

LOAN AGREEMENT BY AND BETWEEN
THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
AND
THE CITY OF SAN DIEGO

(NTC SECTION 108 LOAN)

THIS LOAN AGREEMENT (Agreement) is made and entered into on this ____ day of _____, 2011, (Effective Date) by and between the Redevelopment Agency of the City of San Diego, a public body corporate and politic (Agency) and the City of San Diego, a municipal corporation (City), collectively referred to herein as the "Parties", with reference to the following:

RECITALS

WHEREAS, the City Council of the City adopted Redevelopment Plans for the Centre City, Horton Plaza, Central Imperial, Gateway Center West, Southcrest, Mount Hope, Linda Vista, College Grove, Barrio Logan, City Heights, College Community, North Park, San Ysidro, Naval Training Center, North Bay, Crossroads, and Grantville Redevelopment Projects (collectively referred to herein as the Agency Redevelopment Project Areas, or individually referred to herein as an Agency Redevelopment Project Area); and

WHEREAS, the Implementation Plans approved by the Agency for the respective Agency Redevelopment Project Areas provide for the implementation of certain activities necessary or appropriate to carry out the Redevelopment Plans for the respective Agency Redevelopment Project Areas; and

WHEREAS, pursuant to the provisions of the California Community Redevelopment Law (Community Redevelopment Law), set forth at California Health and Safety Code section 33000 et seq., the Agency is engaged in activities necessary to execute and implement the Redevelopment and Implementation Plans for each of the Agency Redevelopment Project Areas; and

WHEREAS, pursuant to California Health and Safety Code section 33600, the Agency may accept financial or other assistance from any public source for the Agency's activities, powers, and duties, and expend any funds so received for any of the purposes of the Community Redevelopment Law; and

WHEREAS, pursuant to California Health and Safety Code section 33601, the Agency may borrow or accept financial or other assistance from the state or federal government or any other public agency for any Agency redevelopment project within its area of operation, and may comply with any conditions of such loan or grant; and

WHEREAS, in order to aid the Agency in acting to carry out its public purposes of executing and implementing the Redevelopment Plan for the Naval Training Center

Redevelopment Project Area (NTC Redevelopment Project Area) under the Community Redevelopment Law, the City borrowed approximately \$5.91 million from the federal Department of Housing and Urban Development (HUD) in Section 108 funds which were then loaned to the Agency, (NTC Section 108 Loan); and

WHEREAS, the City is required to repay HUD and the Agency has committed to provide the funds necessary to make the City's payments to HUD as described in the Payment and Amortization Schedule attached hereto as Exhibit A; and

WHEREAS, the Agency and the City now wish to enter into this Agreement to memorialize the City's loan of HUD funds to the Agency and the Agency's obligation to provide for the repayment of the NTC Section 108 Loan, and for the Agency to execute a Promissory Note (Note), the form of which is attached hereto as Exhibit B, as evidence of the Agency's debt to the City; and

WHEREAS, the Note is in an amount of \$7,046,755.95, including principal in an amount of \$4,840,000 and total interest of \$2,206,755.95, which represents the City's loan repayment obligations as reflected in Exhibit A, less payments that have already been made and which have been funded by the Agency; and

WHEREAS, the Parties hereby determine that the proposed repayment plan set forth in this Agreement serves a public purpose in that: (a) the Agency will reduce its indebtedness to the City; and (b) the City will have funds available to repay HUD, and has benefitted, and will continue to benefit, significantly from the projects funded by the NTC Section 108 Loan.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, and for good and valuable consideration, the receipt of and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

SECTION 1: PURPOSE OF AGREEMENT; REPAYMENT OF NTC SECTION 108 LOAN

In accordance with, subject to, and conditioned on all the terms, covenants, and conditions of this Agreement, the Parties agree that the Agency shall make, and the City shall accept, the scheduled repayment of the NTC Section 108 Loan from tax increment funds, land proceeds or other revenues of the agency in the total amount of \$10,089,129, payable in set amounts from the NTC Redevelopment Project Area, to be paid annually over a twenty year term with thirteen years remaining.

SECTION 2: REPAYMENT OF NTC SECTION 108 LOAN

(a) The Agency agrees to pay to the City and the City agrees to accept from the Agency, the scheduled repayment of the NTC Section 108 Loan in the total amount of \$10,089,129, to be paid over a twenty year term, with thirteen years remaining, in the aggregate

annual amounts set forth Agency Repayment Schedule, attached hereto as Exhibit C and incorporated herein by this reference.

(b) All moneys paid pursuant to this Agreement shall be payable by the Agency from the NTC Redevelopment Project Area.

(c) All payments made by the Agency to the City pursuant to this Agreement shall be made on or before the date the City is required to make payment to HUD. Payments shall be acknowledged in writing by the Agency Executive Director or designee, on behalf of the Agency, and by the Mayor or designee, on behalf of the City, and shall be identified as a credit to the NTC Section 108 Loan.

(d) The Agency may make payments using tax increment, fund balance, land proceeds or any other revenue of the Agency available within the NTC Redevelopment Project Area.

(e) All payments made by the Agency on behalf of the NTC Redevelopment Project Area shall be applied first to outstanding principal and then to accrued interest.

(f) All payments from the Agency to the City pursuant to this Agreement shall be applied towards the City's repayment of the City's loan from HUD related to the NTC Section 108 Loan.

SECTION 3: SUBORDINATION OF INDEBTEDNESS

The indebtedness of the Agency under this Agreement shall be subordinate to the rights of the holder or holders of any existing bonds, notes and other instruments of indebtedness, and existing or future contractual indebtedness or other obligations (all referred to herein as indebtedness) of the Agency incurred or issued to finance the Redevelopment Project Areas, including without limitation any pledge of tax increment revenues from the Redevelopment Project Areas to pay any portion of the principal (and otherwise comply with the obligations and covenants) of any existing bond or bonds issued or sold by the Agency with respect to the Redevelopment Project Areas.

Notwithstanding Section 3 or any other provisions of this Agreement, the Agency's indebtedness evidenced by the Note shall be senior in priority to any Cooperation Agreement entered into between the City and the Agency subsequent to the Effective Date of this Agreement and the City's determination as to the priority of obligations as between the City and the Agency shall be conclusive.

SECTION 4: BOOKS AND ACCOUNTS

The Agency and the City shall each keep full and accurate books and accounts, records and other pertinent data showing their financial operations with respect to the holding and disbursement of the monies comprising the repayments provided for in this Agreement. Upon

completion of the activities contemplated by this Agreement, the Agency and the City shall prepare a report accounting for the use of all funds.

SECTION 5: LIABILITY AND INDEMNIFICATION

(a) The Parties acknowledge and agree that as stated in California Government Code section 895, this Agreement is an agreement between public entities designed to implement the disbursement or subvention of public funds from one entity to the other and, as such, is not subject to the joint and several liability provisions of California Government Code sections 895 to 895.8.

(b) The City agrees to defend, indemnify, protect, and hold the Agency and its officers, officials, agents and employees harmless from any and all actions, suits, proceedings, liability, loss, expense (including all expenses of investigation and defending against the same), and all claims for injury or damages to any person, arising out of the performance of this Agreement or any agreement entered into to implement this Agreement, but only in proportion to and to the extent such actions, suits, proceedings, liability, loss, expense or claims for injury or damages are caused by, or result from, the negligent or intentional acts or omissions of the Agency or its officers, officials, agents or employees.

(c) The Agency agrees to defend, indemnify, protect, and hold the City and its officers, officials, agents and employees harmless from any and all actions, suits, proceedings, liability, loss, expense (including all expenses of investigation and defending against same), and all claims for injury or damages to any person, arising out of the performance of this Agreement or any agreement entered into to implement this Agreement, but only in proportion to and to the extent such actions, suits, proceedings, liability, loss, expense or claims for injury or damages are caused by, or result from, the negligent or intentional acts or omissions of the Agency or its officers, officials, agents or employees.

(d) The provisions of this Section 5 shall survive the expiration, termination, or assignment of this Agreement.

SECTION 6: GENERAL PROVISIONS

(a) The terms of this Agreement are only for the benefit of the Agency and the City and their respective successors and assigns, and there are no other intended or incidental third party beneficiaries hereto.

(b) This Agreement constitutes the entire Agreement between the Agency and the City in connection with the Agency's repayment of the NTC Section 108 Loan.

(c) No failure of either the Agency or the City to insist upon strict performance by the other of any covenant, term or condition of the Agreement, nor any failure to exercise any right or remedy consequent upon a breach, shall constitute a waiver of any such breach of such covenant, term or condition.

(d) This Agreement may be amended in writing upon the mutual approval of the governing bodies of the Agency and the City.

(e) The laws of the State of California shall govern and control the terms and conditions of this Agreement.

(f) In addition to any other legal rights or remedies, either Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in a court of competent jurisdiction in the County of San Diego, California.

(g) This Agreement may be executed in counterparts, which when taken together shall constitute a single signed original as though all Parties had executed the same page.

(h) This Agreement integrates all of the terms and conditions mentioned in this Agreement or incidental hereto, and supersedes all negotiations or previous agreements between the Parties with respect to all or part of the subject matter hereof.

IN WITNESS WHEREOF, this Agreement is executed by the Redevelopment Agency of the City of San Diego by and through its Executive Director or designee and by the City of San Diego by and through its Mayor or designee.

REDEVELOPMENT AGENCY
OF CITY OF SAN DIEGO

Date: _____

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

JAN I. GOLDSMITH, General Counsel

By: _____

Kevin Reisch
Deputy General Counsel

CITY OF SAN DIEGO

Date: _____

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

JAN I. GOLDSMITH, City Attorney

By: _____
Brant C. Will
Deputy City Attorney

NTC Section 108 Loan February 17, 2011

EXHIBIT A
PAYMENT AND AMORTIZATION SCHEDULE

Naval Training Center HUD Section 108 Loan
Original Principal Amount \$5,910,000

Payment Date	Interest Due	Principal Due	Total P & I	Unpaid Principal	FY	Subtotal
08/01/04	\$27,027.40	\$0.00	\$27,027.40	\$5,910,000.00		
02/01/05	\$156,933.25	\$0.00	\$156,933.25	\$5,910,000.00	2005	\$183,960.65
08/01/05	\$156,933.25	\$0.00	\$156,933.25	\$5,910,000.00		
02/01/06	\$156,933.25	\$0.00	\$156,933.25	\$5,910,000.00	2006	\$313,866.50
08/01/06	\$156,933.25	\$200,000.00	\$356,933.25	\$5,710,000.00		
02/01/07	\$153,843.25	\$0.00	\$153,843.25	\$5,710,000.00	2007	\$510,776.50
08/01/07	\$153,843.25	\$206,000.00	\$359,843.25	\$5,504,000.00		
02/01/08	\$150,114.65	\$0.00	\$150,114.65	\$5,504,000.00	2008	\$509,957.90
08/01/08	\$150,114.65	\$213,000.00	\$363,114.65	\$5,291,000.00		
02/01/09	\$145,854.65	\$0.00	\$145,854.65	\$5,291,000.00	2009	\$508,969.30
08/01/09	\$145,854.65	\$221,000.00	\$366,854.65	\$5,070,000.00		
02/01/10	\$141,081.05	\$0.00	\$141,081.05	\$5,070,000.00	2010	\$507,935.70
08/01/10	\$141,081.05	\$230,000.00	\$371,081.05	\$4,840,000.00		
02/01/11	\$135,825.55	\$0.00	\$135,825.55	\$4,840,000.00	2011	\$506,906.60
08/01/11	\$135,825.55	\$241,000.00	\$376,825.55	\$4,599,000.00		
02/01/12	\$130,053.60	\$0.00	\$130,053.60	\$4,599,000.00	2012	\$506,879.15
08/01/12	\$130,053.60	\$253,000.00	\$383,053.60	\$4,346,000.00		
02/01/13	\$123,779.20	\$0.00	\$123,779.20	\$4,346,000.00	2013	\$506,832.80
08/01/13	\$123,779.20	\$265,000.00	\$388,779.20	\$4,081,000.00		
02/01/14	\$117,048.20	\$0.00	\$117,048.20	\$4,081,000.00	2014	\$505,827.40
08/01/14	\$117,048.20	\$280,000.00	\$397,048.20	\$3,801,000.00		
02/01/15	\$109,782.20	\$0.00	\$109,782.20	\$3,801,000.00	2015	\$506,830.40
08/01/15	\$109,782.20	\$294,000.00	\$403,782.20	\$3,507,000.00		
02/01/16	\$101,903.00	\$0.00	\$101,903.00	\$3,507,000.00	2016	\$505,685.20
08/01/16	\$101,903.00	\$310,000.00	\$411,903.00	\$3,197,000.00		
02/01/17	\$93,409.00	\$0.00	\$93,409.00	\$3,197,000.00	2017	\$505,312.00
08/01/17	\$93,409.00	\$325,000.00	\$418,409.00	\$2,872,000.00		
02/01/18	\$84,325.25	\$0.00	\$84,325.25	\$2,872,000.00	2018	\$502,734.25
08/01/18	\$84,325.25	\$345,000.00	\$429,325.25	\$2,527,000.00		
02/01/19	\$74,527.25	\$0.00	\$74,527.25	\$2,527,000.00	2019	\$503,852.50
08/01/19	\$74,527.25	\$364,000.00	\$438,527.25	\$2,163,000.00		
02/01/20	\$64,044.05	\$0.00	\$64,044.05	\$2,163,000.00	2020	\$502,571.30
08/01/20	\$64,044.05	\$385,000.00	\$449,044.05	\$1,778,000.00		
02/01/21	\$52,859.80	\$0.00	\$52,859.80	\$1,778,000.00	2021	\$501,903.85
08/01/21	\$52,859.80	\$406,000.00	\$458,859.80	\$1,372,000.00		
02/01/22	\$40,943.70	\$0.00	\$40,943.70	\$1,372,000.00	2022	\$499,803.50
08/01/22	\$40,943.70	\$430,000.00	\$470,943.70	\$942,000.00		
02/01/23	\$28,215.70	\$0.00	\$28,215.70	\$942,000.00	2023	\$499,159.40
08/01/23	\$28,215.70	\$457,000.00	\$485,215.70	\$485,000.00		
02/01/24	\$14,574.25	\$0.00	\$14,574.25	\$485,000.00	2024	\$499,789.95
08/01/24	\$14,574.25	\$485,000.00	\$499,574.25	\$0.00	2025	\$499,574.25
Total	\$4,179,129.10	\$5,910,000.00	\$10,089,129.10			\$10,089,129.10

**PROMISSORY NOTE
TO THE CITY OF SAN DIEGO**

Principal: \$4,840,000.00
Interest: \$2,206,755.95
Total: \$7,046,755.10

San Diego, California
Date: February _____, 2011

FOR VALUE RECEIVED, the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, a public body, corporate and politic (Agency or Borrower) hereby promises to pay to the CITY OF SAN DIEGO, a municipal corporation (City) the amount of SEVEN MILLION FORTY SIX THOUSAND SEVEN HUNDRED FIFTY FIVE DOLLARS and 10/100 Cents (\$7,046,755.10)(City Loan) including principal in the amount of \$4,840,000.00 and interest in an amount of \$2,206,755.95, which shall not accrue additional interest other than the amount specified herein.

The Agency, acting to carry out its public purposes of executing and implementing the Redevelopment Plan for the Naval Training Center Project Area (Project Area) under the Community Redevelopment Law, borrowed from the City the City Loan. This Note evidences the City Loan to the Agency, and is given by the Agency pursuant to the Community Redevelopment Law and the following: (a) the Resolution approved by the City Council of the City of San Diego memorializing the City Loan, (b) the Resolution approved by the Agency's governing board memorializing the City Loan, and (c) the Loan Agreement (Loan Agreement) and related staff reports (collectively, City Loan Documents). The obligation of the Agency to the City to repay the City Loan is subject to the terms of (i) this Note and (ii) the City Loan Documents. The City Loan Documents are public records on file in the offices of the Agency and the City, and the provisions of said documents are incorporated herein by this reference. The Note shall be paid in accordance with the provisions contained herein and as provided in the City Loan Documents, and in any event shall be paid in full by that date specified in the Loan Agreement, if not earlier defeased by the Agency or extinguished by the City.

1. Definitions. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Loan Agreement. In addition, the following terms shall have the following meanings:

"Affiliate" shall mean (1) any Person directly or indirectly controlling, controlled by, or under common control with another Person; (2) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person; or (3) if that other Person is an officer, director, member or partner, of any company for which such Person acts in any such capacity. The term "control" as used in the immediately preceding sentence, shall mean the power to direct the management or the power to control election of the board of directors. It shall be a presumption that control with respect to a corporation or limited liability company is the right to exercise or control, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity or association, control is the possession, indirectly or directly, of the power to direct or cause the direction of the management or policies of the controlled entity.

“City Loan” shall mean the loan made by the City to the Agency pursuant to the Community Redevelopment Law and the City Loan Documents in the total amount of \$7,046,755.10, which is evidenced by this Note.

“Community Redevelopment Law” shall mean the Community Redevelopment Law of the State of California set forth at California Health and Safety Code Section 33000 et seq.

“Net Tax Increment Revenue” shall mean the Tax Increment Revenue received by the Agency less all superior indebtedness of the Agency including, without limitation, the rights of the holder or holders of any existing bonds, notes and other instruments of indebtedness, and existing contractual indebtedness (all referred to herein as indebtedness) of the Agency incurred or issued to finance the Project Area, including without limitation any pledge of tax increment revenues from the Project Area to pay any portion of the principal (and otherwise comply with the obligations and covenants) of any existing bond or bonds issued or sold by the Agency with respect to the Project Area.

“Person” means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company or other entity, domestic or foreign.

“Tax Increment Revenue” means the portion of property tax revenues from the increase in assessed value of real property within the Project Area that has occurred after adoption of the Redevelopment Plan for the Project Area received by the Agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Project Area.

“Term” of this Note shall be the same as the term of the Loan Agreement.

“Transfer” shall have the meaning set forth in Section 9 of this Note.

2. This Note evidences the obligation of the Agency to the City for the repayment of the City Loan. None of the funds provided pursuant to the City Loan were funded (i) directly or indirectly with any obligation the interest on which is exempt from tax under Section 103 of the Internal Revenue Code of 1986, as amended, or (ii) pursuant to any United States government federal source, except as provided below. (Check if appropriate):

- The funds were obtained from assistance provided under Section 106, 107 or 108 of the Housing and Community Development Act of 1974; or
- The funds were obtained pursuant to the Home Investment Partnership Act; or
- None of the above.

3. This Note is payable at the principal office of the City, 202 C Street; Floor ____, San Diego, California 92101, or at such other place as the holder hereof may inform the Agency in writing, in lawful money of the United States.

4. This Note shall be secured by the Agency's pledge of Net Tax Increment Revenue.

5. This Note shall not bear interest other than as specified.

6. The indebtedness of the Agency under this Note shall be subordinate to the rights of the holder or holders of any existing bonds, notes and other instruments of indebtedness, and existing or future contractual indebtedness or other obligations (all referred to herein as indebtedness) of the Agency incurred or issued to finance the Project Areas, including without limitation any pledge of tax increment revenues from the Project Areas to pay any portion of the principal (and otherwise comply with the obligations and covenants) of any existing bond or bonds issued or sold by the Agency with respect to the Project Areas. Notwithstanding, the above, as provided in the Loan Agreement, the Agency indebtedness under this Note shall be senior in priority to any Cooperation Agreements entered into between the Agency and the City subsequent to the Effective Date of the Loan Agreement and the determination of the City shall be conclusive with respect to the priority of obligations between the City and the Agency.

7. Prior to the termination of the Loan Agreement, the Agency shall be obligated to repay the City Loan as provided in the Loan Agreement.

8. The entire unpaid principal balance of this Note and any accrued but unpaid interest shall be due and payable immediately in the event that, prior to the termination of the Loan Agreement, there is a default by the Agency under the terms of this Note or the City Loan Documents which is not cured within the respective time period provided herein and therein.

9. (a) Prior to the repayment in full of the City Loan, the Agency shall not assign or attempt to assign any right or interest in the City Loan Documents (referred to hereinafter as a Transfer), without prior written approval of the City. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. The City shall not unreasonably withhold or delay its consent. If consent should be given, any such Transfer shall be subject to this Section 9, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein.

(b) Any such proposed transferee shall have the qualifications and financial responsibility necessary and adequate as may be reasonably determined by the City, to fulfill the obligations undertaken by the Agency in the City Loan Documents and this Note. Any such proposed transferee, by instrument in writing satisfactory to the City, for itself and its successors and assigns, and for the benefit of the City shall expressly assume all of the obligations of the Agency under the City Loan Documents and agree to be subject to all conditions and restrictions applicable to the Agency in this Note. There shall be submitted to the City for review all instruments and other legal documents proposed to effect any such Transfer; and if approved by the City its approval shall be indicated to the Agency in writing.

(c) In the absence of specific written agreement by the City, no unauthorized Transfer, or approval thereof by the City, shall be deemed to relieve the Agency or any other party from any obligations under the City Loan Documents.

(d) In the event of a Transfer prior to the time the City Loan is paid in full, without the prior written consent of the City, the remaining principal balance of the City Loan and all accrued but unpaid interest shall be immediately due and payable.

(e) As used herein, "Transfer" includes the transfer, assignment, hypothecation or conveyance of legal or beneficial ownership of any interest in the Agency, or any conversion of the Agency to an entity form other than that of the Agency at the time of execution of this Note.

(f) The City shall not unreasonably withhold, condition or delay its approval of any matter for which its approval is required hereunder. Any disapproval shall be in writing and contain the City's reasons for disapproval.

10. Subject to the provisions and limitations of this Section 10, the obligation to repay the City Loan is a nonrecourse obligation of the Agency. Agency officials, officers, directors, members, employees, agents and attorneys shall not have any personal liability for repayment of the City Loan. The sole recourse of the City for repayment of the City Loan shall be the exercise of its rights against the security for the City Loan. Provided, however, that the foregoing shall not (a) constitute a waiver of any obligation evidenced by this Note; (b) limit the right of the City to name the Agency as a party defendant in any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against the Agency; (c) release or impair this Note; (d) prevent or in any way hinder the City from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, any other remedy or any other instrument securing the Note or as prescribed by law or in equity in case of default; (e) prevent or in any way hinder the City from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing the Note; (f) relieve the Agency of any of its obligations under any indemnity delivered by the Agency to the City; or (g) affect in any way the validity of any guarantee or indemnity from any Person of all or any of the obligations evidenced and secured by this Note. Notwithstanding the first sentence of this paragraph, the City may recover directly from the Agency or from any other party:

(a) Any damages, costs and expenses incurred by the City as a result of fraud or any criminal act or acts of the Agency or any member, officer, director or employee of the Agency;

(b) Any damages, costs and expenses incurred by the City as a result of any misappropriation of funds; and

(c) All court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions (provided that the City shall pay to the Agency

the Agency's reasonable court costs and attorneys' fees if the Agency is the prevailing party in any such enforcement or collection action).

11. The Agency waives presentment for payment, demand, protest, and notices of dishonor and of protest; the benefits of all waivable exemptions; and all defenses and pleas on the ground of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice. The Agency hereby agrees to pay all costs and expenses, including reasonable attorneys' fees, which may be incurred by the holder hereof, in the enforcement of this Note, the City Loan Documents or any term or provision thereof.

12. Upon the failure of Agency to perform or observe any other term or provision of this Note, upon any event of acceleration described in Section 8, or upon the occurrence of any other event of default under the terms of the City Loan Documents, the holder may exercise its rights or remedies hereunder or thereunder.

13. (a) Subject to the extensions of time set forth in Section 14, and subject to the further provisions of this Section 13, failure or delay by the Agency to perform any material term or provision of this Note or the City Loan Documents constitutes a default under this Note.

(b) The City shall give written notice of default to the Agency, specifying the default complained of by the City. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

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

(d) If a monetary event of default occurs under the terms of this Note or the City Loan Documents, prior to exercising any remedies hereunder or thereunder, the City shall give to the Agency written notice of such default. The Agency shall have a reasonable period of time after such notice is given within which to cure the default prior to exercise of any remedies by the City under this Note and/or the City Loan Documents; provided, however, that in no event shall the City be precluded from exercising any remedies if its security becomes or is about to become materially impaired by any failure to cure a default or the default is not cured within ten (10) calendar days after the notice of default is received or deemed received.

(e) If a non-monetary event of default occurs under the terms of this Note or the City Loan Documents, prior to exercising any remedies hereunder or thereunder, the City shall give to the Agency written notice of such default. If the default is reasonably capable of being cured within thirty (30) calendar days after such notice is received or deemed received, the Agency shall have such period to effect a cure prior to exercise of any remedies by the City under this Note and/or the City Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) calendar days, and the Agency (i) initiates corrective action within said period, and (ii) diligently and in good faith works to effect a cure as soon as

possible, then the Agency shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the City; provided, however, that in no event shall the City be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ninety (90) calendar days after the notice of default is received or deemed received.

(f) Any notice of default that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice of default that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt by Borrower; and any notice of default that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

14. Notwithstanding specific provisions of this Note, the Agency shall not be deemed to be in default for failure to perform any non-monetary performance hereunder where delays or defaults are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, unusually severe weather, inability to secure necessary labor, material or tools, delays of any contractor, sub-contractor or supplier, or acts of the City or any other public or governmental agency or entity (Force Majeure Event). An extension of time for any such Force Majeure Event shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause of the Force Majeure Event, if notice by the Agency is sent to the City within thirty (30) calendar days of knowledge of the commencement of such cause. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Event unless and until the Agency delivers to the City written notice describing the event, its cause, when and how the Agency obtained knowledge, the date and the event commenced, and the estimated delay resulting therefrom. The Agency shall deliver such written notice within thirty (30) calendar days after it obtains actual knowledge of the Force Majeure Event. Times of performance under this Note may also be extended by mutual written agreement of the City and the Agency.

15. If the rights created by this Note shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the remaining obligations shall be completely performed and paid.

16. The Agency shall have the right to prepay the obligation evidenced by this Note, or any part thereof, without penalty.

17. The City shall have the exclusive right to forgive the obligation evidenced by this Note, or any part thereof.

18. The obligations under this Note shall be binding on the Agency and its successors and assigns.

IN WITNESS WHEREOF, the Agency has executed this Note as of the day and year set forth above.

BORROWER

**REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO**

Dated: _____

By: _____

Name: _____

Title: _____

Attest:

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

JAN I. GOLDSMITH

General Counsel

By: _____

Name: _____

Title: Deputy General Counsel

EXHIBIT C
Agency Repayment Schedule
 NAVAL TRAINING CENTER REDEVELOPMENT PROJECT AREA
 HUD Section 108 Loan
 Fiscal Years 2011 - 2025

Payment Date	Interest Due	Principal Due	Total P & I	Unpaid Principal	FY	Subtotal
08/01/11	\$135,825.55	\$241,000.00	\$376,825.55	\$4,599,000.00		
02/01/12	\$130,053.60	\$0.00	\$130,053.60	\$4,599,000.00	2012	\$506,879.15
08/01/12	\$130,053.60	\$253,000.00	\$383,053.60	\$4,346,000.00		
02/01/13	\$123,779.20	\$0.00	\$123,779.20	\$4,346,000.00	2013	\$506,832.80
08/01/13	\$123,779.20	\$265,000.00	\$388,779.20	\$4,081,000.00		
02/01/14	\$117,048.20	\$0.00	\$117,048.20	\$4,081,000.00	2014	\$505,827.40
08/01/14	\$117,048.20	\$280,000.00	\$397,048.20	\$3,801,000.00		
02/01/15	\$109,782.20	\$0.00	\$109,782.20	\$3,801,000.00	2015	\$506,830.40
08/01/15	\$109,782.20	\$294,000.00	\$403,782.20	\$3,507,000.00		
02/01/16	\$101,903.00	\$0.00	\$101,903.00	\$3,507,000.00	2016	\$505,685.20
08/01/16	\$101,903.00	\$310,000.00	\$411,903.00	\$3,197,000.00		
02/01/17	\$93,409.00	\$0.00	\$93,409.00	\$3,197,000.00	2017	\$505,312.00
08/01/17	\$93,409.00	\$325,000.00	\$418,409.00	\$2,872,000.00		
02/01/18	\$84,325.25	\$0.00	\$84,325.25	\$2,872,000.00	2018	\$502,734.25
08/01/18	\$84,325.25	\$345,000.00	\$429,325.25	\$2,527,000.00		
02/01/19	\$74,527.25	\$0.00	\$74,527.25	\$2,527,000.00	2019	\$503,852.50
08/01/19	\$74,527.25	\$364,000.00	\$438,527.25	\$2,163,000.00		
02/01/20	\$64,044.05	\$0.00	\$64,044.05	\$2,163,000.00	2020	\$502,571.30
08/01/20	\$64,044.05	\$385,000.00	\$449,044.05	\$1,778,000.00		
02/01/21	\$52,859.80	\$0.00	\$52,859.80	\$1,778,000.00	2021	\$501,903.85
08/01/21	\$52,859.80	\$406,000.00	\$458,859.80	\$1,372,000.00		
02/01/22	\$40,943.70	\$0.00	\$40,943.70	\$1,372,000.00	2022	\$499,803.50
08/01/22	\$40,943.70	\$430,000.00	\$470,943.70	\$942,000.00		
02/01/23	\$28,215.70	\$0.00	\$28,215.70	\$942,000.00	2023	\$499,159.40
08/01/23	\$28,215.70	\$457,000.00	\$485,215.70	\$485,000.00		
02/01/24	\$14,574.25	\$0.00	\$14,574.25	\$485,000.00	2024	\$499,789.95
08/01/24	\$14,574.25	\$485,000.00	\$499,574.25	\$0.00	2025	\$499,574.25
Total FY 12 - FY 25	\$2,206,755.95	\$4,840,000.00	\$7,046,755.95			\$7,046,755.95