IN WITNESS WHEREOF, City and Developer have executed this Agreement as of the date first hereinabove written.

"City":

CITY OF STOCKTON,
a municipal corporation

By: __________________________

____________________, Mayor

ATTEST:

By: __________________________

____________________, City Clerk

APPROVED AS TO FORM:

By: __________________________

Ren Nosky, City Attorney

"Developer":

PCCP Mariposa Lakes, LLC,
a Delaware limited liability company

By: __________________________

Gerry N. Kamilos, LLC
Administrative Member
PCCP Mariposa Lakes, LLC
EXHIBIT A

LEGAL DESCRIPTION OF THE PROJECT SITE

A portion of the Southeast quarter of Section 14, Township 1 North, Range 7 East, Mount Diablo Base and Meridian, described as follows: Parcel "D" as shown on survey filed October 10, 1979 in Book 27 of Surveys, at Page 179, San Joaquin County Records.

APN: 181-020-28

Address: 4333 Kaiser Road, Stockton, CA 95215
EXHIBIT B

ANNEXATION AGREEMENT
BY AND BETWEEN
THE CITY OF STOCKTON
AND PCCP MARIPOSA LAKES, LLC
REGARDING MARIPOSA LAKES

This annexation agreement ("Annexation Agreement"), dated for the convenience of the Parties the 27th day of November, 2008, is entered into by and between the CITY OF STOCKTON, a municipal corporation ("City"), and PCCP MARIPOSA LAKES, LLC, a Delaware limited liability company ("Developer"), pursuant to City's police powers (Article XI, section 7 of the California Constitution). From time to time, City and Developer are individually referred to in this Document as a "Party," and are collectively referred to as the "Parties."

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and other considerations, the value and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE B-1. RECITALS

B-1.01. On October 28th, 2008, City and Developer entered into a development agreement for the Mariposa Lakes Project ("Development Agreement"). That Development Agreement contemplates and provides for this Annexation Agreement. All defined terms used in this Annexation Agreement shall have the meaning set forth for that defined term in the Development Agreement, unless expressly provided otherwise in this Annexation Agreement.

B-1.02. According to City's General Plan, annexation of the Property is consistent with the internal planning horizon of City's Sphere of Influence ("SOI"). Annexation of the Property is consistent with the schedule of annexation proposed for City's SOI, and will promote the San Joaquin County Local Agency Formation Commission ("LAFCO") policy of contiguous growth.

B-1.03. City's approval and execution of this Annexation Agreement fully complies with the California Environmental Quality Act (Pub. Res. Code §§ 21000, et seq.) and its Guidelines (C.C.R., Title 14, §§ 15000, et seq.), as each is amended from time to time ("CEQA"). In 2008, City certified as adequate and complete the FEIR for the Project. Under CEQA, because City has certified an EIR for this project, no supplemental or subsequent environmental impact report is required because no substantial changes have been proposed in the Project, no substantial changes have occurred with respect to the circumstances under which the Project is being undertaken, and no new information requiring further environmental review has become available. (See, Pub. Res. Code § 21166.)

B-1.04. Therefore, pursuant to the foregoing General Plan and LAFCO goals and policies encouraging annexation and development of the Property, and the Project Approvals granted by City for development of the Property, including the Development Agreement, the
Parties desire to enter into this Annexation Agreement setting forth their respective rights and obligations concerning the annexation of the Property to City.

**ARTICLE B-2. TERMS AND CONDITIONS**

**B-2.01. Effective Date and Term.**

(a) The term of this Annexation Agreement ("Term") shall commence upon the Effective Date of the Development Agreement and shall continue until, and then terminate upon (if not previously terminated as described above), the earlier of the following dates:

1. That date that the annexation of the Property has been approved by the LAFCO and the Conducting Authority, the annexation approval has taken effect under controlling law, and the applicable statute of limitations has run on that LAFCO and Conducting Authority annexation approval without a lawsuit being filed within the statutory limitations period; or, if a lawsuit has been filed within the statutory limitations period, the defendant and real party have prevailed; or

2. 11:59 pm on December 31st of 2013.

(b) Notwithstanding the forgoing, if for any reason the Development Agreement is terminated or otherwise becomes of no legal effect prior to the expiration of this Annexation Agreement, then this Annexation Agreement shall likewise be terminated and/or be of no legal effect.

**B-2.02. Annexation Costs.** In the event that the Property is not successfully annexed to City, Developer shall bear the sole responsibility for the annexation costs incurred by City as set forth below and in Exhibit B to this Annexation Agreement, except that in the event City uses any such work funded by Developer, then City shall pay Developer the actual cost of such work to Developer within thirty (30) days of written request by Developer.

**B-2.03. Annexation.**

(a) Prior to, at the time of, or within thirty (30) days after City's approval of the Mariposa Lakes Development Agreement, or as soon thereafter as a "Plan for the Provision of Services" (as that phrase is defined by the law controlling LAFCO) and all other materials required or requested by LAFCO can be prepared and completed relating to the annexation of the Property, City shall consider a "Resolution of Application" to LAFCO requesting annexation of the Property, and all other relevant property determined by City in its sole and exclusive discretion to be appropriate. Once prepared, City shall submit such Resolution of Application, Plan for the Provision of Services and other material needed or requested by LAFCO. City may process any such annexation of the Property concurrently with other City approvals concerning the development of the Property.

(b) City shall use its best and most diligent efforts to cause the completion of the annexation of the Property subject to all applicable requirements of law. In no event does City guarantee that, upon the successful annexation of the Property, City will provide the facilities and infrastructure needed to serve the Project and/or the necessary municipal services to
the Project (including the operation and maintenance of all such facilities, infrastructure and services).

(c) Developer shall pay City’s reasonable costs relating to all City actions taken pursuant to this Annexation Agreement, including reasonable consultant costs, and including such LAFCO fees, costs and charges relating to the annexation of the Property that LAFCO charges to City.

(d) If City’s first Resolution of Application to LAFCO requesting annexation of the Property is denied by LAFCO, then the Parties shall continue to work together to secure such annexation in such a manner as they may mutually agree, including annexing only portions of the Property at different times until such time as all of the Property is annexed to City. To the extent that the law requires a date be set forth within this Annexation Agreement by which annexation of the Property must be accomplished, that date shall be two (2) days prior to the termination of the Term of this Annexation Agreement.

ARTICLE 3. MISCELLANEOUS

B-3.01. **Applicable Law and Attorneys’ Fees.** This Annexation Agreement shall be construed and enforced in accordance with the laws of the State of California. Should any legal action be brought by a Party for breach of this Annexation Agreement or to enforce any provision herein, the prevailing Party of such action shall be entitled to reasonable attorneys’ fees, court costs, and such other costs as may be fixed by the court.

B-3.02. **Interpretation.** As used in this Annexation Agreement, and as the context may require, the singular includes the plural and vice versa, and the masculine gender includes the feminine and neuter and vice versa.

B-3.03. **Legal Challenge.**

(a) In the event of any administrative, legal or equitable action or other proceeding instituted by any person, entity or organization (that is not a Party to this Annexation Agreement) challenging the validity of this Annexation Agreement or the sufficiency of any environmental review under CEQA ("Third Party Challenge"), the Parties shall cooperate with each other in good faith in the defense of such Third Party Challenge.

(b) City shall have the option to defend such Third Party Challenge or to tender the complete defense of such Third Party Challenge to Developer ("Tender"). If City chooses to defend the Third Party Challenge or Developer refuses City’s Tender, City shall control all aspects of the defense and Developer shall pay City’s attorneys fees and costs (including related court costs).

(c) If Developer accepts City’s Tender, Developer shall control all aspects of the defense and shall pay its own attorneys fees and costs (including related court costs), and shall indemnify and hold harmless City against any and all third-party fees and costs arising out of such Third Party Challenge. If City wishes to assist Developer when Developer has accepted the Tender, Developer shall accept that assistance and City shall pay City’s own attorneys fees and costs (including related court costs) ("City Costs"), and Developer shall pay its own
attorneys fees and costs (including related court costs), and shall indemnify and hold harmless City against any and all third-party fees and costs arising out of such Third Party Challenge (such third party fees and costs shall not include City Costs).

(d) If any part of this Annexation Agreement is held by a court of competent jurisdiction to be invalid, the City shall: (1) use its best efforts to sustain and/or re-enact that part of this Annexation Agreement; and (2) take all steps possible to cure any inadequacies or deficiencies identified by the court in a manner consistent with the express and implied intent of this Annexation Agreement, and then adopting or re-enacting such part of this Annexation Agreement as necessary or desirable to permit execution of this Annexation Agreement.

B-3.04. **Attorneys’ Fees.** Should any legal action be brought by a Party for breach of this Annexation Agreement or to enforce any provision herein, the prevailing party of such action shall be entitled to reasonable attorneys’ fees, court costs, and such other costs as may be fixed by the court. The definition of "prevailing party" shall be in accordance with Civil Code section 1717.

B-3.05. **Assignment.** This Annexation Agreement and all of its provisions, agreements, rights, powers, standards, terms, covenants, obligations, benefits and burdens shall be binding upon and inure to the Parties and their respective heirs, successors (by merger, consolidation, or otherwise), assigns, devisees, administrators, representatives, lessees, and all other persons or entities acquiring the Property, whether by sale, operation of law or in any manner whatsoever, and shall inure to the benefit of the Parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns.

B-3.06. **Right to Assign.** Developer’s right to assign (by sale, transfer, or otherwise) its rights and obligations under this Annexation Agreement to any person, business entity, association, organization, or other such entity, shall be subject to the provisions of Development Agreement section 4.08.

B-3.07. **Amendments of Annexation Agreement.** This Annexation Agreement may be amended from time to time only in writing and upon the mutual consent of the Parties.

B-3.08. **Time Is of the Essence.** Time is of the essence in the performance of this Annexation Agreement and each and every provision hereof.

B-3.09. **Default.** If either Party ("Demanding Party") has a good faith belief that the other Party ("Defaulting Party") is not complying with the terms of this Annexation Agreement, the Demanding Party shall give written notice of the default (with reasonable specificity) to the Defaulting Party and demand the default be cured within (30) days of the notice. The Parties shall meet and confer regarding the alleged default no later than fifteen (15) days after the notice. If the Defaulting Party is actually in default of this Annexation Agreement and fails to cure the default within thirty (30) days after the notice; or, if more than thirty (30) days are reasonably required to cure the default and the Defaulting Party fails to give adequate written assurance of due performance within fifteen (15) days after the notice, the Demanding Party may terminate this Annexation Agreement, and neither Party shall have further obligations under this Annexation Agreement; provided, however, in the event of a breach of the covenant of
good faith, the Demanding Party may seek all remedies available at law and equity, upon written notice to the Defaulting Party.

**B-3.10. Notices.** All notices, demands, or other communications that this Annexation Agreement contemplates or authorizes shall be in writing and shall be personally delivered or mailed to the respective Party as follows:

**If to City:**

City Manager  
City of Stockton  
425 N. El Dorado Street  
Stockton, CA 95202  
Telephone: (209) 937-8333  
Facsimile: (209) 937-8898

and

City Attorney  
City of Stockton  
425 N. El Dorado Street  
Stockton, CA 95202  
Telephone: (209) 937-8212  
Facsimile: (209) 937-8898

**If to Developer:**

c/o PCCP Mariposa Lakes, LLC  
222 N. Sepulveda Boulevard, Suite 2222  
El Segundo, CA 90245  
Attention: William R. Lindsay  
Telephone: (310) 414-7868  
Facsimile: (310) 414-7872

and:

c/o PCCP Mariposa Lakes, LLC  
150 California Street  
22nd Floor  
San Francisco, CA 94111  
Attention: Phil Russick  
Facsimile: (415) 732-7547
With a copy to:

Gerry N. Kamilos, LLC
11249 Gold Country Blvd., Suite 190
Gold River, CA 95670
Tel: (916) 631-8440
Fax: (916) 631-8445

Either Party may change the address stated herein by giving notice in writing to the other Party, and thereafter notices shall be addressed and transmitted to the new address. Any notice given to Developer as required by this Annexation Agreement shall also be given to all other signatory Parties hereto and any lender which requests that such notice be provided. Any signatory Party or lender requesting receipt of such notice shall furnish in writing its address to the Parties to this Annexation Agreement.

B-3.11. Jurisdiction and Venue. The interpretation, validity, and enforcement of the Annexation Agreement shall be governed by and construed under the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Annexation Agreement shall be filed and heard in a court of competent jurisdiction in the County of San Joaquin.

B-3.12. Waivers. Waiver of a breach or default under this Annexation Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Annexation Agreement.

B-3.13. Execution/Entire Agreement. This Annexation Agreement may executed in two (2) duplicate originals, each of which is deemed to be an original. This Annexation Agreement, including these pages and all the exhibits inclusive, and all documents incorporated by reference herein, constitute the entire understanding and agreement of the Parties.

B-3.14. Signatures. The individuals executing this Annexation Agreement represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Annexation Agreement on behalf of the respective legal entities of Developer and City. This Annexation Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns.
B-3.15. **Exhibits.** The following exhibits are attached to this Annexation Agreement and are hereby incorporated herein for all purposes as if set forth herein in full:

*Exhibit A  Property Legal Description*
*Exhibit B  Costs Incurred by City*

IN WITNESS WHEREOF, the Parties do hereby agree to the full performance of the terms set forth herein.

"City":

CITY OF STOCKTON,
a municipal corporation

By: __________________________
    _____________, Mayor

ATTEST:

By: __________________________
    _____________, City Clerk

APPROVED AS TO FORM:

By: __________________________
    Ren Nosky, City Attorney

"Developer":

PCCP Mariposa Lakes, LLC,
a Delaware limited liability company

By: __________________________
    Gerry N. Kamilos, LLC
    Administrative Member
    PCCP Mariposa Lakes, LLC
EXHIBIT C

CITY AUTHORIZATION TO RECORD DEVELOPMENT AGREEMENT

C-1. Pursuant to Section 1.03 of this Agreement, this Agreement may be recorded against a Subject Other Property when all of the following has occurred:

(a) The Subject Other Property is located within the Mariposa Lakes Specific Plan and its legal description prepared and added to Exhibit A of this Agreement;

(b) Developer has acquired a legal or equitable interest in the Subject Other Property;

(c) The Subject Other Property is included within the City's Sphere of Influence; and

(d) The City Council has determined that the Subject Other Property has satisfied the requirements of subdivisions (a), (b) and (c) above and has authorized its designated agent to sign the "City Authorization to Record Development Agreement."

C-2. On ________________, 20___, the City Council determined that such Subject Other Property has satisfied the requirements of subdivisions (a), (b) and (c) above. The City Council hereby authorizes the City Manager to sign this City Authorization to Record Development Agreement and have it recorded against such Subject Other Property.
EXHIBIT D

PHASE I OF MARIPOSA LAKES

EXHIBIT D
MARIPOSA LAKES - PHASE I

Phase I Land Use Legend:

1. Village Low Density Residential
2. Village Medium Density Residential
3. Village High Density Residential
4. Village Commercial
5. Village Special District
6. Village Open Space
7. Village Trees Center
8. Village Community Center
9. Village Special Use
10. Village Park and Trail
11. Village Sports Facility
12. Village School
13. Village Church
14. Village Library
15. Village Fire Station
16. Village Police Station
17. Village Post Office
18. Village Other
19. Village Designated
20. Castle of Phase Development

EXHIBIT D
-1-
EXHIBIT E

ASSESSMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (hereinafter "Assignment Agreement") is entered into this ___ day of _________, 20___ ("Assignment Date"), by and between PCCP Mariposa Lakes, LLC, a Delaware limited liability company (hereinafter called "Developer") and _______________ (hereinafter called "Assignee"). Developer and Assignee are, from time to time, also hereinafter referred to individually as a "Party" and collectively as the "Parties."

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and other considerations, the value and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

RECITALS

A. On October 28th, 2008, the City of Stockton and Developer entered into a "Development Agreement", approved by Ordinance, relative to the development known as Mariposa Lakes (hereinafter "Property"). Section 4.08 of the Development Agreement provides that Developer shall have the right to sell, assign, or transfer the Development Agreement with all its rights, title and interests therein to any person, firm or corporation (such as the Assignee) acquiring an interest in the Property and/or Project at any time during the term of this Agreement provided that (i) Developer shall provide City with written notice of any assignment or transfer of all or a portion of the Property no later than thirty (30) days prior to such action; (ii) any proposed assignment shall be subject to the express written consent of City, which consent shall not be unreasonably withheld, delayed or conditioned; (iii) City’s approval of a proposed assignment or transfer shall be based upon the proposed assignee’s reputation, experience, financial resources and access to credit and capability to successfully carry out the development of the Property to completion; (iv) express written assumption by an Assignee, to the satisfaction of the City Attorney, of the obligations and other terms and conditions of this Agreement with respect to the Property or such portion thereof sold, assigned or transferred, shall relieve Developer of such obligations so assumed. Any such assumption of Developer’s obligations under this Agreement shall be deemed to be to the satisfaction of the City Attorney if executed in the form of the Assignment and Assumption Agreement attached as Exhibit E to the Development Agreement or such other form as may be approved by the City Attorney.

B. Developer and Assignee have entered into a purchase and sale agreement whereby a portion of the Property will be sold to Assignee, which portion of the Property is identified and described in Attachment E-1, attached hereto and incorporated herein by this reference as if set forth herein in full (hereinafter the "Assigned Parcel(s)").

C. Developer desires to assign to Assignee all of Developer's interests, rights, obligations and other terms and conditions of the Development Agreement (collectively, "Benefits and Burdens") with respect to the Assigned Parcel(s), and Assignee desires to assume from Developer all such Benefits and Burdens with respect to the Assigned Parcel(s).
D. On ___, 2___, which was at least thirty (30) days prior to the actions contemplated in this Assignment Agreement, Developer provided City with written notice of its desire to assign and Assignee's desire to assume all such Benefits and Burdens with respect to the Assigned Parcel(s) (collectively, the "Requested Assignment"), as well as information regarding the proposed Assignee's reputation, experience, financial resources and access to credit and capability to successfully carry out the development of the Property and Project to completion. On ___, 2___, the City Attorney reviewed this Assignment Agreement and the express written assumption by Assignee it contains and found them to be satisfactory. On ___, 2___, City provided its express written consent to and approval of the Requested Assignment and this Assignment Agreement.

**ARTICLE E - 1**

E-1. Developer hereby assigns, effective as of the Assignment Date, the Benefits and Burdens of the Development Agreement with respect to only the Assigned Parcel(s). Developer retains all Benefits and Burdens under the Development Agreement with respect to all other portions of the Property that do not include Assigned Parcel(s) that Developer continues to own.

E-2. Assignee hereby assumes all of the Benefits and Burdens of the Development Agreement with respect to the Assigned Parcel(s), and agrees to observe and fully perform all of the duties and obligations of Developer under the Development Agreement, and to be subject to all the terms and conditions thereof, with respect to the Assigned Parcel(s), it being the express intention of both Developer and Assignee that, upon the execution of this Assignment Agreement and conveyance of the Assigned Parcel(s) to Assignee, Assignee shall become substituted for Developer as the "Developer" under the Development Agreement with respect to the Assigned Parcel(s) and the Developer shall be unconditionally and irrevocably released therefrom.

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

IN WITNESS HEREOF, the Parties hereto have executed this Agreement as of the day and year first above written.

**DEVELOPER / ASSIGNOR**

By: ________________________________

By: ________________________________

**ASSIGNEE**

By: ________________________________
By: ____________________________
EXHIBIT F

NOTICE OF TERMINATION

THIS NOTICE OF TERMINATION is given this ____ day of __________, 20__, by the City of Stockton ("City") for the benefit of PCCP Mariposa Lakes, LLC, a Delaware limited liability company, (hereinafter "Developer").

1. On October 28th, 2008, the City and Developer entered into a Development Agreement, approved by Ordinance ("Agreement"), relative to the development known as Mariposa Lakes ("Property").

2. (Alternate #1) Developer has fully performed all its duties with respect to that portion of the Property, which portion of the Property is identified and described in Exhibit "A," attached hereto and incorporated herein by this reference ("Released Property"). Pursuant to Section 4.13 of the Agreement, the Development Agreement is no longer in effect with respect to the Released Property.

3. (Alternate #2) The Parties have terminated the Agreement and pursuant to Section 4.13 of the Agreement, the Development Agreement is no longer in effect.

CITY OF STOCKTON

By: ____________________________________________
City Manager

NOTE: SIGNATURE MUST BE NOTARIZED
RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

RECORDING FEES EXEMPT
PURSUANT TO GOVERNMENT
CODE SECTION 27383

Attn: City Clerk

DEVELOPMENT AGREEMENT

BY AND BETWEEN

THE CITY OF STOCKTON

AND PCCP MARIPOSA LAKES, LLC

REGARDING MARIPOSA LAKES
Resolution No. ______

STOCKTON CITY COUNCIL

RESOLUTION AUTHORIZING THE FILING WITH THE LOCAL AGENCY FORMATION COMMISSION OF THE MARIPOSA LAKES SPECIFIC PLAN ANNEXATION PROJECT TO THE CITY OF STOCKTON (A-03-10), INCLUDING DETACHMENT FROM THE MONTEZUMA FIRE PROTECTION DISTRICT, COLLEGEVILLE RURAL FIRE PROTECTION DISTRICT AND THE SAN JOAQUIN COUNTY RESOURCE CONSERVATION DISTRICT

This proposal is made pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code; and

The subject territory is adjacent to existing City limits; and

The proposal is consistent with the Sphere of Influence for the City of Stockton; and

The petition for annexation is for the purpose of obtaining general City services as outlined in the City Services Plan; and

The annexation area includes properties with existing Williamson Act contracts; and

The property owners and residents in the subject territory will, upon annexation, be able to receive normal City services; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The City Manager is authorized to file with the San Joaquin Local Agency Formation Commission, the above-noted annexation request and the City Services Plan, attached as Exhibit 12 and incorporated herein by this reference.

2. The San Joaquin Local Agency Formation Commission is hereby requested to approve (a) the above-entitled annexation of territory depicted on Exhibit "B" attached hereto and incorporated herein by reference and (b) the detachment of said territory from the Montezuma Fire Protection District, Collegeville Rural Fire Protection District and the San Joaquin County Resource Conservation District.

[Signature]

City Atty
Review
Date

October 22, 2008

425
3. The City agrees to succeed to the terms of existing Williamson Act contracts within the plan area.

PASSED, APPROVED AND ADOPTED ____________________________.

EDWARD J. CHAVEZ
Mayor of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton
EXHIBIT 12

Annexation
EXHIBIT 12.a

Annexation Legal Description