

STAFF REPORT*CITY OF OCEANSIDE*

DATE: August 13, 2008

TO: Chairman and Members of the Community Development Commission
Honorable Mayor and City Council

FROM: Economic and Community Development Department

SUBJECT: **LOAN AGREEMENT, PROPERTY LEASE AGREEMENT AND BUDGET APPROPRIATION FOR RENOVATION, FACADE CONSTRUCTION AND RELOCATION OF THE CALIFORNIA SURF MUSEUM AND TO REIMBURSE REDEVELOPMENT FUNDS FOR COSTS TO PREPARE THE BUILDING FOR TENANTS; AND ADOPTION OF RESOLUTIONS MAKE CERTAIN FINDINGS IN CONNECTION THEREWITH**

SYNOPSIS

Staff recommends that the City Council and Community Development Commission approve the appropriation of \$624,975 of Redevelopment Bond Funds: \$575,115 for renovation and facade enhancement to enable the California Surf Museum (CSM) to move from 223 N. Coast Highway to 312-314 Pier View Way, and \$49,860 to reimburse the Redevelopment Operating Fund for costs to prepare the building for tenants; approve a five-year loan agreement with the CSM in the amount of \$575,115, to be forgiven annually over the five-year period; approve a property lease agreement with the CSM for the property located at 312-314 Pier View Way with revenue to the City/CDC in the amount of \$1,200 annually; authorize the City Manager/Executive Director to execute the loan agreement and property lease agreement; and adopt resolutions making the required findings to enable this project.

BACKGROUND

The California Surf Museum ("CSM") was founded in 1986 when its doors opened in Encinitas. CSM later relocated to Pacific Beach, and in 1992 relocated to Oceanside into a building located on Pacific Street at the head of the Pier. In 1995, the City of Oceanside ("City") leased the 2,000-square-foot building at 223 North Coast Highway to the CSM. Over its 15 years in Oceanside, the CSM has acquired additional surf memorabilia, historical records and photos, and held bigger events. CSM welcomes roughly 1,000 students annually to the museum on field trips, teaching students the history of surfing. Currently additional space is required to house a permanent collection of over 2,000 pieces, including 125 surfboards. Support for the CSM has grown with over 20,000 local and worldwide visitors annually, as well as 1,000 members. The CSM is currently in the process of receiving recognition as the official "California Surf Museum" by the State Legislature.

CSM's dedication to its mission statement, *"To preserve the lifestyle sport of surfing by chronicling its art, culture and heritage for the education and enjoyment of future generations"* has allowed the museum to continue to grow. However, the current location's spatial constraints prohibit exhibiting a more complete image of surfing and the cultural impact it has left on popular culture.

In 2006, City Council gave direction for staff to work with the CSM to find a larger, more suitable location. The size of the 312-314 Pier View Way building (previously the Playgirl Club), which is owned by the Community Development Commission of the City of Oceanside ("CDC"), is approximately 5,065 square feet ("Building"). The Building's location is ideal due to its closer proximity to the beach and additional room for staging exhibits, storage, a library, a larger gift shop, and revolving display areas.

The request is to use \$575,115 in Redevelopment Bond Funds for the renovation and façade enhancements to the Building, and to reimburse the Redevelopment Operating Fund number 591.304050.5241 the amount of \$49,860 that was used to demolish the interior of the building to get it shell ready, architectural and engineering design fees for CSM's improvements, engineering and building permit fees, and termite work that was completed. For consideration of the funding CSM will enter into a loan agreement for \$575,115 ("Loan Agreement") and enter into a five-year property lease agreement. City staff will oversee the tenant improvements and renovation as required by the CSM, including compliance with Health, Safety Code and City Building Code standards.

ANALYSIS

Loan Agreement (Exhibit 1)

The proposal is to loan the CSM the amount of \$575,115 for demolition, tenant improvements, renovation and façade enhancements to the Building. The loan would be forgiven annually over a five-year period.

A Promissory Note payable to the CDC would be signed by the CSM. If the CSM venue ceases to operate in Oceanside or relocates its business within five years of the Loan Agreement and Property Lease Agreement, the amount not yet forgiven would become due and payable.

Building and façade enhancement plans and specifications have been submitted to the City, and construction of the Building will be completed within 160 days from the date of this Council action. Included in the tenant improvements and renovation will be the installation of a new HVAC system, renovation of the façade, vacation of their current location and relocation of all operations to the Building within said 160 days. The CSM has agreed to provide a variety of art showings, music, movies, classes and live performances as well as meet other annual performance standards documented within the Property Lease Agreement and Loan Agreement as a stipulation to receiving funding.

Annual Objectives for the Surf Museum include:

<u>YEAR</u>	<u>PERFORMANCE GOAL/STANDARD</u>
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2008-09

1. Hold exhibit opening reception
2. Hold annual event honoring surfer
3. Begin researching and planning a surf film festival
4. Continue fundraising efforts
5. CSM will be open seven days per week from 10 am to 4 pm
6. CSM will be open in conjunction with the Sunset Market
7. CSM will expand and enhance the gift shop
8. The facility will be available for a minimum of one City function
9. Conduct an annual membership meeting

2009-10

1. Hold exhibit opening reception
2. Hold annual event honoring surfer
3. Host book signing /artist reception/surf music concert
4. Hold at least one surf film festival
5. CSM will enhance website and keep information current
6. CSM will apply for grants and continue fundraising efforts
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2010-11

1. Hire an Executive Director
2. Work on plan to accelerate fundraising campaign
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 2 book signings / artist receptions / concerts
6. Host at least two surf film festivals
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2011-12

1. Institute the plan to accelerate fundraising campaign
2. Implement a school tour program
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 4 book signings / artist receptions / concerts
6. Host at least two surf film festivals

7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2012-13

1. Continue with planned fundraising campaign
2. Implement a school tour program
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 4 book signings / artist receptions / concerts
6. Host at least two surf film festivals
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

Property Lease Agreement (Exhibit 2)

The Building located at 312-314 Pier View Way (APN 147-088-02) would be leased to the CSM for an initial term of five years beginning the earlier of substantial completion of the improvements to the Building or 160 days from the date the Agreement is approved by the City Council and terminating five years thereafter. The rental rate would be \$100 per month due on the first day of each month to the Economic & Community Development, Property Management Division. The CSM would be responsible for payment of all utilities and maintenance of the Building, including sidewalk and window cleaning, and would maintain general liability and all-risk insurance, as well as indemnify and hold harmless the CDC, the City of Oceanside and its officers, agents, and employees against all claims.

CSM may request to extend the term of the Property Lease Agreement an additional five years and annually thereafter, provided written notice is given to the Executive Director/City Manager no less than ninety days prior to the expiration of the applicable term of the Lease.

Findings Required for City Council and Community Development Commission Resolutions

Redevelopment law and bond laws require that if Redevelopment funds are being used for a public facility a public hearing must be held and specific findings must be made which are summarized below and can be reviewed in full in the attached Summary Report (Exhibit 3).

1. Buildings, facilities, structures or other improvements are of benefit to the project area or the immediate neighborhood in which the project is located (Health and Safety Code Section 33445(1)).
2. There is no other reasonable means of financing such buildings, facilities, structures, or other improvements available to the community (Health and Safety Code Section 33445(2)).

3. The payment of funds for the acquisition of land or the cost of buildings, facilities, structures or other improvements will assist in the elimination of one or more blighting conditions inside the project area, and is consistent with the 2005-09 Implementation Plan adopted pursuant to Section 33490 (Health and Safety Code Section 33445(a)(3)).
4. The use must meet the provision in Redevelopment Law that taxes are being used to pay for a fundamental purpose of redevelopment (Health and Safety Code Section 33679(c)).

Staff recommends the approval of the Loan Agreement and Property Lease Agreement to assist the California Surf Museum in relocating to 312-314 Pier View Way. This venue will provide educational, cultural, and recreational opportunities for the citizens as well as enhance activities to encourage tourism.

FISCAL IMPACT

Appropriate \$624,975 from Redevelopment Bond funds account (489.1022.22241) and transfer \$575,115 to (591.879454.5241) for the renovation, façade enhancement and relocation of the CSM and transfer the remaining \$49,860 to (591.304050.5241) to reimburse the Redevelopment Operating Fund for the amount that was used to get the building tenant-ready. If the cost to complete the demolition, tenant improvements, renovations and the façade improvements, is more than \$575,115, the CSM will be responsible to fund the remaining balance or modify plans to fit within the \$575,115 budget.

CITY ATTORNEY ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

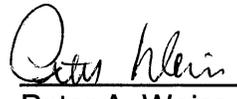
RECOMMENDATION

Staff recommends that the City Council and Community Development Commission approve the appropriation of \$624,975 of Redevelopment Bond Funds: \$575,115 for renovation and facade enhancement to enable the California Surf Museum (CSM) to move from 223 N. Coast Highway to 312-314 Pier View Way, and \$49,860 to reimburse the Redevelopment Operating Fund for costs to prepare the building for tenants; approve a five-year loan agreement with the CSM in the amount of \$575,115, to be forgiven annually over the five-year period; approve a property lease agreement with the CSM for the property located at 312-314 Pier View Way with revenue to the City/CDC in the amount of \$1,200 annually; authorize the City Manager/Executive Director to execute the loan agreement and property lease agreement; and adopt resolutions making the required findings to enable this project.

PREPARED BY:

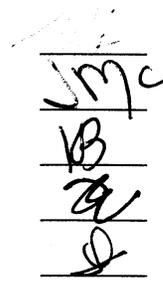

Tracey Bohler
Development Project Coordinator

SUBMITTED BY:


Peter A. Weiss
Executive Director/City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Jane McVey, Economic & Community Development Director
Kathy Baker, Redevelopment Manager
Douglas E. Eddow, Real Property Manager
Teri Ferro, Director of Financial Services



ATTACHMENTS/EXHIBITS:

1. Loan Agreement
2. Property Use Agreement
3. Summary Report
4. DLS Bid Document
5. Resolution of the City Council
6. Resolution of the Community Development Commission

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement") is entered into as of _____, 2008, by and between the **OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION**, ("CDC"), and the **CALIFORNIA SURF MUSEUM**, a California nonprofit corporation ("Surf Museum").

RECITALS

The following recitals are a substantive part of this Agreement:

Whereas, the CDC is the owner of that real property situated at 312 – 314 Pier View Way, City of Oceanside, County of San Diego, California, more particularly described as shown on attached Exhibit "A" incorporated herein by this reference ("Premises");

Whereas, the CDC and the Surf Museum have entered to a Property Lease Agreement for the Premises ("Lease"), which Lease requires the Surf Museum to construct certain tenant improvements to the Premises ("Improvements") as a condition of said Lease and to occupy the Premises as of a date certain ("Commencement Date");

Whereas, the CDC has agreed to provide a loan of Five Hundred Seventy-Five Thousand One Hundred Fifteen Dollars (\$575,115) to the Surf Museum to be used in connection with the construction of the Improvements to the Premises, which loan can be forgiven provided the Surf Museum satisfies certain performance criteria during the term of the Lease; and

Whereas, the providing of financial assistance to the Surf Museum, the maintenance and operation of the Premises and the performance of certain activities during the term of the Lease pursuant to the terms and conditions of this Agreement are in the vital and best interest of the CDC.

NOW, THEREFORE, the CDC and the Surf Museum in consideration of the mutual covenants, conditions and promises herein below contained hereby agree as follows:

AGREEMENT

1. Tenant Improvement Loan. Subject to Surf Museum's performance of all of the terms, covenants and conditions set forth herein, the CDC hereby agrees to loan to the Surf Museum, and the Surf Museum agrees to borrow from the CDC, the sum of Five Hundred Seventy-Five Thousand One Hundred Fifteen Dollars (\$575,115) (the "Improvement Loan") for the construction of the Improvements to the Premises. CDC shall make the Improvement Loan to Surf Museum from available funds in the CDC's 591.879454.5241 Trust Fund, which shall be disbursed to Surf Museum as provided herein.

1.1 Forgiveness of Improvement Loan. The CDC shall forgive portions or all of the Improvement Loan upon satisfaction of certain performance criteria as set forth in this Agreement during the term of the Lease. The performance criteria are more particularly described in the Performance Plan as set forth in Subsection 1.3b below.

1.2 Security for Improvement Loan. The Promissory Note, in the form of Exhibit "A" (the "Promissory Note") attached hereto and incorporated herein, shall be secured by the recordation of a UCC-1 fixture filing with respect to the Improvements to the Premises.

1.3 Disbursement of Improvement Loan. The proceeds of the Improvement Loan shall be disbursed by the CDC pursuant to the Disbursement Schedule and Disbursement Schedule Procedure criteria more particularly shown on Exhibit "B" and "B-1" attached hereto and incorporated herein by this reference

("Disbursement Schedule") and the conditions set forth below, any of which conditions may be waived by the CDC or its designee in its sole and absolute discretion:

a. Execution of Documents. Surf Museum shall have executed and delivered to the CDC the Promissory Note and any other documents required hereunder.

b. Performance Plan. Surf Museum shall have provided, and CDC shall have reasonably approved the Performance Plan, in the form of Exhibit "C" ("Performance Plan") attached hereto and incorporated herein, showing the specified performance to be accomplished by the Surf Museum, to the CDC's reasonable satisfaction, in exchange for the forgiveness of the Improvement Loan.

c. Proof of Insurance. Surf Museum shall have provided to the CDC a certificate of insurance that satisfies the requirements of Section 3.3 this Agreement.

d. No Default, Representations and Warranties. Surf Museum shall not be in default in any of its obligations under the terms of this Agreement and/or the Lease. All representations and warranties of Surf Museum contained herein shall be true and correct in all material respects on and as of the date of any disbursement of the Improvement Loan as though made at that time, and all covenants of Surf Museum which are required to be performed prior to the disbursement of the Improvement Loan shall have been performed by such date.

1.4 Assumption. The Promissory Note shall not be assumable by successors and assigns of Surf Museum without the prior written consent of the CDC.

2. Conditions of Improvement Loan. Subject to Surf Museum's performance of all of the terms, covenants and conditions set forth herein, including the timely accomplishment of the items and goals listed in the Performance Plan, the CDC hereby agrees to forgive the repayment of the Improvement Loan. CDC's forgiveness of the Improvement Loan as and when specified in the Performance Plan is conditioned upon the Surf Museum's performance of the following obligations:

a. Permits and Land Use Approvals. Surf Museum shall obtain each and all of the architectural plans, engineering plans and building permits in addition to any other approvals necessary for the Improvements to the Premises.

b. Construction Contract. Surf Museum shall provide to the CDC a copy of the construction contract to be signed between the Surf Museum and one or more duly licensed general contractors for the construction of the Improvements to the Premises, certified by the Surf Museum to be true and correct copies thereof, upon approval of the Lease Agreement between the CDC and the Surf Museum, of which the CDC or its designee shall have reasonably approved such contractor or contractors as having the experience and financial resources necessary to construct the Improvements to the Premises.

c. No Default, Representations and Warranties. Surf Museum shall not be in default in any of its obligations under the terms of this Agreement and/or the Lease. All representations and warranties of Surf Museum contained herein shall be true and correct in all material respects on and as of the date of any of the disbursements of the Improvement Loan as though made at that time, and all covenants of Surf Museum which are required to be performed prior to the disbursement of the Improvement Loan shall have been performed by such date.

2.2 Repayment of Improvement Loan. The Surf Museum's obligation to repay the Improvement Loan shall be set forth in the Promissory Note. The Promissory Note shall be for a term of five (5) years from the date of the Commencement Date of the Lease. The Surf Museum shall annually, on or before ninety (90) days after the end of the Surf Museum's fiscal year, beginning in the year after the Commencement Date, submit to the CDC a Performance Satisfaction Report, in the form attached hereto as Exhibit "D"

incorporated herein, for approval by the CDC, which shall provide the basis for the forgiveness of the Improvement Loan by the CDC.

2.3 Security for Improvement Loan. The Promissory Note shall be secured by the recordation of a UCC-1 fixture filing with respect to the Improvements to the Premises and a UCC-1 fixture filing against the Surf Museum's personal property (defined as personal property owned by the Surf Museum and not on loan to the Surf Museum by third parties).

a. Lien Waivers. CDC shall have received appropriate waivers of mechanics' and materialmen's lien rights and stop notice rights executed by all contractors and other persons rendering services or delivering materials for and/or associated with the Improvements to the Premises.

b. Use of Disbursement. Surf Museum shall use or apply the Improvement Loan disbursements solely for the purpose of paying down the expenses and costs associated with the Improvements to be constructed upon the Premises.

3. Operating Requirements.

3.1 Operation of the Premises. The Surf Museum shall construct the Improvements to the Premises, use the Premises in accordance with the Lease, and operate and maintain the Premises pursuant to the terms and conditions of the Lease and in compliance with the requirements of this Agreement.

3.2 Maintenance. The Surf Museum shall maintain the Premises in good condition, free of debris, waste and graffiti, in a clean and presentable manner, and in compliance with the Lease and this Agreement and all applicable provisions of the Oceanside Municipal Code. The Premises shall not be demolished or converted to another use without the prior written approval of the CDC. If the Premises are not so maintained, and such condition is not corrected within a reasonable period after written notice thereof from the CDC, then the CDC may perform the necessary maintenance and Surf Museum shall pay such costs as are reasonably incurred for such maintenance.

3.3 Insurance. During the term of the Promissory Note and any security interest thereof, the Surf Museum, at its sole cost and expense, shall itself take out and maintain, or cause to be taken out and maintained, the following insurance coverage:

a. Maintain or cause to be maintained a policy or policies of all-risk property insurance covering all of the Improvements to the Premises. Such insurance policy shall be maintained in an amount not less than one hundred percent (100%) of the "Full Insurable Value" of the Premises, as defined herein in Section 3.3.1 of this Agreement.

b. Maintain or cause to be maintained use and occupancy or business interruption or rental income insurance against the perils of fire, lightning, vandalism, malicious mischief, and such other perils ordinarily included in extended coverage fire insurance policies.

c. Maintain, or cause to be maintained, in an amount not less than Two Million Dollars (\$2,000,000), combined single limit per occurrence and \$4,000,000 general aggregate, comprehensive general liability insurance. The required amount of insurance shall be subject to increases as the CDC may reasonably require from time to time, but not more frequently than every twenty-four (24) months. In no event shall such increase or increases exceed the increase during such period in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers, Subgroup "All Items," in the geographical area applicable to the Oceanside area. The Surf Museum agrees that provisions of this paragraph as to the maintenance of insurance shall not be construed as limiting in any way the extent to which the Surf Museum may be held responsible for the payment of damages to persons or

property resulting from the Surf Museum's activities, activities of its lessees, invitees, permittees or patrons or the activities of any other person or persons for which the Surf Museum is otherwise responsible.

d. Maintain, or cause to be maintained worker's compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the workers' compensation laws now in force in California, or any laws hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers' compensation insurance shall cover all persons employed by the Surf Museum in connection with the Premises and shall cover full liability for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for on behalf of any person incurring or suffering injury or death in connection with the Premises or the operation thereof by the Surf Museum.

3.3.1 Definition of "Full Insurable Value". The term "Full Insurable Value" as used in this Section 3.3 shall mean the actual replacement cost of the Premises, including, but not limited to, the cost of construction of the Improvements, architectural and engineering fees, applicable governmental fees, and inspection and supervision. Surf Museum shall maintain the insurance policy required by Section 3.3 (a) hereof at the current Full Insurable Value of the Premises.

3.3.2 General Insurance Provisions. All policies of insurance provided for in this Section 3.3, except for the workers' compensation insurance, shall name the Surf Museum as the insured and the CDC and the City of Oceanside and their officers, employees, agents, and representatives, as "additional insured", as their respective interests may appear. Insurance coverage provided to CDC as additional insured shall be primary insurance and other insurance maintained by the CDC and the City of Oceanside, their officers, employees, agents, and representatives shall be excess only and not contributing with insurance provided pursuant to this Section 3.3. All property casualty insurance policies shall include the interest of any Surf Museum's mortgagee, and may provide that any loss is payable jointly to the Surf Museum and the Surf Museum's mortgagee in which event such policies shall contain standard mortgage loss payable clauses.

The Surf Museum agrees to timely pay or cause to be timely paid all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance. The Surf Museum agrees to submit policies of all insurance required by this Section 3.3, or certificates evidencing the existence thereof, to the CDC on or before the effective date of this Agreement, indicating the coverage of the contractual liability imposed by this Agreement. At least thirty (30) days prior to expiration of any such policy, copies of renewal policies, or certificates evidencing the existence thereof shall be submitted to the CDC. All policies shall be written by good and solvent insurers qualified to do business in California, or holding an AM Best rating (or its reasonable equivalent) of A-X or better, and reasonably acceptable to the CDC (or designee). All policies or certificates of insurance shall also: (i) provide that such policies shall not be canceled or limited in any manner without at least thirty (30) days prior written notice to the CDC; and (ii) provide that such coverage is primary and not contributing with any insurance as may be obtained by the CDC and shall contain a waiver of subrogation for the benefit of the CDC.

3.3.3 Failure to Maintain Insurance. If the Surf Museum fails or refuses to procure or maintain insurance as required by this Agreement, the CDC shall have the right, at the CDC's election, and upon ten (10) days prior notice to Surf Museum, to procure and maintain such insurance. The premiums paid by the CDC shall be treated as amounts due to the CDC from the Surf Museum, to be paid on the first day of the month following the date on which the premiums were paid. The CDC shall give prompt notice of the payment of such premiums, stating the amounts paid and the name of the insured(s).

3.3.4 Insurance Proceeds Resulting from Loss or Damage to Premises. Subject to the requirements of senior mortgagees, all proceeds of insurance with respect to loss or damage to the Premises and any improvement appurtenant thereto during the term of the Promissory Note and any security interest thereof shall be payable, under the provisions of the policy of insurance, to the Surf Museum, and said

proceeds shall constitute a trust fund to be used for the restoration, repair and rebuilding of the Premises in accordance with plans and specifications approved in writing by the CDC. To the extent that such proceeds exceed the cost of such restoration, repair or rebuilding, then such proceeds shall be used to repay any outstanding loans secured by encumbrances upon the Premises, and any remaining proceeds shall be apportioned between the Surf Museum and the CDC as their interests may appear. Notwithstanding the foregoing, within the period during which there is an outstanding mortgage upon the Premises, such proceeds shall be payable in accordance with mortgage loan documents.

In the event this Agreement, the Promissory Note, any security interest thereof or the Lease is terminated by mutual agreement of the CDC and the Surf Museum and the Premises is not restored, repaired or rebuilt, subject to any lien claims thereto, the insurance proceeds and any other proceeds associated with the Premises and/or the improvement thereto shall be jointly retained by the CDC and the Surf Museum and shall be applied first to any payments due under this Agreement from the Surf Museum to the CDC, second to restore the Premises to its original condition and to a neat and clean condition, third to repay any outstanding loans secured by encumbrances upon the Premises, and finally any excess shall be apportioned between the Surf Museum and the CDC as their interests may appear, and the Surf Museum shall have no further obligation hereunder to restore, repair or rebuild the Premises; provided, however, that within any period when there is an outstanding mortgage upon the Premises, such proceeds shall be applied in accordance with the mortgage loan documents. The value of each interest for the purpose of apportioning excess proceeds under this Section 3.3.4 shall be the fair market value of such interests immediately prior to the occurrence of the damage or destruction.

In the event this Agreement, the Promissory Note, any security interest thereof or the Lease is partially terminated by mutual agreement of the CDC and the Surf Museum and a portion of the Premises are not restored, repaired or rebuilt, a pro rata portion of the insurance proceeds and proceeds of any capital replacement reserve and/or operating reserve attributable to the portion of the Improvements which has been terminated shall be jointly retained by the CDC and the Surf Museum and shall be applied first to any payments due under this Agreement from the Surf Museum to the CDC, second to restore the applicable portion of the Premises to their original condition and to a neat and clean condition, third to repay any outstanding loans secured by encumbrances upon the Premises, and finally any excess shall be apportioned between the Surf Museum and the CDC as their interests may appear, and the Surf Museum shall have no further obligation hereunder to restore, repair or rebuild the applicable portion of the Premise subject to termination; provided, however, that within any period when there is an outstanding mortgage upon the Premises, such proceeds shall be applied in accordance with the mortgage loan documents. The value of each interest for the purpose of apportioning excess proceeds under this Section 3.3.4 shall be the fair market value of such interests immediately prior to the occurrence of the damage or destruction.

3.4 Indemnification and Hold Harmless. Surf Museum shall, subject to the terms of the Promissory Note, indemnify, hold harmless and defend, with attorney(s) reasonably acceptable to the CDC, the CDC and its officers, elected and appointed boards and officials, employees, representatives and agents, from and against any and all liability, damages, costs, losses, claims and expenses, suits, actions, proceedings and judgments, including attorney's fees, however caused, resulting directly or indirectly from or connected with the Premises and/or the performance of this Agreement by Surf Museum or its contractors, subcontractors, agents, employees or other persons acting on its behalf, except to the extent caused by the sole or active negligence or willful misconduct of the CDC or its officers, boards, officials, employees, representatives or agents.

3.5 Compliance with Laws. The Surf Museum shall construct the Improvements, use, maintain and operate the Premises in conformity with all applicable laws, including without limitation all applicable state labor standards (including but not limited to California Labor Code sections 1774 and 1775), the zoning and development standards of the City of Oceanside, building, plumbing, mechanical and electrical codes, and all other provisions of the City of Oceanside Municipal Code, all applicable environmental laws, all state and federal fair housing laws, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government

Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

3.6 Nondiscrimination. Surf Museum for itself and its successors and assigns, agrees that there shall be no discrimination against or segregation of any person or group of persons, on account of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, or sexual orientation in the leasing, subleasing, rental, transferring, use, occupancy, tenure, or enjoyment of the Premises nor shall the Surf Museum or any person claiming under or through the Surf Museum establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, leases, sublessees, subtenants, contractors or vendees in the Premises.

3.7 Condition of the Site.

a. Surf Museum Precautions. Surf Museum shall take all necessary precautions to prevent the release into the environment of any Hazardous Materials (as defined in section 3.7.c, below) that may be located in, on or under the Site on which the Premises are situated (the "Site"). Such precautions shall include compliance with all governmental requirements with respect to Hazardous Materials. In addition, Surf Museum shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Materials.

b. Environmental Indemnity. Surf Museum shall indemnify, defend and hold CDC harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense (including, without limitation, attorneys' fees), resulting from, arising out of, or based upon (i) the release from the Site, use on the Site, generation on the Site, discharge from the Site, storage on the Site, disposal on or from the Site, or transportation to or from the Site, of any Hazardous Materials during the term of this Agreement, or (ii) the violation, or alleged violation, of any statute, ordinance, order, rule, regulation, permit, judgment or license relating to the use, generation, release, discharge, storage, disposal or transportation of Hazardous Materials on, under, in or about, to or from, the Site. This indemnity shall include, without limitation, any damage, liability, fine, penalty, cost or expense arising from or out of any claim, action, suit or proceeding, including injunctive, mandamus, equity or action at law, for personal injury (including sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resource or the environment, nuisance, contamination, leak, spill, release or other adverse effect on the environment; provided, however, under no circumstances shall these indemnity obligations of Surf Museum include any obligation for payment of punitive damages assessed against CDC or its officers, employees, agents or representatives, or for damages, penalties or costs assessed against the CDC due to actions of CDC employees, officers, agents or representatives.

c. Definitions. For purposes of this Agreement, "Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, San Diego County, the State of California, regional governmental authority, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated byphenyls, (viii) methyl tertiary butyl ether, (ix) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to

Article 11 of Title 22 of the California Code of Regulations, Division 4, Chapter 20, (x) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (xi) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901, *et seq.* (42 U.S.C. §6903) or (xii) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601, *et seq.* Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, rehabilitation or management of residential developments or associated buildings and grounds, or typically used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Premises, including without limitation alcohol, aspirin, tobacco and saccharine.

3.8 Liens and Stop Notices. Surf Museum shall use its best efforts to prevent any lien or stop notice from being placed on the Site or the Premises or any part thereof. If a claim of a lien or stop notice is given or recorded affecting the Site or the Premises the Surf Museum shall within thirty (30) days of such recording or service:

- a. pay and discharge the same; or
- b. effect the release thereof by recording and delivering to CDC a surety bond in sufficient form and amount, or otherwise; or
- c. provide CDC with indemnification from a title insurance company reasonably acceptable to the CDC against such lien or other assurance which CDC deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of CDC from the effect of such lien or bonded stop notice.

4. Surf Museum's Representations and Warranties. Surf Museum represents and warrants to CDC as follows:

4.1 Authority. Surf Museum has full right, power and lawful authority to undertake all obligations as provided herein, and the execution, performance and delivery of this Agreement by Surf Museum has been fully authorized by all requisite actions on the part of the Surf Museum. The parties who have executed this Agreement on behalf of Surf Museum are authorized to bind Surf Museum by their signatures hereto.

4.2 Litigation. To the best of Surf Museum's knowledge, there are no actions, suits, material claims, legal proceedings, or any other proceedings affecting the Surf Museum or any parties affiliated with Surf Museum, at law or in equity before any court or governmental agency, domestic or foreign, which if adversely determined, would materially impair the right or ability of Surf Museum to execute or perform its obligations under this Agreement or any documents required hereby to be executed by Surf Museum, or which would materially adversely affect the financial condition of Surf Museum or any parties affiliated with Surf Museum.

4.3 No Conflict. To the best of Surf Museum's knowledge, Surf Museum's execution, delivery, and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which Surf Museum or any parties affiliated with Surf Museum is a party or by which it is bound.

4.4 No Bankruptcy. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization, receivership or other proceedings have been filed or are pending or threatened against the Surf Museum or any parties affiliated with Surf Museum, nor are any of such proceedings contemplated by Surf Museum or any parties affiliated with Surf Museum.

4.5 Notice of Changed Conditions. Until the final disbursement of the Improvement Loan, Surf Museum shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 4 not to be true in any material respect, immediately give written notice of such fact or condition to CDC. Such exception(s) to a representation shall not be deemed a breach by Surf Museum hereunder, but shall constitute an exception which CDC shall have a right to approve or disapprove if such exception would have a material adverse effect on the Premises and/or operation of at the Premises. If CDC elects to disburse the Improvement Loan to the Surf Museum following disclosure of such information, Surf Museum's representations and warranties contained herein shall be deemed to have been made as of the date of the disbursement of the Improvement Loan, subject to such exception(s). If following the disclosure of such information the Surf Museum fails to cure such matter within the time set forth in Section 5 hereof for the cure of defaults, CDC may elect in its sole and exclusive discretion to terminate this Agreement by written notice to the Surf Museum.

5. Remedies for Default. A failure by either party to perform any action or covenant required by this Agreement, the Promissory Note, any security interest thereof or the Lease, or any loan or deed of trust for the Premises which is senior to the Improvement Loan, within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a "Default" under this Agreement. A party claiming a Default shall give written notice of Default to the other party specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party cures such default within ten (10) days if the claimed Default is a failure to pay amounts due pursuant to the Promissory Note, or thirty (30) days from receipt of such notice for all other claimed Defaults hereunder, unless a longer cure period is provided in any security interest to the Promissory Note, the Lease or other applicable document. However, in the event that such Default is other than a failure to pay money and is of such a nature that it cannot reasonably be cured within thirty (30) days from receipt of such notice, the claimant shall not institute any proceeding against the other party, and the other party shall not be in Default if such party immediately upon receipt of such notice, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence as soon as reasonably possible thereafter. In the event that the Surf Museum is in default on any loan or deed of trust senior to the Development Loan, the Surf Museum shall immediately deliver to the CDC a copy of such notice of default. Even if the holder of such loan or deed of trust has not exercised its rights or remedies with respect to such default, the CDC shall have the right (but not be obligated to) cure such default. In such event, the CDC shall be entitled to reimbursement from the Surf Museum of all costs and expenses actually incurred by the CDC in curing such default, plus interest at the rate of seven percent (7%) per annum. The CDC shall be entitled to add such amount to the amounts owing pursuant to the Promissory Note, and security interest related thereto.

5.1 Institution of Legal Actions. In addition to any other rights or remedies and subject to the restrictions otherwise set forth in this Agreement, either party may institute an action at law or equity to seek specific performance of the terms of this Agreement, or 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. The CDC may also cause all indebtedness of the Surf Museum under this Agreement and the Promissory Note to become immediately due and payable, and may institute any applicable legal and/or equitable action. Legal and/or equitable action(s) must be instituted in the Superior Court of the County of San Diego, State of California, in an appropriate municipal court in that county, or in the United States District Court for the Southern District of California.

5.2 Acceptance of Service of Process. In the event that any legal action is commenced by the Surf Museum against CDC, service of process on CDC shall be made by personal service upon the CDC or in such other manner as may be provided by law. In the event that any legal action is commenced by CDC against the Surf Museum, service of process shall be made in such manner as may be provided by law and shall be effective whether served inside or outside of California.

5.3 Rights and Remedies Are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or

more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same Default or any other Default by the other party.

5.4 Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

5.5 Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

5.6 Attorneys' Fees. In any action between the parties to interpret, enforce, reform, modify, rescind, or otherwise in connection with any of the terms or provisions of this Agreement, the prevailing party in the action shall be entitled, in addition to any other relief to which it might be entitled, reasonable costs and expenses including, without limitation, litigation costs and reasonable attorneys' fees.

6. General Provisions.

6.1 Notices, Demands and Communications Between the Parties. Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

To CDC: Oceanside Community Development Commission
300 North Coast Highway
Oceanside, CA 92054
Attention: Executive Director

with a copy to: Oceanside Community Development Commission
300 North Coast Highway
Oceanside, CA 92054
Attention: CDC General Counsel

To Surf Museum: Prior to the Commencement Date

Oceanside Surf Museum
223 North Coast Highway
Oceanside, CA 92054

After the Commencement Date

To the Premises

with a copy to: Steven M. Angus, Esq.
2611 South Coast Highway 101, Suite 204
Cardiff by the Sea, California 92027

Any written notice, demand or communication shall be deemed received immediately upon receipt; provided, however, that refusal to accept delivery after reasonable attempts thereto shall constitute

receipt. Any notices attempted to be delivered to an address from which the receiving party has moved without notice shall be effective on the third day from the date of the attempted delivery or deposit in the United States mail.

6.2 Non-Liability of Officials and Employees of CDC and CDC. No member, official, officer or employee of CDC shall be personally liable to the Surf Museum, or any successor in interest, in the event of any Default or breach by CDC or for any amount which may become due to the Surf Museum or its successors, or on any obligations under the terms of this Agreement.

6.3 Counterparts. This Agreement may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement.

6.4 Integration. This Agreement, together with the Property Lease Agreement, Promissory Note, any security interest thereof, as well as any other attachments thereto, contains the entire understanding between the parties relating to the transaction contemplated by this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged in this Agreement and shall be of no further force or effect. Each party is entering this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material. This Agreement includes Exhibits "A", "B", "C", and "D", which constitute the entire understanding and agreement of the parties, notwithstanding any previous negotiations or agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

6.5 No Waiver. A waiver by either party of a breach of any of the covenants, conditions or agreements under this Agreement to be performed by the other party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Agreement.

6.6 Modifications. Any alteration, change, or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each party.

6.7 Severability. If any term, provision, condition, or covenant of this Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

6.8 Legal Advice. Each party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement; and, they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other party, or their respective agents, employees, or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

6.9 Time of Essence. Time is expressly made of the essence with respect to the performance by the parties of each and every obligation and condition of this Agreement.

6.10 Cooperation. Each party shall cooperate with the other in this transaction and, in that regard, sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Agreement including, but not limited to, releases or additional agreements.

6.11 Definitions. Any terms used in this Agreement but not separately defined herein shall have the meaning given to such terms in the Promissory Note or any security interest thereto, as appropriate.

IN WITNESS WHEREOF, CDC and the Surf Museum have executed this Loan Agreement as of the date first set forth above.

CDC:

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

APPROVED AS TO FORM:

Peter D. Hamilton, ASST.
CDC General Counsel

By: _____

Name: Mr. Peter Weiss

Title: Executive Director/City Manager

SURF MUSEUM:

CALIFORNIA SURF MUSEUM

a California nonprofit corporation

By: *Michael A. Burner*

Name: MICHAEL A. BURNER

Title: DIRECTOR

By: *Jack H. Francis*

Name: JACK H. FRANCIS

Title: DIRECTOR

Surf Museum's Signature(s) Must be Notarized

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 8.6.08 before me, Curtis Jackson, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Jack H. Francis
Name(s) of Signer(s)

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.



Place Notary Seal Above

Signature [Handwritten Signature]
Signature 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: Loan Agreement

Document Date: 8.6.08 Number of Pages: _____

Signer(s) Other Than Named Above: Michael A. Burner

Capacity(ies) Claimed by Signer(s)

Signer's Name: Jack H. Francis

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

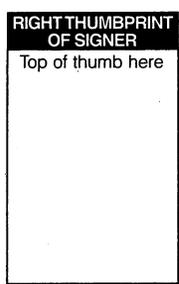
Signer Is Representing: _____



Signer's Name: _____

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

Signer Is Representing: _____



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 8.6.08 before me, Curtis Jackson, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Michael A. Burner
Name(s) of Signer(s)

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/hers/their authorized capacity(ies), and that by his/hers/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 [Handwritten Signature]
Signature of Notary Public

Place Notary Seal Above



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: Loan Agreement

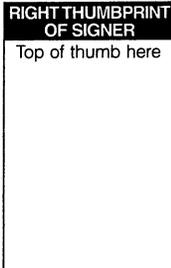
Document Date: 8.6.08 Number of Pages: _____

Signer(s) Other Than Named Above: Jack H. Francis

Capacity(ies) Claimed by Signer(s)

Signer's Name: Michael A. Burner

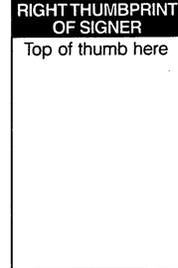
- Individual
- Corporate Officer — Title(s): Director
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



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: _____

Exhibit "A"

PROMISSORY NOTE

\$575,115.00

_____, 2008
Oceanside, California

FOR VALUE RECEIVED, THE CALIFORNIA SURF MUSEUM, a California nonprofit corporation (the "Borrower"), promises to pay to the OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION, (the "CDC"), or order, at the CDC's office at 300 North Coast Highway, Oceanside, California or at such other place as the CDC may designate in writing, the sum of Five Hundred Seventy-Five Thousand Once Hundred Fifteen and No/100 Dollars (\$575,115), which represents the "Improvement Loan Amount" pursuant to the Loan Agreement executed by the CDC and the Borrower dated as of _____, 2008 (the "Loan Agreement"). All capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Loan Agreement. Provisions for reduction in the principal balance hereof are set forth in Section 3 of this Promissory Note. Payments shall be made in currency of the United States of America which at the time of payment is lawful for the payment of public and private debts.

1. Agreement. This Promissory Note (the "Note") is given in accordance with provisions of the Loan Agreement. The rights and obligations of the Borrower and the CDC under this Note shall be governed by the Loan Agreement and by the additional terms set forth in this Note. In the event of any inconsistencies between the terms of this Note and the terms of the Loan Agreement or any other document related to the principal balance of this Note, the terms of this Note shall prevail.

2. Repayment of Note. The principal balance hereof shall be paid by the Borrower as follows:

a. Repayment Term. The Promissory Note shall be for a term of five (5) years from the date of the commencement date of the Property Lease Agreement between the CDC and the Borrower entered into as of _____ 2008 ("Lease").

b. Forgiveness of Note. The Surf Museum shall annually, on or before ninety (90) days after the end of the Surf Museum's fiscal year, beginning in the year after the Commencement Date, submit to the CDC a Performance Satisfaction Report as set forth in the Loan Agreement, which shall provide the basis for the forgiveness of the Note by the CDC. The CDC shall forgive portions of or the Note, as applicable, upon Borrower's satisfaction of certain performance criteria as set forth in the Loan Agreement. The performance criteria are more particularly set forth in the Performance Plan described in the Loan Agreement.

4. Security. This Note is secured by a UCC-1 fixture filing.

5. Waivers

a. Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time at the CDC's sole discretion and that the CDC may accept security in consideration for any such extension or release any security for this Note at its sole discretion, all without in any way affecting the liability of Borrower.

b. No extension of time for payment of this Note made by agreement by the CDC with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part.

c. Subject to the Provisions of Section 17 of this Note, the obligations of Borrower under this Note shall be absolute and Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

d. Borrower waives presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights of interests in or to properties securing of this Note, and the benefit of any exemption under any homestead exemption laws, if applicable.

e. No previous waiver and no failure or delay by CDC in acting with respect to the terms of this Note or any security interest shall constitute a waiver of any breach, default, or failure or condition under this Note, any security interest or the obligations secured thereby. A waiver of any term of this Note, any security interest or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

6. **Attorneys' Fees and Costs.** Borrower agrees that if any amounts due under this Note are not paid when due, to pay in addition, all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

7. **Joint and Several Obligations.** This Note is the joint and several obligations of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

8. **Amendments and Modifications.** This Note may not be changed orally, but only by an amendment in writing signed by Borrower and by the CDC.

9. **CDC May Assign.** CDC may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Borrower.

10. **Borrower Assignment Prohibited.** In no event shall Borrower assign or transfer any portion of this Note without the prior express written consent of the CDC, which consent shall not unreasonably be withheld, except pursuant to a transfer which is permitted or approved under the Loan Agreement.

11. **Terms.** Any terms not separately defined herein shall have the same meanings as set forth in the Loan Agreement.

12. **Acceleration and Other Remedies.** Upon: (a) the occurrence of an event of Default as defined in the Loan Agreement, or (b) Borrower selling, contracting to sell, giving an option to purchase, conveying, leasing, further encumbering, mortgaging, assigning or alienating the Borrower's interest in the premises described in the Lease ("Premises"), whether directly or indirectly, whether voluntarily or involuntarily or by operation of law, or any interest in the Premises, or suffering its title, or any interest in the Premises to be divested, whether voluntarily or involuntarily, without the consent of the CDC or as otherwise permitted under the Loan Agreement, CDC may, at CDC's option, declare the outstanding principal amount of this Note, together with other charges hereunder, and all other sums secured by any security interest, to be due and payable immediately, and upon such declaration, such principal and other sums shall immediately become and be due and payable without demand or notice. All costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with protection of, or realization on, the security for this Note, may be added to the principal hereunder, and shall accrue interest as provided herein. CDC shall at all times have the right to proceed against any portion of the security for this Note in such order and in such manner as CDC may consider appropriate, without waiving any rights with respect to any of the security. Any delay or omission on the part of the CDC in exercising any right hereunder, under the Loan Agreement shall

not operate as a waiver of such right, or of any other right. No single or partial exercise of any right or remedy hereunder or under the Loan Agreement or any other document or agreement shall preclude other or further exercises thereof, or the exercise of any other right or remedy. The acceptance of payment of any sum payable hereunder, or part thereof, after the due date of such payment shall not be a waiver of CDC's right to either require prompt payment when due of all other sums payable hereunder or to declare an Event of Default for failure to make prompt or complete payment.

13. Consents. Pursuant to the terms and condition of the Loan Agreement and any changes thereto, Borrower hereby consents to: (a) any renewal, extension or modification (whether one or more) of the terms and/or time of payment under this Note, (b) the release or surrender or exchange or substitution of all or any part of the security, whether real or personal, or direct or indirect, for the payment hereof, (c) the granting of any other indulgences to Borrower, and (d) the taking or releasing of other or additional parties primarily or contingently liable hereunder. Any such renewal, extension, modification, release, surrender, exchange or substitution may be made without notice to any endorser, guarantor or surety hereof, and without affecting the liability of said parties hereunder.

14. Successors and Assigns. Whenever "CDC" is referred to in this Note, such reference shall be deemed to include the Oceanside Community Development Commission and its successors and assigns, including, without limitation, any subsequent assignee or holder of this Note. All covenants, provisions and agreements by or on behalf of Borrower, and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of the CDC and CDC's successors and assigns.

15. Usury. It is the intention of Borrower and CDC to conform strictly to the Interest Law, as defined below, applicable to this loan transaction. Accordingly, it is agreed that notwithstanding any provision to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, the aggregate of all interest and any other charges or consideration constituting interest under the applicable Interest Law that is taken, reserved, contracted for, charged or received under this Note, or under any of the other aforesaid agreements or otherwise in connection with this loan transaction, shall under no circumstances exceed the maximum amount of interest allowed by the Interest Law applicable to this loan transaction. If any excess of interest in such respect is provided for in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, then, in such event:

- a. the provisions of this paragraph shall govern and control;
- b. neither Borrower nor Borrower's heirs, legal representatives, successors or assigns shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest allowed by the Interest Law applicable to this loan transaction;
- c. any excess shall be deemed canceled automatically and, if theretofore paid, shall be credited on this Note by CDC or, if this Note shall have been paid in full, refunded to Borrower; and
- d. the effective rate of interest shall be automatically subject to reduction to the Maximum Legal Rate of Interest (as defined below), allowed under such Interest Law, as now or hereafter construed by courts of appropriate jurisdiction. To the extent permitted by the Interest Law applicable to this loan transaction, all sums paid or agreed to be paid to CDC for the use, forbearance or detention of the indebtedness evidenced hereby shall be amortized, prorated, allocated and spread throughout the full term of this Note. For purposes of this Note, "Interest Law" shall mean any present or future law of the State of California, the United States of America, or any other jurisdiction which has application to the interest and other charges under this Note. The "Maximum Legal Rate of Interest" shall mean the maximum rate of interest that CDC may from time to time charge Borrower, and under which Borrower would have no claim or defense of usury under the Interest Law.

16. Miscellaneous. Time is of the essence hereof. This Note shall be governed by and construed under the laws of the State of California except to the extent Federal laws preempt the laws of the State of California. Borrower irrevocably and unconditionally submits to the jurisdiction of the Superior Court of the State of California for the County of San Diego or the United States District Court of the Southern District of California, as CDC hereof may deem appropriate, or, if required, the Municipal Court of the State of California for the County of San Diego, in connection with any legal action or proceeding arising out of or relating to this Note. Borrower also waives any objection regarding personal or in rem jurisdiction or venue.

17. No Personal Liability. In the event of any default under the terms of this Note or any security interest, Borrower's officers, directors, agents and employees shall not be personally liable for the payment of this Note; provided, however, that the foregoing shall not in any way affect any rights the CDC may have (as a secured party or otherwise) hereunder or under the Loan Agreement or any security interest to recover directly from Borrower any losses, damages, costs and expenses incurred by the CDC, or any funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by CDC as a result of fraud, misrepresentation or waste, and any costs and expenses incurred by the CDC in connection thereof (including without limitation reasonable attorneys' fees and costs).

BORROWER:

California Surf Museum, a California nonprofit corporation

By: Michael A. Burner
Name: MICHAEL A. BURNER
Title: DIRECTOR

By: Jack H. Francis
Name: JACK H. FRANCIS
Title: DIRECTOR

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego }

On 8-6-08 before me, Curtis Jackson, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Jack H. Francis
Name(s) of Signer(s)

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 [Handwritten Signature]
Signature of Notary Public

Place Notary Seal Above



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: Promissory Note

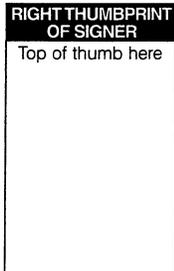
Document Date: 8-6-08 Number of Pages: _____

Signer(s) Other Than Named Above: Michael A. Burner

Capacity(ies) Claimed by Signer(s)

Signer's Name: Jack H. Francis

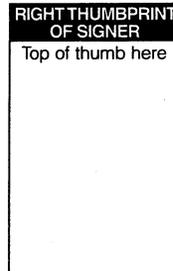
- Individual
- Corporate Officer — Title(s): Director
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



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: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego }

On 8.6.08 before me, Curtis Jackson, Notary Public,
Date Here Insert Name and Title of the Officer

personally appeared Michael A. Burner
Name(s) of Signer(s)

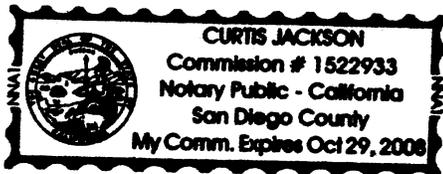
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), 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 [Handwritten Signature]
Signature of Notary Public

Place Notary Seal Above



OPTIONAL

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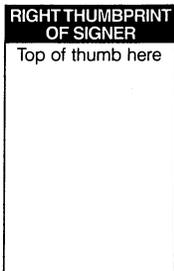
Document Date: 8.6.08 Number of Pages: _____

Signer(s) Other Than Named Above: Jack H. Francis

Capacity(ies) Claimed by Signer(s)

Signer's Name: Michael A. Burner

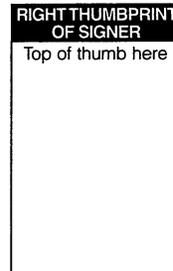
- Individual
- Corporate Officer — Title(s): Director
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



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: _____

**LOAN AGREEMENT
EXHIBIT "B"
DISBURSEMENT SCHEDULE**

No.	Item Description	Amount	Date	Balance
			Beginning Balance	\$575,115.00
1.	Development soft costs	\$0.00		\$575,115.00
2.	Construction deposit		(est.)	\$575,115.00
3.	Phase 1 of construction (building façade)		(est.)	
4.	Phase 2 of construction (standard tenant improvements)		(est.)	
5.	Phase 3 of construction (specific Lessee improvements)	_____	(est.)	_____
	Balance Remaining			

**LOAN AGREEMENT
EXHIBIT "B-1"
DISBURSEMENT SCHEDULE
PROCEDURE**

The proceeds of the Improvement Loan, in accordance with the terms and conditions of the Loan Agreement and Promissory Note between the Oceanside Community Development Commission ("CDC") and the California Surf Museum ("Surf Museum"), shall be disbursed to the Surf Museum as follows:

1. Surf Museum shall submit for CDC's prior approval, the construction contract ("Contract") between Surf Museum and its contractor for the Tenant Improvements required by the Property Lease Agreement between the CDC and the Surf Museum ("Tenant Improvements"), which Contract shall include a detailed line item scope of work for the Tenant Improvements together with the corresponding cost for each line item.
2. Upon commencement of the Tenant Improvement scope of work, Surf Museum, no more frequently than every two (2) weeks, may submit an Application and Certificate for Payment, similar to the standard AIA Document G702 and G703 forms (AIA Form).
3. Upon satisfactory completion of the AIA Form and subsequent approval of the AIA Form by CDC, together with the submittal of the requisite supporting documentation and other applicable forms, CDC will issue a check (or joint check if the CDC, in its absolute and sole discretion deems necessary) to the Surf Museum for payment to its contractor. Said check shall be payable to the Surf Museum within thirty (30) days of receipt of a completed and approved AIA Form.

EXHIBIT "C"

CALIFORNIA SURF MUSEUM PERFORMANCE PLAN

The following performance goals/standards were approved by the California Surf Museum Board of Directors via email March 5-6, 2008, by a vote of 13-0 in favor (two members absent from vote; one member had previously approved) to be included in lease/loan agreement for 312 Pier View Way with the Oceanside Community Development Commission. 20% of the loan from the CDC will be forgiven each year if these goals/standards are timely accomplished to the CDC's reasonable satisfaction.

YEAR PERFORMANCE GOAL/STANDARD

2008-09

1. Hold exhibit opening reception
2. Hold annual event honoring surfer
3. Begin researching and planning a surf film festival
4. Continue fundraising efforts
5. CSM will be open seven days per week from 10 am to 4 pm
6. CSM will be open in conjunction with the Sunset Market
7. CSM will expand and enhance the gift shop
8. The facility will be available for a minimum of one City function
9. Conduct an annual membership meeting

2009-10

1. Hold exhibit opening reception
2. Hold annual event honoring surfer
3. Host book signing /artist reception/surf music concert
4. Hold at least one surf film festival
5. CSM will enhance website and keep information current
6. CSM will apply for grants and continue fundraising efforts
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2010-11

1. Hire an Executive Director
2. Work on plan to accelerate fundraising campaign
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 2 book signings / artist receptions / concerts
6. Host at least two surf film festivals
7. CSM will be open seven days per week from 10 am to 4 pm

8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2011-12

1. Institute the plan to accelerate fundraising campaign
2. Implement a school tour program
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 4 book signings / artist receptions / concerts
6. Host at least two surf film festivals
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2012-13

1. Continue with planned fundraising campaign
2. Implement a school tour program
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 4 book signings / artist receptions / concerts
6. Host at least two surf film festivals
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

CALIFORNIA SURF MUSEUM
PERFORMANCE SATISFACTION REPORT

Per the terms and conditions of the Loan Agreement and Promissory Note (“Loan Agreement”) between the Oceanside Community Development Commission (“CDC”) and the California Surf Museum (“Surf Museum”), as an obligation to the repayment of the improvement loan described in the Loan Agreement (“Improvement Loan”), the Surf Museum is required to annually submit to the CDC, for its approval, a Performance Satisfaction Report (“Report”). Said Report shall provide the basis for the forgiveness of the Improvement Loan by the CDC on an annual basis.

YEAR - 20__

<u>NO.</u>	<u>PERFORMANCE GOAL</u>	<u>DESCRIPTION OF ACTIVITY COMPLETED</u>	<u>STATUS</u>
1.			
2.			
3.			
4.			

PROPERTY LEASE AGREEMENT

BY AND BETWEEN

THE OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

AND

THE CALIFORNIA SURF MUSEUM

FOR THE LEASE OF REAL PROPERTY

LOCATED AT

312 – 314 PIER VIEW WAY

DATED

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PROPERTY LEASE AGREEMENT
for
312 – 314 PIER VIEW WAY BUILDING
OCEANSIDE, CA

THIS PROPERTY LEASE AGREEMENT, herein after called "Lease", dated as of _____ 2008 is executed between the **OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION**, a California public agency, hereinafter called "CDC", and **THE CALIFORNIA SURF MUSEUM**, a California non-profit corporation, hereinafter called "Lessee". Notwithstanding the date set forth above, the effective date of this Lease shall be the date the CDC approves the Lease ("Effective Date").

RECITALS

WHEREAS, CDC and Lessee have entered into a Property Use Agreement for the use of CDC-owned real property located at 223 North Coast Highway, Oceanside, CA, whereby Lessee is currently operating the California Surf Museum;

WHEREAS, CDC is the lawful owner of that certain real property commonly known as the 312 – 314 Pier View Way Building, Oceanside, CA and is desirous of having Lessee relocate to said building;

WHEREAS, Lessee is desirous of leasing said 312 – 314 Pier View Way Building from the CDC for the purpose of relocating and operating the California Surf Museum and related programs and activities;

WHEREAS, Lessee is a non-profit organization whose surf museum provides social, cultural and educational benefits and related services to the general public, including the citizens of the City of Oceanside;

WHEREAS, CDC acknowledges the social, cultural and educational benefits and related services provided by Lessee as valuable consideration from Lessee in return for the use of its real property in accordance with the terms, conditions, covenants and provisions contained herein;

WHEREAS, CDC has made and/or will make the requisite findings and has satisfied and/or will satisfy the procedural requirements to enter into such an Agreement with the Lessee; and

WHEREAS, CDC, for the consideration hereinafter set forth, is desirous of leasing to Lessee and Lessee is desirous of leasing said real property from CDC for the

term and upon the conditions hereinafter set forth.

NOW THEREFORE, the parties in consideration of the terms, conditions, covenants and provisions contained herein do mutually agree as follows:

A G R E E M E N T

SECTION 1: USES

1.01 Premises. CDC hereby leases to Lessee and Lessee hereby leases from CDC, in accordance with the terms, conditions, covenants, and provisions of this Lease, all that certain real property situated in the City of Oceanside, County of San Diego, State of California, commonly known as the 312 – 314 Pier View Way Building and more particularly described and depicted in Exhibits “A” and “B” attached hereto and by this reference made a part of this Lease. Said real property is hereinafter called the "Premises."

1.02 Uses. It is expressly agreed that the Premises are leased to Lessee solely and exclusively for the purpose of operating a surf museum open to the general public, and for such other related or incidental purposes as may be first approved in writing by the CDC Executive Director and for no other purpose whatsoever.

Lessee covenants and agrees to actively and continuously use and operate the Premises for the above specified, limited and particular exclusive use and to diligently pursue said purposes throughout the term of this Lease, except for failure to so use caused by reasons or events beyond the reasonable control of Lessee and acts of God. Said active and continuous use and operation enhances the value of the public's asset, provides needed public services, additional employment, taxes and other benefits to the general economy of the area. In the event that Lessee fails to continuously use the Premises for said purposes, or uses the Premises for purposes not expressly authorized herein, Lessee shall be deemed in default under this Lease. Lessee shall not use the Premises in any manner that disrupts the quiet enjoyment of surrounding property owners' use of their property.

1.03 Additional Operations and Uses. CDC acknowledges and agrees that Lessee's plan for operating the Premises may include producing its own surf museum related events and permitting the use of the Premises to outside groups, the financial arrangements of which may include, without limitations, that of joint venturing. CDC agrees that Lessee may reasonably charge for said events and that income received by Lessee therefor shall remain the property of Lessee so long as said additional surf museum operations and uses provide social, cultural and educational benefits and related services to the general public.

1.04 Parking. Lessee acknowledges that there are no specific parking spaces assigned to and/or designated for the Premises.

1.05 Premises and Tenant Improvements.

a. CDC Improvement Obligations. CDC shall deliver the Premises to Lessee in an “as is, where is” condition without any representation or warranties as to the suitability of the Premises for Lessee’s intended use. Lessee hereby accepts the Premises in said “as is, where is” condition and shall make any and all repairs to the Premises and construct improvements thereto necessary for Lessee to occupy the Premises for their intended use.

b. Lessee Improvement Obligations. Lessee shall perform all of the work required to be performed by Lessee pursuant to the scope of work and schedule more specifically set forth in Exhibit “C” (“Lessee Work”) attached hereto and by this reference made a part of this Lease. Failure by Lessee to perform the work as scheduled shall be deemed a default under this Lease.

c. Loan Obligation and Repayment. CDC agrees to loan Lessee the amount of Five Hundred Seventy-Five Thousand One Hundred and Fifteen Dollars (\$575,115) for the Lessee Work (the “Lessee Work Loan”) and shall provide Lessee with said loan proceeds pursuant to the terms and conditions as more specifically set forth in Exhibit “D” attached hereto and by this reference made a part of this Lease. Further, in the event Lessee satisfies the Lessee Performance Standards, as more specifically set forth in Section 1.06 below, CDC agrees to forgive the Lessee Work Loan also as more specifically set forth in Exhibit “D”.

1.06 Lessee Performance Standards. As additional consideration for the lease of the Premises and the Lessee Work Loan provided by CDC, Lessee agrees to timely satisfy the Lessee Performance Standards as more particularly described in attached Exhibit “E” attached hereto and by this reference made a part of this Lease. Failure by Lessee to perform the Performance Standards as scheduled shall be deemed a default under this Lease.

1.07 Related Discretionary Actions. By the granting of this Lease, the CDC is not obligating itself to any other governmental agent, board, commission, or agency with regard to any other discretionary action relating to development or operation of the Premises. Discretionary action includes, but is not limited to rezoning, variances, conditional use permits, environmental clearances or any other governmental agency approvals which may be required for the development and operation of the Premises.

1.08 Quiet Possession. Lessee, paying the rent and performing the covenants and agreements herein, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Premises.

1.09 Reservation of Rights. CDC shall not unreasonably or substantially interfere with Lessee's use of the Premises while Lessee is in possession of the Premises; however the CDC specifically retains the following rights:

a. Subsurface Rights. CDC hereby reserves all rights, title and interest in any and all subsurface natural gas, oil, minerals and water on or within the Premises.

b. Easements. CDC reserves the right to grant and use easements or to establish and use rights-of-way over, under, along and across the Premises for utilities, thoroughfares, or access as it deems advisable for the public good.

c. Right to Enter. CDC has the right to enter the Premises for the purpose of performing maintenance, inspections, repairs or improvements, or developing municipal resources and services. CDC will not reimburse Lessee for damages, if any, to the permanent improvements, located on the Premises resulting from the CDC exercising the rights reserved in this Lease as set forth above. CDC will pay the costs of the maintenance and repair of all CDC installations made pursuant to these reserved rights.

SECTION 2: TERM

2.01 Commencement. The term of this Lease shall be for a period of five (5) years commencing on the earlier of the date Lessee substantially completes the improvements to the Premises as set forth in Exhibit "C", as evidenced by a Notice of Completion or one hundred and sixty (160) days from the Effective Date ("Commencement Date"). Upon determination of the Commencement Date, Lessee shall execute a Commencement Date Memorandum confirming the actual date the Lease commences and terminates. A copy of the Commencement Date Memorandum is shown in Exhibit "F" attached hereto and by this reference made a part of this Lease.

2.02 Tenant Improvement Period. Prior to the actual Commencement Date of the Lease, Lessee shall be given the right to enter upon the Premises in order to complete the improvements to the Premises as more particularly described in Exhibit "C" (or the portion thereof so as to allow occupancy of the Premises), as of the Effective Date, provided such right of entry is subject to and in compliance with the terms, conditions, covenants and provision of this Lease, including, but not limited to Section 4 herein.

2.03 Extension of Term. Lessee has a right to an extension of the term of this Lease for an additional five (5) year period under the same terms and conditions of this Lease, provided Lessee is not in default or breach of any term, condition, or covenant of this Lease. In order to exercise this option, Lessee must give written notice of its election to extend the term to the CDC Executive Director no later than ninety (90) days prior to the expiration of the initial term of this lease. If Lessee is not in default or

breach of any term, condition or covenant of this Lease, the CDC Executive Director is authorized to confirm the five (5) year extension.

Should the five (5) year option be exercised, Lessee may request an extension of term on an annual basis thereafter, provided Lessee is not in default or breach of any term, condition, or covenant of this Lease.

To request the annual extension of the term Lessee must provide the CDC Executive Director with its written request no later than ninety (90) days prior to the expiration of the term of this Lease, provided Lessee is not in default or breach of any term, condition, or covenant of this Lease. The CDC Executive Director or designee will notify the Lessee not later than thirty (30) days after receipt of such request whether such request will be recommended to the CDC for approval. Recommendation by the CDC Executive Director does not constitute CDC approval of the extension request. The CDC Executive Director, as the CDC's authorized representative, shall, in his or her sole discretion, have the authority to deny any such request. Any such denial shall be sent to Lessee not later than thirty - (30) days from receipt of the request for extension. The CDC, at its sole discretion, may approve or deny the extension of the term of this Lease. In the event the CDC is unable to consider the renewal request in sufficient time as to provide Lessee with thirty (30) days notice of termination in the case of denial, the Lease shall be extended for a period not to exceed thirty (30) days, to allow for such thirty (30) day notice of termination.

2.04 Early Termination. Provided Lessee is not in default of this Lease, Lessee shall have the right to terminate this Lease should Lessee find a more suitable location in the Downtown Area of the City of Oceanside to operate a surf museum and by giving CDC at least ninety (90) days prior written notice. Further, as a condition of Lessee's early termination of this Lease Lessee shall not be in default of any of the terms, conditions, covenants or provisions of the Lease and shall be required to pay CDC the unamortized portion of the Lessee Work Loan for the Lessee Work as determined by the Generally Accepted Accounting Principles.

2.05 Holdover. Any holding over by Lessee after expiration or termination shall not be considered as a renewal or extension of this Lease. The occupancy of the Premises by Lessee or by Lessee's property after the expiration or termination of this Lease constitutes a month-to-month tenancy, and all other terms and conditions of this Lease, including rental adjustments, shall continue in full force and effect. In the event of any holding over, Lessee shall pay monthly, the fair market value similar retail rents in the Downtown Oceanside during the holdover period.

2.06 Abandonment by Lessee. Even though Lessee has breached the Lease and abandoned the Premises, this Lease shall continue in effect for so long as CDC does not terminate this Lease, and CDC may enforce all its rights and remedies hereunder, including but not limited to the right to recover any amounts owing under the

Lease as said amount becomes due, plus damages.

2.07 Quitclaim of Lessee's Interest. On termination of this Lease for any reason, CDC shall provide Lessee with and Lessee shall deliver to CDC a quitclaim deed in recordable form quitclaiming all its rights in and to the Premises. Lessee or its successor in interest shall deliver the same within five (5) days after receiving written demand therefore. CDC may record such deed only on the expiration or earlier termination of this Lease. If Lessee fails or refuses to deliver the required deed, the CDC may prepare and record a notice reciting Lessee's failure to execute this lease provision and the notice will be conclusive evidence of the termination of this Lease and all Lessee's rights to the Premises.

2.08 Surrender of Premises. At the expiration or earlier termination of this Lease, Lessee shall surrender the Premises to CDC free and clear of all liens and encumbrances created by Lessee, except those liens and encumbrances which existed on the date of the execution of this Lease by CDC. The Premises, when surrendered by Lessee, shall be in a safe and sanitary condition and shall be in as good or better condition as the condition at commencement of this Lease, absent normal wear and tear.

2.09 Time is of Essence. Time is of the essence of all of the terms, covenants, conditions and provisions of this Lease.

2.10 Termination of Property Use Agreement. Effective the earlier of one hundred twenty (120) days after the Commencement Date of this Lease or the date Lessee opens for business at the Premises, the Property Use Agreement between CDC and Lease for 223 North Coast Highway, dated November 14, 1995, as amended, will be terminated and no force or effect, except as to those provisions which survive the termination date of said agreement.

SECTION 3: CONSIDERATION

3.01 Time and Place of Payment. The LESSEE shall make all rental payments monthly on or before the **first (1st) day** of each lease month.

3.02 Premises Payment. The monthly rent amount for the term of this Lease shall be **one hundred and No/100 Dollars (\$100.00)** which shall be payable monthly in advance as set forth in Subsection 3.01 above.

3.03 Additional Premises Consideration. CDC hereby agrees that: the social, cultural and educational benefits and related services to the general public provided by Lessee at the Premises are valuable additional consideration received from Lessee; that the provision of such social, cultural and educational benefits and related

services shall constitute additional consideration to be paid by Lessee for its use of the Premises in accordance with the terms, covenants, conditions and provisions of this Lease; and that Lessee shall not be required to pay any monetary payments to CDC for its use and occupation of the Premises except as hereinafter set forth.

3.04 Utilities. Lessee agrees to order, obtain and pay for all utilities (e.g. electricity, natural gas and water), telephone and cable television and refuse collection to and for the Premises in connection with the development, occupation, operation, maintenance and upkeep of the Premises.

3.05 Repayment of Lessee Work Loan. In the event Lessee fails to comply with the performance criteria as set forth in the Performance Standards as described in attached Exhibit "E", Lessee shall reimburse CDC the Lessee Work Loan in accordance with the provisions and repayment schedule as also described in Exhibit "E". Should Lessee comply with said Performance Standards, CDC agrees to forgive said Lessee Work Loan or the applicable portion thereof as more specifically set forth in Exhibit "E".

3.06 Inspection of Records. Lessee shall maintain accurate financial books and records for the operation of its business provided at, or from, the Premises. Said books and records shall be maintained on an accrual basis in accordance with normal business standards and good accounting practice. Lessee agrees to make any and all records and accounts available to CDC for inspection at all reasonable times, so that CDC can determine Lessee's compliance with this Lease. These records and accounts will be made available by Lessee at the Premises or CDC's offices, at CDC's sole discretion, and will be complete and accurate showing all income and receipts from Lessee's use of the Premises. Lessee's failure to keep and maintain such records and make them available for inspection by CDC is a default of this Lease. These records include but are not limited to federal quarterly and annual income tax statements, the California State Board of Equalization income statements, and all other generally accepted business books, documents, and records. Lessee shall maintain all such books, records and accounts for the term of this Lease. This provision shall survive the expiration or sooner termination of this Lease.

3.07 Delinquent Payments. If Lessee fails to pay any amount when due, Lessee will pay in addition to the unpaid amount, five percent (5%) of the delinquent rent. If said amount is still unpaid at the end of fifteen (15) days, Lessee shall pay an additional five percent (5%) [being a total of ten percent (10%)] which is hereby mutually agreed by the parties to be appropriate to compensate CDC for loss resulting from delinquency, including lost interest, opportunities, legal costs, and the cost of servicing the delinquent account. Acceptance of late charges and any portion of the late payment by CDC shall in no event constitute a waiver by CDC of Lessee default with respect to late payment, nor prevent CDC from exercising any of the other rights and remedies granted in this Lease.

SECTION 4: INSURANCE RISKS/SECURITY

4.01 Indemnity. Lessee shall indemnify and hold harmless the CDC and its officers, agents and employees against all claims for damages to persons or property arising out of the conduct of the Lessee or its employees, agents, or others in connection with its use and occupation of the Premises under this Lease, except only for those claims arising from the sole negligence or sole willful conduct of the CDC, its officers, agents, or employees. Lessee's indemnification shall include any and all costs, expenses, attorneys' fees and liability incurred by the CDC, its officers, agents, or employees in defending against such claims, whether the same proceed to judgment or not. Further, Lessee at its own expense shall, upon written request by the CDC, defend any such suit or action brought against the CDC, its officers, agents, or employees.

4.02 Insurance. Lessee shall take out and maintain at all times during the term of this Lease, commencing the Effective Date of the Lease, the following insurance at its sole expense:

- a. Lessee shall maintain the following minimum limits:

General Liability

Combined Single Limit Per Occurrence \$2,000,000

General Aggregate \$4,000,000

All Risk

Insurance covering all of the Lessee Work, Lessee's leasehold improvements, HVAC equipment, all plate glass on the Premises, trade fixtures, merchandise and personal property in the Premises, alterations and additions made by Lessee, in an amount not less than 100% of their full replacement, providing protection against perils included in the standard state form of all-risk insurance policy, plus insurance against sprinkler damage, vandalism and malicious mischief.

- b. All insurance companies affording coverage to the Lessee shall be required to add the CDC as "additional insured" under the insurance policy(s) required in accordance with this Lease.

- c. All insurance companies affording coverage to the Lessee shall be insurance organizations acceptable to the CDC, and authorized by the Insurance Commissioner of the State Department of Insurance to transact business of insurance in the State of California.

d. All insurance companies affording coverage shall provide thirty (30) days written notice to the CDC should the policy be cancelled before the expiration date. For the purposes of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation.

e. Lessee shall provide evidence of compliance with the insurance requirements listed above by providing a certificate of insurance, in a form satisfactory to the CDC General Counsel, concurrently with the submittal of this Lease.

f. Lessee shall provide a substitute certificate of insurance no later than thirty (30) days prior to the policy expiration date. Failure by the Lessee to provide such a substitution and extend the policy expiration date shall be considered a default by Lessee and may subject the Lessee to a termination of this Lease.

g. Maintenance of insurance by the Lessee as specified in this Lease shall in no way be interpreted as relieving the Lessee of any responsibility whatever and the Lessee may carry, at its own expense, such additional insurance as it deems necessary.

h. If Lessee fails or refuses to take out and maintain the required insurance, or fails to provide the proof of coverage, CDC has the right to obtain the insurance. Lessee shall reimburse CDC for the premiums paid with interest at the maximum allowable legal rate then in effect in California. CDC shall give notice of the payment of premiums within thirty (30) days of payment stating the amount paid, names of the insurer(s) and the rate of interest. Said reimbursement and interest shall be paid by Lessee on the first (1st) day of the month following the notice of payment by CDC.

Notwithstanding the preceding provisions of this Subsection, any failure or refusal by Lessee to take out or maintain insurance as required in this Lease, or failure to provide the proof of insurance, shall be deemed a default under this Lease.

i. **Modification.** CDC, at its discretion, may require the revision of amounts and coverage at any time during the term of this Lease by giving Lessee sixty (60) days prior written notice. CDC's requirements shall be designed to assure protection from and against the kind and extent of risk existing on the Premises. Lessee also agrees to obtain any additional insurance required by CDC for new improvements, in order to meet the requirements of this Lease.

4.03 Accident Reports. Lessee shall, within seventy-two (72) hours after occurrence, report to CDC any accident causing property damage or any serious injury to persons on the Premises. This report shall contain the names and addresses of the parties involved; a statement of the circumstances; the date and hour; the names and addresses of any witnesses; and other pertinent information.

SECTION 5: IMPROVEMENTS/ALTERATIONS/REPAIRS

5.01 Acceptance of Premises. Lessee represents and warrants that it has independently inspected the Premises and made all tests, investigations, and observations necessary to satisfy itself of the condition of the Premises, including but not limited to an environmental assessment and/or structural components of the building. Lessee acknowledges it is relying solely on such independent inspection, tests, investigations, and observations in making this Lease. Lessee further acknowledges that Premises are in the condition called for by this Lease and that Lessee does not hold CDC responsible for any defects in the Premises.

5.02 Waste, Damage, or Destruction. Lessee shall give written notice to CDC of any fire or other damage that occurs on the Premises within seventy-two (72) hours of such fire or damage. Lessee shall not commit or suffer to be committed any waste or injury or any public or private nuisance, agrees to keep the Premises clean and clear of refuse and obstructions, and to dispose of all garbage, trash, and rubbish in a manner satisfactory to CDC. If the Premises shall be damaged by any cause which puts the Premises into a condition which is not decent, safe, healthy and sanitary, Lessee agrees to make or cause to be made full repair of said damage and to restore the Premises to the condition which existed prior to said damage; or, at CDC's option, and upon receipt of written demand thereof, Lessee agrees to clear and remove from the Premises all debris resulting from said damage and rebuild the Premises in accordance with plans and specifications previously submitted to CDC and approved in writing in order to replace in kind and scope the operation which existed prior to such damage. Lessee shall be responsible for all costs incurred in the repair and restoration, or rebuilding of the Premises.

5.03 Maintenance. As part of the consideration for the lease thereof, Lessee agrees to assume full responsibility and cost for the operation, maintenance and repair of the Premises, including without limitation, the roof; roof membrane; building exterior (including period painting); the HVAC units and all components; all doors and windows; utility lines and conduits and the flooring throughout the term of this Lease and without expense to CDC. Lessee will perform all maintenance, repairs and replacements necessary to maintain and preserve the Premises in a decent, safe, healthy, and sanitary condition satisfactory to CDC and in compliance with all applicable laws. Lessee further agrees to provide approved containers for trash and garbage and to keep the Premises free and clear of rubbish and litter, or any other fire hazards. Lessee waives all right to make repairs at the expense of CDC as provided in Section 1942 of the California Civil Code and all rights provided by Section 1941 of said code. CDC will be responsible only for the roof structure (excluding the HVAC units and all components) the structural component of the exterior walls of the building and the foundation, provided however, that the CDC shall be responsible for damage indirectly and/or directly caused by Lessee, its agents, contractors, invitees and/or guests.

For the purpose of keeping the Premises in a good, safe, healthy and sanitary condition, CDC shall always have the right, but not the duty, to enter, view, inspect,

determine the condition of, and protect its interests in, the Premises. In the event that CDC finds that the Premises are not in a decent, safe, healthy, and sanitary condition, Lessee must perform the necessary maintenance, repair or replacement work within ten (10) days after written notice from CDC. In the event Lessee fails to perform such work, CDC shall have the right, upon written notice to Lessee, to have any necessary maintenance work done at the expense of Lessee, and Lessee shall promptly pay any and all costs incurred by CDC in having such necessary maintenance work done, in order to keep said Premises in a decent, safe, healthy, and sanitary condition. Lessee shall make payment no later than ten (10) days after CDC's written demand therefore. CDC shall not be required at any time to perform maintenance or to make any improvements or repairs whatsoever, on or for the benefit of the Premises. The rights reserved in this section shall not create any obligations or increase obligations for CDC elsewhere in this Lease.

5.04 Improvements/Alterations. Except as set forth in Exhibit "C", no improvements, structures, or installations shall be constructed on the Premises, and the Premises may not be altered by Lessee without prior written approval by the CDC Executive Director. Further, Lessee agrees that major structural or architectural design alterations to approved improvements, structures, or installations may not be made on the Premises without prior written approval by the CDC Executive Director and that such approval shall not be unreasonably withheld. This provision shall not relieve Lessee of any obligation under this Lease to maintain the Premises in a decent, safe, healthy, and sanitary condition, including structural repair and restoration of damaged or worn improvements. CDC shall not be obligated by this Lease to make or assume any expense for any improvements or alterations.

5.05 Liens. Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to all or any portion of the Premises without the prior written consent of the CDC Executive Director. Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to all or any portion of the Premises for which Lessee does not have the prior written consent of the CDC Executive Director.

5.06 Encumbrance. Upon receiving prior consent by the CDC Executive Director, Lessee may encumber this Lease, its leasehold estate and its improvements thereon by deed of trust, mortgage, chattel mortgage or other security instrument to assure the payment of a promissory note or notes of Lessee, upon the express condition that the net proceeds of such loan or loans be devoted exclusively to the purpose of developing and/or improving the Premises. However, a reasonable portion of the loan proceeds may be disbursed for payment of incidental costs of construction, including but not limited to the following: off-site improvements for service of the Premises; on-site improvements; escrow charges; premiums for hazard insurance, or other insurance or bonds required by CDC; title insurance premiums; reasonable loan

costs such as discounts, interest and commissions; and architectural, engineering and attorney's fees and such other normal expenses incidental to such construction.

Any subsequent encumbrances on the Premises or on any permanent improvements thereon shall also have prior approval in writing of CDC Executive Director. Such subsequent encumbrances shall also be for the exclusive purpose of development of the Premises or otherwise to the benefit of the CDC at the discretion of the CDC Executive Director. Any deed of trust, mortgage or other security instrument shall be subject to all of the terms, covenants and conditions of this Lease and shall not amend or alter any of the terms, covenants or conditions of this Lease.

5.07 Taxes. Lessee shall pay, before delinquency, all taxes, assessments, and fees assessed or levied upon Lessee or the Premises, including the land, any buildings, structures, machines, equipment, appliances, or other improvements or property of any nature whatsoever erected, installed, or maintained by Lessee or levied by reason of the business or other Lessee activities related to the Premises, including any licenses or permits.

Lessee recognizes and agrees that this Lease may create a possessory interest subject to property taxation, and that Lessee may be subject to the payment of taxes levied on such interest, and that Lessee shall pay all such possessory interest taxes.

5.08 Signs. Except as set forth in Exhibit "C" Lessee shall not erect or display any banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices or advertising without the prior written consent of the CDC Executive Director and any such device(s) shall conform to all CDC of Oceanside ordinances and regulations. If any such unauthorized item is found on the Premises, Lessee shall remove the item at its expense within twenty-four (24) hours of written notice thereof by CDC, or CDC may thereupon remove the item at Lessee's cost.

5.09 Ownership of Improvements and Personal Property.

a. Any and all improvements, trade fixtures, structures, and installations or additions to the Premises now existing or constructed on the Premises by Lessee, excepting such fixtures which may be removed without causing damage to the Premises, shall at Lease expiration or termination be deemed to be part of the Premises and shall become, at CDC's option, CDC's property, free of all liens and claims except as otherwise provided in this Lease.

b. If CDC elects not to assume ownership of all or any improvements, trade fixtures, structures and installations, CDC shall so notify Lessee in writing thirty (30) days prior to expiration or termination of this Lease, and Lessee shall remove all such improvements, structures and installations as directed by CDC at Lessee's sole cost and expense on or before Lease expiration or termination. If Lessee fails to remove any improvements, structures, and installations as directed, Lessee agrees to pay CDC

the full cost of any removal.

c. Lessee owned machines, appliances, equipment (other than trade fixtures), and other items of personal property shall be removed by Lessee by the date of the expiration or termination of this Lease. At CDC's election, any said items which Lessee fails to remove will be considered abandoned and become CDC's property free of all claims and liens, or CDC may, at its option, remove said items at Lessee's expense.

d. If any removal of such personal property by Lessee results in damage to the remaining improvements on the Premises, Lessee shall repair all such damage.

5.10 Eminent Domain. If all or part of the Premises is taken through condemnation proceedings or under threat of condemnation by any public authority with the power of eminent domain, the interests of CDC and Lessee (or beneficiary or mortgagee) will be as follows:

a. **Total Taking.** In the event the entire Premises are taken, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs.

b. **Partial Taking.** In the event of a partial taking, if, in the opinion of Lessee, the remaining part of the Premises is unsuitable for the Lease operation, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs.

In the event of a partial taking, if, in the opinion of Lessee, the remainder of the Premises is suitable for continued lease operation, this lease shall terminate in regard to the portion taken on the date of the transfer of title or possession to the condemning authority, whichever first occurs, but shall continue for the portion not taken. The minimum rent shall be equitably reduced to reflect the portion of the Premises taken.

c. **Award.** All monies awarded in any such taking of the Premises shall belong to CDC, whether such taking results in diminution in value of the leasehold or the fee or both; provided, however, Lessee shall be entitled to any award attributable to the taking of or damages to Lessee's then remaining leasehold interest in installations or improvements of Lessee. CDC shall have no liability to Lessee for any award not provided by the condemning authority.

d. **Repayment of Lessee Work Loan.** In the event of a total taking where the CDC is not awarded any monies by the condemning authority in connection therewith, Lessee shall be responsible for the unamortized portion of the Lessee Work Loan as more specifically set forth in Exhibit "D" subject to Subsection c. above. In the event of a partial taking where the CDC is not awarded any monies by the condemning authority in connection therewith, the Lessee Work Loan shall be allocated according to

the remainder of the Premises, and Lessee shall be responsible for the unamortized portion of the Lessee Work Loan applicable to the portion of the Premises so taken.

e. Transfer. CDC has the right to transfer CDC's interests in the Premises in lieu of condemnation to any authority entitled to exercise the power of eminent domain. If a transfer occurs, Lessee shall retain whatever interest it may have in the fair market value of any improvements placed by it on the Premises in accordance with this lease.

f. No Inverse Condemnation. The exercise of any CDC right under this Lease shall not be interpreted as an exercise of the power of eminent domain and shall not impose any liability upon CDC for inverse condemnation so long as such rights do not unreasonably or substantially interfere with Lessee's operations.

5.11 Damage or Destruction to Building.

a. CDC Reconstruction and Termination Right. If the building of which the Premises are a part is damaged or destroyed by any risk against which CDC has insured, CDC (subject to being able to obtain all necessary permits and approvals) shall, within one hundred and twenty (120) days after such damage or destruction elect to terminate the Lease or repair and reconstruct the Premises to substantially the same condition as the Premises were originally delivered to Lessee. CDC shall not be liable for interruption to Lessee's operation or for damage to or for the repair or reconstruction of any items which Lessee is required to insure.

b. Lessee Reconstruction. If any item which Lessee is required to insure pursuant to the terms of this Lease is damaged or destroyed by fire or other risks to be so insured, Lessee (subject to being able to obtain all necessary permits and approvals) shall, within thirty (30) days after CDC has repaired or reconstructed the Premises CDC is obligated to repair or reconstruct pursuant Subsection 5.11(a) above, Lessee shall commence to repair or reconstruct such items to substantially the same condition in which they were prior to such damage or destruction and prosecute the same diligently to completion.

SECTION 6: GENERAL PROVISIONS

6.01 Notices. All notices, demands, requests, consents or other communications which this Lease contemplates or authorizes, or requires or permits either party to give to the other, shall be in writing and shall be personally delivered or mailed to the respective party as follows:

To CDC:

OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

Economic and Community Development Department
300 North Coast Highway
Oceanside, CA 92054

To Lessee: **Prior to Commencement Date**

California Surf Museum
223 North Coast Highway
Oceanside, CA 92054

After the Commencement Date

At the Premises

With a copy to:

Steven M. Angus, Esq.
2611 South Coast Highway 101, Suite 204
Cardiff by the Sea, CA 92007

Either party may change its address by notice to the other party as provided herein.

Communications shall be deemed to have been given and received on the first to occur of: i) actual receipt at the offices of the party to whom the communication is to be sent, as designated above; or (ii) three (3) working days following the deposit in the United States Mail of registered or certified mail, postage prepaid, return receipt requested, addressed to the offices of the party to whom the communication is to be sent, as designated above.

6.02 CDC Approval. The CDC Executive Director shall be the CDC's authorized representative in the interpretation and enforcement of all work performed in connection with this Lease. The CDC Executive Director may delegate authority in connection with this Lease to the CDC Executive Director's designee(s).

6.03 Nondiscrimination. Lessee agrees not to discriminate in any manner against any person or persons on account of race, marital status, familial status, sex, religious creed, color, ancestry, national origin, age, or disability in Lessee's use of the Premises.

6.04 Equal Opportunity. Lessee shall take affirmative action to assure applicants are employed and that employees are treated during employment without regard to race, color, religion, sex or national origin. Lessee shall certify in writing to CDC that Lessee is in compliance and throughout the term of this Lease will comply with Title VII of the Civil Rights Act of 1964, as amended, the California Fair

Employment Practices Act, and any other applicable Federal, State and Local law, regulation and policy (including without limitation those adopted by CDC) related to equal employment opportunity and affirmative action programs, including any such law, regulation, and policy hereinafter enacted.

Compliance and performance by Lessee of the equal employment opportunity and affirmative action program provision of this Lease is an express condition hereof and any failure by Lessee to so comply and perform shall be a default of this Lease and CDC may exercise any right as provided herein and as otherwise provided by law.

6.05 Entire Agreement. This Lease contains the entire understanding between the CDC and Lessee concerning the use and occupation of the Premises and supersedes all prior negotiations, representations, or agreements. Each party has relied on its own examination of the Premises, advice from its own attorneys, and the warranties, representations, and covenants of the Lease itself.

6.06 Interpretation. The interpretation, validity and enforcement of the Lease shall be governed by and construed under the laws of the State of California. The venue of any judicial action brought to enforce any condition, covenant or provision of this Lease shall be in San Diego County, California. The Lease does not limit any other rights or remedies available to CDC.

The Lessee shall be responsible for complying with all Local, State, and Federal laws whether or not said laws are expressly stated or referred to herein.

Should any provision herein be found or deemed to be invalid, the Lease shall be construed as not containing such provision, and all other provisions which are otherwise lawful shall remain in full force and effect, and to this end the provisions of this Lease are severable.

This Lease shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors, and assigns.

6.07 Agreement Modification. This Lease may not be modified orally or in any manner other than by an Agreement in writing signed by the parties hereto.

6.08 Waiver. Any CDC waiver of a default is not a waiver of any other default. Any waiver of a default must be in writing and be executed by the CDC Executive Director in order to constitute a valid and binding waiver. CDC delay or failure to exercise a remedy or right is not a waiver of that or any other remedy or right under this Lease. The use of one remedy or right for any default does not waive the use of another remedy or right for the same default or for another or later default. CDC's acceptance of any amounts associated with this Lease is not a waiver of any default preceding the amount payment. CDC and Lessee specifically agree that the property constituting the Premises is CDC-owned and held in trust for the benefit of the citizens

of the City of Oceanside and that the failure of the CDC Executive Director or CDC staff to discover a default or take prompt action to require the cure of any default shall not result in an equitable estoppel, but CDC shall at all times, subject to applicable statute of limitations, have the legal right to require the cure of any default when and as such defaults are discovered or when and as the CDC directs the CDC Executive Director to take action or require the cure of any default after such default is brought to the attention of the CDC by the CDC Executive Director or by any concerned citizen.

6.09 Attorney's Fees. In the event a suit is commenced by CDC against Lessee to enforce payment of amounts due, or to enforce any of the terms and conditions hereof, or in case CDC shall commence summary action under the laws of the State of California relating to the unlawful detention of property, for forfeit of this Lease, and the possession of the Premises, provided CDC effects a recovery, Lessee shall pay CDC all costs expended in any action, together with a reasonable attorney's fee to be fixed by the Court.

6.10 Assignment and Subletting - No Encumbrance. A major consideration for this Lease is the unique expertise of Lessee in the operation and management of a surf museum at a municipally owned facility. Accordingly, notwithstanding anything herein to the contrary, Lessee shall not assign to, contract for and/or allow another individual or entity to operate and/or manage the surf museum operation at the Premises. Further, this Lease and any portion thereof shall not be assigned, transferred, or sublet, nor shall any of the Lessee's duties be delegated, without the express written consent of CDC. Any attempt to assign or delegate this Lease without the express written consent of CDC shall be void and of no force or effect. Consent by CDC to one assignment, transfer, sublease, or delegation shall not be deemed to be consent to any subsequent assignment, transfer, sublease, or delegation.

6.11 Defaults and Termination. It is mutually understood and agreed that if any default be made in the payment of amounts as herein provided or in the performance of the covenants, conditions, or agreements herein, including any terms and conditions of the Lessee Work Loan referenced as part of the Lease (any covenant or agreement shall be construed and considered as a condition); or should Lessee fail to fulfill in any manner the uses and purposes for which the Premises are leased as stated in this Lease, and such default is not cured within five (5) days after written notice thereof if default is in the submittal of amounts due as required in this Lease; or ten (10) days after written notice thereof if default is in the performance of the failure to use provisions pursuant to Section 1.02 of this Lease; or thirty (30) days after written notice thereof if default is in the performance of any other covenant, condition and agreements (any covenant or agreement shall be construed and considered as a condition), CDC shall have the right to immediately terminate this Lease; and that in the event of such termination, Lessee shall have no further rights hereunder and Lessee shall thereupon forthwith remove from the Premises and shall have no further right to claim thereto, and CDC shall immediately thereupon, without recourse to the courts, have the right to reenter and take possession of the Premises. CDC shall further have

all other rights and remedies as provided by law, including without limitation the right to recover damages from Lessee in the amount necessary to compensate CDC for all the detriment proximately caused by the Lessee's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result there from.

In the event CDC consents to an encumbrance of the Lease for security purposes in accordance with Section 5.06 of this Lease, it is understood and agreed that CDC shall furnish copies of all notices of defaults to the beneficiary or mortgagee under said encumbrance by certified mail contemporaneously with the furnishing of such notices to Lessee, and in the event Lessee shall fail to cure such default or defaults within the time allowed above, said beneficiary or mortgagee shall be afforded the right to cure such default at any time within five (5) days, if the default is for the failure to submit rent as required, or within fifteen (15) days following the expiration of the period within which Lessee may cure such default, provided, however, CDC shall not be required to furnish any further notice of default to said beneficiary or mortgagee.

In the event of the termination of this Lease pursuant to the provisions of this section, CDC shall have any rights to which it would be entitled in the event of the expiration or sooner termination of this Lease under the provisions of Sections 5.10 and 5.11 of this Lease.

6.12 Bankruptcy. In the event Lessee becomes insolvent, makes an assignment for the benefit of creditors, becomes the subject of a bankruptcy proceeding, reorganization, arrangement, insolvency, receivership, liquidation, or dissolution proceedings, or in the event of any judicial sale of Lessee's interest under this Lease, CDC shall have the right to declare this Lease in default.

The conditions of this section shall not be applicable or binding on Lessee or the beneficiary in any deed of trust, mortgage, or other security instrument on the demised Premises which is of record with CDC and has been consented to by resolution of the CDC, or to said beneficiary's successors in interest consented to by resolution of the CDC, as long as there remains monies to be paid by Lessee to such beneficiary under the terms of such deed of trust; provided that such beneficiary or its successors in interest, continuously pay to CDC all rent due or coming due under the provisions of this Lease and the Premises are continuously and actively used in accordance with Section 1.02 of this Lease.

6.13 Section Headings. The Table of Contents and the section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provision thereof.

6.14 Gender/Singular/Plural. The neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the masculine and neuter, and each includes corporation, partnership, or other legal entity when the context so requires. The singular number includes the plural whenever

the context so requires.

SECTION 7: SPECIAL PROVISIONS

7.01 Relocation Provision. If during the initial term of this Lease, the CDC determines that there is a more desirable location in the Downtown Area of the City of Oceanside for a surf museum, the CDC shall have the right to relocate Lessee to said location, provided that said space is equal to or greater in building square footage and that the CDC is willing to provide Lessee with improvements to said new space similar to those that were constructed at the Premises at a cost not exceeding the Lessee Work Loan amount. In the event Lessee is relocated, the provisions of the Performance Standards and the Lessee Work Loan shall continue to be in full force and effect. CDC shall provide Lessee with at least ninety (90) days prior written notice of CDC's intention to relocate Lessee. CDC and Lessee shall amend this Lease to reflect said new space.

7.02 Standards of Operation. Lessee agrees that it shall operate and manage the services and facilities offered upon or from the Premises in a first class manner.

7.03 Hours of Operation. The Lessee agrees that it shall conduct business on the Premises to conform to the published hours and days of operation as established, and in the best interest of the public, unless otherwise approved in writing by the CDC.

7.04 Manner of Providing Service. Lessee shall provide an experienced and well qualified "on-site" supervisor to oversee all operations conducted by Lessee on the Premises. Said supervisor shall be empowered with authority to act on behalf of Lessee in response to reasonable requests from CDC to perform maintenance, repairs, and replacements on the Premises to insure the public's health, safety, and welfare. Lessee shall ensure that its employees shall at all times conduct themselves in a creditable and dignified manner, and they shall conform to all laws, rules, regulations and requirements, as well as all rules and regulations as hereafter may be promulgated, or put into operation by the CDC. Lessee shall maintain a staff in adequate size and number, to CDC's satisfaction, to effectively operate, maintain and administer all services offered and facilities located on the Premises.

7.05 Merchandise and Equipment. CDC retains the right to require the Lessee to discontinue the sale or use of those items that are of a quality unacceptable to the CDC.

7.06 Continued Occupancy. Lessee covenants and agrees to, and it is the intent of this Lease that the Lessee shall, continuously and uninterruptedly during the term of the Lease, occupy and use the Premises for the purposes hereinabove specified, except while Premises are untenable by reason of fire, flood, or other

SECTION 8: SIGNATURES

8.01 Signature Page. The individuals executing this Lease represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Lease on behalf of the respective legal entities of the Lessee and the CDC.

IN WITNESS WHEREOF the parties hereto for themselves, their heirs, executors, administrators, successors, and assigns do hereby agree to the full performance of the covenants herein contained and have caused this Property Lease to Agreement be executed by setting hereunto their signatures on the day and year respectively written herein below.

CDC

THE OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION

Date _____

By: _____
Executive Director

APPROVED AS TO FORM:

By: *Robert J. Hamilton, ABST.*
General Counsel

LESSEE

THE CALIFORNIA SURF MUSEUM
a California non-profit corporation

Date 8/6/08

By: *Michael A. Burner*
Name: MICHAEL A. BURNER
Title: DIRECTOR

Date 8/6/08

By: *Jane A. Francis*
Name: JACK H. FRANCIS
Title: DIRECTOR

NOTARY ACKNOWLEDGMENTS OF LESSEE'S SIGNATURE(S) MUST BE ATTACHED

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego }

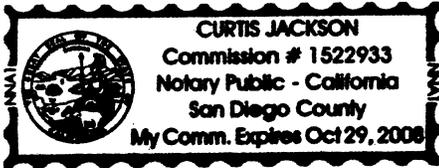
On 8.6.08 before me, Curtis Jackson, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Jack H. Francis
Name(s) of Signer(s)

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.



Place Notary Seal Above

Signature [Handwritten Signature]
Signature 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: Property Lease Agreement

Document Date: 8.6.08 Number of Pages: _____

Signer(s) Other Than Named Above: Michael A. Burner

Capacity(ies) Claimed by Signer(s)

Signer's Name: Jack H. Francis

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

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing: _____

Signer's Name: _____

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

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 8-6-08 before me, Curtis Jackson, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Michael A. Burner
Name(s) of Signer(s)

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/hers/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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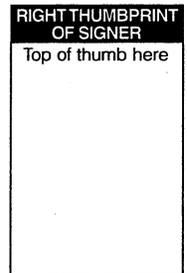
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- Other: _____



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: _____

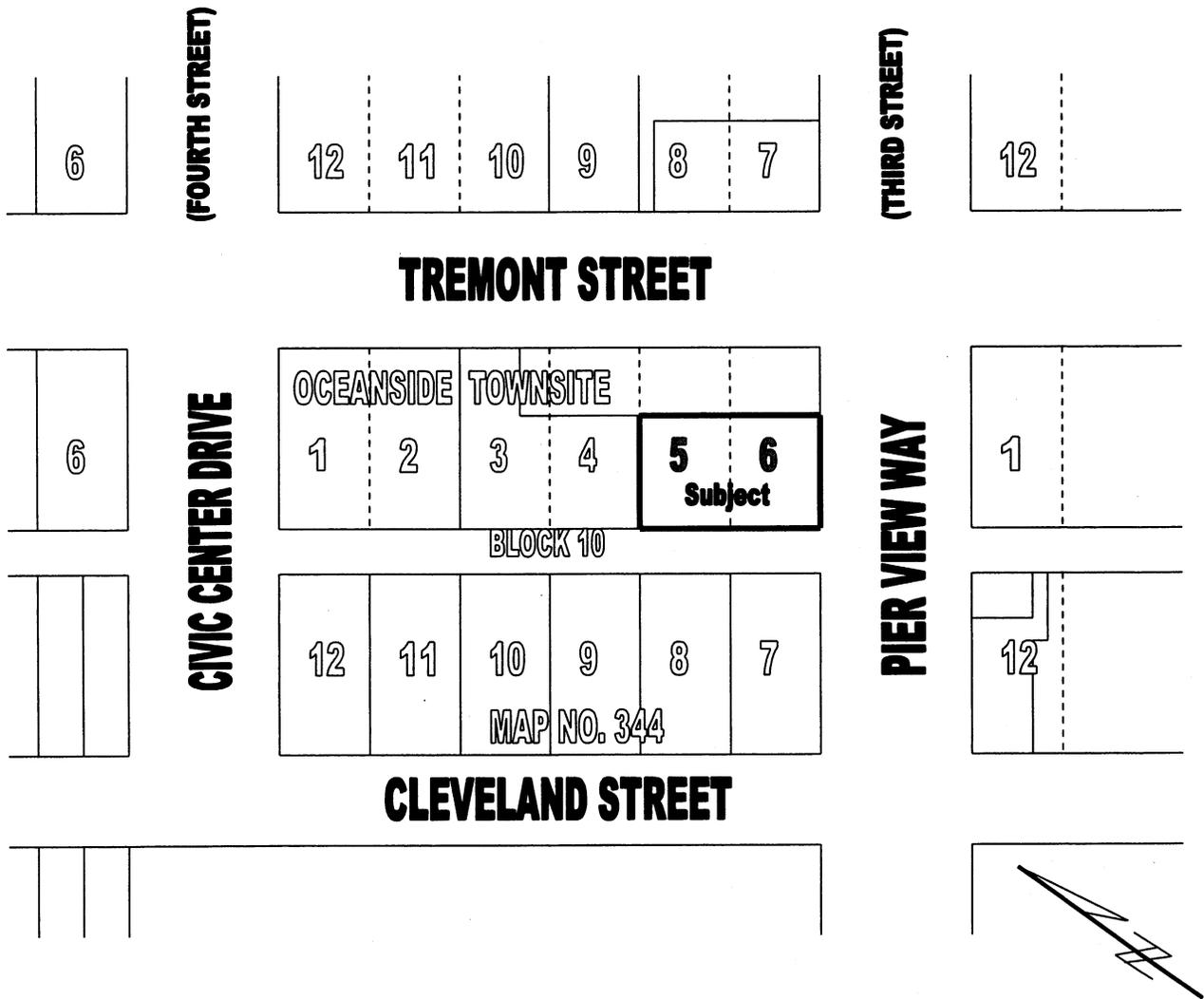
EXHIBIT "A"

DESCRIPTION OF PREMISES DESCRIBED AS FOLLOWS:

That certain real property situated in the City of Oceanside, County of San Diego, State of California, being the Southwesterly 60 feet of Lots 5 and 6 in Block 10 of Oceanside Townsite, according to Map thereof No. 344, as file in the Office of the County Recorder of San Diego County, July 1, 1885.

COMMONLY KNOW AS 312 – 314 PIER VIEW WAY, OCEANSIDE, CA
92054

EXHIBIT "B"



SCALE 1" = 100'

SKETCH SHOWING PROPERTY SUBJECT TO
LEASE AGREEMENT BETWEEN
COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OCEANSIDE
AND THE CALIFORNIA SURF MUSEUM

APN: 147-088-02

SOUTHWESTERLY 60' OF LOTS 5 AND 6, BLOCK 10, MAP NO. 344

EXHIBIT "C"

LESSEE'S WORK – TENANT IMPROVEMENTS

Lessee shall perform all of the work required of Lessee as set forth in Section A below. The work described in Section A will be performed and completed by Lessee at Lessee's expense, subject to reimbursement as set forth in Section C below in accordance with Lessee's approved Final Working Drawings

Section A – Scope of Work

All work by Lessee in the Premises will be performed by contractors selected by Lessee and approved in advance in writing by the CDC. As one of the conditions for approval, the CDC may require the contractor to procure labor and material payment and performance bonds for the benefit of Lessee, the CDC and the City of Oceanside. Any and all work performed by Lessee or Lessee's contractor shall be in a manner so as to avoid any labor dispute that results in a stoppage or impairment of work. The following work shall be performed by Lessee or Lessee's contractor:

Phase 1 – Building Tenant Improvements

The first phase of improvements to the Premises shall be those improvements to the building so that a Certificate of Occupancy can be issued to allow occupancy of the Premises by a generic commercial user.

1. Demo of existing defunct power panels
2. Demo existing soffit above entrance
3. Construct new demising walls for rooms # 106, 107, 108, 109, and 110
4. Install new header to replace rear bearing wall over bathrooms
5. Cut new plumbing lines in concrete floor
6. Rough in plumbing
7. Install new bathroom fixtures
8. Sandblast and seal existing CMU walls
9. Build up top surface of east wall to mask change in wall material
10. Install t-bar ceiling with fluorescent lighting in rooms # 106, 107, and 109
11. Grind to level, clean, polish, and seal existing concrete floor per finish schedule
12. Install new power, television and computer cable, and telephone service
13. Cut and re-pour concrete at entry doors to obtain a 1:12 slope per plan
14. Install all new exterior doors, except for storefront door
15. Install new doors in rooms # 106, 107, 108, 109, and 110
16. Install all new HVAC units, ductwork, and registers. Test and balance for use
17. Sand and seal existing wood glue-lam beams in existing roof structure
18. Paint existing interior walls and new demising walls for rooms # 106, 107, 108, 109, and 110

19. Obtain permit and install new fire sprinkler system
20. Paint existing 2x10s
21. Install paper backed BATT insulation between existing 2x10s
22. Paint paper side of BATT insulation to match 2x10s, except in rooms # 108, 110, and 111
23. Repair or replace as necessary existing fascia, prime and paint
24. Repair or replace as necessary existing gutters and downspouts, paint
25. Scrape, patch, and repaint existing CMU at exterior
26. Test existing roofing materials for asbestos
27. Repair roof for seismic retrofit per structural
28. Install new built up roof
29. Obtain permit and install temporary construction fencing
30. Obtain SDGE hook-up
31. Install all power and electrical, including panel hookup and emergency lighting (this includes all electrical except for track lighting)

Phase 2 – The Exterior Façade of the Building

The second phase will be the exterior façade improvements to the building and the storefront element.

1. Demo existing stone veneer
2. Rebuild new south wall with new undulation parapet to match glue-lam shape
3. Install storefront windows and wall with entrance door
4. Stain and install new undulating glue-lam on new south wall
5. Install new canopy from glue-lam to undulating parapet
6. Install glue-lam and canopy lighting
7. Install blocking in south wall for installation of new event board and event board canopy
8. Install blocking in tower for artwork and building signage
9. Install new hose bib
10. Build new façade tower with specified glue-lam and roof canopy

Phase 3 – Additional Tenant Improvements

The third phase will be all other tenant improvements to the Premises that are more specific in nature to the Lessee's use of the Premises.

1. Construction remaining new demising walls for rooms # 101 - 103, 105 and 111 – 115
2. Paint new demising walls for rooms # 101 - 103, 105 and 111 – 115
3. Install doors and finish trim for rooms # 101 - 103, 105, and 111 - 115
4. Install dual wire track lighting in rooms # 101 – 103 and 112 - 115
5. Install t-bar ceiling in room # 105
6. Stain, polish and seal 500 SF of decorative concrete floor. The form and location of this finish to be owner designed
7. Install all kitchen cabinets and fixtures

8. Fabricate reception desk, wall, and swinging doors
9. Install audible alarm system and enunciator panel
10. Install public address system
11. Fabricate or purchase and install new owner approved event board canopy
12. Install owner supplied artwork in (3) locations on new tower
13. Provide and install California Surf Museum signage
14. Provide and install owner approved event board

General Notes

1. The contract used for this project shall be AIA document A101-1997 Standard Form of Agreement between Lessee and its contractor where the basis for payment is a stipulated sum.
2. This job will be performed with a Building Permit from the City of Oceanside, which will be obtained by Lessee.
3. All work is to be performed in accordance with the City of Oceanside building codes and inspections.
4. Because public funds will be used to fund this project, the contract between Lessee and its contractor shall require the contractor and any subcontractors to pay all workers employed on the project not less than the wages specified in the General Prevailing Wage Determination made by the Director of Industrial Relations in effect on the date of the invitation for bids. The contract shall further require compliance with all California Labor Code provisions applicable to a "public work" as defined in Labor Code section 1720(a)(1).
5. Upon being awarded the job but before the contract is signed, the contractor is to provide a timeline for completion of phases and segments of each phase by length of time required to complete the work (not specific dates.)
6. Once the CDC approves funding, the contractor is to provide a timeline, with specific dates included, for completion of construction.
7. The contractor must work in coordination with Lessee's Project Management.
8. Bids are to be valid for ninety (90) days after submittal. This must be stated in the bid.
9. The contractor will be required to provide invoices to the California Surf Museum for payment at specific agreed-upon completion of construction milestones.
10. The contractor will be required to provide signed release of lien and stop notice forms with each payment request from each of the subcontractors requesting payment at that time. The form must include a signed release of lien for the amount requested.
11. Phasing priority

Section B – Payment to Lessee

1. For Lessee's Work performed by Lessee pursuant to the contract between

Lessee and its contractor, CDC shall pay Lessee out of the proceeds of the Loan Agreement between Lessee and CDC in accordance with the terms and conditions set forth therein and the procedure set forth below. No changes to the contract between Lessee and its contractor, which will require funds out of the proceeds of the Loan Agreement, shall be made without prior written approval of the CDC. Lessee's payment from the CDC for any and all work performed in accordance with the contract between Lessee and its contractor shall not exceed the total amount of \$575,115.

2. No work shall be performed by Lessee in excess of the total Loan Agreement amount allocated to tenant improvement work without prior written approval of the CDC.
3. Lessee shall maintain accounting records including the following information:
 - A. Names of the contractor and its subcontractors, vendors, suppliers, etc.; types of work performed; and times and dates of all work performed in connection with the contract for the tenant improvement work.
 - B. Lessee's accounting records shall be made available to the CDC for verification of billings, within a reasonable time of the CDC's request for inspection.
4. Lessee shall receive payment from the proceeds of the Loan Agreement as follows:
 - A. Lessee shall submit requests for payment, in a form acceptable by CDC, together with invoices and other supporting documents, including without limitation prevailing wage certification, no more than bi-monthly to the CDC.
 - B. CDC shall upon approval and verification of the request for payment and subject to a 10% retention amount where applicable, make partial payments to Lessee within thirty (30) days of receipt of the approved request for payment.
 - C. Final payment shall be made to Lessee upon Lessee's preparation of As-Built plans for record drawings to the satisfaction of the CDC.

Section C – General Provisions

1. All tenant improvement work shall be performed in accordance with applicable local city, state and federal codes and criteria.
2. Lessee shall have no authority, express or implied, to act on behalf of the

CDC as an agent, or to bind the CDC to any obligation whatsoever, unless specifically authorized in writing by the CDC. Lessee shall be solely responsible for the performance of any of its employees, agents or subcontractors under this agreement.

3. The Premises are owned by the Community Development Commission of the City of Oceanside. The CDC will allocate redevelopment funds to finance this project; however, the project is not to be considered a “public work” under California Civil Code section 3100, nor a “public project” under California Public Contract Code section 20161. The City will make payments to Lessee pursuant to the Lease Agreement and Loan Agreement between the City and Lessee. In turn Lessee will pay contractor pursuant to the contract between Lessee and contractor. There will be no privity of contract between the CDC and Lessee’s contractor.

EXHIBIT "E"

CALIFORNIA SURF MUSEUM PERFORMANCE GOALS/STANDARDS

The following performance goals/standards were approved by the California Surf Museum Board of Directors via email March 5-6, 2008, by a vote of 13-0 in favor (two members absent from vote; one member had previously approved list below) to be included in lease/loan agreement for 312 Pier View Way with the Community Development Commission of the City of Oceanside. 20% of the loan from the CDC will be forgiven each year if these goals/standards are accomplished.

YEAR PERFORMANCE GOAL/STANDARD

2008-09

1. Hold exhibit opening reception
2. Hold annual event honoring surfer
3. Begin researching and planning a surf film festival
4. Continue fundraising efforts
5. CSM will be open seven days per week from 10 am to 4 pm
6. CSM will be open in conjunction with the Sunset Market
7. CSM will expand and enhance the gift shop
8. The facility will be available for a minimum of one City function
9. Conduct an annual membership meeting

2009-10

1. Hold exhibit opening reception
2. Hold annual event honoring surfer
3. Host book signing /artist reception/surf music concert
4. Hold at least one surf film festival
5. CSM will enhance website and keep information current
6. CSM will apply for grants and continue fundraising efforts
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2010-11

1. Hire an Executive Director
2. Work on plan to accelerate fundraising campaign
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 2 book signings / artist receptions / concerts
6. Host at least two surf film festivals
7. CSM will be open seven days per week from 10 am to 4 pm

8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2011-12

1. Institute the plan to accelerate fundraising campaign
2. Implement a school tour program
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 4 book signings / artist receptions / concerts
6. Host at least two surf film festivals
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

2012-13

1. Continue with planned fundraising campaign
2. Implement a school tour program
3. Hold exhibit opening reception
4. Host annual event honoring surfer
5. Host 4 book signings / artist receptions / concerts
6. Host at least two surf film festivals
7. CSM will be open seven days per week from 10 am to 4 pm
8. CSM will be open in conjunction with the Sunset Market
9. The facility will be available for a minimum of one City function
10. Conduct an annual membership meeting

EXHIBIT "F"

COMMENCEMENT DATE MEMORANDUM

This Commencement Date Memorandum, dated as of _____, 2008 is executed between the Oceanside Community Development Commission ("CDC") and the California Surf Museum, a California non-profit corporation ("LESSEE").

RECITALS

WHEREAS, CDC and LESSEE have entered into that certain Property Lease Agreement ("Lease") dated _____, 2008 for premises at 312-314 Pier View Way in the City of Oceanside, County of San Diego, State of California; and

WHEREAS, pursuant to the terms of the Lease the parties are to execute a memorandum to confirm the commencement date of the Lease.

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

1. The CITY and LESSEE agree that the commencement date of the Lease is _____, ____ and the termination date is _____, ____.

IN WITNESS WHEREOF, the parties hereto for themselves, their heirs, executors, administrators, successors and assigns do hereby agree to the above, as of the day and year first written above.

"CDC"

Community Development Commission of the City of Oceanside

By: _____

(name)

Title: Executive Director

"LESSEE"

The California Surf Museum,
a California non-profit corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**SUMMARY REPORT
FOR PROPOSED FUNDING BY THE COMMUNITY DEVELOPMENT
COMMISSION OF THE CITY OF OCEANSIDE
FOR THE EXPANSION OF THE CALIFORNIA SURF MUSEUM**

This report has been prepared in connection with a joint public hearing of the Oceanside City Council (the "City Council") and the Community Development Commission of the City of Oceanside (the "Commission") which is scheduled to be held in the Oceanside City Council Chambers at 300 North Coast Highway, Oceanside, on August 13, 2008, at 6:00 p.m., with respect to the Commission's payment of tax increment funds for the Commission's appropriation of \$575,115 thousand, to be used to fund the renovation, façade construction and relocation of the California Surf Museum ("Museum") and \$49,860 to reimburse Redevelopment Operating fund for costs to get the building tenant ready.

The California Surf Museum. (the "Museum Corporation") has proposed to move the Museum to a vacant building that is owned by the Commission that is located at 312-314 Pier View Way. The renovation, façade construction and relocation of the Museum is estimated to cost \$575,115 thousand. Pursuant to the terms of the Lease between the City and the Museum Corporation, the ownership of 312-314 Pier View Way will remain with the Community Development Commission.

Before the Commission commits to pay for the construction or substantial rehabilitation of publicly owned buildings, the City Council must hold a public hearing and make available a summary of the proposal. The summary is required to include the following:

(a) Estimates of the amount of taxes proposed to be used to pay for land and construction of publicly owned buildings.

(b) Facts supporting the required findings that the publicly owned buildings are of benefit to a project area or the immediate neighborhood of a project area or another project area, and will assist in the elimination of blight within the redevelopment project area or provide housing for low- or moderate-income persons, that the facilities are consistent with the Implementation Plan for the project, and that no other reasonable means of financing the buildings is available to the community.

(c) The redevelopment purpose of the expenditure.

This Summary Report has been prepared to satisfy the above requirements, which are set forth in Sections 33445 and 33679 of the California Health and Safety Code.

A. Estimate of the Amount of Taxes Proposed to be Used to Pay for Land and Construction of Publicly Owned Buildings Including Interest Payments (*Health and Safety Code Section 33679(a)*)

The Commission proposes to pay \$575,115 for the renovation, façade construction and relocation of the California Surf Museum, and \$49,860 to reimburse Redevelopment Operating Fund for costs to get the building tenant ready.

B. Facts Supporting the Determinations Required to be Made by the City Council Pursuant to Section 33445 of the Health and Safety Code

(Health and Safety Code Section 33679(b))

1. *Buildings, Facilities, Structures or Other Improvements are of Benefit to the Project Area or the Immediate Neighborhood in Which the Project is Located (Health and Safety Code Section 33445(1))*

The demolition, renovation and façade construction necessary to renovate the building located at 312-314 Pier View Way and relocation of the Museum will be of benefit to the Project Area by expanding and enhancing an important cultural resource within Downtown Oceanside for both residents of the City and visitors to the City. The Museum relocation is expected to have a catalyst effect in the Project Area, by drawing additional visitors to the downtown area, stimulating private development and investment within the downtown area, and encouraging economic and social activity within the downtown area.

The Museum would be moving out of a 1,900 square foot space into a 5,065 square foot space that will allow for additional shows, permanent display areas, revolving display areas, a library, a larger gift shop, storage and additional room for staging exhibits. The 312-314 Pier View Way location is in closer proximity to the beach, is the primary pedestrian access street to the Pier and the beach via the walkable underpass and would be located in the heart of the Sunset Market. The Museum currently has an attendance of over 20,000 worldwide visitors which is anticipated to grow in proportion to the amenities offered by the Museum each year. The additional Museum space and programming of events along with the new location would help make Oceanside a visitor destination both for the Museum and the downtown Oceanside area.

2. *There is No Other Reasonable Means of Financing Such Buildings, Facilities, Structures, or Other Improvements Available to the Community (Health and Safety Code Section 33445(2))*

The Commission proposes to fund the renovation, façade construction and relocation of the Museum to 312-314 Pier View Way. This cost cannot reasonably be expected to be financed through other means available to the community. The Museum has no additional funds available to pay the costs. The Museum Corporation has transmitted a letter to the City and the Commission stating that the funding is necessary for the payment of the costs of demolition, renovation, façade construction and relocation of the Museum, that other funds raised will be necessary to fund the balance of the construction costs, and interior amenities for the Museum, and that it has no other funds are available for construction costs.

The City has no additional funds available to pay for such costs. The City Finance Director reported to the City Council and Community Development Commission on June 11, 2008, that the unallocated General Fund reserves are approximately \$6.1 million at June 30, 2008. However, in light of the pending State budget cuts and the impact to the City of Oceanside, we are "at risk" of losing approximately \$3.5 - \$5.5 million from general fund revenues. Coupled with this uncertainty, there are significant capital projects and infrastructure that the City needs to construct, of which the General Fund reserves would be used. Lastly, at some point in the near future the City must to address an unfunded liability of approximately \$7 million for GASB 45 (other post-employment benefits). The Commission's primary source of funding, tax increment, is the only reasonable source

of funding which is expected to be available to pay for the cost to renovate 312-314 Pier View Way and facilitate the relocation of the Museum.

3. *The Payment of Funds for the Acquisition of Land or the Cost of Buildings, Facilities, Structures or Other Improvements Will Assist in the Elimination of One or More Blighting Conditions Inside the Project Area, and is Consistent With the Implementation Plan adopted pursuant to Section 33490 (Health and Safety Code Section 33445(a)(3))*

In the Report to the City Council prepared by the Commission with respect to the City's adoption of the Project, the Commission found that the Project Area was characterized by deterioration and dilapidation of buildings; inadequate area parking; incompatible land uses; inadequate shape and size of parcels, inadequate condition and location of existing public infrastructure; beach erosion; and the potential of toxic and hazardous materials. Examples of specific physical blighting conditions found within the Project Area included vacant or underutilized land, building code violations, age and obsolescence of improvements, and the lack of tourist amenities and accommodations. The Commission's 2005-09 Implementation Plan stated that the blighted economic conditions still found in the Project Area are characterized by a historic lack of commercial investment by property owners and by businesses in the area; and a high commercial vacancy factor. One of the examples of economic blight discussed in the Implementation Plan was the lack of tourist accommodations and activities. The Implementation Plan stated that the Project Area also has serious infrastructure deficiencies. The relocation and expansion of the Museum will provide additional public improvements and public facilities which will assist to eliminate some of those blighting conditions which were identified in the Report to the City Council and the 2005-09 Implementation Plan. The renovation, façade construction and relocation of the Museum to 312 Pier View Way will upgrade a vacant and underutilized building by correcting building code violations, upgrade public infrastructure, and provide additional tourist amenities, which is anticipated to stimulate private investment in real property in the downtown area, and to improve and maintain property values within the Project.

The payment of a the costs to facilitate demolition, renovation, façade construction and relocation of the Surf Museum expansion will be consistent with the Implementation Plan for the Project, which identifies goals and objectives which include providing necessary public improvements to encourage desired private developments, attracting and supporting catalyst projects to spur additional reinvestment in the Project, and establishing downtown Oceanside as a business and visitor center for commerce, recreation, tourism, entertainment and residential uses for the existing community and visitors. The Museum renovation, façade construction and relocation would satisfy the above objectives of the Implementation Plan by providing for the expansion of the Museum, which will have the effect of expanding and enhancing an important cultural resource within Downtown Oceanside, which is expected to draw additional visitors to the downtown area, stimulate private development and investment within the downtown area and encourage economic and social activity within the City.

C. The Redevelopment Purpose for Which Such Taxes are Being Used to Pay for the Land and Construction of Such Publicly Owned Buildings
(Health and Safety Code Section 33679(c))

The Redevelopment Law states that the provision of public improvements is a fundamental purpose of redevelopment. The definition of “redevelopment” within the California Community Redevelopment Law includes “the provision of those . . . public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare” (Health and Safety Code Section 33020), and the “Provision for . . . public or private buildings, structures and improvements, and improvements of public or private recreation areas and other public grounds” (Health and Safety Code Section 33021(b)). The financing of the renovation, façade construction and relocation of the Museum would satisfy the above purposes by making available public structures and spaces which are integral to the proper functioning of the Project.

California Surf Museum
DLS Contract

CALIFORNIA SURF MUSEUM
DLS BUILDERS

6/17/2008

PHASE 1

PHASE 3

PHASE	DESCRIPTION	QTY	UNIT	COST	AMOUNT	TOTAL	DLS CONTRACT PAID BY CITY	DLS CONTRACT PAID BY CSM	EXTRAS PAID BY CITY	EXTRAS PAID BY CSM	INVOICED	REMAINING TO BILL
SITE PREPARATION												
	Visqueen Barrier/Protect & Carpet Mask	1	LS	\$ 525.00	\$ 525.00	\$ 6,180.00	\$ 6,180.00	\$ -	\$ -	\$ -	\$ -	\$ 6,180.00
	Equipment Rental - Compressor/Jack Hammer	1	WK	\$ 775.00	\$ 775.00		\$ 775.00	\$ -	\$ -	\$ -	\$ -	\$ 775.00
	Equipment Rental - Scissor Lift	4	WK	\$ 420.00	\$ 1,680.00		\$ 1,680.00	\$ -	\$ -	\$ -	\$ -	\$ 1,680.00
	Equipment Rental - Bobcat	1	WK	\$ 675.00	\$ 675.00		\$ 675.00	\$ -	\$ -	\$ -	\$ -	\$ 675.00
	**Temp Fencing Gates	200	LF	\$ 4.25	\$ 1,095.00		\$ 1,095.00	\$ -	\$ -	\$ -	\$ -	\$ 1,095.00
	**Temp Sanitation	12	WK	\$ 115.00	\$ 1,430.00		\$ 1,430.00	\$ -	\$ -	\$ -	\$ -	\$ 1,430.00
	Per Breakdown \$850. Manually Entered by DLS											
	Per Breakdown \$1,380. Manually Entered by DLS											
DEMOLITION												
	Break & Remove - Asphalt at Rear Man Door	1	LS	\$ 175.00	\$ 175.00	\$ 14,561.00	\$ 14,561.00	\$ -	\$ -	\$ -	\$ -	\$ 14,561.00
	Break & Remove - Concrete Slab @ Front Entry & Plumbing Trenches	325	SF	\$ 3.50	\$ 1,138.00		\$ 1,138.00	\$ -	\$ -	\$ -	\$ -	\$ 1,138.00
	Break & Remove - Concrete Footings - Pad & Cont.	1	LS	\$ 1,721.00	\$ 1,721.00		\$ 1,721.00	\$ -	\$ -	\$ -	\$ -	\$ 1,721.00
	Break & Remove - Masonry & Stone Veneer	370	SF	\$ 4.65	\$ 1,721.00		\$ 1,721.00	\$ -	\$ -	\$ -	\$ -	\$ 1,721.00
	Sawcut, Break & Remove Concrete Curb @ Front Wall (West Side)	1	LS	\$ 375.00	\$ 375.00		\$ 375.00	\$ -	\$ -	\$ -	\$ -	\$ 375.00
	Remove Soffit @ Front Entry	41	LF	\$ 18.00	\$ 738.00		\$ 738.00	\$ -	\$ -	\$ -	\$ -	\$ 738.00
	Cut Open Exterior Wall @ Rear for New Roll-up Door	10	HR	\$ 55.00	\$ 550.00		\$ 550.00	\$ -	\$ -	\$ -	\$ -	\$ 550.00
	Remove (2) Front Doors and Frames and (1) Rear Door	3	EA	\$ 175.00	\$ 525.00		\$ 525.00	\$ -	\$ -	\$ -	\$ -	\$ 525.00
	Remove Window @ Front Entry Wall	1	EA	\$ 185.00	\$ 185.00		\$ 185.00	\$ -	\$ -	\$ -	\$ -	\$ 185.00
	Remove Ceiling @ Front Entry	240	LF	\$ 2.83	\$ 680.00		\$ 680.00	\$ -	\$ -	\$ -	\$ -	\$ 680.00
	Sawcut, Break & Remove Asphalt for New Landing @ Rear of Bldg.	1	LS	\$ 320.00	\$ 320.00		\$ 320.00	\$ -	\$ -	\$ -	\$ -	\$ 320.00
	Sawcut Concrete (Flat Slab-Plumbing Trenches & Front Entry) Tower	140	LF	\$ 3.95	\$ 559.00		\$ 559.00	\$ -	\$ -	\$ -	\$ -	\$ 559.00
	Remove Existing Facade and Gutter @ West Wall For New Tower	6	HR	\$ 55.00	\$ 330.00		\$ 330.00	\$ -	\$ -	\$ -	\$ -	\$ 330.00
	Remove Stucco @ Front Wall & at Rear Roll-up Door Location	640	SF	\$ 2.85	\$ 1,824.00		\$ 1,824.00	\$ -	\$ -	\$ -	\$ -	\$ 1,824.00
	Remove Concrete Curb w/ Sale	1	LS	\$ 265.00	\$ 265.00		\$ 265.00	\$ -	\$ -	\$ -	\$ -	\$ 265.00
	Remove Wood Stud Walls - Regular Height 13'	41	LF	\$ 22.00	\$ 902.00		\$ 902.00	\$ -	\$ -	\$ -	\$ -	\$ 902.00
	Remove Wood Stud Walls - High Wall to 18' (Front Exterior)	76	LF	\$ 26.00	\$ 1,976.00		\$ 1,976.00	\$ -	\$ -	\$ -	\$ -	\$ 1,976.00
	Remove Wood Stud Walls - Plumbing Wall @ (Bldg.)	27	LF	\$ 16.00	\$ 432.00		\$ 432.00	\$ -	\$ -	\$ -	\$ -	\$ 432.00
	Remove Interior Lath & Plaster @ Electrical Panel (Rear of Bldg.)	6	HR	\$ 55.00	\$ 330.00		\$ 330.00	\$ -	\$ -	\$ -	\$ -	\$ 330.00
	Demo Existing Plumbing	1	EA	\$ 1,275.00	\$ 1,275.00		\$ 1,275.00	\$ -	\$ -	\$ -	\$ -	\$ 1,275.00
	Demo Existing Floor Sink & Clean-out	5	HR	\$ 55.00	\$ 275.00		\$ 275.00	\$ -	\$ -	\$ -	\$ -	\$ 275.00
	Per Breakdown \$485.00. Manually Entered by DLS											
PAVING												
	Asphalt Patching @ Rear of Bldg. From New Construction	1	LS	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ -	\$ -	\$ -	\$ -	\$ 485.00
	Per Breakdown \$485.00. Manually Entered by DLS											
CONCRETE												
	Construction Landing @ Rear Door For ADA	1	LS	\$ 260.00	\$ 260.00	\$ 19,673.00	\$ 19,673.00	\$ -	\$ -	\$ -	\$ -	\$ 19,673.00
	Slabs - Bldg. Floors from Plumbing and Electrical Work	108	SF	\$ 6.35	\$ 686.00		\$ 686.00	\$ -	\$ -	\$ -	\$ -	\$ 686.00
	Dowel into Concrete (2 O.C.)	83	EA	\$ 9.00	\$ 747.00		\$ 747.00	\$ -	\$ -	\$ -	\$ -	\$ 747.00
	Miscellaneous Concrete Bid	1	LS	\$ 17,980.00	\$ 17,980.00		\$ 17,980.00	\$ -	\$ -	\$ -	\$ -	\$ 17,980.00
	Per Breakdown \$19,673.00. Manually Entered by DLS											
DRYWALL												
	Fire Rated Corridor Ceiling - 11' High	180	SF	\$ 5.10	\$ 918.00	\$ 23,033.90	\$ 23,033.90	\$ -	\$ -	\$ -	\$ -	\$ 23,033.90
	Ceilings - Drywall @ 10' High	324	SF	\$ 3.75	\$ 1,215.00		\$ 1,215.00	\$ -	\$ -	\$ -	\$ -	\$ 1,215.00
	Fire Rated Corridor Walls - 11' High	63	LF	\$ 49.50	\$ 3,119.00		\$ 3,119.00	\$ -	\$ -	\$ -	\$ -	\$ 3,119.00
	Demolish Walls - 13' High w/ 1/2" Plywood On Both Sides	25	LF	\$ 53.00	\$ 1,325.00		\$ 1,325.00	\$ -	\$ -	\$ -	\$ -	\$ 1,325.00
	Demolish Walls - 13' High w/ 1/2" Plywood On One Side	120	LF	\$ 53.00	\$ 6,360.00		\$ 6,360.00	\$ -	\$ -	\$ -	\$ -	\$ 6,360.00
	Partition Walls - 10' High	31	LF	\$ 46.50	\$ 1,455.50		\$ 1,455.50	\$ -	\$ -	\$ -	\$ -	\$ 1,455.50
	Partition Walls - 13' High/6' Plumbing Wall	20	LF	\$ 51.00	\$ 1,020.00		\$ 1,020.00	\$ -	\$ -	\$ -	\$ -	\$ 1,020.00
	Partition Walls - 11' High @ Display Area @ Front	28	LF	\$ 44.50	\$ 1,246.00		\$ 1,246.00	\$ -	\$ -	\$ -	\$ -	\$ 1,246.00
	Furr Wall @ Gallery w/ 1/8" Studs with Plywood On Wall	53	LF	\$ 43.80	\$ 2,321.40		\$ 2,321.40	\$ -	\$ -	\$ -	\$ -	\$ 2,321.40
	Putty Coat and Texture Walls As Needed	1029	SF	\$ 1.25	\$ 1,287.00		\$ 1,287.00	\$ -	\$ -	\$ -	\$ -	\$ 1,287.00
	Install Drywall Only, Walls at Front and Rear	1029	SF	\$ 2.25	\$ 2,316.00		\$ 2,316.00	\$ -	\$ -	\$ -	\$ -	\$ 2,316.00
	Fire Caulking @ Through Penetration @ Rated Corridor	1	LS	\$ 600.00	\$ 600.00		\$ 600.00	\$ -	\$ -	\$ -	\$ -	\$ 600.00
	Per Breakdown \$23,033.90. Manually Entered by DLS											
DOORS/ FRAMES/ HARDWARE												
	Doors	4	EA	Included	\$ -	\$ 20,258.00	\$ 20,258.00	\$ -	\$ -	\$ -	\$ -	\$ 20,258.00
	Hardboard 3x7'	11	EA	Included	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Hardboard 2x7' (Pocket Door)	1	EA	Included	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Hollow Metal 3'x7' 18 ga.	1	EA	Included	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	French Door Stain Grade 3'x7'	3	EA	Included	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Hollow Metal 5-3/4" 1-PC. 6'x7'	5	EA	Included	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Hollow Metal 5-3/4" 1-PC. 3'x7'	6	EA	Included	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Per Breakdown \$20,258.00. Manually Entered by DLS											

California Surf Museum
DLS Contract

PHASE	DESCRIPTION	QTY	UNIT	COST	AMOUNT	TOTAL	DLS CONTRACT PAID BY CITY	DLS CONTRACT PAID BY CSM	EXTRAS PAID BY CITY	EXTRAS PAID BY CSM	INVOICED	REMAINING TO BILL	
ROOFING	Brown Model 640 CFM w/ Duct	3	EA	Included	\$ -								
	Installation of Exposed Ductwork	1	LS	Included	\$ -								
	Supply and Return Boxes, Registers & Grills	1	LS	Included	\$ -								
	Terracots	3	EA	Included	\$ -								
	Smoke Detectors in Supply Ducts	1	LS	Included	\$ -								
	Miscellaneous Bid	1	LS	\$ 41,400.00	\$ 41,400.00		\$ 41,400.00					\$ 41,400.00	
	Composite 4-Ply (Built Up) GAF Title 24 Compliant	1	LS	Included	\$ -								\$ 22,625.00
	Removal of Existing Built Up Roof	1	LS	Included	\$ -								\$ -
	Velux Skylights - 2x2'	7	SF	\$ 200.00	\$ 1,400.00		\$ 1,400.00						\$ 1,400.00
	Miscellaneous Bid	1	LS	\$ 21,225.00	\$ 21,225.00		\$ 21,225.00						\$ 21,225.00
CEILING					\$ 527.00	\$ 527.00	\$ 527.00					\$ 527.00	
Acoustical Grid & Tile System (2x4)	170	SF	\$ 3.10	\$ 527.00		\$ 527.00						\$ 527.00	
INSULATION & SOUNDPROOFING					\$ 7,310.00	\$ 7,310.00	\$ 7,310.00					\$ 7,310.00	
Rounder Up Actually \$2,454.20	3506	SF	\$ 0.70	\$ 2,455.00		\$ 2,455.00						\$ 2,455.00	
R-19 Batt @ Ceiling	5110	SF	\$ 0.05	\$ 4,855.00		\$ 4,855.00						\$ 4,855.00	
FLOORING					\$ 1,423.00	\$ 1,423.00	\$ 1,423.00					\$ 1,423.00	
Base 1/4" Rubber, In Lieu of Wood Base	862	LF	\$ 1.65	\$ 1,423.00		\$ 1,423.00						\$ 1,423.00	
BUILT-IN EQUIPMENT					\$ -	\$ -	\$ -					\$ -	
MOVED To Extras												\$ -	
OVERHEAD DOORS					\$ 2,020.00	\$ 2,020.00	\$ 2,020.00					\$ 2,020.00	
Roll-up Door (Chain Pull 6x7)	1	LS	\$ 2,020.00	\$ 2,020.00		\$ 2,020.00						\$ 2,020.00	
PAINTING & DECORATION					\$ 20,355.00	\$ 20,355.00	\$ 20,355.00					\$ 20,355.00	
Doors w/ Jambas (Paint, Stain and/or Lacquer)	1	LS	Included	\$ -								\$ -	
Flat Paint Walls	1	LS	Included	\$ -								\$ -	
Flat Paint Ceilings	1	LS	Included	\$ -								\$ -	
Paint (3) Existing Pipe Columns	1	LS	\$ 625.00	\$ 625.00		\$ 625.00						\$ 625.00	
Exterior Paint (Approx. 3000sf)	1	LS	Included	\$ -								\$ -	
Miscellaneous Bid	1	LS	\$ 19,730.00	\$ 19,730.00		\$ 19,730.00						\$ 19,730.00	
FIRE PREVENTION					\$ 64,850.00	\$ 64,850.00	\$ 64,850.00		\$ 3,000.00			\$ 64,850.00	
Fire Extinguishers & Cabinets	8	EA	\$ 250.00	\$ 2,000.00		\$ 2,000.00		\$ 3,000.00				\$ 64,850.00	
Detector Check Backflow Preventer, Indicator Valve, Fire Dept. Connection	1	LS	Included	\$ -								\$ -	
Complete Fire Sprinkler System w/ Roof Protection (Upright Heads)	1	LS	Included	\$ -								\$ -	
Complete Fire Sprinkler System w/ Ceiling Protection (Pendant Heads)	1	LS	Included	\$ -								\$ -	
Tile in Existing Water Main With New Fire Lateral to Fire Riser Location	1	LS	Included	\$ -								\$ -	
Panic Hardware in Exit Corridor	1	LS	\$ 3,000.00	\$ 3,000.00		\$ 3,000.00						\$ 3,000.00	
Miscellaneous Bid	1	LS	\$ 59,850.00	\$ 59,850.00		\$ 59,850.00						\$ 59,850.00	
CLEAN-UP, VISQUEEN, STOCKING & DUMPING					\$ 6,533.00	\$ 6,533.00	\$ 6,533.00		\$ 4,000.00			\$ 6,533.00	
City to Provide Trash Bins	1	LS	\$ 4,000.00	\$ 4,000.00		\$ 4,000.00		\$ 4,000.00				\$ 4,000.00	
Clean-Up	5095	SF	\$ 0.50	\$ 2,533.00		\$ 2,533.00						\$ 2,533.00	
GENERAL CONDITIONS					\$ 51,251.96	\$ 51,251.96	\$ 51,251.96					\$ 51,251.96	
Building Permits	2%	Included	\$ -	\$ -		\$ -						\$ -	
Contractor's Fee	4.5%	\$ 22,051.18	\$ 22,051.18		\$ 22,051.18		\$ 22,051.18					\$ 22,051.18	
Insurance	1.5%	\$ 7,350.39	\$ 7,350.39		\$ 7,350.39		\$ 7,350.39					\$ 7,350.39	
Project Management	1.5%	\$ 7,350.39	\$ 7,350.39		\$ 7,350.39		\$ 7,350.39					\$ 7,350.39	
Supervision	12	WK	\$ 975.00	\$ 11,700.00		\$ 11,700.00						\$ 11,700.00	
Travel	1	LS	\$ 2,800.00	\$ 2,800.00		\$ 2,800.00						\$ 2,800.00	
CONTRACTORS PROFIT & OVERHEAD					\$ 42,366.26	\$ 42,366.26	\$ 42,366.26					\$ 42,366.26	
CONTRACTORS PROFIT & OVERHEAD	1	LS	\$ 42,366.26	\$ 42,366.26		\$ 42,366.26						\$ 42,366.26	
ROUGH CARPENTRY					\$ 59,935.00	\$ 59,935.00	\$ 59,935.00					\$ 59,935.00	
Front Entry Walls & Tower Walls												\$ -	
Pony Walls to Follow Contour of Glue Laminated Beams												\$ -	
Glue Laminated Beams as Called Out On Plans												\$ -	
Physwood @ Interior Walls												\$ -	
Sheathing Diaphragm Blocking & Shear Panel Install to Plan												\$ -	
Telephone Backboards	1	EA	\$ 135.00	\$ 135.00		\$ 135.00						\$ 135.00	
All Structural Framing and Hardware Per Plan												\$ -	
Platforms for HVAC												\$ -	
Miscellaneous Bid	1	LS	\$ 59,800.00	\$ 59,800.00		\$ 59,800.00						\$ 59,800.00	
TOTAL					\$ 28,619.00	\$ 28,619.00	\$ 16,619.00	\$ 12,000.00	\$ -	\$ -	\$ -	\$ 28,619.00	

California Surf Museum
DLS Contract

PHASE	DESCRIPTION	QTY	UNIT	COST	AMOUNT	TOTAL	DLS CONTRACT PAID BY CITY	DLS CONTRACT PAID BY CSM	EXTRAS PAID BY CITY	EXTRAS PAID BY CSM	INVOICED	REMAINING TO BILL
	Access Ladder - Metal Roof	1	EA	\$ 675.00	\$ 675.00		\$ 675.00					\$ 675.00
	Metal Backing for Toilet Access & Millwork	1	LS	\$ 215.00	\$ 215.00							\$ 215.00
	Pipe Supports @ Low Walls @ Front Desk	2	EA	\$ 85.00	\$ 170.00							\$ 170.00
	Install Owner Supplied Metal Leggs	1	LS	\$ 1,485.00	\$ 1,485.00							\$ 1,485.00
	Roof Hatch Metal	1	EA	\$ 725.00	\$ 725.00							\$ 725.00
	Miscellaneous Bid	1	LS	\$ 13,349.00	\$ 13,349.00							\$ 13,349.00
	Facade Sprayer Neon Lights	1	LS	\$ 12,000.00	\$ 12,000.00				\$ 12,000.00			\$ 12,000.00
	Storefront System As Per Plans	1	LS	\$ 13,245.41	\$ 13,245.41							\$ 13,245.41
						\$ 13,245.41	\$ 13,245.41					\$ 13,245.41

	Exterior Lath & Plaster (Smooth Finish)	1	LS	\$ 13,243.00	\$ 13,243.00		\$ 13,243.00					\$ 13,243.00
	Stair @ Concrete Floors - 2 Coat Epoxy	1	LS	Included	\$ -		\$ 16,455.00					\$ 16,455.00
	Miscellaneous Bid	1	LS	\$ 16,455.00	\$ 16,455.00							\$ 16,455.00

SUBTOTAL FOR PROJECT PROPOSAL												
					\$ 575,114.53	\$ 575,114.53	\$ 556,114.53		\$ 19,000.00			\$ 575,114.53
					\$ 7,278.00	\$ 7,278.00		\$ 7,278.00				\$ 7,278.00

MILLWORK												
	Cabinets - Base (Plastic Laminate)	1	LS	Included	\$ -							\$ -
	Cabinets - Upper (Plastic Laminate)	1	LS	Included	\$ -							\$ -
	Laminate Tops	1	LS	Included	\$ -							\$ -
	Reception Counter	1	LS	Included	\$ -							\$ -
	Low Walls - 4" High @ Reception Desk	12	LF	\$ 29.00	\$ 348.00							\$ 348.00
	Reception Counter	1	LS	Included	\$ -							\$ -
	Miscellaneous Bid	1	LS	\$ 6,930.00	\$ 6,930.00							\$ 6,930.00

DLS CONSTRUCTION EXTRAS												
	Stair Finish Glulams (instead of Paint)	1	LS	\$ 2,000.00	\$ 2,000.00					\$ 2,000.00		\$ 2,000.00
	Metal Framed Reception Event Board	1	EA	\$ 2,300.00	\$ 2,300.00							\$ 2,300.00
	Curved Metal Framing w/ Hangar Rod Supports Above Event Board	1	LS	\$ 6,250.00	\$ 6,250.00							\$ 6,250.00

SUMMARY OF PROJECT COSTS												
	TOTAL PROJECT AMOUNT				\$ 592,942.53	\$ 592,942.53	\$ 556,114.53		\$ 19,000.00			\$ 592,942.53
	REVISED SUBTOTAL INCLUDING DLS EXTRAS				\$ 592,942.53	\$ 592,942.53	\$ 556,114.53		\$ 19,000.00			\$ 592,942.53

	TOTAL DLS CONTRACT	\$ 571,942.53										
	TOTAL NON CONTRACT	\$ 21,000.00										
	TOTAL MUSEUM BUDGET	\$ 592,942.53										

	DLS CONTRACT PAID BY CITY	\$ 556,114.53										
	EXTRAS PAID BY CITY	\$ 19,000.00										
	TOTAL CITY MUSEUM BUDGET	\$ 575,114.53										

	DLS CONTRACT PAID BY CITY	\$ 556,114.53										
	DLS CONTRACT PAID BY CSM	\$ 15,828.00										
	TOTAL DLS CONTRACT	\$ 571,942.53										

	DLS CONTRACT PAID BY CSM	\$ 15,828.00										
	EXTRAS PAID BY CSM	\$ 2,000.00										
	TOTAL CSM MUSEUM BUDGET	\$ 17,828.00										

	EXTRAS PAID BY CITY	\$ 19,000.00										
	EXTRAS PAID BY CSM	\$ 2,000.00										
	TOTAL NON CONTRACT	\$ 21,000.00										

1 RESOLUTION NO. _____
2

3 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
4 OCEANSIDE APPROVING THE APPROPRIATION OF FUNDS
5 BY THE COMMUNITY DEVELOPMENT COMMISSION OF
6 THE CITY OF OCEANSIDE FOR THE RENOVATION, FAÇADE
7 CONSTRUCTION AND RELOCATION OF THE CALIFORNIA
8 SURF MUSEUM, AND MAKING CERTAIN FINDINGS IN
9 CONNECTION THEREWITH

10 WHEREAS, the Community Development Commission of the City of Oceanside
11 (the "Commission") is engaged in activities necessary to carry out and implement the
12 Redevelopment Plan for the Commission's Downtown Redevelopment Project (the
13 "Project"); and

14 WHEREAS, the California Surf Museum, located at 223 North Coast Highway in
15 the City (the "Surf Museum") on land leased from the City of Oceanside (the "City"), is a
16 cultural and social hub for the Oceanside community, attracting a variety of shows that
17 display surfing equipment and surfing related artifacts and memorabilia, films, dance,
18 music, photography, and lectures; and

19 WHEREAS, the California Surf Museum, Inc. (the "Museum Corporation") has
20 proposed to expand the Surf Museum through the renovation, façade construction and
21 relocation to a vacant building located at 312 Pier View Way; and

22 WHEREAS, the renovation, façade construction and relocation of the Surf
23 Museum is estimated to cost \$575,115 Thousand; and demolition, termite abatement,
24 architectural and engineering plans and permit fees costing \$49,860 were paid by the
25 Agency out of operating funds; and

26 WHEREAS, pursuant to the terms of the Property Use Agreement by and between
27 the Oceanside Community Development Commission and the Museum Corporation, the
28 renovation and façade construction of the Surf Museum will be owned by the
Commission; and

WHEREAS, the Commission will enter into a "Loan Agreement" with the
Museum Corporation, which requires the City to provide \$575,115 Thousand to the Surf

1 Museum, for the renovation, façade construction and relocation to a vacant building
2 located at 312-314 Pier View Way; and

3 WHEREAS, the Museum Corporation will have 120-days from the date of the
4 signed Loan Agreement to complete the renovation, façade construction and relocation to
5 312-314 Pier View Way and vacate their current location at 223 North Coast Highway;
6 and

7 WHEREAS, the Loan Amount would be forgiven at the rate of 20% per year over
8 five years on the anniversary date of the commencement of the Property Use Agreement;
9 and

10 WHEREAS, the Loan Agreement requires that the Museum Corporation submit
11 reports annually to assess the achievement of established performance standards to
12 receive annual forgiveness of the loan amounts; and

13 WHEREAS, a Promissory Note payable to the Commission would be signed by
14 the Museum Corporation and held by the Economic and Community Development
15 Department; and

16 WHEREAS, if the Museum Corporation ceases to operate the Surf Museum in
17 Oceanside or relocates its business within five years of the Loan Agreement, the amount
18 not yet forgiven would become due and payable; and

19 WHEREAS, Section 33445 of the California Community Redevelopment Law
20 authorizes a redevelopment agency, with the consent of the legislative body, to pay all or
21 part of the value of the land for and the cost of the installation and construction of any
22 building, facility, structure, or other improvement which is publicly owned either within
23 or without the project area upon certain findings; and

24 WHEREAS, Section 33679 of the California Community Redevelopment Law
25 requires that before a redevelopment agency commits to use property tax increment funds
26 to pay the cost of land or installation or construction of publicly owned buildings, the
27 legislative body shall hold a public hearing thereon; and

28 WHEREAS, prior to such public hearing the legislative body is required to give
notice of the hearing and to make available for public inspection a summary report which
estimates the amount of taxes proposed to be used to pay for such public facilities, which

1 sets forth the facts supporting the determinations required to be made pursuant to Health
2 and Safety Code Section 33445, and which sets forth the redevelopment purpose for
3 which such taxes are being used; and

4 WHEREAS, the City Council has previously determined, in its adoption of the
5 ordinance approving the Downtown Redevelopment Project, that the Project and the
6 neighborhood of the Surf Museum was blighted, with conditions including the lack of
7 commercial investment by property owners and by businesses in the area, inadequate
8 condition and location of existing public infrastructure, and the lack of tourist amenities
9 and accommodations; and

10 WHEREAS, the Loan Agreement would provide for the elimination of such
11 blighting conditions by providing for the construction of a high quality renovation to the
12 existing building and related improvements and increase the size of the Surf Museum
13 attraction in place of the previously blighted conditions, and would result in private
14 investment in the downtown Oceanside area which would eliminate blight in those
15 adjacent areas as well; and

16 WHEREAS, the Commission has adopted an Implementation Plan for the Project
17 pursuant to Health and Safety Code Section 33490, which identifies goals and objectives
18 which include providing necessary public improvements to encourage desired private
19 developments, attracting and supporting catalyst projects to spur additional reinvestment
20 in the Project, and establishing downtown Oceanside as a business and visitor center for
21 commerce, recreation, tourism, entertainment and residential uses for the existing
22 community and visitors; and

23 WHEREAS, the Surf Museum relocation would satisfy the above objectives of the
24 Implementation Plan by providing for the expansion of the Surf Museum, which will
25 have the effect of expanding and enhancing an important cultural resource within
26 Downtown Oceanside, which is expected to draw additional visitors to the downtown
27 area, stimulate private development and investment within the downtown area and
28 encourage economic and social activity within the City; and

WHEREAS, the Museum Corporation has transmitted a letter to the City and the
Commission stating that the funding is necessary for the payment of the costs of

1 renovation, façade construction and relocation of the Surf Museum expansion, that other
2 funds which it has raised is necessary to fund the balance of the construction costs, and
3 interior amenities for the Museum, and that it has no other funds available for
4 construction costs; and

5 WHEREAS, the City Finance Director has reported to the City Council and
6 Community Development Commission on June 11, 2008, that the unallocated General
7 Fund reserves are approximately \$6.1 million at June 30, 2008. However, in light of the
8 pending State budget cuts and the impact to the City of Oceanside, the City is “at risk” of
9 losing approximately \$3.5 - \$5.5 million from general fund revenues. Coupled with this
10 uncertainty, there are significant capital projects and infrastructure that the City needs to
11 construct, of which the General Fund reserves would be used. Lastly, at some point in
12 the near future the City must to address an unfunded liability of approximately \$7 million
for GASB 45 (other post-employment benefits); and

13 WHEREAS, there are no other reasonable means of financing the relocation of the
14 Surf Museum expansion available to the community, as the Museum Corporation and the
15 City have no additional funds available to pay for the costs; and

16 WHEREAS, Section 323 of the Redevelopment Plan for the Project provides for
17 the Commission to pay all or part of the cost of the installation of publicly owned
18 improvements inside or outside of the Project; and

19 WHEREAS, a joint public hearing of the Commission and City Council on the
20 proposed Agreement was duly noticed in accordance with the requirements of Health and
21 Safety Code Sections 33431, 33433 and 33679; and

22 WHEREAS, a summary report meeting the requirements of Health and Safety
23 Code Section 33679 was available for public inspection prior to the joint public hearing
24 consistent with the requirements of Health and Safety Code Section 33679; and

25 WHEREAS, on **August 13, 2008**, the Commission and City Council held a joint
26 public hearing on the proposed Agreement, at which time the Commission reviewed and
27 evaluated all of the information, testimony, and evidence presented during the joint
public hearing; and

28 WHEREAS, all actions required by all applicable law with respect to the proposed

1 Agreement have been taken in an appropriate and timely manner; and

2 WHEREAS, the Commission and the City have reviewed the summary required
3 pursuant to Health and Safety Code Section 33679 and evaluated other information
4 provided to it pertaining to the findings required pursuant to those code sections; and

5 WHEREAS, no environmental impact report or negative declaration is required
6 for the Surf Museum renovation, façade construction and relocation because there have
7 been no substantial changes in the building, changes with respect to the circumstances
8 under which the project is being implemented, or new information of substantial
9 importance, which would require the preparation of a environmental impact report or
10 negative declaration as required by Sections 15162 or 15163 of the CEQA Guidelines;
11 and

12 WHEREAS, the City Council believes that the appropriation of funds for the
13 expansion of the Surf Museum is in the best interests of the City of Oceanside and the
14 health, safety, and welfare of its residents, and in accord with the public purposes and
15 provisions of applicable state and local laws and requirements.

16 NOW, THEREFORE, the City Council of the City of Oceanside does resolve as
17 follows:

18 SECTION 1. The City hereby finds and determines that the Surf Museum
19 expansion will eliminate blight within the Project by providing for the proper reuse and
20 redevelopment of a portion of the Project which was declared blighted for the reasons
21 described above, and by attracting private investment to surrounding areas of the Project
22 which have been declared blighted.

23 SECTION 2. The City hereby finds and determines that the Loan Agreement and
24 the Commission's payment of costs for demolition, renovation, façade construction and
25 relocation of the Surf Museum expansion is consistent with the provisions and goals of
26 the Implementation Plan and the Redevelopment Plan.

27 SECTION 3. The City finds and determines that there are no other reasonable
28 means of financing the remaining costs of the Surf Museum expansion available to the
community, other than the funds of the Commission.

SECTION 4. The City hereby finds and determines that the Surf Museum

1 expansion will be of benefit to the Project.

2 SECTION 5. The City approves the Community Development Commission's
3 appropriation of Five Hundred Seventy-Five Thousand One Hundred and Fifteen Dollars
4 (\$575,115), to be used to pay for costs of the Surf Museum renovation, façade
5 construction and relocation pursuant to the Loan Agreement; and Forty-Nine Thousand,
6 Eight Hundred and Sixty Dollars \$49,860, to be used to reimburse the Redevelopment
7 Operating Fund for the costs associated with getting the building tenant ready.

8 SECTION 6. The City Clerk shall certify to the adoption of this Resolution.

9 PASSED AND ADOPTED by the City Council of the City of Oceanside,
10 California, this _____ day of _____, 2008, by the
11 following vote:

12 AYES:

13 NAYS:

14 ABSENT:

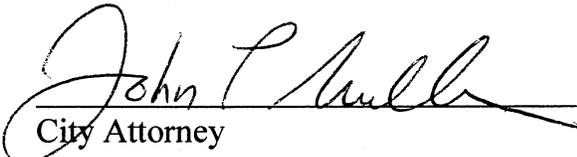
15 ABSTAIN:

17
18 _____
19 MAYOR OF THE CITY OF
20 OCEANSIDE

21 ATTEST:

21 APPROVED AS TO FORM:

22 _____
23 City Clerk

22
23 
24 City Attorney

25 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
26 OCEANSIDE APPROVING THE APPROPRIATION OF FUNDS
27 BY THE COMMUNITY DEVELOPMENT COMMISSION OF
28 THE CITY OF OCEANSIDE FOR THE RENOVATION, FAÇADE
CONSTRUCTION AND RELOCATION OF THE CALIFORNIA
SURF MUSEUM, AND MAKING CERTAIN FINDINGS IN
CONNECTION THEREWITH

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RESOLUTION NO. _____

A RESOLUTION OF THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OCEANSIDE APPROPRIATING FUNDS FOR THE RENOVATION, FAÇADE CONSTRUCTION AND RELOCATION OF THE CALIFORNIA SURF MUSEUM, AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

WHEREAS, the Community Development Commission of the City of Oceanside (the "Commission") is engaged in activities necessary to carry out and implement the Redevelopment Plan for the Commission's Downtown Redevelopment Project (the "Project"); and

WHEREAS, the California Surf Museum, located at 223 North Coast Highway in the City (the "Surf Museum") on land leased from the City of Oceanside (the "City"), is a cultural and social hub for the Oceanside community, attracting a variety of shows that display surfing equipment and surfing related artifacts and memorabilia, films, dance, music, photography, and lectures; and

WHEREAS, the California Surf Museum, Inc. (the "Museum Corporation") has proposed to expand the Surf Museum through the renovation, façade construction and relocation to a vacant building located at 312 Pier View Way; and

WHEREAS, the renovation, façade construction and relocation of the Surf Museum is estimated to cost \$575,115 Thousand; and demolition, termite abatement, architectural and engineering plans and permit fees costing \$49,860 were paid by the Agency out of operating funds; and

WHEREAS, pursuant to the terms of the Property Use Agreement by and between the Oceanside Community Development Commission and the Museum Corporation, the renovation and façade construction of the Surf Museum will be owned by the Commission; and

WHEREAS, the Commission will enter into a "Loan Agreement" with the Museum Corporation, which requires the City to provide \$575,115 Thousand to the Surf

1 Museum, for the renovation, façade construction and relocation to a vacant building
2 located at 312-314 Pier View Way; and

3 WHEREAS, the Museum Corporation will have 120-days from the date of the
4 signed Loan Agreement to complete the renovation, façade construction and relocation to
5 312-314 Pier View Way and vacate their current location at 223 North Coast Highway;
6 and

7 WHEREAS, the Loan Amount would be forgiven at the rate of 20% per year over
8 five years on the anniversary date of the commencement of the Property Use Agreement;
9 and

10 WHEREAS, the Loan Agreement requires that the Museum Corporation submit
11 reports annually to assess the achievement of established performance standards to
12 receive annual forgiveness of the loan amounts; and

13 WHEREAS, a Promissory Note payable to the Commission would be signed by
14 the Museum Corporation and held by the Economic and Community Development
15 Department; and

16 WHEREAS, if the Museum Corporation ceases to operate the Surf Museum in
17 Oceanside or relocates its business within five years of the Loan Agreement, the amount
18 not yet forgiven would become due and payable; and

19 WHEREAS, Section 33445 of the California Community Redevelopment Law
20 authorizes a redevelopment agency, with the consent of the legislative body, to pay all or
21 part of the value of the land for and the cost of the installation and construction of any
22 building, facility, structure, or other improvement which is publicly owned either within
23 or without the project area upon certain findings; and

24 WHEREAS, Section 33679 of the California Community Redevelopment Law
25 requires that before a redevelopment agency commits to use property tax increment funds
26 to pay the cost of land or installation or construction of publicly owned buildings, the
27 legislative body shall hold a public hearing thereon; and

28 WHEREAS, prior to such public hearing the legislative body is required to give
notice of the hearing and to make available for public inspection a summary report which
estimates the amount of taxes proposed to be used to pay for such public facilities, which

1 sets forth the facts supporting the determinations required to be made pursuant to Health
2 and Safety Code Section 33445, and which sets forth the redevelopment purpose for
3 which such taxes are being used; and

4 WHEREAS, the City Council has previously determined, in its adoption of the
5 ordinance approving the Downtown Redevelopment Project, that the Project and the
6 neighborhood of the Surf Museum was blighted, with conditions including the lack of
7 commercial investment by property owners and by businesses in the area, inadequate
8 condition and location of existing public infrastructure, and the lack of tourist amenities
9 and accommodations; and

10 WHEREAS, the Loan Agreement would provide for the elimination of such
11 blighting conditions by providing for the construction of a high quality renovation to the
12 existing building and related improvements and increase the size of the Surf Museum
13 attraction in place of the previously blighted conditions, and would result in private
14 investment in the downtown Oceanside area which would eliminate blight in those
15 adjacent areas as well; and

16 WHEREAS, the Commission has adopted an Implementation Plan for the Project
17 pursuant to Health and Safety Code Section 33490, which identifies goals and objectives
18 which include providing necessary public improvements to encourage desired private
19 developments, attracting and supporting catalyst projects to spur additional reinvestment
20 in the Project, and establishing downtown Oceanside as a business and visitor center for
21 commerce, recreation, tourism, entertainment and residential uses for the existing
22 community and visitors; and

23 WHEREAS, the Surf Museum relocation would satisfy the above objectives of the
24 Implementation Plan by providing for the expansion of the Surf Museum, which will
25 have the effect of expanding and enhancing an important cultural resource within
26 Downtown Oceanside, which is expected to draw additional visitors to the downtown
27 area, stimulate private development and investment within the downtown area and
28 encourage economic and social activity within the City; and

WHEREAS, the Museum Corporation has transmitted a letter to the City and the
Commission stating that the funding is necessary for the payment of the costs of

1 renovation, façade construction and relocation of the Surf Museum, that other funds
2 which it has raised is necessary to fund the balance of the construction costs, and interior
3 amenities for the Surf Museum, and that it has no other funds available for construction
4 costs; and

5 WHEREAS, the City Finance Director has reported to the City Council and
6 Community Development Commission on June 11, 2008, that the unallocated General
7 Fund reserves are approximately \$6.1 million at June 30, 2008. However, in light of the
8 pending State budget cuts and the impact to the City of Oceanside, the City is “at risk” of
9 losing approximately \$3.5 - \$5.5 million from general fund revenues. Coupled with this
10 uncertainty, there are significant capital projects and infrastructure that the City needs to
11 construct, of which the General Fund reserves would be used. Lastly, at some point in
12 the near future the City must to address an unfunded liability of approximately \$7 million
13 for GASB 45 (other post-employment benefits); and

14 WHEREAS, there are no other reasonable means of financing the relocation of the
15 Surf Museum expansion available to the community, as the Museum Corporation and the
16 City have no additional funds available to pay for the costs; and

17 WHEREAS, Section 323 of the Redevelopment Plan for the Project provides for
18 the Commission to pay all or part of the cost of the installation of publicly owned
19 improvements inside or outside of the Project; and

20 WHEREAS, a joint public hearing of the Commission and City Council on the
21 proposed Agreement was duly noticed in accordance with the requirements of Health and
22 Safety Code Sections 33431, 33433 and 33679; and

23 WHEREAS, a summary report meeting the requirements of Health and Safety
24 Code Section 33679 was available for public inspection prior to the joint public hearing
25 consistent with the requirements of Health and Safety Code Section 33679; and

26 WHEREAS, on **August 13, 2008**, the Commission and City Council held a joint
27 public hearing on the proposed Agreement, at which time the Commission reviewed and
28 evaluated all of the information, testimony, and evidence presented during the joint
public hearing; and

WHEREAS, all actions required by all applicable law with respect to the proposed

1 Agreement have been taken in an appropriate and timely manner; and

2 WHEREAS, the Commission and the City have reviewed the summary required
3 pursuant to Health and Safety Code Section 33679 and evaluated other information
4 provided to it pertaining to the findings required pursuant to those code sections; and

5 WHEREAS, no environmental impact report or negative declaration is required
6 for the Surf Museum renovation, façade construction and relocation because there have
7 been no substantial changes in the building, changes with respect to the circumstances
8 under which the project is being implemented, or new information of substantial
9 importance, which would require the preparation of a environmental impact report or
10 negative declaration as required by Sections 15162 or 15163 of the CEQA Guidelines;
11 and

12 WHEREAS, the Commission believes that the appropriation of funds for the
13 expansion of the Surf Museum is in the best interests of the City of Oceanside and the
14 health, safety, and welfare of its residents, and in accord with the public purposes and
15 provisions of applicable state and local laws and requirements.

16 NOW, THEREFORE, the Community Development Commission of the City of
17 Oceanside does resolve as follows:

18 SECTION 1. The Commission hereby finds and determines that the Surf Museum
19 expansion will eliminate blight within the Project by providing for the proper reuse and
20 redevelopment of a portion of the Project which was declared blighted for the reasons
21 described above, and by attracting private investment to surrounding areas of the Project
22 which have been declared blighted.

23 SECTION 2. The Commission hereby finds and determines that the Loan
24 Agreement and the Commission's payment of costs for demolition, renovation, façade
25 construction and relocation of the Surf Museum expansion is consistent with the
26 provisions and goals of the Implementation Plan and the Redevelopment Plan.

27 SECTION 3. The Commission finds and determines that there are no other
28 reasonable means of financing the remaining costs of the Surf Museum expansion
available to the community, other than the funds of the Commission.

SECTION 4. The Commission hereby finds and determines that the Surf Museum

1 expansion will be of benefit to the Project.

2 SECTION 5. The Commission hereby appropriates the sum of Five Hundred
3 Seventy-Five Thousand One Hundred and Fifteen Dollars (\$575,115), to be used to pay
4 for costs of the Surf Museum renovation, façade construction and relocation pursuant to
5 the Loan Agreement; and Forty-Nine Thousand, Eight Hundred and Sixty Dollars
6 \$49,860, to be used to reimburse the Redevelopment Operating Fund for the costs
7 associated with getting the building tenant ready.

8 SECTION 6. The Commission Secretary shall certify to the adoption of this
9 Resolution.

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PASSED AND ADOPTED by the Community Development Commission of the
City of Oceanside, California, this _____ day of _____,
2008, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

CHAIRMAN OF THE COMMUNITY
DEVELOPMENT COMMISSION OF
THE CITY OF OCEANSIDE

ATTEST:

APPROVED AS TO FORM:

Commission Secretary



Commission General Counsel

A RESOLUTION OF THE COMMUNITY DEVELOPMENT
COMMISSION OF THE CITY OF OCEANSIDE
APPROPRIATING FUNDS FOR THE RENOVATION, FAÇADE
CONSTRUCTION AND RELOCATION OF THE CALIFORNIA
SURF MUSEUM, AND MAKING CERTAIN FINDINGS IN
CONNECTION THEREWITH