

LIMITED OFFERING MEMORANDUM

NEW ISSUE – BOOK-ENTRY ONLY

UNRATED

Upon delivery of the 2016 Bonds, Hinckley, Allen & Snyder LLP, Bond Counsel, will render its opinion that interest on the 2016 Bonds is exempt from State of California personal income taxes. Interest on the 2016 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2016 Bonds. See “TAX MATTERS” herein.

CALIFORNIA PUBLIC FINANCE AUTHORITY \$5,900,000 REVENUE BONDS (SILVERLAKES EQUESTRIAN & SPORTS PARK) SERIES 2016 (TAXABLE)

Dated: Date of Delivery

Due: As Described Herein

The California Public Finance Authority (the “Authority”) will issue its \$5,900,000 Revenue Bonds (SilverLakes Equestrian & Sports Park), Series 2016 (Taxable) (the “2016 Bonds”) pursuant to an Indenture, dated as of May 1, 2016 (the “Indenture”), by and between the Authority and Wilmington Trust, N.A., as trustee thereunder (the “Trustee”).

The Authority will lend the proceeds of the 2016 Bonds to Balboa Management Group, LLC (the “Borrower”), a limited liability company formed in the State of Delaware, whose controlling member and co-manager is Richard J. Brandes, an individual, pursuant to a Loan Agreement, dated as of May 1, 2016 (the “Loan Agreement”), by and between the Authority and the Borrower, for the purpose of financing the: (i) construction, improvement and equipping of the Club at SilverLakes, a concession and restaurant building (the “Facilities”) at the SilverLakes Equestrian & Sports Park (the “Project Site”), which Facilities are to be sited on a portion of the Project Site; (ii) construction and erection of an electronic freeway advertisement sign; (iii) development, construction and equipping a concert and event venue on the Project Site; (iv) funding capitalized interest on the 2016 Bonds through May 1, 2017; and (v) paying the costs of issuance of the 2016 Bonds. The Borrower is obligated under the Loan Agreement to make payments to the Authority that will be used to pay debt service on the 2016 Bonds as well as certain other payments.

The principal of, premium, if any, and interest on the 2016 Bonds and any other payments required by the Indenture shall be limited obligations of the Authority payable solely out of the Revenues and any other amounts (including proceeds of the sale of 2016 Bonds) held in any fund or account established pursuant to the Indenture, including (a) payments made by the Borrower under the Loan Agreement and other Revenues (as defined herein); (b) the funds and accounts created under the Indenture; and (c) money received by the Trustee that is otherwise part of the Revenues, including amounts that accumulate in a deposit account subject to a deposit account control agreement (the “Borrower DACA Account”) representing available moneys of the Borrower after payment of debt service on the \$20,000,000 California Statewide Communities Development Authority Revenue Bonds (SilverLakes Equestrian & Sport Park), Series 2015 (the “2015 Bonds”) and the 2016 Bonds and the Borrower’s operating expenses). The Borrower has the right, subject to certain conditions described herein, to issue additional obligations on a parity with or subordinate to the 2015 Bonds and the 2016 Bonds. The 2016 Bonds will be on a parity with the lien of the currently outstanding 2015 Bonds.

The Borrower’s payment obligation under the Loan Agreement will be further secured by the personal guaranty of Richard J. Brandes, the controlling member and co-manager of the Borrower (the “Guarantor”). The Guaranty is secured by ownership interests of the Guarantor in certain entities and further secured by a deposit account subject to a deposit account control agreement (the “Guarantor DACA Account”). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—The Guaranty and Guarantor Support Documents.”

THE 2016 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE 2016 BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE 2016 BONDS. THE ISSUANCE OF THE 2016 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY, THE CITY OF NORCO NOR RIVERSIDE COUNTY, CALIFORNIA SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE 2016 BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT.

The 2016 Bonds will bear interest from their date of delivery, payable semiannually on January 1 and July 1, commencing on July 1, 2016. See “THE 2016 BONDS.” The 2016 Bonds will be sold to an Accredited Investor or a Qualified Institutional Buyer (as defined in the Indenture) in Authorized Denominations (as defined herein). THE 2016 BONDS ARE BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM SOLELY TO ACCREDITED INVESTORS OR QUALIFIED INSTITUTIONAL BUYERS IN THE AUTHORIZED DENOMINATIONS SET FORTH HEREIN.

Investment in the 2016 Bonds entails certain risks, some of which may be significant, as described under “BONDHOLDERS’ RISKS” herein and under other sections of this Limited Offering Memorandum.

The 2016 Bonds are to be offered and sold (including in secondary market transactions) only to an Accredited Investor or a Qualified Institutional Buyer (each, as defined herein). See “THE 2016 BONDS—Transfer Restrictions.”

Each purchaser of the 2016 Bonds offered hereby will be deemed to have represented and warranted that the purchaser: (i) is an accredited investor or a qualified institutional buyer who is an Accredited Investor or a Qualified Institutional Buyer (within the meaning of the Indenture); and (ii) is acquiring the 2016 Bonds for its own account or for the account of an accredited investor or a qualified institutional buyer who is an Accredited Investor or a Qualified Institutional Buyer (within the meaning of the Indenture). (Terms used herein that are defined in Rule 501 under Regulation D (“Reg D”) and Rule 144A under the Securities Act of 1933, as amended, are used herein as defined therein.)

The 2016 Bonds are subject to optional, extraordinary and mandatory sinking account redemption prior to maturity as described herein. The 2016 Bonds also are subject to optional tender at the direction of the Bondholder Representative on January 1, 2020. See “THE 2016 BONDS” herein.

The 2016 Bonds will be issued as fully registered bonds and when issued will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2016 Bonds. So long as Cede & Co. is the registered owner of the 2016 Bonds as nominee of DTC, references herein to the Owners of the 2016 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2016 Bonds. So long as Cede & Co. is the registered owner of the 2016 Bonds, all payments with respect to principal and interest on the 2016 Bonds will be made to Cede & Co., as nominee for DTC, which will in turn remit such payments to the Direct Participants and Indirect Participants for subsequent disbursement to the Beneficial Owners. See Appendix E hereto.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of the issue. Investors must read the entire Limited Offering Memorandum, including the Appendices hereto, to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed in “BONDHOLDERS’ RISKS” herein.

The 2016 Bonds are offered when, as, and if issued by the Authority and are subject to prior sale and the approval of legality by Hinckley, Allen & Snyder LLP, Boston, Massachusetts, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP; for the Borrower and the Guarantor by Kutak Rock LLP, including with respect to certain federal securities laws; for B.C. Ziegler and Company, as underwriter by Butler Snow LLP, Denver, Colorado; and Kutak Rock LLP is also serving as disclosure counsel. See “LEGAL MATTERS.” Delivery of the 2016 Bonds to DTC in New York, New York is expected on or about May 6, 2016.



Dated: May 5, 2016

MATURITY SCHEDULE

\$5,900,000
CALIFORNIA PUBLIC FINANCE AUTHORITY
REVENUE BONDS
(SILVERLAKES EQUESTRIAN & SPORTS PARK)
SERIES 2016 (TAXABLE)

Due January 1	Principal Amount	Interest Rate	Yield	Price	CUSIP¹
2039	\$5,900,000	8.50%	8.500%	100.000%	13057E AE4

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter take any responsibility for the accuracy of such numbers.

The 2016 Bonds are being offered, and may only be transferred, solely in Authorized Denominations to an Accredited Investor or a Qualified Institutional Buyer within the meaning of the Indenture. **ON THE INITIAL SALE OF THE 2016 BONDS, RPM CAPITAL MANAGEMENT, LLC, AS BONDHOLDER REPRESENTATIVE, WILL PROVIDE A CERTIFICATE OF BONDHOLDER REPRESENTATIVE IN THE FORM ATTACHED HERETO AS APPENDIX F-2.**

Each purchaser acknowledges that none of the Authority, the Borrower or the Underwriter, or any person acting on behalf of the Authority, the Borrower or the Underwriter has given or made any representations concerning the offer and sale of the 2016 Bonds except as set forth in this Limited Offering Memorandum.

The 2016 Bonds will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), nor will the Indenture be qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The 2016 Bonds will not have been recommended by any federal or state securities commission or regulatory authority. Such commissions and authorities will not have reviewed or passed upon the accuracy or adequacy of this Limited Offering Memorandum. The registration or qualification of the 2016 Bonds in accordance with the applicable provisions of securities laws of the jurisdictions in which the 2016 Bonds have been registered or qualified and the exemption therefrom in other jurisdictions cannot be regarded as a recommendation thereof by any such jurisdictions. Any representation to the contrary may be a criminal offense.

No representation or warranty, express or implied, is made by the Underwriter as to the accuracy or completeness of the information contained in this Limited Offering Memorandum, and nothing contained in the Limited Offering Memorandum is, or shall be relied upon as, a promise or representation by the Underwriter as to the past or the future. This Limited Offering Memorandum is being furnished by the Borrower to the recipient hereof solely for the purpose of enabling a prospective investor to consider the purchase of the 2016 Bonds. The Underwriter reserves the right to reject any offer to purchase 2016 Bonds, in whole or in part, for any reason.

In making an investment decision, prospective investors must rely on their own examination of the Borrower, the Guarantor, the Facilities and the terms of the offering, including the merits and risks involved.

The contents of this Limited Offering Memorandum are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal, business and tax advice.

No person has been authorized to give any information or to make any representations other than those contained in this Limited Offering Memorandum in connection with the offer made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or the Underwriter. The distribution of this Limited Offering Memorandum and the offering of the 2016 Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Limited Offering Memorandum comes are required by the Borrower and the Underwriter to inform themselves about and to observe any such restrictions. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation by the Underwriter.

This Limited Offering Memorandum is not to be construed as a contract or agreement between the Authority and the purchasers, owners, or Beneficial Owners of any of the 2016 Bonds.

Except for information with respect to the Trustee, the Trustee has not provided, or undertaken to determine the accuracy of, any of the information contained in this Limited Offering Memorandum and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the 2016 Bonds, or (iii) the tax status of the interest on the 2016 Bonds.

The Authority takes no responsibility for the disclosure contained herein (except for information under the captions “THE AUTHORITY” and “LITIGATION—The Authority” to the extent such information pertains to the Authority).

Certain information contained in this Limited Offering Memorandum may have been obtained from sources other than records of the Authority or the Borrower and, while believed to be reliable, is not guaranteed as to completeness or accuracy by any of the Underwriter, the Authority or the Borrower. The information and expressions of opinion in this Limited Offering Memorandum are subject to change, and neither the delivery of this Limited Offering Memorandum nor any sale made under such document shall create any implication that there has been no change in the affairs of the Authority or the Borrower since the date thereof.

Reference herein to laws, rules, regulations, agreements, reports, and other documents, do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made therein. Where full texts have not been included as appendices to this Limited Offering Memorandum, they will be furnished upon request made to the Trustee or the Underwriter.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS LIMITED OFFERING MEMORANDUM: Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “forecast,” “project” or similar words. Such forward-looking statements are included in, among other portions of this Limited Offering Memorandum, the description of the Borrower, the Facilities and the Guarantor attached hereto as Appendix A-1. **The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Borrower nor the Authority plans to issue any updates or revisions to these forward-looking statements if or when changes to such expectations, or events, conditions or circumstances on which such statements are based, occur.**

For purposes of compliance with Rule 15c2-12 of the U.S. Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement of the

Borrower with respect to the 2016 Bonds that has been “deemed final” by the Authority (but only as to the material herein under the headings “THE AUTHORITY” and “LITIGATION—The Authority”) and by the Borrower as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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LIMITED OFFERING MEMORANDUM

CALIFORNIA PUBLIC FINANCE AUTHORITY
\$5,900,000
REVENUE BONDS
(SILVERLAKES EQUESTRIAN & SPORTS PARK)
SERIES 2016 (TAXABLE)

INTRODUCTION

This Limited Offering Memorandum, including the cover page and the Appendices hereto (which information is incorporated by reference as a part of this Limited Offering Memorandum), furnishes certain information in connection with the issuance by the California Public Finance Authority (the "Authority") of its \$5,900,000 Revenue Bonds (SilverLakes Equestrian & Sports Park), Series 2016 (Taxable) (the "2016 Bonds") to be issued by the Authority pursuant to an Indenture, dated as of May 1, 2016 (the "Indenture"), by and between the Authority and Wilmington Trust, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee thereunder (the "Trustee"). The 2016 Bonds are being issued on a parity with the \$20,000,000 California Statewide Communities Development Authority Revenue Bonds (SilverLakes Equestrian & Sports Park), Series 2015 (Taxable) (the "2015 Bonds"). Definitions of certain terms used in this Limited Offering Memorandum are set forth in the documents attached in Appendices B-1 through B-7 hereto.

The Borrower and the Facilities

The Authority will lend the proceeds of the 2016 Bonds to Balboa Management Group, LLC (the "Borrower"), a limited liability company formed in the State of Delaware whose controlling member and co-manager is Richard J. Brandes, an individual, pursuant to a Loan Agreement, dated as of May 1, 2016 (the "Loan Agreement"), by and between the Authority and the Borrower, for the purpose of financing the: (i) construction, improvement and equipping of the Club at SilverLakes, a concession and restaurant building (the "Facilities") at the SilverLakes Equestrian & Sports Park (the "Project Site"), which Facilities are to be sited on a portion of the Project Site; (ii) construction and erection of an electronic freeway sign; (iii) development, construction and equipping a concert and event venue on the Project Site; (iv) funding capitalized interest on the 2016 Bonds through May 1, 2017; and (v) paying the costs of issuance of the 2016 Bonds. The Borrower controls the Project Site and is authorized and obligated to construct the Facilities pursuant to the Norco SilverLakes Ground Lease, dated July 6, 2011, as amended by the First Amendment to Ground Lease, dated January 21, 2015 (collectively, the "Ground Lease"), by and between the City of Norco, California (the "City") and the Borrower, the Development Agreement, dated July 6, 2011, by and between the City and the Borrower (as amended by the Memorandum of Understanding Revising Performance Schedule, dated January 21, 2015, the "Development Agreement"), the Funding, Construction and Acquisition Agreement, dated July 6, 2011 (the "Funding, Construction and Acquisition Agreement"), by and between the City and the Borrower, the Shared Use Agreement by and between the City and the Borrower (the "Shared Use Agreement"), the Conditional Use Permit No. 2008-09 approved on March 4, 2009 (the "Conditional Use Permit") and Restated on July 6, 2011, and the Project Site Plan, copies of which are attached hereto as Appendices B-7 through B-12, inclusive.

The Ground Lease, the Development Agreement, the Funding, Construction and Acquisition Agreement, the Shared Use Agreement, the Conditional Use Permit and the Project Site Plan (collectively, the "City Documents") restrict permitted uses at the Project Site and impose a significant amount of control by the City over the use and operation of the Facilities and the Project Site. The City

Documents also create and impose various financial and performance obligations on the Borrower for the benefit of the City. See “BONDHOLDERS’ RISKS—City Control of Facilities and Project Site—General.”

Payment and Security for the 2016 Bonds

The principal of, premium, if any, and interest on the 2016 Bonds and any other payments required by the Indenture shall be limited obligations of the Authority payable solely out of the Revenues and other amounts pledged therefor under the Indenture, including (a) payments made by the Borrower under the Loan Agreement and other Revenues; (b) the funds and accounts created under the Indenture; and (c) money received by the Trustee that is otherwise part of the Revenues, including amounts that accumulate in a deposit account subject to a deposit account control agreement (the “Borrower DACA Account”) representing available moneys of the Borrower after payment of debt service on the 2015 Bonds and the 2016 Bonds and the Borrower’s operating expenses). The 2016 Bonds are secured solely by the Revenues and any other amounts (including proceeds of the sale of the 2016 Bonds) held in any fund or account established pursuant to the Indenture. See “APPENDIX B-2—FORM OF LOAN AGREEMENT.”

The Borrower will be obligated pursuant to the Loan Agreement to pay to the Authority such payments (the “Loan Repayments”) as will be sufficient to pay amounts due with respect to the 2016 Bonds as they become due, together with amounts relating to certain expenses, fees and other payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS” herein. Under the Loan Agreement, the Borrower is also obligated to pay all expenses of operating and maintaining the Facilities in good repair, and to pay all taxes, assessments, insurance, and other charges levied or assessed against or with respect to the Facilities.

The obligations of the Borrower under the Loan Agreement with respect to the 2016 Bonds will be secured by: (1) a Leasehold Construction Deed of Trust, Security Agreement and Fixture Filing, dated as of February 1, 2015, as amended as of May 1, 2016 (the “Leasehold Deed of Trust”), from the Borrower to Lawyers Title Company, as trustee thereunder, for the benefit of Wilmington Trust, N.A., Trustee, as beneficiary, pursuant to which the Borrower will, subject to Permitted Encumbrances (as defined in the Leasehold Deed of Trust), grant to the Trustee, for the benefit of the Owners of the 2015 Bonds and the 2016 Bonds and the holders from time to time of Parity Debt, a lien on the Facilities; and (2) a Security and Covenants Agreement, dated as of May 1, 2016 (the “Borrower Security Agreement”), by and among the Authority, the Borrower and the Trustee.

The Authority, pursuant to the Indenture, will pledge and assign its right, title, and interest in and to the Loan Agreement and the Leasehold Deed of Trust to the Trustee (except for Unassigned Rights) which, on behalf of the Owners of the 2016 Bonds, will exercise all of the Authority’s rights thereunder (except for Unassigned Rights). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS” herein and “APPENDIX B-1—FORM OF INDENTURE.”

The obligations of the Borrower under the Loan Agreement, the Leasehold Deed of Trust and the Borrower Security Agreement will be enforceable against the Borrower only to the extent of the Borrower’s interest in the Facilities and the other Revenues and any other amounts (including proceeds of the sale of the 2016 Bonds) held in any fund or account established pursuant to the Indenture or the Borrower Security Agreement.

Proceeds of the 2016 Bonds will be disbursed by the Trustee pursuant to the Loan Agreement and the Indenture. See Appendices B-1 and B-2.

Outstanding Parity Bonds. The California Statewide Communities Development Authority previously issued its Revenue Bonds (SilverLakes Equestrian & Sports Park), Series 2015 (Taxable), pursuant to the terms of an Indenture, dated as of February 1, 2015 (the “2015 Indenture”), by and between the California Statewide Communities Development Authority and the Trustee, which are currently outstanding in the aggregate principal amount of \$20,000,000. The 2015 Bonds shall also be referred to herein as the “Parity Bonds.” The 2016 Bonds are not being issued as “Additional Bonds” under the 2015 Indenture.

The Guarantor and the Guaranty

The Borrower’s payment obligation under the Loan Agreement will be further secured by the personal guaranty of Richard J. Brandes, the controlling member and co-manager of the Borrower (the “Guarantor”) pursuant to that certain Continuing Guaranty, dated May 6, 2016 (the “Guaranty”) in favor of the Authority, the Bondholder Representative and the Trustee. The Guaranty is secured by that certain Security and Covenants Agreement, dated as of May 1, 2016 (the “Guarantor Security Agreement”), by and between the Guarantor and the Trustee. In connection with the Guarantor Security Agreement, the Guarantor, the Trustee and the depository bank identified therein (the “Depository Bank”) have entered into a Deposit Account and Control Agreement, dated as of February 26, 2015, as amended by a First Amendment to Deposit Account Control Agreement dated as of March 31, 2015 and as further amended by a Second Amendment to Deposit Account Control Agreement dated as of May 6, 2016 (the “Guarantor DACA”). Under the original terms of the Guarantor DACA, the deposit account subject to the Guarantor DACA (the “Guarantor DACA Account”) was required to be funded at all times in the amount of \$1,400,000 which, under certain circumstances, could have been raised to \$1,900,000. Pursuant to the Consent and Suspension Agreement, described below, the minimum level of the Guarantor DACA Account was reduced to \$1,200,000. Pursuant to the Second Amendment to the DACA, the Bondholder Representative, in its sole discretion, may permit the amount in the Guarantor DACA Account to be reduced from time to time. The amount of money in the Guarantor DACA Account at any given time shall be in the sole discretion of the Bondholder Representative, who also shall have the authority, upon 30 days’ prior written notice, to require that it be increased to any level not in excess of \$2,500,000. The balance of the Guarantor DACA Account as of March 31, 2016 was \$768,334. In addition, the Guarantor, as a member of Belgravia Investors, LLC (“Belgravia”), entered into a Distribution Agreement with Belgravia relative to certain distributions and income from Belgravia in favor of the Guarantor, including payments through February 28, 2021 in the minimum amount of \$1,000,000 per year from Gatekeeper Systems, Inc., an entity wholly owned by Belgravia. The Guaranty is subject to reduction or termination under certain circumstances over a period of not less than five years upon the achievement of a minimum (and uninterrupted) debt service coverage ratio on the 2015 Bonds and the 2016 Bonds by the Borrower over that period. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—The Guaranty and Guarantor Support Documents.”

Pursuant to the Consent to Distribution and Suspension of Deposits Agreement (the “Consent and Suspension Agreement”), by and among the Borrower, the Guarantor, the Bondholder Representative and the Depository Bank, entered into as of September 22, 2015, the Bondholder Representative consented to permitting the minimum balance in the Guarantor DACA Account to be lowered to \$1,200,000 and agreed to suspend the deposits that otherwise would be made to the Guarantor DACA Account. The Bondholder Representative’s consent to the reduced minimum balance and the suspension of deposits in the Consent and Suspension Agreement may be revoked by the Bondholder Representative at any time in its sole discretion upon written notice to the Borrower and the Guarantor. As evidenced by the March 31, 2016 balance of the Guarantor DACA Account, the Bondholder Representative has consented to withdrawals from that account and may consent, in its sole and absolute discretion, to further withdrawals from that account or may require further deposits to that account.

Forward-Looking Statements

Any statement made in this Limited Offering Memorandum, including the appendices hereto, involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized.

The statements contained in this Limited Offering Memorandum include “forward-looking statements” as that term is used in federal, state and local securities laws. In some cases, investors can identify forward-looking statements by terminology used such as “anticipates,” “believes,” “hopes,” “estimates,” “projects,” “seeks,” “expects,” “plans,” “approximately,” “will,” “likely,” “possibly,” “intends” and “forecasts” and similar expressions. All forward-looking statements included in this Limited Offering Memorandum are based on information available on the date hereof, and the Authority and the Borrower assume no obligation to update any such forward-looking statements. It is important to note that the actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein necessarily are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, tenants and other users of the Facilities, competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority and the Borrower. Any such assumptions could be inaccurate and therefore there can be no assurance that the forward-looking statements included in this Limited Offering Memorandum will prove to be accurate.

Nature and Purpose of Limited Offering Memorandum

This Limited Offering Memorandum contains brief descriptions of, among other matters, the Authority, the Borrower, the Guarantor, the 2016 Bonds, the Loan Agreement and the Indenture. The Borrower, the Facilities and the Guarantor are described more fully in Appendices A-1, A-2 and A-3. Substantially final copies of the Indenture, the Loan Agreement, the Borrower Security Agreement, the Guaranty and the Guaranty Security Agreement are attached as Appendices B-1, B-2, B-3, B-4 and B-5 hereto, respectively. The Development Agreement and the Ground Lease are attached hereto as Appendices B-7 and B-8, respectively. All references herein to the Loan Agreement, the Indenture, the Borrower Security Agreement, the Guaranty, the Guarantor Security Agreement, the Guarantor DACA and the Distribution and Maintenance Agreement are qualified in their entirety by reference to such documents attached as Appendices, and references herein to the 2016 Bonds are qualified in their entirety to the form thereof included in the Indenture.

THE AUTHORITY

The Authority is a joint powers agency organized pursuant to a Joint Powers Agreement among Kings County and the Housing Authority of Kings County and certain other cities and counties, including the City of Norco, pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code. The Authority is authorized to participate in financings for the benefit of certain organizations such as the Borrower.

The City of Norco, California became an additional member of the Authority on May 4, 2016.

The Authority has entered into, sold and delivered obligations, and will in the future enter into, sell and deliver obligations, other than the 2016 Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Loan Agreement. The holders of such obligations of the Authority have no claim on the security for the 2016 Bonds and the holders of the 2016 Bonds will have no claim on the security of such other obligations issued by the Authority.

THE 2016 BONDS

General

The 2016 Bonds will mature (subject to prior redemption and optional tender for purchase as hereinafter set forth) on January 1 of the years and in the principal amounts shown on the inside cover hereto. The 2016 Bonds will bear interest (using a year of 360 days comprised of twelve 30-day months) at the rate shown on the inside cover hereto, payable semiannually on each January 1 and July 1 (each an “Interest Payment Date”), commencing on July 1, 2016, until paid, in an amount equal to the interest accrued from the most recent date to which interest has been duly paid or provided for or, if no interest shall have been paid or duly provided for, from the date of issuance and delivery thereof. The 2016 Bonds will be issued as fully registered bonds without coupons in Authorized Denominations.

Authorized Denominations

The 2016 Bonds will be issued in Authorized Denominations. “Authorized Denomination” means \$25,000 or any amount in excess thereof in even \$5,000 increments.

Payment of the 2016 Bonds

The principal or Redemption Price of the 2016 Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee upon surrender of the 2016 Bonds to the Trustee for cancellation. Payment of the interest on any 2016 Bond shall be made on each Interest Payment Date to the Holder thereof as of the Record Date for each Interest Payment Date. As defined in the Indenture, the term “Record Date” means with respect to any Interest Payment Date, the fifteenth (15th) day of the month preceding such Interest Payment Date, whether or not such day is a Business Day. Principal of and interest on the 2016 Bonds will be paid by the Trustee to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the 2016 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the 2016 Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See Appendix E hereto.

Book-Entry Only System

See Appendix E hereto for provisions regarding the Book-Entry Only System.

2016 Bonds Are Limited Obligations

The principal of, premium, if any, and interest on the 2016 Bonds and any other payments required by the Indenture shall be limited obligations of the Authority payable solely out of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture, including (a) payments made by or on behalf of the Borrower under the Loan Agreement and other Revenues; (b) the funds and accounts created under the Indenture; (c) money

received by the Trustee that is otherwise part of the Revenues; and (d) money received by the Trustee pursuant to the Guaranty, the Guarantor Security Agreement and the funds held in the deposit account subject to the Guarantor DACA.

THE 2016 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE 2016 BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE 2016 BONDS. THE ISSUANCE OF THE 2016 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY, THE CITY OF NORCO NOR RIVERSIDE COUNTY, CALIFORNIA SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE 2016 BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT.

Redemption

Mandatory Sinking Account Redemption. The 2016 Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date, in accordance with the following schedule:

Mandatory Sinking Fund Payment Dates (January 1)	Mandatory Sinking Fund Payments
2022	\$150,000
2023	160,000
2024	175,000
2025	190,000
2026	210,000
2027	225,000
2028	245,000
2029	265,000
2030	290,000
2031	310,000
2032	340,000
2033	370,000
2034	400,000
2035	435,000
2036	470,000
2037	510,000
2038	555,000
2039 (maturity)	600,000

In the event of other optional or mandatory redemption of the 2016 Bonds, the schedule of Mandatory Sinking Account Payments shall be reduced in a like amount, allocated among installments as specified by the Borrower (or Bondowner Representative in the case of redemption upon failure of completion) or, if the Borrower (or Bondowner Representative) fails to so specify, in inverse order of installments.

Optional Redemption. The 2016 Bonds are subject to redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised at the written direction of the Borrower from prepayment made by the Borrower pursuant to the terms of the Loan Agreement), in whole or in part in integral multiples of Authorized Denominations on any date commencing January 1, 2018, at a redemption price equal to the percentage of the principal amount to be redeemed, together with interest accrued thereon to the date fixed for redemption as follows:

Redemption Periods (Dates Inclusive)	Redemption Price
January 1, 2018 through December 31, 2018	104%
January 1, 2019 through December 31, 2019	103
January 1, 2020 and thereafter	100

In the case of optional redemption of the 2016 Bonds, the Borrower shall at least 30 days prior to the redemption date (unless shorter notice shall be satisfactory to the Trustee), deliver a written request to the Authority, the Trustee and the Bondholder Representative notifying them of such redemption date and of the principal amount of the 2016 Bonds to be redeemed, and shall prior to the redemption date, deliver to the Trustee moneys sufficient to pay the redemption price of all of the 2016 Bonds subject to this optional redemption.

Purchase in Lieu of Redemption. The 2016 Bonds are subject to purchase in lieu of redemption by the Borrower prior to their respective maturity dates at any time, in whole or in part, if the following conditions are satisfied:

(a) The Borrower and the Bondholder Representative negotiate and agree upon a purchase price that is communicated to the Trustee.

(b) Upon written agreement as described in paragraph (a) above, the Borrower shall direct the Trustee to purchase certain 2016 Bonds and will provide funds that are certified to be excess income of the Borrower derived from the operation of the Facilities to the Trustee for deposit in the Bond Fund in the amount necessary, together with other available moneys in the Bond Fund, to pay the purchase price of the 2016 Bonds selected by the Bondholder Representative in excess of that required to fully satisfy the next scheduled interest and principal payments due on the selected 2016 Bonds, and provided there is deposited with the Trustee such amount as the Trustee may require to cover the accrued and anticipated fees and expenses;

(c) The Trustee confirms that the amount provided for by the Borrower pursuant to paragraph (b) above is sufficient to warrant such purchase at the purchase price agreed to by the Borrower and the Bondholder Representative pursuant to paragraph (a) above; and

(d) The Borrower shall indemnify and hold harmless the Trustee from and against any and all liability, claims, or losses arising out of, by virtue of, or in connection with, the tender of bonds, up to the amount of the value of the 2016 Bonds tendered, except in the case of negligence, willful misconduct, or bad faith on the part of the Trustee.

As the 2016 Bonds are purchased pursuant to the Indenture, such purchase of 2016 Bonds will be considered to have satisfied, in whole or in part, the next succeeding scheduled Mandatory Sinking Account Payments requirements as set forth in the Indenture. Once purchased, such 2016 Bonds shall be delivered to the Trustee and cancelled.

Selection of 2016 Bonds To Be Redeemed. Whenever provision is made in the Indenture for the redemption of less than all of the 2016 Bonds or any given portion thereof, the Trustee shall select the 2016 Bonds to be redeemed, from all 2016 Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot; provided, however that in such instances as provided for in the Indenture where the Borrower is to specify the amount or maturities of 2016 Bonds to be redeemed the Trustee shall redeem 2016 Bonds in accordance with any such specification (or, if the Borrower fails to so specify, as required under such provision).

Notice of Redemption. Notice of redemption shall be mailed, by first class mail or overnight delivery service by the Trustee, not less than 30 days and not more than 60 days prior to the redemption date, to (i) the respective Holders of any 2016 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) the Bondholder Representative, and (iii) the Repository. Notice of redemption shall be delivered by electronic means to the Repository, or such other means as may be required by the Repository from time to time. Each notice of redemption shall state the date of such notice, the date of issue of the 2016 Bonds, the redemption date, the Redemption Price, any conditions precedent that must be satisfied prior to the redemption of the 2016 Bonds, the place or places of redemption (including the name and appropriate address or addresses of the Trustee) the maturity (including CUSIP numbers, if any), and, in the case of 2016 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2016 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a 2016 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2016 Bonds be then surrendered. Any such notice may be conditioned upon the receipt by the Trustee of sufficient funds from the Borrower to effect the redemption on the Redemption Date.

Failure by the Trustee to give notice to the Repository, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption (or failure by any such Holder or Holders to receive said notice) to any one or more of the respective Holders of any 2016 Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Notice of redemption of 2016 Bonds shall be given by the Trustee, at the expense of the Borrower, for and on behalf of the Authority.

Optional Tender of the 2016 Bonds at Election of Bondholder Representative

Any 2016 Bond can be purchased from its Bondholder at the direction of the Bondholder Representative on January 1, 2020 (the "Purchase Date") at a purchase price equal to the principal amount thereof together with interest accrued thereon to the date fixed for purchase, without premium (the "Purchase Price"), payable in immediately available funds, upon delivery to the Trustee not later than 11:00 a.m., New York City time, on a Business Day at least three Business Days prior to the Purchase Date at its Principal Office for delivery of notices and the Borrower of an irrevocable written notice which states the name of the 2016 Bond and the principal amount of the 2016 Bond to be so purchased. Any notice delivered to the Trustee after 11:00 a.m., New York City time on a Business Day, shall be

deemed to have been received on the next succeeding Business Day. Notice given by the Bondholder Representative of any 2016 Bond, that a Holder should elect to have a 2016 Bond purchased as described above, shall constitute the irrevocable tender for purchase of such 2016 Bond with respect to which such notice shall have been given, irrespective of whether such 2016 Bond shall be delivered to the Trustee for purchase and shall be binding upon the Bondholder Representative and any Holder of such 2016 Bond and any transferee thereof whether or not such transferee has been given notice thereof.

The Trustee shall accept all moneys deposited for purchase of 2016 Bonds as provided above and shall deposit such moneys into a Purchase Account created under the Indenture. All moneys deposited into the Purchase Account shall be used and withdrawn by the Trustee solely for the purpose of repurchasing the 2016 Bonds, as set forth above.

If the Borrower fails to pay the Purchase Price of 2016 Bonds, then such failure will be an Event of Default unless such payment is made by the Guarantor within five days following such failure. If the Borrower or the Guarantor, as the case may be, pays the Purchase Price, the Holders thereof will be obligated to sell and deliver their 2016 Bonds to the Trustee and such 2016 Bonds will be cancelled.

If there is an Event of Default as a result of the failure of the Borrower or the Guarantor to pay the Purchase Price, the Trustee will be entitled to exercise any and all remedies available to it under the Loan Agreement, the Indenture, the Leasehold Deed of Trust, the Borrower Security Agreement, the Guaranty and the Guarantor Support Documents. See “BONDHOLDERS’ RISKS—Optional Tender for Purchase.”

Transfer Restrictions

The 2016 Bonds may initially be sold only to purchasers on whose behalf the Bondholder Representative executes the “Certificate of Bondholder Representative” in the form attached hereto as Appendix F-2.

The 2016 Bonds are to be offered and sold (including secondary market transactions) only to an Accredited Investor or a Qualified Institutional Buyer. The Indenture contains provisions limiting transfers to an Accredited Investor or a Qualified Institutional Buyer. In addition, the face of each 2016 Bond will contain a legend to the effect that such 2016 Bond can only be transferred to and owned by an Accredited Investor or a Qualified Institutional Buyer. See “BONDHOLDERS’ RISKS—Secondary Market Limitation.” Notwithstanding any other provision of the Indenture, 2016 Bonds may not be registered in the name of, or transferred to, any person except an Accredited Investor or a Qualified Institutional Buyer; provided however, that 2016 Bonds registered in the name of the Depository or its nominee shall be deemed to comply with this requirement so long as each Beneficial Owner of such 2016 Bonds is an Accredited Investor or a Qualified Institutional Buyer. The Trustee shall be entitled to rely upon the representation set forth in the legend appearing on the first page of the 2016 Bond.

“Accredited Investor” means an “accredited investor” as defined in Regulation D of the Securities Act of 1933.

“Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144 of the Securities Act of 1933.

The terms of the 2016 Bonds are set forth in the Indenture, a copy of which is attached hereto as Appendix B-1.

SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS

Pledge and Assignment of Revenues

Pursuant to the Indenture, and in order to secure the payment of the 2016 Bonds according to their tenor and effect and to secure the performance and observance by the Authority of the covenants expressed in the Indenture and in the 2016 Bonds, the Authority will pledge and assign to the Trustee all of the Revenues and any other amounts (including proceeds of the sale of 2016 Bonds) held in any fund or account established pursuant to the Indenture and all of the right, title and interest of the Authority in the Loan Agreement (except for certain reserved rights related to indemnity and payment of certain fees and expenses of the Authority) and in and to the Leasehold Deed of Trust. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the 2016 Bonds, without any physical delivery thereof or further act.

The Indenture defines “Revenues” to mean all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Loan Agreement or the Guaranty, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture, but not including any Administrative Fees and Expenses.

Loan Agreement and Loan Repayments

Under the Loan Agreement, the Authority agrees to lend to the Borrower the proceeds of the 2016 Bonds to provide for the payment of the cost of construction and acquisition of the Facilities, and the Borrower agrees to pay to the Trustee as a repayment of such loan a sum equal to the amount payable on the next Interest Payment Date as principal of, premium, if any, and interest on the 2016 Bonds as provided in the Indenture (“Loan Repayments”). Such Loan Repayments are the principal source of the Revenues pledged to the payment of the 2016 Bonds. The source of funds for the Borrower to make such Loan Repayments are the revenues derived from its operation of the Facilities and any of its other assets. Each of the Leasehold Deed of Trust and the Borrower Security Agreement secures the obligations of the Borrower under the Loan Agreement, among other things. See “BONDHOLDERS’ RISKS—Revenues—Economic and Other Factors” and “—Financial Projections.”

No Reserve Fund

There shall be no reserve fund for the 2016 Bonds. The owners of the 2016 Bonds have no claim to the Reserve Fund created by, and defined in, the 2015 Indenture, which is solely for the benefit of the holders of the 2015 Bonds.

Rate Covenant—Debt Service Coverage Ratios

Under the Loan Agreement, the Borrower covenants and agrees that, beginning with the 2016 Fiscal Year, the Borrower shall maintain a ratio of Income Available for Debt Service (defined as the Borrower’s: (i) excess of revenues over expenses plus (ii) interest (other than capitalized interest), amortization and depreciation) divided by Aggregate Annual Debt Service (defined as all payments of interest, principal and sinking fund payments paid, or required to be paid, by the Borrower) of no less than 1.1:1.0 for 2016 and no less than 1.25:1.0 for 2017 and all fiscal years thereafter. The Debt Service Coverage Ratio shall be tested on a trailing 12-month basis on each March 31, June 30, September 30 and December 31 commencing December 31, 2016 (and shall be tested on a year to date basis as of March 31,

2017, June 30, 2017 and September 30, 2016). A certificate prepared by the Borrower's auditors showing each required Debt Service Coverage Ratio shall be delivered to the Authority, the Trustee and the Bondholder Representative within 30 days of each March 31, June 30 and September 30 testing date and within 90 days of each December 31 testing date.

Failure to meet these requirements shall require a mandatory meeting of the Borrower's members within ten days, at which meeting the Borrower and the Bondholder Representative will discuss a plan of correction for their mutual approval. Failure to agree upon a plan of correction shall result in an Event of Default.

Any such mandatory meeting shall be in addition to, and not in place of, any other meeting which the Bondholder Representative is permitted to call under the Loan Agreement to discuss financial and operational matters with the Borrower.

The Leasehold Deed of Trust and the Borrower Security Agreement

As security for the obligations of the Borrower to the Authority under the Loan Agreement, the Borrower will execute and deliver the Leasehold Deed of Trust and the Borrower Security Agreement to the Trustee, pursuant to which the Borrower will grant a lien on the Facilities and all of its personal property, goods and money (collectively, the "Collateral"). The Borrower Security Agreement also sets forth certain covenants that will apply to the Borrower while the obligations under the Loan Agreement remain outstanding.

Such covenants are intended to ensure that the Collateral continues to be available to the Trustee as security. The form of the Borrower Security Agreement is attached hereto as Appendix B-3.

In addition to the Leasehold Deed of Trust, the Collateral is comprised of all of the Borrower's personal property, which has two primary components: (a) cash and the Borrower's revenue stream, both of which are available to the Trustee in the event of an Event of Default and are secured by the Borrower DACA and the Borrower DACA Account; and (b) the personal property (e.g., equipment) associated with the Facilities. Under the Ground Lease, in the event of an Event of Default, the City has agreed to recognize continued operation of the Facilities by the Trustee or a successor in interest.

See "BONDHOLDERS' RISKS—Value of Property Subject to the Leasehold Deed of Trust," "—California Limitations Regarding Foreclosures" and "—Enforceability of Remedies."

Gross Revenues; Gross Revenue Fund

Pursuant to the Loan Agreement, the Borrower has pledged and, to the extent permitted by law, granted a security interest in, the Gross Revenue Fund and all of the Gross Revenues to secure the payment of Loan Repayments and Additional Payments, and the performance by the Borrower of its other obligations under the Loan Agreement and with respect to Parity Debt (which debt, along with any other additional indebtedness, is permitted only with the consent of the Bondholder Representative, which consent shall be in its sole and complete discretion. The Borrower shall execute the Borrower DACA with respect to the Gross Revenue Fund, shall execute and cause to be filed Uniform Commercial Code financing statements, and shall execute and deliver such other documents (including, but not limited to, continuation statements and amendments to such Uniform Commercial Code financing statements) as may be necessary or reasonably requested by the Trustee in order to perfect or maintain the perfection of such security interest. So long as any Loan Repayments or Additional Payments remain unpaid, all of the Gross Revenues will be deposited as soon as practicable upon receipt in a fund designated as the "Gross

Revenue Fund” which the Borrower will establish and maintain, subject to certain provisions of the Loan Agreement, in an account or accounts at such banking institution or institutions as the Borrower will from time to time designate in writing to the Trustee for such purpose, which institution shall initially be the Depository Bank and shall be subject to the Borrower DACA. In the Borrower Security Agreement, the Borrower has covenanted to leave all profits from the operation of the Facilities in the Borrower DACA Account.

Under the Loan Agreement, “Gross Revenues” means all present and future accounts, general intangibles and all revenues, income, receipts and money received by or on behalf of the Borrower with respect to, in connection with, or derived in any way from, the Facilities, including:

- (a) all revenues; rents; fees; third-party payments; receipts; contributions; or other income of the Borrower, including the rights to receive such revenues, all as calculated in accordance with generally accepted accounting principles;
- (b) other gross revenues derived from the operation and possession of the Facilities or otherwise available to, and received by, the Borrower;
- (c) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Loan Payments, Additional Payments or any payments with respect to Parity Debt;
- (d) proceeds derived from (i) condemnation proceeds, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) insurance proceeds, and (vi) contract rights and other rights and assets now or hereafter owned by the Borrower;
- (e) rentals received from the lease of office and other space in the Facilities; and
- (f) amounts derived from a foreclosure under the Leasehold Deed of Trust, the Borrower Security Agreement and the Guarantor Security Agreement.

Under the Loan Agreement, so long as an Event of Default under the Indenture or a Loan Default Event under the Loan Agreement has not occurred and is continuing, amounts in the Gross Revenue Fund may be used and withdrawn by the Borrower at any time for any lawful purpose, but the Borrower has covenanted in the Borrower Security Agreement not to make any such withdrawals without the consent of the Bondholder Representative and only if the deposit account subject to the Guarantor DACA is fully funded. In the event that an Event of Default under the Indenture or a Loan Default Event under the Loan Agreement has occurred and is continuing, the Trustee shall notify the Borrower, the Bondholder Representative and the Depository Bank of such an event in writing, and upon receipt of such notice, exclusive control over the Gross Revenue Fund shall be exercised by the Trustee. The Trustee shall continue to exercise exclusive control over the Gross Revenue Fund until the amounts on deposit therein are sufficient to pay in full (or have been used to pay in full) all Loan Repayments and payments with respect to Parity Debt in default until all other then-existing Loan Default Events and events of default with respect to Parity Debt known to the Trustee shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor.

During any period that the Gross Revenue Fund is subject to the exclusive control of the Trustee, the Trustee shall use and withdraw from time to time amounts in said fund to make Loan Repayments, Additional Payments, and the other payments required of the Borrower under the Loan Agreement or with

respect to any Parity Debt as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Loan Repayments and debt service on such Parity Debt ratably, without any discrimination or preference, and to such other payments in the order which the Trustee, in its discretion, shall determine to be in the best interests of the holders of the 2016 Bonds and such Parity Debt, without discrimination or preference. During any period that the Gross Revenue Fund is subject to the exclusive control of the Trustee, the Borrower shall not be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Trustee, at the direction of the Bondholder Representative in its sole discretion) so directs for the payment of current or past due operating expenses of the Borrower; provided, however, that the Borrower may submit requests to the Trustee as to which expenses to pay and in which order.

For more information regarding the Gross Revenue Fund, see Appendix B-2 hereto.

Revenue Fund

The Trustee shall create and maintain for so long as any of the 2016 Bonds remain Outstanding a special fund designated the "Revenue Fund" (the "Revenue Fund"). All Revenues shall be promptly deposited by the Trustee upon receipt into the Revenue Fund, except that all moneys received by the Trustee and required by the Loan Agreement to be deposited in the Redemption Fund shall be promptly deposited in the Redemption Fund, as the case may be, which the Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

On or before the twenty-fifth (25th) day of each month, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

FIRST, to the Interest Account, one-sixth of the aggregate amount of interest becoming due and payable during the next succeeding six months on all 2016 Bonds then Outstanding until the balance in said account is equal to said aggregate amount of interest; provided that from the date of delivery of the 2016 Bonds until the first Interest Payment Date with respect to the 2016 Bonds, transfer to the Interest Account shall be sufficient, on a monthly pro rata basis, to pay the interest becoming due and payable on the 2016 Bonds on said Interest Payment Date; and

SECOND, to the Principal Account, one-twelfth of the aggregate amount of Mandatory Sinking Account Payments required to be paid into the respective Sinking Accounts for Outstanding Term Bonds, in each case during the next ensuing 12 months, until the balance in said Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments.

Any moneys remaining in the Revenue Fund after the foregoing transfers shall remain in the respective account of the Revenue Fund and then credited against the next interest or sinking fund payment coming due.

All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2016 Bonds as it shall become due and payable (including accrued interest on any 2016 Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the 2016 Bonds when due and payable, as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the 2016 Bonds, designated as the “2016 Sinking Account.” On or before January 1 in each year, the Trustee shall transfer the amount deposited in the Principal Account pursuant to the Indenture from the Principal Account to the applicable Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such payment is required at such time). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of 2016 Bonds of the maturity for which the Sinking Account was established, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee shall apply such moneys to the purchase of 2016 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such 2016 Bonds. If, during the 12-month period immediately preceding any Principal Payment Date, the Trustee has purchased, with moneys in the Sinking Account, 2016 Bonds of the maturity for which such Sinking Account was established, or, during said period and prior to giving said notice of redemption, the Borrower has deposited 2016 Bonds with the Trustee (together with a Request of the Borrower to apply such 2016 Bonds to the related Mandatory Sinking Account Payment due on said date), or any such 2016 Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said principal or Mandatory Sinking Account Payment, such 2016 Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said principal or Mandatory Sinking Account Payment. All 2016 Bonds purchased or deposited pursuant to this subsection shall be delivered to the Trustee and cancelled. Any amounts remaining in the Principal or Sinking Accounts when all of the 2016 Bonds are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Revenue Fund. All Bonds purchased from the Principal or Sinking Accounts or deposited by the Borrower with the Trustee shall be allocated first to the next succeeding principal or Mandatory Sinking Account Payment, then to the remaining principal or Mandatory Sinking Account Payments as the Borrower directs.

If by the date that is three Business Days before the twenty-fifth (25th) calendar day of any month the Trustee has not received Revenues sufficient to make the transfers required in such month by the Indenture, the Trustee shall immediately notify the Borrower and the Guarantor of such insufficiency by telephone or telecopy and confirm such notification as soon thereafter as practicable by written notice. See “—The Guaranty and the Guarantor Support Documents.”

If the moneys necessary to make an interest or sinking fund or principal payment have not been received by the Trustee by the twenty-fifth (25th) day of any month, the Trustee shall immediately notify the Borrower, the Guarantor and the Bondholder Representative. If the Guarantor pays, or causes to be paid, to the Trustee the amount of the insufficiency on or before the last day of such month, there shall be no payment default with respect to the 2016 Bonds.

No Additional Indebtedness

Although the Indenture provides for the issuance of Additional Bonds and the Loan Agreement provides for the incurrence of Parity Debt by the Borrower, the Loan Agreement provides that the Borrower may not incur any further indebtedness – whether senior, parity, subordinate, secured, unsecured, non-recourse or in any other form – without the express written consent of the Bondholder

Representative, which consent shall be in the Bondholder Representative's sole and complete discretion. There is no separate financial test for the issuance of Additional Bonds or Parity Debt. See "BONDHOLDERS' RISKS—Limits on Additional Indebtedness."

The Guaranty and Guarantor Support Documents

The Borrower's payment obligation under the Loan Agreement, as well as certain other payment obligations, will be further secured by the personal guaranty of the Guarantor, the controlling member and co-manager of the Borrower pursuant to the Guaranty, the form of which is attached hereto as Appendix B-4. The Guaranty is secured by the Guarantor Security Agreement between the Guarantor and the Trustee, the form of which is attached hereto as Appendix B-5, the related Guarantor DACA that is being entered into among the Guarantor, the Trustee and the depository bank named therein (the "Depository Bank"), and the Distribution Agreement (defined below) (collectively, the "Guaranty Support Documents"). The Guaranty Support Documents create first priority liens on the Guarantor's primary membership interests in certain business entities, and the related income streams, including any after acquired assets and income streams (the "Pledged Assets"). The Pledged Assets are currently valued by the Guarantor in an amount of approximately \$22,500,000, which is less than the principal amount of the 2015 Bonds and the 2016 Bonds. The Guaranty Support Documents also impose limitations on the Guarantor's use of the Pledged Assets and on the Guarantor's ability to transfer and convey the Pledged Assets. The Guarantor's obligations under the Guaranty may be reduced if certain debt service coverage levels are achieved over certain continuous periods of time (and may be reinstated if such levels are not maintained). The Guaranty Support Documents are attached hereto as Appendices B-4 and B-5. Under the terms of the indenture relating to the 2015 Bonds, amounts held under the DACA shall be transferred to the reserve fund for the 2015 Bonds to replenish any shortfall in such reserve account. In such case, the Guarantor is required to replenish the DACA to its full requirement by the end of the month in which any such transfer occurs. See "INTRODUCTION-- The Guarantor and the Guaranty" for a description of the amounts that are to be on deposit in the Guarantor DACA Account.

The Guaranty is subject to reduction or termination under the following circumstances: if the Borrower is able to achieve a Debt Service Coverage Ratio of at least 1.5:1.0 for two consecutive fiscal years (the "Initial Debt Service Coverage Period"), the Guarantor's obligations under the Guaranty shall reduce to 75% of the amount of the Guaranteed Obligations during the next succeeding fiscal year and shall reduce by an additional 25% for each further succeeding fiscal year if the Debt Service Coverage Ratio continues to be at least 1.5:1.0; provided, however, that if the Debt Service Coverage Ratio is ever less than 1.5:1.0 following the Initial Debt Service Coverage Period, the amount guaranteed under the Guaranty shall be reinstated to 100%.

The security for the Guarantor Security Agreement includes the Guarantor's: (1) accounts, accounts receivable, instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), intellectual property, money, deposit accounts, and any other contract rights or rights to the payment of money, including the Guarantor's interest in deposit and other bank accounts and investment accounts of certain entities related to the Guarantor (the "Guarantor Entities") as well as any renewals thereof (including any rollovers); (2) the proceeds of the foregoing; and (3) the Guarantor's membership interests in the Guarantor Entities.

The Guarantor Entities consist of:

- 1) ACG – Camino Real Investors, LLC: a California limited liability company that owns a shopping center located in Goleta, California.

- 2) The Borrower.
- 3) Blenheim EquiSports Management Co., LLC: a Delaware limited liability company that is the leading horse show management company on the West Coast of the United States.
- 4) Diamond Creek Capital, LLC: a Delaware limited liability company that lends capital primarily for recapitalizations, equity sponsored acquisitions and growth investments.
- 5) Belgravia: a California limited liability company that is the sole owner of Gatekeeper Systems, Inc. (“Gatekeeper”).
- 6) Gatekeeper (described below).

The primary asset that secures the Guaranty is the 30% membership interest that the Guarantor has in Belgravia. Gatekeeper is the dominant player in the shopping cart containment industry with an approximate 80% market share including major retailers throughout the world. Gatekeeper is a Delaware corporation with a market value estimated by the Borrower of at least \$68 million. Gatekeeper’s principal business is the manufacturing, sale and installation of loss prevention systems and asset movement devices in the retail industry. Gatekeeper designs and manufactures shopping cart security systems, theft prevention systems and asset movement devices for customers throughout the world. The other members of Belgravia (and their percentage ownership therein) are: Michael Lawler (30%), Erik Paulson (20%) and Brett Osterfeld (20%). These members of Belgravia have received “sweat equity” interests in the Borrower, Balboa Management Group, LLC. Each one of them has been given a 3.33% interest in the Borrower.

As further security for the Guaranty and the Guarantor Security Agreement, Belgravia and Mr. Brandes have entered into a Distribution Agreement, dated as of February 1, 2015 (the “Distribution Agreement”). Pursuant to the Distribution Agreement, until February 28, 2021 (the “Period”), Mr. Brandes shall be entitled to payments of \$1,000,000 annually, but not cumulative beyond any one year (\$480,000, comprised of monthly employee compensation of \$20,000 and monthly distributions of \$20,000, and up to \$520,000 in additional distributions), subject to pro-rata adjustments for partial calendar years, beginning January 1, 2017. Distributions will be made to Mr. Brandes in accordance with the Belgravia Operating Agreement from the following sources, in the following order and to the extent available: (i) profits from Gatekeeper; (ii) profits from any other entities or enterprises in which Belgravia has an ownership or similar interest or is otherwise engaged; and (iii) Mr. Brandes’ paid-in capital. During the Period, Belgravia will not sell, transfer or otherwise dispose of any of its ownership and other interests in Gatekeeper, without advising the Bondholder Representative in writing at least 30 days prior to the consummation of such sale.

The Guarantor Security Agreement provides that, in the event of a sale of part or all of Belgravia, the proceeds provided to Brandes are to be escrowed and used at the direction of the Bondholder Representative. Under the Guarantor Security Agreement, Brandes also has agreed to use his best efforts to obtain further membership interests in Belgravia (up to a controlling membership level) and to not agree to a sale of part or all of Gatekeeper unless provision satisfactory to the Bondholder Representative has been made to redeem the 2016 Bonds at the time of such sale or transfer (or to create an escrow for such purpose).

Under the Guaranty, the Guarantor absolutely and unconditionally guarantees prompt payment when due of any and all existing and future indebtedness and liabilities of every kind of the Borrower arising under the Loan Agreement or any related documents (the “Guaranteed Obligations”). Pursuant to

the Guaranty, the Guarantor shall be liable for any Guaranteed Obligations not timely paid by the Borrower. Subject to certain limitations set forth therein, the Guaranty shall remain in full force and effect until all Guaranteed Obligations and any other amounts payable under the Guaranty are indefeasibly paid and performed in full and any commitments of the Borrower with respect to the Guaranteed Obligations are terminated. The form of the Guaranty is attached hereto as Appendix B-4. In the event of death of the Guarantor, the Guaranty and the Guaranty Support Documents to which the Guarantor is a party would become obligations of the Guarantor’s estate.

See Appendix A-1 under the caption “Brandes Guaranty.” See also the caption “BONDHOLDERS’ RISKS—Security for the Guaranty.”

The Bondholder Representative

RPM Capital Management, LLC (“RPM”) is a registered investment advisor under the Investment Advisors Act of 1940, as amended. RPM is the duly elected Bondholder Representative under the Indenture. In such capacity, it has substantial rights under the financing documents to take discretionary actions with respect to the Borrower and the Guarantor and to otherwise act on behalf of the Beneficial Owners, including the right to give consents and waivers and to direct proceedings in the event of an Event of Default. The Bondholder Representative may be replaced with a new Bondholder Representative appointed by a majority in principal amount of the Beneficial Owners of the 2016 Bonds pursuant to the terms of the Indenture. See Appendices B-1 through B-6, inclusive. See also “BONDHOLDERS’ RISKS—Limits on Additional Indebtedness.”

ESTIMATED SOURCES AND USES OF FUNDS

The schedule below contains the estimated sources and uses of funds resulting from the sale of the 2016 Bonds:

Sources of Funds:	
Total Par Amount of 2016 Bonds	<u>\$5,900,000.00</u>
Uses of Funds:	
Deposit to Project Fund	\$5,021,811.00
Capitalized Interest	500,000.00
Costs of Issuance ¹	378,189.00
Total Uses of Funds	<u>\$5,900,000.00</u>

¹ Includes Underwriter’s discount, attorney fees, title insurance, surveyor fees, and other costs of issuance.

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DEBT SERVICE REQUIREMENTS FOR THE 2015 BONDS AND 2016 BONDS

Fiscal Year Ending January 1	2015 Bonds		2016 Bonds		Total
	Principal	Interest	Principal	Interest	
2017	\$ 190,000	\$ 2,400,000.00		\$ 327,368.06	\$2,917,368.06
2018	215,000	2,377,200.00		501,500.00	3,093,700.00
2019	240,000	2,351,400.00		501,500.00	3,092,900.00
2020 ¹	270,000	2,322,600.00		501,500.00	3,094,100.00
2021	300,000	2,290,200.00		501,500.00	3,091,700.00
2022	335,000	2,254,200.00	\$ 150,000.00	501,500.00	3,240,700.00
2023	380,000	2,214,000.00	160,000.00	488,750.00	3,242,750.00
2024	425,000	2,168,400.00	175,000.00	475,150.00	3,243,550.00
2025	475,000	2,117,400.00	190,000.00	460,275.00	3,242,675.00
2026	530,000	2,060,400.00	210,000.00	444,125.00	3,244,525.00
2027	595,000	1,996,800.00	225,000.00	426,275.00	3,243,075.00
2028	665,000	1,925,400.00	245,000.00	407,150.00	3,242,550.00
2029	745,000	1,845,600.00	265,000.00	386,325.00	3,241,925.00
2030	835,000	1,756,200.00	290,000.00	363,800.00	3,245,000.00
2031	935,000	1,656,000.00	310,000.00	339,150.00	3,240,150.00
2032	1,045,000	1,543,800.00	340,000.00	312,800.00	3,241,600.00
2033	1,170,000	1,418,400.00	370,000.00	283,900.00	3,242,300.00
2034	1,310,000	1,278,000.00	400,000.00	252,450.00	3,240,450.00
2035	1,470,000	1,120,800.00	435,000.00	218,450.00	3,244,250.00
2036	1,645,000	944,400.00	470,000.00	181,475.00	3,240,875.00
2037	1,845,000	747,000.00	510,000.00	141,525.00	3,243,525.00
2038	2,065,000	525,600.00	555,000.00	98,175.00	3,243,775.00
2039 ²	<u>2,315,000</u>	<u>277,800.00</u>	<u>600,000.00</u>	<u>51,000.00</u>	<u>3,243,800.00</u>
Totals	\$20,000,000	\$39,591,600.00	\$5,900,000	\$8,165,643.00	\$73,657,243.00

¹ The 2015 Bonds and 2016 Bonds are subject to optional tender for purchase on January 1, 2020. See “THE 2016 BONDS—Optional Tender of the 2016 Bonds at Election of Bondholder Representative.”

² Final maturity.

See Appendices B-1, B-2 and B-3 for further detail regarding the security and sources of payment for the 2016 Bonds.

THE FACILITIES

The Facilities are described below under the caption “—Description of the Facilities.” Further detail with respect to the Facilities is set forth in Appendix A-1. Design-build services with respect to the Facilities will be provided by BrightView Landscape Development, Inc. (successor to Valley Crest Landscape Development, Inc.) and the Facilities will be constructed by BrightView Landscape Development, Inc. and Near-Cal Corporation. See the caption “THE CONTRACTORS AND THE CONSTRUCTION CONTRACTS.”

BrightView Landscape Development, Inc. will construct the concert and event venue as well as provide landscaping around the concession and restaurant building. Near-Cal Corporation will construct The Club at SilverLakes, a concession and restaurant building on the Project Site. See “THE CONTRACTORS AND THE CONSTRUCTION CONTRACTS.”

Description of the Facilities

Proceeds from the sale of the 2016 Bonds will be used to finance the completion of construction of Phase I(b) of SilverLakes, a state-of-the art facility designed to cater to the youth sports market, with a primary emphasis on youth soccer. The Facilities will also serve the amateur and professional equestrian market. The primary use of the property will be for recreation and sporting events. Secondary uses of the Facilities will be for concerts, conferences, corporate events and other outdoor gatherings.

Phase I(b) of the Facilities will consist of the following components:

- (a) a concession and restaurant building;
- (b) a freeway sign; and
- (c) a concert and event venue.

Upon project completion in subsequent phases, SilverLakes is expected to have (i) 24 full-size soccer fields, (ii) 1,500 horse stable capacity, (iii) a lit stadium field with a 5,000 seat capacity, which will be the home to the Center of Excellence (a proposed soccer educational and training center), (iv) recreational vehicle parking, (v) a 315,000 square foot multiuse building, (vi) a pedestrian mall, (vii) an 11,000 square foot building to house concessions, food preparation space and retail space, office space and (viii) a maintenance building.

Construction of Phase I(b) of the Facilities is scheduled to begin in May 2016 and the Facilities are scheduled for completion in May 2017. All municipal zoning and approvals or exemptions have been obtained for the Facilities, except as described in Appendix A-1 under the caption “SilverLakes—Concept and Project Timeline” and “—Regulatory Permits and Approvals.” Attached as Appendix A-5 are drawings of the Facilities comprising Phase I(b) provided by Architect, Stan Andrade and BrightView Landscape Design.

The Project Site

The Facilities will be located on the Project Site at 5555 Hamner Avenue, which is comprised of approximately 122 acres centrally located in the City of Norco, California. The Project Site is bounded by Hamner Avenue on the west, the Santa Ana River and single family homes within the unincorporated community of Eastvale on the northwest and north, a wholesale nursery to the northwest, a horse stable and equestrian park on the south and the I-15 freeway on the east. See the caption “BONDHOLDERS’ RISKS—Natural Disasters and Seismic Considerations—Flood Risk” for a description of certain risks associated with the proximity of the Project Site to the Santa Ana River.

Environmental Matters

Michael Brandman Associates has prepared an Environmental Impact Report dated December 22, 2008, with respect to the Project Site. See “BONDHOLDERS’ RISKS—Environmental Risks” herein. Purchasers of the 2016 Bonds may obtain from the Borrower a copy of the Environmental Impact Report to review the findings of fact and conclusions contained therein.

CASH FLOW FORECAST

A Cash Flow Forecast (the “Cash Flow Forecast”) relating to the Facilities and the Facilities’ ability to generate revenues from the operations of the Facilities sufficient to pay principal and interest on

the 2015 Bonds and the 2016 Bonds, the funding of capital reserves and operating expenses of the Facilities for each of the calendar years 2017 through 2021 has been prepared by the Borrower and is attached hereto as Appendix A-3. No independent feasibility study has been prepared in connection with the offering of the 2016 Bonds. The Cash Flow Forecast is based on the Borrower's assumptions regarding expenses and revenues described more fully in Appendix A-1 under the caption "Management Discussion and Analysis — Explanation of Revenue Assumptions." The Authority makes no representations with respect to the Cash Flow Forecast.

The achievement of any financial forecast is dependent upon future events, the occurrence of which cannot be assured. Therefore, the actual results achieved may vary from the Cash Flow Forecast. Such variation could be material. See "INTRODUCTION—Forward-Looking Statements" and "BONDHOLDERS' RISKS—Revenues—Economic and Other Factors" and "—Financial Projections."

THE BORROWER

THE INFORMATION UNDER THIS HEADING HAS BEEN SUPPLIED BY THE BORROWER, AND NONE OF THE UNDERWRITER OR THE AUTHORITY MAKES ANY REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS.

The Borrower is a single purpose entity which will construct, own and operate the Facilities. The Borrower's management team has over 15 years of experience managing a multi-use soccer and equestrian events center in San Juan Capistrano, California as well as extensive ties to soccer and equestrian events at all levels throughout the world. The Borrower is governed by an Amended and Restated Limited Liability Company Agreement (the "Operating Agreement"). Pursuant to the Operating Agreement, the management and operation of the Borrower is vested in the Guarantor and Rebecca Ross, as managers, and the Guarantor will act as the Borrower's chief executive officer. For further information regarding the Borrower, see Appendices A-1, A-2 and A-3 to this Limited Offering Memorandum.

The unaudited financial statements of the Borrower for the fiscal years ended December 31, 2014, December 31, 2015, and the unaudited financial statements of the Borrower as of March 31, 2016, are attached hereto as Appendix A-2. See Appendix A-1 under the caption "Project Management and Project Development Team — Governance and Ownership."

THE CONTRACTORS AND THE CONSTRUCTION CONTRACTS

THE INFORMATION UNDER THIS HEADING REGARDING EACH CONTRACTOR HAS BEEN SUPPLIED BY SUCH CONTRACTOR, AND NONE OF THE UNDERWRITER, THE BORROWER OR THE AUTHORITY MAKES ANY REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS.

Most of the construction of the Facilities will be undertaken by two contractors, Near-Cal Corporation ("Near-Cal") and BrightView Landscape Development, Inc. ("BrightView" and, together with Near-Cal, the "Contractors" and each, a "Contractor").

Near-Cal has entered into an AIA Standard Form of Agreement between Owner and Contractor (the "Near-Cal Construction Contract") with the Borrower, pursuant to which Near-Cal will construct the Facilities, with the exception of certain landscape improvements that are being constructed by BrightView. Near-Cal will issue change orders to the Near-Cal Construction Contract for Phase I(b). The Near-Cal Construction Contract Change Request 1 has a Guaranteed Maximum Contract Amount of

\$2,980,530.00, and will include construction of (i) the shell and core concession building, (ii) the concession site (hard and soft scape), (iii) the kitchen, and (iv) the restaurant.

Substantial Completion under the Near-Cal Construction Contract means that the Facilities are sufficiently complete in accordance with the Near-Cal Construction Contract so that the Borrower can occupy or utilize the Facilities for their intended use. The Near-Cal Construction Contract is subject to standard General Conditions applicable to AIA agreements, including progress payments based on the completion of individual components of the Facilities and force majeure provisions. The Near-Cal Construction Contract requires Near-Cal to maintain general liability insurance, automobile liability insurance, employer's liability insurance and worker's compensation insurance in the Guaranteed Maximum Price amount or such other amount required by statute. See the caption "BONDHOLDERS' RISKS—Construction Risk."

Near-Cal has been in business for 50 years constructing retail, industrial, commercial and public facilities. Near-Cal provides a full line of general contracting and engineering services in the United States and is a licensed General Engineering and Building Contractor in the State of California. In the past five years Near-Cal has completed a total of approximately \$132,000,000 in construction projects with an average annual volume of approximately \$26,000,000. The total worth of the current work in progress and under contract for Near-Cal is approximately \$20,000,000. Near-Cal has experience in construction of public recreation facilities and related infrastructure, having completed more than five such projects in the past 10 years. The current bonding capacity of Near-Cal is \$35,000,000 with a capacity for a single project of \$25,000,000. Great American Insurance Company will provide a performance bond and a payment bond with respect to Near-Cal's work on the Facilities.

BrightView has entered into an AIA Standard Form of Agreement between Owner and Design-Builder (the "Landscape Agreement," and together with the Near-Cal Construction Contract, the "Construction Contracts" and each, a "Construction Contract") with the Borrower. Pursuant to that separate Construction Contract, BrightView will provide design-build services with respect to the Facilities and construct natural turf fields and automatic irrigation systems as well as install trees on the Project Site. BrightView will issue change orders to the Landscape Agreement for Phase I(b). The BrightView Landscape Agreement Change Request 1 has a Guaranteed Maximum Contract Amount of \$1,313,000.00, and will include (i) design services (landscape architecture and civil engineering) and (ii) construction of the SilverLakes backyard venue project. The BrightView Landscape Agreement Change Request 1 requires BrightView to achieve "Substantial Completion" of the work by November, 2016.

Substantial Completion under the Landscape Agreement means that the Facilities are sufficiently complete in accordance with the Landscape Agreement so that the Borrower can occupy or utilize the Facilities for their intended use. The Landscape Agreement is subject to standard General Conditions applicable to AIA agreements, including progress payments based on the completion of individual components of the Facilities and force majeure provisions. The Landscape Agreement requires BrightView to maintain general liability insurance, automobile liability insurance, employer's liability insurance and worker's compensation insurance in the Guaranteed Maximum Price amount or such other amount required by statute. See the caption "BONDHOLDERS' RISKS—Construction Risk."

BrightView has an award-winning landscape architecture practice with worldwide experience. BrightView was founded in 1949 and today is the largest integrated landscape services company in the nation. BrightView's creative influence has led to the design of a broad range of widely-recognized projects including sports complexes, recreational facilities, luxury resorts, parks and civic spaces, master-planned communities, mixed-use developments, and themed environments. BrightView is a family-owned company that specializes in design-build contracts. The current bonding capacity of BrightView is

\$35,000,000 with a capacity for a single project of \$25,000,000. Liberty Mutual Insurance Company will provide a performance bond and a payment bond for BrightView's work on the Facilities.

The Landscape Agreement is subject to standard General Conditions applicable to AIA agreements, including monthly progress payments based on the completion of individual design-build elements and force majeure provisions. The Landscape Agreement requires BrightView to maintain general liability insurance in the amount of \$2,000,000 per occurrence and \$4,000,000 in the aggregate, automobile liability insurance in the amount of \$2,000,000 per occurrence, employer's liability insurance in the amount of \$1,000,000 and worker's compensation insurance in the amount required by statute. See the caption "BONDHOLDERS' RISKS—Construction Risk."

ASSIGNMENT OF AGREEMENTS AND DOCUMENTS

The Borrower will assign to the Trustee as security for the payment of the 2016 Bonds all of its right, title, and interest in and to the Construction Contracts, the Development Agreement, the Funding, Construction and Acquisition Agreement and Shared Use Agreement and the contracts, permits and approvals issued for the Facilities. In the event of a default by the Borrower under the Loan Agreement, the Trustee will be entitled to enforce performance of the Development Agreement, the Funding, Construction and Acquisition Agreement and Shared Use Agreement but will not be required to perform the obligations of the Borrower as set forth in such contract. In the event of a default by the Borrower under the Loan Agreement and a default by the Borrower under the Development Agreement, the Trustee will be entitled to enforce performance of the Construction Contracts, but, unless the Trustee chooses to enforce performance of the Construction Contracts, will not be required to perform the obligations of the Borrower as set forth in such contracts.

BONDHOLDERS' RISKS

Introduction

Anyone considering investing in the 2016 Bonds should carefully review this Limited Offering Memorandum, including the appendices hereto.

Identified and summarized below are a number of "Bondholders' Risks" that could adversely affect the operation of the Facilities and/or repayment of the 2016 Bonds. These risk factors should be considered by prospective investors. The following discussion is not intended to be exhaustive, but includes certain major factors that should be considered along with other factors set forth elsewhere in this Limited Offering Memorandum, including the Appendices hereto. The order of presentation of the risk factors does not necessarily reflect the order of their importance.

General

As noted herein under "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS," the Borrower's payment obligations under the Loan Agreement constitute general obligations of the Borrower payable from all of its Gross Revenues. The Borrower's source of revenues with which to meet its payment obligations under the Loan Agreement consists of fee and sales revenues from operations of the Borrower, amounts in the Borrower DACA Account, funds provided by the Guarantor, including funds held in the Guarantor DACA Account and distributions to the Guarantor under the Distribution Agreement. Future economic and other conditions, including, without limitation, failure to consummate or subsequent loss by the Borrower of its affiliation with major tournament or soccer sponsors/users, destruction or loss of all or a portion of the Facilities, litigation, competition, changes in the demand for recreational fields offered by the Borrower, and increases in expenses may materially and adversely affect

the revenues of the Borrower, and consequently, payment of principal of, and premium, if any, and interest on the 2016 Bonds by the Borrower. To the extent that the Borrower is unable to make required payments as they come due, the Trustee will have available the moneys from the obligations of the Guarantor under the Guaranty and moneys available under the Guaranty Security Documents; however, such amounts may not be sufficient to cover payments of principal of and interest on the 2016 Bonds when due.

Pledge of Gross Revenues of Borrower

The Borrower has pledged its Gross Revenues, subject to Permitted Liens, to secure its obligations under the Loan Agreement. Under certain circumstances, and only with the consent of the Bondholder Representative, which consent is in its sole and complete discretion, the Borrower may incur additional indebtedness (including Parity Debt) secured by the Gross Revenues of the Borrower on a parity or subordinate basis with the Loan Repayments and Additional Payments under the Loan Agreement. To the extent that any additional indebtedness consented to by the Bondholder Representative is incurred by the Borrower, the Gross Revenues available to be applied to the Borrower's payment obligations under the Loan Agreement could be diluted. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—No Additional Indebtedness" and "Appendix B-1—FORM OF INDENTURE." In addition, certain governmental claims and claims for wages by employees of the Borrower would have a prior claim on any revenues of the Borrower over the claim in favor of the Trustee for the benefit of the Holders. No assurances can be given that after providing for such prior claims and providing for additional indebtedness consented to by the Bondholder Representative, there will be sufficient Gross Revenues to pay the Borrower's payment obligations under the Loan Agreement, a portion of which will constitute Revenues to be applied to the payment of the principal of, and premium, if any, and interest on the 2016 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—Pledge and Assignment of Revenues" and Appendices A-1, B-2 and B-3.

Limits on Additional Indebtedness

Under the Indenture, the issuance of Additional Bonds secured on a parity with the 2016 Bonds requires the consent of the Bondholder Representative and the authorization of the Authority, but is not otherwise subject to additional financial covenants. Moreover, the incurrence of any additional indebtedness by the Borrower, whether in the form of Additional Bonds or other Parity Debt authorized under the Loan Agreement is subject to the consent of the Bondholder Representative but is likewise not otherwise subject to additional financial covenants. The Authority is under no obligation to authorize the issuance of such Additional Bonds, and the Bondholder Representative is authorized to give, condition or withhold consent acting in its sole and absolute discretion. There can be no assurance that the Borrower will be permitted to incur additional indebtedness whether important to its business plans or otherwise, and if such indebtedness is incurred, there can be no assurance that the security of the 2016 Bonds or the Borrower's ability to pay its obligations will not be diluted or impaired. Owners of the 2016 Bonds will be subject to and bound by any decision of the Bondholder Representative with respect to such additional indebtedness. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—Additional Indebtedness" and "—The Bondholder Representative" herein. See also Appendix A-1.

Revenues – Economic and Other Factors

If the Borrower is unable to generate sufficient Gross Revenues from the operation of the Facilities to pay its operating expenses, payments due under the Ground Lease and principal of and interest on the 2016 Bonds, and any payments of principal and interest not paid by the Borrower also are not paid by the Guarantor, an Event of Default will occur. Upon an Event of Default, the 2016 Bonds may not be paid or may be paid before maturity or applicable redemption dates. The Borrower's ability

to generate Gross Revenues and its overall financial condition may be adversely affected by a wide variety of future events and conditions including, but not limited to, (i) under-utilization of the Facilities; (ii) increased competition from other soccer/public recreation facilities causing reduced revenues; (iii) cost overruns in connection with construction and acquisition of the Facilities or other capital improvements; (iv) increases in operating costs, including labor, materials, taxes, insurance, water costs for irrigation of fields and utilities beyond the increases currently forecast; and (v) such other risk factors as are described herein.

Financial Projections

Payment by the Trustee of principal of and interest due on the 2016 Bonds is dependent upon receipt of Loan Repayments by the Trustee from the Borrower.

The projections of revenues and expenditures prepared by the management of the Borrower in Appendix A-3 are based upon assumptions made by the Borrower regarding operating expenses and revenues from field utilization. No assurance can be given that the results described in the projections will be achieved, or that there has been no change in underlying considerations since the date of this Limited Offering Memorandum. The Borrower does not intend to update the projections. The projections are only for the years ending June 30, 2017 through June 30, 2021, and do not cover the entire period during which the 2016 Bonds may be outstanding.

Special, Limited Obligations of the Authority

The 2016 Bonds constitute special, limited obligations of the Authority and have six potential sources of payment. The sources of payment are as follows:

(1) *Loan Repayments Received by the Trustee from the Borrower Pursuant to the Terms of the Indenture and the Loan Agreement.* The Authority has no obligation to pay the 2016 Bonds except from the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture, including Loan Repayments derived from the Loan Agreement. The Borrower will be required to make Loan Repayments (the interest in which the Trustee has received by assignment from the Authority) to the Trustee in amounts sufficient to enable the Trustee to make payments of principal and interest due on the 2016 Bonds. The Loan Repayments by the Borrower will be derived solely from operation of the Facilities. Furthermore, the Borrower's ability to meet its obligations under the Loan Agreement will depend upon achieving and maintaining certain utilization levels at the Facilities throughout the term of the 2016 Bonds. No assurance can be made that the Borrower will generate sufficient Revenues from the Facilities to make Loan Repayments in amounts sufficient to enable the Trustee to make payments of principal and interest due on the 2016 Bonds and pay operating expenses.

(2) *Payments Made by the Guarantor Under the Guaranty.* To the extent that the Borrower does not make any payments required to be made by it, the Guarantor is obligated under the Guaranty to do so. Under certain circumstances, the Guarantor's obligations under the Guaranty may be reduced or terminated. In such event, the Guaranty would provide a lower level of, or no, support for the payments due from the Borrower under the Loan Agreement. See the caption "—Security for the Guaranty."

(3) *Proceeds Realized from Execution on the Security Provided under the Guarantor Security Agreement and Related Deposit Account Subject to the Guarantor DACA.* In the event of an Event of Default under the Guaranty, the Trustee is authorized to liquidate the moneys held

in the deposit account subject to the Guarantor DACA. In the sole discretion of the Bondholder Representative, the amounts in the Guarantor DACA may be reduced and increased from time to time to an amount not to exceed \$2,500,000.00. To the extent that any required level of moneys is not replenished, or the Bondholder Representative consents to lowered amounts in the Guarantor DACA the amounts available to the Trustee may be less than the amounts required to pay debt service on, or other costs associated with, the 2016 Bonds and is an Event of Default under the Guarantor Security Agreement.

(4) Revenues received from operation of the Facilities by a receiver upon a default under the Indenture. It has been the experience of lenders in recent years that attempts to have a receiver appointed to take charge of properties with respect to which loans have been made are frequently met with defensive measures such as the initiation of protracted litigation and the initiation of bankruptcy proceedings. Such defensive measures can prevent the appointment of a receiver or greatly increase the expense and time involved in having a receiver appointed. See “—Enforceability of Remedies” herein. Accordingly, prospects for uninterrupted payment of principal and interest on the 2016 Bonds in accordance with their terms are largely dependent upon Loan Repayments from the Borrower or the Guarantor described in the preceding paragraph, which are dependent upon the success of the Borrower in the operation of the Facilities and the Guarantor’s financial condition.

(5) Proceeds realized from the sale or lease of the Borrower’s interest in the Facilities to a third party by the Trustee at or following foreclosure by the Trustee of the Leasehold Deed of Trust and proceeds realized from the liquidation of the security for the 2016 Bonds provided under the Borrower Security Agreement. Debtors frequently employ defensive measures, such as protracted litigation and bankruptcy proceedings, in response to lenders’ efforts to foreclose on real property or otherwise to realize upon collateral to satisfy indebtedness that is in default. Such defensive measures can prevent, or greatly increase the expense and time involved in achieving, such foreclosure or other realization.

Security for the Guaranty

In connection with the issuance of the 2016 Bonds, the Guarantor is entering into the Guaranty in favor of the Authority, the Trustee and the Bondholder Representative. The Guaranty is a continuing guaranty and a full faith and credit obligation of the Guarantor, which is secured by the Guarantor Security Agreement and the related Guarantor DACA and Guarantor DACA Account, together with the Distribution Agreement (collectively, the “Guaranty Support Documents”). The Guaranty Support Documents create first priority liens on certain of the Guarantor’s assets and the related income streams (the “Pledged Assets”). The Pledged Assets are currently valued by the Guarantor in the amount of \$22,500,000 but have not been independently valued by any third party. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—The Guaranty and the Guarantor Support Documents” and Appendix A-1 under the caption “Brandes Guaranty” for further information with respect to the Pledged Assets.

Certain of the Pledged Assets are interests in entities that, by their nature, may not be immediately liquid, and the value of such Pledged Assets may fluctuate from time to time. The Guaranty is secured by the Pledged Assets, which may include future membership or other interests of the Guarantor and the related income streams. In particular, no assurance can be given that the Guarantor’s interest in Belgravia and its interest in Gatekeeper will generate the minimum payments required by the Distribution Agreement. Liquidation of the Pledged Assets may not produce an amount that is sufficient to fully and timely pay any amount that is due pursuant to the Guaranty. In addition, liquidation of the

Pledged Assets may not produce an amount that is sufficient to timely pay the full principal and interest on the 2016 Bonds when due. See “BONDHOLDERS’ RISKS—Enforceability.”

Construction Risk

The construction and improvement of the Facilities are subject to the risk of delays due to a variety of factors including, among others, delays in obtaining the necessary permits, licenses and other governmental approvals, site difficulties, labor disputes, delays in delivery and shortage of materials, weather conditions, fire and other casualties and default by the Borrower, a Contractor or subcontractors. If completion of the Facilities is delayed beyond the estimated construction period, the Facilities will not be able to begin operating in September 2016, as planned. In such case, projected revenues from the Facilities will be delayed and the financial condition of the Borrower will be adversely affected.

The Borrower believes that the proceeds of the 2016 Bonds will be sufficient to finance the costs of the Facilities. The costs of construction and improvement may be increased, however, if there are change orders. Furthermore, the costs of construction and improvement of the Facilities may be affected by other factors beyond the control of the Borrower or any contractor constructing or improving any portion of the Facilities, including those described in the preceding paragraph.

The Construction Contracts will require that the applicable contractor provide a gross maximum price and payment and performance bonds. However, there can be no assurance that the obligation of the surety under such bonds can be enforced without some delay in construction or completion of the Facilities.

Damage, Destruction or Condemnation

Although the Borrower will be required to obtain certain insurance against damage or destruction as set forth in the Loan Agreement, the Leasehold Deed of Trust and the Borrower Security Agreement, there can be no assurance that any portion of the Facilities will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Borrower, as a result of damage or destruction to the Facilities, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Facilities, or any portion thereof, are damaged or destroyed, or are taken in a condemnation proceeding, the proceeds of insurance or any such condemnation award for the Facilities, or any portion thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Facilities or to redeem 2016 Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Facilities, or any portion thereof, or to redeem 2016 Bonds will be sufficient for such purposes, or that any remaining portion of the Facilities will generate revenues sufficient to pay the expenses of the Borrower and the debt service on the 2016 Bonds remaining outstanding.

Environmental Risks

There are potential risks relating to liabilities for environmental hazards with respect to the ownership and use of any real property. If hazardous substances are found to be located on a property, owners and users of such property may be held liable for costs and other liabilities related to the removal of such substances, which costs and liabilities could exceed the value of the Facilities or any portion thereof. In the event that environmental enforcement actions were initiated, the Borrower could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the site of the Facilities, or any portion thereof. In addition, under certain environmental statutes, in the event an enforcement action is initiated, a lien could be attached to the Facilities, or a portion thereof, that would

adversely affect the Borrower's ability to generate Gross Revenues from the operation of the Facilities sufficient to meet its obligations under the Loan Agreement and the debt service requirements on the 2016 Bonds. In the event of a foreclosure on the Leasehold Deed of Trust, the Borrower may be held liable for costs and other liabilities relating to hazardous substances, if any, on the Facilities, or any portion thereof, on a strict liability basis, and such costs might exceed the value of such property.

City Control of Facilities and Project Site

General. The City Documents impose a significant amount of control by the City over the use and operation of the Facilities and Project Site. The City Documents also create and impose various financial and performance obligations on the Borrower for the benefit of the City. The City's control over the Facilities and the Project Site includes:

(a) under the Conditional Use Permit applicable to the Project Site and the Development Agreement, the use of the Project Site is restricted to a sports and equestrian park, with certain ancillary uses such as merchandise sales;

(b) the Project Site is also subject to a recorded deed restriction that runs with the land, requiring the Project Site to be used for public park, open space and recreational purposes;

(c) under the Shared Use Agreement, the general public is entitled to use certain portions of the Project Site on a non-exclusive basis, including parking areas, recreational vehicle parking areas, picnic areas, overnight camping areas for equestrian users, restrooms and walking, jogging and equestrian trails. Use of parking and camping areas is subject to the payment of fees, which constitute Gross Revenues;

(d) under the Shared Use Agreement the City has the right to use: (i) the entire Project Site on the 4th and 5th of July each year; (ii) up to 10 full size athletic fields for up to six weekend days each year; and (iii) two full size athletic fields each Monday through Thursday each year. The City's use of the Project Site for such purposes is subject to mutual scheduling with the Borrower in an effort to ensure that the City's uses do not interfere with the Borrower's operation of the Facilities;

(e) under the Funding, Construction and Acquisition Agreement, certain street, storm drain and water supply and distribution improvements upon the Project Site to be constructed by the Borrower will be owned by the City when completed; and

(f) the Jurupa Community Services District ("JCSD") has easements for sewer lines over certain portions of the Project Site which prohibit the erection of fences, walls, structures or trees on the easements or easement rights of way. The construction plan for the Facilities does not contemplate improvements over such areas.

Ground Lease Limitations. The Borrower's use and possession of the Facilities is dependent upon the Ground Lease remaining in full force and effect, including, without limitation, payment of rent and compliance with use restrictions. The Ground Lease has a 30-year term with 13 options to extend the Ground Lease for five-year periods and a final four-year extension option, for a total possible duration of 99 years. The Ground Lease is subject to earlier termination upon the failure to make the lease payments or failure to construct the Facilities in accordance with the Development Agreement schedule. Annual rent under the Ground Lease is \$396,480, increasing by 8% in 2017, 2027, and 2037 and amounts increasing by the Consumer Price Index after 2042. In the event of a default under the Ground Lease, the City may pursue all remedies authorized by law, including but not limited to termination of the Ground

Lease. The payments due under the Ground Lease and the Funding, Construction and Acquisition Agreement are senior to the payments due on the 2015 Bonds and the 2016 Bonds.

Notwithstanding the foregoing, the City may not terminate the Ground Lease or undertake other remedies without notice to the Trustee, as “Leasehold Mortgagee” on behalf of the Authority, and the passage of time during which the Trustee may cure a default. Such cure periods will be tolled for up to one year in the event that the Leasehold Mortgagee forecloses upon its interest in the Project Site. There can be no assurance that the Trustee will be able to exercise the above-described action in the event of a default by the Borrower under the Ground Lease or will elect to do so. In such event, the security of the 2016 Bonds related to the Facilities, including the Leasehold Deed of Trust, Gross Revenues pledged, the Borrower’s assets and the Guarantor’s interest in the Borrower may be eliminated or substantially impaired.

The Ground Lease is set forth in full in Appendix B-8.

Competition

The market for recreational soccer fields and other fields is highly competitive. There are a number of factors that users of such facilities consider when selecting facilities to host games, tournaments or other events. The Facilities compete with other venues. The Borrower maintains key differentiating factors of operation, but it cannot predict whether competitors might change their operations and impact the Borrower’s ability to attract or retain users or maintain projected rates and charges. Similarly, the Borrower cannot predict the influx of other venues into the market and the effect that such an influx might have on the Borrower’s projected market share. Despite such potential competition, the Borrower believes the Facilities will offer significant advantages over existing competitors. See Appendix A-1 under the caption “Management Discussion and Analysis—Competition.”

Start-Up Special Purpose Entity

The Borrower is a special purpose entity and engaging in a start-up venture. The operation of the Facilities may not generate sufficient Gross Revenues to pay the debt service on the 2016 Bonds, operating expenses, or ground rent or other expenses of the Borrower. While the Borrower believes the assumptions related to its business plan and projected revenues are reasonable, no assurance can be given that such plans or projections will be realized, and the failure to meet such projections or plans could adversely affect the Borrower’s ability to make its debt service payments on the 2016 Bonds and its related obligations with respect to the Project such as the payments due under the Ground Lease. In such event, the shortfall would be an obligation of the Guarantor.

See “—Security for the Guaranty” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—The Guaranty and Guarantor Support Documents.”

Optional Tender for Purchase

In the event that the Bondholder Representative exercises its option to cause 2016 Bonds to be tendered for purchase on January 1, 2020 in accordance with the Indenture, the Borrower is obligated to purchase such tendered 2016 Bonds. Depending on the principal amount of 2016 Bonds so tendered, the Borrower may need to find additional sources of moneys in addition to those held by the Trustee or subject to the Borrower DACA Account, such as replacement loan proceeds or additional capital investment, to fund such purchase. No assurance can be given that in the event of such optional tender for purchase, the Borrower will be able to provide such funds on a timely basis, or at all. Failure to fund

any optional tender for purchase is an Event of Default under the Indenture and the Loan Agreement. See “THE 2016 BONDS—Optional Tender of the 2016 Bonds at Election of Bondholder Representative.”

Value of Property Subject to the Leasehold Deed of Trust

In the event the Trustee forecloses on the Property subject to the Leasehold Deed of Trust pursuant to the Leasehold Deed of Trust, there can be no assurance that the amounts realized upon any sale of the Property subject to the Leasehold Deed of Trust pursuant to the Leasehold Deed of Trust will provide funds in an amount sufficient to pay the principal of and premium, if any, and interest due on the 2016 Bonds.

The Leasehold Deed of Trust is secured only by the Ground Lease and is subject to its and all other use restrictions applicable to the Project Site. The Project Site has not been appraised by the Borrower or B.C. Ziegler and Company, as underwriter (the “Underwriter”) in connection with the issuance of the 2016 Bonds.

California Limitations Regarding Foreclosures

There are two methods of foreclosing on deeds of trust under California law, by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust accomplished by a nonjudicial trustee’s sale under the power of sale provision in the deed of trust is subject to a number of notice and other procedural requirements and cure rights, and generally requires between three to five months to complete. Following a nonjudicial sale, neither the trustor nor any junior lienholder has any right of redemption. However, the beneficiary may not obtain a deficiency judgment or any other monetary judgment against the trustor in connection with the secured debt.

Should foreclosure under a deed of trust be sought in the form of a judicial foreclosure, it is generally subject to most of the delays and expenses of other lawsuits, and sometimes requires up to several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to certain limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the mortgaged property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs).

No Reserve Fund

The 2016 Bonds are not secured by a debt service reserve fund.

Enforceability of Remedies

The 2016 Bonds are payable from the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture, as well as payments to be made under the Loan Agreement and the Guaranty and the security documents relating thereto. The realization of value from the security for the 2016 Bonds in the event of an Event of Default will depend upon the exercise of various remedies specified in the Loan Agreement and Indenture. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. Under existing law (including, particularly, federal bankruptcy law), the remedies specified by the Indenture, the Loan Agreement, the Leasehold Deed of Trust, the Borrower Security Agreement and the Guaranty Support Documents may not be readily available or may be limited. A court

may decide not to order the specific performance of the covenants contained in the Indenture, the Loan Agreement, the Leasehold Deed of Trust, the Borrower Security Agreement, the Guaranty and the Guaranty Support Documents. The various legal opinions to be delivered concurrently with the delivery of the 2016 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, including judicial discretion in the application of the principles of equity, and by bankruptcy, reorganization, insolvency, estate or other laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

With respect to the Guaranty, the Guarantor has waived certain legal and equitable defenses to enforcement of the Guaranty. However, there can be no assurance as to how a court would construe such waivers if the Guarantor were to assert defenses to enforcement of the Guaranty.

Bankruptcy of the Borrower or the Guarantor

If the Borrower were to file a petition for relief under the United States Bankruptcy Code, 11 U.S.C. Sections 101 et seq., as amended, or other similar laws that protect debtors, the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the property of the Borrower, as debtor. If the bankruptcy court so ordered, the Borrower's property and revenues could be used for the benefit of the Borrower, as debtor, despite the claims of its creditors (including the owners of the 2016 Bonds).

In a bankruptcy proceeding, the Borrower could file a plan for the adjustment of its debts that modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the owners of the 2016 Bonds). A plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan.

Should the Borrower become the subject of a bankruptcy case, there could be adverse effects on the Holders of the 2016 Bonds.

Similar considerations apply to any bankruptcy of the Guarantor with respect to its obligations under the Guaranty and the Guaranty Support Documents.

There may be other possible effects of a bankruptcy of the Borrower (or the Guarantor, as applicable) that could result in delays or reductions in payments to the Holders of the 2016 Bonds.

Claims and Insurance Coverage

Litigation against the Borrower or Guarantor may arise from their corporate and business activities. Many of these risks are covered by insurance, but some are not. For example, claims arising from wrongful termination of employment, sexual harassment, business disputes and workers' compensation claims may not be covered by insurance or other sources and may, in whole or in part, be a liability of the Borrower if determined or settled adversely.

Under the Loan Agreement, the Borrower has covenanted and agreed to maintain, or cause to be carried and maintained, with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by other corporations in connection with the ownership and operation of facilities of similar character and size of the Facilities, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance and mortgage title insurance. The Bondholder Representative has the right to review and

approve such insurance, or demand such additional coverage as the Bondholder Representative in its sole discretion determines is necessary to be carried.

Natural Disasters and Seismic Considerations

General. The Norco area, like all California communities, may be subject to unpredictable seismic activity, fires due to the vegetation and topography, or flooding in the event of unseasonable rainfall. The occurrence of seismic activity, fires or flooding, drought or other natural disasters in or around the Facilities could result in damage to the Facilities which, in turn, could reduce the value of such properties and could affect the ability of the Borrower to pay Loan Repayments as and when necessary to pay debt service on the 2016 Bonds.

Flood Risk. In the winter of 2010, as a result of a 300-year flood event upstream from the Project Site, water was released from the Seven Oaks Dam, which is located approximately 35 miles east of the Project Site near Redlands, California. Such water was released into the Santa Ana River, which runs to the north of the Project Site. As a result of the release, portions of the Project Site were flooded. In spring 2011, with the assistance of Riverside County and the United States Army Corps of Engineers, the City installed a riprap “training dike” to protect the Project Site and other properties along the Santa Ana River from future flooding. The rock was placed in such a manner as not to make the dike waterproof but to allow gradual flows to seep through the voids between the rocks should the Santa Ana River rise to such high levels in the future.

The dike provides less than a 100-year flood protection. See Appendix A-1 under the caption “Silverlakes—Project Overview—December 2010 Flood and Mitigation.” There can be no assurance that the dike will prevent future flooding of the Project Site in event of abnormally heavy rains in the future. Severe flooding could render the Facilities unusable for soccer, equestrian and other recreational activities for a period of time, or permanently, which would inhibit the Borrower’s ability to generate sufficient Gross Revenues to make payments under the Loan Agreement. The Ground Lease does not provide for an abatement of rent in the event of inundation of the Project Site. The Borrower is not required under the Loan Agreement to maintain earthquake or flood insurance on any of its facilities, and the Borrower does not currently maintain such insurance.

Management Team

The Borrower’s management team is highly experienced in the operation of facilities of the same nature as the Facilities and includes successful business people as well as people recognized in the soccer and equestrian fields at the highest levels. See Appendix A-1 under the caption “Project Management and Project Development Team—Governance and Ownership.” Should any members of the management team leave the Borrower for any reason, the Borrower may not be able to find comparable replacements, which could adversely affect the Borrower’s ability to operate the Facilities in the same manner, which could result in the loss of revenues to the Borrower.

Secondary Market Limitation

There is no guarantee that a secondary trading market will develop for the 2016 Bonds. The Underwriter is not obligated to make a secondary market in the 2016 Bonds. Accordingly, a purchaser of the 2016 Bonds should recognize that an investment in the 2016 Bonds will in all likelihood be illiquid and be prepared to have his or her funds committed until the 2016 Bonds mature or are redeemed. See “THE 2016 BONDS—Transfer Restrictions.”

LITIGATION

The Authority

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the 2016 Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the 2016 Bonds, the validity or enforceability of the documents executed by the Authority in connection with the 2016 Bonds, the completeness or accuracy of this Limited Offering Memorandum or the existence or powers of the Authority relating to the sale of the 2016 Bonds.

The Borrower

There is no action, suit or proceeding which has been served on the Borrower or, to the Borrower's knowledge, is otherwise pending or threatened against the Borrower (i) seeking to restrain or enjoin the issuance or delivery of any of the 2016 Bonds or the collection of Revenues pledged under the Indenture or the payment of Loan Repayments; (ii) in any way contesting or adversely affecting the authority for the issuance of the 2016 Bonds or the validity of the 2016 Bonds, the Indenture, the Loan Agreement the Leasehold Deed of Trust or the Borrower Security Agreement; or (iii) contesting the existence or powers of the Borrower which, if determined adversely to it, would materially adversely affect the consummation of the transactions contemplated by the Loan Agreement or the ability of the Borrower to perform its obligations thereunder, wherein any unfavorable decision would materially adversely affect the Borrower's operations, its implementation of the Facilities, its financial position or its ability to enter into any financing agreements or to carry out its obligations thereunder.

The Guarantor

There is no action, suit or proceeding which has been served on the Guarantor or, to the Guarantor's knowledge, is otherwise pending or threatened against the Guarantor (i) seeking to restrain or enjoin the issuance or delivery of any of the 2016 Bonds or the collection of Revenues pledged under the Indenture or the payment of Loan Repayments; (ii) in any way contesting or adversely affecting the authority for the issuance of the 2016 Bonds or the validity of the 2016 Bonds, the Indenture, the Loan Agreement, the Guaranty or the Guarantor Security Agreement; or (iii) which, if determined adversely to the Guarantor, would materially adversely affect the consummation of the transactions contemplated by the Guaranty or the Guarantor Security Agreement or the ability of the Guarantor to perform his obligations under the Guaranty, wherein any unfavorable decision would materially adversely affect him, his financial position or his ability to enter into any financing agreements or to carry out his obligations thereunder.

TAX MATTERS

Interest on the 2016 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that interest on the 2016 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2016 Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C-1 hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to beneficial owners of the 2016 Bonds that acquire their 2016 Bonds in the initial offering. The

discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors who hold their 2016 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, the following discussion does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a beneficial owner of 2016 Bonds. In addition, this summary generally is limited to investors who become beneficial owners of 2016 Bonds pursuant to the initial offering for the issue price that is applicable to such 2016 Bonds (i.e., the price at which a substantial amount of such 2016 Bonds is first sold to the public) and who will hold their 2016 Bonds as “capital assets” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”).

As used herein, “U.S. Holder” means a beneficial owner of a 2016 Bond who for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust with respect to which a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under Treasury Regulations to be treated as a domestic trust). As used herein, “Non-US. Holder” generally means a beneficial owner of a 2016 Bond (other than a partnership) who is not a U.S. Holder. If an entity classified as a partnership for U.S. federal income tax purposes is a beneficial owner of 2016 Bonds, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the tax consequences of an investment in the 2016 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the 2016 Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

“Original issue discount” will arise for U.S. federal income tax purposes in respect of any 2016 Bond if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for tax purposes). For any 2016 Bonds issued with original issue discount, the excess of the stated redemption price at maturity of that 2016 Bond over its issue price will constitute original issue discount for U.S. federal income tax purposes. The stated redemption price at maturity of a 2016 Bond is the sum of all scheduled amounts payable on such 2016 Bond other than qualified stated interest. U.S. Holders of 2016 Bonds generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders of 2016 Bonds issued with original issue discount generally will be

required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

“Premium” generally will arise for U.S. federal income tax purposes in respect of any 2016 Bond to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a 2016 Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such 2016 Bond.

Disposition of the 2016 Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a 2016 Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder of a 2016 Bond generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2016 Bond which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the 2016 Bond (generally, the purchase price paid by the U.S. Holder for the 2016 Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such 2016 Bond and decreased by any payments previously made on such 2016 Bond, other than payments of qualified stated interest, or decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. Defeasance or material modification of the terms of any 2016 Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the defeased 2016 Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner’s adjusted tax basis in the 2016 Bond.

In the case of a non-corporate U.S. Holder of the 2016 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain may be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder’s holding period for the 2016 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Medicare Tax on Unearned Income. The Health Care and Education Reconciliation Act of 2010 (P.L. 111- 152) requires certain U.S. Holders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, interest and gains from the sale or other disposition of the 2016 Bonds for taxable years beginning after December 31, 2012. U.S. Holders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the 2016 Bonds.

Non-U.S. Holders

The following discussion applies only to non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a non-U.S. Holder that is a “controlled foreign corporation” or a “passive foreign investment company,” and, accordingly, non-U.S. Holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences of holding the 2016 Bonds that may be relevant to them.

Interest. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” payments of principal of, and interest on, any 2016 Bond to a Non-U.S. Holder, other than a bank that acquires such 2016 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, generally will not be subject to any U.S. withholding tax provided that the beneficial owner of the 2016 Bond provides a certification completed in

compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the 2016 Bonds. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement, reissuance or other disposition of a 2016 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement, reissuance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A 2016 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that at the time of such individual’s death, payments of interest with respect to such 2016 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding-U.S. Holders and non-U.S. Holders

Interest on, and proceeds received from the sale of, a 2016 Bond generally will be reported to U.S. Holders, other than certain exempt recipients, such as corporations, on IRS Form 1099. In addition, a backup withholding tax may apply to payments with respect to the 2016 Bonds if the U.S. Holder fails to furnish the payor with a correct taxpayer identification number or other required certification or fails to report interest or dividends required to be shown on the U.S. Holder’s federal income tax returns.

In general, a non-U.S. Holder will not be subject to backup withholding with respect to interest payments on the 2016 Bonds if such non-U.S. Holder has certified to the payor under penalties of perjury (i) the name and address of such non-U.S. Holder and (ii) that such non-U.S. Holder is not a United States person, or, in the case of an individual, that such non-U.S. Holder is neither a citizen nor a resident of the United States, and the payor does not know or have reason to know that such certifications are false. However, information reporting on IRS Form 1042-S may still apply to interest payments on the 2016 Bonds made to non-U.S. Holders not subject to backup withholding. In addition, a non-U.S. Holder will not be subject to backup withholding with respect to the proceeds of the sale of a 2016 Bond made within the United States or conducted through certain U.S. financial intermediaries if the payor receives the certifications described above and the payor does not know or have reason to know that such certifications are false, or if the non-U.S. Holder otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding the application of information reporting and backup withholding in their particular circumstances, the availability of exemptions and the procedure for obtaining such exemptions, if available.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder’s federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR BENEFICIAL OWNER OF 2016 BONDS IN LIGHT OF THE BENEFICIAL OWNER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO

ANY TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF 2016 BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA (“ERISA Plans”). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein (“Qualified Retirement Plans”), and on Individual Retirement Accounts (“IRAs”) described in Section 408(b) of the Code (collectively, “Tax-Favored Plans”). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Additionally, such governmental and non-electing church plans are not subject to the requirements of Section 4975 of the Code. Accordingly, assets of such plans may be invested in the 2016 Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of applicable federal and state law.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan’s investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and persons who have certain specified relationships to the Benefit Plans (“Parties In Interest” or “Disqualified Persons”), unless a statutory or administrative exemption is available. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; and (3) an employer or employee organization any of whose employees or members are covered by the plan. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available.

Certain transactions involving the purchase, holding or transfer of the 2016 Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Institution were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the “Plan Assets Regulation”), the assets of the Institution would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 of the Code only if the Benefit Plan acquires an “equity interest” in the Institution and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the 2016 Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation.

However without regard to whether the 2016 Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of 2016 Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Institution or the Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the 2016 Bonds by a Benefit Plan would involve the lending of money or extension of

credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a 2016 Bond. Included among these exemptions are: Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by certain “in-house asset managers”; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts”; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of when is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the 2016 Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

Any ERISA Plan fiduciary considering whether to purchase the 2016 Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such in investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of any similar state or federal law.

UNDERWRITING

The Authority is offering the 2016 Bonds through B.C. Ziegler and Company, as underwriter (the “Underwriter”), pursuant to a Purchase Contract, dated as of May 5, 2016 (the “Bond Purchase Agreement”), by and between the Underwriter and the Authority, and approved by the Guarantor and the Borrower. The obligation of the Authority to sell the 2016 Bonds will be subject to various conditions contained in the Bond Purchase Agreement including execution and delivery by the Bondholder Representative of its Certificate of Bondholder Representative substantially similar in the form attached hereto as Appendix F-2. The underwriting is on a best efforts basis and the Bond Purchase Agreement provides that the Underwriter will purchase the 2016 Bonds only to the extent that it has firm orders therefor. The Underwriter’s obligation to make such purchase is subject to the terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and other conditions. The Underwriter is purchasing the 2016 Bonds and intends to offer the 2016 Bonds to the original purchasers thereof (the “Initial Purchasers”) at the offering prices set forth on the inside cover page of this Limited Offering Memorandum, which offering prices may subsequently be changed without any requirement of prior notice. The Underwriter will purchase the 2016 Bonds at a purchase price equal to \$5,800,000 (being the principal amount thereof minus a \$100,000 underwriting discount).

Purchase of the 2016 Bonds is restricted to an Accredited Investor or a Qualified Institutional Buyer in Authorized Denominations. Upon the initial issuance of the 2016 Bonds, RPM will execute and deliver the Certificate of Bondholder Representative in the form of Appendix F-2 hereto.

LEGAL MATTERS

The 2016 Bonds will be subject to the approving opinion of Hinckley, Allen & Snyder LLP, Boston, Massachusetts, Bond Counsel, the form of which is included as Appendix C-1 hereto. Certain legal matters will be passed on for the Authority by its counsel, Orrick, Herrington & Sutcliffe LLP, for the Borrower and the Guarantor by their counsel, Kutak Rock LLP, Borrower’s and Guarantor’s Counsel, for the Underwriter by its counsel, Butler Snow LLP, Denver, Colorado, and Kutak Rock LLP is also serving as disclosure counsel. Certain matters related to the treatment of the Borrower Documents, the

Guaranty and the Guaranty Support Documents as exempt securities under Rule 131(b) promulgated under the Securities Act of 1933, as amended will be addressed in the opinion of Borrower's Counsel, the form of which is attached as Appendix C-2 and are expressly not addressed in the opinion of Bond Counsel or counsel to the Underwriter.

None of the legal counsel referenced in this Limited Offering Memorandum has (a) participated in the placement of the 2016 Bonds, (b) provided any advice regarding the creditworthiness of the 2016 Bonds, or (c) assisted in determining the value of the collateral for the 2016 Bonds upon the occurrence of an Event of Default. Legal counsel have solely and exclusively opined to those matters which are expressly set forth in their opinions which are attached hereto or which have been delivered in connection herewith and no holder of a 2016 Bond shall be authorized or entitled to infer that such legal counsel have rendered opinions beyond those stated in their written opinions or to rely on the participation of counsel in this transaction. Except for negligent errors in their express written opinions, legal counsel shall have no obligations to holders of the 2016 Bonds and holders of the 2016 Bonds must not rely either expressly or implicitly upon such counsel in determining whether the 2016 Bonds represent suitable investments or otherwise meet their creditworthiness and risk tolerance standards.

CONTINUING DISCLOSURE

The Borrower

In order to assist the Underwriter in connection with its obligations with respect to the 2016 Bonds under Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended (the "Rule"), the Borrower has agreed to provide certain continuing disclosure, as follows:

(a) **Annual Reports.** The Borrower shall, within 120 days after the end of each fiscal year (or in the event of a change in the Borrower's fiscal year, within 120 days after the end of such fiscal year), commencing with the fiscal year ending December 31, 2016, file with the Municipal Securities Rulemaking Board (the "MSRB") an Annual Report (as defined below).

For purposes of this section, each "Annual Report" shall contain: (a) audited financial statements, which shall consist of either (1) combined or consolidated financial statements of the Borrower and its related entities for such fiscal year prepared in accordance with generally accepted accounting principles and examined and reported on by a certified public accountant, which shall include consolidating schedules showing the statement of financial position, statement of activities and statement of cash flows of the Borrower; or (2) special purpose financial statements of the Borrower, reported on by a certified public accountant, but which need not be in accordance with generally accepted accounting principles by reason of omitting the financial results of entities required to be consolidated with the Borrower, which shall include, in either case a statement of financial position, a statement of activities and a statement of cash flows, including consolidating schedules showing the financial results for the Borrower, together with a statement of the Borrower that no default exists under the Indenture or if that is not the case, specifying such default; and (b) with respect to the Guarantor, the type of operating and financial data of the Guarantor for such preceding fiscal year, prepared from the records of the Guarantor, regarding, without limitation, financial and operating data for the preceding fiscal year of the type presented in the Limited Offering Memorandum in Appendix A under the caption "Brandes Guaranty."

(b) **Reportable Event Notices.** The Borrower shall file with the MSRB a notice of a Reportable Event (as defined below) in a timely manner not in excess of 10 business days after the occurrence of such event. For purposes of this subsection, a "Reportable Event" includes:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations by the Internal Revenue Service with respect to the tax status of the 2016 Bonds or other events affecting the tax status of the 2016 Bonds, if material;
- (vii) modifications to rights of Owners of the 2016 Bonds, if material;
- (viii) optional, unscheduled or contingent 2016 Bond redemptions, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the 2016 Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the obligated person. Note: For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.
- (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the Borrower or the Guarantor, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) ***Notice of Change in Accounting Principles or Fiscal Year.*** The Borrower shall promptly file with the MSRB a notice of a change in its accounting principles applied in the preparation of the annual financial statements of the Borrower or any change in the dates on which the fiscal year of the Borrower begins and ends.

See “FORM OF CONTINUING DISCLOSURE CERTIFICATE” included as Appendix D hereto.

The Borrower and the Guarantor have each failed to make certain filings to EMMA that were required by their continuing disclosure undertakings relating to the 2015 Bonds. The Borrower and the Guarantor have not had their 2015 financial statements audited by independent certified public accountants. The Borrower and the Guarantor have agreed to have their 2015 and 2016 financial statements audited by independent certified public accountants and to file such financial statements with EMMA. The Borrower and the Guarantor have also agreed to hire Wilmington Trust, N.A. to assist them with getting into and staying in compliance with their respective 2015 and 2016 continuing disclosure undertakings.

The Authority

The Authority has not committed to provide any continuing disclosure to Owners of the 2016 Bonds or to any other person.

RELATIONSHIPS OF PARTIES

Orrick, Herrington & Sutcliffe LLP, provides legal services from time to time to the Authority on matters unrelated to the issuance of the 2016 Bonds. Hinckley, Allen & Snyder LLP is serving as Bond Counsel and as counsel to the Bondholder Representative. Kutak Rock LLP is serving as counsel to the Borrower and as Disclosure Counsel. Bond Counsel, Borrower’s Counsel, Disclosure Counsel and Underwriter’s Counsel will receive compensation contingent upon the sale and delivery of the 2016 Bonds.

MISCELLANEOUS

The information set forth herein relating to the Borrower and the Guarantor has been furnished by the Borrower and the Guarantor, respectively. The information set forth herein relating to Near-Cal and BrightView has been furnished by Near-Cal and BrightView, respectively.

The Authority has furnished only the information included herein under the headings, “THE AUTHORITY” and “LITIGATION—The Authority.”

Any statements made in this Limited Offering Memorandum involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Limited Offering Memorandum nor any statement that may have been made orally or in writing is to be construed as a contract with the Owners of the 2016 Bonds.

The Authority and the Borrower have duly authorized the distribution of this Limited Offering Memorandum in connection with the offering of the 2016 Bonds, and the Borrower has approved this Limited Offering Memorandum.

BALBOA MANAGEMENT GROUP, LLC, a
Delaware limited liability company

By /s/ Richard J. Brandes
Richard Brandes, Manager

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APPENDIX A-1

THE BORROWER, THE FACILITIES AND THE GUARANTOR

Organizational Overview

Balboa Management Group, LLC (the “Borrower” or “BMG”) has been formed by Richard J. Brandes as a single purpose entity to design, build and operate a multi-level sport and equestrian complex (the “Facilities”) in the City of Norco, California (the “City”). BMG’s principals and consultants who will be involved in this undertaking include Josh Hodges, a National “A” License, United States Soccer Federation Coach and Jürgen Klinsmann, the current coach of the United States World Cup soccer team and a former Olympian. In addition to being the controlling member of BMG, Mr. Brandes is executing a Guaranty of BMG’s payment obligations with respect to the 2016 Bonds. See “Brandes Guaranty” herein.

BMG¹ was chosen as the developer of the Facilities through the City’s Request for Proposals and Qualifications (“RFP”) for SilverLakes Equestrian & Sports Park (“SilverLakes”) because of Mr. Brandes’ and Rebecca Ross’ (BMG’s Chief Operating Officer) experience in both formulating and implementing successful master development plans for similar large scale equestrian and sports related developments during their tenure at Blenheim EquiSports and Blenheim Facility Management, LLC. In conjunction with Messrs. Hodges and Klinsmann, the BMG management team has a demonstrated track record and the requisite experience to undertake and successfully complete SilverLakes.

BMG is governed by an Amended and Restated Limited Liability Company Agreement (the “Operating Agreement”). Pursuant to the Operating Agreement, the management and operation of BMG is vested in the Guarantor and Rebecca Ross, as managers, and the Guarantor will act as BMG’s chief executive officer. The Guarantor, as the 52.01% majority member of BMG, also has substantial control of all significant aspects of BMG, including amendments to the Operating Agreement, the need for additional capital contributions, the issuance of additional membership units, voting, the composition of the management team and the transfers of membership units. The Operating Agreement states that the Guarantor’s membership interest in BMG may not fall below 51% at any time, even if additional members are added.

The unaudited financial statements of BMG for the fiscal year ended December 31, 2015 are attached hereto as Appendix A-2. The unaudited financial statements do not reflect the financing related to the 2016 Bonds or the changes to ownership of BMG occurring in connection with the issuance of the 2016 Bonds.

Property Management and Project Development Team

Management Team. The day to day operations of SilverLakes will be managed by a senior management team consisting of the President/Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Director of Information Technology and Logistics and a Director of Sports. All of the management team is employed by BMG. During the construction period, BMG’s employees will be Richard J. Brandes, President/CEO, Rebecca B. Ross, COO/CFO, Josh Hodges, Director of Sports and Joe Peterson, Director of Information Technology and Logistics.

¹ BMG previously was known as Belmont Group Management, LLC, which was merged into BMG on October 31, 2013. In this Appendix A-1, references to BMG shall include Belstarr.

Richard J. Brandes, Chief Executive Officer. Mr. Brandes was the developer and founded Blenheim Facility Management (previously Oaks/Blenheim Exhibitions) in 1998 which oversees the multi-use events center in San Juan Capistrano, California. He facilitated bringing the Equestrian Olympic Trials to the west coast in 2000 and 2004, and, as founder and CEO of Blenheim EquiSports, hosted a number of the nation's most prestigious equestrian events. Mr. Brandes was the founder and former CEO of Belgravia Capital, a leader in the commercial loan origination and securitization industry. Belgravia Capital was, in 1996, one of the largest CMBS mortgage lenders in the country. In 1997, Mr. Brandes sold the mortgage division of Belgravia Capital to Finova Capital Group. Mr. Brandes attended Ohio Wesleyan University in 1963 as well as Columbia University in 1964.

Josh Hodges, Director of Sports. Mr. Hodges oversees all sports programs for SilverLakes. He played collegiately at Azusa Pacific University where he earned a degree in business management. Mr. Hodges owns and has operated a successful soccer business for over 18 years that involves building tournaments, camps, leagues, and other soccer programming. He is the founder of the youth club Legends FC. He also holds a National "A" License as a United States Soccer Federation Coach. Mr. Hodges was the general manager for the Upland Arena Indoor Soccer Facility for 3 years. In addition to the business side of soccer, he has coached at all levels including club, high school, college, Premier Development League and W-League. Mr. Hodges has led Legends FC on to win four national championships. He has received the Nike Cal South Coach of the Year award three times. Through his tenure he has helped over 175 players find homes at universities to play college soccer throughout the United States.

Rebecca B. Ross, Chief Operating Officer/Chief Financial Officer. Ms. Ross has been the CFO of Blenheim EquiSports and Blenheim Facility Management since 2004. She currently oversees the financial planning, risk management, legal and accounting practices of both Blenheim EquiSports and Blenheim Facility Management. Ms. Ross formed her own company, Rebecca Ross Bookkeeping, in 1987 and continues to provide accounting services for her clients. Throughout the years she has provided accounting services for a wide variety of industries. Her duties at SilverLakes will include managing all operations as well as legal and risk management activities. She will also be an active participant in the organization's overall strategy. Ms. Ross also will provide coordination between the management group and the construction team. Ms. Ross attended the University of California, Irvine from 1974-1978, where she received a Bachelor of Arts degree.

Project Consultants. In the development of SilverLakes, BMG has also been advised by SoccerSolutions, whose principals are members of BMG and are described below. SoccerSolutions is a sports marketing and business development company that is committed to helping its clients be successful through soccer related activities. The company services include consultancy, research, project management, representation, negotiation, advocacy and networking on behalf of their clients.

SoccerSolutions will advise BMG on sponsorship, retail opportunities, retail alliances, international soccer events, consulting services and training and fitness opportunities.

Warren Mersereau, Founder/Consultant, founded SoccerSolutions in 2000. He was previously Vice President of Global Brand Development for Umbro, USA, and Head of Global Soccer/Rugby Sports Marketing for Adidas, where he negotiated contracts with FIFA, UEFA, FIFA World Cup 98, FIFA Women's World Cup 99, and Pelé, among other major sports properties. In addition to serving on the Board of Directors for the Soccer Industry Council of America, Mr. Mersereau has authored a parents' and coaches' guide to youth soccer, and lectures on sports marketing to various business forums.

Jürgen Klinsmann, Consultant, is the United States Men's National Soccer Team coach and was a world-class professional player on major professional club teams in Germany, France, Italy, and England

as well as a leader on the German national teams that won the 1990 FIFA World Cup and UEFA European Championship. He was the manager of the 2006 German team that finished third in the World Cup, and he is credited with setting the strategic direction that revitalized the German national team program leading up to its winning the 2014 FIFA World Cup. Mr. Klinsmann will provide consulting services with respect to all soccer aspects at SilverLakes. Mr. Klinsmann has invested \$2,000,000 into BMG through SoccerSolutions. These funds were allocated between the 2015 Bonds debt service reserve fund (\$600,000) and the account subject to the Guarantor DACA (initially, \$1,400,000). In order to provide for continuity in the management and leadership of BMG and the SilverLakes facility, Mr. Klinsmann and BMG have created a succession plan, as evidenced by a Succession Agreement, dated as of February 1, 2015 (the "Succession Agreement"), by and between BMG and Mr. Klinsmann that provides that upon the prior written consent of the Bondholder Representative, Mr. Klinsmann will, subject to the negotiation by the parties thereto of mutually acceptable terms relating to compensation and duration, become the sole managing member of BMG upon either (a) the death or incapacitation of Mr. Brandes or (b) an Event of Default under the Loan Agreement.

Employees. Mr. Brandes is serving as BMG's CEO/President. Mr. Hodges will be responsible for all employees related to soccer, including camps, tournaments, mid-week soccer, as well as being the liaison with US Soccer, the California State Soccer Association – South ("CalSouth") and the Southern California Developmental Soccer League ("SCDSL"). As COO, Ms. Ross is responsible for the employees (or contractors) involved in the maintenance of the property, food and beverage services, retail, equestrian programs, as well as security and parking. As CFO, Ms. Ross is responsible for overseeing financial planning, risk management, and legal and accounting practices for BMG. In the future, these three positions will each receive a salary of \$250,000 per year as well as health insurance and paid time off as legally required. A 401k program will be offered to all full time employees of BMG.

Governance and Ownership. BMG is a single purpose LLC. The managing members of BMG, Richard J. Brandes and Rebecca Ross, manage its day to day operations. However, Mr. Brandes retains ultimate control of BMG as he may remove any of the other managing members. The members of BMG (other than Mr. Brandes) have no voting rights. Set forth in the table below are the names and percentage interests of BMG's managing members and members.

Name	Position	Percentage Interest in Capital and Profit
Brandes, Richard J.	Managing Member	52.01%
Ross, Rebecca B.	Managing Member	5.00
Ebert, Donald J.	Member	5.00
Gergiev, Valery	Member	3.00
Lawler, Michael B.	Member	3.33
Martin, Jeffery	Member	2.50
Martin, Jennifer	Member	2.50
Mech, Gregory J.	Member	0.50
Michael S. and Robin S. Dreyer Living Trust	Member	0.50
Ness Family Trust	Member	1.00
Osterfeld, Bretton	Member	3.33
Paulson, Erik	Member	3.33
Soccer Solutions, LLC, a limited liability company	Member	14.00
Pitch64, LLC, a limited liability company	Member	4.00

Below is a list of BMG investors who have received unsecured and subordinated promissory notes (the “Notes”) from BMG to evidence their investment in the initial capitalization of BMG. The Notes are subordinate to, and junior in right of payment to the 2016 Bonds, the Loan Agreement and to BMG’s payments to the City under the City Documents.

Name	Amount
Adrienne Brandes	\$ 174,000.00
Richard J. Brandes	3,422,401.45
Valery Gergiev	500,000.00
Jürgen Klinsmann	2,000,000.00
Jeffrey Martin	450,000.00
Jennifer Martin	450,000.00
Ness Electric Inc.	350,000.00
Pitch64, LLC	2,000,000.00

The principal and all accrued and unpaid interest on the Notes is due on February 1, 2030. The Notes bear interest at a fixed interest rate equal to 5% per annum. The holders of the Notes have agreed not to demand payment under the Notes or enforce any remedies against BMG.

SilverLakes—Project Overview

Project Vision. Proceeds from the sale of the 2016 Bonds will be used to finance the completion of construction of Phase I(b) of SilverLakes, a state-of-the art facility designed to cater to the youth sports market, with a primary emphasis on youth soccer. SilverLakes will also serve the amateur and professional equestrian market. This phase of the development of SilverLakes will include secondary uses such as concerts, conferences, corporate events and other outdoor gatherings.

Location. SilverLakes is located at 5555 North Hamner Avenue in Norco, California. SilverLakes will be easily accessible from freeways and four major airports as well as nearby Disneyland, Universal Studios Hollywood and other family destinations. The site includes approximately three quarters of a mile of frontage on I-15, a major southern California freeway.

Operations. SilverLakes will be managed by BMG. SilverLakes commenced operation in September 2015, with 48 weeks of activities expected to be secured. Seven year facility use license agreements have been entered into with both the SCDSL, a large regional soccer league, and CalSouth, the official youth and adult state soccer association of the United States Soccer Federation (“US Soccer”), the United States Youth Soccer Association and the United States Adult Soccer Association. Under such facility use license agreements, SCDSL will host its league play at SilverLakes and CalSouth will hold the State Cup tournament at SilverLakes. SCDSL was formed in 2011 to serve the needs of clubs seeking the ability to control player and team environments. The SCDSL platform and format were designed collectively by coaching directors from some of the most respected youth clubs in the country. CalSouth represents over 300 affiliate member leagues and clubs comprising membership of more than 204,000 registered players, coaches, referees and league administrators. The organization has a service area that extends from San Luis Obispo to San Diego. US Soccer is the governing body in soccer in all its forms in the United States.

Status of Construction. Initial construction on the SilverLakes property began on January 2, 2012. Psomas, the civil engineer of record, issued a grading certification letter on April 8, 2013. In the initial phase of the construction, clearing and grubbing were done to prepare the property for development. Existing homes and previous items left on the property from past uses, including a wave

pool and a horse race track, were removed, as were a large number of diseased trees. Using the loan funds provided by the Funding, Construction and Acquisition Agreement between the City and BMG, the property was cleared and grubbed, over 300,000 cubic yards of imported soil was delivered to the SilverLakes property, grading was completed and the synthetic turf fields were certified. The second round of construction, Phase I(a), started in March 2015 and was completed in November, 2015. The SilverLakes property currently has completed from Phase I(a): 4 synthetic turf fields lit with Musco LED field lighting, 20 natural turf fields, 2 permanent bathrooms, a temporary concession area, paved parking lots (some of which are lit with LED lighting), an equestrian area, a retention lake, and a gated landscaped entrance.

Construction Budget. The proceeds of the 2016 Bonds are expected to be expended on the items set forth below. All disbursements of the proceeds of the 2016 Bonds are subject to the prior written approval of the Bondholder Representative. See Appendix A-3 for the complete pro forma relating to the SilverLakes facility.

Current Contracts and Future Budget Expenditures

A/E Services

Building Architect (includes Kitchen and Interiors)	\$ 40,000
Kitchen Consultant	0
Specialty Consultants (Alta Survey)	0
Civil Engineer	8,000

Miscellaneous Contracts

Kitchen Equipment/FFE	0
Project Manager	50,000

Structural Materials Testing and Inspections

Buildings (foundations, concrete, steel, welding, CMU, etc)	35,000
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Construction Costs

BrightView Contract (includes \$70,000 Design Fee-Backyard)	1,313,000
Relocate Yard	0
Ness Electric	0
Sign Power (Direct to Owner)	90,000
Near-Cal Contract Club House	2,980,530
Structural Engineering Changes	5,000
Sign Cost	400,000

Planning/Engineering/Building Department Fees

Building & Planning Plan Check and Permit Fees	53,000
Public Works Plan Check and Permit Fees	0
JCSD Impact Fees	0

Project Contingency

47,281

Total	<u>\$5,021,811</u>
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Proceeds of the 2015 Bonds were used as follows:

Land

Ground Lease - City of Norco ¹ \$ 396,480

Soft Costs

Architecture, Design, Etc. \$ 90,000
 Engineering, Soils, Inspections, Etc. 150,000
 Permits, Fees, Utilities, Etc. 200,000
 Consulting, Miscellaneous 100,000
 Property Taxes, ² Insurance 320,400
 Borrower Fee (startup and management costs) ³ 500,000
 FF&E, Legal, Security, Survey, Inspections, Etc. 228,825
 Contingency 50,000
 Subtotal \$ 1,639,225

Construction

Infrastructure (Near-Cal & BrightView) ⁴ \$13,413,095
 Buildings (Near-Cal) 877,900
 Equestrian (See Infrastructure) -
 Contingency 407,167
 Subtotal \$ 14,698,162

Finance

Underwriter's Discount \$ 250,000
 Construction Admin. Fee 125,000
 Bond – Document & Legal Costs 614,800
 Bond – Title & Closing Costs 43,000
 Bond – Original Issue Discount 400,000
 Bond – Capitalized Interest 1,833,333
 Subtotal \$ 3,266,133

Total \$ 20,000,000

¹ Equal to 12 months of Ground Lease payments from the date the 2016 Bonds are issued.

² Equal to taxes due in 2016.

³ Payable to BMG to pay for office rent, salaries, administrative expenses for one year from the date the 2016 Bonds are issued.

⁴ The Construction-Infrastructure line item is comprised of the Near-Cal Construction Contract (\$9,469,259), less \$877,900 of Buildings, plus the Landscape Agreement (\$4,374,000) (\$50,000 of the total amount of the Landscape Agreement is part of the Architecture, Design, etc. line item), plus Qualifying Costs to Date of \$899,736 minus \$452,000 that will be funded by the City pursuant to the Funding Agreement.

December 2010 Flood and Mitigation. In December 2010, the Santa Ana River was impacted by high water flows which were attributable to a storm event that exceeded a 100-year storm event at locations upstream of the SilverLakes property, and up to a 300-year event at one upstream location. The high flows in the Santa Ana River caused it to rise above its banks and enter the east boundary of the SilverLakes property. The resulting damage to the SilverLakes property was the deposit of extensive silt and debris.

As a result of the December storm event, the City and BMG realized the need for protection of the SilverLakes property should this type of event occur again. A registered civil engineer was hired by the City to design protection measures. Funding for the project was obtained from the Riverside County Flood Control and Water Conservation District (the "District"). Construction began in June 2011 and was completed in August of that year. The protection measures were installation of approximately 1,800 linear feet of two-ton rock (17,000 cubic yards ("CY")) placed along the Santa Ana River's edge and the SilverLakes property boundary from the Hamner Avenue Bridge to the District's channel to an elevation of 595 feet above sea level. The rock was placed in such a manner as not to make the dike waterproof but to allow gradual flows to seep through the voids between the rocks should the Santa Ana river rise to such abnormally high levels in the future. The project provided less than a 100-year flood protection and therefore did not subject it to FEMA requirements. The SilverLakes Project continues to be in the 100-year flood plain. BMG believes that the dike and other flood mitigation measures adequately protect the SilverLakes property from future flood events. For example, the restrooms at SilverLakes have backwater valves to prevent any flood waters from entering the sewer lines and also keep sewage from entering the Santa Ana River. Other permanent structures will have finish floor elevations above 100-year flood elevations and walls constructed to allow pass-through of flood waters. Flood insurance is not available for the SilverLakes property at a reasonable cost.

Management Discussion and Analysis

The following discussion is intended to provide an overview of the expected operations and activities of SilverLakes. Jürgen Klinsmann and SoccerSolutions are expected to be involved in all phases of these operations as consultants as well as holding clinics and participating in the Center for Excellence. BMG expects to enter into a Consulting Agreement with SoccerSolutions which will define the scope of this relationship.

Soccer Tournaments. BMG will host its own tournaments as well as rental tournaments at SilverLakes. For SilverLakes to reach capacity, it need only absorb 15% of the current relevant soccer market. CalSouth, a leading governing body, sanctions approximately 155 tournaments per year. BMG plans to either host or rent its fields for up to 23 tournaments a year, which will comprise approximately 15% of the total tournaments of this type in Southern California. Additionally, CalSouth's tournaments average three cities per tournament, so players and fans must travel between venues regularly in a single tournament. BMG expects that SilverLake's single venue location, competitive pricing and attractive amenities will help ensure its ability to absorb this small portion of the overall market.

BMG expects that the tournament fees the first year will be priced at \$1,250.00 per team, while other club tournament fees range from \$495 to \$1,500 per team and are played on multiple sites. Most of the tournaments held during the first year will be based on a field rental fee. Field rental fees for tournaments range from \$833.00 to \$1,250.00 per field per day. Cash flow projections set forth in Appendix A-3 reflect the range of field rental fees or team fees, depending on the tournament. The calendar created by BMG for 48 weeks of anticipated soccer events is based on three types of events. The first is the CalSouth State Cup. This event is held almost every weekend from January through May each year. CalSouth has indicated that they expect to book SilverLakes first for their field usage and will send any overflow to other facilities. Second, league play with SCDSL starts the weekend after Labor Day and is played every weekend through mid-December every year. SCDSL has expressed its desire to use SilverLakes to host their college showcase events and League showcase events as well as league games and events throughout the season. Also, during the summer months, BMG will host approximately 23 tournaments. These include BMG tournaments and well as rental field space for tournaments.

Facility Use Agreements. BMG has entered into the following Facility Use License Agreements ("Facility Use Agreements"):

(a) Facility Use Agreement by and between BMG and Southern California Development Soccer League, Inc., commenced on September 12, 2015 for an initial term of seven years for soccer rental operations. SCDSL will have the right to renew this agreement after the initial term.

(b) Facility Use Agreement by and between BMG and California State Soccer Association-South, Inc., commenced on January 1, 2016 for an initial term of six and one half years (scheduled to terminate in May 2022) for soccer rental operations. Cal-South will have the right to renew this agreement after the initial term.

Facility license fees are set forth in the Facility Use Agreements attached hereto in Appendix A-4.

Soccer Training and Education. In addition to offering state-of-the-art facilities and onsite amenities for players and fans, BMG plans to develop a soccer educational and training center – to be known as the Center for Excellence – focusing on the four pillars of soccer – Technical, Psychological, Tactical and Physical – as well as a fifth pillar – Personal. The Center of Excellence will focus on preparing players and coaches for the nutritional and emotional demands of the sport, both on and off the field. Individual courses and lectures and a full curriculum will be offered both onsite and online through digital and web media. Disciplines will include, among others:

- (a) Coaching Education;
- (b) Referee Development;
- (c) Training Curriculum;
- (d) Tactical Awareness;
- (e) Nutritional Education; and
- (f) Wellness.

BMG expects that this program will be implemented as part of Phase I. BMG has had preliminary conversations with the US Soccer Federation about the Center for Excellence and will continue to attempt to work with them to create a curriculum to implement these programs and the Center for Excellence.

U.S. and Local Soccer Market. According to US Youth Soccer, over 3.2 million players, ages five to 19, register to play soccer annually through 55 US Youth Soccer State Associations. Southern California has a population of 22.7 million people and has approximately 330,000 youth soccer players registered with CalSouth. United States Youth Soccer, the United States Adult Soccer Association and the American Youth Soccer Organization are the preeminent youth soccer governing bodies.

In addition to the registered youth soccer players, Southern California is home to a large base of unaffiliated players. Each year more players are chosen to play at the collegiate and professional level from Southern California than from any other area of the country.

I-15 Freeway Sign. In Phase I(b) of the Project, BMG will install a high definition electronic freeway sign. The sign will be 26 feet high, 24 feet wide and 60 feet tall, and the digital resolution of the screen will be 16 mm HD LED. The sign will be located approximately 120 feet from the I-15 freeway on the SilverLakes property, with a visibility of one mile in either direction from the I-15 freeway. The sign provides BMG with the ability to advertise all of the events held at SilverLakes. BMG has also been working with several potential sponsors since the sign provides a unique opportunity for them to promote their products on a sign which will be seen by over 200,000 cars each day on the I-15 freeway. Since the I-15 freeway sign is located in a “Classified Landscaped Freeway” area, Caltrans will not control any on-

premise displays which advertise any on-site business. Any potential sponsor can create and advertise an on-site business, such as a car dealership display, along the I-15 freeway. After meeting with several potential sponsors, BMG believes that it can rent I-15 freeway sign advertising time for a minimum of \$100,000 per year, per sponsor. BMG feels confident that it can contract with two sponsors in 2016 and four sponsors in 2017.

Concert and Event Venues. BMG will contract with an outside party to promote and book the SilverLakes concert and events venue. For Phase I(b) of the Project, the approximately 4 acre concert and events venue (“The Backyard”) has been designed by BrightView Landscape Design. With 3 stages, the venue can host up to 14,355 people for multiple stage concerts. The venue surrounds the Lake at SilverLakes (completed in Phase I(a) of the Project). With its parklike setting, the area will be an excellent location for corporate events, reunions, weddings, and concerts. BMG believes that its concert operations will capitalize on the closing of Irvine Meadows in 2017, a major outdoor concert venue in Orange County. BMG has met with CBS-Kfrog in Corona, Dov Serrot Productions in Los Angeles, M and M Entertainment in Huntington Beach and The Soundkilz Group in Riverside to develop a model for a 2-day Music Event (the “Music Event”) which will attract up to 10,000 attendees. BMG has worked with the production company to locate an investor who will provide startup capital for the Music Event. The Music Event will produce revenue through ticket sales, cabana rentals, merchandise sales, vendor space, parking fees, and food, beverage and alcohol sales. Music Event expenses include the crew, stage rental, transportation, performers, staging and entertainment, facility amenities, promotions and advertising, legal, costs of goods sold, and accounting. BMG’s Music Event business model will reimburse investor capital with participation, and provide a profit share between the production company (40%) and SilverLakes (60%). BMG anticipates hosting its first Music Event at SilverLakes in November, 2016.

Restaurant/Concession Building. In Phase I(b) of the Project, a two story, 11,000 square foot restaurant/concession building (“The Club”) will be constructed to provide food and beverage support for all events held at SilverLakes. Whether a concert, private event, catering, soccer or equestrian event, The Club will cater to all of the customer needs at SilverLakes. A bar in the downstairs restaurant will service the adult sporting events, as well as the spectators at various events held at SilverLakes. The downstairs restaurant will seat 200 guests in air conditioned comfort; along with two additional patios, The Club will have the capacity to seat up to 350 patrons at one sitting. The full kitchen will have 4 roll up concession windows for serving family friendly cuisine. Phase I(b) of the Project will include construction of the upper level shell, with improvements to be completed in the future. The Club will be open for lunch and dinner on weekends and for dinner during the week. BMG has calculated its annual revenue for The Club by using \$20 per capita for weekend business, \$25 per capita for weekday dinners and a 73% cost of sales for calculating its annual revenue.

Competition. BMG believes that there are currently no complexes that offer year round tournament and league play at one single location in Southern California. SilverLakes’ only competition with 10 or more fields used year round are Lancaster National Soccer Center, SoCal Sports Complex in Oceanside and San Bernardino Soccer Complex. The following table presents a summary of each of these facilities that are currently in use and capable of hosting large tournaments.

Summary of Local Competitive Facilities

Facility	Location	Distance From SilverLakes	Number of Fields	Parking Spaces	Number of Tournaments	Description
SilverLakes (Upon Completion of Phase I(a))	Norco	--	24	4,100	48 weeks	Four fully lighted synthetic turf fields; five equestrian/show jumping rings; restrooms; temporary concession kitchen with food preparation space; 11,000 square foot concession building (without tenant improvements) to house future concessions, food preparation space and restaurant space
Lancaster National Soccer Center	Lancaster	81 miles north	35	2,800	26	Some lighted fields; activity buildings; permanent concessions, restroom and playground facilities; RV facilities
San Bernardino Soccer Complex	San Bernardino	33 miles east	17	1,600	Not Known	Five lighted fields; permanent concessions, restrooms, administrative offices and playground
SoCal Sports Complex	Oceanside	68 miles south	20		Not Known	Lighted fields not allowed at this location, one decomposed gravel parking lot; no concession building; no bathrooms

There are a few very important elements to the SilverLakes project that differentiates it from other facilities in Southern California. SilverLakes does not have any local clubs, teams or leagues that must be given priority practice and game time allocations during the week and weekends. This will allow SilverLakes to manage its field usage to keep the quality of the fields at a premium and at the same time will allow SilverLakes to book weekday and weekend activities with organizations such as SCDSL and Cal South on long term contracts.

SilverLakes is located in Riverside County and is near Orange County—two very populous counties. SilverLakes’ location is also 30 minutes from Los Angeles and San Diego counties.

SilverLakes has 20 grass soccer fields and 4 synthetic turf fields that are state of the art. BMG partnered directly with AstroTurf, a leading innovator in synthetic turf, to ensure that SilverLakes has the latest and best sports technology for all of its synthetic turf fields. BMG also partnered with Nike Grind to ensure that none of its synthetic turf fields have any tire rubber infill. All of the infill utilized will be natural sand and recycled shoes. The grass fields were designed as engineered sports fields to ensure proper year round growth and drainage.

SilverLakes has permanent bathroom buildings located throughout the entire park.

BMG has also designed on the SilverLakes site an 11,000 square foot concession building to serve quality food and beverages for all the visitors. In addition, BMG will be servicing all of its guests with portable food and drink carts throughout the day and evening activities. BMG is also constructing a picnic and shade area which its visitors can use after the game to get out of the sun and enjoy friends and refreshments.

2016 Bond proceeds will be used to complete the concession building. BMG will provide a temporary concession facility until the permanent concession building is completed.

SilverLakes is being operated by an experienced staff that has been in the facility and event management business for over 20 years. BMG staff has the essential knowledge and experience that is vital to properly running a premier athletic facility such as SilverLakes. See “—Property Management and Project Development Team.”

Equestrian Events. The SilverLakes property has been constructed to have five sand equestrian rings, a designated space for temporary stalls, wash racks, a vendor area, as well as a horse show office (to be constructed in Phase II of the Project). BMG’s intent is to run, or host, regional, multi-discipline horse shows in year two, in addition to hosting some of the Hunter-Jumper horse shows that Blenheim Equisports Management Company currently manages. BMG has an agreement with Blenheim EquiSports Management Company, LLC to run up to six horse shows per year for 10 years at the SilverLakes property. BMG also expects to rent the horse show facility to other horse show managers, specializing in their different disciplines.

Financial Analysis and Projections. See Appendix A-3 for a five-year projection of SilverLakes’ expected cash flow performance. These projections are based upon BMG’s current assumptions and data. The availability of Gross Revenues to repay the 2016 Bonds is not dependent upon the development of phases other than Phase I(b).

Explanation of Revenue Assumptions. The revenue assumptions for Weekend Soccer (Tournaments), Midweek Soccer, Field Rental and Elite Player Academies, Parking, Retail and Food were all calculated based on formulas which are event driven as described below.

Weekend Soccer (Tournaments). Revenue is based on the number of teams multiplied by the fee per team. The fee per team is based on the market rate of tournaments that are held at two other soccer locations. Currently in this market, the fees range from \$495 to \$1,500 per team. SilverLakes fees are currently projected to be \$1,250 in year one. Most of the tournaments held in year one will be based on a field rental fee. The field rental fees for tournaments range from \$833 to \$1250 per field per day. Since opening in September 2015, SilverLakes has hosted two tournaments and currently has eight tournaments scheduled already for 2016. The tournament season runs from mid-May through early September and the league season starts in September. 2016 tournament bookings are expected to increase beginning in June 2016.

Midweek Soccer. Midweek Soccer revenue includes Adult Leagues, food and beverage sales (upon completion of the restaurant & concession building), Center of Excellence School and Center of Excellence Camps.

(a) Adult League revenue is based on cost per team, players per team, teams per league session, number of sessions per year, teams per night.

(b) Restaurant/Concession sales revenue is based on an assumption of \$2.00 per player based on the number of players per night.

(c) Center of Excellence School revenue includes both the recreational school and the club school. The revenue is based on a per player charge per session, the number of sessions per year, times attending per week, and two time slots per night.

(d) Center of Excellence Camp revenue includes both the recreational camp and the club camp. The revenue is based on the cost per camp per player and the number of camps per year.

Field Rental. The fields will be rented to organizers such as SCDSL and CalSouth, as well as other organizations on a field rental fee per day per field.

Elite Player Academy. As part of Phase I of the Project, BMG intends to create an Elite Player Academy (the “Academy”). The Academy intends to select the best players from throughout the year and offers them the opportunity to sign professional contracts internationally. BMG’s income is expected to be derived from placement fees, agent fees and management fees for these elite players beginning in year two, as set forth in Appendix A-3.

Parking, Food and Retail. These three items were all calculated by using formulas that forecast the number of people on the SilverLakes property and were derived from the anticipated events.

The following example explains the calculation based on a tournament weekend:

Total fields	20
Players per team	15
Games per field per day	8
Games per team per day	2
Games per weekend	320
Teams per day	160
Teams per weekend	320
Players per day	2,400
Players per weekend	4,800
Fans per player	1.5
Fans per day	3,600
Fans per weekend	7,200
People per day	6,000
People per weekend	12,000
People per car	2.0
Cars per day	3,000
Cars per weekend	6,000

Using this example, Parking revenue would be calculated as follows:

People per weekend	12,000
People per car	2.0

Total number of cars would be 6,000. The parking charge is \$8.00 per car in year one.

Food revenue is calculated on the total number of people per weekend multiplied by an assumed expenditure on food of \$2 per person in year one.

See Appendix A-3 for data relating to expenses.

SilverLakes Marketing Plan. BMG has hired a consultant to run public relations efforts with the City of Norco and is currently negotiating with a marketing consultant who specializes in field sports. The marketing consultant will begin work for SilverLakes in the next few months.

SilverLakes—Concept and Project Timeline

SilverLakes was created and designed to accomplish the strategic goals outlined above. In general, the goal of the Project is to capture value from the underserved and undervalued amateur youth sports market, with a primary emphasis on youth soccer and a secondary focus on the amateur and professional equestrian market. SilverLakes is best described as a sequence of five major projects to be completed in three phases described below. The proceeds of the 2016 Bonds are expected to provide for the completion of Phase I(b). The implementation of Phase II is subject to obtaining funding sources and other market factors. The availability of Gross Revenues to repay the 2016 Bonds is not dependent upon the development of phases other than Phase I(b).

The Loan Agreement provides that BMG may not incur any further indebtedness – whether senior, parity, subordinate, secured, unsecured, non-recourse or in any other form – without the express written consent of the Bondholder Representative, which consent shall be in the Bondholder Representative’s sole and complete discretion.

The initial improvements approved by the City in the Memorandum of Understanding Revising Performance Schedule, dated as of January 15, 2015, by and between the City and BMG, allows BMG to construct and operate a park with recreation facilities at which BMG may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events.

The Phase I(b) improvements shall include the following:

- (a) concession and restaurant building (the Club at SilverLakes);
- (b) electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09;
- (c) concert and event venue;
- (d) dining areas.
- (e) supporting infrastructure, facilities and amenities.

The Phase II Improvements shall include the following:

- (a) a multi-purpose building or covered arena with a foot print of up to ±135,000 square feet;
- (b) earthen and concrete viewing berm(s); and
- (c) entry features, including identification signage, lake, other water features, gardens and reception areas.

The Phase II Improvements may also include the following:

- (a) announcer’s stand with public address systems;
- (b) security personnel facilities and caretaker housing;

- (c) mobile bleachers and fencing;
- (d) temporary overnight accommodations of athletes, coaches and trainers;
- (e) a “pro shop” within the multi-purpose building or elsewhere on the property;
- (f) hay barn and guard gate house(s);
- (g) fiber optic and other communication conduit; and
- (h) cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code.

There can be no assurance that any of the future phases described above will be developed as currently described herein.

See “Estimated Project Construction Schedule” below.

Regulatory Permits and Approvals. All regulatory permits and approvals for Phase I(b) of the Project have been secured as required to date based on the work previously performed and completed on the property.

The following permit and review still must be obtained. BMG believes this required permit will be obtained on a timely basis to accommodate construction as planned.

Estimated Building & Plan check and Permit Fees: \$53,000

Estimated Project Timeline. Set forth below is the estimated SilverLakes project construction schedule. There can be no assurance that future phases will be developed as currently contemplated herein. The availability of Gross Revenues to repay the 2016 Bonds is not dependent upon the development of phases other than Phase I(b).

Estimated Project Construction Schedule

	Phase I(b) Concession & Event Center Electronic Freeway Sign	Phase II Stadium	Phase II Multipurpose Building
	No later than		
Begin Construction	Sept 2016	Sept 2017	June 2017
End Construction	June 2017	March 2018	June 2018
Open for Operations	July 2017	April 2018	July 2018

Ground Lease/Infrastructure. The largest costs to a facility such as SilverLakes are related to its underlying real estate (leases, fees, etc.). BMG has been granted a 30-year lease with 13 additional option periods of five years each and one additional period of four years for a maximum lease duration of 99 years by the City. Attached hereto as Appendices B-6 and B-7 are copies of the Ground Lease and the Development Agreement, respectively.

City and county fees and water rates will be charged at cost, as described below under the caption “—Project Sustainability” and are reflected in Appendix A-3.

On July 6, 2011 BMG entered into a “Funding, Construction and Acquisition Agreement” with the City. The City agreed to finance the construction of public facilities and discrete project components, including the domestic water system, sanitary sewer system, storm drain systems, circulation roads and groundwater source facilities. Upon funding of the last of the actual costs of the project and issuance of the Certificate of Completion, the City and BMG will prepare a statement of the total actual costs of the project paid by the City and repayable by BMG, together with an amortization schedule. The amount due from BMG will bear interest at 5.9% per annum, or such lower rate which is equal to the actual effective interest rate of the Norco Financing Authority Enterprise Revenue Refunding Bonds Issue of 2009, until paid in full and will be due in full from BMG no later than October 1, 2039. As security for repayment, BMG delivered an unconditional, irrevocable and renewable letter of credit for \$350,000 in favor of the City. The letter of credit is cash collateralized. The payments due under the Ground Lease and the Funding, Construction and Acquisition Agreement are senior to the payments due on the 2015 Bonds and the 2016 Bonds.

Project Sustainability. BMG is committed to operating a facility that is environmentally responsible, utilizes renewable energy and maintains sustainable practices whenever possible. Some of SilverLakes “green” features include:

Synthetic Fields. Synthetic turf will include Nike Grind Infill.

Onsite Wells. Irrigation water will be retrieved from two onsite wells from an unadjudicated water basin, as further described below. This water does not need to be treated.

Sustainable Development. The Project development is designed to maximize the use of recycled materials where economically feasible.

Water from the existing large adjudicated well near the I-15 Freeway is expected to be used as a source of irrigation for general landscaping and the natural grass sports fields. While the existing casing and internal components will need to be replaced and a high-capacity electric submersible pump installed, it is anticipated the well will emit a minimum of 400 gallons per minute (GPM) and potentially as much as 1,000 GPM. As part of Phase I(a), a second well site was selected and activated for redundancy purposes to supplement the primary well. The City has advised BMG that future plans provide for a non-potable water line to be installed along Hamner Avenue, which will provide SilverLakes with a third source for irrigation water.

The City will provide domestic, potable water at its promulgated rate at cost to BMG for use at SilverLakes, without any added profit markup. Under the terms of the Development Agreement, BMG has the right to non-potable water from the water wells on the SilverLakes property and the City has no authority to charge any rate or cost for this right. See Appendix A-3 for cost of water being utilized in the cash flow forecast.

Affiliations and Community Partners

City of Norco, California. The project was initiated through a formal request for proposals by the City. The City continues to be very supportive of the SilverLakes facility and will benefit economically and culturally from its operations. The BMG team maintains close, regular communication with City officials and sees this public-private partnership only strengthening as the project moves forward.

Community Partners. In connection with SilverLakes, BMG has started to create partnerships with a number of local businesses and organizations that provide services or share a mission complementary to SilverLakes. Through these partnerships, BMG will be able to bring additional programming and services to SilverLakes and additional business and marketing opportunities to local businesses and organizations. Such businesses and organizations include: Norco Horseman's Association, Corona/Norco Chamber of Commerce and Chapman University Film School.

SilverLakes Development Team

Listed below are members of the development team who have played an integral role in the development of SilverLakes:

Master Planning—Valley Crest Design Group/Andrade Architects Project Financing—Richard J. Brandes, CEO

Project Accountant—Rebecca Ross, CFO/COO

Financial Modeling—Jeff Martin, MBA and Member of the Balboa Management Group, LLC

Architect (master plan)—BrightView Design Group, Andrade Architects

Civil Engineer/Land Planner—Psomas

Landscape Architect—BrightView Landscape Development

Project Management—Griffin Structures, Inc.

Brandes Guaranty

As mentioned previously, Mr. Brandes is guaranteeing the Borrower's payment obligations with respect to the 2015 Bonds and the 2016 Bonds. Mr. Brandes reports a net worth in excess of \$28,000,000, which is comprised primarily of membership interests in certain corporate entities. The entity which produces the greatest cash flow to Mr. Brandes is Belgravia, in which his 30% membership has a stated valuation of \$20,000,000, based upon its 100% ownership of Gatekeeper Systems.

Gatekeeper is the dominant player in the shopping cart containment industry with an approximate 80% market share including major retailers throughout the world. Gatekeeper is a Delaware corporation with a market value estimated by the Borrower of at least \$68 million. Gatekeeper's principal business is the manufacturing, sale and installation of loss prevention systems and asset movement devices in the retail industry. Gatekeeper designs and manufactures shopping cart security systems, theft prevention systems and asset movement devices for customers throughout the world. The other members of Belgravia (and their percentage ownership therein) are: Michael Lawler (30%), Erik Paulson (20%) and Brett Osterfeld (20%). These members of Belgravia have earned "sweat equity" interests in the Borrower, Balboa Management Group, LLC. Each one of them has been given a 3.33% interest in the Borrower.

Mr. Brandes' primary source of annual income, as shown by his 2012, 2013 and 2014 tax returns, was distributions from Belgravia in the amounts of \$1,407,291 in 2012, \$976,817 in 2013 and \$254,900 in 2014. Mr. Brandes became an employee of Gatekeeper in February 2014 and currently receives a

salary equal to \$20,000 per month from Gatekeeper and capital distributions equal to \$20,000 per month from Belgravia.

Pursuant to the Distribution Agreement, dated as of February 1, 2015 (the “Distribution Agreement”), by and between Mr. Brandes and Belgravia, until February 28, 2021 (the “Period”), Mr. Brandes shall be entitled to payments of \$1,000,000 annually, but not cumulative beyond any one year (\$480,000 as described in the preceding paragraph and up to \$520,000 in additional distributions), subject to pro-rata adjustments for partial calendar years, beginning January 1, 2015. Distributions will be made to Mr. Brandes in accordance with the Belgravia Operating Agreement from the following sources, in the following order and to the extent available: (i) profits from Gatekeeper; (ii) profits from any other entities or enterprises in which Belgravia has an ownership or similar interest or is otherwise engaged; and (iii) Mr. Brandes’ paid-in capital. During the Period, Belgravia will not sell, transfer or otherwise dispose of any of its ownership and other interests in Gatekeeper, without advising the Bondholder Representative in writing at least 30 days prior to the consummation of such sale.

Mr. Brandes’ second most significant source of annual income is from Blenheim EquiSports Management Co, LLC “Blenheim”). Under a consulting agreement executed on January 1, 2012 and ratified on January 9, 2015, Mr. Brandes has been receiving \$150,000 annually. The term of the agreement runs through July 1, 2018.

In addition to these sources of income, which are in support of the Guaranty, Mr. Brandes has agreed in the Borrower Security Agreement and the Guarantor Security Agreement, entered into by him as manager of BMG and personally that certain amounts realized by BMG will be held in the deposit account subject to the DACA relating to the 2016 Bonds, providing a further source of repayment for the 2016 Bonds.

Litigation

BMG is currently not aware of any pending or threatened litigation relating to BMG or the SilverLakes Project wherein any unfavorable decision would materially adversely affect BMG’s operations, its implementation of the Project, its financial position or its ability to enter into any financing agreements or to carry out its obligations thereunder.

Richard J. Brandes is currently not aware of any pending or threatened litigation relating to him wherein any unfavorable decision would materially adversely affect him, his financial position or his ability to enter into any financing agreements or to carry out his obligations thereunder.

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APPENDIX A-2

UNAUDITED FINANCIAL STATEMENTS OF THE BORROWER

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Balboa Management Group, LLC
Balance Sheet
 As of March 31, 2016

Mar 31, 16

ASSETS

Current Assets

Checking/Savings

10300 · Checking Operating CNB - 4727	584.81
10301 · Wilmington Trust	
10304 · WT Account 348-Chg Orders	418,716.33
10306 · WT Account 275-Project Fund	153,480.05
10307 · WT Account 277- DSR	600,166.03
10308 · WT Account 278-Cap Interest	631,888.05
10309 · WT Account 279 - Principal Acct	15,834.81
<hr/>	
Total 10301 · Wilmington Trust	1,820,085.27
10302 · Checking CNB - 3745 DACA	22,287.98
10312 · Citibank - LC 10663	351,809.69
10313 · Citibank - 10622	13.00

Total Checking/Savings 2,194,780.75

Total Current Assets 2,194,780.75

Fixed Assets

13020 · Website/App Development 53,744.96

SILVERLAKES

12109 · Exterior Signage	3,429.60
12107 · Rail Road Ties	10,387.36
12050 · Architectural Consulting	596,226.34
12053 · Biologist	13,272.50
12055 · Blue Prints	6,876.87
12057 · City Fees	36,454.50
12059 · Construction Consulting	257,000.00
12061 · Consulting - Fodor	14,000.00
12063 · Consulting - Jaegar	13,800.47
12065 · Consulting - Kosmont	199,302.73
12067 · Consulting - Psomas	409,658.25
12069 · Engineering	951,245.39
12072 · Environmental Consultant	210,502.18
12074 · Equipment Rental	34,813.07
12077 · Fees & Permits	282,977.95
12079 · Field Lighting	806,220.00
12080 · GC - Near-Cal Corp	
12082 · Construction Contract 2015	8,262,844.12
12085 · Work Package 3RR	474,487.11
12088 · Earthwork Package	4,383,516.94

Total 12080 · GC - Near-Cal Corp 13,100,848.17

12090 · GC - ValleyCrest Landscape	
12092 · Construction Contract 2015	4,424,256.90
12090 · GC - ValleyCrest Landscape - Other	517,440.70

Total 12090 · GC - ValleyCrest Landscape 4,941,697.60

12095 · Landscape Design	35,445.32
12100 · Legal Fees	380,090.70
12105 · Models	7,646.54
12110 · Reprographics/Printing	139.15
12115 · Subcontractors	
12096 · Equestrian Ring Construction	565,000.00
12117 · Utilities	269,163.52
12120 · Construction Materials	14,641.22
12123 · Well Construction	20,984.00
12125 · Electrical	80,149.00
12115 · Subcontractors - Other	619,304.04

Total 12115 · Subcontractors 1,559,241.78

12130 · Synthetic Fields 448,500.00

Balboa Management Group, LLC
Balance Sheet
 As of March 31, 2016

	Mar 31, 16
Total SILVERLAKES	24,301,774.47
13000 · Furniture and Equipment	
13037 · Credit Card Terminals	4,114.68
13035 · Bike Rack	425.03
13031 · Aluminum Bleacher	2,924.20
12002 · Vehicles	
12010 · 2015 Ford F-550	49,354.12
Total 12002 · Vehicles	49,354.12
13010 · Sound System	2,855.97
13046 · Xerox Copier	1,344.52
12019 · Computers	
12020 · A/D	-7,890.00
12025 · Cost	42,438.79
12019 · Computers - Other	1,356.66
Total 12019 · Computers	35,905.45
13044 · Judges Stands	4,735.77
13023 · Traffic Cones	14,078.02
13001 · Hand Held Radios	3,008.43
13003 · Time Clock	2,861.88
13005 · Valet Podiums	2,458.11
13007 · WIFI Concession area	5,408.96
13009 · Concessions	
13013 · Audio/Visual	2,156.27
13016 · Kitchen Equipment	26,049.66
Total 13009 · Concessions	28,205.93
13018 · Office Furniture	6,743.68
13021 · Trailer - 12'	2,726.00
13025 · Field Netting	44,100.00
13028 · Samsung Digital Display	9,870.01
13030 · Trash Receptacles	9,611.05
13033 · Picnic Tables	31,992.72
13036 · Golf Cars	144,108.07
13039 · Storage Containers	10,896.12
13050 · Tentnology Tent	67,474.80
13055 · Field Equipment	306,676.77
Total 13000 · Furniture and Equipment	791,880.29
Total Fixed Assets	25,147,399.72
Other Assets	
14010 · Cash Change Bank	12,600.00
15000 · Capitalized Bond Expenses	
15005 · Original Issuance Discount	400,000.00
15010 · Underwriting	250,000.00
15015 · Bond Fees	50,000.00
15020 · Initial Fee	1,400.00
15025 · Trustee Fee	3,400.00
15035 · Title Services	46,221.00
15040 · Consulting	172,500.00
15045 · Legal	516,279.00
Total 15000 · Capitalized Bond Expenses	1,439,800.00
15099 · Security Deposit	
16011 · Field Rental	600.00
16010 · Mobile Kitchen	1,000.00
16015 · Construction Meter Deposit	1,165.00
16020 · AT & T Fiber	3,200.00
16025 · AT & T Temp T-1 Line	2,200.00
16030 · Security Deposit - SJC Office	495.00
16035 · Workman's Comp	1,317.00

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 Cash Basis

Balboa Management Group, LLC
Balance Sheet
 As of March 31, 2016

	Mar 31, 16
16045 · City of Norco	198,240.00
Total 15099 · Security Deposit	208,217.00
Total Other Assets	1,660,617.00
TOTAL ASSETS	29,002,797.47
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
18000 · Accounts Payable	855,429.68
Total Accounts Payable	855,429.68
Other Current Liabilities	
20535 · Workman's Comp Payable	31,291.72
20512 · Customer Deposits	62,500.00
20500 · Sales Tax Payable	631.39
24022 · N/P - Ness Electric Inc.	350,000.00
Total Other Current Liabilities	444,423.11
Total Current Liabilities	1,299,852.79
Long Term Liabilities	
24105 · N/P - Ford Credit 2015 F560	44,585.10
24110 · N/P - Pitch64, LLC	2,000,000.00
24115 · N/P - RPM Capital	20,000,000.00
24120 · N/P - Juergen Klinsmann	2,000,000.00
24125 · N/P - Jennifer Martin	450,000.00
24130 · N/P - Jeffrey Martin	450,000.00
24135 · N/P - Norco Water/Sewer Bond	5,575,884.17
24140 · N/P - Valery Gergiev	500,000.00
24145 · N/P - RJ Brandes	
24147 · N/P for Belstarr	2,395,553.68
24149 · Exp pd for Blenheim Partners	-985.62
24151 · Exp pd for Balboa Mgmt Group	15,188.08
24153 · Exp pd for Balboa Mgmt Holdings	-814.15
24155 · Exp pd for Balfour Holdings	-995.64
24157 · Exp pd for Balmoral Mgmt	-388.05
24145 · N/P - RJ Brandes - Other	1,014,843.15
Total 24145 · N/P - RJ Brandes	3,422,401.45
24159 · N/P - Adrienne Brandes	174,000.00
Total Long Term Liabilities	34,616,870.72
Total Liabilities	35,916,723.51
Equity	
301001 · Members Equity	
31015 · RJ Brandes	
31020 · Belstarr Equity - Merged	
31030 · Transfer of Membership Interest	25,227.04
31035 · Share of Earnings/Losses - BSM	-775,397.04
31040 · Prior Period Adjustment	-446.00
31045 · Capital Contributions	750.00
31050 · Exp pd by RJB for BSM	17,747.31
31055 · Exp pd by BFM	182,317.60
31060 · Exp pd by BC	4,999.99
Total 31020 · Belstarr Equity - Merged	-544,801.10
31065 · Exp pd by BFM	3,119.41
31070 · Exp pd by Belstarr Sports Mgmt	-180,443.10
31075 · Exp pd by RJB	23,273.46

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Balboa Management Group, LLC
Balance Sheet
As of March 31, 2016

	Mar 31, 16
31080 · Share of Earnings/Losses	-1,491,350.36
Total 31015 · RJ Brandes	-2,190,201.69
Total 301001 · Members Equity	-2,190,201.69
32000 · Retained Earnings	-3,874,312.32
Net Income	-849,412.03
Total Equity	-6,913,926.04
TOTAL LIABILITIES & EQUITY	29,002,797.47

Balboa Management Group, LLC
Profit & Loss
 January through March 2016

	Jan - Mar 16
Ordinary Income/Expense	
Income	
INCOME	
40025 · Sponsorship	3,000.00
40010 · Parking	314,031.46
40020 · Concessions	80,838.39
Total INCOME	397,869.85
SOCCER	
40030 · Field Rental	207,495.00
Total SOCCER	207,495.00
Total Income	605,364.85
Cost of Goods Sold	
EQUESTRIAN	
50019 · Equipment Rental	1,000.00
50022 · Supplies	1,018.61
50021 · Horse Show Expenses	1,795.20
50011 · Jump Rental	-1,903.00
Total EQUESTRIAN	1,910.81
CONCESSIONS	
50016 · Kitchen Uniforms	351.32
50042 · Outside Services	400.00
50026 · Equipment Installation	110.27
50010 · Dues & Subscriptions	992.55
50015 · Kitchen Supplies	2,941.20
50020 · Signage	243.00
50030 · Software - POS	994.50
50035 · Cost of Sales	
50037 · Ice	747.40
50038 · Food	39,661.69
Total 50035 · Cost of Sales	40,409.09
50040 · Concession Facility Supply	2,146.54
50045 · Salaries & Wages	
50046 · Manager - F & B	12,386.61
50047 · Cook	3,189.20
50048 · Concessions Cashier	17,551.06
50049 · Concessions Clerk	2,791.26
50051 · Concessions Staff	2,116.38
Total 50045 · Salaries & Wages	38,034.51
50050 · Mobile Kitchen Rent	18,792.00
Total CONCESSIONS	105,414.98
PARKING	
50100 · Supplies	347.40
50110 · Salaries & Wages	
50115 · Parking Cashier	16,728.31
50120 · Parking Attendant	13,205.86
Total 50110 · Salaries & Wages	29,934.17
Total PARKING	30,281.57
Total COGS	137,607.36
Gross Profit	467,757.49
Expense	
PROPERTY MAINTENANCE	
60011 · Repairs & Maintenance	22,445.21

Balboa Management Group, LLC
Profit & Loss
 January through March 2016

	Jan - Mar 16
60023 · Trash Removal	2,983.18
60047 · Outside Services	3,889.84
60022 · Refuse Service	2,439.91
60050 · Equipment	
60057 · Equipment Repair & Maintenance	37.79
60052 · Lease - Forklift	1,861.90
60055 · Equipment Rental	30,706.73
60060 · Lease - RTV	1,933.68
Total 60050 · Equipment	34,540.10
60040 · Facility Supplies	5,936.65
60065 · Fuel - Equipment	4,394.89
60045 · Landscape Maintenance	79,785.76
60025 · Rentals	
80032 · Rain for Rent	69,885.75
60030 · Temporary Fencing	716.04
60035 · Portable Toilets	25,922.81
Total 60025 · Rentals	96,524.60
60070 · Salaries & Wages	19,081.78
60043 · Security	17,771.75
60015 · Supplies	3,146.36
60075 · Utilities	
60077 · Electric	13,437.45
60076 · Water	237.39
Total 60075 · Utilities	13,674.84
Total PROPERTY MAINTENANCE	306,394.67
EVENT RELATED EXPENSES	
60304 · Field Rental	4,155.00
63022 · Scheduling Software	6,250.00
63025 · Traffic Control	6,619.77
63020 · Rentals	381.51
63000 · Supplies	249.06
63005 · Uniforms	7,368.23
Total EVENT RELATED EXPENSES	25,023.57
GENERAL & ADMINISTRATIVE	
65197 · Public Relations	5,000.00
65222 · Sanitation - Office	220.80
65010 · Advertising and Promotion	3,811.65
65015 · Armored Car Service	584.97
65020 · Automobile Expense	
65023 · Maintenance and Repairs	13.00
65025 · Auto Fuel	786.08
65020 · Automobile Expense - Other	21.99
Total 65020 · Automobile Expense	821.07
65030 · Bank Service Charges	1,938.31
65040 · Computer and Internet Expenses	999.99
65050 · Contributions	
65056 · Charitable	4,185.00
Total 65050 · Contributions	4,185.00
65085 · Credit Card Processing Fees	2,581.74
65082 · Entertainment	5,134.58
65085 · Equipment Rental	375.00
65095 · Fees	4,412.70
65115 · Insurance Expense	
65116 · Insurance - Other	4,036.82
65117 · Automobile	322.33

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Balboa Management Group, LLC
Profit & Loss
 January through March 2016

	Jan - Mar 16
65118 · General Liability/Excess	45,254.67
65119 · Workman's Comp	23,107.72
Total 65115 · Insurance Expense	72,721.54
65125 · Internet	353.40
65130 · Interest Expense	1,199,987.90
65135 · Legal	2,445.00
65140 · Licenses & Permits	165.00
65155 · Medical Expense - Employee	99.38
65160 · Office Expense	1,568.81
65165 · Office Supplies	5,733.68
65170 · Outside Services	726.60
65175 · Payroll Expenses	25,542.28
65180 · Postage and Delivery	203.45
65185 · Printing and Reproduction	6,177.38
65200 · Rent	
65000 · Rent - SL Parking Lot	6,500.01
65201 · Office Rental - Modular	7,245.95
65203 · Rent - City of Norco SL	99,120.00
65205 · Rent - Office	6,485.00
Total 65200 · Rent	119,350.96
65210 · Repairs and Maintenance	100.00
65215 · Salaries	
65217 · Wages	142,714.16
Total 65215 · Salaries	142,714.16
65235 · Signage	2,540.33
65240 · Telephone Expense	9,121.12
65245 · Telephone - Cell	858.14
65250 · Taxes	
65251 · Property	21,387.89
Total 65250 · Taxes	21,387.89
65265 · Travel	
65266 · Mileage	118.16
65267 · Transportation	248.60
65268 · Meals	197.24
65269 · Parking/Tolls	151.82
65270 · Lodging	2,596.20
65271 · Airfare	75.00
Total 65265 · Travel	3,387.02
65280 · Utilities	109.05
Total GENERAL & ADMINISTRATIVE	1,645,358.90
Total Expense	1,976,777.14
Net Ordinary Income	-1,509,019.65
Other Income/Expense	
Other Income	
90010 · Other Income	872,499.00
90000 · Interest Income	356.14
Total Other Income	872,855.14
Other Expense	
90600 · Loss on Sale of Asset	13,247.52
Total Other Expense	13,247.52
Net Other Income	659,607.62

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Cash Basis

Balboa Management Group, LLC
Profit & Loss
January through March 2016

	<u>Jan - Mar 16</u>
Net Income	<u>-849,412.03</u>

Balboa Management Group, LLC
Balance Sheet
 As of December 31, 2015

	Dec 31, 15
ASSETS	
Current Assets	
Checking/Savings	
10300 · Checking Operating CNB - 4727	122,328.54
10301 · Wilmington Trust	
10304 · WT Account 348-Chg Orders	503,144.67
10306 · WT Account 275-Project Fund	1,169,921.76
10307 · WT Account 277- DSR	600,067.00
10308 · WT Account 278-Cap Interest	1,200,165.46
Total 10301 · Wilmington Trust	3,473,298.89
10302 · Checking CNB - 3745 DACA	149,724.13
10312 · Citibank - LC 10663	351,765.95
10313 · Citibank - 10622	288.00
Total Checking/Savings	4,097,405.51
Total Current Assets	4,097,405.51
Fixed Assets	
13020 · Website/App Development	31,544.78
SILVERLAKES	
12107 · Rail Road Ties	10,387.36
12050 · Architectural Consulting	587,944.20
12053 · Biologist	13,272.50
12055 · Blue Prints	6,813.42
12057 · City Fees	38,454.50
12059 · Construction Consulting	212,000.00
12061 · Consulting - Fodor	14,000.00
12063 · Consulting - Jaegar	13,800.47
12065 · Consulting - Kosmont	199,302.73
12067 · Consulting - Psomas	409,656.25
12069 · Engineering	915,612.65
12072 · Environmental Consultant	210,502.18
12074 · Equipment Rental	34,813.07
12077 · Fees & Permits	239,194.59
12079 · Field Lighting	806,220.00
12080 · GC - Near-Cal Corp	
12082 · Construction Contract 2015	8,262,844.12
12085 · Work Package 3RR	474,487.11
12088 · Earthwork Package	4,363,516.94
Total 12080 · GC - Near-Cal Corp	13,100,848.17
12090 · GC - ValleyCrest Landscape	
12092 · Construction Contract 2015	4,346,659.80
Total 12090 · GC - ValleyCrest Landscape	4,346,659.80
12095 · Landscape Design	35,445.32
12100 · Legal Fees	360,090.70
12105 · Models	7,646.54
12110 · Reprographics/Printing	139.15
12115 · Subcontractors	
12096 · Equestrian Ring Construction	555,000.00
12117 · Utilities	269,163.52
12120 · Construction Materials	14,641.22
12123 · Well Construction	20,984.00
12125 · Electrical	40,000.00
12115 · Subcontractors - Other	619,304.04
Total 12115 · Subcontractors	1,519,092.78
12130 · Synthetic Fields	448,500.00
Total SILVERLAKES	23,530,396.38
13000 · Furniture and Equipment	

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 Cash Basis

Balboa Management Group, LLC
Balance Sheet
 As of December 31, 2015

	Dec 31, 15
13035 · Bike Rack	425.03
13031 · Aluminum Bleacher	2,924.20
12002 · Vehicles	
12010 · 2015 Ford F-550	49,354.12
12011 · 2015 Ford F-150	53,613.96
Total 12002 · Vehicles	102,968.08
13010 · Sound System	2,855.97
13046 · Xerox Copier	1,344.52
12019 · Computers	
12020 · A/D	-7,890.00
12025 · Cost	41,096.77
12019 · Computers - Other	1,356.66
Total 12019 · Computers	34,563.43
13044 · Judges Stands	4,736.77
13023 · Traffic Cones	14,078.02
13001 · Hand Held Radios	3,008.43
13003 · Time Clock	2,861.88
13005 · Valet Podiums	2,458.11
13007 · WIFI Concession area	5,408.96
13009 · Concessions	
13013 · Audio/Visual	2,156.27
13016 · Kitchen Equipment	25,185.66
Total 13009 · Concessions	27,341.93
13018 · Office Furniture	4,581.69
13021 · Trailer - 12'	2,726.00
13025 · Field Netting	44,100.00
13028 · Samsung Digital Display	9,870.01
13030 · Trash Receptacles	9,611.05
13033 · Picnic Tables	31,992.72
13036 · Golf Cars	95,776.99
13039 · Storage Containers	8,631.90
13050 · Tentnology Tent	65,864.44
13055 · Field Equipment	300,763.81
Total 13000 · Furniture and Equipment	778,892.94
Total Fixed Assets	24,340,834.10
Other Assets	
14010 · Cash Change Bank	12,000.00
15000 · Capitalized Bond Expenses	
15005 · Original Issuance Discount	400,000.00
15010 · Underwriting	250,000.00
15015 · Bond Fees	50,000.00
15020 · Initial Fee	1,400.00
15025 · Trustee Fee	3,400.00
15035 · Title Services	48,221.00
15040 · Consulting	172,500.00
15045 · Legal	516,279.00
Total 15000 · Capitalized Bond Expenses	1,439,800.00
15099 · Security Deposit	
16010 · Mobile Kitchen	1,000.00
16015 · Construction Meter Deposit	1,165.00
16020 · AT & T Fiber	3,200.00
16025 · AT & T Temp T-1 Line	2,200.00
16030 · Securly Deposit - SJC Office	495.00
16035 · Workman's Comp	1,317.00
16045 · City of Norco	198,240.00
Total 15099 · Security Deposit	207,617.00

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 Cash Basis

Balboa Management Group, LLC
Balance Sheet
 As of December 31, 2015

	Dec 31, 15
Total Other Assets	1,659,417.00
TOTAL ASSETS	30,097,856.61
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
18000 · Accounts Payable	1,074,630.41
Total Accounts Payable	1,074,630.41
Credit Cards	
18999 · American Express	
20003 · RJB - Am Ex	146.84
Total 18999 · American Express	146.84
Total Credit Cards	146.84
Other Current Liabilities	
20535 · Workman's Comp Payable	11,477.49
20512 · Customer Deposits	50,500.00
20500 · Sales Tax Payable	1,262.89
24022 · N/P - Ness Electric Inc.	350,000.00
Total Other Current Liabilities	413,240.38
Total Current Liabilities	1,488,017.63
Long Term Liabilities	
24100 · N/P - Ford Credit 2015 F150	52,823.76
24105 · N/P - Ford Credit 2015 F550	49,043.61
24110 · N/P - Pitch84, LLC	2,000,000.00
24115 · N/P - RPM Capital	20,000,000.00
24120 · N/P - Juergen Kilnsman	2,000,000.00
24125 · N/P - Jennifer Martin	450,000.00
24130 · N/P - Jeffrey Martin	450,000.00
24135 · N/P - Norco Water/Sewer Bond	5,575,884.17
24140 · N/P - Valery Gergiev	500,000.00
24145 · N/P - RJ Brandes	
24147 · N/P for Belstarr	2,395,553.68
24149 · Exp pd for Blenheim Partners	-985.62
24151 · Exp pd for Balboa Mgmt Group	15,188.08
24153 · Exp pd for Balboa Mgmt Holdings	-814.15
24155 · Exp pd for Balfour Holdings	-995.64
24157 · Exp pd for Balmoral Mgmt	-388.05
24145 · N/P - RJ Brandes - Other	1,014,843.15
Total 24145 · N/P - RJ Brandes	3,422,401.45
24158 · N/P - Adrienne Brandes	174,000.00
Total Long Term Liabilities	34,674,152.99
Total Liabilities	36,162,170.62
Equity	
301001 · Members Equity	
31015 · RJ Brandes	
31020 · Belstarr Equity - Merged	
31030 · Transfer of Membership Interest	25,227.04
31035 · Share of Earnings/Losses - BSM	-775,397.04
31040 · Prior Period Adjustment	-446.00
31045 · Capital Contributions	750.00
31050 · Exp pd by RJB for BSM	17,747.31
31055 · Exp pd by BFM	182,317.60
31060 · Exp pd by BC	4,999.99

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Balboa Management Group, LLC
Balance Sheet
As of December 31, 2015

	Dec 31, 15
Total 31020 · Belstarr Equity - Merged	-544,801.10
31065 · Exp pd by BFM	3,119.41
31070 · Exp pd by Belstarr Sports Mgmt	-180,443.10
31075 · Exp pd by RJB	23,273.46
31080 · Share of Earnings/Losses	-1,491,350.36
Total 31015 · RJ Brandes	-2,190,201.69
Total 301001 · Members Equity	-2,190,201.69
32000 · Retained Earnings	-472,370.68
Net Income	-3,401,941.64
Total Equity	-6,064,514.01
TOTAL LIABILITIES & EQUITY	30,097,656.61

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 Cash Basis

Balboa Management Group, LLC
Profit & Loss
 January through December 2015

	Jan - Dec 15
Ordinary Income/Expense	
Income	
INCOME	
40025 · Sponsorship	3,000.00
40010 · Parking	383,921.55
40020 · Concessions	98,746.18
Total INCOME	485,667.73
SOCCER	
40030 · Field Rental	543,345.00
Total SOCCER	543,345.00
Total Income	1,029,012.73
Cost of Goods Sold	
EQUESTRIAN	
50011 · Jump Rental	2,268.00
Total EQUESTRIAN	2,268.00
CONCESSIONS	
50026 · Equipment Installation	600.00
50027 · Licenses & Permits	405.00
50010 · Dues & Subscriptions	926.76
50015 · Kitchen Supplies	10,075.40
50020 · Signage	1,800.63
50025 · Equipment Rental	136.00
50030 · Software - POS	2,884.90
50035 · Cost of Sales	
50037 · Ice	1,260.00
50038 · Food	54,956.52
Total 50035 · Cost of Sales	56,216.52
50040 · Concession Facility Supply	10,829.03
50045 · Salaries & Wages	
50046 · Manager - F & B	10,769.22
50047 · Cook	10,056.07
50048 · Concessions Cashier	24,961.53
50049 · Concessions Clerk	2,811.96
Total 50045 · Salaries & Wages	48,598.78
50050 · Mobile Kitchen Rent	22,972.00
Total CONCESSIONS	155,445.02
PARKING	
50100 · Supplies	1,590.39
50105 · Printing - Tickets	3,688.20
50110 · Salaries & Wages	
50115 · Parking Cashier	11,685.18
50120 · Parking Attendant	17,473.28
Total 50110 · Salaries & Wages	29,158.46
Total PARKING	34,437.05
Total COGS	192,150.07
Gross Profit	836,862.66
Expense	
PROPERTY MAINTENANCE	
60023 · Trash Removal	7,400.19
60047 · Outside Services	150.00
60022 · Refuse Service	3,460.99
60050 · Equipment	

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 Cash Basis

Balboa Management Group, LLC
Profit & Loss
 January through December 2015

	Jan - Dec 15
60062 · Lease - Forklift	8,284.50
60055 · Equipment Rental	72,812.33
60060 · Lease - RTV	2,255.96
Total 60050 · Equipment	83,352.79
60040 · Facility Supplies	5,236.09
60012 · Freight & Delivery	315.00
60065 · Fuel - Equipment	34,804.10
60045 · Landscape Maintenance	267,071.18
60010 · Paint	7,993.12
60025 · Rentals	
60032 · Rain for Rent	58,042.56
60030 · Temporary Fencing	61,926.34
60035 · Portable Toilets	32,576.59
Total 60025 · Rentals	152,545.49
60070 · Salaries & Wages	19,638.82
60043 · Security	14,776.48
60015 · Supplies	4,296.53
60075 · Utilities	
60077 · Electric	352.65
60076 · Water	415.28
Total 60075 · Utilities	767.93
Total PROPERTY MAINTENANCE	601,808.71
EVENT RELATED EXPENSES	
63020 · Rentals	
60327 · Equipment Rentals	53.37
60322 · Golf Carts	1,346.00
63021 · Jumpers	410.00
Total 63020 · Rentals	1,809.37
63000 · Supplies	103.00
63005 · Uniforms	3,903.12
63010 · Field Paint	13,035.82
63015 · Small Equipment-Tools	1,133.84
Total EVENT RELATED EXPENSES	19,984.95
GENERAL & ADMINISTRATIVE	
65029 · Bad Debt	20.00
65042 · Conference/Convention	524.00
65242 · Telephone - Data	1,490.94
65222 · Sanitation - Office	24.12
65005 · Accounting	4,350.00
65010 · Advertising and Promotion	5,350.00
65015 · Armored Car Service	568.31
65020 · Automobile Expense	
65021 · DMV Fees	1,487.50
65023 · Maintenance and Repairs	400.28
65025 · Auto Fuel	1,361.07
Total 65020 · Automobile Expense	3,248.85
65030 · Bank Service Charges	6,440.91
65035 · Business Licenses and Permits	1,769.00
65050 · Contributions	
65055 · Political - Non Deductible	250.00
Total 65050 · Contributions	250.00
65065 · Credit Card Processing Fees	2,466.20
65075 · Dues and Subscriptions	300.00
65082 · Entertainment	
60580 · Entertainment	6,765.03

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Balboa Management Group, LLC
Profit & Loss
 January through December 2015

	Jan - Dec 15
65083 · Holiday Party	700.35
65082 · Entertainment - Other	0.00
Total 65082 · Entertainment	7,465.38
65085 · Equipment Rental	900.00
65095 · Fees	28,438.38
65110 · Freight	1,378.62
65115 · Insurance Expense	
65116 · Insurance - Other	7,725.41
65117 · Automobile	5,270.28
65118 · General Liability/Excess	49,962.52
65119 · Workman's Comp	20,692.52
Total 65115 · Insurance Expense	83,650.73
65125 · Internet	584.84
65130 · Interest Expense	1,201,453.01
65135 · Legal	59,634.30
65140 · Licenses & Permits	842.00
65155 · Medical Expense - Employee	191.24
65160 · Office Expense	8,142.22
65165 · Office Supplies	18,835.23
65170 · Outside Services	2,197.75
65175 · Payroll Expenses	39,055.18
65180 · Postage and Delivery	803.53
65185 · Printing and Reproduction	2,183.54
65190 · Professional Fees	189.00
65195 · Promotional	6,116.37
65200 · Rent	
65000 · Rent - SL Parking Lot	108,625.68
65201 · Office Rental - Modular	27,284.64
65203 · Rent - City of Norco SL	297,360.00
65206 · Rent - Office	10,387.01
Total 65200 · Rent	443,657.33
65210 · Repairs and Maintenance	2,057.30
65215 · Salaries	
65217 · Wages	340,651.42
Total 65215 · Salaries	340,651.42
65230 · Service Charges	14.98
65235 · Signage	12,832.40
65240 · Telephone Expense	1,261.78
65245 · Telephone - Cell	928.71
65250 · Taxes	
65251 · Property	205,202.33
65253 · Penalties	8,363.49
65255 · State	
65257 · DE	300.00
65259 · CA	800.00
Total 65255 · State	1,100.00
Total 65250 · Taxes	214,665.82
65265 · Travel	
65266 · Mileage	1,063.44
65269 · Parking/Tolls	51.09
65270 · Lodging	170.64
65271 · Airfare	775.40
Total 65265 · Travel	2,060.57
65280 · Utilities	3,117.51
Total GENERAL & ADMINISTRATIVE	2,508,111.47

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Cash Basis

Balboa Management Group, LLC
Profit & Loss
January through December 2015

	Jan - Dec 15
Total Expense	3,129,905.13
Net Ordinary Income	-2,293,042.47
Other Income/Expense	
Other Income	
90010 · Other Income	-1,110,690.00
90000 · Interest Income	1,790.83
Total Other Income	-1,108,899.17
Net Other Income	-1,108,899.17
Net Income	-3,401,941.64

Balboa Management Group, LLC
Balance Sheet
As of December 31, 2014

	Dec 31, 14
ASSETS	
Current Assets	
Checking/Savings	
Checking CNB - 3745	5,955.00
Citibank - LC 10663	351,488.00
Citibank - 10622	125.00
Total Checking/Savings	357,568.00
Total Current Assets	357,568.00
Fixed Assets	
Computers	
A/D	-7,890.00
Cost	9,161.72
Total Computers	1,271.72
SILVERLAKES	
Architectural Consulting	520,585.00
Blue Prints	8,560.00
City Fees	38,454.60
Construction Consulting	50,000.00
Consulting - Fodor	14,000.00
Consulting - Jaeger	13,800.47
Consulting - Kosmont	189,302.73
Consulting - Paomas	409,858.25
Engineering	588,566.84
Environmental Consultant	209,500.00
Equipment Rental	33,975.87
Fees & Permits	87,878.31
General Contractor	
Work Package 3RR	474,497.11
Earthwork Package	4,363,516.84
Total General Contractor	4,838,004.05
Landscape Design	85,445.37
Legal Fees	338,665.89
Models	7,646.54
Reprographics/Printing	130.15
Subcontractors	
Utilities	95,324.41
Construction Materials	14,841.22
Well Construction	20,984.00
Electrical	40,000.00
Subcontractors - Other	619,304.04
Total Subcontractors	790,253.67
Synthetic Fields	448,500.00
Total SILVERLAKES	8,639,955.68
Total Fixed Assets	8,641,227.40
Other Assets	
Security Deposit	
Facility Deposit - Balstarr	25,000.00
City of Norco	188,340.00
Total Security Deposit	213,340.00
Total Other Assets	213,340.00
TOTAL ASSETS	9,222,036.39
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	

Balboa Management Group, LLC
Balance Sheet
As of December 31, 2014

	Dec 31, 14
Accounts Payable	
Accounts Payable	1,002,734.92
Total Accounts Payable	1,002,734.92
Other Current Liabilities	
Retention - Near Col	253.74
N/P - Ness Electric Inc.	350,000.00
Total Other Current Liabilities	350,253.74
Total Current Liabilities	1,353,088.66
Long Term Liabilities	
N/P - Jennifer Martin	450,000.00
N/P - Jeffrey Martin	460,000.00
N/P - Norco Water/Sewer Bond	5,575,864.17
N/P - Valery Gergiev	500,000.00
N/P - RJ Brandes	
NP for Belstarr	2,395,553.68
Exp pd for Blonheim Partners	-985.62
Exp pd for Balboa Mgmt Group	-1,873.90
Exp pd for Balboa Mgmt Holdings	-814.15
Exp pd for Balfour Holdings	-925.64
Exp pd for Balmoral Mgmt	-388.05
N/P - RJ Brandes - Other	886,343.15
Total N/P - RJ Brandes	3,375,839.47
N/P - Adrienne Brandes	174,050.00
Total Long Term Liabilities	10,928,723.04
Total Liabilities	11,879,812.30
Equity	
Members Equity	
RJ Brandes	
Belstarr Equity - Merged	
Transfer of Membership Interest	25,227.04
Share of Earnings/Losses - BSM	-775,397.04
Prior Period Adjustment	448.00
Capital Contributions	750.00
Exp pd by RJB for BSM	17,747.31
Exp pd by BFM	-182,317.60
Exp pd by BC	4,999.89
Total Belstarr Equity - Merged	-544,801.10
Exp pd by BFM	3,118.41
Exp pd by Belstarr Sports Mgmt	-180,443.10
Exp pd by RJB	23,377.46
Share of Earnings/Losses	-1,491,350.38
Total RJ Brandes	-2,190,097.69
Total Members Equity	-2,190,097.69
Net Income	-467,678.22
Total Equity	-2,657,775.91
TOTAL LIABILITIES & EQUITY	0,222,036.39

Balboa Management Group, LLC
Profit & Loss
 January through December 2014

	<u>Jan - Dec 14</u>
Ordinary Income/Expense	
Expense	
GENERAL & ADMINISTRATIVE	
Fees	189.00
Filing Fees	20.00
Maintenance & Repairs	7,600.00
Outside Services	950.00
Accounting	27,660.00
Bank Service Charges	4,266.00
Entertainment	
Catering	92.58
Entertainment - Other	831.08
Total Entertainment	<u>923.66</u>
Insurance Expense	
General Liability/Excess	13,106.08
Total Insurance Expense	<u>13,106.08</u>
Office Expense	198.60
Office Supplies	83.13
Postage and Delivery	131.06
Printing and Reproduction	147.58
Rent Expense	395,480.00
Taxes	
Property	12,838.38
Penalties	1,363.64
State	
DE	250.00
CA	500.00
Total State	<u>1,050.00</u>
Total Taxes	<u>18,050.00</u>
Total GENERAL & ADMINISTRATIVE	<u>468,205.07</u>
Total Expense	<u>468,205.07</u>
Net Ordinary Income	-468,205.07
Other Income/Expense	
Other Income	
Interest Income	528.85
Total Other Income	<u>528.85</u>
Net Other Income	<u>528.85</u>
Net Income	<u><u>-467,676.22</u></u>

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APPENDIX A-3

PRO FORMAS

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SILVERLAKES PROFORMA

	2016	2017	2018	2019	2020
REVENUE					
Direct Revenue					
Weekend Field Sports	\$ 4,500,604	\$ 4,950,664	\$ 5,693,264	\$ 6,547,253	\$ 7,529,341
Back Yard Club	\$ 600,000	\$ 2,400,000	\$ 2,760,000	\$ 3,174,000	\$ 3,650,100
Concerts	\$ 2,599,000	\$ 5,198,000	\$ 5,977,700	\$ 6,874,355	\$ 7,905,508
Total Direct Revenue	\$ 7,699,604	\$ 12,548,664	\$ 14,430,964	\$ 16,595,608	\$ 19,084,950
Ancillary Revenue					
Restaurant	\$ 492,000	\$ 1,968,000	\$ 2,263,200	\$ 2,602,680	\$ 2,993,082
Food Vendors	\$ 32,400	\$ 129,600	\$ 149,040	\$ 171,396	\$ 197,105
Catering Private Parties	\$ 73,750	\$ 295,000	\$ 339,250	\$ 390,138	\$ 448,658
Sponsorship	\$ 200,000	\$ 400,000	\$ 600,000	\$ 800,000	\$ 1,000,000
Vendors	\$ 10,000	\$ 50,000	\$ 57,500	\$ 66,125	\$ 76,044
Retail	\$ 78,750	\$ 101,250	\$ 116,438	\$ 133,903	\$ 153,989
Equestrian	\$ -	\$ 82,250	\$ 94,588	\$ 108,776	\$ 125,092
Weekday Night Rental Field Sports	\$ 240,000	\$ 480,000	\$ 552,000	\$ 634,800	\$ 730,020
Total Ancillary Revenue	\$ 1,126,900	\$ 3,506,100	\$ 4,172,015	\$ 4,907,817	\$ 5,723,990
TOTAL REVENUE	\$ 8,826,504	\$ 16,054,764	\$ 18,602,979	\$ 21,503,426	\$ 24,808,939
<i>Y-o-Y Growth %</i>	<i>n/a</i>	<i>81.9%</i>	<i>15.9%</i>	<i>15.6%</i>	<i>15.4%</i>
COST OF SALES					
Back Yard Club	\$ 384,000	\$ 1,240,000	\$ 1,426,000	\$ 1,639,900	\$ 1,885,885
Concerts	\$ 2,137,000	\$ 3,198,000	\$ 3,677,700	\$ 4,229,355	\$ 4,863,758
Restaurant	\$ 359,160	\$ 1,436,640	\$ 1,652,136	\$ 1,899,956	\$ 2,184,950
Food Vendors	\$ -	\$ -	\$ -	\$ -	\$ -
Catering Private Parties	\$ 14,750	\$ 59,000	\$ 67,850	\$ 78,028	\$ 89,732
Sponsorship	\$ 50,000	\$ 100,000	\$ 115,000	\$ 132,250	\$ 152,088
Vendors	\$ -	\$ -	\$ -	\$ -	\$ -
Retail	\$ -	\$ -	\$ -	\$ -	\$ -
Equestrian	\$ -	\$ 61,750	\$ 71,013	\$ 81,664	\$ 93,914
Total Cost of Sales	\$ 2,944,910	\$ 6,095,390	\$ 7,009,699	\$ 8,061,153	\$ 9,270,326
GROSS MARGIN	\$ 5,881,594	\$ 9,959,374	\$ 11,593,280	\$ 13,442,272	\$ 15,538,613
<i>Gross Margin %</i>	<i>66.6%</i>	<i>62.0%</i>	<i>62.3%</i>	<i>62.5%</i>	<i>62.6%</i>
OVERHEAD COSTS					
Bond Payment Costs (Series 2015) - Interest	\$ 2,400,000	\$ 2,377,200	\$ 2,351,400	\$ 2,322,600	\$ 2,290,200
Bond Payment Costs (Series 2015)- Principal	\$ 190,000	\$ 215,000	\$ 240,000	\$ 270,000	\$ 300,000
Bond Payment Costs (Series 2016) - Interest	\$ -	\$ 328,868	\$ 501,500	\$ 501,500	\$ 501,500
Bond Payment Costs (Series 2016)- Principal	\$ -	\$ -	\$ -	\$ -	\$ -
City of Norco Bond Costs (\$6,000,000)	\$ 200,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Operating Overhead	\$ 3,000,000	\$ 4,000,000	\$ 4,600,000	\$ 5,290,000	\$ 6,083,500
Total Operating Expenses	\$ 5,790,000	\$ 7,321,068	\$ 8,092,900	\$ 8,784,100	\$ 9,575,200
NET INCOME	\$ 91,594	\$ 2,638,306	\$ 3,500,380	\$ 4,658,172	\$ 5,963,413
<i>Net Margin %</i>	<i>1.0%</i>	<i>16.4%</i>	<i>18.8%</i>	<i>21.7%</i>	<i>24.0%</i>

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APPENDIX A-4

FACILITY USE LICENSE AGREEMENTS

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SILVERLAKES

PO Box 609 | San Juan Capistrano, California 92693

FACILITY USE LICENSE AGREEMENT

This Facility Use License Agreement (the "Agreement") is made as of the date set forth below by and between **Balboa Management Group, LLC**, a Delaware limited liability company ("BMG"), and **Southern California Developmental Soccer League, Inc.**, a California corporation ("SCDSL").¹ BMG and SCDSL may collectively be referred to in this Agreement as the "Parties," or individually as a "Party."

RECITALS

- A. BMG maintains exclusive authority over and control of the real property located in Norco, California known as the SilverLakes Equestrian and Sports Park² ("SilverLakes")³.
- B. SCDSL is dedicated to the development and growth of soccer players involved in competitive clubs.
- C. BMG wishes to permit SCDSL to utilize a certain number of its soccer fields at SilverLakes (the "Fields") for the purpose of hosting soccer tournaments/games pursuant to the terms set forth below, and SCDSL wishes to utilize the Fields pursuant to the same.

NOW, THEREFORE, in consideration of the promises and mutual representations, warranties, and covenants which are to be made and performed by the Parties, the Parties hereby agree as follows:

AGREEMENT

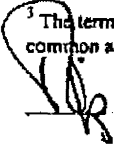
I. RECITALS

1.1. **Part of This Agreement.** The Parties acknowledge and agree to the accuracy of the Recitals set forth above and incorporate them into this Agreement by this reference.

¹ As used in this Agreement, when context dictates, the term "SCDSL" shall also include all participating soccer teams, players, invitees, staff, volunteers, participants, and/or spectators using the below-defined Fields and/or SilverLakes on below-defined Game Days

² APN Nos 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-11-7, and 152-070-002-9

³ The term "SilverLakes" shall include not only the below-defined Fields, but also the parking lot(s), restrooms, and other common areas utilized by SCDSL, players, participants, volunteers, coaches, staff, and/or spectators.



2. **LICENSE, NOT LEASE**

2.1. **No Lease.** This Agreement constitutes nothing more than a license permitting SCDSL's use of SilverLakes pursuant to the terms set forth below and in no way imparts any possessory rights to SCDSL which are not specifically enumerated in this Agreement. The Parties therefore acknowledge and agree that in no event shall either deem this Agreement to be a "lease" or "sublease." The Parties further acknowledge and agree that at all relevant times during the below-defined Term, BMG shall have the right to enforce all necessary rules and/or laws for the efficient operation of SilverLakes and the safety of the public, and therefore BMG reserves for itself the right to have its staff present at any time, and on any occasion, without any restrictions, for the purpose of enforcing such rules and/or laws.

3. **TERM**

3.1. **Term.** The term of this Agreement shall be seven (7) years and shall commence on September 12, 2015 (the "Initial Term").

3.2. **Renewal Term.** Unless BMG elects, in its sole discretion, to cease use of the Fields for soccer rental operation(s) upon the conclusion of the Initial Term, SCDSL shall have and maintain a right to renew this Agreement (the "Renewal Term"⁴) pursuant to the following:

3.2.1. **Right of First Refusal.** If, on or before October 12, 2021, BMG receives a bona fide offer from a third-party wishing to utilize a certain number of BMG's Fields for the purpose of renting them for soccer tournaments/games (the "Competitor Offer"), then SCDSL shall have a right of first refusal to enter into a Renewal Term with BMG upon terms and conditions at least as favorable as those contained in the Competitor Offer, except that SCDSL shall be entitled to a ten percent (10%) discount on the Competitor Offer. Upon receipt of such a Competitor Offer, BMG shall submit to SCDSL a copy of the Competitor Offer in its original form for SCDSL's review. SCDSL shall have ten (10) business days from the date of its receipt of the Competitor Offer to notify BMG in writing of its election to enter into a Renewal Term pursuant to this provision of the Agreement (the "Review Period"). If SCDSL notifies BMG during the Review Period that it wishes to extend this Agreement on terms no less favorable to BMG than those contained in the Competitor Offer (minus the ten percent (10%) discount), then BMG agrees to execute a renewed agreement with SCDSL upon such terms, including the above-referenced discount. However, if SCDSL does not notify BMG during the Review Period of its intent, or if SCDSL declines in writing to match the Competitor Offer, this Agreement shall automatically terminate upon expiration of the Initial Term.

⁴The Initial Term and/or the Renewal Term may be collectively or individually referred to elsewhere in this Agreement simply as the "Term."



3.2.2. **Market Rate.** If, on or before October 12, 2021, BMG has not received any Competitor Offers, and if SCDSL wishes to renew the Term of this Agreement, SCDSL shall be entitled to enter into an agreement for a Renewal Term at the then reasonable market rate for similarly situated facilities, less ten percent (10%).

3.2.3. **Mutual Consent.** If, on or before October 12, 2021, the Parties mutually agree to a Renewal Term vis-a-vis a written instrument executed by the Parties, then the Term of this Agreement shall be extended accordingly. However, should the Parties fail to mutually agree to extend the Initial Term of this Agreement, then this Agreement shall automatically terminate upon expiration of the Initial Term.

4. **FIELD SCHEDULE / USE**

4.1. **Use Schedule.** During the Term, SCDSL's use of SilverLakes shall be limited to between twenty two (22) and twenty four (24) weekend days between the weekend following Labor Day through and including the first weekend in December ("Game Day(s)").³ Likewise, at all times during the Term, SCDSL's use of SilverLakes shall be limited to those specified Game Days set forth in the below-referenced Exhibit "A."

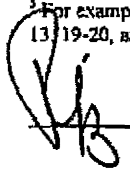
4.2. **Fields.** For each Game Day during the Term, BMG shall make available to SCDSL twenty (20) Fields, to be selected in BMG's sole discretion. On each Game Day, BMG shall, at its own expense, ensure that each Field contains: (i) regulation goals, including nets; (ii) Field lines; (iii) team benches; and (iv) corner flags.

4.2.1. **Use Capacity.** SCDSL shall take all reasonable steps to ensure that on each Game Day, all twenty (20) Fields are being utilized at or near capacity. Notwithstanding any other provisions in this Agreement, SCDSL's failure to abide by this provision in particular shall permit BMG, in its sole discretion, to terminate this Agreement with fourteen (14) days' written notice.

4.3. **Scheduled Game Days.** On or before May 15 of each year during the Term, SCDSL shall present BMG with a written Game Days Schedule for that particular year. Each Game Days Schedule, respectively, shall be attached to and incorporated into this Agreement as Exhibit "A," and shall contain substantially the following information: (i) "move-in" period; (ii) Field use hours; and (iii) "move-out" period.

4.4. **Day Games.** Although SCDSL shall have access to the Fields on Game Days only between the hours of 6:00am and dusk, local ordinances prohibit the commencement of any games, practices, scrimmages, or drills prior to 7:00am. Consequently, SCDSL shall ensure that Field use on Game Days between 6:00am and 7:00am is limited to set-

³ For example, in 2015 this would entitle SCDSL to utilize the Fields for a maximum of 24 of the following days: September 12-13, 19-20, and 26-27; October 3-4, 10-11, 17-18, 24-25, and 31; November 1, 7-8, 14-15, 21-22, and 28-29; and December 5-6



up only. In the event that BMG provides prior written approval to SCDSL to extend one or more Game Days beyond dusk, SCDSL shall utilize only those Fields which are sufficiently lit, and only until the completion time specifically set forth in the written approval from BMG.

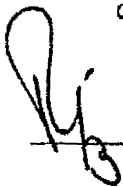
4.5. **Field Conditions.** Although BMG will exercise reasonable discretion in determining whether to permit play on one or more Fields during Game Days, BMG's primary concern must always be the players, participants, and spectators. Consequently, in the event of inclement weather or any dangerous condition, BMG reserves for itself the exclusive right to prohibit SCDSL's use of one or more Fields on any given Game Day. For each such day of prohibited use during the Term, BMG shall offer SCDSL a make-up day. The Parties will work in good faith to schedule such make-up day(s) as soon as reasonably practicable. In the event that SCDSL cannot reasonably facilitate such make up days, for each such day of SCDSL's non-use of the Fields, SCDSL shall receive a credit on the license fees owed the following year. If such lost days occur during the seventh (7th) year of the Initial Term, and if the Parties do not enter into a Renewal Term, then BMG shall tender to SCDSL the sum paid by SCDSL for the lost days.

4.6. **Clean Up.** SCDSL shall ensure at the end of each Game Day that all the Fields are free from debris, trash, team/player equipment, or any other property belonging to SCDSL. SCDSL shall reimburse BMG for any expenses incurred in repairing the Field(s), or in cleaning up any debris, equipment, or personal property left on the Fields, parking lots, and other common areas following Game Days. Likewise, BMG may dispose, as its sees fit, any equipment or personal property left on the Fields, parking lots, or other common areas after the Game Day. BMG does not intend this provision to require SCDSL to empty trash cans or provide routine maintenance/cleanup of the Field(s), parking lots, and other common areas.

4.7. **Damage.** Except for normal wear and tear, or for damage caused directly by BMG, SCDSL shall be solely responsible for (and shall reimburse BMG for repairing) any damage to SilverLakes resulting from or arising out of SCDSL's use of SilverLakes. The Parties acknowledge and agree that SCDSL shall be liable for any damage to SilverLakes caused by SCDSL discovered during, or immediately following, a Game Day.

4.7.1. **In the Event of Damage.** If SCDSL becomes aware of a dangerous condition on any of the Fields, either prior to or following SCDSL's use of the Fields on any Game Day, SCDSL shall immediately notify BMG, and SCDSL shall prohibit any use of such Field(s) until the dangerous condition has been remedied.

4.8. **Safety.** SCDSL shall have sole responsibility for the safety of its players, staff, participants, and spectators, including the responsibility for providing adequate adult supervision, clearing the Fields in the event of any dangerous conditions (including any defects in a Field), lightening, or other potentially dangerous weather conditions.



4.9. **Compliance with Applicable Laws.** At all relevant times, SCDSL shall comply with all applicable local, state, and federal laws, rules and regulations in connection with its use of SilverLakes, including without limitation, all applicable employment laws, as well as those related to obtaining any requisite permits, licenses, hours of use, and background checks.

4.10. **Compliance with BMG's Rules & Restrictions.** SCDSL shall provide all participating teams with a copy of BMG's rules and restrictions (the "Rules and Restrictions"), which in BMG's reasonable discretion, may be amended from time to time. SCDSL shall take all reasonable steps to ensure that SCDSL's participating soccer teams, players, invitees, staff, volunteers, participants, and/or spectators abide by the Rules and Restrictions.

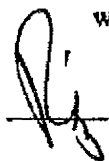
5. **PARKING, FOOD, RETAIL & VENDORS**

5.1. **Parking/Entrance Fee.** On each Game Day, BMG may, in its sole discretion, charge *all* entrants a commercially reasonable parking/entrance fee in an amount to be determined by BMG. BMG shall be solely responsible for providing the necessary staff to collect the parking/entrance fees. BMG shall have the exclusive right to control its parking facilities, and SCDSL shall have no right to share in any of the parking/entrance revenue generated and/or collected by BMG on the Game Days.

5.2. **Concessionary Services.** BMG reserves and retains the exclusive right to provide for the sale of food and drink at SilverLakes. BMG may, in its sole discretion, provide such concessionary services (the "Concessionary Services") on each Game Day. BMG shall have sole discretion in the selection and pricing of the Concessionary Services available on the Game Days, and SCDSL shall have no right to share in any of the revenue generated from the Concessionary Services offered by BMG, if any. BMG shall, at all relevant times, comply with applicable health laws with respect to its Concessionary Services.

5.2.1. **No Outside Food/Drink.** With the exception of water, BMG prohibits the consumption of *any* food (including nuts and seeds) and beverages not purchased at SilverLakes anywhere on the SilverLakes property, including on any of the Fields, the common areas, or the parking lot. SCDSL acknowledges and agrees to notify all Game Day participants of BMG's "no outside food and drink" rule and to make commercially reasonable efforts to aid BMG's enforcement of the rule. This rule shall remain in full force and effect even if BMG elects not to offer Concessionary Services on one or more Game Days.

5.3. **Retail Sales.** Except as set forth below, BMG reserves and retains the exclusive right to provide for the sale of any retail products at SilverLakes on the Game Days, and SCDSL shall have no right to share in any of the revenue generated from such sales. SCDSL shall not engage in the sale of any merchandise or permit any vendors, sales, or solicitations at SilverLakes during the Game Days without BMG's prior written consent, which may be withheld by BMG in its sole discretion.



5.3.1. Existing Inventory Exception. Notwithstanding the foregoing, between September of 2015 and December 31, 2015, SCDSL may sell, at SilverLakes, its existing inventory and keep 100% of the revenue generated from such sales.

5.4. Other Vendors. Except as set forth specifically below, BMG reserves and retains the exclusive right to provide all other services of which SCDSL may wish to avail itself on Game Days, including without limitation, tenting, tables/chairs, golf carts, portable toilets (i.e. porta potties), etc.

6. ADVERTISERS, SPONSORS & HANDOUTS

6.1. Advertisers & Sponsors. BMG reserves and retains the exclusive right to select, contract with, and/or engage with sponsors, promoters, and advertisers (collectively, "Sponsors") at SilverLakes. Notwithstanding the foregoing, upon BMG's prior written consent, SCDSL may select, contract with, and/or engage Game Day Sponsors unless such Sponsors conflict with or are in direct competition with any of SilverLakes' Sponsors.


6.2. Handouts & Signage. Likewise, unless SCDSL obtains BMG's prior written consent, which may be withheld in BMG's sole discretion, BMG shall have the exclusive right to post signage, erect product displays, and/or print and distribute handouts on the Game Days.

7. DEPOSIT AND LICENSING FEE

7.1. Deposit. Within thirty (30) calendar days of the Parties' full execution of this Agreement, SCDSL shall tender to BMG a onetime, refundable deposit of \$25,000.00 (the "Deposit"). BMG may utilize all or any portion of the Deposit as is reasonably necessary, in BMG's sole discretion, to, without limitation: (i) cure SCDSL's default in payment of any of the license fees required under this Agreement; (ii) repair damage to SilverLakes caused by SCDSL or any of its participating soccer teams, players, invitees, staff, volunteers, participants, and/or spectators; and/or (iii) to clean or restore SilverLakes following SCDSL's use. In the event that BMG utilizes any portion of the Deposit pursuant to this provision, SCDSL shall have five (5) calendar days to replenish the Deposit (or any portion thereof). BMG shall hold the Deposit in an account of its choice and may freely commingle the Deposit with BMG's other funds. SCDSL shall not be entitled to any interest earned as a result of the Deposit.

7.2. License Fee(s). In addition to the foregoing Deposit, SCDSL shall tender to BMG the amounts on the dates set forth below (the "License Fee(s)") for SCDSL's licensing and use of SilverLakes during the Term:

7.2.1. Year 1: \$15,000.00 per Game Day, payable in full on or before August 15, 2015.



- 7.2.2. Year 2: \$15,000.00 per Game Day, payable in full on or before August 15, 2016.
- 7.2.3. Year 3: \$15,750.00 per Game Day, payable in full on or before August 15, 2017.
- 7.2.4. Year 4: \$15,750.00 per Game Day, payable in full on or before August 15, 2018.
- 7.2.5. Year 5: \$16,537.00 per Game Day, payable in full on or before August 15, 2019.
- 7.2.6. Year 6: \$16,537.00 per Game Day, payable in full on or before August 15, 2020.
- 7.2.7. Year 7: \$7,500.00 per Game Day, payable in full on or before August 15, 2021.

8. **CONDITION OF FIELDS**

8.1. **As Is**. While BMG will take all reasonable steps to ensure that SilverLakes, including the Fields, is maintained in a safe and operable condition, SCDSL expressly acknowledges and agrees that it shall be ultimately responsible for ensuring that on each Game Day, the Fields are safe for use. SCDSL further acknowledges and agrees that SilverLakes, and the Fields in particular, are acceptable as is and are sufficient for the purpose of hosting/playing soccer tournaments/games.

9. **INSURANCE & RELEASE FORMS**

9.1. **Insurance**. For the entire Term of this Agreement, SCDSL shall obtain and keep in full force and effect, one or more policies of commercial general liability insurance for the coverage(s) and subject to the limits set forth in Exhibit "A," which is incorporated by this reference into this Agreement. SCDSL's policy(es) shall name BMG, as well as its officers, managers, employees, members, representatives, and agents, and the City of Norco, California, as additional insureds. The policy(ies) shall each be for at least \$1,000,000.00 per occurrence, provided that the policy(ies) is/are secondary to those policy(ies) covering SCDSL by Cal South, which shall be primary, and which shall provide at least an additional \$2,000,000.00 of coverage per occurrence. In addition to the foregoing, the Parties further agree as follows:

9.1.1. **Waiver of Subrogation**. Unless explicitly prohibited by SCDSL's policy(ies), SCDSL's policy(ies) shall contain a waiver of subrogation against BMG, or any of BMG's officers, managers, employees, members, representatives, and agents, and the City of Norco, California, for losses arising out of this Agreement, including SCDSL's use of the Fields.



9.1.2. **Primary and Non-Contributory.** The policy(ies) naming BMG (and its officers, managers, etc.) and the City of Norco as additional insureds shall be primary and non-contributing as to any other insurance policy(ies) that BMG may carry.

9.1.3. **Certificate of Insurance.** SCDSL shall deliver to BMG a policy declaration page prior to its use of the Fields in 2015, and thereafter upon written request by BMG.

9.1.4. **Immediate Termination.** SCDSL's failure to maintain or provide evidence of its insurance policy(ies) required under this Agreement shall, in BMG's sole discretion, result BMG's immediate termination of this Agreement and/or refusal to permit SCDSL to utilize SilverLakes. In the event SCDSL tendered any refundable deposits to secure its license rights under this Agreement, termination under this, or any other provision of this Agreement, shall render such deposits non-refundable.

10. **INDEMNITY**

10.1. **SCDSL's Indemnification of BMG.** SCDSL expressly agrees to defend, protect, indemnify, and hold BMG harmless, along with its members, attorneys, managers, employees, and agents, from and against any losses, claims, demands, causes of action, damages, costs, expenses (including attorneys' fees), awards, judgment, and/or liabilities arising out of, in connection with, or on account of the use of SilverLakes, including the Fields, by SCDSL. Such indemnity by SCDSL shall extend to and include, without limitation, the following: (i) any failure by SCDSL to abide by its obligations under this Agreement; (ii) any accident, injury, or death to a person, or damage to personal property, resulting from or arising out of SCDSL's use of the Fields; (iii) any negligent, wrongful, and/or illegal conduct committed by SCDSL; (iv) claims by SCDSL's contractors, subcontractors, vendors (whether approved or not pursuant to the terms of this Agreement), consultants, and/or suppliers; and (v) property damage or damage to the Fields, parking lot(s), or any portion of SilverLakes caused by SCDSL. SCDSL further acknowledges and agrees that its defense obligations under this provision of the Agreement shall exist regardless of whether BMG or SCDSL is ultimately found liable for such damages or losses. Finally, in the event that SCDSL's insurance carrier(s) fail(s) to defend BMG against one or more claims arising from SCDSL's presence at SilverLakes, including SCDSL's use of the Fields on Game Days, SCDSL acknowledges and agrees that BMG shall have the right, in its sole discretion, to opt to retain the services of its own counsel, at SCDSL's expense, to defend itself from any covered claims, provided, however, that SCDSL shall not be responsible for attorneys' fees in excess of the rates customarily charged by BMG's counsel and actually paid by BMG. This indemnity provision shall remain in effect without regard to time, and notwithstanding whether SCDSL is or was ever in compliance with the insurance requirements set forth above.



11. **BREACH**

11.1. **Notice to Cure.** Unless otherwise stated elsewhere in this Agreement, upon a breach of this Agreement by SCDSI., BMG may terminate this Agreement and refuse SCDSL access to SilverLakes upon SCDSL's failure to cure such breach within three (3) days of receiving notice of the breach. The Parties acknowledge and agree that a breach by SCDSL shall not relive SCDSL of any liability or obligation regarding money owed to BMG. Finally, SCDSI. acknowledges and agrees that in the event of BMG's termination of this Agreement following a breach by SCDSL, any sums paid to BMG, whether as characterized as deposits or otherwise, shall constitute reasonable liquidated damages for the breach(es) and may be retained by BMG.

12. **GENERAL PROVISIONS**

12.1. **Notices.** All notices required under this Agreement shall be in writing and shall be delivered via certified mail, return receipt requested, at the addresses set forth below (or at any subsequent address supplied by either of the Parties) or by overnight delivery via a reputable delivery service, *as well as* via any one of the following means: (i) via facsimile; (ii) via electronic mail; or (iii) personal delivery. Notices to the Parties shall be delivered to the following addresses:

BMG

Rebecca Ross
PO Box 609
San Juan Capistrano, CA 92693
Email: bross@silverlakespark.com
With copy to: mkushner@kushnercarlson.com

SCDSL

23071 La Palma Ave.
Yorba Linda, CA 92887
Email: _____

12.2. **Requisite Authority.** The individuals executing this Agreement on behalf of their respective entities each have the requisite authority to bind the Parties to the terms of this Agreement, and each individual, on his/her own behalf and on behalf of the Parties they represent, further represents and warrants that the execution and delivery of this Agreement and/or performance of the Parties' respective obligations do not conflict with, violate, result in a breach of, result in a termination or cancellation of, or constitute a default in or under any other agreement to which either is party or by which they or any of their assets may be bound.



12.3. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties concerning the subject matter set forth in this Agreement, and supersedes all previous agreements, either written or oral concerning this subject matter. The Parties acknowledge that no Party has made any representations, warranties, agreements, or covenants which are not expressly set forth herein. This Agreement may only be amended or modified by a written instrument executed by the Parties.

12.4. **Waiver.** No breach of any provisions in this Agreement can be waived unless done so in writing and signed by the Parties to be charged. Waiver of any one provision of this Agreement shall not be deemed to be a waiver of any other provision, and waiver of any one provision shall not constitute an ongoing waiver of that provision.

12.5. **Headings.** The section headings which appear throughout this Agreement are provided for convenience only and are not intended to define or limit the scope of this Agreement or the intent or subject matter of its provisions.

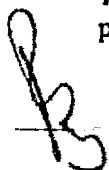
12.6. **No Assignment.** Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by SCDSL without BMG's prior written consent, which may be withheld in BMG's sole discretion. Any such assignment without such prior written consent shall be null and void. Subject to the foregoing, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and assigns.

12.7. **Counsel.** The Parties each have separate counsel and/or professional representation of their own choosing, or they acknowledge that they had the opportunity to seek such counsel and representation and opted not to do so. The Parties acknowledge that they speak, understand, read, and write English well enough to fully comprehend the terms of this Agreement, and that they are sophisticated in the type of transaction contemplated in this Agreement. Consequently, the Parties acknowledge and agree that in executing this Agreement, they did so voluntarily and with full knowledge of its legal significance.

12.8. **Interpretation / Arm's Length.** This Agreement has been entered into at arm's length and between persons/entities who had the terms of the Agreement specifically explained to them. Accordingly, any rule of law or legal decision that would require interpretation of this Agreement against the drafter, including without limitation, California Civil Code §1654, is not applicable and is irrevocably and unconditionally waived.

12.9. **Applicable Law / Jurisdiction and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, with venue in the County of Orange.

12.10. **Severability.** Each provision of this Agreement is severable from the other provisions. If, for any reason, any provision of this Agreement is declared invalid or



contrary to existing law, the inoperability of that provision shall have no effect on the remaining provisions of this Agreement, which shall continue in full force and effect to the fullest extent permitted by law.

12.11. **Attorney's Fees.** If any legal action is brought to enforce and/or interpret this Agreement, whether sounding in contract or tort, the prevailing party shall be entitled to recover its actual attorneys fees and costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

12.12. **No Joint Venture.** Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between the Parties.

12.13. **No Third-Party Beneficiary.** Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any Persons other than the Parties and their permitted respective successors and permitted assigns. No provision of this Agreement shall give any third-parties any right of subrogation or action over or against the Parties.

12.14. **Expenses.** Except as specifically set forth in this Agreement, all fees, expenses, and costs incurred in connection with this Agreement shall be paid by the Party incurring such fees, expenses, and costs.

12.15. **Counterparts.** This Agreement may be executed in counterparts, any of which may be executed and transmitted electronically, each of which shall be deemed an original, and all of which shall, when taken together, constitute a single document.

IN WITNESS WHEREOF, the Parties, and their respective members and/or managers, shareholders and/or directors, have executed this Agreement, effective as of the date set forth below.

Balboa Management Group, LLC

Southern California Developmental Soccer League, Inc.

Dated: 7/18/15
By [Signature]
RJ Brandes, Managing Member

Dated: _____
By _____
Printed Name _____
Its _____

[Signature]

contrary to existing law, the inoperability of that provision shall have no effect on the remaining provisions of this Agreement, which shall continue in full force and effect to the fullest extent permitted by law.

12.11. **Attorney's Fees.** If any legal action is brought to enforce and/or interpret this Agreement, whether sounding in contract or tort, the prevailing party shall be entitled to recover its actual attorneys fees and costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

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IN WITNESS WHEREOF, the Parties, and their respective members and/or managers, shareholders and/or directors, have executed this Agreement, effective as of the date set forth below.

Balboa Management Group, LLC

Southern California Developmental Soccer League, Inc.

Dated: _____

Dated: 7/10/2015

By _____
RJ Brandes, Managing Member

By [Signature]

Printed Name HOWARD FINIK

Its VICE PRESIDENT

[Signature]

FACILITY USE LICENSE AGREEMENT

This Facility Use License Agreement (the “Agreement”) is made as of the date set forth below by and between **Balboa Management Group, LLC**, a Delaware limited liability company (“**BMG**”), and **California State Soccer Association-South (Cal South), Inc.**, a California corporation (“**Cal South**”).¹ BMG and Cal South may collectively be referred to in this Agreement as the “Parties,” or individually as a “Party.”

RECITALS

- A. BMG maintains exclusive authority over and control of the real property located in Norco, California known as the SilverLakes Equestrian and Sports Park² (“SilverLakes”)³.
- B. Cal South is dedicated to the development and growth of soccer players involved in recreational and competitive clubs.
- C. BMG wishes to permit Cal South to utilize a certain number of its soccer fields at SilverLakes (the “Fields”) for the purpose of hosting soccer tournaments/games pursuant to the terms set forth below, and Cal South wishes to utilize the Fields pursuant to the same.

NOW, THEREFORE, in consideration of the promises and mutual representations, warranties, and covenants which are to be made and performed by the Parties, the Parties hereby agree as follows:

AGREEMENT

1. RECITALS

1.1. **Part of This Agreement.** The Parties acknowledge and agree to the accuracy of the Recitals set forth above and incorporate them into this Agreement by this reference.

¹ As used in this Agreement, when context dictates, the term “Cal South” shall also include all participating soccer teams, players, invitees, staff, volunteers, participants, and/or spectators using the below-defined Fields and/or SilverLakes on below-defined Game Days.

² APN Nos. 152-060-004-0; 152-060-011-6; 152-070-001-8; 152-070-11-7; and 152-070-002-9.

³ The term “SilverLakes” shall include not only the below-defined Fields, but also the parking lot(s), restrooms, and other common areas utilized by Cal South, players, participants, volunteers, coaches, staff, and/or spectators.

_____ / _____

2. **LICENSE, NOT LEASE**

2.1. **No Lease.** This Agreement constitutes nothing more than a license permitting Cal South's use of SilverLakes pursuant to the terms set forth below and in no way imparts any possessory rights to Cal South which are not specifically enumerated in this Agreement. The Parties therefore acknowledge and agree that in no event shall either deem this Agreement to be a "lease" or "sublease." The Parties further acknowledge and agree that at all relevant times during the below-defined Term, BMG shall have the right to enforce all necessary rules and/or laws for the efficient operation of SilverLakes and the safety of the public, and therefore BMG reserves for itself the right to have its staff present at any time, and on any occasion, without any restrictions, for the purpose of enforcing such rules and/or laws.

3. **TERM**

3.1. **Term.** The term of this Agreement shall be seven (7) years and shall commence on January 1, 2016 (and terminate in May of 2022) (the "Initial Term").

3.2. **Renewal Term.** Unless BMG elects, in its sole discretion, to cease use of the Fields for soccer rental operation(s) upon the conclusion of the Initial Term, Cal South shall have and maintain a right to renew this Agreement (the "Renewal Term"⁴) if either of the following two circumstances occur:

3.2.1. **Right of First Refusal.** If, on or before June 1, 2022, BMG receives a bona fide offer from a third-party wishing to utilize a certain number of BMG's Fields for the purpose of renting them for soccer tournaments/games (the "Competitor Offer"), then Cal South shall have a right of first refusal to enter into a Renewal Term with BMG upon terms and conditions at least as favorable as those contained in the Competitor Offer, except that Cal South shall be entitled to a ten percent (10%) discount on the Competitor Offer. Upon receipt of such a Competitor Offer, BMG shall submit to Cal South a copy of the Competitor Offer in its original form for Cal South's review. Cal South shall have ten (10) business days from the date of its receipt of the Competitor Offer to notify BMG in writing of its election to enter into a Renewal Term pursuant to this provision of the Agreement (the "Review Period"). If Cal South notifies BMG during the Review Period that it wishes to extend this Agreement on terms no less favorable to BMG than those contained in the Competitor Offer (minus the ten percent (10%) discount), then BMG agrees to execute a renewed agreement with Cal South upon such terms, including the above-referenced discount. However, if Cal South does not notify BMG during the Review Period of its intent, or if Cal South declines in writing to match the Competitor Offer, this Agreement shall automatically terminate upon expiration of the Initial Term.

⁴ The Initial Term and/or the Renewal Term may be collectively or individually referred to elsewhere in this Agreement simply as the "Term."

3.2.2. **Market Rate.** If, on or before June 1, 2022, BMG has not received any Competitor Offers, and if Cal South wishes to renew the Term of this Agreement, Cal South shall be entitled to enter into an agreement for a Renewal Term at the then reasonable market rate for similarly situated facilities, less ten percent (10%).

3.2.3. **Mutual Consent.** If, on or before June 1, 2022, the Parties mutually agree to a Renewal Term vis-a-vis a written instrument executed by the Parties, then the Term of this Agreement shall be extended accordingly. However, should the Parties fail to mutually agree to extend the Initial Term of this Agreement, then this Agreement shall automatically terminate upon expiration of the Initial Term.

4. **FIELD SCHEDULE / GAME DAY(S) USE**

4.1. **Use Schedule.** During the Term, Cal South's use of SilverLakes shall be limited to thirteen (13) weekend days, to be divided into two (2) blocks between January and May ("Game Day(s)"). While Cal South shall commit to eleven (11) weekends of play during this time period, Cal South may, at its option, utilize SilverLakes for the above-referenced thirteen (13) weekends. Cal South shall inform BMG on or before October 1st of each year regarding whether it wants the Fields for the guaranteed eleven (11) weekends, or for up to thirteen (13) weekends. For 2016, the first block of weekend days shall occur between the weekends of January 23-24 and March 5-6, while the second block of weekend days shall occur between the weekends of April 2-3 and May 21-22. At all times during the Term, Cal South's use of SilverLakes shall be limited to the above-referenced Game Days, as well as those specified in the below-referenced Exhibit "A."

4.2. **Fields.** For each Game Day during the Term, BMG shall make available to Cal South twenty four (24) Fields, to be selected in BMG's sole discretion. On each Game Day, BMG shall, at its own expense, ensure that each Field contains: (i) regulation goals, including nets; (ii) Field lines; (iii) team benches; and (iv) corner flags.

4.2.1. **Use Capacity.** Cal South shall take all reasonable steps to ensure that on each Game Day, all Fields are being utilized at or near capacity.

4.3. **Golf Carts.** For all Game Days, BMG shall provide Cal South with the use of nine (9) golf carts at no charge to Cal South.

4.4. **Scheduled Game Days.** With the exception of the first year, on or before October 1st of each year during the Term, Cal South shall present BMG with a written schedule of Game Days for the following year. Each such schedule, respectively, shall be attached to and incorporated into this Agreement as Exhibit "A," and shall contain substantially the following information: (i) "move-in" period; (ii) Field use hours; and (iii) "move-out" period.

4.5. **Day Games.** Although Cal South, as well as its participating soccer teams, players, invitees, staff, volunteers, participants, and/or spectators, shall have access to the

Fields on Game Days only between the hours of 6:00am and dusk, local ordinances prohibit the commencement of any games, practices, scrimmages, or drills prior to 7:00am. Consequently, Cal South shall ensure that Field use on Game Days between 6:00am and 7:00am is limited to set-up only. In the event that BMG provides prior written approval to Cal South to extend one or more Game Days beyond dusk, Cal South shall utilize only those Fields which are sufficiently lit, and only until the completion time specifically set forth in the written approval from BMG.

4.6. **Cal South Merchandise.** During all Game Days, Cal South shall be permitted to sell Cal South “National” and/or “State Cup” t-shirts, hoodies, caps, beanies, scarfs, and/or sweatshirts (collectively, “Cal South Merchandise”⁵) pursuant to the following:

4.6.1. **Location.** BMG, at its sole discretion, shall reasonably determine the location (including the size of the location) where Cal South may sell its Cal South Merchandise within “Vendor Village” at SilverLakes.

4.6.2. **Costs.** Cal South shall bear all costs related to the sale of Cal South Merchandise at SilverLakes, including without limitation, credit card processing fees, sales taxes, staffing, manufacturing, packaging, marketing, and distribution.

4.6.3. **Profits.** Cal South shall be entitled to all profits arising from the sale of the Cal South Merchandise at SilverLakes.

4.7. **Field Conditions.** Although BMG will exercise reasonable discretion in determining whether to permit play on one or more Fields during Game Days, BMG’s primary concern must always be the players, participants, and spectators. Consequently, in the event of inclement weather or any dangerous condition, BMG reserves for itself the exclusive right to prohibit Cal South’s use of one or more Fields on any given Game Day. For each such day of prohibited use during the Term, BMG shall offer Cal South a make-up day. The Parties will work in good faith to schedule such make-up day(s) as soon as reasonably practicable. In the event that Cal South cannot reasonably facilitate such make up days, for each such day of Cal South’s non-use of the Fields, Cal South shall receive a credit on the license fees owed the following year. If such lost days occur during the seventh (7th) year of the Initial Term, and if the Parties do not enter into a Renewal Term, then BMG shall tender to Cal South the sum paid by Cal South for the lost days.

4.8. **Clean Up.** Cal South shall ensure at the end of each Game Day that all the Fields are free from debris, trash, team/player equipment, or any other property belonging to Cal South. Other than normal wear and tear, Cal South shall reimburse BMG for any expenses incurred in repairing the Field(s), or in cleaning up any debris, sports equipment, or personal property left on the Fields, parking lots, and other common areas

⁵ In the event that Cal South wishes to include additional Cal South National or State Cup items (e.g., keychains, mugs, flags, etc.), Cal South shall submit a written request to BMG. BMG may, in its reasonable discretion, permit or refuse Cal South’s request, and BMG may impose reasonable restrictions if such permission is granted. If BMG approves Cal South’s request, such items shall be deemed Cal South Merchandise for as long as such sales are permitted by BMG.

following Game Days. Likewise, BMG may dispose, as its sees fit, any such sports equipment or personal property left on the Fields, parking lots, or other common areas after the Game Day. BMG does not intend this provision to require Cal South to empty trash cans or provide routine maintenance/cleanup of the Field(s), bathrooms, parking lots, and other common areas.

4.9. **Damage.** Except for normal wear and tear, or for damage caused directly by BMG, Cal South shall be solely responsible for (and shall reimburse BMG for repairing) any damage to SilverLakes resulting from or arising out of Cal South's use of SilverLakes. The Parties acknowledge and agree that Cal South shall be liable for any damage to SilverLakes caused by Cal South discovered during, or following, a Game Day provided that SilverLakes notifies Cal South, in writing, of such damage within five (5) days following Cal South's previous use of the Field(s).

4.9.1. **In the Event of Damage.** If Cal South becomes aware of a dangerous condition on any of the Fields, either prior to or following Cal South's use of the Fields on any Game Day, Cal South shall immediately notify BMG, and Cal South shall prohibit any use of such Field(s) until the dangerous condition has been remedied.

4.10. **Safety.** Cal South shall have sole responsibility for the safety of its players, staff, participants, and spectators, including the responsibility for providing adequate adult supervision, clearing the Fields in the event of any dangerous conditions (including any defects in a Field), lightening, or other potentially dangerous weather conditions.

4.11. **Compliance with Applicable Laws.** At all relevant times, Cal South shall comply with all applicable local, state, and federal laws, rules and regulations in connection with its use of SilverLakes, including without limitation, all applicable employment laws, as well as those related to obtaining any requisite permits, licenses, hours of use, and background checks.

4.12. **Compliance with BMG's Rules & Restrictions.** Cal South shall provide all participating teams with a copy of BMG's rules and restrictions (the "Rules and Restrictions"), which in BMG's reasonable discretion, may be amended from time to time. Cal South shall take all reasonable steps to ensure that Cal South's participating soccer teams, players, invitees, staff, volunteers, participants, and/or spectators abide by the Rules and Restrictions.

5. **PARKING, FOOD, RETAIL & VENDORS**

5.1. **Parking/Entrance Fee.** On each Game Day, BMG may, in its sole discretion, charge *all* entrants a commercially reasonable parking/entrance fee in an amount to be determined by BMG. BMG shall be solely responsible for providing the necessary staff to collect the parking/entrance fees. BMG shall have the exclusive right to control its parking facilities, and Cal South shall have no right to share in any of the parking/entrance revenue generated and/or collected by BMG on the Game Days.

5.1.1. **Preferred Parking/Entrance Fee Lists**. Notwithstanding the foregoing, for each Game Day, Cal South shall have the right to name twenty five (25) individuals to a “Preferred Parking/Entrance List,” all of whom shall have the right to park at and/or enter SilverLakes at no charge.

5.1.2. **Offsite Parking**. In addition to the individuals listed on the Preferred Parking/Entrance List, Cal South shall also have the right to name an additional fifty (50) individuals to an Offsite Parking Lot, each of whom shall have the right to park at the Offsite Parking Lot at no charge to them. BMG shall determine the location of the Offsite Parking Lot and shall be solely responsible for any related fees for use of the Offsite Parking Lot.

5.2. **Concessionary Services**. BMG reserves and retains the exclusive right to provide for the sale of food and drink at SilverLakes. BMG may, in its sole discretion, provide such concessionary services (the “Concessionary Services”) on each Game Day. BMG shall have sole discretion in the selection and pricing of the Concessionary Services available on the Game Days, and Cal South shall have no right to share in any of the revenue generated from the Concessionary Services offered by BMG, if any. BMG shall, at all relevant times, comply with applicable health laws with respect to its Concessionary Services.

5.2.1. **No Outside Food/Drink**. All outside food and drinks, other than water or Gatorade type drinks or energy bars intended for personal use by players, are prohibited at SilverLakes. Cal South acknowledges and agrees to notify all Game Day participants of BMG’s “no outside food and drink” rule.

5.3. **Retail Sales**. Subject to ¶4.6, BMG reserves and retains the exclusive right to provide for the sale of any retail products at SilverLakes on the Game Days, and Cal South shall have no right to share in any of the revenue generated from such sales.

5.4. **Tents/Pop Ups**. On all Game Days, BMG shall erect, at its own expense, and upon Cal South’s behalf, up to seventy three (73) tents and pop-ups previously provided by Cal South. In addition, BMG shall provide Cal South with sufficient space to store a forty foot (40ft) container for the purpose of storing Cal South’s equipment during the Term. Cal South shall be responsible for all costs and expenses related to the container, including its purchase.

5.5. **Other Vendors**. BMG reserves and retains the exclusive right to provide all other services which Cal South may wish to avail itself on Game Days, including without limitation, tenting, tables/chairs, golf carts, portable toilets (i.e. porta potties), etc. (“Vendor Services”). Cal South shall have no right to share in any of the revenue generated from such Vendor Services.

6. **ADVERTISERS, SPONSORS & HANDOUTS**

6.1. **Advertisers & Sponsors.** BMG reserves and retains the exclusive right to select, contract with, and/or engage with sponsors, promoters, and advertisers (collectively, "Sponsors") at SilverLakes. Notwithstanding the foregoing, upon BMG's prior written consent and in its sole discretion, Cal South may select, contract with, and/or engage Game Day Sponsors.

6.2. **Handouts & Signage.** Likewise, unless Cal South obtains BMG's prior written consent, which may be withheld in BMG's sole discretion, BMG shall have the exclusive right to post signage, erect product displays, and/or print and distribute handouts on the Game Days.

7. **DEPOSIT AND LICENSING FEE**

7.1. **Deposit.** Within thirty (30) calendar days of the Parties' full execution of this Agreement, Cal South shall tender to BMG a onetime, refundable deposit of \$25,000.00 (the "Deposit"). BMG may utilize all or any portion of the Deposit as is reasonably necessary, in BMG's sole discretion, to, without limitation: (i) cure Cal South's default in payment of any of the license fees required under this Agreement; (ii) repair damage to SilverLakes caused by Cal South or any of its participating soccer teams, players, invitees, staff, volunteers, participants, and/or spectators; and/or (iii) to clean or restore SilverLakes following Cal South's use. In the event that BMG utilizes any portion of the Deposit pursuant to this provision, Cal South shall have ten (10) calendar days to replenish the Deposit (or any portion thereof). BMG shall hold the Deposit in an account of its choice and may freely commingle the Deposit with BMG's other funds. Cal South shall not be entitled to any interest earned as a result of the Deposit.

7.2. **License Fee(s).** In addition to the foregoing Deposit, Cal South shall tender to BMG the amounts on the dates set forth below (the "License Fee(s)") for Cal South's licensing and use of SilverLakes during the Term. For purposes of this Agreement, the per day License Fees shall commence in the first year at \$16,195.00, and shall increase annually per the following schedule:

7.2.1. **Year 1 (2016):** \$356,290.00⁶, fifty percent (50%) of which Cal South shall pay on or before November 1, 2015, with the remaining balance to be paid on or before January 15, 2016. This sum will increase on a per day basis in the event that Cal South elects to utilize the extra dates referenced above.

7.2.2. **Year 2 (2017):** \$356,290.00, fifty percent (50%) of which Cal South shall pay on or before November 1, 2016, with the remaining balance to be paid on or before January 15, 2017. This sum will increase on a per day basis in the event that Cal South elects to utilize the extra dates referenced above.

⁶ These amounts may increase if, by October 1st, Cal South has elected to utilize the extra dates referenced above.

7.2.3. **Year 3 (2018)**: \$374,104.00, fifty percent (50%) of which Cal South shall pay on or before November 1, 2017, with the remaining balance to be paid on or before January 15, 2018. This sum will increase on a per day basis in the event that Cal South elects to utilize the extra dates referenced above.

7.2.4. **Year 4 (2019)**: \$374,104.00, fifty percent (50%) of which Cal South shall pay on or before November 1, 2018, with the remaining balance to be paid on or before January 15, 2019. This sum will increase on a per day basis in the event that Cal South elects to utilize the extra dates referenced above.

7.2.5. **Year 5 (2020)**: \$392,809.00, fifty percent (50%) of which Cal South shall pay on or before November 1, 2019, with the remaining balance to be paid on or before January 15, 2020. This sum will increase on a per day basis in the event that Cal South elects to utilize the extra dates referenced above.

7.2.6. **Year 6 (2021)**: \$220,000.00, fifty percent (50%) of which Cal South shall pay on or before November 1, 2020, with the remaining balance to be paid on or before January 15, 2021. This sum will increase on a per day basis in the event that Cal South elects to utilize the extra dates referenced above.

7.2.7. **Year 7 (2022)**: \$392,809.00, fifty percent (50%) of which Cal South shall pay on or before November 1, 2021, with the remaining balance to be paid on or before January 15, 2022. This sum will increase on a per day basis in the event that Cal South elects to utilize the extra dates referenced above.

8. **CONDITION OF FIELDS**

8.1. **As Is**. While BMG will take all reasonable steps to ensure that SilverLakes, including the Fields, is well maintained and is safe for play, Cal South expressly acknowledges and agrees that it shall be ultimately responsible for ensuring that on each Game Day, the Fields are safe for use before permitting play to begin. In the event Cal South recognizes the existence of a dangerous condition prior to play on any given Game Day, Cal South shall notify Don Ebert of the condition, or if Mr. Ebert is unavailable, any other onsite BMG representative, and BMG shall take all reasonable steps to immediately remedy the dangerous condition.

9. **INSURANCE & RELEASE FORMS**

9.1. **Insurance**. For the entire Term of this Agreement, Cal South shall obtain and keep in full force and effect, one or more policies of commercial general liability insurance, including without limitation, public liability, broad form property damage, personal injury, broad form contractual liability, and automobile liability with a minimum of an A-, VII AM Best rated insurance company registered to do business in the State of California. Cal South's policy(es) shall name BMG, as well as its officers, managers, employees, members, representatives, and agents, and the City of Norco, California, as additional insureds. The policy(ies) shall each be for at least \$1,000,000.00 per

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occurrence and include a \$3,000,000.00 umbrella. In addition to the foregoing, the Parties further agree as follows:

9.1.1. **Waiver of Subrogation.** Cal South's general liability policy shall contain a waiver of subrogation against BMG, or any of BMG's officers, managers, employees, members, representatives, and agents, and the City of Norco, California, for bodily injury or property damage arising out of Cal South's negligent use of SilverLakes, including the Fields.

9.1.2. **Primary and Non-Contributory.** The policy(ies) naming BMG (and its officers, managers, etc.) and the City of Norco as additional insureds shall be primary and non-contributing as to any other insurance policy(ies) that BMG may carry.

9.1.3. **Certificate of Insurance.** Cal South shall deliver to BMG a Certificate of Insurance evidencing coverage prior to its use of the Fields in 2016, and thereafter upon written request by BMG.

9.1.4. **Immediate Termination.** Cal South's failure to maintain or provide evidence of its insurance policy(ies) required under this Agreement shall, in BMG's sole discretion, result BMG's immediate termination of this Agreement and/or refusal to permit Cal South to utilize SilverLakes. In the event Cal South tendered any refundable deposits to secure its license rights under this Agreement, termination under this, or any other provision of this Agreement, shall render such deposits non-refundable.

10. **INDEMNITY**

10.1. **Cal South's Indemnification of BMG.** Cal South expressly agrees to defend, protect, indemnify, and hold BMG harmless, along with its members, attorneys, managers, employees, and agents, from and against any losses, claims, demands, causes of action, damages, costs, expenses (including attorneys' fees), awards, judgment, and/or liabilities arising out of, in connection with, or on account of the use of SilverLakes, including the Fields, by Cal South. Such indemnity by Cal South shall extend to and include, without limitation, the following: (i) any failure by Cal South to abide by its obligations under this Agreement; (ii) any accident, injury, or death to a person, or damage to personal property, resulting from or arising out of Cal South's use of the Fields; (iii) any negligent, wrongful, and/or illegal conduct committed by Cal South; (iv) claims by Cal South's contractors, subcontractors, vendors (whether approved or not pursuant to the terms of this Agreement), consultants, and/or suppliers; and (v) property damage or damage to the Fields, parking lot(s), or any portion of SilverLakes caused by Cal South. Cal South further acknowledges and agrees that its defense obligations under this provision of the Agreement shall exist regardless of whether BMG or Cal South is ultimately found liable for such damages or losses. Finally, in the event that Cal South's insurance carrier(s) fail(s) to defend BMG against one or more claims arising from Cal South's presence at SilverLakes, including Cal South's use of the Fields on Game Days,

Cal South acknowledges and agrees that BMG shall have the right, in its sole discretion, to opt to retain the services of its own counsel, at Cal South's expense, to defend itself from any covered claims, provided, however, that Cal South shall not be responsible for attorneys' fees in excess of the rates customarily charged by BMG's counsel and actually paid by BMG. This indemnity provision shall remain in effect without regard to time, and notwithstanding whether Cal South is or was ever in compliance with the insurance requirements set forth above.

10.2. **BMG's Indemnification of Cal South.** BMG expressly agrees to defend, protect, indemnify, and hold Cal South harmless, along with its members, attorneys, managers, employees, and agents, from and against any losses, claims, demands, causes of action, damages, costs, expenses (including attorneys' fees), awards, judgment, and/or liabilities arising out of, in connection with, or on account of any of BMG's negligent, illegal, or wrongful conduct. BMG acknowledges and agrees that Cal South shall have the right, in its sole discretion, to opt to retain the services of its own counsel, at BMG's expense, to defend itself from any covered claims, provided, however, that BMG shall not be responsible for attorneys' fees in excess of the rates customarily charged by Cal South's counsel and actually paid by Cal South. This indemnity provision shall remain in effect without regard to time, and notwithstanding whether Cal South is or was ever in compliance with the insurance requirements set forth above.

11. **BREACH**

11.1. **Notice to Cure.** Unless otherwise stated elsewhere in this Agreement, upon a breach of this Agreement by Cal South, BMG may terminate this Agreement and refuse Cal South access to SilverLakes upon Cal South's failure to cure such breach within twenty one (21) days of receiving notice of the breach. The Parties acknowledge and agree that a breach by Cal South shall not relive Cal South of any liability or obligation regarding money owed to BMG. Finally, Cal South acknowledges and agrees that in the event of BMG's termination of this Agreement following a breach by Cal South, any sums paid to BMG, whether as characterized as deposits or otherwise, shall constitute reasonable liquidated damages for the breach(es) and may be retained by BMG.

12. **GENERAL PROVISIONS**

12.1. **Notices.** All notices required under this Agreement shall be in writing and shall be delivered via certified mail, return receipt requested, at the addresses set forth below (or at any subsequent address supplied by either of the Parties) or by overnight delivery via a reputable delivery service, *as well as* via any one of the following means: (i) via facsimile; (ii) via electronic mail; or (iii) personal delivery. Notices to the Parties shall be delivered to the following addresses:

_____ / _____

BMG

Michael Kushner, Esq.
Kushner Carlson, PC
85 Enterprise, Suite 310
Aliso Viejo, CA 92656
Fax (949) 421-3031
Email: *mkushner@kushnercarlson.com & lcarlson@kushnercarlson.com*
With copy to: *bross@silverlakespark.com*

Cal South

1029 S. Placentia Ave.
Fullerton, CA 92831
Email: _____

12.2. **Requisite Authority.** The individuals executing this Agreement on behalf of their respective entities each have the requisite authority to bind the Parties to the terms of this Agreement, and each individual, on his/her own behalf and on behalf of the Parties they represent, further represents and warrants that the execution and delivery of this Agreement and/or performance of the Parties' respective obligations do not conflict with, violate, result in a breach of, result in a termination or cancellation of, or constitute a default in or under any other agreement to which either is party or by which they or any of their assets may be bound.

12.3. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties concerning the subject matter set forth in this Agreement, and supersedes all previous agreements, either written or oral concerning this subject matter. The Parties acknowledge that no Party has made any representations, warranties, agreements, or covenants which are not expressly set forth herein. This Agreement may only be amended or modified by a written instrument executed by the Parties.

12.4. **Waiver.** No breach of any provisions in this Agreement can be waived unless done so in writing and signed by the Parties to be charged. Waiver of any one provision of this Agreement shall not be deemed to be a waiver of any other provision, and waiver of any one provision shall not constitute an ongoing waiver of that provision.

12.5. **Headings.** The section headings which appear throughout this Agreement are provided for convenience only and are not intended to define or limit the scope of this Agreement or the intent or subject matter of its provisions.

12.6. **No Assignment.** Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by Cal South without BMG's prior written consent, which may be withheld in BMG's sole discretion. Any such assignment without such prior

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written consent shall be null and void. Subject to the foregoing, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and assigns.

12.7. **Counsel**. The Parties each have separate counsel and/or professional representation of their own choosing, or they acknowledge that they had the opportunity to seek such counsel and representation and opted not to do so. The Parties acknowledge that they speak, understand, read, and write English well enough to fully comprehend the terms of this Agreement, and that they are sophisticated in the type of transaction contemplated in this Agreement. Consequently, the Parties acknowledge and agree that in executing this Agreement, they did so voluntarily and with full knowledge of its legal significance.

12.8. **Interpretation / Arms' Length**. This Agreement has been entered into at arms' length and between persons/entities who had the terms of the Agreement specifically explained to them. Accordingly, any rule of law or legal decision that would require interpretation of this Agreement against the drafter, including without limitation, California Civil Code §1654, is not applicable and is irrevocably and unconditionally waived.

12.9. **Applicable Law / Jurisdiction and Venue**. This Agreement shall be governed by and construed in accordance with the laws of the State of California, with venue in the County of Orange.

12.10. **Severability**. Each provision of this Agreement is severable from the other provisions. If, for any reason, any provision of this Agreement is declared invalid or contrary to existing law, the inoperability of that provision shall have no effect on the remaining provisions of this Agreement, which shall continue in full force and effect to the fullest extent permitted by law.

12.11. **Attorneys' Fees**. If any legal action is brought to enforce and/or interpret this Agreement, whether sounding in contract or tort, the prevailing party shall be entitled to recover its actual attorneys' fees and costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

12.12. **No Joint Venture**. Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between the Parties.

12.13. **No Third-Party Beneficiary**. Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any Persons other than the Parties and their permitted respective successors and permitted assigns. No provision of this Agreement shall give any third-parties any right of subrogation or action over or against the Parties.

12.14. **Expenses.** Except as specifically set forth in this Agreement, all fees, expenses, and costs incurred in connection with this Agreement shall be paid by the Party incurring such fees, expenses, and costs.

12.15. **Counterparts.** This Agreement may be executed in counterparts, any of which may be executed and transmitted electronically, each of which shall be deemed an original, and all of which shall, when taken together, constitute a single document.

IN WITNESS WHEREOF, the Parties, and their respective members and/or managers, shareholders and/or directors, have executed this Agreement, effective as of the date set forth below.

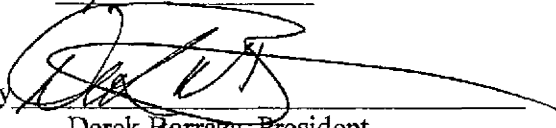
Balboa Management Group, LLC

**California State Soccer Association-South
(Cal South), Inc.**

Dated: _____

Dated: 9-4-2015

By _____
RJ Brandes, Managing Member

By 
Derek Barraza, President

Dated: _____

By _____
Johnnie Garza, CEO

_____ / _____

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Balboa Management Group, LLC

**California State Soccer Association-South
(Cal South), Inc.**


Dated: _____

Dated: _____

By _____
RJ Brandes, Managing Member

By _____
Derek Barraza, President

Dated: 09/04/15

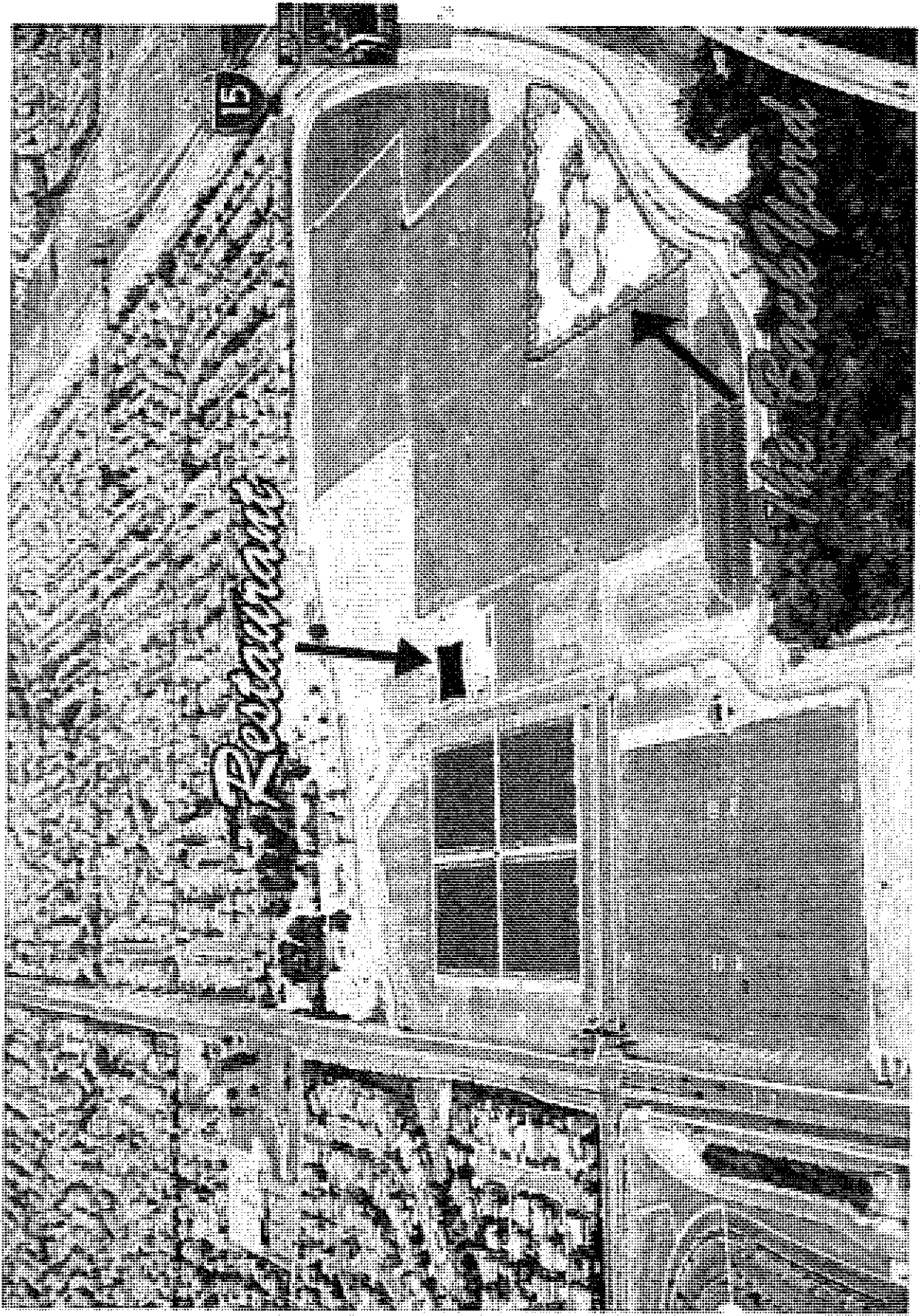
By 
Johnnie Garza, CEO

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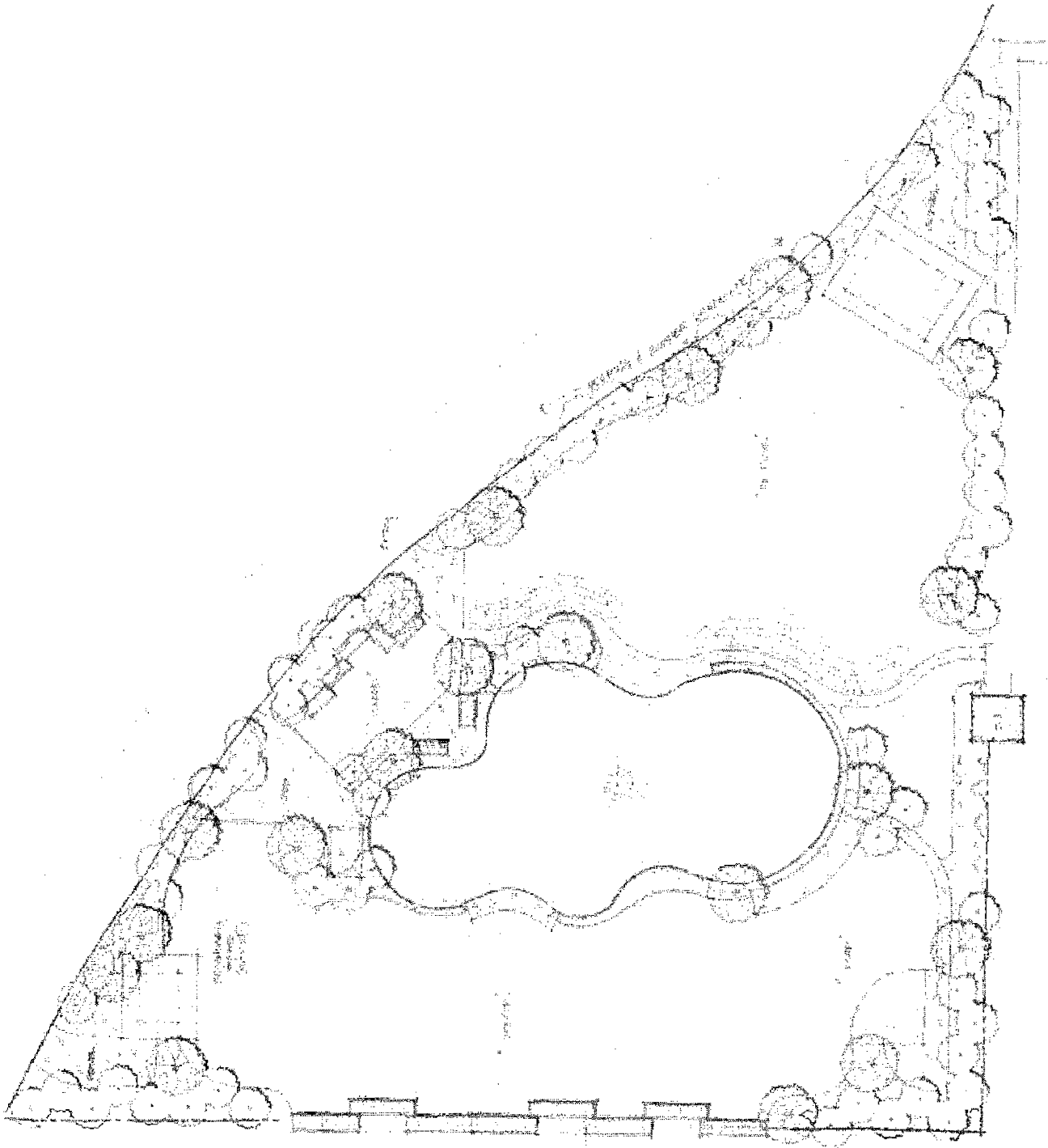
APPENDIX A-5

FACILITY DRAWINGS

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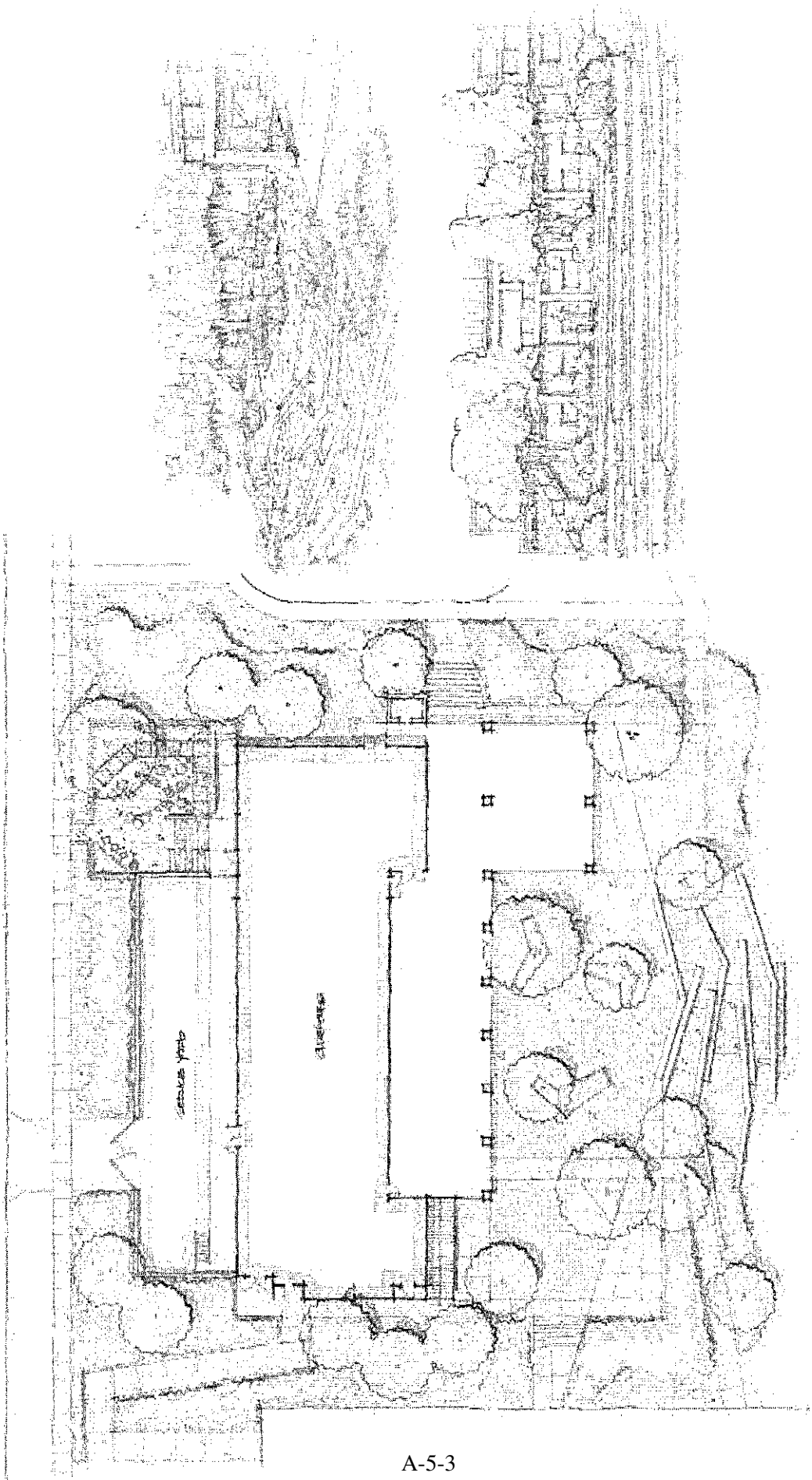


SILVERLAKES



April 22, 2016

Silver Lakes 'Backyard' Event Venue Concept



THE CLUB @ SILVER LAKE
SITES: 1 + 10 - 0

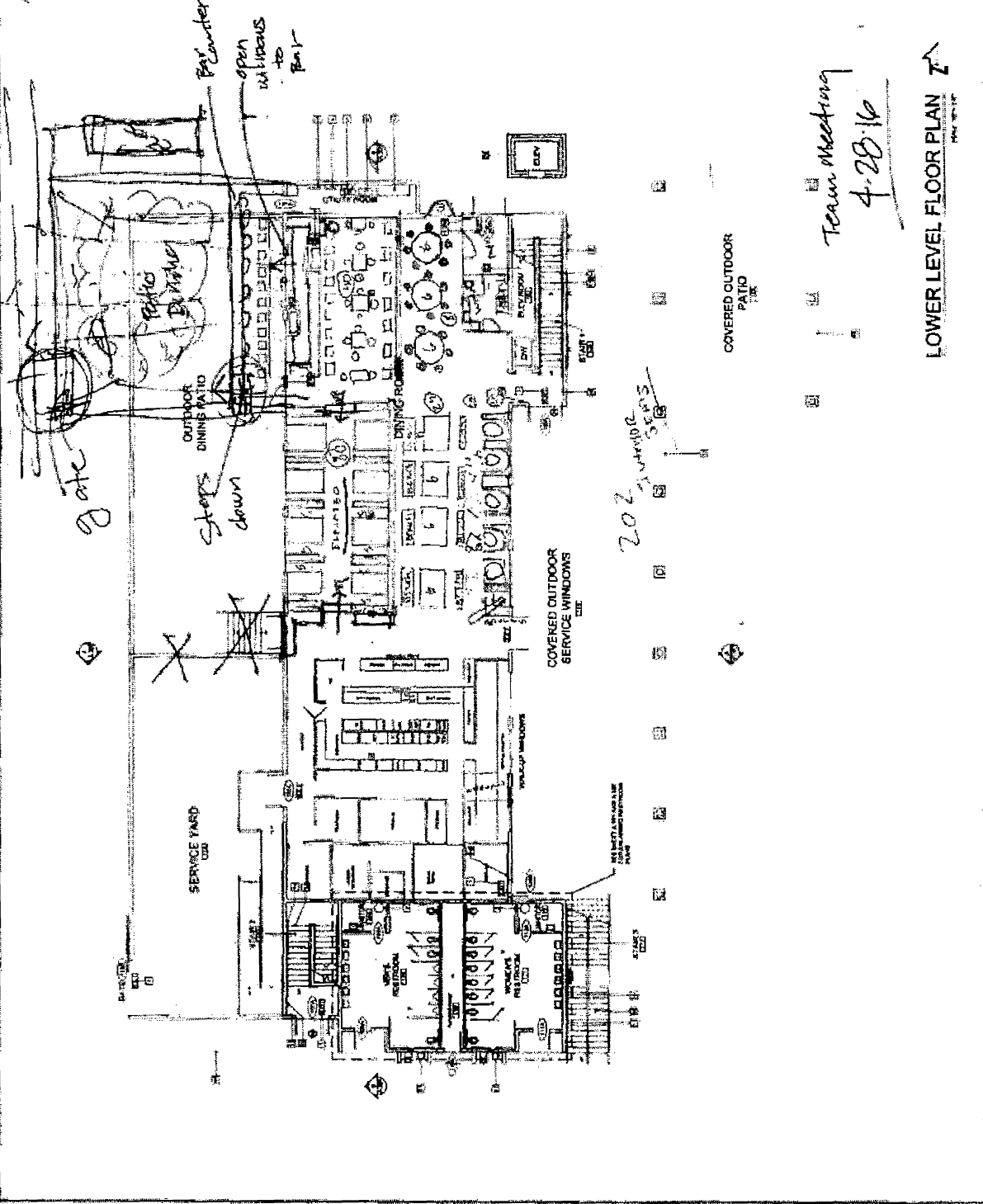
- KEYNOTES**
1. REFER TO ALL OTHER SHEETS FOR DIMENSIONS AND NOTES.
 2. ALL DIMENSIONS ARE IN FEET AND INCHES UNLESS OTHERWISE NOTED.
 3. ALL FINISHES ARE TO BE AS SHOWN ON SHEETS 101-102.
 4. ALL ELECTRICAL WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA ELECTRICAL CODE AND ALL CITY AND COUNTY ORDINANCES.
 5. ALL MECHANICAL WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA MECHANICAL CODE AND ALL CITY AND COUNTY ORDINANCES.
 6. ALL PLUMBING WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA PLUMBING CODE AND ALL CITY AND COUNTY ORDINANCES.
 7. ALL STRUCTURAL WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA STRUCTURAL CODE AND ALL CITY AND COUNTY ORDINANCES.
 8. ALL CONCRETE WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA CONCRETE CODE AND ALL CITY AND COUNTY ORDINANCES.
 9. ALL PAINT WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA PAINT CODE AND ALL CITY AND COUNTY ORDINANCES.
 10. ALL GLASS WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA GLASS CODE AND ALL CITY AND COUNTY ORDINANCES.
 11. ALL METAL WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA METAL CODE AND ALL CITY AND COUNTY ORDINANCES.
 12. ALL WOOD WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA WOOD CODE AND ALL CITY AND COUNTY ORDINANCES.
 13. ALL ROOFING WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA ROOFING CODE AND ALL CITY AND COUNTY ORDINANCES.
 14. ALL EXTERIOR FINISHES ARE TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA EXTERIOR FINISHES CODE AND ALL CITY AND COUNTY ORDINANCES.
 15. ALL INTERIOR FINISHES ARE TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA INTERIOR FINISHES CODE AND ALL CITY AND COUNTY ORDINANCES.
 16. ALL CEILING WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA CEILING CODE AND ALL CITY AND COUNTY ORDINANCES.
 17. ALL FLOORING WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA FLOORING CODE AND ALL CITY AND COUNTY ORDINANCES.
 18. ALL PARTITION WALLS ARE TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA PARTITION WALLS CODE AND ALL CITY AND COUNTY ORDINANCES.
 19. ALL DOOR AND WINDOW WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA DOOR AND WINDOW CODE AND ALL CITY AND COUNTY ORDINANCES.
 20. ALL STAIR WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA STAIR CODE AND ALL CITY AND COUNTY ORDINANCES.
 21. ALL ELEVATOR WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA ELEVATOR CODE AND ALL CITY AND COUNTY ORDINANCES.
 22. ALL RAMP WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA RAMP CODE AND ALL CITY AND COUNTY ORDINANCES.
 23. ALL SIGNAGE WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA SIGNAGE CODE AND ALL CITY AND COUNTY ORDINANCES.
 24. ALL SECURITY WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA SECURITY CODE AND ALL CITY AND COUNTY ORDINANCES.
 25. ALL ACCESSIBILITY WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA ACCESSIBILITY CODE AND ALL CITY AND COUNTY ORDINANCES.
 26. ALL ENERGY EFFICIENCY WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA ENERGY EFFICIENCY CODE AND ALL CITY AND COUNTY ORDINANCES.
 27. ALL SUSTAINABILITY WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA SUSTAINABILITY CODE AND ALL CITY AND COUNTY ORDINANCES.
 28. ALL HISTORIC PRESERVATION WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA HISTORIC PRESERVATION CODE AND ALL CITY AND COUNTY ORDINANCES.
 29. ALL ARCHITECTURAL WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA ARCHITECTURAL CODE AND ALL CITY AND COUNTY ORDINANCES.
 30. ALL OTHER WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA OTHER CODE AND ALL CITY AND COUNTY ORDINANCES.

- SYMBOL LEGEND**
- 1. SEE SHEET 101 - DOOR SCHEDULE
 - 2. SEE SHEET 102 - WINDOW SCHEDULE
 - 3. SEE SHEET 103 - FLOOR SCHEDULE
 - 4. SEE SHEET 104 - CEILING SCHEDULE
 - 5. SEE SHEET 105 - FINISH SCHEDULE
 - 6. SEE SHEET 106 - SIGNAGE SCHEDULE
 - 7. SEE SHEET 107 - SECURITY SCHEDULE
 - 8. SEE SHEET 108 - ACCESSIBILITY SCHEDULE
 - 9. SEE SHEET 109 - ENERGY EFFICIENCY SCHEDULE
 - 10. SEE SHEET 110 - SUSTAINABILITY SCHEDULE
 - 11. SEE SHEET 111 - HISTORIC PRESERVATION SCHEDULE
 - 12. SEE SHEET 112 - ARCHITECTURAL SCHEDULE
 - 13. SEE SHEET 113 - OTHER SCHEDULE

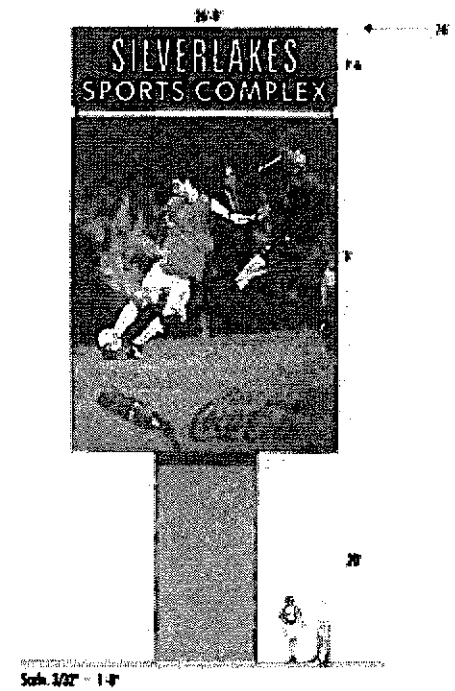
- GENERAL NOTES**
1. ALL WORK IS TO BE IN ACCORDANCE WITH THE 2014 CALIFORNIA BUILDING CODE AND ALL CITY AND COUNTY ORDINANCES.
 2. ALL MATERIALS AND METHODS ARE TO BE AS SHOWN ON THE DRAWINGS UNLESS OTHERWISE NOTED.
 3. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.
 4. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED BUDGET.
 5. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED QUALITY STANDARDS.
 6. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED SAFETY STANDARDS.
 7. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED ENVIRONMENTAL STANDARDS.
 8. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED ACCESSIBILITY STANDARDS.
 9. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED ENERGY EFFICIENCY STANDARDS.
 10. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED SUSTAINABILITY STANDARDS.
 11. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED HISTORIC PRESERVATION STANDARDS.
 12. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED ARCHITECTURAL STANDARDS.
 13. ALL WORK IS TO BE COMPLETED WITHIN THE SPECIFIED OTHER STANDARDS.

- THIR CONSTRUCTION NOTES**
1. SEE THE FOLLOWING SHEETS FOR CONSTRUCTION DETAILS.
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 30. SEE THE FOLLOWING SHEETS FOR CONSTRUCTION DETAILS.

- WALL LEGEND**
- 1. SEE SHEET 101 - WALL SCHEDULE
 - 2. SEE SHEET 102 - WALL SCHEDULE
 - 3. SEE SHEET 103 - WALL SCHEDULE
 - 4. SEE SHEET 104 - WALL SCHEDULE
 - 5. SEE SHEET 105 - WALL SCHEDULE
 - 6. SEE SHEET 106 - WALL SCHEDULE
 - 7. SEE SHEET 107 - WALL SCHEDULE
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 - 25. SEE SHEET 125 - WALL SCHEDULE
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 - 28. SEE SHEET 128 - WALL SCHEDULE
 - 29. SEE SHEET 129 - WALL SCHEDULE
 - 30. SEE SHEET 130 - WALL SCHEDULE



A-5-5



SILVERLAKES - NORCO, CA

FREEWAY PYLON DIGITAL DISPLAY 11-05-15

60 Rowland St. Covina, CA T 800 862 3202
3410 Wynn Rd. Las Vegas, NV 89116 F 800 862 3202



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APPENDIX B-1
FORM OF INDENTURE

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CALIFORNIA PUBLIC FINANCE AUTHORITY

and

WILMINGTON TRUST, N.A.,
as Trustee

INDENTURE

Dated as of May 1, 2016

\$5,900,000

CALIFORNIA PUBLIC FINANCE AUTHORITY
REVENUE BONDS (SILVERLAKES EQUESTRIAN & SPORTS PARK)
SERIES 2016 (TAXABLE)

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INDENTURE

THIS INDENTURE, dated as of May 1, 2016, between the CALIFORNIA PUBLIC FINANCE AUTHORITY, a joint exercise of powers authority and public entity duly organized under the laws of the State of California (the “Authority”), and WILMINGTON TRUST, N.A., a national banking association organized and existing under and by virtue of the laws of the United States of America, and being qualified to accept and administer the trusts hereby created (the “Trustee”);

WITNESSETH:

WHEREAS, certain property described in Exhibit A to the Loan Agreement, as defined herein (the “Property”), is subject to the Norco SilverLakes Ground Lease, dated July 6, 2011, as amended by a First Amendment to Ground Lease, dated as of January 21, 2015 (the “Ground Lease”) between the City of Norco, California (the “City”) and Balboa Management Group, LLC, a Delaware limited liability company (the “Borrower”);

WHEREAS, the City has approved the development of the Property into a project known as the “SilverLakes Equestrian & Sports Park” through a series of approvals, entitlements and agreements, including without limitation, the Ground Lease, a Development Agreement, dated July 6, 2011, between the City and the Borrower, as amended, and as modified by a Memorandum of Understanding Revising Performance Schedule, dated as of January 21, 2015, between the City and the Borrower, a Funding, Construction and Acquisition Agreement, dated July 6, 2011, between the City and the Borrower, the Norco SilverLakes Shared Use Agreement, dated July 6, 2011, between the City and the Borrower, a Conditional Use Permit No. 2008-09 approved on March 4, 2009 and Restated on July 6, 2011 and a Project Site Plan;

WHEREAS, the City and the Borrower intend that the project will be developed for park, recreational, sports, entertainment and open space purposes;

WHEREAS, pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Act”), Kings County and the Housing Authority of Kings County (the “Charter Members”) entered into a joint exercise of powers agreement (the “Joint Powers Agreement”) pursuant to which the Authority was organized;

WHEREAS, the Authority is authorized by its Agreement and under the Act to, among other things, issue bonds, notes or other evidences of indebtedness in connection with, and to make loans to assist in the financing of certain projects;

WHEREAS, the Borrower has applied for the financial assistance of the Authority in the financing of the construction, improvement, renovation and equipping (the “Project”) of the Borrower’s recreational and sport facilities (as more particularly defined herein, the “Facilities”) to be owned and operated by the Borrower and are located in the City of Norco, Riverside County, California; and

WHEREAS, the Authority has authorized the issuance of California Public Finance Authority Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2016 (Taxable) or similar designation in one or more series (the "Series 2016 Bonds"), in an aggregate principal amount of Five Million Nine Hundred Thousand Dollars (\$5,900,000.00) to finance the Project; and

WHEREAS, the Authority has duly entered into a loan agreement, dated as of May 1, 2016 with the Borrower specifying the terms and conditions of a loan by the Authority to the Borrower of the proceeds of the Bonds to provide for financing of the Project and of the payment by the Borrower to the Authority of amounts sufficient for the payment of the principal (or Redemption Price) of and interest on the Bonds and certain related expenses; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal (or Redemption Price) thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Bonds, and the Trustee's certificate of authentication and assignment to appear thereon, shall be in substantially the form attached hereto as Exhibit A, and incorporated into this Indenture by this reference, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal (or Redemption Price) of and interest on, all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS; INTERPRETATION

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any Supplemental Indenture

and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

Accountant

“Accountant” means any independent certified public accountant firm selected by the Borrower and acceptable to the Bondholder Representative.

Accredited Investor

“Accredited Investor” means an “accredited investor” as defined in Regulation D of the Securities Act of 1933.

Act

“Act” means the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

Act of Bankruptcy

“Act of Bankruptcy” means any of the following with respect to any Person: (a) the commencement by such Person of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such Person under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person’s assets shall be appointed in any proceeding brought against the Person or such Person’s assets; (e) assignment by such Person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

Additional Payments

“Additional Payments” means the payments so designated and required to be made by the Borrower pursuant to Section 4.2 of the Loan Agreement.

Additional Bonds

“Additional Bonds” shall mean parity bonds of the Authority authorized and executed pursuant to the Indenture and issued and delivered in accordance with Sections 2.11 and 2.12 hereof.

Administrative Fees and Expenses

“Administrative Fees and Expenses” means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee in connection with the Bonds, including Additional Payments.

Affiliate

“Affiliate” means a Person organized under the laws of the United States of America or a state thereof which is directly or indirectly controlled by the Borrower. For purposes of this definition, control means the power to direct the management and policies of a Person (i) through the ownership of at least a majority of its voting securities, (ii) through the right to designate or elect at least a majority of the members of its governing body or (iii) by contract or otherwise.

Aggregate Debt Service

“Aggregate Debt Service” means, as of any date of calculation and with respect to any period, the sum of amounts of Debt Service for all Long-Term Indebtedness existing as of such date of calculation.

Agreement or Loan Agreement

“Agreement” or “Loan Agreement” means that certain loan agreement between the Authority and the Borrower, dated as of May 1, 2016, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

Authority

“Authority” means the California Public Finance Authority, or its successors and assigns.

Authorized Denomination

“Authorized Denomination” means \$25,000 or any amount in excess thereof in even \$5,000 increments.

Authorized Representative

“Authorized Representative” means (i) with respect to the Borrower, its Manager or any other person designated as an Authorized Representative of the Borrower by a Statement of the Borrower signed by its Manager and filed with the Trustee, and (ii) with respect to the Authority, the Chairman of the Authority, the Secretary of the Authority, any Authorized Signatory of the Authority or any other person designated as an Authorized Representative of the Authority by a Statement of the Authority signed by its Chairman, Secretary or any Authorized Signatory of the Authority and filed with the Trustee.

Authorized Signatory

“Authorized Signatory” means any member of the Board of Directors of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

Beneficial Owner

“Beneficial Owner” means any Person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries).

Board

“Board” means the Manager of the Borrower as defined in the Limited Liability Company Amended and Restated Operating Agreement of the Borrower in effect as of the dated date hereof including, without limitation, as of the date hereof, Richard J. Brandes, controlling member and co-manager of the Borrower.

Bond Counsel

“Bond Counsel” means any firm of nationally recognized municipal bond attorneys, selected by the Borrower with the consent of the Authority, experienced in the issuance of municipal bonds.

Bondholder Representative

“Bondholder Representative” means, initially, RPM Capital Management, LLC, a registered investment advisor under the Investment Advisors Act of 1940, as amended, and any successors or assigns thereto if designated as the Bondholder Representative by written appointment by a majority of the Beneficial Owners, delivered to the Trustee.

Bonds; Series 2016 Bonds

“Bonds” means the Series 2016 Bonds and all Additional Bonds.

“Series 2016 Bonds” means the California Public Finance Authority Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2016 (Taxable), authorized by, and at any time Outstanding pursuant to, this Indenture.

Book Value

“Book Value” means, when used in connection with Property of a Person, the value of such Property, net of accumulated depreciation, as it is carried on the books of such Person and in conformity with generally accepted accounting principles.

Borrower

“Borrower” means Balboa Management Group, LLC, a limited liability company duly organized and existing under the laws of the State of Delaware, or any corporation which is

the surviving, resulting or transferee corporation in any consolidation, merger or transfer of assets permitted under the Loan Agreement.

Borrower Deposit Account Control Agreement

“Borrower Deposit Account and Control Agreement” means the Deposit Account Control Agreement dated as of February 26, 2015, among the Borrower, the Trustee and the Depository Bank, as amended through May 6, 2016.

Borrower Documents

Borrower Documents means each of the following as originally executed and as the same may be amended and supplemented from time to time in accordance with the terms thereof:

- the Loan Agreement;
- the Deed of Trust;
- the Norco SilverLakes Ground Lease, dated July 6, 2011, by and between the City and the Borrower;
- the First Amendment to Norco SilverLakes Ground Lease, dated as of January 21, 2015, by and between the City and the Borrower;
- the Ground Lessor Estoppel and Agreement dated as of February 1, 2015 by the City for the benefit of the Trustee and the Borrower;
- the Security and Covenants Agreement, dated as of May 1, 2016, among the Borrower, the Authority and the Trustee;
- the Borrower Deposit Account Control Agreement;
- the Leasehold Construction Deed of Trust, Security Agreement and Fixture Filing, dated as of February 1, 2015, as amended as of May 1, 2016;
- the Development Agreement, dated July 6, 2011, between the City and the Borrower;
- the Memorandum of Understanding with respect to First Amendment to Development Agreement, dated as of January 21, 2015 between the City and the Borrower;
- the Funding, Construction and Acquisition Agreement, dated July 6, 2011, between the City and the Borrower; and

- the Norco SilverLakes Shared Use Agreement, dated July 6, 2011, between the City and the Borrower.

Borrower Security Agreement

“Borrower Security Agreement” means the Security and Covenants Agreement, dated as of May 1, 2016, among the Borrower, the Authority and the Trustee.

Business Day

“Business Day” means any day which is not one of the following: (i) a Saturday, Sunday or legal holiday as set forth by the Federal Reserve Bank of San Francisco, (ii) any other day on which banks in New York, New York, San Francisco, California or Los Angeles, California are authorized or required to be closed by the appropriate regulatory authorities, (iii) a day on which the New York Stock Exchange is authorized or required to be closed, or (iv) a day on which the Corporate Trust Office through which the Trustee for the Bonds transacts business is authorized or required to be closed by the appropriate regulatory authorities.

Certificate, Statement, Order, Request or Requisition of the Authority or the Borrower

“Certificate,” “Statement,” “Order,” “Request” or “Requisition” of the Authority or the Borrower mean, respectively, a written certificate, statement, order, request or requisition signed in the name of the Authority by an Authorized Representative of the Authority, or in the name of the Borrower by an Authorized Representative of the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

City

“City” means the City of Norco, California.

Closing Date

“Closing Date” means May 6, 2016, the date of issuance and delivery of the Series 2016 Bonds.

Code

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

Collateral

“Collateral” has the meaning given to such term in Section 4.3(A) of the Loan Agreement.

Consultant

“Consultant” means a firm (and not an individual) which (i) is acceptable to the Bondholder Representative, (ii) is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of the Borrower or any Affiliate and (iii) is a firm having the skill and experience necessary to render the particular report required by the provision of this Indenture or the Loan Agreement in which such requirement appears.

Continuing Disclosure Certificate

“Continuing Disclosure Certificate” means that Continuing Disclosure Certificate, dated as of May 6, 2016, executed and delivered by the Borrower with respect to the Series 2016 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Corporate Trust Office

“Corporate Trust Office” means the corporate trust office of the Trustee, which at the date of the execution of this Indenture is located at Baltimore, Maryland.

Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, if any, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

Costs of Issuance Fund

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Debt Service

“Debt Service” means, as of any date of calculation and with respect to any period, the sum of (1) the interest falling due on the Borrower’s outstanding Long-Term Indebtedness during such period (except to the extent that such interest is payable from moneys set aside solely for such purpose), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Long-Term Indebtedness during such period (except to the extent such principal is payable from moneys set aside solely for such purpose); computed on the assumption that no portion of such Long-Term Indebtedness shall cease to be outstanding during such period except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation:

(a) if such Long-Term Indebtedness is (i) secured by an irrevocable letter of credit or irrevocable line of credit issued by a financial institution having a combined capital and surplus of at least fifty million dollars (\$50,000,000) and whose unsecured securities are rated in one of the three highest short-term or long-term Rating Categories by S&P or Moody's, or (ii) insured by an insurance policy or surety bond issued by an insurance company rated at least "A+" by Alfred M. Best Company in Best's Insurance Reports or in one of the three highest long-term Rating Categories by S&P or Moody's, principal payments or deposits with respect to such Long-Term Indebtedness nominally due in the last Fiscal Year in which such Long-Term Indebtedness matures may, at the option of the Borrower, be treated as if they were due as specified in any loan agreement or installment sale/purchase agreement issued in connection with such letter of credit, line of credit, insurance policy or surety bond or pursuant to the repayment provisions of such letter of credit, line of credit, insurance policy or surety bond (or, if such loan agreement or installment sale/purchase agreement or repayment provisions provide for repayment over less than 20 years and the Trustee receives a Statement of the Borrower to the effect that the Borrower intends to refinance such Long-Term Indebtedness prior to maturity, as if they were amortized over a 20-year period with substantially level debt service) and interest on such Long-Term Indebtedness after such Fiscal Year shall be assumed to be payable at an interest rate equal to a rate per annum equal to the 25-year revenue bond index most recently published preceding the date of calculation in The Bond Buyer or similar such index generally accepted in the industry (subject to any adjustment for errors therein which may be acknowledged by the publishers thereof);

(b) if interest on such Long-Term Indebtedness is payable pursuant to a variable interest rate formula, the interest rate on such Long-Term Indebtedness for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the greater of (i) the average rate of interest borne (or which would have been borne) by such Long-Term Indebtedness during the Fiscal Year immediately preceding the date of calculation plus one percent (1%), or (ii) the average rate of interest borne by such Long-Term Indebtedness during the three full calendar months immediately preceding the date of calculation plus one percent (1%) or (iii) the interest rate shown in the revenue bond index published in The Bond Buyer most recently preceding the date of calculation, plus fifty (50) basis points;

(c) if interest is capitalized with respect to such Long-Term Indebtedness, Debt Service on such Long-Term Indebtedness shall be included in computations of Maximum Aggregate Annual Debt Service only to the extent interest is payable in the then-current Fiscal Year from sources other than amounts funded to pay such interest;

(d) with respect to a Guarantee, there shall be included in the Debt Service of the Borrower one hundred percent (100%) of the Borrower's monetary liability under a Guarantee; and

(e) if moneys or Investment Securities described in clause (a) of the definition thereof contained in this Section 1.01 (not callable by the issuer thereof prior to maturity) have been deposited with a trustee or escrow agent in an amount, together with earnings thereon, sufficient to pay the principal of or interest on Long-Term Indebtedness as it comes due, such principal or interest, as the case may be, shall not be included in computations of Debt Service.

Deed of Trust

“Deed of Trust” means that certain Leasehold Construction Deed of Trust, Security Agreement and Fixture Filing, dated as of February 1, 2015, as amended as of May 1, 2016, executed by the Borrower, as trustor, in favor of Lawyers Title Company, as trustee thereunder, creating a lien on the Facilities for the benefit of the Trustee (as assignee of the Authority), as trustee for the Holders of the Bonds, and for the benefit of the holders from time to time of Parity Debt.

Deed of Trust Default

“Deed of Trust Default” means any event of default under the Deed of Trust.

Depository

“Depository” means The Depository Trust Company and its successors and assigns, or any other depository selected as set forth in Section 2.10, which agrees to follow the procedures required to be followed by such depository in connection with the Bonds.

Depository Bank

“Depository Bank” means a financial institution or financial institutions which have each entered into a Deposit Account Control Agreement with the Borrower or the Guarantor (as the case may be) and the Trustee.

Distribution Agreement

“Distribution Agreement” means the Distribution Agreement dated as of February 1, 2015 between the Guarantor and Belgravia Investors, LLC.

Environmental Lien

“Environmental Lien” means a lien in favor of any Governmental Unit for (i) any liability under federal or state environmental laws or regulations or (ii) damages arising from, or costs incurred by such Governmental Unit in response to, a Release or threatened Release of a Hazardous Substances into the environment.

Environmental Regulations

“Environmental Regulations” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

Event of Default

“Event of Default” means any of the events specified in Section 7.01.

Facilities

“Facilities” means “Property” as defined in the Deed of Trust whether now existing or hereinafter acquired or constructed.

Favorable Opinion of Bond Counsel

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an opinion of Bond Counsel to the effect that such action is permitted under this Indenture.

Fiscal Year

“Fiscal Year” means the period beginning on January 1 of each year and ending on the next succeeding December 31 or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Borrower.

Governmental Unit

“Governmental Unit” shall have the meaning set forth in Section 150 of the Code.

Gross Revenue Fund

“Gross Revenue Fund” means the fund established pursuant to Section 4.3 of the Loan Agreement.

Gross Revenues

“Gross Revenues” means all present and future accounts, general intangibles and all revenues, income, receipts and money received by or on behalf of the Borrower with respect to, in connection with, or derived in any way from, the Facilities, or otherwise, including:

(a) all revenues; rents; fees; third-party payments; receipts; contributions; or other income of the Borrower, including the rights to receive such revenues, all as calculated in accordance with generally accepted accounting principles;

(b) other gross revenues derived from the operation and possession of the Facilities;

(c) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Loan Payments, Additional Payments or any payments with respect to Parity Debt;

(d) proceeds derived from (i) condemnation proceeds, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) insurance proceeds, and (vi) contract rights and other rights and assets now or hereafter owned by the Borrower;

(e) rentals received from the lease of office and other space in the Facilities;
and

(f) amounts derived from a foreclosure under the Deed of Trust, the Borrower Security Agreement and the Guarantor Security Agreement.

Ground Lease

Ground Lease means the Norco SilverLakes Ground Lease, dated July 6, 2011, by and between the City and the Borrower, as amended by the First Amendment to Norco SilverLakes Ground Lease, dated January 21, 2015, by and between the City and the Borrower, and as hereafter amended.

Guarantee

“Guarantee” means any obligation of the Borrower guaranteeing in any manner, whether directly or indirectly, any obligation of any Person which would, if such Person were the Borrower, constitute Long-Term Indebtedness.

Guarantor

“Guarantor” means Richard J. Brandes, a citizen of the United States and an individual residing in the State of California.

Guarantor Deposit and Account Control Agreement

“Guarantor Deposit Account and Control Agreement” means the Deposit Account Control Agreement dated as of February 26, 2015 among the Guarantor, the Trustee and the Depository Bank, as amended through May 6, 2016.

Guarantor Documents

“Guarantor Documents” means the Guaranty, the Guarantor Deposit and Control Agreement, the Distribution Agreement and the Guarantor Security Agreement.

Guarantor Security Agreement

“Guarantor Security Agreement” means the Security and Covenants Agreement dated as of May 1, 2016, between the Guarantor and the Trustee.

Guaranty

“Guaranty” means the Continuing Guaranty executed by the Guarantor in favor of the Authority, the Bondholder Representative and the Trustee dated as of May 6, 2016.

Hazardous Substances

“Hazardous Substances” means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the

Project or (ii) cause the Project to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

Holder or Bondholder

“Holder” or “Bondholder,” whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered in the books maintained by the Trustee.

Indebtedness

“Indebtedness” means (i) any Guarantee and (ii) any indebtedness or obligation of the Borrower (other than accounts payable and accruals), as determined in accordance with generally accepted accounting principles, including obligations under conditional sales contracts or other title retention contracts and rental obligations under leases which are considered capital leases under generally accepted accounting principles. Indebtedness shall not include Nonrecourse Indebtedness.

Indenture

“Indenture” means this Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Insurance and Condemnation Proceeds Fund

“Insurance and Condemnation Proceeds Fund” means the fund by that name established pursuant to Section 3.05.

Interest Account

“Interest Account” means the account by that name in the Revenue Fund established pursuant to Section 5.02.

Interest Payment Date

“Interest Payment Date” means July 1, 2016 and each January 1 and July 1 of each year thereafter.

Investment Securities

“Investment Securities” means any of the following which at the time are legal investments under the laws of the State for moneys held hereunder and then proposed to be invested:

(a) Government Obligations: bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which are unconditionally guaranteed by, the United States of America;

(b) Direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporation, if such obligations are in one of the two highest Rating Categories by S&P or Moody’s;

(c) Negotiable or non-negotiable certificates of deposit, demand deposits, time deposits, deposit accounts, or other similar banking arrangements, issued by any nationally or state-chartered bank (including the Trustee) or trust company or any savings and loan association, if either (i) the long-term obligations of such bank or trust company are rated in one of the two highest Rating Categories by S&P or Moody’s, or (ii) the deposits are continuously secured as to principal, but only to the extent not insured by the Federal Deposit Insurance Borrower, or similar corporation chartered by the United States of America, (1) by lodging with a bank or trust company, as collateral security, obligations described in paragraph (a) or (b) above or, with the approval of the Borrower, other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States of America or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (2) if the furnishing of security as provided in clause (1) of this paragraph is not permitted by applicable law, in such manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for the deposit of trust funds;

(d) Repurchase agreements with respect to obligations listed in paragraph (a) or (b) above if entered into with a nationally or state-chartered bank (including the Trustee), trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a member of the Securities Investors Protection Corporation if (i) such obligations that are the subject of such repurchase agreement are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Borrower, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at current market value, calculated no less frequently than monthly, of not less than

the repurchase price, (ii) a prior perfected security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee, and (iii) such obligations are free and clear of any adverse third-party claims;

(e) Commercial paper rated in the highest rating category (without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise) by S&P or Moody's;

(f) Money market mutual funds invested solely in obligations listed in paragraphs (a), (b), (c) or (d) above, including funds for which the Trustee or an affiliate of the Trustee acts as an investment provider or provides other services;

(g) Investment agreements continuously secured by the obligations listed in paragraphs (a), (b) or (c) above, or (i) below, with any nationally or state-chartered bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a member of the Securities Investors Protection Corporation if (i) such obligations are delivered to the Trustee or supported by a safekeeping receipt issued by a depository satisfactory to the Borrower, provided that such investment agreements must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the amount deposited thereunder, (ii) a first priority perfected security interest in the obligations which are securing such agreement has been granted to the Trustee, (iii) such agreement has been granted to the Trustee, and (iv) such obligations are free and clear of any adverse third-party claims;

(h) Investment agreements with any nationally or state-chartered bank, financial institution, insurance company, trust company, or any other publicly traded corporation which has long-term debt obligations rated in one of the two highest Rating Categories by S&P or Moody's;

(i) Certificates or receipts issued by any nationally or state-chartered bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a member of the Securities Investors Protection Corporation, organized and existing under the laws of the United States of America or any state thereof, the outstanding unsecured long-term debt of which is rated in either of the two highest Rating Categories by S&P or Moody's, or, upon the discontinuance of either rating service or both of such rating services, any other nationally recognized rating service, in the capacity of custodian, which certificates or receipts evidence ownership of a portion of the principal of or interest on Government Obligations held (which may be in book entry form) by such bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934), as amended); and

(j) Any investment approved by the Bondholder Representative.

provided that "Investment Securities" shall not include a financial instrument, commonly known as a "derivative," whose performance is derived, at least in part, from the performances of any underlying asset, including, without limitation, futures, options on securities, options on futures, forward contracts, swap agreements, structure notes and participations in pools of mortgages or other assets.

Joint Powers Agreement

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement, dated May 12, 2015, relating to the formation of the Authority, among Kings County and the Housing Authority of Kings County as Charter Members and certain other cities and counties who have joined the Authority as Additional Members.

Letter of Representations

“Letter of Representations” means that certain letter of representations between the Authority, the Depository and the Trustee.

Lien

“Lien” means any mortgage or pledge of, security interest in or lien or encumbrance on the Facilities or Gross Revenues.

Loan Agreement

“Loan Agreement” means that certain loan agreement between the Authority and the Borrower, dated as of May 1, 2016, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

Loan Default Event

“Loan Default Event” means any of the events specified in Section 8.1 of the Loan Agreement.

Loan Repayments

“Loan Repayments” means the payments so designated and required to be made by the Borrower pursuant to Section 4.1 of the Loan Agreement.

Long-Term Indebtedness

“Long-Term Indebtedness” means Indebtedness having an original maturity greater than one year or renewable at the option of the Borrower for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least thirty (30) consecutive days during each Fiscal Year.

Mandatory Sinking Account Payment

“Mandatory Sinking Account Payment” means the amount required by Section 5.04 to be paid on any single date for the mandatory sinking account redemption of the Bonds.

Maximum Aggregate Annual Debt Service

“Maximum Aggregate Annual Debt Service” means, with respect to all Long-Term Indebtedness existing as of any date of calculation, the Aggregate Debt Service as computed for the then current or any future Fiscal Year in which such sum shall be largest.

Moody’s

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower by notice to the Authority and the Trustee.

Net Income Available for Debt Service

“Net Income Available for Debt Service” means, with respect to any period, the sum of the excess of revenues over expenses (before extraordinary items) of the Borrower for such period, determined in accordance with generally accepted accounting principles, to which shall be added interest, amortization and depreciation expenses and other noncash charges, each item determined in accordance with generally accepted accounting principles, and excluding (i) any net profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets or resulting from the early extinguishment of debt, and (ii) gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Debt Service or operating expenses and (iii) the net proceeds of insurance (other than business interruption insurance) or condemnation awards, after deducting fees, costs and expenses incurred in connection therewith.

Nonrecourse Indebtedness

“Nonrecourse Indebtedness” means any indebtedness of the Borrower, which is not a general obligation of the Borrower and is secured by a lien on Property of the Borrower other than the Facilities and the Gross Revenues, liability for which is effectively limited to the Property subject to such lien (which Property does not include the Facilities and is not integral to the operation of the Facilities) with no recourse, directly or indirectly, to any other Property of the Borrower.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority) selected by the Authority. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Optional Redemption Account

“Optional Redemption Account” means the account by that name in the Redemption Fund established pursuant to Section 5.06.

Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture; and (4) with respect to any voting or consents of rights, Bonds held by the Borrower.

Parity Debt

“Parity Debt” means any Indebtedness which is incurred by the Borrower in accordance with the provisions of Section 5.5 of the Loan Agreement and secured equally and ratably with the obligations of the Borrower under the Loan Agreement by a Lien on and security interest in the Gross Revenues and Deed of Trust. Parity Debt shall include the indebtedness represented by the California Statewide Communities Development Authority Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015.

Permitted Liens

“Permitted Liens” means:

(a) Liens arising by reason of good faith deposits by the Borrower in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(b) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Borrower to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers’ compensation, unemployment insurance, pension or profit sharing plans or other social security benefits, or to share in the privileges or benefits required for companies participating in such arrangements;

(c) Any judgment lien against the Borrower so long as such judgment is being contested in good faith and execution thereon is stayed;

(d) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in

connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than ninety (90) days; (iii) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservation and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (iv) the rights of the Authority and the Trustee under the Indenture, the Loan Agreement, the Deed of Trust and the other Borrower Documents; and (v) landlord's liens;

(e) Any Lien which is existing on the Closing Date of the Bonds, as identified in Exhibit B of this Indenture, and incorporated into this Indenture by this reference, provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of the Borrower not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified (1) otherwise qualifies as a Permitted Lien under this Indenture, or (2) the maturity date of the Indebtedness secured by such Lien is not extended and either the total principal and interest requirements or the maximum annual principal and interest requirements (calculated in a manner consistent with the calculation of Debt Service) on such Indebtedness is not increased as a result of the refinancing of such Indebtedness;

(f) Liens on Property received by the Borrower through gifts, grants or bequests, such liens being due to restrictions on such gifts, grants or bequests of property or the income thereon only to the extent that the fair market value of such property is equal to or exceeds the amount of indebtedness secured by such lien;

(g) Liens related to leases which are considered operating leases under generally accepted accounting principles;

(h) Any liens securing Nonrecourse Indebtedness, including purchase money mortgages on any real property acquired after the Closing Date;

(i) Any lien arising by reason of any escrow established to pay debt service with respect to the Bonds;

(j) Any Lien securing Long-Term Indebtedness incurred pursuant to Section 5.4 of the Loan Agreement as the purchase price of a capital asset to be owned or leased by the Borrower and used in the operation of the Facilities;

(k) Any Lien securing the obligations of the Borrower under the Loan Agreement and with respect to Parity Debt on a parity basis, including the Lien of the Deed of Trust and the Lien on Gross Revenues established pursuant to Section 4.3 of the Loan Agreement; and

(l) Any Lien agreed to by the Bondholder Representative.

Person

“Person” means an individual, corporation, partnership, limited liability company, unincorporated organization firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Principal Account

“Principal Account” means the account by that name in the Revenue Fund established pursuant to Section 5.02.

Principal Payment Date

“Principal Payment Date” means each Mandatory Sinking Account Payment date for the Bonds, which dates occur on January 1 of each of the years as set forth in Section 5.04(c).

Project Fund

“Project Fund” means the Project Fund which is established in accordance with Section 3.04.

Property

“Property” means any and all rights, titles and interests in and to any and all property of the Borrower whether real or personal, tangible or intangible and wherever situated whether currently owned or acquired in the future.

Property, Plant and Equipment

“Property, Plant and Equipment” means all Property which is property, plant and equipment under generally accepted accounting principles.

Purchase Account

“Purchase Account” means the account by that name in the Redemption Fund established pursuant to Section 5.06.

Purchase Date

“Purchase Date” means January 1, 2020.

Qualified Institutional Buyer

“Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144 of the Securities Act of 1933.

Record Date

“Record Date” means with respect to any Interest Payment Date, the fifteenth (15th) day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

Redemption Fund

“Redemption Fund” means the fund by that name established pursuant to Section 5.06.

Redemption Price

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

Release

“Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing or dispersing into the indoor or outdoor environment or into or out of the property, including, but not limited to, the movement of Hazardous Substances through or in the air, soil, surface water, groundwater or the property and the abandonment or discard of barrels, containers, and other open or closed receptacles containing any Hazardous Substances.

Remedial Action

“Remedial Action” means actions related to (i) cleaning up, removing, treating or in any other way addressing Hazardous Substances in the indoor or outdoor environment; (ii) preventing or minimizing the Release or threat of Release of Hazardous Substances so that Hazardous Substances do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; and (iii) collecting environmental data or performing pre-remedial studies and investigations and performing operations and maintenance and post-remedial monitoring and care.

Remittance Address

“Remittance Address” means, (i) for payment of the Authority’s annual fee by check, California Public Finance Authority, 2999 Oak Road, Suite 710, Walnut Creek, CA 94597, or such other address designated by the Authority as such from time to time, or (ii) for payment of the Authority’s annual fee by wire transfer or ACH Transaction, U.S. Bank N.A. Minnesota, ABA# 091 000 022, DDA A/C# 104790895775, Reference: [6745041900 CalPFA – Annual Fees Invoice #] or such other instructions designated by the Authority from time to time.

Repository

“Repository” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission or any successor

agency thereto to receive reports and notices pursuant to the Securities and Exchange Commission Rule 15c2-12, as supplemented and amended from time to time.

Reputable Insurance Company

“Reputable Insurance Company” means an insurance company rated at least “A” by Alfred M. Best Company in Best’s Insurance Reports.

Revenue Fund

“Revenue Fund” means the fund by that name established pursuant to Section 5.01.

Revenues

“Revenues” means all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Loan Agreement, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture, but not including any Administrative Fees and Expenses.

S&P

“S&P” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower by notice to the Authority and the Trustee.

Series 2015 Bonds

“Series 2015 Bonds” means the California Statewide Communities Development Authority Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015.

Short-Term Indebtedness

“Short-Term Indebtedness” means Indebtedness having an original maturity less than or equal to one year and not renewable at the option of the Borrower for a term greater than one year from the date of original incurrence or issuance unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least thirty (30) consecutive days during each Fiscal Year.

Sinking Account

“Sinking Account” means each subaccount in the Principal Account so designated and established pursuant to Section 5.04.

Special Record Date

“Special Record Date” means the date established by the Trustee pursuant to Section 2.02 as the record date for the payment of defaulted interest on the Bonds.

Special Redemption Account

“Special Redemption Account” means the account by that name in the Redemption Fund established pursuant to Section 5.06.

State

“State” means the State of California.

Supplemental Indenture

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Term Bond

“Term Bond” means any Bond payable at or before its specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bond on or before its specified maturity date or dates.

Trustee

“Trustee” means Wilmington Trust, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

SECTION 1.02 Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include: (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions in the opinion of such Person are reasonable; and (5) a statement as to whether or not, in the opinion of such Person, such provision has been satisfied.

Any such certificate or opinion made or given by an officer of the Authority or the Borrower may be based, insofar as it relates to legal, accounting or administrative matters, upon a certificate or opinion of or representation by counsel, an Accountant or a Consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the

certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an Accountant or a Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or the Borrower, as the case may be) upon a certificate or opinion of or representation by an officer of the Authority or the Borrower, unless such counsel, Accountant or Consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the Borrower, or the same counsel or Accountant or Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, Accountants or Consultants may certify to different matters, respectively.

SECTION 1.03 Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(a) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(b) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

SECTION 2.01 Authorization of Bonds. An issue of Bonds to be issued hereunder in order to obtain moneys to carry out the purposes for the benefit of the Authority and the Borrower is hereby created. The Series 2016 Bonds are designated as "California Public Finance Authority Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2016 (Taxable)." The aggregate principal amount of Series 2016 Bonds which may be issued and Outstanding hereunder shall not exceed Five Million Nine Hundred Thousand dollars (\$5,900,000). This Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal (or Redemption Price) of and interest on all such Bonds subject to the covenants, provisions and conditions contained herein and in the Bonds.

SECTION 2.02 Terms of the Bonds. The Bonds shall be issued as fully registered Bonds in Authorized Denominations. The Bonds shall initially be registered in the name of Cede & Co., as nominee of the Depository, and shall be evidenced by one Bond for each maturity of Bonds in the principal amount of the respective maturities of the Bonds. Beneficial ownership interest in the Bonds shall only be held by an Accredited Investor or a Qualified Institutional Buyer. Registered ownership of the Bonds, or any portion thereof, may not thereafter be

transferred except as set forth in this Article II. The Series 2016 Bonds shall be dated as of May 6, 2016, and interest thereon initially shall be payable on July 1, 2016, and thereafter on January 1 and July 1 in each year. The Series 2016 Bonds shall mature on the following dates in the following amounts (subject to the right of prior redemption and prior purchase each as set forth in Article IV) and shall bear interest at the following rates per annum:

Maturity Date <u>(January 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
2039	\$5,900,000	8.50%

The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee upon surrender of the Bonds to the Trustee for cancellation. Payment of the interest on any Bond shall be made on each Interest Payment Date to the Holder thereof as of the Record Date for each Interest Payment Date by check mailed by first class mail on each Interest Payment Date to such Holder at his address as it appears on the registration books maintained by the Trustee or, upon the written request of any Holder of at least \$1,000,000 in principal amount of Bonds, submitted to the Trustee at least five (5) Business Days prior to the Record Date, by wire transfer in immediately available funds to an account within the United States designated by such Bondholder.

The Bonds shall be numbered in consecutive numerical order from R-1 upwards, and each such Bond shall bear interest from the Closing Date. Interest shall be calculated on a three hundred sixty (360) day year basis of twelve (12) thirty (30) day months.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a special record date (“Special Record Date”) for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to the Holders by first class mail not less than ten (10) days prior to such Special Record Date.

The Bonds shall be subject to redemption as provided in Article IV.

SECTION 2.03 Execution of Bonds. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Chair of the Authority or the manual signature of any Authorized Signatory, and attested by the manual or facsimile signature of the Secretary of the Authority or the manual signature of any Authorized Signatory. The Bonds shall then be delivered to the Trustee for authentication by it. In case any officer of the Authority or Authorized Signatory who shall have signed or attested any of the Bonds shall cease to be such officer or Authorized Signatory before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority or Authorized Signatory, and also any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority or Authorized Signatory

although at the nominal date of such Bond any such person shall not have been such officers of the Authority or Authorized Signatory.

SECTION 2.04 Restrictions on Registration and Transfer of Bonds. Notwithstanding any other provision hereof, Bonds may not be registered in the name of, or transferred to, any person except an Accredited Investor or a Qualified Institutional Buyer. Bonds registered in the name of the Depository Trust Company or its nominee shall be deemed to comply with this Section so long as each beneficial owner of the Bonds is an Accredited Investor or a Qualified Institutional Buyer. The Trustee shall be entitled to rely upon the representation set forth in the legend appearing on the first page of the Bond.

SECTION 2.05 Transfer of Bonds. Subject to Section 2.04 and Section 2.10, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.07, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer. The Trustee shall conclusively rely upon such written instrument of transfer as evidence that the transferee is an Approved Institutional Buyer as defined in Section 2.04 hereof.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of the same maturity and for a like aggregate principal amount of Authorized Denominations. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge or charge imposed by the Trustee required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given, or (ii) any Bond called for redemption.

SECTION 2.06 Exchange of Bonds. Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity. The Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge or charge imposed by the Trustee required to be paid with respect to such exchange. The Trustee shall not be required to exchange (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given, or (ii) any Bond called for redemption.

SECTION 2.07 Bond Register. The Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times, upon reasonable notice, be open to inspection by any Bondholder or his agent duly authorized in writing, the Authority or the Borrower; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

The person in whose name any Bond shall be registered shall be deemed the owner thereof for all purposes thereof, and payment of or on account of the interest and principal or Redemption Price represented by such Bond shall be made only to or upon the order in writing of such Holder, which payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECTION 2.08 Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. A temporary Bond may be in the form of a single fully registered Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Authority and be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of the above-mentioned indemnity). The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee in complying with this Section. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

SECTION 2.10 Use of Depository. Notwithstanding any provision of the Indenture to the contrary, but subject to the provision of Section 2.04:

(a) The Bonds shall be initially issued in book-entry form as provided in Section 2.02. The Bonds will be initially registered in the name of Cede & Co., as nominee of the Depository. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) to any successor of the Depository or its nominee, any successor thereof, or to any substitute depository designated pursuant to clause (ii) of this subsection (a) (“substitute depository”); provided that the Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated by the Authority (at the direction of the Borrower) and not objected to by the Trustee, upon (1) the resignation of the Depository or its successor (or any substitute depository or its successor); or (2) a determination by the Authority (at the direction of the Borrower) that the Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(b) to any person as provided below, upon (1) the resignation of the Depository or its successor (or substitute depository or its successor) from its functions as depository; provided, that no substitute depository which is not objected to by the Trustee can be obtained or (2) a determination by the Authority (with the concurrence of the Borrower) that it is in the best interests of the Authority to remove the Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of all Outstanding Bonds by the Trustee, together with a Statement of the Authority to the Trustee, a single new Bond for each maturity shall be executed and delivered in the aggregate principal amount of the Bonds of such maturity then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Statement of the Authority. In the case of any transfer pursuant to subsection (b) hereof, upon receipt of the Outstanding Bonds by the Trustee, new Bonds shall be executed and delivered in such denominations numbered in consecutive order from R-1 up and registered in the names of such person as are requested in such a Statement of the Authority, subject to the limitations of Section 2.02, provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such Statement of the Authority.

(d) in the case of partial redemption or an advance refunding of the Bonds evidencing all or a portion of the principal amount then Outstanding, the Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(e) The Authority, the Borrower and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by an officer of the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with anyone other than the registered Holders of the Bonds. Neither the Authority, the Borrower nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any other party including the Depository or its successor (or substitute depository or its successor), except to the Holder of any Bond.

(f) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee shall cooperate with Cede & Co., as sole registered Holder, and its registered assigns in effecting payment of the principal of and redemption premium, if any, and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

SECTION 2.11 Conditions for the Issuance of Additional Bonds. The Authority may at any time after the issuance and delivery of the Series 2016 Bonds hereunder issue Additional Bonds payable from the Revenues and secured by a lien and charge upon the Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the Indenture, for the purpose of financing additional components of the Project or for the purpose of refunding Bonds hereunder issued in accordance with the Act, including payment of all costs incidental to or connected therewith, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Additional Bonds:

(a) A Written Request of the Authority shall have been filed with the Trustee containing a statement to the effect that the Authority shall be in compliance with all covenants set forth in this Indenture and any Supplemental Indentures, and no event of default shall have occurred and be continuing.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a Supplemental Indenture; which shall specify the following:

(i) The authorized principal amount of such Additional Bonds;

(ii) The date and the maturity date or dates of such Additional Bonds; provided that (i) Principal Payment Dates and Sinking Account Payment Dates may occur only on Interest Payment Dates, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory Sinking Account Installments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(iii) The Interest Payment Dates for such Additional Bonds; provided that Interest Payment Dates shall be on the same semiannual dates as the Interest Payment Dates for Series 2016 Bonds;

(iv) The denomination and method of numbering of such Additional Bonds;

(v) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(vi) The amount and due date of each mandatory Sinking Account Installment, if any, for such Additional Bonds;

(vii) The form of such Additional Bonds; and

(viii) Such other provisions, as are necessary or appropriate and not inconsistent with the Indenture.

(c) Such Additional Bonds may only be issued as Parity Debt in accordance with the Indenture and the Loan Agreement.

SECTION 2.12 Procedure for the Issuance of Additional Bonds. All of the Additional Bonds shall be executed by the Authority for issuance under the Indenture and delivered to the Trustee and thereupon shall be delivered by the Trustee upon the Written Request of the Authority, but only upon receipt by the Trustee of the following documents or money or securities:

(a) A certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) A Written Request of the Authority as to the authentication and delivery of such Additional Bonds;

(c) An opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that (1) the Authority has the right and power under the Law to enter into the Indenture and all Supplemental Indentures thereto, and the Indenture and all such Supplemental Indentures have been duly executed by the Authority and are valid and binding upon the Authority and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights, by application of equitable principles and by exercise of judicial discretion in appropriate cases), and no other authorization for the Indenture or such Supplemental Indentures is required; (2) the Indenture creates the valid pledge which it purports to create of the Revenues as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (3) such Additional Bonds are valid and binding special obligations of the Authority, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights, by application of equitable principles and by exercise of judicial discretion in appropriate cases) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures and the Law, and such Additional Bonds have been duly and validly authorized and issued in accordance with the Law and the Indenture and all such Supplemental Indentures;

(d) A Written Request of the Authority containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(e) The consent of the Bondholder Representative, which consent shall be in the Bondholder Representative's sole and complete discretion; and

(f) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Additional Bonds.

ARTICLE III

ISSUANCE OF BONDS; EXCHANGE OF BONDS; APPLICATION OF CERTAIN MONEYS

SECTION 3.01 Issuance of Bonds. At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon Order of the Authority, deliver the Series 2016 Bonds in the aggregate principal amount of Five Million Nine Hundred Thousand Dollars (\$5,900,000.00).

SECTION 3.02 Exchange of Bonds and Certain Other Moneys. Upon receipt by the Trustee of (i) \$5,800,000.00 of the proceeds of the sale of the Series 2016 Bonds (consisting of the \$5,900,000.00 original aggregate principal amount of the Series 2016 Bonds, less underwriter's discount of \$100,000.00), the Trustee shall set aside and deposit such proceeds in the following respective funds and accounts:

(a) the Trustee shall deposit in the Interest Account the sum of \$500,000.00 to pay capitalized interest on the Series 2016 Bonds.

(b) the Trustee shall deposit \$5,021,811.00 in the Project Fund;

(c) the Trustee shall deposit in the Costs of Issuance Fund the sum of \$278,189.00 to pay Costs of Issuance with respect to the Series 2016 Bonds.

The Trustee may, in its discretion, establish a temporary fund or account in its books or records to facilitate such deposits and transfers.

SECTION 3.03 Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." Moneys deposited in said fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds upon Requisition of the Borrower executed by an Authorized Representative of the Borrower and approved by the Bondholder Representative in the form attached hereto as Exhibit C stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund; provided, however, that the Borrower shall not submit any Requisition. In no event shall moneys from any other fund or account established hereunder be used to pay Costs of Issuance. On the one hundred eightieth (180th) day following the initial issuance of the Bonds, or upon the earlier Request of the Borrower, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Revenue Fund and the Costs of Issuance Fund shall thereafter be closed.

SECTION 3.04 Establishment and Application of Project Fund. The Trustee shall establish and maintain and hold in trust the "Project Fund" (the "Project Fund"). The Trustee shall establish within the Project Fund such accounts and subaccounts as are specified upon written direction from an Authorized Borrower Representative, such additional accounts and

subaccounts as may be necessary or convenient to carry out the purposes of the Project Fund. The Trustee shall deposit proceeds of the Bonds into the Project Fund in the amount set forth in Section 3.03. Before each payment is made from the Project Fund by the Trustee, there shall be filed with the Trustee a Requisition of the Borrower executed by an Authorized Representative of the Borrower and approved by the Bondholder Representative in the form attached hereto as Exhibit D. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by an Authorized Borrower Representative the Trustee shall pay the amount set forth therein as directed by the terms thereof. Upon the completion of the project or earlier Request of the Borrower, amounts, if any, remaining in the Project Fund shall be transferred to the Revenue Fund and the Project Fund shall thereafter be closed.

SECTION 3.05 Establishment and Application of Insurance and Condemnation Proceeds Fund. As and when needed, the Trustee shall establish, maintain and hold in trust a separate fund designated as the "Insurance and Condemnation Proceeds Fund," for the benefit of the holders of the Bonds and all Parity Debt and administer said fund as set forth in Section 6.6 of the Loan Agreement.

(a) Before any payment from the Insurance and Condemnation Proceeds Fund shall be made, the Borrower shall file or cause to be filed with the Trustee a Requisition of the Borrower stating: (1) the item number of such payment; (2) the name of the Person to whom each such payment is due, which may be the Borrower in the case of reimbursement for costs of such repair or replacement theretofore paid by the Borrower; (3) the respective amounts to be paid; (4) the purpose by general classification for which each obligation to be paid was incurred; (5) that obligations in the stated amounts have been incurred by the Borrower and are presently due and payable and that each item thereof is a proper charge against the Insurance and Condemnation Proceeds Fund and has not been previously paid from the Insurance and Condemnation Proceeds Fund; and (6) that there has not been filed with or served upon the Borrower any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, for which adequate security for the payment of such obligation has not been posted, or which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Upon receipt of a Requisition and the approval of the Bondholder Representative, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Insurance and Condemnation Proceeds Fund. The Trustee may conclusively rely upon such Requisition and shall have no responsibility or duty to investigate any of the matters set forth therein. The Trustee shall not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment, unless adequate security for the payment of such obligation has been posted.

(b) When the repair or replacement of damaged, destroyed or taken property shall have been completed, the Borrower shall deliver to the Trustee a Certificate of the Borrower stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that

are subject to dispute and for which a retention in the Insurance and Condemnation Proceeds Fund is to be maintained in the full amount of such claims until such dispute is resolved). Subject to Section 6.6 of the Loan Agreement, the Borrower shall direct the Trustee by said Certificate of the Borrower to transfer any remaining balance in the Insurance and Condemnation Proceeds Fund, less the amount of any such retention, pro rata, to the Special Redemption Account of the Redemption Fund and similar account or fund created with respect to Parity Debt or, at the election of the Borrower, with the consent of the Bondholder Representative, to the Revenue Fund and similar account or fund created with respect to Parity Debt. Upon the disbursement of all moneys in the Insurance and Condemnation Proceeds Fund, such fund shall thereafter be closed until such time as such fund is again required to be established pursuant to subsection (b) of this Section.

SECTION 3.06 Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that all acts, conditions and things required by the same are issued pursuant to the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in the issuance thereof shall be conclusive evidence of the validity of the Bonds and the validity of the obligations which they represent and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION AND PURCHASE OF BONDS

SECTION 4.01 Terms of Redemption. The Series 2016 Bonds are subject to redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised as directed by the Borrower) as a whole or in part in integral multiples of Authorized Denominations on any date (in such amounts and on such dates as may be specified by the Borrower, or if the Borrower fails to specify such amounts and such dates, in inverse order of maturity and by lot within a maturity on the earliest practicable date for which a redemption notice can be given) from moneys required to be transferred from the Insurance and Condemnation Proceeds Fund to the Special Redemption Account at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(a) The Series 2016 Bonds are also subject to redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised as directed by the Borrower), from any source of available funds, as a whole or in part in integral multiples of Authorized Denominations on any date specified by the Borrower in a notice to the Trustee given at least forty-five (45) days prior to such redemption date (in such amounts and on such dates as may be specified by the Borrower, or if the Borrower fails to specify such amounts and such dates, in inverse order of maturity and by lot within a maturity on the earliest practicable date for which a redemption notice can be given), at the following Redemption Prices (expressed as a percentage of the principal amount of Series 2016 Bonds called for redemption), together with interest accrued thereon to the date fixed for redemption:

<u>Redemption Period</u> <u>(both dates inclusive)</u>	<u>Redemption Price</u>
January 1, 2018 through December 31, 2018	104%
January 1, 2019 through December 31, 2019	103%
January 1, 2020 and thereafter	100%

(b) The Series 2016 Bonds are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established in Section 5.04(c) on each January 1 on or after January 1, 2022, respectively, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

SECTION 4.02 Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot; provided, however that in such instances as provided for herein where the Borrower is to specify the amount or maturities of Bonds to be redeemed the Trustee shall redeem Bonds in accordance with any such specification (or, if the Borrower fails to so specify, as required under such provision).

SECTION 4.03 Notice of Redemption. Notice of redemption shall be mailed, by first class mail or overnight delivery service by the Trustee, not less than thirty (30) days and not more than sixty (60) days prior to the redemption date, to (i) the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) the Bondholder Representative and (iii) the Repository. Notice of redemption shall be delivered by electronic means to the Repository, or such other means as may be required by the Repository from time to time. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the Redemption Price, any conditions precedent that must be satisfied prior to the redemption of the Bonds, the place or places of redemption (including the name and appropriate address or addresses of the Trustee) the maturity (including CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Any such notice may be conditioned upon the receipt by the Trustee of sufficient funds from the Borrower to effect the redemption on the Redemption Date.

Failure by the Trustee to give notice pursuant to this Section 4.03 to the Repository, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption (or failure by any such Holder or Holders to receive said notice) pursuant to this Section 4.03 to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Borrower, for and on behalf of the Authority.

SECTION 4.04 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute (but need not prepare) and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Borrower, a new Bond or Bonds of Authorized Denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered. Notwithstanding the foregoing provisions of this Section 4.04, in the case of any mandatory sinking account redemption pursuant to the provisions of Section 5.04(c), the Trustee shall note the amount of such redemption of any Bond which is less than the principal amount of such Bond then Outstanding upon the registration books maintained by the Trustee in lieu of the surrender and exchange of such Bond, and upon the payment or provision for payment of such mandatory sinking fund redemption, the amount of principal of such Bond remaining Outstanding shall be the amount so noted on the registration books, and shall be controlling for all purposes of such Bond and this Indenture, regardless of entries made or omitted from the grid form for such purpose appearing on the Bond.

SECTION 4.05 Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof and delivered to or upon the Order of the Authority.

SECTION 4.06 Purchase in Lieu of Redemption

The Series 2016 Bonds are subject to purchase in lieu of redemption at the option of the Borrower prior to their respective maturity dates at any time in whole or in part, if the following conditions are satisfied:

(a) The Borrower and the Bondholder Representative negotiate and agree upon a purchase price that is communicated in writing to the Trustee;

(b) Upon written agreement as described in (a) above, the Borrower shall direct the Trustee to purchase certain Series 2016 Bonds and will provide funds that are certified to be excess income of the Borrower derived from the operation of the Facilities to the Trustee for deposit in the Bond Fund in the amount necessary, together with other available moneys in the Bond Fund, to pay the purchase price of the Series 2016 Bonds selected by the Bondholder

Representative in excess of that required to fully satisfy the next scheduled interest and principal payments due on the selected Series 2016 Bonds, and provided there is deposited with the Trustee such amount as the Trustee may require to cover the accrued and anticipated fees and expenses;

(c) The Trustee confirms that the amount provided for by the Borrower pursuant to (b) above is sufficient to warrant such purchase at the purchase price agreed to by the Borrower and the Bondholder Representative pursuant to (a) above; and

(d) The Borrower shall indemnify and hold harmless the Trustee from and against any and all liability, claims, or losses arising out of, by virtue of, or in connection with, the purchase of bonds, up to the amount of the value of the Series 2016 Bonds purchased, except in the case of negligence, willful misconduct, or bad faith on the part of the Trustee.

As Series 2016 Bonds are purchased pursuant to this Section 4.06, such purchase of Series 2016 Bonds will be allocated to all or a portion of, the next succeeding scheduled Mandatory Sinking Account Payment(s) for the Series 2016 Bonds as set forth in this Indenture. Once purchased such Series 2016 Bonds shall be delivered to the Trustee and cancelled by the Trustee.

SECTION 4.07 Tender and Purchase of Bonds at Direction of Bondholder Representative. Any Bond shall be purchased from its Holder at the direction of the Bondholder Representative on January 1, 2020 (the “Purchase Date”) at a purchase price equal to the principal amount thereof together with interest accrued thereon to the date fixed for purchase, without premium (the “Purchase Price”), payable in immediately available funds, upon delivery to the Trustee not later than 11:00 a.m. on a Business Day at least three Business Days prior to the Purchase Date, New York City time, at its Principal Office for delivery of notices and the Borrower of an irrevocable written notice which states the name of the Bond and the principal amount of the Bond to be so purchased. Any notice delivered to the Trustee after 11:00 a.m., New York City time on a Business Day, shall be deemed to have been received on the next succeeding Business Day. The giving of notice by the Bondholder Representative of such Bond(s) that such Holder(s) elect(s) to have such Bond(s) purchased as described above shall constitute the irrevocable tender for purchase of such Bond(s) with respect to which such notice shall have been given irrespective of whether such Bond(s) shall be delivered to the Trustee for purchase and shall be binding upon the Bondholder Representative and any Holder(s) of such Bond(s) and any transferee(s) thereof whether or not such transferee(s) has/have notice thereof.

The Trustee shall accept all moneys deposited for purchase of Bonds as provided in this Section 4.07 and shall deposit such moneys into the Purchase Account.

If the Borrower fails to pay the Purchase Price of Bonds, then such failure will be an Event of Default unless such payment is made by the Guarantor within five (5) days following such failure. If Borrower or the Guarantor, as the case may be, pays the Purchase Price as set forth in this Section 4.07, the Holders thereof will be obligated to sell and deliver their Bonds to the Trustee and such Bonds will be cancelled.

ARTICLE V

REVENUES

SECTION 5.01 Pledge and Assignment: Revenue Fund. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal (and Redemption Price) of and interest on the Bonds in accordance with their terms and the provisions of this Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act.

(a) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged in subsection (a) of this Section and all of the right, title and interest of the Authority in the Loan Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to receive any amounts paid by the Borrower pursuant to Sections 7.2, 7.3 or 8.5 of the Loan Agreement and (iii) the rights of the Authority under the special services covenant pursuant to Section 5.8 of the Loan Agreement) and in and to the Deed of Trust. Such assignment to the Trustee is solely to the Trustee in its capacity as Trustee and is subject to the provisions of this Indenture. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and subject to the provisions of this Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Authority and all of the obligations of the Borrower under the Loan Agreement, the Deed of Trust and the other Borrower Documents.

(b) All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust, except as otherwise provided in Section 5.06 and except that all moneys received by the Trustee and required by the Loan Agreement to be deposited in the Redemption Fund shall be promptly deposited in the Redemption Fund, which the Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

(c) If by the date that is three (3) Business Days before the twenty-fifth (25th) calendar day of any month the Trustee has not received Revenues sufficient to make the transfers required in such month by Section 5.02, the Trustee shall immediately notify the Borrower of such insufficiency by telephone or teletype and confirm such notification as soon thereafter as practicable by written notice.

(d) THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF,

OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THIS INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, THE AUTHORITY SHALL NOT BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT.

SECTION 5.02 Allocation of Revenues. On or before the twenty-fifth (25th) day of each month, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts, (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

First: to the Interest Account, one-sixth of the aggregate amount of interest becoming due and payable during the next succeeding six months on all Bonds then Outstanding until the balance in said account is equal to said aggregate amount of interest; provided that from the date of delivery of the Bonds until the first Interest Payment Date with respect to the Bonds, transfer to the Interest Account shall be sufficient, on a monthly pro rata basis, to pay the interest becoming due and payable on the Bonds on said Interest Payment Date; and

Second: to the Principal Account, one-twelfth of the aggregate amount of Mandatory Sinking Account Payments required to be paid into the respective Sinking Accounts for Outstanding Term Bonds, in each case during the next ensuing twelve months, until the balance in said Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments.

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be credited against the next interest or sinking fund payment coming due.

SECTION 5.03 Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

SECTION 5.04 Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds when due and payable, as provided herein.

(a) The Trustee shall establish and maintain within the Principal Account a separate subaccount for each maturity of the Bonds, designated as the “_____ Sinking Account” (inserting therein the maturity of such Bonds). On or before January 1 in each year, the Trustee shall transfer the amount deposited in the Principal Account pursuant to Section 5.02 from the Principal Account to the applicable Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such payment is required at such time). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds of the maturity for which the Sinking Account was established, upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Trustee shall apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding any Principal Payment Date, the Trustee has purchased, with moneys in the Sinking Account, Bonds of the maturity for which such Sinking Account was established, or, during said period and prior to giving said notice of redemption, the Borrower has deposited Bonds with the Trustee (together with a Request of the Borrower to apply such Bonds to the related Mandatory Sinking Account Payment due on said date), or any such Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said principal or Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said principal or Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be delivered to the Trustee and cancelled. Any amounts remaining in the Principal or Sinking Accounts when all of the Bonds are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Revenue Fund. All Bonds purchased from the Principal or Sinking Accounts or deposited by the Borrower with the Trustee shall be allocated first to the next succeeding principal or Mandatory Sinking Account Payment, then to the remaining principal or Mandatory Sinking Account Payments as the Borrower directs.

(b) Subject to the terms and conditions set forth in this Section and in Section 4.01(c), the Bonds shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (January 1)	Mandatory Sinking <u>Account Payments</u>
2022	\$150,000
2023	160,000
2024	175,000
2025	190,000
2026	210,000
2027	225,000
2028	245,000
2029	265,000
2030	290,000
2031	310,000
2032	340,000
2033	370,000
2034	400,000
2035	435,000
2036	470,000
2037	510,000
2038	555,000
2039*	600,000

* Maturity

SECTION 5.05 Reserve Fund. There shall be no Reserve Fund for the Series 2016 Bonds.

SECTION 5.06 Application of Redemption Fund. The Trustee shall establish and maintain within the Redemption Fund a separate Optional Redemption Account, a separate Special Redemption Account and a separate Purchase Account. The Trustee shall accept all moneys deposited for redemption and shall deposit such moneys into the Optional Redemption Account or the Special Redemption Account, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be accepted and used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon written direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and

credited against Loan Repayments in order of their due date as set forth in a Request of the Borrower. All Bonds purchased or redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments designated in a Certificate of the Borrower approved by the Bondholder Representative (or if the Borrower fails to deliver such a Certificate to the Trustee, in inverse order of their payment dates).

All amounts deposited in the Purchase Account shall be accepted and used and withdrawn by the Trustee solely for the purpose of purchasing Bonds, in the manner and upon the terms and conditions specified in Section 4.07 hereof.

SECTION 5.07 Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts established pursuant to this Indenture shall be invested and reinvested by the Trustee, upon the written direction of the Borrower, solely in Investment Securities. The Trustee shall acquire such Investment Securities upon the written direction of the Borrower at such prices and on such terms as directed by the Borrower. The Trustee shall be entitled to rely upon any investment direction provided to it hereunder as a certification to the Trustee that such investment constitutes an Investment Security. In the absence of written investment directions from the Borrower, the Trustee shall invest solely in Investment Securities set forth in clause (f) of the definition thereof. All Investment Securities shall be acquired subject to the limitations as to maturities hereinafter set forth in this Section and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Borrower.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Indenture. Investment Securities purchased under a repurchase agreement or investment agreements that can be redeemed at par without premium may be deemed to mature on the date or dates on which the Trustee may deliver such Investment Securities for repurchase under such agreement. Investment Securities that are registrable securities shall be registered in the name of the Trustee or its nominee.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Indenture shall be deposited when received in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under this Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or market value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

The Trustee may commingle any of the funds or accounts established pursuant to this Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this

Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Trustee shall sell or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03, the Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with provisions of this Section.

SECTION 5.08 Additional Payments. The Trustee shall transfer the Additional Payments constituting the Authority's annual fee, promptly upon receipt thereof from the Borrower, to the Authority at the Remittance Address.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01 Punctual Payment. The Authority shall punctually cause to be paid the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

SECTION 6.02 Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue obligations for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03 Against Encumbrances. The Authority shall not create any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture, and will assist the Trustee in contesting any such pledge, lien, charge or other encumbrance which may be created. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations for such purposes.

SECTION 6.04 Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to the Joint Powers Agreement and the Act to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be

the legal, valid and binding limited obligations of the Authority in accordance with their terms, and the Authority and Trustee shall, subject to the provisions of this Indenture, at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under this Indenture against all claims and demands of all Persons whomsoever.

SECTION 6.05 Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Bonds, the Revenues, the Loan Agreement and all funds and accounts established by it pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, the Borrower and the Bondholder Representative, or his agent or representative duly authorized in writing, at any time.

The Trustee shall file and furnish to the Authority (only upon its request), the Borrower, and to the Bondholder Representative (1) a copy of the most recent audited or unaudited financial statements furnished to the Trustee pursuant to the Loan Agreement, and (2) on a monthly basis, a statement (which need not be audited) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Indenture for such month; provided, however, that the Trustee shall not be obligated to report as to any fund or account that (i) has a balance of zero and (ii) has had no activity since the last reporting date.

SECTION 6.06 Collection of Amounts Due Under Loan Agreement, Borrower Security Agreement, Guarantor Security Agreement and Deed of Trust; Amendment of Loan Agreement, Borrower Security Agreement, Guarantor Security Agreement and Deed of Trust. The Trustee shall promptly collect all amounts due from the Borrower pursuant to the Loan Agreement, and subject to the provisions of this Indenture shall exercise all rights assigned to it or existing in its favor pursuant to the Loan Agreement, the Deed of Trust and the other Borrower Documents and Guarantor Documents shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority and all of the obligations of the Borrower.

The Authority shall not amend, modify or terminate any of the terms of the Loan Agreement or the Deed of Trust, or consent to any such amendment, modification or termination, without the written consent of the Trustee. The Trustee shall give such written consent only (1) (a) if such amendment, modification or termination will not materially and adversely affect the interests of the Bondholders or result in any material impairment of the security hereby given for the payment of the Bonds (which determination may be based on an Opinion of Counsel upon which the Trustee may conclusively rely and the consent of the Bondholder Representative), or (b) the Trustee first obtains the written consent of the Bondholder Representative, to such amendment, modification or termination and (2) if, in each case, the Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such amendment, modification or termination; provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Authority or the Trustee by the Borrower pursuant to the Loan Agreement, or extend the time for making such payments, without the

written consent of the Bondholder Representative (or if there is no Bondholder Representative, the written consent of sixty-six and two-thirds percent (66-2/3%) of the Holders of the Bonds then Outstanding and adversely affected thereby).

SECTION 6.07 Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.08 Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Indenture.

SECTION 6.09 Notification to Authority and Bondholder Representative re Amount of Outstanding Bonds. On or before July 15 of each year the Trustee shall notify the Authority and the Bondholder Representative, via mutually acceptable electronic means or by mail, of the aggregate principal amount of Outstanding Bonds as of June 30 of such year or that no Bonds remain Outstanding.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01 Events of Default. Any one or more of the following events shall be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the Authority in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than as referred to in subsection (a) or (b) of this Section, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Borrower by the Trustee, or to the Authority, the Borrower and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; or

(d) a Loan Default Event.

SECTION 7.02 Acceleration of Maturities. If an Event of Default occurs and is continuing, the Trustee may, upon notice in writing to the Authority and the Borrower, and with

the written consent of the Bondholder Representative, (a) declare the principal of the Bonds, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding and (b) exercise any and all rights and remedies of the Trustee provided for in the Loan Agreement, the Deed of Trust and the other Borrower Documents and Guarantor Documents.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the Borrower shall deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rates borne by the respective Bonds, and the reasonable fees, charges and expenses of the Trustee, including those of its attorneys and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee, by written notice to the Authority and the Borrower, shall rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03 Application of Revenues and Other Funds After Default. If an Event of Default of which the Trustee has actual knowledge shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture (subject to Section 11.10) shall be applied by the Trustee as follows and in the following order:

- (1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and accountants) incurred in and about the performance of its powers and duties under this Indenture; and
- (2) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture (including Section 6.02), as follows:

- (i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal (including Mandatory Sinking Account Payments) or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

SECTION 7.04 Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Indenture, the Loan Agreement, the Deed of Trust or applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Bondholder Representative (or, if there is no Bondholder Representative, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding), and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the provisions of the Bonds, this Indenture, the Loan Agreement, the Deed of Trust or applicable provisions of any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Indenture (including Section 6.02).

SECTION 7.05 Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Bondholder Representative (or, if there is no Bondholder Representative, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding) shall have the right, at any time, to the extent permitted by law, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver, or any other proceedings or remedies permitted in accordance with the provisions hereof; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture. The Trustee shall not be required to act on any direction given to it pursuant to this Section unless indemnified or receiving other assurances to its satisfaction.

SECTION 7.06 Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Loan Agreement, the Deed of Trust or applicable provisions of any law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee. Notwithstanding the foregoing, so long as there is a Bondholder Representative, no Holder of any Bond shall have the rights otherwise available under this Section 7.06.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Indenture, the Loan Agreement, the Deed of Trust and the other Borrower Documents or applicable provisions of any law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Indenture (including Section 6.02).

SECTION 7.07 Absolute Obligation of Authority. Nothing in Section 7.06 or in any other provision of this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, and not otherwise, or affect or impair the

right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.08 Termination of Proceedings. In case any proceedings taken by the Trustee or the Bondholder Representative or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholder Representative or the Bondholders, then in every such case the Authority, the Trustee, and the Bondholder Representative or the Bondholders, as the case may be, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee, the Bondholder Representative and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.09 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10 No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

SECTION 7.11 No Obligation of Authority to Enforce Assigned Rights. Notwithstanding anything to the contrary in this Indenture, the Authority shall have no obligation to, and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to Section 5.01 of this Indenture) under this Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under the Loan Agreement.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01 Duties, Immunities and Liabilities of Trustee. The Authority hereby appoints Wilmington Trust, N.A. as Trustee. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same

degree of care and skill in their exercise, as a corporate trustee would exercise or use under similar circumstances.

(a) The Authority may, and upon written request of the Borrower accompanied by the written consent of the Bondholder Representative, shall, remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument executed by the Bondholder Representative (or, if there is no Bondholder Representative, by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing)) or if at any time the Trustee shall cease to be eligible in accordance with subsection (d) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint, with the written consent of the Borrower accompanied by the written consent of the Bondholder Representative, a successor Trustee by an instrument in writing.

(b) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the Borrower, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint, with the consent of the Borrower, a successor Trustee by an instrument in writing.

(c) The Trustee shall not be relieved of its duties hereunder until its successor Trustee has accepted its appointment and assumed the duties of Trustee hereunder. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such

moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall cause such Trustee to mail a notice of the succession of such Trustee to the trusts hereunder to the Bondholders at the addresses shown on the registration books maintained by the Trustee.

(d) Any successor Trustee shall be a trust company or bank having the powers of a trust company having (or, in the case of a trust company or bank included in a bank holding company system, with a bank holding company having) a combined capital and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02 Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03 Liability of Trustee. The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the legality, validity, sufficiency or priority of this Indenture, the Loan Agreement, the Deed of Trust or any other document related hereto, or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it except for any recital or representation specifically relating to the Trustee or its powers. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct; provided, that this shall not be construed to limit the effect of subsection (f) hereof. The Trustee may become the owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

(a) The Trustee shall not be liable for any error of judgment made by a responsible officer, unless it shall be proved that the Trustee was negligent.

(b) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a

majority in aggregate principal amount (or such lesser principal amount as is provided hereby) of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Indenture unless such Bondholders shall have offered to the Trustee security or indemnity reasonable to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(d) The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture unless it shall be proved that the Trustee was negligent.

(e) The Authority shall require the Borrower pursuant to Section 4.2 of the Loan Agreement:

(1) to pay the Trustee from time to time reasonable compensation for all services rendered by it hereunder in accordance with the agreement between the Borrower and the Trustee;

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or willful misconduct; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense (including the reasonable compensation and the expenses and disbursements of its agents and counsel) incurred without negligence or willful misconduct on the Trustee's part, arising out of or in connection with the acceptance or administration of this trust or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, under the Loan Agreement, the Deed of Trust or any other document related hereto.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) Whether or not therein expressly so provided, every provision of this Indenture, the Loan Agreement, the Deed of Trust or other documents relating to the issuance of the Bonds, relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

(h) Subject to the other provisions of this Section and the provisions of Section 8.01 and 8.04, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, requisition, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion and at its expense, may make such further investigation or inquiry into such facts or matters as it may deem fit, and, if the Trustee shall determine to make such further inquiry or investigation, the Authority shall assure that the Trustee shall be entitled to examine the books, records and premises of the Borrower, personally or by agent or attorney. Additionally, the Trustee may, in its sole discretion, seek confirmation of any of the above by telephone call-back procedure, and the parties acknowledge and agree that such a procedure (or a similar security procedure) is reasonable and appropriate.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(j) The Trustee shall not be deemed to have knowledge of an Event of Default or Loan Default Event hereunder, under the Loan Agreement, the Deed of Trust or any other document related to the Bonds unless it shall have actual knowledge at its Corporate Trust Office. As used herein, “actual knowledge” shall mean the actual fact or statement of knowing without any independent duty to make any investigation with regard thereto.

(k) The permissive rights of the Trustee hereunder shall not be construed as a duty to exercise such rights.

SECTION 8.04 Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, statement, requisition, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Before the Trustee acts or refrains from acting, it may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

With the exception of persons in whose names Bonds are registered on the books maintained by the Trustee for such purpose, the Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may request and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof,

accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05 Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Borrower, and any Bondholder, the Bondholder Representative and their agents and representatives duly authorized in writing (if such Bondholder provides to the Trustee thirty (30) days prior written notice and such notice specifies a date upon which such inspection shall occur), during normal business hours and under reasonable conditions.

SECTION 8.06 Performance of Duties. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder, either directly or by or through attorneys or agents and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder and shall be absolutely protected in relying thereon. The Trustee shall not be responsible for the misconduct of such persons selected by it with reasonable care.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

SECTION 9.01 Amendments Permitted. This Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the written consent of the Borrower when the written consent of the Bondholder Representative (or, if there is no Bondholder Representative, the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding) shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any principal or Mandatory Sinking Account Payment, or reduce the rate of interest thereon, or change the method of determining the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof; (2) deprive the Holders of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture); (3) permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on parity with the lien created by this Indenture or otherwise privilege or prioritize any Bond or Bonds over any other Bond or Bonds; or (4) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, without the consent of the Bondholder Representative (or, if there is no Bondholder Representative, the Holders of sixty-six and two-thirds percent (66-2/3%) of Bonds then Outstanding and adversely affected thereby). It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof, but any consent of the Bondholder Representative required hereunder shall be to the particular form of the proposed Supplemental Indenture. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall, upon being reasonably indemnified by the Borrower (to the extent reasonably required by the Trustee), mail by first-

class mail notice of the proposed execution of such Supplemental Indenture to the Bondholder Representative and to the Bondholders at the addresses shown on the registration books maintained by the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. Prior to the mailing of such notice, the Trustee must receive the written consent and approval of the Bondholder Representative (or, if there is no Bondholder Representative, the Holders of the requisite principal amount of the Bonds then Outstanding to the execution of any such Supplemental Indenture). Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(a) This Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bondholders, but with the written consent of the Borrower and the Bondholder Representative, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority, the Borrower or the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(4) to modify, amend or supplement this Indenture in such a manner to permit the Authority, the Trustee, the Borrower or any other responsible party to comply with the requirements of Securities and Exchange Commission Rule 15c2-12, as it may from time to time be amended or supplemented, with respect to the Bonds;

(5) to evidence succession of a new Trustee hereunder; or

(6) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds.

(b) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise. In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying conclusively upon, an Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized by and in compliance with this Indenture.

SECTION 9.02 Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03 Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose at the Corporate Trust Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared by the Trustee at the expense of the Borrower, executed by the Authority and authenticated by the Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Corporate Trust Office of the Trustee, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

SECTION 9.04 Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01 Discharge of Indenture. The Bonds may be paid by the Authority or the Trustee on behalf of the Authority in any of the following ways:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 10.03) to pay when due or redeem all Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

If the Authority shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case at the election of the Authority (evidenced by a Certificate of the Authority filed with the Trustee signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Authority under this Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

SECTION 10.02 Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority shall remain liable for such payments, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03 Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Investment Securities described in clause (a) of the definition thereof in Section 1.01 (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bond.

SECTION 10.04 Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for the period which is one year less than the statutory escheat period after the principal of, or interest on, such Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Bond Indenture), if such moneys were so held at such date, or the period which is one year less than the statutory escheat period after the date of deposit of such moneys if deposited after said date when the principal and/or interest on such Bonds became due and payable, shall be repaid to the Borrower free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease, and the Holders shall look only to the Borrower for the payment of principal and interest on such Bonds, provided, however, that before the repayment of such moneys to the Borrower as aforesaid, the Trustee may (at the cost of the Borrower) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Borrower of the moneys held for the payment thereof. The Trustee shall not be liable to the Borrower or any Holder for interest on funds held by it for the payment and discharge of the interest or principal of any of the Bonds.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01 Non-Liability of Authority. The Authority shall not be obligated to pay the principal (or Redemption Price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the City), nor the faith and credit of the Authority is pledged to the payment of the principal (or Redemption Price) of or interest on the Bonds. Neither the Authority nor the City shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Loan Agreement, the Bonds or this Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

The Trustee hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower to the Trustee pursuant to the Loan Agreement, together with investment income on certain funds and accounts held by the Trustee under this Indenture, and hereby agrees that if the payments to be made under the Loan Agreement shall ever prove insufficient to pay all principal (or Redemption Price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then the Trustee shall give notice to the Borrower in accordance with Section 5.01(d) of this Indenture to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Redemption Price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

SECTION 11.02 Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03 Limitation of Rights to Parties, Borrower and Bondholders. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Borrower and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the Borrower and the Holders of the Bonds.

SECTION 11.04 Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice

shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05 Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Authority, if the Authority shall so require), and deliver a certificate of such destruction to the Authority.

SECTION 11.06 Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07 Notices. All notices to Bondholders shall be given by telex, telegram, telecopier or other telecommunication device unless otherwise provided herein and, if by a telecommunications device not capable of producing a written notice, confirmed in writing as soon as practicable. Any notice to the Bondholder Representative shall be made to RPM Capital Management, LLC, 166 West Putnam Avenue, Greenwich, CT 06830, Attention: Michele M. Newland, Esq., Co-CEO and Chief Investment Officer, Telephone: (203) 992-1100, Facsimile: (203) 900-1000, with a copy to Hinckley, Allen & Snyder LLP, 28 State Street, Boston, MA 02109-1775, Attention: Stephen Weyl, Partner, Telephone: (617) 345-9000, Facsimile: (617) 345-9020. Any notice to or demand upon the Trustee may be served or presented, and such demand may be made, at the Corporate Trust Office of the Trustee at Wilmington Trust N.A., 25 South Charles Street, 11th Floor, Mail Code: MD2-CS58, Baltimore, MD 21201, Attention: Corporate Trust Department, or at such other address as may have been filed in writing by the Trustee with the Authority. Any notice to or demand upon the Authority or the Borrower shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or telecopy or by being deposited, postage prepaid, in a U.S. Postal Service letter box, addressed, as the case may be, to the Authority at 1400 West Lacey Blvd., Hanford, CA 93230, Attention: Chair or, to the Borrower at PO Box 609, San Juan Capistrano, California 92693, Attn: Chief Financial Officer (or such other addresses as may have been filed in writing by the Authority or the Borrower with the Trustee). Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of any notice, unless and until the Trustee actually receives such notice. Any notice sent to or given by the Borrower, Trustee, or Authority must also be sent to the Bondholder Representative.

SECTION 11.08 Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bondholders

may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Notwithstanding the foregoing, for so long as there is a Bondholder Representative, the actions set forth above with respect to the Bondholders shall be carried out by the Bondholder Representative.

SECTION 11.09 Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Authority, the Borrower or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Borrower or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, but only to the extent the Trustee has actual knowledge of such ownership. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Borrower or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.10 Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11 Funds and Accounts. The Trustee may establish such funds and accounts as it deems necessary or appropriate to fulfill its obligations under this Indenture. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every holder thereof. Notwithstanding any other provision of this Indenture, the Trustee shall only be required to open any funds or accounts when it receives, or is notified that it will receive, funds or moneys to be deposited and maintained in such funds or accounts.

SECTION 11.12 Waiver of Personal Liability. No member, officer, agent or employee of the City or the Authority shall be individually or personally liable for the payment of the principal (or Redemption Price) of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.13 Business Days. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 11.14 Governing Law. This Indenture shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in the State of California. This Indenture shall be enforceable in the State of California, and any action arising hereunder shall (unless waived by the Authority in writing) be filed and maintained in a state court located in the County of Kings, California.

SECTION 11.15 Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.16 Acceptance and Acknowledgement by Each Beneficial Owner that the Bondholder Representative Will Act on Its Behalf. By acceptance of the Bonds, each Beneficial Owner of the Bonds acknowledges and agrees that the Bondholder Representative, if any, will act on its behalf with respect to all matters arising in connection with the Bonds.

IN WITNESS WHEREOF, the CALIFORNIA PUBLIC FINANCE AUTHORITY has caused this Indenture to be signed in its name by an Authorized Signatory, and WILMINGTON TRUST, N.A., as Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its duly authorized officer all as of the day and year first above written.

CALIFORNIA PUBLIC FINANCE AUTHORITY

By: _____
Authorized Signatory

WILMINGTON TRUST, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF BOND

THIS BOND MAY ONLY BE REGISTERED IN THE NAME OF, OR TRANSFERRED TO, AN “ACCREDITED INVESTOR” OR A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN THE INDENTURE.

R-1

\$5,900,000.00

**CALIFORNIA PUBLIC FINANCE AUTHORITY
REVENUE BOND
(SILVERLAKES EQUESTRIAN & SPORTS PARK)
SERIES 2016 (TAXABLE)**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP NUMBER
8.50%	January 1, 2039	May 6, 2016	13057E AE4

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: \$5,900,000.00

CALIFORNIA PUBLIC FINANCE AUTHORITY, a public entity of the State of California (herein called the “Authority”), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the registered holder stated above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal amount stated above in lawful money of the United States of America; and to pay interest thereon (but only from said Revenues and other assets pledged therefor) in like lawful money from May 6, 2016 until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the rate per annum stated above, payable on July 1, 2016, and thereafter on January 1 and July 1 in each year. This Bond shall bear interest from May 6, 2016. The principal (or redemption price) hereof is payable upon surrender at the Corporate Trust Office (as defined in the Indenture) of Wilmington Trust, N.A. (herein called the “Trustee”). Interest hereon is payable by check mailed by first class mail on each interest payment date (except with respect to defaulted interest which shall be paid on a Special Record Date to be chosen by the Trustee, notice of which shall be given by first class mail not less than ten (10) days prior to such Special Record Date) to the person whose name appears on the bond registration books of the Trustee as the registered holder hereof as of the close of business on the fifteenth (15th) calendar day of the month preceding such interest payment date, whether or not such day is a Business Day (as defined in the Indenture hereinafter defined) (the “Record Date”) at the address appearing on the bond registration books maintained by the Trustee, or by wire transfer to an account within the United States to any registered holder of at least \$1,000,000 in principal amount of Bonds if such registered holder has submitted a written request for such wire transfer to the Trustee at least five

Business Days prior to the Record Date. Interest shall be calculated on a three hundred sixty (360) day year basis of twelve (12) thirty (30) day months.

This Bond is one of a duly authorized issue of bonds of the Authority designated as “California Public Finance Authority Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2016 (Taxable)” (herein called the “Bonds”), limited in aggregate principal amount to Five Million Nine Hundred Thousand Dollars (\$5,900,000) and issued pursuant to the provisions of the Joint Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Act”) and an indenture, dated as of May 1, 2016, between the Authority and the Trustee (herein called the “Indenture”). The Bonds are issued for the purpose of making a loan to Balboa Management Group, LLC (herein called the “Borrower”), pursuant to a loan agreement, dated as of May 1, 2016 (herein called the “Loan Agreement”), between the Authority and the Borrower, for the purposes and on the terms and conditions set forth therein.

Reference is hereby made to the Indenture (a copy of which is on file at the Corporate Trust Office of the Trustee) and all indentures supplemental thereto and, to the Loan Agreement (a copy of which is on file at said Corporate Trust Office of the Trustee) for a description of the rights thereunder of the registered holders of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder, to all the provisions of which Indenture and Loan Agreement the registered holder of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

The Bonds and the interest thereon are payable from Revenues and, from certain funds and accounts established and maintained under the Indenture, and are secured by a pledge and assignment of said Revenues and of amounts held in the funds and accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Authority in the Loan Agreement and in the Deed of Trust (to the extent and as more particularly described in the Indenture).

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY

APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, THE AUTHORITY SHALL NOT BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT.

The Bonds are subject to redemption and purchase in lieu of redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised as directed by the Borrower) as provided in the Indenture.

The Bonds are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments deposited in the Sinking Account, as provided in the Indenture.

Notice of redemption shall be mailed by the Trustee, not less than thirty (30) days, and not more than sixty (60) days prior to the redemption date, to the respective holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption. Any such notice may be conditioned upon the receipt by the Trustee of sufficient funds from the Borrower to effect the redemption on the Redemption Date.

If an Event of Default shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding or by the Trustee.

The Bonds are issuable only as fully registered Bonds in Authorized Denominations. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged, at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity.

“Authorized Denomination” means \$25,000 or any amount in excess thereof in even \$5,000 increments.

“Bondholder Representative” means, initially, RPM Capital Management, LLC, a registered investment advisor under the Investment Advisors Act of 1940, as amended, and any successors or assigns thereto if designated as the Bondholder Representative by written appointment by a majority of the Beneficial Owners, delivered to the Trustee.

By acceptance of the Bonds, each Beneficial Owner of the Bonds acknowledges and agrees that the Bondholder Representative, if any, will act on its behalf with respect to all matters arising in connection with the Bonds.

This Bond is transferable by the registered holder hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the

manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a Bond or Bonds, of Authorized Denomination, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The Authority and the Trustee may treat the registered holder hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority and of the registered holders of the Bonds and of the Trustee may be modified or amended from time to time in the manner, with the consent (if any) of the Holders of the Bonds, to the extent, and subject to such other terms and conditions provided in the Indenture.

It is hereby certified and recited that any and all act, conditions and things required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the by the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution and laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, CALIFORNIA PUBLIC FINANCE AUTHORITY has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Chairman attested by the facsimile signature of its Secretary, all as of the date set forth above.

CALIFORNIA PUBLIC FINANCE AUTHORITY

By: _____
Authorized Signatory

Attest:

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION]

This is one of the Bonds described in the within mentioned Indenture, which has been authenticated on the date set forth below.

WILMINGTON TRUST, N.A., as Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____, attorney, to transfer the same on the books of the within-named Trustee, with full power of substitution in the premises.

Dated: _____

NOTICE: Signature must be guaranteed by a qualified guarantor institution.

EXHIBIT B

EXISTING PERMITTED LIENS

Such matters as appear in Schedule B Part I of the ALTA Title Insurance Policy delivered on the Closing Date.

EXHIBIT C

FORM OF REQUISITION OF THE BORROWER

FROM COSTS OF ISSUANCE FUND

**Costs of Issuance Fund
Requisition No. _____**

To: Wilmington Trust, N.A., as Trustee

The undersigned authorized representative of Balboa Management Group, LLC (the "Borrower") hereby requests Wilmington Trust, N.A., as trustee (the "Trustee") under that certain Indenture, dated as of May 1, 2016, between the California Public Finance Authority (the "Authority") and the Trustee, to pay to the Persons listed on Schedule I attached hereto, the amounts shown for the purposes indicated from the Costs of Issuance Fund established and maintained under the Indenture.

The Borrower hereby certifies that obligations in amounts stated in this Requisition have been incurred by the Borrower and are presently due and payable and each item is a proper charge against the Costs of Issuance Fund and have not been previously paid from the Costs of Issuance Fund.

Dated: _____, 20__.

BALBOA MANAGEMENT GROUP, LLC

By: _____
Authorized Signatory

CONSENTED TO BY:
RPM CAPITAL MANAGEMENT, LLC, as Bondholder Representative

By: _____

Schedule I
(COSTS OF ISSUANCE FUND REQUISITION)

<u>PAYEE</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
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EXHIBIT D
FORM OF PROJECT FUND REQUISITION
FROM THE PROJECT FUND

Project Fund
Requisition No. _____

To: Wilmington Trust, N.A., as Trustee

The undersigned authorized representative of Balboa Management Group, LLC (the "Borrower") hereby requests Wilmington Trust, N.A., as trustee (the "Trustee") under that certain Indenture, dated as of May 1, 2016, between the California Public Finance Authority (the "Authority") and the Trustee, to pay to the Persons listed on Schedule I attached hereto, the amounts shown for the purposes indicated from the Project Fund established and maintained under the Indenture.

1. Each of the items for which payment is requested is described in Section 3.4(a) of the Loan Agreement relating to the Project, is a proper charge against the Project Fund, and is or was necessary in connection with the Project.

2. None of the items for which payment is requested has been reimbursed previously from the Project Fund.

The Borrower hereby certifies that obligations in amounts stated in this Requisition have been incurred by the Borrower and are presently due and payable and each item is a proper charge against the Project Fund and have not been previously paid from the Project Fund.

Dated: _____, 20__.

BALBOA MANAGEMENT GROUP, LLC

By: _____
Authorized Signatory

CONSENTED TO BY:
RPM CAPITAL MANAGEMENT, LLC, as Bondholder Representative

By: _____

Schedule I
(PROJECT FUND REQUISITION)

PAYEE

PURPOSE

AMOUNT

EXHIBIT E

FORM OF CERTIFICATE OF BONDHOLDER REPRESENTATIVE

The undersigned, an Officer of RPM Capital Management, LLC (the “*Bondholder Representative*”), does hereby certify, represent and agree, as follows:

1. The Bondholder Representative is the duly elected representative of Beneficial Owners of 100% in outstanding aggregate principal amount of the \$5,900,000 Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2016 (Taxable) (the “*2016 Bonds*”), of the California Public Finance Authority (the “*Issuer*”), which Bonds have been issued and delivered on the date of this Certificate.

2. The 2016 Bonds are currently Outstanding in the aggregate principal amount of \$5,900,000. The Bondholder Representative represents the Owners of all of the 2016 Bonds Outstanding. The Bondholder Representative is delivering this Certificate on behalf of such Owners and all other Owners of the 2016 Bonds from time to time represented by the Bondholder Representative (the “*Owner*” or “*Owners*”).

3. Each Owner is informed that the 2016 Bonds are not general obligations of the Issuer, but are special, limited obligations payable and secured solely as provided for in the Indenture, dated as of May 1, 2016, between the Issuer and Wilmington Trust, N.A. (the “*Trustee*”), as trustee (the “*Indenture*”) and a Loan Agreement, dated as of May 1, 2016, between Balboa Management Group LLC (the “*Borrower*”) and the Issuer (the “*Loan Agreement*” and together with the Indenture, the “*Bond Documents*”).

4. Each Owner and the Bondholder Representative has full power and authority to carry on its business as now conducted.

5. Each Owner is an “accredited investor”, as defined in Rule 105 of Regulation D of the Securities Act of 1933, as amended (“*Securities Act*”) or a “qualified institutional buyer”, as defined in Rule 144A of the Securities Act.

6. Each Owner has retained RPM Capital Management, LLC to advise and represent the Owner regarding the purchase and sale of securities of entities such as the Borrower and of securities such as the 2016 Bonds. Each Owner has the ability to bear the economic risks of an investment in the 2016 Bonds, and is an “accredited investor” or a “qualified institutional buyer”.

7. Each Owner is not now, and has never been controlled by, or under common control, with the Borrower. The Borrower has never been, and is not now, controlled by any Owner. No Owner has entered into any arrangements with the Borrower or with any affiliate of the Borrower in connection with the 2016 Bonds, other than as disclosed to the Issuer or Trustee.

8. The Issuer, the State of California, and the Trustee have not undertaken and will not undertake steps to ascertain the accuracy or completeness of the information furnished to any Owner with respect to the Borrower, R.J. Brandes (the “*Guarantor*”), the 2016 Bonds, or the Project financed by the 2016 Bonds. No Owner has relied or will rely upon the Issuer, the State of California, or the Trustee in any way with regard to the

accuracy or completeness of the information furnished to any Owner in connection with the purchase of the 2016 Bonds, nor have any such parties made any representation to any Owner with respect to that information.

9. The Bondholder Representative is sufficiently knowledgeable and experienced in financial and business matters, including the purchase and ownership of municipal and other tax-exempt and taxable debt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the 2016 Bonds, and it is capable of and has made its own investigation of the Borrower, the Guarantor and the Project in connection with its decision to recommend the purchase of the 2016 Bonds on behalf of the Owners.

10. The 2016 Bonds are purchased by every Owner for the purpose of investment and each Owner intends to hold the 2016 Bonds for its own account as a long-term investment, without a current view to any distribution or sale of the 2016 Bonds. Each Owner is informed that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

11. Each Owner is informed that the 2016 Bonds will not be listed on any stock or other securities exchange and were issued without registration under the provisions of the Securities Act, or any state securities laws, and the 2016 Bonds may not be resold, transferred, pledged or hypothecated, in whole or in part, unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from registration is available. Each Owner is informed that the 2016 Bonds will not carry any rating from any rating service. Each Owner is informed that, unless the Issuer is informed that the 2016 Bonds have an investment grade rating, the 2016 Bonds may be transferred only to an “accredited investor”, a “qualified institutional buyer” or a broker-dealer of securities.

Dated this 6th day of May, 2016.

RPM CAPITAL MANAGEMENT, LLC

By: _____

Its: _____

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APPENDIX B-2

FORM OF LOAN AGREEMENT

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CALIFORNIA PUBLIC FINANCE AUTHORITY

and

BALBOA MANAGEMENT GROUP, LLC

LOAN AGREEMENT

Dated as of May 1, 2016

Relating to

\$5,900,000

CALIFORNIA PUBLIC FINANCE AUTHORITY

REVENUE BONDS

(SILVERLAKES EQUESTRIAN & SPORTS PARK)
SERIES 2016 (TAXABLE)

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of May 1, 2016 (the “Loan Agreement”), between the CALIFORNIA PUBLIC FINANCE AUTHORITY, a joint exercise of powers authority and public entity duly organized under the laws of the State of California (the “Authority”), and BALBOA MANAGEMENT GROUP, LLC, a limited liability company duly organized and existing under the laws of the State of Delaware (the “Borrower”);

WITNESSETH:

WHEREAS, certain property described in Exhibit A hereto (the “Property”) is subject to the Norco SilverLakes Ground Lease, dated July 6, 2011, as amended by a First Amendment to Ground Lease, dated as of January 21, 2015 (the “Ground Lease”) between the City of Norco, California (the “City”) and the Borrower;

WHEREAS, the City has approved the development of the Property into a project known as the “SilverLakes Equestrian & Sports Park” through a series of approvals, entitlements and agreements, including without limitation, the Ground Lease, a Development Agreement, dated July 6, 2011, between the City and the Borrower, as amended, and as modified by a Memorandum of Understanding Revising Performance Schedule, dated as of January 21, 2015, between the City and the Borrower, a Funding, Construction and Acquisition Agreement, dated July 6, 2011, between the City and the Borrower, the Norco SilverLakes Shared Use Agreement, dated July 6, 2011, between the City and the Borrower, a Conditional Use Permit No. 2008-09 approved on March 4, 2009 and Restated on July 6, 2011 and a Project Site Plan;

WHEREAS, the City and the Borrower intend that the project will be developed for park, recreational, sports, entertainment and open space purposes;

WHEREAS, pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Act”), Kings County and the Housing Authority of Kings County (the “Members”) entered into that certain Joint Powers Agreement dated May 12, 2015 (the “Agreement”) pursuant to which the California Public Finance Authority (the “Authority”) was organized;

WHEREAS, the Authority is authorized by its Agreement and under the Act to, among other things, issue bonds, notes or other evidences of indebtedness in connection with, and to make loans to assist in the financing of certain projects;

WHEREAS, the Borrower has applied for the financial assistance of the Authority in the financing of the construction, improvement, renovation and equipping (the “Project”) of the Borrower’s recreational and sport facilities (as more particularly defined herein, the “Facilities”) to be owned and operated by the Borrower and are located in the City; and

WHEREAS, the Authority has authorized the issuance of California Public Finance Authority Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2016 (Taxable) or similar designation in one or more series (the “Series 2016 Bonds”), in an aggregate

principal amount of Five Million Nine Hundred Thousand Dollars (\$5,900,000.00) to finance the Project; and

WHEREAS, the Authority and the Borrower have each duly authorized the execution, delivery and performance of this Loan Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.1 Definitions. Unless the context otherwise requires, all terms used herein shall have the meanings assigned to such terms in Section 1.01 of the Indenture, as originally executed and as amended or supplemented from time to time.

Section 1.2 Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(a) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(b) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.3 Content of Certificates and Opinions. Every certificate or opinion provided for in this Loan Agreement with respect to compliance with any provision hereof shall include the requirements set forth in Section 1.02 of the Indenture.

ARTICLE II

FINDINGS OF THE AUTHORITY; REPRESENTATIONS AND WARRANTIES OF THE BORROWER

Section 2.1 Findings by the Authority. The Authority hereby finds and determines that: (i) pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Act”), the County of Kings and the Housing Authority of the County of Kings entered into the Agreement and formed the Authority; (ii) the Authority is authorized by the Act to issue bonds, notes or other evidences of indebtedness, or certificates of participation for the purposes set forth therein; (iii) the Authority is a joint powers

authority, organized and existing under the laws of the State of California (the “State”) that is separate and distinct from, and independent of, the State and its political subdivisions; (iv) the Authority has found and determined that the issuance of the Bonds under the Indenture and the construction, improvement, renovation and equipping of the Silverlakes Equestrian & Sports Park by the Borrower will further the purposes of the Act; (v) the Authority has full power and authority to consummate all transactions contemplated by the Bonds, the Bond Documents and any and all other agreements relating thereto, and to perform all of its obligations hereunder and thereunder; (vi) the Authority has not pledged and covenants that it will not pledge the amounts derived from the Loan Agreement other than to secure the Bonds (except for Reserved Rights and the rights to payments in respect thereof, which the Authority retains); (vii) the Authority makes no warranty, express or implied, with respect to the Project or any portions thereof, including without limitation, the habitability thereof, the merchantability or fitness thereof for any particular purposes; the design or condition thereof; the workmanship, quality, or capacity thereof; latent defects therein; the value thereof; future performance or the compliance thereof with any legal requirements; and (viii) the Authority makes no representation or warranty, express or implied, that the proceeds of the Bonds will be sufficient to finance the acquisition, rehabilitation and equipping, as applicable, of the Project or that the Project will be adequate or sufficient for the Borrowers’ intended purposes.

Section 2.2 Representations and Warranties of the Borrower. The Borrower represents and warrants to the Authority that, as of the date of execution of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Bonds or any investigations by or on behalf of the Authority or the results thereof):

(a) The Borrower is a limited liability company duly organized and existing under the laws of the State of Delaware and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Loan Agreement and the other Borrower Documents, and to carry out all of its obligations under and consummate all transactions contemplated hereby and by the other Borrower Documents, and by proper corporate action has duly authorized the execution, delivery and performance of this Loan Agreement and the other Borrower Documents.

(b) The officers of the Borrower executing this Loan Agreement and the other Borrower Documents are duly and properly in office and fully authorized to execute the same.

(c) This Loan Agreement and the other Borrower Documents have been duly authorized, executed and delivered by the Borrower.

(d) This Loan Agreement and the other Borrower Documents, when assigned to the Trustee pursuant to the Indenture, will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower by the Trustee in accordance with their terms for the benefit of the Holders of the Bonds, and any rights of the Authority and obligations of the Borrower not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Borrower enforceable against the Borrower by the Authority in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally, by the application of equitable principles

regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) The execution and delivery of this Loan Agreement and the other Borrower Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the certificate of formation of the Borrower, its operating agreement, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement or the other Borrower Documents, or the financial condition, assets, properties or operations of the Borrower.

(f) No consent or approval of any trustee or holder of any indebtedness of the Borrower or any guarantor of indebtedness of or other provider of credit or liquidity of the Borrower, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or “blue sky” laws) is necessary in connection with the execution and delivery of this Loan Agreement or the other Borrower Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower or the assets, properties or operations of the Borrower which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Loan Agreement or the other Borrower Documents, or upon the financial condition, assets, properties or operations of the Borrower, and the Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement or the other Borrower Documents, or the financial condition, assets, properties or operations of the Borrower. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the financial statements described in (k) of this Section. The Borrower enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

(h) No written information, exhibit or report furnished to the Authority by the Borrower in connection with the negotiation of this Loan Agreement or the other Borrower Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) The Borrower has an enforceable leasehold interest in the Facilities free and clear from all encumbrances other than Permitted Liens.

(j) The Borrower's unaudited statement of financial position at December 31, 2014 (copies of which have been provided to the Authority and the Bondholder Representative) fairly present the financial position of the Borrower at such date and since such date there has been no material change in the financial condition or results of operations of the Borrower.

(k) The Borrower's unaudited statement of financial position at December 31, 2015 (copies of which have been furnished to the Authority and the Bondholder Representative) fairly present the financial position of the Borrower at such dates and the results of operations for the year ended on such date, and since such date there has been no material adverse change in the financial condition or results of operations of the Borrower.

(l) The Borrower has complied, and in the future will comply, in all material respects with all applicable Environmental Regulations.

(m) Neither the Borrower nor the Facilities are the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by an Environmental Regulations or to respond to a Release of any Hazardous Substances into the environment.

(n) The Borrower does not have any material contingent liability in connection with any release of any Hazardous Substances into the environment.

(o) This Loan Agreement creates a valid and binding pledge and assignment of and security interest in the Collateral in favor of the Trustee as security for payment of Loan Repayments and payments with respect to the Parity Debt, enforceable by the Trustee in accordance with the terms hereof.

(p) Under the laws of the State of California, such pledge and assignment and security interest and each pledge, assignment, lien or other security interest made to secure any prior obligations of the Borrower which, by the terms hereof, ranks on a parity with or prior to the pledge and assignment and security interest granted hereby, is and shall be prior to any judicial lien hereafter imposed on such Collateral to enforce a judgment against the Borrower on a simple contract. By the date of issue of the Bonds, the Borrower will have filed all financing statements describing, and transferred such possession or control over, such Collateral (and for so long as any Bond is outstanding the Borrower will file, continue and amend all such financing statements and transfer such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which the Borrower is organized or such Collateral may be located or that may otherwise be applicable pursuant to Uniform Commercial Code §§9.301—9.306 of such jurisdiction.

(q) The Borrower has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of such Collateral that ranks on a parity with or prior to the pledge and assignment and security interest granted hereby except with respect to the \$20,000,000 California Statewide Communities Development Authority Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015 (Taxable) (the “Series 2015 Bonds”). Other than with respect to the Series 2015 Bonds, the Borrower has not described such Collateral in a Uniform Commercial Code financing statement that will remain effective when the Bonds are issued. The Borrower shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such Collateral that ranks prior to or on a parity with the pledge, assignment, lien and/or security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted hereby.

ARTICLE III

ISSUANCE OF BONDS; LOAN OF PROCEEDS

Section 3.1 The Bonds. Pursuant to the Indenture, the Authority has authorized the issuance of the Series 2016 Bonds in the aggregate principal amount of Five Million Nine Hundred Thousand Dollars (\$5,900,000). The Authority hereby loans and advances to the Borrower, and the Borrower hereby borrows and accepts from the Authority (solely from the proceeds of the sale of the Series 2016 Bonds), the proceeds of the Series 2016 Bonds to be applied under the terms and conditions of this Loan Agreement and the Indenture. The Borrower hereby approves the Indenture, the assignment thereunder to the Trustee of the right, title and interest of the Authority in this Loan Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to receive any amounts paid by the Borrower pursuant to Sections 7.2, 7.3 or 8.5 and (iii) the rights of the Authority under the special services covenant pursuant to Section 5.8) and in and to the amendments to the Deed of Trust and the issuance thereunder by the Authority of the Series 2016 Bonds.

Section 3.2 Investment of Moneys in Funds. Any moneys in any fund held by the Trustee shall, to the extent permitted under the Indenture, at the written request of an Authorized Borrower Representative, with the consent of the Bondholder Representative, be invested or reinvested by the Trustee as provided in the Indenture. Such investments shall be deemed at all times to be a part of the fund from which such investments were made, and the interest accruing thereon and any profit or loss realized therefrom shall, except as otherwise provided in the Indenture, be credited or charged to such fund.

The Borrower acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Borrower specifically waive receipt of such confirmations to the extent permitted by law.

Section 3.3 Agreement to Acquire the Project. The Borrower agrees that it will acquire, construct, equip, furnish and install or cause to be acquired, constructed, equipped, furnished and installed all facilities and real and personal property deemed necessary for the

operation of the Project, substantially in accordance with the description of the Project attached hereto as Exhibit B, including any and all supplements, amendments and additions or deletions thereto or therefrom, it being understood that the approval of the Authority shall not be required for changes in such descriptions which do not substantially alter the purpose and description of the Project referred to in Exhibit B. The Borrower further agrees to proceed with due diligence to acquire the Project.

In the event that the Borrower desires to alter or change the description of the Project, and such alteration or change substantially alters the purpose and description of the Project from that contained in Exhibit B hereto, upon the written consent of the Bondholder Representative the Authority (upon receipt of written direction from the Borrower) will enter into, and will instruct the Trustee to consent to, such amendment or supplement as shall be required to reflect such alteration or change to the Project upon receipt of:

- (a) a certificate of an Authorized Borrower Representative describing in detail the proposed changes and stating that they will not have the effect of disqualifying the Project as facilities that may be financed pursuant to the Act; and
- (b) a copy of the proposed form of such amendment or supplement.

Section 3.4 Disbursements of Bond Proceeds.

(a) The Borrower will authorize and direct the Trustee to disburse the moneys in the Project Fund to or on behalf of the Borrower only to pay the Costs of the Project (and not for Costs of Issuance). Each payment referred to in this Section shall be made upon receipt by the Trustee of a written requisition in the form prescribed by Section 3.04 of the Indenture, signed by an Authorized Borrower Representative and the Bondholder Representative.

(b) The Borrower will authorize and direct the Trustee to disburse the moneys in the Costs of Issuance Fund to or on behalf of the Borrower only for Costs of Issuance. Each of the payments referred to in this 3.4(b) shall be made upon receipt by the Trustee of a written requisition in the form prescribed by Section 3.04 of the Indenture, signed by an Authorized Borrower Representative.

ARTICLE IV

PAYMENTS

Section 4.1 Payments of Principal, Premium and Interest. In consideration of the loan of such proceeds to the Borrower, the Borrower agrees that, as long as any of the Bonds remain Outstanding, it shall pay to the Trustee, as assignee of the Authority, for deposit in the Revenue Fund no later than three (3) Business Days prior to the twenty-fifth (25th) calendar day of each month, such amount as is required by the Trustee to make the transfers and deposits required on or before the twenty-fifth (25th) day of such month by Section 5.02 of the Indenture. Notwithstanding the foregoing, if by such third (3rd) Business Day prior to the twenty-fifth (25th) calendar day of any such month, the aggregate amount in the Revenue Fund, the Principal Account and the Interest Account is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming

due (whether by maturity, redemption or acceleration), the Borrower shall forthwith pay, or cause to be paid, the amount of any such deficiency to the Trustee upon written notice from the Trustee or the Bondholder Representative. Each payment by the Borrower to the Trustee hereunder (the "Loan Repayments") shall be in lawful money of the United States of America and paid to the Trustee at the Corporate Trust Office, and held, invested, disbursed and applied as provided in the Indenture.

(a) If the Bondholder Representative exercises its right to tender the Bonds for mandatory purchase on January 1, 2020 ("Purchase Date") pursuant to Section 4.07 of the Indenture, the Borrower shall pay, or cause to be paid, the outstanding principal amount of the Bonds and accrued interest through the Purchase Date ("Purchase Price").

(b) Except as otherwise expressly provided herein, all amounts payable hereunder by the Borrower to the Authority shall be paid to the Trustee as assignee of the Authority and this Loan Agreement and all right, title and interest of the Authority in any such payments are assigned and pledged to the Trustee pursuant to the Indenture so long as any Bonds remain Outstanding.

(c) The Borrower shall pay, or cause to be paid, all rent due under the Lease on or before three Business Days prior to the date such payments are due and shall confirm such payments by writing to the Authority, the Trustee and the Bondholder Representative. If the Borrower fails to pay, or cause to have paid, any such payment(s), the Trustee may use moneys in the Gross Revenue Fund for such purpose or, if there are insufficient moneys in the Gross Revenue Fund for such purpose, the Trustee is directed and authorized to use moneys in the Reserve Fund for such purpose.

Section 4.2 Additional Payments. In addition to the Loan Repayments, the Borrower shall also pay to the Authority, the Bondholder Representative or to the Trustee, as the case may be, "Additional Payments," as follows:

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(b) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture and all amounts referred to in Section 8.03(f) of the Indenture, as and when the same become due and payable;

(c) The reasonable fees and expenses of the Bondholder Representative and such accountants, consultants, attorneys and other experts as may be engaged by the Authority, the Bondholder Representative or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under or with respect to this Loan Agreement, the other Borrower Documents or the Indenture; and

(d) The annual fee of the Authority and the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with this Loan Agreement, the other Borrower Documents, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, investigation, issuance, sale and delivery of any such Bonds or in connection with any litigation, inquiry or other proceeding which may at any time be instituted involving this Loan Agreement, the other Borrower Documents, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of this Loan Agreement and the other Borrower Documents.

Such Additional Payments shall be billed to the Borrower by the Authority, the Bondholder Representative or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Borrower within thirty (30) days after receipt of the bill by the Borrower. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the Borrower for payment of the Authority's annual fee of 0.015% of the aggregate principal amount of Bonds Outstanding under the Indenture, such annual fee shall be paid by the Borrower to the Trustee on a pro rata basis (i.e., the annual fee shall be divided by the number of payments to be made during each annual period based on the number of interest payments), due and payable in arrears, on each respective Interest Payment Date (deeming, for purposes of calculating the pro rata fee to be paid, any principal to be paid on or as of such Interest Payment Date as no longer Outstanding) and shall be made as an Additional Payment in accordance with this Section and Section 5.07 of the Indenture.

Section 4.3 Gross Revenue Fund; Deed of Trust. The Borrower agrees that, so long as any of the Loan Repayments or Additional Payments remain unpaid, all of the Gross Revenues of the Borrower shall be deposited as soon as practicable upon receipt in a fund designated as the "Gross Revenue Fund" which the Borrower shall establish and maintain, subject to the provisions of subsection (b) of this Section, in a deposit account or accounts at such banking institution or institutions as the Borrower shall from time to time designate in writing to the Trustee for such purpose (the "Depository Bank(s)") and which shall be agreed to by the Bondholder Representative. The Borrower shall cause the Depository Bank to enter into the Borrower Deposit Account Control Agreement with the Borrower and the Trustee. As security for the payment of the Loan Repayments and the performance by the Borrower of its other obligations under this Loan Agreement and with respect to Parity Debt, the Borrower hereby pledges and assigns to the Trustee, and grants to the Trustee a security interest in, all its right, title and interest, whether now owned or hereafter acquired, in and to the Gross Revenues and the Gross Revenue Fund and the proceeds thereof (collectively, the "Collateral"). The Borrower shall execute the Borrower Deposit Account Control Agreement, shall execute and cause to be

filed Uniform Commercial Code financing statements, and shall execute and deliver such other documents (including, but not limited to, continuation statements and amendments to such Uniform Commercial Code financing statements) as may be necessary or reasonably requested by the Trustee in order to perfect or maintain the perfection of such security interest. The Borrower hereby irrevocably authorizes the Trustee to execute and file any financing statements and amendments thereto as may be required to perfect or to continue the perfection of the security interest in the Collateral, including, without limitation, financing statements that describe the collateral as being of an equal, greater or lesser scope, or with greater or lesser detail, than as set forth in the definition of Collateral. The Borrower also hereby ratifies its authorization for the Trustee to have filed in any jurisdiction any like financing statements or amendments thereto if filed prior to the date hereof. The Borrower represents and warrants that as of the date hereof it is a limited liability company duly organized and existing under the laws of the State of Delaware and in good standing under the laws of the State of California and that its complete legal name is as set forth on the signature page of this Loan Agreement. The Borrower covenants that it will not change its name or its type or jurisdiction of organization unless (i) it receives the consent thereto of the Bondholder Representative, (ii) it gives thirty (30) days' notice of such change to the Trustee and (iii) before such change occurs it takes all actions as are necessary or advisable to maintain and continue the first priority perfected security interest of the Trustee in the Collateral.

(a) Gross Revenues and amounts in the Gross Revenue Fund may be used and withdrawn by the Borrower at any time for any lawful purpose, except as provided in the Borrower Security Agreement and as hereinafter provided. In the event that the Trustee has declared that an Event of Default exists under Section 7.01(a) or (b) of the Indenture or a Loan Default Event exists under Section 8.1(a) of the Loan Agreement, the Trustee shall notify the Borrower, the Bondholder Representative and the Depository Bank(s) of such Event of Default or Loan Default Event in writing, and upon receipt of such notice, exclusive control over the Gross Revenue Fund shall be exercised by the Trustee as provided in the Borrower Deposit Account Control Agreement. In such circumstance, the Trustee shall follow the directions of the Bondholder Representative and shall not relinquish control of the funds therein without the consent of the Bondholder Representative. All Gross Revenues shall continue to be deposited in the Gross Revenue Fund as provided in subsection (a) of this Section and the Trustee shall continue to exercise exclusive control over the Gross Revenue Fund until the amounts on deposit in said fund are sufficient to pay in full (or have been used to pay in full) all Loan Repayments and payments with respect to Parity Debt in default and until all other then-existing Loan Default Events and events of default with respect to Parity Debt known to the Trustee shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor. During any period that the Gross Revenue Fund is subject to the exclusive control of the Trustee, the Trustee shall use and withdraw from time to time amounts in said fund to make Loan Repayments, Additional Payments, and the other payments required of the Borrower under this Loan Agreement or with respect to any Parity Debt as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Loan Repayments and debt service on such Parity Debt ratably, without any discrimination or preference, and to such other payments in the order which the Trustee, in its discretion, shall determine to be in the best interests of the holders of the Bonds and such Parity Debt, without discrimination or preference. During any period that the Gross

Revenue Fund is subject to the exclusive control of the Trustee, the Borrower shall not be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Trustee in its sole discretion so directs for the payment of current or past due operating expenses of the Borrower; provided, however, that the Borrower may submit requests to the Trustee as to which expenses to pay and in which order. The Borrower agrees to execute and deliver all instruments as may be required to implement this Section. The Borrower further agrees that a failure to comply with the terms of this Section shall cause irreparable harm to the holders from time to time of the Bonds and of Parity Debt, and shall entitle the Trustee, with or without notice to the Borrower, to take immediate action to compel the specific performance of the obligations of the Borrower as provided in this Section.

(b) To secure the payment of Loan Repayments and Additional Payments, the performance by the Borrower of its other obligations under this Loan Agreement and the payment and performance of all obligations of the Borrower under any Parity Debt, the Borrower has entered into the Deed of Trust and the Borrower Security Agreement. The Borrower agrees to supplement the Deed of Trust or to execute and deliver such other deeds of trust as may be necessary from time to time to grant the Trustee a first priority Lien on the Facilities of the Borrower, subject to Permitted Liens. The Borrower shall obtain, at its own cost and expense, an ALTA Lender's Leasehold Policy of Title Insurance in favor of Trustee in an aggregate amount not less than the aggregate principal amount of the Bonds and Parity Debt to be outstanding after the issuance of such Bonds or Parity Debt, payable to the Trustee, insuring the title of the Borrower to the Facilities, subject only to Permitted Liens, issued by a title insurance company qualified to do business in the State. The Borrower shall execute and cause to be filed Uniform Commercial Code financing statements, and shall execute and deliver such other documents (including, but not limited to, continuation statements) as may be necessary or reasonably requested by the Authority or the Trustee in order to perfect or maintain as perfected the security interest in the personal property described in the Deed of Trust and the Security Agreement or give public notice thereof.

(c) Property shall be released from the Deed of Trust and the Security Agreement (and from the Uniform Commercial Code financing statements and other documents described in subsection (c)) if such Property is sold or otherwise disposed of in compliance with Section 5.6. The Authority and the Trustee shall execute and deliver to the Borrower all releases, deeds of reconveyance or other documents as may be reasonably requested by the Borrower in connection with the release of such Property from the Deed of Trust (and from such Uniform Commercial Code financing statements and other documents).

Section 4.4 Prepayment.

The Borrower shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments for application in accordance with the Indenture, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Optional Redemption Account of the Redemption Fund and, at the request of and as determined by the Borrower, credited against payments due

hereunder or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Indenture. The Borrower also shall have the right to surrender Bonds acquired by it in any manner whatsoever to the Trustee for cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired, and in the case of Term Bonds shall be allocated as set forth in the Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made hereunder remain unpaid, the Borrower shall not be relieved of its obligations hereunder.

Section 4.5 Obligations Unconditional. The obligations of the Borrower hereunder, including the obligation of the Borrower to make the Loan Repayments and the Additional Payments, are absolute and unconditional, notwithstanding any other provision of this Loan Agreement or the Indenture and irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority. Until this Loan Agreement is terminated and all payments hereunder are made, the Borrower:

(a) Shall pay all amounts required hereunder without abatement, deduction, diminution or set-off except as otherwise expressly provided in this Loan Agreement;

(b) Shall not suspend or discontinue any payments due hereunder for any reason whatsoever, including, without limitation, any right of set-off or counterclaim;

(c) Shall perform and observe all its other agreements contained in this Loan Agreement; and

(d) Except as provided herein, shall not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, damage, destruction or condemnation of the Facilities or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State, or any political subdivision of either thereof or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement. Nothing contained in this Section shall be construed to release the Authority from the performance of any of the agreements on its part herein contained; and in the event the Authority should fail to perform any such agreement on its part, the Borrower may institute such action against the Authority as the Borrower may deem necessary to compel performance.

The rights of the Trustee or any party or parties on behalf of whom the Trustee is acting shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Authority or the Trustee owing to the Borrower, or by reason of any other indebtedness or liability at any time owing by the Authority or by the Trustee to the Borrower.

Section 4.6 Condition Precedent. The obligation of the Authority to make the loan as herein provided shall be subject to the receipt by it of the proceeds of the issuance and sale of the Bonds.

ARTICLE V

PARTICULAR COVENANTS

Section 5.1 Maintenance of Corporate Existence of the Borrower; Consolidation, Merger, Sale or Transfer Under Certain Conditions. The Borrower covenants and agrees that it will maintain its existence as a limited liability company duly organized and existing under the laws of the State of Delaware and in good standing under the laws of the State of California and will not dissolve, sell or otherwise dispose of all or substantially all of its assets (except in compliance with Section 5.6) nor consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it; provided, that the Borrower may, without violating the covenants contained in this Section, consolidate with or merge into another Person, or permit one or more other Persons to consolidate with or merge into it, or sell or otherwise transfer to another Person such assets, if:

(i) The surviving, resulting or transferee Person, as the case may be: (a) assumes in writing, if such Person is not the Borrower, all of the obligations of the Borrower under this Loan Agreement, the Deed of Trust and the other Borrower Documents; and (b) is not, after such transaction, otherwise in default under any provisions of this Loan Agreement, the Deed of Trust or the other Borrower Documents;

(ii) The Trustee shall have received a Statement of an Authorized Representative of the Borrower to the effect that (a) the total net assets (as defined in accordance with generally accepted accounting principles) of the surviving, resulting or transferee Person after such transaction is at least equal to one hundred percent (100%) of the total net assets (as defined in accordance with generally accepted accounting principles) of the Borrower prior to such transaction; and (b) the pro forma combined Net Income Available for Debt Service of the surviving, resulting or transferee Person for the most recent fiscal year for which audited statements are available immediately preceding the transaction was at least 1.25 times the pro forma combined Maximum Aggregate Annual Debt Service on all outstanding Long-Term Indebtedness of the surviving, resulting or transferee Person;

(iii) The surviving, resulting or transferee Person, as the case may be, shall deliver to the Trustee a Statement of an Authorized Representative to the effect that it intends to continue to operate the Facilities in a manner which will allow it to continue to meet all of the Borrower's obligations hereunder; and

(iv) The Bondholder Representative shall have consented to such transaction, which consent shall be in the Bondholder Representative's sole and complete discretion.

(b) If a merger, consolidation, sale or other transfer is effected, as provided in this Section, the provisions of this Section shall continue in full force and effect and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of this Section.

Section 5.2 Licensing; Approvals. The Borrower covenants and agrees to use its best efforts to maintain all permits, licenses, certifications, approvals and any other governmental approvals required or, to the extent not required, deemed appropriate by the Borrower's Board for the operation of the Facilities; provided, however, that nothing herein contained shall be construed to obligate the Borrower to retain or preserve any permits, licenses, certifications, approvals or other governmental approvals no longer used or, in the judgment of the Borrower's Board, no longer useful in the conduct of its business.

Section 5.3 Limitation on Creation of Liens. The Borrower covenants and agrees that it will not create, assume or suffer to exist any Lien (including the charge upon Property purchased under conditional sales or other title retention agreements) (a "security interest") upon the Facilities or the Gross Revenues of the Borrower and the Borrower covenants that, if a security interest is created or assumed by the Borrower, it will make or cause to be made effective a provision whereby the obligations of the Borrower under this Loan Agreement, the Deed of Trust and the other Borrower Documents and under any outstanding Parity Debt will be secured prior to any such indebtedness or other obligation secured by a security interest; provided, however, that notwithstanding the foregoing provisions, the Borrower may create, assume or suffer to exist Permitted Liens so long as no such Permitted Lien is secured on a basis senior to the Lien on Gross Revenues established pursuant to Section 4.3 hereof.

Section 5.4 Limitation on Indebtedness. The Borrower covenants and agrees that it shall not incur any Indebtedness or financial obligations by borrowing money, by assuming or guaranteeing the obligations of others, by entering into installment purchase contracts or leases required to be capitalized in accordance with generally accepted accounting principles, or otherwise; provided, however, that the Borrower may incur:

- (a) The indebtedness represented by the Series 2015 Bonds;
- (b) Obligations and liabilities under this Loan Agreement including any supplements or amendments thereto or hereto;
- (c) With the prior written consent of the Bondholder Representative, which consent shall be in the Bondholder Representative's sole and complete discretion, Long-Term Indebtedness; and
- (d) Any other Indebtedness consented to by the Bondholder Representative, which consent shall be in the Bondholder Representative's sole and complete discretion.

Section 5.5 Parity Debt. The Borrower may incur Parity Debt in accordance with this Section 5.5 for any purpose provided that:

- (a) The prior written consent of the Bondholder Representative shall have been obtained, which consent shall be in the Bondholder Representative's sole and complete discretion;
- (b) The Trustee shall act as trustee in respect of Parity Debt;

(c) The agreement under which the Parity Debt is incurred shall require that a Loan Default Event shall constitute an event of default under such agreement;

(d) Any collateral given or to be given to secure Parity Debt shall also secure the Bonds, and the Deed of Trust and the Gross Revenues shall also secure the Parity Debt, on a *pari passu* basis;

(e) No such issuance of Parity Debt may occur should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such issuance of Parity Debt; and

(f) The Borrower shall satisfy the requirements contained in Section 5.4 with respect to the incurrence of Indebtedness

Section 5.6 Limitation on Disposition of Property, Plant and Equipment. The Borrower agrees that it will not suffer to exist any Liens on its Facilities other than Permitted Liens and that it will not sell or otherwise dispose, including any disposition by lease, of the Property, Plant and Equipment (including all or any part of the Facilities), except for disposition or transfers:

(a) Of Property, Plant and Equipment no longer necessary for the operation of the Facilities; or

(b) Of Property, Plant and Equipment replaced by Property, Plant and Equipment of similar type and/or of substantially equivalent function and value.

Section 5.7 Accounting Records and Financial Statements. The Borrower covenants and agrees at all times to keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Borrower. Such books of record and account shall be available for inspection by the Trustee, the Bondholder Representative and the Authority at reasonable hours and under reasonable circumstances without prior notice. Unless an Event of Default has occurred under the Indenture and is continuing, such inspection shall be no more frequently than once each year, and shall be upon reasonable prior notice.

(a) The Borrower further covenants and agrees to furnish the Bondholder Representative, (1) within one hundred twenty (120) days after the end of each Fiscal Year, beginning with the Fiscal Year ending December 31, 2016, with copies of the Borrower's financial statements audited by an Accountant acceptable to the Bondholder Representative, which shall include statements of income and statements of activities and cash flows, bookings, reservations, events and participants or such other information as shall be required to present such financial statements in accordance with generally accepted accounting principles and (2) within forty-five (45) days after the end of each financial quarter, with copies of the Borrower's financial statements, which shall include statements of income and statements of activities and cash flows, bookings, reservations, events and participants or such other information as shall be required to present such financial statements in accordance with generally accepted accounting

principles, and in each case together with a Certificate of an Authorized Representative of the Borrower and of the Borrower's Accountant that the Borrower's financial statements have been prepared in accordance with generally accepted accounting principles and that such Authorized Representative of the Borrower's examination of the Borrower's records was performed in accordance with generally accepted accounting standards. The Borrower covenants and agrees to provide to the Bondholder Representative, within no more than thirty (30) days of a written request therefor, copies of its unaudited financial statements.

Section 5.8 Special Services Covenant. The Borrower shall maintain recreational grounds and facilities, including equestrian and soccer facilities, for use by the general public within the territorial limits of the City as long as any Bonds remain Outstanding; provided, however, the Authority, upon review of such facts as it deems relevant, may, from time to time, allow the Borrower to provide alternative uses and services which provide public benefit to the City and its residents, or deem this special services covenant to be satisfied in whole or in part. Failure to comply with the provisions of this Section shall not constitute a Loan Default Event but shall be enforceable solely by the Authority by such action, at law or in equity, as the Authority in its sole discretion shall deem appropriate. This Section shall not be enforceable by the Trustee, any Bondholder, the City, any resident of the City or by any other Person other than the Authority.

Section 5.9 Continuing Disclosure Covenant. The Borrower hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Loan Agreement or the Indenture, failure of the Borrower to comply with the Continuing Disclosure Certificate shall not be considered an event of default; provided, however, the Trustee, at the written request of the Bondholder Representative or any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Bondowners of at least 25% aggregate principal amount of Bonds Outstanding during such time as there is no Bondholder Representative, shall to the extent the Trustee is indemnified to its satisfaction from and against any liability or expense related thereto, or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this section and the Continuing Disclosure Certificate. For purposes of this section, "Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Section 5.10 Access to Property, Plant and Equipment. The Borrower hereby covenants and agrees to permit the Bondholder Representative access to its Property, Plant, and Equipment at all times.

Section 5.11 Rates and Charges; Debt Service Coverage. The Borrower covenants and agrees to comply with the requirements of either of Subsection (a) or (b) of this Section 5.11, and compliance with either will be considered compliance with the requirements of this Section 5.11.

(a) The Borrower covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, fees and other charges which, are reasonably projected in each

Fiscal Year to provide Net Income Available for Debt Service at least equal to 1.25 times Aggregate Annual Debt Service.

(i) Beginning with the 2016 Fiscal Year, the Borrower shall maintain a ratio of Income Available for Debt Service (defined as the Borrower's: (i) excess of revenues over expenses plus (ii) interest (other than capitalized interest), amortization and depreciation divided by Aggregate Annual Debt Service (defined as all payments of interest, principal and sinking fund payments paid, or required to be paid, by the Borrower) of no less than 1.1:1.0 for 2016 and no less than 1.25:1.0 for 2017 and all fiscal years thereafter. The Debt Service Coverage Ratio shall be tested on a trailing twelve month basis on each March 31, June 30, September 30 and December 31 commencing December 31, 2016 (and shall be tested on a year to date basis as of March 31, 2016, June 30, 2016 and September 30, 2016). A certificate prepared by the Borrower's auditors showing each required Debt Service Coverage Ratio shall be delivered to the Authority, the Trustee and the Bondholder Representative within thirty (30) days of each March 31, June 30 and September 30 testing date and within ninety (90) days of each December 31 testing date.

Failure to meet the requirements of this Section 5.11 shall require a mandatory meeting of the Borrower's Membership within ten (10) days at which the Borrower and the Bondholder Representative will discuss a plan of correction for their mutual approval. Failure to agree upon a plan of correction shall result in an Event of Default.

ARTICLE VI

MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION

Section 6.1 Maintenance and Operation of the Facilities. The Borrower shall operate and maintain the Facilities in accordance in all material respects with all governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the Borrower. The Borrower shall maintain and operate the Facilities and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that shall be placed in any building or structure now or hereafter at any time constituting part of the Facilities which are material to the operation of the Facilities in good repair, working order and condition, and shall from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements so that the efficiency and value of the Facilities shall not be materially adversely impaired.

Section 6.2 Taxes, Assessments, Other Governmental Charges and Utility Charges. The Borrower shall pay and discharge all taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become liens upon the Facilities or the interest therein of the Authority, the Trustee or the Holders of the Bonds, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Facilities or any part thereof, and, upon request, will furnish to the Authority or Trustee receipts for all such payments, or other evidences satisfactory to the Authority and the Trustee; provided, however, that the Borrower shall not be required to pay any

tax, assessment, rate or charge as herein provided as long as it shall in good faith contest the validity thereof, provided that the Borrower shall have set aside reserves with respect thereto that, in the opinion of the governing body of the Borrower, are adequate.

Section 6.3 Insurance Required. The Borrower covenants and agrees that it will keep (or cause to be kept) insurance (including builder's all-risk insurance during construction of the Project) against loss or damage to any structure constituting any part of the Facilities by fire and lightning with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. All insurance provided pursuant to this subsection shall be in an amount equal to the lesser of: (i) one hundred percent (100%) of the replacement cost (without deduction for depreciation) of all buildings, structures and fixtures constituting any part of the Facilities, or (ii) the principal amount of the Bonds and any Parity Debt then remaining unpaid (except that casualty insurance may be subject to deductible clauses of not to exceed \$100,000) and shall be maintained with an insurer rated "A" or better by Alfred M. Best Company in Best's Insurance Reports, or by S&P.

(a) Unless otherwise consented to by the Bondholder Representative, the Borrower covenants and agrees to procure and maintain, throughout the term of this Loan Agreement, business interruption or extra expense insurance to cover loss, total or partial, of the use of any structures constituting any part of the Facilities as the result of any of the hazards covered by the insurance required by Section 6.3(a), in an amount sufficient to pay the maximum Loan Repayments hereunder for a period of at least twelve (12) months. Proceeds of such insurance in the amount of at least twelve (12) months of maximum Loan Repayments hereunder (if required by the Bondholder Representative) shall be deposited into the Revenue Fund and applied to Loan Repayments, in installments as the proceeds are paid to the Borrower.

(b) Subject to Section 6.4, the Borrower covenants and agrees to procure and maintain at all times such other insurance on the Facilities and all operations thereon (including, without limitation, liability insurance) in amounts which are customarily carried and against such risks as are customarily insured against by other corporations in connection with the ownership and operation of facilities of similar character and size to the Facilities; provided however, that the Bondholder Representative shall be provided with evidence of the insurance required to be maintained by the Borrower hereunder, and shall have the right to review and approve such insurance coverage, or demand such additional coverage, as the Bondholder Representative in its sole discretion determines is necessary to be carried.

(c) The insurance required to be maintained pursuant to Section 6.3(b) may include alternative risk management programs, including adequate self-insurance if approved by the Bondholder Representative. A self-insurance program shall be considered to be adequate if the Borrower is required under the program to deposit and maintain in a separate trust account, established for such purpose with a financial institution having trust powers, money in an amount sufficient, in the opinion of an independent consulting actuary, to pay claims up to the amount of the Borrower's retained liability and to pay anticipated claims expense; and

(i) The Borrower has received a report from its consulting actuary concerning the program, including the Borrower's obligation to deposit money into the trust as required and such report has been filed with the Authority (if requested by the Authority) and the Trustee; the actuary must be a fellow in the Society of Actuaries; and

(ii) The program provides for the administration and payment of claims to the extent of the Borrower's retained liability; and

(iii) The program requires that the self-insurance plan be reviewed at least annually by an independent consulting actuary to determine the required amount of additional deposits into the trust or those amounts which the Borrower may withdraw from the trust and that a copy of the consulting actuary's annual review shall be filed with the Authority (if requested by the Authority) and the Trustee; and

(iv) The program requires that the Borrower purchase and maintain in effect excess coverage sufficient in amount so that the Borrower's retained liability and other excess coverage equals the minimum amount of coverage required hereof for the type of coverage as to which the Borrower intends to act or is acting as a self-insurer.

(d) The Borrower shall review the insurance requirements of the Borrower with respect to the Facilities from time to time (but not less frequently than once every year) commencing not later than July 1, 2016. If such review indicates that the Borrower should increase any of the coverages required by Section 6.3 of this Loan Agreement, the Borrower shall review such recommendation with the governing body of the Borrower and shall increase such coverage provided, however, that such coverage is available from Reputable Insurance Companies at a reasonable cost on the open market.

(e) The Borrower hereby covenants that it will use its best efforts to apply for any grants, loans or other relief available from the State or federal government to obtain amounts necessary to rebuild any portion of the Facilities destroyed or damaged in connection with an uninsured or underinsured calamity causing destruction or damage; provided, however, that the Borrower shall not be required to accept such amounts if doing so would jeopardize the integrity of the Borrower's programs.

Section 6.4 Workers' Disability Compensation Act. The Borrower shall at all times comply with the Workers' Disability Compensation Act of the State, or any successor statute or statutes.

Section 6.5 Insurers; Policy Forms and Loss Payees. The insurance policies required by Section 6.3 hereof shall be carried by insurance companies that are financially responsible and capable of fulfilling the requirements of such policies. All such policies (except liability policies) shall name the Borrower and the Trustee and the Authority as insured parties, beneficiaries or loss payees as their interest may appear. Each policy shall be in such form and contain such provisions as are generally considered standard for the type of insurance involved and shall contain a provision to the effect that the insurer shall not cancel or substantially modify the policy provisions without first giving at least thirty (30) days written notice thereof to the Borrower, the Authority and the Trustee. In lieu of separate policies, the Borrower may maintain

blanket policies which cover any one or more risks required to be insured against so long as the minimum coverages required herein are met.

Section 6.6 Disposition of Insurance and Condemnation Proceeds. Subject to the application of insurance and condemnation provisions in agreements constituting Permitted Liens, all proceeds of the insurance carried pursuant to Section 6.3(a) (except proceeds of the liability portion, if any, of such insurance), and proceeds of any condemnation awards with respect to the Facilities, in each case, in excess of ten percent (10%) of the Book Value of the Borrower's Facilities shall be paid immediately upon receipt by the Borrower or other named insured parties to the Trustee for deposit in a special fund which the Trustee shall establish and maintain and hold in trust pursuant to the Indenture, to be known as the "Insurance and Condemnation Proceeds Fund." In the event that the proceeds of any loss or damage to or condemnation of the Facilities shall be less than ten percent (10%) of the Book Value of the Borrower's Facilities, the Borrower may retain such proceeds without any formality whatsoever. In the event the Borrower elects to repair or replace the Facilities damaged, destroyed or taken, moneys in the Insurance and Condemnation Proceeds Fund shall be disbursed by the Trustee, after deducting therefrom the reasonable charges and expenses of the Trustee in connection with the collection and disbursement of such moneys, for the purpose of repairing or replacing the Facilities damaged, destroyed or taken in the manner and subject to the conditions set forth in Section 3.05 of the Indenture with respect to disbursements from the Insurance and Condemnation Proceeds Fund; provided, that unless the Trustee receives written notice that after repair and replacement the Facilities will continue to be used for the purposes for which they were constructed, no such disbursement shall be made prior to receipt by the Trustee of the written consent of the Authority.

(a) If the Borrower shall elect not to, or cannot, repair or replace the Facilities damaged, destroyed or taken, as provided in subsection (a) of this Section, subject to subsection (c) of this Section, the Trustee shall transfer all amounts in the Insurance and Condemnation Proceeds Fund on account of such damage, destruction or condemnation to the Special Redemption Account established in the Indenture; provided, that if any Parity Debt is then outstanding, any such transfer from the Insurance and Condemnation Proceeds Fund shall be deposited in part in the Special Redemption Account and in part in such other fund or account as may be appropriate (and used for the retirement of Parity Debt) in the same proportion which the aggregate principal amount of Outstanding Bonds then bears to the principal amount of such Parity Debt.

(b) If all amounts in the Insurance and Condemnation Proceeds Fund exceed ten percent (10%) of the Book Value of the Borrower's Facilities, but are not sufficient to retire all Bonds and Parity Debt then outstanding, the Trustee shall not transfer said amounts to the Special Redemption Account unless the Borrower shall file with the Trustee a report of a Consultant showing that Net Income Available for Debt Service is projected to be at least equal to Aggregate Debt Service for each of the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Bonds and Parity Debt. In the event such report of a Consultant shows that projected Net Income Available for Debt Service will not be sufficient to pay Aggregate Debt Service for each of the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Bonds and Parity Debt, the Borrower shall apply all amounts in the Insurance and Condemnation Proceeds Fund to the

repair or replacement of the Facilities damaged, destroyed or taken, as provided in subsection (a) of this Section, unless the Borrower shall file a further report of a Consultant showing that even after making such repair and replacement, Net Income Available for Debt Service is not projected to be at least equal to Aggregate Debt Service for each of the three Fiscal Years immediately following such repair and replacement, in which event the Trustee shall transfer all moneys in the Insurance and Condemnation Proceeds Fund as provided in subsection (b) of this Section. Notwithstanding the foregoing, the use of moneys in the Insurance and Condemnation Proceeds Fund shall be subject to the consent of the Bondholder Representative.

ARTICLE VII

NON-LIABILITY OF AUTHORITY; EXPENSES; INDEMNIFICATION

Section 7.1 Non-Liability of Authority. The Authority shall not be obligated to pay the principal (or Redemption Price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to this Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the City), nor the faith and credit of the Authority is pledged to the payment of the principal (or Redemption Price) of or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, the Deed of Trust, the other Borrower Documents, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under this Loan Agreement.

The Borrower hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower to the Trustee pursuant to this Loan Agreement (including the Deed of Trust), together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or Redemption Price) of and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Redemption Price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Section 7.2 Expenses. The Borrower covenants and agrees pay and indemnify the Authority, the City, the Bondholder Representative and the Trustee against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence) and arising out of or in connection with this Loan Agreement, the Deed of Trust, the other Borrower Documents, the Bonds or the Indenture. These obligations and those in Section 7.3 shall remain valid and in effect notwithstanding repayment of the loan hereunder or the Bonds or termination of this Loan Agreement or the Indenture.

Section 7.3 Indemnification. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Authority, the City, the Bondholder Representative, the Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Indenture, this Loan Agreement, the Deed of Trust and the other Borrower Documents (or any Related Document as defined therein) or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Facilities, the operation of the Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or the Facilities or any part thereof;

(iii) any lien or charge upon payments by the Borrower to the Authority and the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Project or the Facilities;

(iv) any violation of any Environmental Regulation with respect to, or the release of any Hazardous Substances from, the Facilities or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any claim asserted against the Authority that is based upon our sale, transfer or other disposition of the Bonds in violation of applicable securities law or the terms of the Indenture; and

(viii) the Trustee’s acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (A) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or the City or any of their officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Section 7.2, this Section 7.3 and Section 8.5 shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of this Section shall survive the termination of this Loan Agreement.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1 Events of Default. Each of the following events shall constitute and be referred to herein as a “Loan Default Event”:

(a) Failure by the Borrower to pay in full any payment required hereunder when due, whether at maturity, upon a date fixed for prepayment, by declaration or otherwise pursuant to the terms hereof including, without limitation, the failure to pay amounts to the Trustee upon written notice from the Trustee or the Bondholder Representative pursuant to Section 4.2 hereof, including the Purchase Price on the Purchase Date; provided that the Guarantor shall have 5 Business Days to make such payment without such failure of the Borrower constituting an Event of Default;

(b) If any material representation or warranty made by the Borrower herein or made by the Borrower in any document, instrument or certificate furnished to the Trustee or the Authority in connection with the issuance of the Bonds shall at any time prove to have been incorrect in any material respect as of the time made and such material misrepresentation or warranty results in a material adverse effect on the Borrower’s operations or financial status;

(c) If the Borrower shall fail to observe or perform any covenant, condition, agreement or provision in this Loan Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section, or shall breach any warranty by the Borrower herein contained, for a period of thirty (30) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Borrower by the Authority or the Trustee;

(d) An Act of Bankruptcy occurs with respect to the Borrower;

(e) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control;

(f) Any Event of Default as defined in and under the Indenture;

(g) Any Deed of Trust Default or default under any Borrower Documents or Guarantor Documents; or,

(h) Any event of default as defined in and under any document with respect to Parity Debt.

Upon having actual notice of the existence of a Loan Default Event, the Trustee shall serve written notice thereof upon (i) the Bondholder Representative and (ii) the Borrower, unless the Borrower has expressly acknowledged the existence of such Loan Default Event in a writing delivered by the Borrower to the Trustee or filed by the Borrower in any court. As used herein, the term “actual knowledge” means the actual fact or statement of knowing without any duty to make any investigation with regard thereto.

Section 8.2 Remedies in General. Upon the occurrence and during the continuance of any Loan Default Event, the Trustee, on behalf of the Authority, at the Trustee’s option but subject to the limitations in the Indenture as to the enforcement of remedies, and with the consent and at the discretion of the Bondholder Representative, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Borrower hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Borrower’s performance hereunder;

(b) By written notice to the Borrower declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under this Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required hereunder then due, whether on the stated due date or by declaration of acceleration or otherwise,

for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Borrower hereunder and under the Deed of Trust.

In exercising such remedies, the Trustee shall follow the direction of the Bondholder Representative.

Section 8.3 Discontinuance or Abandonment of Default Proceedings. If any proceeding taken by the Trustee on account of any Loan Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every case, the Authority, the Trustee and the Borrower shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Authority and the Trustee shall continue as though no such proceeding had taken place.

Section 8.4 Remedies Cumulative. No remedy conferred upon or reserved to the Authority or the Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Loan Default Event shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Authority or the Trustee. In the event of any waiver of a Loan Default Event hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

Section 8.5 Attorney's Fees and Other Expenses. If, as a result of the occurrence of a Loan Default Event, the Authority, the Trustee or the Bondholder Representative employs attorneys or incurs other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Borrower, the Borrower shall, on demand, reimburse the Authority, the Trustee, or the Bondholder Representative, as the case may be, for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 8.6 Notice of Default. As soon as is practicable and in any event within ten (10) days after the Borrower has actual knowledge of the occurrence of any event which is a Loan Default Event, the Borrower shall furnish the Trustee, the Bondholder Representative and the Authority notice of such event to the extent it has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the Borrower proposes to take with respect thereto.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Amendments and Supplements; Waivers; Amendment of Indenture. This Loan Agreement may be amended, changed or modified only as provided in Section 6.06(b) of the Indenture with the written consent of the Bondholder Representative. The Authority shall take no action to amend or supplement the Indenture in any manner that would materially adversely affect the interests of the Borrower without obtaining the prior written consent of the Borrower to such amendment or supplement.

Section 9.2 Time of the Essence; Non-Business Days. Time shall be of the essence of this Loan Agreement. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day which is not a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 9.3 Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the Authority and the Borrower and their respective successors and assigns, subject to the limitations contained herein; provided, however, that the Trustee shall have only such duties and obligations as are expressly given to it hereunder.

Section 9.4 Entire Agreement. This Loan Agreement, together with all agreements and documents incorporated by reference herein, constitutes the entire agreement of the parties and is not subject to modification, amendment, qualification or limitation except as expressly provided herein.

Section 9.5 Severability. If any covenant, agreement or provision, or any portion thereof contained in this Loan Agreement, where the application thereof to any Person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Loan Agreement and the application of such covenant, agreement or provision, or portion thereof, to other Persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Loan Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Loan Agreement and the Constitution and laws of the State of California.

Section 9.6 Notices. Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first-class mail, postage prepaid and addressed as follows:

If to the Borrower:

Balboa Management Group, LLC
PO Box 609
San Juan Capistrano, CA 92693
Attention: Chief Financial Officer

If to the Authority:

California Public Finance Authority
1400 West Lacey Blvd.
Hanford, CA 93230
Attention: Chair

If to the Trustee:

Wilmington Trust, N.A.
25 South Charles Street, 11th Floor
Mail Code: MD2-CS58
Baltimore, MD 21201
Attention: Corporate Trust Department

If to the Bondholder Representative:

RPM Capital Management, LLC
166 West Putnam Avenue
Greenwich, CT 06830
Attention: Michele M. Newland, Esq.,
Co-CEO and Chief Investment Officer
Telephone: (203) 992-1100
Facsimile: (203) 900-1000

with a copy to:

Hinckley, Allen & Snyder LLP
28 State Street
Boston, MA 02109-1775
Attention: Stephen Weyl, Partner
Telephone: (617) 345-9000
Facsimile: (617) 345-9020

All notices will be effective upon receipt unless delivery is refused or cannot be made, in which case the notice will be effective upon the first attempted delivery.

(a) The Borrower, the Authority and the Trustee may at any time and from time to time by notice in writing to the other Persons listed in Section 9.6(a) designate a different address or addresses for notice under this Loan Agreement.

(b) All notices to be provided to the Borrower, the Trustee or the Authority pursuant to this Loan Agreement shall also be provided to the Bondholder Representative.

Section 9.7 Term. Except as otherwise provided herein this Loan Agreement shall remain in full force and effect from the date of execution hereof until no Bonds remain Outstanding under the Indenture and all payments required hereunder have been made.

Section 9.8 Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 9.9 Governing Law; Venue. This Loan Agreement shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in the State of California. This Loan Agreement shall be enforceable in the State of California, and any action arising hereunder shall (unless waived by the Authority in writing) be filed and maintained in Kings County Superior Court, Hanford, California.

Section 9.10 Waiver of Personal Liability. No member, officer, trustee, agent or employee of the City or the Authority or any trustee, director, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of any principal (or Redemption Price) and interest on the Bonds or any other sum hereunder or under the Indenture or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement. No recourse under or upon any obligation, covenant or agreement contained herein shall, under any circumstances, exist or be had against any trustee, director, officer, agent or employee of the Borrower as individuals.

[Signature Page Follows]

IN WITNESS WHEREOF, the Authority and the Borrower have caused this Loan Agreement to be executed in their respective names as of the date first written above.

CALIFORNIA PUBLIC FINANCE AUTHORITY

By: _____
Authorized Signatory

BALBOA MANAGEMENT GROUP, LLC

By: _____
Authorized Signatory

EXHIBIT A

DESCRIPTION OF THE PROPERTY

Approximately one hundred twenty-two (122) contiguous acres of land comprised of five (5) parcels more fully described as follows:

Parcel A –Assessor’s Parcel No: 152-060-004-0:

Parcel 1: That portion of Lot Q of Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps in the office of the County Recorder of said county, described as follows:

Beginning at the most Southerly corner of that certain parcel of land as conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, by deed filed for recorded July 18, 1951 as shown by map on filed in Book 1288, Page 238, of maps, records of Riverside County, California;

Thence Southerly $0^{\circ} 10'45''$ East on the Easterly line of State Highway right of way line a distance of 521.67 feet to the Northwesterly corner of that certain parcel of land conveyed to Wildan P. Thomas by deed recorded July 25, 1956 in Book 1948, Page 490, records of Riverside County, California; thence Easterly along the Northerly line of said Thomas Parcel of land to a point in the Easterly line of said Lot Q; thence Northerly along said Easterly line of Lot Q to the Southeast corner of that certain parcel of land conveyed to Steve Polopolus and Diana Polopolus, husband and wife, by deed for recorded, October 18, 1956 in Book 1987, Page 367, records of Riverside County, California; thence Southerly $63^{\circ}18'15''$ West along the South line of said Hoover and Polopolus Parcels of land to the point of beginning.

Excepting therefrom that portion of Lot Q of Fuller Rancho as shown by map on file in Book 16, Pages 94 through 97 of maps, records of Riverside County, California, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South $0^{\circ}10'45''$ East along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly $89^{\circ}61'43''$ East, a distance of 500.00 feet; thence Northerly $0^{\circ}10'45''$ West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux; thence Southerly $63^{\circ}18'15''$ West along the Southerly line of said parcel conveyed to Earle F. Hoover, et ux, a distance of 558.79 feet to the point of beginning.

Parcel 2:

All that portion of Lot Q Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South 0°10'45" East along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly 89°51'43" East, a distance of 500.00 feet; thence Northerly 0°10'45" West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux., a distance of 558.79 feet to the point of beginning.

Parcel B - Assessor's Parcel No: 152-060-011-6:

That portion of the Southeast of the Northwest quarter and the Southwest quarter of the Northwest quarter of fractional Sectional 31, Township 2 South, Range 6 West, as per map of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County, California, which lies Westerly of the following described line:

Beginning at the North quarter corner of said fractional section said corner being marked by a 4 inch by a 4 inch stake as set by Parmley and Finkle in 1889 and as shown on licensed survey map on file in Book 10, Page 35 of maps, records of survey, records of Riverside County, California; thence South 0°07'14" East along the North and South centerline of said fractional section, 1324.58 feet to a 3/4 inch iron pipe marking the Northeast corner of the Southeast quarter of the Northwest quarter of said fractional section; thence South 89°35'15" West 1.11 feet, to a 3/4 inch iron pipe; thence South 0°52'35" West 1.13 feet, to a 2 inch by 2 inch stake; thence South 89°26'05" East 28.20 feet; to a 2 inch stake; thence South 30°49'10" West, 321.76 feet to a 3/4 inch iron pipe set on the East and West centerline of said fractional section, at a point which bears South 89°43'33" West 221.40 feet from a 1 1/2 inch iron pipe marking the center of said fractional section, as said center of fractional section 31 was re-established and shown on said licensed survey map.

Excepting therefrom the Northerly 30.00 feet.

Also excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/file No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California, Inc, a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

Parcel C - Assessor's Parcel No: 152-070-001-8:

The Southerly 664.2 feet of Lot Q of Fuller Rancho, City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, California, described as follows:

The Northerly line of said parcel being parallel with the Southerly line of Lot "Q", excepting therefrom that portion conveyed to the State of California by deed from Motor Transit Terminal

Corporation recorded November 29, 1941 as shown by map on file in Book 525, Page 160 of maps, records of Riverside County, California.

Parcel D - Assessor's Parcel No: 152-070-011-7

The Northeast quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, San Bernardino Meridian, in the City of Norco, County of Riverside, State of California, as shown by sectionized survey of the Jurupa Rancho, records of San Bernardino County, California.

Excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/File No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No, 2000-096935 of Official Records.

Parcel E - Assessor's Parcel No: 152-070-002-9:

The South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, as shown by sectionized survey of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as per map recorded in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County.

Except the Westerly 60.00 feet of the South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of said Section 31.

EXHIBIT B

DESCRIPTION OF THE PROJECT

The Project is comprised of financing the construction, improvement and equipping of approximately 122 acres of land located in the City of Norco, California (the “City”) for Phase I of the SilverLakes Equestrian & Sports Park, consisting of synthetic turf soccer fields, natural turf soccer fields, equestrian/show jumping rings, a main building and ancillary service facilities and necessary infrastructure, including water, sewer, street and pedestrian walkway improvements, and parking (the “Facilities”), which Facilities are to be sited on a portion of the Project Site and (ii) paying the costs of issuance of the 2016 Bonds.

Phase I of the Project consists of the following:

The Initial Phase 1A Improvements *shall* include the following:

- At least 25 full size soccer fields – mainly grass with up to 8 artificial synthetic fields
- Up to 6 sand rings for horseback riding or sand sports
- Equestrian competition showgrounds
- Portable and permanent restroom facilities
- Kitchen and food service capabilities
- Gated entrance(s) on Hamner; gated entrance on any connector road constructed to I 15 Freeway if bordering on Leased Premises
- Parking Areas – at least one of three parking areas will be paved
- Some permanent and temporary lighting
- Water holding tanks (if needed)
- Two Water Wells
- Internal directional and informational signage

The Initial Phase 1A Improvements *may also* include the following:

- Supporting Infrastructure, facilities and amenities
- Sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires

The Phase 1B Improvements *shall* include the following:

- Internal, private and public bridle trails
- RV campground and trailer parking
- Picnic areas
- Some permanent and temporary lighting
- Business office(s)
- Storage and maintenance facilities

The Phase 1B Improvements *may also* include the following:

- Stables and tack facilities – including paddocks, water troughs, wash racks, and tie stations
- Kitchen and other food service facilities
- Dining Areas

APPENDIX B-3

FORM OF BORROWER SECURITY AGREEMENT

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SECURITY AND COVENANTS AGREEMENT

This SECURITY AND COVENANTS AGREEMENT, dated as of May 1, 2016 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "Agreement"), is made by and among BALBOA MANAGEMENT GROUP, LLC (the "Borrower"), CALIFORNIA PUBLIC FINANCE AUTHORITY (the "Authority") and WILMINGTON TRUST, N.A. (the "Secured Party"), as trustee under a certain Indenture dated as of May 1, 2016 between the Authority and the Trustee (as amended, supplemented or otherwise modified from time to time, the "Indenture") relating to the Authority's \$5,900,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2016 (Taxable) (the "Bonds").

WHEREAS, on the date hereof, the Authority has made a loan to the Borrower in the aggregate principal amount of the Bonds (the "Loan"), evidenced by that certain Loan Agreement dated as of May 1, 2016 between the Authority and the Borrower (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"); and

WHEREAS, certain rights and obligations of the Authority under the Loan Agreement (excluding certain Unassigned Rights, as defined therein), including the right to receive payments with respect to the Bonds, have been Assigned by the Authority to the Secured Party under the Indenture;

WHEREAS, this Agreement is given by the Borrower in favor of the Secured Party to secure the payment and performance of all of the obligations of the Borrower under the Loan Agreement (the "Secured Obligations") and to set forth certain covenants that will apply to the Borrower while the Secured Obligations are outstanding; and

WHEREAS, it is a condition to the obligation of the Authority to make the Loan under the Loan Agreement and the Secured Party to accept its obligations under the Indenture that the Borrower execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions.

(a) Unless otherwise specified herein: (1) all defined terms shall have the meanings ascribed to such terms in the Indenture; and (2) references to Sections and Schedules herein are to Sections and Schedules of this Agreement.

(b) Unless otherwise defined herein, terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC. However, if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term has the meaning specified in Article 9.

(c) For purposes of this Agreement, the following terms shall have the following meanings:

“Aggregate Annual Debt Service” has the meaning set forth in Section 8.

“Bondholder Representative” means RPM Capital Management, LLC, as Bondholder Representative with respect to the Bonds

“Borrower DACA” has the meaning set forth in Section 4.

“Closing Date” has the meaning set forth in Section 8.

“Collateral” has the meaning set forth in Section 2.

“Debt Service Coverage Ratio” has the meaning set forth in Section 8.

“Event of Default” has the meaning set forth in this Agreement and in the Loan Agreement.

“First Priority” means, with respect to any lien and security interest purported to be created in any Collateral pursuant to this Agreement, such lien and security interest is the most senior lien to which such Collateral is subject (subject only to liens permitted under the Loan Agreement).

“Perfection Certificate” has the meaning set forth in Section 5.

“Income Available for Debt Service” has the meaning set forth in Section 8.

“Potential Event of Default” has the meaning set forth in Section 8.

“Proceeds” means “proceeds” as such term is defined in section 9-102 of the UCC and, in any event, shall include, without limitation, all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

“Secured Obligations” has the meaning set forth in Section 3.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of California or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

2. Grant of Security Interest. The Borrower hereby pledges and grants to the Secured Party, and hereby creates a continuing First Priority lien and security interest in favor of the Secured Party in and to all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired (collectively, the “Collateral”):

(a) all personal property of every kind and nature including, without limitation, all accounts, accounts receivable, goods (including inventory and equipment), documents (including, if applicable, electronic documents), instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), intellectual property, money, deposit accounts, and any other contract rights or rights to the payment of money, including the deposit account identified in Schedule 1 hereto as well as any renewals thereof (including any rollovers); and

(b) all Proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty or payable to the Borrower from time to time with respect to any of the foregoing.

3. Secured Obligations. The Collateral secures the due and prompt payment and performance of:

(a) the obligations of the Borrower from time to time arising under the Loan Agreement, this Agreement, the Deed of Trust and any and all other obligations of the Borrower under any and all documents relating to the Bonds (collectively, the “Bond Documents”) or otherwise with respect to the due and prompt payment of (i) the principal of and premium, if any, and interest on the Loan (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations, including fees, costs, reasonable attorneys' fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of

the Borrower under or in respect of the Loan Agreement, this Agreement, and the other Bond Documents; and

(b) all other covenants, duties, debts, obligations and liabilities of any kind of the Borrower under or in respect of the Loan Agreement, this Agreement or the other Bond Documents, whether in favor of the Authority, the Secured Party, the Bondholder Representative or any other party or entity, in each case whether evidenced by a note or other writing, whether allowed in any bankruptcy, insolvency, receivership or other similar proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (all such obligations, covenants, duties, debts, liabilities, sums and expenses set forth in Section 3 being herein collectively called the “Secured Obligations”).

4. Perfection of Security Interest and Further Assurances.

(a) The Borrower shall, from time to time, as may be required by the Secured Party with respect to all Collateral, as promptly as practicable (and in all cases as promptly as required to maintain the intentions of the parties under this Agreement) take all actions as may be requested by the Secured Party to perfect the security interest of the Secured Party in the Collateral, including entering into that certain Deposit and Control Agreement dated February 26, 2015, as amended by a certain First Amendment to Deposit and Control Agreement dated March 31, 2015, and as further amended by a certain Second Amendment Deposit and Control Agreement dated as of the date hereof (the “Borrower DACA”) among the Borrower, the Secured Party and the depository institution identified in the Borrower DACA (which depository institution shall be acceptable to the Bondholder Representative in its sole discretion) and also including, without limitation, with respect to all Collateral over which control may be obtained within the meaning of sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, as applicable, the Borrower shall as promptly as possible take all actions as may be requested from time to time by the Secured Party so that control of such Collateral is obtained and at all times held by the Secured Party. All of the foregoing shall be at the sole cost and expense of the Borrower.

(b) The Borrower hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Borrower hereunder, without the signature of the Borrower where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by the Borrower, or words of similar effect. The Borrower agrees to provide all information required by the Secured Party pursuant to this Section promptly to the Secured Party upon request.

(c) If Borrower shall at any time hold or acquire any certificated securities, promissory notes, tangible chattel paper, negotiable documents or warehouse receipts relating to the Collateral, the Borrower shall as promptly as possible endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(d) If any Collateral is at any time in the possession of a bailee, the Borrower shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, shall as promptly as practicable obtain an acknowledgment from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and the bailee agrees to comply, without further consent of the Borrower, at any time with instructions of the Secured Party as to such Collateral.

(e) The Borrower agrees that at any time and from time to time, at the expense of the Borrower, the Borrower will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that the Secured Party may request, in order to perfect and protect any security interest granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5. Representations and Warranties. The Borrower represents and warrants as follows:

(a) It has previously delivered to the Secured Party a certificate signed by the Borrower and entitled "Perfection Certificate" ("Perfection Certificate"), and that: (i) the Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof, (ii) the Borrower is an organization of the type, and is organized in the jurisdiction, set forth in the Perfection Certificate, (iii) the Perfection Certificate accurately sets forth the Borrower's organizational identification number (or accurately states that the Borrower has none), the Borrower's place of business (or, if more than one, its chief executive office), and its mailing address, (iv) all other information set forth on the Perfection Certificate relating to the Borrower is accurate and complete, and (v) there has been no change in any such information since the date on which the Perfection Certificate was signed by the Borrower.

(b) All information set forth on the Perfection Certificate relating to the Collateral is accurate and complete and there has been no change in any such information since the date on which the Perfection Certificate was signed by the Borrower.

(c) The securities comprising any part of the Collateral have been duly authorized and validly issued, and are fully paid and non-assessable and subject to no options to purchase or similar rights. The Borrower has at all times operated its business in compliance with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances.

(d) At the time the Collateral becomes subject to the lien and security interest created by this Agreement, the Borrower will be the sole, direct, legal and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option or right of others except for the security interest created by this Agreement and other liens permitted by the Loan Agreement.

(e) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected First Priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(f) It has full power, authority and legal right to borrow the Loan and pledge the Collateral pursuant to this Agreement.

(g) Each of this Agreement, the Loan Agreement and the other Bond Documents has been duly authorized, executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(h) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the borrowing of the Loan and the pledge by the Borrower of the Collateral pursuant to this Agreement or for the execution and delivery of the Loan Agreement, this Agreement and the other Bond Documents by the Borrower or the performance by the Borrower of its obligations thereunder.

(i) The execution and delivery of the Loan Agreement, this Agreement and the other Bond Documents by the Borrower and the performance by the Borrower of its obligations thereunder, will not violate any provision of any applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to the Borrower or any of its property, or the organizational or governing documents of the Borrower or any agreement or instrument to which the Borrower is party or by which it or its property is bound.

(j) The Borrower has taken all action required on its part for control (as defined in sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC to have been obtained by the Secured Party over all Collateral with respect to which such control may be obtained pursuant to the UCC. No person other than the Secured Party has control or possession of all or any part of the Collateral.

6. Voting, Distributions and Receivables.

(a) The Secured Party agrees that unless an Event of Default shall have occurred and be continuing, the Borrower may, to the extent the Borrower has such right as a holder of the Collateral consisting of securities, other equity or similar interests or indebtedness owed by any

obligor, vote and give consents, ratifications and waivers with respect thereto, except to the extent that, in the Secured Party's judgment, any such vote, consent, ratification or waiver could detract from the value thereof as Collateral or which could be inconsistent with or result in any violation of any provision of the Loan Agreement, this Agreement or any of the other Bond Documents, and from time to time, upon request from the Borrower, the Secured Party shall deliver to the Borrower suitable proxies so that the Borrower may cast such votes, consents, ratifications and waivers.

(b) The Secured Party agrees that the Borrower may, unless an Event of Default shall have occurred and be continuing, receive and retain all dividends and other distributions with respect to the Collateral consisting of securities, other Equity Interests or indebtedness owed by any obligor.

(c) Notwithstanding the foregoing subsections (a) and (b), if any Event of Default shall have occurred and be continuing, the Secured Party may, or at the request and option of the Secured Party the Borrower shall, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Secured Party in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Secured Party.

7. Covenants - Security. The Borrower covenants as follows:

(a) The Borrower will not, without providing at least 30 days' prior written notice to the Secured Party, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number. The Borrower will, prior to any change described in the preceding sentence, take all actions requested by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(b) The Collateral, to the extent not delivered to the Secured Party pursuant to Section 4, will be kept at those locations listed on the Perfection Certificate and the Borrower will not remove the Collateral from such locations without providing at least 30 days' prior written notice to the Secured Party. The Borrower will, prior to any change described in the preceding sentence, take all actions required by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(c) The Borrower shall, at its own cost and expense, defend title to the Collateral and the First Priority lien and security interest of the Secured Party therein against the claim of any person claiming against or through the Borrower and shall maintain and preserve such perfected First Priority security interest for so long as this Agreement shall remain in effect.

(d) The Borrower will not sell, offer to sell, dispose of, convey, pledge, assign or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or

other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein[except as expressly provided for in the Loan Agreement/herein or with the prior written consent of the Secured Party.

(e) The Borrower will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Borrower will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located.

(f) The Borrower will pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement, the Loan Agreement and the other Bond Documents.

(g) The Borrower will continue to operate its business in compliance with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances.

8. Covenants – Financial and Operational. For so long as the Secured Obligations are outstanding, the Borrower covenants as follows:

(a) Debt Service Coverage Ratio. Beginning with the 2017 fiscal year, the Borrower shall maintain a ratio of Income Available for Debt Service (defined as the Borrower's: (i) excess of revenues over expenses *plus* (ii) interest (other than capitalized interest), amortization and depreciation *divided by* Aggregate Annual Debt Service (defined as all payments of interest, principal and sinking fund payments paid, or required to be paid, by the Borrower) of no less than 1.1:1.0 for 2016 and no less than 1.25:1.0 for 2017 and all fiscal years thereafter. The Debt Service Coverage Ratio shall be tested on a trailing twelve month basis on each March 31, June 30, September 30 and December 31 commencing December 31, 2016 (and shall be tested on a year to date basis as of March 31, 2016, June 30, 2016 and September 30, 2016). A certificate prepared by the Borrower's auditors showing each required Debt Service Coverage Ratio shall be delivered to the Authority, the Secured Party and the Bondholder Representative within thirty (30) days of each March 31, June 30 testing date and within ninety (90) days of each December 31 testing date.

(b) Limitation on Borrower's Business. For so long as any of the Secured Obligations are outstanding, the Borrower shall not engage in any business pursuit other than the construction and operation of the Project, unless the Borrower has received, and provided to the Authority and the Secured Party, a written consent to such other business pursuit executed by the Bondholder Representative, which consent shall be in the Bondholder Representative's sole and complete discretion.

(c) Provision of Audited and Interim Financial Statements; Officer's Certificate. Beginning with the fiscal year ending December 31, 2016, the Borrower shall provide the Authority, the Secured Party and the Bondholder Representative with audited financial

statements prepared by a firm of certified public accountants acceptable to the Authority, the Secured Party and the Bondholder Representative. Such audited financial statements shall be provided within ninety (90) days of each December 31. In addition, within thirty (30) days of the end of each quarter of each fiscal year, beginning with the fiscal quarter ending March 31, 2016, the Borrower shall provide the Authority, the Secured Party and the Bondholder Representative with management prepared financial statements of cash flows, financial activities and a balance sheet showing the Borrower's financial condition as of the end of each such quarter and on a year to date basis. The audited and interim financial statements shall be accompanied by an officer's certificate stating that no Event of Default or event which, with the passage of time or notice (or both) would constitute an Event of Default (a "Potential Event of Default"), has occurred or, if an Event of Default or Potential Event of Default has occurred, describing in detail such Event of Default or Potential Event of Default and the Borrower's actions pursuing cure of such Event of Default or Potential Event of Default, such notice to be in addition to any required notices of an Event of Default or Potential Event of Default under the Loan Agreement or any of the other Bond Documents. In addition, the Borrower shall provide the Bondholder Representative with copies of operating and capital budgets for each fiscal year of the Borrower no later than sixty (60) days prior to the beginning of the next succeeding fiscal year, beginning with the 2017 fiscal year.

(d) Expenses of the Borrower. Any proposed expense of the Borrower that is greater than one hundred and ten percent (110%) of the amount shown on the budget for any fiscal year shall not be incurred without the prior written consent of the Bondholder Representative, which consent shall be in the Bondholder Representative's sole discretion.

(e) Limitations on Distributions of Profits. The Borrower shall not make any distributions of profits unless: (a) the Bondholder Representative has consented to a distribution of certain of the Borrower's profits, which consent shall be in the Bondholder Representative's sole and complete discretion; and (b) the deposit account of the Guarantor subject to the DACA is funded at least to the DACA Minimum Funding Amount (as such term is defined in the Guarantor Security Agreement). As used herein, "Debt Service Coverage Ratio" means the ratio of Income Available for Debt Service (defined as the Borrower's: (i) excess of revenues over expenses *plus* (ii) interest (other than capitalized interest), amortization and depreciation *divided by* Annual Debt Service (defined as all payments of interest, principal and sinking fund payments paid, or required to be paid, by the Borrower).

(f) Access to Records and Properties. The Borrower shall provide Authority, the Secured Party and the Bondholder Representative with access to its financial and other business records and its properties during business hours upon at least three (3) Business Days' notice except in the event of an Event of Default or a Potential Event of Default in which case no prior notice shall be required.

(g) Covenant with Respect to Operating Agreement and Control. The Borrower will ensure that: (i) the Amended and Restated Operating Agreement of the Borrower, as in effect on the date hereof, is not amended; and (ii) the Guarantor retains complete control of the Borrower;

unless, in either case, the Borrower obtains the prior written consent of the Bondholder Representative to some other arrangement, which consent shall be in the Bondholder Representative's sole and complete discretion.

9. Secured Party Appointed Attorney-in-Fact. The Borrower hereby appoints the Secured Party the Borrower's attorney-in-fact, with full authority in the place and stead of the Borrower and in the name of the Borrower or otherwise, from time to time (but only after an Event of Default that continues beyond any applicable notice and cure period) in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement (but the Secured Party shall not be obligated to and shall have no liability to the Borrower or any third party for failure to do so or take action unless indemnified by the Borrower or any third party). This appointment, being coupled with an interest, shall be irrevocable.

10. Secured Party May Perform. If the Borrower fails to perform any obligation contained in this Agreement and such failure continues beyond any applicable notice and cure period, the Secured Party may itself perform, or cause performance of, such obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Borrower; *provided that* the Secured Party shall not be required to perform or discharge any obligation of the Borrower unless indemnified to the Secured Party's satisfaction.

11. Reasonable Care. The Secured Party shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property, it being understood that the Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by the Secured Party of any of the rights and remedies hereunder, shall relieve the Borrower from the performance of any obligation on the Borrower's part to be performed or observed in respect of any of the Collateral.

12. Remedies Upon Default. If any Event of Default shall have occurred and be continuing beyond any applicable notice and cure period:

(a) The Secured Party, without any other notice to or demand upon the Borrower, may assert all rights and remedies of a secured party under the UCC or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to the Borrower at its notice address as provided in Section

16 hereof ten (10) calendar days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, the Secured Party may sell such Collateral on such terms and to such purchaser(s) as the Secured Party in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by applicable law, the Secured Party may be the purchaser, licensee, assignee or recipient of the Collateral or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, the Borrower waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by it of any rights hereunder. The Borrower hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshaling the Collateral and any other security for the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto. The Secured Party shall not be obligated to clean-up or otherwise prepare the Collateral for sale.

(b) All rights of the Borrower to (i) exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to Section 6(a) and (ii) receive the dividends and other distributions which it would otherwise be entitled to receive and retain pursuant to Section 6(b), shall immediately cease, and all such rights shall thereupon become vested in the Secured Party, which shall have the sole right to exercise such voting and other consensual rights and receive and hold such dividends and other distributions as Collateral.

(c) Any cash held by the Secured Party as Collateral and all cash Proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by the Secured Party to the payment of expenses incurred by the Secured Party in connection with the foregoing or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including reasonable attorneys' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as the Secured Party (at the direction of the Bondholder Representative) shall elect. Any surplus of such cash or cash Proceeds held by the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the Borrower or to whomsoever may be

lawfully entitled to receive such surplus. The Borrower shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any attorneys employed by the Secured Party to collect such deficiency.

(d) If the Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, the Borrower agrees that, upon request of the Secured Party, the Borrower will, at its own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

13. No Waiver and Cumulative Remedies. The Secured Party shall not by any act (except by a written instrument pursuant to Section 155), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

14. Security Interest Absolute. The Borrower hereby waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. All rights of the Secured Party and liens and security interests hereunder, and all Secured Obligations of the Borrower hereunder, shall be absolute and unconditional irrespective of:

(a) any illegality or lack of validity or enforceability of any Secured Obligation or any related agreement or instrument;

(b) any change in the time, place or manner of payment of, or in any other term of, the Secured Obligations, or any rescission, waiver, amendment or other modification of the Loan Agreement, this Agreement or any of the other Bond Documents, including any increase in the Secured Obligations resulting from any extension of additional credit or otherwise;

(c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Secured Obligations;

(d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Secured Obligations;

(e) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, the Borrower against the Secured Party; or

(f) any other circumstance (including, without limitation, any statute of limitations) or manner of administering the Loan or any existence of or reliance on any representation by the

Secured Party that might vary the risk of the Borrower or otherwise operate as a defense available to, or a legal or equitable discharge of, the Borrower or any other grantor, guarantor or surety.

15. Amendments. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by the Borrower therefrom shall be effective unless the same shall be in writing and signed by the Secured Party and the Borrower, and consented to by the Bondholder Representative and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

16. Addresses For Notices. All notices and other communications provided for in this Agreement shall be in writing and shall be given in the manner and become effective as set forth in the Loan Agreement, and addressed to the respective parties at their addresses as specified on the signature pages hereof or as to either party at such other address as shall be designated by such party in a written notice to each other party. The address for the Bondholder Representative is:

RPM Capital Management, LLC
2 Greenwich Office Park, Suite 300
Greenwich, CT 06831
Attn: Michele M. Newland, Esq., Co-Chief Executive Officer
and Chief Investment Officer

17. Continuing Security Interest; Further Actions. This Agreement shall create a continuing First Priority lien and security interest in the Collateral and shall (a) subject to Section 188, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon the Borrower, its successors and assigns, and (c) inure to the benefit of the Secured Party and its successors, transferees and assigns; *provided that* the Borrower may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Secured Party. Without limiting the generality of the foregoing clause (c), any assignee of, or successor to, the Secured Party's interest in any agreement or document which includes all or any of the Secured Obligations shall, in accordance with Section 8.01 of the Indenture, become vested with all the benefits granted to the Secured Party herein with respect to such Secured Obligations.

18. Termination; Release. On the date on which all Secured Obligations have been paid and performed in full, the Secured Party will, at the request and sole expense of the Borrower, (a) duly assign, transfer and deliver to or at the direction of the Borrower (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of the Secured Party, together with any monies at the time held by the Secured Party hereunder, and (b) execute and deliver to the Borrower a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

19. Governing Law/Jurisdiction and Venue/Waiver of Jury Trial. This Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby shall be governed by, and construed in accordance with, the laws of the State of California. Venue for any judicial actions shall be in the state or federal courts located in Los Angeles, California. The parties agree to waive jury trial in any action arising under, or in relation to, this Agreement.

20. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement constitutes the entire contract among the parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto.

[Signature Page Follows]

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

BALBOA MANAGEMENT
GROUP, LLC, as Borrower

By _____
Name:
Title:
Address for Notices:
PO Box 609
San Juan Capistrano, CA 92693
Attn: Chief Financial Officer

CALIFORNIA PUBLIC FINANCE
AUTHORITY, as Authority

By _____
Name:
Title:
Address for Notices:
1400 West Lacey Blvd.
Hanford, CA 93230
Attention: Chair

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____
Name:
Title:
Address for Notices:
25 South Charles Street, 11th Floor
Mail Code: MD2-CS58
Baltimore, MD 21201
Attention: Corporate Trust Department

SCHEDULE 1 – BANK ACCOUNT

Balboa Management Group, LLC - Account # 023873745 – City National Bank

APPENDIX B-4

FORM OF GUARANTY

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CONTINUING GUARANTY

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, and in consideration of the loan (the "Loan") made to BALBOA MANAGEMENT GROUP, LLC (the "Borrower") by CALIFORNIA PUBLIC FINANCE AUTHORITY (the "Authority"), the undersigned Guarantor (the "Guarantor") hereby furnishes his guaranty of the Guaranteed Obligations (as hereinafter defined) in favor of the Authority, WILMINGTON TRUST, N.A. (the "Trustee", as trustee under a certain Indenture dated as of May 1, 2016 between the Authority and the Trustee) and RPM CAPITAL MANAGEMENT, LLC (the "Bondholder Representative" in connection with the Authority's \$5,900,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2016 (Taxable) (the "Bonds")) as follows:

1. Guaranty. The Guarantor hereby absolutely and unconditionally guarantees, as a guarantee of payment and not merely as a guarantee of collection, prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of any and all existing and future indebtedness and liabilities of every kind, nature and character, direct or indirect, absolute or contingent, liquidated or unliquidated, voluntary or involuntary, of the Borrower arising under that certain Loan Agreement dated as of May 1, 2016 between the Borrower and the Authority (the "Loan Agreement") and all instruments, agreements and other documents of every kind and nature now or hereafter executed in connection with the Loan Agreement (including all renewals, extensions and modifications thereof and all costs, reasonable attorneys' fees and expenses incurred by the Authority in connection with the collection or enforcement thereof as well as any and all costs, reasonable attorneys' fees and expenses incurred by the Trustee and any and all costs, reasonable attorneys' fees and expenses incurred by the Bondholder Representative (collectively, the "Guaranteed Obligations"). The Authority's, Trustee's and Bondholder Representative's books and records showing the amount of the Guaranteed Obligations shall be admissible in evidence in any action or proceeding, and shall be binding upon the Guarantor and conclusive for the purpose of establishing the amount of the Guaranteed Obligations. This Guaranty shall not be affected by the genuineness, validity, regularity or enforceability of the Guaranteed Obligations or any instrument or agreement evidencing any Guaranteed Obligations, or by the existence, validity, enforceability, perfection, or extent of any collateral therefor, or by any fact or circumstance relating to the Guaranteed Obligations which might otherwise constitute a defense to the obligations of the Guarantor under this Guaranty.

2. No Setoff or Deductions; Taxes. The Guarantor represents and warrants that he is a citizen of the United States and an individual residing in California. All payments by the Guarantor hereunder shall be paid in full, without setoff or counterclaim or any deduction or withholding whatsoever, including, without limitation, for any and all present and future taxes. If, notwithstanding the foregoing, the Guarantor makes a payment under this Guaranty to which withholding tax applies, or any taxes (other than taxes on net income of the Guarantor) are at any time imposed on any payments under or in respect of this Guaranty including, but not limited to, payments made pursuant to this Paragraph 2, the Guarantor shall pay all such taxes to the relevant authority in accordance with applicable law such that the Authority, the Trustee and the Bondholder Representative each receives the sum it would have received had no such deduction or withholding been made and shall also pay to the Authority, the Trustee and the Bondholder Representative on demand, all additional amounts which the Authority, the Trustee and the Bondholder Representative each specifies as necessary to preserve the after-tax yield the Authority, the Trustee and the Bondholder Representative each would have received if such taxes had not been imposed.

The Guarantor shall promptly provide the Authority, the Trustee and the Bondholder Representative each with an original receipt or certified copy issued by the relevant authority evidencing the payment of any such amount required to be deducted or withheld.

3. Diminution/Reinstatement/Termination. This Guaranty is a continuing and irrevocable guaranty of all Guaranteed Obligations now or hereafter existing and shall remain in full force and effect until all Guaranteed Obligations and any other amounts payable under this Guaranty are indefeasibly paid and performed in full and any commitments of the Borrower with respect to the Guaranteed Obligations are terminated, including any obligations that survive the repayment of the Bonds. All payments under this Guaranty shall be made to the Authority, the Trustee and the Bondholder Representative each in U.S. Dollars. Notwithstanding the foregoing, if the Borrower is able to achieve a Debt Service Coverage Ratio of at least 1.5:1.0 for two consecutive fiscal years (the "Initial Debt Service Coverage Period"), the Guarantor's obligations under this Guaranty shall reduce to seventy-five percent (75%) of the amount of the Guaranteed Obligations during the next succeeding fiscal year and shall reduce by an additional twenty-five percent (25%) for each further succeeding fiscal year if the Debt Service Coverage Ratio continues to be at least 1.5:1.0; *provided, however*, that if the Debt Service Coverage Ratio is ever less than 1.5:1.0 following the Initial Debt Service Coverage Period, the amount guaranteed hereunder shall be reinstated to one hundred percent (100%).

4. Waiver of Notices. The Guarantor waives notice of the acceptance of this Guaranty and of the extension or continuation of the Guaranteed Obligations or any part thereof. The Guarantor further waives presentment, protest, notice, dishonor or default, demand for payment and any other notices to which the Guarantor might otherwise be entitled.

5. Subrogation. The Guarantor shall exercise no right of subrogation, contribution or similar rights with respect to any payments he makes under this Guaranty until all of the Guaranteed Obligations and any amounts payable under this Guaranty are indefeasibly paid and performed in full and any commitments of the Borrower with respect to the Guaranteed Obligations are terminated. If any amounts are paid to the Guarantor in violation of the foregoing limitation, then such amounts shall be held in trust for the benefit of the Authority, the Trustee and the Bondholder Representative, as the case may be, and shall forthwith be paid to the Authority, the Trustee and the Bondholder Representative, as the case may be, to reduce the amount of the Guaranteed Obligations, whether matured or unmatured.

6. Waiver of Suretyship Defenses. The Guarantor agrees that the Authority, the Trustee and the Bondholder Representative each may, at any time and from time to time, and without notice to the Guarantor, make any agreement with the Borrower or with any other person or entity liable on any of the Guaranteed Obligations or providing collateral as security for the Guaranteed Obligations, for the extension, renewal, payment, compromise, discharge or release of the Guaranteed Obligations or any collateral (in whole or in part), or for any modification or amendment of the terms thereof or of any instrument or agreement evidencing the Guaranteed Obligations or the provision of collateral, all without in any way impairing, releasing, discharging or otherwise affecting the obligations of the Guarantor under this Guaranty. The Guarantor waives any defense arising by reason of California law, including, but not limited to, Articles 6 and 7 of Title 13 of Part 2 of Division 3 of the California Civil Code, any disability or other defense of the Borrower or any other guarantor, or the cessation from any cause whatsoever of the liability of the Borrower, or any claim that the Guarantor's obligations exceed or are more burdensome than those of the Borrower and waives the benefit of any statute of limitations affecting the liability of the Guarantor hereunder. The Guarantor waives any right to enforce any remedy which the Authority, the Trustee and the Bondholder Representative each now has or may hereafter have against the Borrower and waives any benefit of and any right to participate in any security now or hereafter held by the Authority, the Trustee and the Bondholder Representative. Further, the Guarantor consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of the

Guarantor under this Guaranty or which, but for this provision, might operate as a discharge of the Guarantor.

7. Exhaustion of Other Remedies Not Required. The obligations of the Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Guaranteed Obligations. The Guarantor waives diligence by the Authority, the Trustee and the Bondholder Representative and action on delinquency in respect of the Guaranteed Obligations or any part thereof, including, without limitation any provisions of law requiring the Authority, the Trustee and the Bondholder Representative each to exhaust any right or remedy or to take any action against the Borrower, any other guarantor or any other person, entity or property before enforcing this Guaranty against the Guarantor.

8. Reinstatement. Notwithstanding anything in this Guaranty to the contrary, this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any portion of the Guaranteed Obligations is revoked, terminated, rescinded or reduced or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of the Borrower or any other person or entity or otherwise, as if such payment had not been made and whether or not the Authority, the Trustee or the Bondholder Representative is in possession of or has released this Guaranty and regardless of any prior revocation, rescission, termination or reduction.

9. Subordination. The Guarantor hereby subordinates the payment of all obligations and indebtedness of the Borrower owing to the Guarantor, whether now existing or hereafter arising, including but not limited to any obligation of the Borrower to the Guarantor as subrogee of the Authority, the Trustee and the Bondholder Representative or resulting from the Guarantor's performance under this Guaranty, to the indefeasible payment in full of all Guaranteed Obligations. If the Authority, the Trustee or the Bondholder Representative so requests, any such obligation or indebtedness of the Borrower to the Guarantor shall be enforced and performance received by the Guarantor as trustee for the Authority, the Trustee or the Bondholder Representative and the proceeds thereof shall be paid over to the Authority, the Trustee or the Bondholder Representative, as the case may be, on account of the Guaranteed Obligations, but without reducing or affecting in any manner the liability of the Guarantor under this Guaranty.

10. Information. The Guarantor agrees to furnish promptly to the Authority, the Trustee and the Bondholder Representative any and all financial or other information regarding the Guarantor or his property as the Authority, the Trustee and the Bondholder Representative each may reasonably request in writing.

11. Stay of Acceleration. In the event that acceleration of the time for payment of any of the Guaranteed Obligations is stayed, upon the insolvency, bankruptcy or reorganization of the Borrower or any other person or entity, or otherwise, all such amounts shall nonetheless be payable by the Guarantor immediately upon demand by the Authority, the Trustee or the Bondholder Representative.

12. Expenses. The Guarantor shall pay on demand all out-of-pocket expenses actually incurred (including reasonable attorneys' fees and expenses and the allocated cost and disbursements of internal legal counsel) in any way relating to the enforcement or protection of each of the Authority's, the Trustee's and the Bondholder Representative's rights under this Guaranty, including any incurred in the preservation, protection or enforcement of any rights of the Authority, the Trustee and the Bondholder Representative in any case commenced by or against the Guarantor under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute. The obligations of the Guarantor under the preceding sentence shall survive termination of this Guaranty.

13. Amendments. No provision of this Guaranty may be waived, amended, supplemented or modified, except by a written instrument executed by the Authority, the Trustee, the Bondholder Representative and the Guarantor.

14. No Waiver; Enforceability. No failure by the Authority, the Trustee and the Bondholder Representative to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy or power hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law or in equity. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein.

15. Assignment; Governing Laws; Jurisdiction. This Guaranty shall (a) bind the Guarantor and his heirs, representatives, administrators successors and assigns, provided that the Guarantor may not assign his rights or obligations under this Guaranty without the prior written consent of the Authority, the Trustee and the Bondholder Representative (and any attempted assignment without such consent shall be void), (b) inure to the benefit of the Authority, the Trustee and the Bondholder Representative and each of their respective successors and assigns and the Authority, the Trustee and the Bondholder Representative may, without notice to the Guarantor and without affecting the Guarantor's obligations hereunder, assign or sell participations in the Guaranteed Obligations and this Guaranty, in whole or in part, and (c) be governed by the internal laws of the State of California without regard to conflicts of law principles. The Guarantor hereby irrevocably (i) submits to the non-exclusive jurisdiction of any United States Federal or State court sitting in Los Angeles, California in any action or proceeding arising out of or relating to this Guaranty, and (ii) waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith. Service of process by the Authority, the Trustee or the Bondholder Representative in connection with such action or proceeding shall be binding on the Guarantor if sent to the Guarantor by registered or certified mail at his address specified below. The Guarantor agrees that the Authority, the Trustee and the Bondholder Representative each may disclose to any prospective purchaser and any purchaser of all or part of the Guaranteed Obligations any and all information in the Authority's, the Trustee's or the Bondholder Representative's possession concerning the Guarantor, this Guaranty and any security for this Guaranty.

16. Condition of the Borrower. The Guarantor acknowledges and agrees that he has the sole responsibility for, and has adequate means of, obtaining from the Borrower such information concerning the financial condition, business and operations of the Borrower as the Guarantor requires, and that each of the Authority, the Trustee and the Bondholder Representative has no duty, and the Guarantor is not relying on the Authority, the Trustee or the Bondholder Representative at any time, to disclose to the Guarantor any information relating to the business, operations or financial condition of the Borrower.

17. Setoff. If and to the extent any payment is not made when due hereunder, the Authority, the Trustee and the Bondholder Representative may setoff and charge from time to time any amount so due against any or all of the Guarantor's accounts or deposits with the Authority, the Trustee and the Bondholder Representative.

18. Other Guarantees. Unless otherwise agreed by the Authority, the Trustee, the Bondholder Representative and the Guarantor in writing, this Guaranty is not intended to supersede or otherwise affect any other guaranty now or hereafter given by the Guarantor for the benefit of the Authority, the Trustee or the Bondholder Representative or any term or provision thereof.

19. Representations and Warranties. The Guarantor represents and warrants that (i) he is a citizen of the United States and an individual residing in California and has full capacity and right to make and perform this Guaranty; (ii) this Guaranty constitutes his legal, valid and binding obligation enforceable in accordance with its terms; (iii) the making and performance of this Guaranty does not and will not violate the provisions of any applicable law, regulation or order, and does not and will not result in the breach of, or constitute a default or require any consent under, any agreement, instrument, or document to which he is a party or by which he or any of his property may be bound or affected; (iv) all consents, approvals, licenses and authorizations of, and filings and registrations with, any governmental authority required under applicable law and regulations for the making and performance of this Guaranty have been obtained or made and are in full force and effect; (v) by virtue of his relationship with the Borrower, the execution, delivery and performance of this Guaranty is for the direct benefit of the Guarantor and he has received adequate consideration for this Guaranty; and (vi) the financial information, that has been delivered to the Authority, the Trustee and the Bondholder Representative by or on behalf of the Guarantor, is complete and correct in all respects and accurately presents the financial condition of the Guarantor and since the date of the most recent financial statements delivered to the Authority, the Trustee and the Bondholder Representative there has been no material adverse change in the financial condition of the Guarantor.

20. WAIVER OF JURY TRIAL; FINAL AGREEMENT. TO THE EXTENT ALLOWED BY APPLICABLE LAW, THE GUARANTOR, THE AUTHORITY, THE TRUSTEE AND THE BONDHOLDER REPRESENTATIVE EACH WAIVE TRIAL BY JURY WITH RESPECT TO ANY ACTION, CLAIM, SUIT OR PROCEEDING ON OR ARISING OUT OF THIS GUARANTY. THIS GUARANTY REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS AMONG THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[Signature Page Follows]

Executed this 6th day of May, 2016.

RICHARD J. BRANDES

Address: _____

APPENDIX B-5

FORM OF GUARANTOR SECURITY AGREEMENT

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SECURITY AND COVENANTS AGREEMENT

This SECURITY AND COVENANTS AGREEMENT, dated as of May 1, 2016 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this “Agreement”), is made by and between RICHARD J. BRANDES (the “Guarantor”) and WILMINGTON TRUST, N.A. (the “Secured Party”), as trustee under a certain Indenture dated as of May 1, 2016 between CALIFORNIA PUBLIC FINANCE AUTHORITY (the “Authority”) and the Trustee (as amended, supplemented or otherwise modified from time to time, the “Indenture”) relating to the Authority’s \$5,900,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2016 (Taxable) (the “Bonds”).

WHEREAS, on the date hereof, the Authority has made a loan to BALBOA MANAGEMENT GROUP, LLC (the “Borrower”) in the aggregate principal amount of the Bonds (the “Loan”), evidenced by that certain Loan Agreement dated as of May 1, 2016 between the Authority and the Borrower (as amended, supplemented or otherwise modified from time to time, the “Loan Agreement”); and

WHEREAS, certain rights and obligations of the Authority under the Loan Agreement (excluding certain Unassigned Rights, as defined therein), including the right to receive payments with respect to the Bonds, have been assigned by the Authority to the Secured Party under the Indenture;

WHEREAS, the Guarantor has unconditionally guaranteed the obligations of the Borrower under the Loan Agreement and certain other Obligations of the Borrower relating to the Bonds through a Continuing Guaranty dated May 6, 2016 (the “Guaranty”) by the Guarantor in favor of the Authority, the Secured Party and RPM CAPITAL MANAGEMENT, LLC (the “Bondholder Representative”);

WHEREAS, this Agreement is given by the Guarantor in favor of the Secured Party to secure the payment and performance of all of the obligations of the Guarantor under the Guaranty (the “Secured Obligations”) and to set forth certain covenants that will apply to the Guarantor while the Secured Obligations are outstanding; and

WHEREAS, it is a condition to the obligation of the Authority to make the Loan under the Loan Agreement and the Secured Party to accept its obligations under the Indenture that the Guarantor execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions.

(a) Unless otherwise specified herein: (1) all defined terms shall have the meanings ascribed to such terms in the Indenture; and (2) references to Sections and Schedules herein are to Sections and Schedules of this Agreement.

(b) Unless otherwise defined herein, terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC. However, if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term has the meaning specified in Article 9.

(c) For purposes of this Agreement, the following terms shall have the following meanings:

“Balboa Security Agreement” has the meaning set forth in the recitals hereto.

“Bondholder Representative” has the meaning set forth in the recitals hereto.

“Closing Date” has the meaning set forth in Section 8.

“Collateral” has the meaning set forth in Section 2.

“Debt Service Coverage Ratio” has the meaning set forth in Section 8.

“Event of Default” has the meaning set forth in this Agreement, in the Security and Covenants Agreement of even date among the Borrower, the Authority and the Secured Party (the “Borrower Security Agreement”) and in the Loan Agreement.

“First Priority” means, with respect to any lien and security interest purported to be created in any Collateral pursuant to this Agreement, such lien and security interest is the most senior lien to which such Collateral is subject (subject only to liens permitted under the Loan Agreement).

“Guarantor DACA” has the meaning set forth in Section 4.

“Guaranty” has the meaning set forth in the recitals hereto.

“Perfection Certificate” has the meaning set forth in Section 5.

“Income Available for Debt Service” has the meaning set forth in Section 8.

“Potential Event of Default” has the meaning set forth in Section 8.

“Proceeds” means “proceeds” as such term is defined in section 9-102 of the UCC and, in any event, shall include, without limitation, all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

“Secured Obligations” has the meaning set forth in Section 3.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of California or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

2. Grant of Security Interest. The Guarantor hereby pledges and grants to the Secured Party, and hereby creates a continuing First Priority lien and security interest in favor of the Secured Party in and to all of his right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired (collectively, the “Collateral”):

(a) all accounts, accounts receivable, instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), intellectual property, money, deposit accounts, and any other contract rights or rights to the payment of money, including the deposit and other bank accounts and investment accounts identified in Schedule 1 hereto as well as any renewals thereof (including any rollovers); and

(b) all Proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty or payable to the Guarantor from time to time with respect to any of the foregoing; and

(c) all membership interests, partnership interests and stock or other ownership or similar interests in the entities and properties set forth on Schedule 1 hereto.

3. Secured Obligations. The Collateral secures the due and prompt payment and performance of the obligations of the Guarantor from time to time arising under the Guaranty any and all other obligations of the Guarantor under any and all documents relating to the Bonds (collectively, the “Bond Documents”) or otherwise with respect to the due and prompt payment of all monetary obligations, including fees, costs, reasonable attorneys' fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or

allowable in such proceeding), of the Guarantor under or in respect of the Guaranty and the Bond Documents; and

(a) all other covenants, duties, debts, obligations and liabilities of any kind of the Guarantor under or in respect of the Guaranty and the Bond Documents, whether in favor of the Authority, the Secured Party, the Bondholder Representative or any other party or entity, in each case whether evidenced by a note or other writing, whether allowed in any bankruptcy, insolvency, receivership or other similar proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (all such obligations, covenants, duties, debts, liabilities, sums and expenses set forth in Section 3 being herein collectively called the “Secured Obligations”).

4. Perfection of Security Interest and Further Assurances.

(a) The Guarantor shall, from time to time, as may be required by the Secured Party with respect to all Collateral, as promptly as practicable (and in all cases as promptly as required to maintain the intentions of the parties under this Agreement) take all actions as may be requested by the Secured Party to perfect the security interest of the Secured Party in the Collateral, including entering into a Deposit and Control Agreement dated February 26, 2015, as amended by a certain First Amendment to Deposit and Control Agreement dated March 31, 2015, and as further amended by a certain Second Amendment Deposit and Control Agreement dated as of the date hereof (the “Guarantor DACA”) among the Guarantor, the Secured Party and the depository institution identified in the Guarantor DACA (which depository institution shall be acceptable to the Bondholder Representative in its sole discretion) and also including, without limitation, with respect to all Collateral over which control may be obtained within the meaning of sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, as applicable, the Guarantor shall as promptly as possible take all actions as may be requested from time to time by the Secured Party so that control of such Collateral is obtained and at all times held by the Secured Party. All of the foregoing shall be at the sole cost and expense of the Guarantor.

(b) The Guarantor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Guarantor hereunder, without the signature of the Guarantor where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by the Guarantor,

or words of similar effect. The Guarantor agrees to provide all information required by the Secured Party pursuant to this Section promptly to the Secured Party upon request.

(c) If Guarantor shall at any time hold or acquire any certificated securities, promissory notes, tangible chattel paper, negotiable documents or warehouse receipts relating to the Collateral, the Guarantor shall as promptly as possible endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(d) If any Collateral is at any time in the possession of a bailee, the Guarantor shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, shall as promptly as practicable obtain an acknowledgment from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and the bailee agrees to comply, without further consent of the Guarantor, at any time with instructions of the Secured Party as to such Collateral.

(e) The Guarantor agrees that at any time and from time to time, at the expense of the Guarantor, the Guarantor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that the Secured Party may request, in order to perfect and protect any security interest granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5. Representations and Warranties. The Guarantor represents and warrants as follows:

(a) He has previously delivered to the Secured Party a certificate signed by him and entitled "Perfection Certificate" ("Perfection Certificate"), and that: (i) the Guarantor's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof, (ii) the Guarantor is a citizen of the United States and an individual residing in the State of California, (iii) the Perfection Certificate accurately sets forth the Guarantor's social security number and his residence and official mailing address(es), (iv) all other information set forth on the Perfection Certificate relating to the Guarantor is accurate and complete, and (v) there has been no change in any such information since the date on which the Perfection Certificate was signed by the Guarantor.

(b) All information set forth on the Perfection Certificate relating to the Collateral is accurate and complete and there has been no change in any such information since the date on which the Perfection Certificate was signed by the Guarantor.

(c) The securities, membership interests, partnership interests and other ownership interests comprising any part of the Collateral have been duly authorized and

validly issued, and are fully paid and non-assessable and subject to no options to purchase or similar rights.

(d) At the time the Collateral becomes subject to the lien and security interest created by this Agreement, the Guarantor will be the sole, direct, legal and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option or right of others except for the security interest created by this Agreement.

(e) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected First Priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(f) The Guarantor has full power, authority and legal right to enter into this Agreement, the Guaranty and the Bond Documents and pledge the Collateral pursuant to this Agreement.

(g) Each of this Agreement, the Guaranty and the other Bond Documents has been duly authorized, executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(h) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the borrowing of the Loan and the pledge by the Guarantor of the Collateral pursuant to this Agreement or for the execution and delivery of the Guaranty, this Agreement and the Bond Documents by the Guarantor or the performance by the Guarantor of his obligations thereunder.

(i) The execution and delivery of the Guaranty, this Agreement and the Bond Documents by the Guarantor and the performance by the Guarantor of his obligations thereunder, will not violate any provision of any applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to the Guarantor or any of his property or any agreement or instrument to which the Guarantor is party or by which he or his property is bound.

(j) The Guarantor has taken all action required on his part for control (as defined in sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC to have been obtained by the Secured Party over all Collateral with respect to which such control may be obtained pursuant to the UCC. No person other than the Secured Party has control or possession of all or any part of the Collateral.

6. Voting, Distributions and Receivables.

(a) The Secured Party agrees that unless an Event of Default shall have occurred and be continuing, the Guarantor may, to the extent the Guarantor has such right as a holder of the Collateral consisting of securities, other equity or similar interests or indebtedness owed by any obligor, vote and give consents, ratifications and waivers with respect thereto, except to the extent that, in the Secured Party's judgment, any such vote, consent, ratification or waiver could detract from the value thereof as Collateral or which could be inconsistent with or result in any violation of any provision of the Guaranty, this Agreement or any of the Bond Documents, and from time to time, upon request from the Guarantor, the Secured Party shall deliver to the Guarantor suitable proxies so that the Guarantor may cast such votes, consents, ratifications and waivers. Notwithstanding the foregoing, the Guarantor's ability to take such actions shall be dependent upon his obtaining the prior written consent of the Bondholder Representative to any such action(s), which consent may be withdrawn at any time and which consent or withdrawal shall be filed with the Secured Party and the Guarantor. Failing the receipt of such consent, the Secured Party, at the direction of the Bondholder Representative, shall take all such actions.

(b) For so long as the Guaranty and this Agreement are in place, the Guarantor agrees that: (i) to the extent possible, he will direct (and provide to the Secured Party and the Bondholder Representative the consent of) third parties to deposit payments to him (whether in the form of salary, interest, dividends, distributions with respect to the Collateral consisting of securities, membership or partnership or other ownership interests held by the Guarantor or indebtedness owed by any obligor to the Guarantor or in any other form) directly into the deposit account subject to the Guarantor DACA (the "Deposit Account"); and (ii) if such direction is not possible, the Guarantor will deposit all such funds in the Deposit Account as soon as practically possible following their receipt, but in no event more than ten (10) Business Days following receipt of the funds. Use of the moneys in the Deposit Account by the Guarantor shall be subject to the consent of the Bondholder Representative, which consent shall be in the Bondholder Representative's sole discretion.

7. Covenants - Security. The Guarantor covenants as follows:

(a) The Guarantor will not during the term of this Agreement change his name, country of citizenship or social security number. The Guarantor will not during the term of this Agreement change his primary address, without providing at least sixty (60) days' prior written notice to the Secured Party, the Authority and the Bondholder Representative. The Guarantor will, prior to any change described in the preceding sentence, take all actions requested by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(b) The Collateral, to the extent not delivered to the Secured Party pursuant to Section 4, will be kept at those locations listed on the Perfection Certificate and the Guarantor will not remove the Collateral from such locations without providing at least sixty (60) days' prior written notice to the Secured Party. The Guarantor will, prior to any change described in the preceding sentence, take all actions required by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(c) The Guarantor shall, at its own cost and expense, defend title to the Collateral and the First Priority lien and security interest of the Secured Party therein against the claim of any person claiming against or through the Guarantor and shall maintain and preserve such perfected First Priority security interest for so long as this Agreement shall remain in effect.

(d) The Guarantor will not sell, offer to sell, dispose of, convey, assign, pledge or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein without the prior written consent of the Bondholder Representative, which consent shall be in the Bondholder Representative's sole discretion.

(e) The Guarantor will not permit the Collateral to be used in any manner which results in a violation of law or any policy of insurance thereon. The Guarantor will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located.

(f) The Guarantor will pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement, the Guaranty and the Bond Documents.

(g) The Guarantor will continue to operate his business in compliance with all applicable provisions of federal, state and local statutes and ordinances.

8. Covenants – Financial and Operational. For so long as the Secured Obligations are outstanding, the Guarantor covenants as follows:

(a) Diminution and Acquisition of Membership, Partnership, Stock or Other Ownership Interests. (i) The Guarantor may not, without the prior written consent of the Bondholder Representative, which consent shall be in the Bondholder Representative's sole discretion, transfer, convey, sell, gift or otherwise dispose of any of his membership, partnership, stock or other ownership interests in the entities and properties set forth on Schedule 1 hereto; and (ii) to the extent the Guarantor obtains further membership,

partnership, stock or other ownership interests (whether in the entities and properties described on Schedule 1 or otherwise) during the term of the Guaranty and this Agreement, the Guarantor shall take such actions as the Secured Party shall require to make such interests constitute Collateral subject to the provisions of this Agreement. Without limiting the foregoing, at all times that the Guaranty is in place the Guarantor shall maintain full control of the Borrower.

(b) Covenants with Respect to Belgravia Investors, LLC. For so long as the Guaranty is in place, the Guarantor shall: (i) to the extent possible, increase his membership share in Belgravia Investors, LLC (“Belgravia”) to achieve majority control of Belgravia; (ii) not agree to a sale of part or all of Gatekeeper Systems, Inc. (“Gatekeeper”) unless his net proceeds, along with other funds available under the Indenture and to the Guarantor and the Borrower, will allow the Bonds to be redeemed in full; (iii) deposit and use any proceeds obtained as his share of a sale of part or all of Gatekeeper in the manner directed by the Bondholder Representative, which direction shall be in the Bondholder Representative’s sole and complete discretion; (iv) immediately notify the Bondholder Representative of any proposed sale of part or all of Gatekeeper; and (v) not consent to any changes to the Distribution Agreement between Belgravia and the Guarantor without the express written consent of the Bondholder Representative, which consent shall be in the Bondholder Representative’s sole and complete discretion.

(c) Provision of Financial Statements and Tax Returns. Beginning as of the fiscal quarter ending December 31, 2016, the Guarantor shall provide the Bondholder Representative with financial statements of cash flows, financial activities and a balance sheet showing the Guarantor’s financial condition as of the end of each calendar quarter and on a year to date basis which shall be prepared by a person or entity acceptable to the Bondholder Representative. Such financial statements shall be provided within forty-five (45) days of the end of each calendar quarter, beginning with the calendar quarter ending December 31, 2016. In addition, the Guarantor shall provide the Bondholder Representative with copies of his tax returns no later than April 15 of each calendar year, beginning with the 2017 calendar year (for calendar year 2016 taxes).

(d) Access to Records and Properties. The Guarantor shall provide the Bondholder Representative with access to his financial and other business records and his properties during business hours upon at least three (3) Business Days’ notice except in the event of an Event of Default or a Potential Event of Default in which case no prior notice shall be required.

(e) Limitations on Distributions. The Guarantor, as sole and controlling member of the Borrower, shall ensure that no distributions of profits are made by the Borrower unless: (a) the Bondholder Representative has consented to a distribution of certain of the Borrower’s profits, which consent shall be in the Bondholder Representative’s sole and complete discretion; and (b) the deposit account subject to the

Guarantor DACA is funded at least to the Guarantor DACA Minimum Funding Amount. As used herein, “Debt Service Coverage Ratio” means the ratio of Income Available for Debt Service (defined as the Borrower’s: (i) excess of revenues over expenses *plus* (ii) interest (other than capitalized interest), amortization and depreciation *divided by* Annual Debt Service (defined as all payments of interest, principal and sinking fund payments paid, or required to be paid, by the Borrower).

(f) Deposit Account. At closing of the Bonds, the Guarantor shall cause the deposit account subject to the Guarantor DACA to be funded at all times in an amount determined by the Bondholder Representative in its sole discretion (the “Guarantor DACA Minimum Funding Amount”). At the Bondholder Representative’s discretion, and upon 30 days’ written notice to the Guarantor, the Guarantor shall deposit additional funds in the deposit account subject to the Guarantor DACA to bring the total up to a maximum of Two Million Five Hundred Thousand Dollars (\$2,500,000) (the “Subsequent Guarantor DACA Funding Amount” and subsequently, the “Guarantor DACA Minimum Funding Amount”).

(g) Covenant with Respect to Borrower. The Guarantor will ensure that: (i) the Amended and Restated Operating Agreement of the Borrower, as in effect on the date hereof, is not amended; and (ii) the Guarantor retains complete control of the Borrower; unless, in either case, the Borrower obtains the prior written consent of the Bondholder Representative to some other arrangement, which consent shall be in the Bondholder Representative’s sole and complete discretion.

9. Secured Party Appointed Attorney-in-Fact. The Guarantor hereby appoints the Secured Party the Guarantor's attorney-in-fact, with full authority in the place and stead of the Guarantor and in the name of the Guarantor or otherwise, from time to time (but only after an Event of Default that continues beyond any applicable notice and cure period) in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement (but the Secured Party shall not be obligated to and shall have no liability to the Guarantor or any third party for failure to do so or take action unless indemnified by the Guarantor or any third party). This appointment, being coupled with an interest, shall be irrevocable.

10. Secured Party May Perform. If the Guarantor fails to perform any obligation contained in this Agreement and such failure continues beyond any applicable notice and cure period, the Secured Party may itself perform, or cause performance of, such obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Guarantor; *provided that* the Secured Party shall not be required to perform or discharge any obligation of the Guarantor unless indemnified to the Secured Party’s satisfaction.

11. Reasonable Care. The Secured Party shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property, it being understood that the Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by the Secured Party of any of the rights and remedies hereunder, shall relieve the Guarantor from the performance of any obligation on the Guarantor's part to be performed or observed in respect of any of the Collateral.

12. Remedies Upon Default. If any Event of Default shall have occurred and shall have continued beyond any applicable notice and cure period:

(a) The Secured Party, without any other notice to or demand upon the Guarantor, may assert all rights and remedies of a secured party under the UCC or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to the Guarantor at his notice address as provided in Section 16 hereof ten (10) calendar days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, the Secured Party may sell such Collateral on such terms and to such purchaser(s) as the Secured Party in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by applicable law, the Secured Party may be the purchaser, licensee, assignee or recipient of the Collateral or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, the Guarantor waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by it of any rights hereunder. The Guarantor hereby waives and releases to the fullest extent permitted by law any right or equity of

redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshaling the Collateral and any other security for the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto. The Secured Party shall not be obligated to clean-up or otherwise prepare the Collateral for sale.

(b) All rights of the Guarantor to exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to Section 6(a) shall immediately cease, and all such rights shall thereupon become vested in the Secured Party, which shall have the sole right to exercise such voting and other consensual rights and receive and hold such dividends and other distributions as Collateral.

(c) Any cash held by the Secured Party as Collateral and all cash Proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by the Secured Party to the payment of expenses incurred by the Secured Party in connection with the foregoing or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including reasonable attorneys' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as the Secured Party (at the direction of the Bondholder Representative) shall elect. Any surplus of such cash or cash Proceeds held by the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the Guarantor or to whomsoever may be lawfully entitled to receive such surplus. The Guarantor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any attorneys employed by the Secured Party to collect such deficiency.

(d) If the Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, the Guarantor agrees that, upon request of the Secured Party, the Guarantor will, at his own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

13. No Waiver and Cumulative Remedies. The Secured Party shall not by any act (except by a written instrument pursuant to Section 155), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

14. Security Interest Absolute. The Guarantor hereby waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. All rights of the Secured Party and liens and security interests hereunder, and all Secured Obligations of the Guarantor hereunder, shall be absolute and unconditional irrespective of:

(a) any illegality or lack of validity or enforceability of any Secured Obligation or any related agreement or instrument;

(b) any change in the time, place or manner of payment of, or in any other term of, the Secured Obligations, or any rescission, waiver, amendment or other modification of the Guaranty, the Loan Agreement, the Indenture, this Agreement or any of the Bond Documents or any other documents relating to any of the foregoing, including any increase in the Secured Obligations resulting from any extension of additional credit to the Borrower or otherwise;

(c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Secured Obligations;

(d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Secured Obligations;

(e) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, the Guarantor against the Secured Party; or

(f) any other circumstance (including, without limitation, any statute of limitations) or manner of administering the Loan or any existence of or reliance on any representation by the Secured Party that might vary the risk of the Guarantor or otherwise operate as a defense available to, or a legal or equitable discharge of, the Guarantor or any other grantor, guarantor or surety.

15. Amendments. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by the Guarantor therefrom shall be effective unless the same shall be in writing and signed by the Secured Party and the Guarantor, and consented to by the Bondholder Representative, and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

16. Addresses For Notices. All notices and other communications provided for in this Agreement shall be in writing and shall be given in the manner and become effective as

set forth in the Loan Agreement, and addressed to the respective parties at their addresses as specified on the signature pages hereof or as to either party at such other address as shall be designated by such party in a written notice to each other party. The addresses for the Authority and the Bondholder Representative are:

California Public Finance Authority
1400 West Lacey Blvd.
Hanford, CA 93230
Attn: Chair

RPM Capital Management, LLC
2 Greenwich Office Park, Suite 300
Greenwich, CT 06831
Attn: Michele M. Newland, Esq., Co-Chief Executive Officer
and Chief Investment Officer

17. Continuing Security Interest; Further Actions. This Agreement shall create a continuing First Priority lien and security interest in the Collateral and shall (a) subject to Section 188, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon the Guarantor, his successors and assigns, and (c) inure to the benefit of the Secured Party and its successors, transferees and assigns; *provided that* the Guarantor may not assign or otherwise transfer any of his rights or obligations under this Agreement without the prior written consent of the Secured Party and the Bondholder Representative. Without limiting the generality of the foregoing clause (c), any assignee of, or successor to, the Secured Party's interest in any agreement or document which includes all or any of the Secured Obligations shall, in accordance with Section 8.01 of the Indenture, become vested with all the benefits granted to the Secured Party herein with respect to such Secured Obligations.

18. Termination; Release. On the date on which all Secured Obligations have been paid and performed in full, the Secured Party will, at the request and sole expense of the Guarantor, (a) duly assign, transfer and deliver to or at the direction of the Guarantor (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of the Secured Party, together with any monies at the time held by the Secured Party hereunder, and (b) execute and deliver to the Guarantor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

19. Governing Law/Jurisdiction and Venue/Waiver of Jury Trial. This Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby shall be governed by, and construed in accordance with, the laws of the State of California. Venue for any judicial actions shall be in the state or federal

courts located in Los Angeles, California. The parties agree to waive jury trial in any action arising under, or in relation to, this Agreement.

20. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement constitutes the entire contract among the parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto.

[Signature Page Follows]

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

RICHARD J. BRANDES, as
Guarantor

By _____

Address for Notices:

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:

Title:

Address for Notices:

25 South Charles Street, 11th Floor

Mail Code: MD2-CS58

Baltimore, MD 21201

Attention: Corporate Trust Department

SCHEDULE 1

Deposit and Other Bank Accounts

Account # 027452256 at City National Bank

Investment Accounts

None

Entities and Properties Subject To
Security and Covenants Agreement

ACG – Camino Real Investors, LLC
Balboa Management Group, LLC
Belgravia Investors, LLC
Blenheim EquiSports Management Co., LLC
Diamond Creek Capital, LLC
Gatekeeper Systems, Inc.

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APPENDIX B-6

DISTRIBUTION AGREEMENT

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DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT (this “Agreement”) is entered into as of the 16th day of February, 2015 (“Effective Date”), by and among **R.J. BRANDES** (“Brandes”) and **BELGRAVIA INVESTORS, LLC** (“Belgravia”), a California limited liability company. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Operating Agreement (as defined below).

WITNESSETH:

WHEREAS, Brandes, Michael Lawler, Erik Paulson and Brett Osterfeld entered into that certain Amended and Restated Operating Agreement of Belgravia, dated December 31, 2012 (“Operating Agreement”); and

WHEREAS, the parties hereto are entering into this Agreement to provide certain assurances regarding: (a) distributions from Belgravia to Brandes and (b) notices regarding transfer of Belgravia’s ownership of Gatekeeper Systems, Inc. (“Gatekeeper”);

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. **Distributions to Brandes.**

(a) During calendar years 2012 and 2013 Belgravia distributed the following amounts to Brandes: 2012 - \$1,407,291 and 2013 - \$976, 817. Brandes became an employec of Gatekeeper in February, 2014 and currently receives a salary equal to \$20,000 per month from Gatekeeper and capital distributions equal to \$20,000 per month from Belgravia.

(b) Belgravia agrees that Brandes shall be entitled to payments of \$1,000,000 annually, but not cumulative beyond any one year (\$480,000 as described in Section 1(a) above and up to \$520,000 in additional distributions) in each calendar year beginning January 1, 2015 and ending when the Continuing Guaranty executed by Brandes (the “Guaranty”), relating to the California Statewide Communities Development Authority Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2015A (Taxable), is no longer outstanding, but in no event shall Belgravia’s obligation extend beyond February 28, 2021 (the “Period”), subject to pro-rata adjustments for partial calendar years. Distributions will be made in accordance with the Operating Agreement from the following sources, in the following order and to the extent available: (i) profits from Gatekeeper; (ii) profits from any other entities or enterprises in which Belgravia has an ownership or similar interest or is otherwise engaged and (iii) Brandes’ paid-in capital.

2. **Notice Regarding Transfer of Ownership of Gatekeeper.** During the Period, Belgravia will not sell, transfer or otherwise dispose of any of its ownership and other interests in Gatekeeper, without advising the Bondholder Representative in writing at least 30 days prior to the consummation of such sale. Brandes shall be eligible to receive proceeds from such sale in accordance with the Operating Agreement.

3. **Consent to Pledge of Brandes' Membership Interest and Distributions.** Brandes represents that Brandes shall pledge his Membership Interest in Belgravia and his distributions during the Period (the "Pledge") in favor of Wilmington Trust, N.A. Belgravia confirms that a Majority of Members have consented to the Pledge in accordance with the Operating Agreement.

4. **Complete Agreement; Amendment.** This Agreement represents the entire agreement among the parties hereto and may only be amended by a writing executed by the parties.

5. **Successors/Bind Nature/Notification and Confirmation.** The provisions of this Agreement shall be binding on the successors, assigns, grantees, donees, heirs, administrators and executors of each party hereto.

6. **No Third Party Beneficiaries.** No provisions of this Agreement are intended, nor will be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in, or for the benefit of, any third party.

7. **Governing Law.** This Agreement shall be governed by the laws of the State of California, without regard to conflict of laws principles.

8. **Notices.** Notice to any party shall be by mail, overnight courier or similar delivery to the address of the party set forth below (or a successor address provided to the other party) and shall be effective upon receipt. Notices to the Bondholder Representative shall be to Michele M. Newland, Esq., Chief Investment Officer, RPM Capital Management, LLC, 166 West Putnam Avenue, Greenwich, Connecticut 06830.

[Signature Page Follows]

WITNESS the parties' hands as of the year and date set forth above.

R.J. BRANDES

Address: P.O. Box 609, San Juan Capistrano,
CA 92693

BELGRAVIA INVESTORS, LLC

Michael Lawler, its Manager

Address: 8 Studebaker, Irvine, CA 92618

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APPENDIX B-7

DEVELOPMENT AGREEMENT

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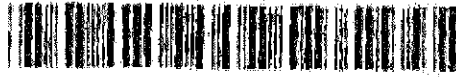
Page 1 of 100

Recorded in Official Records

County of Riverside

Larry H. Ward

Assessor, County Clerk & Recorder



RECORDING REQUESTED BY
CITY OF NORCO
City Clerk Department

AND WHEN RECORDED MAIL TO:

City of Norco
City Clerk's Office
2870 Clark Ave
Norco, CA 92860

SR	R	LI	PAGE	SIZE	DA	MISC	LONG	RFD	COPY
			100						
M	A	L	465	426	FOON	INDIC	SMF	NOHS	EXAM
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COPY

EXAM



Development Agreement
by and among City of Norco and
Balboa Management Group, LLC
Silverlakes Equestrian and Sports Park

THIS AREA FOR
RECORDER'S
USE ONLY

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(\$3.00 Additional Recording Fee Applies)

Recording Requested by
And When Recorded Return to

City Clerk
City of Norco
2870 Clark Avenue
Norco, CA 92860

Exempt from Recorder's Fees
Pursuant to Government Code §§ 6103, 27383

(Space Above This Line For Recorder's Use)

DEVELOPMENT AGREEMENT

by and among

CITY OF NORCO

and

BALBOA MANAGEMENT GROUP, LLC

Dated: July 6, 2011

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<u>Exhibit "B"</u>	Site Plan of the Project
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<u>Exhibit "H"</u>	List of Specifically Permitted Uses
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<u>Exhibit "J"</u>	RCA Minutes & WRCRCA Independent Accountant's Report

DEVELOPMENT AGREEMENT

This DEVELOPMENT AGREEMENT (this "Agreement"), dated for identification purposes as of July 6, 2011, is made and entered into between the CITY OF NORCO, California, a municipal corporation (the "City"), and BALBOA MANAGEMENT GROUP, LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Balboa"), with reference to the following facts, understandings and intentions of the Parties:

RECITALS:

A. These Recitals refer to and utilize certain capitalized terms which are defined in Section 1 below.

B. California Government Code Sections 65684 through 65869.5 authorize the City to enter into development agreements for the development of real property. Pursuant to this State Law, the City has enacted Title 4 of the Norco Municipal Code which provides procedures for the consideration of development agreements (collectively, the "Development Agreement Legislation").

C. On or about April 17, 2011, the Norco Redevelopment Agency ("Agency"), a public body, corporate and politic, quitclaimed to the City all interest in that certain real property located in the County of Riverside, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

D. The City owns approximately 122 contiguous acres of land in the City commonly known as Silverlakes, and more particularly described in Exhibit "A" attached hereto (the "Property" or "Silverlakes Property").

E. The City and Agency publically advertised a Request for Proposals for the redevelopment of the Property. Balboa, the City and the Agency entered into that certain Memorandum of Understanding ("MOU") dated as of January 16, 2008 for the redevelopment of the Property as the Silverlakes Equestrian & Sports Park. Through the MOU, Balboa is committed to developing a quality project that allows for public uses. The Project includes, without limitation, the redevelopment of the Property as an equestrian facility with soccer fields and other sports, recreational and related amenities. Resolution No. 2008-01 and CRA Resolution No. 2008-02 approving the MOU were adopted on January 16, 2008. Through Recital K of the MOU, the City and Agency found: "It is further anticipated that the redevelopment of the Property will be a joint private/public purpose development which integrates certain uses to accomplish the fulfillment of the Agency's objectives, and which incorporates such integrated uses which shall include equestrian recreational activities and events, youth sports activities and events, camping, and equestrian staging and picnic areas, and related parking." On June 17, 2009, the City and Agency approved a First Amendment to the MOU to extend its term to March 4, 2011 (or September 4, 2011 if the term of the Conditional Use Permit mentioned below was similarly extended). This Agreement is in compliance and satisfaction with the terms and conditions of the MOU, as Restated.

F. On January 14, 2009, the City's Planning Commission adopted Resolution No. 2008-035 which recommended approval of a Final Environmental Impact Report ("EIR") and Conditional Use Permit No. 2008-09 for the Project. On March 4, 2009, the City Council adopted Resolution No. 2009-07 which approved the EIR and Resolution No. 2009-08 which approved Conditional Use Permit No. 2008-09 for the Project. The Project's uses were found consistent with, and in furtherance of, the terms, goals and objectives of the City's Zoning Code

and General Plan and related environmental and land use policies. The EIR determined that a Development Agreement was part of the discretionary approvals contemplated for the Project.

G. Balboa and the City entered into that certain lease entitled Nereo Silverlakes Ground Lease (hereinafter, the "Lease") for the Property dated as of July 6, 2011. By virtue of the Lease, Balboa is the tenant/lessee and has a legal or equitable interest in the Property and is entitled to enter into this Agreement for the redevelopment of the Property.

H. In addition to improving the Property for recreational and sports uses, the Project is projected to generate a significant amount of economic activity, which may generate sales tax revenue for the City's general fund. The Property is located at an important location in the City and the coordinated development of the Project pursuant to this Agreement represents a mutually beneficial economic and land use planning opportunity for the City and Balboa.

I. The City has determined that entry into this Agreement will further the goals and objectives of the City's land use planning policies by, among other things, encouraging investment in the northern part of the City, providing criteria for flexible uses, design and development of the Property, including alterations in order to respond to future economic conditions, eliminating uncertainty in planning, and securing the orderly and expeditious processing and development of the Project. The benefits conferred on the City by Balboa herein will (i) insure consistent, comprehensive planning for an aesthetically pleasing, environmentally harmonious, and economically viable development within the City; (ii) provide for the creation of a unique sports and recreation park facility for the City; (iii) create increased sales tax revenue for the City; (iv) provide for on and off-site infrastructure improvements, and (v) further the development objectives of the City in an orderly manner, all of which will significantly promote the health, safety and welfare of the residents of the City. In exchange for these benefits to the

City, Balboa desires to receive the assurance that it may proceed with the Project to justify its extensive monetary investment in the Project to date and without further regulation by City in accordance with (a) the existing Entitlements; (b) the Site Plan; (c) the Initial Improvements; (d) the Schedule of Performance; and (e) the Permitted Uses.

J. By adopting this Agreement, the City Council has elected to exercise certain governmental powers at the present time rather than deferring such actions until an undetermined future date and has done so intending to bind the City and the City Council, now and in the future, intending to limit the City's future exercise of certain governmental powers, to the extent permitted by law.

K. Balboa believes that (i) the Silverlakes Property is suitable for the Project, (ii) the Project is financeable, and (iii) Balboa can procure sufficient, committed resources and/or the necessary financing, if necessary, to develop and complete the Initial Improvements described herein.

L. In order to effectuate the foregoing, the Parties desire to enter into this Agreement.

AGREEMENT:

NOW, THEREFORE, pursuant to the authority contained in the Development Agreement Legislation, and in consideration of the mutual covenants and promises of the Parties herein contained, the Parties agree as follows:

1. Definitions. Each reference in this Agreement to any of the following terms shall have the meaning set forth below for each such term.

1.2 "Agreement". This Development Agreement.

1.3 "Ground Lease". As defined in the Recitals.

1.4 "Balboa": Balboa Management Group, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

1.5 "Bonds": The Norco Financing Authority Enterprise Revenue Funding Bonds Issues of 2009.

1.6 "Building Ordinances": The State Building Standards Code, as the same may be amended from time to time, which standards are adopted by the City of Norco and shall apply to the Project.

1.7 "City": The City of Norco, California, a municipal corporation.

1.8 "City Council": The legislative body of the City of Norco.

1.9 "City Facilities": The on-site improvements to be constructed by Balboa on behalf of the City as part of the initial Improvements pursuant to the Funding, Construction and Acquisition Agreement (and described therein as the "City Facilities").

1.10 "Conservation Area": As defined in Section 4.8 below.

1.11 "Deed Restriction": That certain covenant recorded against the Property as Exhibit "B" attached to that certain Quitclaim Deed executed by T.I.C. Investments & Trade Co. in favor of the City recorded on June 14, 2002 as Document No. 2002-328613 which Quitclaim Deed transferred the Property to the City. The covenant provides, among other things, "No portion of the Property described in this quitclaim deed shall be used by the City, or by any successor in interest to the City, or any other public agency or private party, for any purpose other than for public park, recreational and open space purposes, save and except for the

construction of a public road way which is to be permitted across the extreme northernmost boundary of the Property, encroaching no more than 100' into said Property at any location. The Property shall not be used for residential purposes (other than public camp grounds) or for commercial purposes (other than for common park related activities such as refreshment stands, horse boarding stables, and other park related concession operations to serve park users which are commonly granted by cities in California." The requirement for such Deed Restriction was borne out of that certain Order on Ex Parte Application of Robb Evans, Receiver, Authorizing Sale of Real Property filed on May 29, 2002 in the U.S. District Court for the Central District of California, Southern Division, in *S.E.C. v. TLC Investments & Trade Co. et al* (Case No. SACV 00-960-DOC (MLGx)). The City believes this Agreement, and the uses of the Property contemplated herein, are in compliance and satisfaction with the Deed Restriction; however, as further described herein, this matter will be submitted to the Riverside Superior Court for a validation action to confirm that the uses of the Property contemplated in this Agreement are consistent with the Deed Restriction.

1.12. "**Development Agreement Legislation**". As defined in the Recitals.

1.13. "**Effective Date**". The date on which this Agreement is effective which is the date the Enacting Ordinance becomes legally effective, barring a timely and successful referendum or order of the court suspending the Effective Date.

1.14. "**EIR**". As defined in the Recitals.

1.15. "**Enacting Ordinance**". Ordinance No. 934, enacted by the Norco City Council on July 20, 2011, approving this Agreement.

1.16 "Entitlements". All of the City entitlements or approvals required for the Project as set forth on Exhibit "D" attached hereto.

1.17 "Event of Default". As defined in Section 8.1 below.

1.18 "Existing Land Use Regulations". The City's land use regulations in effect as of the Effective Date, which comprise the ordinances, resolutions, codes, rules, regulations and official policies of the City applicable to the Property, including but not limited to, the permitted uses of land, the density, design, improvement, construction standards and specifications, intensity of use of land, provisions for reservation or dedication of land for public purposes, provisions for application filing or processing fees, provisions for development fees, exactions and public improvements, provisions relating to parking, provisions relating to the timing of development, and provisions relating to operational issues such as noise, lighting, water and nuisance matters, all as applicable to the Property and the operation of the Project. Specifically, but without limiting the generality of the foregoing, Existing Land Use Regulations shall include the City's General Plan (as amended to change the land use designation of the Property from "PL" to "Park"), the City's Zoning Code, the City's Municipal Code, the City's subdivision code, the City's development and environmental rules, and the terms and conditions of the Entitlements. Existing Land Use Regulations shall include the City's Building Ordinances. Without limiting the rights of the City or the obligations of Balboa hereunder, as for the Agency, as of the Effective Date, the City agrees the Project has received all required City land use entitlements and approvals and no further discretionary or ministerial City land use approvals are necessary for the Project, but for City approval of the Project's sign program, I-15 Freeway oriented electronic message sign, cell tower facilities and final design review.

1.19 "Funding, Construction and Acquisition Agreement". That certain Funding, Construction and Acquisition Agreement entered into concurrently herewith between the City and Balboa pertaining to the construction by Balboa of the City Facilities "Initial Improvements". All on-site improvements, including the City Facilities, constructed on the Property by Balboa during Phase I and Phase II as more particularly described on Exhibit "C" attached hereto.

1.21 "Laws". As defined in Section 7.1 below.

1.22 "Lease". As defined in the Recitals.

1.23 "Mortgage". A mortgage, deed of trust, sale and leaseback arrangement (in which all or a part of the Property, or an interest in it, is sold and leased back concurrently) or other transactions in which all or a part of the Property, or an interest in it, is pledged as security, contracted in good faith and for fair value.

1.24 "MOU". As defined in the Recitals.

1.25 "Parties". Collectively, the City and Balboa.

1.26 "Permitted Uses". The range of uses and activities permitted upon the Property and vested for the Project through this Agreement, as more specifically set forth on Exhibit "H" attached hereto.

1.27 "Phase I"; "Phase II". The phasing of the construction of the Project and the Initial Improvements as more particularly set forth in the Schedule of Performance and depicted on Exhibit "E" attached hereto.

1.28 **"Project"**. The Project consists of development, associated amenities, and on-site and off-site improvements, as permitted under and described in the list of Initial Improvements, the Site Plan and the Permitted Uses, as the same may hereafter be further refined, enhanced or modified pursuant to the provisions of this Agreement. In general, the Project is the redevelopment of the Property into the "Silverlakes Equestrian & Sports Park". The Parties intend the Project to be developed for park, recreational, entertainment and open space purposes.

1.29 **"Property"**. The real property described on Exhibit "A" and any improvements and infrastructure thereon as further described herein and in the Exhibits attached hereto and incorporated herein by this reference to this Agreement.

1.30 **"Public Infrastructure Improvements"**. The off-site improvements to be constructed by the City, as more particularly described in Section 5.1 below, generally described on Exhibit "E" attached hereto.

1.31 **"Schedule of Performance"**. The schedule for phasing, sequencing and calendaring the performance dates associated with the construction of the Project and the Initial Improvements as more particularly set forth in Exhibit "G" attached hereto.

1.32 **"Site Plan"**. The Site Plan approved by the City for the Project, as more particularly shown on Exhibit "B" attached hereto and as described herein.

1.35 **"Shared Use Agreement"**. That certain Shared Use Agreement (the form of which is attached to the Lease) entered into concurrently herewith between the City and

Balboa specifying the time, place and manner of the public uses of the Property while safeguarding Balboa's rights to operate the Project for the Permitted Uses

2. Term; Amendment.

2.1 Term. The term of this Agreement shall commence on the Effective Date and shall expire thirty (30) years after the Effective Date. This Section 2.1 shall have the automatic effect of extending the terms of all other existing and future City discretionary and ministerial approvals, permits and entitlements pertaining to the Project so that such terms are coterminous with the term of this Agreement herein. For example, pursuant to Government Code Section 66452.6, the term of any tentative subdivision map for part or all of the Property shall be extended for the term provided for in this Section 2.1. This Agreement shall terminate concurrently with the expiration of the initial term of the Lease or any earlier termination thereof

2.2 Amendment. While in no event shall this Agreement be amended to extend the term of this Agreement beyond thirty (30) years, the City Council and Balboa may from time to time amend the provisions and terms of this Agreement for other purposes, although they are not required to do so. An amendment to this Agreement is not triggered by minor or ministerial adjustments or modifications to the Project approved pursuant to the authority and discretion of the City's Planning Director or City Manager, including minor changes to the Site Plan, the Initial Improvements or the Schedule of Performance.

3. General Development of the Project

3.1 Vested Right to Develop Project

(a) The Permitted Uses of the Property which may be utilized by Balboa in its sole and absolute business discretion, and for which no further City approvals or entitlements are necessary but for City approval of the Project's sign program, I-15 Freeway oriented electronic message sign, cell tower facilities and final design review, subject to the conditions of approval to Conditional Use Permit 2008-09, as Restated, are those set forth in Exhibit "H" attached hereto and incorporated herein by this reference. Approval of this Agreement shall constitute Balboa's receipt from City of permission and approvals for the Permitted Uses set forth in Exhibit "H", subject to the conditions of approval to Conditional Use Permit 2008-09, as Restated and the application for Silverlakes Event Permits for certain activities as enumerated in Exhibit "H". No fees shall be charged Balboa by City for its operation of the Permitted Uses upon the Property in conjunction with the Project, except for ordinary application and processing fees charged by the City in connection with the issuance of Silverlakes Event Permits as set forth in Exhibit "H" so long as such fees are limited to those applicable to public projects within the City of Norco's "General Fee/Fine Schedule Effective June 2, 2010" attached hereto as Exhibit "I", as the same may be amended by the City from time to time. To the extent of any conflict between the City's Municipal Code and/or land use regulations and Exhibit "I" as to the fees to be charged Balboa, the fee amounts set forth on Exhibit "I" shall control. Such fees shall be limited to the City of Norco's "General Fee/Fine Schedule Effective June 2, 2010" through the completion of Phase II, provided Balboa completes Phase II no later than the date listed in the Schedule of Performance. In any event, third party

vendors shall nevertheless be required to obtain a City of Norco business license as required by the City's standard requirements.

(b) Subject to satisfaction or waiver of all of the "Conditions Precedent" described in and attached as Exhibit "C" to the Lease, Balboa shall have the vested right to develop the Project in accordance with the Site Plan, the "Concept Plans" referenced in the Lease, the Initial Improvements, the Permitted Uses, and, to the extent not inconsistent with or modified by the Site Plan, Concept Plans, Initial Improvements, Permitted Uses, or the Existing Land Use Regulations. Subject to the timely satisfaction or waiver of the Conditions Precedent in the Lease and the terms of this Agreement, Balboa shall develop the Project in such phases as are required herein and in the Lease, at a rate and sequence in accordance with the Schedule of Performance. Subject to any extensions of time by mutual consent (in writing and subject to the provisions of Section 7.1 below regarding permitted delays, Balboa's failure to complete all Phases of the Project by the dates listed in the Schedule of Performance shall constitute an Event of Default under this Agreement permitting the City the right to exercise the remedies afforded to it under Section 8.2 below. After the Effective Date, Balboa's right to develop the Property in accordance with this Section 3.1 shall be without regard to future changes or additions by the City to the Existing Land Use Regulations, however enacted, whether by moratorium, initiative and/or referendum of the City or of the voters of the City. In accordance with the California Supreme Court decision, *Pardee Construction Co. v. City of Camarillo* (1984) 37 Cal.3d 465, it is the intent of the City and Balboa to acknowledge and provide that, notwithstanding anything to the contrary in the Existing Land Use Regulations, Balboa shall have the right to develop the Property in accordance with the Schedule of Performance.

(c) No moratorium, inclusive of moratoria contemplated by Government Code Section 65858, shall be effective or applicable to this Property on account of the vested rights provided through this Agreement.

3.2 Future Approvals such as Building Permits and Certificates of Occupancy.

Subject to (a) Balboa's submittal of complete plans and specifications in accordance and compliance with the dates set forth in the Schedule of Performance and applications (if required under the Existing Land Use Regulations) and (b) the payment of applicable processing, filing, inspection and other miscellaneous application fees limited to those amounts set forth on the City of Norco "General Fee/Fine Schedule Effective June 2, 2010" attached hereto as Exhibit "J", as the same may be amended by the City from time to time, the City shall promptly process and render decisions on all necessary ministerial and discretionary City approvals to implement the Project, including without limitation final design review, building permits, occupancy certificates, grading approvals, encroachment permits, demolition permits, sign program, an electronic messaging sign on the eastern part of the Property adjacent to the I-15 Freeway (pursuant to the conditions of Conditional Use Permit No. 2008-09, as Restated, the applicant must prepare for Planning Commission approval a sign program and separate I-15 sign approval), lot line adjustments and/or subdivision maps, environmental clearances, construction approvals, utility hook-ups and other required permits for the construction, use and occupancy of the Project, or any portion thereof, all pursuant to Existing Land Use Regulations inclusive of conditions of approval of Conditional Use Permit No. 2008-09, as Restated. If any application to the City is denied, or conditioned such that Balboa is dissatisfied, it shall be entitled, without prejudice, to immediate re-submittal with revisions by Balboa, and prompt processing on an expedited basis by City.

3.3 Effect of Agreement. This Agreement shall constitute a part of the Enacting Ordinance, as if incorporated by reference therein in full. The Parties acknowledge that this Agreement is intended to grant Balboa the vested right to develop the Project pursuant to specified and known criteria and rules, and to grant the City and the residents of the City certain benefits which they otherwise would not receive. In instances of conflicting interpretations or enforcement, this Agreement shall control over the provisions of all other existing or future Entitlements, permits, conditions of approval, mitigation measures as well as the Existing Land use Regulations, except as to matters under the jurisdiction of third party government agencies such as the County of Riverside, the State of California and/or Army Corps of Engineers. No part of this Section 3.3 obviates the Parties' responsibility to abide by all terms and conditions of the Entitlements for the Project.

This Agreement shall be binding upon the City and its successors in accordance with and subject to its terms and conditions, notwithstanding any subsequent action of the City, whether taken by minute order, ordinance or resolution, by referendum, initiative, or otherwise. The Parties acknowledge and agree that by entering into this Agreement, and Balboa incurring substantial expense in reliance thereupon, Balboa has obtained, subject to the terms and conditions of this Agreement, a vested right to proceed with the development of the Project in accordance with the Site Plan, the Initial Improvements and the Existing Land Use Regulations. The City has incurred substantial expenses related to the Project and is entering into this Agreement in order to secure the public benefits conferred upon it hereunder which are essential to provide for the public health, safety and welfare of the City and its residents, and this Agreement is an essential element in the achievement of those goals.

4. Specific Criteria Applicable to Development of the Project

4.1 Applicable City Regulations. Subject to the provisions of Section 4.2 below, the Existing Land Use Regulations and the Initial Improvements shall govern the development of the Property hereunder, the issuance of all permits or approvals required for the development and operation of the Project; provided, however, that (a) Balboa and City shall be subject to that certain Deposit and Reimbursement Agreement No. 1 dated as of February 6, 2008 and that certain Deposit and Reimbursement Agreement No. 2 dated as of June 17, 2009, and Amendment #3 of the Deposit and Reimbursement Agreement dated as of January 26, 2010, and future Deposit and Reimbursement Agreements as may be mutually agreed to by the Parties relative to Balboa's reimbursement to City of a certain amount of City's consultant costs associated with the Project, (b) Balboa shall abide by the Building Ordinances in effect at the time its submits to City each application for such approval or permit, (c) Balboa shall be subject to and pay those applicable City processing, filing, inspection and other miscellaneous application fees limited to those amounts set forth on the City of Norco "General Fee/Fine Schedule Effective June 2, 2010" attached hereto as Exhibit "I", as the same may be amended by the City from time to time (subject to the provisions of Section 3.1(a) above), and (d) if total reconstruction of the Initial Improvements are required due to obsolescence or natural disaster, the Initial Improvements shall not be subject to any future discretionary approvals or entitlements so long as their scope is similar to the existing Initial Improvements. After completion of Phase II, such replacement project and future improvements will be subject to processing and administrative fees, as well as inspections, based on the then applicable codes and fee schedules.

4.2 Amendment to Applicable Regulations. In the event that the Existing Land Use Regulations are amended by the City in a manner which provides more *favorable* site development standards than those in effect as of the Effective Date, Balboa shall have the right to notify the City in writing of its desire to be subject to all or any such new standards for the remaining term of this Agreement. If City agrees, by action of the City Planning Director, or City Manager, such new standards shall become applicable to the Property or portions thereof. Should City thereafter amend such new standards, upon the effective date of such amendment, the original new standards shall continue to apply to the Property as provided above, but Balboa may notify City in writing of its desire to be subject to all or any such amended new standards and City may agree in the manner above provided to apply such amended new standards to the Property.

4.3 City Facilities. The City shall use a portion of the proceeds from the Bonds to provide Balboa the funds necessary to construct the City Facilities for the benefit of the Project, the City and Balboa, all as more particularly described in the Funding, Construction and Acquisition Agreement. The City Facilities shall be constructed by Balboa and the schedule for phasing and completion of these improvements shall be as set forth in the Schedule of Performance. The Bond proceeds used by Balboa to construct the City Facilities shall be repaid by Balboa to the City as described in the Funding, Construction and Acquisition Agreement.

4.4 City to Consider Adoption of Regulation Prohibiting Public Parking on Hamner Avenue. In order to mitigate the circulation effects of vehicular traffic to and from the Property, City shall at its cost consider adoption of regulations prohibiting parking along Hamner Avenue parallel to the Project site and within the City of Norco's boundaries pursuant to its authority under Vehicle Code Section 22500(a). Such regulations shall be considered for

adoption no later than one hundred eighty (180) days following the Effective Date, which date can be extended by mutual agreement of the Parties. During this same timeframe, the City and Balboa, shall at Balboa's cost, submit a written application to the City of Eastvale seeking a ban on parking along the western side of Hammer Avenue and posting "No Event" parking signs in nearby residential neighborhoods, which areas the parties understand are within the City of Eastvale's jurisdiction. The City and Balboa shall mutually and reasonably cooperate with each other in advocating that the City of Eastvale enact this ban.

4.5 Will Serve Utility Letters. City shall, at its cost, no later than one hundred eighty (180) days following the Effective Date, which date can be extended by mutual agreement of the Parties, provide to Balboa will-serve letters committing the City to provide the Project with adequate water and sewer necessary to service the Project.

4.6 Development Impact Fees. Conditional Use Permit No. 2009-08, Condition No. 6, limits development impact fees and exactions to those that are "applicable." City development fees are inapplicable to the Project by virtue of previous determinations by the City in the EIR, by the fact that parks are not subject to City development impact fees, and by the effect of Norco Municipal Code Section 3.40.100 which provides that the City may accept Balboa's Project improvements as consideration in lieu of development impact fees. For example, the following City development impact fees are inapplicable to the Project: (a) Wastewater Infrastructure Facilities Fee; (b) Storm Drainage Facilities Fee; (c) Streets, Traffic Signals and Bridges Fee; (d) Equestrian Trails Fee; (e) Water Infrastructure Fee; (f) General Governmental Facilities Fee; (g) Fire Protection Facilities Fee; (h) Parkland and Open Space Acquisition Fee; and (i) Animal control facilities, public library facilities and public meeting facilities fee. The City shall consider adoption of a Resolution that the Project is exempt from

the Western Riverside County Transportation Uniform Mitigation Fee (TUMF) by virtue of Norco Municipal Code Section 3.50.030 (E) exemption for public facilities, and if necessary shall use its best efforts and take the lead in advocating for a TUMF exemption from the County, and shall cooperate with Balboa's efforts to obtain this exemption, including meeting with the County or applicable governmental authority in person through the Mayor. On March 4, 2009, the City exempted the Project from fees associated with the Western Riverside County Regional Conservation Authority (WRCRCA) and its Multi-Species Habitat Conservation Plan (MSHCP). In addition, the City shall support the conclusions of the WRCRCA and its adoption on December 7, 2009 of the "Financial Statements with Supplementary Information and Independent Auditors' Reports" for fiscal year ended June 30, 2009 wherein under "Agreed-Upon Procedures for the City of Norco, the Finding was made from an Independent Accountants' Report that the "Development of a Public Use Equestrian and Sports Park on the Silverlakes Property appears appropriately exempted from the MSHCP by the City" (a copy of which is attached hereto as Exhibit "J"). No City development impact fees adopted after the Effective Date shall apply to the Project.

4.7 Parking Charges. City hereby approves the right of Balboa to charge and collect a parking and entry fee or charge for the public to use the Project, subject to the requirements, limitations and provisions of the Shared Use Agreement.

4.8 Southern Willow Scrub & Tree Conservation Areas. Condition Nos. 65, 66, 68 and 70 of Conditional Use Permit No. 2009-08, as Restated, as well as Mitigation Measures BR-2a, BR-2b, BR-3a, and BR-6a of the EIR, require Balboa to establish a 0.8 acre conservation area of southern willow scrub and to plant additional trees (the "Conservation Area"). City hereby acknowledges that the location of this Conservation Area depicted on the

Site Plan fully satisfy these conditions and mitigation measures. Further, City shall cooperate with Balboa in its efforts to obtain a written determination from the applicable third party governmental agency with jurisdiction over these matters either permitting the Conservation Area to be moved off the Property, reduced in size, or to be eliminated subject to Balboa's payment of a reasonable in-lieu fee.

4.9 Deed Restriction; Validation Action. City believes, and Balboa concurs, that all Permitted Uses of the Property in connection with this Agreement, the Project, the Entitlements and the Existing Land Use Regulations are in compliance with the Deed Restriction, subject to Court validation. City further believes, and Balboa concurs, that the Deed Restriction prohibits the construction of a future public roadway across the extreme northernmost boundary of the Project to encroach more than 100 feet into the Project site at any location. Therefore, City shall pursue and file judicial validation of these determinations from a court of competent jurisdiction within thirty (30) days after City consideration and approval of this Agreement, and provide a copy of the judicial validation final order or judgment to Balboa when received. Upon delivery to Balboa of such order or judgment, the City shall also deliver to Balboa an accounting of the legal fees and expenses the City incurred in prosecuting the validation action. Balboa and City shall mutually cooperate with one another in prosecuting the action and Balboa shall reimburse City's outside legal fees and expenses, up to a maximum of \$25,000, for the costs actually incurred by the City in filing and pursuing the judicial determination. Such action may be prosecuted under California Code of Civil Procedure 860 et seq. or other judicial form mutually agreed to by legal counsel for City and Balboa, or as otherwise ordered by the Court. At Balboa's request, the determinations and the judicial validation order or judgment shall be recorded in the official records of the County of Riverside.

4.10 [Intentionally Deleted]

4.11 Sphere of Non-Compete Parking. In order to protect City and Balboa financing covenants, and to avoid conflicting vehicular traffic patterns to and from the Property, City shall at its cost consider adopting traffic regulations prohibiting event parking within 500' feet of the Property but no farther than the City boundaries pursuant to the City's authority under Vehicle Code Section 22500(c). Such regulations shall be considered for adoption no later than one hundred eighty (180) days following the Effective Date, which date can be extended by mutual agreement of the Parties.

4.12 [Intentionally Deleted]

4.13 Shared Use Agreement. As a Condition Precedent to the Lease, concurrently herewith Balboa and the City shall enter into the Shared Use Agreement.

4.14 Water Supply. City shall provide domestic, potable water at its promulgated rate and cost to Balboa for use at the Project, without any added profit mark-up. Balboa shall have the right to non-potable water from the water wells on the Property and the City shall not charge any rate or cost for this right. City shall not impose any restrictions on the provision of water to serve the Project. Balboa shall not have the right to sell or receive proceeds from the sale of the non-potable water from the water wells on the Property.

4.15 Lake. The Project contains a small lake and City approves its location as depicted on Site Plan. The City acknowledges that the lake is for decorative purposes only and shall remain passive with no recreational activities permitted in or on the lake. Balboa shall

operate and maintain the lake in compliance with the Northwest Mosquito and Vector Control District regulations, as may be applicable.

4.16. Advance Notice of Future Development Projects. City shall provide written notice to Balboa upon receipt of applications for any development projects proposed within 300' feet of the Property within City boundaries.

4.17. Cooperation Regarding Levy of Possessory Interest Tax. No later than one hundred eighty (180) days following the Effective Date, which date can be extended by mutual agreement of the Parties, City shall cooperate with Balboa in requesting the Riverside County Tax Assessor to not impose or levy a possessory interest tax, or in the alternative to request a reduced possessory interest tax, on account that the principal use devoted to the Property is a park.

4.18. Delivery of Property. City shall deliver the Property to Balboa in a condition clear of debris, weeds, structures and materials according to the timeframe and requirements set forth in the Lease.

4.19. Restated Conditions of Resolution No. 2009-08. City and Balboa acknowledge that Conditional Use Permit No. 2008-09 for the Project requires Restated conditions in order to achieve certain objectives, including without limitation: altering the number of fields, reflecting improved site plans, providing for a Shared Use Agreement to govern scheduling of events, allowing portable restroom facilities, allowing design flexibility for the multi-purpose building (including the allowance of a covered arena), allowing different types of seating structures to accommodate event viewing, and providing for the location of the pro

shop. Therefore, the City shall adopt a resolution restating the conditions of resolution No. 2009-08 in conjunction with the first reading of the ordinance adopting this Agreement.

4.20 No Financing Districts. Without Balboa's prior written consent, no assessment district or other public financing mechanism available to the City by law shall be applicable to the Property and the Project, including without limitation Mallo-Roos districts, Community Facilities districts, landscape lighting maintenance assessment districts and assessments proscribed under the State Streets & Highways Code.

5. Initial Improvements and Phasing.

5.1 Public Infrastructure Improvements. Pursuant to the Schedule of Performance, the City shall construct those Public Infrastructure Improvements previously studied and approved through its Capital Improvement Program and set forth on Exhibit "F". The Public Infrastructure Improvements shall be constructed by the City at its sole cost and constructed in the phasing sequence as set forth on the Schedule for Performance.

5.2 Initial Improvements. Following the Effective Date, Balboa shall, at Balboa's sole cost and expense, construct the Initial Improvements (including the City Facilities) consistent with the Site Plan, the Concept Plans and the Lease. The Parties expressly incorporate by reference the provisions of Article 5 of the Lease and shall execute their respective duties and obligations thereunder with respect to the construction of the Initial Improvements. The City Facilities shall be constructed by Balboa in accordance with the Funding, Construction and Acquisition Agreement with the cost associated with such improvements financed by the City through the use of the Bonds proceeds and repaid by Balboa in accordance with the provisions of the Funding, Construction and Acquisition Agreement. Balboa shall construct the Initial

Improvements in phases, and the same shall be constructed and completed and delivered to the City in accordance with the phasing sequence contemplated by Exhibit "E" and the Schedule of Performance. Balboa shall perform the construction work for the Initial Improvements in a good and workmanlike manner with no mechanics liens recorded against the Property (or if recorded, Balboa shall at its sole cost immediately secure their release). Balboa shall cause its general contractor and all subcontractors to carry general comprehensive liability, workers compensation, builder's risk and other insurance policies normally required for a construction project naming the City as an additional insured. Prior to waiver of the Conditions Precedent in the Lease, Balboa shall deliver to City its plans and specifications for the Initial Improvements and process the same for approval by City subject to the terms of the Entitlements and the Existing Land Use Regulations in accordance with the phasing sequence contemplated by Exhibit "E" and the Schedule of Performance. City agrees to execute and process any documents reasonably necessary to facilitate governmental approvals for the Initial Improvements and to reasonably cooperate with Balboa and all governmental authorities in securing all necessary approvals, permits and certificates for the construction of the Initial Improvements.

5.3 Certificate of Completion for Initial Improvements. On the completion of the Initial Improvements (including the City Facilities) for each of Phase I and Phase II, Balboa shall file or cause to be filed with City a Certificate of Completion. Commensurate with the delivery of the Certificate of Completion, Balboa and the City's Finance Director shall agree upon the "Reimbursable Amount" and the amount of the "Letter of Credit" as such terms are defined in and in accordance with the provisions of the Funding, Construction and Acquisition Agreement.

6. Periodic Review of Compliance. In accordance with Govt. Code Section 65865.1, the Planning Director or City Manager shall review this Agreement each calendar year during the term of this Agreement by providing Balboa written notice commencing such review and asking for Balboa's written response. The City Council expressly delegates its authority to conduct the periodic review under Norco Municipal Code Section 4.06.020 to the Planning Director or City Manager. The written exchange between the City and Balboa shall constitute the periodic review and shall address only those parts of the Project controlled by Balboa. At such periodic reviews, Balboa shall demonstrate its good faith compliance with the terms of this Agreement which shall mean that it has acted in a commercially reasonable manner (taking into account circumstances which then exist) and in good faith in attempting to adhere to this Agreement ("standard of review"). Should the City initially determine non-compliance in accordance with this standard of review, then City shall provide Balboa with written notice outlining the circumstances of non-compliance and requesting a cure within thirty (30) days or a statement from the Balboa invoking an event(s) of force majeure as set forth in Section 7.1 below. After compliance is achieved, the City shall issue a written notice to Balboa attesting to such compliance. Should the City not issue Balboa the annual notice commencing such review, or fail to reply within sixty (60) days of Balboa's response, Balboa shall be deemed in compliance with the terms of this Agreement.

7. Permitted Delays, Force Majeure; Supersedure by Subsequent Laws.

7.1 Permitted Delays, Force Majeure. In addition to any other provisions of this Agreement with respect to timing of performance, Balboa and City shall be excused from performance of their obligations hereunder and the time periods set forth herein and in the Schedule of Performance shall be extended for such period of delay caused by acts of mother

nature, civil commotion, riots, strikes, picketing, or other labor disputes, shortage of personnel, materials or supplies, or damage to or prevention of work in process by reason of fire, floods, earthquake, or other casualties, litigation, acts or neglect of the other party, any referendum elections held on the Enacting Ordinance, or any Land Use Regulations, or any other regulation affecting the Project or the approvals, permits or other entitlements related thereto, or restrictions imposed or mandated by third party governmental or quasi-governmental entities, enactment of conflicting provisions of the Constitution or laws of the United States of America or the State of California or any codes, statutes, regulations or executive mandates promulgated thereunder (collectively, "Laws"), orders of courts of competent jurisdiction, or any other cause similar or dissimilar to the foregoing beyond the reasonable control of City or Balboa, as applicable. Further, any delay by the City in funding the reimbursements under the Funding, Construction and Acquisition Agreement by the time periods required thereunder (and after the delivery of any applicable notice and the expiration of any applicable cure period) shall constitute a permitted delay hereunder. Each party shall promptly notify the other party of any delay hereunder as soon as possible after the same has been ascertained. The time of performance of such obligations shall be extended by the period of any delay hereunder.

7.2 Superseding of Subsequent Laws or Judicial Action. The provisions of this Agreement shall, to the extent feasible, be modified or suspended as may be necessary to comply with any new Law or decision issued by a court of competent jurisdiction (a "Decision"), enacted or made after the Effective Date which prevents or precludes compliance with one or more provisions of this Agreement. Promptly after enactment of any such new Law, or issuance of such Decision, the Parties shall meet and confer in good faith to determine the feasibility of any such modification or suspension based on the effect such modification or suspension would

have on the purposes and intent of this Agreement. In addition, Balboa and City shall have the right to challenge the new Law or the Decision preventing compliance with the terms of this Agreement. In the event that such challenge is successful, this Agreement shall remain unmodified and in full force and effect.

8. Events of Default; Remedies.

8.1 Events of Default. Subject to any extensions of time by mutual consent in writing and subject to the provisions of Section 7.1 above regarding permitted delays, the failure of either party to perform any material term or provision of this Agreement, including failure to construct Phase I and Phase II by the deadlines set forth in the Schedule of Performance, unless otherwise mutually agreed upon by the Parties in writing, shall constitute an event of default hereunder ("Event of Default") if such defaulting party does not cure such failure within thirty (30) days following receipt of written notice of default from the other party; provided, however, that if the nature of the default is such that it cannot be cured within such thirty (30) day period, an Event of Default shall not exist so long as the party charged therewith shall have commenced the cure within such thirty (30) day period and shall be diligently pursuing the cure. Any notice of default given hereunder shall specify in detail the nature of the alleged Event of Default and the manner, if any, in which such Event of Default may be satisfactorily cured in accordance with the terms and conditions of this Agreement. During the time periods herein specified for cure of a failure of performance, the party charged therewith shall not be subject, because of the alleged default of this Agreement, to (a) remedies, including termination, for breach of this Agreement, (b) institution of legal proceedings with respect thereto, or (c) suspension, red tag, stop work orders, revocation or withholding of any permit, map, certificate of occupancy, approval or entitlement with respect to the Project.

8.2 Remedies. Upon the occurrence of an Event of Default which has not been cured, the nondefaulting party shall have such rights and remedies against the defaulting party as it may have at law or in equity, including, but not limited to, the right to seek damages, mandamus, specific performance, injunctive or declaratory relief.

8.3 Waiver, Remedies Cumulative. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party shall not constitute waiver of such party's right to demand strict compliance by such other party in the future. All waivers must be in writing to be effective or binding upon the waiving party, and no waiver shall be implied from any omission by a party to take any action with respect to such Event of Default. No express written waiver of any Event of Default shall affect any other Event of Default, or cover any other period of time not specified in such express waiver.

8.4 Third Party Actions. Any court action or proceeding brought by any third party to challenge this Agreement or any permit or approval or entitlement or Land Use Regulation required from City or any other governmental entity for development or construction of all or any portion of the Project, whether or not Balboa is a party defendant to or real party defendant in interest in such action or proceeding, shall constitute a permitted delay under Section 7.1 above.

9. Encumbrances on Property.

9.1 Discretion to Encumber. The Parties hereto agree that this Agreement shall not prevent or limit Balboa, in any manner, at Balboa's sole discretion, from encumbering the Tenant Improvements (as defined in the Lease) thereon with any Mortgage securing financing as permitted under the Lease. At the expiration or earlier termination of the Lease,

Tenant shall surrender to Landlord the possession of the Property free and clear of all liens and encumbrances other than those, if any, created by Landlord or which Landlord approves in writing at the time of said expiration or earlier termination. The City acknowledges that the lenders providing such financing may require certain operating memorandum or modifications to this Agreement, and the City agrees upon request, from time-to-time, to meet with Balboa and/or representatives of such lenders to negotiate in good faith any such request for an operating memorandum or modification. City further agrees that it will not unreasonably withhold its consent to any such requested operating memorandum or modification.

9.2 Mortgage Protection. This Agreement shall be superior and senior to the lien of any Mortgage. Notwithstanding the foregoing, no breach of this Agreement shall defeat, render invalid, diminish or impair the lien of any Mortgage made in good faith and for value, and any acquisition or acceptance of title or any right or interest in or with respect to the Property or any portion thereof by a mortgagee (whether pursuant to a mortgage foreclosure, trustee's sale, assignment of lease, or otherwise) shall be subject to all of the terms and conditions of this Agreement.

9.3 Mortgagee Not Obligated. Notwithstanding the provisions of Section 9.2 above, no mortgagee will have any obligation or duty under this Agreement to perform the obligations of Balboa or other affirmative covenants of Balboa hereunder, or to guarantee such performance, except that to the extent that any covenant to be performed by Balboa is a condition to the performance of a covenant by City, the performance thereof shall continue to be a condition precedent to City's performance hereunder.

9.4 Estoppel Certificates. Either party may, at any time, and from time to time, deliver written notice to the other party requesting such party to certify in writing that, to the knowledge of the certifying party, (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, or if so amended or modified, identifying such amendments or modifications, and (c) the requesting party is not in default in the performance of its obligations under this Agreement, or if in default pursuant to the required written notice described in Section 8.1 above, list 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. City acknowledges that a certificate hereunder may be relied upon by transferees, assignees and lessees of the Balboa and the holders of any Mortgage.

10. Transfers and Assignments; Covenants Run With Land.

(0.1) Rights and Interests Appurtenant. The rights and interests provided through this Agreement to Balboa benefit and are appurtenant to the Property. Balboa has the right to assign and transfer all or any portion of its rights under this Agreement only in connection with a corresponding and concurrent assignment of the Lease, and to delegate and assign any and all of its duties and obligations hereunder. Except for Balboa's permitted assignments under Section 8.2 of the Lease, any assignment of this Agreement shall be subject to the approval of the City Council. Once assigned, Balboa shall be automatically released from its obligations hereunder.

10.2 Covenants Run with Land.

(a) All of the provisions, agreements, rights, powers, standards, terms, covenants and obligations contained in this Agreement shall be binding upon the Parties and their respective heirs, successors (by merger, consolidation, or otherwise), assigns, and all other persons acquiring any rights or interests in the Property, or any portion thereof, whether by operation of law or in any manner whatsoever, and shall inure to the benefit of the Parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns;

(b) All of the provisions of this Agreement shall be enforceable as equitable servitudes and constitute covenants running with the land pursuant to applicable law.

(c) Each covenant to do or refrain from doing some act on the Property hereunder (i) is for the benefit of and is a burden upon every portion of the Property, (ii) runs with such lands, and (iii) is binding upon each party and each successive owner during its ownership of the Property or any portions thereof, and shall benefit each party and its lands hereunder, and each such other person or entity succeeding to an interest in such lands.

11. Notices. Any notice to either party shall be in writing and given by (a) delivering the same to such party in person, (b) by sending the same by registered or certified mail, return receipt requested, with postage prepaid, or (c) by nationally recognized overnight courier such as FedEx with confirmation of receipt, to the following persons and addresses:

If to the City at: 2870 Clark Avenue
Noren, CA 92860
Attn.: City Manager
Facsimile No.: (951) 270-5622

With a Copy to: John Harper, Esq.
City Attorney
Harper & Burns, LLP
453 South Glassell Street
Orange, CA 92866
Facsimile No.: (714) 744-3350

If to Balboa: R.J. Brandes
Balboa Management Group, LLC
P.O. Box 609
San Juan Capistrano, CA 92693
Facsimile No.: (949) 488-9291

With a Copy to: Nancy Kennerly, Esq.
Kennerly, Lamishaw & Rossi LLP
707 Wilshire Blvd.
Suite 1400
Los Angeles, CA 90017
Facsimile No.: (213) 312-1260

Either party may change its mailing address at any time by giving written notice of such change to the other party in the manner provided herein. All notices under this Agreement shall be deemed given, received, made or communicated on the date personal delivery is effected or, if mailed, on the delivery date or attempted delivery date shown on the return receipt or overnight service (e.g. FedEx) receipt.

12. Miscellaneous.

12.1 Relationship of Parties. It is understood that the Project is a park and recreation development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contractor. It is further understood that none of the terms or provisions of this Agreement are intended to or shall be deemed to create a partnership, joint venture or joint enterprise between the Parties hereto.

12.2 Not a Public Dedication. Except as otherwise expressly provided herein, nothing herein contained shall be deemed to be a gift or dedication of the Project or any portion thereof, to the general public, it being the intention and understanding of the Parties that this Agreement allows Balboa to operate throughout the term of the Lease the Project even though the public has rights to utilize the Property as provided under the Shared Use Agreement.

12.3 Additional Requirements of Balboa by City. Within 180 days of the Effective Date, Tenant shall provide to the City Manager a bank letter acceptable to the City showing Balboa's capacity and commitment to fund the Phase I Initial Improvements and to pay the Annual Minimum Rent under the Lease. Further, Balboa shall provide to City a complete list of Managing Member(s) and Member(s) of Balboa Management Group, LLC and a percentage of ownership of each Managing Member and each Member.

12.4 Severability. If any term, provision, covenant or condition of this Agreement shall be determined invalid, void or unenforceable by judgment or court order, the remainder of this Agreement shall remain in full force and effect, unless enforcement of this Agreement as so invalidated would be unreasonable or grossly inequitable under all the relevant circumstances or would frustrate the purposes of this Agreement.

12.5 Exhibits. The Exhibits, to which reference is made herein, are deemed incorporated into this Agreement in their entirety by reference thereto.

12.6 Entire Agreement. This written Agreement and the Exhibits hereto contain all the representations and the entire integrated agreement between the Parties with respect to the subject matter hereof, including but not limited to the vesting of Project entitlements. In matter of interpretation or enforcement, this Agreement shall take precedence over the terms, provisions and conditions of any and all Entitlements and the Existing Land Use Regulations; however, this Agreement shall be subordinate to the Lease in matters of conflicting interpretation or enforcement.

12.7 Governing Law, Construction of Agreement. This Agreement, and the rights and obligations of the Parties, shall be governed by and interpreted in accordance with the laws of the state of California. The provisions of this Agreement and the Exhibits hereto shall be construed as a whole according to their common meaning and not strictly for or against any party and consistent with the provisions hereof, in order to achieve the objectives and purposes of the Parties hereunder. The captions preceding the text of each Section, subsection and the Table of Contents hereof are included only for convenience of reference and shall be disregarded in the construction and interpretation of this Agreement. Wherever required by the context, the singular shall include the plural and vice versa, and the masculine gender shall include the feminine or neuter genders, or vice versa.

12.8 Separate Signature Pages. For convenience, the signatures of the Parties of this Agreement may be executed and acknowledged on separate pages which, when attached to this Agreement, shall constitute this as one complete Agreement.

12.9 Time; Days. Time is of the essence of this Agreement and of each and every term and condition hereof. Unless otherwise stated herein, all references to "day" or "days" herein shall mean and refer to calendar days.

12.10 Prevailing Party's Attorney's Fees and Costs. If any party to this Agreement shall fail to perform any of its obligations hereunder, or if a dispute arises with respect to any provision hereof or the performance of the obligations of any party hereto, the party not prevailing in such dispute, as the case may be, shall promptly pay any and all reasonable costs, fees and expenses (including actual court costs and reasonable attorneys' fees and expenses) incurred by the other party with respect to such to such dispute or in enforcing or establishing its rights hereunder.

12.11 Further Cooperation. Each party shall cooperate with and provide reasonable assistance to the other party, such as timely execution, filing and recording of any instruments, writings, change orders, or operating memoranda necessary or desirable to carry out the terms of this Agreement. Such writings shall not constitute an amendment to this Agreement.

12.12 Non-Discrimination. Pursuant to Section 4.7 of the Lease, Balboa and the City agree "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor

shall any party to this contract or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land."

12.13 Indemnification. Balboa shall indemnify, defend and hold City and its contractors, representatives and agents, free and harmless from any and all liabilities, losses, damages, claims, suits or actions, judgments and costs (including reasonable attorneys' fees) to the extent resulting from Balboa's exclusive use, occupancy or enjoyment of the Property from its events, including without limitation work performed on the Property by Balboa. City shall indemnify, defend and hold Balboa and its contractors, representatives and agents, free and harmless from any and all liabilities, losses, damages, claims, suits or actions, judgments, penalties, interest and costs (including reasonable attorneys' fees) relating to City and the public's use, occupancy or enjoyment of the Property, including, without limitation, work performed by or at the direction of City. The Parties' agreements to indemnify each other are not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried pursuant to the provisions of this Agreement or the Lease, to the extent such policies cover, or if carried, would have covered, the matters, subject to the Parties' respective indemnification obligations; nor shall they supersede any inconsistent agreement of the Parties set forth in any other provision of this Agreement or the Lease.

12.14 Dispute Resolution. With respect to this Agreement and all Entitlements, the City and Balboa shall first meet and confer in instances where there is a question of interpretation or enforcement of terms, provisions, conditions, or mitigation measures, or where there is a dispute in any way relating thereto, including without limitation an alleged breach or

default. In no event shall the City notice, schedule or conduct a hearing to revoke or amend any condition, mitigation measure or term of the Entitlements or this Agreement until after such meet and confer sessions have occurred and without the prior written notice to Balboa of City's intent to notice, schedule and conduct such a hearing and the date(s) thereof. The effect of this Section 17.14 shall not diminish the rights of the Parties to the remedies provided in Section 8.2 above.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE.]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date and year first above written.

BALBOA:

BALBOA MANAGEMENT GROUP, LLC,
a Delaware limited liability company

By: 
Richard J. Brandes

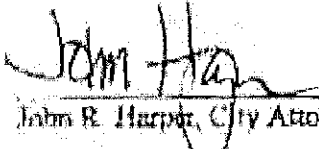
Its: Manager

CITY:

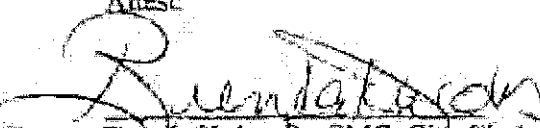
CITY OF NORCO, CALIFORNIA, a municipal
corporation organized and existing under the laws
of the State of California

By: 
Printed Name: Berwin Hanna
Its Mayor

Approved as in form:


John R. Harpitt, City Attorney

Attest:


Brenda K. Jacobs, CMC, City Clerk

ACKNOWLEDGMENT

State of California
County of Riverside

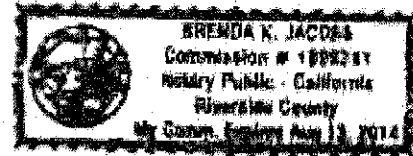
On July 7, 2011 before me, Brenda K Jacobs, Notary Public, personally appeared Beauva Hanna, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her/their authorized 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Brenda K Jacobs
Signature

(seal)



ACKNOWLEDGMENT

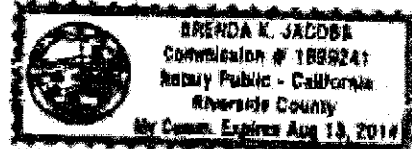
State of California
County of Riverside

On July 14, 2011 before me Brenda K Jacobs, Notary Public
(insert name and title of the officer)

personally appeared Richard John Brandes
who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.



Signature Brenda K Jacobs (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

Parcel A - Assessor's Parcel No: 152-060-004-0:

Parcel 1: That portion of Lot Q of Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps in the office of the County Recorder of said county, described as follows:

Beginning at the most Southerly corner of that certain parcel of land as conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, by deed filed for recorded July 18, 1951 as shown by map on file in Book 1288, Page 238, of maps, records of Riverside County, California;

Thence Southerly $0^{\circ}10'45''$ East on the Easterly line of State Highway right of way line a distance of 521.67 feet to the Northwesterly corner of that certain parcel of land conveyed to Wildan P. Thomas by deed recorded July 25, 1956 in Book 1948, Page 490, records of Riverside County, California; thence Easterly along the Northerly line of said Thomas Parcel of land to a point in the Easterly line of said Lot Q; thence Northerly along said Easterly line of Lot Q to the Southeast corner of that certain parcel of land conveyed to Steve Polopolis and Diana Polopolis, husband and wife, by deed for recorded, October 18, 1956 in Book 1987, Page 367, records of Riverside County, California; thence Southerly $63^{\circ}18'15''$ West along the South line of said Hoover and Polopolis Parcels of land to the point of beginning.

Excepting therefrom that portion of Lot Q of Fuller Rancho as shown by map on file in Book 16, Pages 94 through 97 of maps, records of Riverside County, California, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South $0^{\circ}10'45''$ East along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly $59^{\circ}61'43''$ East, a distance of 500.00 feet; thence Northerly $0^{\circ}10'45''$ West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux; thence Southerly $63^{\circ}18'15''$ West along the Southerly line of said parcel conveyed to Earle F. Hoover, et ux, a distance of 558.79 feet to the point of beginning.

Parcel 2:

All that portion of Lot Q Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South $0^{\circ}10'45''$ East

along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly $89^{\circ}51'43''$ East, a distance of 500.00 feet; thence Northerly $0^{\circ}10'45''$ West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux., a distance of 388.79 feet to the point of beginning.

Parcel B - Assessor's Parcel No: 152-060-011-6:

That portion of the Southeast of the Northwest quarter and the Southwest quarter of the Northwest quarter of fractional Sectional 31, Township 2 South, Range 6 West, as per map of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County, California, which lies Westerly of the following described line:

Beginning at the North quarter corner of said fractional section said corner being marked by a 4 inch by a 4 inch stake as set by parnley and finkle in 1889 and as shown on licensed survey map on file in Book 10, Page 35 of maps, records of survey, records of Riverside County, California; thence South $0^{\circ}07'14''$ East along the North and South centerline of said fractional section, 1324.58 feet to a 3/4 inch iron pipe marking the Northeast corner of the Southeast quarter of the Northwest quarter of said fractional section; thence South $89^{\circ}35'15''$ West 1.11 feet, to a 3/4 inch iron pipe; thence South $0^{\circ}52'35''$ West 1.13 feet, to a 2 inch by 2 inch stake; thence South $89^{\circ}28'05''$ East 28.20 feet; to a 2 inch stake; thence South $30^{\circ}49'10''$ West, 321.76 feet to a 3/4 inch iron pipe set on the East and West centerline of said fractional section, at a point which bears South $89^{\circ}43'33''$ West 221.40 feet from a 1 1/2 inch iron pipe marking the center of said fractional section, as said center of fractional section 31 was re-established and shown on said licensed survey map.

Excepting therefrom the Northerly 30.00 feet.

Also excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/file No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hawaiian Companies of Southern California, Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

Parcel C - Assessor's Parcel No: 152-070-001-8:

The Southerly 664.2 feet of Lot Q of Fuller Rancho, City of Norco, County of Riverside, State of California, County as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, California, described as follows:

The Northerly line of said parcel being parallel with the Southerly line of Lot "Q", excepting therefrom that portion conveyed to the State of California by deed from Motor Transit Terminal

Corporation recorded November 29, 1941 as shown by map on file in Book 525, Page 160 of maps, records of Riverside County, California.

Parcel D - Assessor's Parcel No: 152-070-011-7

The Northeast quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, San Bernardino Meridian, in the City of Norco, County of Riverside, State of California, as shown by sectionized survey of the Jurupa Rancho, records of San Bernardino County, California

Excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/File No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

Parcel E - Assessor's Parcel No: 152-070-002-9

The South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, as shown by sectionized survey of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as per map recorded in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County.

Except the Westerly 60.00 feet of the South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of said Section 31.

EXHIBIT "B"

SITE PLAN OF THE PROJECT

[Attached as the immediately following page.]

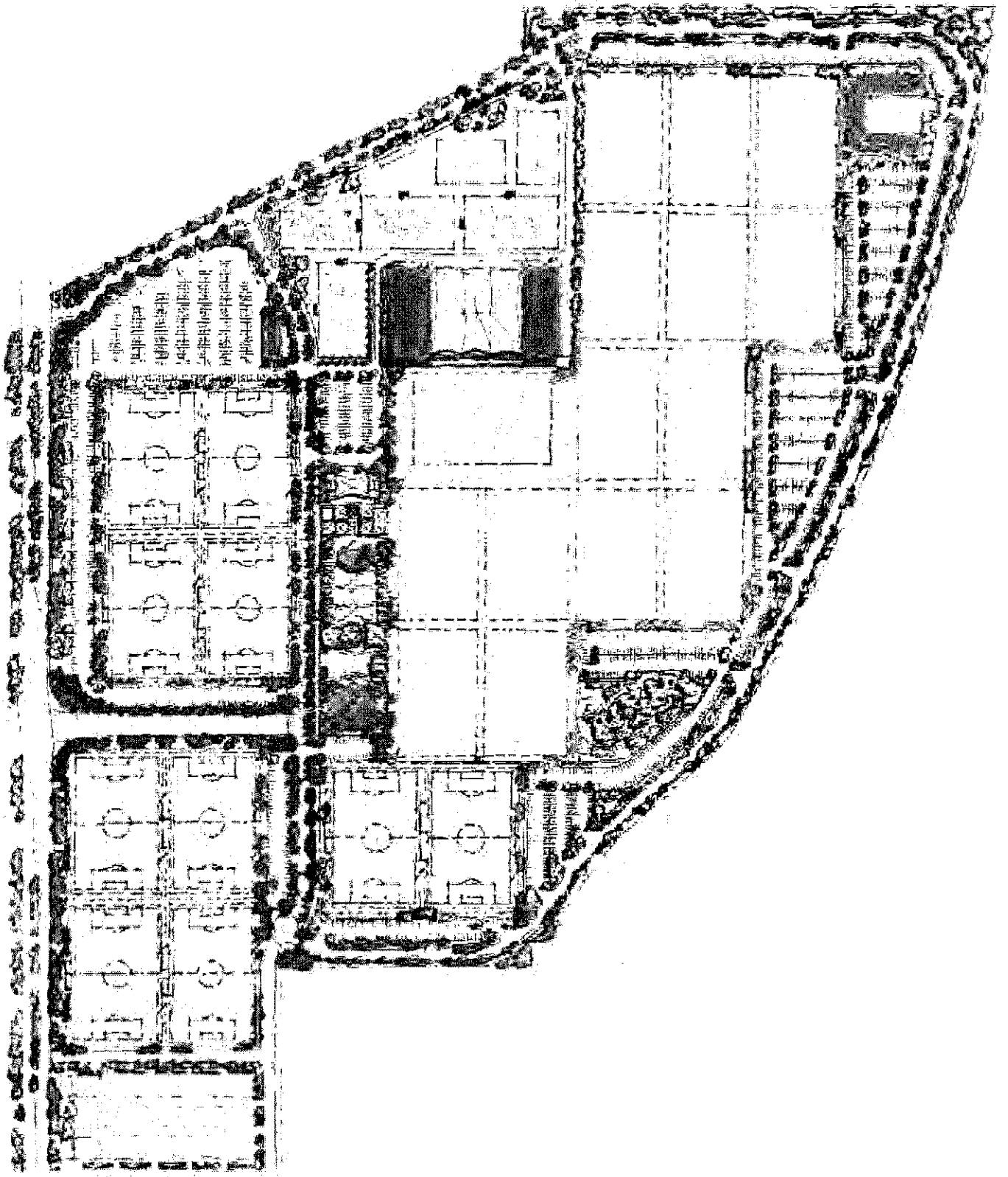


EXHIBIT "C"

LIST OF INITIAL IMPROVEMENTS

The Initial Improvements approved by the City allow Balboa to construct and operate a park with recreation facilities at which Balboa may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events, including all Permitted Uses identified on Exhibit "H".

The Initial Improvements *shall* include the following:

- Up to 25 full size soccer fields - mainly grass with up to 12 artificial synthetic fields
- Up to 6 sand rings for horseback riding or sand sports
- Equestrian competition showgrounds
- Portable and permanent restroom facilities
- Internal, private and public bridle trails
- Gated entrance(s) on Hammer, gated entrance on any connector road constructed to I-15 Freeway if bordering on Leased Premises
- Parking areas
- RV campground and trailer parking
- Picnic areas
- Permanent and temporary lighting
- Water holding tanks
- A multi-purpose building or covered arena with a foot print of up to +135,000 square feet
- Earthen and concrete viewing berm(s)
- Entry features, including identification signage, lake, other water features, gardens and reception areas
- Two Water Wells
- Internal directional and informational signage
- Business office(s)
- Storage and maintenance facilities

The Initial Improvements *may also* include the following:

- Announcer's stand with public address systems
- Stables and tack facilities - including paddocks, water troughs, wash racks, and tie stations
- Kitchen and other food service facilities
- Dining Areas
- Security personnel facilities and caretaker housing
- Mobile bleachers and fencing
- Temporary overnight accommodations of athletes, coaches and trainers

- A "pro shop" within the multi-purpose building or elsewhere on the property
- Bay barn and guard gate houses(s)
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with this Agreement
- Fiber Optic and other communication conduit
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code
- Supporting Infrastructure, facilities and amenities
- Sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires

EXHIBIT "D"

CITY ENTITLEMENTS FOR THE PROJECT

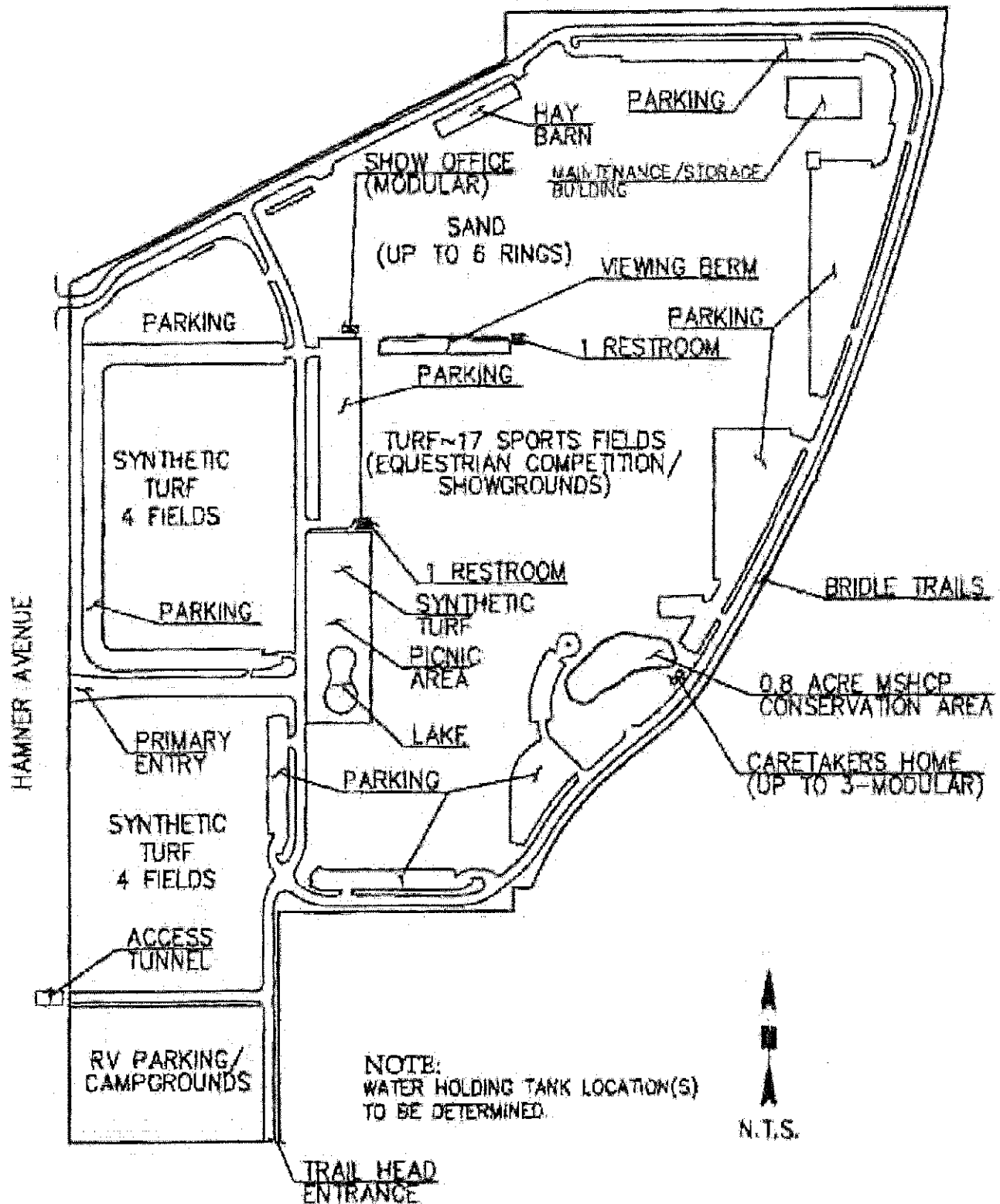
1. The Existing Land Use Regulations (as defined in the Development Agreement);
2. Memorandum of Understanding dated as of January 16, 2008, as Restated;
3. Final Environmental Impact Report adopted by the City Council of the City of Norco on March 4, 2009 by Resolution No. 2009-07, as may be amended;
4. Conditional Use Permit No. 2008-09 (and its conditions of approval) adopted by the City Council of the City of Norco on March 4, 2009 by Resolution No. 2009-08, updated by the Restated Conditions of Conditional Use Permit No. 2008-09 adopted concurrently with this Development Agreement; and
5. This Development Agreement, as may be amended.

EXHIBIT "E"

ON-SITE PROJECT IMPROVEMENT PHASING

[Attached as the immediately following pages.]

CONCEPTUAL PLACEMENT SILVERLAKES PHASE 1



CONCEPTUAL PLACEMENT SILVERLAKES PHASE 2

MULTI-PURPOSE BLDG.

HAMNER AVENUE

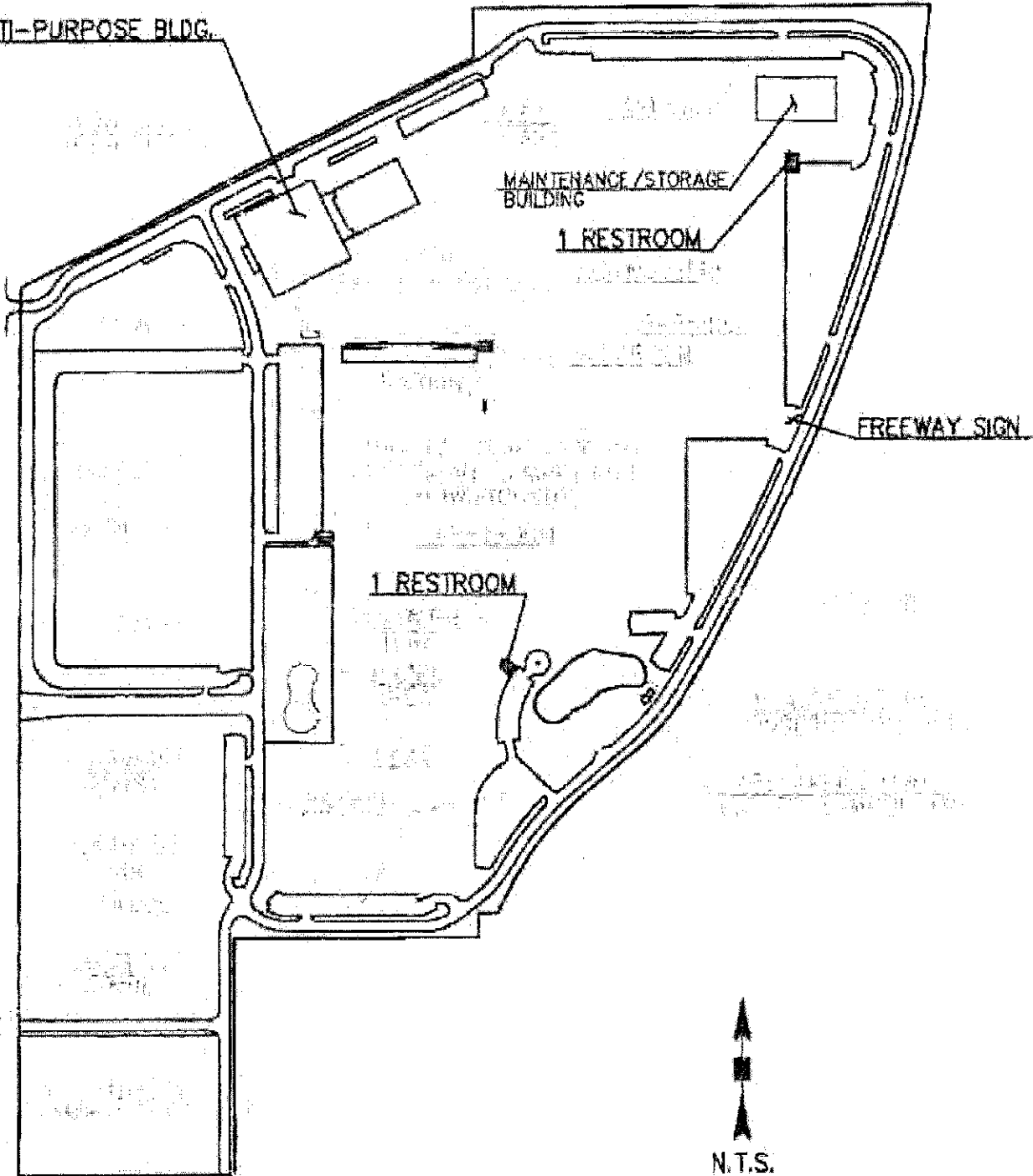


EXHIBIT "F"

DESCRIPTION OF PUBLIC INFRASTRUCTURE IMPROVEMENTS

(List of offsites that City is required to construct without reimbursement from Tenant)

1. Widening and improvement of Hamner Avenue along the length of the property, including the relocation of electricity power poles and the installation of causeway beneath Hamner Avenue for vehicle, pedestrian and equestrian connectivity between the property and JCSD's property.
2. Installation of utilities within/adjacent to Hamner Avenue, including sewer and potable water and storm drainage.
3. Enhancement of the traffic signal at the intersection of Hamner Avenue and Citrus, including protected left and right movement onto the property.
4. Construction of the Santa Ana River Riprap Training Dike for flood control and mitigation.

EXHIBIT "G"

SCHEDULE OF PERFORMANCE

[Attached as the immediately following pages.]

EXHIBIT "G"
SCHEDULE OF PERFORMANCE - Key Dates

Item #	Date*	Relative Timing	Action	Transaction Document (Section)	Responsible Party
1	0/1/10		Planning Commission hearing to review Site Plan and consider recommendation of Development Agreement		Landlord
2	7/01/11	Date of public hearing and 1st Reading	Development Agreement 1st reading by City Council		Landlord
3	7/01/11	Date of City Council Meeting	The "Ground Lease Effective Date" is the date that the Ground Lease is approved	GL (Section)	Tenant
4	7/01/11	By Ground Lease Effective Date	Landlord shall provide Tenant envelope that up minimum lease area	GL (1.1)(b)	Landlord
5	7/01/11	By Ground Lease Effective Date	Amended and Restated CUP 2004 or (together with the foregoing Conditional of Approval) is effective	GL (Section)	Landlord
6	7/01/11	Concurrently with the Ground Lease Effective Date	The "Effective Date" under the Funding Construction & Acquisition Agreement	GL (Section)	Joint
7	7/20/11	Date of 2nd Reading	Development Agreement 2nd reading by City Council	DA (1.14)	Joint
8	8/01/11	DA Effective Date	The "DA Effective Date" shall be 30 days following the 2nd Reading	DA (1.14)	Joint
9	7/01/11	Upon the Ground Lease Effective Date	"Interim Term" Begins - The period of time commencing on the Effective Date and terminating on the Term Commencement Date (when all conditions precedent are waived or satisfied) - No Rent is paid during Interim Term FDS	GL (2.1)	Joint
10	7/01/11	Upon Interim Term inception	Tenant to provide evidence of insurability for fire, vandalism and malicious mischief; Tenant to provide evidence of insurability for permanent structures upon entry onto leased premises	GL (11.1)	Tenant
11	7/01/11	Upon Interim Term inception	Tenant to provide evidence of insurability for commercial general liability, general comp and builder's risk insurance	GL (11.3, 11.4)	Tenant
12	7/20/11	Within 5 Business days after Council Approval of 2nd Reading of the DA	C&CA Notice of Determination filed with Riverside County Clerk		Landlord
13	7/20/11	Within 10 days after 2nd Reading of the DA	Recording of the DA with Riverside County Recorder	DA Ordinance	Landlord
14	8/10/11	Within 30 days of City approval of DA	Landlord's promise shall give Rise to the Vacation Action with the court to confirm that the Project, the Encumbrances and the Existing Land Use Restrictions are in compliance with the deed restriction	DA (A.4)	Landlord
15	8/01/11	Within 30 days of Ground Lease Effective Date	Shared Use Agreement entered into by City and Tenant	GL (B.1)	Joint
16	8/01/11	Within 30 days of Ground Lease Effective Date	Landlord provides letter to Tenant confirming sufficient funds to fund Landlord's obligations under Funding Construction & Acquisition Agreement	GL (B.1)	Landlord
17	8/01/11	Within 30 days of Ground Lease Effective Date	Landlord provides Tenant with an owner's policy of leased use insurance. Landlord pays up to \$4,000 for the cost of such policy	GL (C.1)	Landlord
18	10/01/11	Within 90 days of Ground Lease Effective Date	Subsequent submittals by Tenant of Final Design Review Documents deemed to be complete by City staff	GL (8.2)	Tenant
19	10/01/11	Within 90 days of Ground Lease Effective Date	Tenant is reasonably satisfied that all Government Agencies shall issue	GL (8.3)	Tenant
20	10/01/11		Lot line adjustment application filed by this date (as determined by Tenant) at its sole discretion		Tenant

* Refer to "G" to Development Agreement 7/08-16-10

* All dates subject to expansion due to permitted delays as provided under the Development Agreement and such subsequently thereon now assumes performance of the preceding event

Item #	Date	Relative Timing	Action	Transaction Document (Section)	Responsible Party
11	1/21/12	Within 60 days of DA and Reading	Last day for filing a challenge to the DA and Amended CUP and COAs under Gov. Co.		
12	1/21/12	Outside Date	The "Outside Date" the date by which the conditions precedent listed in Exhibit C to the Ground Lease shall have been fulfilled or waived by Tenant, in the exercise of Tenant's sole discretion and upon written notice delivered to Landlord.	GL (Ex. C)	Tenant
13	1/2/12	Prior to the Term Commencement Date and as a pre-condition thereto	Tenant to provide bank statements to Landlord showing Tenant's capacity to fund Phase I commitments.	GL (1.4) (b)(1)	Tenant
14	1/2/12	Within 180 days of Ground Lease Effective Date	Tenant to establish the sources of capital exist to finance the development and operation of the Swetlakes property.	GL (Ex. C)	Tenant
15	1/2/12	Within 180 days of Ground Lease Effective Date, but no later than the Outside Date	Tenant to establish that LAMF, MSACP and OIF are not applicable to the Leased Premises. Landlord agrees Tenant to meet with County in effort to have County New designed, appropriate.	GL (Ex. C)	Tenant
16	1/2/12	Within 180 days of Ground Lease Effective Date, but no later than the Outside Date	Tenant to establish with the amount of the transactions, excluding any reasonably interest tax, attributable to and assessable against the Leased Premises. The City and Agency agree to waive Tenant an effort to raise the taxes as low as possible.	GL (Ex. C)	Landlord
17	1/2/12	Within 180 days of Ground Lease Effective Date, but no later than the Outside Date	Tenant's Design Review Documents (submitted by Tenant and deemed complete within 90 days of the Effective Date of this Agreement) have been reviewed and approved by the City and the Planning Commission.	GL (Ex. C)	Landlord
18	2/15/12	Within 180 days of DA Effective Date	Landlord adopts ordinance establishing event parking within 600 feet of the Property pursuant to the City's authority.	DA (4.1)	Landlord
19	1/2/12	Within 180 days of DA Effective Date, but no later than the Outside Date (except which date to use on the DA Effective Date has changed)	Landlord shall, to Tenant's satisfaction, its obligations in the DA as follows: <ul style="list-style-type: none"> Landlord consider Newpark parking proposal (4.4) Landlord provide all written letters to Tenant re event & event (4.5) Landlord consider TDM and MSACP exemptions and deliver written determination on the same (4.6) Landlord pursue mitigation action (4.8) Landlord consider rights of non-compact parking (4.11) and Landlord cooperate with respect to possessory interest fee determination (4.12) 	GL (Ex. C); DA (4.4, 4.5, 4.6, 4.8, 4.11 and 4.12)	Landlord
20	1/2/12	Within 180 days of Ground Lease Effective Date, but no later than the Outside Date	Resolution of a dispute adjustment to provide a reasonable legal fee escrow/holding. In such configuration as Tenant shall require.	GL (Ex. C)	Joint
21	1/2/12	Within 180 days of Ground Lease Effective Date, but no later than the Outside Date	Tenant shall have received a reasonably satisfactory arrangement with the County Sheriff's department for the providing police department services to the Project.	GL (Ex. C)	Tenant
22	1/2/12	Within 180 days of Ground Lease Effective Date, but no later than the Outside Date	Conditions Precedent fulfilled unless extended or waived; parties mutually agree to set back date.	GL (Ex. C)	Joint
23	1/2/12	Upon the satisfaction or waiver of the Exhibit C conditions precedent, but in all events by Outside Date	Initial Term date	GL (2.1)	
24	1/2/12	This date assumes the satisfaction or waiver of the Exhibit C conditions precedent by the Outside Date of January 2, 2012	The "Term Commencement Date" under the Ground Lease shall upon the satisfaction or waiver of the Exhibit C conditions precedent (Early Payment by Tenant \$600) <ul style="list-style-type: none"> Tenant provides Landlord with \$300,450 (1/2 = 6 months rent + 10% security deposit) 	GL (2.1, 3.1 and 3.3)	Joint

Exhibit "A" is Development Agreement / 08-16-10

All dates subject to extension due to permitted delays as provided under the Development Agreement and each subsequently listed date assumed performance of the preceding event.

Item #	Date	Relative Timing	Action	Transaction Document (Section)	Responsible Party
35	7/31/12	By the Term Commencement Date	Title Benthonfield mortgages/leases should have been extinguished or Landlord shall have provided Tenant with an indemnification in a form reasonably acceptable to Tenant for the same.	GL (1.2)	Landlord
36	1/31/13	Upon the Term Commencement Date	Risk of Loss re Leased Premises passes to Tenant per Ground Lease. Tenant provides insurance certificates to Landlord for general liability, fire, auto/vehicle coverage, vandalism, and multiple related.	GL (2.6)	Tenant
37	1/31/12	Promptly (following Term Commencement Date)	Memorandum of Ground Lease to be recorded.	GL (2.4)	By either party
38	4/24/12	Within 90 days of Outside Date	Tenant agrees to Landlord engineering construction drawings, & specs for Tenant's project on or before this date.	GL (3.2.1)	Tenant
39	6/29/12	After date assumes the occurrence of the Term Commencement Date on 1/31/12 and is subject to the occurrence of the applicable building permits.	Outside commencement date for Tenant to start the construction of the Phase I initial improvements (the "Construction Start Date").	GL (3.1.1)	Tenant
40	11/4/12	Prior to the Construction Start Date	Acquire all building permits on or before this date.	GL (3.2.2)	Landlord
41	6/4/12	Prior to the Construction Start Date	Tenant delivers to Landlord Construction Contract Certifications on or before this date.	GL (3.2.2)	Tenant
42	[Floating Date]	No later than 30 days after approval of the final Plans and Specifications by the City and issuance of building permits.	Tenant delivers to Landlord construction contracts from its general contractor for Phase I.	GL (3.2.2)	Tenant
43	[Floating Date]	30 days prior to the commencement of construction of the applicable improvements.	Tenant delivers to Landlord written notice of intended construction commencement date.	GL (3.2.4)	Tenant
44	4/2/12		Landlord completes the Public Infrastructure Improvements (Hampden roadway, signal modification, on-ramp construction, relocation of electric poles).		Landlord
45	7/3/12	After and/or 6 months following Term Commencement Date	Monthly Rent installments due monthly.	GL (2.1, 3.2)	Tenant
46	8/15/12	1 year from DA Effective Date	Development Agreement final annual review by Landlord; annually thereafter.	DA (6)	Landlord
47	3/14/13	(Subject to extension due to permitted delays as provided in Section 7.1 of the DA).	Outside date for the completion of the Phase I Initial Improvements.	Tenant Sched.	Tenant
48	[Floating Date]	Upon the completion of the Phase I Initial Improvements.	Shared Use Agreement "Effective Date".	SUA	Joint
49	[Floating Date]	Promptly after the completion of the Phase I Initial Improvements upon Tenant's request.	Landlord issuance of Certificate of Completion for Phase I Initial Improvements.	GL (5.7)	Landlord
50	6/30/14	(Subject to extension due to permitted delays as provided in Section 7.1 of the DA).	Outside commencement date for Tenant to start the construction of the Phase II Initial Improvements.	Tenant Sched.	Tenant
51	11/30/14	(Subject to extension due to permitted delays as provided in Section 7.1 of the DA).	Outside date for the completion of the Phase II Initial Improvements.	Tenant Sched.	Tenant

Exhibit "C" to Development Agreement / 08-19-10

* All dates subject to extension due to permitted delays as provided under the Development Agreement and each subsequently cited date assumes performance of the preceding event.

Item #	Date*	Relative Timing	Action	Transaction Document (Section)	Responsible Party
52	(Floating Date)	Upon the completion of the Phase II Initial Improvements	Landlord returns \$150,420 Security Deposit after completion of Phase II	GL (3.3)	Landlord
53	(Floating Date)	Promptly after the completion of the Phase II Initial Improvements upon Tenant's request	Landlord issuance of Certificate of Completion for Phase II Initial Improvements	GL (4.7)	Tenant
54	10/1/2020	Monthly date for Housing Financing Authority Enterprise Revenue Funding Bonds issue of 2020	Latest payment date for any outstanding amounts due to Landlord for on-site public improvements	FA (5.5B)	
55	5/19/2041	30 years after the Effective Date of the DA	Expiration of Development Agreement	DA (3.1)	HOA
56	7/2/2041	30 years after the Term Commencement Date	Expiration of the "Original Term" under the Ground Lease	GL (2.4)	HOA
57	7/2/2041	Upon the expiration of the Original Term of the Ground Lease	Expiration of Right of First Refusal, which Right exists upon expiration of Original Term of Ground Lease, but only if and when Agency decides to sell, transfer or convey all or any part of the Leased Premises to a non-governmental agency or private third party.	GL (Ex N)	
58	7/2/2040	The date that is 2 years after the expiration of the Original Term (as the same may be extended or sooner terminated)	Outside date for Tenant to notify Landlord that Tenant is filing an insurance claim re hazardous materials spill caused by Landlord's public use	GL (2.7.2)	Tenant
59	7/2/2040	The date that is 2 years after the expiration of the Original Term (as the same may be extended or sooner terminated)	Outside date for Landlord to notify Tenant that Landlord is filing an insurance claim re hazardous materials spill caused by Tenant's use	GL (2.7.1)	Landlord
60	5/1/2040	30 years after the Term Commencement Date	Expiration of the term of Ground Lease if all extensions are ultimately granted	GL (2.5)	HOA

Exhibit "B" to Development Agreement 105-11-16

* All dates subject to extension due to permit delay as provided under the Development Agreement and each subsequently filed with assumed performance of the preceding item.

EXHIBIT "H"

LIST OF PERMITTED USES

The Permitted Uses approved by the City allow Balboa to operate a park with recreation facilities at which Balboa may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events. The public's right to use the Property is more particularly identified in a separate Shared Use Agreement.

Tenant's Permitted Uses include uses to which other public parks are customarily put, and include, but are not limited to, the following:

- I. Equestrian events, including, but not limited to, the following events (no Silverlakes Event Permit required):
 - Horse Shows and horse auctions
 - Hunter/Jumper competitions
 - Barrel Racing
 - Dressage
 - Equine clinics and symposiums
 - Equine environmental learning tours
 - Therapeutic riding for the physically or mentally challenged
 - Local, state and federal mounted police training programs
 - Rodeos
 - Animal breed shows
- II. Sporting events, activities and functions, including educational programs, clinics and camps, associated with the following sports (no Silverlakes Event Permit required):
 - Soccer
 - Volleyball
 - Lacrosse
 - Field Sports
 - Indoor sports and calisthenics within the multi-purpose building, including, but not limited to, basketball, volleyball, gymnastics, dance, martial arts and racket sports
- III. Other (no Silverlakes Event Permit required):
 - On-site administrative offices and general office functions, including on-site security facilities and caretaker accommodations
 - Sales of event related merchandise, concessions and equipment
 - Operation of RV campsite for overnight camping and the overnight parking of recreational vehicles and trailers, as specified in the Shared Use Agreement

- Temporary overnight accommodations of athletes, coaches and trainers in connection with on-site equestrian/sports programs and clinics, consistent with that commonly granted by cities for similar parks
- Operation of a "pro shop" within the multi-purpose building or covered arena or elsewhere on property
- "Game/event day" operation of sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires, including the sale of food and beverages and the operation of a cafeteria within the multi-purpose building and concession stands and kiosks
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with the Development Agreement
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code

IV Additional Permitted Uses, but for which a Silverlakes Event Permit may be required as hereinafter specified:

- Farmers markets, craft and art shows
- Botanical garden displays, walking tours, floral and fauna lectures
- Plant shows
- Concerts, recitals, circuses, fairs, carnivals, parties, weddings, picnics, family reunions, auctions, entertainment, dances, meetings, assemblages and religious and church services and events
- Filming (other than in connection with an event held at the Property)
- Boat, RV, automobile, and other vehicle shows
- Trade, promotional shows and conventions
- Hobby club events
- YMCA, Boys & Girls Scouts, School Events, 4H club and similar youth organizational activities
- Corporate events (team building, company picnics, and the like)
- Philanthropic Events
- Alcoholic beverage sales and consumption in connection with on-site events not hosted by Tenant as set forth in Sections I, II, or III or IV above

(1) With respect to the Additional Permitted Uses in Section IV above, the same shall require a Silverlakes Event Permit from the City's Department of Parks, Recreation & Community Services with the understanding that a Silverlakes Event Permit is only required if such use entails one or more of the following circumstances:

- (a) 2,000 or more attendees will be present on the Property at any one time in connection with the scheduled event; or
- (b) alcoholic beverages will be served to more than 500 attendees; or
- (c) filming is being conducted of a commercial nature (and not in connection with a Permitted Use).

- (2) A Silverlakes Event Permit, business license, alcohol permit, and film permit (for filming of a commercial nature) are the sole permits to be obtained for the operation of the Additional Permitted Uses meeting the above-referenced criteria under clause 1 (a), (b) or (c) above notwithstanding other permit schemes set forth in any Existing Land Use Regulation.
- (3) The Silverlakes Event Permit is a ministerial permit which shall be issued by the City's Department of Parks, Recreation & Community Services in compliance with the City's written safety and health regulations in effect upon the Effective Date and applicable to such events.
- (4) A single "master" Silverlakes Event Permit may be issued for the Additional Permitted Uses referenced under clause 1 (a), (b) or (c) above to the extent the same are reoccurring or regularly scheduled.
- (5) All other Permitted Uses do not require a Silverlakes Event Permit, or any other approval or permit from the City except as provided herein.
- (6) All other uses shall require a Silverlakes Event Permit from the City.

EXHIBIT "I"

AMENDED JUNE 2, 2010 GENERAL FEE/FINE SCHEDULE

[Attached as the immediately following pages.]



General Fee/Fine Schedule
CITY OF NORCO



Effective
June 2, 2010

TABLE OF CONTENTS

Parks, Recreation & Community Services

- General Facilities and Services

- Ingalls Park

- Animal Control

- Sports and Programs

City Clerk

Fiscal & Support Services

Planning

Fire Department

Sheriff's Department

Public Works

Building Division

- Building Valuation

- Building Permit

- Building Misc. Fees

- Electrical

- Mechanical

- Plumbing

Development Impact Fee Schedule

PARKS, RECREATION and COMMUNITY SERVICES

Facility Fees

Service	Fee	Deposit
General Facilities and Services		
Application Processing Fee	\$35.00	0
Banner Installation	Fully Burdened	\$0.00
Booking Charge	\$18.00	\$0.00
Booking Fee - Per Date (max \$250)	\$6.00	\$0.00
CC Large Auditorium - Hourly (Occ. Bang. 80 / Occ. Aud. 150)	\$47.00	\$250.00
CC Scout House - Hourly (Occ. Bang. 100 / Occ. Aud. 175)	\$47.00	\$250.00
CC Small Auditorium - Hourly (Occ. Bang. 50 / Occ. Aud. 80)	\$36.00	\$250.00
Community Center Small Rooms (Hourly)	\$34.00	\$0.00
Community Center Room Cleaning	Fully Burdened	\$0.00
Community Room - FHQ	\$35	\$250.00
Chairs (each)	\$1.00	\$0.00
Exterior Restrooms	\$47.00	\$0-\$275
Exterior Restrooms Cleaning	Fully Burdened	\$0.00
Field Lights (Hourly)	Fully Burdened	\$0.00
Field Prep	\$30.00	\$0.00
Horseshoes Rental (per set)	\$10.00	\$30.00
Open Space / Moon Bounce	\$38.00	\$0.00
Outdoor Courts (hourly night use)	\$22.00	\$0.00
Outdoor Courts (hourly day use)	\$7.00	\$0.00
Parking Lots	\$39.00	\$50.00
Picnic Shelter Rental	\$71.00	\$75.00
Pool Rental (Hourly)	\$155-\$184	\$250.00
Program Maintenance Fee	\$4.00	\$0.00
Reproduction (up to 11" x 17") - Black/White	\$0.25	\$0.00
Reproduction (up to 11" x 17") - Color	\$0.60	\$0.00
Reproduction (larger than 11" x 17") - BW or Color	\$10.00	\$0.00
Riley Gym (Hourly)	\$76.00	\$500.00
Riley Gym Conference Room (Hourly)	\$35.00	\$150.00
Riley Gym Cleaning	Fully Burdened	\$0.00
Sports Fields - (Hourly)	\$47.00	\$103.00
Supplemental Staff Costs plus Burden	Fully Burdened	\$0.00
Support, Operations, Administrative and Maintenance	Fully Burdened	\$0.00
Tables, Round	\$10.00	\$100.00
Tables, Rectangle	\$6.00	\$100.00

Consideration Groups by Resolution of the Norox City Council will continue to be subsidized with reduced or waived fees as outlined in Exhibit B of Resolution No. 2010-61. Should the original organization relinquish the event to another community organization these events, fees will be at a substantially higher cost. Residents and local businesses will be entitled to a discount at Neils Weaver Hall on facility fees only (not including application, security, cleaning and booking fees) with valid picture I.D. which provides a current Norox address. The discount is 25% off for residents and 10% off for businesses.

All other organizations and events will be charged full fees based on the fee policy and fee schedule.

Approved per City Council
October 20, 2010

PARKS, RECREATION and COMMUNITY SERVICES

General Facilities and Services		
	Fee	Deposit
Ingalls Park		
4-H Area (10 hour rental period)	\$288.00	\$50-\$350
4-H Area (add'l hours in excess of 10)	\$42.00	\$0.00
4-H Small Livestock Pens	\$5.00	\$200.00
Amphitheater (plus per seat fee if gate is changed)	\$288.00	\$350-\$550
Amphitheater cleaning	Fully Burdened	\$0.00
Arena Grooming	\$30.00	\$0.00
Arena Watering	\$21.00	\$0.00
Fair Electrical Hook-Up per Pedestal	\$8.00	\$200.00
Fair Grounds	\$391.00	\$500.00
Holding Pens-Moreno Arena	\$177.00	\$400.00
Holiday/ Sunday Staff	Fully Burdened	\$0.00
Ingalls Park Bleachers (per seat)	\$1.50	\$0.00
Ingalls Park Parking Lots	\$86.00	\$0.00
Ingalls Park Restrooms	\$35.00	\$0.00
Ingalls Parking Lots (concessions)	\$582.00	\$0.00
Landscape Plancheck Review (Add'l checks)	\$35.00	\$0.00
Landscape Plancheck Review (Includes 2 checks)	\$164.00	\$0.00
Moreno Arena (8 hours max weekends/holidays)	\$888.00	\$500-\$5000
Moreno Arena (Hourly, 4 hours min, Mon - Thurs)	\$111.00	\$500-\$5000
Moreno Arena Lights	Fully Burdened	\$0.00
Moreno Arena Open Recreational Riding (non-residents)	\$10.00	\$0.00
Moreno Arena Trailers Hours (by reservation)	\$18.00	\$50.00
Moreno Arena hourly (in excess of max. 10)	Fully Burdened	\$0.00
Portable Restrooms	Fully Burdened	\$0.00
Portable Stalls	Fully Burdened	\$200.00
Stall Cleaning	Fully Burdened	\$0.00
Security Guard	Fully Burdened	\$0.00
Warm-up & Exercise Arenas	\$61.00	\$100.00
Weaver Hall (Hourly, 8 hour min, Saturdays & holidays)	\$191.00	\$300-\$2500
Weaver Hall Cleaning	\$420-\$829	\$0.00
Weaver Hall Kitchen	\$284.00	\$300.00
Weaver Hall Kitchen Cleaning	\$130-\$500	\$0.00
Weaver Hall Exterior Restrooms	\$47.00	\$0-\$500
Weaver Hall Exterior Restrooms Cleaning	Fully Burdened	\$0.00
*Tables, Round	\$10.00	\$100.00
*Tables, Rectangle	\$8.00	\$100.00
*Chairs (each)	\$1.00	\$100.00

Consideration Groups by Resolution of the Norco City Council, will continue to be subsidized with reduced or waived fees as outlined in Exhibit B of Resolution No. 2010-01. Should the original organization relinquish the event to another community organization those events, fees will be at a substantially higher cost. Residents and local businesses will be entitled to a discount at Nellie Weaver Hall on facility fees only (not including application, security, cleaning and booking fees) with valid picture I.D. which provides a current Norco address. The discount is 25% off for residents and 10% off for businesses.

All other organizations and events will be charged full fees based on the fee policy and fee schedule.

Approved per City Council
October 20, 2010

PARKS, RECREATION and COMMUNITY SERVICES

General Facilities and Services	Fees	Group 3
Special Consideration Groups		
Moreno Arena (9 hours max week-ends/holidays)	\$387	\$960
Sports and Programs		
	Fees	Deposit
Ballfield Bases (per use)	\$10.00	\$0.00
City-Sponsored Adult Sports Programs	\$350-\$705	\$0.00
City-Sponsored Special Events	\$1-\$80	\$0.00
City-Sponsored Youth Sports	\$87-\$130	\$0.00
Excursions	Fully Burdened	\$0.00
Insurance Policies	Fully Burdened	\$0.00
PA System (portable)	\$88+Staff	\$200.00
Recreation & Leisure Programs & Services	\$12-\$300	\$0.00
Recreational Swimming	\$2.00	\$0.00
Scoreboards (each)	\$24+Staff	\$500.00
Senior Programs	\$1-\$81	\$0.00
Senior Services Membership Fee (Yearly)	\$0-\$25	\$0.00
Swimming Lessons	\$52-148	\$0.00
Youth Programs (Wee People, Etc.)	\$10-\$478	\$0.00
BBO	\$53.00	\$100.00
*Refers Fees no longer collected for Adult Sports Program		

Consideration Groups by Resolution of the Norco City Council, will continue to be subsidized with reduced or waived fees as outlined in Exhibit B of Resolution No. 2010-61. Should the original organization relinquish the event to another community organization these events, fees will be at a substantially higher cost. Residents and local businesses will be entitled to a discount at Nellie Weaver Hall on facility fees only (not including application, security, cleaning and booking fees) with valid picture I.D. which provides a current Norco address. The discount is 25% off for residents and 10% off for businesses.

All other organizations and events will be charged full fees based on the fee policy and fee schedule.

Approved per City Council
October 30, 2010

PARKS, RECREATION and COMMUNITY SERVICES

Service	Fees	Deposit
General Facilities and Services		
Animal Control		
Cat Adoption	\$10.00	\$0.00
Cat Quarantine Daily Board	\$15.00	\$0.00
Citation Processing Fee	\$5.00	\$0.00
Daily Boarding - Cats / Dogs	\$6.00	\$0.00
Daily Boarding - Large Livestock	\$10.00	\$0.00
Daily Boarding - Small Livestock	\$10.00	\$0.00
Dead Animal Disposal - Brought in - Cat	\$10.00	\$0.00
Dead Animal Disposal - Brought in - Dog	\$20.00	\$0.00
Dead Animal Disposal - Brought in - Livestock	\$30.00	\$0.00
Dog Quarantine Daily Board	\$20.00	\$0.00
Dog Adoption	\$15.00	\$0.00
Dog License - Senior (Alt) 1st or 2nd Dogs	\$2.00	\$0.00
Dog License - Senior (Alt) 3rd or 4th Dogs	\$6.00	\$0.00
Dog License - Senior (Unalt)	\$30.00	\$0.00
Dog License (Alt)	\$20.00	\$0.00
Dog License (Unalt)	\$40.00	\$0.00
Emergency After-hours Fees (Hourly)	Fully Burdened	\$0.00
Euthanasia - Dog or Cat	\$50.00	\$0.00
Impound - Cats - 1st time	\$23.00	\$0.00
Impound - Cats - 2nd time in 1 year	\$33.00	\$0.00
Impound - Cats - 3rd time in 1 year	\$44.00	\$0.00
Impound - Dogs - 1st time	\$33.00	\$0.00
Impound - Dogs - 2nd time in 1 year	\$46.00	\$0.00
Impound - Dogs - 3rd time in 1 year	\$57.00	\$0.00
Impound - Large Livestock - 1st time	\$68.00	\$0.00
Impound - Large Livestock - 2nd time in 1 year	\$78.00	\$0.00
Impound - Large Livestock - 3rd time in 1 year	\$103.00	\$0.00
Impound - Small Livestock - 1st time	\$32.00	\$0.00
Impound - Small Livestock - 2nd time in 1 year	\$42.00	\$0.00
Impound - Small Livestock - 3rd time in 1 year	\$57.00	\$0.00
Livestock Transpt. Non- Resident Impound Returns	\$92-\$1000	\$0.00
Owner Dead Dog Pick-Up	\$83.00	\$0.00
Owner Dead Livestock Pick-Up	\$118.00	\$0.00
Owner Turn-ins - Dog or Cat	\$50.00	\$0.00
Owner Turn-ins/pick up by AC - Cat	\$93.00	\$0.00
Owner Turn-ins/pick up by AC - Dog	\$133.00	\$0.00
Poultry Ranch Inspection	\$57.00	\$0.00
Ranch License	\$29.00	\$0.00
Ranch License Renewal	\$18.00	\$0.00
Vaccination Fee - Cat	\$5.00	\$0.00
Vaccination Fee - Dog	\$10.00	\$0.00
Vicious / Wild Animal Permit (New)	\$121.00	\$0.00
Vicious / Wild Animal Permit (Renew)	\$121.00	\$0.00
Any and all fines mandated by		
County, State and Federal regulations/laws		

CITY CLERK	FEE
Subscription Fee - Council Agendas - plus postage	\$56.00
Subscription Fee - Council Minutes - plus postage	\$148.00
Subscription Fee - Council Agendas and Minutes - plus postage	\$178.00
Subscription Fee - Planning Agendas - plus postage	\$56.00
Subscription Fee - Planning Minutes - plus postage	\$148.00
Subscription Fee - Planning Agendas and Minutes - plus postage	\$178.00
Reproduction (up to 11" x 17") - Black/White	\$0.25
Reproduction (up to 11" x 17") - Color	\$0.50
Reproduction (larger than 11" x 17") - Black/White or Color	\$10.00
Reproduction Service - CD	\$5.00**
Passport Photo Service	\$7.00
Tape Duplication	\$20.00
Document Certification - \$10 minimum plus reproduction costs	\$10.00

** Fee based on direct cost of duplication

FISCAL & SUPPORT SERVICE	FEE
Background check	\$100.00
Business Fire Inspection Fee	
Small Businesses - 1 Sq. Ft. - 4,999 Sq. Ft.	\$66.00
Medium Businesses - 5,000 Sq. Ft. - 9,999 Sq. Ft.	\$132.00
Large Businesses - 10,000 Sq. Ft. or greater	\$336.00
Public Assembly (50 to 99 occupancy load)	\$153.00
Public Assembly (100 and greater occupancy load)	\$153.00
Business License Application - Commercial, Changed Use	\$30.00
Business License Application - Commercial, No Change	\$107.00
Business License Out of Town Fee	\$25.00
Business License Renewal	\$14.00
Home Occupation renewal - With a truck	\$51.00
Home Occupation Review - New/Renewal without truck	\$30.00
Home Occupation Review - New with Commercial truck	\$117.00
LiveScan - Fee plus applicable DOJ and FBI charges	\$21.00
Massage Technician New Application	\$107.00*
*Plus Sheriff's Cost	
Massage Business New Application	\$138.00
Massage Technician renewal	\$62.00
Massage Business renewal	\$107.00
Moved/Changed License Processing	\$25.00
Reproduction (up to 11" x 17") - Black/White	10.25
Reproduction (up to 11" x 17") - Color	\$0.50
Reproduction (larger than 11" x 17") - Black/White or Color	\$10.00
Returned Check Fee (Includes \$15 administrative fine)	\$25.00
Taxicab Business Permit	\$135.00
Taxicab Permit	\$135.00
Taxi Driver Permit	\$105.00
Truck Parking Permit - Initial (when not part of a home occupation)	\$86.00
Truck Parking Permit - Renewal (when not part of a home occupation)	\$30.00
Utility Tagging Fee (Non-payment of bill)	\$15.00
Meter Lock Off Fee (Non-payment of bill)	\$58.00
Meter Turn On Fee (Prior to 3:30pm of work day)	\$28.00
Meter Turn On Fee (After 3:30pm and before 7:00am)	\$170.00
Yard Sale Permit, for three days only, once every three months	\$9.00
Penalty for Unauthorized Yard Sale	\$30.00

PLANNING DIVISION		FEE
ABC Letter of Necessity		\$135.00
Additional Large Animal Units		\$50.00
Architectural & Photometric Review		\$306.00
Developer Appeal to Planning Commission		\$837.00
Resident Appeal to Planning Commission		\$57.00
Developer Appeal to City Council		\$754.00
Resident Appeal to City Council		\$293.00
* Appeal fee will be refunded if the decision is reversed on appeal		
Categorical Exemption		\$48.00
Commercial Vehicle Exemption Permit (if obtained with Home Occupations license)		\$0.00
Commercial Vehicle Exemption Permit (if obtained by itself)		\$61.00
Continuance (Fees plus postage and publishing costs)		\$845.00
Conditional Use Permit - Residential Accessory Building		7% building valuation*
* Fees paid with building permit fee. Building valuation for Accessory Building is \$37.77 per sq. ft. The fee for Planning Division would calculate as follows:		
	Size of Building	Valuation
	500 sq. ft.	\$226.32.00
	1,000 sq. ft.	\$452.64.00
	2,000 sq. ft.	\$905.28.00
Conditional Use Permit - Self Audit - Small to Medium		\$122.00
Conditional Use Permit - Self Audit - All Others		\$81.00
Conditional Use Permit - Miniaturized Pigeon in R-7-10 Zone		\$340.00
Conditional Use Permit - Miniaturized Pigeon in R-1-10 Zone (Resident)		\$80.00
Conditional Use Permit - Minor, plus animal-control costs (Resident)		\$1,164.00
Conditional Use Permit - Minor, plus animal-control costs (Developer)		\$2,684.00
Conditional Use Permit - Major		\$5,840.00
Conditional Use Permit Modification - Minor		\$2,348.00
Conditional Use Permit Modification - Major		\$2,400.00
Conditional Use Permit - Annual Inspection		\$48.00
C.C. & R. Review		\$2,196.00
Development Planning Plan		\$871.00
Entertainment Permit		\$1,758.00
Fence/Wall Review (Swag/Violation)		\$367.00
Filing 1-4 Days (exclusive of all Public Safety, Public Works and Legal Expenses, charged at fully burdened hourly rate)		\$325.00
Filing 4 plus Days (exclusive of all Public Safety, Public Works and Legal Expenses, charged at fully burdened hourly rate)		\$300.00
General Plan Amendment		\$5,074.00
Initial Environmental Assessment		\$846.00
Informal Review by Planning Commission (with pre-application)		\$728.00
Informal Review by Planning Commission (no pre-application)		\$728.00
Landscape Plan Checks Review - These Reviews & one final review		\$414.00
Additional Landscape Plan Check Review		\$102.00
Landscape Plan Checks Review - On Site Only		\$127.00
Large Family Day Care		\$1,167.00
Major Environmental Assessment (up to 110 hours)		\$13,178.00
Major Environmental Assessment (beyond 110 hours)		Cost of Service
Charge fully burdened hourly rate & out of pocket costs against deposit		
Mitigated Negative Declaration (up to 5 hours)		\$484.00
Mitigated Negative Declaration (beyond 5 hours)		Cost of Service
Charge fully burdened hourly rate & out of pocket costs against deposit		
Mitigation Plan One Time Monitoring (up to 5 hours)		\$467.00
Mitigation Plan One Time Monitoring (beyond 5 hours)		Cost of Service
Charge fully burdened hourly rate & out of pocket costs against deposit		
Model Home Complex Review		\$1,580.00
Planning Information Letter		\$112.00
Pre-Application Review, First Review		\$0.00
Pre-Application Subsequent Reviews		\$1,381.00
Recreation Permit		\$2,350.00
Reproduction (up to 11" x 17") - Black/White		\$0.25
Reproduction (up to 11" x 17") - Color		\$0.50
Reproduction (larger than 11" x 17") - Black/White or Color		\$10.00
Sign Review - Monument & Pole Signs		\$302.00
Sign Review - Wall Signs		\$170.00
Sign Review - Temporary Special Event Signs		\$85.00
Sign Review - Temporary Overhead		\$1,665.00
Sign Program Review		\$785.00

PLANNING DIVISION		FEE
Similar Use Finding - Planning Commission		\$815.00
Site Plan Review - Minor		\$2,047.00
Site Plan Review - Major		\$5,187.00
Site Plan Review Modification		\$2,556.00
Site Plan Review - Residential Accessory Building		*1% building valuation
* Fees paid with building permit fee. Building Valuation for Accessory Building is \$37.77 per sq. ft. The fees for Planning Division would calculate as follows:		
	Size of Building	Valuation
	600 sq. ft.	\$22,632.00
	1,000 sq. ft.	\$37,770.00
	2,000 sq. ft.	\$75,440.00
Special Events - All Others		\$85.00
Special Events - Sidewalk Sales		\$28.00
Special Events - Non Profit Organizations		
Event on Private Property		\$0.00
Requires Closure of Public Right-Of-Way at the End of Dead-End Public Trails, Sidewalks or Streets		\$68.00
Requires the Closure of Public Right-Of-Way on or Through Public Trails, Sidewalks or Streets that Require a Traffic Plan/Deport		\$65.00
Special Events - All Others		
Event on Private Property		\$62.00
Requires Closure of Public Right-Of-Way at the End of Dead-End Public Trails, Sidewalks or Streets		\$151.00
Requires the Closure of Public Right-Of-Way on or Through Public Trails, Sidewalks or Streets that Require a Traffic Plan/Deport		\$147.00
Note: All Special Event applications would also include the cost of any street closure, traffic control, on-site patrol, additional fire protection standby, etc.		
Specific Plan Preparation (up to 136 hours)		\$14,857.00
Specific Plan Preparation (beyond 136 hours)		Cost of Service
Charge fully burdened staff rate and consultant costs against deposit		
Specific Plan Amendment (up to 136 hours)		\$11,744.00
Specific Plan Amendment (beyond 136 hours)		Cost of Service
Charge fully burdened staff rate and consultant costs against deposit		
Specific Plan Amendment - Delete Fee		\$0.00
Tentative Parcel Map - Single Family Residential (three plan checks included)		\$5,528.00
Tentative Parcel Map - Commercial (three plan checks included)		\$3,309.00
* (fee plus \$200.00/dst)		
Tentative Parcel Map (additional plan checks per sheet)		\$311.00
Tentative Parcel Map Modification		\$2,818.00
Tentative Parcel Map Extension of Time (Planning Commission and City Council)		\$708.00
Tentative Tract Map (first three plan checks are included)		\$15,715.00
* (fee plus \$170/lot over 5)		
Tentative Tract Map (additional plan check fees per sheet)		\$311.00
Tentative Tract Map Modification		\$2,818.00
Variance - Minor and Minor Modifications		\$2,165.00
Variance - Major and Major Modifications		\$2,835.00
Zone Change		\$3,032.00
Zoning and General Plan Map Copies (11" X 17" folded)		\$5.00
Zoning and General Plan Map Copies (wall map)		\$10.00

FIRE DEPARTMENT	FEE
Fire Administration, General	
Vacant Lot Weed Abatement - Contractor's charge, plus 100% Admin	Cost of Service
Lien Release Request - First Lien	\$255.00
Lien Release Request - Additional Lien	\$255.00
Incident Report Request Fee	\$0.25
Penalty for Illegal Fireworks Classified "Safe and Sane"	\$500.00*
Penalty for Illegal Fireworks Classified "Dangerous"	\$1,000.00*
Reproduction (up to 11" x 17") - Black/White	\$0.25
Reproduction (up to 11" x 17") - Color	\$0.50
Reproduction (larger than 11" x 17") - Black/White or Color	\$10.00
*No Fee Increase	
Engine Company, General	
Fire Hydrant Flow Test Fee	\$316.00
Engine Company Standby (Personnel Plus Equipment Time)	\$250.00 an hr.*
Existing Hydrant Flow Test Report Request Fee	\$0.25*
Unauthorized/Illegal Burn Response - Charge fully burdened staff cost - Minimum	1 Hr.
First or Second False Alarm	\$175.00*
Third Response to False Alarm within 365 consecutive day period	\$200.00*
Fourth Response to false Alarm within 365 consecutive day period	\$300.00*
Fifth Response to False Alarm within 365 consecutive day period	\$500.00*
Prevention Standby (During working hours) no inspection	\$30.00 an hr.
Prevention Standby (After working hours) no inspection	\$50.00 an hr.
Prevention Inspection After-hours	\$125.00 an hr.
* No Fee Increase	
Commercial, Fire System Test and Inspection/Permits:	
Underground Hydro, Flush, Final Inspection, Fire Monitored / Alarm Rough Wire Inspection, Fire Monitored / Alarm Function Test, Fire Sprinkler Weld Inspection, Rough Hydro, Sprinkler Final, Kitchen Suppression Test, Pre-Engineered Test, Failed Inspections	\$108.00 an hr.*
California Fire Code Operational Permits Per Appendix Chapter 1 (one time fee unless change of ownership or change to original approval has occurred)	\$92.00
Tank Removal Permit	\$153.00
Tumbleweed Burn Permit	\$15.00
* Inspection fees cover for 1 hr minimum time frame. Plus \$27.50 for each additional 15 minute increment	
Residential, Fire System Test and Inspection	
Fire Sprinkler Rough / Hydro, Bucket Test, Sprinkler Final	\$108.00 an hr.*
Combustion (Rough, Bucket & Final)	\$357.00
Failed Inspections / Test / Repeat	\$87.00
* Fee covers for 1 hr minimum time frame. Plus \$27.50 for each additional 15 minute increment	
Care Facilities/Educational Institutions	
Other State Mandated Inspections	\$168.00
State Mandate Pre-Inspection for Residential Care or Child Care (25 or fewer)	\$50.00
State Mandate Pre-Inspection for Residential Care or Child Care (26 or more)	\$100.00
Special Event Inspections (Temporary Events / Permits)	
Vendor Booth Inspection	\$10.00*
Cooking Booth Inspection	\$20.00*

Based on CPI Increase (1.0%)

Effective June 2, 2010

FIRE DEPARTMENT	FEE
Christmas Tree or Pumpkin Patch Lot Inspector	\$350.00
Explosives Permit	478.00*
Pyrotechnic Display Inspection	\$150.00*
*No Fee Increase	
Business Fire Prevention Inspections	
Small Businesses (1 sq. ft. - 9,999 sq. ft.)	\$66.00
Medium Businesses (5,000 sq. ft. - 9,999 sq. ft.)	\$132.00
Large Businesses (10,000 sq. ft. and greater)	\$336.00
Places of Assembly (Occupancy of 50 or more persons)	\$153.00
Sub-Leased Businesses in any Portion of another existing Business	\$66.00
Residential Plan Check	
Residential Architectural, Residential Fire Sprinklers, Residential Resubmittals, Other Residential Plan Check	\$108.00 an hr.**
* Fee covers for 1 hr minimum time frame. Plus \$27.50 for each additional 15 minute increment	
Commercial Plan Check	
Commercial Architectural, Tenant Improvement Architectural, Resubmittals, Fire Sprinklers, Fire Alarm & Monitored Systems, Fire System T.I.'s, Kitchen Suppression Systems, Pre-Engineered Systems, Underground Fire Line, Chemical Classification/Haz-Mat Disc	\$110.00 an hr.**
Revision Submittals for approval of existing / Current permit / Over the Counter Approval	\$55.00
Renew Expired Fire Permits	\$50.00
** A minimum of 2 hrs. will be charged for all Commercial Plan Checks, plus \$27.50 for each additional 15 minute increment.	
Fire Plan Check	
Expedited within 48 hrs. (After Hours) (#16)	\$100.00
Expedited within 24 hrs. (After Hours) (#17)	\$200.00
<i>Note: All new fees are based on fully burden rate cost for inspection, vehicle cost, administration time for Inspector and Fire Administration Clerk.</i>	

Based on CPI Increase (1.9%)

Effective June 2, 2010

SHERIFF'S DEPARTMENT		FEE
Citation Correction Certification		\$15.00
DUI Emergency Response Recovery		*Cost of Service
*Charge up to statutory limit at the County and City approved rate for staff and equipment		
Jail Access Booking Fee		*\$364.00
*County's cost charged to City to provide this service; not to exceed \$364.00		
Police Background Investigation		\$100.00
Reproduction (up to 11" x 17") - Black/White		\$0.25
Reproduction (up to 11" x 17") - Color		\$0.50
Reproduction (larger than 11" x 17") - Black/White or Color		\$10.00
Vehicle Impound Cost Recovery		\$150.00
Vehicle (VIN) Verification Service		\$80.00
Fines Related to Parking Violations		
Municipal Code Section	Violation	BAIL
10.08 et al	All violations not enumerated	\$25.00
10.08.030A	Parking in equestrian trail	\$125.00
10.08.030B	Obstruct traffic or hazard	\$25.00
10.08.030C	Obstruct private driveway	\$25.00
10.08.030D	Obstruct fire equipment to hydrant	\$125.00
10.08.030E	Posted no parking or permit only	\$25.00
10.16.080	Commercial vehicle prohibition	\$125.00
10.18.070	Unattached trailer prohibition	\$25.00
Any other M.C. section	Any parking violation not otherwise listed	\$25.00
Vehicle Code Section	Violation	BAIL
4900(a)(1)	Unregistered vehicle	\$75.00
21113(e)	Permit required - public grounds	\$25.00
22500(a)	Improper parking - intersection	\$25.00
22500(b)	Improper parking - crosswalk	\$25.00
22500(c)	Improper parking - safety zone	\$25.00
22500(d)	Improper parking - fire station	\$25.00
22500(e)	Improper parking - driveway	\$25.00
22500(f)	Improper parking - sidewalk	\$25.00
22500(g)	Improper parking - obstruct traffic	\$25.00
22500(h)	Improper parking - double park	\$25.00
22500(i)	Improper parking - bus zones	\$25.00
22500(j)	Improper parking - tunnel	\$25.00
22500(k)	Improper parking - bridge	\$25.00
22500(l)	Parking in wheelchair access	\$200.00
22500.1	Parking in fire lane	\$125.00
22507.8(a)	Designated parking - disabled	\$300.00
22514	Parking - fire hydrant	\$125.00
Any other V.C. Section	Any parking violation not otherwise listed	\$25.00
22502(a)	Improper parking - 18" from curb	\$25.00
5200(a)	Improper/Fail to display license plate	\$75.00
5204(a)	Registration tabs properly affixed	\$75.00

Effective June 2, 2010

PUBLIC WORKS DEPARTMENT	FEE
Blasting Permit - Initial Fee	\$352.00
Blasting Permit - Each Additional Blast	\$214.00
Encroachment - Single Domestic Water Service (line only) 1" & 2"	\$158.00
Encroachment - Commercial Utility Lateral (power & water 3" & above)	\$214.00
Encroachment - SFR Driveway Approach	\$214.00
Encroachment - SFR Driveway Pavers (non-trail side)	\$224.00
Encroachment - SFR Trail Pavers	\$300.00
Encroachment - SFR Curb Core	\$127.00
Encroachment - Commercial Driveway	\$321.00
Encroachment - Commercial Trail Pavers	\$345.00
Encroachment - Sign in Right of Way	\$173.00
Encroachment - Utility Street Cut - 4.5% of cost estimate. Minimum of:	\$214.00
Final Map Check (fee plus \$350/lot) - Includes first three plan checks	\$2,048.00
Final Map Check (after three checks) -	\$433.80
Charge Fully Burdened Staff Rate against an initial deposit	
Grading and Posting Plan Review - Residential	\$423.00
Grading and Posting Plan Review - Commercial - Charge UBC. Minimum of:	\$1,534.00
\$1,505 for the first 3 plan checks and \$135 for each plan check or fully burdened hourly rate with a \$1,505 minimum.	
Grading Permit/Inspection - Residential	\$372.00
Grading Permit/Inspection - Other - Charge UBC. Minimum of:	\$1,126.00
	\$1,004.00
Lot Line Adjustment (Includes 3 plan checks, additional checks at fully burdened staff rate)	
Lot Merger - Deposit for Fully Burdened Staff Rate. Minimum	\$729.00
Overload Moving Permit - One Day	\$16.00
Overload Moving Permit - Annual Permit	\$92.00
PAKA Creation	\$250.00
PAKA Relocation	\$250.00
Reproduction (up to 11" x 17") - Black/White	\$0.25
Reproduction (up to 11" x 17") - Color	\$0.50
Reproduction - (Larger than 11" x 17" sheet) Black/White or Color	\$10.00
Technical Report Review - Charge full cost against a deposit with a minimum of:	\$438.00
Water Meter Change Out	\$31.00*
*Fee plus cost of meter and meter box	
WQMP/Hydrology Review	\$448.00*
*Actual cost plus 21% of admin. charge or \$440 whichever is greater	
Utility Tapping Fee (Non-payment of bill)	\$15.00
Meter Lock Off Fee (Non-payment of bill)	\$56.00
Meter Turn On Fee (Prior to 3:30pm of work day)	\$28.00
Meter Turn On Fee (After 3:30pm and before 7:00am)	\$170.00
6/8" and 3/4" Water Meter Only	\$185.00
1" Water Meter Only	\$622.00
Public Improvement/Plan Check Inspection Fees - Charge according to valuation table shown in Exhibit "B"	
Reinspection Fee	\$50.00

Based on CPI Increase (1.8%)

Effective June 2, 2010

PUBLIC WORKS DEPARTMENT

Valuation	
\$0 - \$10,000	\$525.00
\$10,001 - \$100,000	\$625 + 2.5% OF VALUATION OVER \$10,000
\$100,001 - \$1,000,000	\$2,775 + 1.5% OF VALUATION OVER \$100,000
>\$1,000,000	\$76,275 + 1% OF VALUATION OVER \$1,000,000
\$0-\$10,000	\$295.00
\$10,001 - \$100,000	\$295 + 2% OF VALUATION OVER \$10,000
\$100,001 - \$1,000,000	\$2,095 + 1% OF VALUATION OVER \$100,000
>\$1,000,000	\$11,095 + 0.5% OF VALUATION OVER \$1,000,000

**CITY OF NORCO
DEPARTMENT OF PUBLIC WORKS
BUILDING AND SAFETY DIVISION**

Table A

BUILDING VALUATION GUIDE SHEET (Average Square Foot Construction Cost) a,b,c,d

OCCUPANCY GROUP-2007 CA BLDG CODE		TYPE OF CONSTRUCTION								
		IA	IB	IIA	IIB	IIIA	IIIB	IV	VA	VB
A-1	Assembly, Theaters, with Stage	\$198.09	\$121.55	\$137.24	\$179.39	\$168.82	\$163.90	\$173.66	\$154.09	\$148.42
	Assembly, Theaters, without Stage	\$179.41	\$173.01	\$158.56	\$180.71	\$160.24	\$145.25	\$154.97	\$135.45	\$129.76
A-2	Assembly, Nightclubs	\$151.38	\$147.13	\$143.38	\$137.79	\$129.27	\$126.99	\$132.86	\$117.51	\$113.65
A-2	Assembly, Restaurants, Bars, Banquet Halls	\$150.36	\$140.12	\$141.39	\$138.70	\$127.74	\$125.98	\$131.05	\$115.51	\$112.65
A-3	Assembly, Churches	\$182.66	\$176.16	\$171.71	\$183.38	\$153.35	\$143.36	\$158.12	\$138.57	\$133.40
A-3	Assembly, General, Community Halls									
	Libraries, Museums	\$154.35	\$147.37	\$142.51	\$153.95	\$133.58	\$120.18	\$129.43	\$109.37	\$104.69
A-4	Assembly, Arenas	\$176.41	\$172.01	\$160.58	\$159.71	\$146.24	\$144.26	\$153.97	\$133.45	\$128.78
B	Business	\$153.33	\$147.81	\$143.00	\$135.34	\$124.01	\$119.36	\$131.07	\$109.57	\$104.20
E	Educational	\$188.14	\$162.47	\$157.98	\$150.98	\$141.50	\$134.27	\$145.92	\$124.54	\$119.84
F-1	Factory and Industrial, Moderate Hazard	\$82.98	\$89.72	\$83.61	\$80.88	\$73.43	\$69.23	\$77.63	\$59.62	\$56.41
F-2	Factory and Industrial, Low Hazard	\$91.98	\$87.72	\$83.61	\$79.88	\$72.43	\$68.23	\$76.63	\$59.62	\$56.41
H-1	High Hazard, Explosives	\$87.15	\$82.89	\$78.78	\$75.05	\$67.75	\$63.57	\$71.00	\$54.97	N.P.
H234	High Hazard	\$87.15	\$82.89	\$78.78	\$75.05	\$67.75	\$63.57	\$71.00	\$54.97	\$50.76
H-5	HPM	\$153.33	\$147.81	\$143.00	\$135.34	\$124.01	\$119.35	\$131.00	\$108.67	\$104.20
I-1	Institutional, Supervised Environment	\$153.82	\$148.53	\$144.55	\$136.59	\$128.50	\$126.99	\$135.88	\$117.23	\$112.54
I-2	Institutional, Hospitals	\$258.06	\$252.56	\$247.81	\$241.07	\$228.10	N.P.	\$235.73	\$212.75	N.P.
I-2	Institutional, Nursing Homes	\$180.46	\$174.93	\$170.20	\$163.46	\$151.54	N.P.	\$158.11	\$136.20	N.P.
I-3	Institutional, Restrainted	\$178.27	\$170.71	\$165.97	\$159.23	\$148.16	\$142.50	\$153.89	\$133.57	\$128.35
I-4	Institutional, Day Care Facilities	\$153.80	\$148.53	\$144.55	\$136.89	\$129.59	\$125.98	\$139.98	\$117.23	\$112.54
M	Mercantile	\$112.50	\$108.26	\$103.57	\$98.92	\$90.48	\$87.72	\$94.09	\$78.34	\$75.38
R-1	Residential, Hotels	\$155.77	\$150.50	\$146.52	\$140.86	\$131.24	\$127.52	\$141.71	\$118.97	\$114.37
R-2	Residential, Multiple Family	\$130.60	\$125.33	\$121.35	\$115.49	\$108.18	\$102.52	\$116.67	\$93.92	\$89.27
R-3	Residential, One and Two-Family	\$123.28	\$118.40	\$114.97	\$111.77	\$109.60	\$106.72	\$111.84	\$102.72	\$98.83
R-4	Residential, Care/Assisted Living Facilities	\$153.80	\$148.53	\$144.55	\$138.69	\$129.50	\$125.98	\$130.98	\$117.23	\$112.54
S-1	Storage, Moderate Hazard	\$86.15	\$81.88	\$78.78	\$74.03	\$65.75	\$62.57	\$70.80	\$52.97	\$49.76
S-2	Storage, Low Hazard	\$85.15	\$80.88	\$76.78	\$73.05	\$65.75	\$61.57	\$69.80	\$52.97	\$49.76
U	Utility, Miscellaneous	\$89.81	\$82.22	\$58.51	\$55.59	\$50.20	\$46.80	\$52.45	\$39.63	\$37.72

- a Private Garages use Utility, miscellaneous
- b Unfinished basements (all use group) = \$18.00 per sq. ft.
- c For shell only buildings deduct 20 percent.
- d N.P. = not permitted

Table "A"

CITY OF NORCO
DEPARTMENT OF PUBLIC WORKS
BUILDING AND SAFETY DIVISION

TABLE 1 - A

BUILDING PERMIT FEES (BASED ON VALUATION)

TOTAL VALUATION	FEE CALCULATION	TOTAL FEE
\$1.00 to \$500.00	\$23.50	*
\$501.00 to \$2,000.00	\$23.50 for the first \$500.00 plus \$3.66 for each additional \$100.00, or a fraction thereof, to and including \$2,000.00	*
\$2,000.00 to \$25,000.00	\$69.25 for the first \$2000.00 plus \$14.00 for each additional \$1,000.00, or a fraction thereof, to and including \$25,000.00	*
\$25,000.00 to \$50,000.00	\$391.75 for the first \$25,000.00 plus \$10.19 for each additional \$1,000.00, or a fraction thereof, to and including \$50,000.00	*
\$50,000.00 to \$100,000.00	\$843.75 for the first \$50,000.00 plus \$7.00 for each additional \$1,000.00, or a fraction thereof, to and including \$100,000.00	*
\$100,001.00 to \$500,000.00	\$993.75 for the first \$100,000.00 plus \$5.60 for each additional \$1,000.00, or a fraction thereof, to and including \$500,000.00	*
\$500,000.00 to \$1,000,000.00	\$3,233.75 for the first \$500,000.00 plus \$4.75 for each additional \$1,000.00, or a fraction thereof, to and including \$1,000,000.00	*
\$1,000,000.00 and up	\$6,603.75 for the first \$1,000,000.00 plus \$3.15 for each additional \$1,000.00, or a fraction thereof	*
Other Inspections and Fees:		
1. Inspections outside of normal business hours, per hour (minimum charge - two hours)	\$49.50*	*
2. Reinspection fees assessed under provisions of Section 116.6 per inspection	\$49.50*	*
3. Inspections for which no fee is specifically indicated, per hour (minimum charge - one-half hour)	\$49.50*	*
4. Additional plan review required by changes, additions or revisions to plans. (minimum charge - one-half hour)	\$49.50*	*
5. For the use of outside consultants for plan check and inspections, or both	Actual cost**	*
* Or the total hourly cost to the jurisdiction, whichever is the greatest. This cost shall include supervision, overhead, equipment, hourly wages and fringe benefits of the employee involved		
**Actual costs include administrative and overhead costs		
TOTAL FEE IS EQUAL TO TABLE 1-A FEE CALCULATION X 1.21		

CITY OF NORCO
DEPARTMENT OF PUBLIC WORKS
BUILDING AND SAFETY DIVISION

TABLE C

MISCELLANEOUS FIXED FEES	FEE
PERMIT TYPES	
Assignment of Property Addresses	1 hour of staff time
Carport	Based on the Building Permit Fee Table 1-A
Commercial Deck - Engineered	Based on the Building Permit Fee Table 1-A
Commercial Lattice patio Cover	Based on the Building Permit Fee Table 1-A
Commercial Re-Roofing Replacements	Based on the Building Permit Fee Table 1-A
Commercial Structural Roofing Alteration	Based on the Building Permit Fee Table 1-A
Commercial Swimming Pool	Based on the Building Permit Fee Table 1-A
Duplicate Job Card	1/2 hour of staff time
Electric Meter Reset/Release	1/2 hour of staff time
Garden Walls, City Standard, Single Lot	Based on the Building Permit Fee Table 1-A
Garden Walls, Engineered, Single Lot	Based on the Building Permit Fee Table 1-A
Microfilming Plans - 8 1/2" x 11" sheet	\$0.50
Microfilming Plans - for each larger sheet	\$2.00
Photovoltaic Systems	Based on the Building Permit Fee Table 1-A
Records Archiving - (8 1/2" x 11")	\$0.25
Records Archiving - (Larger than 8 1/2" x 11")	\$2.00
Residential Deck/Balcony	Based on the Building Permit Fee Table 1-A
Residential Lattice Patio Cover	Based on the Building Permit Fee Table 1-A
Residential Re-Roofing Replacements	Based on the Building Permit Fee Table 1-A
Residential Solid Patio Cover	Based on the Building Permit Fee Table 1-A
Residential Structural Roofing Alteration	Based on the Building Permit Fee Table 1-A
Residential Swimming Pools	Based on the Building Permit Fee Table 1-A
Retaining Walls - Engineered	Based on the Building Permit Fee Table 1-A
Retaining Walls, City Standard, Single Lot	Based on the Building Permit Fee Table 1-A
Retaining Walls, Engineered, Single Lot	Based on the Building Permit Fee Table 1-A
S-50 Special Inspections	\$170.00
S-60 Plan Check (Non-Repetitive)	Charge 66% of the Building Permit fee, \$100 for each plan check thereafter
S-70 Plan Check (Repetitive)	Charge 46% of the Building Permit fee, \$100 for each plan check thereafter
S-80 Demolition Permit	\$216.00
S-90 Water and Sewer Connection	\$165.00
S-100 Relocation Permit - plus Planning Department Application	\$790.00
S-110 Fire Permit Processing	\$25.00
S-120 Temporary Certificate of Occupancy	\$470.00
S-130 Temporary Power/Utilities	\$315.00
S-150 Certificate of Occupancy New Building	\$556.00
S-160 Tenant Certificate of Occupancy	\$310.00
Signage	Based on the Building Permit Fee Table 1-A
Special Inspector - Annual Registration	\$0.12
Manufactured Homes Permit Fees - Reference Title 25	

**Electrical Permit Fees
Table 3 - A**

Electrical Permit Description	FEE
Permit Issuance:	
1. For the issuance of each electrical permit	\$24.64
2. For the issuing of each supplemental permit for which the original permit has not expired, been canceled or finalized	\$7.28
System Fee Schedule:	
1. New Residential Buildings	
The following fees shall include all wiring and electrical equipment in or on each building, or other electrical equipment on the same premises constructed at the same time.	
Multifamily. For new multi-family residential buildings (apartments and condominiums) having three or more living units constructed at the same time, and not including the area of garages, carports, and accessory buildings, per square foot.	\$0.08
Single- and two-family. For new single- and two-family residential buildings constructed at the same time, and not including the area of garages, carports, and accessory buildings, per square foot.	\$0.08
Note: For other types of residential occupancies and alterations, additions, and modifications to existing residential buildings, use the UNIT FEE SCHEDULE.	
2. New Commercial Buildings	
For new non-residential buildings per square foot.	N/A
3. Private Swimming Pools	
For new private, in-ground swimming pools for single-family and multi-family occupancies, including a complete system of necessary branch circuit wiring, bonding, grounding, underwater lighting, water pumping, and other similar electrical equipment directly related to the operation of a swimming pool, each pool.	\$49.58
Note: For other types of swimming pools, therapeutic whirlpools, spas, and alterations to existing swimming pools, use the UNIT FEE SCHEDULE.	
4. Carnivals and Circuses	
Carnivals, circuses, or other traveling shows or exhibitions utilizing transportable-type rides, booths, displays, and attractions	
For electric generators and electricity-driven rides, each:	\$24.64
For mechanically-driven rides and walk-through attractions or displays having electric lighting, each:	\$7.28
For a system of area and booth lighting, each:	\$7.28
Note: For permanently-installed rides, booths, displays, and attractions, use the UNIT FEE SCHEDULE.	
5. Temporary Power Services	
For a temporary service power pole or pedestal, including all pole or pedestal-mounted receptacle outlets and appurtenances, each	\$24.64
For a temporary distribution system and temporary lighting and receptacle outlets for construction sites, decorative light, Christmas tree sales lots, fireworks stands, etc., each:	\$12.32

Electrical Permit Description	FEE
Unit Fee Schedule	
NOTE: The following do not include permit-issuing fee.	
1. Receptacle, Switch, and Lighting Outlets	
For receptacle, switch, lighting, or other outlets at which current is used or controlled, except services, feeders, and meters:	
First 20, each:	\$1.12
Additional outlets, each:	\$0.73
NOTE: For multi-outlet assemblies, each five feet or fraction thereof may be considered as one outlet.	
2. Lighting Fixtures	
For lighting fixtures, sockets, or other lamp-holding devices:	
First 20, each:	\$1.12
Additional fixtures, each:	\$0.73
For pole or platform-mounted lighting fixtures, each:	\$1.12
For theatrical-type lighting fixtures or assemblies, each:	\$1.12
3. Residential Appliances	
For fixed residential appliances or receptacle outlets for same, including wall-mounted electric ovens; counter-mounted cooking tops; electric ranges, self-contained room, console, or through-wall air conditioners; space heaters; food waste grinders; dishwashers; washing machines; water heaters; clothes dryers; or other motor-operated appliances not exceeding one horsepower (HP) in rating, each:	
NOTE: For other types of air conditioners and other motor-driven appliances having larger electrical ratings, see Power Apparatus.	
4. Non-Residential Appliances	
For residential appliances and self-contained, factory-wired, non-residential appliances not exceeding one horsepower (HP), kilowatt (KW), or kilovoltampere (KVA) in rating, including medical and dental devices; food, beverage, and ice cream cabinets; illuminated show cases; drinking fountains; vending machines; laundry machines; or other similar types of equipment, each:	
NOTE: For other types of air conditioners and other motor-driven appliances having larger electrical ratings, see Power Apparatus.	
5. Power Apparatus	
For motors, generators, transformers, rectifiers, synchronous converters, capacitors, industrial heating, air conditioners and heat pumps, cooking or baking equipment, and other apparatus, as follows:	
Rating in horsepower (HP), kilowatts (KW), kilovoltampere (KVA), or kilovoltampere-reactive (KVAR):	
Up to and including 1, each:	\$4.75
Over 1 and not over 10, each:	\$12.32
Over 10 and not over 50, each:	\$24.54
Over 50 and not over 100, each:	\$49.67
Over 100, each:	\$74.48
NOTES:	
1) For equipment or appliances having more than one motor, transformer, heater, etc., the sum of the combined ratings may be used.	

Electrical Permit Description	FEE
2) These fees include all switches, circuit breakers, contactors, thermostats, relays, and other directly-related control equipment.	
6. Signs, Outline Lighting, and Marquee	
For signs, outline lighting systems, or marquee supplies from one branch circuit, each:	\$24.64
For additional branch circuits within the same sign, outline lighting system or marquee, each:	\$4.75
7. Services	
For services of 600 volts or less, and not over 200 amperes in rating, each:	\$30.54
For services of 600 volts or less, and over 200 amperes to 1,000 amperes in rating, each:	\$62.16
For services over 600 volts or over 1,000 amperes in rating, each:	\$124.32
8. Miscellaneous Apparatus, Conduits, and Conductors	
For electrical apparatus, conduits, and conductors for which a permit is required, but for which no fee is herein set forth:	\$18.20
NOTE: This fee is not applicable when a fee is paid for one or more services, outlets, fixtures, appliances, power apparatus, bus ways, signs, or other equipment.	
Other Inspections and Fees:	
Inspections outside of normal business hours, per hour (minimum charge - two hours):	\$49.50*
Reinspection fees assessed under provisions of Section 89 108.4.4 of the 2010 California Electrical Code, per inspection:	\$49.50*
Inspections for which no fee is specifically indicated, per hour (minimum charge - one-half hour):	\$49.50*
Additional plan review required by changes, additions or revisions to plans or to plans for which an initial review has been completed (minimum charge - one-half hour):	\$49.50*
* Or the total hourly cost to the jurisdiction, whichever is the greatest. This cost shall include supervision, overhead, equipment, hourly wages and fringe benefits of the employees involved.	

**Mechanical Permit Fees
Table I - A**

Mechanical Fee Description	FEE
Permit Issuance and Heaters:	
1. For the issuance of mechanical permits	\$28.20
2. For issuing each supplemental permit for which the original permit has not expired, been canceled or finished	\$8.70
Unit Fee Schedule: Note: The following do not include permit issuing fee.	
1. Furnaces:	
For the installation or relocation of forced-air or gravity-type furnaces or burners, including ducts and vents attached to such appliances, up to and including 100,000 Btu/h	\$17.76
For the installation or relocation of forced-air or gravity-type furnaces or burners, including ducts and vents attached to such appliances over 100,000 Btu/h	\$21.84
For the installation or relocation of each floor furnaces, including vents	\$17.76
For the installation or relocation of each suspended heaters, Recessed wall heaters or floor-mounted unit heaters	\$17.76
2. Appliance Vents	
For the installation, relocation or replacement of appliance vents installed and not included in an appliance permit	\$8.70
3. Repairs or Additions	
For the repair of, alteration of, or addition to heating appliances, refrigeration units, cooling units, absorption units, or heating, cooling, absorption or evaporative cooling systems, including installation of controls regulated by the Mechanical Code	\$16.44
4. Boilers, Compressors and Absorption Systems:	
For the installation or relocation of each boiler or compressor up to and including three (3) HP, or each absorption systems up to and including 100,000 Btu/h	\$17.84
For the installation or relocation of each boiler or compressor over three (3) HP up to and including 500,000 Btu/h	\$32.58
For the installation or relocation of each boiler or compressor over 15 HP up to and including thirty (30) HP, or each absorption systems over 500,000 Btu/h up to and including 1,000,000 Btu/h	\$44.70
For the installation or relocation of each boiler or compressor over thirty (30) HP, up to and including fifty (50) HP, or for each absorption system over 1,000,000 Btu/h up to and including 1,750,000 Btu/h	\$65.54
5. Air Handlers:	
For each air-handling unit up to and including 10,000 cfm, including ducts attached thereto.)	\$12.78
For air-handling unit over 10,000 cfm	\$21.72
NOTE: This fee does not apply to an air-handling unit which is a portion of a factory-assembled appliance, cooling unit, evaporative cooler or absorption unit for which a permit is required elsewhere in the Mechanical Code	
6. Evaporative Coolers	
For each evaporative cooler other than portable type	\$12.78

Mechanical Fee Description	FEE
7. Ventilation and Exhaust:	
For each ventilation fan connected to a single duct	\$8.75
For each ventilation system that is not a portion of any heating or air-conditioning system authorized by a permit	\$12.75
For the installation of each hood that is served by mechanical exhaust, including the ducts for such hood	\$12.75
8. Incinerators:	
For the installation or relocation of each domestic-type incinerator	\$21.84
For the installation or relocation of each commercial or industrial-type incinerator	\$17.40
9. Miscellaneous	
For each appliances or piece of equipment regulated by the Mechanical Code, but not classed in other appliance categories, or for which no other fee is listed in this table	\$12.75
10. Fuel-Gas	
When Chapter 12 is applicable, permit fees for fuel-gas piping shall be as follows:	
For each gas piping system of one to five outlets	\$5.70
For each additional gas piping system, per outlet	\$1.32
11. Process Piping	
For each hazardous process piping system (HPP) of one to four outlets	\$6.00
For each HPP piping system of five or more outlets, per outlet	\$1.20
For each non-hazardous process piping system (NPP) of one to four outlets	\$2.40
For each NPP piping system of five or more outlets, per outlet	\$0.60
Other Inspections and Fees:	
1. Inspections outside of normal business hours, per hour (minimum charge - two hours)	\$49.50*
2. Reinspection fees assessed under provisions of Section 1.8.4.2 of the 2010 California Mechanical Code per inspection	\$49.50*
3. Inspections for which no fee is specifically indicated, per hour (minimum charge - one-half hour)	\$49.50*
4. Additional plan review required by changes, additions or revisions to plans or to to plans for which an initial review has been completed (minimum charge - one-half hour)	\$49.50*
* Or the total hourly cost to the jurisdiction, whichever is the greatest. This cost shall include supervision, overhead, equipment, hourly wages and fringe benefits of the employees involved.	

Plumbing Permit Fees
Table 1-1

Plumbing Permit Description	FEE
Permit Issuance:	
1. For the issuance of each plumbing permits	\$26.80
2. For issuing each supplemental permits for which the original permit has not expired, been canceled or finalized	\$13.40
Unit Fee Schedule	
NOTE: The following do not include permit-issuing fee	
1. Fixtures and Vents:	
For each plumbing fixture, trap or set of fixtures on one trap, including water, drainage piping and backflow protection thereof	\$9.38
For repair or alteration of drainage or vent piping, each fixture	\$9.38
2. Sewers, Disposal Systems and Interceptors:	
For each building sewer and each trailer park sewer	\$20.10
For each cesspool	\$33.50
For each private sewage disposal systems	\$56.30
For each industrial waste pretreatment interceptors, including its traps and vents, excepting kitchen-type grease interceptors functioning as fixture traps	\$9.38
Rainwater systems-per drain (inside building)	\$9.38
3. Water Piping and Water Heaters	
For installation, alteration, or repair of water piping or water-treating equipment, or both, each	\$9.38
For each water heaters, including vent	\$9.38
4. Gas Piping Systems	
For each gas piping systems of one to five outlets	\$6.70
For each additional outlet over five, each	\$1.34
5. Lawn Sprinklers, Vacuum Breakers and Backflow Protection Devices	
For each lawn sprinkler systems on any one meter, including backflow protection devices therefore	\$9.38
For atmospheric-type vacuum breakers or backflow protection devices not included in Item 1:	
• 1 to 5 devices	\$6.70
• More than 5 devices	\$1.34
For each backflow-protection devices other than atmospheric-type vacuum breakers	
• 2 inches and smaller	\$9.38
• Over 2 inches	\$20.10
6. Swimming Pools	
For each swimming pool or spa:	
Public Pool	N/A
Public Spa	N/A
Private Pool	N/A
Private Spa	N/A

Plumbing Permit Description	FEE
7. Miscellaneous	
For each appliances or pieces of equipment regulated by the Plumbing Code Code but not classed in other appliance categories, or for which no other fee is listed in this code	\$0.00
For each gray water system	\$56.20
For initial installation and testing for a reclaimed water system	\$40.20
For annual cross-connection testing of a reclaimed water system (excluding initial test)	\$40.20
For each medical gas piping system serving one to five inlets or outlets for a specific gas	\$67.00
For each additional medical gas inlet or outlet	\$5.70
Other Inspections and Fees:	
Inspections outside of normal business hours, per hour (minimum charge - two hours)	\$49.50*
Reinspection fees assessed under provisions of Section 1.8.4.2 of the 2010 California Plumbing Code	\$49.50*
Inspections for which no fee is specifically indicated, per hour (minimum charge - one-half hour)	\$49.50*
Additional plan review required by changes, additions or revisions to plans or to plans for which an initial review has been completed (minimum charge - one-half hour)	\$49.50*
* Or the total hourly cost to the jurisdiction, whichever is the greatest. This cost shall include supervision, overhead, equipment, hourly wages and fringe benefits of the employees involved.	

DEVELOPMENT IMPACT FEE SCHEDULE	FEE
COMMERCIAL / OFFICE	
Parks	\$ 588 / sq. ft.
Fire	\$ 524 / sq. ft.
General	\$ 118 / sq. ft.
Streets	\$3,889 / sq. ft.
Storm Drains	\$ 293 / sq. ft.
Animal control	\$ 008 / sq. ft.
Water	\$2,400.00 / 1" meter \$7,500.00 / 2" meter
COMMERCIAL LODGING	
Parks	\$116.00 / Guest Unit
Fire	\$374.00 / Guest Unit
General	\$28.00 / Guest Unit
Streets	\$1,070.00 / Guest Unit
Storm Drains	\$59.00 / Guest Unit
Animal control	\$2.08 / Guest Unit
Water	\$2,400.00 / 1" meter \$7,500.00 / 2" meter
INDUSTRIAL	
Parks	\$0.368 / sq. ft.
Fire	\$ 011 / sq. ft.
General	\$ 118 / sq. ft.
Streets	\$1,177 / sq. ft.
Storm Drains	\$ 190 / sq. ft.
Animal control	\$ 0052 / sq. ft.
Water	\$2,400.00 / 1" meter \$7,500.00 / 2" meter
SINGLE FAMILY DWELLING/SUBDIVISION	
Parks	\$15,742.00 / Res. Unit
Fire	\$1,086.00 / Res. Unit
General	\$615.00 / Res. Unit
Trails	\$728.00 / Res. Unit
Water	\$2,400.00 / 1" meter only
Streets	\$2,004.00 / Res. Unit
St. Drain	\$1,560.00 / Res. Unit
Animal Control	\$146.00 / Res. Unit
Public Library	\$471.00 / Res. Unit
Public Meeting Facilities	\$1,312.00 / Res. Unit
Aquatics Center	\$251.00 / Res. Unit
MULTI FAMILY	
Parks	\$5,182.00 / Res. Unit
Fire	\$1,689.00 / Res. Unit
General	\$515.00 / Res. Unit
Water	\$2,400.00 / 1" meter only
Streets	\$1,379.00 / Res. Unit
St. Drain	\$162.00 / Res. Unit
Animal Control	\$146.00 / Res. Unit
Public Library	\$248.00 / Res. Unit
Public Meeting Facilities	\$891.00 / Res. Unit
Aquatics Center	\$132.00 / Res. Unit
SEE BUILDING DEPARTMENT FOR OTHER APPLICABLE FEES	

EXHIBIT "J"

RCA MINUTES & WRCRCA INDEPENDENT ACCOUNTANT'S REPORT

[Attached as the immediately following pages.]

Michael R. Adcock, CPA
Shannon M. Carlson, CPA
Linda S. Devlin, CPA
Andrew Steinfke, CPA
CPA Council
Thomas E. Avers, CPA
Jared M. Ford, CPA
Peter L. Troschky, CPA
A California Limited Liability Partnership
Certified Public Accountants



Member
American Institute
Certified Public Accountants
Fiscal Council
Special Society
Employee Benefits
Audit Quality Team
California Society
Certified Public Accountants

**Independent Accountants' Report
on Applying Agreed-Upon Procedures**

To the Board of Directors
Western Riverside County Regional
Conservation Authority

We have performed the procedures enumerated in the attachment, which were agreed to by the Western Riverside County Regional Conservation Authority (the "Authority") solely to assist you in determining Multiple Species Habitat Conservation Plan (MSHCP) fees are collected and remitted by the City of Norco (the "City") in accordance with MSHCP Implementing Agreement and the Joint Exercise of Powers Agreement (JPA) creating the Western Riverside County Regional Conservation Authority dated January 27, 2004 for the year ended June 30, 2009. The City is responsible for the collection and remittance of MSHCP fees.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the management of Western Riverside County Regional Conservation Authority. Consequently, we make no representations regarding the sufficiency of the procedures described in the attached, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are listed in the attached document.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of any opinion, on the collection and remittance of MSHCP fees. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of Western Riverside County Regional Conservation Authority and is not intended to be, and should not be, used by anyone other than those specified parties.

Adcock-Devlin LLP

Riverside, California
December 21, 2010

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Agreed-Upon Procedures and Findings - City of Norco

For the Year Ended June 30, 2009

Agreed-Upon Procedures

1. Obtain each permittee ordinance for collection of the MSHCP fees.
2. Upon obtaining the ordinance, determine if it is in accordance with the MSHCP Implementing Agreement and IPA.
3. Determine if the fees on the building permits are collected in accordance with the permittee ordinance.
4. Obtain the schedule of fees collected on the building permits for the year under examination.
5. Select for testing 10 percent of the building permits from the total building permits issued, selecting no less than 25 permits or 100 percent of the permits if the total permits issued number less than 25.

Findings

Obtained City of Norco Ordinance No. 813, amended Title 3 of the Norco Municipal Code authorizing participation in the MSHCP fee program and establishing City Chapter 3.60.

The Authority prepared a model ordinance for the member agencies to be in accordance with the MSHCP Implementing Agreement and IPA. The City ordinance is in agreement with the model ordinance, except for the following:

Section 11 of the model ordinance requires prior approval by the Authority before granting local development fee credits or waivers, while Section 3.60.060 of the City ordinance gives the Authority a cooperative role and audit power in granting the fee credits or waivers.

The City ordinance states that the MSHCP fee must be collected at the time a permit is issued and is supported by the City's procedures.

The total amount collected by the City for the year ended June 30, 2009 was \$58,082.81.

These amounts were remitted to the Authority October 16, 2008 through June 11, 2009, per the attached MSHCP Mitigation City of Norco Collection Schedule.

The City issued four building permits for structures during the year ended June 30, 2009. All four permits were included in the sample selection, and all were subject to the MSHCP.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Agreed-Upon Procedures and Findings - City of Norco

For the Year Ended June 30, 2009

Agreed-Upon Procedures

6. Recalculate the fees collected by the City on building permits to determine if they are correct and if the correct amounts have been remitted to the Authority. If fees are incorrect, determine the fees that should have been collected and remitted.
7. Determine if fees collected on building permits were remitted on a timely basis to the Authority.
8. Determine additional amounts, if any, which should be returned to the permittee for building permits.
9. If amounts are due to the Authority on building permits, calculate interest through the date of the report based on the Authority's Resolution No. 07-04 adopted on September 10, 2007 using the interest rate paid by Riverside County Treasury on amounts held by the County.
10. Obtain a list of all construction contracts awarded by the permittee during the fiscal year.

Finding

The building permit fees were recalculated and agreed to the amount collected for permits within our sample subject to the MSHCP, with the following exception:

We noted one permit, No. 2007BD0989, issued on November 12, 2008, for which the MSHCP fees were paid on November 12, 2008 using the fee rate for the year ended June 30, 2008. We recalculated a total under-collection of \$221.48.

Per the JPA creating the Authority dated January 27, 2004, all development mitigation fees must be remitted to the Authority within 90 days of the earlier of the date they were collected or the date they should have been collected. Fees were remitted on a timely basis to the Authority without exception. See the timing of actual remittances as summarized in the attached MSHCP Mitigation City of Norco Collection Schedule.

None were noted.

Fees in the amount of \$221.48 are due to the Authority on permit No. 2007BD0989 as of December 21, 2009. Interest of \$2.77 in total was calculated on this permit from February 10, 2009 through December 21, 2009.

Though the City did not report any construction contracts awarded during the year ended June 30, 2009, we noted through a review of the City Council minutes six construction contracts awarded during the year.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Agreed-Upon Procedures and Findings - City of Norco

For the Year Ended June 30, 2009

Agreed-Upon Procedures

11. Select a sample of 10 percent of the contracts for testing, selecting no less than three contracts or 100 percent of contracts if the total number of contracts issued is less than three.
12. Compute the amount of fees on the construction contracts that should have been remitted.
13. Determine if the fees on the construction contracts were remitted to the Authority within 90 days of contract award.
14. Determine additional amounts on construction contracts, if any, which should be remitted to the Authority or returned to the permittee.
15. If additional amounts are due to the Authority on construction contracts, calculate interest, using the interest rate paid by Riverside County Treasury on amounts held by the County.

Finding

We haphazardly selected three construction contracts for our sample, representing 30 percent of contracts awarded during the year ended June 30, 2009.

We determined that the three contracts in our sample awarded during the year ended June 30, 2009 appear appropriately exempted from the MSHCP by the City. The contracts included in our sample were awarded for the following projects:

1. Storm Drain Improvements to Broken Arrow and Western Avenue awarded December 17, 2008.
2. Installation of Street and Traffic Signal Improvements at River Road and Second Street awarded March 4, 2009.
3. Development of a Public Use Equestrian and Sports Park on the Silverlakes Property awarded March 4, 2009.

Not applicable.

None noted.

Not applicable.

ORDINANCE NO. 934

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF NORCO, CALIFORNIA, APPROVING THE DEVELOPMENT AGREEMENT BETWEEN THE CITY OF NORCO AND BALBOA MANAGEMENT GROUP, LLC FOR THE SILVERLAKES EQUESTRIAN & SPORTS PARK

RECITALS

WHEREAS, on March 4, 2009, the City Council of the City of Norco adopted Resolution No. 2009-07 and Resolution No. 2009-08 which approved a Conditional Use Permit ("CUP") and certified an Environmental Impact Report ("EIR") for the development of the Silverlakes Equestrian & Sports Park ("project") located on the east side of Hamner Avenue, north of the Santa Ana River ("property"); and,

WHEREAS, in so approving the CUP and EIR, the City held duly-noticed public hearings before the Planning Commission and City Council and considered all testimony and information submitted; and

WHEREAS, the EIR contemplated a Development Agreement as future legislation in order to regulate the development of the project; and

WHEREAS, Balboa has applied for a Development Agreement regarding the project which application and fees submitted meet the requirements of the City of Norco Municipal Code, including Chapter 4.02; and

WHEREAS, the Development Agreement is attached hereto as Exhibit "A" and its recitals are hereby incorporated by reference herein as true and correct; and

WHEREAS, in accordance with Chapter 4.02 of the Norco Municipal Code, the City's Planning Commission held a duly-noticed public hearing to consider the Development Agreement on August 11, 2010. After considering all testimony and information submitted, the Planning Commission voted to recommend approval of the development agreement to the City Council by making the following findings required by Section 4.04.040 of the Norco Municipal Code:

- a. The Development Agreement is consistent with the objectives, policies, general land uses and programs specified in the General Plan.
- b. The Development Agreement is compatible with the uses authorized in the zoning district and General Plan planning area in which the real property is located.
- c. The Development Agreement is in conformity with the public necessity, public convenience, general welfare, and good land use practices.

- d. The Development Agreement will be beneficial to the health, safety, and general welfare consistent with the policy of the City with respect to development agreements as provided in Section 4.08.010, which states: It is the policy of the City of Norco to enter into development agreements under the provisions of this Chapter where the development agreement and proposed development project is, in the City's opinion, a significant public benefit not only to the prospective residents of the proposed development but to the entire community.
- e. The Development Agreement will not adversely affect the orderly development of property in the City.
- f. The Development Agreement will have a positive fiscal impact on the City.

WHEREAS, on July 8, 2011, the City Council conducted a duly-noticed public hearing to consider the Development Agreement and the Planning Commission's recommendation. On July 20, 2011, the City Council conducted a second reading of the ordinance in the manner prescribed by law.

WHEREAS, the City Council has determined that no further CEQA review or documentation is required relative to further project entitlements such as this Development Agreement due to the lack of substantial change to the project or the circumstances under which the project will be developed and the lack of new information of substantial importance as defined under CEQA Guidelines 15162.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF NORCO DOES HEREBY ORDAIN AS FOLLOWS:

1. The City Council has reviewed the Development Agreement and finds it consistent with the Norco General Plan, the Norco Municipal Code Section 4.04.050 and State laws governing development agreements including without limitation Government Code Sections 65864 et seq. and the California Environmental Quality Act.
2. The City Council hereby approves the Development Agreement and directs the Mayor to execute it on behalf of the City Council.
3. This Ordinance shall become effective at 12:01 a.m. on the thirty-first day after adoption.
4. The City Clerk shall certify the adoption of this Ordinance and cause it to be published in the manner prescribed by law. Pursuant to Government Code Section 65868.5, the City Clerk shall also cause the Development Agreement to be recorded with the County Recorder within ten (10) days of its execution.

PASSED AND ADOPTED by the City Council of the City of Norco at a regular meeting held July 20, 2011.

Berni Hanna
Mayor of the City of Norco, California

ATTEST:

Brenda K. Jacobs
Brenda K. Jacobs, City Clerk
City of Norco, California

I, BRENDA K. JACOBS, City Clerk of the City of Norco, California, do hereby certify that the foregoing Ordinance was introduced at a regular meeting of the City Council of the City of Norco, California, duly held on July 6, 2011 and thereafter at a regular meeting of said City Council duly held on July 20, 2011, it was duly passed and adopted by the following vote of the City Council:

AYES: HANNA, BASH, SELLIVAN, AZEVEDO, NEWTON
NOES: NONE
ABSENT: NONE
ABSTAIN: NONE

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Norco, California, on July 20, 2011.

Brenda K. Jacobs
Brenda K. Jacobs, City Clerk
City of Norco, California

/bj-7B926

The foregoing instrument is a correct copy
of the original on file in this office

ATTEST July 21 2011
Wendy German
Deputy
City Clerk of the City of Norco, California

RECORDING REQUESTED BY:

City of Norco
City Clerk Department

AND WHEN RECORDED MAIL TO:

City of Norco
City Clerk's Office
2870 Clark Avenue
Norco, California 92860

Exempt from Recorder's Fees
Pursuant to Government Code §§ 6103, 27383

(Space Above This Line For Recorder's Use)

MEMORANDUM OF UNDERSTANDING REVISING PERFORMANCE SCHEDULE

This **MEMORANDUM OF UNDERSTANDING REVISING PERFORMANCE SCHEDULE** (this "MOU"), dated as of January 21, 2015, is made by and between **CITY OF NORCO, CALIFORNIA**, a California municipal corporation (the "City") and **BALBOA MANAGEMENT GROUP, LLC**, a Delaware limited liability company ("Balboa").

RECITALS

A. The City and Balboa are parties to that certain Development Agreement dated as of June 6, 2011 and recorded in the Official Records of the County of Riverside, California as Document No. 2011-0343820 (the "Development Agreement").

B. Capitalized terms used in this MOU are used with the meanings set forth in the Development Agreement.

C. The parties hereto desire to enter into this MOU to reflect modifications to Exhibit C and Exhibit G attached to the Development Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. List of Initial Improvements. Exhibit C of the Development Agreement is hereby amended and restated in its entirety to be the Exhibit C attached hereto and all references in the Development Agreement to Exhibit C shall reference the Exhibit C attached hereto in all respects.

2. Schedule of Performance. Exhibit G of the Development Agreement is hereby amended and restated in its entirety to be the Exhibit G attached hereto and all references in the Development Agreement to Exhibit G shall reference the Exhibit G attached hereto in all respects.

3. Ratification. Except as expressly amended and modified herein all other terms, covenants and provisions of the Development Agreement shall remain unaltered and in full force and effect, and the parties hereto do hereby expressly ratify and confirm the Development Agreement.

4. Binding Effect. This MOU shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, successors-in-title and assigns.

5. Counterparts. This MOU may be executed in duplicate counterparts, each of which shall be deemed an original and all of which, when taken together, shall be deemed one and the same instrument.

6. Governing Law. This MOU shall be governed by and construed in accordance with the laws of the State of California.


7. Authority. The persons executing this MOU on behalf of the City and Balboa each warrant to the other that (a) each has the power and authority to enter into this MOU; (b) each is qualified to do business in the State of California; and (c) each of such persons is authorized to execute this MOU on behalf of the City or Balboa, as applicable. The City and Balboa shall each, upon request, provide evidence satisfactory to the other confirming these representations.

[END OF DOCUMENT TEXT]

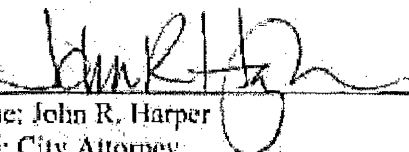
IN WITNESS WHEREOF, the City and Balboa have signed and delivered this MOU or have caused this MOU to be signed and delivered by their respective duly authorized representatives as of the day and year first above written.

CITY:

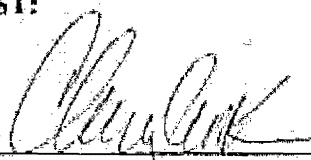
CITY OF NORCO, CALIFORNIA, a municipal corporation organized and existing under the laws of the State of California

By: 
Name: Herb Higgins
Title: Mayor

APPROVED AS TO FORM:

By: 
Name: John R. Harper
Title: City Attorney

ATTEST:

By: 
Name: Cheryl L. Link
Title: City Clerk

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Riverside) ss.

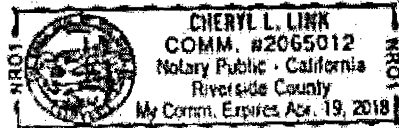
On January 22, 2015, before me, Cheryl L. Link, Notary Public, personally appeared Herb Higgins, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her/their authorized 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

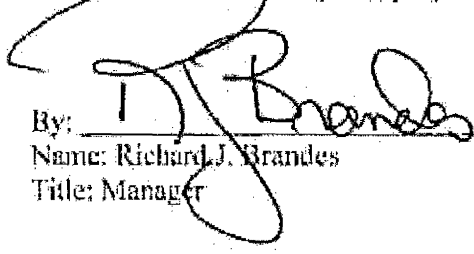
Cheryl L. Link
Signature

(seal)



BALBOA:

BALBOA MANAGEMENT GROUP, LLC, a
Delaware limited liability company

By: 
Name: Richard J. Brandes
Title: Manager

ACKNOWLEDGEMENT

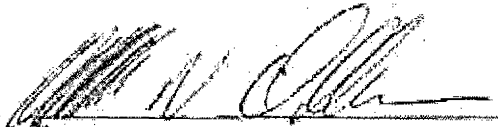
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ORANGE) ss.

~~February~~ On January 4, 2015, before me, WILLIAM W. ODELSON, Notary Public, personally appeared RICHARD J. BRANDES, who 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 executed the same in his/hisr/their authorized capacity(ies), and that by his/hisr/their signature(s) on the instrument the person(A), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal


Signature

(seal)

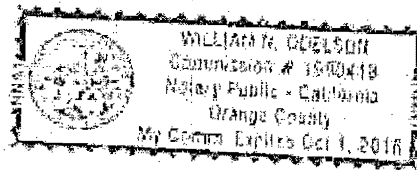


EXHIBIT C

LIST OF INITIAL IMPROVEMENTS

(attached)

EXHIBIT "C"

LIST OF INITIAL IMPROVEMENTS

The Initial Improvements approved by the City allow Balboa to construct and operate a park with recreation facilities at which Balboa may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events, including all Permitted Uses identified on Exhibit "H."

The Initial Phase 1A Improvements *shall* include the following:

- Up to 25 full size soccer fields – mainly grass with up to 8 artificial synthetic fields
- Up to 6 sand rings for horseback riding or sand sports
- Equestrian competition showgrounds
- Portable and permanent restroom facilities
- Gated entrance(s) on Hamner; gated entrance on any connector road constructed to I-15 Freeway if bordering on Leased Premises
- Parking Areas
- Some permanent and temporary lighting
- Water holding tanks (if needed)
- Two Water Wells
- Internal directional and informational signage

The Initial Phase 1A Improvements *may also* include the following:

- Supporting Infrastructure, facilities and amenities
- Sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires

The Phase 1B Improvements *shall* include the following:

- Internal, private and public bridle trails
- RV campground and trailer parking
- Picnic areas
- Some permanent and temporary lighting
- Business office(s)
- Storage and maintenance facilities

The Phase 1B Improvements *may also* include the following:

- Stables and tack facilities – including paddocks, water troughs, wash racks, and tie stations
- Kitchen and other food service facilities
- Dining Areas

The Phase 2 Improvements *shall* include the following:

- A multi-purpose building or covered arena with a foot print of up to $\approx 135,000$ square feet
- Earthen and concrete viewing berms(s)
- Entry features, including identification signage, lake, other water features, gardens and reception areas

The Phase 2 Improvements *may also* include the following:

- Announcer's stand with public address systems
- Security personnel facilities and caretaker housing
- Mobile bleachers and fencing
- Temporary overnight accommodations of athletes, coaches and trainers
- A "pro shop" within the multi-purpose building or elsewhere on the property
- Hay barn and guard gate house(s)
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with this Agreement
- Fiber Optic and other communication conduit
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code

EXHIBIT G

SCHEDULE OF PERFORMANCE

(attached)

EXHIBIT "G"

SCHEDULE OF PERFORMANCE - Key Dates

Item #	Date*	Status	Action	Transaction Document (Section)	Responsible Party	1/2015 Revisions
1	8/11/10	Completed	Planning Commission hearing to review Site Plan and consider recommendation of Development Agreement		Landlord	
2	7/6/11	Completed	Development Agreement 1st reading by City Council		Landlord	
3	7/6/11	Completed	The "Ground Lease Effective Date" is the date that the Ground Lease is approved.	GL (Recitals)	Joint	
4	7/6/11	Completed	Landlord shall provide Tenant evidence that no delinquent taxes exist	GL (15.12(f))	Landlord	
5	7/6/11	Completed	Amended and Restated CUP 2008-08 (together with the associated Conditional of Approval) is effective	GL (Recitals)	Landlord	
6	7/6/11	Completed	The "Effective Date" under the Funding Construction & Acquisition Agreement	GL (Recitals)	Joint	
7	7/20/11	Completed	Development Agreement 2nd reading by City Council	DA (1.14)	Joint	
8	8/19/11	Completed	The "DA Effective Date" shall be 30 days following the 2nd Reading	DA (1.14)	Joint	
9	7/6/11	Completed	"Interim Term" Begins • The period of time commencing on the Effective Date and terminating on the Term Commencement Date (when all conditions precedent are waived or satisfied) • No Rent is paid during Interim Term+FGS	GL (2.1)	Joint	

10	2/28/15	Pending	Tenant to provide evidence of insurability for fire, vandalism, and malicious mischief, Tenant to provide evidence of insurability for permanent structures upon entry onto leased premises	GL (11.1)	Tenant	Changed date to 02/28/15
11	2/28/15	Pending	Tenant to provide evidence of insurability for commercial general liability, workers' comp, and builder's risk insurance	GL (11.3, 11.4)	Tenant	Changed date to 02/28/15
12	7/25/11	Completed?	CEQA Notice of Determination filed with Riverside County Clerk		Landlord	
13	TBD	Completed - will record Changes	Recordation of the DA with Riverside County Recorder	D.A Ordinance	Landlord	
14	8/19/11	Completed	Landlord's attorney shall have filed the Validation Action with the court to confirm that the Project, the Entitlements and the Existing Land Use Restrictions are in compliance with the Deed Restriction	DA (4.8)	Landlord	
15	8/5/11	Completed	Shared Use Agreement entered into by City and Balboa	GL (Ex C)	Joint	
16	8/5/11	Completed	Landlord provides letter to Tenant confirming sufficient funds to fund Landlord's obligations under Funding Construction & Acquisition Agreement	GL (Ex C)	Landlord	
17	8/5/11	Completed	Landlord provides Tenant with an owner's policy of leasehold title insurance, Landlord pays up to \$4,000 for the cost of such policy.	GL (Ex C)	Landlord	
18	Various Dates	Potential revisions	Subsequent submittals by Tenant of final Design Review Documents deemed to be complete by City staff	GL (5.2)	Tenant	

19	2/28/15	Pending	Tenant is reasonably satisfied that all Government Approvals shall Issue	GL (Ex C)	Tenant	This Action is listed in Exhibit C 1.(a)(iv)
20	10/4/11	Completed	Lot line adjustment application filed by this date (as determined by Tenant in its sole discretion)		Tenant	
21	10/18/11	Expired	Last day for filing a challenge to the DA and Amended CUP and COAs under Govt. Co			
22	2/18/15	Pending	The "Outside Date" the date by which the conditions precedent listed in Exhibit C to the Ground Lease shall have been fulfilled or waived by Tenant, in the exercise of Tenant's sole discretion and upon written notice delivered to Landlord	GL (Ex C)		
23	2/28/15	Pending	Tenant to provide bank letter to Landlord showing Tenant's capacity to fund Phase I improvements	GL (15.1(d)(1))	Tenant	Changed date to 2/28/15
24	2/28/15	Pending	Tenant is satisfied that adequate sources of capital exist to finance its development and operation of the Silverlakes property	GL (Ex C)	Tenant	Changed date to 2/28/15
25	1/15/15	City Letters to be delivered to Balboa	Tenant is satisfied that TUMF, MSHCP and DIF are not applicable to the Leased Premises. Landlord assists Tenant to meet with County in effort to have County fees declared inappropriate.	GL (Ex C)	Joint	
26	2/28/15	Pending	Tenant is satisfied with the amount of the impositions, including any possessory interest tax, attributable to and assessable against the Leased Premises. The City and Agency agree to assist Tenant in an effort to have the taxes as low	GL (Ex C)	Landlord	Changed date to 2/28/15

			as possible			
27	TBD	Pending	Tenant's Design Review Documents (submitted by Tenant and deemed complete within 90 days of the Effective Date of this Agreement) have been reviewed and approved by the City and the Planning Commission	GL (Ex C)	Landlord	
28	7/15/15	Pending - May not be necessary	Landlord adopts ordinance prohibiting event parking within 500 feet of the Property pursuant to the City's authority	DA (4.11)	Landlord	
29	1/15/15	Substantially complete	Landlord shall have fulfilled (to Tenant's satisfaction) its obligations in the DA as follows: <ul style="list-style-type: none"> • Landlord considers Hamner parking prohibition (4.4); • Landlord provides will serve letters to Tenant re water & sewer (4.5); • Landlord considers TUMF and MSHCP exemptions and delivers written determination on the same (4.6); • Landlord pursues validation action (4.9); • Landlord considers sphere of non-compete parking (4.11); and • Landlord cooperates with respect to possessory interest tax determination (4.17) 	GL (Ex C); DA (4.4, 4.5; 4.8, 4.9, 4.11 and 4.17)	Landlord	
30	TBD	Not Applicable - No Request by Tenant	Issuance of a lot line adjustment to create a separate legal lot encompassing in such configuration as Tenant shall require	GL (Ex C)	Joint	
31	7/15/15	Pending	Tenant shall have reached a reasonably satisfactory arrangement	GL (Ex C)	Tenant	

			with the County Sheriff's department for the providing police department services to the Project			
32	2/18/15	Pending	Conditions Precedent fulfilled unless extended or waived; parties can mutually agree to an earlier date	GL (Ex C)	Joint	
33	1/2/12	Expired or no longer applicable	Interim Term ends	GL (2.1)		
34	1/3/12	Completed	The "Term Commencement Date" under the Ground Lease occurs upon the satisfaction or waiver of the Exhibit C conditions precedent (Rent Payments by Tenant Begin) • Tenant provides Landlord with \$396,480 (1/2 = 6 months rent, other 1/2 = security deposit)	GL (2.1, 3.1, and 3.3)	Joint	
35	TBD	Pending - May not be Applicable	The Summerfield ingress/egress right shall have been extinguished or Landlord shall have provided Tenant with an indemnification (in a form reasonably acceptable to Tenant) for the same	GL (1.2)	Landlord	
36	2/26/15	Pending	Risk of Loss re Leased Premises passes to Tenant per Ground Lease; Tenant provides insurance certificates to Landlord for general liability, fire, extended coverage, vandalism, and malicious mischief	GL (2.6)	Joint	Changed date to 2/26/15
37	1/4/12	Drafted but not executed and recorded	Memorandum of Ground Lease to be recorded	GL (2.4)	by either party	
38	Various Dates	Pending	Tenant submits to Landlord engineering, construction drawings, &	GL (5.2.1)	Tenant	

			specs for Tenant's project on or before this date			
39	2/28/15	Pending	Outside commencement date for Tenant to start the construction of the Phase I Initial Improvements (the "Construction Start Date")	GL (5.1.1)	Tenant	Changed date to 2/28/15
40	2/28/15	Pending	Issuance of building permits on or before this date	GL (5.2.2)	Landlord	Changed date to 2/28/15
41	2/28/15	Pending	Tenant delivers to Landlord Construction Contract Commitments on or before this date	GL (5.2.2)	Tenant	Changed date to 2/28/15
42	Various Dates - Earliest 1/15/2015	Pending	Tenant delivers to Landlord construction contracts from its general contractor for Phase I	GL (5.2.2)	Tenant	
43	2/28/15	Pending	Tenant delivers to Landlord written notice of intended construction commencement date	GL (5.2.4)	Tenant	Changed date to 2/28/15
44	4/2/12	Completed	Landlord completes the Public Infrastructure Improvements (Hamner roadway, signal modification, causeway construction, relocation of electric poles)		Landlord	
45	7/2/12	Completed	Monthly Rent Installments due monthly	GL (3.1, 3.2)	Tenant	
46	9/15/16	Pending	Development Agreement first annual review by Landlord; annually thereafter	DA (6)	Landlord	
47	9/17/15	Pending	Outside date for the completion of the Phase I Initial Improvements	Tenant Sched.	Tenant	
48	9/17/15	Pending	Shared Use Agreement "Effective Date"	SUA	Joint	
49	10/21/15	Pending	Landlord issuance of Certificate of Completion for Phase I Initial Improvements	GL (5.7)	Landlord	
49B	11/1/15	Pending	Commence repayment of City Advances	FA	Tenant	

50	9/1/17	Pending	Outside commencement date for Tenant to start the construction of the Phase II Initial Improvements	Tenant Sched.	Tenant	Changed date to 9/1/2017
51	7/1/18	Pending	Outside date for the completion of the Phase II Initial Improvements	Tenant Sched.	Tenant	Changed date to 7/1/2018
52	7/1/18	Pending	Landlord returns \$198,420 Security Deposit after completion of Phase II	GL (3.3)	Landlord	Changed date to 7/1/2018
53	7/1/18	Pending	Landlord Issuance of Certificate of Completion for Phase II Initial Improvements	GL (5.7)	Joint	Changed date to 8/1/2018
54	10/1/2039	Pending - Maturity date for Narco Financing Authority Enterprise Revenue Bonds Issue of 2009	Latest payment date for any outstanding amounts due to landlord for on-site public improvements	FA (5.06)		
55	8/19/2041	Pending - 30 years after the Effective Date of the DA	Expiration of Development Agreement	DA (2.1)	Joint	
56	7/6/2041	Pending - 30 years after the Term Commencement Date	Expiration of the "Original Term" under the Ground Lease	GL (2.4)	Joint	
57	7/6/2041	Pending - Upon the expiration of the Original Term of the Ground Lease	Expiration of Right of First Refusal, which Right exists until expiration of Original Term of Ground Lease, but only if and when Agency decides to sell, transfer or convey all or any part of the Leased Premises to a non-governmental agency or private third party	GL (Ex N)		

58	7/6/2043	Pending - The date that is 2 years after the expiration of the Original Term (as the same may be extended or sooner terminated)	Outside date for Tenant to notify Landlord that Tenant is filing an insurance claim re hazardous materials spill caused by Landlord's public use	GL (2.7.2)	Tenant	
59	7/6/2043	Pending - The date that is 2 years after the expiration of the Original Term (as the same may be extended or sooner terminated)	Outside date for Landlord to notify Tenant that Landlord is filing and insurance claim re hazardous materials spill caused by Tenant's use	GL (2.7.1)	Landlord	
60	8/19/2110	Pending - 99 years after the Term Commencement Date	Expiration of final term of Ground Lease if all extensions are ultimately granted	GL (2.5)	Joint	

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APPENDIX B-8
GROUND LEASE

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NORCO SILVERLAKES GROUND LEASE

BY AND BETWEEN

**THE CITY OF NORCO
("LANDLORD")**

AND

**BALBOA MANAGEMENT GROUP, LLC
("TENANT")**

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Exhibit B	Map of Leased Premises
Exhibit C	Conditions Precedent
Exhibit D-1	Preliminary Title Report
Exhibit D-2	Permitted Title Exceptions
Exhibit E	Form of Memorandum of Ground Lease
Exhibit F	List of Permitted Uses
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Exhibit J	[Reserved]
Exhibit K	Reference Procedure
Exhibit L	Site Plan
Exhibit M	Shared Use Agreement
Exhibit N	Right of First Refusal – Terms and Conditions
Exhibit O	Concept Plans

NORCO SILVERLAKES GROUND LEASE

This Norco Silverlakes Ground Lease ("**Lease**") is dated for identification purposes as of the 6th day of July, 2011 ("**Effective Date**") and is entered into by and between the following (each sometimes referred to herein as the "Party" and collectively as the "**Parties**"), THE CITY OF NORCO, a municipal corporation ("**City**" or "**Landlord**" herein) and BALBOA MANAGEMENT GROUP, LLC or its assignee as hereinafter permitted ("**Tenant**") a Delaware limited liability company, with reference to the following facts:

RECITALS

WHEREAS, the City owns approximately 122 contiguous acres of land in the City of Norco, County of Riverside, State of California, commonly known as Silverlakes (herein "**Silverlakes**" or "**Silverlakes property**") and more particularly described in Exhibit A, attached hereto and made a part hereof, so as to facilitate the City's desire to construct certain planned park-related capital improvements on or benefitting the Silverlakes property; and

WHEREAS, the City wishes to lease the Silverlakes property to Tenant so that Tenant can undertake additional development thereon and thereafter operate an equestrian and sports facility with related amenities and a public park, all as more particularly described herein ("**Project**"); and

WHEREAS, on August 19, 2011, City Ordinance No. 934 (the "**Enacting Ordinance**") became effective and evidenced the City's approval of (i) that certain Development Agreement (herein, "**Development Agreement**") dated as of July 6, 2011 by and between the City and Tenant and governing, among other things, the planned construction and development by Landlord and Tenant of the Silverlakes property, (ii) the CUP (as defined below); (iii) the Shared Use Agreement (defined below), and (iv) that certain Funding, Construction and Acquisition Agreement (herein, "**Funding Agreement**") dated as of July 6, 2011 by and between the City and Tenant by which the City will finance certain improvements which Tenant causes to be constructed and in such amounts as are more particularly described therein; and

WHEREAS, the Lease and Development Agreement are consistent and in compliance with, and in satisfaction of, the terms and conditions of that certain Memorandum of Understanding for the Redevelopment of the Silverlakes Property dated as of January 16, 2008, and as subsequently amended (herein, the "**MOU**"), which agreement shall be deemed terminated and superseded by this Lease on the Term Commencement Date (as hereinafter defined); and

WHEREAS, on March 4, 2009, the City Council adopted Resolution No. 2009-07 which approved the Environmental Impact Report and Resolution No. 2008-08, which approved Conditional Use Permit (herein, the "**CUP**") No. 2008-09 for the Project and imposed certain Conditions of Approval. This Lease is consistent and in compliance with said Resolutions and the CUP.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, hereby agree as follows:

ARTICLE I. LEASED PREMISES

I.1 Leased Premises

Subject to the provisions of this Lease, Landlord (i) agrees to lease to Tenant, and Tenant agrees to lease from Landlord the Silverlakes property and all existing improvements thereon (also known herein as the “**Leased Premises**”) and (ii) represents that the Silverlakes property consists of a combined total of approximately 122 contiguous acres of real property comprised of the following five parcels:

(a) Parcel A: That certain 24.35 acres of land identified by County of Riverside Assessor Parcel Number 152-060-004-0 more particularly described in the legal description attached hereto as **Exhibit A** and shown and depicted as the area labeled “**Parcel A**” in the attached **Exhibit B** together with all buildings, structures, improvements, and fixtures now or hereafter erected thereon;

(b) Parcel B: That certain 33.69 acres of land identified by County of Riverside Assessor Parcel Number 152-060-011-6 more particularly described in the legal description attached hereto as **Exhibit A** and shown and depicted as the area labeled “**Parcel B**” in the attached **Exhibit B** together with all buildings, structures, improvements and fixtures now or hereafter erected thereon;

(c) Parcel C: That certain 19.50 acres of land identified by County of Riverside Assessor Parcel Number 152-070-001-8 more particularly described in the legal description attached hereto as **Exhibit A** and shown and depicted as the area labeled “**Parcel C**” in the attached **Exhibit B** together with all buildings, structures, improvements and fixtures now or hereafter erected thereon;

(d) Parcel D: That certain 16.02 acres of land identified by County of Riverside Assessor Parcel Number 152-070-011-7 more particularly described in the legal description attached hereto as **Exhibit A** and shown and depicted as the area labeled “**Parcel D**” in the attached **Exhibit B** together with all buildings, structures, improvements and fixtures now or hereafter erected thereon;

(e) Parcel E: That certain 28.15 acres of land identified by County of Riverside Assessor Parcel Number 152-070-002-9 more particularly described in the legal description attached hereto as **Exhibit A** and shown and depicted as the area labeled “**Parcel E**” in the attached **Exhibit B** together with all buildings, structures, improvements and fixtures now or hereafter erected thereon.

1.2 No Third Party Rights.

On or before the Term Commencement Date as defined below, Landlord shall have terminated any third party tenancies and shall deliver the Leased Premises to Tenant free of all tenancies and encroachments and without any residents, tenants, licensees, occupants and/or trespassers thereon. Any costs of relocating persons or encroachments on the Leased Premises as of the date hereof shall be borne by Landlord at its cost. Landlord agrees to indemnify, defend and hold Tenant harmless from any and all claims, damages, costs and expenses of whatsoever kind or nature arising from evictions, lease terminations, unlawful detainer actions or other acts of dispossession or reclamation undertaken by Landlord (including counterclaims of third parties in response thereto) in order to deliver the Leased Premises free of claims of possession by third parties and/or rights of possession or access to the Leased Premises, including but not limited to the alleged right of ingress and egress on the Leased Premises which John A. Summerfield and Linda C. Summerfield have to maintain, repair and operate the water wells on the Leased Premises, as reflected on that certain Fourth Amendment to Preliminary Title Report, dated February 11, 2010, Order No.: 820035005-K26 prepared by Chicago Title Company (Attn: Kelly McDole) ("PTR"), attached hereto as Exhibit D-1. Relative to the purported rights of the Summerfields (above-referenced), the City agrees either to remove the encumbrance from title or provide Tenant, no later than the Term Commencement Date, with an indemnification (in a form reasonably acceptable to Tenant) which protects and indemnifies Tenant from the entry and activities on or about the Leased Premises by the holders of the encumbrance rights and from any and all claims, costs, expenses, damages and the like related to or arising therefrom.

ARTICLE 2. TERM; CONDITIONS; EXTENSIONS

2.1 Interim Term.

The "Interim Term" of this Lease is defined as the period of time which shall commence on the Effective Date and shall terminate on the date on which all conditions precedent set forth on Exhibit C, attached hereto, have been waived or satisfied pursuant to the provisions of said Exhibit C (the "Term Commencement Date").

2.2 License for Entry.

Landlord hereby grants Tenant, its employees, agents, contractors, surveyors and consultants, a license to enter upon the Leased Premises and immediately surrounding property owned or controlled by the City during the Interim Term for the purpose of conducting such surveys, tests, inspections, evaluations, and pre-construction activities (including demolition of existing structures, removal of weeds, debris, and existing structures, or installations; construction of temporary construction fencing, and disking of certain areas) on the Leased Premises as Tenant shall require in its assessment of the Leased Premises, to present the Leased Premises to potential lenders, or investors and/or to mobilize for construction. Tenant shall provide Landlord with reasonable prior notice of any physical testing of the Leased Premises and Landlord shall have the right to be present at any such testing. Tenant agrees to pay all of the costs and expenses associated with its investigation and testing and to repair any damage to the Leased Premises to the extent arising from or related to Tenant's investigations or testing, at Tenant's expense. Tenant shall carry liability insurance (naming Landlord as an additional insured) covering its activities or indemnify and hold Landlord

harmless from all costs, expenses and liabilities arising to the extent out of such inspections and attributable to Tenant's negligence or willful misconduct or that of its employees, agents, consultants or contractors in performing its evaluation of the Leased Premises. Landlord shall provide with copies of all environmental reports in its possession concerning the Leased Premises.

2.3 Mutual Cooperation; Construction/Building Permits.

In order to aid Tenant in meeting governmental requirements for the construction and operation of the Project contemplated by Tenant as permitted herein and consistent with the Development Agreement (as amended from time to time), Landlord (in its capacity as landlord and fee owner of the Leased Premises and without impairing the City's right to act as a municipal agency in reviewing and issuing building or other permits) shall execute such construction applications, variances or requests as may be necessary for or required of it or them as the owner and/or master tenant (as applicable) of the Leased Premises and shall provide any non-proprietary information in the possession of either of them which may be necessary in completing applications, submittals or requests to the City or other governmental authorities having jurisdiction over development of the Leased Premises. Landlord will cooperate with Tenant in Tenant's procurement of all required building and operational permits associated with Tenant's construction and for all use and operational/business licenses and permits, including but not limited to conditional use, hazardous materials, and County health permits, if any, associated with Tenant's operations from the Leased Premises.

2.4 Term Commencement; Original Term.

The Original Term of this Lease shall commence on the Term Commencement Date and shall terminate at 11:59 p.m. on the day prior to the thirtieth (30th) anniversary of thereof (the "**Original Term**") unless extended as provided in Section 2.5 below or sooner terminated as provided for in this Lease. Upon Tenant's and Landlord's notification of their respective satisfaction or waiver of their conditions precedent to the effectiveness of this Lease contained in Exhibit C, either party may require the other to execute the Memorandum of Ground Lease (Exhibit E hereto) ("**Memorandum**") which shall be recorded promptly following the Term Commencement Date. Landlord agrees it shall be responsible for causing the Memorandum to be recorded in the Riverside County Recorder's office and for paying all recording costs associated with recording the Memorandum, including any and all documentary transfer tax attributable to this Lease.

2.5 Option to Extend Lease.

Landlord hereby grants to Tenant the option to extend this Lease (the "**Option to Extend**") for thirteen (13) additional periods of five (5) years each and one additional period of four (4) years (for a maximum lease duration of ninety-nine (99) years) (each referred to herein as the "**Extended Term**") following the expiration of the Original Term. As extended, the Original Term and each exercised Extended Term is referred to herein as the "**Term**." Tenant shall exercise each Option to Extend by giving Landlord written notice (the "**Option Notice**") thereof at least twelve (12) months prior to the expiration of the then current Term. If Tenant timely exercises the Option to Extend, the rights, duties and obligations of the Parties during the applicable Extended Term shall be governed by and subject to all of the terms, covenants and conditions contained in this Lease. In the event Tenant fails to timely deliver written notice of its exercise of the Option to

Extend to Landlord at least twelve (12) months prior to the expiration of the then current Term, Landlord shall give Tenant written notice, and Tenant shall have 30 days within which to exercise the Option to Extend; thereafter Landlord shall be free to lease the Leased Premises to any third party free and clear of any rights of Tenant hereunder. Any and all rights conferred to Tenant by this Section 2.5 shall be deemed of no force or effect in the event a material uncured Event of Default (as defined in Section 13.1) exists at the time Tenant delivers the Option Notice to Landlord or at the commencement of the applicable Extended Term.

2.6 Possession; Risk of Loss; Covenant of Quiet Enjoyment.

From and after the Term Commencement Date, all risk of loss associated with the Leased Premises described herein shall pass to Tenant, but only to the extent herein provided. Subject to the terms of this Lease and the Shared Use Agreement to be entered into as contemplated by Exhibit C, Landlord covenants and warrants that Tenant shall peacefully have and enjoy the sole possession of the Leased Premises during the Original Term and any Extended Term free from the adverse claims of any persons, firms, corporations or the public whatsoever, and Landlord will fully protect Tenant in the full, complete and absolute possession of the Leased Premises. No exclusive uses, rights or privileges shall be granted by Landlord to the public or to other third persons which affect the use of the Leased Premises without the written consent of Tenant and unless subject to the Shared Use Agreement. Landlord agrees to execute access easements or rights of way on, over or under the Leased Premises and the land immediately adjacent to the Leased Premises to the extent owned by the Landlord at Tenant's request which are or may be needed or required by Tenant in conjunction with Tenant's and/or the public's access, use and enjoyment of the Leased Premises and consistent with the CUP granted to Tenant. Landlord agrees not to file, support or cause any zoning change or variance to be made that would adversely affect Tenant's use of the Leased Premises as herein allowed without the prior written approval of Tenant.

2.7 Environmental Condition; As-is Condition.

2.7.1 Tenant's Hazardous Materials Indemnity. Except as caused or permitted by Landlord or its or their affiliates, agents, invitees, the public, vendors and/or contractors and/or its or their officers, directors, members, shareholders and employees (collectively herein "**Landlord Parties**") or as otherwise permitted or not prohibited under Applicable Laws, Tenant and its affiliates, agents, invitees, vendors and/or contractors and/or its or their officers, directors, members, shareholders and employees (collectively herein "**Tenant Parties**") shall not cause or permit, as a result of any intentional or unintentional act or omission on the part of the Tenant Parties, the installation of Hazardous Materials (as defined in Section 15.12(k) below) in or on the Leased Premises or a release of Hazardous Materials onto or from the Leased Premises in violation of Environmental Laws (as defined in Section 15.12(k) below); provided, however, that Tenant shall not be responsible for any Hazardous Materials currently on or under the Leased Premises or for any migration of Hazardous Materials onto the Leased Premises from surrounding property or a release caused by a third party who is not a Tenant Party. Prior to the surrender of the Leased Premises by Tenant, Tenant shall remove any and all Hazardous Materials (including without limitation any inventory and merchandise for which a disposal permit is required and/or asbestos containing materials) which a Tenant Party has brought onto the Leased Premises or otherwise utilized, stored or disposed of in the Leased Premises in violation of Environmental Laws. Tenant shall be solely responsible for and shall defend, indemnify and hold all Landlord Parties harmless from and against all claims, costs, damages, judgments, penalties, fines, losses, liabilities and expenses, including attorneys' fees and costs

(collectively, "**Claims**"), to the extent arising out of or in connection with Tenant's breach of its obligations contained in this Section 2.7 (including, without limitation, consultant and expert fees). Tenant shall be solely responsible for and shall defend, indemnify and hold Landlord, its agents, affiliates and employees harmless from and against any and all Claims, to the extent arising out of or in connection with removal, cleanup and restoration work and materials necessary to return the Leased Premises to their condition existing prior to the discovery of Hazardous Material released in, on or about the Leased Premises caused by Tenant. Notwithstanding anything else set forth herein, Tenant's obligations under this Section 2.7 shall survive the expiration or earlier termination of this Lease; provided, however, that Tenant's indemnification obligations under this Section 2.7 shall apply only to Claims of which Tenant receives notice in writing within two (2) years after termination of the Lease. Tenant shall notify Landlord promptly in the event of any spill or Hazardous Substance upon the Leased Premises during the Term and shall promptly forward to Landlord copies of all orders, notices, permits, applications or other communications and reports in connection with any such spill or any other matters relating to Environment Laws that affect the Leased Premises.

2.7.2 Landlord's Hazardous Materials Indemnity. Except as otherwise permitted or not prohibited under Applicable Laws or as caused by any Tenant Party, a Landlord Party shall not cause or permit, as a result of any intentional or unintentional act or omission on the part of Landlord, the installation of Hazardous Materials in or on the Leased Premises or a release of Hazardous Materials onto or from the Leased Premises. Landlord shall be solely responsible for and shall defend, indemnify and hold the Tenant Parties harmless from and against all Claims (including consequential and punitive damages) which arise during or after the Term to the extent arising out of or in connection with contamination which a Landlord Party causes and to the extent attributable to: (a) Landlord's breach of its obligations contained in this Section 2.7 (including, without limitation, attorney, consultant and expert fees) and/or (b) Landlord's removal, cleanup and restoration work stemming from contamination caused by Landlord. Notwithstanding anything else set forth herein, Landlord's obligations under this Section 2.7 shall survive the expiration or earlier termination of this Lease; provided, however, that Landlord's indemnification obligations under this Section 2.7 shall apply only to Claims of which Landlord receives notice in writing within two (2) years after termination of the Lease. Provided, however, that Landlord shall not be responsible for indemnifying Tenant for any Hazardous Materials currently on or under the Leased Premises which was disclosed to Tenant in writing prior to the Term Commencement Date. In the event it is determined that a Release (as defined in Section 15.12(k) below) occurred at, upon, under or within the Leased Premises prior to the Term Commencement Date, Landlord shall, so long as the Release is remediable within a time frame agreeable to Tenant, commence to clean-up such Release and diligently pursue such clean-up to completion in which event this Lease shall remain in full force and effect except that the Annual Minimum Rent shall be abated during such clean-up period in proportion to that portion of the Leased Premises not usable by Tenant (as reasonably determined by the Parties).

2.7.3 As-Is Condition. Subject to the performance of Landlord's construction work on or about the Leased Premises as set forth herein and in the Development Agreement (as defined in Exhibit C), and except as otherwise specifically provided in this Lease, Tenant agrees that: (i) it shall lease the Leased Premises in an "as-is" condition as of the Term Commencement Date, subject to all facts, circumstances, conditions and defects; (ii) Landlord has no obligation to repair or correct any facts, circumstances, conditions or defects in the Leased Premises or to compensate Tenant for the same; (iii) Tenant shall have undertaken all such physical inspections

and examinations of the Leased Premises which Tenant deems necessary or appropriate, under the circumstances, and that, based upon the same, Tenant is and will be relying strictly and solely upon such inspections and examinations and the advice and counsel of its own agents and officers; and (iv) except as expressly provided in this Lease, Landlord is not making and has not made any warranty or representation with respect to the physical condition or the fitness for any particular purpose of any part of the Leased Premises as an inducement to Tenant to enter into this Lease. Tenant agrees that it is relying solely on its own inspections and not on any representation of Landlord, except as otherwise expressly set forth in this Lease, in determining to waive the conditions precedent contained in Exhibit C.

ARTICLE 3. RENT

3.1 Rent Commencement Date.

Tenant shall have no obligation to pay Rent (as hereinafter defined) during the Interim Term. Tenant's obligation to pay Rent shall begin as of the Term Commencement Date (assuming fulfillment or waiver of the conditions precedent contained in Exhibit C shall occur) but in no event later than January 3, 2012, and continue until the expiration or earlier termination of this Lease. Notwithstanding the foregoing or anything to the contrary herein contained, should Landlord not complete its work (as such work described in Section 5.1.2 below and/or in the Development Agreement and within the prescribed time frames, including as set out in the Schedule of Performance defined in the Development Agreement and so long as delays affect (i) Tenant's prosecution of its work; and/or (ii) the issuance of a final certificate of occupancy for the Leased Premises; and/or (iii) the date of substantial completion for any phase of the Public Infrastructure Improvements (as defined in the Development Agreement, Exhibit G-2 herein and as scheduled in the Schedule of Performance), Tenant's obligation to pay Rent shall be abated day for day until Landlord's work is complete. All Rent shall be paid without invoice, deduction, abatement, off set, prior notice or demand, except as herein stated. All payments of rental shall be made to Landlord as they become due in lawful money of the United States of America at such place as is designated herein by Landlord for the receipt of notices or such other place as shall be designated to Tenant by Landlord in writing from time to time. The term "Rent" or "rental" as used in this Lease includes the Annual Minimum Rent defined in Section 3.2 and all other sums required to be paid by Tenant under this Lease. Annual Minimum Rent due under this Lease shall be due on the first (1st) day of each calendar month. If the Term Commencement Date is on a day other than the first (1st) day of the month, then in such event the Rent for that period until the first of the succeeding month shall be prorated daily at the rate of the initial monthly rental rate until the end of that month with such rent due and payable by the first (1st) day of the following calendar month.

3.2 Annual Minimum Rent.

The "Annual Minimum Rent" payable for the first five (5) years from and after the Term Commencement Date shall be THREE HUNDRED NINETY-SIX THOUSAND FOUR HUNDRED AND EIGHTY DOLLARS (\$396,480.00). The Annual Minimum Rent shall be paid in twelve (12) equal monthly installments payable in advance on or before the first day of each calendar month. For purposes hereof, the first "Lease Year" of the Term is that 365 day period measured from the Term Commencement Date, and thereafter each 365 day period from the anniversary date of the Term Commence Date. The Annual Minimum Rent shall be subject to adjustment as follows (and each date on which as adjustment occurs is herein, an "Adjustment Date"):

(a) On the first day of the 6th Lease Year, the Annual Minimum Rent shall be increased by 8% of the Annual Minimum Rent in effect as of the Term Commencement Date;

(b) On the first day of the 16th Lease Year, the Annual Minimum Rent shall be increased by 8% of the Annual Minimum Rent in effect immediately prior to the 16th year Adjustment Date;

(c) On the first day of the 26th Lease Year, the Annual Minimum Rent shall be increased by 8% of the Annual Minimum Rent in effect immediately prior to the 26th year Adjustment Date, and

(d) On first day of the 31st Lease Year and on each 5 year anniversary thereof occurring throughout the Extended Term, the Annual Minimum Rent shall be adjusted by the percentage change in the Consumer Price Index ("**Index**") measured from the immediately preceding Adjustment Date to the instant Adjustment Date (as measured pursuant to the procedure described below), but in no event shall an increase be more than 10% or less than 3% of the Annual Minimum Rent in effect immediately prior to the applicable Adjustment Date.

As used herein, the Index shall mean the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Consumers U.S. City Average, Subgroup "All Items" (1982-84 =100), and if available, such index shall be specific to the Los Angeles/Anaheim/Riverside region. The procedure for making such adjustments shall be to adjust the Annual Minimum Rent by a percentage equal to the percentage increase, if any, in the Index for the month which is three (3) months prior to the beginning of the applicable five (5) year period as compared to the Index for the month which is three (3) months prior to the applicable adjustment date, subject to the percentage limitations set forth above. If the Index is not published for a particular month, then the closest subsequent month thereto shall be used. In no event shall the Minimum Annual Rent, as adjusted, be less than the Minimum Annual Rent in effect prior to the effective date of the adjustment. If at any time the Index does not exist in the format described herein, Landlord and Tenant shall reasonably agree on a comparable government index that measures inflationary trends.

3.3 Pre-paid Rent; Security Deposit.

Tenant shall deposit with Landlord the sum of \$396,480.00 on the Term Commencement Date, which amount shall as applied as follows: (a) One-half of said amount (\$198,240.00) shall be deemed pre-paid rent for the first six months of the Lease Term assuming, and following, the Term Commencement Date; and (b) the remaining \$198,240.00 shall constitute the security deposit (herein, the "**Security Deposit**") for the full and faithful performance of this Lease to be performed by Tenant, subject to the early release and return to Tenant as hereinafter stated. If Tenant breaches any provision of this Lease following the giving of notice and expiration of applicable cure periods, Landlord may use all or any part of this Security Deposit for the payment of Rent or to compensate Landlord for costs reasonably expended in the cure of Tenant's default. If any portion of said Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its full amount. Landlord shall not be required to keep the security deposit in trust, segregate it or keep it separate from Landlord's general funds, but

Landlord may commingle the security deposit with its general funds and Tenant shall not be entitled to interest on such deposit. Notwithstanding the foregoing, Landlord agrees it shall return the Security Deposit to Tenant on the completion of the Phase II Project Improvements (as set out in the Development Agreement).

3.4 Interest and Late Charge.

Any Rent not paid within ten (10) days after the date the payment is due and following five (5) days written demand to Tenant for payment of the same shall bear interest at the Default Rate as defined herein from the date due until the date of payment by Tenant.

Acceptance of rental without the late charge will not constitute a waiver of Tenant's default with respect to such nonpayment of the late charge by Tenant, nor prevent Landlord from exercising all other rights and remedies available under the Lease. Landlord's failure to require or collect the late charge in any one or more instances shall not constitute a waiver of the right to collect subsequent late charges.

The "**Default Rate**" as used herein shall mean interest at the rate of two percent (2%) per annum in excess of the Prime Rate in effect from time to time calculated on the balance of rental and other amounts from time to time outstanding. As used herein the "Prime Rate" means the highest announced "prime rate" of Citibank, New York, New York, for 90 day commercial loans or if the practice of such bank of announcing "prime rates" is discontinued, then the highest rate of interest charged by such bank (or by the largest [measured by total assets] bank in the continental United States, if Citibank ceases to exist or to make such loans) for 90 day commercial loans to its most credit worthy large corporate borrowers, as such rate may change from time to time. Any change in said interest rate shall become effective on the first day of each calendar month and for such calendar month shall be based on the prime rate in effect on the last day of the immediately preceding calendar month.

None of the terms or provisions of this Lease shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the Applicable Laws, if any, of the State of California. Tenant shall never be required to pay interest on any amount in Default under this Lease at a rate in excess of the maximum interest rate that may be lawfully charged under the Applicable Laws, if any, of this State, and the provisions of this paragraph shall control over all other provisions in this Lease which may be in apparent conflict with this paragraph. If Landlord shall collect monies which are deemed to constitute payments in the nature of interest which would otherwise exceed the maximum rate permitted to be charged by Applicable Laws, if any, of this State, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of Landlord, be credited to the payment of sums lawfully owing or returned to Tenant. Nothing herein shall be construed to submit this Lease or the payment of any sums hereunder to the application of any usury or other laws which would not otherwise apply but for the provisions hereof.

3.5 No Implied Partnership.

Nothing in this Lease shall be construed to render Landlord, a partner, joint venturer, or associate in any relationship or for any purpose with Tenant, other than that of Landlord and Tenant, nor shall this Lease be construed to authorize either to act as agent for the other.

3.6 [Reserved]

ARTICLE 4. USES

4.1 Use of the Leased Premises.

It is expressly agreed that the Leased Premises may be used for those uses which are set forth in Exhibit F attached hereto and made a part hereof (“**Permitted Uses**”). Subject to the terms hereof, Tenant, its agents, employees, customers, and invitees shall have free and unobstructed right to use the Leased Premises. Tenant shall specifically have the right to access the water wells on-site and to use water produced therefrom on-site free of charge. Tenant shall also be permitted, subject to the Development Agreement and Landlord's prior written approval of all plans and specifications, which said approvals will not be unreasonably withheld, and subject to Tenant's compliance with all Applicable Laws, to develop, construct and improve the Leased Premises with those improvements contemplated by Exhibit G (herein “**Tenant Improvements**”) and the “**City Facilities**” (as defined in Section 5.1.1 below) and generally where indicated on the site plan (herein, “**Site Plan**”) attached as Exhibit L (herein collectively “**Initial Improvements**” and such related and permitted future alterations and additions as are allowed by Applicable Laws and subject to Section 5.5 hereof (collectively “**Improvements**”).

4.2 Applicable Laws; Plans.

The term “**Applicable Laws**” (or words of like import) as used herein shall mean and include any or all federal, state, or local laws, statutes, ordinances, codes, decrees, rulings, regulations, writs, injunctions, orders, rules, conditions of approval or authorizations of any governmental entity, agency or political subdivision, now in force or which may hereinafter be in force pertaining to the Leased Premises or Tenant's use thereof. The term “**Plans**” as used herein shall mean and be defined as the Concept Plans (as defined below), all preliminary and final drawings, grading plans, site map plans, architectural plans, specifications, elevation plans and renderings, landscape plans, parking plans and any and all other approved plans for the Improvements to be constructed on the Leased Premises.

Subject to Landlord's representations and warranties herein contained and subject to the Development Agreement, Tenant shall comply with and abide by all Applicable Laws and, following the validation action as contemplated by Exhibit C hereto, the Deed Restriction (defined in Section 15.12 below) governing its use of the Leased Premises. Furthermore, Tenant shall not maintain, commit, or permit the maintenance or commission on the Leased Premises, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Leased Premises, or any portion thereof.

4.3 Public Access; Shared Use Agreement; and Public's Use of Leased Premises.

The public's right to use the Leased Premises shall be specified in the Shared Use Agreement to be entered into with the City (as set forth in Exhibit C). Landlord specifically acknowledges that:

- (a) Except during those occasions when Tenant requires the exclusive use of the totality Leased Premises for scheduled events (and the procedure for establishing

Tenant's exclusive use schedule shall be set forth in the Shared Use Agreement), the public shall have the right (subject to payment of the fees contemplated by the Shared Use Agreement) to use those areas of the Leased Premises as set forth in the Shared Use Agreement. The grass and synthetic fields are to be used by the public for the playing of typical field sports (e.g. soccer) under the sports programs organized or controlled by the City's Department of Parks and Recreation. Parking shall be in such areas as are designated by Tenant.

(b) Certain buildings, improvements and areas of the Leased Premises (including but not limited to caretaker cottage, guard stations, Tenant's on-site offices, certain corrals and stables) will not be open to the public.

(c) Tenant assumes no responsibility for the security or policing of the public's use of the Leased Premises. Tenant has no obligation to provide security or medical services to the public. All the same immunities as protect the City and/or apply to a City park shall protect and apply to Tenant the Leased Premises when the City is allowing the public to use the Leased Premises. Tenant's responsibility with respect to the areas used by the public on the Leased Premises shall be limited to maintaining the landscaping and hardscape thereon (once established) in a condition generally consistent with public recreational parks in Riverside County and keeping the same generally free of debris. Persons accessing the Leased Premises will be required to acknowledge that Leased Premises are proximate to open areas, that wildlife may be present onsite, and that certain natural conditions and risks associated with horses and sporting activities will be present. Unless arising from Tenant's gross negligence or willful misconduct in the maintenance of the Leased Premises, the City shall defend, indemnify and hold Tenant (and its directors, officers, agents, employees, partners, members, assignees and transferees) harmless from any claims, costs, expenses, liabilities, causes of action or the like asserted by the public or any third party arising from the condition or security of the portions of the Leased Premises being used by the public.

(d) Tenant reserves the right to restrict the public's right of access in order to prevent any claim of adverse possession and/or to protect the Leased Premises.

4.4 Santa Ana River Trail.

The public seeking to access the "Santa Ana River Trail" for purposes of day hiking, walking, biking, jogging or horseback riding will have the non-exclusive right to access such trail at the "trail head" area and located on the Leased Premises. Such visitors are to park in the parking area of the Leased Premises as from time to time specified by Tenant. Tenant agrees that the public shall have the right to utilize such areas, subject to the terms and conditions of this section and such reasonable, posted rules and regulations as are from time to time promulgated for so long as there is a public trail system for walking, biking and horseback riding located on the land lying to the east of and adjacent to the Leased Premises. Except for overnight camping of horse riders as and to the extent permitted by the Shared Use Agreement, no overnight parking shall be permitted in the trail head area or any other location in the Leased Premises. Parking may be subject to the fees contemplated by the Shared Use Agreement. Landlord shall retain all liability associated with the public's use of the Leased Premises (including specifically the trail head area and other public areas of the Silverlakes property designated or dedicated for public use) and/or the surrounding public trails. The Landlord agrees that those portions of the Leased Premises utilized by the public during events sponsored by the City shall be deemed property which is

sublet or licensed by the City and shall be considered part of the City's public park system for purposes of the risk of loss, liability and the public's right of access. It is specifically acknowledged that Tenant assumes no responsibility for the security or policing of the Santa Ana River Trail or the trail head area. Unless arising from Tenant's gross negligence or willful misconduct in the discharge of its obligations specified herein, the Landlord shall defend, indemnify and hold Tenant (and its directors, officers, agents, employees, partners, members, assignees and transferees) harmless from any claims, costs, expenses, liabilities, causes of action or the like asserted by the public or any third party arising from the condition or security of (i) the Santa Ana River trail, (ii) any other trail system and public portions of the Leased Premises and/or (iii) the public's use thereof. Subject to Tenant's right to close the Leased Premises, including the trail head area, due to reasonable safety concerns (such as flooding and fire risks) or to stop any claim of adverse possession, Tenant agrees to allow the public access to the trail head area as more particularly specified in the Shared Use Agreement.

4.5 Flooding.

Tenant acknowledges the Leased Premises is located in a flood plain and adjacent to the Santa Ana River basin; portions of the property may be subject to seasonal inundation. No abatement of Rent shall occur due to flooding of the Leased Premises.

4.6 Signage; Advertising.

Subject to a signage program to be prepared by Tenant and approved by Landlord, Tenant shall have the right to erect permanent pylon and monument signage and place temporary signage, including advertising banners, subject to the signage program approved by Landlord. Tenant shall have the right to install directional and traffic signage on or about the Leased Premises. Tenant shall have the right, from time to time to place banners on and about the Leased Premises which advertise and announce coming events and programs and to allow advertisers, sponsors and promoters to place portable electronic and/or static signage, banners, flags on and about the Leased Premises consistent with the signage program approved by Landlord.

4.7 Non-Discrimination.

Tenant, for itself, its successors and assigns and all persons claiming under or through it, covenants that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Leased Premises, nor shall Tenant or any person claiming under or through it, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, licensees, employees or vendees in the Leased Premises or the improvements thereon. The foregoing covenants shall run with the land. Tenant has been informed of the compliance requirements set forth in the City's E-Verify Ordinance No. 927.

ARTICLE 5. CONSTRUCTION AND REIMBURSEMENT BY TENANT

5.1 Construction of Improvements; Landlord's Cooperation.

5.1.1 Tenant's Work. Following the Term Commencement Date and pursuant to the Development Agreement and Funding Agreement, Tenant shall, at Tenant's sole cost and expense, construct (a) those certain Tenant Improvements on the Leased Premises which are required by Exhibit G to be constructed and (b) those public improvements to be constructed by Tenant and funded by the City as set forth in the Funding Agreement (identified therein and herein as the "**City Facilities**"). Tenant shall have the discretion to construct those Tenant Improvements contemplated by Exhibit G which area denoted as being optional. The City Facilities are preliminarily identified on Exhibit G-1 hereto and are subject to change as and to the extent provided in the Funding Agreement. Tenant intends to construct its Improvements in phases, and the same shall be constructed and completed in accordance with the terms and conditions set forth below, the Development Agreement (including the Schedule of Performance attached thereto) and provisions of all Applicable Laws. Landlord (in its capacity as fee owner and landlord) agrees to process and execute, as applicable, any documents reasonably necessary to facilitate governmental approvals for the Improvements and to reasonably cooperate with Tenant and all governmental authorities in securing all Tenant's requisite approvals, permits and certificates necessary for the construction of the Improvements and Tenant's use of the Leased Premises (including, without limitation, use or zoning approvals, signage approvals, and ingress and egress). In conjunction with the construction and operation of Improvements, Landlord covenants to timely dedicate and grant all rights of way and easements on the Leased Premises which are reasonably necessary for Tenant's construction and use of Improvements.

5.1.2 Landlord's Work. As contemplated hereby and by the Development Agreement, Landlord agrees that it shall: (i) construct the Public Infrastructure Improvements as defined in Section 5.6.2 below and listed on Exhibit G-2; and (ii) subject to the Reimbursement Agreement for demolition, clearing and grubbing, by and between Landlord and Tenant dated as of January 26, 2010 (herein, "**Reimbursement Agreement**"), deliver the Leased Premises cleared of brush, debris, weeds, fence posts and railings and other structures as contemplated by said Reimbursement Agreement. Landlord shall provide access to the Leased Premises as is reasonably required by Tenant to commence and expeditiously complete its construction activities within the timeframes established. Landlord shall complete the Public Infrastructure Improvements on or before the dates established in the Schedule of Performance attached to the Development Agreement and in all events prior to or concurrent with Tenant's completion of the Phase I improvements identified in the Development Agreement. It is agreed that Tenant may elect to include the "Work" identified in the Reimbursement Agreement, along with any minor grading that Landlord and Tenant may agree is most expeditiously performed by Landlord, as an element of work which may be financed by Landlord under the Funding Agreement so long as such inclusion does not cause the dollar cap described in said Funding Agreement to be exceeded. Landlord represents that all its work will be constructed in accordance with all applicable laws and permits.

5.2 Plans and Specifications.

It is Landlord's and Tenant's intent to ensure that all Improvements (including the Public Improvements) are of high quality and good appearance. Therefore, before Tenant or Landlord begins construction of the Improvements, and before any building materials are delivered to the Leased Premises by either Party, the Parties shall have complied with all of the requirements set forth in this Section 5.2.

5.2.1 Submission and Approval of Plans and Specifications.

(a) Concept Plans. Landlord acknowledges that it has approved those conceptual renderings, drawings and layouts of the Improvement collectively attached hereto as Exhibit O (herein "**Concept Plans**") and the Site Plan.

(b) Design Review. Tenant shall submit to the City's Planning Commission those renderings and submissions required for the City's design review process ("**Design Review Documents**"), which Design Review Documents are to be in sufficiently final form so that the City staff may deem them complete and process the same promptly following receipt. The Design Review Documents are to generally reflect the aesthetics and conceptual elements of the Project as contemplated by the Concept Plans.

(c) Tenant's Construction Drawings. Consistent with the timing for submission of plans as set forth in the Schedule of Performance contained in the Development Agreement, but in no event later than ninety (90) days following City's approval of the Design Review Documents (and assuming that the Exhibit C conditions precedent intended to be fulfilled on or before such date have been waived or satisfied), Tenant shall prepare design, engineering and construction drawings and specifications for Phase 1 of the Initial Improvements and the City Facilities (herein, "**Plans and Specifications**") consistent with the Design Review Documents and submit the same to the City for approval; City agrees not to object to the construction drawings to the extent the same are materially consistent with the approved Design Review Documents and the Project's entitlements (but reserving the City's right as an administrative agency to review the same for conformity to the City's building ordinances in affect at the time of Tenant's submittal). Landlord (both as Landlord and as an approving agency) shall approve or disapprove modifications to the Plans and Specifications and any other submissions by Tenant within sixty (60) days of their submission. In the event that Landlord, as required, fails to approve or disapprove the proposed change or other submission within said sixty (60) day period, then any of Tenant's deadlines set forth in the Development Agreement shall be extended by a period of time equal to the time between the expiration of said sixty (60) day period and the City's subsequent approval or disapproval of said proposed Plans and Specifications or other submissions. In the event of any disapproval, the City shall inform Tenant in detail and in writing (the "**Disapproval Notice**") of the reasons for disapproval and the required changes to the Plans and Specifications or other submissions to make them consistent with the previously approved Design Review Documents. Tenant shall revise such Plans and Specifications or other submissions and resubmit

them to the Landlord within sixty (60) days after receipt of the Disapproval Notice, unless the nature of such changes requires a longer period of time, in which case Tenant shall resubmit said Plans and Specifications or other submissions as soon as possible. Any resubmissions by Tenant shall be approved or disapproved and revised within the times set forth herein with respect to the initial submission. Notwithstanding the above time periods, if the Landlord deems it appropriate or necessary to hold a public meeting or a meeting of the City Council of the City, or any agency or commission thereof, before the action specified is to be taken, the period for such action by the Landlord shall be extended by a reasonable amount of time, not to exceed thirty (30) days, in each case, for the holding of such public meeting; provided, that, to the extent that the time required to hold such public meeting(s) is not already factored into and/or reflected on any time table that is set forth in the Development Agreement as may from time to time be amended (herein "**Schedule of Performance**"), the period of delay attributable to said public meeting shall extend said time table by a period of time equal to the period of delay caused by that public meeting. Further, in all events, should the issuance of building permits be delayed beyond sixty (60) days following submission of properly corrected Plans and Specifications due to a delay by Landlord (including delays arising out of public hearings), Tenant's obligation to pay Rent shall be abated and delayed day for day for each day beyond the sixty (60) days that the building permits fail to issue.

(d) Mechanics. Any decision by the City Council shall be deemed a final decision of said entities. Any item, once approved, shall not be subject to subsequent disapproval. During the preparation of the construction drawings or any revisions to the approved Plans and Specifications or the preparation of any other submissions, the Landlord and Tenant shall hold progress meetings to coordinate the preparation, submission and review thereof by the Landlord. Landlord and Tenant shall communicate and consult informally as frequently as is necessary to ensure that the formal submission of all documents and plans to the approving agencies can receive reasonably prompt and speedy consideration.

5.2.2 Submission of Evidence of Construction Contracts. By the deadlines specified (if any) in the Development Agreement and its Schedule of Performance (or Funding Agreement relative to the City Facilities), otherwise promptly following issuance of building permits, Tenant shall have delivered to Landlord written commitments (the "**Construction Contract Commitments**") for the Improvements in Phase I of the Initial Improvements. Each such Construction Contract Commitment shall contain the representation of a reputable and financially responsible general contractor(s) ("**General Contractor**"), capable of being bonded, licensed in California and with experience in completing the type of Improvements contemplated by this Lease, that it is obligated and has agreed, subject to final documentation consistent with the Construction Contract Commitment, to commence and complete the development and construction of the Improvements in accordance with this Lease and for a cost not to exceed that stated in the Construction Contract Commitment. Tenant agrees that it will deliver to Landlord a copy of the construction contract(s) with its General Contractor(s) for Phase I of the Initial Improvements and City Facilities ("**Tenant's Construction Contract(s)**") as soon as the same are executed, which shall not, in any case, be later than thirty (30) days after approval of the final Plans and Specifications by the City and issuance of building permits.

Tenant's Construction Contracts shall give the Landlord the right, but not the obligation, following Tenant's default hereunder and the giving of at least 30 days prior written notice thereof and lapse of opportunity to cure (and subject to such other terms as the Party's shall agree to in writing), to cause the assignment of the applicable Construction Contract and to perform the Tenant's obligations and rights under the contract; provided, that Landlord's right to cause the assignment of a Tenant's Construction Contract shall be subject to the right, if any, of Tenant's Lender (as defined in Section 7.1 below) to an assignment of said contract. Should Tenant dispute Landlord's right to declare a default and/or cause the assignment of Tenant's Construction Contract, the reference process set forth in Exhibit K shall apply.

It is agreed that Landlord's work for the Public Infrastructure Work shall be coordinated with the performance of Tenant's work hereunder and Tenant's General Contractor shall coordinate the master schedule for all work performed on-site.

5.2.3 Builder's Risk and Other Insurance. Prior to the commencement of construction under Section 5.1.1, Tenant shall have obtained (and delivered insurance certificates therefor to Landlord) for all construction period insurance required under Article 11 of this Lease, including the "builder's risk" and worker's compensation insurance prescribed by Section 11.3 of this Lease in connection with any work on the Leased Premises.

5.2.4 No Construction Before Notice; Notice of Nonresponsibility. Tenant or its General Contractor shall have provided Landlord with written notice of the intended commencement of construction of the Improvements or delivery of its building materials to the Leased Premises at least ten (10) days prior to the earlier of commencement of construction under the Lease of those improvements or commencement of the delivery of those building materials to the Leased Premises. Landlord shall, at any and all times during the Term of this Lease, have the right to post and maintain on the Leased Premises and to record as required by law any notice or notices of nonresponsibility provided for by the mechanics' lien laws of the State of California. The work for which said ten (10) days written notice is required shall include, in addition to actual construction work, any site preparation work, installation of utilities, or any grading or filling of the Leased Premises.

5.3 Completion of Improvements and Other Work; Compliance With Law And Quality.

Tenant and Landlord represent and warrant that the Improvements, and all other construction undertaken by it pursuant to this Lease, when undertaken, while in progress and as completed: (i) will comply with all Applicable Laws; (ii) will be located where sited on the approved Plans and will not encroach upon the land of others or any recorded easement or rights-of-way; (iii) will not violate any Permitted Exception; and (iv) will comply in all material respects with the final Plans and Specifications approved for the Improvements. All work performed on the Leased Premises pursuant to this Lease, or authorized by this Lease, shall be done in a good workmanlike manner and only with materials of good quality.

5.4 Mechanic's, Materialman's, Contractor's, or Subcontractor's Liens.

Tenant and Landlord covenant that they will permit no mechanic's or materialman's liens to be filed against the Leased Premises in connection with their respective construction activities. In the event any such lien is filed against the Leased Premises as a result of any construction by Landlord or Tenant, then and in that event, the Party responsible for the lien shall immediately (but in no event later than thirty (30) days after the filing of such lien) cause said lien to be discharged; provided, however, if said Party desires to contest the validity or amount of any such lien, it may do so without payment of disputed amounts, so long as it shall cause such lien to be bonded in an amount and in such manner that a reputable title insurance company would insure over such lien. The failure to do so shall, at the option of the other Party, constitute a breach hereof and said Party shall have the right to pay, discharge or bond around the lien at the other Party's cost and expense, and the costs thereof, if not reimbursed within thirty (30) days of demand therefore shall, in the case of Tenant be deemed Rent and incur interest at the Default Rate, and in the case of Landlord entitle Tenant to offset said amount, together with interest at the Default Rate, from Rent thereafter coming due.

On completion of any work of improvement during the term of this Lease, Tenant shall file or cause to be filed a notice of completion.

5.5 Alterations, Modifications or Replacements of Improvements.

Following development of the Phase II Improvements, Tenant shall not add new enclosed, permanently constructed buildings on the Leased Premises in excess of the number of permanent buildings approved in connection with the approved Design Review Documents and/or CUP or materially increase the footprint of a previously constructed building (collectively, "**Change**") without Landlord's prior approval, which approval not be unreasonably withheld or delayed (but subject to Planning Commission approval and/or CEQA review, if applicable). It shall be reasonable for Landlord to withhold its approval if the proposed Change will, in Landlord's reasonable judgment, result in a material reduction in the value of the Leased Premises or Landlord's interest therein. Any such approved Change shall be commenced and completed in a timely manner and otherwise in accordance with all of the requirements imposed in connection with construction of the initial Improvements in Sections 5.2.3, 5.2.4, 5.3 and 5.4 of this Lease, and any such Change shall be commenced and completed in accordance with the plans and specifications approved therefor.

No Landlord approval shall be required in connection with Tenant's installation of temporary, removable or mobile improvements or installations necessary for the conduct of events (such as, but not limited to, tents, tables, seating, bleachers, fencing, corrals, restroom facilities, goal posts, nets and other sports equipment). Further, notwithstanding anything to the contrary contained herein, Tenant shall not be required to secure any Landlord approvals in connection with changes that involve interior alterations or those not visible from Hamner Avenue so long Tenant complies with all Applicable Law, including all building and safety and life safety rules or codes. Changes meeting the requirements set forth in the preceding sentence are sometimes hereinafter referred to as "**Minor Changes.**" Changes other than Minor Changes are sometimes hereinafter referred to as "**Major Changes.**"

All work required in connection with any Changes shall be performed only by competent and financially responsible contractors, duly licensed as such under the laws of the State of California, and shall be performed pursuant to written contracts with such contractors.

For all Major Changes to be performed on the Leased Premises, Tenant shall furnish Landlord with a true copy of Tenant's contract with the general contractor(s) performing such Changes. Said contract shall give Landlord the right but not the obligation to assume Tenant's obligations and rights under that contract if Tenant should default; provided that such right to assume that contract shall be subject to the right, if any, of Tenant's Lender under a Leasehold Mortgage financing the construction of such improvements to an assignment of said contract.

After the construction of Phases I and II as contemplated by the Development Agreement and in connection with any Major Changes costing in excess of \$200,000 (which amount shall increase yearly by increases in the CPI Index), and before construction thereof commences, Tenant shall, at Landlord's option, furnish Landlord with a performance bond in an amount not less than one hundred percent (100%) of the anticipated cost of such construction work on the Leased Premises, and a payment bond guaranteeing the completion of the improvements free from liens of materialmen, contractors, subcontractors, mechanics, laborers, and other similar liens. Said bonds shall be bonds of a responsible surety company, licensed to do business in California with a financial strength and credit rating reasonably acceptable to Landlord, and shall remain in effect until the entire cost of the work has been paid in full and the new improvements have been insured as provided in this Lease. Any such bonds shall be in a form reasonably satisfactory to Landlord. Landlord may accept such alternative or other security for the completion of such construction as it may approve in its sole discretion.

5.6 Ownership Of Improvements.

5.6.1 Tenant Improvements. Any and all Improvements erected on the Leased Premises as permitted by this Lease, as well as any and all alterations or additions thereto or any other improvements, and any fixtures on the Leased Premises (but excepting the Public Improvements or any publically dedicated utility lines) shall be owned by Tenant until expiration of the Term or sooner termination of this Lease; provided, Tenant shall not waste or destroy any of the Improvements or remove, alter or modify any Improvements on the Leased Premises except as permitted or contemplated by this Lease. Upon the expiration or sooner termination of this Lease, all Public Improvements (and all alterations, additions or improvements thereto) and including parking lot lighting, permanent restrooms and trail head improvements shall be considered part of the real property of the Leased Premises and shall remain on the Leased Premises and become the property of Landlord. Except as otherwise expressly provided in this Lease, said improvements shall become Landlord's property free and clear of any and all rights to possession and all claims of ownership to them by Tenant or any third person or entity, and Tenant shall defend and indemnify Landlord, and its officers, directors, council members, board members, staff, committee members, planning and other commissioners, officials, employees, members, agents, principals, independent contractors, attorneys, accountants, representatives, predecessors, successors and assigns (collectively, "**Landlord Representatives**") against all liabilities and claims, losses, causes of action, charges, penalties, damages, costs or expenses (including reasonable attorneys' fees and costs), of whatsoever character, nature and kind, whether to property or person, whether by direct or derivative action, and whether known or unknown,

suspected or unsuspected, latent or patent, or existing or contingent, (collectively, "Liabilities"), to extent arising from a claim of ownership.

Notwithstanding the rights and duties pertaining to claims to or against the Improvements by Tenant or any third person or entity provided in this Section, Landlord shall take possession of all Improvements surrendered by Tenant in "As-Is" condition with respect to the condition and usability of the Improvements, upon the expiration or sooner termination of this Lease.

Further, notwithstanding anything to the contrary herein, Tenant shall retain ownership of all signs, personal property, furniture, trade fixtures, equipment, names, logos, and any temporary, portable or removable improvements installed by Tenant at its cost. Tenant may, at its option, surrender its personal property if Landlord so agrees in writing or remove the same at the expiration or earlier termination of this Lease. Tenant specifically acknowledges that Landlord may require the removal of the freeway-oriented electronic sign at the expiration or earlier termination of this Lease. In the event Tenant removes its personal property, Tenant agrees to repair any damage and to restore the land to a safe condition following the removal of the same.

5.6.2 Landlord Improvements. As stated above, Landlord will construct the certain public infrastructure improvements (which improvements are listed on Exhibit G-2 and are herein called the "**Public Infrastructure Improvements**"). The Public Infrastructure Improvements and the City Facilities are herein collectively called the "**Public Improvements**", and the same will be the property of the Landlord following completion thereof, and such ownership shall survive the terms of this Lease. Tenant shall not waste or destroy any of the Public Improvements. To the extent Tenant desires to modify, alter or remove and Public Improvement, it shall first obtain the consent of Landlord, which consent shall not be unreasonably withheld.

5.7 Certificate of Completion.

5.7.1 Completion by Tenant. Promptly after completion by Tenant of all the Improvements to be initially constructed by it on the Leased Premises pursuant to this Lease and/or the Development Agreement, Landlord shall furnish Tenant with a Certificate of Completion for the Leased Premises upon Tenant's written request therefor. Landlord shall not unreasonably withhold any such Certificate of Completion. Such Certificate of Completion shall be in the form of Exhibit H attached hereto and shall conclusively establish that the Improvements required by Landlord to be constructed on the Leased Premises have been satisfactorily completed in full compliance with the terms of this Lease and the Development Agreement.

5.7.2 Failure to Issue Certificate of Completion. If Landlord refuses or fails to furnish a Certificate of Completion for the Leased Premises upon written request from Tenant, Landlord shall, within fifteen (15) days of receipt of said written request, provide Tenant or such other entity with a written statement of the reason for Landlord's refusal or failure to furnish a Certificate of Completion. The statement shall also contain Landlord's statement of the action that must be taken to obtain such Certificate of Completion.

5.7.3 Meaning of Certificate of Completion. A Certificate of Completion shall not be construed as a warranty by Landlord of compliance with or satisfaction of Applicable Laws or any obligation of Tenant to any holder of any encumbrance, or to any insurer of any such holder. A Certificate of Completion is not notice of completion as referred to in California Civil Code Section 3093.

ARTICLE 6. REPAIRS AND MAINTENANCE

6.1 Landlord's Nonresponsibility.

As is specified in the Funding Agreement, the City Facilities are to be owned by the City and maintained by the City unless otherwise indicated on Exhibit G-1. The Public Infrastructure Improvements are owned and maintained by the City. Except as may be specified herein, the Development Agreement, Shared Used Agreement and/or the Funding Agreement, Landlord shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Leased Premises or the Improvements thereon during the Term of this Lease. Except for repair of damage for which Landlord is responsible, Tenant hereby expressly waives the right to make repairs at the expense of Landlord as provided for in any statute or law in effect at the time of execution of this Lease, or in any other statute or law which may hereafter be enacted.

6.2 Tenant's Duty to Maintain Premises.

Except as specifically otherwise provided for herein, from and after the Term Commencement Date, Tenant shall, at Tenant's sole cost and expense, maintain the Leased Premises and the Tenant Improvements, now or hereafter located on the Leased Premises, in good condition and repair consistent with the condition customarily found in other recreational parks in Riverside County and in accordance with (i) all Applicable Laws and (ii) all applicable rules, laws, ordinances, orders, and regulations of any insurance company insuring all or any part of the Leased Premises or the improvements thereon or both. Tenant shall be responsible for the maintenance and repair of the on-site water wells for so long as it is using the water produced by such wells.

6.3 Repair; Destruction.

In the event of any damage or destruction to the Tenant Improvements and alterations thereto, Tenant will promptly cause the Leased Premises to be put in a safe condition and promptly reconstruct the Tenant Improvements to the extent reasonably feasible and subject to the receipt of insurance proceeds with a replacement improvement of a design, size and configuration and in such locations as Tenant deems, in Tenant's reasonable business judgment, appropriate for operation of Tenant's business, but consistent with the review, approval and permitting requirements of this Lease. To the extent that site conditions make it infeasible and/or impracticable to reconstruct a structure or improvement in its prior location, Tenant shall have the right to raze the damaged Improvement and if, practicable, to plant grass or otherwise landscape the affected area. Destruction of the Leased Premises shall not relieve the Tenant of the obligation to pay full rent; although, upon completion of the repairs pursuant to this Section 6.3, Tenant shall have the option to immediately terminate this Lease. Landlord shall be responsible for reconstructing and repairing the Public Improvements to a condition reasonably comparable to that which existed prior to the

damage or destruction. Any work of repair, replacement or restoration shall be commenced as soon as reasonably possible, but in no event later than one hundred eighty (180) days from the date of such damage or destruction, and shall thereafter be pursued to completion with diligence. Landlord shall not be required to furnish any, services or facilities or to make any repairs or Alterations of any kind in or on the Leased Premises in connection with such work by Tenant, other than to cooperate with Tenant in the procurement of necessary permits and approvals and to repair the Public Improvements. Any reconstruction performed by Tenant shall comply with all of the requirements imposed with respect to Changes to improvements set forth in Section 5.5 of this Lease; provided that no Landlord approvals (acting in its capacity as the landlord hereunder and not as the reviewing body for purposes of the administrative issuance of building permits) shall be required in connection with any repair, replacement or restoration work which constitutes a Minor Change.

Except as expressly provided in Section 6.4, no deprivation, impairment, or limitation of use resulting from any damage or destruction or event or work contemplated by this Section shall entitle Tenant to any offset, abatement, or reduction in rent, nor to any termination or extension of the Term hereof.

6.4 Damage or Destruction During Last Part of Term.

Notwithstanding Section 6.3 above, Tenant shall have the right to terminate this Lease if such substantial destruction occurs within the last three (3) years of the Original Term or at any time during any Extended Term, in which event Tenant shall be deemed to have elected not to exercise its right to extend the Term as provided in Article 2 above. Such termination shall be given by notice to Landlord prior to Tenant's election to raze and clear the existing Improvements and shall be effective upon the completion of such work. In the event Tenant elects not to rebuild the Improvements, Tenant shall retain that share of the insurance proceeds (if any) attributable to Tenant's "Unamortized Construction Costs" (as hereinafter defined) and Landlord shall be paid an amount equal to the balance of the proceeds. "**Unamortized Construction Costs**" shall mean Tenant's then unamortized value of the out-of-pocket, arms-length and documented actual capital hard costs paid by the Tenant to construct or subsequently improve the buildings and Improvements (exclusive of furniture, fixtures, equipment, and non-capital expenditures) and specifically including amounts financed under the Funding Agreement, calculated and amortized on a straight line basis over the Original Term of the Lease or otherwise amortized by the methodology sanctioned by generally accepted accounting principles ("**GAAP**") in the United States of America and used by Tenant (and reflected in its books). At any time after the issuance of the Certificate of Completion, Landlord may request, but in no event more often than once every calendar year, that Tenant provide Landlord with the total of such costs, together with reasonable backup of such costs.

ARTICLE 7. LEASEHOLD FINANCING

7.1 Definitions.

As used herein, "**Leasehold Mortgage**" shall mean any note and the mortgage, deed of trust, or other security instrument securing such note, or an assignment and leaseback, or such other commercially reasonable alternative method of leasehold financing, which constitutes a lien on the estate created by this Lease. Any construction loan(s) and permanent loan(s) are included within the definition of a Leasehold Mortgage, and any reference to a Leasehold Mortgage shall include a reference to such construction loan(s) and permanent loan(s).

“**Tenant’s Lender and/or Leasehold Mortgagee**” shall mean the owner and holder of any Leasehold Mortgage. Notwithstanding anything to the contrary herein contained, Landlord acknowledges and agrees that Tenant shall have the right to pursue bond financing in such amounts as its operations will support and/or the Improvements warrant to facilitate the construction of the same, and they agree to reasonably cooperate in procuring the same.

7.2 Requirements; Terms.

No Leasehold Mortgage shall be binding upon Landlord in the enforcement of its rights and remedies herein and by law provided, unless and until an executed counterpart thereof, together with the address of the, shall have been delivered to Landlord. Landlord agrees that if it shall encumber the Leased Premises as permitted in Section 8.1 below, such encumbrance shall be subordinate to the Leasehold Mortgage. If a Leasehold Mortgagee shall, within thirty (30) days of the execution of the Leasehold Mortgage held by such Leasehold Mortgagee, send to Landlord a true copy thereof, together with written notice specifying the name and address of such Leasehold Mortgagee and the pertinent recording data with respect to such Leasehold Mortgage, Landlord agrees that so long as any such Leasehold Mortgage shall remain unsatisfied of record or until written notice of satisfaction is given by the holders thereof to Landlord, the provisions of this Article 7 shall apply. Specifically, Landlord agrees as follows:

(a) Notice. Landlord will give the Leasehold Mortgagee a copy of any notice from either of them to Tenant at the time of giving such notice or communication to Tenant. Landlord will not exercise any right, power or remedy with respect to any default hereunder, and no notice to Tenant of any such default and no termination of this Lease in connection therewith shall be effective, until Landlord shall have so given to the Leasehold Mortgagee written notice or a copy of its notice to Tenant of such default or any such termination, as the case may be so that Leasehold Mortgagee may exercise its rights hereunder.

(b) Cure. Landlord will not exercise any right, power or remedy with respect to any default hereunder if the Leasehold Mortgagee within the cure period provided in this Lease shall give to Landlord written notice that it intends to undertake the correction of such default and thereafter cures the Tenant’s default within such stated cure period.

(c) Performance. Within the time periods specified herein, any Leasehold Mortgagee may make any payment or perform any act required hereunder to be made or performed by Tenant with the same effect as if made or performed by Tenant.

(d) Transfer. Upon any rejection of this Lease by any trustee of the Tenant in any bankruptcy, reorganization, arrangement or similar proceeding which would, if it were not for this Article 7, cause this Lease to terminate, without any action or consent by Landlord, Tenant or any Leasehold Mortgagee (“**Bankruptcy Termination**”), the transfer of Tenant’s interest hereunder to such Leasehold Mortgagee or its nominee shall automatically occur (“**Deemed Transfer**”). The Leasehold Mortgagee may terminate this Lease following a Deemed Transfer upon giving notice thereof to Landlord no later than thirty (30) days after the Bankruptcy Termination. Upon any such termination, the Leasehold Mortgagee shall have no further obligations hereunder (including any obligations which may have accrued prior to such termination) except in the event that said Leasehold Mortgagee shall request a new lease (“**New Lease**”), in which event all prior obligations accruing to the effective date of the new lease shall be payable at the

date of its effectiveness notwithstanding the earlier rejection and termination.

(e) New Lease. In the event of a Bankruptcy Termination of this Lease and should the Leasehold Mortgagee request a New Lease pursuant to the provisions of subsection (d) above, the Landlord will enter into such New Lease of the Leased Premises with the Leasehold Mortgagee for the remainder of the term, effective as of the date of the Bankruptcy Termination, at the rent and additional rent and upon the covenants, agreements, terms, provisions and limitations herein contained, provided:

(i) such Leasehold Mortgagee makes written request upon the Landlord for such New Lease within thirty (30) days from the date of the Bankruptcy Termination and such written request is accompanied by payment to the Landlord of all amounts then due to the Landlord; and

(ii) such Leasehold Mortgagee appoints an operator with experience in equestrian and sports park operations/businesses similar to that of Tenant's and pays or causes to be paid to the Landlord at the time of the execution and delivery of said New Lease any and all sums which would at the time of the execution and delivery thereof be due under this Lease but for such termination, and pays or causes to be paid any and all expenses, including reasonable counsel fees, court costs and disbursements incurred by the Landlord in connection with any such default and termination as well as in connection with the execution and delivery of such new lease.

(f) Intervention. The Parties hereto shall give the Leasehold Mortgagee notice of any condemnation proceedings affecting the Leased Premises, and such Leasehold Mortgagee shall have the right to intervene and be made a party to any such condemnation proceedings in the place and stead of Tenant. The Tenant's interest in any award or damages for such taking is hereby set over, transferred and assigned to the Leasehold Mortgagee to the extent that such transfer and assignment is provided for by the terms of any such Leasehold Mortgage.

(g) Awards. The Parties hereby agree that the Leasehold Mortgagee shall be given notice of any arbitration or judicial proceedings by or between them and shall have the right to intervene therein and be made a party to such proceedings and shall receive notice of and a copy of any award or decision made in such proceedings.

(h) Naming Mortgagee. Landlord agrees that the name of the Leasehold Mortgagee may be added to the "Loss Payable Endorsement" of any and all insurance policies required to be carried by Tenant hereunder on condition that the insurance proceeds are to be applied (either by Tenant or by any such Leasehold Mortgagee) in the manner specified in this Lease.

(i) No Personal Liability. No Leasehold Mortgagee shall become personally liable under the agreements, terms, covenants or conditions of this Lease or any New Lease entered into in accordance with the provisions of subsection (e) above unless and until it becomes, and then only for as long as it remains, the owner of the leasehold estate. Upon any assignment of this Lease or the aforesaid new lease by any owner of the leasehold estate whose interest shall have been acquired by, through or under any Leasehold Mortgagee or from any holder thereof, the assignor shall be relieved of any further liability which may accrue under this Lease or the aforesaid new lease from and

after the date of such assignment provided that the assignee shall execute and deliver to Landlord a recordable instrument of assumption wherein such assignee shall assume and agree to perform and observe the covenants and conditions in this Lease or the aforesaid new lease contained on Tenant's part to be performed and observed, it being the intention of the Parties that once the Leasehold Mortgagee shall succeed to Tenant's interest under this Lease or the aforesaid new lease, any and all subsequent assignments (whether by such Leasehold Mortgagee, any purchaser at foreclosure sale or other transferee or assignee) shall effect a release of the assignor's liability under this Lease or the aforesaid new lease; provided, however, nothing contained herein shall be deemed to release the original named Tenant of its liabilities hereunder.

(j) No Merger. There shall be no merger of this Lease nor of the leasehold estate created by this with the fee estate in the Leased Premises or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly, (i) this Lease or the leasehold estate created by this Lease or any interest in this Lease or in any such leasehold estate and (ii) the fee estate in the Leased Premises or any part thereof or any interest in such fee estate, and no such merger shall occur unless and until all corporations, firms and other entities, including any Leasehold Mortgagee, having any interest in (1) this Lease or the leasehold estate created by this Lease and (2) the fee estate in the Leased Premises or any part thereof or any interest in such fee estate shall join in a written instrument effecting such merger and shall duly record the same.

(k) Tenant's Duty. It shall be Tenant's obligation to ensure that its Leasehold Mortgagee consents to any cancellation, surrender or modification of this Lease or attornment of any subtenant.

(l) Acknowledgement. Landlord shall, upon request, execute, acknowledge and deliver to the Leasehold Mortgagee making such request an agreement prepared at the sole cost and expense of Tenant, in form reasonably satisfactory to Landlord and such Leasehold Mortgagee, between Landlord, Tenant and such Leasehold Mortgagee, agreeing to all of the provisions of this Article 7. The term "**Leasehold Mortgage**," whenever used herein, shall include whatever security instruments are used in the locale of the Leased Premises, including, without limitation, deeds of trust, security deeds and conditional deeds, as well as financing statements, security agreements and other documentation required pursuant to the Uniform Commercial code. The term "Mortgage" whenever used herein, shall also include any instruments required in connection with a sale-leaseback transaction and the term "**Leasehold Mortgagee**," in connection with a sale-leaseback or similar type transaction shall include not only the mortgagees but any intervening parties to such a transaction.

(m) Further Modification. Landlord agrees to execute such further modifications or amendments of this Lease (except with respect to the provisions for payment of fixed rent and additional rent and any other term affecting Landlord's interests, rights or obligations hereunder and subject to Norco City Council approval and CEQA review, if applicable) as such Leasehold Mortgagees may reasonably require, so long as such modifications or amendments shall not decrease Tenant's obligations hereunder or increase or decrease Landlord's rights, title and obligations hereunder.

7.3 Encumbrance of Personal Property.

Notwithstanding any other provision contained in this Lease to the contrary, Tenant may grant to Tenant's Lender a security interest in the personal property owned by Tenant on or about the Leased Premises including, without limitation, any portion of the Improvements considered to be Tenant's personal property, and Landlord agrees to join in the execution of any security agreements, UCC-1's or other security instruments ("**Security Agreement**"), containing such terms and provisions as are acceptable to Landlord, as are sufficient to subject any interest of Landlord in such personal property to any lien created under any such Security Agreement, or Landlord shall execute a Landlord's Consent and Waiver, on terms and provisions acceptable to Landlord, affirming the right of a secured party to remove the personal property collateral covered by such Security Agreement from the Leased Premises provided that such secured party (i) in writing notifies Landlord of any default under any Security Agreement and of its intention to remove such personal property no sooner than thirty (30) days after the date of such notice to afford Landlord reasonable opportunity to cure any such default, and (ii) shall, upon removal of such personal property, be responsible for any damages caused to the Leased Premises as a result of such removal.

Neither Landlord's right to cure any default nor any exercise of such a right shall constitute an assumption of liability under the Security Agreement. In the event Landlord makes any payment hereunder, Tenant shall, on or before the first day of the next calendar month following such payment, reimburse Landlord for the full amount of such payment, together with interest thereon at the Default Rate from the date of payment by Landlord until the date of repayment by Tenant, and the above obligation of Tenant to reimburse Landlord shall be treated as and become a part of Tenant's obligation to pay rent under this Lease.

ARTICLE 8. ASSIGNMENT AND TRANSFER

8.1 Landlord Assignments; Subordination, Attornment and Non-Disturbance; Assignment.

(a) Landlord's Assignment. Until Landlord's work defined in Section 5.1.2 above is complete and all monies required to be disbursed under the Funding Agreement are received by Tenant, Landlord shall not transfer, sell, assign, pledge lease, sublease, license, franchise, gift, hypothecate, mortgage, or otherwise encumber ("**Transfer**") either (i) this Lease and its or their rights hereunder including all rental payments; and/or (ii) Landlord's fee interest and/or the leasehold interest created hereby. Thereafter, any Transfer by Landlord shall be subject to Tenant's prior approval which approval shall not be unreasonably withheld or delayed; it being agreed however that it shall be reasonable for Tenant to deny consent if:

(1) the Transfer is other than to a governmental agency that agrees to assume all the Landlord's obligations under this Lease, Development Agreement, Funding Agreement, Shared Used Agreement and such other agreements which City and Tenant are a party (herein collectively, "**Silverlakes Documents**") and provided further such governmental agency is either the County of Riverside, State of California or a local municipal government, none of whom shall be governed by a joint powers authority or by a board (unless such joint powers authority or board is comprised of publically elected officials or public entities); or

(2) Tenant reasonably believes the Transfer will materially impair

Tenant's entitlements to use and operate the Leased Premises (e.g. violate the terms of the Deed Restriction) or its or Tenant's Mortgagee's right, title, interest or obligations under this Lease, other Silverlakes Documents and/or the Leasehold Mortgage (e.g., cause the possessory interest tax or any real property tax to increase).

Landlord acknowledges and agrees that Tenant is entering into this Lease because the Leased Premises are to be jointly used, subject to the Shared Use Agreement, for public purposes and a Transfer by Landlord could jeopardize and/or frustrate Tenant's use and operation of the Leased Premises. The person or entity receiving any permitted Transfer is referred to in this Lease as a "**Transferee.**" Landlord's Transferee shall assume all of its or their obligations under the Silverlakes Documents in writing; provided, however, nothing herein shall change or release the obligations of the City. In the event that, at the time Landlord Transfers the Leased Premises to any party, Landlord is in default under this Lease, Tenant shall continue to have all rights and remedies against the Transferee, as the successor landlord, with respect to such default and against the assigning Landlord with respect to such default as accrued to the date of assignment, except as Tenant shall otherwise be estopped by an estoppel letter to such successor Landlord. Subject to the rights of Tenant under the prior sentence, Tenant shall not be required to make any payment to such Transferee Landlord until twenty (20) days after Tenant has received written notice of such assignment and evidence of the Transferee's assumption of all Landlord's obligations hereunder.

(b) Subordination. Pursuant to Section 7.2, any financing by Landlord shall be subordinate to Tenant's Leasehold Mortgage.

(c) Right of First Refusal. Landlord has represented that fee title to the Leased Premises would only be sold or transferred if the property is declared to be "surplus" property under state and local laws. Notwithstanding the unlikely determination that the Leased Premises would ever be found to be surplus or that same would be sold to a private third party or non-governmental entity, Landlord has agreed to grant Tenant a right of first refusal to buy the Leased Premises subject to the terms of Exhibit N, attached hereto and made a part hereof.

8.2 Tenant's Assignment or Subletting.

Tenant shall be entitled, without Landlord's consent but with thirty (30) days advance written notice to City, to: (i) assign this Lease or sublet any portion of the Leased Premises to any entity that is owned or controlled by, or under common control with, Tenant (an "**Affiliate**") with evidence reasonably satisfactory to the City that such entity is owned, controlled by or under common control of Tenant, (ii) assign this Lease to any successor company or entity that acquires all or substantially all of Tenant's assets or into which Tenant is merged ("**Successor Tenant**"), (iii) assign this Lease to an entity formed in connection with the initial financing of the Leasehold as contemplated by Exhibit C, (iv) to sublet or license the areas intended for RV and trailer parking (including the trail head parking area) to an operator experienced in monitoring and running RV facilities which provide temporary housing for event attendees and/or their employees; (v) sublease or license a portion of the Leased Premises to limited duration concessionaires or licensees of the Tenant (e.g. in connection with an event being conducted on-site) whose uses are consistent with the primary use of the originally named Tenant; and/or (vi) to enter into a Leasehold Mortgage (the foregoing sub-points (i)-(vi) shall be

referred to herein as “**Tenant’s Permitted Assignments**”). Any other assignment or subletting of the entirety of the Leased Premises shall be subject to the prior written approval of the Landlord, which consent shall not be unreasonably withheld, provided that the transferee has similar experience in operating large recreational and sports facilities; it being agreed that Landlord shall be able to take into consideration the fact that Tenant’s qualifications are of particular concern to Landlord, and Landlord has entered into this Lease in reliance upon Tenant’s qualifications. Any purported assignment or subletting which is prohibited by this Section 8.2 shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Tenant under such a transfer shall acquire any rights pursuant to this Lease. These restrictions on Transfer shall be binding on any successors, heirs or permitted transferee of Tenant.

(a) Transfer of the Lease, the Leased Premises, or Improvements to be Constructed Thereon. In the event of any approved assignment of this Lease or the Leased Premises (other than for security purposes), said assignee shall expressly assume liability with Tenant for the obligations of Tenant under this Lease to the extent of said assignee’s interest, and, notwithstanding any such assignment, Tenant shall not be released from liability hereunder absent Landlord’s agreement. Provided, however, should Tenant wish to be released from liability, the Landlord must agree and expressly approve that Tenant’s proposed assignee has the experience, financial resources and capacity to operate and manage the Project.

(b) Transfer of Control of Tenant; Retention of Management Entity and Transfer of Interest Therein.

(i) The term “**ownership and/or control**” as used herein includes, without limitation, all voting rights and beneficial ownership with respect to all classes of stock, interests in partnerships and/or beneficial interests under a trust, as may be applicable to the type of entity which is prohibited from making the particular Transfer in question. For purposes of this Section 8.2, the term “**Third Party**” shall mean and include any person or entity that has acquired or hereafter acquires any interest in Tenant, or any person or entity that is a joint venturer or affiliate of Tenant with respect to all or any portion of the Leased Premises and/or this Lease, or any person or entity that is or becomes a limited and/or general partner of any such joint venturer or affiliate of Tenant with respect to all or any portion of the Leased Premises and/or this Lease.

(ii) Except as permitted in the first paragraph of this Section 8.2, Tenant shall not suffer or permit the Transfer of more than forty-nine percent (49%) of its present ownership and/or control, in the aggregate taking all Transfers into account on a cumulative basis (but without double counting of successive Transfers by Third Parties of the same interest in the ownership and/or control of Tenant), without the prior written consent of Landlord, which shall not be unreasonably withheld. The failure of the Landlord to consent to any proposed Transfer of the ownership and/or control of Tenant shall be deemed to be reasonable if the proposed Transferee is not (1) financially responsible, (2) of good standing and repute, and (3) able to demonstrate the capability to manage developments of the size and character of the improvements located on the Leased Premises. Provided, however, so long as R.J. Brandes or any affiliated company, trust or partnership which R.J. Brandes controls, is the managing

member of Transferee and/or he or it controls the day to day operations of either Transferee or the Management Entity (defined below), then Landlord's consent shall not be required for any Transfer of the ownership and/or control of Tenant.

(iii) It is expressly agreed that, notwithstanding anything to the contrary herein contained, an inter vivos or testamentary transfer of all or any portion of the ownership and/or control of Tenant, or any general partner or managing member of Tenant or its manager (e.g. R.J. Brandes), to one or more family members of the holder of such ownership interest or a trust in which all of the beneficial interest is held by one or more family members of the holder of such ownership interest or a partnership or limited liability company in which a majority of the capital and profits interests are held by one or more family members of the holder of such ownership interest, shall **not** be deemed to be a Transfer by Tenant, provided that: (1) such inter vivos transfer of all or any portion of the ownership interests in the Tenant, or such general partner or managing member of Tenant, is made in connection with bona fide, good faith estate planning; and (2) the person(s) with voting control of Tenant or the management of the Premises are either the same person(s) who had such voting control and management rights immediately prior to the transfer in question or are family members of such person. For purposes hereof, "family members" are defined to include the spouse, children and grandchildren and any lineal descendants. Moreover, notwithstanding anything to the contrary in this Section 8.2, the transfer of shares of stock of, or membership interests in, Tenant or its managing member which are: (x) among the members of the family of any member or shareholder, (y) to a living trust for estate planning purposes, or (z) by will or intestacy to any other family member shall not be deemed a Transfer.

(c) Management of Project. Unless the prior written consent of Landlord is obtained, which consent shall not be unreasonably withheld, Tenant shall not retain or authorize any unrelated third person or entity to perform any management and/or supervisory functions ("**Management Entity**") with respect to the development and/or operation of the Leased Premises or of any of the improvements thereon; provided, however, that Landlord's consent shall not be required in connection with the retention of a Management Entity if: (i) said entity is owned and controlled by R.J. Brandes or Tenant or an Affiliate of Tenant or R.J. Brandes or otherwise as permitted under Section 8.2 (b)(iii) above; or (ii) said entity or person is being retained for a period of five (5) years or less, and said entity is reputable and recognized as experienced in management of parking, recreation, equestrian and/or sports facilities of the size located on the Leased Premises. In the event that Tenant retains a Management Entity and such act requires Landlord's prior written consent, Tenant shall not permit said Management Entity or any person or entity which is a stockholder of or a general or limited partner in said Management Entity, or any person or entity which is a joint venturer or affiliate of said Management Entity to Transfer more than forty-nine percent (49%) of its present ownership or control in the aggregate, unless the prior written consent of Landlord is obtained, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Landlord hereby approves, as the Management Entity, Balboa Management Group, LLC or any entity in which R.J. Brandes or his trust is the manager or the managing member. Further, notwithstanding anything to the contrary herein, Tenant may enter into an agreement with a parking management company for the parking amenities.

(d) Investigation of Proposed Transferee; Costs. In the event that Tenant requests Landlord's written consent to a proposed Transfer pursuant to Section 8.2 of this Lease, Tenant agrees to provide Landlord with such information, including financial statements and tax returns, as Landlord may reasonably require in order to evaluate the solvency, financial responsibility and relevant business acumen and experience of any proposed Transferee. At the time of any request by Tenant for consent to a Transfer pursuant to Section 8.2, Tenant shall make such request in writing and shall submit to Landlord: (i) all binding agreements and documents evidencing and/or relating to the circumstances surrounding such Transfer, and (ii) a certificate setting forth representations and warranties by Tenant and the Transferee to Landlord sufficient to establish and insure that all requirements of Section 8.2 have been and will be met. With respect to a proposed assignment pursuant which requires Landlord's consent, Landlord agrees to make its decision on Tenant's request for consent to such an assignment, as promptly as possible, but in no event later than 30 days following request.

Except as otherwise provided in Section 8.2, if Landlord consents to any Transfer pursuant to that Section, such consent shall not be effective unless and until Tenant gives notice of the Transfer and a copy of any documents effecting and/or evidencing such Transfer to Landlord, and unless and until any such Transferee (other than a proposed sublessee, licensee or concessionaire) assumes all of the obligations and liabilities of Tenant under this Lease to the extent of its interest.

In order to enable Landlord to adequately investigate the proposed Transferee's qualifications, Tenant shall pay within five (5) days of Landlord's written request therefor, all actual, reasonable expenses incurred by Landlord in connection with the investigation of the proposed Transferee, including attorneys' fees and costs and all consultant fees, not to exceed \$5,000 (which amount shall be increased by the annual increases in CPI).

ARTICLE 9. TAXES AND IMPOSITIONS

9.1 Tenant To Pay Impositions.

From and after the Term Commencement Date, Tenant agrees that it shall pay any and all taxes, assessments, including, without limitation, the possessory interest tax if any (collectively, "**Impositions**") levied subsequent to the Term Commencement Date and applicable to the Term hereof, levied or assessed by any governmental agency or entity on or against the Leased Premises or any portion thereof, or on or against Tenant's interest in the Leased Premises (including the leasehold interest created by this Lease), or any Tenant Improvements or other property (including against Tenant's personal property), in or on the Leased Premises. The timely reporting and payment of the above referenced assessments or other charges is a material term of this Lease. Tenant agrees to provide Landlord with evidence upon reasonable prior notice that the Impositions have been paid or waived by the taxing authorities. Landlord agrees it will not permit to be assessed against the Leased Premises any new community facilities district tax or assessment or any charge attributable to the Public Improvements.

If, by law, any such Imposition is payable, or may, at the option of Landlord or Tenant be paid, in installments, Tenant may pay the same, together with any accrued interest on the unpaid balance of such Imposition, in such installments as those installments respectively become due and before any fine, penalty, interest, or cost may be added thereto for the

nonpayment of any such installment and interest.

In no event shall Tenant be responsible for any Impositions, including but not limited to any increase in taxes on the Leased Premises, associated with any Transfer or "changes of ownership" stemming from Landlord's Transfer of all or any part of the Leased Premises or, should Landlord be a non-governmental entity, with income taxes or Impositions (if any) attributable to Tenant's payment of Rent or Landlord's receipt thereof.

9.2 Payment Before Delinquency.

Subject to Tenant's right to contest under Section 9.4, any and all Impositions and installments of Impositions required to be paid by Tenant under this Lease shall be paid by Tenant prior to delinquency, and copies of the official and original receipt for the payment of such Imposition or installment thereof shall immediately be given to Tenant.

9.3 Contest of Imposition.

Tenant shall have the right to contest, oppose, or object to the amount or validity of any Imposition levied on or assessed against the Leased Premises or any portion thereof and may in good faith diligently conduct any necessary proceeding to prevent or void or reduce the same; provided, however, that the contest, opposition, or objection must be filed before the Imposition at which it is directed becomes delinquent if such contest, opposition or objection is required to be made or filed prior to payment of the Imposition being challenged, and written notice of the contest, opposition, or objection must be given to Landlord at least thirty (30) days before the date the Imposition becomes delinquent.

Landlord agrees to reasonably cooperate and join in any proceeding or contest brought by Tenant. If the provisions of any law require that the proceeding or contest be brought by or in the name of Landlord or any owner of the Leased Premises, Landlord shall join in the proceeding or contest or permit it to be brought in Landlord's name but such action shall be without cost to Landlord and all costs, including attorneys' fees, shall be borne solely by Tenant.

9.4 Real Estate Tax Statements.

Tenant shall, as between Landlord and Tenant, have the duty of attending to, preparing, making, and filing any statement, return, report, or other instrument required or permitted by law in connection with the determination, equalization, reduction, or payment of any Imposition that is or may be levied on or assessed against the Leased Premises, or any portion thereof, or any interest therein, or any improvements or other property on the Leased Premises.

9.5 Indemnification.

Landlord shall indemnify, defend and hold Tenant, and its Representatives and Tenant's property (including the Leased Premises and any improvements now or hereafter located on the Leased Premises) free and harmless from any Liabilities resulting from any Impositions required by this Article 9 to be paid by Landlord, and from all interest, penalties, and other sums imposed thereon, and from any sale or other proceeding to enforce collection of any such Imposition.

9.6 Payment By Tenant.

Should Tenant fail to pay within the time specified in this Article any Impositions required by this Article to be paid by Tenant, Landlord may, upon reasonable prior written notice to Tenant pay, discharge, or adjust such Imposition for the benefit of Tenant. In such event, Tenant shall, on or before the first day of the next calendar month following any such payment by Landlord, reimburse Landlord for the full amount incurred by Landlord in so paying, discharging, or adjusting such Imposition, together with interest thereon at the Default Rate from the date of payment by Landlord until the date of repayment by Tenant, and the above obligation of Tenant to reimburse Landlord shall survive the expiration or earlier termination of this Lease.

9.7 Transient Occupancy Taxes to be Paid/Collected by Tenant.

To the extent that transient occupancy taxes (so called "bed taxes") are imposed on overnight RV camping and other overnight lodging, with the exception of caretaker lodging or as otherwise exempted by City transient occupancy tax regulations, on the Leased Premises, Tenant agrees to remit or cause the same to be paid to the Landlord as required by Applicable Law.

ARTICLE 10. UTILITY SERVICES.

10.1 Tenant's Responsibility.

During the term of this Lease and subject to the terms of the Development Agreement, Tenant shall pay, or cause to be paid, as herein specified and shall indemnify, defend and hold Landlord and the property of Landlord harmless from all charges for non-well water, sewage, gas, heat, air conditioning, light, power, steam, telephone service and all other services and utilities used, rendered or supplied to, on or in the Leased Premises; provided that Tenant shall permit access to the Leased Premises to the agents and representatives of any public utility serving the Leased Premises for inspection and repair purposes.

10.2 Water; Municipal Services.

As more particularly addressed in the Development Agreement and/or as set forth in the will service letter(s), the City agrees that Tenant shall have the right to access and utilize the water produced by the water wells on the Leased Premises for uses on the Leased Premises. Landlord shall not have the right to drill or explore for water on the Leased Property, except for the benefit of Tenant and as permitted by Tenant. Except as set forth in the Development Agreement, Landlord shall not be required to furnish to Tenant or any other occupant of the Leased Premises during the term of this Lease, any gas, heat, air conditioning, light, power, steam, telephone, or any other utilities, equipment, labor, materials or services of any kind whatsoever, except that City shall supply Tenant with municipal services (including reclaimed water subject to availability) with respect to the above items to the extent, and upon the terms and conditions, that such municipal services are supplied to the best and largest customers of the municipality. It is agreed that the costs of domestic potable water shall not exceed the City's promulgated rates and costs without additional profit markup, and that there shall be no charge for water produced from the on-site wells. Balboa shall not have the right to sell or receive proceeds from the sale of the non-potable water from the water wells on the Property.

10.3 Energy Generation Credits.

Any monetary, in-lieu, off-set, or similar credit provided to Tenant as an incentive for energy generated and/or energy generation equipment installed by Tenant on the Leased Premises shall be the property of the Tenant for the useful life of said equipment, or the term of this lease, whichever is less. To the extent that monetary, in-lieu, off-set, or similar credits are provided upon installation of said equipment the entire credit shall be the property of the Tenant. Under no circumstances shall Tenant's acceptance of credits obligate Landlord or Tenant to operate said equipment beyond the then current term or sooner termination of this Lease.

ARTICLE 11. INSURANCE

11.1 Fire and Extended Coverage Insurance.

Throughout the term of this Lease, Tenant, at no cost or expense to Landlord, shall keep or cause to be kept, for the mutual benefit of Landlord and Tenant, a policy of standard fire insurance, with extended coverage and vandalism and malicious mischief endorsements (but exclusive of flood and earthquake), insuring all enclosed, permanent structures located on or used in connection with and appurtenant to the Leased Premises. In no event shall Tenant be required to carry insurance on any of the Public Improvements. Tenant shall not be obligated to carry flood or earthquake insurance on the Tenant Improvements, but may elect to procure such insurance for the buildings if available at commercially acceptable rates. Unless otherwise agreed by Landlord, the amount of insurance required hereunder shall in no event be less than one hundred percent (100%) of the full replacement cost of the permanent buildings on the Leased Premises, with such reasonable deductibles as Tenant shall determine. For so long as Landlord is a municipal agency and immune from liability, and except as Landlord may be insuring the surrounding public or redevelopment lands from damage, destruction or liability therein, Landlord shall not be obligated to carry property or casualty insurance.

Should Landlord transfer the Property to a third party, private person or entity, then Tenant shall have the right to require (and this Lease shall be amended to reflect) that such Transferee shall be obligated to carry all such insurance as the parties reasonably agree, but in no event less than is commercially reasonable or as are imposed on Tenant hereunder.

Prior to the commencement of any construction by the Tenant or its entry onto the Leased Premises and in all events by the date of the Interim Term, Tenant shall provide evidence to Landlord that it is carrying the insurance required by this Section 11.1 insuring all enclosed, permanent structures located on or used in connection with and appurtenant to the Leased Premises.

11.2 Cooperation in Obtaining Proceeds of Fire and Extended Coverage.

Landlord shall, at no cost or expense to Landlord, cooperate fully with Tenant to obtain the largest possible recovery under all policies required by Section 11.1. The proceeds shall be deemed to be held in trust by the recipient to the extent of the uses and purposes prescribed by this Lease.

11.3 Builder's Risk and Worker's Compensation Insurance.

Before commencement of any demolition or construction work on the Leased Premises, Tenant shall procure, and shall maintain in force until completion and acceptance of the work (i) "all risks" builder's risk insurance, including coverage for vandalism and malicious mischief, in a form and amount and with a company reasonably acceptable to Landlord, and (ii) worker's compensation insurance covering all persons employed in connection with work on the Leased Premises and with respect to whom death or bodily injury claims could be asserted against Landlord or the Leased Premises. Said builder's risk insurance shall cover improvements in place and all material and equipment at the job site furnished under contract.

11.4 Commercial General Liability Insurance.

Tenant, commencing on the earlier of commencement of any construction by the Tenant or its entry onto the Leased Premises and in all events by the date of the Interim Term, and continuing throughout the Term hereof, shall maintain, at no cost or expense to Landlord, with a reputable and financially responsible insurance company acceptable to Landlord, for the mutual benefit of Landlord and Tenant, comprehensive broad form commercial general liability insurance against claims and liability for personal injury, death, or property damage arising from Tenant's use, occupancy, misuse or condition of the Leased Premises, the Tenant Improvements thereon, which insurance shall provide combined single limit protection of at least Five Million Dollars (\$5,000,000) for bodily injury or death to one or more persons, and at least Two Million Dollars (\$2,000,000) for property damage; provided, that, at the beginning of Lease Year Ten (10), and every ten (10) years thereafter, the above prescribed minimum coverages shall be increased to the amounts customarily carried by developments of the size, character and nature of the development on the Leased Premises.

Prior to the commencement of any construction by the Tenant or its entry onto the Leased Premises and in all events by date of the Interim Term, Tenant shall provide evidence to Landlord that it is carrying the insurance required by this Section 11.4.

11.5 Policy Form, Content And Insurer.

All insurance required by the provisions of this Lease shall be carried only with responsible insurance companies licensed to do business in this state having a policyholder's rating from A. M. Best Company of at least A. If, during the Term of this Lease, such rating service ends, then Landlord shall reasonably select another comparable rating service which most closely approximates Best's Insurance Rating, with the view toward maintaining the same quality standard for determining a "secure and acceptable insurance company."

All such policies required by the provisions of this Lease shall be nonassessable and shall contain language, to the extent obtainable, to the effect that (i) any loss shall be payable notwithstanding any act or negligence of Landlord that might otherwise result in a forfeiture of the insurance, (ii) the insurer waives the right of subrogation against Landlord, (iii) against Landlord's Representatives, the policies are primary and noncontributing with any insurance or self-insured equivalent that may be carried by Landlord, (iv) the policies cannot be cancelled or materially changed except after thirty (30) days' notice by the insurer to Landlord, (v) Landlord shall not be liable for any premiums or assessments, and (vi) all policies shall name Landlord and its successors and assigns as additional insureds with respect to liability arising out of Tenant's leasehold created herein. Upon the Term Commencement Date, Tenant shall deliver to Landlord either certificates of insurance evidencing the insurance coverages specified in this Article 11 or a binder for such insurance, in a form reasonably satisfactory to Landlord, providing for the commencement of such insurance coverages as of the Term Commencement Date of this Lease. Tenant shall thereafter deliver to Landlord certificates of insurance evidencing the insurance coverages required by this Article upon renewal of any insurance policy. Tenant may provide any insurance required under this Lease by blanket insurance covering the Leased Premises and any other location or locations, provided that the specific policy of blanket insurance proposed by Tenant is reasonably acceptable to Landlord. Landlord's review of such policy of blanket insurance shall be only for the purpose of determining if it provides the coverages required by this policy and does not adversely affect Landlord's interest in the Leased Premises or its rights hereunder.

11.6 Indemnification.

Tenant shall indemnify, defend and hold Landlord and its Representatives, and the property of Landlord, including the Leased Premises and any improvements thereon, free and harmless from any and all Liabilities to the extent resulting from Tenant's use, occupancy or enjoyment of the Leased Premises by Tenant. The above indemnification includes, without limitation, any Liabilities arising by reason of:

(a) The death or injury of any Tenant Parties, including Tenant or any person who is an employee or agent of Tenant, or damage to or destruction of any property, including property owned by Tenant or by any person who is an employee or agent of Tenant, from any cause whatsoever while such person or property is on the Leased Premises or in any way connected with the Leased Premises or with any of the improvements or personal property on said premises;

(b) The death or injury of any Tenant Parties, including Tenant or any person who is an employee or agent of Tenant, or damage to or destruction of any property, including property owned by Tenant or any person who is an employee or agent of Tenant, caused or allegedly caused by either (i) the condition of the Leased Premises (other than Public Improvements) or some Improvement on said premises, or (ii) some act or omission on the Leased Premises caused by Tenant or any person in, on, or about the Leased Premises with the permission and consent of Tenant;

(c) Any work performed on the Leased Premises or materials furnished to the Leased Premises at the instance or request of Tenant or any person or entity acting for or on behalf of Tenant, other than Landlord's work hereunder; or

(d) Tenant's failure to perform any provision of this Lease or to comply with Applicable Law.

Landlord agrees to exonerate, protect, defend, indemnify and hold Tenant its officers, directors, stockholders, beneficiaries, partners, representatives, agents and employees harmless from and against any and all losses, damages, claims, suits or actions, judgments and costs (including reasonable attorneys' fees) arising out of (A) the Landlord Parties' use of the Leased Premises or its construction of the Public Improvements; (B) any Landlord Event of Default or (C) any injury to or death of persons or damage to property on or about the Leased Premises to the extent caused by the intentional or negligent acts or omissions of Landlord or its employees, agents or contractors.

Tenant's agreement to indemnify the Landlord Parties and Landlord's agreement to indemnify the Tenant Parties pursuant to this Section 11.6 are not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried pursuant to the provisions of this Lease, to the extent such policies cover, or if carried, would have covered, the matters, subject to the parties' respective indemnification obligations; nor shall they supersede any inconsistent agreement of the parties set forth in any other provision of this Lease.

Notwithstanding any provision to the contrary contained in this Lease, nothing in this Lease shall impose any obligations on Tenant or Landlord to be responsible or liable to the other for, and each hereby releases the other from all liability for, consequential damages stemming from a breach of this Lease.

11.7 Waiver of Subrogation.

Landlord and Tenant agree to have their respective insurance companies issuing property damage insurance waive any rights of subrogation that such companies may have against Landlord or Tenant, as the case may be, so long as the insurance carried by Landlord and Tenant, respectively, is not invalidated thereby. As long as such waivers of subrogation are contained in their respective insurance policies, Landlord and Tenant hereby waive any right that either may have against the other on account of any loss or damage to their respective property to the extent such loss or damage is insurable under policies of insurance for fire and all risk coverage, theft, public liability, or other similar insurance.

Each Party (the "**Releasor**") hereby releases the other Party (the "**Releasee**") from any and all liability or responsibility to the Releasor or anyone claiming through or under the Releasor by way of subrogation or otherwise for any incurred loss or damage to any person or property caused by fire or other insured peril or other such loss, damages, or other insured event or negligence of the Releasee, or anyone for whom such Releasee may be responsible; provided, however, that this release shall be applicable and in force and effect only with respect to loss or damage occurring during such time as the Releasor's policy or policies of insurance shall contain a waiver of subrogation endorsement, to the effect that any such release shall not adversely affect or impair said policy or policies or prejudice the right of the Releasor to recover thereunder.

ARTICLE 12. CONDEMNATION

12.1 Definitions.

As used in this Article, the following words have the following meanings:

(a) Award: means the compensation paid for the Taking, as hereinafter defined, whether by judgment, agreement or otherwise.

(b) Taking: means the taking or damaging of the Leased Premises or any portion thereof as the result of the exercise of the power of eminent domain, or for any public or quasi-public use under any statute. Taking also includes a voluntary transfer or conveyance to the condemning agency or entity under threat of condemnation, in avoidance of an exercise of eminent domain, or while condemnation proceedings are pending.

(c) Taking Date: means the later of (i) the date on which the condemning authority takes actual physical possession of the Leased Premises or any portion thereof, as the case may be, or (ii) the date on which the right to compensation and damages accrues under the law applicable to the Leased Premises.

(d) Total Taking: means the taking of the fee title to all the Leased Premises and the improvements thereon.

(e) Substantial Taking: means the taking of so much of the Leased Premises or improvements thereon or both that the conduct of Tenant's business on the Leased Premises would be substantially prevented or rendered economically infeasible in Tenant's reasonable discretion.

(f) Partial Taking: means any Taking of the fee title that is not either a Total or a Substantial Taking.

(g) Notice of Intended Taking: means any notice or notification on which a prudent person would rely as expressing an existing intention of taking as distinguished from a mere preliminary inquiry or proposal. It includes but is not limited to the service of a condemnation summons and complaint on a party to this Lease.

12.2 Total or Substantial Taking of Leased Premises.

In the event of a Total Taking, except for a Taking for temporary use, Tenant's obligation to pay rent shall terminate on, and Tenant's interest in the Leased Premises shall terminate on, the Taking Date. In the event of a Taking, except for a Taking for temporary use, which Tenant, in the exercise of its reasonable judgment, considers to be a Substantial Taking, Tenant may, by notice to Landlord given within sixty (60) days after Tenant receives Notice of Intended Taking, notify Landlord of the Substantial Taking and Tenant shall equitably abate Rent in proportion to the amount of Land Taken until it elects to terminate (or it is decided that Tenant may terminate). If Tenant does not so notify Landlord, the Taking shall be deemed a Partial Taking. If Tenant gives such notice and, within ten (10) days following Tenant's notice, Landlord gives Tenant notice disputing Tenant's contention that there has been a Substantial Taking, the Parties shall resolve their dispute before a

court of competent jurisdiction or in such other manner as the Parties may mutually agree. If Landlord does not dispute Tenant's contention that there has been a Substantial Taking, or if it is determined, by order of the Court, that there has been a Substantial Taking, then the Taking shall be considered a Substantial Taking and Tenant shall be entitled to terminate this Lease effective as of the Taking Date if: (a) Tenant delivers possession of the Leased Premises to Landlord within thirty (30) days after determination that the Taking was a Substantial Taking, and (b) Tenant was not in default on the Taking Date under this Lease and has complied with all Lease provisions concerning apportionment of the Award. If these conditions are not met, the Taking shall be treated as a Partial Taking. The Parties agree that the widening by CalTrans of Schleisman Road as a connector to the I-15 and/or the widening of the I-15 shall be considered a Substantial Taking if it results in: (i) the taking of all or a part of the covered arena/multi-purpose building or other significant permanent structures proximate thereto (e.g., the hay barn) as shown on the Site Plan; or (ii) the loss of 20% or more of the soccer field capacity of the Leased Property based on full sized soccer fields and the permitted configuration of the other Improvements on the Leased Property.

12.3 Apportionment And Distribution of Award.

In the event of a Total Taking or Substantial Taking, the Rent shall be paid up to that date with a proportionate refund by Landlord of any rent paid in advance and the Award shall be allocated between the Parties such that Tenant shall receive an award equal to Tenant's Unamortized Construction Costs (as defined above) together with the leasehold value of its estate. In the event of a Partial Taking, then in that event, this Lease will not terminate and Tenant will receive a rental reduction equitably attributable to the value of the area taken. In any case, each Party shall be entitled to claim and receive an award of damages for its losses, including Tenant's damages for the loss of its leasehold estate, suffered by it by reason of such taking or conveyance. Tenant shall be allowed to share in the award if only a single award is made for the taking of the Leased Premises or a part thereof. The Taking authority shall have the liability, following any partial condemnation that does not result in a termination of this Lease, to restore the Leased Premises as nearly as possible to the condition as existed immediately prior to such taking and rent shall equitably abate during such restoration.

12.4 Taking for Temporary Use.

If there is a Taking of the Leased Premises for temporary use (which is defined to mean a period of less than 60 days), this Lease shall continue in full force and effect, Tenant shall continue to comply with Tenant's obligations under this Lease, neither the Term nor the rent shall be reduced or affected in any way, but shall continue at the level of the last monthly rental paid prior to the Taking (including any subsequent rental adjustments in such monthly rental provided for under this Lease), and Tenant shall be entitled to any Award for the use or estate taken.

ARTICLE 13. DEFAULT

13.1 Events of Default.

The occurrence of any one or more of the following events shall, after the giving of a Notice of Default and expiration of the cure periods herein provided, constitute a default and breach of this Lease by Tenant or Landlord as applicable (“**Default(s)**” or “**Event(s) of Default**”):

(a) The failure by a Party to pay money when due (including the failure by Tenant to pay any Rent due under this Lease) to the other as herein specified and/or under the Funding Agreement, which failure continues for a period of ten (10) business days after receipt of written notice from the other Party that the same is overdue; or

(b) The failure by a Party to perform or observe any other term or condition of this Lease and such failure continues for a period of thirty (30) days (unless a shorter time frame is expressly set forth herein) after receipt of written notice thereof from the other Party (with notice shall include a reasonably detailed description of the default), provided however, that if the nature of such failure is such that the same cannot reasonably be cured within said thirty (30) day period (herein referred to as a “**excused delay**”), then the Party in default shall have such additional time as is reasonably necessary to cure such failure provided that such Party commences to cure such failure within said thirty (30) day period and proceeds to cure such failure with diligence and continuity (written notice by a Party under this Section 13.1 is hereinafter referred to as a “**Notice of Default**”); or

(c) The failure by either Party to timely complete its construction including Phase 2 and pursuant to the Schedule of Performance, subject to extension by excusable delay pursuant to Section 13.8 and assuming Landlord’s delivery of the Leased Premises in the condition required by Section 5.1.2 hereof; or

(d) The failure of the Landlord to prevent or cause the dismissal with prejudice prior to the Term Commencement Date of any challenge or lawsuit brought or asserted by a third party arising out of the validity of the environmental impact report or assessment prepared in connection with the development of the Project.

At any time prior to receipt of a Notice of Default, Tenant may request by written notice that Landlord simultaneously send a copy of the Notice of Default to any mortgagee of Tenant at the address provided by Tenant and Landlord shall allow such mortgagee the opportunity to cure the Event of Default.

13.2 Remedies of Landlord.

Upon the occurrence of an Event of Default by Tenant, Landlord may seek injunctive relief or damages as provided by law, but except as otherwise provided in subsection (d) below, not including damages or relief provided under Cal. Civ. Code Section 1951.2(a)(3). Upon the occurrence of a material Event of Default by Tenant, Landlord shall have the right, by written notice to Tenant, to:

(a) Declare this Lease terminated and the term of the Lease ended, in which event this Lease and the term hereof shall expire, cease and terminate with the same force

and effect as though the date set forth in the notice of termination was the date originally set forth herein and fixed for the expiration of the Lease term, whereupon the Tenant shall vacate and surrender the Leased Premises and shall be liable for damages as provided in subsection (d) below;

(b) Repossess the Leased Premises, without termination of this Lease, whereby Tenant shall remain liable, subject to the limitations hereinafter set forth, for all ongoing obligations arising during the balance of the Original Term. Landlord may proceed to recover possession of the Leased Premises pursuant to applicable process of law and to dispossess Tenant and all other occupants therefrom and remove and store all property therein in a public warehouse or elsewhere at the cost and for the account of the Tenant. UPON REPOSSESSING THE LEASED PREMISES, LANDLORD SHALL USE REASONABLE EFFORTS TO MITIGATE DAMAGES AND RELET THE LEASED PREMISES AT THE HIGHEST RENT AND ON BEST TERMS AVAILABLE TO LANDLORD. Upon each such reletting all rentals and other sums due received by Landlord from such reletting shall be applied in the following order:

(i) to the payment of any indebtedness, other than Rent due or the repayment of amounts financed under the Funding Agreement for City Facilities (the terms of such repayment are specified in the Development Agreement (herein, "**Funding Repayments**"), hereunder from Tenant to Landlord;

(ii) to the payment of any reasonable costs and expenses of such reletting, including reasonable brokerage fees and costs of alterations and repairs (all of the aforementioned items in (i) and (ii) being collectively referred to as "**Other Damages**"); and

(iii) to the payment of Rent due and unpaid hereunder and then to the unpaid Funding Repayments; with the residuc, if any, to be held by Landlord and applied in payment of future Rent as the same may become due and payable by Tenant hereunder. If such rentals and other sums received from such reletting during any month are less than the Rent to be paid during that month by Tenant hereunder, Tenant shall pay such deficiency to Landlord; if such rentals and sums shall be more than the Rent due from Tenant as herein stated, Tenant shall have NO right to be paid the excess provided, however, such excess shall be credited against Rent payable by Tenant (if any) and due in the future. Such deficiency shall be calculated and paid monthly; or

(c) Continue this Lease in full force and effect, whether or not Tenant shall have abandoned the Premises. The foregoing remedy shall also be available to Landlord pursuant to California Civil Code Section 1951.4, and any successor statute thereof, in the event Tenant has abandoned the Premises. If Landlord elects to continue this Lease in full force and effect pursuant to this subsection (c), then Landlord shall be entitled to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due. Landlord's election not to terminate this Lease pursuant to this Section 13.2 or pursuant to any other provision of this Lease, at law or in equity, shall not preclude Landlord from subsequently electing to terminate this Lease or pursuing any of its other remedies.

(d) Notwithstanding subsection (a) above, for purposes of Landlord's election

to terminate, the Parties agree that a “**material Event of Default**” must be one that is not capable of being cured by Landlord’s resort to its right of self help under Section 13.4 below (provided that Landlord shall not be obligated to spend in excess of the then current year’s Annual Minimum Rent in the exercise of such self-help rights) and be of such a nature that actually materially and adversely affects the public’s right to use the public portions of the Leased Premises. Before Landlord elects to terminate the Lease, Landlord shall be required to provide Tenant with a second Notice of Default (following the giving of the initial Notice of Default and lapse of Tenant’s time to cure). The second Notice of Default shall specifically detail the nature of Tenant’s default, propose an acceptable cure, and advise Tenant of Landlord’s intent to terminate by a date certain (but not less than four (4) months) following the date of the second Notice of Default. Upon receipt of the second Notice of Default, Tenant shall have ten (10) business days within which to commence to cure or Tenant shall have the option of disputing whether a material Event of Default has occurred by requesting a Reference Procedure as such procedure is described in Exhibit K.

Should Tenant not thereafter timely prosecute the cure and Landlord is permitted to terminate this Lease, then Landlord may recover from Tenant:

(i) The worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss Tenant proves reasonably could have been avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves reasonably could be avoided; plus

(iv) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant’s failure to perform its obligations under this Lease or which in the ordinary course would be likely to result therefrom; and plus

(v) At Landlord’s election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California Law.

As used in this Section, the “**worth at the time of award**” is computed by allowing interest at the Default Rate. As used in (iii) above, the “worth at the time of award” is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%), provided however, in no event shall such amount determined pursuant to (iii) exceed an amount equal to three (3) years’ worth of Annual Minimum Rent due for the period following the date of termination plus Landlord’s reasonable attorney’s fees and costs, which shall be separately reimbursed by Tenant..

(e) The receipt by Landlord of less than the full Rent due shall not be

construed to be other than a payment on account of Rent then due, nor shall any statement on Tenant's check or any letter accompanying Tenant's check be deemed an accord and satisfaction, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of the Rent due or to pursue any other remedies provided in this Lease. The acceptance by Landlord of Rent hereunder shall not be construed to be a waiver of any breach by Tenant of any term, covenant or condition of this Lease. No act or omission by Landlord or its employees or agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid unless in writing and signed by Landlord. Failure by Landlord to enforce its rights with respect to any one Event of Default shall not constitute a waiver of its rights with respect to any subsequent Event of Default. Failure of Landlord to declare any default immediately upon its occurrence, or delay in taking any action in connection with an event of default, shall not constitute a waiver of such default, nor shall it constitute an estoppel against the Tenant, and Landlord shall have the right to declare the default at any time and take such action as is lawful or authorized under this Lease.

13.3 Landlord's Lien; Redemption.

(a) Waiver of Landlord's Liens. LANDLORD HEREBY SPECIFICALLY DISCLAIMS, WAIVES AND DISAVOWS ANY STATUTORY, CONTRACTURAL OR COMMON LAW LIEN OR RIGHT OF DISTRAINT, IF ANY, ATTACHING OR RELATING TO TENANT'S PERSONAL PROPERTY, INCLUDING WITHOUT LIMITATION, ALL EQUIPMENT, FURNITURE, INVENTORY OR TRADE FIXTURES.

(b) Tenant's Waiver of Redemption. Tenant hereby waives, for itself and all persons claiming by and under Tenant, all rights and privileges which it might have under any present or future law to redeem the Leased Premises following termination of this Lease or to continue this Lease after being dispossessed or ejected from the Leased Premises by Landlord as and to the extent allowed hereunder or otherwise as directed by the court.

13.4 Self-Help Cure Rights.

If either Party shall default in the performance or observance of any condition in this Lease on its part to be performed or observed, and shall not cure such default within thirty (30) days (or ten (10) days for monetary default) after notice from the other Party specifying the default (or if such Party does not within such period commence to cure the default and thereafter prosecute the curing of the default to completion with due diligence), the non-defaulting Party may, at its option, without waiving any claim for damages for the default, at any time thereafter cure such default for the account of the defaulting Party, and any reasonable amount paid or any reasonable contractual liability incurred by the non-defaulting Party in so doing shall be deemed paid or incurred for the account of the defaulting Party, and the defaulting Party agrees to reimburse the non-defaulting Party therefor and save the non-defaulting Party harmless therefrom. At any time during the term of this Lease, the non-defaulting Party may cure any such default prior to the expiration of the thirty (30) day period, or prior to notice to the defaulting Party, if the curing of the default prior to notice or to the expiration of the thirty (30) day period is reasonably and immediately necessary due to an emergency to protect the Leased

Premises or the Party's interest therein, or to prevent injury or damage to persons or property. The non-defaulting Party shall submit an invoice to the defaulting Party for the costs incurred by the non-defaulting Party to cure a default of the defaulting Party, and if the defaulting Party fails to pay the costs so invoiced, together with interest as hereinafter provided, within fifteen (15) days after receipt of an invoice for the same, the non-defaulting Party shall have the right to deduct such costs, and interest therein, from the amounts then owed (including from any Rent due) by the non-defaulting Party to the defaulting Party. Any sums expended or expenses incurred by the non-defaulting Party to cure any default shall bear interest at the Default Rate until paid in full. No such act shall constitute a waiver of any Default or of any remedy for Default or render the non-defaulting Party liable for any loss or damage resulting from its act of self-help.

13.5 Landlord's Default; Tenant's Remedies.

Upon the occurrence of an Event of Default by Landlord, Tenant may (a) seek injunctive relief or damages as provided by law; or (b) terminate this Lease if it is a "material Event of Default" on the part of Landlord. A "**material Event of Default**" must be one that either delays the start of Tenant's construction or is not capable of being cured by Tenant's resort to its right of self-help under Section 13.4 above (provided that Tenant shall not be obligated to spend in excess of the then current year's Annual Minimum Rent in the exercise of such self-help rights) or be of such a nature that actually materially and adversely affects the Tenant's right to use the Leased Premises for its intended purposes. Before Tenant elects to terminate the Lease, Tenant shall be required to provide Landlord with a second Notice of Default (following the giving of the initial Notice of Default and lapse of Landlord's time to cure). The second Notice of Default shall specifically detail the nature of Landlord's default, propose an acceptable cure, and advise Landlord of Tenant's intent to terminate by a date certain (but not more than nine (9) months) following the date of the second Notice of Default. Upon receipt of the second Notice of Default, Landlord shall have ten (10) business days within which to cure or Landlord shall have the option of disputing whether a material Event of Default has occurred by requesting a Reference Procedure as such procedure is described in Exhibit K.

13.6 Remedies Cumulative

Except as herein stated or as prohibited by Applicable Law, each right and remedy of Landlord and Tenant provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or the beginning of the exercise by Landlord or Tenant of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord or Tenant of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

13.7 Waiver.

Landlord's or Tenant's failure to enforce any provision of this Lease with respect to a Default hereunder shall not constitute a waiver of Landlord's or Tenant's right to enforce such provision or any other provision with respect to any future Default. The acceptance of rent by Landlord shall not be deemed a waiver of Landlord's right to enforce any term or provision hereof. The waiver of any term or condition of this Lease shall not be deemed to

be a waiver of any other term or condition hereof or of any subsequent failure of any term or condition hereof.

13.8 Delays in Performance; Force Majeure.

The time within which the Parties hereto shall be required to perform any act under this Lease, other than the payment of rent, taxes, insurance, or other obligations to pay money that are treated as rent (except if otherwise allowed to abate), shall be extended by a period of time equal to the number of days during which performance of such act is delayed due to an act of God, supernatural causes, strikes, lockouts, fire, earthquake, flood, explosion, war, invasion, insurrection, riot, mob violence, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, severe weather, court order, delays caused by compliance with governmental requirements, or similar events which are reasonably beyond that Party's control. The additional grace period or extension of time provided above shall be equal to the period of delay caused by the above-described event, which period shall commence to run from the time of the commencement of the cause for delay and shall terminate upon termination of that cause. A Party wishing to invoke this Section shall: (a) notify the other party in writing of the delay promptly following the event giving rise to such delay; (b) use commercially reasonable efforts to avoid such delay; and (c) diligently pursue completion of the activity which was delayed. Nothing in this Section 13.8 is meant to be duplicative of force majeure delays and/or notices required under the Development Agreement.

ARTICLE 14. EXPIRATION; TERMINATION

14.1 Tenant's Duty To Surrender.

At the expiration or earlier termination of this Lease, Tenant shall surrender to Landlord the possession of the Leased Premises free and clear of all liens and encumbrances other than those, if any, created by Landlord or which Landlord approves in writing at the time of said expiration or earlier termination. Surrender or removal of improvements, fixtures and trade fixtures shall be as directed in Section 5.6. Tenant shall leave the Leased Premises and any other property surrendered in working condition and repair, reasonable wear and tear excepted. All property that Tenant is required to surrender shall become Landlord's property at termination or expiration of this Lease. All property that Tenant is not required to surrender shall be removed by Tenant at Tenant's cost within 30 days after the expiration or earlier termination of this Lease, but if Tenant abandons such property by failure to remove said property within thirty (30) days after the expiration or earlier termination of this Lease, said property shall, at Landlord's election, become Landlord's property.

Landlord shall have the right, at the expiration or earlier termination of this Lease, to demand the removal from the Leased Premises of all advertising or identification signage at Tenant's sole cost and expense. A demand for the removal of said improvement(s) shall be made by notice given at the time of the expiration, or at the time of the earlier termination, of this Lease, and Tenant shall comply with said notice no later than sixty (60) days after the expiration or earlier termination of this Lease.

If Tenant fails to surrender the Leased Premises at the expiration or sooner termination of this Lease, Tenant shall indemnify, defend and hold Landlord and its Representatives, and the property of Landlord harmless from all Liabilities resulting from the delay or failure to surrender, including, without limitation, claims made by any succeeding tenant founded on or resulting from Tenant's failure to surrender.

If requested to do so, Tenant shall, upon the expiration or earlier termination of this Lease, execute, acknowledge and deliver to Landlord such instruments of further assurance as in the opinion of Landlord are necessary or desirable to confirm or perfect Landlord's right, title and interest in and to the Leased Premises, and any other property surrendered to Landlord pursuant to this Lease, free and clear of any claim by Tenant.

ARTICLE 15. MISCELLANEOUS

15.1 Tenant's Representations and Warranties.

Tenant covenants, represents and warrants to Landlord, as of the date of execution of this Lease, as follows:

(a) Tenant is a Delaware limited liability company, duly organized, qualified and validly existing and in good standing under the laws of California, and has all requisite power and authority to own and operate its properties and to carry on its business as now and whenever conducted and to enter into and perform its obligations under this Lease.

(b) The execution, delivery and performance of this Lease have been duly authorized by all necessary action of Tenant's managing member. All consents, approvals and authorizations of all applicable governmental authorities (including, without limitation, all consents or approvals, if any, required under applicable Securities Laws), and all consents or approvals of Tenant's managing member required in connection with the execution, delivery and performance by Tenant of this Lease have been obtained and delivered to the Landlord on or before the Effective Date of this Lease.

(c) Tenant has duly obtained and maintained, and will continue to obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate its respective businesses and properties as now owned and hereafter owned.

(d) With respect to the financial condition of Tenant:

(i) On or before January 2, 2012, Tenant shall provide to Landlord a bank letter acceptable to Landlord showing Tenant's capacity to specifically fund and commit such funds to the Phase I Initial Improvements and to pay the Annual Minimum Rent under the Lease.

(ii) Tenant shall provide to City, and maintain, a complete list of Managing Member(s) and Member(s) of Balboa Management Group, LLC and a percentage of ownership of each Managing Member and each Member.

(e) All filings, reports and tax returns of Tenant which are required to be made or filed with any governmental authority have been and will continue to be duly made and filed, and all taxes, assessments, fees and other governmental charges upon Tenant, or upon any of its respective properties, assets, income or franchises, which are due and payable, have been, and will continue to be, paid when due, other than those which are presently payable without penalty or interest, or which Tenant is contesting in good faith.

(f) There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Tenant or any of its shareholders, other than as previously disclosed to Landlord, which would materially impair Tenant's ability to perform under this Lease nor is Tenant or any of its shareholders in violation of any laws or ordinances.

(g) There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an Event of Default hereunder.

(h) Tenant has not received any notice from any governing jurisdiction of any violation of laws or ordinances, nor any notice requiring any improvements or alterations to be made in connection with the Improvements to be constructed on the Leased Premises.

(i) Tenant does not know or have any reason to know, except as disclosed to Landlord, of any adverse conditions, circumstances, or pending or threatened litigation, governmental action, or other condition which could prevent or materially impair Tenant's ability to develop the Leased Premises as contemplated by the terms of this Lease.

(j) This Lease and all other instruments to be executed in connection herewith will, as of the date of their execution, have been duly and validly executed by Tenant, and each such document constitutes, or will, as of the date executed, constitute, a legally valid, binding and fully enforceable obligation of Tenant thereto, in accordance with each and every term and condition stated therein. Tenant assumes due and valid execution of this Lease by Landlord in making the above representations.

15.2 Estoppel Certificate.

Within twenty (20) days after request by Landlord or Tenant (which request may be from time to time as often as reasonably required by Landlord or Tenant), Landlord or Tenant shall execute and deliver to the other, without charge, a statement in the form of Exhibit I, attached hereto, or in such other similar form as Landlord or Tenant may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Leased Premises or of all or any portion of the development of which

the Leased Premises are a part. Tenant's or Landlord's failure to deliver such statement within ten (10) days of a written request therefor shall be a binding agreement of Tenant or Landlord (i) that this Lease is in full force and effect without modification except as may be represented by the Party requesting said statement, (ii) that there are no uncured defaults in the requesting Party's performance hereunder, (iii) that there have not been any payments of advance rent other than as provided in the provisions of this Lease, and (iv) that such purchaser or encumbrancer may rely upon the truth of such other matters as are contained in such statement.

15.3 Notices and Deliveries.

All notices, consents or waivers required or permitted in this Memorandum shall be in writing and be deemed to have been duly given: (i) when delivered personally; or (ii) on the next business day after delivery to a reputable overnight courier service, prepaid, marked for next day delivery, addressed to the addressee at its address set forth below; or (iii) on the day or receipt, if received during business hours of the recipient on a business day, and otherwise on the next business day, if delivered by facsimile transmission to the FAX number of the receiving party listed below, but only if a duplicate copy of the notice is sent on the same day as provided in clause (ii) above. A party's address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice. Notices given by counsel to the other party(ies) shall be deemed given by the party on whose behalf the notice is sent. As used herein, "**Business Day**" shall mean any day other than a Saturday, Sunday or California or federal holiday on which national banks in Los Angeles, California are customarily closed.

If to Landlord:

City of Norco
2870 Clark Ave
Norco, CA 92860
Attention: City Manager
Fax No.:(951) 270-5622

With a copy to its counsel:

Harper & Burns, LLP
453 S. Glassell St.
Orange, CA 92866
Attn: John Harper
Fax No.: (714) 744-3350

If to Tenant (prior to Tenant's occupancy of the Leased Premises):

Balboa Management Group, LLC
P.O. Box 609
San Juan Capistrano, CA 92693
Attn: R.J. Brandes
Facsimile No.: (949) 488-9291

After Tenant's occupancy of the Leased Premises:

Balboa Management Group, LLC
c/o Silverlakes Equestrian and Sports Park
[Address to be supplied]
Norco, CA 92860
Attn: R.J. Brandes
Facsimile No.: To be provided

With a copy to its counsel:

Nancy N. Kennerly, Esq.
Kennerly, Lamishaw & Rossi, LLP
707 Wilshire Blvd., Suite 1400
Los Angeles, CA 90017
Fax No.: (213) 312-1266

15.4 Attorneys' Fees.

In the event that either Party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Lease or as a consequence of any breach by the other party of its obligations under this Lease, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party.

15.5 Headings.

The headings used in this Lease are inserted for reference purposes only and do not affect the interpretation of the terms and conditions hereof.

15.6 Rights of Successors.

All of the rights and obligations of the Parties under this Lease shall bind and inure to the benefit of their respective heirs, successors and assigns; provided, however, that nothing in this Section 15.6 shall limit the provisions of Article 8 hereof.

15.7 Amendments in Writing.

This Lease cannot be orally amended or modified. Any modification or amendment hereof must be in writing and signed by the party to be charged.

15.8 Time of Essence.

Time is of the essence with respect to each provision in this Lease.

15.9 Interpretation.

When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural, and the masculine shall include the feminine and neuter and vice versa. The term person as used in this Agreement means a natural person,

corporation, association, partnership, organization, business, trust, individual, or a governmental authority, agency, instrumentality or political subdivision, and whenever the word “**day**” or “**days**” is used herein, such shall refer to calendar day or days, unless otherwise specifically provided herein. Whenever a reference is made herein to a particular Section of this Agreement, it shall mean and include all subsections and subparts thereof.

15.10 Applicable Law: Severability.

The interpretation and enforcement of this Lease shall be governed by the laws of the State of California. Should any part, term, portion or provision of this Lease, or the application thereof to any person or circumstances be held to be illegal or in conflict with Applicable Laws, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms, portions or provisions, or the application thereof to other persons or circumstances, shall be deemed severable and the same shall remain enforceable and valid to the fullest extent permitted by law.

15.11 Exhibits.

All exhibits referred to in this Lease are attached hereto and incorporated herein by reference.

15.12 Landlord Representations and Warranties.

As a material inducement to Tenant to enter into the Lease and as a condition to the effectiveness thereof, Landlord hereby warrants, represents and covenants to Tenant as follows:

(a) Authority. Landlord (i) is a lawfully constituted municipal body, duly organized, validly existing, and in good standing under the laws of the State of its incorporation, qualified to do business in the State of California; and (ii) has the authority and power to execute and enter into this Lease and to consummate the transaction contemplated herein as the same applies to it. Upon execution hereof, Landlord will be legally obligated to Tenant in accordance with the terms and provisions of this Lease;

(b) Title and Characteristics of Leased Premises. Landlord is the owner of the Leased Premises and hold fee simple absolute title thereto. The Permitted Exceptions and that certain deed restriction imposed by Judge David O. Carter and contained in Exhibit “B” to that certain Quitclaim Deed executed by TLC Investments & Trade Co. in favor of the City recorded on June 14, 2002 as Document No. 2002-328613 (herein the “**Deed Restriction**”), which Quitclaim Deed transferred the Leased Premises to the City, are the only restrictive covenants, easements or other encumbrances presently affecting the use of the Leased Premises. Landlord represents that the parcels comprising the Leased Premises are separate legal lots and that neither the Leased Premises nor this Lease violates the Subdivision Map Act;

(c) Conflicts. The execution and entry into this Lease, the execution and delivery of the documents and instruments to be executed and delivered by Landlord by the Term Commencement Date, and the performance by Landlord of Landlord’s duties and obligations under this Lease and of all other acts necessary and appropriate

for the full consummation of the lease of the Leased Premises as contemplated herein, are consistent with and not in violation of, and will not create any adverse condition under, any contract, agreement or other instrument to which Landlord is a party or which affect the Leased Premises. Consistent with the entitlements governing the Leased Premises, all necessary and appropriate action has been taken by Landlord authorizing and approving the execution of and entry into this Lease, the execution and delivery by Landlord of the documents and instruments to be executed by Landlord by the Term Commencement Date, and the performance by Landlord of Landlord's duties and obligations under this Lease and of all other acts within Landlord's control and subject to its discretionary authority necessary and appropriate for the consummation of the lease of the Leased Premises as contemplated herein;

(d) Condemnation. As of the Effective Date, Landlord has received no written notice of any pending, threatened or contemplated action by the City or any governmental authority or agency having the power of eminent domain, which might result in any part of the Leased Premises being taken by condemnation or conveyed in lieu thereof. Provided, however, Landlord is aware of the possible creation of Schleisman Road as a connector road to the I-15 Freeway and a Taking by CalTrans or the Riverside County Transportation Commission along or near the Leased Premises northern border. Landlord agrees to keep Tenant apprised of all Condemnation or Taking activities affecting the Leased Premises;

(e) Litigation. As of the Effective Date, Landlord has received no written notice of, nor to the best of Landlord's knowledge, is Landlord aware of any action, suit or proceeding pending or threatened by or against or affecting Landlord or the Leased Premise, which does or will involve or affect the Leased Premises, the easements appurtenant to the Leased Premises, or title. Landlord will, promptly upon receiving any such notice, give Tenant notice thereof;

(f) Assessments and Taxes. Landlord agrees that it shall pay in full all delinquent taxes affecting the Leased Premises as of the Effective Date;

(g) Boundaries. Landlord represents and warrants that there is no dispute involving or concerning the location of the property or boundary lines and/or corners of the Leased Premises;

(h) No Violations. Landlord has received no written notice of violations of state or federal law, municipal or county ordinances, or other legal requirements with respect to the Leased Premises, or any legal requirements with respect to the Leased Premises. In the event Landlord receives notice of any such violations prior to the Term Commencement Date affecting the Leased Premises, Landlord shall promptly notify Tenant thereof, and Landlord shall promptly and diligently defend any prosecution thereof and take any and all necessary actions to eliminate said violations;

(i) Prior Agreements. No prior agreements, options, rights of first refusal, licenses, use agreements or the like have been granted by Landlord or the City to any third parties to purchase, use, possess or lease any interest in the Leased Premises, or any part thereof, which are effective as of the date of this Lease.

(j) No Bankruptcy. There are no actions, voluntary or otherwise, pending or threatened against Landlord or the City under the bankruptcy, reorganization, moratorium or similar law of the United States, any state thereof or any other jurisdiction;

(k) No Options, Leases or Similar Rights. As of the Effective Date, no person other than Tenant shall have any right to acquire or to ground lease the Leased Premises or any part thereof, or to obtain any interest therein. There are no outstanding rights of first refusal, rights of reverter or options to purchase relating to the Leased Premises. From and after the Effective Date, Landlord shall have no right to enter into license, agreements, or leases or otherwise grant or extend any rights of possession or occupancy; and

(l) Hazardous Materials. Except as disclosed and delivered to Tenant pursuant to this Lease:

(i) To the best of Landlord's knowledge, other than as disclosed in that Phase One report dated April 25, 2002, prepared by Ceres Technologies, Inc., Project Number 3391-01, copies of which have been provided to Tenant, the Lease Premises are, as of the Effective Date, free from contamination by Hazardous Materials in violation of any Environmental Laws (as defined below).

(ii) Definitions. For purposes of this Section 2.4 and this Agreement:

(1) **"Environmental Laws"** shall mean any federal, state or local statute, regulation or ordinance or any judicial or administrative decree or decision, whether now existing or hereinafter enacted, promulgated or issued, with respect to any Hazardous Materials, drinking water, groundwater, wetlands, landfills, open dumps, storage tanks, underground storage tanks, solid waste, waste water, storm water runoff, waste emissions or wells. Without limiting the generality of the foregoing, the term shall encompass each of the following statutes, and regulations, orders, decrees, permits, licenses and deed restrictions now or hereafter promulgated thereunder, and amendments and successors to such statutes and regulations as may be enacted and promulgated from time to time: (i) the Comprehensive Environmental Response, Compensation and Liability Act (codified in scattered Sections of 26 U.S.C., 33 U.S.C., 42 U.S.C. and 42 U.S.C. Section 9601 et seq.) ("CERCLA"); (ii) the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.) ("RCRA"); (iii) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.); (iv) the Toxic Substances Control Act (15 U.S.C. Section 2061 et seq.); (v) the Clean Water Act (33 U.S.C. Section 1251 et seq.); (vi) the Clean Air Act (42 U.S.C. Section 7401 et seq.); (vii) the Safe Drinking Water Act (21 U.S.C. Section 349, 42 U.S.C. Section 201 and Section 300f et seq.); (viii) the National Environmental Policy Act (42 U.S.C. Section 4321 et seq.); (ix) the Superfund Amendments and Reauthorization Act of 1986 (codified in scattered Sections of 10 U.S.C., 29 U.S.C., 33 U.S.C. and 42 U.S.C.); (x) Title III of the Superfund Amendment and Reauthorization Act (40 U.S.C. Section 1101 et seq.); (xi) the Uranium Mill Tailings Radiation Control Act (42 U.S.C. Section 7901 et seq.); (xii) the Occupational Safety and Health Act (29 U.S.C. Section 655 et seq.); (xiii) the

Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. Section 136 et seq.); (xiv) the Noise Control Act (42 U.S.C. Section 4901 et seq.); and (xv) the Emergency Planning and Community Right to Know Act (42 U.S.C. Section 1100 et seq.).

(2) **“Hazardous Materials”** means each and every element, compound, chemical mixture, contaminant, pollutant, material, waste or other substance which is defined, determined or identified as hazardous or toxic under any Environmental Law. Without limiting the generality of the foregoing, the term shall mean and include:

(A) **“Hazardous Substance(s)”** as defined in CERCLA, the Superfund Amendments and Reauthorization Act of 1986, or Title III of the Superfund Amendment and Reauthorization Act, each as amended, and regulations promulgated thereunder including, but not limited to, asbestos or any substance containing asbestos, polychlorinated biphenyls, any explosives, radioactive materials, chemicals known or suspected to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions, infectious wastes, any petroleum or petroleum-derived waste or product or related materials and any items defined as hazardous, special or toxic materials, substances or waste;

(B) **“Hazardous Waste”** as defined in the Resource Conservation and Recovery Act of 1976, as amended, and regulations promulgated thereunder;

(C) **“Materials”** as defined as “Hazardous Materials” in the Hazardous Materials Transportation Act, as amended, and regulations promulgated thereunder;

(D) **“Chemical Substance or Mixture”** as defined in the Toxic Substances Control Act, as amended, and regulations promulgated thereunder;

(3) **“Governmental Authorities”** means the United States, the State of California and any political subdivision thereof, and any and all agencies, departments, commissions, boards, bureaus, bodies, councils, offices, authorities, or instrumentality of any of them, of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence; and

(4) **“Release”** shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, storing, escaping, leaching, dumping, discarding, burying, abandoning, or disposing into the environment.

(m) No Facts Constituting an Event of Default. There are no facts of which Landlord is aware now in existence which would, with the giving of notice or the lapse of time, or both, constitute an Event of Default hereunder.

15.13 Attornment by Tenant.

In the event that Landlord assigns its interest in the Leased Premises or the Lease if and to the extent herein permitted, Tenant shall attorn to the assignee of Landlord, and shall recognize same as Landlord under this Lease as and to the extent specified in Section 8.1.

15.14 [RESERVED.]

15.15 Rights of Inspection.

Landlord and its authorized agents and representatives shall have the right at any time and from time to time to enter upon the Leased Premises for purposes of: (a) inspecting the same, (b) making any necessary repairs thereto pursuant to this Lease or taking such other actions as may be authorized by the provisions hereof, or (c) posting notices of non-responsibility in accordance with its rights under this Lease. If either party, in its reasonable discretion, determines that any work or materials are not in conformity with any Plans approved pursuant to this Lease, Applicable Laws, or any other provisions of this Lease, said party shall notify the other and the non-conforming party shall stop its work and order correction of any such work or materials. Inspection by Landlord of the Leased Premises or by either party of the other's work is for the sole purpose of protecting the rights of the inspecting party and is not to be construed as an acknowledgment, acceptance or representation by the inspecting party that there has been compliance with any Plans or that the Leased Premises or any improvements thereon will be free of faulty materials or workmanship. Any holder of any encumbrance on any portion of the Leased Premises shall make or cause to be made such other independent inspections as permitted by this Lease and as it deems necessary for its own protection. Nothing contained herein shall be construed as requiring Landlord or Tenant to construct or supervise construction of any improvements on the Leased Premises or any portion thereof not otherwise its responsibility to construct. Where any of the foregoing requires access to Tenant's Buildings, such entry shall be during normal business hours and Landlord shall provide written notice at least twenty-four (24) hours in advance to Tenant notifying Tenant of the proposed entry. Notwithstanding anything to the contrary herein, any access given to Landlord or Landlord's authorized agents to enter the Leased Premises shall be subject to Tenant's confidentiality and security rules and regulations. Tenant reserves the right to accompany Landlord at all times during any entry by Landlord.

15.16 Nonmerger of Fee and Leasehold Estates.

If both Landlord's and Tenant's estates in the Leased Premises become vested in the same owner, this Lease shall not be terminated by application of the doctrine of merger except at the express election of the fee owner and with the consent of any Lender(s) on a Leasehold Mortgage.

15.17 Nonliability of Landlord Representatives.

No individual representative of the Landlord shall be personally liable to Tenant, or any successor in interest, in the event of any default or breach by the Landlord, or for any amount which may become due to the Tenant or successor, or on any obligation under the terms of this Lease.

15.18 Counterparts.

This Lease may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

15.19 [Reserved].

15.20 Proprietary Rights of Tenant.

Landlord and all persons or entities claiming an interest in, or right of occupancy in or use of any portion of the Leased Premises shall be deemed, by virtue of executing this Lease and/or accepting such ownership, leasehold interest or making such use, to have covenanted and agreed that (a) the trade names, trademarks, service marks (including, without limitation, all logos, emblems, designs or designating words or names) utilized by Tenant, Balboa Management Group, I.L.C, and/or its or their affiliated companies ("**Balboa**"), in connection with the Leased Premises or the conduct of its business there at, are registered and/or the proprietary property of Tenant or its affiliates; (b) except as provided below, no usage of those marks or names will be made in naming or referring to any activity within or without the Leased Premises; and (c) no usage of such marks or names shall be made without the prior written consent of Tenant and Tenant's legal counsel. Balboa and Tenant reserve the right to require any person or entity to whom it may grant a written right to use a given name or mark to enter into a formal written license agreement and to charge a fee or royalty therefor.

15.21 Operational Rights; Seasonality of Events.

Landlord acknowledges that Landlord shall have the right to schedule its hours of operation and to hold such events, tournaments, invitationals, exhibitions and the like on such dates and at such times as are appropriate in the reasonable exercise of its business discretion. Landlord further acknowledges the seasonal nature of sporting and equestrian events and nothing herein creates any obligation on Tenant to operate or hold daily events or activities on the Leased Premises, except for the rights of the public as contained in the Shared Use Agreement.

END OF TEXT

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed this Lease as of the date first above written.

TENANT:

BALBOA MANAGEMENT GROUP, LLC
a Delaware limited liability company

By:


Richard J. Brandes

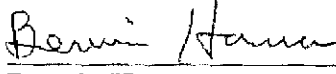
Its:

manager

LANDLORD:

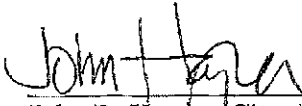
CITY OF NORCO
a municipal corporation

By:


Name: Berwin Hanna

Its: Mayor

Approved as to form:


John R. Harper, City Attorney

Attest:


Brenda K. Jacobs, CMC, City Clerk

EXHIBIT A

LEGAL DESCRIPTION OF LEASED PREMISES

Parcel A -Assessor's Parcel No: 152-060-004-0:

Parcel 1: That portion of Lot Q of Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps in the office of the County Recorder of said county, described as follows:

Beginning at the most Southerly corner of that certain parcel of land as conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, by deed filed for recorded July 18, 1951 as shown by map on file in Book 1288, Page 238, of maps, records of Riverside County, California;

Thence Southerly $0^{\circ}10'45''$ East on the Easterly line of State Highway right of way line a distance of 521.67 feet to the Northwesterly corner of that certain parcel of land conveyed to Wildan P. Thomas by deed recorded July 25, 1956 in Book 1948, Page 490, records of Riverside County, California; thence Easterly along the Northerly line of said Thomas Parcel of land to a point in the Easterly line of said Lot Q; thence Northerly along said Easterly line of Lot Q to the Southeast corner of that certain parcel of land conveyed to Steve Polopolus and Diana Polopolus, husband and wife, by deed for recorded, October 18, 1956 in Book 1987, Page 367, records of Riverside County, California; thence Southerly $63^{\circ}18'15''$ West along the South line of said Hoover and Polopolus Parcels of land to the point of beginning.

Excepting therefrom that portion of Lot Q of Fuller Rancho as shown by map on file in Book 16, Pages 94 through 97 of maps, records of Riverside County, California, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South $0^{\circ}10'45''$ East along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly $89^{\circ}61'43''$ East, a distance of 500.00 feet; thence Northerly $0^{\circ}10'45''$ West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux; thence Southerly $63^{\circ}18'15''$ West along the Southerly line of said parcel conveyed to Earle F. Hoover, et ux, a distance of 558.79 feet to the point of beginning.

Parcel 2:

All that portion of Lot Q Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South $0^{\circ}10'45''$ East

along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly 89°51'43" East, a distance of 500.00 feet; thence Northerly 0°10'45" West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux., a distance of 558.79 feet to the point of beginning.

Parcel B - Assessor's Parcel No: 152-060-011-6:

That portion of the Southeast of the Northwest quarter and the Southwest quarter of the Northwest quarter of fractional Sectional 31, Township 2 South, Range 6 West, as per map of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County, California, which lies Westerly of the following described line:

Beginning at the North quarter corner of said fractional section said corner being marked by a 4 inch by a 4 inch stake as set by parmley and finkle in 1889 and as shown on licensed survey map on file in Book 10, Page 35 of maps, records of survey, records of Riverside County, California; thence South 0°07'14" East along the North and South centerline of said fractional section, 1324.58 feet to a 3/4 inch iron pipe marking the Northeast corner of the Southeast quarter of the Northwest quarter of said fractional section; thence South 89°35'15" West 1.11 feet, to a 3/4 inch iron pipe; thence South 0°52'35" West 1.13 feet, to a 2 inch by 2 inch stake; thence South 89°26'05" East 28.20 feet; to a 2 inch stake; thence South 30°49'10" West, 321.76 feet to a 3/4 inch iron pipe set on the East and West centerline of said fractional section, at a point which bears South 89°43'33" West 221.40 feet from a 1 1/2 inch iron pipe marking the center of said fractional section, as said center of fractional section 31 was re-established and shown on said licensed survey map.

Excepting therefrom the Northerly 30.00 feet.

Also excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/file No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California, Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

Parcel C - Assessor's Parcel No: 152-070-001-8:

The Southerly 664.2 feet of Lot Q of Fuller Rancho, City of Norco, County of Riverside, State of California, County as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, California, described as follows:

The Northerly line of said parcel being parallel with the Southerly line of Lot "Q", excepting therefrom that portion conveyed to the State of California by deed from Motor Transit Terminal

Corporation recorded November 29, 1941 as shown by map on file in Book 525. Page 160 of maps, records of Riverside County, California.

Parcel D – Assessor's Parcel No: 152-070-011-7

The Northeast quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, San Bernardino Meridian, in the City of Norco, County of Riverside, State of California, as shown by sectionized survey of the Jurupa Rancho, records of San Bernardino County, California

Excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/File No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

Parcel E - Assessor's Parcel No: 152-070-002-9:

The South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, as shown by sectionized survey of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as per map recorded in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County.

Except the Westerly 60.00 feet of the South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of said Section 31.

EXHIBIT B

MAP OF LEASED PREMISES

[Attached as the immediately following page.]

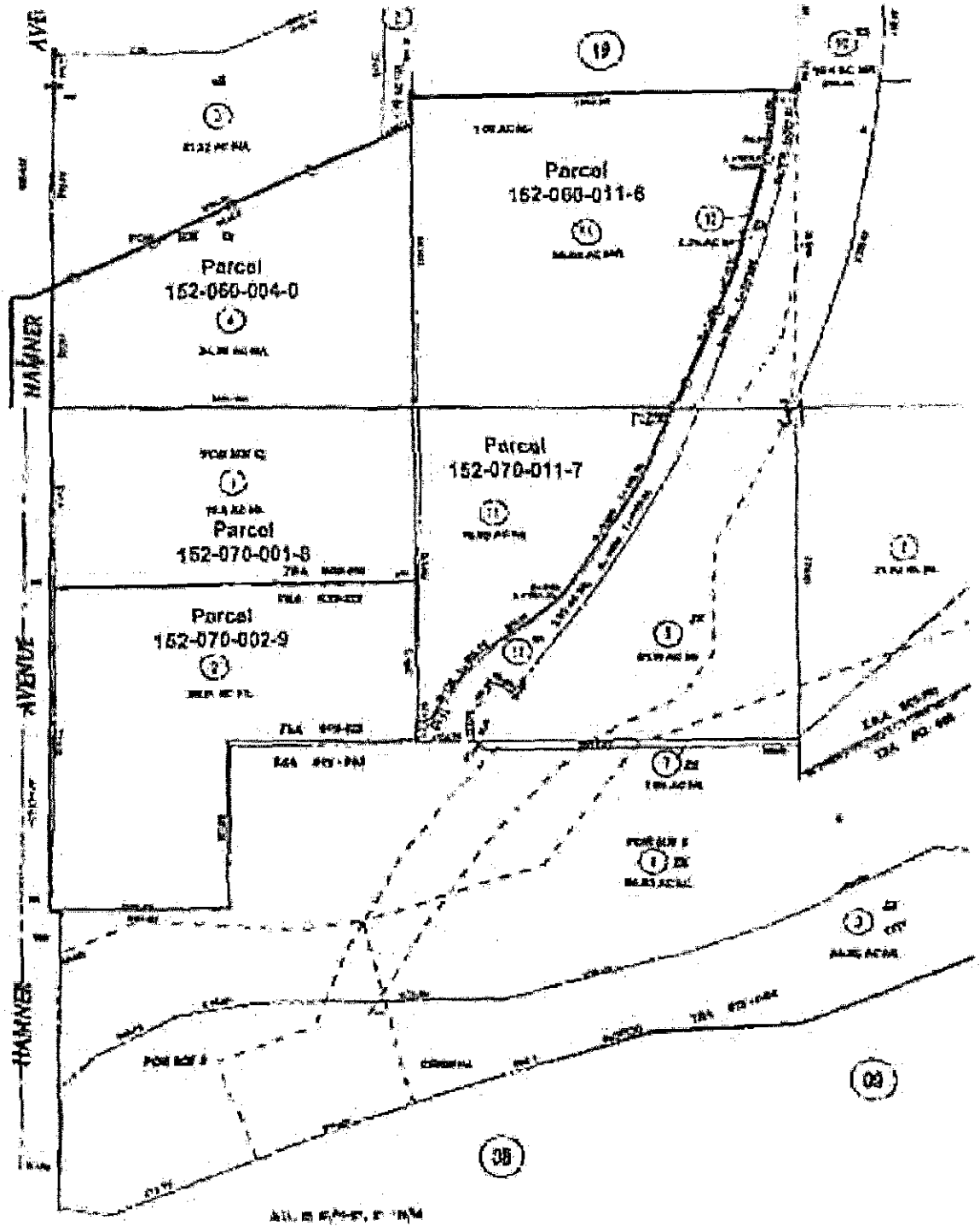


EXHIBIT C

CONDITIONS PRECEDENT

I. Tenant's Conditions Precedent. The commencement of the Original Term of the Lease (i.e. the Term Commencement Date) and Tenant's obligations to otherwise perform under this Lease shall be subject to fulfillment or waiver of the conditions precedent listed below, which conditions shall be determined to have been fulfilled or waived by Tenant, in the exercise of Tenant's sole discretion and upon written notice delivered to Landlord, on or before the dates specified below; provided, in all events the Tenant may extend a deadline to January 2, 2012 (herein, "Outside Date") to order to facilitate the fulfillment or satisfaction of a condition, at which time (and without any extension for a delay under Section 13.8) the condition must either be waived, deemed satisfied or this Lease shall terminate:

(a) First Tranche of Conditions. The following conditions precedent are intended to be fulfilled, if at all, no later than ninety (90) days following the Effective Date (or such sooner date as is specified below):

(i) Within thirty (30) days of the Effective Date, Landlord and Tenant shall have entered into a shared use agreement substantially in the form of Exhibit "M" attached hereto (the "Shared Use Agreement");

(ii) Within thirty (30) days of the Effective Date, Tenant shall have received a letter in satisfactory form from the City's Finance Director confirming the availability and dedication of funds sufficient to cover City's obligations under the Funding Agreement;

(iii) Tenant shall be reasonably satisfied that all Governmental Approvals (as herein defined) shall issue assuming Tenant's submission of Plans and Specifications or other necessary documentation. For purposes of this subsection (iv), "Governmental Approvals" shall mean all approvals required by municipal, county, state and federal authorities, to permit Tenant's construction and use of the Leased Premises for the purposes herein stated at a cost Tenant deems to be economic and with conditions that Tenant deems to be reasonable, including, but not limited to, the following: site plan and development plan review and approvals, tract map or subdivision map approval, site design review and approval, drainage or storm water management approvals, environmental and wetlands approvals, road and highway access and curb cut approvals, impact and off-site improvements approvals, fire protection approvals, architectural, historic preservation or other design or landscaping approvals, and building permits for planned improvements including approval for construction of utilities. Tenant may consider all requirements imposed on Tenant as conditions to obtain such approvals and permits, all charges and fees imposed on Tenant to obtain such approvals and permits, and all development plans submitted to, and development agreement with, the City pertaining to or affecting the Leased Premises and the Project;

(iv) Within thirty (30) days of the Effective Date, Landlord shall have caused Chicago Title Company to issue (or be committed to issue) as of the Term

Commencement Date an owner's policy of leasehold title insurance, with such endorsements as Tenant may reasonably require, or a commitment therefor (the "Title Policy") in an amount equal to \$6,608,000 and in form and substance satisfactory to Tenant subject only to those exceptions as are noted on Exhibit D-2 ("Permitted Exceptions"). Landlord agrees to pay for the costs of the Title Policy, in an amount not to exceed \$4,000; and

(v) On or before the Effective Date of this Lease, Landlord shall have fulfilled or performed those obligations contained in Section 4.19 of the Development Agreement regarding the Restated Conditions of Resolution No. 2009-08.

(b) Second Tranche of Conditions. The following conditions precedent are intended to be fulfilled, if at all, on or before the dates hereinafter stated but no later than the Outside Date:

(i) Within one hundred eighty (180) days of the Effective Date, Tenant shall be satisfied (1) that fees such as the Transportation Uniform Mitigation Fee (TUMF), the Multiple Species Habitat Conservation Plan (MSHCP) and any development impact fees (DIF) are not applicable to the Leased Premises and (2) with the amounts and/or caps on other fees such as (if relevant in Norco) Entitlement Application Fees, Plan Check Fees, Onsite permit fees, Offsite permit fees (if Tenant required to share in costs of construction thereof), Water District fees (for City of Norco or Western Municipal Water District -- including water impact fees, drainage impact fees, Plan check fee, Facility charges, water meter fees, installation costs, Sewer Facilities Fee, Inspection Fees), County Endangered Species Mitigation Fee). The City agrees to assist Tenant and to meet with the County of Riverside and its departments (including making application on Tenant's behalf) in an effort to have County fees declared inapplicable to the Leased Premises;

(ii) Tenant shall be satisfied that adequate sources of capital exist to finance its development and operation of the Silverlakes property. The financing contingency may include: (1) Tenant's identification of equity participant and formation of entity to act as assignee of Tenant's rights hereunder; (2) agreement on bond financing for on-site improvements (including identification of financed improvements); (3) procurement of equity financing and/or bond monies;

(iii) Within one hundred eighty (180) days of the Effective Date, Tenant shall be satisfied with the amount of the Impositions (e.g., real property taxes), including any possessory interest tax, attributable to and assessable against the Leased Premises. The City agrees to assist Tenant and to meet with the County of Riverside and its departments, such as the County Tax Collector and Tax Assessor (including making application on Tenant's behalf) in an effort to have the taxes as low as possible;

(iv) Within one hundred eighty (180) days of the Effective Date (unless extended by mutual consent of the parties) or such earlier date as is specified in the Development Agreement, Landlord shall have fulfilled or performed, with

results satisfactory to Tenant, those obligations contained in Sections 4.4, 4.5, 4.6, 4.9, 4.11, 4.14 and 4.17 of the Development Agreement;

(v) Within one hundred eighty (180) days of the Effective Date, the issuance of a lot line adjustment to create a separate legal lot encompassing, in such configuration as Tenant shall require, the multi-purpose building and selected areas surrounding the same and providing access thereto, provided that Tenant shall have filed an application therefore on or before January 2, 2012.

(vi) Within one hundred eighty (180) days of the Effective Date, Tenant shall have reached a reasonably satisfactory arrangement with the County Sheriff's department for the providing police department services to the Project.

(vii) By the date of the last Condition Precedent to be fulfilled, Landlord having performed and complied with all of the terms of this Lease to be performed and complied with by it or them prior to the Term Commencement Date; and

(viii) The representations and warranties of Landlord set forth in the Lease and/or below being true and accurate in all material respects when made and on the date the last of the aforesaid conditions precedent are fulfilled or waived, as if made on such date.

(ix) Within one hundred eighty (180) days of the Effective Date, Tenant's Design Review Documents (submitted by Tenant and deemed complete within 90 days of the Effective Date of this Agreement) have been reviewed and approved by the City and the Planning Commission;

2. City's Conditions Precedent. The commencement of the Original Term of the Lease (i.e. the Term Commencement Date) and Landlord's obligations thereafter to perform under this Lease shall be subject to fulfillment or waiver of the conditions precedent listed below, which conditions shall be determined to have been fulfilled or waived by Landlord, in the exercise of Landlord's sole discretion and upon written notice delivered to Tenant, on or before the dates specified below:

(a) Within thirty (30) days of the Effective Date, Landlord and Tenant shall have entered into the "Shared Use Agreement";

(b) Within the timeframes set forth in Section 5.2.1(b) and (d) of the Lease, Tenant shall have submitted Design Review Documents and engineering plans consistent with the Concept Plans;

(c) Tenant having performed and complied with all of the terms of this Lease to be performed and complied with by it prior to the Term Commencement Date unless otherwise mutually extended by the Parties; and

(d) The representations and warranties of Tenant set forth in the Lease being true and accurate in all material respects when made and on the date the last of the aforesaid conditions precedent are fulfilled or waived, as if made on such date.

(e) Within one hundred eighty (180) days of the Effective Date, Tenant shall have provided a Bank Letter showing sufficient tangible assets to construct the Phase I improvements.

3. Failure of Conditions Precedent. Should a condition precedent contained in this Exhibit C fail, the Party in whose favor said condition exists, must elect, upon the giving of 10 days prior written notice to the other Party, either (i) to terminate this Lease, which termination shall be the sole recourse of the terminating Party; or (ii) to proceed and waive all damages against the other. Upon the giving of a notice of termination as aforesaid, this Lease shall be deemed terminated and neither Party shall have any obligation to the other, save for indemnifications intended to survive the expiration or earlier termination of this Lease.

4. Failure of a Representation prior to the Term Commencement Date. If either Tenant or Landlord discovers prior to the Term Commencement Date that any of the representations by the other in the Lease was untrue when made, it shall immediately notify the other ("Misrepresenting Party") of the nature and extent of such discovery. If the misrepresentation is material and not (or cannot be) cured within ten (10) days of notification, the Party to whom the representation was made must elect, upon the giving of ten (10) days prior written notice to the Misrepresenting Party, (i) to terminate this Lease, whereupon, such the aggrieved party shall have all its rights at law and equity against the Misrepresenting; or (ii) to proceed and waive all damages against the Misrepresenting Party.

EXHIBIT D-1

PRELIMINARY TITLE REPORT

[Attached as the immediately following page.]



Chicago Title Company

560 East Hospitality Lane
San Bernardino, CA 92408
(800) 722-0824

Title Department:

Chicago Title Company
Attn: Kelly McDole
Email: McDoleK@CTT.com
Phone: (909) 381-6751
Fax: (909) 384-7893
Order No.: 820035005-K26

4th AMENDED PRELIMINARY REPORT

Property Address: Vacant, Norco

Dated as of: February 11, 2010 at 7:30 am

In response to the application for a policy of title insurance referenced herein, Chicago Title Company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said Policy forms.

The printed Exceptions and Exclusion from the coverage and Limitations on Covered Risks of said Policy or Policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

SCHEDULE A

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A Fee

2. Title to said estate or interest at the date hereof is vested in:

Norco Redevelopment Agency, a municipal corporation

3. The land referred to in this report is situated in the State of California, County of Riverside and is described in the Legal Description, attached hereto:

END OF SCHEDULE A

LEGAL DESCRIPTION

PARCEL 1:

THAT PORTION OF LOT Q OF FULLER RANCHO, IN THE CITY OF NORCO, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 16, PAGES 94 THROUGH 97 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHERLY CORNER OF THAT CERTAIN PARCEL OF LAND AS CONVEYED TO EARLE F. HOOVER AND DOROTHY L. HOOVER, HUSBAND AND WIFE, BY DEED FILED FOR RECORD JULY 18, 1951 AS SHOWN BY MAP ON FILE IN BOOK 1288, PAGE 238 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA;

THENCE SOUTHERLY $0^{\circ} 10' 45''$ EAST ON THE EASTERLY LINE OF STATE HIGHWAY RIGHT OF WAY LINE A DISTANCE OF 521.67 FEET TO THE NORTHWESTERLY CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO WILDAN P. THOMAS BY DEED RECORDED JULY 25, 1956 IN BOOK 1948, PAGE 490, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE EASTERLY ALONG THE NORTHERLY LINE OF SAID THOMAS PARCEL OF LAND TO A POINT IN THE EASTERLY LINE OF SAID LOT Q; THENCE NORTHERLY ALONG SAID EASTERLY LINE OF LOT Q TO THE SOUTHEAST CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO STEVE POLOPOLUS AND DIANA POLOPOLUS, HUSBAND AND WIFE, BY DEED FOR RECORD, OCTOBER 18, 1956 IN BOOK 1987, PAGE 367, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE SOUTHERLY $63^{\circ} 18' 15''$ WEST ALONG THE SOUTH LINE OF SAID HOOVER AND POLOPOLUS PARCELS OF LAND TO THE POINT OF BEGINNING;

EXCEPTING THEREFROM THAT PORTION OF LOT Q FULLER RANCHO AS SHOWN BY MAP ON FILE IN BOOK 16, PAGES 94 THROUGH 97 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO EARLE F. HOOVER AND DOROTHY L. HOOVER, HUSBAND AND WIFE, AS SHOWN BY MAP ON FILE IN BOOK 1288, PAGE 238 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE SOUTH $0^{\circ} 10' 45''$ EAST ALONG THE EASTERLY LINE OF STATE HIGHWAY A DISTANCE OF 21.67 FEET; THENCE NORTHERLY $89^{\circ} 61' 43''$ EAST A DISTANCE OF 500.00 FEET; THENCE NORTHERLY $0^{\circ} 10' 45''$ WEST A DISTANCE OF 271.51 FEET TO THE SOUTHERLY LINE OF SAID PARCEL CONVEYED TO EARLE F. HOOVER, ET UX; THENCE SOUTHERLY $63^{\circ} 18' 15''$ WEST ALONG THE SOUTHERLY LINE OF SAID PARCEL CONVEYED TO EARLE F. HOOVER, ET UX, A DISTANCE OF 558.79 FEET TO THE POINT OF BEGINNING.

PARCEL 2:

ALL THAT PORTION OF LOT Q FULLER RANCHO, IN THE CITY OF NORCO, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 16, PAGES 94 THROUGH 97 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED TO EARLE F. HOOVER AND DOROTHY L. HOOVER, HUSBAND AND WIFE, AS SHOWN BY MAP ON FILE IN BOOK 1288, PAGE 238 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE SOUTH $0^{\circ} 10' 45''$ EAST ALONG THE EASTERLY LINE OF

LEGAL DESCRIPTION

(continued)

STATE HIGHWAY A DISTANCE OF 21.67 FEET; THENCE NORTHERLY 89° 51' 43" EAST A DISTANCE OF 500.00 FEET; THENCE NORTHERLY 0° 10' 45" WEST A DISTANCE OF 271.51 FEET TO THE SOUTHERLY LINE OF SAID PARCEL CONVEYED TO EARLE F. HOOVER, ET UX; THENCE SOUTHERLY 63° 18' 15" WEST ALONG THE SOUTHERLY LINE OF SAID PARCEL CONVEYED TO EARLE F. HOOVER, ET UX, A DISTANCE OF 558.79 FEET TO THE POINT OF BEGINNING.

PARCEL 3:

THE SOUTHERLY 664.2 FEET OF LOT Q OF FULLER RANCHO, CITY OF NORCO, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, COUNTY AS SHOWN BY MAP ON FILE IN BOOK 16, PAGES 94 THROUGH 97 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS, THE NORTHERLY LINE OF SAID PARCEL BEING PARALLEL WITH THE SOUTHERLY LINE OF LOT "Q", EXCEPTING THEREFROM THAT PORTION CONVEYED TO THE STATE OF CALIFORNIA BY DEED FROM MOTOR TRANSIT TERMINAL CORPORATION RECORDED NOVEMBER 29, 1941 AS SHOWN BY MAP ON FILE IN BOOK 525, PAGE 160 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

PARCEL 4:

THAT PORTION OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF FRACTIONAL SECTION 31, TOWNSHIP 2 SOUTH, RANGE 6 WEST, AS PER MAP OF THE JURUPA RANCHO, IN THE CITY OF NORCO, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 9, PAGE 33 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY, CALIFORNIA, WHICH LIES WESTERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT THE NORTH QUARTER CORNER OF SAID FRACTIONAL SECTION, SAID CORNER BEING MARKED BY A 4 INCH BY A 4 INCH STAKE AS SET BY PARMLEY AND FINKLE IN 1889 AND AS SHOWN ON LICENSED SURVEY MAP ON FILE IN BOOK 10, PAGE 35 OF MAPS, RECORDS OF SURVEY, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE SOUTH 0° 07' 14" EAST, ALONG THE NORTH AND SOUTH CENTERLINE OF SAID FRACTIONAL SECTION, 1324.58 FEET, TO A 3/4 INCH IRON PIPE MARKING THE NORTHEAST CORNER OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID FRACTIONAL SECTION; THENCE SOUTH 89° 35' 15" WEST 1.11 FEET, TO A 3/4 INCH IRON PIPE; THENCE SOUTH 0° 52' 35" WEST 1.13 FEET, TO A 2 INCH BY 2 INCH STAKE; THENCE SOUTH 0° 52' 35" WEST 649.13 FEET, TO A 2 INCH STAKE; THENCE SOUTH 89° 26' 05" EAST 28.20 FEET, TO A 2 INCH BY 2 INCH STAKE; THENCE SOUTH 10° 05' 35" WEST 405.10 FEET, TO A 2 INCH BY 2 INCH STAKE; THENCE SOUTH 30° 49' 10" WEST, 321.76 FEET TO A 3/4 INCH IRON PIPE SET ON THE EAST AND WEST CENTERLINE OF SAID FRACTIONAL SECTION, AT A POINT WHICH BEARS SOUTH 89° 43' 33" WEST 221.40 FEET FROM A 1 1/2 INCH IRON PIPE MARKING THE CENTER OF SAID FRACTIONAL SECTION, AS SAID CENTER OF FRACTIONAL SECTION 31 WAS RE-ESTABLISHED AND SHOWN ON SAID LICENSED SURVEY MAP;

EXCEPTING THEREFROM THE NORTHERLY 30.00 FEET;

ALSO EXCEPTING THEREFROM THAT PORTION THEREOF CONVEYED TO THE STATE OF CALIFORNIA BY FINAL ORDER OF CONDEMNATION RECORDED SEPTEMBER 10, 1986 AS

LEGAL DESCRIPTION

(continued)

INSTRUMENT/FILE NO. 220516 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, ALSO EXCEPTING THEREFROM THAT PORTION OF SAID LAND CONVEYED TO K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC., A CALIFORNIA CORPORATION BY GRANT DEED RECORDED MARCH 16, 2000 AS INSTRUMENT NO. 2000-096935 OF OFFICIAL RECORDS.

PARCEL 5:

THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 31, TOWNSHIP 2 SOUTH, RANGE 6 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF NORCO, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY SECTIONALIZED SURVEY OF THE JURUPA RANCHO, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THAT PORTION THEREOF CONVEYED TO THE STATE OF CALIFORNIA BY FINAL ORDER OF CONDEMNATION RECORDED SEPTEMBER 10, 1986 AS INSTRUMENT/FILE NO. 220516 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

ALSO EXCEPTING THEREFROM THAT PORTION OF SAID LAND CONVEYED TO K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC., A CALIFORNIA CORPORATION BY GRANT DEED RECORDED MARCH 16, 2000 AS INSTRUMENT NO. 2000-096935 OF OFFICIAL RECORDS.

PARCEL 6:

THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER AND THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 31, TOWNSHIP 2 SOUTH, RANGE 6 WEST, AS SHOWN BY SECTIONALIZED SURVEY OF THE JURUPA RANCHO, IN THE CITY OF NORCO, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 9, PAGE 33 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAN BERNARDINO COUNTY;

EXCEPT THE WESTERLY 60.00 FEET OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER AND THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 31.

END OF LEGAL DESCRIPTION

SCHEDULE B

At the date hereof, items to be considered and exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

- A. Property taxes, including any assessments collected with taxes, for the fiscal year 2010 - 2011 that are a lien not yet due.
- B. Said land is shown as exempt on the Riverside County Tax Roll for the fiscal year 2009-2010

Assessors Parcel Number: 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7 & 152-070-002-9

- C. Said property has been declared tax defaulted for non-payment of delinquent taxes for fiscal year 2001 - 2002.

Amounts to redeem for the above stated fiscal year (and subsequent years, if any) are:

Amount: \$72,765.22 By January 2008
 Amount: \$73,356.61 By February 2008

Affects: Parcel 6

- D. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Part 0.5, Chapter 3.5 or Part 2, Chapter 3, Articles 3 and 4 respectively (commencing with Section 75) of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A; or as a result of changes in ownership or new construction occurring prior to date of policy.
- 1. The rights of the public in and to that portion of the herein described Land lying within the boundaries of any road, street or highway.
- 2. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Reserved by: Stearns Ranchos Company and Jurupa Land and Water Company
 Affects: rights of way for ditches, canals or pipelines for irrigation of any other lands in the Jurupa Rancho, or for supplying of the main canal with water, provided that said ditches shall, when practicable, follow the lines of the surveyed subdivisions of the Jurupa Rancho

The exact location and extent of said easement is not disclosed of record.

SCHEDULE B
(continued)

3. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Either or Both Pole Lines, Conduits or Underground Facilities
Recorded: June 09, 1913 as Instrument No. Book 377, Page 99 of Deeds
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

4. INTENTIONALLY DELETED

5. The Right of Ingress and Egress on Said Property Necessary or Required for The Property Maintenance, Repair and operation of water well and the Pump or Pumps therefor as granted to John a, Summerfield and Linda C. Summerfield, husband and wife, as joint tenants.

6. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public Utilities
Recorded: October 15, 1948 as Instrument No. Book 1019, Page 233 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

7. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Electric Lines, Telephone Lines, and Cables
Recorded: February 10, 1953, as Instrument No. Book 1440, Page 326 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

8. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Electric Lines, Telephone Lines, and Cables
Recorded: June 17, 1970 as Instrument No. 57617 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

SCHEDULE B
(continued)

9. INTENTIONALLY DELETED

10. The fact that the ownership of said land does not include rights of access to or from the street, highway, or freeway abutting said land, such rights having been relinquished by that certain document.

Recorded: September 10, 1986 as Instrument No. 220516 of Official Records
Affects: That portion of said land as described in the document attached hereto.

11. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public Utilities
Recorded: November 19, 1987 as Instrument No. 331830 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

12. INTENTIONALLY DELETED

13. The Effect of a Lot Line Adjustment No. 4204, Recorded February 29, 2000 as Instrument no. 2000-073632, Official Records.

14. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public Utilities
Recorded: August 04, 2001 as Instrument No. 2001-248042 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

SCHEDULE B
(continued)

- 15. Covenants, conditions and restrictions (but omitting any covenant or restrictions, if any, based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law) as set forth in the document.

Recorded: June 14, 2002 as Instrument No. 2002-328613, and July 6, 2004 as Instrument No. 521744, both of Official Records

Note: Section 12956.1 of the government code provides the following: "If this document contains any restriction based on race, color, religion, sex, sexual orientation, familial status, marital status, disability, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status."

- 16. INTENTIONALLY DELETED

- 17. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Sewer Pipeline, Together with Easement Roads and Appurtenances, Cable for Communication Purposes and Ingress and Egress

Recorded: December 06, 2004 as Instrument No. 2004-0967499 of Official Records

Affects: That portion of said land as described in the document attached hereto.

- 18. INTENTIONALLY DELETED.

- 19. INTENTIONALLY DELETED

- 20. INTENTIONALLY DELETED

- 21. INTENTIONALLY DELETED

- 22. INTENTIONALLY DELETED

END OF SCHEDULE B

INFORMATIONAL NOTES

Note No. 1: Section 12413.1, California Insurance Code became effective January 1, 1990. This legislation regulates the disbursement of funds deposited with any title entity acting in an escrow or sub-escrow capacity. The law requires that all funds be deposited and collected by the title entity's escrow and/or sub-escrow account prior to disbursement of any funds. Some methods of funding may be subject to a holding period, which must expire before any funds may be disbursed. In order to avoid any such delays, all funding should be done via wire transfer. Funds deposited with the Company via wire transfer may be disbursed upon receipt. Funds deposited by cashiers checks, certified checks, and teller's checks is one business day after the day deposited. Other checks may require hold periods from two to five business days after the day deposited, and may delay your closing. The Company may receive benefits from such banks based upon the balances in such accounts. Such benefits will be retained by the Company as part of its compensation for handling such funds.

Note No. 2: The charge where an order is cancelled after the issuance of the report of title, will be that amount which in the opinion of the Company is proper compensation for the services rendered or the purpose for which the report is used, but in no event shall said charge be less than the minimum amount required under Section 12404.1 of the Insurance Code of the State of California. If the report cannot be cancelled "no fee" pursuant to the provisions of said Insurance Code, then the minimum cancellation fee shall be that permitted by law.

Note No. 3: California Revenue and Taxation Code Section 18668, effective January 1, 1991, requires that the buyer in all sales of California Real Estate, withhold 3-1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained, and as amended.

Note No. 4: Wire Transfers

In the event your transaction is being escrowed by a Chicago Title office, contact should be made with the office to obtain correct wiring instructions. Failure to do so could result in a delay in the receipt of funds and subsequent closing of your transaction.

Chicago Title will disburse by wire-out only collected funds or funds received by confirmed wire-in.

The Company's wire-in instructions are:

Bank:	Union Bank 2001 Michelson Drive Irvine, CA 92714
Bank ABA No.:	122000496
Account Name:	Chicago Title Company, C&I/Subdivision-Inland
Account No.:	9120052850
For Credit To:	Chicago Title Company 560 East Hospitality Lane San Bernardino, CA 92408
Order No.:	820035005-K26

INFORMATIONAL NOTES

(continued)

LENDER NOTE: On the DATE you fund the Loan and WIRE Funds to Chicago Title and reference the above Order Number, you must send written NOTICE to the Title Officer's Unit by messenger or E-Mail that you sent the Funds.

Chicago Title will send an E-Mail acknowledging receipt of the funds as soon as practicable.

Chicago Title will **NOT** be responsible for any delay in Closing and Recording the transaction, nor will Chicago Title be liable for any claim of lost Interest unless such written Notice is sent the day of Funding and Chicago Title has acknowledged receipt of funds.

Note No. 5: Your application for title insurance was placed by reference to a street address or assessor's parcel number. Based upon our records, we believe that the description in this report covers the parcel that you requested.

To prevent errors, we require written confirmation that the legal description contained herein covers the parcel that you requested.

Note No. 6: The plat, (map), which is attached to this report, is to assist you in locating land with reference to streets and other parcels. While this plat is believed to be correct, the Company assumes no liability for any loss occurring by reason of reliance thereon.

Note No. 7: The policy of title insurance will include an arbitration provision. The Company or the insured may demand arbitration. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Please ask your escrow or title officer for a sample copy of the policy to be issued if you wish to review the arbitration provisions and any other provisions pertaining to your Title Insurance coverage.

Note No. 8: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the amount, if any, set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.

INFORMATIONAL NOTES
(continued)

ATTACHMENT ONE

PRIVACY STATEMENT

IMPORTANT INFORMATION:

For those of you receiving this report by electronic delivery the Privacy Statement and Exclusions From Coverage are linked to this report. Please review this information by selecting the link. For those of you who are receiving a hard copy of this report, a copy of this information has been submitted for your review.

EXHIBIT D-2

PERMITTED TITLE EXCEPTIONS

[Attached as the immediately following page.]

SCHEDULE B

At the date hereof, items to be considered and exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

A. Property taxes, including any assessments collected with taxes, for the fiscal year 2010 - 2011 that are a lien not yet due.

B. Said land is shown as exempt on the Riverside County Tax Roll for the fiscal year ^{2010 - 2011} ~~2009-2010~~.

Assessors Parcel Number: 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7 & 152-070-002-9

C. ~~Said property has been declared tax defaulted for non-payment of delinquent taxes for fiscal year 2001-2002.~~

~~Amounts to redeem for the above stated fiscal year (and subsequent years, if any) are:~~

~~Amount: \$72,765.23 By January 2008~~

~~Amount: \$73,356.61 By February 2008~~

~~Affects: Parcel 6~~

D. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Part 0.5, Chapter 3.5 or Part 2, Chapter 3, Articles 3 and 4 respectively (commencing with Section 75) of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vendor named in Schedule A; or as a result of changes in ownership or new construction occurring ~~prior to~~ ^{after the} date of policy.

1. The rights of the public in and to that portion of the herein described Land lying within the boundaries of any road, street or highway.

2. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Reserved by: Steam Ranchos Company and Jurupa Land and Water Company
Affects: rights of way for ditches, canals or pipelines for irrigation of any other lands in the Jurupa Rancho, or for supplying of the main canal with water, provided that said ditches shall, when practicable, follow the lines of the surveyed subdivisions of the Jurupa Rancho

The exact location and extent of said easement is not disclosed of record.

SCHEDULE B
(continued)

3. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Either or Both Pole Lines, Conduits or Underground Facilities
Recorded: June 09, 1913 as Instrument No. Book 377, Page 99 of Deeds
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

4. INTENTIONALLY DELETED

5. ~~The Right of Ingress and Egress on Said Property Necessary or Required for The Property Maintenance, Repair and operation of water well and the Pump or Pumps therefor as granted to John A. Summerfield and Linda G. Summerfield, husband and wife, as joint tenants.~~

6. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public Utilities
Recorded: October 15, 1948 as Instrument No. Book 1019, Page 233 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

7. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Electric Lines, Telephone Lines, and Cables
Recorded: February 10, 1953, as Instrument No. Book 1440, Page 326 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

8. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Electric Lines, Telephone Lines, and Cables
Recorded: June 17, 1970 as Instrument No. 57617 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

SCHEDULE B
(continued)

9. INTENTIONALLY DELETED

10. The fact that the ownership of said land does not include rights of access to or from the street, highway, or freeway abutting said land, such rights having been relinquished by that certain document

Recorded: September 10, 1986 as Instrument No. 220516, of Official Records
Affects: That portion of said land as described in the document attached hereto.

11. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public Utilities
Recorded: November 19, 1987 as Instrument No. 331830 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

12. INTENTIONALLY DELETED

13. The Effect of a Lot Line Adjustment No. 4204, Recorded February 29, 2000 as Instrument no. 2000-073632, Official Records.

14. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public Utilities
Recorded: August 04, 2001 as Instrument No. 2001-248042 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

EXHIBIT E

FORM OF MEMORANDUM OF GROUND LEASE

[Attached as the immediately following page.]

Recording Requested by
And When Recorded Return to:

City Clerk
City of Norco
2870 Clark Avenue
Norco, CA 92860

Exempt from Recorder's Fees
Pursuant to Government Code §§ 6103, 27383

(Space Above This Line For Recorder's Use)

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE (this "Memorandum") is made and entered into as of the date of the last execution, which date is the 6th day of July, 2011, by and between THE CITY OF NORCO, a municipal corporation ("Landlord") and BALBOA MANAGEMENT GROUP, LLC or its assignee as hereinafter permitted ("Tenant") a Delaware limited liability company

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Ground Lease dated as of an even date with this Memorandum (the "Lease");

WHEREAS, the Lease pertained to certain premises located in Riverside County, California, said premises being more specifically described on Exhibit A, attached hereto and made a part hereof (the "Leased Premises"); and

WHEREAS, Landlord and Tenant desire to evidence the Lease in the Official Records of Riverside County by the recitations contained in this Memorandum.

NOW, THEREFORE, in consideration of the foregoing and TEN DOLLARS (\$10.00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord does hereby demise, lease and let unto Tenant the Leased Premises, as follows:

1. Tenant has certain rights to develop and use the Leased Premises in connection with the City of Norco for the period stated in the Lease; it being agreed the same is to be a public park as more particularly state in the Lease. Further, Tenant has a right of first refusal to buy the Leased Premises as contained in the Lease.

2. This Memorandum is subject to all conditions, terms and provisions of the Lease, which agreement is hereby adopted and made a part hereof by reference to the same in the same manner as if all the provisions thereof were copied herein in full.

3. In the event of a conflict between the terms of the Lease and this Memorandum, the Lease shall prevail. Reference should be made to the Lease for a more detailed description of all matters contained in this Memorandum.

4. Capitalized terms not defined herein shall have the meaning as set forth in the Lease.

IN WITNESS WHEREOF, Tenant and Landlord have executed this Memorandum effective as of the date first written above.

TENANT:

BALBOA MANAGEMENT GROUP, LLC,
a Delaware limited liability company

By: 
Richard J. Brandes

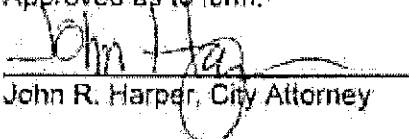
Its: 

LANDLORD:

CITY OF NORCO,
a municipal corporation

By: 
Printed Name: Berwin Hanna
Title: Mayor

Approved as to form:


John R. Harper, City Attorney

Attest:


Brenda K. Jacobs, CMC, City Clerk

(Add appropriate notary jurats for state of recordation)

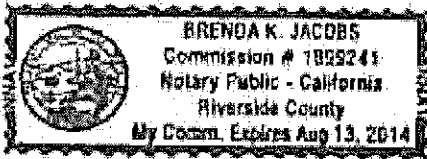
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Riverside

On July 7, 2011 before me, Brenda K. Jacobs, Notary Public
(Date) (Name of Notary and Title of the Office)
 personally appeared Berwin Hanna
(Name of Signer)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) 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.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: Brenda K. Jacobs
(Name of Notary Public)

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: _____

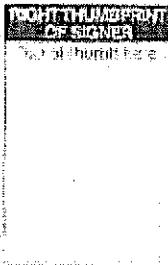
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

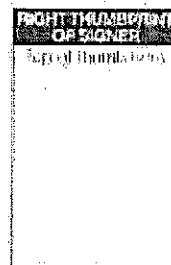
- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer is Representing: _____

Signer's Name: _____

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



Signer is Representing: _____

ACKNOWLEDGMENT

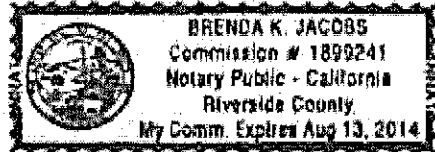
State of California
County of Riverside

On July 14, 2011 before me, Brenda K. Jacobs, Notary Public
(insert name and title of the officer)

personally appeared Richard John Brandes
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Brenda K. Jacobs (Seal)

EXHIBIT F

LIST OF PERMITTED USES

The Permitted Uses approved by the City allow Balboa to operate a park with recreation facilities at which Balboa may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events. The public's right to use the Property is more particularly identified in a separate Shared Use Agreement.

Tenant's Permitted Uses include uses to which other public parks are customarily put, and include, but are not limited to, the following:

- I. Equestrian events, including, but not limited to, the following events (no Silverlakes Event Permit required):
 - Horse Shows and horse auctions
 - Hunter/Jumper competitions
 - Barrel Racing
 - Dressage
 - Equine clinics and symposiums
 - Equine environmental learning tours
 - Therapeutic riding for the physically or mentally challenged
 - Local, state and federal mounted police training programs
 - Rodeos
 - Animal breed shows

- II. Sporting events, activities and functions, including educational programs, clinics and camps, associated with the following sports (no Silverlakes Event Permit required):
 - Soccer
 - Volleyball
 - Lacrosse
 - Field Sports
 - Indoor sports and calisthenics within the multi-purpose building, including, but not limited to, basketball, volleyball, gymnastics, dance, martial arts and racket sports

- III. Other (no Silverlakes Event Permit required):
 - On-site administrative offices and general office functions, including on-site security facilities and caretaker accommodations
 - Sales of event related merchandise, concessions and equipment
 - Operation of RV campsite for overnight camping and the overnight parking of recreational vehicles and trailers, as specified in the Shared Use Agreement

- Temporary overnight accommodations of athletes, coaches and trainers in connection with on-site equestrian/sports programs and clinics, consistent with that commonly granted by cities for similar parks
- Operation of a "pro shop" within the multi-purpose building or covered arena or elsewhere on property
- "Game/event day" operation of sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires, including the sale of food and beverages and the operation of a cafeteria within the multi-purpose building and concession stands and kiosks
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with the Development Agreement
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Noreco Municipal Code

IV. Additional Permitted Uses, but for which a Silverlakes Event Permit may be required as hereinafter specified:

- Farmers markets, craft and art shows
- Botanical garden displays, walking tours, floral and fauna lectures
- Plant shows
- Concerts, recitals, circuses, fairs, carnivals, parties, weddings, picnics, family reunions, auctions, entertainment, dances, meetings, assemblages and religious and church services and events
- Filming (other than in connection with an event held at the Property)
- Boat, RV, automobile, and other vehicle shows
- Trade, promotional shows and conventions
- Hobby club events
- YMCA, Boys & Girls Scouts, School Events, 4H club and similar youth organizational activities
- Corporate events (team building, company picnics, and the like)
- Philanthropic Events
- Alcoholic beverage sales and consumption in connection with on-site events not hosted by Tenant as set forth in Sections I, II, or III or IV above

(1) With respect to the Additional Permitted Uses in Section IV above, the same shall require a Silverlakes Event Permit from the City's Department of Parks, Recreation & Community Services with the understanding that a Silverlakes Event Permit is only required if such use entails one or more of the following circumstances:

- (a) 2,000 or more attendees will be present on the Property at any one time in connection with the scheduled event; or
- (b) alcoholic beverages will be served to more than 500 attendees; or
- (c) filming is being conducted of a commercial nature (and not in connection with a Permitted Use).

- (2) A Silverlakes Event Permit, business license, alcohol permit, and film permit (for filming of a commercial nature) are the sole permits to be obtained for the operation of the Additional Permitted Uses meeting the above-referenced criteria under clause 1 (a), (b) or (c) above notwithstanding other permit schemes set forth in any Existing Land Use Regulation.
- (3) The Silverlakes Event Permit is a ministerial permit which shall be issued by the City's Department of Parks, Recreation & Community Services in compliance with the City's written safety and health regulations in effect upon the Effective Date and applicable to such events.
- (4) A single "master" Silverlakes Event Permit may be issued for the Additional Permitted Uses referenced under clause 1 (a), (b) or (c) above to the extent the same are reoccurring or regularly scheduled.
- (5) All other Permitted Uses do not require a Silverlakes Event Permit, or any other approval or permit from the City except as provided herein.
- (6) All other uses shall require a Silverlakes Event Permit from the City.

EXHIBIT G

LIST OF INITIAL TENANT IMPROVEMENTS

The Initial Improvements shall include the following:

- Up to 25 full size soccer fields - mainly grass with up to 12 artificial synthetic fields
- Up to 6 sand rings for horseback riding or sand sports
- Equestrian competition showgrounds
- Portable and permanent restroom facilities
- Internal, private and public bridle trails
- Gated entrance(s) on Hamner; gated entrance on any connector road constructed to I-15 Freeway if bordering on Leased Premises
- Parking areas
- RV campground and trailer parking
- Picnic areas
- Permanent and temporary lighting
- Water holding tanks
- A multi-purpose building or covered arena with a foot print of up to ±135,000 square feet
- Earthen and concrete viewing berm(s)
- Entry features, including identification signage, lake, other water features, gardens and reception areas
- Two Water Wells
- Internal directional and informational signage
- Business office(s)
- Storage and maintenance facilities

The Initial Improvements may also include the following:

- Announcer's stand with public address systems
- Stables and tack facilities - including paddocks, water troughs, wash racks, and tie stations
- Kitchen and other food service facilities
- Dining Areas
- Security personnel facilities and caretaker housing
- Mobile bleachers and fencing
- Temporary overnight accommodations of athletes, coaches and trainers
- A "pro shop" within the multi-purpose building or elsewhere on the property
- Hay barn and guard gate houses(s)
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with this Agreement
- Fiber Optic and other communication conduit
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code

- Supporting infrastructure, facilities and amenities
- Sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires

EXHIBIT G-1

CITY FACILITIES

These are the public improvements known as "City Facilities" to be constructed by Tenant.

Domestic Water System

- Water Distribution Mainlines/service lines
- Water Meters
- Detector Check with PIV
- Fire Hydrants
- Reduced Pressure Backflow Assemblies
- Hot taps
- Isolation Valves

Sanitary Sewer System

- Sewer Mainline and laterals
- Sanitary sewer manholes
- Sanitary sewer clean outs

Storm Drain Systems

- Storm Drain Pipes
- Catch Basins
- Storm Drain Manholes

Circulation Roads

- Asphalt - 4" thickness
- Crushed Aggregate Base - 6" thickness
- Striping/signage
- Clearing/grubbing/grading

Groundwater Systems

- Groundwater wells (excluded from maintenance by City during Lease term)
- Reservoir/Pressure tanks (excluded from maintenance by City during Lease term)
- Sand Filters/treatment facilities (excluded from maintenance by City during Lease term)
- Transmission pipelines

EXHIBIT G-2

PUBLIC INFRASTRUCTURE IMPROVEMENTS

[List of offsites that City is required to construct without reimbursement from Tenant]

1. Widening and improvement of Hamner Avenue along the length of the property, including the relocation of electricity power poles and the installation of causeway beneath Hamner Avenue for vehicle, pedestrian and equestrian connectivity between the property and JCSD's property.
2. Installation of utilities within/adjacent to Hamner Avenue, including sewer and potable water and storm drainage.
3. Enhancement of the traffic signal at the intersection of Hamner Avenue and Citrus, including protected left and right movement onto the property.
4. Construction of the Santo Ana River Riprap Training Dike for flood control and mitigation.

EXHIBIT H

FORM OF CERTIFICATE OF COMPLETION

[Attached as the immediately following page.]

Recording Requested by
And When Recorded Return to:

City Clerk
City of Norco
2870 Clark Avenue
Norco, CA 92860

Exempt from Recorder's Fees
Pursuant to Government Code §§ 6103, 27383

(Space Above This Line For Recorder's Use)

CERTIFICATE OF COMPLETION

PROJECT NAME: _____

PROJECT LOCATION/ADDRESS: _____

LEGAL DESCRIPTION: _____

OWNER OF PROPERTY/PARTICIPANT: _____

ADDRESS: _____

PROJECT DESCRIPTION: _____

NOTICE IS HEREBY GIVEN that the above described project has been completed
in accordance with the terms and conditions of that certain Lease dated
_____, to the satisfaction of the City of Norco.

DATED: _____

By: _____

Printed Name: _____

Title: Mayor

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) RE.
CITY OF NORCO)

The undersigned, being duly sworn, says that he is the Mayor of the City of Norco; that he makes this verification on behalf of said entity; that he has read the foregoing and knows the contents thereof; and that the facts stated therein are true.

_____, Mayor

State of California

County of _____

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20____, by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

(Seal)

Signature _____

EXHIBIT I

FORM OF ESTOPPEL CERTIFICATE

The undersigned, as _____, under that Lease dated _____ made with _____ as _____, hereby certifies as follows:

- (1) That the undersigned has entered into occupancy of the premises described in said lease;
- (2) That said lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way, except as follows:

- (3) That the Effective Date of said Lease is _____ and the Term Commencement Date is _____;
- (4) That there is an unexpired term hereunder of ___ years;
- (5) That all conditions of said lease to be performed by Landlord and necessary to the enforceability of said lease have been satisfied;
- (6) That there are no defaults by either Tenant or Landlord thereunder;
- (7) That no rents have been prepaid, other than as provided in said lease; and
- (8) That on this date there are no existing defenses or offsets which the undersigned has against the enforcement of said lease by Landlord.

The undersigned hereby agrees:

- (1) To disclaim all right, title or interest in said premises except the rights granted by said lease; and
- (2) To give to the holder of any mortgage affecting the Leased Premises, or its assignee, the same right as the Landlord has to cure any default complained of in any notice or demand.

EXECUTED THIS _____ day of _____, 20__.

By _____

By _____

EXHIBIT J

[RESERVED]

EXHIBIT K

REFERENCE PROCEDURE

Reference Procedure. At any time prior to the expiration of the cure period associated with the second Notice of Default (as such cure period is explained in Section 13.2 or 13.5 of the Lease, Tenant or Landlord as applicable (herein "Defaulting Party") has the right to request a Reference Procedure. In the event the Defaulting Party fails to request a Reference Procedure or effectuate a cure within the applicable time period, the non-defaulting Party may terminate the Lease. A Reference Procedure shall be conducted in accordance with the provisions of California Code of Civil Procedure § 638 et seq. ("Reference Procedure"). The Parties specifically agree to the following if the Defaulting Party elects to pursue a Reference Procedure:

(a) The Parties shall agree upon a single referee who shall then try solely the issue of whether the Defaulting Party's default constitutes a material Event of Default as herein defined. If the Parties are unable to agree upon a referee, either Party may seek to have one appointed pursuant to California Code of Civil Procedure § 640 by the presiding judge of the Riverside County Superior Court. The referee shall be: (a) a retired judge or (b) a duly licensed attorney who has practiced law in the Los Angeles County or Riverside County area in the field of real estate transactional law or real estate litigation for at least fifteen (15) years.

(b) The compensation of the referee shall be such charges as is customarily charged by the referee for like services. The cost of such proceedings shall be shared equally by the Parties.

(c) Except as provided in this Section, the referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to be heard. Notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee.

(d) The referee's decision under California Code of Civil Procedure §644 shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California. The referee shall file its statement of decision with the Clerk of the Riverside County Superior Court within ten (10) days after conclusion of the hearing.

(e) The Parties agree that they shall in good faith endeavor to cause any such dispute to be decided as soon as possible, but in any event within thirty (30) days from the second Notice of Default. The date for any proceeding shall be determined by agreement of the Parties and the referee or, if the Parties cannot agree, then by the referee within twenty one (21) days after the referee has been selected. Unless otherwise agreed by the Parties, the hearing shall take place at a location acceptable to both Parties.

Subject to the availability of the referee, the hearing shall be concluded and a decision rendered no later than forty five (45) days after the initial hearing date.

(f) If a reporter is requested by either Party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be initially shared equally by the Parties. Such fees shall be an item of recoverable costs to Landlord if applicable.

(g) The referee shall only have the power to determine if a Party's default is material within the definition of Article 13; if so, the non-defaulting Party's election to terminate shall be confirmed. If Tenant is the Defaulting Party, Tenant shall vacate the Leased Premises within the later of three (3) months of the decision or four (4) months from the date of the second Notice of Default.

EXHIBIT L

SITE PLAN

[Attached as the immediately following page.]

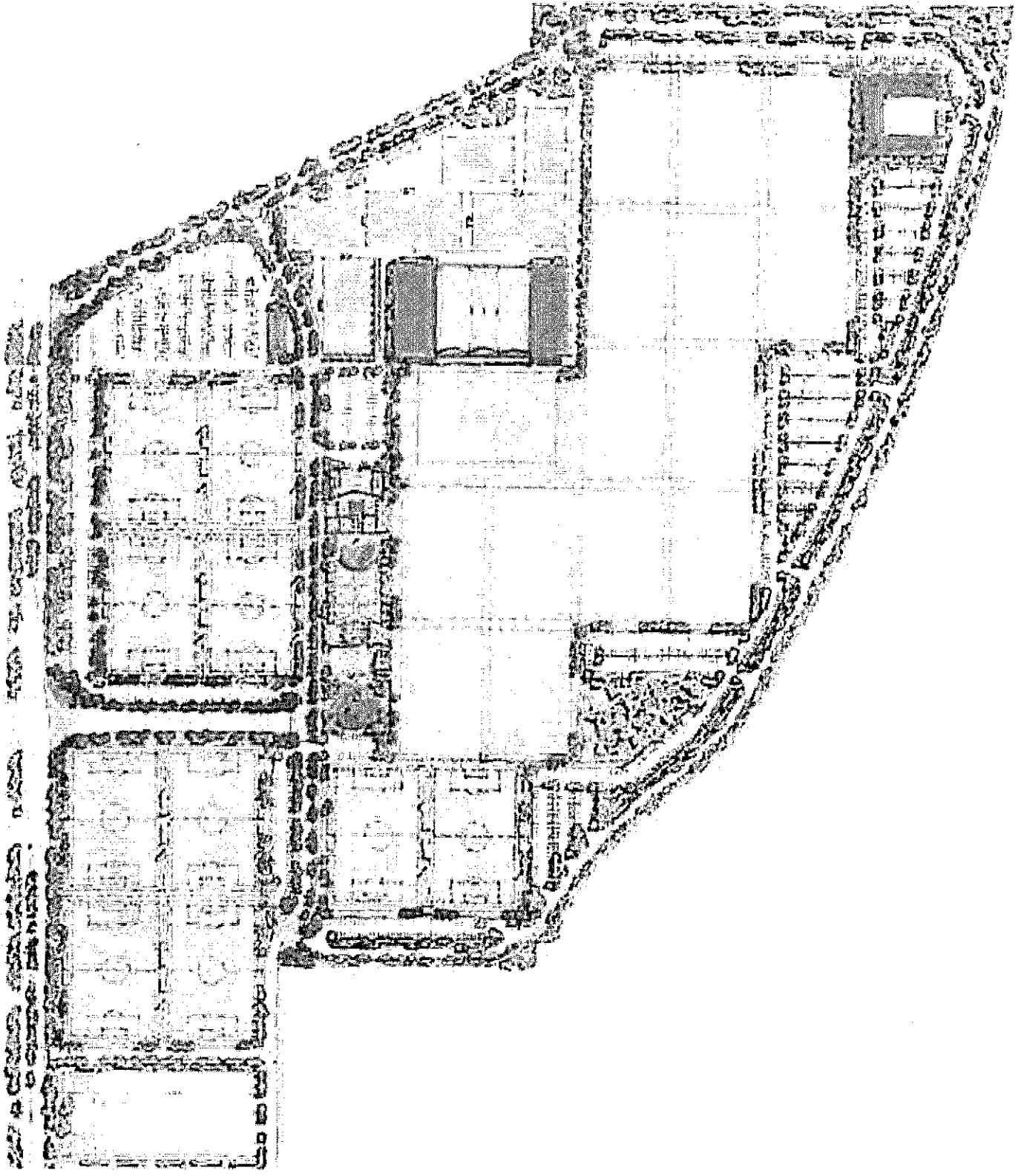


EXHIBIT M

SHARED USE AGREEMENT

[Attached as the immediately following pages.]

**The Shared Use
Agreement will be inserted
upon its approval by the
City Council and receipt of
all required signatures**

EXHIBIT N

RIGHT OF FIRST REFUSAL - TERMS AND CONDITIONS

1. Term; Property Covered. During the Original Term (the "Right of First Refusal Period"), Tenant shall have the right of first refusal to purchase fee title to the entirety of the Leased Premises when and if City desires to sell, transfer or convey all or any part of the same to a non-governmental agency or a private third party (including an assignment of City's interest in the Lease).

2. Procedure for Offer. In the event City decides to sell, transfer or convey all or any part of the Leased Premises to a non-governmental agency or private third party, City must first offer the Leased Premises for sale to Tenant pursuant to the following process. Tenant will have a right of first refusal to purchase the entirety of the Leased Premises (including the City's residual interest, if any, in the improvements). If, at any time during the Lease term, City desires to sell the Property, City will first provide Tenant with a written notice (the "First Refusal Notice") indicating the financial and other material terms under which the City will agree to sell the Property to Tenant, and provide a summary of an MAI appraisal of City's fee interest in the land and residual interest in the improvements used for arriving at the sales price and terms. The appraisal shall be based on the value of the Property taking into consideration the continuing effect of the Lease with Tenant. The exercise of Tenant's right to purchase the Leased Premises shall occur within ninety (90) days of City's offer. If exercised, the purchase price for Tenant would be equal to or greater than the appraised value of the Leased Premises, based on the savings to City of not having to pay a real estate commission in connection with such sale. The date of Tenant's receipt of the offer and MAI appraisal shall be the "Offer Date." The sale would be as-is, and the escrow period would be 90 days from the Offer Date. At the time of exercise, there can be no defaults or pending defaults under the Lease with Tenant and related Project documents. If Tenant elects not to purchase, then any subsequent sale by the City must be on the same terms given Tenant (e.g. an as-is, 90 day close) and for a price that is within five (5%) percent of the offer price given to Tenant, or the offer procedure shall be reactivated and Tenant shall have the right to again elect to buy the Leased Premises. The First Refusal Notice shall specify: (a) the purchase price; (b) the payment terms (i.e., the amount of any earnest money deposit and any cash down payment); (c) the contingency date (i.e., any feasibility period during which time a prospective purchase may withdraw from the prospective purchaser's obligations to complete the purchase and during which time the prospective purchaser's deposit will be refundable); (d) whether the City will accept a third party lender financing contingency; (e) the closing date; and (f) the proration of income and expenses.

3. Procedure for Acceptance. If Tenant wishes to exercise its right of first refusal upon the terms set forth in the First Refusal Notice, then within thirty (30) days of delivery of such First Refusal Notice to Tenant, Tenant shall deliver written notice to the City ("Tenant's Election Notice") pursuant to which Tenant shall elect either to: (a) purchase the entire property identified in the First Refusal Notice; or (b) refuse to purchase such property, specifying that Tenant is not interested in exercising its right of first refusal to purchase said property, in which event City shall be free to sell all the identified property. If Tenant does not notify City of its election of any of the options in clauses (a) or (b) hereinabove, Tenant shall be deemed to have elected the option in clause (b).

4. Purchase and Sale Agreement. If Tenant timely delivers Tenant's Election Notice to purchase the property identified in the First Refusal Notice, then the purchase price and the other terms and conditions (collectively, the "Terms") upon which City shall sell the Property to Tenant, and Tenant shall purchase the Property from City, will be as set forth below and upon such other terms and conditions not inconsistent with the First Refusal Notice as shall be set forth in a mutually agreeable and commercially reasonable form agreement of purchase and sale and joint escrow instructions and negotiated by the parties in good faith (the "Purchase Agreement"). The Purchase Agreement shall incorporate the Terms and include as exhibits thereto the grant deed by which City shall convey fee title of the property to Tenant and all other closing documents, all in commercially reasonable form. Tenant and City shall fully negotiate and enter into the Purchase Agreement within thirty (30) days after City's receipt of Tenant's Election Notice. The critical Terms are:

(a) Purchase Price. The purchase price for the Property shall equal the Purchase Price set forth in the First Refusal Notice.

(b) Opening and Closing of Escrow. Within three (3) business days after City and Tenant sign the Purchase Agreement, Agency and Tenant shall deliver a copy of the Purchase Agreement to a mutually agreed upon escrow holder (the "Escrow Holder"), and Tenant shall deliver to Escrow Holder a deposit in an amount set forth in the First Refusal Notice (the "Deposit").

(c) Costs and Fees; Lease. City shall pay the following costs in connection with the sale of the Property: (i) one-half (1/2) of the escrow fees; (ii) one-half (1/2) of the recording costs; and (iii) one-half (1/2) of all city and county real estate transfer taxes. Tenant shall be responsible for the other one-half (1/2) of the escrow fees and one-half (1/2) recording costs. Tenant shall be responsible for paying all title insurance costs (including the cost of Tenant's owner's title policy and all title endorsements. All other closing costs shall be shared in accordance with standard practice in the county in which the Property is located. Tenant shall be responsible for the payment to the City of all rent due under the Lease through and including the Closing Date; provided upon the sale of the Leased Premises, the Ground Lease shall be, at Tenant's option, terminated or assigned to Tenant. All income, rents, property taxes and other expenses pertaining to the operation/ownership of the property will be prorated to the Closing Date.

(d) Commissions. City shall be responsible for any broker's commission attributable to its brokers. Tenant represents and warrants to the City that no person or entity shall be entitled to a brokerage or real estate commission of any kind in connection with the purchase of the property pursuant to this Section (c). Tenant agrees to indemnify and defend the City against and hold the City harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any commissions or equivalent compensation alleged to be owing on account of Tenant's dealings with any other real estate broker or agent in connection with the purchase of the Property by Tenant.

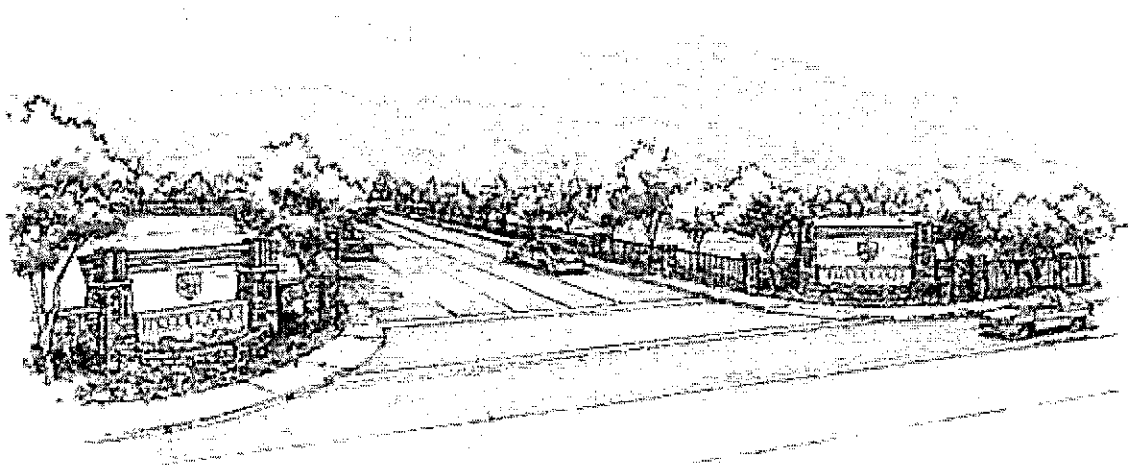
EXHIBIT O

CONCEPT PLANS

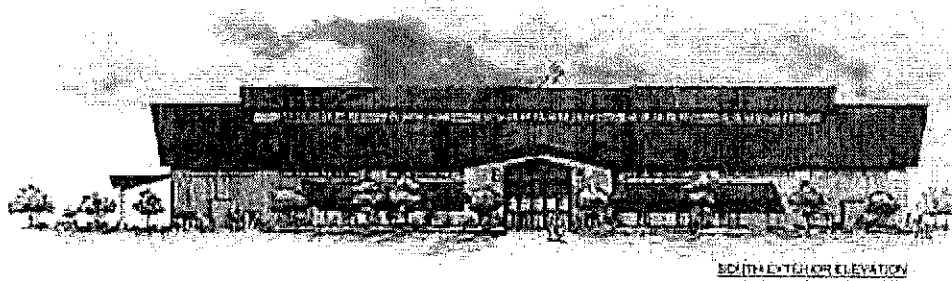
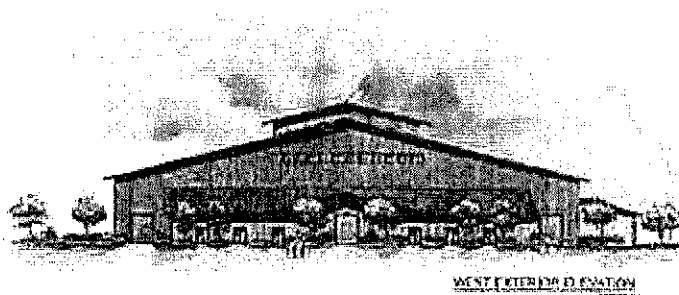
[Attached as the immediately following pages.]

Exhibit O: Concept Plans

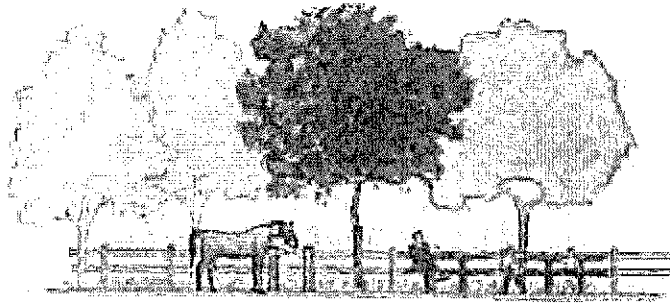
Proposed Main Entryway



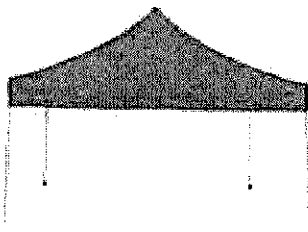
Elevations



Proposed Feature Facilities



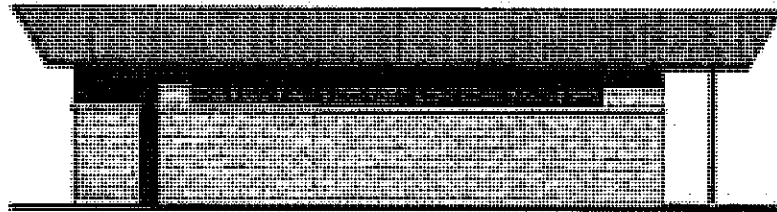
PROTOTYPICAL HORSE TRAIL TURN-OUT



TEMPORARY TENT CANOPIES



PROTOTYPICAL METAL HAY BARN AND MAINTENANCE BUILDING



PROTOTYPICAL PERMANENT PUBLIC BATHROOM FACILITY

FIRST AMENDMENT TO GROUND LEASE

This **FIRST AMENDMENT TO GROUND LEASE** (this "**Amendment**"), dated as of January 21, 2015, is made by and between **CITY OF NORCO, CALIFORNIA**, a California municipal corporation (the "**City**") and **BALBOA MANAGEMENT GROUP, LLC**, a Delaware limited liability company ("**Balboa**").

RECITALS

A. The City and Balboa are parties to that certain Norco Silverlakes Ground Lease dated effective as of July 6, 2011 (the "**Ground Lease**") pursuant to which the City has leased to Balboa the Silverlakes property, which consists of a combined total of approximately 122 contiguous acres of real property, all existed improvements thereon (also known as the Leased Premises) located in the County of Riverside, State of California, and further described in Exhibit A, attached to the Ground Lease.

B. Capitalized terms used in this Amendment are used with the meanings set forth in the Ground Lease.

C. The parties hereto desire to amend the Ground Lease to reflect modifications made to Section 7.2(d) of Article 7, to reflect the addition of Sections 7.2(n) through and including 7.2(u) and to reflect the restatement of Exhibit G.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

AMENDMENTS

Section 1.01. Leasehold Termination; New Lease. Section 7.2(d) of Article 7 of the Ground Lease is hereby amended and restated in its entirety as follows:

"(d) **Transfer.** Upon any termination of the Lease due to an Event of Default by Tenant that continues beyond any applicable notice and cure period or any rejection of this Lease by any trustee of the Tenant in any bankruptcy, reorganization, arrangement or similar proceeding which would, if it were not for this Article 7, cause this Lease to terminate, without any action or consent by Landlord, Tenant or any Leasehold Mortgagee ("**Bankruptcy Termination**"), the transfer of Tenant's interest hereunder to such Leasehold Mortgagee or its nominee shall automatically occur ("**Deemed Transfer**"). The Leasehold Mortgagee may terminate this Lease following a Deemed Transfer upon giving notice thereof to Landlord no later than ninety (90) days after the termination of the Lease due to a Tenant Event of Default or Bankruptcy Termination. Upon any such termination, the Leasehold Mortgagee shall have no further obligations hereunder (including any obligations which may have accrued prior to such termination) except in the event that said Leasehold Mortgagee shall request a new lease ("**New Lease**"), in which event all prior monetary obligations accruing to the Effective Date of

the New Lease shall be payable within thirty (30) days of the date of its effectiveness notwithstanding the earlier rejection or termination."

Section 1.02. Additional Leasehold Financing Provisions. The following Section 7.2(n) through and including Section 7.2(u) are hereby added to the Ground Lease as follows:

(n) Until all obligations of Tenant to any Leasehold Mortgagee under the Leasehold Mortgage (the "Loan Obligations") shall have been completely paid and performed, and the Leasehold Mortgage shall have been discharged, Landlord shall not take any action to terminate this Lease or to exercise any other remedy for default in the obligations of Tenant hereunder without first complying with the requirements of this Article 7.

(o) Until the Loan Obligations shall have been completely paid and performed, and the Leasehold Mortgage shall have been discharged, neither Landlord nor Tenant shall terminate, amend or modify this Lease, or exclude any parcel from this Lease, or accept a voluntary cancellation or voluntary surrender of this Lease, without Leasehold Mortgagee's prior written consent which consent shall not be unreasonably withheld, conditioned or delayed. Any such termination, amendment, modification or exclusion without prior written consent of the Leasehold Mortgagee shall not be binding upon such Leasehold Mortgagee, Tenant or the successors or assigns of such Leasehold Mortgagee or Tenant.

(p) No notice by Landlord shall be deemed to have been given to Tenant unless and until a copy thereof shall have been so given to said Leasehold Mortgagee. Tenant irrevocably directs that Landlord accept, and Landlord agrees to accept, performance and compliance by any Leasehold Mortgagee of and with any term, covenant, agreement, provision, condition or limitation on Tenant's part to be kept, observed or performed under this Lease with the same force and effect as though kept, observed or performed by Tenant.

(q) Notwithstanding anything provided to the contrary in this Lease, this Lease shall not be terminated because of a default or breach hereunder on the part of Tenant until and unless:

(i) Notice of any such default or breach shall have been delivered to the first Leasehold Mortgagee in accordance with the provisions of Subsection 7.2(a) above;

(ii) With respect to a default or breach that is curable solely by the payment of money, or with respect to a monetary default, any Leasehold Mortgagee has not cured such default or breach within twenty (20) days following the expiration of any of Tenant's notice and cure period set forth in this Lease;

(iii) With respect to a default or breach that is not curable solely by the payment of money excepting a monetary default, any Leasehold Mortgagee has

not cured such default or breach within sixty (60) days following the expiration of any of Tenant's notice and cure periods set forth in this Lease, or, if such default or breach is curable but cannot be cured within such time period, (aa) a Leasehold Mortgagee has not notified Landlord within such time period that it intends to cure such default or breach, (bb) a Leasehold Mortgagee has not diligently commenced to cure such default or breach, or (cc) a Leasehold Mortgagee does not prosecute such cure to completion, provided however that this Lease may be terminated by the Landlord, if the default or breach is not cured within two hundred and ten (210) days following the Landlord's notice to Tenant and the Leasehold Mortgagee;

(iv) Furthermore, notwithstanding anything to the contrary contained herein, if a Leasehold Mortgagee determines to foreclose or cause its designee to foreclose its Leasehold Mortgage or to acquire or cause its designee to acquire the Leased Premises or to succeed or cause its designee to succeed to Tenant's possessory rights with respect to the Leased Premises or to appoint a receiver before it effectuates the cure of any non-monetary breach or default by Tenant hereunder, the cure periods set forth above shall be tolled for any period during which foreclosure proceedings, or legal proceedings to succeed to Tenant's possessory rights, or proceedings to appoint the receiver are conducted, as the case may be, provided that the length of such tolled period or periods in the aggregate shall not exceed three hundred and sixty five (365) days, and further provided that all amounts payable by Tenant hereunder are being brought current. Promptly after Leasehold Mortgagee or a designee of Leasehold Mortgagee acquires the Leased Premises pursuant to foreclosure proceedings or otherwise or succeeds to Tenant's possessory rights or promptly after a receiver is appointed, as the case may be, Leasehold Mortgagee or its designee shall cure said breach or default; and

(v) Notwithstanding anything provided to the contrary in this Lease, this Lease shall not be terminated because of a non-monetary default or non-monetary breach hereunder on the part of Tenant which cannot be cured.

(f) Landlord and Tenant further agree for the benefit of any Leasehold Mortgagee that, so long as any such Leasehold Mortgage shall remain a lien on said Leased Premises, Landlord and Tenant will not subordinate this Lease, or any New Lease entered into, to any mortgage or deed of trust that may hereafter be placed on Landlord's fee interest in the Premises.

(g) It is acknowledged that a Leasehold Mortgage may be assigned by Leasehold Mortgagee in accordance with its terms. Notwithstanding anything stated to the contrary in this Lease, the following transfers shall be permitted and shall not require the approval or consent of Landlord:

(i) A transfer of the Lease at foreclosure sale under a Leasehold Mortgage, whether pursuant to the power of sale contained therein or a judicial foreclosure decree, or by an assignment in lieu of foreclosure, or

(ii) Any subsequent transfer by a Leasehold Mortgagee or its nominee or designee if a Leasehold Mortgagee, or such nominee or designee, is the purchaser at such foreclosure sale or under such assignment in lieu of foreclosure.

Any transferee receiving the Lease pursuant to (i) or (ii) above shall be liable to perform the obligations of Tenant under this Lease only so long as such transferee holds title to the Lease, provided that upon any conveyance of title, such transferee expressly assumes and agrees to perform all of the obligations under this Lease; provided further, that the liability of any Leasehold Mortgagee that obtains title to the Lease shall be limited to Leasehold Mortgagee's interest in the Lease.

Following any transfer described in this Subsection 7.2(s), all non-curable defaults existing under this Lease prior to such transfer shall be deemed waived without further notice or action of any party.

(t) The provisions of this Subsection 7.2 shall be binding upon and inure to the benefit of any Leasehold Mortgagee and its successors and/or assigns. To the extent of any inconsistency between the terms and provisions contained in other sections of this Lease and the terms and conditions set forth in this Subsection 7.2, the terms and conditions set forth in this Subsection 7.2 shall govern and control.

(u) Notwithstanding any other provision to the contrary in this Lease, Tenant may grant to Tenant's lender(s) a security interest in the personal property owned by Tenant on or about the Leased Premises including, without limitation, all or any portion of the Improvements considered to be Tenant's personal property and Landlord agrees to execute a customary Landlord's Consent on terms reasonably acceptable to Landlord affirming the right of such secured party to access the Leased Premises to remove personal property collateral covered by its security instruments provided that such secured party shall provide proof of insurance reasonably satisfactory to Landlord, shall be responsible for any damages caused to the Leased Premises as a result of such removal and shall indemnify and hold the Landlord harmless on account of such entry."

Section 1.03. List of Initial Tenant Improvements. Exhibit G of the Ground Lease is hereby amended and restated in its entirety to be the Exhibit G attached hereto and all references in the Ground Lease to Exhibit G shall be amended to reference the Exhibit G attached hereto in all respects.

ARTICLE II

MISCELLANEOUS

Section 2.01. Ratification. Except as expressly amended and modified herein all other terms, covenants and provisions of the Ground Lease and Memorandum shall remain unaltered and in full force and effect, and the parties hereto do hereby expressly ratify and confirm the Ground Lease as modified hereby.

Section 2.02. Binding Effect. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, successors-in-title and assigns.

Section 2.03. Counterparts. This Amendment may be executed in duplicate counterparts, each of which shall be deemed an original and all of which, when taken together, shall be deemed one and the same instrument.

Section 2.04. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of California.

Section 2.05. Authority. The persons executing this Amendment on behalf of the City and Balboa each warrant to the other that (a) each has the power and authority to enter into this Amendment; (b) each is qualified to do business in the State of California; and (c) each of such persons is authorized to execute this Amendment on behalf of the City or Balboa, as applicable. The City and Balboa shall each, upon request, provide evidence satisfactory to the other confirming these representations.

[END OF DOCUMENT TEXT]

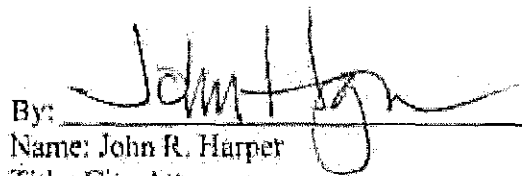
IN WITNESS WHEREOF, the City and Balboa have signed and delivered this Amendment or have caused this Amendment to be signed and delivered by their respective duly authorized representatives as of the day and year first above written.

CITY:

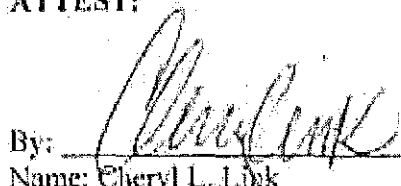
CITY OF NORCO, CALIFORNIA, a municipal corporation organized and existing under the laws of the State of California

By: 
Name: Herb Higgins
Title: Mayor

APPROVED AS TO FORM:

By: 
Name: John R. Harper
Title: City Attorney

ATTEST:

By: 
Name: Cheryl L. Link
Title: City Clerk

[Signature Page 1 of 3 to Amendment to Ground Lease]

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.


State of California)
County of Riverside) ss.

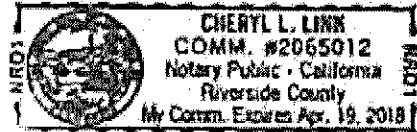
On January 22, 2015, before me, Cheryl L. Link, Notary Public, personally appeared Herb Higgins, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her/their authorized 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

(seal)

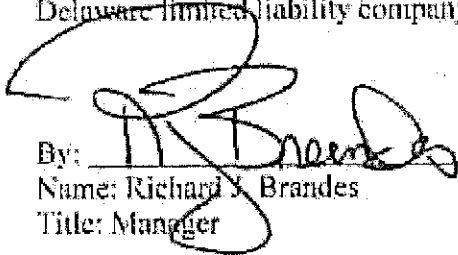

Signature



[Signature Page 2 of 3 to Amendment to Ground Lease]

BALBOA:

BALBOA MANAGEMENT GROUP, LLC, a
Delaware limited liability company

By: 
Name: Richard J. Brandes
Title: Manager

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

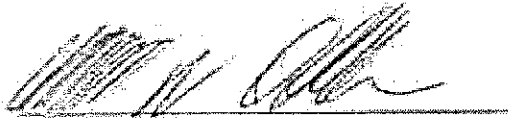
State of California)
County of ORANGE) ss.

On ~~February~~ JANUARY 4, 2015, before me, WILLIAM N. ODELSIN, Notary Public, personally appeared Richard J. Brandes, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

(seal)


Signature

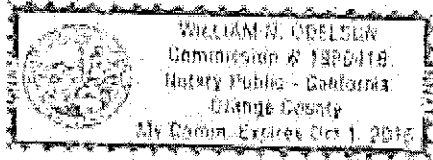


EXHIBIT G

LIST OF INITIAL TENANT IMPROVEMENTS

(attached)

EXHIBIT "G"

LIST OF INITIAL IMPROVEMENTS

The Initial Improvements approved by the City allow Balboa to construct and operate a park with recreation facilities at which Balboa may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events, including all Permitted Uses identified on Exhibit "H."

The Initial Phase IA Improvements *shall* include the following:

- Up to 25 full size soccer fields – mainly grass with up to 8 artificial synthetic fields
- Up to 6 sand rings for horseback riding or sand sports
- Equestrian competition showgrounds
- Portable and permanent restroom facilities
- Gated entrance(s) on Hamner; gated entrance on any connector road constructed to I-15 Freeway if bordering on Leased Premises.
- Parking Areas
- Some permanent and temporary lighting
- Water holding tanks (if needed)
- Two Water Wells
- Internal directional and informational signage

The Initial Phase IA Improvements *may also* include the following:

- Supporting infrastructure, facilities and amenities
- Sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires

The Phase IB Improvements *shall* include the following:

- Internal, private and public bridle trails
- RV campground and trailer parking
- Picnic areas
- Some permanent and temporary lighting
- Business office(s)
- Storage and maintenance facilities

The Phase IB Improvements *may also* include the following:

- Stables and tack facilities – including paddocks, water troughs, wash racks, and tie stations
- Kitchen and other food service facilities
- Dining Areas

The Phase 2 Improvements *shall* include the following:

- A multi-purpose building or covered arena with a foot print of up to ≈135,000 square feet
- Earthen and concrete viewing berm(s)
- Entry features, including identification signage, lake, other water features, gardens and reception areas

The Phase 2 Improvements *may also* include the following:

- Announcer's stand with public address systems
- Security personnel facilities and caretaker housing
- Mobile bleachers and fencing
- Temporary overnight accommodations of athletes, coaches and trainers
- A "pro shop" within the multi-purpose building or elsewhere on the property
- Hay barn and guard gate house(s)
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with this Agreement
- Fiber Optic and other communication conduit
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code

APPENDIX B-9

FUNDING, CONSTRUCTION AND ACQUISITION AGREEMENT

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**FUNDING, CONSTRUCTION AND ACQUISITION AGREEMENT
AMENDMENT NO. 1**

by and between

CITY OF NORCO
a municipal corporation

And

BALBOA MANAGEMENT GROUP, LLC,
a Delaware Limited Liability Company

**FUNDING, CONSTRUCTION AND ACQUISITION AGREEMENT
AMENDMENT NO. 1**

THIS FUNDING, CONSTRUCTION AND ACQUISITION AGREEMENT, AMENDMENT NO. 1 (this "Amendment No. 1 to the Agreement"), dated as of June 6, 2012, is entered into by and between the CITY OF NORCO, a municipal corporation (the "City"), and BALBOA MANAGEMENT GROUP, LLC, a Delaware limited liability company (the "Tenant") with reference to the following facts:

RECITALS

A. The Parties to this Agreement have heretofore entered into a Funding, Construction and Acquisition Agreement, dated as of July 6, 2011 (the "Agreement") with regard to the construction and financing of certain facilities related to the Silverlakes Equestrian and Sports Park.

B. Section 5.06 of the Agreement provides for the process of repayment to the City of the funded Actual Costs; specifically providing that the City shall pay certain Actual Costs for the construction of facilities to be repaid by Tenant; said payments to be paid monthly and amortized based upon an interest rate of 5.9% per annum.

C. The Agreement and Development Agreement between the Parties authorize a maximum reimburseable amount of six million dollars (\$6,000,000), which would be paid by the City based upon the amount of Actual Costs incurred by the Tenant and upon providing a Letter of Credit in the amount of one (1) year's annual principal and interest payment.

D. Although the funded Actual Costs will not reach the maximum amount until sometime in the future, in order to provide additional security at a point in time earlier than that required by the Agreement, the Parties agree that Tenant will provide immediately a Letter of Credit in the amount of three hundred and fifty thousand dollars (\$350,000), representing the total annual Letter of Credit requirement.

NOW, THEREFORE in consideration of the foregoing recitals and mutual agreement set forth herein and for other and good valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

SECTION 1. The Parties agree that the foregoing Recitals are true and correct and incorporate the same as if set forth in full hereat.

SECTION 2. Upon the providing by Tenant of a Letter of Credit in the amount of three hundred and fifty thousand dollars (\$350,000) which meets the requirements for a Letter of Credit set forth in Section 5.06 of the Agreement, the City agrees to pay Reimburseable Expenses incurred by the Tenant. Payment shall be made pursuant to that process set forth in Sections 5.03 and 5.04 of the Agreement.

SECTION 3. The Parties acknowledge that the bank letter required pursuant to Section 15.1 of the Lease Agreement has not been provided as of the date of this Amendment No. 1 to the Agreement and that nothing in this Amendment No. 1 to the Agreement waives or otherwise effects the requirement to do so. The Parties agree that said bank letter shall be provided no later than August 1, 2012.

SECTION 4. It is understood that interest on the loan shall begin to accrue at the said 5.9% effective from the date of each payment to Balboa. Monthly payment on the amount of the loan, including accrued interest, shall commence thirty (30) days from the date on which the City Council (or other public entity which is to own the Facilities) takes a final action to accept dedication of, or transfer of title, to the Facilities constructed.

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

CITY:

CITY OF NORCO,
a municipal corporation

By: 

Printed Name: Kevin Bash

Its: Mayor

TENANT:

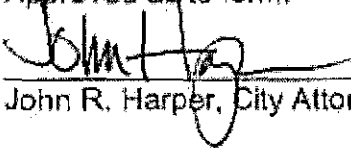
BALBOA MANAGEMENT GROUP, LLC,
a Delaware limited liability company

By: 

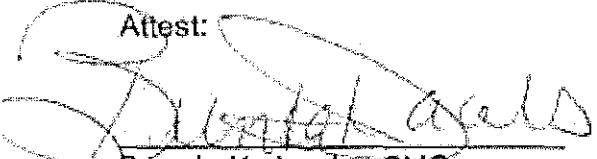
Printed Name: Richard J. Brandes

Its: Manager

Approved as to form:


John R. Harper, City Attorney

Attest:


Brenda K. Jacobs, CMC,
City Clerk



CITY of NORCO

CITY HALL • 2870 CLARK AVENUE • NORCO CA 92860 • (951) 735-3900 • FAX (951) 270-5522

March 8, 2012

RECEIVED
CITY OF NORCO

MAR 19 2012

TIME: _____
CITY CLERK

Mr. Richard J. Brandes
Balboa Management Group, LLC
28801 San Juan Creek Road
San Juan Capistrano, CA 92675

Re: Silverlakes Equestrian & Sports Park ("Project") located at 5555 Hamner Avenue,
in the City of Norco ("City"), California ("Property")

Dear Mr. Brandes:

This letter serves to convey direction authorized by the Norco City Council on March 7, 2012, regarding the Silverlakes Project. These actions are predicated on the acknowledgement that neither the City of Norco, nor Balboa Management Group, LLC, is in default with respect to any of the agreements, entitlements or documents affecting the Property.

I am authorized to release up to \$2.7 million of funds from Water and Sewer Bond proceeds (the funding source identified in the Funding and Acquisition Agreement) during the months of April and May, 2012, for work covered by the "earthwork package" as necessary for the preparation and installation of water and sewer infrastructure.

In order to access the funds, four things need to occur:

1. The first rent payment of \$396,480 must be received on April 2, 2012. Half of this amount is a security deposit and the other half is six months of rent.
2. An LOC (Letter of Credit) funded with at least \$700,000 must be in place by April 15, 2012.
3. Updated evidence of financial capacity is to be provided with a timeline for funding of full Phase I costs of at least \$36 million.
4. A payment request must be submitted citing the scope of work and itemized costs.

As stated in my letter of January 19, 2012, Balboa Management Group and its contractors have continued authorization to enter the Property to clear, grub, grade and perform construction activities as stated in Section 2.2 of the Ground Lease. Balboa's

CITY COUNCIL

KEVIN BASH
Mayor

KATHY AZEVEDO
Mayor Pro Tem

BERWIN HANNA
Council Member

HERB HIGGINS
Council Member

HARVEY SULLIVAN
Council Member

Letter to Mr. Richard J. Brandes
Balboa Management Group, LLC
Page 2
March 8, 2012

commencement of the Work--nor the City's authorization of the work--will constitute a waiver of, or satisfaction with, any condition set forth in the Ground Lease.

Additionally, in consideration of the access to the bond funds at this time, Balboa agrees to release item (b)(iii) of Exhibit C of the Ground Lease related to Property and possessory interest tax from the required "Conditions Precedent". The City is committed to assisting with this activity; however, it is no longer considered to be a condition precedent.

Balboa also agrees that the City is released from the April 2, 2012 completion date for the widening and improvement of Hamner Avenue along the length of the Silverlakes Property, the relocation of electricity power poles and the installation of the causeway beneath Hamner Avenue as listed in Exhibit G-2 of the Ground Lease and Exhibit F of the Development Agreement.

These activities are moving forward and will need to be coordinated with the Project's construction activities. Therefore, the completion date will be considered "uncertain."

I am including two originals of this letter. Please sign below and return one to me.

Best Regards,



Beth Groves
City Manager
City of Norco

Accepted by:




Richard J. Brandes
Manager
Balboa Management Group, LLC

Dated: 3/14/12

c. John Harper, City Attorney

**CITY OF NORCO
STAFF REPORT**

TO: Honorable Mayor and Members of the City Council

FROM: Beth Groves, City Manager 

DATE: March 7, 2012

SUBJECT: Approval to Implement Measures in the Continued Construction of the Silverlakes Project

RECOMMENDATION: Grant authority to the City Manager to implement measures to proceed with the next steps in the construction of City-owned water and sewer infrastructure on the Silverlakes property.

SUMMARY: The City Manager is requesting authority to implement measures related to the continuing construction on the Silverlakes property. Up to \$2.7 million in Water and Sewer Bond proceeds would be released by the City between April 3 and May 31, 2012. Updates will also be made to release the City from specific "conditions precedent" included in the original lease documents.

BACKGROUND/ANALYSIS: On July 6, 2011, the City Council approved agreements with Balboa Management Group for the development of the Silverlakes Equestrian & Sports Park. Grading was begun on the site last month. Under the agreements, Balboa Management will have access to water and sewer bond proceeds for the construction of water, sewer and road infrastructure on the City-owned Silverlakes property. Also under the agreements, all of the loaned monies will be repaid by the developer and all constructed infrastructure becomes the property of the City.

The City Manager is seeking authority to implement the following provisions: Release up to \$2.7 million between April 2 and May 31, 2012. The first lease payment is due April 2, 2012. The funds will not be released until after that lease payment is received.

Balboa Management Group has agreed to and the City Manager will implement the release of the following requirement as a "Conditions Precedent" as stated in Exhibit "C" of the Ground Lease, but it will still remain as a required activity:

(b)(iii) Within one hundred eighty (180) days of the Effective Date, Tenant shall be satisfied with the amount of the Impositions (e.g., real property taxes), including any possessory interest tax, attributable to and assessable against the Leased Premises. The City agrees to assist Tenant and to meet with the County of Riverside and its departments, such as the County Tax Collector and Tax Assessor (including making application on Tenant's behalf) in an effort to have the taxes as low as possible.

Agenda Item 1.K.

Balboa Management Group has agreed to and the City Manager will implement the release of the requirement that the City complete the following public infrastructure improvement project by April 2, 2012, stating that the City is required to construct without reimbursement from the Tenant as listed in Exhibit G-2 of the Ground Lease and Exhibit "F" of the Development Agreement:

Widening and improvement of Hamner Avenue along the length of the property, including the relocation of electricity power poles and the installation of causeway beneath Hamner Avenue for vehicle, pedestrian and equestrian connectivity between the property and JCSD's property.

The Hamner Avenue Widening Project is moving forward, but to this date construction has not begun. Therefore, the completion date will be agreed upon as a date uncertain.

Upon approval by the City Council to grant authority to the City Manager to implement these measures, a letter of agreement will be signed by both parties.

FINANCIAL IMPACT: Funding is designated in the City's adopted CIP Budget in the Water and Sewer Bond Proceeds Fund in the amount of a \$6 million loan for the construction of water and sewer infrastructure on the Silverlakes Property. To date, \$1 million has been released on the project. This \$2.7 million will bring the total to \$3.7 million.

/s/0552

LAW OFFICES OF
HARPER & BURNS LLP
A LIMITED LIABILITY PARTNERSHIP (PREVIOUSLY A PROFESSIONAL CORPORATION)

JOHN R. HARPER*
ALAN R. BURNS
COLIN H. BURNS

453 S. GLASSELL STREET
ORANGE, CALIFORNIA 92668
www.harperburns.com

(714) 771-9120
FAX (714) 744-3350

OF COUNSEL
JULIA A. CURTIN*
MICHAEL MONTGOMERY*

*A PROFESSIONAL CORPORATION

January 10, 2012

Balboa Management Group, LLC
PO Box 609
28801 San Juan Creek Road
San Juan Capistrano, California 92693

RE: City Attorney Opinion Re: Silverlakes Equestrian and Sports Park
Compliance with Use Covenant.

Balboa Management Group, LLC:

This opinion is rendered in my capacity as the City Attorney for the City of Norco. Silverlakes Equestrian Sports Park ("Silverlakes") is proposed to be located on 121.71 (+/-) of undeveloped property located in the City of Norco (the "City"), which property was acquired by the City through Securities and Exchange Commission v. TLC Investments and Trade Company, et. al., Case Number SACB-00-960-DOC (MLGx), and is subject to a covenant running with the land (the "Use Covenant") providing that the property would be solely for recreational and park purposes and that there would be no commercial or residential uses thereon. This opinion is based upon my review of the Use Covenant and that action taken by the City of Norco, City Council, on July 6, 2011 and July 20, 2011, approving Silverlakes to be operated by Balboa Management Group, LLC, and its successors, said action specifically enumerated as follows:

- a. Norco Silverlakes Ground Lease by and between the City of Norco ("Landlord") and Balboa Management Group, LLC ("Tenant").
- b. Norco Silverlakes Shared Use Agreement by and between the City of Norco (Landlord) and Balboa Management Group, LLC (Tenant).
- c. Resolution No. 2010-51, restating the Conditions of Resolution No. 2009-08 (Adopted on March 4, 2009) relating to Conditional Use Permit No. 2008-09 for the Silverlakes Equestrian & Sports Park located on the east side of Hamner Avenue north of the Santa Ana River.
- d. Ordinance No. 2011-934, approving the Development Agreement by and between the City of Norco and Balboa Management Group, LLC for the Silverlakes Equestrian & Sports Park.

e. Funding, Construction and Acquisition Agreement by and between the City of Norco and Balboa Management Group, LLC.

f. Resolution No. 2011-52, approving findings that the Silverlakes Sports and Equestrian Park project is consistent with the Property Deed Restriction on the 122-acre Silverlakes Property.

Based upon my review of the foregoing, it is my opinion that said actions and agreements are consistent with the restrictions of the Use Covenant. This opinion may be relied upon by the addressee only. This opinion does not abrogate or supersede any judgment rendered in that action filed in the Riverside County Superior Court validating such actions, Case Number RIC 1112463. Any judgment rendered contrary to this opinion shall result in this opinion being null and void and of no force or effect. Neither the addressee, nor any third party, may rely on this opinion for any purpose whatsoever to the extent that it is inconsistent with any such judgment.

Very truly yours,

HARPER & BURNS LLP


John R. Harper, City Attorney

c: Members of the City Council
Beth Groves, City Manager



CITY of NORCO

CITY HALL • 2870 CLARK AVENUE • NORCO CA 92800 • (951) 725-2000 • FAX (951) 270-5622

September 15, 2011

Mr. R.J. Brandes
Belstarr Sport Management Company
P.O. Box 609
San Juan Capistrano, CA. 92693

Dear Mr. Brandes:

This letter will confirm that pursuant to the provisions of Section 3.02 of the Funding, Construction and Acquisition Agreement by and between the City of Norco and Balboa Management Group, LLC, dated July 6, 2011, the City has set aside \$6,000,000 of 2009 Enterprise Revenue Bond proceeds to reimburse Balboa Management Group, LLC, for the actual cost of eligible sewer and water related facilities or discrete component units completed under the Funding, Construction and Acquisition Agreement.

Further, please note that as provided for in Section 5.06 of the above reference agreement, as security for the repayment of the reimbursable amount, Balboa shall deliver to the City, promptly prior to any payment by the City, an unconditional, irrevocable, renewable and acceptable letter of credit in the amount equal to total current year of monthly installments due.

If you have any concerns or questions, please contact me at (951) 270-5650

Sincerely,

V. Andy Okoro, CPA
Deputy City Manager/Director of Finance

Copy

Brenda Jacobs, City Clerk, City of Norco
John Harper, City Attorney, City of Norco
Nancy N. Kennerly, Kennerly, Lamishaw & Rossi, LLP

jk-79415

CITY COUNCIL

BERNARD HARRIS
Mayor

KEVIN BASH
Mayor Pro Tem

KATHY AZEVEDO
Council Member

GREG NEWTON
Council Member

HARVEY SULLIVAN
Council Member



CITY of NORCO

CITY HALL • 2870 CLARK AVENUE • NORCO CA 92860 • (951) 735-3900 • FAX (951) 270-5622

January 19, 2012

Mr. R.J. Brandes
Balboa Management Group, LLC
26801 San Juan Creek Road
San Juan Capistrano, CA 92675

Re: Silverlakes Equestrian & Sports Park ("Project") located at 5555 Hamner Avenue, in the City of Norco ("City"), California ("Property")

Dear Mr. Brandes:

This letter serves to convey direction authorized by the Norco City Council regarding the Silverlakes Project. These actions are predicated on the acknowledgement that neither the City of Norco, nor Balboa Management Group, LLC, is in default with respect to any of the agreements, entitlements or documents affecting the Property.

Upon receipt of a payment request citing the scope of work and itemized costs, I am authorized to release up to \$1 million of funds from Water and Sewer Bond Proceeds (the funding source identified in the Funding and Acquisition Agreement) between now and February 28, 2012 for work covered by the initial grading permits.

Balboa Management Group and its contractors are authorized to enter the property to clear, grub, grade and perform construction activities as stated in Section 2.2 of the Ground Lease. Balboa's commencement of the Work – nor the City's authorization of the work – will constitute a waiver of, or satisfaction with, any condition set forth in the Ground Lease.

The next court date for the Validation Action is February 28, 2012. The first lease payment is due to the City 15 days after the Validation Action is approved and filed, or by April 2, 2012, whichever comes first.

In the event that the Validation Action is not approved, the City is willing to consider amending the original agreements related to conditions associated with the Second Phase of the project. If necessary, that would require an amendment to the original documents.

We are all looking forward to the commencement of grading work on the property next week.

Best Regards,

Beth Groves
City Manager

c. John Harper, City Attorney

CITY COUNCIL

KEVIN BASH
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BERWIN NANNIA
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HERB HIGGINS
Council Member

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Council Member

CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Beth Groves, City Manager

PREPARED BY: John R. Harper, City Attorney

DATE: June 6, 2012

SUBJECT: Amendment No. 1 to the Funding, Construction and Acquisition Agreement by and between the City of Norco and Balboa Management Group, LLC

RECOMMENDATION: Authorize the execution of Amendment No. 1 to the Funding, Construction and Acquisition Agreement, requiring Balboa Management Group, LLC to provide a Letter of Credit in the amount of \$350,000.00 pursuant to Section 5.6 of the Funding, Construction and Acquisition Agreement.

SUMMARY: The Funding, Construction and Acquisition Agreement requires Balboa Management Group LLC ("Balboa") to provide a Letter of Credit in an amount equal to the annual debt service on monies provided for the construction of City-owned water and sewer infrastructure on the Silverlakes property. Pursuant to the Council's prior authorization, approximately \$1.8 Million Dollars has been provided to date. Rather than having Balboa provide a series of Letters of Credit for each draw up to the maximum amount, Balboa has agreed to provide a Letter of Credit in the amount of \$350,000 which will allow draws up to the maximum of \$6 Million Dollars and provide additional security to the City.

BACKGROUND/ANALYSIS: On June 6, 2011, the City Council approved agreements with Balboa Management Group, LLC for the development of the Silverlakes Equestrian and Sports Park. Under the Funding, Construction Acquisition Agreement (the "Agreement"), Balboa has access to up to \$6 Million Dollars in water and sewer bond proceeds for the construction of City water, sewer and road infrastructure on the City-owned Silverlakes property, which amount will be repaid on a monthly basis in an amount equal to the debt service on the bonds. Balboa has the option of paying the amount off earlier should it choose to do so. Section 5.6 of that Agreement requires that a Letter of Credit in the amount of one year's annual debt service be provided based upon the amount actually loaned to Balboa. The Agreement contemplates a series of Letters of Credit and does not provide a maximum amount for the Letter of Credit should the entire available amount be utilized. To date, approximately \$1.8 million has been provided. In order to provide additional security to the City, as well as to avoid the necessity of providing a series of Letters of Credit, the Parties have agreed that, prior to the release of any additional funds,

Agenda Item 1.N.

Amendment No. 1 to the Funding, Construction and Acquisition Agreement.

Page 2

June 6, 2012

Balboa will provide a Letter of Credit in the amount of \$350,000, representing the maximum required under the Agreement should the maximum amount of funds be provided.

Construction of the facilities is continuing in accordance with the Silverlakes documents and on April 18, 2012, the City received Balboa's security deposit and six months lease payment. The Parties acknowledge that the bank letter pursuant to Section 15.1 of the Lease Agreement has not been provided as of this date, and nothing in Amendment No. 1 waives or otherwise effects the requirement to do so. The Parties agree that said bank letter shall be provided no later than August 1, 2012.

FINANCIAL IMPACT: There is no additional funding to be authorized by this action.

/81256



CITY of NORCO

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September 15, 2011

Mr. R.J. Brandes
Belstarr Sport Management Company
P.O. Box 609
San Juan Capistrano, CA. 92693

Dear Mr. Brandes:

This letter will confirm that pursuant to the provisions of Section 3.02 of the Funding, Construction and Acquisition Agreement by and between the City of Norco and Balboa Management Group, LLC, dated July 6, 2011, the City has set aside \$6,000,000 of 2009 Enterprise Revenue Bond proceeds to reimburse Balboa Management Group, LLC, for the actual cost of eligible sewer and water related facilities or discrete component units completed under the Funding, Construction and Acquisition Agreement.

Further, please note that as provided for in Section 5.06 of the above reference agreement, as security for the repayment of the reimbursable amount, Balboa shall deliver to the City, promptly prior to any payment by the City, an unconditional, irrevocable, renewable and acceptable letter of credit in the amount equal to total current year of monthly installments due.

If you have any concerns or questions, please contact me at (951) 270-5650

Sincerely,

V. Andy Okoro, CPA
Deputy City Manager/Director of Finance

Copy

Brenda Jacobs, City Clerk, City of Norco
John Harper, City Attorney, City of Norco
Nancy N. Kennerly, Kennerly, Lamishaw & Rossi, LLP

/jk-79415

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January 19, 2012

Mr. R.J. Brandes
Balboa Management Group, LLC
28801 San Juan Creek Road
San Juan Capistrano, CA 92675

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Upon receipt of a payment request citing the scope of work and itemized costs, I am authorized to release up to \$1 million of funds from Water and Sewer Bond Proceeds (the funding source identified in the Funding and Acquisition Agreement) between now and February 28, 2012 for work covered by the initial grading permits.

Balboa Management Group and its contractors are authorized to enter the property to clear, grub, grade and perform construction activities as stated in Section 2.2 of the Ground Lease. Balboa's commencement of the Work – or the City's authorization of the work – will constitute a waiver of, or satisfaction with, any condition set forth in the Ground Lease.

The next court date for the Validation Action is February 28, 2012. The first lease payment is due to the City 15 days after the Validation Action is approved and filed, or by April 2, 2012, whichever comes first.

In the event that the Validation Action is not approved, the City is willing to consider amending the original agreements related to conditions associated with the Second Phase of the project. If necessary, that would require an amendment to the original documents.

We are all looking forward to the commencement of grading work on the property next week.

Best Regards,

Beth Groves
City Manager

c. John Harper, City Attorney

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HERB HIGGINS
Council Member

HARVEY SULLIVAN
Council Member

CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Beth Groves, City Manager 

DATE: January 18, 2012

SUBJECT: Approval to Implement Measures Necessary to Proceed with the Construction on the Silverlakes Project

RECOMMENDATION: Grant authority to the City Manager to implement measures necessary to proceed with the construction on the Silverlakes Project.

SUMMARY: The City Manager is requesting authority to implement measures necessary to move forward with the grading, grub clearing and construction activities in relation to the Silverlakes project. Up to \$1 million in Water and Sewer Bond Proceeds would be released by the City between now and February 28, 2012 to assist with the initial grading work. Measures would also be put in place regarding the required date for the receipt of the first lease payment.

BACKGROUND/ANALYSIS: On July 6, 2011, the City Council approved agreements with Balboa Management Group, LLC for the development of the Silverlakes Equestrian & Sports Park. Grading permits have been issued and site preparation work is beginning. Under the agreements, Balboa Management will have access to Water and Sewer Bond Proceeds for the construction of water, sewer and road infrastructure on the City-owned Silverlakes property. Also in accordance with the agreements, all of the loaned monies will be repaid by the Developer and all constructed infrastructure becomes the property of the City.

In keeping with the project goal of a preliminary opening the Silverlakes Equestrian & Sports Park in September 2012, and full opening by February 2013, the City Manager is requesting authority to implement the following provisions: a.) release (upon receipt of a payment request siting the scope of work and itemized costs) up to \$1 million of funds in Water and Sewer Bond Proceeds between now and February 28, 2012 for the initial grading work; b.) authorize Balboa Management Group, LLC and its contractors to enter the property to clear, grub, grade and perform construction activities as stated in Section 2.2 of the Ground Lease; and c.) notify Balboa Management Group, LLC that the first lease payment is due no later than April 2, 2012, at which point in time full construction will be underway.

FINANCIAL IMPACT: Funding is designated in the City's adopted CIP budget in the Water and Sewer Bond Proceeds Fund in the amount of a \$6 million loan for the construction of water and sewer infrastructure on the Silverlakes Property. This action will release up to \$1 million of those funds.

/b]-80131

Agenda Item 4.K.



CITY of NORCO

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September 15, 2011

Mr. R.J. Brandes
Belstarr Sport Management Company
P.O. Box 609
San Juan Capistrano, CA. 92693

Dear Mr. Brandes:

This letter will confirm that pursuant to the provisions of Section 3.02 of the Funding, Construction and Acquisition Agreement by and between the City of Norco and Balboa Management Group, LLC, dated July 6, 2011, the City has set aside \$6,000,000 of 2009 Enterprise Revenue Bond proceeds to reimburse Balboa Management Group, LLC, for the actual cost of eligible sewer and water related facilities or discrete component units completed under the Funding, Construction and Acquisition Agreement.

Further, please note that as provided for in Section 5.06 of the above reference agreement, as security for the repayment of the reimbursable amount, Balboa shall deliver to the City, promptly prior to any payment by the City, an unconditional, irrevocable, renewable and acceptable letter of credit in the amount equal to total current year of monthly installments due.

If you have any concerns or questions, please contact me at (951) 270-5650

Sincerely,

V. Andy Okoro, CPA
Deputy City Manager/Director of Finance

➔ Copy
Brenda Jacobs, City Clerk, City of Norco
John Harper, City Attorney, City of Norco
Nancy N. Kennerly, Kennerly, Lamishaw & Rossi, LLP

/jk-79415

CITY COUNCIL

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KATHY AZEVEDO
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GREG NEWTON
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HARVEY SULLIVAN
Council Member

FUNDING, CONSTRUCTION AND ACQUISITION AGREEMENT

by and between

CITY OF NORCO
a municipal corporation

And

BALBOA MANAGEMENT GROUP, LLC,
a Delaware Limited Liability Company

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EXHIBIT A DEPICTION OF THE SILVERLAKES PROPERTY

EXHIBIT B DESCRIPTION OF ELIGIBLE PUBLIC FACILITIES AND DISCRETE COMPONENTS

FUNDING, CONSTRUCTION AND ACQUISITION AGREEMENT

THIS FUNDING, CONSTRUCTION AND ACQUISITION AGREEMENT (this "Agreement"), dated as of July 6, 2011, is entered into by and between the CITY OF NORCO, a municipal corporation (the "City"), and BALBOA MANAGEMENT GROUP, LLC, a Delaware limited liability company (the "Tenant") with reference to following facts:

RECITALS

A. The City owns approximately 122 contiguous acres of land in the City of Norco, County of Riverside, commonly known as Silverlakes (herein "Silverlakes" or "Silverlakes Property" and depicted in Exhibit "A", attached hereto and made a part hereof).

B. The City leases the Silverlakes Property to Tenant pursuant to that certain lease agreement entitled "Norco Silverlakes Ground Lease" dated as of July 6, 2011 (herein "Ground Lease"). Tenant desires to undertake development thereon and thereafter operate a public park and equestrian and sports facility with related amenities pursuant to the terms of the Ground Lease and that certain Shared Use Agreement by and between Tenant and the City dated as of July 6, 2011 (herein, "Shared Use Agreement");

C. On even date and concurrent herewith, the City and Tenant entered into that certain Development Agreement (herein, "Development Agreement") governing, among other things, the entitlements and fees related to the planned construction and development of the Silverlakes Property by Landlord and Tenant;

D. The Ground Lease, Shared Use Agreement and Development Agreement (which agreements are herein collectively referred to as the "Silverlakes Documents") are consistent and in compliance with, and in satisfaction of, the terms and conditions of that certain Memorandum of Understanding for the Redevelopment of the Silverlakes Property dated as of January 16, 2008, as subsequently amended (herein, the "MOU"), which agreement shall be deemed terminated and superseded by the Ground Lease on the Term Commencement Date (as defined in the Ground Lease);

E. Subject to the terms and conditions of the Silverlakes Documents, Tenant proposes to develop Silverlakes Property with certain improvements that are intended to be conveyed to the City (as hereinafter defined and identified as the "Facilities" and/or "City Facilities");

F. The Facilities shall be on, within or in the vicinity of the Silverlakes Property, and the City and the Tenant will benefit from a coordinated plan of design, engineering and construction of the Facilities and the development of the land; and

G. The Tenant wishes to finance the costs of constructing the Facilities, and the City is willing to provide such financing in the amount(s) hereinafter specified as evidenced by entering into this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions. The following terms shall have the meanings ascribed to them in this Section 1.01 for purposes of this Agreement.

“Acceptance Date” means the date on which title to a Facility is transferred to the City (or other public entity which is to own a Facility) as specified in Section 5.02, which date is either the date the City pays Tenant for a Facility or Discrete Component thereof or, if a deed or other recordable documentation is necessary to memorialize the transfer of title, then the date on which the City Council (or other public entity which is to own a Facility) takes final action to accept dedication of, or transfer of title to, a Facility.

“Agreement” means this Funding, Construction and Acquisition Agreement, together with any Supplement hereto.

“Actual Cost” means the substantiated cost of a Facility or a Discrete Component, which costs may include: (i) the costs for the construction (including grading, installation and/or fabrication) of such Facility or Discrete Component; (ii) the costs incurred by the Tenant in preparing the Plans for such Facility or Discrete Component and the related costs of environmental evaluations of the Facility or Discrete Component; (iii) the fees paid to governmental agencies for, and all other costs incurred in connection with obtaining permits, licenses or other governmental approvals for such Facility or Discrete Component; (iv) a construction and project management fee of six percent (6%) of the costs described in clause (i) above incurred for the construction of such Facility or Discrete Component; (v) professional costs incurred by the Tenant associated with such Facility or Discrete Component, such as engineering, legal, accounting, inspection, construction staking, materials testing and similar professional services; (vi) costs directly related to the construction and/or acquisition of a Facility or Discrete Component, such as costs of payment, performance and/or maintenance bonds, and insurance costs (including costs of any title insurance required hereunder and/or the cost to re-grade, recompact or otherwise repair or restore soils affected by the construction contemplated herein); and (vii) cost of carry or interest expense, which cost shall be calculated using the same interest rate paid by Tenant to the City in repayment of the loan provided by City to the Tenant, with respect to any construction loan obtained, or other financing provided by the Tenant as ratably applied to the Facilities from the date costs are incurred until such costs are reimbursed pursuant to an approved Payment Request. A description of the Facilities are set forth in Exhibit “B” hereof.

“Affiliate” shall have the meaning attributed to it in the Ground Lease, and shall include a “Successor Tenant” as defined in the Ground Lease.

"City Facilities" (also known as "Facility" or "Facilities") means the street, storm drain and other improvements contemplated by Exhibit "B" and which are to be constructed by Tenant then owned, operated or maintained by the City as herein provided. The descriptions of the Facilities in Exhibit "B" are preliminary in some cases. The final Plans may show substitutes or modifications approved by the City to the proposed Facilities in order to accomplish the work. Additional public improvements may be added to Exhibit "B" through a Supplement to this Agreement executed by Tenant and Director.

"County" means the County of Riverside, California.

"Director" means the Director of Public Works or his written designee acting as such under this Agreement.

"Discrete Component" means any component of a Facility or as approved by the Director.

"Payment Request" means a document, to be used by the Tenant in requesting payment of a Purchase Price or funding with respect to one or more Facilities.

"Plans" means the plans, specifications, schedules and related construction contracts for the Facilities and/or any Discrete Components thereof approved pursuant to the applicable standards of the City when completed and acquired. As of the date of this Agreement, the City standards for construction incorporate those set forth in the Green Book, Standard Specifications for Public Works Construction (SSPWC), of the Southern California Chapter of the American Public Works Association.

"Purchase Price" means the amount paid by the City for a Facility and/or any Discrete Components thereof determined in accordance with Article V hereof, being an amount equal to the Actual Cost of such Facility or Discrete Component, but subject to any limitations and reductions provided for in Article V.

"Substantially Complete(d)" or words of like import with respect to a Facility or Discrete Component means that such Facility or Discrete Component is substantially complete in accordance with its Plans and is available for use for its intended purpose, notwithstanding any final "punch list" items still required to be completed, unless such items are required for the safe operation of such Facility or Discrete Component, and shall be based upon approval of the Director or City inspector, which shall not be unreasonably withheld.

"Supplement" means a written document signed by the parties amending, supplementing or otherwise modifying this Agreement and any exhibit hereto, including the list of Facilities.

ARTICLE II AGREEMENTS

Section 2.01 Financing.

The City has agreed to finance the Facilities by entering into this Agreement by paying for Discrete Components thereof and has sufficient and immediately available funds to do so up to Actual Costs but to a maximum of \$6,000,000.

Section 2.02 No Advantage to City Construction.

The City, by its approval of this Agreement, has determined that it will obtain no advantage from undertaking the construction by the City directly of the City Facilities, and that the provisions of this Agreement require that the Facilities to be constructed by the Tenant and acquired by the City be constructed as if they had been constructed under the direction and supervision of the City, as set forth in Section 4.03 below.

Section 2.03 Agreements.

In consideration of the mutual promises and covenants set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Tenant agree that the foregoing and the Recitals above, as applicable to each, are true and correct and further make the agreements set forth herein.

ARTICLE III FUNDING

Section 3.01 City Proceedings.

The City shall acquire the Facilities and/or Discrete Components thereof by the payment to Tenant of the Actual Costs incurred by Tenant relative thereto pursuant to the process set forth in Article V below, up to a maximum of \$6,000,000.

Section 3.02 Amount Available for Actual Costs.

The amount available by City for payment to Tenant for the Actual Costs of the Eligible Sewer and Water related Facilities and/or Discrete Components is Six Million Dollars (\$6,000,000.00).

**ARTICLE IV
CONSTRUCTION OF FACILITIES**

Section 4.01 Plans.

To the extent that it has not already done so, the Tenant shall cause Plans to be prepared for the Facilities to be constructed by Tenant. Upon completion of the Plans for each City Facility to the satisfaction of the City in accordance with applicable ordinances and regulations of the City, the City shall immediately notify Tenant that the Plan is completed and acceptable to the City. Upon request, Tenant shall provide the Director with copies of all Plans, including as-built drawings, and a written assignment of the Plans for any Facility.

Section 4.02 Construction.

Following completion of the Plans of each Facility to be constructed by Tenant, Tenant shall proceed to obtain bids for the construction of such Facility or Discrete Component thereof and shall cause such Facility or Discrete Component to be constructed in accordance with the approved Plans and in a good, workmanlike and commercially reasonable manner. Tenant shall require its contractors to utilize the standard of diligence and care normally employed by duly qualified persons utilizing their best efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. The Tenant shall employ at all times adequate staff, contractors or consultants with the requisite experience necessary to administer and coordinate all work related to the design, engineering, acquisition, construction and installation of the Facilities or Discrete Component thereof to be acquired by the City from the Tenant hereunder.

Section 4.03 Relationship to Public Works.

This Agreement is for the acquisition by the City of the Facilities to be constructed by Tenant and payment for Facilities and Discrete Components is not intended to be a public works contract. The City and the Tenant agree that the Facilities are of local, and not statewide concern, and that the provisions of the California Public Contract Code shall not apply to the construction of the Facilities. The City and the Tenant agree that the Tenant shall award all contracts for the construction of the Facilities to be constructed by Tenant, acquired by the City and the Discrete Components thereof and that this Agreement is necessary to assure the timely and satisfactory completion of such Facilities and that compliance with the Public Contract Code with respect to such Facilities would work an incongruity and would not produce an advantage to the City. Notwithstanding the foregoing, the Tenant shall award all contracts for construction of the Facilities to be acquired by City by means of a bid process whereby multiple independent bids (at least two) are obtained, and the contract is awarded to the best qualified responsible bidder. The Director shall be entitled to discuss the bidding process with the Tenant at any time and from time to time, and to require reasonable changes thereto for future contracts if, in the judgment of the Director, said process is not resulting in competitive bids for the Facilities. Notwithstanding the foregoing, Tenant may proceed with fewer than two bids if the City reasonably determines that two bids were not reasonably available at the time of the bid.

From time to time (expected to be at least every two weeks) at the advance request of the Director, the Tenant shall meet and confer with City staff, consultants and contractors regarding

matters arising hereunder with respect to the Facilities and the progress in constructing and acquiring the same, and as to any other matter reasonably related to such Facilities or this Agreement.

Independent Contractor.

In performing this Agreement, the Tenant is an independent contractor and not the agent or employee of the City. City shall not be responsible for making any direct payments to any contractor, subcontractor, agent, consultant, employee or supplier of the Tenant.

Section 4.05 Performance and Payment Bonds.

The Tenant agrees to comply with any applicable performance and payment bonding requirements of the City with respect to the construction of the Facilities. Costs of such bonds obtained by Tenant may be included as an Actual Cost. Costs of performance bonds required of contractors engaged to construct Facilities are not includable as Actual Cost.

Section 4.06 Contracts and Change Orders.

The Tenant shall be responsible for entering into all contracts and any supplemental agreements (the latter being commonly referred to as "change orders") required for the construction of the Facilities. Upon request, all such contracts and supplemental agreements shall be submitted to the Director. Prior approval by the Director of supplemental agreements shall only be required for change orders which: (i) materially alter the quality or character of the subject Facilities or (ii) involve a cumulative amount equal to the greater of ten percent (10%) of the amount of the bid for the Discrete Component involved or \$20,000 for any single change order. The City expects that such supplemental agreements needing prior approval by the Director will be approved or denied (any such denial to be in writing, stating the reasons for denial and the actions, if any, which can be taken to obtain later approval) within ten (10) business days of receipt by the Director thereof.

ARTICLE V ACQUISITION AND PAYMENT

Section 5.01 Inspection.

The City's inspector or Director shall conduct its inspection within ten (10) days following receipt of a notice from Tenant that it believes the construction of a City Facility or Discrete Component thereof is Substantially Complete. Upon the determination and/or confirmation of the City Inspector or Director that construction of the City Facility or Discrete Component thereof has been Substantially Completed in accordance with the Plans, the City shall immediately notify Tenant in writing that the construction of such City Facility or Discrete Component thereof has been satisfactorily completed. No payment hereunder shall be made by the City to the Tenant for a Facility or Discrete Component thereof until the Facility or Discrete Component thereof has been inspected and found to be Substantially Completed in accordance with the approved Plans by the City.

Further, City shall have the right to make or cause to be made periodic site inspections of the City Facilities, provided that in no event shall the City incur any liability for any delay in such periodic inspections of any City Facilities or Discrete Components except as it affords Tenant an

extension of time within which to perform its obligations as contemplated by the Development Agreement or other project documents.

Section 5.02 Transfer of Title to Facilities.

Upon completion of a Facility and the City's payment of Actual Costs therefor, and notwithstanding Tenant's obligation to repay such Actual Costs pursuant to this Agreement, Tenant hereby agrees to that title to the Facility shall be transferred to the City (or other applicable public agency that will own such Facility) on the Acceptance Date. The City shall not be obligated to pay the Actual Costs of any Facility unless the same are complete as verified by the Director. Upon funding of the Actual Costs, Director shall inform Tenant if the Acceptance Date will be deemed to occur concurrent with the payment of Actual Costs or if subsequent City Council action is desired (or necessary) to complete the transfer of title. Tenant agrees to cooperate in documenting the transfer of title to the City for the funded Facilities. The City shall not be obligated to take title to a Discrete Component of a Facility until such time as the entire Facility has been completed, provided that the City has agreed hereunder to make payments to the Tenant for Discrete Components of Facilities. The Tenant acknowledges that the Discrete Components have been identified for funding purposes only, and that the City need not accept a Facility of which a Discrete Component is a part until the entire Facility has been completed. The City acknowledges that the Discrete Components do not have to be accepted by the City as a condition precedent to the payment of the Actual Costs therefor, but the City shall not be obligated to make such payment until the Discrete Component has been Substantially Completed. In any event, the City shall not be obligated to pay the Actual Costs for any Facility or Discrete Component except from the monies which it represents have been set aside for such purpose.

Section 5.03 Payment Requests.

In order to receive the payment for Actual Costs incurred, inspection thereof under Section 5.01 shall have been made and the Tenant shall deliver to the Director: (i) a Payment Request (in such form as is reasonably acceptable to the parties) for such Facility or Discrete Component, together with all supporting documentation evidencing the completion of the Facility or Discrete Component, (a) a copy of the recorded notice of completion of such Facility (if applicable), and (b) an assignment of the warranties and guaranties for such Facility, in a form acceptable to the City.

Section 5.04 Processing Payment Requests.

Upon receipt of a Payment Request (including all accompanying supporting documentation evidencing the Actual Costs), the Director shall conduct a review in order to confirm that such request is complete, that such Discrete Component or Facility identified therein was constructed in accordance with the Plans therefor and is eligible for funding hereunder, and to verify and approve the Actual Cost of such Discrete Component or Facility specified in such Payment Request. The Director shall also conduct such review as is required in his discretion to confirm the matters certified in the Payment Request. The Tenant agrees to cooperate with the Director in conducting each such review and to provide the Director with such additional information and documentation as is reasonably necessary for the Director to conclude each such review. Within ten (10) business days of receipt of any Payment Request, the Director shall review the request for completeness and notify the Tenant whether such Payment Request is complete, and, if not, what additional documentation

must be provided. If such Payment Request is complete, the Director shall provide a written approval or denial (specifying the reason for any denial) of the request within 30 days of its submittal.

Section 5.05 Payment by City.

City hereby agrees to pay for and finance the Actual Costs incurred by Tenant from funds which it agrees have been set aside for the payment of the same, all subject to the cap as contemplated by Section 3.02 above and subject to review and certification by the City or its successor that the Actual Costs are Eligible Sewer and Water related facilities as set forth in Exhibit "B".

Upon approval of the Payment Request by the Director, the Director shall promptly sign the Payment Request and forward the same to the Finance Director of the City. Upon receipt of the reviewed and fully signed Payment Request, the Finance Director of the City shall, within the then current City financial accounting payment cycle but in any event within fifteen (15) business days of receipt of the approved Payment Request, cause the same to be paid. The below referenced Letter of Credit shall be provided prior to and as a condition of any such payment.

The amounts paid for the Actual Costs of a Facility shall constitute payment in full for such Facility, including, without limitation, payment for all labor, materials, equipment, tools and services used or incorporated in the work, supervision, administration, overhead, expenses and any and all other things required, furnished or incurred for completion of such Facility or Discrete Component, as specified in the Plans.

A. The City shall be entitled to withhold any payment hereunder for a Discrete Component that is the subject of a Payment Request until it is satisfied that any and all claims for labor and materials have been paid by the Tenant for the Discrete Component that is the subject of a Payment Request, or conditional lien releases have been provided by the Tenant for such Discrete Component. The City, in its discretion, may waive this limitation upon the provision by the Tenant of sureties, undertakings, securities and/or bonds of the Tenant or appropriate contractors or subcontractors and deemed satisfactory by the Director to assure payment of such claims.

B. The City shall not be entitled to withhold payment for any Facility (or the final Discrete Component of any such Facility) hereunder to be constructed by Tenant if: (i) the Director reasonably determines that the Facility is ready for its intended use, (ii) the requirements of Section 6.02, if applicable to such Facility, have been satisfied, and (iii) a Notice of Completion executed by the Tenant, in a form reasonably acceptable to the Director, has been recorded for the Facility and general lien releases conditioned solely upon payment have been submitted to the Director. The City hereby agrees that the Tenant shall have the right to post or cause the appropriate contractor or subcontractor to post a bond with the City to indemnify it for any losses sustained by the City because of any liens that may exist at the time of acceptance of such a Facility, so long as such bond is drawn on an obligor and is otherwise in a form reasonably acceptable to the Director. If the Director determines

that a Facility is not ready for intended use under (i) above, the Director shall so notify the Tenant as soon as reasonably practicable in writing specifying the reason(s) therefor.

Nothing in this Agreement shall be deemed to prohibit the Tenant from contesting in good faith the validity or amount of any mechanics or materialman lien nor limit the remedies available to the Tenant with respect thereto so long as such delay in performance shall not subject the Facilities or any Discrete Component thereof to foreclosure, forfeiture or sale. In the event that any such lien is contested, the Tenant shall only be required to post or cause the delivery of a bond in an amount equal to the amount in dispute with respect to any such contested lien, so long as such bond is drawn on an obligor and is otherwise in a form acceptable to the Director.

Section 5.06 Repayment to City of Funded Actual Costs.

Upon the funding of the last of the Actual Costs and issuance of the Certificate of Completion for the Facilities (as contemplated by the Development Agreement), the parties shall prepare a statement of the total Actual Costs paid by City and repayable by Tenant (herein referred to as the "Reimbursable Amount"), together with an amortization schedule (calculated as hereinafter set forth) showing the monthly installments payable by Tenant (herein "Amortization Schedule"). The Reimbursable Amount shall bear interest at 5.9% per annum, or such lower rate which is equal to the actual effective interest rate of the Norco Financing Authority Enterprise Revenue Funding Bonds Issue of 2009, until paid in full and shall be due in full no later than October 1, 2039 (herein, the "Maturity Date"). Upon preparation of the Amortization Schedule and concurrent with its payment of monthly rent then due as set forth in the Ground Lease, Tenant shall pay the City the monthly installments of the Reimbursable Amount as set forth in aforesaid Amortization Schedule; provided Tenant shall have the right to prepay all or any part of the Reimbursement Amount and to reset the Amortization Schedule. As security for repayment of the Reimbursable Amount, Tenant shall deliver to the City, promptly prior to any payment by the City, an unconditional, irrevocable and renewable letter of credit in favor of the City and in the "LC Amount" (as hereinafter defined) ("Letter of Credit"). The Letter of Credit shall be: (a) issued by a solvent bank under the supervision of the Superintendent of Banks of the State of California, or a National Banking Association; (b) in an amount equal to the total current year of monthly installments due on the Reimbursable Amount shown on the Amortization Schedule (the "LC Amount"); (c) payable in the County of Riverside, California; (d) include a requirement (if commercially available) that the Letter of Credit provider shall notify the City if, within forty-five (45) days of the date of expiration, Tenant has not renewed the Letter of Credit; and (e) otherwise in the form reasonably acceptable to the City and Tenant. Notwithstanding the foregoing, the LC Amount shall be reset, commencing on each anniversary of the Term Commencement Date (as defined in the Ground Lease), to the sum of the total monthly installments due on the Reimbursable Amount through the current year's anniversary date, as set forth in the then applicable Amortization Schedule. Tenant shall deliver a new Letter of Credit or certificate of renewal or extension to the City at least thirty (30) days prior to the expiration of the Letter of Credit, without any action whatsoever on the part of the City. Further, the Letter of Credit shall be (i) at sight and irrevocable, (ii) maintained in effect, whether through replacement, renewal or extension, until the Reimbursable Amount is repaid (the expiration of such period herein referred to as the "LC Expiration Date"), (iii) subject to the Uniform Customs and Practices for Documentary Credits (1993-Rev) International Chamber of Commerce Publication #500, (iv) fully

assignable by the City in connection with a transfer of the City's interest in the Ground Lease, and (v) permit partial draws. Notwithstanding anything to the contrary contained herein, or under the Ground Lease, Tenant shall have the right, at Tenant's option and in its sole discretion, to provide the City with cash in lieu of the Letter of Credit for all or any part of the LC Amount. In the event that Tenant provides the City with cash in lieu of the Letter of Credit, the City shall maintain such cash in a federally insured, interest bearing account (with all interest accruing thereon for the benefit of Tenant) and in the event that Tenant provides cash in lieu of the entire LC Amount, the City shall promptly return the original Letter of Credit to Tenant. In addition, should Tenant, at its option, elect to repay the entirety of the Reimbursable Amount together with interest then due thereon prior to the Maturity Date, Tenant shall be relieved of any obligation under this Section 5.06, and in which case the City shall promptly return the original Letter of Credit to Tenant. If there is substitution of the original Letter of Credit with a replacement Letter of Credit, any expenses incurred by such Letter of Credit substitution shall be borne by Tenant.

If Tenant shall fail to pay any installment of the Reimbursable Amount when due, the City shall provide Tenant with the same notice and opportunity to cure as is applicable to the payment of rent as is specified in the Ground Lease. Should Tenant's failure to pay the installment due continue despite the giving of such notice and the expiration of the applicable cure period, City shall have the right, but not the obligation, to draw down the face amount of the Letter of Credit upon the presentation to the issuing bank of the City's written statement certifying that such amount is due to the City under the terms and conditions of this Agreement as a result of a default in Tenant's repayment of the Reimbursable Amount as described hereinabove and so as to cure such default and/or to compensate the City for any and all damages sustained as a result of such default. Payment of any amount pursuant to a draw on the Letter of Credit shall reduce Tenant's obligation to repay the principal and/or future interest payments of the Reimbursable Amount.

If the Letter of Credit expires prior to the LC Expiration Date, the City will accept a renewal thereof (such renewal letter of credit to be in effect and delivered to the City, as applicable, not later than thirty (30) days prior to the expiration of the Letter of Credit), which shall be irrevocable and automatically renewable as provided hereinabove through the LC Expiration Date upon the same terms as the expiring Letter of Credit or such other terms as may be acceptable to the City. However, if the Letter of Credit is not timely renewed, or if Tenant fails to maintain the Letter of Credit in the amount and in accordance with the terms set forth in this Section 5.06, the City shall have the right to present the Letter of Credit to the issuing bank in accordance with the terms of this Section and the proceeds of the Letter of Credit may be applied by the City against installments of the Reimbursable Amount due from Tenant under this Agreement. Promptly following the repayment of the Reimbursable Amount or the LC Expiration Date, the City shall deliver the original Letter of Credit to Tenant. The parties hereto recite that the Letter of Credit is not intended to serve as a security deposit under the Ground Lease and any and all other laws, rules and regulations applicable to security deposits in this commercial context ("Security Deposit Laws") shall have no applicability or relevancy thereto and waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws.

Section 5.07 Defective or Nonconforming Work. If any of the work done or materials furnished for a Facility or Discrete Component are found by the Director to be defective or not in accordance with the applicable Plans:

(i) and such finding is made prior to funding the Actual Costs of such Facility or Discrete Component hereunder, the City may withhold payment therefor until such defect or nonconformance is corrected to the reasonable satisfaction of the Director (who shall be entitled to apply the applicable specifications of the Green Book, Standard Specifications for Public Works Construction (SSPWC), of the Southern California 4D Chapter of the American Public Works Association, to the extent not in conflict with the Plans); or

(ii) and such finding is made within a two year period after payment of the Actual Costs of such Facility or Discrete Component, the City and the Tenant shall agree to go to arbitration to resolve the matter pursuant to the arbitration protocols and mechanics as are customarily contained in standard form AIA construction contracts and general conditions.

Should Tenant dispute the City's withholding of any payment of Actual Costs by City and/or finding that a Facility or Discrete Component is defective or not in accordance with applicable Plans, then the parties shall arbitrate the dispute pursuant to, and be bound by, such arbitration protocols and mechanics as are customarily contained in standard form AIA construction contracts and general conditions.

Section 5.08 Modification of Discrete Components.

Upon written request of the Tenant, the Director shall consider modification of the description of any Facility or Discrete Component or the addition or substitution of Facilities and Discrete Components. Any such modification shall be subject to the written approval of the Director, which shall not be unreasonably withheld.

**ARTICLE VI
OWNERSHIP AND TRANSFER OF FACILITIES**

Section 6.01 Facilities Constructed on City Land.

The City hereby grants to the Tenant a license to enter upon City-owned land adjacent to the Silverlakes Property to the south for purposes related to the construction (and maintenance pending acquisition) of the Facilities. The provisions for inspection and acceptance of such Facilities otherwise provided herein shall apply.

Section 6.02 Maintenance and Warranties.

The Tenant shall maintain each Discrete Component to be constructed by Tenant in good and safe condition until the date of completion of the Facility of which such Discrete Component is a part. Prior to such date, the Tenant shall be responsible for performing any required maintenance on any such completed Discrete Component or Facility. On or before the sooner of payment of the Actual Costs for a Facility or the Acceptance Date of such Facility, Tenant shall assign to the City all of the Tenant's rights in any warranties, guarantees, maintenance obligations or other evidence of contingent obligations of third persons with respect to such Facility. After the City's inspection and

confirmation of completion, and subject to the City's rules and regulations in effect at the time of this Agreement, City shall be solely responsible for maintenance of the Facility, except that Tenant shall continue to maintain groundwater wells, reservoir/pressure tanks, sand filters/treatment facilities and transmission lines throughout the Ground Lease term. With respect to each Facility constructed by Tenant, acquired by City, the Tenant shall cause its contractors to warrant for the benefit of itself and City, each such Facility to be free from construction defects (and shall correct or cause to be corrected any such defects) for a period of one year from the Acceptance Date thereof, or alternatively, Tenant shall provide a bond reasonably acceptable in form and substance to the Director for such period and such purpose to insure that such defects, which appear within said period will be repaired, replaced, or corrected by the Tenant, at its own cost and expense, to the satisfaction of the Director. The Tenant shall continue to repair, replace or correct any such defects within thirty (30) days after written notice thereof by the City to the Tenant, and shall complete such repairs, replacement or correction as soon as practicable. Any warranties, guarantees or other evidences of contingent obligations of third persons with respect to the Facilities to be constructed by Tenant and acquired by City shall be delivered to the Director as part of the transfer of title. Tenant shall not have the right to sell or receive proceeds from the sale of the non-potable water from the water wells on the Property.

ARTICLE VII INDEMNIFICATION

Section 7.01 Indemnification and Hold Harmless.

The Tenant shall assume the defense of, indemnify and save harmless the City and the Members of the City Council, their officers, officials, employees and agents and each of them, from and against all actions, damages, claims, losses or expense of every type and description to which they may be subjected or put, by reason of, or resulting from the faulty construction of the Facilities by Tenant and acquired by City for a period of two years from the last Acceptance Date, and from Tenant's non-payment under contracts between the Tenant and its consultants, engineers, advisors, contractors, subcontractors and suppliers in the construction of such Facilities by Tenant, or any claims of persons employed by the Tenant or its agents to construct such Facilities. Notwithstanding the foregoing, (i) no indemnification is given hereunder for any action, damage, claim, loss or expense occasioned by the negligent acts or omissions of the City and the District, Members of the City Council, and their officers, officials, employees and agents or any claimant and (ii) the City agrees to first avail itself to the guaranties and warranties provided by contractors of the Facilities and assigned to it by Tenant.

No provision of this Agreement shall in any way limit the Tenant's responsibility for payment of damages resulting from the operations of the Tenant, its agents, employees or its contractors.

**ARTICLE VIII
MISCELLANEOUS**

Section 8.01 Limited Liability of City.

The Tenant agrees that any and all obligations of the City arising out of or related to this Agreement are special and limited obligations of the City. No Member of the City Council, or City staff member, employee or agent shall incur any liability hereunder to the Tenant or any other party in their individual capacities by reason of their actions hereunder or execution hereof.

Section 8.02 Audit.

For a period of one year following the funding of the last of the Actual Costs, Tenant shall maintain and the Director and/or the Finance Director or other finance officer of the City shall have the right, during normal business hours and upon the giving of ten (10) business days prior written notice to the Tenant to review; all books and records of the Tenant pertaining to costs and expenses incurred by the Tenant in the construction of the Facilities to be funded by City, and any bids taken or received for the construction thereof or materials therefor.

Section 8.03 Attorney's Fees.

In the event that any action or suit is instituted by either party against the other arising out of this Agreement, the party in whose favor final judgment shall be entered shall be entitled to recover from the other party all costs and expenses of suit, including reasonable attorneys' fees.

Section 8.04 Notices.

Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to any party hereto shall be deemed to have been received when personally delivered, or transmitted by telecopy or facsimile transmission (with telecopy or facsimile confirmation obtained), or seventy-two hours following deposit of the same in any United States Post Office, registered or certified mail, postage prepaid, addressed as follows:

City:	City of Norco 2870 Clark Avenue Norco, CA 92860 Attention: Deputy City Manager/Director of Finance
Tenant:	Baihoa Management Group, LLC Post Office Box 609 San Juan Capistrano, CA 92675 Attn: R.J. Brandes

Each party may change its address or addresses for delivery of notice by delivering written notice of such change of address to the other party.

Section 8.05 Severability.

If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent possible.

Section 8.06 Successors and Assigns.

All of the rights and obligations of the parties under this Agreement shall bind and inure to the benefit of their respective heirs, successors and assigns. Tenant has the right to assign and transfer its rights under this Agreement in connection with a corresponding assignment of the Ground Lease, and to delegate and assign any and all of its duties and obligations hereunder. Except for Tenant's permitted assignments under Section 8.2 of the Ground Lease, any assignment of this Agreement shall be subject to the approval of the City. Once assigned, the assigning Tenant shall be released from its obligations hereunder.

Section 8.07 Waiver.

Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Agreement thereafter.

Section 8.08 Merger.

No other agreement, statement or promise made by any party or any employee, officer or agent of any party with respect to any matters covered hereby that is not in writing and signed by all the parties to this Agreement shall be binding.

Section 8.09 Amendment.

This Agreement may be amended, from time to time, only by a written Supplement which is mutually agreed upon and fully executed by both the City and the Tenant.

Section 8.10 Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed an original.

[END OF TEXT; SIGNATURES ON NEXT PAGE]

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

CITY:

**CITY OF NORCO,
a municipal corporation**

By: Berwin Hanna

Printed Name: Berwin Hanna

Its: Mayor

TENANT:

**BALBOA MANAGEMENT GROUP, LLC,
a Delaware limited liability company**

By: RJ Brayles

Printed Name: RJ Brayles

Its: manager

Approved as to form:

John R. Harper
John R. Harper, City Attorney

Attest:

Brenda K. Jacobs
Brenda K. Jacobs, CMC, City Clerk

EXHIBIT "A"

DEPICTION OF THE SILVERLAKES PROPERTY

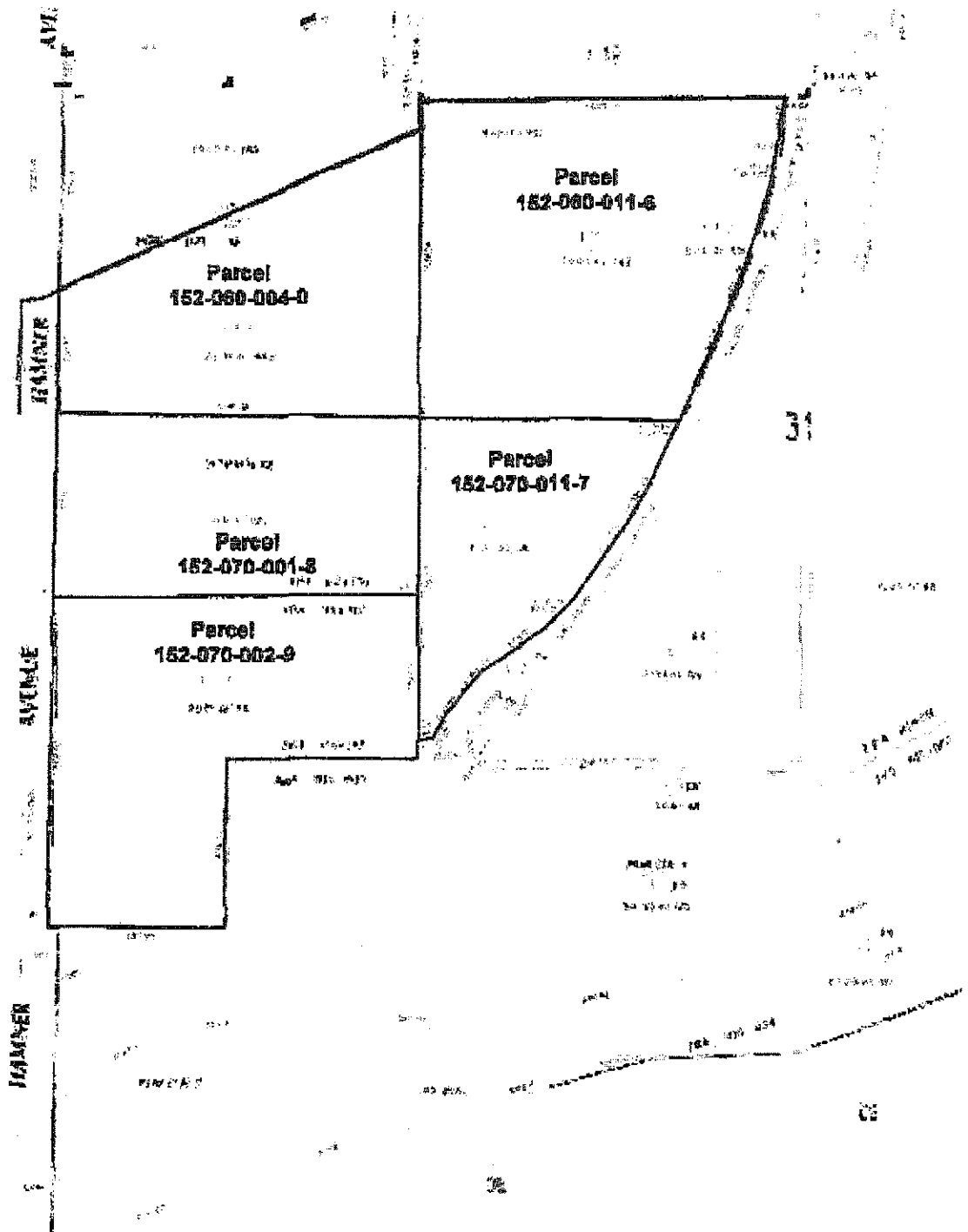


EXHIBIT "B"

PUBLIC FACILITIES AND DISCRETE COMPONENTS

Domestic Water System

Water Distribution Mainlines/service lines
Water Meters
Detector Check with PIV
Fire Hydrants
Reduced Pressure Backflow preventors
Hot taps
Isolation Valves

Sanitary Sewer System

Sewer Mainline and laterals
Sanitary sewer manholes
Sanitary sewer clean outs

Storm Drain Systems

Storm Drain Pipes
Catch Basins
Storm Drain Manholes

Circulation Roads

Asphalt – 4" thickness
Crushed Aggregate Base – 6" thickness
Striping/signage
Clearing/grubbing/grading

Groundwater Source Facilities

Groundwater wells (excluded from maintenance by City during Ground Lease term)
Reservoir/Pressure tanks (excluded from maintenance by City during Ground Lease term)
Sand Filters/treatment facilities (excluded from maintenance by City during Ground Lease term)
Transmission pipelines

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APPENDIX B-10

SHARED USE AGREEMENT

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NORCO SILVERLAKES SHARED USE AGREEMENT

BY AND BETWEEN

**THE CITY OF NORCO
("LANDLORD")**

AND

**BALBOA MANAGEMENT GROUP, LLC
("TENANT")**

SHARED USE AGREEMENT

[Silverlakes Equestrian and Sports Park]

This SHARED USE AGREEMENT (this "Agreement") is dated for identification purposes as of the 6th day of July, 2011 (the "Agreement Date") and is entered into by and between the CITY OF NORCO, a municipal corporation (the "Landlord", "City"), and BALBOA MANAGEMENT GROUP, LLC, a Delaware limited liability company, or its assignee (the "Tenant") (each a "Party" and collectively the "Parties") with reference to the following facts:

RECITALS:

WHEREAS, the City owns approximately 122 contiguous acres of land in the City of Norco, County of Riverside, State of California, commonly known as Silverlakes (the "Property"), as more particularly set forth in Exhibit A attached to that certain Norco Silverlakes Ground Lease dated July 6, 2011 (the "Ground Lease"). A Memorandum of Ground Lease was recorded in the official records of Riverside County, California on _____, 2011 as Instrument No. _____, and this Agreement is in compliance and satisfaction with the terms and conditions of the Ground Lease; and

WHEREAS, Landlord has leased the entirety of the Property to Tenant pursuant to that certain Ground Lease dated July 6, 2011, and this Agreement is in compliance and satisfaction with the terms and conditions of the Ground Lease; and

WHEREAS, on March 4, 2009, the Norco City Council approved Conditional Use Permit 2008-09 (as the same may be amended, the "CUP"), to allow for the development of an equestrian and sports park on the Property, and adopted Resolution 2008-08, and certified the Environmental Impact Report in connection with same, and this Agreement is in compliance and satisfaction with the terms and conditions of the CUP; and

WHEREAS, Landlord and Tenant entered into that certain Development Agreement for the Property dated July 6, 2011 (the "Development Agreement"), and this Agreement is in compliance and satisfaction with the terms and conditions of the Development Agreement.

WHEREAS, through the Ground Lease and Development Agreement, Tenant will undertake the development, management and operation of the Property into an equestrian and sports park (the "Facility") as more particularly described in the Lease and the Development Agreement; and

WHEREAS, Landlord leased the Property to Tenant for the consideration listed within the Lease and the general understanding that certain portions of the Facility and the Amenities (as defined in Article II below) will be made available for use by the Public and/or Landlord during certain times and under certain conditions as more particularly described herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby agree as follows.

ARTICLE I PURPOSE

Landlord and Tenant hereby acknowledge and agree that (a) the development, management, and operation of the Facility as an equestrian and sports park for the Permitted Uses is in the best interest of the City, and (b) in order to obtain the successful operation of the Facility, the Landlord's, Tenant's and Public's right to use the Property and the Facility (or any portion thereof) shall be as provided under this Agreement.

ARTICLE II DEFINITIONS

Except as provided in the text of this Agreement, all capitalized terms used in this Agreement shall have the definitions provided in this Article II.

- 2.1. **Amenity, Amenities** – Individually and collectively, all of the various permanent improvements now existing or hereinafter installed on the Property as contemplated and permitted under the Ground Lease and the Development Agreement, including but not limited to, grass, synthetic, and sand fields, the multi-purpose building, restrooms, lighting, parking, the Trails and the Picnic Areas, all as the same may be replaced, repaired, renovated and reconfigured by Tenant from time to time subject to the terms and conditions set forth in the Ground Lease and Development Agreement, as applicable. The list of Amenities available for a Landlord Use and/or a Public Use is set forth in Sections 4.1 and 5.1 below.
- 2.2. **Claim, Claims** – Individually and collectively, all losses, expenses (including, but not limited to, reasonable attorneys' and experts' witness fees and court costs), fees, penalties, demands, damages, injuries, liabilities, causes of action or claims, of any kind or character asserted by the Public or any third party.
- 2.3. **Default** – As defined in Section 11.1 below.
- 2.4. **Effective Date** – The Effective Date of this Agreement shall occur upon Tenant's completion of the Project Improvements for Phase I of the Facility (as such terms are defined in the Development Agreement), and Tenant's commencement of business operations at the Facility.
- 2.5. **Entrance Fees** – Those fees that Tenant may collect upon, and as a condition to an individual's entry to the Property by foot (as opposed to an individual's entry to the Property by vehicle in which case a Parking Fee is charged).

- 2.6. **Facility** – The equestrian and sports park, including all of the Amenities operating on the Property, for the Permitted Uses and subject to the conditions and limitations as more particularly described in the Ground Lease.
- 2.7. **Freeway Sign** – That certain possible future electronic pylon sign adjacent to the I-15 freeway as depicted on the Site Plan and more particularly described in Article IX below.
- 2.8. **Impasse** – An Impasse shall be deemed to exist if the Representatives fail to reach agreement on any issue pertaining to (a) the agreement on the master schedule as discussed in Section 7.2 below, (b) the approval of a special event as discussed in Section 7.4 below, (c) the agreement on the amount of Parking Fees as discussed in Section 8.2 below or (d) Landlord proposed advertisement on the Freeway Sign as discussed in Section 9.1 below.
- 2.9. **Lake** – The lake adjacent to the Picnic Areas. The Lake is for decorative purposes only and shall remain passive with no recreational activities permitted in or on the Lake.
- 2.10. **Landlord Signage Time** – The time permitted for Landlord's placement of advertising and/or public service announcements on the Freeway Sign as provided in Article IX below.
- 2.11. **Landlord Use** – An event or use of the Facility (or portion thereof) directly related to a Landlord sponsored or organized event pursuant to Section 7.2 below.
- 2.12. **Normal Business Hours** – Tenant's normal, daylight, operating hours of the Facility for Landlord Uses and/or Public Uses, subject to closure due to nationally recognized holidays and as otherwise provided by the terms of this Agreement or extension as agreed upon in advance as part of the scheduling pursuant to Section 7.2 below.
- 2.13. **Overnight Camping Fees** – Those fees that Tenant may collect for overnight camping in the RV Parking Area in connection with a Tenant Use, a Landlord Use, and/or a Public Use. The Overnight Camping Fees shall be paid upon and as a condition to party's overnight camping on the Property.
- 2.14. **Parks and Recreation Department** – The Department of Parks, Recreation, & Community Services of the City or its successor.
- 2.15. **Parking Fees** – Those fees that Tenant may collect for entrance to the Facility by vehicle parking on the Property in connection with a Tenant Use, a Landlord Use, and/or a Public Use. The Parking Fee shall be paid upon and as a condition to a vehicle's entry to the Property. The Parking Fee may be determined and charged based on the size and/or type of vehicle, but not the number of passengers within the vehicle. No Parking Fee shall be charged for the passenger vehicle drop-off and pick-up of individuals from designated loading/unloading locations and provided that such drop-off and pick-up is completed within an expeditious amount of time.
- 2.16. **Picnic Areas** – That certain area within the Property (as depicted on the Site Plan) designated for daytime picnicking.

- 2.17. **Permitted Uses** – The list of specifically permitted uses permitted on the Property is attached to the Ground Lease as Exhibit F, a duplicate copy of which is attached hereto as Exhibit "B".
- 2.18. **Public** – Any individual, or group of individuals, upon the Property whose use of the Facility (or portion thereof) is a Public Use, including members of the general public, residents of the City not a party to Landlord Use, the County, other cities, other parks and recreation entities, and/or groups.
- 2.19. **Public Use** – Use of the Facility (or portion thereof) for an event or purpose that is not a Landlord Use or Tenant Use. Landlord's mere scheduling of the use of the Facility as contemplated in Section 7.2.2 below shall not constitute Landlord's sponsorship or organization of such uses. Public Use shall be limited to Normal Business Hours unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below.
- 2.20. **Representative, Representatives** – Individually and collectively, the individuals designated by Landlord and Tenant as its sole representative with respect to the matters set forth in this Agreement, who, until further notice to the other Party, shall have full authority and responsibility to act on behalf of it as permitted under this Agreement. As of the Agreement Date, the "Landlord Representative" shall be the Director of the Parks and Recreation Department and the "Tenant Representative" shall be the Manager of Tenant.
- 2.21. **Restricted Amenities** – As defined in Section 4.1.8 below.
- 2.22. **RV Parking Area** – That certain area within the Property (as depicted on the Site Plan) designated for recreational vehicle and overnight parking.
- 2.23. **Santa Ana River Trail** – That portion of Coast to Crest Trail system that runs along the Santa Ana River and commonly referred to as the Santa Ana River Trail.
- 2.24. **Site Plan** – The site plan of the Property attached to the Ground Lease as Exhibit L, depicting the approximate arrangements, layout and design of the Property, the Facility, and Amenities, a duplicate copy of which is attached hereto as Exhibit "A".
- 2.25. **Tenant Use** – An event or use of the Facility (or portion thereof) directly related to a Tenant sponsored or organized event.
- 2.26. **Trails** – Those pathways or trails within and around the Property (as depicted on the Site Plan) designated for day hiking, walking, jogging or horseback riding. The term Trails explicitly excludes the Santa Ana River Trail. No horse drawn carriages, buggies, wagons, harness carts or sulkies, or the like, shall be allowed on Trails on the Property unless accommodations for such devices is mandated by the Americans with Disabilities Act (ADA), or equivalent law, if and to the extent such law is applicable to the Property.
- 2.27. **Trailhead** – The entrance to that portion of the Santa Ana River Trail proximate to the Property as depicted on the Site Plan.

- 2.28. **Use Fees** – Those fees that Tenant is permitted to charge in connection with a Tenant Use or a Public Use (other than the Public Uses contemplated in Sections 4.1 or 5.1.3 below) in compensation for of the use of the Facility (or any portion thereof).

ARTICLE III ORGANIZATIONAL MATTERS

- 3.1. **Overview.** The Parties intend to create a unique sports, recreational and entertainment venue by Tenant's operation of the Facility. The Facility is an equestrian and sports park. Landlord and the Public shall have rights as more specifically set forth herein, to access and use the Property and Facility as set forth herein.
- 3.2. **Term.** The term of this Agreement shall commence on the Effective Date and shall be commensurate with the Original Term of the Ground Lease. In the event that the conditions precedent to the Ground Lease are not satisfied or waived and the Ground Lease is terminated then this Agreement shall also terminate concurrently on such termination date. Unless sooner terminated or extended as provided in the Ground Lease, the term of this Agreement shall be automatically extended by such options to extend which Tenant exercises pursuant to the Ground Lease.

ARTICLE IV FACILITY AND AMENITIES AVAILABLE FOR PUBLIC USE

- 4.1. **Available Amenities.** The Parties agree that the Property and Facility are as approximately depicted on the Site Plan; provided that the configuration of the grass fields as shown on the Site Plan is merely one way in which such fields may be organized and such configuration is subject to change by Tenant from time to time as Tenant deems necessary. The Public shall have the non-exclusive right to use certain portions of Property and Facility subject to the terms and conditions of this Agreement, including, without limitation, (a) the Public's compliance with all applicable laws having jurisdiction over the Property and such rules promulgated by Tenant from time to time and posted on signs at the entrance to the Property (or otherwise provided to the Public), (b) the payment of the Entrance Fees, Parking Fees, Overnight Camping Fees and/or Use Fees as described in Article VIII below, and (c) the temporary closure of all or any portion of the Property or Facility because there is an event at the Facility, the conducting of which requires such closure. The Public's use of the Facility shall be on a first-come, first-served, basis and subject to availability. The sole portions of the Property and Facility available for Public Use are described below:
- 4.1.1. **Parking.** Members of the Public may park on such areas of the Property as designated by Tenant in Tenant's sole discretion during Normal Business Hours.
- 4.1.2. **Picnic Areas.** The Picnic Areas shall be available to the Public during Normal Business Hours throughout the year. The ingress and egress to the Picnic Areas shall be as depicted on the Site Plan or as otherwise designated by Tenant.
- 4.1.3. **Recreational Vehicle Parking.** Members of the Public shall park all recreational vehicles, including RVs, campers and horse trailers and all vehicles in excess of

twenty-one (21) feet in length, in the RV Parking Area or as otherwise directed by Tenant.

- 4.1.4. **Overnight Camping.** Overnight camping is solely intended as an accommodation for individuals bringing a horse (or horses) to the Property in connection with uses of the Facility and/or the Santa Ana River Trail for equestrian purposes. Overnight camping shall be permitted only in RVs, motor homes and campers with self-contained kitchen and bathroom facilities; no waste discharge facilities shall be provided or permitted on the Property. All overnight camping shall be within the RV Parking Area for a maximum of five (5) consecutive days, with a minimum thirty (30) days in between visits or as permitted by tenant, if in conjunction with equestrian events being held at site. Tent camping and camping within passenger vehicles shall not be permitted. Each camper shall, at its sole cost and expense, remove all trash, debris and materials (including all trash, debris and materials of their horses) associated with their use, and return the portions of the RV Parking Area used clean and sanitary and to the condition that existed immediately prior to such use. All manure and animal bedding shall be disposed of in designated containers provided on the Property. Boy Scouts, Girl Scouts, or similar youth organizations, may be allowed to camp overnight in areas designated by the Tenant, although not in the RV Parking Area, at the discretion of the Tenant.
- 4.1.5. **Restrooms.** During all Public Uses and Landlord Uses, Tenant shall make available restroom(s) proximate to the area of use. Unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below, Tenant shall, at its sole cost, perform its normal scheduled cleaning services to the restroom(s) associated with Public Use and Landlord Use.
- 4.1.6. **Trails.** Members of the Public may use the Trails during Normal Business Hours throughout the year for hiking, walking, jogging or horseback riding. No bikes, buggies, carriages, wagons or motorized vehicles shall be permitted on the Trails except as contemplated in Article II above.
- 4.1.7. **Trailhead.** Members of the Public seeking access to the Santa Ana River Trail have multiple access points separate and apart from the Property. Members of the Public seeking to access the Santa Ana River Trail for purposes of day hiking, walking, biking, jogging or horseback riding may park in the parking areas designated by Tenant and access such trail from the Trailhead during Normal Business Hours. Tenant agrees that the Public shall have the right to utilize such areas for so long as the Santa Ana River Trail provides a publically available system of walking, biking and/or horseback riding trails. Except as provided in Section 4.1.4 above, no overnight camping shall be permitted in or from the Trailhead area or parking areas by the Public. It is specifically acknowledged that Tenant assumes no responsibility for the security or policing of the Santa Ana River Trail or the Trailhead area.
- 4.1.8. **Restricted Amenities.** Certain Amenities and areas of the Property will be closed to the Public and not available for use unless expressly permitted in advance as part of the scheduling pursuant to Section 7.2 below. These restricted Amenities and areas of the Property (collectively, the "Restricted Amenities") are comprised of the following:

- (a) the Multi-Purpose Building;
- (b) all caretaker cottages, administrative buildings, kitchens and food service facilities;
- (c) all guard stations;
- (d) the hay barn;
- (e) all equipment and maintenance equipment, facilities, rooms and buildings and the maintenance yard;
- (f) the sand rings, longe and warm-up arenas;
- (g) the Lake; and
- (h) the Freeway Sign and any other sign on the Property.

- 4.2. **No Installations or Alterations.** Except as agreed to in advance as part of the scheduling pursuant to Section 7.2, members of the Public shall not be permitted to make any alterations or additions to or installations of equipment or materials on the Facilities, including, without limitation, any chalked or painted markings on any portion of the grass or synthetic fields.
- 4.3. **No Overnight Use.** Except as provided in Section 4.1.4 above, there shall be no overnight use of the Facilities in connection with Public Use or Landlord Use.
- 4.4. **No Animals.** Unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below, no animals other than horses, dogs (which shall be kept on a leash at all times) and service animals recognized by the Americans with Disabilities Act (ADA) shall be permitted on the Property. Notwithstanding the foregoing, dogs shall be prohibited on the artificial/synthetic fields at all times.
- 4.5. **No Campfires, Barbeques or Fireworks.** Unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below, campfires, barbeques or fireworks shall not be permitted on the Property.
- 4.6. **No Alcohol Consumption.** Unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below, no alcohol shall be permitted on the Property.
- 4.7. **Tenants Right to Restrict Access.** Tenant reserves the right to restrict any member of the Public's right of access to all or any portions of the Property or Facility in order to prevent any claim of adverse possession and/or to protect the Property and/or Facility. Further, subject to the requirements under the Ground Lease, Tenant specifically reserves the right to change the size, configuration, design, layout, location and all other aspects of the Parking Areas, the RV Parking Area and the Trails and, from time to time, close-off or restrict access to such areas, or temporarily relocate the Public's use of portions of the Trails, Parking Areas or RV Parking Area to other areas, for purposes of permitting or facilitating any such construction, alteration or improvements or to accommodate or facilitate the expeditious repair, renovation, alteration, construction or other modification of other improvements or structures located on the Property.
- 4.8. **Tenant's Non-responsibility Related to Public Use.** Tenant assumes no responsibility for the security or policing of the Public's use of the Property or Facility. Tenant has no obligation to provide security or medical services to the Public in connection with a Public Use or a Landlord Use.

ARTICLE V

ADDITIONAL FACILITIES AND AMENITIES AVAILABLE FOR LANDLORD USE

- 5.1 Additional Amenities. In addition to the Amenities described in Article IV above, which shall be available during any Landlord Use (subject to the conditions set forth therein), subject to the terms and conditions of this Agreement, Landlord shall also be entitled to the following portions of the Property and Facility during a Landlord Use as described below:
- 5.1.1. Annual Sports Tournament. Landlord shall be entitled to use ten (10) full-size (225' x 360') sports fields during Normal Business Hours for two (2) consecutive days comprised of a Saturday and a Sunday (as scheduled pursuant to Section 7.2 below) for a soccer tournament.
- 5.1.2. Annual Junior All American Football Clinic. Landlord shall be entitled to use one (1) full-size (225' x 360') synthetic sports fields during Normal Business Hours on one Saturday (as scheduled pursuant to Section 7.2 below).
- 5.1.3. Annual Junior All American Football Scrimmage. Landlord shall be entitled to use four (4) full-size (225' x 360') synthetic sports fields during Normal Business Hours on one (1) Saturday (as scheduled pursuant to Section 7.2 below).
- 5.1.4. Fourth of July. Landlord shall have non-exclusive annual use of the entire Property and Facility, but excluding all the Restricted Amenities pursuant to Section 4.1.8 above, from 5:00 am on July 4th to 2:00 am on July 5th for the Landlord's annual Fourth of July event where all members of the Public are invited. Landlord shall be permitted to operate its own concessions (or permits its invitees to operate their own concession) as agreed upon in advance as part of the scheduling pursuant to Section 7.2 below.
- 5.1.5. Practice Fields. Landlord shall be entitled to use two (2) full-size (225' x 360') synthetic sports fields with the option, subject to availability, of an additional two (2) full-size natural turf sports fields for use by Landlord or the Public (through Landlord's scheduling of the same as provided in Section 7.2.2 below) every Monday through Thursday during Normal Business Hours (unless otherwise agreed to in advance as part of the scheduling pursuant to Section 7.2 below) throughout the year for the term of this Agreement. Tenant shall designate, in Tenant's sole discretion, and notify Landlord at least twenty-four (24) hours in advance of Landlord Use, which fields Landlord can use, for any particular day. Upon Tenant's request, Landlord shall provide a list of authorized permittees. No Parking Fees or Entrance Fees shall be charged with this Landlord Use.
- 5.1.6. Restricted Amenities. Unless agreed to in advance as part of the scheduling pursuant to Section 7.2 below, the Restricted Amenities will not be available for a Landlord Use; provided, however, nothing contained in this Section 5.1.6 or Section 4.1.8 above shall impair, alter, modify or eliminate the Landlord's right of inspection pursuant to the Ground Lease.

- 5.2. **Use Fees.** Use Fees shall not be charged against Landlord for the Landlord Uses described in Section 5.1 above, but, except as provided for in Section 5.1.5, such use shall be subject to the payment of Entrance Fees, Parking Fees, Overnight Camping Fees and Landlord's reimbursement for all other expenses actually incurred by Tenant in connection with such Landlord Uses, including, but not limited to, lighting, security and janitorial and trash removal services, to the extent applicable.
- 5.3. **Installations.** To the extent a Landlord Use requires the temporary, non-permanent, installation of equipment or materials on the Facility (or any portion thereof) (collectively, "Installations"), such as goal posts, nets, chalk lines, backstops, fencing, chairs, tables, lighting, food and beverage storage and cooking equipment, display booths, and/or audio/visual/electronic equipment, all such Installations shall be (a) approved in writing by Tenant prior to the scheduled installation thereof, (b) installed under the direction of Tenant using Tenant's designated contractors, suppliers and materialmen, and (c) removed, at Landlord's sole cost and expense, without damage to the Property and Facility by Landlord immediately upon the conclusion of the Landlord Use. Tenant's approval of the Installations shall create no responsibility or liability on the part of Tenant for their completeness, design sufficiency, or compliance with all applicable laws, rules and regulations of governmental agencies or authorities. All work with respect to any Installations must be done in a good and workmanlike manner and diligently prosecuted to completion. In performing the work of any such Installations, Landlord shall have the work performed in such manner as not to obstruct access to the Property or Facility (or applicable portion thereof), and as not to obstruct or unreasonably interfere with the business of Tenant or other user's use of the Facility.
- 5.4. **No Liens.** Landlord agrees that it will pay, or cause to be paid, all costs of labor, services and/or materials supplied in connection with an installation, and Landlord will keep the Property free and clear of all mechanics' liens and other liens on account of work done for Landlord or persons claiming under Landlord.
- 5.5. **Clean-Up.** Unless agreed to in advance as part of the scheduling pursuant to Section 7.2 below, immediately upon the conclusion of any Landlord Use, Landlord shall, at its sole cost and expense, remove all trash, debris, materials and installations associated with its use, and return the portions of the Property and Facility associated with the Landlord Use clean and sanitary and to the condition that existed immediately prior to such use. Repair to the Facility for damage associated with a Landlord Use shall be the sole responsibility of the Landlord and Landlord shall promptly restore the Facility (or portion thereof) to the condition that existed immediately prior to such use.
- 5.6. **Landlord's Waiver of Rights of Use.** At Landlord's discretion Landlord may temporarily waive its rights of use for any or all portions of the Property and Facility, the waiver of which shall not impair, alter, modify, or eliminate its future right of use. Additionally, such waiver shall not automatically result in the accrual of rights of use.

**ARTICLE VI
TENANT USE**

- 6.1. **Use.** The Parties agree that Tenant shall be solely responsible for scheduling and management of all Tenant Uses of the Property and Facility. All Tenant Uses shall be in conformance with the terms and provisions of this Agreement and to the extent applicable, the CUP, the Lease and the Development Agreement.
- 6.2. **Only Expressly Permitted Uses.** Except as permitted pursuant to Section 7.4 below, all Tenant Uses shall be for the Permitted Uses only.
- 6.3. **Overnight Camping.** Overnight camping associated with Tenant Use shall be permitted. All overnight camping shall be within the RV Parking Area for a maximum of five (5) consecutive days, with a minimum thirty (30) days in between visits (notwithstanding the time restrictions set forth in Section 4.1.4 above to the contrary).

**ARTICLE VII
MANAGEMENT**

- 7.1. **Silverlakes Public Use Management.** The Parties agree the Representatives shall implement, administer, advise, and guide the Public Uses and the Landlord Uses of the Property and Facility in accordance with the terms of this Agreement.
- 7.2. **Scheduling.**
- 7.2.1. **Master Schedule Coordination.** Not less than forty-five (45) days prior to the commencement of each calendar year Landlord shall submit a schedule to Tenant detailing the specific times, type and number of Amenities it desires the use of in the next calendar year. Tenant shall be the master schedule coordinator of the Facility and shall work with Landlord to create a master schedule by January 1st of each year regarding the dates and times for Landlord Use and Public Use of the Property and Facility (or any portion thereof) for such calendar year.
- 7.2.2. **Scheduling of Practice Fields.** Landlord, through its Parks and Recreation Department, shall schedule all use of the two (2) sports fields allotted to Landlord pursuant to Section 5.1.6 above; provided that no such use of the sports fields shall be to teams or organizations that are in competition with a Tenant Use. Scheduling by Landlord shall be done in a fair and equitable manner.
- 7.2.3. **Scheduling Flexibility.** Both Landlord and Tenant acknowledge that use of the Property and Facility (or any portion thereof) may be subject to change due to factors beyond the reasonable control of the Parties, including, national holidays and inclement weather, and as such the Amenities may not be available at the scheduled time. Additionally, both Landlord and Tenant acknowledge that it may be difficult to fully and accurately predict demand for and use of the Amenities as contemplated in Section 7.2.1 above, and as such each agrees, subject to all other terms of this Agreement, to make reasonable efforts to accommodate the usage requirements of the Property and Facility of the Parties.

- 7.2.4. **Use Agreement.** Tenant may require, from time to time, that specific Landlord Uses and Public Uses be memorialized in a separate license agreement, which among other things, provides for the user obtaining third party insurance for the benefit of Tenant to cover the risks associated with the applicable use, a waiver of liability, the use of after-hours lighting, additional security personnel and additional janitorial and trash collection services.
- 7.3. **Parks and Recreation Department Permits.** Except as provided in **Exhibit "B"** attached hereto, no written permit from the City, including, without limitation, the Parks and Recreation Department, shall be required for any Landlord Use, Tenant Use or Public Use that conforms with the uses described on **Exhibit "B"**
- 7.4. **Landlord's Approval of Special Events.** Events that pertain to a use that is other than the Permitted Uses described on **Exhibit "B"** attached hereto shall be submitted to the Parks and Recreation Department for its prior approval thereof. Approval of permits by the City (and/or the Parks and Recreation Department) for special events shall not be unreasonably withheld.
- 7.5. **Parking/Campground Operator.** Tenant may delegate its responsibilities with respect to parking and/or the overnight camping hereunder to a third-party operator in which case such operator shall have all the rights of control attributed hereby to the Tenant.
- 7.6. **Signage and Notices.** The Representatives shall jointly review the content of signs for placement on the Property, and notices to be provided to users of the Facility and/or Amenities, providing the rules, restrictions, code of conduct and behavior for all Public Use, Landlord Use, and Tenant Use. Notwithstanding the foregoing, all signs located on the property shall conform with the approved signage program for the Property.
- 7.7. **Impasse.** In the event of an impasse, the Representatives shall notify in writing both the City Manager and Tenant's Manager, who shall meet with the Representatives in order to resolve the impasse.

ARTICLE VIII FEES

8.1. **Entrance Fees.**

- 8.1.1. **Right to Charge Entrance Fees.** Except as provided for in Section 5.1.5, Tenant shall be permitted to charge Entrance Fees for all Landlord Uses, all Tenant Uses and/or all Public Uses.
- 8.1.2. **Amount of Entrance Fees.** The Entrance Fee charged by Tenant shall be equal to the standard Parking Fee (for a passenger vehicle).

8.2. **Parking Fees.**

- 8.2.1. **Right to Charge Parking Fees.** Tenant shall be permitted to charge Parking Fees for vehicle parking on the Property in connection with a Landlord Use, a Tenant Use and/or a Public Use.

8.2.2. Amount of Parking Fees. The Parking Fees charged by Tenant shall be commercially reasonable, but need not be directly related to actual, estimated, and/or anticipated expenditures by Tenant associated with providing parking. Recreational vehicles, including RVs, motor homes and campers in excess of twenty-one (21) feet in length and all trailers (including all horse trailers) may be charged an additional parking fee. Parking Fees associated with a Tenant Use, a Landlord Use, and a Public Use shall be the same at a particular time period for a specific event. For example, if a member of the Public wishes to park on the Property to access the Trailhead during an event for which the Property or Facility is not closed to the Public, and for which a fee for parking is charged, said member of the Public shall be able to access the Property to park if it pays the same fee. In no case shall Parking Fees be greater than the maximum rate charged for parking in a similar facility, for a similar use or event and period of time (each of which is not associated or controlled directly or indirectly by Tenant or its affiliates) within Riverside or San Bernardino Counties. The Parking Fees charged by Tenant shall be deemed in compliance with the provisions of this Section 8.2.2 so long as they are not in excess of the parking fees charged at the venues described in Section 8.2.3 below.

Upon Landlord's delivery of written notice to Tenant, such notice not delivered more than once in any twelve-month period, Tenant shall provide Landlord with reasonable evidence of Tenant's compliance with the provisions of this Section 8.2.2. In the event of an impasse, the Representatives shall notify in writing both the City Manager and Tenant's Manager, who shall meet with the Representatives in order to resolve the impasse.

8.2.3. Standard. The Parking Fees charged by Tenant shall be materially consistent with the parking fees charged for similar uses at the following venues: San Bernardino County Fair; Southern California Fair (Riverside); Redlands Bowl; Rancho Cucamonga Quakes, Auto Club Speedway; Blythe Bluegrass Festival; La Quinta Arts Festival; Hemet-Ryan Air Show; Castle Park; San Bernardino Soccer Complex; and the San Bernardino Blast Soccer Complex.

8.3. Overnight Camping Fees.

8.3.1. Right to Charge Overnight Camping Fees. Tenant shall be permitted to charge Overnight Camping Fees for overnight camping on the Property in connection with a Landlord Use, a Tenant Use and/or a Public Use.

8.3.2. Amount of Overnight Camping Fees. The Overnight Camping Fees charged by Tenant shall be commercially reasonable, but need not be directly related to actual, estimated and/or anticipated expenditures by Tenant associated with providing overnight camping. Each overnight camping space shall be permitted to hold up to two (2) horses, and an additional camping fee may be charged for each horse thereafter.

- 8.4. **Use Fees.** Tenant shall be permitted to charge Use Fees in connection with a Tenant Use and/or a Public Use (other than the Public Uses contemplated in Sections 4.1 or 5.1.3 above). The Use Fee charged by Tenant for a Tenant Use or a Public Use shall be commercially reasonable. No Use Fee shall be charged in connection with the Landlord Uses described in Section 5.1 above.

ARTICLE IX SIGNS

- 9.1. **Landlord's Right to Landlord Signage Time.** In the event that Tenant elects to erect and operate the Freeway Sign on the Property (subject to the review and approval of the City and Cal-Trans), then, as additional consideration for the right to lease the Property, and the right to erect and operate the Freeway Sign, Tenant agrees to provide the Landlord Signage Time in an amount equal to fifteen percent (15%) of the total operating time of the Freeway Sign. Landlord Signage Time shall be distributed equitably and evenly through each hour of each operational day for the duration of the operation of the Freeway Sign. Landlord shall provide advertising copy to Tenant, and subject to Tenant's approval of advertising copy which shall not be unreasonably withheld, Tenant will be responsible for posting said advertising copy on the Freeway Sign. Notwithstanding the foregoing to the contrary, in no event shall Landlord be permitted Landlord Signage Time advertising notices or events that can reasonably be construed as adverse to or in competition with Tenant's advertising on the Freeway Sign or a Tenant Use at the Property (and in the event of any impasse as the determination of such reasonableness, the Representatives shall notify in writing both the City Manager and Tenant's Manager, who shall meet with the Representatives in order to resolve the impasse).
- 9.2. **Landlord's Right to Sell Landlord Signage Time.** At Landlord's discretion, Landlord may sell all or portions of the Landlord Signage Time to Tenant. Tenant shall make commercially reasonable efforts to market and sell this time on behalf of Landlord to advertisers or other purchasers for consideration equal to or greater than the average consideration Tenant receives for an equal amount of signage time. Tenant shall provide to Landlord any and all consideration it receives for the sale of any and all Landlord Signage Time, less a fee of no greater than ten percent (10%) of total consideration as an administrative fee. Landlord, may, after reasonable written notice to Tenant and at reasonable times, inspect Tenant's records at Tenant's offices pertaining to the sign revenue earned by Landlord pursuant to the foregoing provisions of this Section 9.2; provided, that Landlord shall only have the right to review Tenant's records one (1) time during any twelve (12) month period and Landlord's failure to dispute and/or audit the amounts paid to Landlord within three (3) years after date of the payment thereof shall be deemed to be Landlord's approval of such amounts.

**ARTICLE X
INDEMNIFICATION**

- 10.1. **Landlord's Indemnification.** Landlord shall indemnify, defend, and hold Tenant harmless from and against any and all Claims to the extent related to the condition of and Landlord's use of the Facilities or the Property in connection with any Landlord Use or Public Use that is scheduled by Landlord pursuant to Section 7.2 above, or related to the performance of any obligations of the Landlord under this Agreement, including, but not limited to, the acts or omissions of Landlord, its elected and appointed officials, employees, consultants, contractors, licensees, or invitees.
- 10.2. **Tenant's Indemnification.** Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all Claims to the extent related to the condition of Tenant's use of the Facilities or the Property in connection with any Tenant Use and/or related to the performance of any obligations of the Tenant under this Agreement, including, but not limited to, the acts or omissions of Tenant, its elected and appointed officials, employees, consultants, contractors, licensees, or invitees.
- 10.3. **Shared Liability.** In the event that third party loss is attributable to the negligence or wrongful act or omission of both Parties, the ultimate financial responsibility of each Party shall be proportionate to its percentage of fault as determined by mutual agreement between the Parties or by a court of competent jurisdiction. The provisions of California Civil Code Section 2778 regarding interpretation of indemnity agreement are made a part hereof as if fully set forth herein.

**ARTICLE XI
DEFAULTS AND REMEDIES**

- 11.1. **Defaults.** A Party shall be in default under this Agreement (a "Default") upon a breach of any of such Party's obligations hereunder, and its failure to cure the same to the reasonable satisfaction of the non-breaching Party within thirty (30) days after receipt of written notice from the non-breaching Party which describes the nature of the breach in reasonable detail; provided, however, that if the nature of the breach is such that it reasonably requires more than thirty (30) days to cure, the breaching Party shall not be deemed to be in Default hereunder if (a) within the thirty (30) day period it notifies the non-breaching Party of its intention to cure the breach and commences the cure of the breach within such period and (b) diligently pursues such cure to completion (to the reasonable satisfaction of the non-breaching Party).
- 11.2. **Remedies; Enforcement Rights.** In the event a Default is not cured within the cure periods set forth above, then the non-breaching Party shall first seek resolution through the Impasse procedure set forth in Section 7.7 above; then if not cured the non-breaching Party may (a) seek specific performance or injunctive relief or (b) elect to cure such Default on behalf of the breaching Party and be reimbursed for all of the non-breaching Party's reasonable, documented out-of-pocket costs actually incurred in connection with such cure, including, but not limited to, attorneys' fees, within thirty (30) days after receipt of written invoice therefor. Any amounts funded by such non-breaching Party shall be treated as a demand loan and shall earn interest from the date due until paid at the rate of rate of two percent (2%) per annum in excess of the Prime Rate in effect from time to time calculated on the balance of rental and other amounts from time to time outstanding. As

used herein the "Prime Rate" means the highest announced "prime rate" of Citibank, New York, New York, for 90-day commercial loans or if the practice of such bank of announcing "prime rates" is discontinued, then the highest rate of interest charged by such bank (or by the largest [measured by total assets] bank in the continental United States, if Citibank ceases to exist or to make such loans) for 90-day commercial loans to its most credit worthy large corporate borrowers, as such rate may change from time to time. Any change in said interest rate shall become effective on the first day of each calendar month and for such calendar month shall be based on the prime rate in effect on the last day of the immediately preceding calendar month.

- 11.3. **Emergency Events.** In the event that either Party breaches any duty hereunder which the non-breaching Party, in its reasonable discretion, deems to place such non-breaching Party and/or other users of the Facility and/or the Facility in substantial risk of harm or injury, such non-breaching Party, may, without giving notice to the breaching Party, take whatever measures the non-breaching Party deems appropriate, in its sole discretion, to avoid such harm or injury.

ARTICLE XII ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties, and their permitted successors and assigns; provided, that Landlord and Tenant may transfer their respective interests or rights hereunder only in connection with a permitted transfer of their interests under the Ground Lease.

ARTICLE XIII MISCELLANEOUS

- 12.1. **Notices.** All notices and other communications required or permitted to be given to a Party under this Agreement shall be in writing and shall be personally delivered or sent by overnight courier, by facsimile transmission, or by United States Mail, certified mail, postage prepaid and return receipt requested, direct to the Party at the address specified in the Ground Lease or at such other address as the Parties may designate by notice given to the other Party in the manner stated in this Section. All notices shall be deemed delivered the day following the date on which they are sent except in the case of notices sent via regular mail which notices shall be deemed delivered three (3) days after being placed in the U.S. mail.
- 12.2. **Relationship of Parties.** The relationship of the Parties is not and shall not be construed or interpreted to be a legal partnership, joint venture or agency.
- 12.3. **Governing Law.** This Agreement shall be governed by the laws of the State of California.
- 12.4. **Severability.** If any term or provision of this Agreement shall be deemed or held, by any court or authority having proper jurisdiction, to be invalid, illegal, void or unenforceable, the remaining terms and provisions hereof shall nevertheless remain in full force and effect with the intent that the purpose of this Agreement will be accomplished.

- 12.5. **Complete Agreement.** This Agreement constitutes the complete and exclusive statement of understanding and agreement among the Parties with respect to the subject matter herein and replaces and supersedes all prior written and oral agreements or statements by and among the Parties or any of them. No representation, statement, condition or warranty not contained in this Agreement will be binding on the Parties or have any force or effect whatsoever. To the extent that any provision of the Ground Lease or Development Agreement conflict with any provision of this Agreement, this Agreement shall control.
- 12.6. **Amendments.** This Agreement may be modified or amended only by an instrument signed in writing by Landlord and Tenant.
- 12.7. **Captions and Titles.** Any Article or Section titles or captions in this Agreement are for reference only and shall not be considered in interpreting this Agreement.
- 12.8. **Counterparts.** This Agreement may be executed in counterparts, each of which, when taken together, shall constitute one and the same instrument.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Agreement Date first above written.

TENANT:

BALBOA MANAGEMENT GROUP, LLC,
a Delaware limited liability company

By: 

Richard J. Brandes

Its: 

LANDLORD:


CITY OF NORCO,
a municipal corporation

By: 

Printed Name: Berwin Hanna

Title: Mayor

Approved as to form:


John R. Harper, City Attorney

Attest:


Brenda K. Jacobs, CMC, City Clerk

EXHIBIT "A"

SITE PLAN OF PROPERTY

[Attached as the immediately following page.]

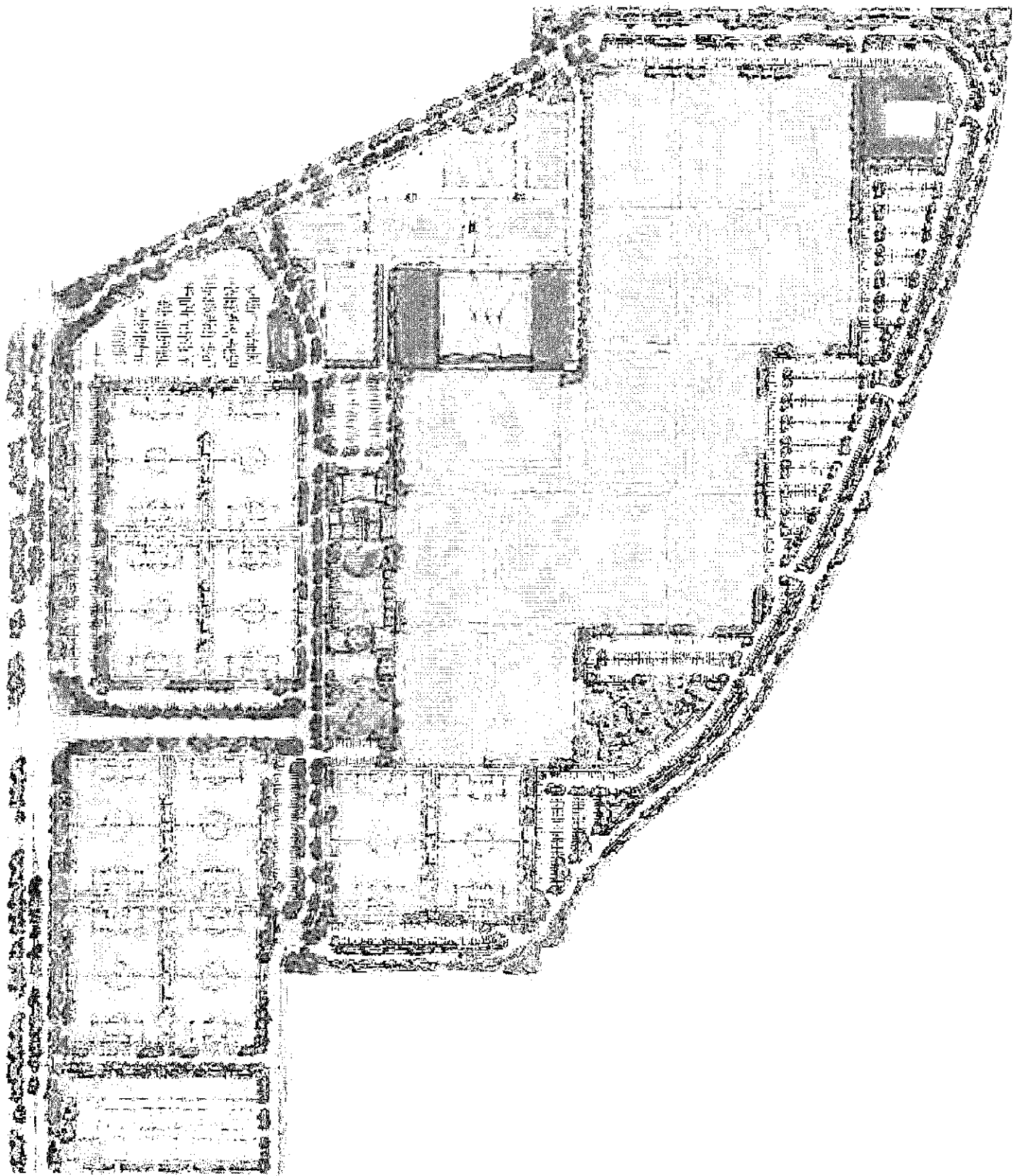


EXHIBIT "B"

LIST OF SPECIFICALLY PERMITTED USES

The Permitted Uses approved by the City allow Tenant to operate a park with recreation facilities at which Tenant may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events.

Tenant's Permitted Uses include uses to which other public parks are customarily put, and include, but are not limited to, the following:

- I. Equestrian events, including, but not limited to, the following events (no Silverlakes Event Permit required):
 - Horse Shows and horse auctions
 - Hunter/Jumper competitions
 - Barrel Racing
 - Dressage
 - Equine clinics and symposiums
 - Equine environmental learning tours
 - Therapeutic riding for the physically or mentally challenged
 - Local, state and federal mounted police training programs
 - Rodeos
 - Animal breed shows
- (I) Sporting events, activities and functions, including educational programs, clinics and camps, associated with the following sports (no Silverlakes Event Permit required):
 - Soccer
 - Volleyball
 - Lacrosse
 - Field Sports
 - Indoor sports and calisthenics within the multi-purpose building, including, but not limited to, basketball, volleyball, gymnastics, dance, martial arts and racket sports
- (II) Other (no Silverlakes Event Permit required):
 - On-site administrative offices and general office functions, including on-site security facilities and caretaker accommodations
 - Sales of event related merchandise, concessions and equipment
 - Operation of RV campsite for overnight camping and the overnight parking of recreational vehicles and trailers, as specified in the Shared Use Agreement
 - Temporary overnight accommodations of athletes, coaches and trainers in connection with on-site equestrian/sports programs and clinics, consistent with that commonly granted by cities for similar parks

- * Operation of a "pro shop" within the multi-purpose building or covered arena or elsewhere on property.
- * "Game/event day" operation of sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires, including the sale of food and beverages and the operation of a cafeteria within the multi-purpose building and concession stands and kiosks
- * Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-08 adopted concurrently with the Development Agreement
- * Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code

IV Additional Permitted Uses, but for which a Silverlakes Event Permit may be required as hereinafter specified:

- * Farmers markets, craft and art shows
- * Botanical garden displays, walking tours, floral and fauna lectures
- * Plant shows
- * Concerts, recitals, circuses, fairs, carnivals, parties, weddings, picnics, family reunions, auctions, entertainment, dances, meetings, assemblages and religious and church services and events
- * Filming (other than in connection with an event held at the Property)
- * Boat, RV, automobile, and other vehicle shows
- * Trade, promotional shows and conventions
- * Hobby club events
- * YMCA, Boys & Girls Scouts, School Events, 4H club and similar youth organizational activities
- * Corporate events (team building, company picnics, and the like)
- * Philanthropic Events
- * Alcoholic beverage sales and consumption in connection with on-site events not hosted by Tenant as set forth in Sections I, II, or III or IV above

(1) With respect to the Additional Permitted Uses in Section IV above, the same shall require a Silverlakes Event Permit from the City's Department of Parks, Recreation & Community Services with the understanding that a Silverlakes Event Permit is only required if such use entails one or more of the following circumstances:

- (a) 2,000 or more attendees will be present on the Property at any one time in connection with the scheduled event; or
- (b) alcoholic beverages will be served to more than 500 attendees; or
- (c) filming is being conducted of a commercial nature (and not in connection with a Permitted Use).

(2) A Silverlakes Event Permit, business license, alcohol permit, and film permit (for filming of a commercial nature) are the sole permits to be obtained for the operation of the Additional Permitted Uses meeting the above-referenced criteria under clause 1 (a), (b) or (c) above notwithstanding other permit schemes set forth in any Existing Land Use Regulation.

- (3) The Silverlakes Event Permit is a ministerial permit which shall be issued by the City's Department of Parks, Recreation & Community Services in compliance with the City's written safety and health regulations in effect upon the Effective Date and applicable to such events.
- (4) A single "master" Silverlakes Event Permit may be issued for the Additional Permitted Uses referenced under clause 1 (a), (b) or (c) above to the extent the same are recurring or regularly scheduled.
- (5) All other Permitted Uses do not require a Silverlakes Event Permit, or any other approval or permit from the City except as provided herein.
- (6) All other uses shall require a Silverlakes Event Permit from the City.

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APPENDIX B-11

CONDITIONAL USE PERMIT

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CITY of NORCO

CITY HALL • 2870 CLARK AVENUE • NORCO CA 92860 • (951) 735-3900 • FAX (951) 270-5822

December 15, 2014

Mr. Scott Carper, Program Manager
CSCDA
2999 Oak Road
Walnut Creek, CA 94597

RE: Status of Silverlakes Equestrian and Sports Park Conditional Use Permit and CEQA Findings

At the request of Rebecca Ross provided below is the status of the Silverlakes Equestrian and Sports Park in the City of Norco per the approved Conditional Use Permit (CUP) and the California Environmental Quality Act (CEQA):

Conditional Use Permit 2008-09: approved March 4, 2009

Compliance status with conditions of approval (City Council Resolution 2009-08):

Most of the conditions apply to future development phases of the project. The project is in compliance with those conditions for which compliance can have been obtained at this point. The only condition in question is Condition No. 7 that places a nullification deadline on the approval if building permits are not issued within two years of approval. The two-year limit of that condition is overridden by the adoption of the Development Agreement below.

Development Agreement: Ordinance 934 adopted on July 20, 2011, effective date August 19, 2011.

Section 2, Term: Amendment

2.1 Term

"the term of this Agreement shall commence on the Effective Date and shall expire thirty (30) years after the effective date. This Section 2.1 shall have the automatic effect of extending the terms of all other existing and future discretionary and ministerial approvals, permit and entitlements pertaining to the Project so that such terms are coterminous with the term of this Agreement herein."

California Environmental Quality Act (CEQA)

With the adoption of Resolution 2009-08 the City Council approved the EIR for the project having been prepared consistent with the requirements of CEQA. A copy of the Notice of Determination with proof of posting by the County Recorder is attached.

If you have any questions, please contact me at (951) 270-5682.

Respectfully,

Steve King
Planning Director

Attachment: Notice of Determination

C: Andy Okoro, City Manager
John Harper, City Attorney
Rebecca Ross, Silverlakes Equestrian and Sports Park

CITY COUNCIL

HERB HIGGINS
Mayor

KEVIN BASH
Mayor Pro Tem

KATHY AZEVEDO
Council Member

BERWIN HANNA
Council Member

GREG NEWTON
Council Member



Norco Planning Department
 2870 Clarke Avenue
 Norco, CA 92860
 951.270.5662

FILED
 RIVERSIDE COUNTY

MAR 05 2009

LARRY W. WARD, CLERK

By: *[Signature]*
 AL Meyers
 Deputy

NOTICE OF DETERMINATION

TO: Riverside County Clerk
 PO Box 751
 Riverside, CA 92502-0751

FROM: City of Norco
 2870 Clarke Avenue
 Norco, CA 92860

Filing of Notice of Determination in Compliance with Section 21202 of the Public Resources Code.

COUNTY CLERK

Section 21202 of the Public Resources Code

POSTED

PROJECT TITLE: Silverlakes Equestrian and Sports Park

MAR 03 2009

2008041019
 State Clearinghouse #

Steve King
 Lead Agency Contact

(951) 270-5662
 Telephone Number

4-0 99

PROJECT LOCATION

The project is located at 5555 Hamner Avenue in the City of Norco, in Riverside County. The site is adjacent to the I-15 freeway and borders the community of Eastvale. The site is bounded by single-family homes and a wholesale nursery on the north, Hamner Avenue on the west, and vacant land to the south. The Santa Ana River is also south of the site but not adjacent to it. The River Trails Park is located south and southeast of the project site. The site is located at Latitude 33° 57' 11.41" N. / Longitude 117° 33' 18.15" W on APN's 152-060-004, 152-060-011, 152-070-001, 152-070-002, and 152-070-011.

PROJECT DESCRIPTION

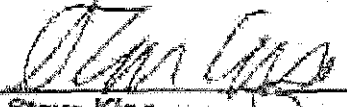
Belstar Sports Management proposes to development a variety of multi-use recreational facilities and related improvements on the Silverlakes property, which is owned by the "City". Proposed facilities include equestrian showgrounds, up to 28 multi-use athletic soccer fields, football, lacrosse, and/or field hockey; with a permanent multi-purpose climate-controlled horse barn and event building; temporary horse stalls; all-weather sand surface horse riding rings; speed and agility training area; reception hall; picnic areas; and a playground. Additional proposed facilities include a first aid station; business and show offices; parking; equestrian trails; event and security lighting; a recreational vehicle park with water, electrical utilities; one large multi-media electronic sign adjacent to the I-15 freeway; and various storage and maintenance facilities. The facility will have a portable lighting system so that various equestrian facilities, athletic fields, and/or community use areas may be lighted at night. Included in the proposed site plans are a man-made lake with an attached dock, five (5) dirt and gravel parking areas, and a large trailer parking area.

This is to advise that the Norco City Council approved the above referenced project on March 5, 2009, and has made the following determinations regarding the above described project:

Lead Agency - City of Norco

1. The project will will not have a significant effect on the environment.
2. An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
 A Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
3. Mitigation measures were were not made a condition of the approval of the project.
4. A statement of Overriding Considerations was was not adopted for this project.
5. Findings were were not made pursuant to the provisions of CEQA.

This is to certify that the final EIR with comments and responses and record of project approval is available to the General Public at: 2670 Clarke Avenue, Norco, CA 92860.


Steve King
RESPONSIBLE OFFICIAL

Planning Manager
TITLE

(951) 270-5862
#

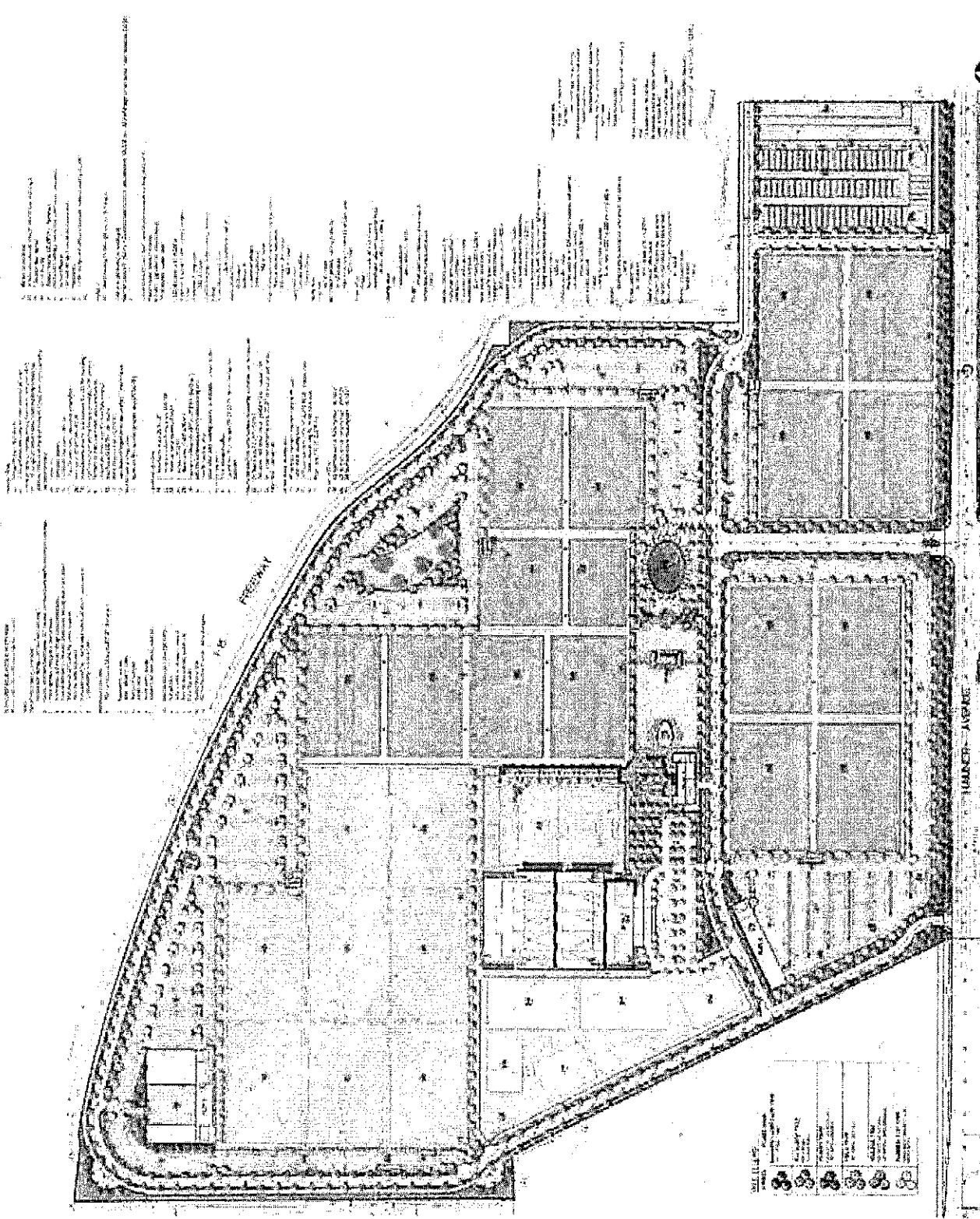
DATE: March 5, 2009

Date Received for filing at OPR:

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APPENDIX B-12
PROJECT SITE PLAN

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PRELIMINARY LANDSCAPE PLAN
OVERALL PLAN

SILVERLAKES

ValleyCrest
 1000 ValleyCrest Drive
 Suite 1000
 San Jose, CA 95128
 (408) 253-1000

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APPENDIX C-1

PROPOSED FORM OF OPINION OF BOND COUNSEL

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May 6, 2016

California Public Finance Authority
Hanford, California

California Public Finance Authority Revenue Bonds
(SilverLakes Equestrian & Sports Park) Series 2016 (Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Public Finance Authority (the “Authority”) in connection with issuance of \$5,900,000 aggregate principal amount of California Public Finance Authority Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2016 (Taxable) (the “Bonds”), issued pursuant to an Indenture, dated as of May 1, 2016 (the “Indenture”), by and between the Authority and Wilmington Trust, N.A., as trustee (the “Trustee”). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to Balboa Management Group, LLC, a Delaware limited liability company (the “Borrower”), pursuant to a Loan Agreement, dated as of May 1, 2016 (the “Loan Agreement”), by and between the Authority and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, opinions of counsel to the Trustee and the Borrower, certificates of the Authority, the Trustee, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of

the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Loan Agreement.

We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Loan Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against authorities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture, the Deed of Trust or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Limited Offering Memorandum or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.
4. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

California Public Finance Authority
May 6, 2016
Page 3

Very truly yours,

HINCKLEY, ALLEN & SNYDER LLP

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APPENDIX C-2

**PROPOSED FORM OF OPINION OF BORROWER'S COUNSEL
RE RULE 131(B)**

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KUTAK ROCK LLP
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1801 CALIFORNIA STREET,
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FACSIMILE 303-292-7799
www.kutakrock.com

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ROGERS
SCOTTSDALE
SPOKANE
WASHINGTON, DC
WICHITA

May 6, 2016

Balboa Management Group, LLC, as Borrower
California Public Finance Authority, as Issuer
RPM Capital Management LLC, as Bondholder Representative
B.C. Ziegler and Company, as Underwriter

\$5,900,000
California Public Finance Authority
Revenue Bonds
(SilverLakes Equestrian & Sports Park)
Series 2016 (Taxable)

Greetings:

We have acted as special counsel to Balboa Management Group, LLC, a Delaware limited liability company (“Balboa”) in connection with the transaction that is described below. This opinion letter is being rendered pursuant to Section 3(d)(4) of the Purchase Contract, dated May 5, 2016 (the “Purchase Agreement”), by and among the Underwriter, the Issuer, the Borrower and Richard J. Brandes, as guarantor (the “Guarantor”), in connection with the issuance of the above-captioned bonds (the “Bonds”) issued pursuant to the Indenture, dated as of May 1, 2016 (the “Indenture”), by and between the Issuer and Wilmington Trust, N.A., as trustee thereunder (the “Trustee”). Any capitalized term used herein shall have the same meaning ascribed thereto in the Indenture and the Purchase Agreement unless the context shall otherwise require.

I. FACTS

Pursuant to the provisions of the Joint Exercise of Powers Act, comprising of Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Act”), Kings County and the Housing Authority of Kings County (the “Members”) entered into a joint exercise of powers agreement

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Balboa Management Group, LLC
California Public Finance Authority
RPM Capital Management LLC
B.C. Ziegler and Company
May 6, 2016
Page 2

(the “Joint Powers Agreement”) pursuant to which the California Public Finance Authority (the “Authority”) was organized. The Authority is authorized by its Agreement and under the Act to, among other things, issue bonds, notes or other evidences of indebtedness in connection with, and to make loans to assist in the financing of certain projects. Certain property located in and owned by the City (the “Property”) is subject to the Norco SilverLakes Ground Lease, dated July 6, 2011, as amended (the “Ground Lease”), by and between the City and Balboa and is subject to a covenant (the “Deed Restriction”) recorded against the Property as Exhibit “B” attached to that certain Quit Claim Deed executed by TLC Investments & Trade Co. in favor of the City recorded on June 14, 2002 as Document No. 2002-328613 (the “Quitclaim Deed”) which Quitclaim Deed transferred the Property to the City.

The covenant provides, among other things, “No portion of the Property described in this quitclaim deed shall be used by the City, or by any successor in interest to the City, or any other public agency or private party, for any purpose other than for public park, recreational and open space purposes, save and except for the construction of a public road way which is to be permitted across the extreme northernmost boundary of the Property, encroaching no more than 100' into said Property at any location. The Property shall not be used for residential purposes (other than public camp grounds) or for commercial purposes (other than for common park related activities such as refreshment stands, horse boarding stables, and other park related concession operations to serve park users which are commonly granted by cities in California).” The requirement for such Deed Restriction was borne out of that certain Order on Ex Parte Application of Robb Evans, Receiver, Authorizing Sale of Real Property filed on May 29, 2002 in the U.S. District Court for the Central District of California, Southern Division, in *S.E.C. v. TLC Investments & Trade Co, et al* [Case No. SACV 00-960-DOC (MLGx)] (the “Order”).

In 2009 and 2011, the City Council of the City (the “City Council”) approved the development of the Property into the project known as the “SilverLakes Equestrian & Sports Park” (the “Project”) through a series of approvals, entitlements and agreements, including without limitation, the Ground Lease, a Development Agreement, dated July 6, 2011, as amended (the “Development Agreement”), by and between the City and Balboa, a Funding, Construction and Acquisition Agreement, dated July 6, 2011 (the “Funding Agreement”), by and between the City and Balboa, a Norco SilverLakes Shared Use Agreement, dated July 6, 2011 (the “Shared Use Agreement”), by and between the City and Balboa, a Conditional Use Permit No. 2008-09 approved on March 4, 2009 and Restated on July 6, 2011 (as restated, the “Use Permit”) and a Project Site Plan (the “Site Plan”).

The City and Balboa intend that the Project be developed for park, recreational, sports, entertainment and open space purposes. The City Council, acting as the Lead Agency, previously determined that the Project may have potential significant environmental impacts and an Environmental Impact Report was certified by Resolution No. 2009-07 adopted on March 4,

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Balboa Management Group, LLC
California Public Finance Authority
RPM Capital Management LLC
B.C. Ziegler and Company
May 6, 2016
Page 3

2009 in accordance with the California Environmental Quality Act (CEQA) and the CEQA Guidelines with recommended mitigations that reduce potential significant impacts to less than significant and a statement of overriding considerations for three impacts which could not with certainty be stated to be reduced to less than significant with feasible mitigations. The City Council has determined that no further CEQA review or documentation is required relative to further the Project's entitlements due to the lack of substantial change to the Project or the circumstances under which the Project will be developed and the lack of new information of substantial importance as defined under CEQA Guidelines 15162.

Pursuant to the agreements and arrangements described herein the City owns the Property and has retained significant control over the use and operation of the Property and the Project.

In order to facilitate the financing and completion of the Project, Balboa has applied for the financial assistance of the Authority in the financing of the second phase of the Project through the issuance of taxable revenue bonds, in an amount not to exceed \$6,000,000. Pursuant to a resolution of the City Council adopted on May 4, 2016 (the "Authorizing Resolution"), the City Council approved the Joint Powers Agreement and the issuance of the Bonds by the Authority on behalf of the City for the purposes of providing financing for the Project pursuant to the Joint Powers Agreement. The Authority is issuing the Bonds on behalf of the City. The proceeds of the Bonds will be loaned to Balboa pursuant to a Loan Agreement, dated as of May 1, 2016 (the "Loan Agreement"), by and between the Authority and Balboa. Pursuant to a Continuing Guaranty, dated May 6, 2016 (the "Guaranty"), Balboa's payment obligations under the Loan Agreement will be guaranteed by the Guarantor, who is the controlling member and manager of Balboa. Balboa will be the substantial user of the Project.

You have requested our opinion on whether, in connection with the issuance of the Bonds, the Borrower Documents (as defined in the Indenture) or the Guarantor Documents (as defined in the Indenture) are required to be registered under the Securities Act of 1933, as amended (the "Securities Act").

II. ASSUMPTIONS

For purposes of rendering this opinion letter, we have reviewed the Joint Powers Agreement, the Deed Restriction, the Quitclaim Deed, the Order, the Ground Lease, the Development Agreement, the Funding Agreement, the Shared Use Agreement, the Use Permit, the Site Plan, the Bonds, the Indenture, the Loan Agreement, the Guaranty, the Security and Covenants Agreement, dated as of May 1, 2016 (the "Borrower SCA"), by and among the Borrower, the Issuer and the Trustee, the Security and Covenants Agreement, dated as of May 1, 2016 (the "Guarantor SCA"), by and between the Guarantor and the Trustee, the Deposit and Control Agreement, dated as of February 26, 2015, by and among the Guarantor, the Trustee and

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Balboa Management Group, LLC
California Public Finance Authority
RPM Capital Management LLC
B.C. Ziegler and Company
May 6, 2016
Page 4

City National Bank (the "Depository Bank"), as amended by a First Amendment to Deposit Account Control Agreement, dated as of February 26, 2015 and as further amended by a Second Amendment to Deposit Account Control Agreement, dated as of May 6, 2016 (collectively, the "DACA"), the Leasehold Construction Deed of Trust, Security Agreement and Fixture Filing, dated as of February 1, 2015 (the "Leasehold Deed of Trust"), as amended as of May 1, 2016, by and between the Borrower and the Trustee, various ordinances and resolutions adopted by the City and the Authority (including, without limitation, the Authorizing Resolution), and such other documents, instruments and certificates as we have deemed necessary to enable us to render this opinion letter (collectively, the "Documents"). As to all questions of fact material to this opinion letter, we have relied exclusively without independent investigation (as to trust, accuracy, completeness or otherwise) upon (a) the representations, warranties and certifications made by the parties to the Documents, (b) certificates satisfactory to us and given by various parties to the Documents substantially in the forms attached hereto as Exhibits A-1 and A-2 (the "Certificates") and (c) the facts and assumptions stated or assumed in this opinion letter, all of which we have assumed are correct, true, complete and accurate in all material respects on the date hereof and at all other relevant times. No inference as to our knowledge concerning the accuracy of any of such facts or assumptions should be drawn from our review or reliance on the representations and statements of fact in the documents, information, facts or assumptions stated in this opinion letter as reviewed or relied on by us or our representation of Balboa.

In rendering the following opinions, we have assumed with your permission the accuracy of the legal conclusions contained in the legal opinion, dated May 6, 2016, by Hinckley Allen & Snyder LLP that the Bonds are not required to be registered under the Securities Act of 1933, as amended (the "Securities Act").

For the purpose of rendering the opinions herein and reviewing documents in connection therewith, we have also assumed with your permission on the date hereof and at all other relevant times (a) the accuracy of the representations and statements of fact in each Document; (b) the genuineness of all signatures and the personal legal competence of all natural persons that are signatories; (c) the accuracy, completeness and authenticity of all records, documents and other materials submitted to us as originals; (d) the conformity with authentic and complete originals of all documents submitted to us as copies thereof and the accuracy, completeness and authenticity of the originals of such documents; (e) the due issuance and authentication of the Bonds when issued; (f) the Documents constitute legal, valid and binding obligations of each party executing the same, enforceable against each such party in accordance with their terms, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, receivership or other similar laws affecting creditors' rights generally and the application of equity principles; (g) each party to the Documents acts in accordance with the Documents, fully performs its obligations thereunder and complies with applicable law in all respects material to this opinion letter and, in each case, without interference, hindrance or delay from any of their respective affiliates or any

KUTAK ROCK LLP

Balboa Management Group, LLC
California Public Finance Authority
RPM Capital Management LLC
B.C. Ziegler and Company
May 6, 2016
Page 5

other person or entity; (h) the execution, delivery and performance of the Documents by each party thereto (and the obligations and responsibilities imposed upon each party to the Documents and in connection therewith) are duly authorized, within its respective power and authority and in compliance with applicable laws, regulations, the constitutive or organizational documents of each such party and each order or decree of any court, administrative agency or other governmental authority binding on any such party, do not require authorization, approval or other action by, or any notice to or filing with, any governmental authority or regulatory body or any other person or entity and do not result in a breach of or cause a default under any contract or indenture to which each such party is a party or by which it is bound; (i) each Certificate does not contain any untrue statement of fact or omit to state a fact necessary to render the statements made in such Certificate, in light of the circumstances in which they were made, not misleading; (j) on the date hereof, each of the parties to the Documents is validly existing and in good standing in the jurisdiction in which each was created or formed; (k) none of the Documents will be amended, modified or waived in a manner that would materially and adversely affect the facts, assumptions, analysis or conclusions (or the validity thereof) incorporated into or set forth in this opinion letter; (l) there is no agreement or arrangement, written or oral, or usage of trade or course of prior dealing involving any party to the Documents or their respective affiliates, that would, in either case, define, limit, supplement or qualify the terms of the Documents or modify the respective rights and obligations of such parties as set forth in the Documents in a manner that would materially and adversely affect the facts, assumptions, analysis or conclusions (or the validity thereof) incorporated into or set forth in this opinion letter; (m) the absence of any provision in any other document or facts that are inconsistent with the Documents to the extent material to this opinion letter, the Certificates or the facts and assumptions stated or assumed herein or therein; and (n) there has not been and will not be any bad faith or fraud in connection with the transactions described herein or in the Documents.

III. DISCUSSION AND OPINIONS

In connection with the opinions expressed below, we have reviewed Rule 131 promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Act and "no-action" letters issued by the staff (the "Staff") of the Commission with respect to whether the Borrower Documents and the Guarantor Documents should be deemed to be separate securities within the meaning of Section 2(1) of the Securities Act.

Rule 131 promulgated by the Commission specifies certain circumstances under which an obligation may be deemed to be a separate security for purposes of the Act. In no-action letters, the Staff has interpreted Rule 131 to determine that an instrument is not a separate security where the instrument secures a borrower's obligations in respect of a public project or facility owned and operated by or on behalf of and under the control of a governmental unit

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Balboa Management Group, LLC
California Public Finance Authority
RPM Capital Management LLC
B.C. Ziegler and Company
May 6, 2016
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specified in Section 3(a)(2) of the Securities Act. Under Rule 131(a), any obligation evidenced by an instrument which is issued by a governmental unit of a type specified under Section 3(a)(2) of the Securities Act and “which is payable from payments to be made in respect of property or money which is or will be used, under a lease, sale or loan agreement, by or for industrial or commercial enterprise” will be treated as a separate security for purposes of the Act. Notwithstanding the foregoing, Rule 131(b) provides that an obligation will not be treated as a separate security if, among other reasons, “the obligation relates to a facility which is leased to or under the control of an industrial or commercial enterprise that is part of a public project which, as a whole, is owned by or under the control of the governmental unit . . . or an instrumentality thereof.”

The Staff has also concluded in no-action letters that they would not recommend enforcement action with respect to a guaranty or other credit support in respect of bonds otherwise exempt from registration under the Securities Act if such guaranty or other credit support is provided by the user or owner of the facilities financed with the proceeds of those bonds or a related party whose interests are aligned with that user or owner. In the circumstances pertinent in those letters, the Staff concluded that no “separate security” existed and that the guaranty or other credit support was deemed part of the security that was exempt from registration under the Securities Act.

On the basis solely of the foregoing examination and assumptions and in reliance thereon and on such matters of fact as we have deemed relevant under the circumstances, and upon consideration of applicable law, and our review of Staff interpretations discussed above, we are of the opinion that in connection with the offering and sale of the Bonds, neither the Borrower Documents nor the Guarantor Documents are separate securities required to be registered pursuant to the Securities Act.

We note that the opinions herein are based upon our analysis of no-action letters issued by the Commission, and certain of such no-action letters might not be regarded as controlling precedent and each no-action letter is based specifically on the representations, facts and circumstances presented. A no-action letter was not sought for the transaction subject to this opinion letter.

* * *

The opinions expressed herein are based solely upon existing federal laws, and to present judicial interpretations thereof and to facts as they presently exist. We do not express any opinion on any matter not expressly addressed above. The opinions set forth herein are delivered based solely upon the examinations, assumptions and other matters described herein as of the date hereof, and we have no obligation to modify or supplement this opinion or otherwise to communicate with you with respect to changes in law or matters which occur or come to our

KUTAK ROCK LLP

Balboa Management Group, LLC
California Public Finance Authority
RPM Capital Management LLC
B.C. Ziegler and Company
May 6, 2016
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attention after the date hereof. This letter expresses our legal opinions as to matters set forth herein based on our professional judgment on the date hereof and is not to be construed as a guaranty or a warranty that a court or regulatory agency considering such matters would not rule in a manner contrary to such opinions. The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. Our engagement with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in current laws, by legislative or regulatory action, by judicial decision or for any other reason. This opinion is given for the sole benefit of the addressees hereof and may not be relied upon by or delivered to any other person without our prior written approval.

Very truly yours,

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by Balboa Management Group, LLC, a Delaware limited liability company, (the “Borrower”) on behalf of itself and Richard J. Brandes, an individual (the “Guarantor”) in connection with the issuance by California Public Finance Authority (the “Authority”) of its \$5,900,000 Revenue Bonds (SilverLakes Equestrian & Sports Park), Series 2016 (Taxable) (the “2016 Bonds”). The Borrower, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, covenants and agrees as follows.

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Borrower for the benefit of the registered owners and the Beneficial Owners of the 2016 Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) adopted by the United States Securities and Exchange Commission (the “SEC”) under the Securities and Exchange Act of 1934 (the “Securities Exchange Act”), as the same may be amended from time to time.

SECTION 2. Definitions. In addition to the definitions set forth above, the following terms shall have the following meanings:

“Beneficial Owner” means the person or persons in whose name the beneficial ownership of a particular 2016 Bond is registered on the register maintained for that purpose.

“EMMA” means the Electronic Municipal Market Access System established pursuant to the MSRB.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act.

“Participating Underwriter” shall mean the original underwriter of the 2016 Bonds required to comply with the Rule in connection with the offering of the 2016 Bonds.

“Reportable Events” shall mean any of the events listed in Section 4(a) of this Disclosure Certificate.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act, as the same may be amended or replaced from time to time.

SECTION 3. Provision of Annual Financial Information and Operating Data.

(a) The Borrower shall, within 120 days after the end of the Borrower’s fiscal year, commencing with the fiscal year ending December 31, 2016, file with the MSRB an Annual Report.

For purposes of this section “Annual Report” shall: (i) contain audited financial statements, which shall consist of either (1) combined or consolidated financial statements of the Borrower and its related entities for such fiscal year prepared in accordance with generally accepted accounting principles and examined and reported on by a certified public accountant, which shall include consolidating schedules showing the statement of financial position, statement of activities and statement of cash flows of the Borrower; or (2) special purpose financial statements of the Borrower, reported on by a certified public accountant, but which need not be in accordance with generally accepted accounting principles by

reason of omitting the financial results of entities required to be consolidated with the Borrower, which shall include, in either case a statement of financial position, a statement of activities and a statement of cash flows, including consolidating schedules showing the financial results for the Borrower, together with a statement of the Borrower that no default exists under the Indenture or if that is not the case, specifying such default.

(ii) With respect to the Guarantor, the Borrower shall cause to be filed the type of operating and financial data of the Guarantor for such preceding fiscal year, prepared from the records of the Guarantor, regarding, without limitation, financial and operating data for the preceding fiscal year of the type presented in the Limited Offering Memorandum in Appendix A under the caption “Brandes Guaranty,” together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning the Guarantor and the financial and operating condition of the Guarantor. Any or all of the items listed above may be incorporated by reference from other documents, including financial statements provided under clause (i) above, or other offering documents of debt issues with respect to which the Borrower is an “obligated person” (as defined in the Rule) which have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final Limited Offering Memorandum or Official Statement, it must have been filed with the MSRB. The Borrower shall clearly identify each such other document so incorporated by reference. With respect to the Guarantor, if not submitted as a part of the annual financial information, then when and if available, audited financial statements of the Guarantor will be submitted.

(b) Any or all of the information to be provided pursuant to clause (i) above may be set forth in a document or set of documents, or may be included by specific reference to documents available to the public on the MSRB’s internet website or filed with the SEC. The Borrower shall identify clearly each other document so included by specific reference.

(c) If the Borrower is unable to provide to the MSRB any financial information or operating data required by this Section 3 by the date specified above, as applicable, the Borrower shall provide, in a timely manner, a notice of such failure to the MSRB, in an electronic format as prescribed by the MSRB.

(d) The Borrower shall promptly file with the MSRB a notice of a change in its accounting principles applied in the preparation of the annual financial statements of the Borrower or any change in the dates on which the fiscal year of the Borrower begins and ends.

SECTION 4. Reportable Event Notices. The Borrower shall file with the MSRB a notice of a Reportable Event (as defined below) in a timely manner not in excess of 10 business days after the occurrence of such event. For purposes of this subsection, a “Reportable Event” includes:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations by the Internal Revenue Service with respect to the tax status of the 2016 Bonds or other events affecting the tax status of the 2016 Bonds, if material;

- (vii) modifications to rights of Owners of the 2016 Bonds, if material;
- (viii) optional, unscheduled or contingent 2016 Bond redemptions, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the 2016 Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: For the purposes of the event identified in clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the Borrower or Guarantor, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 5. The Borrower's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2016 Bonds and, with respect to the Guarantor, upon any earlier repayment of the Continuing Guaranty. If any such termination occurs prior to the scheduled final maturity of the 2016 Bonds, the Borrower shall give notice of such termination in the same manner as for a Reportable Event under Section 4.

SECTION 6. Amendment.

(a) Notwithstanding any other provision of this Disclosure Certificate, the Borrower may amend this Disclosure Certificate, provided that such amendment is permitted by the Rule or interpretations of the Rule by the SEC.

(b) In the event this Disclosure Certificate is amended pursuant to paragraph (a) above with respect to the financial information or operating data to be provided annually in accordance with Section 3(a), the financial information or operating data provided by the Borrower in accordance with Section 3(a), as applicable, that contains the amended financial information or operating data shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data being provided.

(c) If an amendment is made to this Disclosure Certificate regarding the accounting principles to be followed in preparing financial statements, the financial information provided pursuant to Section 3(a) or (b), as applicable, for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible, the comparison also shall be quantitative. The Borrower shall provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice of the change in the accounting principles.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the-Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any financial information or operating data provided annually pursuant to Section 3 or in any notice of the occurrence of a Reportable Event, in addition to that which is required by this Disclosure Certificate. If the Borrower chooses to include any information in any financial information or operating data provided annually pursuant to Section 3 or in any notice of the occurrence of a Reportable Event in addition to that which is specifically required by this Disclosure Certificate, the Borrower shall have no obligation under this Disclosure Certificate to update such information or include it in any future financial information or operating data provided annually pursuant to Section 3 or in any future notice of the occurrence of a Reportable Event.

SECTION 8. Failure To Comply. In the event of a failure of the Borrower to comply with any provision of this Disclosure Certificate, any registered owner or Beneficial Owner of the 2016 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Certificate. A failure to comply with the provisions of this Disclosure Certificate shall not be deemed an event of default under the 2016 Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Borrower to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Notice. The Borrower shall be given written notice at the address set forth below of any claimed failure by the Borrower to perform its obligations under this Disclosure Certificate, and the Borrower shall be given 15 days to remedy any such claimed failure.

Balboa Management Group, LLC
P.O. Box 609
San Juan Capistrano, CA 92693
Attention: Bicky Ross

SECTION 10. Performance of Obligations. Notwithstanding anything to the contrary contained in this Disclosure Certificate, the Borrower's obligations as set forth in this Disclosure Certificate shall be undertaken and performed in accordance with the Rule, interpretations of the Rule by the SEC as published or provided from time to time, and applicable federal securities laws.

SECTION 11. Filing with Electronic Municipal Market Access System (EMMA). Unless otherwise required by the MSRB, all filings with the MSRB shall be made with EMMA and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Borrower and the registered owners and Beneficial Owners from time to time of the 2016 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, this Continuing Disclosure Certificate has been executed on behalf of the Borrower by its duly authorized signatory as of the date set forth below.

BALBOA MANAGEMENT GROUP, LLC, a
Delaware limited liability company

By _____
Richard J. Brandes, Manager

Dated: May 6, 2016

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the Borrower and the Underwriter believe to be reliable, but none of the Authority, the Borrower or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2016 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2016 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2016 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered 2016 Bond will be issued for each annual maturity of the 2016 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016 Bond documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2016 Bond Owner shall give notice to elect to have its 2016 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2016 Bonds by causing the Direct

Participant to transfer the Participant's interest in the 2016 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2016 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2016 Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority (at the direction of the Borrower) may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2016 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2016 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX F-1

FORM OF DEPOSIT ACCOUNT CONTROL AGREEMENTS AND AMENDMENTS

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DEPOSIT ACCOUNT AND CONTROL AGREEMENT

THIS DEPOSIT ACCOUNT AND CONTROL AGREEMENT ("Agreement") dated as of February 26, 2015, is by and among RICHARD J. BRANDES, a citizen of the United States and an individual residing in California (the "Guarantor"), WILMINGTON TRUST, N.A., as trustee (the "Secured Party") under a certain Indenture dated as of February 1, 2015 between the California Statewide Communities Development Authority (the "Authority") and the Secured Party relating to the Authority's \$20,000,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015 (Taxable) (the "Bonds") and CITY NATIONAL BANK (the "Bank").

RECITALS

- A. The Guarantor is the Bank's customer with respect to deposit account number 027452256, established and maintained in the name of "Richard J. Brandes-DACA Account" (such deposit account and any successor thereto is referred to as the "Deposit Account").
- B. Prior to the execution and delivery of this Agreement, the Guarantor has entered into: (1) that certain Guaranty dated February 26, 2015 (the "Guaranty") in favor of the Secured Party, the Authority and RPM Capital Management, LLC (the "Bondholder Representative"); and (2) that certain Security and Covenants Agreement dated February 1, 2015 between the Guarantor and the Secured Party (the "Security Agreement") and pursuant to which, to secure the payment of amounts due under the Guaranty (the "Guaranty Payments"), the Guarantor has granted to the Secured Party a continuing security interest, in the Collateral as more fully described in the Security Agreement including, without limitation, the Deposit Account and any funds therein, whether now existing or hereafter arising. In connection with the Guaranty, the Guarantor under the Security Agreement has assigned all of its interest in the Deposit Account and the funds therein to the Secured Party.
- C. The parties desire to enter into this Agreement in order to perfect and protect the security interest in the Deposit Account.

AGREEMENT

THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration, and intending to be legally bound, the parties agree as follows:

1. The Deposit Account.
 - a. The Bank confirms that it has established on its books the Deposit Account.
 - b. The Bank further confirms that the Deposit Account is a "deposit account" (as defined in Section 9-102(a) (29) of the Uniform Commercial Code) and is not evidenced by a certificate of deposit or instrument.
 - c. Except for the claims and interests of the Bank and the Secured Party, the Bank does

not know of any claim to, or interest in, the Deposit Account.

- d. The Bank has not entered into, and until the termination of this Agreement, will not enter into, any agreement (whether or not designated a "control agreement", "deposit account control agreement" or similar agreement) with any person or entity (other than the Secured Party) relating to the Deposit Account pursuant to which it has agreed, or will agree, to comply with any instructions of such person or entity.
- e. The Bank agrees not to change the name (owner) or account number of the Deposit Account without the prior written consent of the Secured Party and the Bondholder Representative.

2. Maintenance of Account; Deposit of Proceeds. The Guarantor agrees that:

- a. During the term of the Security Agreement, he will (i) maintain the Deposit Account at the Bank (or with another depository institution which has entered into a control agreement with the Secured Party containing terms and conditions which are not less favorable to the Secured Party than those set forth in this Agreement and which has been consented to by the Bondholder Representative) pursuant to the terms of the Security Agreement, and (ii) deposit to the Deposit Account all payments to him (whether in the form of salary, interest, dividends, distributions with respect to the Collateral consisting of securities, membership or partnership or other ownership interests held by the Guarantor or indebtedness owed by any obligor to the Guarantor or in any other form) or the provision by the Guarantor of any services for which he receives compensation, or such other amounts as are provided for in the Security Agreement.
- b. He will not close the Deposit Account during the time the Security Agreement is in effect.
- c. He will not assign, transfer or grant any interest, including any security interest, in the Deposit Account to any other person or entity other than the Bank and the Secured Party.

3. Compliance with Instructions.

- a. Subject to the conditions set forth in Section 4 hereof, the Bank agrees to comply with any written instructions originated by the Secured Party directing disposition of funds in the Deposit Account, without further consent by the Guarantor or any other person. The Guarantor hereby consents to the foregoing agreement by the Bank.
- b. Upon the occurrence of a default under the Security Agreement or the Guaranty (or at any time thereafter), the Secured Party may send a written notice to the Bank, in substantially the form of Exhibit A, stating that it is exercising exclusive control over the Deposit Account (a "Notice of Control"). So long as the Bank has not received a Notice of Control, the Bank may comply with instructions of the Guarantor in respect of the Deposit Account so long as such instructions have been consented to by the countersignature of the Bondholder Representative in a writing furnished to the

Guarantor, the Bank and the Secured Party. After the Bank receives a Notice of Control, the Bank will cease complying with instructions of the Guarantor.

- c. The Bank shall have no duty to inquire or determine whether any of Guarantor's obligations to the Secured Party is in default or whether the Secured Party is entitled to provide such written notice to the Bank. Further, the Bank may rely on notices and communications it believes to be genuine and given by the appropriate party.
- d. The Bank will be excused from failing to act or delay in acting, and no such failure or delay shall constitute a breach of this Agreement or otherwise give rise to any liability of Bank, if (i) such failure or delay is caused by circumstances beyond Bank's reasonable control, including but not limited to legal constraint, emergency conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor dispute, war, riot, theft, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities, equipment failure, or negligence or default of any party to this Agreement or third party or (ii) such failure or delay resulted from the Bank's reasonable belief that the action would have violated any guideline, rule or regulation of any governmental authority.
- e. Notwithstanding any of the other provisions in this Agreement, in the event of the commencement of a case pursuant to Title 11, United States Code, filed by or against the Guarantor, or in the event of the commencement of any similar case under then applicable federal or state law providing for the relief of debtors or the protection of creditors by or against the Guarantor, the Bank may act as the Bank reasonably deems necessary to comply with all applicable provisions of governing statutes and shall not be in violation of this Agreement as a result.
- f. The Bank shall be permitted to comply with any writ, levy order or other similar judicial or regulatory order or process concerning the Deposit Account or any check and shall not be in violation of this Agreement for so doing, provided that it shall give notice thereof to the Secured Party and the Bondholder Representative within a reasonable period of time prior thereto in order to allow the Secured Party to protect its security interest.

4. Obligations Owning to Bank. Notwithstanding the Bank's agreement to comply with instructions originated by the Secured Party, the Guarantor and the Secured Party hereby agree that the Bank may set off against any funds on deposit in the Deposit Account, whether before or after receipt of a Notice of Control, for payment or reimbursement of (i) its customary fees, charges and expenses for maintaining, servicing and/or operating the Deposit Account, (ii) the amount of any loss to the Bank for the face amount of any check, draft, ACH credit, electronic funds transfer or other amount which (A) has been credited by the Bank to any Deposit Account and which has subsequently been returned unpaid or dishonored because of uncollected or insufficient funds or the like or, (B) was mistakenly credited to such Deposit Account, all such amounts hereafter referred to as the ("Reimbursement Amounts"). As between the Bank and the Secured Party, the Bank's rights in the Deposit Account to the Reimbursement Amounts as set forth herein shall be deemed to be superior to the interest of the Secured Party in such Deposit Account. Except as set forth in the preceding sentence, as against the Secured Party, the Bank agrees that the amounts credited to the Deposit Account will not be subject to deduction, set-off,

banker's lien or any other right in favor of the Bank. In the event the amounts held in the Deposit Account are insufficient to recover to the Bank the Reimbursement Amounts, the Guarantor shall, within 15 days of the date of demand by Bank, pay Bank the amount of any Reimbursement Amount required by Bank. In the event the Guarantor fails to pay Bank such Reimbursement Amount upon demand, then to the extent, and only to the extent, that the Secured Party has (i) provided Bank with a Notice of Control, and (ii) directly received the funds for which reimbursement is sought, the Secured Party shall, within 30 days after demand by the Bank pay the Bank the Reimbursement Amount for which the Secured Party has previously received payment, solely to the extent funds are available on hand to do so from either the Deposit Account or from amounts otherwise received pursuant to this Section 4.

5. Actions by the Guarantor.

- a. The Guarantor understands and agrees that the Deposit Account will at all times be subject to the ongoing rights of the Bank set forth in Section 4 above.
- b. After such time as the Secured Party has delivered a Notice of Control, the Guarantor agrees that he will not attempt to withdraw or transfer funds from, or give instructions to the Bank with respect to, the Deposit Account.
- c. The Guarantor agrees that, upon the Secured Party's delivery of a Notice of Control to the Bank, the Bank shall follow the instructions of the Secured Party with respect to the Account. The Guarantor shall provide the Secured Party and the Bondholder Representative with a copy of reports received from the Bank relating to the Deposit Account as may be requested. The Guarantor hereby irrevocably authorizes the Bank to provide such reports directly to the Secured Party and the Bondholder Representative upon the Secured Party's or the Bondholder Representative's written request, both prior to and after receipt from the Secured Party of a Notice of Control.

6. Charges for Services. Charges for services rendered and any other charges, costs or fees incurred pursuant to this Agreement or the account agreements of the Guarantor with the Bank in connection with the Deposit Account, will be debited against the Deposit Account, and, if there are insufficient funds in such Deposit Account, will be billed to and paid directly by the Guarantor. In order to assure the Bank that such funds will be available at all times, the parties agree that the Deposit Account shall, at all times following its initial funding, have a minimum balance of Twenty Thousand Dollars (\$20,000) (the "Minimum Balance"). In the event the Deposit Account falls below the Minimum Balance at any time, the Guarantor shall cause it to be restored to the Minimum Balance within five (5) Business Days after notice from the Bank that the Minimum Balance has not been maintained. The Guarantor's failure to restore the Deposit Account to the Minimum Balance within such period shall result in the Bank having no further obligations hereunder (other than payment of any remaining amounts in the Deposit Account as directed by the Secured Party and the Bondholder Representative).

The Guarantor shall pay to the Bank, upon receipt of the Bank's invoice, all costs, expenses and reasonable attorneys' fees incurred by the Bank in connection with compliance of, or the enforcement of, this Agreement and any instrument or agreement required hereunder, including but not limited to any such costs, expenses and fees arising out of the resolution of any conflict,

dispute, motion regarding entitlement to rights or rights of action, or other action to enforce the Bank's rights in a case arising under Title 11, United States Code.

7. Limitation of Secured Party's Liability. Except to the extent otherwise provided herein, the Secured Party will have no liability to the Bank or the Guarantor for any costs, fees or charges attributable to the Deposit Account. The Guarantor agrees that, to the extent the Secured Party pays to the Bank any costs, fees, or charges pursuant to the terms of this Agreement, the Guarantor will immediately reimburse the Secured Party for any costs, fees or charges the Secured Party pays, and all such amounts shall become additional indebtedness of the Guarantor secured by the Security Agreement and all other collateral now or hereafter granted to the Secured Party, until paid in full.

8. Limitation of Bank's Liability. The Bank will not be liable to the Guarantor or the Secured Party for any loss or damage sustained by the Guarantor or the Secured Party as a result of the Bank's failure to carry out its responsibilities under any provision of this Agreement; *provided, however*, that the foregoing shall not limit the Bank's liability for any loss or damage caused by or arising from the Bank's negligence or willful misconduct.

The Bank will not be liable to the Guarantor, the Secured Party or any third party for any expense, claim, loss, damage or cost ("Damages") arising out of or relating to its performance under this Agreement other than those Damages which result directly from its acts or omissions constituting negligence or intentional or willful misconduct.

9. Indemnification. To the extent permitted by law, the Guarantor agrees to save and hold harmless, to defend and to indemnify, the Bank, the Secured Party and the Bondholder Representative against all actions, proceedings, claims, demands, losses, outlays, damages, or expenses, including reasonable legal fees, of every nature and character as may arise or be made against the Bank, the Secured Party or the Bondholder Representative in respect of the Bank the Secured Party or the Bondholder Representative acting in accordance with this Agreement, or which the Bank, the Secured Party or the Bondholder Representative may in any way incur in defending or prosecuting, settling or discontinuing any such proceedings, actions, claims, damages, expenses or outlays, arising out of any act or omission of the Guarantor or Secured Party hereunder; *provided, however*, that the Guarantor shall have no obligation to indemnify the Bank or Secured Party with respect to losses or expenses arising from such entity's negligence or willful misconduct.

Secured Party will indemnify, save and hold harmless the Bank, its officers, directors, employees and agents against claims and liabilities and expenses of Bank (i) arising from Bank's compliance with instructions by Secured Party to Bank under and pursuant to Section 3(a) hereof or (ii) following Bank's receipt of a Notice of Control in connection with this Agreement, (including fees and costs incurred by Bank in complying with such instructions or requests, including reasonable attorneys' fees), except, in each case, to the extent any such claims, liabilities or expenses are caused by Bank's negligence or willful misconduct.

10. Termination. The rights and powers granted herein to the Secured Party (i) have been granted in order to perfect certain of the security interests granted under the Security Agreement, (ii) are powers coupled with an interest and (iii) will not be affected by any bankruptcy of the

Guarantor or any lapse of time.

Notwithstanding the above, the Bank may terminate this Agreement at any time (i) on not less than thirty (30) calendar days' prior written notice thereof to each of the other parties hereto, or (ii) upon not less than seven (7) calendar days' prior written notice thereof to each of the other parties hereto if the Guarantor shall have breached the deposit agreement or this Agreement as the Bank shall have reasonably determined; or (iii) with respect to the Secured Party if the Secured Party shall have breached this Agreement as the Bank shall have determined upon not less than seven (7) calendar days' prior written notice to the Secured Party and each of the other parties hereto, it being understood that this Agreement shall remain in full force and effect as among the other parties hereto.

11. No Fiduciary Relationship. Nothing contained in the Agreement shall create any agency, fiduciary, joint venture or partnership relationship between or among the Bank and/or the Guarantor and/or the Secured Party.

12. Addresses.

a. Secured Party. All notices, monthly statements of account, and copies of all documents that are to be given or sent to the Secured Party must be sent to:

Wilmington Trust, N.A.
25 South Charles Street, 11th Floor
Mail Code: MD2-CS58
Baltimore, MD 21201
Attention: Corporate Trust Department

b. Bank. All notices that are to be given or sent to the Bank must be sent to:

City National Bank
18111 Von Karman Ave., Suite 450
Irvine, CA 92612
Attention: Bradley Balen, SVP-Team Lead
949-223-4058

With copy to: City National Bank, Legal Services Division
555 South Flower St., 18th Floor
Los Angeles, California 90071
Attention: Deposit Account Control Agreement Unit

And copy to: Exception Item Processing (EIP)
1801 W. Olympic Blvd., 3rd Floor
Los Angeles, California 90006
Attention: Deposit Account Control Agreement Unit

- c. Guarantor. All notices, copies of monthly statements, daily deposit advices, and other documents that are to be given or sent to the Guarantor must be sent to:

Richard J. Brandes
P.O. Box 609
San Juan Capistrano, CA 92693

- d. Bondholder Representative. All notices, monthly statements of account, and copies of all documents that are to be given or sent to the Secured Party must be sent to:

RPM Capital Management, LLC
166 West Putnam Avenue
Greenwich, CT 06830
Attention: Michele M. Newland, Esq., Chief Investment Officer

Any written notice or other written communication to be given under this Agreement shall be addressed to each party or the Bondholder Representative at its/his address set forth on the signature page of this Agreement or to such other address as a party or the Bondholder Representative may specify in writing. Except as otherwise expressly provided herein, any such notice shall be effective upon receipt.

13. Authority and Ratification.

(a) Each party represents and warrants to the other parties that (i) this Agreement constitutes its duly authorized, legal, valid, binding and enforceable obligation; (ii) the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereunder will not (A) constitute or result in a breach of its certificate or articles of incorporation, by-laws or partnership agreement, as applicable, or the provisions of any material contract to which it is a party or by which it is bound or (B) result in the violation of any law, regulation, judgment, decree or governmental order applicable to it; and (iii) all approvals and authorizations required to permit the execution, delivery, performance and consummation of this Agreement and the transactions contemplated hereunder have been obtained.

(b) Each party agrees that it shall be deemed to make and renew each representation and warranty in subsection 13(a) on and as of each day on which the Guarantor or any other party uses the services set forth in this Agreement.

14. Modification. This Agreement will become effective immediately upon its execution by all of the parties. This Agreement may not be amended by the Bank or the Guarantor without the express written consent of the Secured Party and the Bondholder Representative. The Secured Party may modify this Agreement at any time in writing with the Bank's acceptance, the Guarantor's concurrence and the consent of the Bondholder Representative.

15. Governing Law. This Agreement shall be deemed executed, delivered and accepted in, and shall be governed by the internal laws (and not the law of conflicts) of, the State of California. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision is prohibited or

invalid thereunder, it (or the invalid portion thereof) shall be ineffective to the extent only of such prohibition or invalidity, without invalidating the remainder of any such provision or of this Agreement, which shall be given effect the same as if the invalid provision had not been included. The parties hereto all hereby waive all objections to venue and consents and submits to the jurisdiction of any state or federal court sitting in Los Angeles, California in connection with any action instituted by any party hereto by reason of or arising out of the execution, delivery or performance of this Agreement.

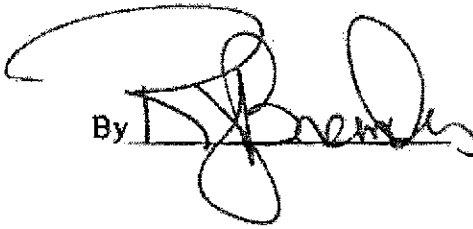
16. Waiver of Jury Trial. Each of the parties to this Agreement, upon consultation with legal counsel or the opportunity to do so, hereby WAIVES WITHOUT CONDITION OR RESERVATION ANY RIGHT TO A JURY TRIAL WITH REGARD TO ANY TYPE OF CLAIM IN A LEGAL ACTION ARISING FROM THIS AGREEMENT AND CONSENTS TO A TRIAL BY THE COURT.

17. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute only one original.

The parties, through their duly authorized officers, have caused this Agreement to be executed as of the date set forth at the beginning of this Agreement.

[Signature Page Follows]

RICHARD J. BRANDES, as
Guarantor

By 

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:
Title:

CITY NATIONAL BANK, as Bank

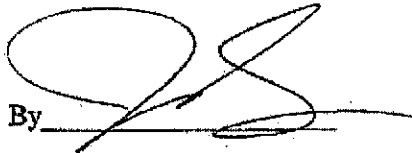
By _____

Name:
Title:

RICHARD J. BRANDES, as
Guarantor

By _____

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By  _____

Name: JAY SMITH
Title: vice President

CITY NATIONAL BANK, as Bank

By _____

Name:
Title:

RICHARD J. BRANDES, as
Guarantor


By _____

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:
Title:

CITY NATIONAL BANK, as Bank

By 

Name: Bradley Balen
Title: Senior Vice President

EXHIBIT A
[LETTERHEAD]

[Date]

City National Bank

Attention:

Re: Notice of Control

Ladies and Gentlemen:

As referenced in the Deposit Account Control Agreement dated as of February 26, 2015 (the "Control Agreement"), among Richard J. Brandes (the "Guarantor"), Wilmington Trust, N.A., as trustee, as Secured Party (the "Secured Party") and City National Bank (the "Bank") (a copy of which is attached), we notify you that we will hereafter exercise exclusive control over deposit account number 027452256 and any successor thereto maintained by the Guarantor with the Bank (the "Deposit Account"), subject to the rights of the Bank and other conditions set forth in the Control Agreement. You are instructed not to accept any directions or instructions with respect to the Account from any person other than the undersigned unless otherwise ordered by a court of competent jurisdiction.

Very truly yours,

Secured Party

WILMINGTON TRUST, N.A.

By: _____

Title: _____

Name: _____

cc: Richard J. Brandes, Guarantor
RPM Capital Management, LLC, Bondholder Representative

FIRST AMENDMENT TO DEPOSIT AND CONTROL AGREEMENT

Reference is made to a certain Deposit and Control Agreement (“Guarantor DACA”) dated as of February 26, 2015, by and among Richard J. Brandes, an individual residing in the State of California (the “Guarantor”), Wilmington Trust, N.A., as trustee (the “Secured Party”) under a certain Indenture dated as of February 1, 2015 between the California Statewide Communities Development Authority and the Secured Party relating to the Authority’s \$20,000,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015 (Taxable) and City National Bank (the “Bank” and, with the Guarantor and the Secured Party, the “DACA Parties”). Except as otherwise expressly defined herein, all terms used herein shall have the same meanings as set forth in the Guarantor DACA.

WHEREAS, Section 4 of the Guarantor DACA provides that the Bank may debit the Deposit Account for the Reimbursement Amounts due the Bank in connection with the Guarantor DACA; and

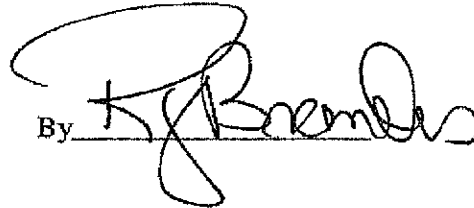
WHEREAS, the DACA Parties wish to provide that the Bank shall not debit the Deposit Account for any Reimbursement Amounts due the Bank and shall debit the account specified (“Specified Account”) in this First Amendment to Deposit Account and Control Agreement (“First Amendment”) for the Reimbursement Amounts unless the Specified Account does not have sufficient funds to pay the Reimbursement Amounts, in which case the Bank shall debit the Deposit Account for the Reimbursement Amounts;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the DACA Parties agree as follows:

1. Debiting of Specified Account for Reimbursement Amounts. Notwithstanding the provisions of Section 4 of the Guarantor DACA, but subject to the provisions of Section 2 of this First Amendment, as of and after the date hereof, the Bank shall not debit the Deposit Account for any Reimbursement Amounts due the Bank under the Guarantor DACA; rather the Bank shall debit the Guarantor’s Account # 023871831 (the “Specified Account”) for such Reimbursement Amounts.
2. Debiting of Deposit Account. Notwithstanding the provisions of Section 1 of this First Amendment, if at any time the Specified Account does not have sufficient funds to pay any Reimbursement Amounts then due (in the sole and exclusive discretion of the Bank), the Bank shall be entitled to debit the Deposit Account for any such Reimbursement Amounts in whole or in part, subject to and in accordance with the terms of the Guarantor DACA.
3. Ratification of Guarantor DACA. Except as varied by the terms of this First Amendment, the DACA Parties confirm the terms of the Guarantor DACA and agree that any further changes to the Guarantor DACA or this First Amendment shall be in a writing signed by all DACA Parties and acknowledged and agreed to by the Bondholder Representative.

WITNESS the parties' hands as of the 31st day of March, 2015.

RICHARD J. BRANDES, as
Guarantor

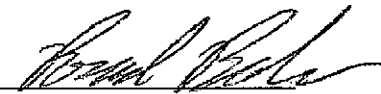
By 

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:
Title:

CITY NATIONAL BANK, as Bank

By 

Name: Bradley Balen
Title: SVP

Acknowledged and agreed to:

RPM CAPITAL MANAGEMENT, LLC,
as Bondholder Representative

By _____

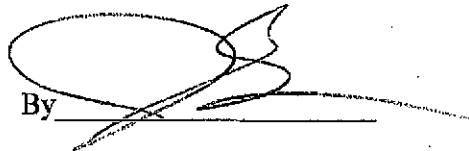
Name:

WITNESS the parties' hands as of the 31st day of March, 2015.

RICHARD J. BRANDES, as
Guarantor

By _____

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By  _____

Name: JAY SMITH
Title: Vice President

CITY NATIONAL BANK, as Bank

By _____

Name:
Title:

Acknowledged and agreed to:

RPM CAPITAL MANAGEMENT, LLC,
as Bondholder Representative

By _____

Name:

WITNESS the parties' hands as of the 31st day of March, 2015.

RICHARD J. BRANDES, as
Guarantor

By _____

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:
Title:

CITY NATIONAL BANK, as Bank

By _____

Name:
Title:

Acknowledged and agreed to:

RPM CAPITAL MANAGEMENT, LLC,
as Bondholder Representative

By _____

Name: Michele Newland
Title: Co-Chief Executive Officer
Chief Investment Officer

SECOND AMENDMENT TO DEPOSIT ACCOUNT AND CONTROL AGREEMENT

Reference is made to a certain Deposit Account and Control Agreement dated as of February 26, 2015, as amended by a certain First Amendment to Deposit Account and Control Agreement dated March 31, 2015 (as amended, "Guarantor DACA"), by and among Richard J. Brandes, an individual residing in the State of California (the "Guarantor"), Wilmington Trust, N.A., as trustee (the "Secured Party") under a certain Indenture dated as of February 1, 2015 between the California Statewide Communities Development Authority and the Secured Party relating to the Authority's \$20,000,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015 (Taxable), and City National Bank (the "Bank" and, with the Guarantor and the Secured Party, the "DACA Parties"). Except as otherwise expressly defined herein, all terms used herein shall have the same meanings as set forth in the Guarantor DACA.

WHEREAS, prior to the execution and delivery of this Second Amendment to Deposit Account and Control Agreement (this "Second Amendment"), the Guarantor has entered into: (1) that certain Continuing Guaranty dated May 6, 2016 (the "2016 Guaranty") in favor of the Secured Party, the California Public Finance Authority, and RPM Capital Management, LLC (the "Bondholder Representative"); and (2) that certain Security and Covenants Agreement dated May 1, 2016 between the Guarantor and the Secured Party (the "2016 Security Agreement") and pursuant to which, to secure the payment of amounts due under the 2016 Guaranty, the Guarantor has granted to the Secured Party a continuing security interest, in the Collateral as more fully described in the 2016 Security Agreement including, without limitation, the Deposit Account and any funds therein, whether now existing or hereafter arising;

WHEREAS, in connection with the 2016 Guaranty, the Guarantor under the 2016 Security Agreement has assigned all of its interest in the Deposit Account and the funds therein to the Secured Party; and

WHEREAS, the parties desire to enter into this Agreement in order to perfect and protect the security interest in the Deposit Account;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the DACA Parties agree as follows:

1. Guarantor DACA Reference to Security Agreements. All references in the Guarantor DACA to the Security Agreement shall jointly refer to the Security Agreement (as defined in the Guarantor DACA) and the 2016 Security Agreement.
2. Guarantor DACA Reference to Guarantees. All references in the Guarantor DACA to the Guaranty shall jointly refer to the Guaranty (as defined in the Guarantor DACA) and the 2016 Guaranty.
3. Ratification of Guarantor DACA. Except as varied by the terms of this Second Amendment, the DACA Parties confirm the terms of the Guarantor DACA and agree that any further changes to the Guarantor DACA or this Second Amendment shall be in a writing signed by all DACA Parties and acknowledged and agreed to by the Bondholder Representative.

WITNESS the parties' hands as of the 6th day of May, 2016.

RICHARD J. BRANDES, as
Guarantor

By _____

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____
Name:
Title:

CITY NATIONAL BANK, as Bank

By _____
Name:
Title:

Acknowledged and agreed to:

RPM CAPITAL MANAGEMENT, LLC,
as Bondholder Representative

By _____
Name: Michele M. Newland, Esq.
Title: Co-Chief Executive Officer and
Chief Investment Officer

DEPOSIT ACCOUNT AND CONTROL AGREEMENT

THIS DEPOSIT ACCOUNT AND CONTROL AGREEMENT ("Agreement") dated as of February 26, 2015, is by and among BALBOA MANAGEMENT GROUP, LLC, a Delaware limited liability company with a principal place of business in California (the "Borrower"), WILMINGTON TRUST, N.A., as trustee (the "Secured Party") under a certain Indenture dated as of February 1, 2015 between the California Statewide Communities Development Authority (the "Authority") and the Secured Party relating to the Authority's \$20,000,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015 (Taxable) (the "Bonds") and CITY NATIONAL BANK (the "Bank").

RECITALS

- A. The Borrower is the Bank's customer with respect to deposit account number 023873745, established and maintained in the name of "Balboa Management Group, LLC" (such deposit account and any successor thereto is referred to as the "Deposit Account").
- B. Prior to the execution and delivery of this Agreement, the Borrower has entered into that certain Security and Covenants Agreement dated February 1, 2015 among the Borrower, the Authority and the Secured Party (the "Security Agreement") and pursuant to which, to secure the payment of amounts due under the Bonds and a Loan Agreement dated as of February 1, 2015 between the Borrower and the Authority relating to the Bonds, the Borrower has granted to the Secured Party a continuing security interest, in the Collateral as more fully described in the Security Agreement including, without limitation, the Deposit Account and any funds therein, whether now existing or hereafter arising. In connection with the Guaranty, the Borrower under the Security Agreement has assigned all of its interest in the Deposit Account and the funds therein to the Secured Party.
- C. The parties desire to enter into this Agreement in order to perfect and protect the security interest in the Deposit Account.

AGREEMENT

THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration, and intending to be legally bound, the parties agree as follows:

1. The Deposit Account.
 - a. The Bank confirms that it has established on its books the Deposit Account.
 - b. The Bank further confirms that the Deposit Account is a "deposit account" (as defined in Section 9-102(a) (29) of the Uniform Commercial Code) and is not evidenced by a certificate of deposit or instrument.
 - c. Except for the claims and interests of the Bank and the Secured Party, the Bank does not know of any claim to, or interest in, the Deposit Account.

- d. The Bank has not entered into, and until the termination of this Agreement, will not enter into, any agreement (whether or not designated a 'control agreement', "deposit account control agreement" or similar agreement) with any person or entity (other than the Secured Party) relating to the Deposit Account pursuant to which it has agreed, or will agree, to comply with any instructions of such person or entity.
- e. The Bank agrees not to change the name (owner) or account number of the Deposit Account without the prior written consent of the Secured Party and RPM Capital Management, LLC (the "Bondholder Representative").

2. Maintenance of Account; Deposit of Proceeds. The Borrower agrees that:

- a. During the term of the Security Agreement, it will (i) maintain the Deposit Account at the Bank (or with another depository institution which has entered into a control agreement with the Secured Party containing terms and conditions which are not less favorable to the Secured Party than those set forth in this Agreement and which has been consented to by the Bondholder Representative) pursuant to the terms of the Security Agreement, and (ii) deposit to the Deposit Account all payments to it (whether in the form of revenues, interest, dividends, or any other moneys received by the Borrower).
- b. It will not close the Deposit Account during the time the Security Agreement is in effect.
- c. It will not assign, transfer or grant any interest, including any security interest, in the Deposit Account to any other person or entity other than the Bank and the Secured Party.

3. Compliance with Instructions.

- a. Subject to the conditions set forth in Section 4 hereof, the Bank agrees to comply with any written instructions originated by the Secured Party directing disposition of funds in the Deposit Account, without further consent by the Borrower or any other person. The Borrower hereby consents to the foregoing agreement by the Bank.
- b. Upon the occurrence of a default under the Security Agreement or the Guaranty (or at any time thereafter), the Secured Party may send a written notice to the Bank, in substantially the form of Exhibit A, stating that it is exercising exclusive control over the Deposit Account (a "Notice of Control"). So long as the Bank has not received a Notice of Control, the Bank may comply with instructions of the Borrower in respect of the Deposit Account so long as such instructions have been consented to by the countersignature of the Bondholder Representative in a writing furnished to the Borrower, the Bank and the Secured Party. After the Bank receives a Notice of Control, the Bank will cease complying with instructions of the Borrower.
- c. The Bank shall have no duty to inquire or determine whether any of Borrower's obligations to the Secured Party is in default or whether the Secured Party is entitled

to provide such written notice to the Bank. Further, the Bank may rely on notices and communications it believes to be genuine and given by the appropriate party.

- d. The Bank will be excused from failing to act or delay in acting, and no such failure or delay shall constitute a breach of this Agreement or otherwise give rise to any liability of Bank, if (i) such failure or delay is caused by circumstances beyond Bank's reasonable control, including but not limited to legal constraint, emergency conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor dispute, war, riot, theft, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities, equipment failure, or negligence or default of any party to this Agreement or third party or (ii) such failure or delay resulted from the Bank's reasonable belief that the action would have violated any guideline, rule or regulation of any governmental authority.
- e. Notwithstanding any of the other provisions in this Agreement, in the event of the commencement of a case pursuant to Title 11, United States Code, filed by or against the Borrower, or in the event of the commencement of any similar case under then applicable federal or state law providing for the relief of debtors or the protection of creditors by or against the Borrower, the Bank may act as the Bank reasonably deems necessary to comply with all applicable provisions of governing statutes and shall not be in violation of this Agreement as a result.
- f. The Bank shall be permitted to comply with any writ, levy order or other similar judicial or regulatory order or process concerning the Deposit Account or any check and shall not be in violation of this Agreement for so doing, provided that it shall give notice thereof to the Secured Party and the Bondholder Representative within a reasonable period of time prior thereto in order to allow the Secured Party to protect its security interest.

4. Obligations Owing to Bank. Notwithstanding the Bank's agreement to comply with instructions originated by the Secured Party, the Borrower and the Secured Party hereby agree that the Bank may set off against any funds on deposit in the Deposit Account, whether before or after receipt of a Notice of Control, for payment or reimbursement of (i) its customary fees, charges and expenses for maintaining, servicing and/or operating the Deposit Account, (ii) the amount of any loss to the Bank for the face amount of any check, draft, ACH credit, electronic funds transfer or other amount which (A) has been credited by the Bank to any Deposit Account and which has subsequently been returned unpaid or dishonored because of uncollected or insufficient funds or the like or, (B) was mistakenly credited to such Deposit Account, all such amounts hereafter referred to as the ("Reimbursement Amounts"). As between the Bank and the Secured Party, the Bank's rights in the Deposit Account to the Reimbursement Amounts as set forth herein shall be deemed to be superior to the interest of the Secured Party in such Deposit Account. Except as set forth in the preceding sentence, as against the Secured Party, the Bank agrees that the amounts credited to the Deposit Account will not be subject to deduction, set-off, banker's lien or any other right in favor of the Bank. In the event the amounts held in the Deposit Account are insufficient to recover to the Bank the Reimbursement Amounts, the Borrower shall, within 15 days of the date of demand by Bank, pay Bank the amount of any Reimbursement Amount required by Bank. In the event the Borrower fails to pay Bank such Reimbursement Amount upon demand, then to the extent, and only to the extent, that the

Secured Party has (i) provided Bank with a Notice of Control, and (ii) directly received the funds for which reimbursement is sought, the Secured Party shall, within 30 days after demand by the Bank pay the Bank the Reimbursement Amount for which the Secured Party has previously received payment, solely to the extent funds are available on hand to do so from either the Deposit Account or from amounts otherwise received pursuant to this Section 4.

5. Actions by the Borrower.

- a. The Borrower understands and agrees that the Deposit Account will at all times be subject to the ongoing rights of the Bank set forth in Section 4 above.
- b. After such time as the Secured Party has delivered a Notice of Control, the Borrower agrees that he will not attempt to withdraw or transfer funds from, or give instructions to the Bank with respect to, the Deposit Account.
- c. The Borrower agrees that, upon the Secured Party's delivery of a Notice of Control to the Bank, the Bank shall follow the instructions of the Secured Party with respect to the Account. The Borrower shall provide the Secured Party and the Bondholder Representative with a copy of reports received from the Bank relating to the Deposit Account as may be requested. The Borrower hereby irrevocably authorizes the Bank to provide such reports directly to the Secured Party and the Bondholder Representative upon the Secured Party's or the Bondholder Representative's written request, both prior to and after receipt from the Secured Party of a Notice of Control.

6. Charges for Services. Charges for services rendered and any other charges, costs or fees incurred pursuant to this Agreement or the account agreements of the Borrower with the Bank in connection with the Deposit Account, will be debited against the Deposit Account, and, if there are insufficient funds in such Deposit Account, will be billed to and paid directly by the Borrower. In order to assure the Bank that such funds will be available at all times, the parties agree that the Deposit Account shall, at all times following its initial funding, have a minimum balance of Twenty Thousand Dollars (\$20,000) (the "Minimum Balance"). In the event the Deposit Account falls below the Minimum Balance at any time, the Borrower shall cause it to be restored to the Minimum Balance within five (5) Business Days after notice from the Bank that the Minimum Balance has not been maintained. The Borrower's failure to restore the Deposit Account to the Minimum Balance within such period shall result in the Bank having no further obligations hereunder (other than payment of any remaining amounts in the Deposit Account as directed by the Secured Party and the Bondholder Representative).

The Borrower shall pay to the Bank, upon receipt of the Bank's invoice, all costs, expenses and reasonable attorneys' fees incurred by the Bank in connection with compliance of, or the enforcement of, this Agreement and any instrument or agreement required hereunder, including but not limited to any such costs, expenses and fees arising out of the resolution of any conflict, dispute, motion regarding entitlement to rights or rights of action, or other action to enforce the Bank's rights in a case arising under Title 11, United States Code.

7. Limitation of Secured Party's Liability. Except to the extent otherwise provided herein, the Secured Party will have no liability to the Bank or the Borrower for any costs, fees or charges attributable to the Deposit Account. The Borrower agrees that, to the extent the Secured Party

pays to the Bank any costs, fees, or charges pursuant to the terms of this Agreement, the Borrower will immediately reimburse the Secured Party for any costs, fees or charges the Secured Party pays, and all such amounts shall become additional indebtedness of the Borrower secured by the Security Agreement and all other collateral now or hereafter granted to the Secured Party, until paid in full.

8. Limitation of Bank's Liability. The Bank will not be liable to the Borrower or the Secured Party for any loss or damage sustained by the Borrower or the Secured Party as a result of the Bank's failure to carry out its responsibilities under any provision of this Agreement; *provided, however*, that the foregoing shall not limit the Bank's liability for any loss or damage caused by or arising from the Bank's negligence or willful misconduct.

The Bank will not be liable to the Borrower, the Secured Party or any third party for any expense, claim, loss, damage or cost ("Damages") arising out of or relating to its performance under this Agreement other than those Damages which result directly from its acts or omissions constituting negligence or intentional or willful misconduct.

9. Indemnification. To the extent permitted by law, the Borrower agrees to save and hold harmless, to defend and to indemnify, the Bank, the Secured Party and the Bondholder Representative against all actions, proceedings, claims, demands, losses, outlays, damages, or expenses, including reasonable legal fees, of every nature and character as may arise or be made against the Bank, the Secured Party or the Bondholder Representative in respect of the Bank the Secured Party or the Bondholder Representative acting in accordance with this Agreement, or which the Bank, the Secured Party or the Bondholder Representative may in any way incur in defending or prosecuting, settling or discontinuing any such proceedings, actions, claims, damages, expenses or outlays, arising out of any act or omission of the Borrower or Secured Party hereunder; *provided, however*, that the Borrower shall have no obligation to indemnify the Bank or Secured Party with respect to losses or expenses arising from such entity's negligence or willful misconduct.

Secured Party will indemnify, save and hold harmless the Bank, its officers, directors, employees and agents against claims and liabilities and expenses of Bank (i) arising from Bank's compliance with instructions by Secured Party to Bank under and pursuant to Section 3(a) hereof or (ii) following Bank's receipt of a Notice of Control in connection with this Agreement, (including fees and costs incurred by Bank in complying with such instructions or requests, including reasonable attorneys' fees), except, in each case, to the extent any such claims, liabilities or expenses are caused by Bank's negligence or willful misconduct.

10. Termination. The rights and powers granted herein to the Secured Party (i) have been granted in order to perfect certain of the security interests granted under the Security Agreement, (ii) are powers coupled with an interest and (iii) will not be affected by any bankruptcy of the Borrower or any lapse of time.

Notwithstanding the above, the Bank may terminate this Agreement at any time (i) on not less than thirty (30) calendar days' prior written notice thereof to each of the other parties hereto, or (ii) upon not less than seven (7) calendar days' prior written notice thereof to each of the other parties hereto if the Borrower shall have breached the deposit agreement or this Agreement as

the Bank shall have reasonably determined; or (iii) with respect to the Secured Party if the Secured Party shall have breached this Agreement as the Bank shall have determined upon not less than seven (7) calendar days' prior written notice to the Secured Party and each of the other parties hereto, it being understood that this Agreement shall remain in full force and effect as among the other parties hereto.

11. No Fiduciary Relationship. Nothing contained in the Agreement shall create any agency, fiduciary, joint venture or partnership relationship between or among the Bank and/or the Borrower and/or the Secured Party.

12. Addresses.

a. Secured Party. All notices, monthly statements of account, and copies of all documents that are to be given or sent to the Secured Party must be sent to:

Wilmington Trust, N.A.
25 South Charles Street, 11th Floor
Mail Code: MD2-CS58
Baltimore, MD 21201
Attention: Corporate Trust Department

b. Bank. All notices that are to be given or sent to the Bank must be sent to:

City National Bank
18111 Von Karman Ave., Suite 450
Irvine, CA 92612
Attention: Bradley Balen, SVP-Team Lead
949-223-4058

With copy to: City National Bank, Legal Services Division
555 South Flower St., 18th Floor
Los Angeles, California 90071
Attention: Deposit Account Control Agreement Unit

And copy to: Exception Item Processing (EIP)
1801 W. Olympic Blvd., 3rd Floor
Los Angeles, California 90006
Attention: Deposit Account Control Agreement Unit

- c. Borrower. All notices, copies of monthly statements, daily deposit advices, and other documents that are to be given or sent to the Borrower must be sent to:

Balboa Management Group, LLC
P.O. Box 609
San Juan Capistrano, CA 92693
Attention: Chief Financial Officer

- d. Bondholder Representative. All notices, monthly statements of account, and copies of all documents that are to be given or sent to the Secured Party must be sent to:

RPM Capital Management, LLC
166 West Putnam Avenue
Greenwich, CT 06830
Attention: Michele M. Newland, Esq., Chief Investment Officer

Any written notice or other written communication to be given under this Agreement shall be addressed to each party or the Bondholder Representative at its/his address set forth on the signature page of this Agreement or to such other address as a party or the Bondholder Representative may specify in writing. Except as otherwise expressly provided herein, any such notice shall be effective upon receipt.

13. Authority and Ratification.

(a) Each party represents and warrants to the other parties that (i) this Agreement constitutes its duly authorized, legal, valid, binding and enforceable obligation; (ii) the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereunder will not (A) constitute or result in a breach of its certificate or articles of incorporation, by-laws or partnership agreement, as applicable, or the provisions of any material contract to which it is a party or by which it is bound or (B) result in the violation of any law, regulation, judgment, decree or governmental order applicable to it; and (iii) all approvals and authorizations required to permit the execution, delivery, performance and consummation of this Agreement and the transactions contemplated hereunder have been obtained.

(b) Each party agrees that it shall be deemed to make and renew each representation and warranty in subsection 13(a) on and as of each day on which the Borrower or any other party uses the services set forth in this Agreement.

14. Modification. This Agreement will become effective immediately upon its execution by all of the parties. This Agreement may not be amended by the Bank or the Borrower without the express written consent of the Secured Party and the Bondholder Representative. The Secured Party may modify this Agreement at any time in writing with the Bank's acceptance, the Borrower's concurrence and the consent of the Bondholder Representative.

15. Governing Law. This Agreement shall be deemed executed, delivered and accepted in, and shall be governed by the internal laws (and not the law of conflicts) of, the State of California. Whenever possible, each provision of this Agreement shall be interpreted in such

manner as to be effective and valid under applicable law, but if any provision is prohibited or invalid thereunder, it (or the invalid portion thereof) shall be ineffective to the extent only of such prohibition or invalidity, without invalidating the remainder of any such provision or of this Agreement, which shall be given effect the same as if the invalid provision had not been included. The parties hereto all hereby waive all objections to venue and consents and submits to the jurisdiction of any state or federal court sitting in Los Angeles, California in connection with any action instituted by any party hereto by reason of or arising out of the execution, delivery or performance of this Agreement.

16. Waiver of Jury Trial. Each of the parties to this Agreement, upon consultation with legal counsel or the opportunity to do so, hereby WAIVES WITHOUT CONDITION OR RESERVATION ANY RIGHT TO A JURY TRIAL WITH REGARD TO ANY TYPE OF CLAIM IN A LEGAL ACTION ARISING FROM THIS AGREEMENT AND CONSENTS TO A TRIAL BY THE COURT.

17. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute only one original.

The parties, through their duly authorized officers, have caused this Agreement to be executed as of the date set forth at the beginning of this Agreement.

[Signature Page Follows]

BALBOA MANAGEMENT
GROUP, LLC, as Borrower

By 

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:
Title:

CITY NATIONAL BANK, as Bank

By _____

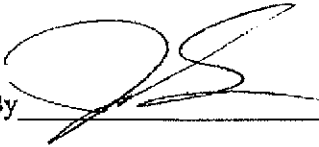
Name:
Title:

BALBOA MANAGEMENT
GROUP, LLC, as Borrower

By _____

Name:
Title:

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By  _____

Name: JAY SMITH
Title: Vice President

CITY NATIONAL BANK, as Bank

By _____

Name:
Title:

BALBOA MANAGEMENT
GROUP, LLC, as Borrower

By _____

Name:

Title:

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:

Title:

CITY NATIONAL BANK, as Bank

By 

Name: Bradley Balen

Title: Senior Vice President

EXHIBIT A
[LETTERHEAD]

[Date]

City National Bank

Attention:

Re: Notice of Control

Ladies and Gentlemen:

As referenced in the Deposit Account Control Agreement dated as of February 26, 2015 (the "Control Agreement"), among Balboa Management Group (the "Borrower"), Wilmington Trust, N.A., as trustee, as Secured Party (the "Secured Party") and City National Bank (the "Bank") (a copy of which is attached), we notify you that we will hereafter exercise exclusive control over deposit account number 023873745 and any successor thereto maintained by the Borrower with the Bank (the "Deposit Account"), subject to the rights of the Bank and other conditions set forth in the Control Agreement. You are instructed not to accept any directions or instructions with respect to the Account from any person other than the undersigned unless otherwise ordered by a court of competent jurisdiction.

Very truly yours,

Secured Party

WILMINGTON TRUST, N.A.

By: _____

Title: _____

Name: _____

cc: Balboa Management Group, LLC, Borrower
RPM Capital Management, LLC, Bondholder Representative

FIRST AMENDMENT TO DEPOSIT AND CONTROL AGREEMENT

Reference is made to a certain Deposit and Control Agreement (“Borrower DACA”) dated as of February 26, 2015, by and among Balboa Management Group, LLC, a Delaware limited liability company with a principal place of business in California (the “Borrower”), Wilmington Trust, N.A., as trustee (the “Secured Party”) under a certain Indenture dated as of February 1, 2015 between the California Statewide Communities Development Authority and the Secured Party relating to the Authority’s \$20,000,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015 (Taxable) and City National Bank (the “Bank” and, with the Borrower and the Secured Party, the “DACA Parties”). Except as otherwise expressly defined herein, all terms used herein shall have the same meanings as set forth in the Borrower DACA.

WHEREAS, Section 4 of the Borrower DACA provides that the Bank may debit the Deposit Account for the Reimbursement Amounts due the Bank in connection with the Borrower DACA; and

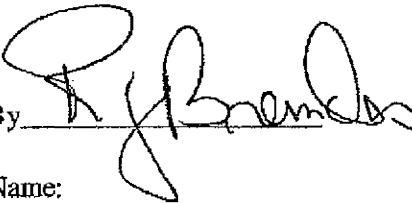
WHEREAS, the DACA Parties wish to provide that the Bank shall not debit the Deposit Account for any Reimbursement Amounts due the Bank and shall debit the account specified (“Specified Account”) in this First Amendment to Deposit Account and Control Agreement (“First Amendment”) for the Reimbursement Amounts unless the Specified Account does not have sufficient funds to pay the Reimbursement Amounts, in which case the Bank shall debit the Deposit Account for the Reimbursement Amounts;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the DACA Parties agree as follows:

1. Debiting of Specified Account for Reimbursement Amounts. Notwithstanding the provisions of Section 4 of the Borrower DACA, but subject to the provisions of Section 2 of this First Amendment, as of and after the date hereof, the Bank shall not debit the Deposit Account for any Reimbursement Amounts due the Bank under the Borrower DACA; rather the Bank shall debit the Borrower’s Account # 023908476 (the “Specified Account”) for such Reimbursement Amounts.
2. Debiting of Deposit Account. Notwithstanding the provisions of Section 1 of this First Amendment, if at any time the Specified Account does not have sufficient funds to pay any Reimbursement Amounts then due (in the sole and exclusive discretion of the Bank), the Bank shall be entitled to debit the Deposit Account for any such Reimbursement Amounts in whole or in part, subject to and in accordance with the terms of the Borrower DACA.
3. Ratification of Borrower DACA. Except as varied by the terms of this First Amendment, the DACA Parties confirm the terms of the Borrower DACA and agree that any further changes to the Borrower DACA or this First Amendment shall be in a writing signed by all DACA Parties and acknowledged and agreed to by the Bondholder Representative.

WITNESS the parties' hands as of the 31st day of March, 2015.

BALBOA MANAGEMENT
GROUP, LLC, as Borrower

By 

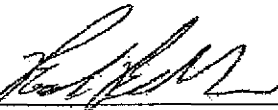
Name:
Title:

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:
Title:

CITY NATIONAL BANK, as Bank

By 

Name: Bradley Balen
Title: EVP

Acknowledged and agreed to:

RPM CAPITAL MANAGEMENT, LLC,
as Bondholder Representative

By _____

WITNESS the parties' hands as of the 31st day of March, 2015.

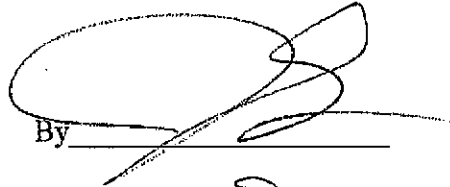
BALBOA MANAGEMENT
GROUP, LLC, as Borrower

By _____

Name:

Title:

WILMINGTON TRUST
COMPANY, N.A., as Secured Party


By _____

Name: JAY SMITH
Title: Vice President

CITY NATIONAL BANK, as Bank

By _____

Name:

Title:

Acknowledged and agreed to:

RPM CAPITAL MANAGEMENT, LLC,
as Bondholder Representative

By _____

WITNESS the parties' hands as of the 31st day of March, 2015.

BALBOA MANAGEMENT
GROUP, LLC, as Borrower

By _____

Name:
Title:

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____

Name:
Title:

CITY NATIONAL BANK, as Bank

By _____

Name:
Title:

Acknowledged and agreed to:

RPM CAPITAL MANAGEMENT, LLC,
as Bendholder Representative

By  _____

Name: Michele Newland
Title: Co-Chief Executive Officer
Chief Investment Officer

APPENDIX F-2

FORM OF CERTIFICATE OF BONDHOLDER REPRESENTATIVE

The undersigned, an Officer of RPM Capital Management, LLC (the “*Bondholder Representative*”), does hereby certify, represent and agree, as follows:

1. The Bondholder Representative is the duly elected representative of Beneficial Owners of 100% in outstanding aggregate principal amount of the \$5,900,000 Revenue Bonds (SilverLakes Equestrian & Sports Park) Series 2016 (Taxable) (the “*2016 Bonds*”), of the California Public Finance Authority (the “*Issuer*”), which Bonds have been issued and delivered on the date of this Certificate.

2. The 2016 Bonds are currently Outstanding in the aggregate principal amount of \$5,900,000. The Bondholder Representative represents the Owners of all of the 2016 Bonds Outstanding. The Bondholder Representative is delivering this Certificate on behalf of such Owners and all other Owners of the 2016 Bonds from time to time represented by the Bondholder Representative (the “*Owner*” or “*Owners*”).

3. Each Owner is informed that the 2016 Bonds are not general obligations of the Issuer, but are special, limited obligations payable and secured solely as provided for in the Indenture, dated as of May 1, 2016, between the Issuer and Wilmington Trust, N.A. (the “*Trustee*”), as trustee (the “*Indenture*”) and a Loan Agreement, dated as of May 1, 2016, between Balboa Management Group LLC (the “*Borrower*”) and the Issuer (the “*Loan Agreement*” and together with the Indenture, the “*Bond Documents*”).

4. Each Owner and the Bondholder Representative has full power and authority to carry on its business as now conducted.

5. Each Owner is an “accredited investor”, as defined in Rule 105 of Regulation D of the Securities Act of 1933, as amended (“*Securities Act*”) or a “qualified institutional buyer”, as defined in Rule 144A of the Securities Act.

6. Each Owner has retained RPM Capital Management, LLC to advise and represent the Owner regarding the purchase and sale of securities of entities such as the Borrower and of securities such as the 2016 Bonds. Each Owner has the ability to bear the economic risks of an investment in the 2016 Bonds, and is an “accredited investor” or a “qualified institutional buyer”.

7. Each Owner is not now, and has never been controlled by, or under common control, with the Borrower. The Borrower has never been, and is not now, controlled by any Owner. No Owner has entered into any arrangements with the Borrower or with any affiliate of the Borrower in connection with the 2016 Bonds, other than as disclosed to the Issuer or Trustee.

8. The Issuer, the State of California, and the Trustee have not undertaken and will not undertake steps to ascertain the accuracy or completeness of the information furnished to any Owner with respect to the Borrower, R.J. Brandes (the “*Guarantor*”), the 2016 Bonds, or the Project financed by the 2016 Bonds. No Owner has relied or will rely upon the Issuer, the State of California, or the Trustee in any way with regard to the accuracy or completeness of the

information furnished to any Owner in connection with the purchase of the 2016 Bonds, nor have any such parties made any representation to any Owner with respect to that information.

9. The Bondholder Representative is sufficiently knowledgeable and experienced in financial and business matters, including the purchase and ownership of municipal and other tax-exempt and taxable debt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the 2016 Bonds, and it is capable of and has made its own investigation of the Borrower, the Guarantor and the Project in connection with its decision to recommend the purchase of the 2016 Bonds on behalf of the Owners.

10. The 2016 Bonds are purchased by every Owner for the purpose of investment and each Owner intends to hold the 2016 Bonds for its own account as a long-term investment, without a current view to any distribution or sale of the 2016 Bonds. Each Owner is informed that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

11. Each Owner is informed that the 2016 Bonds will not be listed on any stock or other securities exchange and were issued without registration under the provisions of the Securities Act, or any state securities laws, and the 2016 Bonds may not be resold, transferred, pledged or hypothecated, in whole or in part, unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from registration is available. Each Owner is informed that the 2016 Bonds will not carry any rating from any rating service. Each Owner is informed that, unless the Issuer is informed that the 2016 Bonds have an investment grade rating, the 2016 Bonds may be transferred only to an “accredited investor”, a “qualified institutional buyer” or a broker-dealer of securities.

Dated this 6th day of May, 2016.

RPM CAPITAL MANAGEMENT, LLC

By: _____
Its: _____

SECOND AMENDMENT TO DEPOSIT ACCOUNT AND CONTROL AGREEMENT

Reference is made to a certain Deposit Account and Control Agreement dated as of February 26, 2015, as amended by a certain First Amendment to Deposit Account and Control Agreement dated March 31, 2015 (as amended, "Borrower DACA"), by and among Balboa Management Group, LLC, a Delaware limited liability company (the "Borrower"), Wilmington Trust, N.A., as trustee (the "Secured Party") under a certain Indenture dated as of February 1, 2015 between the California Statewide Communities Development Authority and the Secured Party relating to the Authority's \$20,000,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2015 (Taxable), and City National Bank (the "Bank" and, with the Borrower and the Secured Party, the "DACA Parties"). Except as otherwise expressly defined herein, all terms used herein shall have the same meanings as set forth in the Borrower DACA.

WHEREAS, prior to the execution and delivery of this Second Amendment to Deposit Account and Control Agreement (this "Second Amendment"), the Borrower has entered that certain Security and Covenants Agreement dated May 1, 2016 between the Guarantor and the Secured Party (the "2016 Security Agreement") and pursuant to which, to secure the payment of amounts due under those certain California Public Finance Authority (the "Authority") \$5,900,000 Revenue Bonds (Silverlakes Equestrian & Sports Park) Series 2016 (Taxable) (the "Bonds") issued under a certain Indenture dated as of May 1, 2016 between the Authority and the Security Party, and a Loan Agreement dated as of May 1, 2016 between the Borrower and the Authority relating to the Bonds, the Borrower has granted to the Secured Party a continuing security interest, in the Collateral as more fully described in the 2016 Security Agreement including, without limitation, the Deposit Account and any funds therein, whether now existing or hereafter arising;

WHEREAS, in connection with the 2016 Security Agreement, the Borrower has assigned all of its interest in the Deposit Account and the funds therein to the Secured Party; and

WHEREAS, the parties desire to enter into this Agreement in order to perfect and protect the security interest in the Deposit Account;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the DACA Parties agree as follows:

1. Borrower DACA Reference to Security Agreements. All references in the Borrower DACA to the Security Agreement shall jointly refer to the Security Agreement (as defined in the Borrower DACA) and the 2016 Security Agreement.
2. Ratification of Borrower DACA. Except as varied by the terms of this Second Amendment, the DACA Parties confirm the terms of the Borrower DACA and agree that any further changes to the Borrower DACA or this Second Amendment shall be in a writing signed by all DACA Parties and acknowledged and agreed to by the Bondholder Representative.

WITNESS the parties' hands as of the 6th day of May, 2016.

BALBOA MANAGEMENT
GROUP, LLC, as Borrower

By _____
Name: Richard J. Brandes
Title: Manager

WILMINGTON TRUST
COMPANY, N.A., as Secured Party

By _____
Name:
Title:

CITY NATIONAL BANK, as Bank

By _____
Name:
Title:

Acknowledged and agreed to:

RPM CAPITAL MANAGEMENT, LLC,
as Bondholder Representative

By _____
Name: Michele M. Newland, Esq.
Title: Co-Chief Executive Officer and
Chief Investment Officer

CALIFORNIA PUBLIC FINANCE AUTHORITY • REVENUE BONDS (SILVERLAKES EQUESTRIAN & SPORTS PARK), SERIES 2016 (TAXABLE)



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