

RESOLUTION NO. 2003-177

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
AUTHORIZING THE CITY MANAGER TO ENTER INTO A REAL PROPERTY
DONATION AGREEMENT WITH REYNEN & BARDIS, LP, AND ELK GROVE
BOULEVARD & BRUCEVILLE INVESTORS**

WHEREAS, Reynen & Bardis, LP, a California Limited Partnership, and Elk Grove Boulevard & Bruceville Investors, a California General Partnership (the "Donors") desire to donate land to the City of Elk Grove as a charitable contribution; and

WHEREAS, the land to be donated (the "Property") consists of two parcels totaling approximately 21.3 gross acres located at the southeast corner of Elk Grove and Big Horn Boulevards as shown on Exhibit 1; and

WHEREAS, the City desires to accept Donors' donation of the Property.

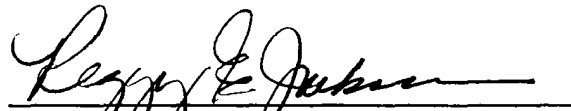
NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Elk Grove hereby authorizes the City Manager to enter into an agreement wherein Reynen and Bardis, LP, and Elk Grove Boulevard and Bruceville Investors agree to donate the subject Property to the City of Elk Grove.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 17th day of September 2003.



SOPHIA SCHERMAN, MAYOR of the
CITY OF ELK GROVE

ATTEST:



PEGGY E. JACKSON, CITY CLERK

APPROVED AS TO FORM:



ANTHONY B. MANZANETTI,
CITY ATTORNEY

**CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2003-177**

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

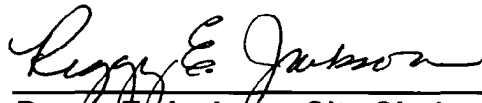
I, Peggy E. Jackson, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on the 17th day of September 2003 by the following vote:

AYES 4: COUNCILMEMBERS: Briggs, Leary, Scherman, Soares

NOES 0: COUNCILMEMBERS:

ABSTAIN 0: COUNCILMEMBERS:

ABSENT 1: COUNCILMEMBERS: Cooper



**Peggy E. Jackson, City Clerk
City of Elk Grove, California**

REAL PROPERTY DONATION AGREEMENT

This REAL PROPERTY DONATION AGREEMENT (“Agreement”) is entered into on the ___ of September, 2003, by and between Reynen and Bardis (Laguna Ridge), a California Limited Partnership (“Laguna Ridge”), and Elk Grove Boulevard & Bruceville Investors, a California General Partnership (“EG Investors”) (hereinafter collectively referred to as “Donors”), and The City of Elk Grove, a municipal corporation (hereinafter referred to as “City” and sometimes as “Donee”).

RECITALS

A. WHEREAS, Donors are the sole owners of that certain real property situated in the City of Elk Grove, Sacramento County, California, depicted as Parcel A on Exhibit A, attached hereto and made a part hereof (hereafter referred to as “Parcel A”).

B. WHEREAS, pursuant to that certain Assignment of Option, dated August 1, 2001, Laguna Ridge is the Optionee under that certain Option and Joint Escrow Instruction, dated July 28, 1999, as amended February 10, 2000, and June 6, 2000 (“Option”), with respect to that certain real property situated in the City of Elk Grove, Sacramento County, California, depicted as Parcel B on Exhibit A (hereafter referred to as “Parcel B”). Parcel A and Parcel B are contiguous parcels of land.

C. WHEREAS, Donors’ rights, title, and interest in Parcels A and B, inclusive of any rights, title and interest under the Option, together with any and all improvements located thereon and all easements and all rights, tenements, hereditaments, members, privileges, licenses and appurtenances thereto, all utility reservations, strips and gores of land, right of way, fixtures located thereon, all timber, mineral interests, grazing rights, access rights, development rights, governmental licenses, permits and certificates applicable thereto, and all of Donors’ rights, title and interest in and to all public and private ways adjoining or serving the same, and all riparian rights and interest in waterbodies and the beds of waterbodies, on or adjacent to the described lands are hereafter referred to as “the Property.”

D. WHEREAS, Donors intend that the fair market value of the Property shall be a charitable contribution to Donee.

E. WHEREAS, Donee desires to accept Donors’ contribution of the Property.

F. WHEREAS, Donors desire to pledge and contribute the Property to City.

NOW, THEREFORE, in consideration of the mutual promises and conditions contained herein, the parties hereto agree as follows:

ARTICLE I
DONATION

1.1 Purpose. The purpose of this Agreement is to provide for the donation to the City all rights, title, and interest in the Property and to establish the terms and conditions thereof.

1.2 Property. Donors hereby agree to transfer and convey, and Donee agrees to accept, as a donation, the one hundred percent (100%) fee simple interest in Parcels A and B, subject to the terms and conditions set forth in this Agreement.

1.3 Parcel B - Option.

A. Laguna Ridge hereby represents and warrants that the Option is in full force and effect and shall remain in full force and effect until Laguna Ridge exercises its option and is transferred Parcel B. Laguna Ridge hereby agrees, (i) that it shall remain the Optionee, as assigned, under the Option until the Option is exercised, (ii) that it shall timely exercise its Option to acquire the one hundred percent (100%) fee interest in Parcel B, no later than February 20, 2005, and (iii) that Laguna Ridge shall be solely responsible for the payment of the Purchase Price set forth in the Option and any and all costs associated with the acquisition of Parcel B.

B. Laguna Ridge hereby agrees that within thirteen (13) months following the date fee title of Parcel B is transferred to Laguna Ridge, Laguna Ridge shall transfer and convey the one hundred percent (100%) fee interest in Parcel B to the City, subject to the terms and conditions set forth in this Agreement.

1.4 Tax Consequences. Donee makes no representation as to the tax consequences of the transaction contemplated by this Agreement. Donors will obtain independent tax counsel and be solely responsible for compliance with the charitable contribution substantiation requirements of the Internal Revenue Code. The parties agree that the donation of the Property by Donors to Donee does not reflect the existence of any defect in the Property. Notwithstanding, Donee hereby acknowledges Donors' intention to obtain a qualified appraisal of the Property as required by Treas. Regs. Section 1.170A-13(c)(3).

1.5 Approval. Donee's performance of its obligations under this Agreement are subject to and contingent upon Donee obtaining approval of the transaction by Donee's City Council. In the event that Donee does not obtain such approval, then Donee shall have the right to terminate this

Agreement by written notice to Donors, and thereafter the parties shall have no further liability to each other.

ARTICLE II

ESCROW

2.1 Opening of Escrow – Parcel A. Escrow shall be opened to consummate the transfer of Parcel A according to the terms of this Agreement at the office of Stewart Title Company, at 6700 Fair Oaks Boulevard, Suite B, Carmichael, California 95608, Attention: Dan Moreno ("Title Company" or "Escrow Holder"). The escrow shall be opened within 5 days after the full execution of this Agreement. Donors and City shall also deposit with the escrow holder all instruments, and other items identified in the escrow instructions or reasonably required by the escrow holder to close the transfer of Parcel A on the closing date specified below.

2.2 Closing – Parcel A. The escrow for Parcel A shall be closed ("Parcel A Closing") on the date the grant deed transferring Parcel A to the City is recorded ("Parcel A Closing Date"); provided, however, Parcel A Closing shall occur on or before the Parcel B Closing, defined in Section 2.4 below.

2.3 Opening of Escrow – Parcel B. Escrow shall be opened to consummate the transfer of Parcel B according to the terms of this Agreement at the office of Stewart Title Company, at 6700 Fair Oaks Boulevard, Suite B, Carmichael, California 95608, Attention: Dan Moreno ("Title Company" or "Escrow Holder"). The escrow shall be opened within one year following the transfer of the one hundred percent (100%) fee interest in Parcel B to Laguna Ridge. Laguna Ridge and City shall also deposit with the escrow holder all instruments, and other items identified in the escrow instructions or reasonably required by the escrow holder to close the transfer of Parcel B on the closing date specified below.

2.4 Closing - Parcel B. The escrow for Parcel B shall be closed ("Parcel B Closing") on the date the grant deed transferring Parcel B to the City is recorded ("Parcel B Closing Date"); provided, however, Parcel B Closing shall occur within thirteen (13) months following the transfer of Parcel B to Laguna Ridge.

2.5 Instructions. This Agreement shall, to the extent applicable, also act as escrow instructions for Parcel A Closing and Parcel B Closing. The parties agree to execute any additional escrow instructions required by the Title Company provided the same shall be consistent with the terms of this Agreement and shall provide that as between the parties, in the event there are any

inconsistencies between such supplemental instructions and this Agreement, the terms of this Agreement shall prevail.

2.6 Costs. Donors and City shall evenly split any transfer taxes, the costs of the preliminary report and title insurance policy required by this Agreement, the cost of recording the grant deeds, and the cost of preparing, executing, and acknowledging the grant deeds, and the escrow fees.

2.7 Prorations. City is exempt from real estate taxes and certain assessments pursuant to the California Constitution. All ad valorem real property taxes on the Property shall be apportioned and paid as provided in California Revenue and Taxation Code Section 5086. If Donors have prepaid any of the ad valorem real property taxes, which are cancelled pursuant to Section 5086, Donors shall seek any refunds to which it is entitled from such taxing agencies. Donors shall pay all ad valorem real property taxes and assessments up to the date of the Close of Escrow.

2.8 Donors' Deposits Into Escrow. Donors shall deposit with Escrow Holder on or prior to the Parcel A Closing and the Parcel B Closing, as applicable, the following documents:

- A. Grant Deeds executed and acknowledged by Donors for Parcel A and Laguna Ridge for Parcel B conveying to Donee good and marketable fee simple title to Parcel A and Parcel B;
- B. All other items as may be necessary or appropriate to implement the terms of this Agreement.

2.9 Donee's Deposits Into Escrow. Donee shall deposit with Escrow Agent, on or prior to the Parcel A Closing and the Parcel B Closing, as applicable:

- A. All items as may be necessary or appropriate to implement the terms of this Agreement.

2.10 Disbursements by Escrow Holder. On the Closing Date, Escrow Agent shall close Escrow as follows:

- A. Record the Grant Deeds (marked for return to Donee) with the Sacramento County Recorder (which shall be deemed delivery to Donee);
- B. Issue the Title Policy;
- C. Prorate taxes, assessments, and other charges as provided herein;
- D. Charge Donee for those costs and expenses to be paid by Donee pursuant to this Agreement and disburse any net funds remaining after the preceding disbursements to Donee; and
- E. Prepare and deliver to both Donee and Donors one (1) signed copy of Escrow Agent's closing statement showing all receipts and disbursements of the Escrow.

If Escrow Agent is unable to simultaneously perform all of the instructions set forth above,

Escrow Agent shall notify Donee and Donors and retain all funds and documents pending receipt of further instructions jointly issued by Donee and Donors.

ARTICLE III

OTHER TERMS AND CONDITIONS

3.1 Possession. Possession of Parcel A and Parcel B shall be delivered to Donee upon the Parcel A Closing and the Parcel B Closing, respectively, free and clear of any tenancies or occupancies, except those approved in writing by the City.

3.2 Marketable Title. The conveyance to Donee of good and marketable title to Parcel A and Parcel B, as evidenced by a California Land Title Association standard coverage title insurance policy issued by Stewart Title in the full amount of the donation insuring that title to Parcel A and Parcel B is vested in Donee subject only to those exceptions described in Section 3.3 below (“Title Policy”).

A. Donee shall not assume any obligations and Donors hereby agree to remain liable for any and all obligations relating to the Property set forth in that certain Memorandum Agreement Respecting Certain Sewer and Related Improvements Along Bruceville Road Between Laguna and Elk Grove Boulevards by and Between Elk Grove Unified School District and Certain Laguna Ridge Specific Plan Developers. Donors agree to indemnify, defend (with legal counsel acceptable to Donee), and hold harmless Donee (including, without limitation, its principals, directors, officers, employees and agents) and any successors to Donee’s interest in the Property (including, without limitation, such successor’s principals, directors, officers, employees and agents) from any and all claims, damages, losses, costs, expenses (including reasonable attorney’s fees and court costs), injuries, or liabilities of every kind on account of damage which directly or indirectly arises from or relates to the Memorandum Agreement Respecting Certain Sewer and Related Improvements Along Bruceville Road Between Laguna and Elk Grove Boulevards by and Between Elk Grove Unified School District and Certain Laguna Ridge Specific Plan Developers.

B. Parcel A and Parcel B are intended to be contiguous parcels of land. In the event of a gap in the legal description, title, and/or ownership of any portions of Parcel A and/or Parcel B, prior to the Parcel A Closing or the Parcel B Closing, whichever occurs earlier, Donors shall be responsible for procuring a solution to any gaps by whatever means necessary which may include, but is not limited to, instituting a Quiet Title cause of action to correct the gap. Donors shall commence the process for correcting any gaps as soon as possible following the date of this Agreement and shall

diligently prosecute the correction to completion. In the event Donors are unable to correct any gaps in Parcel A and/or Parcel B, City shall have the right to condemn the property in question and Donors shall be responsible for all costs and expenses incurred by the City associated with the condemnation proceeding. Donors agree to indemnify, defend (with legal counsel acceptable to Donee), and hold harmless Donee (including, without limitation, its principals, directors, officers, employees and agents) and any successors to Donee's interest in the Property (including, without limitation, such successor's principals, directors, officers, employees and agents) from any and all claims, damages, losses, costs, expenses (including reasonable attorney's fees and court costs), injuries, or liabilities of every kind on account of damage which directly or indirectly arises from or relates to any gap in the legal description, title, and/or ownership of any portions of Parcel A and/or Parcel B.

C. Currently Johnston Road, as shown on Exhibit A, provides access to four (4) houses located south of Parcel A and Parcel B. Once alternative access is established to the houses, Donors hereby agree to obtain from the users of Johnston Road an effective legal relinquishment of their rights to use any portion of Johnston Road that is located on the Property. Donors agree to indemnify, defend (with legal counsel acceptable to Donee), and hold harmless Donee (including, without limitation, its principals, directors, officers, employees and agents) and any successors to Donee's interest in the Property (including, without limitation, such successor's principals, directors, officers, employees and agents) from any and all claims, damages, losses, costs, expenses (including reasonable attorney's fees and court costs), injuries, or liabilities of every kind on account of damage which directly or indirectly arises from or relates to the use or claims to the right to use Johnson Road.

D. In the event it is established that wetlands are located on the Property, Donors, at their sole cost and expense, shall perform any mitigation required by the Army Corp of Engineers and/or the United States Fish and Wildlife Service relating to the wetlands on the Property.

E. Donors represent and warrant that no part of Parcel B is a part of the "undevelopable acres" referenced in Section 17 of that certain Assignment of Option Agreement dated August 1, 2001, by and between J.G. Silver Oak LLC, a California limited liability company, as Assignor, and Reynen & Bardis (Laguna Ridge) LLC, as Assignee.

F. Subject to the City of Elk Grove City Engineer's approval, prior to Parcel A Closing and/or Parcel B Closing, as applicable, Laguna Ridge and/or Donors may make road right-of-ways, pedestrian, landscape, and public utility dedications that affect any portion of the Property.

3.3 Title Report. Donors have delivered a Preliminary Title Report to Donee issued by Escrow Holder, order number 15-005072 SW dated April 18, 2003. Donee has reviewed the

Preliminary Title Report. Prior to the Parcel A Closing and/or the Parcel B Closing, as applicable, Donors shall cause Title Company to remove exceptions 3, 4, 5, 6, and 7 from Donee's Title Policy. If it is determined prior to Parcel A Closing and/or Parcel B Closing, as applicable, in the City's sole discretion, that the easement granted to The Pacific Telephone and Telegraph Company, in Deed recorded in Book 732, Page 81, Official Records shown as exception 2 on the Preliminary Title Report, is unacceptable to Donee, Donors shall cause the Title Company to remove such exception. Donee shall take title to Parcel A and Parcel B, subject only to exception 1 and possibly exception 2 on the Preliminary Title Report, Donors shall be obligated to remove any further exceptions prior to the Parcel A Closing and/or the Parcel B Closing, as applicable.

3.4 Access to Property.

A. Parcel A and Parcel B. Donors grant to City, or City's agents, the right, at any time and from time to time within five days after the opening of the escrow for Parcel A and within five days after the transfer of Parcel B to Laguna Ridge, to enter onto Parcel A or Parcel B to conduct tests or investigations, provided that:

(a) The acts shall be conducted at the sole cost and expense of City;

(b) The acts do not unreasonably interfere with Donors' possession;

(c) City shall indemnify and hold Donors harmless from any costs or liability resulting from the acts, and, if the escrow is canceled for a reason that is not the fault of Donors, for any damage to the Property resulting from the acts;

(d) City shall give Donors written, oral or e-mail notice of the intention to enter one day prior to the date of the planned entry; and

(e) After inspecting the Property and improvements located on the Property, City, in its sole discretion, may refuse to accept the Property, in the event City determines to accept the Property, upon close of escrow City agrees that City is taking the Property and all improvements in the existing condition, subject to the representations and warranties set forth in this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

4.1 Representations of Donors. In addition to any representations, warranties and covenants of Donors contained in other sections of this Agreement, Donors hereby make the following affirmative representations, warranties and covenants:

A. Donors have all requisite power and authority to enter into, deliver and perform this Agreement, and the persons executing this Agreement on behalf of Donors have the power to act on behalf of and to bind Donors.

B. This Agreement and all documents to be executed by Donors as provided therein as of the date of execution, will be legal, valid and binding obligations of Donors, and will not materially violate any provisions of any agreement or judicial order to which Donors are a party or to which Donors, or the Property, as applicable, is subject.

C. Donors are the sole owner in fee simple of the Parcel A and Laguna Ridge is the sole owner of the rights, as assignee, in the Option relating to Parcel B and has the full right, capacity, power and authority to enter into and carry out the terms of this Agreement. Donors have not alienated, encumbered, transferred, leased, assigned or otherwise conveyed its interest in the Property or any portions thereof except as set forth in the Preliminary Title Report, nor entered into any agreement to do so, nor shall Donors do so prior to close of escrow.

D. Donors have no notice of any environmental violation on the Property, and to the best of Donors' knowledge, the Property is not in violation, nor has been or is currently under investigation for violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene, worker health and safety, and no Hazardous Materials (defined herein) or environmental conditions exist in, at, on, or under the Property or groundwater. To the best of Donors' knowledge, the Property has not been subject to, and is not within two thousand (2,000) feet of a deposit of any Hazardous Materials. During Donors' period of ownership of Parcel A, neither Donors, nor to the best of Donors' knowledge, any third party has used, generated, manufactured, discharged, released, stored or disposed in, at, on, under or about the Property or transported to or from the Property any hazardous substance. Except as expressly set forth in this Agreement, to the best of Donors' knowledge, there has been no migration of any hazardous substances from, into, on, under or about the Property and there is not now, nor has there been on or in the Property underground storage tanks or surface impoundments, any asbestos-containing materials or any polychlorinated biphenyls used in hydraulic oils, electrical transformers or other equipment. The storage tanks referenced in Section 6.04 of the Option, do not in any way affect Parcel B.

E. To the best of Donors knowledge, there is no suit, action or arbitration, or legal, administrative, or other proceeding or governmental investigation, pending or threatened, or any judgment, which materially affects the Property, or which adversely affects Donors' ability to perform hereunder.

F. No leases, licenses, other agreements allowing any third party rights to use the Property will be in force at close of escrow.

G. All studies, agreements, documents, and reports provided by Donors to City are true and correct copies of same and may be relied upon by City.

H. Each of the representations and warranties made by Donors in this Agreement, or on any document or instrument delivered pursuant hereto shall be true and correct on the date hereof, and shall be deemed to be made again as of close of escrow provided for herein, and shall then be true and correct in all respects. The truth and accuracy of each of the representations and warranties, and the performance of all covenants of Donors contained in this Agreement are conditions precedent to the close of escrow for the Property, and shall survive close of escrow.

4.2 No Implied Representations/"As-Is." Except as otherwise expressly set forth in this Agreement, neither Donors nor any employee or agent of Donors have made any representations, guaranties, promises, statements, assurances or warranties, express or implied, to Donee or Donee's agents or employees as to the suitability for any purpose or the profitability of owning and operating the Property, the physical condition thereof, the rentals, income or expenses thereof, the net or gross acreage contained therein, the zoning thereof, the condition of title thereto, the satisfaction of any local, state or federal permits for the development or use thereof, or any other past, present or future matter whatsoever. Donee acknowledges that except as otherwise expressly set forth in this Agreement, no representations have been made by Donors, and that with the aid of such independent expert advice as Donee deems appropriate, Donee has and/or will have inspected and/or satisfied itself as to the condition of the Property, and, with the exception of such express representations and warranties of Donors, the Property is being purchased "AS IS."

4.3 Representations of Donee. Donee hereby makes the following affirmative representations and warranties which shall be true and correct as of and from the date of the full execution of this agreement to and including the close of escrow for the Property, as applicable.

A. Donee has all requisite power and authority to enter into, deliver, and perform this Agreement, and the persons executing this Agreement on behalf of Donee have the power to act on behalf of and to bind Donee.

B. All documents to be executed by Donee as part of the closing, will be legal, valid and binding obligations of Donee.

4.4 Survival of the Warranties. All warranties, covenants, and other obligations described in this Article and elsewhere in this Agreement shall survive delivery of the Grant

Deeds.

4.5 Indemnification.

A. Donors agree to indemnify, defend (with legal counsel acceptable to Donee), and hold harmless Donee (including, without limitation, its principals, directors, officers, employees and agents) and any successors to Donee's interest in the Property (including, without limitation, such successor's principals, directors, officers, employees and agents) from any and all claims, damages, losses, costs, expenses (including reasonable attorney's fees and court costs), injuries, or liabilities of every kind on account of damage to property or injury to person (including death), which directly or indirectly arise from or relate to the acts or omissions of Donors, its officers, agents, employees, contractors, and subcontractors prior to the transfer of the Property to City, except to the extent that such claims, damages, losses, costs, expenses, or liabilities result from the sole, active negligence, or willful misconduct of City or its principals, directors, officers, employees and agents. Notwithstanding anything in this Agreement to the contrary, the obligations in this Section shall survive the termination of this Agreement.

B. Donee agree to indemnify, defend (with legal counsel acceptable to Donee), and hold harmless Donor (including, without limitation, its principals, directors, officers, employees and agents) from any and all claims, damages, losses, costs, expenses (including reasonable attorney's fees and court costs), injuries, or liabilities of every kind on account of damage to property or injury to person (including death), which directly or indirectly arise from or relate to the acts or omissions of Donee, its officers, agents, employees, contractors, and subcontractors subsequent to the transfer of the Property to City, except to the extent that such claims, damages, losses, costs, expenses, or liabilities result from the sole, active negligence, or willful misconduct of Donor or its principals, directors, officers, employees and agents. Notwithstanding anything in this Agreement to the contrary, the obligations in this Section shall survive the termination of this Agreement.

4.6 Hazardous Materials Indemnity – Parcel A. Donors shall indemnify, defend (with counsel acceptable to City) and hold harmless City (including, without limitation, its principals, directors, officers, employees and agents) and any successors to City's interest in Parcel A (including, without limitation, such successor's principals, directors, officers, employees and agents), from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgements, remedial action requirements, enforcement and clean-up actions of any kind, and all costs and expenses incurred

in connection therewith, including, without limitation, actual attorneys' fees, costs of defense and court costs, arising directly or indirectly, in whole or in part, out of the presence on, in or under Parcel A of any Hazardous Materials, or any releases or discharges of any Hazardous Materials on, under or from Parcel A to the extent that such Hazardous Materials, releases or discharges were brought onto the Property and/or occurred during Donors' ownership of the Parcel A. Donors' obligations pursuant to this indemnity shall survive the Parcel A Closing Date.

4.7 Hazardous Indemnity Parcel B. Laguna Ridge shall indemnify, defend (with counsel acceptable to City) and hold harmless City (including, without limitation, its principals, directors, officers, employees and agents) and any successors to City's interest in Parcel B (including, without limitation, such successor's principals, directors, officers, employees and agents), from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgements, remedial action requirements, enforcement and clean-up actions of any kind, and all costs and expenses incurred in connection therewith, including, without limitation, actual attorneys' fees, costs of defense and court costs, arising directly or indirectly, in whole or in part, out of the presence on, in or under Parcel B of any Hazardous Materials, or any releases or discharges of any Hazardous Materials on, under or from Parcel B to the extent that such Hazardous Materials, releases or discharges were brought onto the Property and/or occurred during Laguna Ridge's ownership of the Parcel B. Laguna Ridge's obligations pursuant to this indemnity shall survive the Parcel B Closing Date. To the extent Laguna Ridge is indemnified under the terms and conditions of the Option relating to Pre-Close of Escrow Hazardous Materials on Parcel B, Laguna Ridge shall indemnify City in an equal amount.

"Hazardous Materials" for purposes of this Agreement includes, but is not limited to, substances defined as "hazardous substances, hazardous materials, or toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 United States Code Section 9601, et seq.); the Hazardous Materials Transportation Act (49 United States Code Section 1801, et seq.); the Resource Conservation and Recovery Act (42 United States Code Section 6901, et seq.); the Substances defined as "hazardous wastes" in California Health and Safety Code Section 25117 or as "hazardous substances" in California Health and Safety Code Section 25316; and the chemicals known to cause cancer or reproductive toxicity as published in the Safe Drinking Water and Toxic Enforcement Act of 1986 (California Health and Safety Code Section 25249.5 et seq.); and in the regulations adopted and publications

promulgated under each of the aforesaid laws.

ARTICLE V

BROKERS

5.1 Brokers. There shall be no real estate brokerage commissions payable upon close of escrow. Donors and City each represent to the other that it has not engaged the services of a real estate broker on this transaction.

ARTICLE VI

MISCELLANEOUS

6.1 Loss, Destruction, and Condemnation. If, before Donors transfer legal title of the Property to City, all or a material part of the Property is destroyed without fault of City, or is taken by eminent domain by any governmental entity, Donors shall not have the right to enforce this Agreement. For these purposes, "material part of the Property" means, an improvement or improvements on the Property that would cost \$10,000.00 or more to replace or to restore to their condition as of the date of execution of this Agreement.

6.2 Insurance. Donors shall cancel all policies of insurance on the Property as of the Parcel A Closing Date and the Parcel B Closing Date. City shall be responsible for obtaining insurance on the Property as of the Parcel A Closing Date and the Parcel B Closing Date.

6.3 Interpretation. This Agreement has been executed in Sacramento, California, and shall be governed by and construed in accordance with the laws of the State of California. Any legal action to enforce or interpret the provisions of this Agreement may be commenced only in the County of Sacramento, State of California. The captions of paragraphs used in this Agreement are for convenience only. Except to the extent assignment hereof is prohibited, the provisions hereof shall be binding upon and inure to the benefit of the successors and assigns of Donors and Donee.

6.4 Assignments. City shall not assign this Agreement without Donors' prior written consent.

6.5 Time of Essence. Time is of the essence of this Agreement and of the escrows provided for herein.

6.6 Attorneys' Fees. In the event either Donors or Donee shall commence legal proceedings for the purpose of enforcing any provision or condition hereof, or by reason of any breach arising under the provisions hereof, then the prevailing party in such proceedings shall be entitled to reasonable attorneys' fees, costs and expert witness fees to be determined by the Court.

6.7 No Third Party Beneficiary. It is the intent of the parties hereto that there be no intended third party beneficiaries of this Agreement.

6.8 Binding Effect. This Agreement shall bind and inure to the benefit of the respective beneficiaries, devisees, heirs, personal representatives, successors, and assigns of the parties hereto.

6.9 Integration. This Agreement contains the complete and entire agreement of the parties hereto, and supersedes any prior written or oral agreements between them concerning the subject matter contained herein. This Agreement may be modified only by a writing signed by all of the parties hereto.

6.10 Counterparts. This Agreement may be signed in identical counterparts, all of which shall constitute one instrument.

6.11 Additional Documents. From time-to-time prior to and after the close of escrow, each party shall execute and deliver such other documents as may be reasonably requested by the other party to carry out the purpose and intent of this Agreement.

6.12 Memorandum of Real Property Donation Agreement. A Memorandum of Real Property Donation Agreement in the form attached hereto as Exhibit B and made a part hereof, shall, at the request of the City, be recorded against the property in which Parcel A and Parcel B are a part.

6.13 Notice. Any notice required or desired to be given by either party to this Agreement to the other pursuant to or with respect to this Agreement shall be in writing and shall be (i) personally served, (ii) transmitted via a facsimile to the number and to the attention of the person indicated below, (iii) delivered by private, overnight courier, or (iv) given by depositing such notice in the United States mail, certified, return receipt requested and postage prepaid, addressed to the other as follows:

Donors:

Mr. Mike Winn
Reynen and Bardis
9848 Business Park Drive, Suite H
Sacramento, CA 95827

City:

City of Elk Grove, Department of Public Works
ATTN: City Engineer

8400 Laguna Palms Way
Elk Grove, CA 95758

Any notice shall be deemed to have been given as follows: (i) if by personal delivery, or by private overnight courier then upon delivery at the address set forth herein, (ii) if by facsimile transmission, then upon such transmittal as evidenced by a standard "Fax" confirmation and followed by the original sent via the United States mail; or (iii) if by certified mail, then on the date receipt was acknowledged by the postal authorities. Either party may, by written notice to the other in the manner aforesaid, change the address or Fax number to which notices shall thereafter be delivered, transmitted via a facsimile, or mailed.

6.12 Dependency and Survival of Provisions. The respective warranties, representations, covenants, agreements, indemnities, obligations, and undertakings of each party hereunder shall be construed as dependent upon and given in consideration of those of the other party and shall survive the close of escrow and the recordation of the grant deeds.

6.13 Waiver. Waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement, nor shall it be considered to be a waiver by such party of such matters in the future or of any other covenant, condition, or promise hereunder. Any waiver, to be effective, shall be in writing and delivered to the other party.

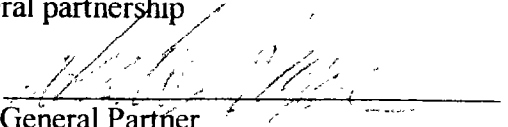
6.14 Exhibits. All exhibits attached to this Agreement are incorporated by reference herein and specifically made a part of this Agreement.

6.15 Calendar Days/Dates of Performance. Unless otherwise expressly stated, all time periods referred to herein shall be deemed to mean calendar days. In the event any date for performance by either party of any obligation hereunder required to be performed by such party falls on a Saturday, Sunday or holiday recognized in the State of California, the time for performance of such matter shall be deemed extended until the next business day immediately following such date.

6.16 Severability. If any term of this Agreement, or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

6.17 ANY CONTROVERSY OR CLAIM ARISING OUT OF THIS AGREEMENT OR A BREACH THEREOF SHALL BE SETTLED BY ARBITRATION IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AND

ELK GROVE BOULEVARD &
BRUCEVILLE INVESTORS, a California
general partnership

By: 
Its: General Partner

By: _____
Its: General Partner

CITY:

City Manager

APPROVED AS TO FORM:

City Attorney

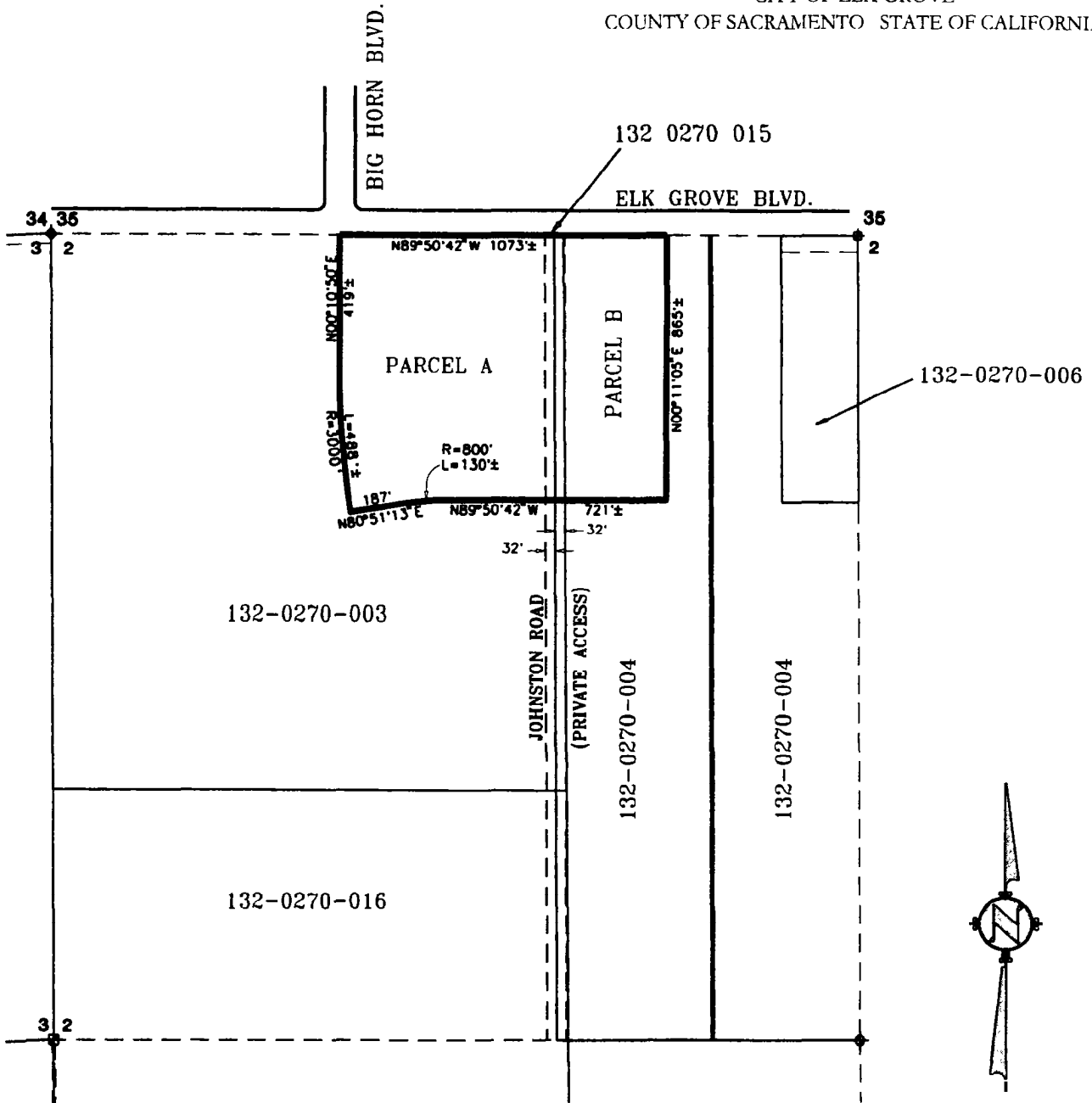
EXHIBIT A

[Map Depicting Parcel A and Parcel B]

EXHIBIT A

LOCATION OF
PROPERTY TO BE
DONATED

CITY OF ELK GROVE
COUNTY OF SACRAMENTO STATE OF CALIFORNIA



SCALE: 1"=500'



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3301 C St., Bldg. 100-B Tel 916.341.7760
Sacramento, CA 95816 Fax 916.341.7767

EXHIBIT B

[Memorandum of Real Property Donation Agreement]

Recording Requested by and
When Recorded Return to:

City of Elk Grove
8400 Laguna Palms Way
Elk Grove, California 95758
Attention: City Clerk

No recording fee required pursuant to
Government Code Section 27383.

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MEMORANDUM OF REAL PROPERTY DONATION AGREEMENT

THIS MEMORANDUM OF REAL PROPERTY DONATION AGREEMENT is made this _____, 200__, by and between Reynen and Bardis (Laguna Ridge), a California limited partnership ("Laguna Ridge"), and Elk Grove Boulevard & Bruceville Investors, a California General Partnership ("EG Investors") (hereinafter collectively referred to as "Donors"), and The City of Elk Grove, a municipal corporation ("City").

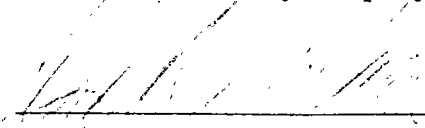
1. Donors and City have entered into that certain Real Property Donation Agreement dated as of _____, 200__ ("Agreement"), the terms and conditions of which are hereby incorporated by this reference as if set forth in full herein. The Agreement provides for the Donors' donation to the City of that certain real property depicted as Parcel A and Parcel B on Exhibit A, attached hereto and made a part hereof ("Donation Property"), situated in the City of Elk Grove, County of Sacramento, State of California. The Donation Property is a portion of the larger parcels legally described on Exhibit B, attached hereto and made a part hereof.

Dated: _____, 200__

DONORS:

REYNEN & BARDIS (LAGUNA RIDGE)
a California limited partnership

By: R & B HOMES, LLC,
a California limited liability company, Manager

By: 
Name: _____
Title: Manager

***ELK GROVE BOULEVARD & BRUCEVILE INVESTORS,
a California general partnership***

By: _____
Name: _____
Title: General Partner

By: _____
Name: _____
Title: General Partner

CITY:

***CITY OF ELK GROVE,
A municipal corporation***

By: _____
John Danielson, City Manager

APPROVED AS TO FORM:

By: _____
Tony Manzanetti, City Attorney

MEMORANDUM - EXHIBIT A
MAP DEPICTING DONATION PROPERTY

MEMORANDUM - EXHIBIT B
LEGAL DESCRIPTION OF LARGER PARCELS