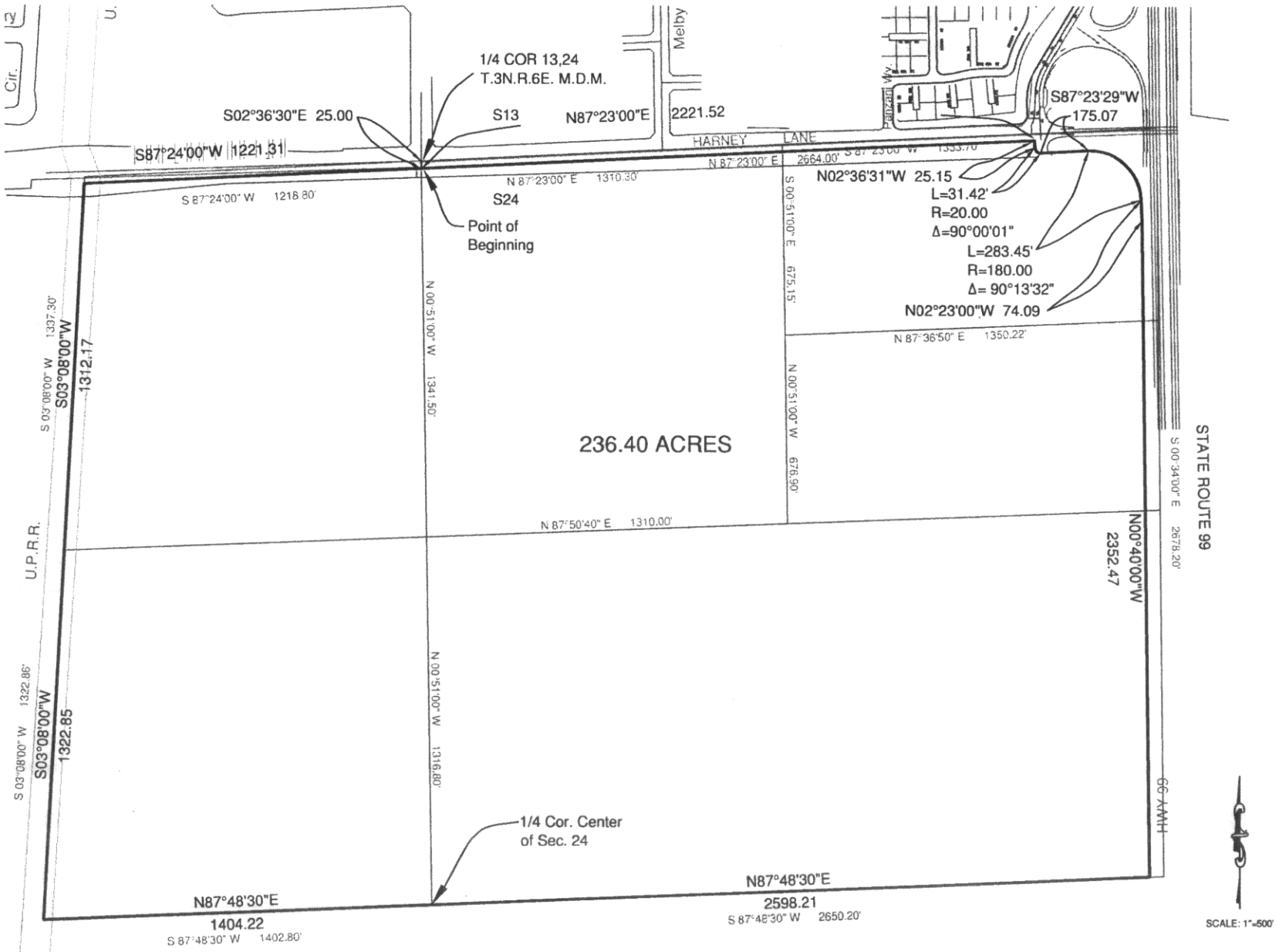
THAT PORTION OF SECTION 24, TOWNSHIP 3 NORTH, RANGE 6 EAST, MOUNT DIABLO BASE AND MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE ONE-QUARTER SECTION CORNER BETWEEN SECTIONS 13 AND 24 TOWNSHIP 3 NORTH, RANGE 6 EAST, MOUNT DIABLO BASE AND MERIDIAN; THENCE S2°36'30"E, 25.00 FEET; THENCE PARALLEL TO THE NORTHERN BOUNDARY OF SECTION 24, S87°24'00"W, 1221.31 FEET MORE OR LESS TO THE EASTERN BOUNDARY OF THE UNION PACIFIC RAILROAD RIGHT OF WAY; THENCE ALONG THE EASTERN BOUNDARY OF THE UNION PACIFIC RAILROAD RIGHT OF WAY, S3°08'00W, 2635.02 FEET MORE OR LESS TO THE EAST-WEST ONE-QUARTER SECTION LINE OF SECTION 24; THENCE ALONG THE EAST-WEST ONE-QUARTER SECTION LINE OF SECTION 24, N87°48'30"E, 4002.43 FEET MORE OR LESS TO THE WEST RIGHT OF WAY BOUNDARY OF STATE ROUTE 99 AS CREATED BY HIGHWAY COMMISSION RESOLUTION OF RELINQUISHMENT NUMBER B854 AS PASSED BY THE CALIFORNIA HIGHWAY COMMISSION ON NOVEMBER 16, 1966; THENCE ALONG THE WEST RIGHT OF WAY BOUNDARY OF STATE ROUTE 99 THE FOLLOWING COURSES: N0°40'00"W, 2352.47 FEET; THENCE N2°23'00"W, 74.09 FEET; THENCE ALONG A CURVE TO THE LEFT WITH A RADIUS OF 180.00 FEET, THROUGH A CENTRAL ANGLE OF 90°13'32", A DISTANCE OF 283.45 FEET; THENCE S87°23'29"W, 175.07 FEET; THENCE ALONG A CURVE TO THE RIGHT, WITH A RADIUS OF 20.00 FEET, THROUGH A CENTRAL ANGLE OF 90°00'00", A DISTANCE OF 31.42 FEET; THENCE N2°36'31"W, 25.15 FEET MORE OR LESS TO A POINT 25.00 FEET SOUTH OF THE NORTH BOUNDARY OF SECTION 24 AS MEASURED AT A RIGHT ANGLE TO THE NORTH BOUNDARY OF SECTION 24; THENCE, LEAVING THE WEST BOUNDARY OF STATE ROUTE 99, ALONG A LINE PARALLEL TO THE NORTHERN BOUNDARY OF SECTION 24, S87°23'00"W, 2221.52 FEET MORE OR LESS TO THE POINT OF BEGINNING.

CONTAINING 236.40 ACRES MORE OR LESS

EXHIBIT A-2

DIAGRAM OF THE PROPERTY



REYNOLDS RANCH
ANNEXATION

EXHIBIT B

GENERAL PLAN LAND USE MAP

854085-1
Version 6 8/23/2006

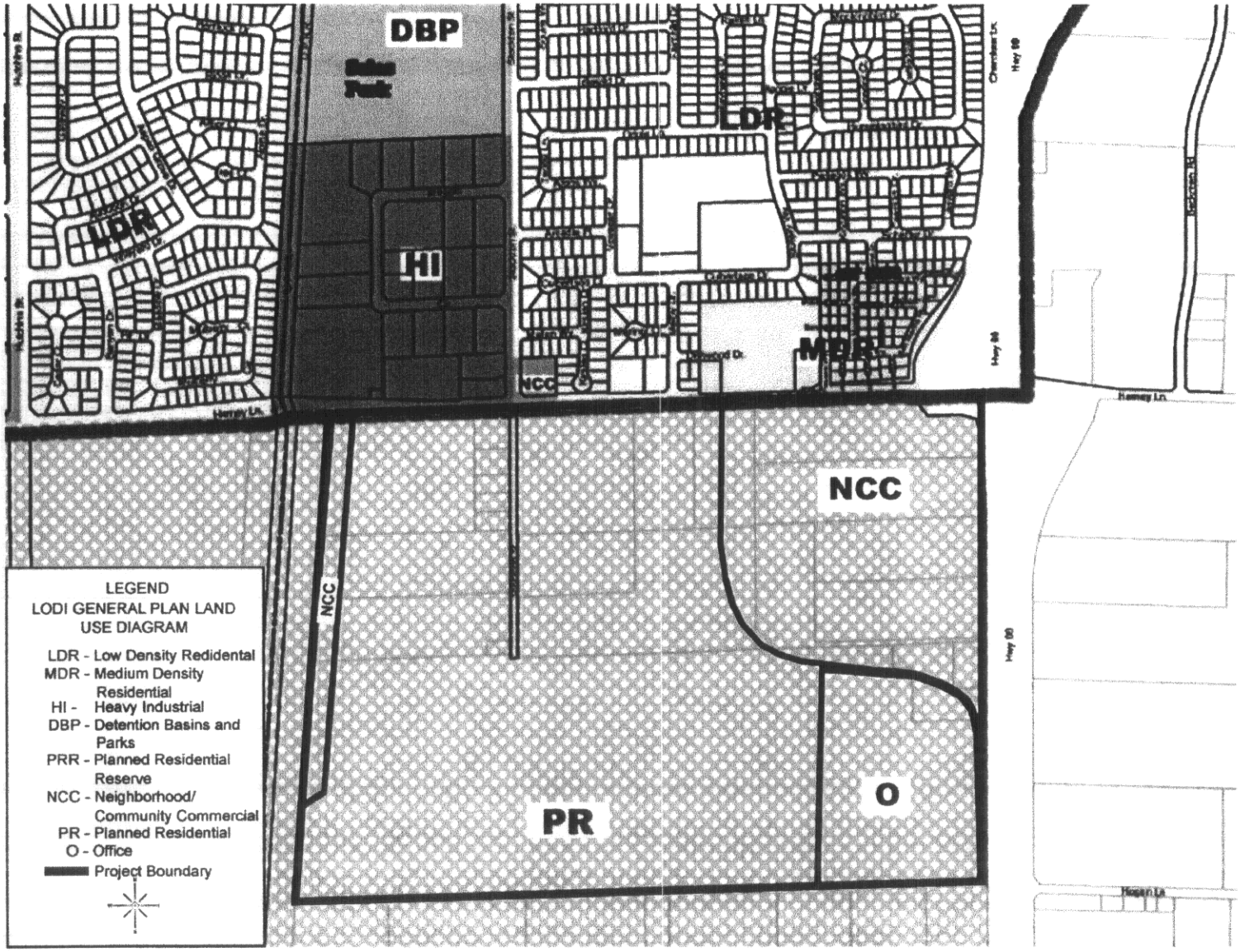


FIGURE 3.7.7: CITY OF LODI GENERAL PLAN LAND USE DESIGNATIONS

EXHIBIT A-2

ZONING MAP FOR PROJECT SITE

FIGURE 2.4.1: LAND USE PLAN

LAND USE
REYNOLDS RANCH
CITY OF LODI, CALIFORNIA

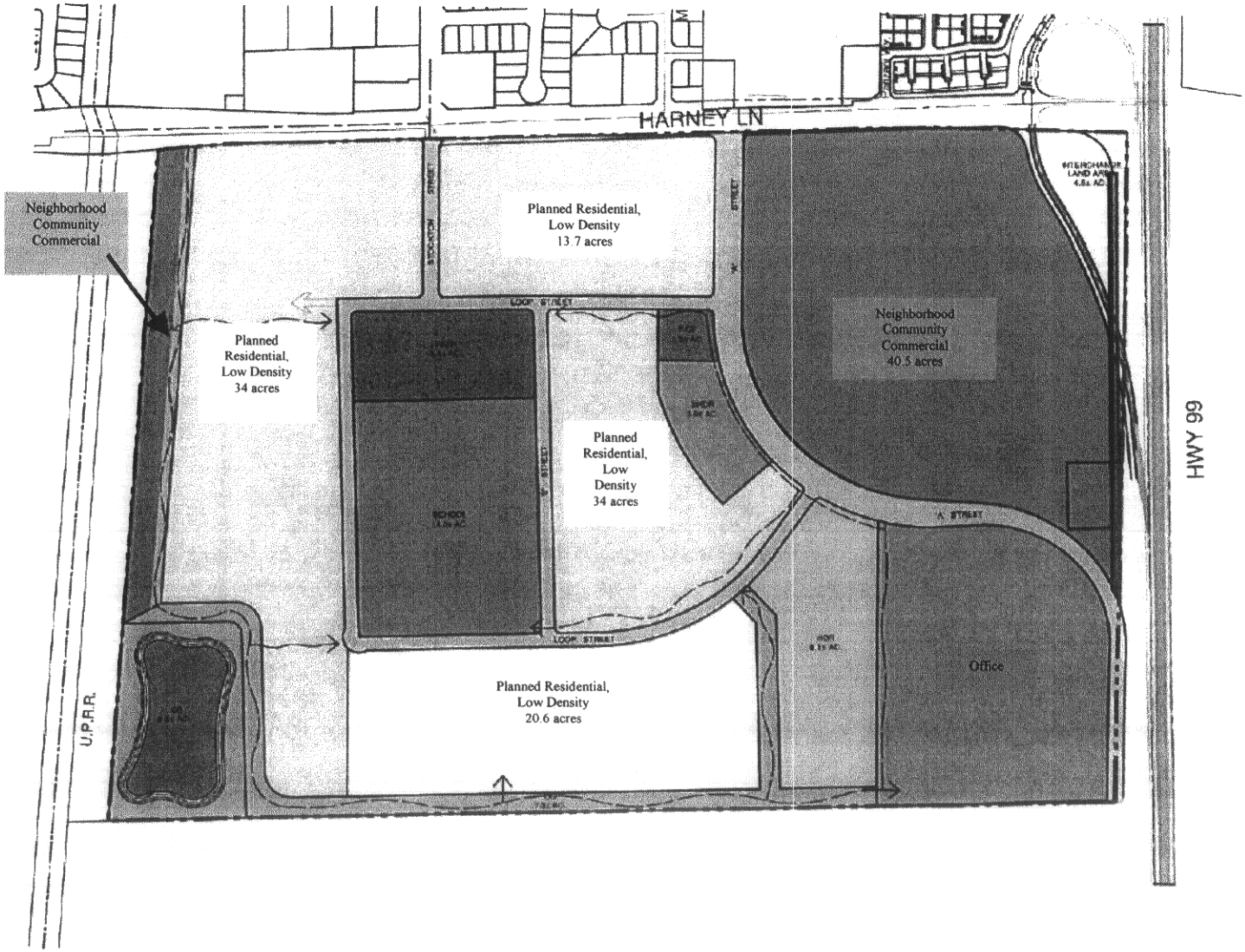


EXHIBIT C-1

Reserved

EXHIBIT C-2

Reserved

EXHIBIT D

DEVELOPMENT PLAN AND INFRASTRACTURE MAP FOR THE PROPERTY

FIGURE 3.11.1: PROPOSED WATER PLAN FOR REYNOLDS RANCH

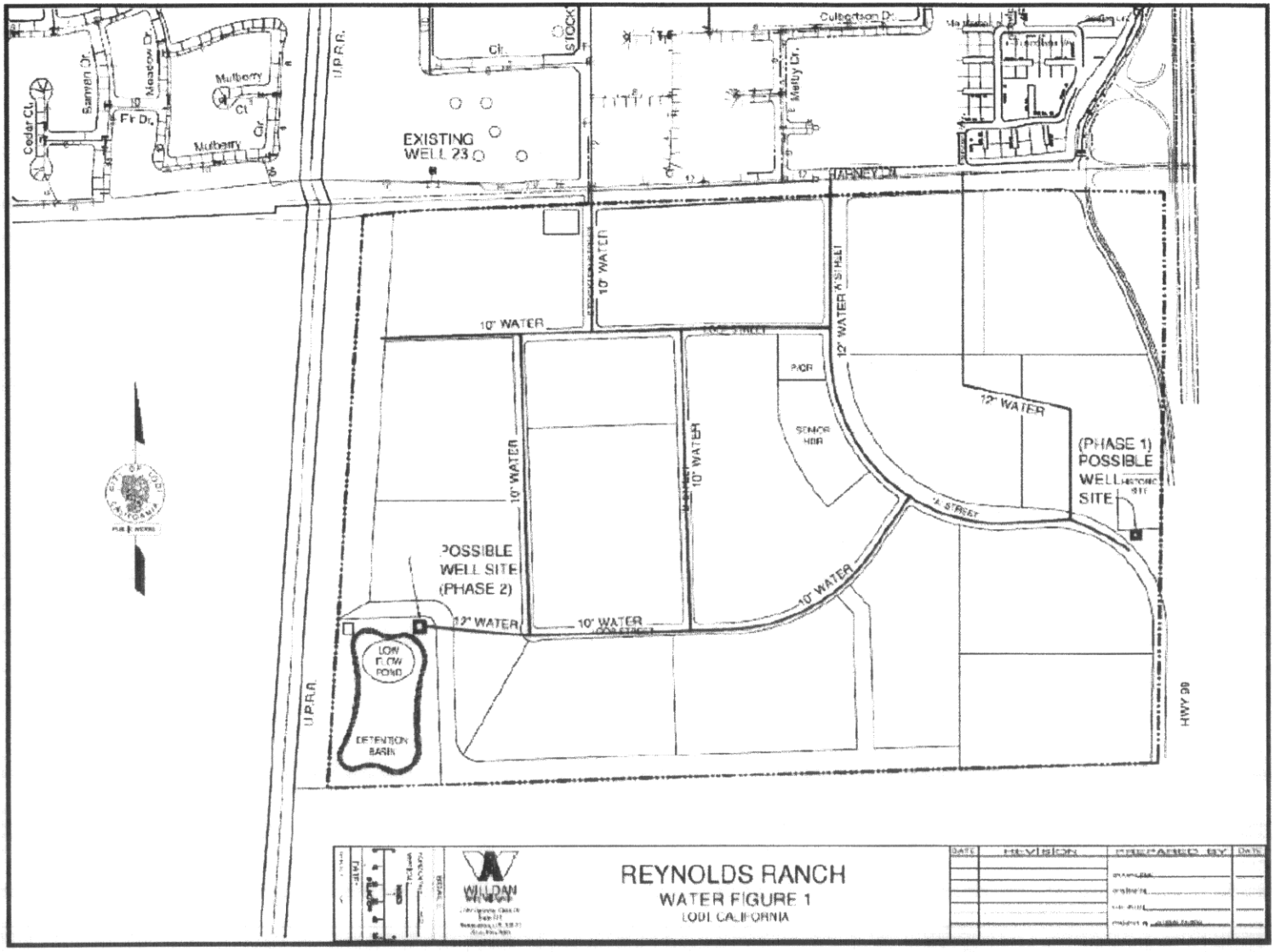


FIGURE 3.11.2: PROPOSED SEWER PLAN FOR REYNOLDS RANCH

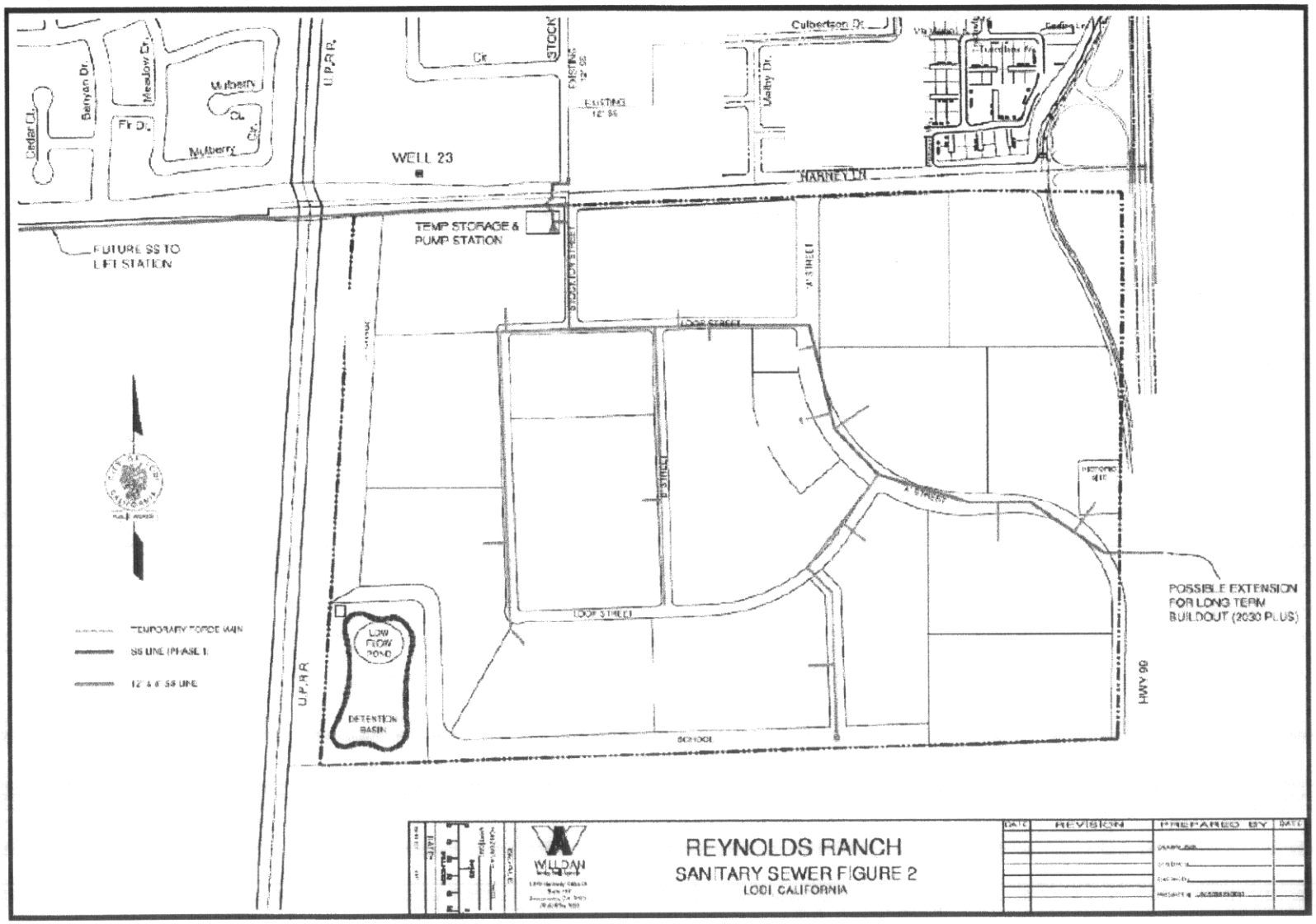


EXHIBIT E

GROWTH MANAGEMENT ALLOCATION TABLE

Applicable Date	Allocation
Effective Date of Development Agreement	150 low density allocation for Planned Residential Low Density 200 high density units
Within the Calendar Year One Year after Effective Date	73 low density allocations for Planned Residential Low Density
Within the Calendar Year Two Years after Effective Date	73 low density allocations for Planned Residential Low Density
Within the Calendar Year Three Years after Effective Date	73 low density allocations for Planned Residential Low Density
Within the Calendar Year Four Years after Effective Date	73 low density allocations for Planned Residential Low Density
Within the Calendar Year Five Years after Effective Date	73 low density allocations for Planned Residential Low Density
Within the Calendar Year Six Years after Effective Date	73 low density allocations for Planned Residential Low Density
Within the Calendar Year Seven Years after Effective Date	73 low density allocations for Planned Residential Low Density
Within the Calendar Year Eight Years after Effective Date	73 low density allocations for Planned Residential Low Density
Remaining Term of the Agreement including Extensions	Any remaining Planned Residential Low Density allocations up to the maximum number authorized by the Project Approvals.

EXHIBIT F

ANNEXATION APPROVALS

854085-1
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DOC # 2006-257516
12/08/2006 03:21P Fee:NC
Page 1 of 6
Recorded in Official Records
County of San Joaquin
GARY W. FREEMAN
Assessor-Recorder-County Clerk
Paid by SHOWN ON DOCUMENT

CERTIFICATE OF COMPLETION

San Joaquin LAFCo
1860 E. Hazelton Avenue
Stockton, CA 95205

Short Form Designation:

THE REYNOLDS RANCH REORGANIZATION (LAFC 05-06)
Annexation of 235 acres to the City of Lodi with concurrent detachments from the Woodbridge Fire Protection District and the San Joaquin County Resource Conservation District.

1. Filed pursuant to action by the City of Lodi.

2. The name of each district or city involved in this change of organization or reorganization and the kind or type of change of organization ordered for each such city or districts are as follows:

CITY OR DISTRICT	TYPE OF CHANGE OF ORGANIZATION
City of Lodi	Annexation
Woodbridge Fire Protection District	Detachment
San Joaquin County Resource Conservation District	Detachment

3. The city or districts are located in the following county (ies): San Joaquin.

4. Boundary description for said formation or change has been attached as Exhibit A.

5. Terms and conditions, if any, are provided in said resolution, attached.

6. I hereby certify that the action taken by adoption of the above cited resolution complies with the boundaries and conditions specified by the Local Agency Formation Commission of San Joaquin County in Resolution No. 1158.

Bruce C. Baracco

BRUCE C. BARACCO, EXECUTIVE OFFICER
Local Agency Formation Commission of
San Joaquin County

Completion Date: December 8, 2006

CERTCOMP

RESOLUTION NO. 1158

BEFORE THE SAN JOAQUIN LOCAL AGENCY FORMATION COMMISSION APPROVING THE REYNOLDS RANCH REORGANIZATION TO ANNEX 235 ACRES TO THE CITY OF LODI WITH CONCURRENT DETACHMENTS FROM THE WOODBRIDGE FIRE PROTECTION DISTRICT AND THE SAN JOAQUIN COUNTY RESOURCE CONSERVATON DISTRICT (LAFC 05-06)

WHEREAS, the above entitled proposal was initiated by filing by the City of Lodi and on August 31, 2006, the Executive Officer certified the application filed for processing in accordance with the Local Government Reorganization Act; and

WHEREAS, the Commission held a public hearing on the proposed reorganization on September 22, 2006, in the Board of Supervisors Chambers, County Courthouse, pursuant to notice of hearing which was posted, published and mailed in accordance with State law; and

WHEREAS, at said hearing the Commission heard and received evidence, both oral and written regarding the proposal, and all persons present were given an opportunity to be heard.

NOW THEREFORE, the San Joaquin Local Agency Formation Commission DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. The above named reorganization is approved subject to the terms and conditions contained herein.

Section 2. Certify that the Commission has reviewed and considered the City's Environmental Impact Report.

Section 3. Approve the proposal as submitted to annex 235 acres to the City of Lodi with concurrent detachments from the Woodbridge Fire Protection District and the San Joaquin County Resource Conservation District, with the boundary description as approved by the County Surveyor.

Section 4. Adopt Environmental Findings as presented in Exhibit K, attached.

Section 5. Find that the proposal is inhabited with 23 registered voters and does not have 100% owner-consent.

Section 6. Direct LAFCo Staff to conduct a protest hearing pursuant to Sections 57002 and 57025 of the Government Code and report the results to the Commission for final action.

PASSED AND ADOPTED this 22nd day of September 2006 by the following roll call vote:

AYES: Commissioners Gary L. Haskin, Gerard Machado, Victor Mow, Jack Snyder and Jack Sieglock

NOES: None

JACK SIEGLOCK, CHAIR
Local Agency Formation Commission of
San Joaquin County

Note: At a regular meeting on December 8, 2006 the Commission determined that the Protest Hearing held on October 25, 2006 did not warrent sufficient protests to affect the approval.

THE FOREGOING IS A CORRECT COPY OF
THE ORIGINAL ON FILE IN THIS OFFICE
BRUCE C. BARACCO
EXECUTIVE OFFICER
By: _____
COMMISSION CLERK
Date: 12-08-06

EXHIBIT A

August 14, 2006

DESCRIPTION OF
PROPOSED
REYNOLDS RANCH ANNEXATION TO THE CITY OF LODI
San Joaquin County, California

A portion of Section 24, Township 3 North, Range 6 East, Mount Diablo Base and Meridian, more particularly described as follows:

Beginning at the intersection of the east-west quarter section line through said Section 24 with the east line of the Union Pacific Railroad's (formerly Southern Pacific Railroad) 100-foot wide right-of-way; (1) thence along said east right-of-way line, North 03°08' East, 2,635.02 feet to the Lodi City limit line; thence along said City Limit line the following two (2) courses (being courses 2 and 3): (2) North 87°24' East, 1,221.31 feet and (3) North 87°23' East, 2,275 feet, more or less, to the northerly projection of the easterly right-of-way line of North 99 Frontage Road on the westerly side of State Highway Route No. 99; (4) thence leaving said City Limit line along said northerly projection, South 02°37' East, 5.00 feet to said North 99 Frontage Road's easterly right-of-way line; (5) thence along said easterly right-of-way line in a general southerly direction, 2,885 feet, more or less, to said east-west quarter section line; (6) thence along said quarter section line, South 87°48'30" West, 4,000 feet, more or less, to the point of beginning.

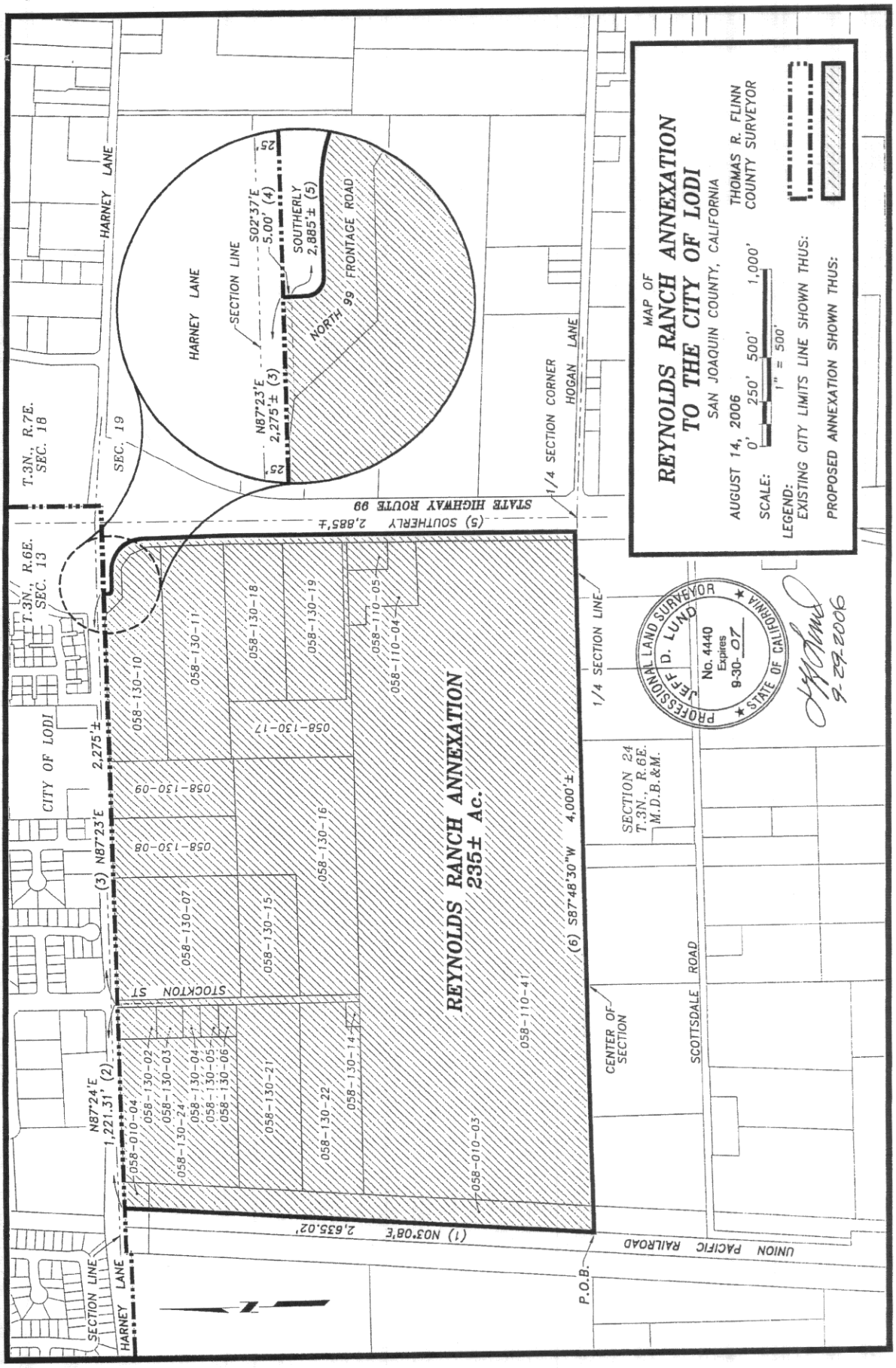
Containing 235 acres, more or less.

APPROVED AS TO DESCRIPTION:
County Surveyor

By: Jeff Lund
Assistant County Surveyor
9-29-2006

SV-6H052-R1

PROFESSIONAL LAND SURVEYOR
JEFF D. LUND
No. 4440
Expires
9-30-07
STATE OF CALIFORNIA


MAP OF
REYNOLDS RANCH ANNEXATION
TO THE CITY OF LODI
SAN JOAQUIN COUNTY, CALIFORNIA
AUGUST 14, 2006
THOMAS R. FLINN
COUNTY SURVEYOR
SCALE: 0' 250' 500' 1,000'
1" = 500'
LEGEND:
EXISTING CITY LIMITS LINE SHOWN THUS:
PROPOSED ANNEXATION SHOWN THUS:
REYNOLDS RANCH ANNEXATION
235± Ac.
T.3N., R.7E.
SEC. 18
SEC. 19
T.3N., R.6E.
SEC. 13
CITY OF LODI
HARNEY LANE
SECTION LINE
NORTH 99 FRONTAGE ROAD
SOUTHERLY
2,885'± (5)
S02°37'E
5.00' (4)
N87°23'E
2,275'± (3)
25'
25'
STATE HIGHWAY ROUTE 99
(5) SOUTHERLY 2,885'±
1/4 SECTION CORNER
HOGAN LANE
1/4 SECTION LINE
SECTION 24
T.3N., R.6E.
M.D.B.&M.
CENTER OF SECTION
SCOTTSDALE ROAD
UNION PACIFIC RAILROAD
P.O.B.
(1) N03°08'E 2,635.02'
(6) S87°48'30"W 4,000'±
N87°23'E
2,275'±
(3)
N87°24'E
1,221.31' (2)
STOCKTON ST
058-010-03
058-010-04
058-110-41
058-110-04
058-110-05
058-130-02
058-130-03
058-130-04
058-130-05
058-130-06
058-130-07
058-130-08
058-130-09
058-130-10
058-130-11
058-130-14
058-130-15
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058-130-18
058-130-19
058-130-21
058-130-22
058-130-24
PROFESSIONAL LAND SURVEYOR
JEFF D. LUND
No. 4440
Expires
9-30-07
STATE OF CALIFORNIA
9-29-2006

LAFCo Findings of Significance

1. **Purpose**
   The findings set forth below are made and adopted by the Local Agency Formation Commission of San Joaquin County (LAFCo) as its environmental findings under Section 15091 of the California Environmental Quality Act (CEQA) Guidelines relating to this project.

2. **Project**
   This project under LAFCo review is the annexation of 236.4 acres of land to the City of Lodi, with concurrent detachments from the Woodbridge Rural Fire District and the San Joaquin County Resource Conservation District.

3. **Environmental Record Being Considered by LAFCo**
   As a Responsible Agency, LAFCo has based its findings on the following environmental document prepared by the City of Lodi, as the Lead Agency:

   Reynolds Ranch Project Environmental Impact Report (SCH No. 2006012113)

4. **LAFCo Considerations**
   The proposed Reynolds Ranch Reorganization has been considered by LAFCo within the context of the above referenced environmental document. As provided in Public Resources Code Section 21166 and CEQA Guidelines Section 15162, where a previous EIR has been adopted for a project, a new EIR is required only under certain circumstances. LAFCo considers that the proposed reorganization has been adequately addressed in the project EIR, and that those mitigation measures directly associated with the reorganization are appropriate.

CEQA FINDINGS

A. Agricultural Resources

1. <u>Conversion of Prime Farmland</u>
   Changes related to the conversion of Prime Farmland are set forth on pages 3.7-27 and 5.0-1 of the Final EIR. The irreversible loss of agricultural land to non-agricultural uses is a significant irreversible environmental change.

* * * *

EXHIBIT G

FORM OF ASSIGNMENT

OFFICIAL BUSINESS
Document entitled to free recording
Government Code Section 6103

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Lodi
P.O. Box 3006
Lodi, CA 95241-1910
Attn: City Clerk

(SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE)

ASSIGNMENT AND ASSUMPTION AGREEMENT RELATIVE TO

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (hereinafter, the "Agreement") is entered into this _____ day of _____, 200_ ____, by and between San Joaquin Valley Land Company, LLC, (hereinafter "Developer"), and _____, a _____ _____ (hereinafter "Assignee").

RECITALS

1. On September 6, 2006, the City of Lodi and Developer entered into that certain agreement entitled "Development Agreement By and Between The City of Lodi and Relative to the Development known as Reynolds Ranch (hereinafter the "Development Agreement"). Pursuant to the Development Agreement, Developer agreed to develop certain property more particularly described in the Development Agreement (hereinafter, the "Subject Property"), subject to certain conditions and obligations as set forth in the Development Agreement. The Development Agreement was recorded against the Subject Property in the Official Records of San Joaquin County on _____, 2006, as Instrument No. ___-_____.

2. Developer intends to convey a portion of the Subject Property to Assignee, commonly referred to as Parcel _____, and more particularly identified and described in Exhibit A-1 and Exhibit A-2, attached hereto and incorporated herein by this reference (hereinafter the "Assigned Parcel").

3. Developer desires to assign and Assignee desires to assume all of Developer's right, title, interest, burdens and obligations under the Development Agreement with respect to and as related to the Assigned Parcel.

ASSIGNMENT AND ASSUMPTION

NOW, THEREFORE, Developer and Assignee hereby agree as follows:

1. Developer hereby assigns, effective as of Developer's conveyance of the Assigned Parcel to Assignee, all of the rights, title, interest, burdens and obligations of Developer under the Development Agreement with respect to the Assigned Parcel. Developer retains all the rights, title, interest, burdens and obligations under the Development Agreement with respect to all other property within the Subject Property owned by Developer.

2. Assignee hereby assumes all of the rights, title, interest, burdens and obligations of Developer under the Development Agreement with respect to the Assigned Parcel, and agrees to observe and fully perform all of the duties and obligations of Developer under the Development Agreement with respect to the Assigned Parcel. The parties intend hereby that, upon the execution of this Agreement and conveyance of the Assigned Parcel to Assignee, Assignee shall become substituted for Developer as the "Developer" under the Development Agreement with respect to the Assigned Parcel.

3. All of the covenants, terms and conditions set forth herein shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

4. The Notice Address described in Section 29 of the Development Agreement for the Developer with respect to the Assigned Parcel shall be:

SAN JOAQUIN VALLEY LAND COMPANY, LLC
1420 S. Mills Avenue, Suite K
Lodi, CA 95242

IN WITNESS HEREOF, the parties hereto have executed this Agreement as of the day and year first above written. This Agreement may be signed in identical counterparts.

DEVELOPER:	ASSIGNEE:
SAN JOAQUIN VALLEY LAND COMPANY, LLC	_____, a _____
By: _____	By: _____
Name: Dale N. Gillespie	Print Name: _____
Title: Managing Member	Title: _____

854085-1
Version 6 8/23/2006

EXHIBIT H

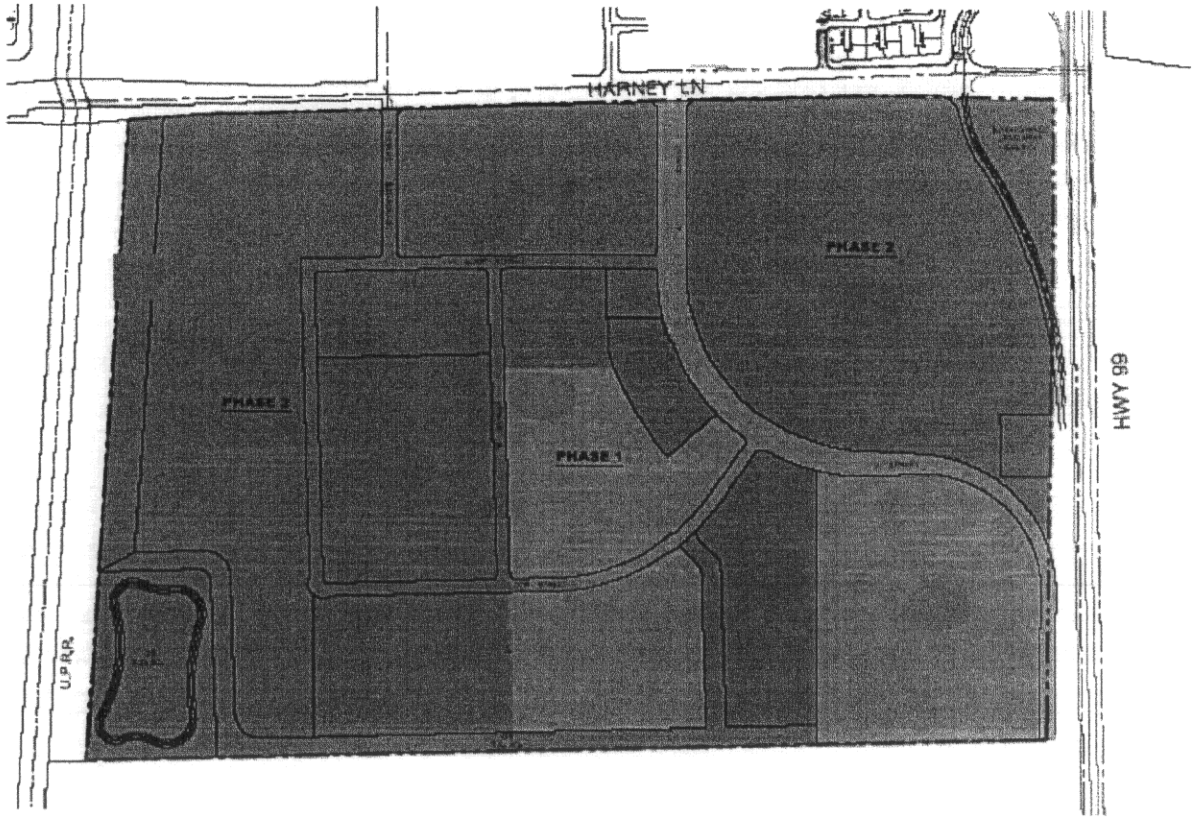
SCHEDULE OF IMPROVEMENTS

FIGURE 2.4.3: REYNOLDS RANCH PHASING PLAN

PHASING PLAN

REYNOLDS RANCH

CITY OF LODI, CALIFORNIA



LEGEND

- PHASE I (BUILD-OUT 2008) (CONTAINS 150 UNITS)
- PHASE II (BUILD-OUT 2030)

APRIL 25, 2005

G.C. WALLACE OF CALIFORNIA, INC.

EXHIBIT I

SETTLEMENT AGREEMENT BETWEEN CITY, LANDOWNER AND CITIZENS FOR OPEN GOVERNMENT

854085-1
Version 6 8/23/2006

EXHIBIT 1

AGREEMENT TO AMEND DRAFT DEVELOPMENT AGREEMENT AND REFRAIN FROM CHALLENGING LAND USE PROJECT

THIS AGREEMENT is made this 24th day of August 2006 by and between the City of Lodi (City), a California General Law city, represented by the City Manager and City Attorney with the limited authority as described in Section 1.A; Citizens for Open Government, an unincorporated association (Citizens); and, San Joaquin Valley Land Company (Company) a California Limited Liability Company. The Parties agree as follows:

1. Recitals.

A. The parties to the Agreement.

City is a General Law city governed by a five-member city council. For all purposes herein and during all times during the negotiation of this Agreement the City Manager and City Attorney have represented the City. However in this Agreement and at all times during the negotiation of the Agreement the City Manager and/or City Attorney have lacked the capacity or legal authority to bind the City of Lodi and/or the City Council. The parties understand that throughout the negotiation and in executing this Agreement the City Manager and City Attorney can only recommend to the City Council that it take certain actions. All authority and discretion remains with the City Council over whether the City Council will approve or disapprove of this Agreement. The City Council is scheduled to hear the Project at a duly noticed public hearing scheduled for August 30, 2006.

Citizens is an unincorporated association that has commented on the development proposed by Company. Citizens desire to have certain mitigation measures and clarifications added to a development agreement negotiated between City and Company that in the opinion of Citizens will further the interest of the City and the interest of the public. If these amendments are added to the draft Development Agreement then Citizens will support the Project, or will not make negative comments about the project's EIR at the City Council public hearing, and will not subsequently challenge the certification of the EIR or the Project approval in court. Ann Cerney shall be the spokesperson for Citizens and make these statements at the City Council hearing.

Company, a private entity, is the applicant for various land use approvals that would permit a Blue Shield call center, a shopping center and several residential subdivisions (Project). The Project is more specifically described in the draft environmental impact report (EIR). By approving the project the City will retain Blue Shield, which currently employs approximately 600 to 800 workers and ultimately anticipates employing approximately 1,600 workers. The parties agree that retaining the Blue Shield operation in City is a substantial public benefit and a benefit that makes the Project unique for the City.

B. Although Citizens are not fully satisfied with all aspects of the Project and EIR it has balanced the benefits of the Project, including the changes to the draft Development Agreement proposed in this Agreement, against the adverse effects of the Project and has concluded that the project is more beneficial to the City than detrimental.

2. Modification of Development Agreement.

The parties agree that the draft Development Agreement, scheduled to be considered by the City Council at the public hearing on August 30, 2006 shall be amended as follows:

A. A. Company shall request that Blue Shield and major tenants within the commercial portion of the project prepare Transportation Demand Management Plans to reduce traffic impacts. These traffic reduction measures may include:

i. Providing flex time and/or shifting work schedules to avoid peak traffic;
ii. Establishing carpools and vanpools;
iii. Providing preferential and free parking for carpoolers and vanpoolers as well as ridesharing programs;
iv. Providing shuttle services from regional transportation (e.g., rail/bus) stations to final destinations;
v. Providing subsidies for transit passes; and
vi. Providing locker room facilities for employees (i.e. bicyclists).

B. The Company shall obtain permanent easements limiting the use of real property to agricultural or other open space uses and activities to be held by the City of Lodi (Agricultural Conservation Easements). The Agricultural Conservation Easements shall be recorded against an aggregate total of two hundred (200) acres of prime agricultural land, involving one or more parcels of land, located within fifteen (15) miles of the Project site. All of the land shall be located within San Joaquin County (excluding the Delta Primary Zone as presently defined by State Law) and shall be in current agricultural use. The easements, executed in a form suitable for recordation, shall be presented to the City Attorney for his or her review for form on or before the first residential building permit is issued for the project. The Agricultural Conservation Easements shall be recorded within three (3) days of the City Attorney approving the form of the document and the City Attorney shall not unreasonably withhold his or her approval. The cost of obtaining the Agricultural Conservation Easements shall rest with the Company. In addition, the Agricultural Conservation Easements shall not have previously been encumbered by: (a) any other perpetual conservation easement, (b) a deed restriction limiting use of the Protected Property to agricultural uses, or (c) currently be in use for agricultural mitigation; the site(s) must be subject to permanent restrictions on its use to ensure its continued agricultural production capacity by limiting non-farm development and other uses that are inconsistent with commercial agriculture; and the easements shall be designated and maintained according to all applicable federal, state, and local requirements, and shall not allow for any uses inconsistent with the goals of maintaining agricultural uses and open space uses on agricultural land and preserving the environmental integrity of the subject sites. City agrees to monitor the property subject to the easements biannually through its planning commission to ensure compliance with the requirements of this Paragraph. Company will pay City a one time fee of $5,000.00 to compensate City fort eh monitoring cost/contingencies.

City shall notify Citizens of which site(s) are selected to meet the requirements of this paragraph 30 days prior to the recordation of the Agricultural Conservation Easements.

C. The landscaping standards for the Blue Shield site shall be the current written design and landscaping requirements and standards found in the City's Large Scale Retail Design landscaping standards.

D. Home builders of the residential lots shall offer alternative energy features such as solar features and electrical car charging stations or outlets as optional features that each future homeowner may elect to purchase as part of the homeowner's option package.

E. In designing and developing the specific components of the of the project, the Company is committed to the design principles of "New Urbanism" adopted by the Congress for New Urbanism. This includes promoting neighborhoods that are walkable; interconnected; that incorporate a traditional grid system of streets; that include pedestrian friendly streetscapes; bicycle friendly design elements; well integrated, highly visible, and publicly accessible open spaces; a rhythm of housing and structural forms that are visually interesting, well modulated, constructed of high quality materials, individualized and proportionate to their surroundings, with minimized garage domination on the street frontages, and a range of housing types, sizes and affordability.

F. Pedestrian Transit and Bicycle Infrastructure: The Company shall implement the following measures:

1) Provide pedestrian enhancing infrastructure that includes: sidewalks and pedestrian paths, direct pedestrian connections, street trees to shade sidewalks, pedestrian safety designs/infrastructure, street lighting and/or pedestrian signalization and signage.

2) Provide bicycle-enhancing infrastructure that includes: bikeways/paths connecting to a bikeway system, and secure bike parking.

3) Prepare a transit study to assess the need for new routes or modified routes to serve the project area and comply with its requirements. The study would be conducted as part of the development plan.

G. Eastside Investment: The project requirement for investment in Lodi's eastside will be amended to require that any units which are rehabilitated or replaced which are currently at affordable rents for persons or families of low income shall remain affordable for persons of low income.

H. Funding of Water Supply. Prior to the acceptance of a residential subdivision map for the Project, a Community Facilities District (or equivalent financing mechanism) shall be formed to finance the construction of the improvements necessary to serve the WID Water to the Project "(Improvements") or Developer shall pay its proportionate share of the cost of the Improvements to the City.

I. Effect of Amendments:

1) Challenge by Citizens/Cerney: The amended Development Agreement shall provide that the amendments called for in this Agreement will not become effective in the event that Citizens and/or Ann Cerney: (1) file a legal action challenging the City's certification of the EIR; (2) file a legal action challenging the City's approval of the Project's land use approvals; (3) file a legal action challenging the San Joaquin Local Agency Formation Commission's compliance with CEQA; (4) file a legal action challenging the San Joaquin Local Agency Formation Commission's approval of the annexation of the territory to the City of Lodi; or, (5) qualify a referendum petition to require an election concerning one or more of the Project's legislative approvals.

2) Challenge by Third Party:

a. The amended Development Agreement shall provide that the amendments called for in this Agreement will become partially ineffective as set forth below in the event that any other party: (1) files a legal action challenging the City's certification of the EIR; (2) files a legal action challenging the City's approval of the Project's land use approvals; (3) files a legal action challenging the San Joaquin Local Agency Formation Commission's compliance with CEQA; (4) files a legal action challenging the San Joaquin Local Agency Formation Commission's approval of the annexation of the territory to the City of Lodi; or, (5) qualifies a referendum petition to require an election concerning one or more of the Project's legislative approvals.

b. If an event triggers a partial invalidity as called for above, provisions 2A and 2C of this Agreement will become null and void; the number of acres subject to paragraph 2B will be revised to 100 acres, and the fees in paragraph 3C will be reduced to $10,000.00. Moreover, Citizens Statute of Limitations to file an action challenging the City's certification of the EIR/land use approvals will be tolled 30 days from the limitations period established by CEQA. City and Company grant a second conditional and limited tolling of the statute of limitations to file an action challenging City's certification of the EIR. This Conditional and Limited Tolling will only arise upon a legal challenge by a third party to LAFCO's determination on the EIR and/or annexation and Citizens time to file an action shall extend for only thirty days after the third party files its action.

c. In the event that dismissals with prejudice are filed with the Court before answers are filed in the third party litigation then Citizens will dismiss any subsequent actions and the terms of this Agreement shall be fully restored.

3. Miscellaneous.

A. Ann Cerney, as a representative of Citizens, shall appear at the City Council hearing and express support for the approval of this Agreement and shall express support of the Project and certification of the EIR if the City amends the draft Development Agreement to include the changes found in Section 2 of this Agreement

B. Citizens represents and warrants that Ann Cerney has authority to execute this Agreement on behalf of Citizens and is authorized to speak on behalf of the organization at the Lodi City Council meeting.

C. Company conditionally agrees to pay $20,000 to Citizens to reimburse Citizens for attorney fees expended in the negotiation and executing of this Agreement and to reimburse members of the Citizens for extraordinary time and effort expensed in this process. The distribution of the money shall be at the sole discretion of Citizens. The reimbursement of attorney fees shall be due and payable thirty (30) days after the last day to take any of the actions described in this Section 3.C.

D. Company represents and warrants that prior to the August 30, 2006 City hearing Blue Shield shall issue a press release to local media outlets reasserting Blue Shield's commitment to the Project site.

E. If the benefits included in the amendments to the Development Agreement are not adopted by the City Council, Citizens' support for approval of the Project will be withdrawn and its previously stated objections will be renewed. City and Company agree not to assert an exhaustion of administrative remedies defense as to those issues raised and exhausted at the planning commission hearing if litigation ensues and this agreement becomes null and void, or partially invalid under Section 2.I and/or 4 of this Agreement.

4. Effective Date of Agreement.

Only Section 3.A, 3.B, and 3.D of the Agreement shall be immediately effective and binding upon Citizens and Company. The remainder of this Agreement shall only become effective upon the City Council approval of the amendments to the draft Development Agreement that are described in Section 2.

5. Agreement not to Sue or Circulate a Referendum Petition.

If the amendments to the Development Agreement called for in this Agreement are adopted by the City Council, Citizens agrees that neither it nor its individual members shall sue the City or the San Joaquin Local Agency Formation Commission over the sufficiency of the EIR or the land use/annexation decisions by these public agencies. Further neither Citizens nor its members shall encourage or give assistance to any others to challenge the Company's project either administratively or judicially. Moreover, neither Citizens, nor its members will encourage, indirectly assist or actually circulate a petition to place a

referendum on the ballot to force an election about one or more the Project's legislative approvals.

6. Counterparts.

This agreement may be executed in counterparts.

San Joaquin Valley Land Development Co.
Dale Gillespie, Partner

City of Lodi
Blair King, City Manager

Citizens for Open Government
Ann Cerney

EXHIBIT "A"

AGRICULTURAL CONSERVATION EASEMENT SELECTION GUIDELINES

1. Soils: Farmland evaluated by the California Department of Conservation Farmland Mapping and Monitoring Program as being "Prime farmland" or "Farmland of Statewide Significance" will receive the highest priority. The City of Lodi may also consider farmland designated as property that has significant value to the regional agricultural industry regardless of soil characteristics.

2. Water: The property has a dependable and sustainable supply of high quality water for irrigation.

3. The property is agriculturally viable:

   a. The land is large enough to sustain commercial agricultural production.

   b. The property is not substantially surrounded by urban development such that its continued agricultural viability is threatened.

4. Urbanization pressure. The property may be subject to urbanization pressure.

5. Consistent with Community plans and goals. Existing community goals, plans and political boundaries are compatible with permanent agricultural use of the property:

   a. The property is currently zoned for agriculture.

   b. The property is outside the primary sphere of influence of a city or a community service district.

   c. An agricultural easement on the property would have the potential to have a long term impact on urban growth in the area and encourage growth on less productive farmland.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of San Joaquin } ss.

On Dec. 20, 2006 (Date) before me, Diane D. Woods, a notary (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared Dale N. Gillespie (Name(s) of Signer(s)),

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

DIANE D. WOODS
Commission # 1692346
Notary Public - California
San Joaquin County
My Comm. Expires Oct 5, 2010

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Reynolds Ranch Development Agmt

Document Date: 9/6/06 Number of Pages: 61

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

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ACKNOWLEDGMENT

State of California

} SS.

County of San Joaquin

On December 20, 2006 (Date), before me Randi Johl, City Clerk (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared City Manager Blair King (Name(s) of Signer (s)),

[X] personally known to me
[ ] proved to me on the basis of satisfactory evidence

to be the person~~(s)~~ whose name~~(s)~~ is~~/are~~ subscribed to the within instrument and acknowledged to me that he/s~~he/ they~~ executed the same in his/~~her/their~~ authorized capacity~~(ies)~~, and that by his/~~her/their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s) ac~~ted, executed the instrument.

RANDI JOHL
COMM. #1516020
NOTARY PUBLIC • CALIFORNIA
ORANGE COUNTY
Comm Exp. SEPT. 27, 2008
MGC1 MGC1

WITNESS my hand and official seal

Signature of Notary Public

Place Notary Seal Above