

**GREAT WOLF LODGE
ECONOMIC OPPORTUNITY REPORT
(PURSUANT TO GOVERNMENT CODE SECTION 52201)**

The City of Manteca is considering approving a conveyance of property to create an economic opportunity. In particular, the City is considering conveying approximately 29 acres (the "Land") located in the Manteca Family Entertainment Zone to Great Wolf Resorts, Inc. ("Great Wolf") for development of a destination resort that includes a hotel with up to 500 rooms, an indoor water park, restaurants, meeting facilities, and a family entertainment center (the "Lodge Project") in accordance with specified development milestones. To assist with the significant investment associated with development of the Lodge Project, the City would share with Great Wolf a portion of the transient occupancy tax revenues that are generated by the Lodge Project. To effectuate the proposed transaction, the City and Great Wolf would execute a Disposition and Development Agreement and a statutory Development Agreement.

The purpose of this report is to provide information regarding the property conveyance, as required by Government Code section 52201. The information in this report is based primarily on a fiscal and economic impact analysis prepared by Economic & Planning Systems, Inc., a copy of which is included in this report as Appendix 1. The proposed Disposition and Development Agreement is included in this report as Appendix 2.

1. The cost of the agreement to the City, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the City, plus the expected interest on any loans or bonds to finance the agreements.

The Land was purchased by the City in 1973 for \$20,200 and has been in agricultural use since then. There are no additional land acquisition costs, clearance costs, or relocation costs associated with the agreements. No public loans or bonds would finance the agreements.

The City has already substantially completed infrastructure improvements necessary to support residential development south of Highway 120, and additionally serve the Lodge Project on the Land in the Manteca Family Entertainment Zone. Pursuant to the Disposition and Development Agreement, the City would be required to fund any additional off-site infrastructure and utilities necessary for construction and operation of the Lodge Project, any remediation required by law, consultants' fees, and certain off-site mitigation measures required by law. These costs cannot be estimated at this time, but are not expected to exceed \$2,500,000. The Disposition and Development Agreement would also require the City to complete construction of Daniels Street between Airport Way and McKinley Avenue. The extension of Daniels Street was contemplated by the Family Entertainment Zone Master Plan, and is estimated to cost \$5,000,000, and federal grant funding is being pursued to address this improvement.

2. The estimated value of the interest to be conveyed, determined at the highest and best uses permitted under the general plan or zoning.

The fair market value of the Land is \$6,750,000.

3. The estimated value of the interest to be conveyed, determined at the use and with the conditions, covenants, and development costs required by the sale. If the sale price is less than the fair market value of the interest to be conveyed or leased,

determined at the highest and best use, then the City shall provide as part of the summary an explanation of the reasons for the difference.

Pursuant to the Disposition and Development Agreement, the City would convey the Land to Great Wolf at a purchase price of \$675,000 (to be paid over time solely using transient occupancy tax revenues generated by the Lodge Project), in exchange for Great Wolf's commitment to construct the Lodge Project at an estimated cost of \$180 million. Great Wolf would also receive an estimated \$100 million (\$43.2 million present value discounted at 6%) in transient occupancy tax revenue generated by the Lodge Project in its first 25 years of operations.

Conveyance of the Land at less than its fair market value is justified because development of the Lodge Project will generate substantial economic and fiscal benefits for the City. The Lodge Project is estimated to generate \$99.1 million (\$32.3 million present value discounted at 6%) net revenue to the City (including property tax, property tax in-lieu of vehicle license fees, sales and use taxes, public safety sales and use taxes, business licenses, franchise fees, Measure M sales and use tax revenue, and net transient occupancy tax after sharing, less estimated public service costs) during the first 30 years (assuming the Lodge Project opens for business in 2020). The Lodge Project is estimated to generate other economic activity including 250 full-time jobs and 250 part-time jobs (375 full-time equivalent permanent jobs) directly on site and 1,400 temporary construction jobs.

4. An explanation of why the sale of the property will assist in the creation of economic opportunity, with reference to all supporting facts and materials relied upon in making this explanation.

Government Code section 52200.2(a) defines "economic opportunity" as "Development agreements, loan agreements, sale agreements, lease agreements, or other agreements that create, retain, or expand new jobs, in which the legislative body finds that the agreement will create or retain at least one full-time equivalent, permanent job for every thirty-five thousand dollars (\$35,000) of city, county, or city and county investment in the project after full capacity and implementation."

Based on the fiscal and economic impact analysis included in this report as Appendix 1, operation of the Lodge Project is estimated to generate 375 full-time equivalent permanent jobs directly on site at project buildout (250 full-time jobs and 250 part-time jobs). Therefore, the Disposition and Development Agreement and the Development Agreement would create economic opportunity if the City's investment in the Lodge Project is less than or equal to \$13,125,000 (375 × \$35,000). The Disposition and Development Agreement would obligate the City to fund any additional off-site infrastructure and utilities necessary for construction and operation of the Lodge Project, any remediation required by law, consultants' fees, certain off-site mitigation measures required by law, and the construction of Daniels Street. These costs are not expected to exceed \$7,500,000. Therefore, the City's investment in the Lodge Project is estimated to create approximately 1.75 full-time equivalent permanent jobs for every \$35,000 of City investment. The Lodge Project is also projected to generate \$99.1 million (\$32.3 million present value discounted at 6%) net revenue to the City during the first 30 years (assuming the Lodge Project opens for business in 2020), which far exceeds the City's estimated up-front investment in the Lodge Project.

Appendix 1
Fiscal and Economic Impact Analysis

MEMORANDUM

To: Tim Ogden, City Manager, City of Manteca

From: David Zehnder, Jamie Gomes, and Tom Martens

Subject: Great Wolf Resorts—Manteca Lodge: Summary of Development Agreement Assessment, Fiscal Impact Analysis, and Economic Impact Analysis; EPS #172139

Date: March 9, 2018

The Economics of Land Use



Introduction

Great Wolf Resorts (GWR) and the City of Manteca (City) have been discussing a development concept involving a major waterpark resort to be located between an extended Daniels Street and State Route 120 (Highway 120), West of Costco, in the City's Family Entertainment Zone (FEZ). GWR also has evaluated other locations in Northern California, for a similar concept but has indicated their belief that the Manteca location brings significant advantages, allowing improved time to market over the alternative sites.

Economic & Planning Systems, Inc. (EPS) has been retained by the City to provide an economic analysis of the project's fiscal impact on the City, to evaluate overall economic multiplier effects of the project in San Joaquin County and locally, and to provide advisory services regarding the structure of the incentive package sought by GWR. This report describes the findings of EPS's research in these regards.

Proposed Project

The applicant is proposing a 500-room hotel with an indoor water park, open only to hotel guests, and restaurants, meeting space, and a family activity center to be open to both hotel guests and other visitors. Hotel/waterpark guests likely would come from the Bay Area, Central Valley, and beyond. Non-hotel visitors likely would include local residents, as well as visitors to the adjacent Big League Dreams baseball facility.

Economic & Planning Systems, Inc.
400 Capitol Mall, 28th Floor
Sacramento, CA 95814
916 649 8010 tel
916 649 2070 fax

Oakland
Sacramento
Denver
Los Angeles

www.epsys.com

Summary of Findings

The analysis of the proposed development project and the proposed project incentives is summarized below:

- The proposed deal structure is relatively simple and presents low risk to the City. The future stream of Transient Occupancy Tax (TOT) that will be generated by the Project is the source of nearly all of the incentives that will be provided to the Developer, with the exception of some infrastructure¹ provision, development fee deferrals, and discounted land price.
- All of the subsidy is drawn from Project-created sources. The taxes on hotel guests' nightly room charges from the Project's proposed hotel rooms will be the source for any subsidies paid to the Developer.
- The deal structure creates low inherent risk to the City. The City is not being asked to issue any bonds, tap into existing sources of revenue, or guarantee the financial performance of the proposed Project. The land sale carries some minimal risk, since the discounted sales price is collected from TOT over 10 years.
- The total incentive amount is a fairly high percentage of the Project development cost when looking at the total dollar amount of TOT to be shared with the Developer; however, on a Net Present Value (NPV) basis, the percentage is relatively in-line with the up-front values of comparable packages that involved issuing bonds.
- The City has sought to encourage development of a tourism-related project at this site before. The current development proposal provides a relatively risk-free way to encourage a major long-term revenue generator, which could also catalyze additional tourism-related development.

Project Incentive Discussion

Overview

Development agreements between project developers and municipalities, or their affiliated agencies, have become relatively common as a means of reducing required up-front capital and risk for the developer, while also facilitating the addition of a new tax generation source for the municipality. Agreements between municipalities and developers can vary widely in their complexity; however, certain financing elements are often included in some form or another. Typical financing mechanisms may include:

- Low Interest Financing (often through issuance of bonds or access to redevelopment funds).
- Tax Incentives (often through tax rebates or sharing of new taxes generated by the development for a certain timeframe).

¹ City to provide all infrastructure to site, including water, sewer, stormwater, roadways, communications, gas, electricity, and recycled water.

- Discounted Land Pricing (if municipal-owned land is involved).
- Infrastructure (provided by the municipality).

Incentive Packages for Comparable Projects

Hotel projects are often encouraged by municipalities for a variety of reasons. The incentive packages provided to potential hotel developments can include a variety of funding mechanisms, such as municipal-backed bonds or revenue bonds, supported by incremental tax revenues within a special taxing district. Bonding may require a municipality to pledge city funds to guarantee the financial performance of the proposed project.

Some examples of recent development agreements in other cities are provided below.

Great Wolf Resorts Water Park Hotel in Garden Grove, California, 2014

The Garden Grove Great Wolf Resort is a \$285 million project with approximately 600 rooms and a 3-acre water park, along with about 40,000 square feet of restaurant and retail space, in Orange County, California. The development entity is known as Garden Grove MXD, Inc. (GG MXD).

The City of Garden Grove agreed to use bond funding to provide GG MXD a one-time sum of \$42 million, 30 days after opening. In addition, the City will share up to 80 percent of the TOT revenues generated by the hotel and collected by the City. Other incentives include land purchased by the City and transferred to GG MXD at no cost, street and sidewalk improvements, and relocation of existing residents.

A potential 200-room expansion will receive a 10-year, 50 percent rebate on TOT and a 12-year 50-percent rebate on sales and property taxes.

Kalahari Resorts Hotel and Convention Center in Round Rock, Texas, 2016

The proposed \$350 million hotel and convention center, about 20 miles north of Austin, will contain at least 975 rooms, a minimum 150,000 square foot convention center, and a minimum 200,000 square foot water park.

The City of Round Rock and its transportation and economic development corporation (TED) agreed to issue bonds to provide \$30 million in infrastructure improvements (half on-site and half off-site). The City and TED also agreed to issue \$40 million in bonds to finance construction of the convention center, which will be owned by the City and operated by a Kalahari entity. In addition, the City purchased the 352-acre site to lease to the tenant/operator for 99 years. The lease payments are intended to cover the purchase price plus interest within the first 8 years. The tenant/operator may purchase the land for \$1.00 per acre once all debt has been paid.

The project incentives also included TOT sharing after debt service has been paid, and waiver of development fees.

Stand Rock Hospitality Water Park Hotel in Grapevine, Texas, 2016

This is a \$330 million water park resort, by Wisconsin Dells-based Stand Rock Hospitality in Grapevine, Texas, midway between downtown Dallas and Fort Worth, proximate to Dallas/Fort Worth International Airport. The project includes 1,020 guest rooms and 190,000 square feet of entertainment space, including waterparks, golf, spa, dining, and other activities.

The City of Grapevine has agreed to an incentive package that provides for TOT-sharing estimated at about \$9 million to the project. Other incentives the City of Grapevine has provided to water park resorts in the city include a 20-year \$27.5 million TIF District to finance infrastructure improvements for Gaylord Texan Resort and Convention Center; and, a 10-year 1-percent TOT rebate, waiver of permit fees, impact fee reduction, 0.5-percent sales tax reduction, and roadway improvements for a 400-room Great Wolf Lodge plus a 200-room expansion.

Additional incentive packages for other hotel developments are included in **Appendix D**.

TOT-Rebate Programs

While incentive packages for comparable resorts in other cities, such as those noted above, have included tax increment financing or other bond issuance, the proposed development incentive package relies primarily on sharing, or rebating, the anticipated future stream of TOT revenue. TOT rebate incentive programs have become an increasingly common hotel development incentive tool in California.

Several jurisdictions in California, mostly in the southern portion of the State, have established TOT rebate programs to encourage development of new hotel projects. The jurisdictions include such tourism destinations as Palm Springs, Anaheim, and Santa Barbara County, among others. These jurisdictions have passed ordinances to allow pre-determined percentages of future TOT revenue to be shared with hotel developers/operators that meet certain criteria as a means of encouraging development of new hotel projects.

The maximum percentage of TOT revenue shared with hotel developers/operators by these jurisdictions is generally in the range of 50 percent to 70 percent, and the maximum period that the TOT revenues can be shared is mostly in the 15- to 20-year range. Some jurisdictions have caps on the total dollar amount of TOT that can be shared. **Table 1**, below, highlights the key aspects of TOT rebate programs in several California jurisdictions, including TOT sharing percentages, incentive duration, and maximum caps on the amount shared, if any.

Table 1
Proposed Manteca Lodge - Great Wolf Resorts
Sample of TOT Rebate Incentive Programs in California

Jurisdiction	Share of TOT	Period	Incentive Cap
City of Palm Springs [1]	50% - 75%	10 - 20 years	\$25 - \$50 million
City of Anaheim	70%	20 years	N/A
City of Los Angeles [2]	50% maximum	Usually 20 years	As Needed
City of Dublin, CA [3]	50% - 70%	15 - 20 years	As Needed
Santa Barbara County	70%	15 years	N/A
Proposed Manteca Lodge [4]	75% then 50%	25 years	N/A

tot rebate

Source: Report prepared by PKF Consulting USA addressed to Mr. Gerry Miller May 30, 2014; City of Anaheim website, City of Dublin, CA website, Los Angeles Times, EPS.

- [1] The TOT rebate percentages, periods, and caps for Palm Springs depend upon hotel class. Specific hotel incentive packages may differ.
- [2] Los Angeles TOT incentives have been site specific and based on demonstrated financial need.
- [3] Dublin percentage and duration dependent upon hotel class. Dollar cap dependent upon demonstrated need.
- [4] Proposed TOT sharing percentage is 75 percent for 10 years, followed by 50 percent for 15 years.

Proposed Great Wolf Resorts—Manteca Lodge Incentives

The incentives as part of the proposed public/private partnership between the City of Manteca and Great Wolf Resorts for the proposed Manteca Lodge include similar elements to the incentives packages granted to proposed developments by other cities, as noted above and in **Appendix D**. However, the incentives proposed for this project are relatively straight-forward in terms of calculation and application as the project proceeds, relative to those found in other development agreements. More importantly, however, the proposed deal terms rely largely on project-generated TOT and do not commit the City of Manteca to issuing bonds or incurring debt, except as may be needed for provision of infrastructure to the site. While several items are drawn from TOT revenue, they are drawn in a cascading order, as outlined below.

Summaries of each of the provisions included in the Outline of Incentives are provided below. The current proposed language from the Outline of Incentives is presented in **Appendix E**:

- **Development Fees:** The City has estimated development fees to be approximately \$12 million for the proposed project, including about \$2 million in fees to other agencies. Approximately \$7.7 million of the fees to the City will be deferred, as noted in the Deferred Fees section, below.
- **Reimbursable Fees:** The reimbursable fees are repaid from TOT revenue in as little as 2 years. They include development fees paid by either the developer or the City to another government agency or planning consultant, including fees collected by the City and remitted to another agency. The fees can be those paid directly in cash or by in-lieu fee credit, such as previously paid fees from the City to another agency that benefit the developer's proposed project. The reimbursable fees are repaid to the City and Developer from TOT revenues, pro rata based on the actual fees paid. However, payment of planning consultant fees by the developer to the City are capped at \$500,000, therefore limiting reimbursement to the developer of these fees with this tranche to the same \$500,000 cap. Any amount the City has paid to planning consultants in excess of \$500,000 will be added to the Deferred Fees tranche for reimbursement. Currently it is estimated that there are just under \$1 million in City-paid planning consultant fees; the \$450,000 in excess of the \$500,000 cap will be reimbursed over 20 years, along with Deferred Fees, below. The reimbursable fees currently include an approximate \$600,000 in-lieu credit to the City for habitat conservation and agricultural mitigation fees.
- **Deferred City Fees:** Approximately \$7.7 million in development fees that would normally be payable to the City during the planning and development phases of the project will be collected by the City from TOT revenue over a 20-year period. In addition, the City will also be reimbursed for any project-related planning consultant fees in excess of the \$500,000 cap noted in the Reimbursable Fees section above in this tranche of TOT reimbursements over a 20-year timeframe.
- **Infrastructure and Utilities:** The City will provide utilities to the Site.
- **Offsite Mitigation:** The City understands it has obtained the necessary permits from other agencies; however, in the event additional permits are required, the City will obtain them.
- **Tourism/Marketing:** The City and Developer will work together to promote the FEZ.
- **Wayfinding Signage:** The City will provide signage to the proposed Project.
- **Site:** The City will convey to the Developer the proposed site at 10 percent of assessed value, to be paid out of the TOT revenue over a 10-year period.
- **Use of Transient Occupancy Taxes (TOT) up to the current 9-percent rate:** Several items will be reimbursed from the TOT revenue generated by the Project. The first priority payments will be annual development assistance payments to the Developer of \$2 million for 25 years. There are no rollover provisions should annual TOT revenues be less than the amount needed to cover these payments. However, this amount is paid prior to the subsequent TOT-based payments noted below, in the order of payment priority. The details of the next 3 reimbursement tranches have been described above. After each of the above reimbursements have been paid, any remaining annual TOT revenues are split between the Developer and the City for a period of 25 years. The City will receive 25 percent of the TOT

revenue for the first 10 years, then 50 percent of the TOT revenue for the next 15 years, and all TOT revenue after 25 years.

- **Other Taxes:** The proposed deal terms do not affect any of the potential non-TOT tax revenues generated by the operations of the facility, including sales & use tax. (The site is currently city-owned land and is therefore not generating property tax.)

Revenue Analysis

The revenue analysis estimates the TOT revenues that will be generated by the proposed project, and then applies the proposed development agreement terms to determine net remaining TOT revenue to be dispersed between the City and the Developer.

The analysis utilizes informed estimates of room rate and occupancy assumptions, based on discussions between the City, Great Wolf, and EPS. Accordingly, it has been assumed that when the project reaches stabilization in the third year of operations, the Average Daily Rate (ADR) will be \$356, with an occupancy rate of 74 percent.² As discussed later in this Memorandum, EPS also tested a scenario with a lower room rate assumption to understand implications for revenue sharing.

After each of the line-item deductions noted above have been set aside from gross TOT revenues from the project, the resulting estimated amount of TOT to the City ranges from approximately \$300,000 during the third year of operation (fifth year of Project; first stabilized year) to about \$700,000 during the 10th year of operation (twelfth year of Project; the final year of the 75-percent/25-percent split). By the following year, the first year of the 50-percent/50-percent TOT split, the estimated TOT revenues to the City from the project are \$1.5 million. These preliminary figures will be refined as further analysis and testing of options goes forward.

Appendix Table A-1 provides a summary of baseline assumptions related to the financial analysis, with **Appendix Table A-2** providing detailed results. **Figures 1** through **3**, later in this Memorandum, show net revenue to the City and the developer from relevant municipal revenues over appropriate timeframes.

Fiscal Impact Discussion

Fiscal impact analysis compares the projected city tax revenues to be generated by a project to the costs of providing municipal services to the future users of that project.

The fiscal analysis results are presented (1) exclusive of the TOT revenue (simply for illustrative purposes), (2) including the City share of TOT revenue during the first stabilized year of operations, and (3) after impact fee reimbursements have ended:

- **Scenario 1: Excluding TOT Revenue:** As an indicator of additional revenues, excluding all TOT revenue but including all service costs, the project is anticipated to result in a net annual fiscal surplus to the City's General Fund of approximately \$423,000. Including Measure M

² The room rate includes a water park pass and other amenities. As a result it is not directly comparable with other regional accommodations.

supplemental sales tax revenue, the surplus increases to \$546,000. Public safety costs represent a key issue requiring further study and have potential to be reduced in refined analysis.³

- **Scenario 2: Initial Stabilization:** At initial stabilization, the project is anticipated to result in a net fiscal surplus of \$884,000 to the City's General Fund. Including Measure M supplemental sales tax revenue, the surplus increases to \$1,007,000. The net fiscal surplus includes the City's 25-percent share of remaining TOT revenue after reimbursement obligations and development assistance. In addition to the General Fund revenue noted above, the City's TOT-funded reimbursements at initial stabilization are approximately \$482,500.
- **Scenario 3: Second Phase TOT Sharing:** After the reimbursements to the City have ended, but development assistance payments are still being deducted from TOT, the project is anticipated to result in an annual net fiscal surplus of approximately \$1,587,000 to the City's General Fund. Including Measure M supplemental sales tax revenue, the annual surplus increases to \$1,710,000. The net fiscal impact includes the City's 50-percent share of remaining TOT revenues after the developer assistance deduction.

Revenue Calculations

A marginal case-study approach was used to calculate property tax, property tax in lieu of vehicle license fees, sales and use taxes, public safety sales tax, and TOT revenues:

Property tax and property tax-related revenues are calculated based on an assumed assessed value for the project of \$186,750,000 based on estimated construction costs and existing land value. Because of the unique nature of the project, it is assumed the project will generate no annual property transfer taxes as there is no anticipated on-going ownership turnover of the project, nor periodic resale to be annualized.

Sales and use taxes are calculated using a hybrid method, including both the estimated taxable sales generated by Project employees and taxable sales generated by new land uses. Taxable sales from new development are based on an estimated taxable sales-per-room assumption of \$180 applied to the total annual occupied hotel rooms. This analysis is based on the assumption that all food and retail sales made by hotel guests are taxable.

TOT revenues are calculated assuming stabilized occupancy and Average Daily room Rates (ADRs) of 74 percent and \$356, respectively. The occupancy and ADR assumptions are estimates informed estimates based on discussions between the City, Great Wolf, and EPS.

EPS calculated the annual business license and franchise fee revenues based on a per-person-served methodology. This analysis is based on the assumption revenues pertaining to licenses and permits, excise taxes, intergovernmental, charges for services, fines and forfeitures, use of

³ This scenario assumes a "middle of the road" approach to public safety costs reflecting an average cost analysis based on the project's daytime population. This represents a level of departmental activity related to the project that may be slightly higher than that suggested by confidential applicant-provided data. See **Appendix A** for more information regarding this forecasting technique.

money and property, and all other revenues are not expected to be impacted by this project and are not evaluated in the analysis.

Expenditure Calculations

Police and fire protection costs are estimated using an average cost expenditure methodology. Police and fire protection costs are based on the budgeted Fiscal Year 2017–18 General Fund police and fire expenditures with an adjustment made for estimated fixed costs, which are not anticipated to increase with development of the project. These adjusted expenditures are used to arrive at an average cost multiplier applied to the total daytime population resulting from the project. The daytime population includes the employees, hotel guests, and other visitors to the Project.⁴

General government and public utilities expenditures are calculated using a per-persons-served multiplier methodology.

Parks, recreation, and community services expenditures are calculated on a per capita basis. As the project generates no new residents, this expenditure category is not anticipated to be affected by the project.

Economic Impact Discussion

Economic impacts measure the employment and earnings (wages and salaries) generated by a project, as well as the overall economic impact in the surrounding area through business-to-business spending and employee spending. These impacts occur first from the construction of the Project and then from the operation of the Project. The impacts are calculated using standard economic impact modeling, discussed below.

Additional impacts can include increased visitor spending that helps support other establishments in the area, as well as qualitative impacts such as increasing visitation in targeted locations, which can serve to catalyze additional development. The Project and its visitors have the potential to provide a catalytic effect on the Family Entertainment Zone (FEZ).

Economic impacts using an Input/Output model (I/O model) are based on an initial change in output or employment in some sector. The model then translates that initial change into changes in demand for output from other interdependent sectors, corresponding changes in demand for inputs to those sectors, and so on. These effects are commonly described as direct, indirect, or induced effects and are generally defined as follows:

- The **direct effect** represents the change in output or employment attributable to a change in demand or increased supply. For example, the total sales generated by a new business or

⁴ Since the daytime population is within the jurisdiction for fewer hours than the resident (or overnight) population, the daytime population is discounted by a factor of 0.50 when assigning an average cost multiplier. Note that some persons may be included in both the daytime and resident populations, but their municipal services costs are estimated separately for their time as a resident versus their time working or doing other activities related to the Project.

the total employees hired by that business would represent the direct impact on the County economy.

- The **indirect effect** results from industry-to-industry transactions required to satisfy the direct effect. This effect is a measure of the change in the output of suppliers linked to the industry that is directly affected. For example, the resort purchases numerous goods from County suppliers, including food, laundry services, equipment, and other services.
- The **induced effect** consists of impacts from employee spending in the local economy. Specifically, the employees of directly and indirectly affected businesses generate this effect by purchasing goods and services in the local economy.

The total impact is the sum of the direct, indirect, and induced effects. The total effect measures the impact of an activity as it “ripples” throughout the regional economy. The regional economic effects described above are reported in three categories:

- **Annual Output:** Annual output measures the value of goods and services produced in the County as a result of business operations.
- **Employment:** Employment estimates the total number of jobs, both full-time and part-time, created as a result of resort operation. Employment is reported in job years. Construction employment represents total job years over the life of the project (1 job lasting 2 years would be reported as an employment impact of “2”).
- **Income:** Income reflects the total payroll cost of each employee of the subject business (wages, salary, benefits, and employer-paid payroll taxes), proprietor’s income, and other income. Income is reported as a portion of the annual output described above.

One-Time Construction

Impacts that are associated with construction of the Project through buildout are measured on a one-time basis. Construction activity generates a short term burst of economic activity that dissipates once construction is complete. One-time impacts include the value of new construction, employment created, and income earned during Project development. It is estimated that construction of the Project will incur approximately \$180 million in hard construction costs. The resulting impacts are described below:

- **Annual Output:** Construction operations are estimated to generate approximately \$180 million in direct one-time industry output. Local spending will result \$20.8 million in indirect one-time impacts, for a total one-time industry output impact of \$200.8 million.
- **Income:** Of the \$180 million in direct industry output reported above, approximately \$76.3 million will be received by construction employees in the form of salary, wages, and benefits and other income categories. Indirect income impacts total approximately \$7.1 million, for a total annual employee compensation impact of approximately \$83.4 million.
- **Annual Employment:** Construction operations result in 1,397 direct job years and generate approximately 123 indirect jobs for a total employment impact of approximately 1,520 jobs.

Ongoing Operations

The economic impact analysis includes an estimate of impacts occurring annually as a result of Project operations and visitor spending. Impacts associated with these discrete economic activities are estimated based on estimated employment data provided by the applicant and visitor spending assumptions.

Project Operations

The resulting impacts of Project operations are described below:

- **Annual Output:** Project operations are estimated to generate approximately \$29.6 million in direct industry output annually. Local spending will result in approximately \$6.9 million in indirect industry output impacts and \$6.1 million in induced impacts annually, for a total industry output impact of \$42.5 million on an annual basis.
- **Income:** Of the \$29.6 million in direct industry output reported above, approximately \$8.9 million will be received by employees in the form of salary, wages, and benefits. Indirect and induced impacts total approximately \$4.5 million, for a total annual income impact of approximately \$13.3 million.
- **Annual Employment:** The 375 direct resort employees will generate approximately 59 indirect and 47 induced jobs annually, for a total employment impact of approximately 481 jobs on an annual basis.

Visitor Spending

The resulting impacts of visitor spending in the County are described below:

- **Annual Output:** Visitor spending will generate an estimated \$14.5 million annually in direct industry output impacts. Through indirect and induced impacts, an additional \$7.4 million would be generated annually, for total local output impact of approximately \$21.8 million.
- **Income:** Of the \$21.8 million in direct industry output, approximately \$6.4 million will be in the form of income. Indirect and induced income impacts will total approximately \$1.4 million, for a total labor income impact of approximately \$8.8 million.
- **Employment:** Visitor spending results in 215 direct employees, 25 indirect employees, and 30 induced employees, for a total annual employment impact of approximately 270 jobs.

Conclusions

The Project is estimated to produce a net fiscal surplus to the City of more than \$1.0 million annually at project stabilization, after TOT-sharing with the Developer and provision of municipal services to the site. In addition, the operation of the resort is estimated to result in 375 full time equivalent (FTE) jobs directly on-site, plus more than 100 additional indirect and induced jobs within the City and County. For calculation of economic impacts, part-time job hours have been converted the into the equivalent full-time employment (e.g.: two half-time jobs equal one full-time job), as shown in **Appendix C**.

Overall, the deal structure effectively works to minimize major risk to the City of Manteca. The incentives package is solely funded by the projected TOT revenue that will be generated by the development, and does not require the City to provide any guarantee of financial performance.

In contrast to many public-private partnerships, the simple revenue sharing provisions based on existing TOT rates applied to the projected performance of the Great Wolf Lodge entails a deal structure where the City is only being asked to share TOT from the project.

As illustrated by **Appendix D**, the overall subsidy is a relatively high percentage of the development cost when TOT sharing above the development assistance and reimbursements is included, at 55 percent. The development assistance and reimbursements specified in the Outline of Incentives are an estimated 29 percent of the development budget, which is more in line with some of the higher subsidy percentages for comparable projects.

However, it should be noted that the TOT sharing percentages included in the proposed deal are not out of line with hotel development incentive programs found in California. The County of Santa Barbara allows new hotel developments to receive up to 70 percent of the TOT they generate for 15 years. The City of Palm Springs allows for tax sharing equal to 50 percent of the TOT generated by new hotels for 10 to 25 years, with caps of \$25 million to \$50 million depending on the class of hotel.

Overall results indicate that in effect, over the 30-year period shown, municipal revenues are being relatively evenly split between the City and the Developer, based on comparison of nominal (inflated) and discounted municipal cash flows.⁵ The discounted revenues are somewhat lower as a share for the City, however, since the Developer receives a higher share of the revenues in the earlier years, while the City's share increases in later years.

EPS analyzed the sensitivity of the potential revenue to the City and Developer under a reduced hotel revenue scenario. Assuming an average room rate 10 percent lower than the informed estimate average daily rate used elsewhere in the analysis results in the revenues shown in **Table 2** below. The sensitivity analysis is discussed in more detail below.

After the sharing provision expires after year 25, the City would keep all municipal revenue from the project, hence the importance of taking steps to ensure the property is well-maintained and updated in the interim such that it continues to generate substantial TOT and other municipal revenues.

⁵ Note that the applied discount rate used for this comparison is 6.0 percent, intended to reflect an approximate cost of funds to participating entities.

Table 2
GWR - Manteca Lodge
Negotiation Technical Support
Summary of TOT Revenue Potential

Item	Baseline		Sensitivity		Sensitivity Percent of Baseline	
	City Total Revenues [1]	Developer TOT [2]	City Total Revenues	Developer TOT	City Total Revenues	Developer TOT
	Nominal Revenue	\$ 99.1 M	\$ 100.0 M	\$ 79.7 M	\$ 87.7 M	80%
Discounted Revenue at 6.0%	\$ 32.3 M	\$ 43.2 M	\$ 27.5 M	\$ 39.8 M	85%	92%

sens pct

Source: EPS.

[1] City revenue includes all TOT-derived revenue and non-TOT revenue less estimated public service costs from the fiscal impact analysis.

[2] Developer TOT revenue includes TOT sharing plus development assistance and reimbursements from TOT.

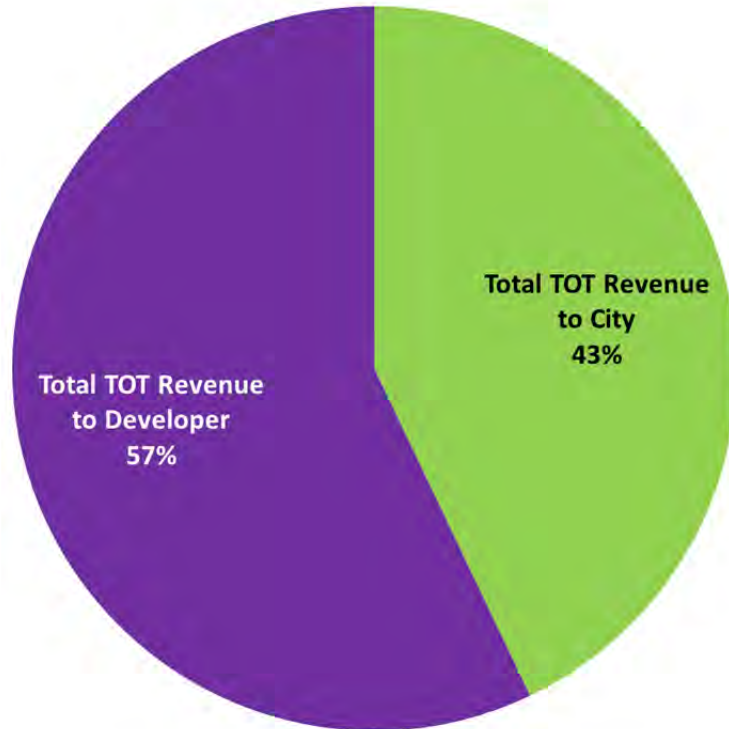
Figure 1 illustrates the benefit of the project from a full range of City revenues, predominantly TOT but also including revenue from land sale, property tax, sales and use tax, and other municipal revenue sources generated by the project. As shown there are a number of key junctures related to the terms of the MOU cited above. While the cash flow analysis is limited to 30 years, it should be noted that these fiscal benefits would continue indefinitely as long as the resort and the hotel continue to be operable. Clearly, ongoing investment and upkeep would be critical to sustaining this level of TOT and other revenue receipts.

Figure 2 reflects TOT income flowing to the Developer. All income shown is derived from the hotel developed within the resort. This income would not be available to either the City or the developer “but for” the development of the project. The developer has stated that these revenues are necessary to achieve minimally acceptable returns from the project.

Figure 3 illustrates the overall share of TOT revenue through year 30 that will flow to the City and to the Developer. Note that beginning in year 28, all TOT revenue is retained by the City.

Figure 3

TOT Share to City and Developer
(cumulative through Year 30)



Appendix A provides a sensitivity analysis of a slightly reduced revenue outlook. The assumed project ADRs and occupancy rates were informed estimates based on discussions between the City, Great Wolf, and EPS. However, given that the market will ultimately dictate the level of project performance, reduced assumptions pertaining to starting room rate and growth of room rates are examined, whereby the project would still produce a similar overall revenue sharing result over the period analyzed. Average nightly room rates and occupancy rates are the two key drivers for hotel revenue, and directly impact the potential TOT revenue that underpins this development deal. While the informed estimates for room rate and occupancy seem reasonable, EPS tested a scenario where room revenue was reduced by 10 percent. It is not known whether the project could be financially successful under the downside scenario; hence the potential importance of exploring this issue as provisions are negotiated between the City and Great Wolf.

Minor financial risk is associated with provisions that would provide a substantial (90 percent) discount on the cost of the 30-acre parcel used for the Project, as well as instances where the City would “carry” impact fees and other obligations, either related to projects within the City or to obligations to other entities, such as the County. However, these risks are relatively easily contained, with additional protective clauses expected to be negotiated as a next step.

In addition, the length of the development assistance payments or the TOT sharing percentages and timeframe could be examined in relation to other TOT rebate programs in the State.

Unlike many P3 projects, the City is not being asked to issue or to backstop debt of any kind. As a result of the simple revenue-sharing approach, there is very little downside risk to the City, and in particular, little to no significant General Fund risk. If the project is well maintained and kept current over the next 30 years, the City will have a long-term revenue-generating asset that should benefit the City's long-term fiscal position.

As noted in the Project Incentive Discussion section, the proposed deal is relatively simple, with future TOT revenue the source of all developer incentives, other than provision of infrastructure to the site.



APPENDICES:

Appendix A: Incentives Analysis Tables

Appendix B: Fiscal Impact Analysis Tables

Appendix C: Economic Impact Analysis Tables

Appendix D: Comparable Hotel Incentives Tables



APPENDIX A: Incentives Analysis Tables

Table A-1	Participation TOT Revenue Assumptions	A-1
Table A-2	Baseline Scenario Revenue Summary	A-2
Table A-3	City Participation TOT Cash Flow	A-3
Table A-4	City Participation TOT Cash Flow— ADR Sensitivity Test	A-4

**Table A-1
GWR - Manteca Lodge
Negotiation Technical Support
Participation TOT Revenue Assumptions**

Item	Base Scenario Assumptions
General Assumptions	
Initial Construction Start Year	Year 1
Initial Construction Duration	2 Years
Phase One Operational Year	Year 3
Phase Two Operational Year	Year 0
Phase One Number of Rooms	500
Phase Two Number of Rooms	0
Phase One Years to Stabilization	3 Years
Phase Two Years to Stabilization	0 Years
First Full Year Occupancy	65.0%
Average Stabilized Occupancy [2]	74.0%
Estimated Average Daily Rate [2]	\$356
ADR Year	Year 5
ADR Growth Rate	3.0%
TOT-Participation Assumptions	
Transient Occupancy Tax Rate	9.0%
Financing Assistance	
Annual Financing Assistance	\$2,000,000
Financing Assistance Timeline	25 Years
Financing Assistance Escalation/De-escalation	0.0%
Other Agency Fees and City-Paid Planning Fees [1]	
Other Agency Fees - To Developer	\$2,000,000
SJCOG MSF In-Lieu Credits - To City	\$600,000
Reimbursable City-Paid Planning Fees - Unallocated	\$1,000,000
Reimbursable City-Paid Planning Fees Cap on 2-year Reimbursement - To Developer [3]	\$500,000
Remaining City-Paid Planning Fees in Excess of 2-year Cap - To City	\$500,000
Total Reimbursable Other Agency Fees (including City Paid Planning Fees to Cap)	\$3,100,000
City Pro Rata Share Reimbursable Fees	19.4%
Reimbursement Timeline	2 Years
Reimbursement Interest	0.0%
Deferred City Fees [1]	
Deferred City Development Fees	\$7,700,000
Deferred City Fees + City-Paid Planning Fees in Excess of Cap (from above)	\$8,200,000
Deferment Timeline	20 Years
Deferment Interest	0.0%
TOT Sharing	
TOT Sharing Phase 1 Timeline	10 Years
TOT Sharing Phase 1 Developer Share	75.0%
TOT Sharing Phase 2 Timeline	15 Years
TOT Sharing Phase 2 Developer Share	50.0%
Land Sale	
Land Market Value	\$6,750,000
Land Sale Price as Pct Market Value	10.0%
Land Sale Price	\$675,000
Land Sale Paid from TOT (Y/N)	Yes
Land Purchase Start Year	Year 3
Land Purchase Timeline	10 Years
Land Purchase Interest	0.0%

assump

Source: Great Wolf Resorts, City of Manteca, EPS.

- [1] All fees are estimates and will be calculated at the time of permitting.
 [2] ADR and occupancy are informed estimates based on discussions between the City, Great Wolf, and EPS.
 [3] Planning consultant fees up to the cap of \$500,000 are reimbursed to Developer from TOT over 2 years, following an initial reimbursement to the City of this amount for these fees by the Developer.

Table A-2
GWR - Manteca Lodge
Negotiation Technical Support
TOT Cash Flow Summary [1]

Note: Key projected roll-off years identified with shading; interim years have been collapsed (double vertical lines) for printing purposes.

Item	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 12	Year 13	Year 22	Year 23	Year 27	Year 28	Year 30
TOT Revenue													
Transit Occupancy Tax	\$ 174,262,011	\$ -	\$ -	\$ 3,582,567	\$ 3,860,353	\$ 4,327,002	\$ 5,321,667	\$ 5,481,317	\$ 7,151,875	\$ 7,366,431	\$ 8,290,983	\$ 8,539,713	\$ 9,059,781
<i>First Payment Priority</i>													
Developer Financing Assistance from TOT													
Financing Assistance to Developer	\$ 50,000,000	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
Remaining TOT After Financing Assistance	\$ 124,262,011	\$ -	\$ -	\$ 1,582,567	\$ 1,860,353	\$ 2,327,002	\$ 3,321,667	\$ 3,481,317	\$ 5,151,875	\$ 5,366,431	\$ 6,290,983	\$ 8,539,713	\$ 9,059,781
<i>Second Payment Priority</i>													
Reimbursable Fees from TOT													
Reimbursable Fees to Developer	\$ 2,500,000	\$ -	\$ -	\$ 1,250,000	\$ 1,250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reimbursable Fees to City (capped)	\$ 600,000	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remaining TOT After Reimbursable Fees	\$ 121,162,011	\$ -	\$ -	\$ 32,567	\$ 310,353	\$ 2,327,002	\$ 3,321,667	\$ 3,481,317	\$ 5,151,875	\$ 5,366,431	\$ 6,290,983	\$ 8,539,713	\$ 9,059,781
<i>Third Payment Priority</i>													
Land Sale from TOT													
Total Land Sale Revenue to City	\$ 675,000	\$ -	\$ -	\$ 32,567	\$ 102,433	\$ 67,500	\$ 67,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remaining TOT After Land Sale Reimb.	\$ 120,487,011	\$ -	\$ -	\$ -	\$ 207,920	\$ 2,259,502	\$ 3,254,167	\$ 3,481,317	\$ 5,151,875	\$ 5,366,431	\$ 6,290,983	\$ 8,539,713	\$ 9,059,781
<i>Fourth Payment Priority</i>													
Deferred City Fees (plus Planning Fees above Cap) from TOT													
Total Annual Deferred Fee Reimbursement to City	\$ 8,200,000	\$ -	\$ -	\$ -	\$ 207,920	\$ 1,022,080	\$ 410,000	\$ 410,000	\$ 410,000	\$ -	\$ -	\$ -	\$ -
Remaining TOT After Deferred Fee Reimb.	\$ 112,287,011	\$ -	\$ -	\$ -	\$ -	\$ 1,237,422	\$ 2,844,167	\$ 3,071,317	\$ 4,741,875	\$ 5,366,431	\$ 6,290,983	\$ 8,539,713	\$ 9,059,781
<i>Final Payment Priority</i>													
Net TOT Disbursement													
Remaining Share of TOT to Developer	\$ 47,457,075	\$ -	\$ -	\$ -	\$ -	\$ 928,067	\$ 2,133,125	\$ 1,535,658	\$ 2,370,938	\$ 2,683,216	\$ 3,145,492	\$ -	\$ -
Remaining Share of TOT to City	\$ 64,829,936	\$ -	\$ -	\$ -	\$ -	\$ 309,356	\$ 711,042	\$ 1,535,658	\$ 2,370,938	\$ 2,683,216	\$ 3,145,492	\$ 8,539,713	\$ 9,059,781
Remaining TOT After Disbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total TOT Revenue to Developer	\$ 99,957,075	\$ -	\$ -	\$ 3,250,000	\$ 3,250,000	\$ 2,928,067	\$ 4,133,125	\$ 3,535,658	\$ 4,370,938	\$ 4,683,216	\$ 5,145,492	\$ -	\$ -
Total TOT Revenue to City	\$ 74,304,936	\$ -	\$ -	\$ 332,567	\$ 610,353	\$ 1,398,935	\$ 1,188,542	\$ 1,945,658	\$ 2,780,938	\$ 2,683,216	\$ 3,145,492	\$ 8,539,713	\$ 9,059,781

tot summ

Source: Great Wolf Resorts, City of Manteca, EPS.

[1] Estimates shown assume sufficient TOT revenues to cover annual reimbursements. The TOT Cash Flow Detail table includes reimbursement backlog calculations, if needed.

A-2

**Table A-3
GWR - Manteca Lodge
Negotiation Technical Support
City Participation TOT Cash Flow Detail**

TOT Revenue	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
TOT Generation													
Phase One Rooms		-	-	500	500	500	500	500	500	500	500	500	500
Phase One Room Occupancy		0%	0%	65%	68%	74%	74%	74%	74%	74%	74%	74%	74%
Phase Two Rooms		-	-	-	-	-	-	-	-	-	-	-	-
Phase Two Room Occupancy		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Average Daily Rate		\$ -	\$ -	\$ 336	\$ 346	\$ 356	\$ 367	\$ 378	\$ 389	\$ 401	\$ 413	\$ 425	\$ 438
Room Revenue		\$ -	\$ -	\$ 39,806,297	\$ 42,892,816	\$ 48,077,800	\$ 49,520,134	\$ 51,005,738	\$ 52,535,910	\$ 54,111,987	\$ 55,735,347	\$ 57,407,408	\$ 59,129,630
Transit Occupancy Tax	\$ 174,262,011	\$ -	\$ -	\$ 3,582,567	\$ 3,860,353	\$ 4,327,002	\$ 4,456,812	\$ 4,590,516	\$ 4,728,232	\$ 4,870,079	\$ 5,016,181	\$ 5,166,667	\$ 5,321,667
Financing Assistance													
Financing Assistance to Developer	\$ (50,000,000)	\$ -	\$ -	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)
Remaining TOT After Financing Assistance	\$ 124,262,011	\$ -	\$ -	\$ 1,582,567	\$ 1,860,353	\$ 2,327,002	\$ 2,456,812	\$ 2,590,516	\$ 2,728,232	\$ 2,870,079	\$ 3,016,181	\$ 3,166,667	\$ 3,321,667
Other Agency Fee Reimbursement - 2-year													
Other Agency Fee Target Reimbursement	\$ 3,100,000	\$ -	\$ -	\$ 1,550,000	\$ 1,550,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual TOT-covered Amortized Other Agency Fee Reimb.		\$ -	\$ -	\$ (1,550,000)	\$ (1,550,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Backlog Amortized Other Agency Fees		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Backlog Other Agency Fee Reimb.		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Agency Fee Reimbursement To Developer	\$ (2,500,000)	\$ -	\$ -	\$ (1,250,000)	\$ (1,250,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Agency Fee Reimbursement to City - 2-Year (capped)	\$ (600,000)	\$ -	\$ -	\$ (300,000)	\$ (300,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remaining TOT After Other Agency Fee Reimb.	\$ 121,162,011	\$ -	\$ -	\$ 32,567	\$ 310,353	\$ 2,327,002	\$ 2,456,812	\$ 2,590,516	\$ 2,728,232	\$ 2,870,079	\$ 3,016,181	\$ 3,166,667	\$ 3,321,667
Land Sale from TOT													
Land Sale Target Revenue to City from TOT	\$ 675,000	\$ -	\$ -	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500
Annual TOT-covered Amortized Land Sale		\$ -	\$ -	\$ (32,567)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)
Cumulative Backlog Amortized Land Sale		\$ -	\$ -	\$ 34,933	\$ 34,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Backlog Land Sale Revenue		\$ -	\$ -	\$ -	\$ (34,933)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Land Sale Revenue to City	\$ (675,000)	\$ -	\$ -	\$ (32,567)	\$ (102,433)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)	\$ (67,500)
Remaining TOT After Land Sale Reimb.	\$ 120,487,011	\$ -	\$ -	\$ -	\$ 207,920	\$ 2,259,502	\$ 2,389,312	\$ 2,523,016	\$ 2,660,732	\$ 2,802,579	\$ 2,948,681	\$ 3,099,167	\$ 3,254,167
Deferred City Fees and Other Agency Fees above Cap													
Deferred City Fees Target Amortized Payment	\$ 7,700,000	\$ -	\$ -	\$ 385,000	\$ 385,000	\$ 385,000	\$ 385,000	\$ 385,000	\$ 385,000	\$ 385,000	\$ 385,000	\$ 385,000	\$ 385,000
Other Agency Fees in Excess of Cap Target Amortized Payment	\$ 500,000	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Combined Target Amortized Payment	\$ 8,200,000	\$ -	\$ -	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000	\$ 410,000
Annual TOT-covered Amortized Deferred Fee Reimb.		\$ -	\$ -	\$ -	\$ (207,920)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)
Cumulative Backlog Amortized Deferred Fees		\$ -	\$ -	\$ 410,000	\$ 612,080	\$ 612,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Backlog Deferred Fee Reimb.		\$ -	\$ -	\$ -	\$ -	\$ (612,080)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Annual Deferred Fee Reimbursement to City	\$ (8,200,000)	\$ -	\$ -	\$ -	\$ (207,920)	\$ (1,022,080)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)	\$ (410,000)
Net TOT for Disbursement	\$ 112,287,011	\$ -	\$ -	\$ -	\$ -	\$ 1,237,422	\$ 1,979,312	\$ 2,113,016	\$ 2,250,732	\$ 2,392,579	\$ 2,538,681	\$ 2,689,167	\$ 2,844,167
Developer Share of TOT	\$ 47,457,075	\$ -	\$ -	\$ -	\$ -	\$ 928,067	\$ 1,484,484	\$ 1,584,762	\$ 1,688,049	\$ 1,794,434	\$ 1,904,011	\$ 2,016,875	\$ 2,133,125
Remaining City Share of TOT	\$ 64,829,936	\$ -	\$ -	\$ -	\$ -	\$ 309,356	\$ 494,828	\$ 528,254	\$ 562,683	\$ 598,145	\$ 634,670	\$ 672,292	\$ 711,042
Land Sale Revenue to City Independent of TOT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue to Developer	\$ 99,957,075	\$ -	\$ -	\$ 3,250,000	\$ 3,250,000	\$ 2,928,067	\$ 3,484,484	\$ 3,584,762	\$ 3,688,049	\$ 3,794,434	\$ 3,904,011	\$ 4,016,875	\$ 4,133,125
Total Revenue to City	\$ 74,304,936	\$ -	\$ -	\$ 332,567	\$ 610,353	\$ 1,398,935	\$ 972,328	\$ 1,005,754	\$ 1,040,183	\$ 1,075,645	\$ 1,112,170	\$ 1,149,792	\$ 1,188,542

Source: Great Wolf Resorts, City of Manteca, EPS.

**Table A-3
GWR - Manteca Lodge
Negotiation Technical Support
City Participation TOT Cash Flow Detail**

Note: Some outer years with no reimbursement roll-offs have been collapsed for printing purposes.

TOT Revenue	Year 13	Year 22	Year 23	Year 27	Year 28	Year 29	Year 30
TOT Generation							
Phase One Rooms	500	500	500	500	500	500	500
Phase One Room Occupancy	74%	74%	74%	74%	74%	74%	74%
Phase Two Rooms	-	-	-	-	-	-	-
Phase Two Room Occupancy	0%	0%	0%	0%	0%	0%	0%
Average Daily Rate	\$ 451	\$ 588	\$ 606	\$ 682	\$ 703	\$ 724	\$ 745
Room Revenue	\$ 60,903,519	\$ 79,465,278	\$ 81,849,236	\$ 92,122,036	\$ 94,885,698	\$ 97,732,268	\$ 100,664,237
Transit Occupancy Tax	\$ 5,481,317	\$ 7,151,875	\$ 7,366,431	\$ 8,290,983	\$ 8,539,713	\$ 8,795,904	\$ 9,059,781
Financing Assistance							
Financing Assistance to Developer	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ -	\$ -	\$ -
Remaining TOT After Financing Assistance	\$ 3,481,317	\$ 5,151,875	\$ 5,366,431	\$ 6,290,983	\$ 8,539,713	\$ 8,795,904	\$ 9,059,781
Other Agency Fee Reimbursement - 2-year							
Other Agency Fee Target Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual TOT-covered Amortized Other Agency Fee Reimb.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Backlog Amortized Other Agency Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Backlog Other Agency Fee Reimb.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Agency Fee Reimbursement To Developer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Agency Fee Reimbursement to City - 2-Year (capped)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remaining TOT After Other Agency Fee Reimb.	\$ 3,481,317	\$ 5,151,875	\$ 5,366,431	\$ 6,290,983	\$ 8,539,713	\$ 8,795,904	\$ 9,059,781
Land Sale from TOT							
Land Sale Target Revenue to City from TOT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual TOT-covered Amortized Land Sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Backlog Amortized Land Sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Backlog Land Sale Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Land Sale Revenue to City	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remaining TOT After Land Sale Reimb.	\$ 3,481,317	\$ 5,151,875	\$ 5,366,431	\$ 6,290,983	\$ 8,539,713	\$ 8,795,904	\$ 9,059,781
Deferred City Fees and Other Agency Fees above Cap							
Deferred City Fees Target Amortized Payment	\$ 385,000	\$ 385,000	\$ -	\$ -	\$ -	\$ -	\$ -
Other Agency Fees in Excess of Cap Target Amortized Payment	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -
Combined Target Amortized Payment	\$ 410,000	\$ 410,000	\$ -	\$ -	\$ -	\$ -	\$ -
Annual TOT-covered Amortized Deferred Fee Reimb.	\$ (410,000)	\$ (410,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Backlog Amortized Deferred Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Backlog Deferred Fee Reimb.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Annual Deferred Fee Reimbursement to City	\$ (410,000)	\$ (410,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Net TOT for Disbursement	\$ 3,071,317	\$ 4,741,875	\$ 5,366,431	\$ 6,290,983	\$ 8,539,713	\$ 8,795,904	\$ 9,059,781
Developer Share of TOT	\$ 1,535,658	\$ 2,370,938	\$ 2,683,216	\$ 3,145,492	\$ -	\$ -	\$ -
Remaining City Share of TOT	\$ 1,535,658	\$ 2,370,938	\$ 2,683,216	\$ 3,145,492	\$ 8,539,713	\$ 8,795,904	\$ 9,059,781
Land Sale Revenue to City Independent of TOT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue to Developer	\$ 3,535,658	\$ 4,370,938	\$ 4,683,216	\$ 5,145,492	\$ -	\$ -	\$ -
Total Revenue to City	\$ 1,945,658	\$ 2,780,938	\$ 2,683,216	\$ 3,145,492	\$ 8,539,713	\$ 8,795,904	\$ 9,059,781

base rev

Source: Great Wolf Resorts, City of Manteca, EPS.

**Table A-4
GWR - Manteca Lodge
Negotiation Technical Support
Baseline Scenario Revenue Summary**

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Net Revenue to City																
Net General Fund Revenue (Excl Meas. M and TOT) [1]	\$0	\$0	\$394,182	\$424,746	\$476,090	\$490,373	\$505,084	\$520,237	\$535,844	\$551,919	\$859,872	\$885,668	\$912,238	\$939,605	\$967,793	\$996,827
Measure M Revenue	\$0	\$0	\$114,620	\$123,508	\$138,438	\$142,591	\$146,868	\$151,274	\$155,813	\$160,487	\$250,034	\$257,535	\$265,261	\$273,219	\$281,415	\$289,858
Other Agency Fee Reimbursement from TOT	\$0	\$0	\$300,000	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Land Sale Revenue to City from TOT	\$0	\$0	\$32,567	\$102,433	\$67,500	\$67,500	\$67,500	\$67,500	\$67,500	\$67,500	\$0	\$0	\$0	\$0	\$0	\$0
Deferred Fee Reimbursement from TOT	\$0	\$0	\$0	\$207,920	\$1,022,080	\$410,000	\$410,000	\$410,000	\$410,000	\$410,000	\$0	\$0	\$0	\$0	\$0	\$0
Remaining City Share of TOT	\$0	\$0	\$0	\$0	\$309,356	\$494,828	\$528,254	\$562,683	\$598,145	\$634,670	\$2,907,523	\$3,024,749	\$3,145,492	\$8,539,713	\$8,795,904	\$9,059,781
Total Net Revenue to City	\$0	\$0	\$841,369	\$1,158,607	\$2,013,463	\$1,605,292	\$1,657,707	\$1,711,694	\$1,767,301	\$1,824,576	\$4,017,429	\$4,167,952	\$4,322,990	\$9,752,537	\$10,045,113	\$10,346,466
Nominal Total = \$99.1 Million																
Discounted at 6.0% = \$32.3 Million																
TOT Revenue to Developer																
Financing Assistance - Fixed Amount from TOT	\$0	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0	\$0
Other Agency Fee Reimbursement from TOT	\$0	\$0	\$1,250,000	\$1,250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Remaining Developer Share of TOT	\$0	\$0	\$0	\$0	\$928,067	\$1,484,484	\$1,584,762	\$1,688,049	\$1,794,434	\$1,904,011	\$2,907,523	\$3,024,749	\$3,145,492	\$0	\$0	\$0
Total TOT Revenue to Developer	\$0	\$0	\$3,250,000	\$3,250,000	\$2,928,067	\$3,484,484	\$3,584,762	\$3,688,049	\$3,794,434	\$3,904,011	\$4,907,523	\$5,024,749	\$5,145,492	\$0	\$0	\$0
Nominal Total = \$100.0 Million																
Discounted at 6.0% = \$43.2 Million																

Source: EPS.

base summ

[1] City Net General Fund Revenue (exclusive of TOT and Measure M) is less the estimated public service costs for the Project, as estimated in the fiscal impact analysis. The figures presented in the fiscal impact analysis are based on stabilized room rate and occupancy assumptions in 2017 dollars, while the estimates included in this table incorporate project ramp-up and inflation.

APPENDIX B:

Fiscal Impact Analysis Tables

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**Table B-1
Manteca Lodge
Fiscal Impact Summary at Buildout by Scenario (2017\$)**

Item	Scenario 1: Excluding TOT Revenue	Scenario 2: Initial Stabilization	Scenario 3: Second Phase TOT Sharing
Annual Fiscal Impact			
General Fund			
Annual Revenues	\$661,000	\$1,122,000	\$1,825,000
Annual Expenditures	\$238,000	\$238,000	\$238,000
General Fund Annual Surplus/(Deficit)	\$423,000	\$884,000	\$1,587,000
Measure M			
Measure M Revenues	\$123,000	\$123,000	\$123,000
General Fund Annual Surplus/(Deficit) (Incl. Measure M)	\$546,000	\$1,007,000	\$1,710,000

scen sum

Source: EPS.

B-1

**Table B-2A
Manteca Lodge
Fiscal Impact Analysis
Fiscal Impact Analysis Results (2017\$)**

Scenario 1: Excluding TOT Revenue
--

Item	Annual Fiscal Impacts (2017\$)			
	Total Annual Impact Prior to Revenue Sharing	Proposed Revenue Sharing		City Revenue After Sharing
		City Revenue	Project Revenue [1]	
General Fund				
Annual Revenues [2]				
Property Taxes	\$239,000	\$0	\$0	\$239,000
Property Tax In-Lieu of Vehicle License Fees	\$163,000	\$0	\$0	\$163,000
Real Property Transfer Tax	\$0	\$0	\$0	\$0
Sales and Use Taxes	\$246,000	\$0	\$0	\$246,000
Public Safety Sales and Use Tax	\$6,000	\$0	\$0	\$6,000
Transient Occupancy Tax	\$4,327,000	\$0	\$4,327,000	\$0
Licenses and Permits	\$0	\$0	\$0	\$0
Business Licenses	\$2,000	\$0	\$0	\$2,000
Franchise Fees	\$5,000	\$0	\$0	\$5,000
Excise Tax	\$0	\$0	\$0	\$0
Intergovernmental	\$0	\$0	\$0	\$0
Charges for Services	\$0	\$0	\$0	\$0
Fines and Forfeitures	\$0	\$0	\$0	\$0
Use of Money & Property	\$0	\$0	\$0	\$0
All Other Revenue	\$0	\$0	\$0	\$0
Total Annual General Fund Revenues	\$4,988,000	\$0	\$4,327,000	\$661,000
Annual Expenditures [3]				
General Government	\$20,000	\$0	\$0	\$20,000
Police	\$109,000	\$0	\$0	\$109,000
Animal Control	\$0	\$0	\$0	\$0
Fire	\$79,000	\$0	\$0	\$79,000
Parks, Recreation, and Community Services	\$0	\$0	\$0	\$0
Public Utilities	\$1,000	\$0	\$0	\$1,000
Transportation	\$29,000	\$0	\$0	\$29,000
Total Annual General Fund Expenditures	\$238,000	\$0	\$0	\$238,000
Annual General Fund Surplus/(Deficit)	\$4,750,000	\$0	\$4,327,000	\$423,000
Measure M Sales and Use Tax Revenue				
Measure M Revenue	\$123,000	\$0	\$0	\$123,000
Annual General Fund Surplus/(Deficit) Incl. Measure M	\$4,873,000	\$0	\$4,327,000	\$546,000

summary2

Source: City of Manteca FY 2017-18 Adopted Budget; EPS.

Note: Values are rounded to the nearest \$1,000.

[1] Assumes all TOT revenues are retained by the Project.

[2] See Table B-7 for details on revenue estimating procedures.

[3] See Table B-13 for details on expenditure estimating procedures.

B-2

**Table B-2B
Manteca Lodge
Fiscal Impact Analysis
Fiscal Impact Analysis Results (2017\$)**

Scenario 2: Initial Stabilization
--

Item	Annual Fiscal Impacts (2017\$)			
	Total Annual Impact Prior to Revenue Sharing	Proposed Revenue Sharing		City Revenue After Sharing
		City Revenue	Project Revenue [1]	
General Fund				
Annual Revenues [2]				
Property Taxes	\$239,000	\$0	\$0	\$239,000
Property Tax In-Lieu of Vehicle License Fees	\$163,000	\$0	\$0	\$163,000
Real Property Transfer Tax	\$0	\$0	\$0	\$0
Sales and Use Taxes	\$246,000	\$0	\$0	\$246,000
Public Safety Sales and Use Tax	\$6,000	\$0	\$0	\$6,000
Transient Occupancy Tax	\$4,327,000	\$482,500	\$3,383,375	\$461,000
Licenses and Permits	\$0	\$0	\$0	\$0
Business Licenses	\$2,000	\$0	\$0	\$2,000
Franchise Fees	\$5,000	\$0	\$0	\$5,000
Excise Tax	\$0	\$0	\$0	\$0
Intergovernmental	\$0	\$0	\$0	\$0
Charges for Services	\$0	\$0	\$0	\$0
Fines and Forfeitures	\$0	\$0	\$0	\$0
Use of Money & Property	\$0	\$0	\$0	\$0
All Other Revenue	\$0	\$0	\$0	\$0
Total Annual General Fund Revenues	\$4,988,000	\$482,500	\$3,383,375	\$1,122,000
Annual Expenditures [3]				
General Government	\$20,000	\$0	\$0	\$20,000
Police	\$109,000	\$0	\$0	\$109,000
Animal Control	\$0	\$0	\$0	\$0
Fire	\$79,000	\$0	\$0	\$79,000
Parks, Recreation, and Community Services	\$0	\$0	\$0	\$0
Public Utilities	\$1,000	\$0	\$0	\$1,000
Transportation	\$29,000	\$0	\$0	\$29,000
Total Annual General Fund Expenditures	\$238,000	\$0	\$0	\$238,000
Annual General Fund Surplus/(Deficit)	\$4,750,000	\$482,500	\$3,383,375	\$884,000
Measure M Sales and Use Tax Revenue				
Measure M Revenue	\$123,000	\$0	\$0	\$123,000
Annual General Fund Surplus/(Deficit) Incl. Measure M	\$4,873,000	\$482,500	\$3,383,375	\$1,007,000

summary2

Source: City of Manteca FY 2017-18 Adopted Budget; EPS.

Note: Values are rounded to the nearest \$1,000.

[1] Assumes Project retains \$2,000,000 plus 75% of transient occupancy tax remaining after City debt service requirement payments are made.

[2] See Table B-7 for details on revenue estimating procedures.

[3] See Table B-13 for details on expenditure estimating procedures.

**Table B-2C
Manteca Lodge
Fiscal Impact Analysis
Fiscal Impact Analysis Results (2017\$)**

Scenario 3: Second Phase TOT Sharing

Item	Annual Fiscal Impacts (2017\$)			
	Total Annual Impact Prior to Revenue Sharing	Proposed Revenue Sharing		City Revenue After Sharing
		City Revenue	Project Revenue [1]	
General Fund				
Annual Revenues [2]				
Property Taxes	\$239,000	\$0	\$0	\$239,000
Property Tax In-Lieu of Vehicle License Fees	\$163,000	\$0	\$0	\$163,000
Real Property Transfer Tax	\$0	\$0	\$0	\$0
Sales and Use Taxes	\$246,000	\$0	\$0	\$246,000
Public Safety Sales and Use Tax	\$6,000	\$0	\$0	\$6,000
Transient Occupancy Tax	\$4,327,000	\$0	\$3,163,500	\$1,164,000
Licenses and Permits	\$0	\$0	\$0	\$0
Business Licenses	\$2,000	\$0	\$0	\$2,000
Franchise Fees	\$5,000	\$0	\$0	\$5,000
Excise Tax	\$0	\$0	\$0	\$0
Intergovernmental	\$0	\$0	\$0	\$0
Charges for Services	\$0	\$0	\$0	\$0
Fines and Forfeitures	\$0	\$0	\$0	\$0
Use of Money & Property	\$0	\$0	\$0	\$0
All Other Revenue	\$0	\$0	\$0	\$0
Total Annual General Fund Revenues	\$4,988,000	\$0	\$3,163,500	\$1,825,000
Annual Expenditures [3]				
General Government	\$20,000	\$0	\$0	\$20,000
Police	\$109,000	\$0	\$0	\$109,000
Animal Control	\$0	\$0	\$0	\$0
Fire	\$79,000	\$0	\$0	\$79,000
Parks, Recreation, and Community Services	\$0	\$0	\$0	\$0
Public Utilities	\$1,000	\$0	\$0	\$1,000
Transportation	\$29,000	\$0	\$0	\$29,000
Total Annual General Fund Expenditures	\$238,000	\$0	\$0	\$238,000
Annual General Fund Surplus/(Deficit)	\$4,750,000	\$0	\$3,163,500	\$1,587,000
Measure M Sales and Use Tax Revenue				
Measure M Revenue	\$123,000	\$0	\$0	\$123,000
Annual General Fund Surplus/(Deficit) Incl. Measure M	\$4,873,000	\$0	\$3,163,500	\$1,710,000

summary2

Source: City of Manteca FY 2017-18 Adopted Budget; EPS.

Note: Values are rounded to the nearest \$1,000.

[1] Assumes Project retains \$2,000,000 plus 50% of transient occupancy tax remaining after City debt service requirement payments are made.

[2] See Table B-7 for details on revenue estimating procedures.

[3] See Table B-13 for details on expenditure estimating procedures.

**Table B-3
Manteca Lodge
Fiscal Impact Analysis
General Assumptions**

Item	Assumption
General Assumptions	
Base Fiscal Year [1]	FY 2017-18
General Demographic Characteristics	
City of Manteca	
Population [2]	76,247
Employees [3]	18,600
City of Manteca Persons Served [4]	85,547

gen_assumps

Source: California Department of Finance; EDD; U.S. Census LED; EPS.

- [1] Reflects the City of Manteca Fiscal Year 2017-18 adopted budget. Revenues and expenditures are in 2017 dollars. This analysis does not reflect changes in values resulting from inflation or appreciation.
- [2] Based on population estimates from the California Department of Finance (DOF) data for January 1, 2017.
- [3] US Census Onthemap.ces.census.gov estimated a total of 15,574 jobs in Manteca, CA in 2014. California EDD reports an annual average growth rate of 2.74% since 2014 for the Stockton-Lodi MSA. EPS escalated 2014 employment figure to arrive at 2017 employment estimate, adjusted by an additional 10% to account for self-employed workers, and rounded to the nearest hundred employees.
- [4] Persons served is defined as total population plus half of total employees. Used to estimate specific revenues and expenditures that are assumed to be impacted by growth in resident and employment populations and to avoid double counting of employees who reside in the City.

**Table B-4
Manteca Lodge
Fiscal Impact Analysis
Land Use Summary by Phase**

Land Use	Buildout
	Hotel Rooms
Nonresidential	
Hotel	500
Indoor Waterpark	-
Restaurants	-
Retail	-
Adventure Zone	-
Subtotal Nonresidential	500
Total Project	500

landuse

Source: Great Wolf Resorts; EPS.

**Table B-5
Manteca Lodge
Fiscal Impact Analysis
Estimated Annual Attendance by Phase**

Item	Formula	Source/ Assumption	Annual Attendance
Hotel Visitors			
Hotel Rooms			
Available Rooms/Day	a		500
Available Rooms per Year	$b = a * 365$		182,500
Occupancy Rate	c	[1]	74.0%
Occupied Rooms per Year	$d = b * c$		135,050
Estimated Annual Hotel Visitors	$e = d * 4.5$	4.50 person/occ. room [2]	607,725
Estimated Local Visitors			
Estimated Local Visitors [4]	p	[3]	100,000
Total Annual Visitors	$q = o + p$		707,725

attendance

Source: Great Wolf Resorts; EPS.

[1] Occupancy rate is an informed estimate based on discussions between the City, Great Wolf, and EPS. Occupancy rate includes consideration for periods when the lodge is closed for maintenance.

[2] Assumptions derived from estimated visitor counts provided by the Project Developer.

[3] Represents estimated annual day-use visitors to the retail and adventure zone portions of the project only.

B-7

**Table B-6
Manteca Lodge
Fiscal Impact Analysis
Estimated Adjusted Daytime Population by Phase**

Item	Source	Adjustment Factor for Persons Served [1]	Annual Total	Annual Persons Served	Estimated Average Adj. Daytime Population [2]
Employees	[3]	0.5	500	250	250
Visitors	Table B-5				
Hotel Visitors		0.5	607,725	303,863	833
Local Visitors		0.5	100,000	50,000	137
Total Visitors			707,725	353,863	969
Total Employees and Visitors			708,225	354,113	1,219

adj_ev

Source: Great Wolf Resorts; EPS.

[1] Adjustment factor accounts for the proportional impact of the employee or visitor relative to a full-time resident.

[2] Average adjusted daytime population used to estimate police and fire impacts. See Appendix C.

[3] Employee estimates provided by Great Wolf Resorts. This employee count includes both full and part time employees.

Table B-7
Manteca Lodge
Fiscal Impact Analysis
Revenue-Estimating Procedures Based on City of Manteca FY 2017-18 Budget (2017\$)

Item	Estimating Procedure	Case Study Reference	FY 2017-18 Budgeted General Fund Revenues	Less Offsetting Revenues	FY 2017-18 Budgeted Net General Fund Revenues	Service Population [1]	Revenue Multiplier
General Fund Revenues							
Property Taxes	Case Study	Table B-9	\$9,020,835	-	\$9,020,835	NA	-
Property Tax In-Lieu of Vehicle License Fees	Case Study	Table B-9	\$6,240,935	-	\$6,240,935	NA	-
Real Property Transfer Tax	Case Study	Table B-10	\$365,650	-	\$365,650	NA	-
Sales and Use Taxes	Case Study	Table B-11	\$11,850,175	-	\$11,850,175	NA	-
Public Safety Sales and Use Tax	Case Study	Table B-11	\$303,500	-	\$303,500	NA	-
Transient Occupancy Tax	Case Study	Table B-12	\$1,100,000	-	\$1,100,000	NA	-
Licenses and Permits	[2]	-	\$274,900	(\$272,900)	\$2,000	NA	-
Business Licenses	Persons Served	-	\$705,000	-	\$705,000	85,547	\$8.24
Franchise Fees	Persons Served	-	\$1,680,325	-	\$1,680,325	85,547	\$19.64
Excise Tax	[2]	-	\$540,000	-	\$540,000	NA	-
Intergovernmental	[2]	-	\$590,300	(\$557,300)	\$33,000	NA	-
Charges for Services	[2]	-	\$5,606,205	(\$3,126,327)	\$2,479,878	NA	-
Fines and Forfeitures	[2]	-	\$244,000	(\$244,000)	-	NA	-
Use of Money & Property	[2]	-	\$825,000	-	\$825,000	NA	-
All Other Revenue	[2]	-	\$40,800	-	\$40,800	NA	-
Total General Fund Revenues			\$39,387,625	(\$4,200,527)	\$35,187,098		
Fund Reserves			(\$487,217)				
Total General Fund Revenues (Incl. Reserves)			\$38,900,408				

Source: City of Manteca FY 2017-18 Budget; EPS.

rev_pro

[1] Refer to Table B-3 for details.

[2] This revenue source is not expected to be affected by the Project and therefore is not evaluated in this analysis.

**Table B-8
Manteca Lodge
Fiscal Impact Analysis
Estimated Annual Project Revenues at Buildout (2017\$)**

Revenues	Source	Annual Net Revenue	
		Total	Percentage of Total
General Fund Revenues			
Property Taxes	Table B-9	\$239,000	4.79%
Property Tax In-Lieu of Vehicle License Fees	Table B-9	\$163,000	3.27%
Real Property Transfer Tax	Table B-10	\$0	0.00%
Sales and Use Taxes	Table B-11	\$246,000	4.93%
Public Safety Sales and Use Tax	Table B-11	\$6,000	0.12%
Transient Occupancy Tax	Table B-12	\$4,327,000	86.75%
Licenses and Permits	[1]	\$0	0.00%
Business Licenses	Persons Served	\$2,000	0.04%
Franchise Fees	Persons Served	\$5,000	0.10%
Excise Tax	[1]	\$0	0.00%
Intergovernmental	[1]	\$0	0.00%
Charges for Services	[1]	\$0	0.00%
Fines and Forfeitures	[1]	\$0	0.00%
Use of Money & Property	[1]	\$0	0.00%
All Other Revenue	[1]	\$0	0.00%
Total General Fund Revenues		\$4,988,009	100.00%
Measure M Sales Tax Revenue [2]	Table B-11	\$123,000	

revenues

Source: City of Manteca FY 2017-18 Adopted Budget; EPS.

Note: Values are rounded to the nearest \$1,000.

[1] This revenue source is not expected to be affected by the Project and therefore is not evaluated in this analysis.

[2] Measure M sales tax revenue is a special tax (non-General Fund) revenue to hire/train additional firefighters and police officers to reduce gang and drug crimes, expand gang and drug prevention programs, expand neighborhood patrols of schools and parks, and improve emergency response times. This special tax was effective April 1, 2007 and does not have a sunset provision.

B-10

**Table B-9
Manteca Lodge
Fiscal Impact Analysis
Estimated Annual Property Tax Revenues (2017\$)**

Item	Assumptions/ Source	Formula	Annual Fiscal Impact (2017\$)
1-Percent Property Tax			
Total Assessed Value of Project [1]		<i>a</i>	\$186,750,000
Property Tax Revenue (1% of Assessed Value)	1.00%	$b = a * 1.00\%$	\$1,867,500
Estimated Average Property Tax Allocation [2]			
City of Manteca	12.79%	$c = b * 12.79\%$	\$238,836
San Joaquin County General Fund	21.57%	$d = b * 21.57\%$	\$402,795
Other Agencies/ERAF	65.64%	$e = b * 65.64\%$	\$1,225,868
Property Tax In-Lieu of Motor Vehicle In-Lieu Fee Revenue (VLF)			
Total Citywide Assessed Value [3]		<i>h</i>	\$7,161,748,519
Total Assessed Value of Project		<i>i</i>	\$186,750,000
Total Assessed Value		$j = h + i$	\$7,348,498,519
Percent Change in AV		$k = i / h$	2.61%
Property Tax In-Lieu of VLF [4]	\$6,240,935	$l = k * \$6,240,935$	\$162,739

prop_tax

Source: San Joaquin County Auditor-Controller; City of Manteca; Great Wolf Resorts; EPS.

[1] For calculation of the Project's assessed value at buildout, refer to Table D-2.

[2] For assumptions and calculation of the estimated property tax allocation, refer to Table D-1. The project is in the former redevelopment area and this analysis assumes the City share of RPTTF would equate to the City's typical share of the 1 percent ad valorem property tax.

[3] Reflects Assessed Valuation for FY 2017-18. Includes Citywide secured, unsecured, homeowner exemption, and public utility roll.

[4] Property tax in-lieu of VLF amount derived from the City of Manteca FY 2017-18 Adopted Budget. See Table B-1.

**Table B-10
Manteca Lodge
Fiscal Impact Analysis
Real Property Transfer Tax (2017\$)**

Description	Source/ Assumption	Assessed Value [1]	Annual Transfer Tax Revenue [2]
Rate per \$1,000 of AV	\$0.55		
Turnover Rate Nonresidential	5%		
Annual Transfer Tax Revenue Nonresidential		\$186,750,000	\$0
Total Annual Transfer Tax Revenue		\$186,750,000	\$0

transfer_tax

Source: City of Manteca; EPS.

- [1] Assessed Values (AV) shown in Table B-19 based on information provided by the project applicant. Note that assessed values are expressed in 2017\$ and include no real AV growth.
- [2] Formula for Transfer Tax = Assessed Value/1000 * Rate per \$1,000 of Assessed Value * Turnover rate. Because it is uncertain if or when the Project may change ownership, a real property transfer tax revenue has not been included in this analysis.

**Table B-11
Manteca Lodge
Fiscal Impact Analysis
Estimated Annual Taxable Sales and Use Tax Revenue (2017\$)**

Item	Formula	Source/ Assumptions	Annual Sales Tax Revenue (2017\$)
Estimated Annual Taxable Sales			
Annual Taxable Sales from Market Support (New Employee Expenditures)	<i>a</i>	Table B-11A	\$324,000
Annual City Taxable Sales from Onsite Commercial Uses	<i>b</i>	Table B-11B	\$24,228,000
Annual Taxable Sales from Total City Net New Development	$c = a + b$		\$24,552,000
Annual Sales Tax Revenue			
Bradley Burns Local Sales Tax Rate	<i>d</i>	1.0000%	
Total Bradley Burns Sales Tax Revenue		1.0000%	
Total Annual Sales Tax Revenue	$e = c * d$		\$245,520
Measure M Supplemental Sales Tax [1]	$h = c * 0.5000\%$	0.5000%	\$122,760
City of Manteca Prop 172 Public Safety Sales Tax Revenue [2]	$i = e * 2.5611\%$	2.5611%	\$6,288

sales_tax

Source: City of Manteca; California State Board of Equalization; EPS.

- [1] Measure M sales tax revenue is a special tax (non-General Fund) revenue to hire/train additional firefighters and police officers to reduce gang and drug crimes, expand gang and drug prevention programs, expand neighborhood patrols of schools and parks, and improve emergency response times. This special tax was effective April 1, 2007 and does not have a sunset provision.
- [2] Calculated as the ratio of Proposition 172 Public Safety Tax revenue to total sales tax revenue based on the FY 2016-17 Budget. Any variation in the relationship between Proposition 172 Public Safety Tax revenue and total sales tax revenue affecting the estimate of this revenue source is estimated to be nominal.

**Table B-11A
Manteca Lodge
Fiscal Impact Analysis
Estimated Annual Taxable Sales from Proposed Development, Market Support Method (2017\$)**

Annual Taxable Sales from Market Support	Assumption	Annual Taxable Sales (2017\$)
Annual Taxable Sales from New Employees		
Taxable Sales from New Employment		
Employees [1]		500
Full Time Employees [2]	45%	
Average Daily Taxable Sales per New Employee	\$10.00	
Work Days per Year [3]	240	
Est. Retail Capture Rate within City of Manteca [4]	60%	
Total Taxable Sales from New Employees		\$324,000
Total Annual Taxable Sales from Market Support		
Taxable City Sales inside Project Area [5]	25%	\$81,000
Taxable City Sales outside Project Area	75%	\$243,000

sales_a

Source: EPS.

- [1] Refer to Table B-6 for employee estimates.
- [2] Additional employee taxable sales are estimated only for full time employees.
- [3] Although the project is anticipated to be open 365 days per year, each employee is anticipated to work a typical 5-days per week schedule.
- [4] Assumes 60 percent of taxable retail spending by employees is captured by retailers within the City. This assumption is a conservative estimate based on an examination of existing retail in the City.
- [5] Amount deducted from taxable sales generated on-site (as calculated in Table B-5B) to avoid double-counting of employee-generated taxable sales within the Project.

**Table B-11B
Manteca Lodge
Fiscal Impact Analysis
Estimated Annual Taxable Sales, Adjusted Retail Space Method (2017\$)**

Item	Source/ Assumption	Sales per Sq. Ft. [1]	Total Annual Taxable Sales
Annual Taxable Sales from Onsite Commercial Development			
Annual Taxable Sales of Hotel Guests [1]			
Annual Occupied Hotel Rooms	Table B-5		135,050
Annual Taxable Sales	<u>Per Room</u>		
Food and Beverage Sales	\$124		\$16,746,200
Retail Sales	\$56		\$7,562,800
Total Annual Taxable Sales	\$180		\$24,309,000
Total Annual Taxable Sales from Onsite Commercial Development			\$24,309,000
Less Total Annual Taxable Sales from Market Support (within the Project) [2]	Table B-11A		\$81,000
Annual Taxable Sales less Market Support			\$24,228,000

sales_b

Source: Great Wolf Resorts; EPS.

- [1] Nonresidential Taxable Sales based on information provided by Great Wolf Resorts. Represents the total amount of estimated, annual taxable sales generated by the project on a per occupied room basis. Includes Food and Beverage sales and Retail Sales.
- [2] Derived in Table B-5A. Deducted to avoid double-counting of employee generated taxable sales within the Project.

**Table B-12
Manteca Lodge
Fiscal Impact Analysis
Annual TOT Revenue at Buildout (2017\$)**

Item	Formula	Assumption	Annual TOT Revenue (2017\$)
Hotel Rooms [1]	<i>a</i>		500
Annual Rooms Available	$b = a * 365$	365	182,500
Occupancy Rate [2]	<i>c</i>	74%	135,050
Average Daily Room Rate [2]	<i>d</i>	\$356	
City of Manteca TOT Rate [3]	<i>e</i>	9%	
Annual Transient Occupancy Tax (Rounded)	$f = b * c * d * e$		\$4,327,000

TOT

Source: Great Wolf Resorts; City of Manteca; EPS.

[1] For details, refer to Table B-4.

[1] ADR and Occupancy rate is an informed estimate based on discussions between the City, Great Wolf, and EPS. Occupancy rate includes consideration for periods when the lodge is closed for maintenance.

[3] The City of Manteca has a base TOT rate of 5% plus an additional 4% supplemental TOT tax.

**Table B-13
Manteca Lodge
Fiscal Impact Analysis
Expenditure Estimation Calculation**

Expenditure Category	Estimating Procedure	Case Study Reference	FY 2017-18 City Budgeted Expenditures	Offsetting Revenues	Net FY 2017-18 Expenditures	Service Population [1]	Adjustment Factor [2]	Expenditure Multiplier
General Fund Expenditures								
General Government								
Legislation and Policy	Persons Served	-	\$853,080	-	\$853,080	85,547	100%	\$9.97
Legal Services	Persons Served	-	\$254,500	-	\$254,500	85,547	100%	\$2.97
City Administration	Persons Served	-	\$850,324	(\$371,212)	\$479,112	85,547	100%	\$5.60
Public Works Administration	Persons Served	-	\$1,253,023	(\$941,103)	\$311,920	85,547	100%	\$3.65
Non Departmental	Persons Served	-	\$3,070,925	-	\$3,070,925	85,547	100%	\$35.90
Human Resources	Persons Served	-	\$568,788	-	\$568,788	85,547	100%	\$6.65
Fiscal and Revenue Management	Persons Served	-	\$1,227,439	(\$511,312)	\$716,127	85,547	100%	\$8.37
Fleet Maintenance	Persons Served	-	\$720,326	-	\$720,326	85,547	100%	\$8.42
Subtotal General Government			\$8,798,405	(\$1,823,627)	\$6,974,778			
Public Safety								
Police Protection	Case Study	Table B-15	\$16,524,185	(\$1,046,500)	\$15,477,685	-	100%	-
Animal Services	N/A	-	\$414,446	(\$272,900)	\$141,546	-	100%	-
Fire Protection	Case Study	Table B-16	\$7,713,065	(\$241,000)	\$7,472,065	-	100%	-
Subtotal Public Safety			\$24,651,696	(\$1,560,400)	\$23,091,296			
Parks, Recreation, and Community Services								
Parks Maintenance	Per Capita	-	\$4,259,277	(\$816,500)	\$3,442,777	76,247	100%	\$45.15
Library	Per Capita	-	\$122,725	-	\$122,725	76,247	100%	\$1.61
Recreational and Senior Services	Per Capita	-	\$741,458	-	\$741,458	76,247	100%	\$9.72
Subtotal Parks, Recreation, and Community Svcs			\$5,123,460	(\$816,500)	\$4,306,960			
Public Utilities								
Storm Drainage	Persons Served	-	\$426,601	-	\$426,601	85,547	100%	\$4.99
Subtotal Public Utilities			\$426,601	-	\$426,601			
Transportation								
Streets	Case Study	Table B-17	\$22,730	-	\$22,730	-	100%	-
Subtotal Transportation			\$22,730	-	\$22,730			
Total General Fund Expenditures			\$39,022,892	(\$4,200,527)	\$34,822,365			

Source: City of Manteca FY 2017-18 Budget; EPS.

[1] Refer to Table B-3 for details.

[2] An adjustment factor may be used to reflect the fact that new employees may not increase certain General Fund department expenditures at a 1:1 ratio. This analysis does not assume an adjustment factor.

**Table B-14
Manteca Lodge
Fiscal Impact Analysis
Estimated Annual Project Expenditures (2017\$)**

Expenditures	Source	Annual Net Expenditures	
		Total	Percent of Total
General Fund Expenditures			
General Government			
Legislation and Policy	Persons Served	\$2,000	1%
Legal Services	Persons Served	\$1,000	0%
City Administration	Persons Served	\$1,000	0%
Public Works Administration	Persons Served	\$1,000	0%
Non Departmental	Persons Served	\$9,000	4%
Human Resources	Persons Served	\$2,000	1%
Fiscal and Revenue Management	Persons Served	\$2,000	1%
Fleet Maintenance	Persons Served	\$2,000	1%
Subtotal General Government		\$20,000	8%
Public Safety			
Police Protection	Case Study	\$109,000	46%
Animal Services [1]	N/A	\$0	0%
Fire Protection	Case Study	\$79,000	33%
Subtotal Public Safety		\$188,000	79%
Parks, Recreation, and Community Services [1]			
Parks Maintenance	Per Capita	\$0	0%
Library	Per Capita	\$0	0%
Recreational and Senior Services	Per Capita	\$0	0%
Subtotal Parks, Recreation, and Community Services		\$0	0%
Public Utilities			
Storm Drainage	Persons Served	\$1,000	0%
Subtotal Public Utilities		\$1,000	0%
Transportation			
Streets	Case Study	\$29,000	12%
Subtotal Transportation		\$29,000	12%
Total General Fund Expenditures		\$238,000	100%

expenditures

Source: City of Manteca FY 2017-18 Budget; EPS.

Note: Values are rounded to the nearest \$1,000.

[1] Animal Services, and Parks, Recreation, and Community Services not estimated to be impacted by the Project given the nature and location of the proposed use.

Table B-15
Manteca Lodge
Fiscal Impact Analysis
Police Protection Average Cost Case Study (2017\$)

Item	FY 2017-18 City Budgeted Expenditures	Offsetting Revenues	Net FY 2017-18 Expenditures	Average Cost Multiplier	Adjustment Factor [1]	Adjusted Average Cost Multiplier	Total Annual Cost Attributable to Project
				<u>Citywide Persons Served</u>			<u>Est. Daytime Population [2]</u>
Average Per Person Served Cost Multiplier Method				85,547			1,219
General Fund							
Police Protection Budget [3]							
Administration	\$2,269,933	\$0	\$2,269,933	\$26.53	50%	\$13.27	\$16,179
Asset Seizure	\$16,500	\$0	\$16,500	\$0.19	50%	\$0.10	\$118
Code Enforcement	\$256,640	\$150,000	\$106,640	\$1.25	25%	\$0.31	\$380
Dispatch	\$2,026,243	\$0	\$2,026,243	\$23.69	50%	\$11.84	\$14,442
Investigation	\$1,950,827	\$0	\$1,950,827	\$22.80	50%	\$11.40	\$13,905
Jail Services	\$261,609	\$0	\$261,609	\$3.06	25%	\$0.76	\$932
Patrol	\$9,123,117	\$686,300	\$8,436,817	\$98.62	50%	\$49.31	\$60,134
Support Services	\$619,316	\$210,200	\$409,116	\$4.78	50%	\$2.39	\$2,916
Total Annual Police Protection Budget	\$16,524,185	\$1,046,500	\$15,477,685	\$180.93		\$89.39	\$109,006

police_c1

Source: City of Manteca; EPS.

[1] Accounts for a portion of fixed police costs, which are not anticipated to increase as a result of the additional employees and visitors associated with the project.

[2] Refer to Table A-5 for the calculation of average daily visitors (including employees).

[3] Excludes Animal Control expenditures, which are estimated separately on an average cost basis. See Table C-1.

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**Table B-16
Manteca Lodge
Fiscal Impact Analysis
Fire Protection Average Cost Case Study (2017\$)**

Item	FY 2017-18 City Budgeted Expenditures	Offsetting Revenues	Net FY 2017-18 Expenditures	Average Cost Multiplier	Adjustment Factor [1]	Adjusted Average Cost Multiplier	Total Annual Cost Attributable to Project
				<u>Citywide Persons Served</u>			<u>Est. Daytime Population [2]</u>
Average Per Person Served Cost Multiplier Method				85,547			1,219
General Fund							
Fire Protection Budget							
Capital Improvement	\$23,000	\$0	\$23,000	\$0.27	50%	\$0.13	\$164
Capital Outlay	\$43,700	\$0	\$43,700	\$0.51	25%	\$0.13	\$156
Personnel Services	\$6,688,965	\$241,000	\$6,447,965	\$75.37	75%	\$56.53	\$68,938
Professional Services	\$356,400	\$0	\$356,400	\$4.17	100%	\$4.17	\$5,081
Supplies	\$601,000	\$0	\$601,000	\$7.03	50%	\$3.51	\$4,284
Total Annual Fire Protection Budget	\$7,713,065	\$241,000	\$7,472,065	\$87.34		\$64.47	\$78,621

fire_pop

Source: City of Manteca; EPS.

[1] Accounts for a portion of fixed fire costs, which are not anticipated to increase as a result of the additional employees and visitors associated with the project.

[2] Refer to Table A-5 for the calculation of average daily visitors (including employees).

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**Table B-17
Manteca Lodge
Fiscal Impact Analysis
Road Maintenance Case Study (2017\$)**

Item	Annual Maintenance Cost
Estimated Annual Road Maintenance Costs Attributable to Project	
Annual Cost per Arterial/Collector Road Mile [1]	\$38,000
Arterial Road Miles in Project	0.75
Total Annual Road Maintenance Cost	\$28,500

roads

Source: City of Manteca; EPS.

[1] Cost per Arterial/Collector Road Mile provided by City of Manteca, as of October 2016.

**Table B-18
Manteca Lodge
Fiscal Impact Analysis
Preliminary Property Tax Allocations**

Tax Code	Entity	Base Tax Rate Area (TRA) Post-ERAF Distribution [1]		Average Base Tax Rate Area Distribution
		002-006	002-076	
Funds Relevant to Analysis				
40200	City of Manteca	13.50560%	12.07260%	12.78910%
Other Funds				
10001	County General Fund	22.22650%	20.91090%	21.56870%
10618	County Library	1.41970%	1.63890%	1.52930%
12601	Manteca Unified Schools	23.36060%	26.93710%	25.14885%
13001	San Joaquin Delta Community College	3.14730%	3.64690%	3.39710%
13201	County School Service	0.67600%	1.45240%	1.06420%
16001	San Joaquin County Flood Control	0.12770%	0.15970%	0.14370%
21901	SJ County Mosquito Abatement	0.61590%	0.71830%	0.66710%
24601	South San Joaquin Irrigation	4.68710%	5.41660%	5.05185%
41100	Educational Revenue Augmentation Fund (ERAF)	30.23360%	27.04660%	28.64010%
	Subtotal	86.49440%	87.92740%	87.21090%
	Total	100.00000%	100.00000%	100.00000%

alloc

Source: San Joaquin County Auditor-Controller; EPS.

[1] It is assumed that all required obligations to bond debts related to redevelopment agencies will be met by existing development and all incremental property tax revenue generated by the Project will be reallocated following the base Tax Rate Area Distributions as provided by the County Auditor-Controllers office.

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**Table B-19
Manteca Lodge
Fiscal Impact Analysis
Estimated Assessed Valuation (2017\$)**

Item	Total Assessed Value [1]
Assessed Value of Project	
Land	\$6,750,000
Improvement Costs	\$180,000,000
Total Assessed Value	\$186,750,000

av_base

Source: San Joaquin County Assessor; Great Wolf Resorts; EPS.

[1] Estimated assessed values (AVs) are placeholder estimates



APPENDIX C: Economic Impact Analysis Tables

Table C-1	Summary of One-Time and Annual Ongoing Economic Impacts	C-1
Table C-2	Detailed One-Time Economic Impacts of Project Construction by Phase.....	C-2
Table C-3	Detailed Annual Ongoing Economic Impacts.....	C-3
Table C-4	Economic Impacts Generated by Ongoing Offsite Visitor Expenditures.....	C-4
Table C-5	Estimated Project Employment by Phase	C-5
Table C-6	Local Visitor and Tourist Spending Patterns by Category.....	C-6
Table C-7	Estimated Local and Tourist Visitor Offsite Expenditures	C-7

**Table C-1
Manteca Lodge
Economic Impact Analysis
Summary of One-Time and Annual Ongoing Economic Impacts (Rounded 2017\$)**

Activity/Impact Categories	Source	Buildout
One-Time Economic Impacts of Project	Table C-2	
One-Time Construction Impacts [1]		\$200.8 M
One-Time Construction Jobs (Job Years) [2]		1,520
Annual Ongoing Project Impacts		
Project Operations	Table C-3	
Annual Ongoing Operational Impacts [3]		\$42.5 M
Annual Ongoing Operational Jobs (Annual Average) [4]		481
Offsite Visitor Expenditures	Table C-4	
Annual Ongoing Offsite Visitor Spending [5]		\$21.8 M
Annual Ongoing Jobs [4]		270

all

Source: IMPLAN; Great Wolf Resorts; EPS.

[1] Includes direct and indirect impacts.

[2] Employment includes both full-time and part-time workers. Job years refer to the number of jobs in each year summed over the entire period of construction.

[3] Includes direct, indirect, and induced impacts.

[4] Includes both full-time and part-time workers.

[5] Annual spending by Project visitors outside of the Project and within San Joaquin County.

**Table C-2
Manteca Lodge
Economic Impact Analysis
Detailed One-Time Economic Impacts of Project Construction by Phase (Rounded 2017\$)**

Activity/Impact Categories	Source	Impact Type			Total One-Time Impact
		Direct	Indirect	Induced [1]	
Estimated Construction Costs					
Buildout	[2]	\$180,000,000			
Buildout					
San Joaquin County Output					
Industry Output (excl. Income)		\$103,690,000	\$13,750,000	-	\$117,440,000
Income [3]		\$76,310,000	\$7,080,000	-	\$83,390,000
Total Output		\$180,000,000	\$20,830,000	-	\$200,830,000
San Joaquin County Employment					
(Job years) [4]		1,397	123	-	1,520

con

Source: IMPLAN; Great Wolf Resorts; EPS.

[1] Total construction impacts include direct and indirect impacts only; induced impacts were not estimated because construction activities are temporary and thus are not anticipated to generate net new household expenditures in the local economy.

[2] Construction cost estimate provided by project applicant

[3] Includes employee compensation, proprietors income, and other income (industry profits, rents, and royalties).

[4] Employment includes both full-time and part-time workers. Job years refer to the number of jobs in each year summed over the entire period of construction.

**Table C-3
Manteca Lodge
Economic Impact Analysis
Detailed Annual Ongoing Economic Impacts (Rounded 2017\$)**

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Estimated Annual Ongoing Employment [1]					
Buildout	Table C-5	375			
Buildout					
San Joaquin County Output					
Industry Output (excl. Income)		\$20,690,000	\$4,470,000	\$4,040,000	\$29,200,000
Income [2]		\$8,860,000	\$2,470,000	\$2,010,000	\$13,340,000
Total San Joaquin County Output		\$29,550,000	\$6,940,000	\$6,050,000	\$42,540,000
San Joaquin County Employment (Annual Average) [3]					
		375	59	47	481

Source: IMPLAN; Great Wolf Resorts; EPS.

[1] Reflects estimated full-time equivalents (FTEs).

[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).

[3] Employment includes both full-time and part-time workers.

emp imp

**Table C-4
Manteca Lodge
Economic Impact Analysis
Economic Impacts Generated by Ongoing Offsite Visitor Expenditures (Rounded 2017\$)**

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct [1]	Indirect	Induced	
Estimated Offsite Visitor Expenditures					
Buildout	Table C-7	\$40,238,447			
Buildout					
San Joaquin County Output [1]					
Industry Output (excl. Income)		\$8,080,000	\$2,330,000	\$2,650,000	\$13,060,000
Income [2]		\$6,380,000	\$1,070,000	\$1,320,000	\$8,770,000
Total San Joaquin County Output		\$14,460,000	\$3,400,000	\$3,970,000	\$21,830,000
San Joaquin County Employment (Annual Average) [3]		215	25	30	270

Source: IMPLAN; Great Wolf Resorts; EPS.

vis

[1] Reflects business expenditures on goods and services retained in the local economy. Direct output is lower than total new expenditures (retail sales) because of the application of retail margins in the IMPLAN model. Retail margins reflect the difference between the costs retailers pay and the price retailers charge to customers.

[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).

[3] Employment includes both full-time and part-time workers.

**Table C-5
Manteca Lodge
Economic Impact Analysis
Estimated Project Employment by Phase (Cumulative)**

Item	Buildout Employment			FTEs [1]
	Full-Time	Part-Time	Total	
Employment by Function				
Hotel	175	175	350	263
Waterparks	75	75	150	113
Total Employment	250	250	500	375

emp

Source: Great Wolf Resorts; EPS.

[1] Full-time equivalent (FTE) employees equal the number of employees on full-time schedules plus the number of employees on part-time schedules converted to a full-time basis. Assumes full-time employees work 40 hours per week (1 FTE) and part-time employees work 20 hours per week (0.5 FTE).

**Table C-6
Manteca Lodge
Economic Impact Analysis
Local Visitor and Tourist Spending Patterns by Category (2017\$)**

Expenditure Categories by Type of Visitor [1]	Percentage of Expenditures	Spending per Visitor			
		2004\$	2017\$ [2]	Adj. Factor [3]	2017\$ Adj.
Offsite Spending per Local Visitor [3]					
Food and Drink	49.4%	\$8.16	\$10.64	50.0%	\$5.32
Souvenirs, Books, or Art Objects	12.6%	\$2.08	\$2.71	0.0%	\$0.00
Transportation	15.1%	\$2.49	\$3.25	100.0%	\$3.25
Childcare	2.5%	\$0.41	\$0.54	0.0%	\$0.00
Clothing, Accessories & Other Retail	20.4%	\$3.37	\$4.39	50.0%	\$2.20
Subtotal	100.0%	\$16.51	\$21.54		\$10.77
Additional Offsite Spending per Non-Local Visitor (Tourist) [4]					
Travel & Lodging	51.1%	\$97.45	\$127.15	0.0%	\$0.00
Food and Drink	24.1%	\$46.00	\$60.01	50.0%	\$30.01
Clothing, Accessories & Other Retail	24.8%	\$47.43	\$61.88	50.0%	\$30.94
Subtotal	100.0%	\$190.87	\$249.04		\$60.95
Total Offsite Spending per Non-Local Visitor (Tourist) [5]					
Food and Drink	26.1%	\$54.15	\$70.65	-	\$35.33
Souvenirs, Books, or Art Objects	1.0%	\$2.08	\$2.71	-	\$0.00
Transportation	1.2%	\$2.49	\$3.25	-	\$3.25
Childcare	0.2%	\$0.41	\$0.54	-	\$0.00
Clothing, Accessories & Other Retail	24.5%	\$50.79	\$66.27	-	\$33.14
Travel & Lodging	47.0%	\$97.45	\$127.15	-	\$0.00
Total Offsite Spending per Tourist	100.0%	\$207.38	\$270.58		\$71.72

spend

Source: California Arts Council (2004) The Arts: A Competitive Advantage for California II; BLS.

- [1] Reflects offsite (non-project) spending for local and non-local visitors to arts facilities in California. This data was used as an approximation of how much local and non-local visitors may spend outside of the Project and within San Joaquin County. Assumptions derived from The Arts: A Competitive Advantage for California, prepared by the California Arts Council in 2004.
- [2] Escalated using the West Region annual CPI between 2004 and the first half of 2017 (January through June 2017 average), the most recent, aggregated (non-monthly) data available.
- [3] Adjustment factor reflects the fact that the proposed Project contains more opportunities for visitor spending in the project than the arts facilities surveyed. Consequently this analysis assumes that visitors may spend less money outside of the Project, within the County.
- [4] Additional spending by tourists (non-local visitors) staying for one or more nights per visit.
- [5] Sum of average spending per visitor plus additional spending for tourists.

**Table C-7
Manteca Lodge
Economic Impact Analysis
Estimated Local and Tourist Visitor Offsite Expenditures (2017\$)**

Spending Category	Local/Group Visitors [1]		Tourists (Out-of-Area Visitors)		Total Visitor Offsite Spending
	Daily Amount Spent per Visitor [2]	Subtotal Offsite Spending	Daily Amount Spent per Visitor [2]	Subtotal Offsite Spending	
Buildout					
Estimated Annual Visitors [3]		60,773		551,953	607,725
<i>Percentage of Total (Rounded)</i>		<i>10%</i>		<i>90%</i>	<i>100%</i>
Offsite Spending Per Visitor					
Food and Drink	\$5.32	\$323,352	\$35.33	\$19,498,619	\$19,821,972
Souvenirs, Books, or Art Objects	\$0.00	\$0	\$0.00	\$0	\$0
Transportation	\$3.25	\$197,677	\$3.25	\$1,795,356	\$1,993,032
Childcare	\$0.00	\$0	\$0.00	\$0	\$0
Clothing, Accessories & Other Retail	\$2.20	\$133,530	\$33.14	\$18,289,913	\$18,423,443
Travel & Lodging	\$0.00	\$0	\$0.00	\$0	\$0
Total Offsite Spending	\$10.77	\$654,559	\$71.72	\$39,583,888	\$40,238,447

offsite

Source: California Arts Council, 2004; BLS; EPS.

[1] Assumes local visitors will have offsite spending patterns distinct from non-local visitors.

[2] Refer to Table C-6 for additional details.

[3] Offsite Visitor estimates include 80 percent of overnight visitors plus an additional 5% of day use visitors.

C-7



APPENDIX D: Comparable Hotel Incentives Tables

Table D-1	Summary of Comparable Hotel Incentives (2 pages)	D-1
Table D-2	Subsidy as Percentage of Total Budget for Select Projects ..	D-3

**Table D-1
Proposed Manteca Lodge - Great Wolf Resorts
Summary of Comparable Hotel Incentives**

Project Name	Jurisdiction Providing Incentives	Project Description	Incentive Program	
			Program Type	Program Terms
Lake Project	City of Anaheim	252-room mixed-use hotel across the street from Anaheim Convention Center	TOT rebate for taxes created above City-established market RevPAR	TOT subsidy for 15 years and up to a maximum of \$44 million in future TOT reimbursements
JW Marriott Expansion	City of Palm Desert	Expansion of existing hotel in form of new water park	TOT rebate for taxes generated above what the hotel is expected to have created had the waterpark not been built	TOT rebate is collected until this figure reaches \$1 million
Great Wolf Water Park Hotel	City of Garden Grove	600-room Great Wolf water park resort hotel estimated to cost \$300 million	Bond program to help fund construction and close feasibility gap	Includes a \$22 million parcel, \$5 million at the start of construction and \$42 million upon completion. The city issued \$51 million in bonds to subsidize construction. [2]
Proposed Hyatt Place Hyde Park	City of Chicago	131-room hotel	City-approved subsidy to be financed by tax increment financing (TIF)	\$5.2 million in incentives requiring the project adhere to providing various community benefits such as utilizing union workers, a 28% minority and women-owned business procurement obligation, and a workforce training program.
Proposed Miramar Hotel in Montecito	Santa Barbara County	186-room hotel	County ordinance allowing new hotel developments to receive share of project-generated bed tax	Hotels can receive up to 70% of their bed tax for a period of 15 years after completion; exact application of the ordinance and specific incentives for each project have yet to be determined
Proposed Springhill Suites	City of Escondido	105-room hotel	Share of project-generated TOT	City requested a 3-year extension to an original incentive agreement that called for 55 percent share of TOT over a period of 10 years with an incentive ceiling of \$1.45 million
Hyatt Regency Cincinnati Renovation	City of Cincinnati	\$17 million renovation of an existing 485-room hotel property	Reduced price sale of City-owned land underneath the hotel for ownership	In exchange for completing the renovation, the City agreed to sell the land to hotel ownership for \$2.1 million, a \$1.55 million discount from its value of \$3.65 million
Gaylord Aurora Project	State of Colorado	Proposed \$800 million 1,500 room hotel	Annual sales tax rebate pursuant to Colorado's Regional Tourism Act of 2009; Tax-sharing agreement with City Aurora including Sales, Property, and Lodgers' Tax.	Annual sales tax rebate of 65.8% of project-generated sales tax for first 30 years of operation from State of Colorado, valued at \$70 million. City of Aurora subsidy contributions have a net present value of 225 million.

D-1

Table D-1
Proposed Manteca Lodge - Great Wolf Resorts
Summary of Comparable Hotel Incentives

Project Name	Jurisdiction Providing Incentives	Project Description	Incentive Program	
			Program Type	Program Terms
Proposed Hyatt Hotel	Kansas City	Proposed 225-room hotel	Incentives through tax increment financing (TIF)	Approximately \$11-\$13 million in incentives
Proposed 21c Museum Hotel	City of Durham	Conversion of a 17-story building to a 120-room hotel, budgeted at \$48 million	Incentive package	Conditions of the \$5.7 million incentive package include deadlines for start and completion of project construction
Hyatt Andaz Hotel	City of Palm Springs	150-room upscale hotel near Downtown Palm Springs and Palm Springs Convention Center	Share of project-generated TOT	Developer to receive 75% of the total TOT generated on an annual basis for a period of 20 years, not to exceed \$50 million
Proposed Hilton Convention Center Hotel	Palm Beach County	\$107 million 400-room hotel adjacent to convention center	Land lease agreement and additional subsidies	Project land (valued at \$10 million) will be leased at a maximum of \$1 million a year; \$27 million in additional subsidies; funding sources for incentives are yet to be determined
Proposed Westin Riverfront	City of Wilmington	Proposed 180-room hotel with a total project cost of \$37 million	Financing guarantees and land concessions	\$9 million in incentives equating to 24.3% of total project costs
LA Live	City of Los Angeles	Entertainment complex which included 1,001 hotel rooms in the new JW Marriott and Ritz-Carlton hotels	Portion of future bed tax collected by development of new lodging rooms; financing assistance through incentives and loans	Financing assistance of \$80 million in incentives and loans; TOT rebate of at least \$246 million during the first 25 years of operation
Grand Avenue	City of Los Angeles	275-room Mandarin Oriental Hotel	Portion of future bed tax collected by development of new lodging rooms	\$54 million subsidy
Courtyard and Residence Inn near LA Live	City of Los Angeles	174-room Courtyard and 218-room Residence Inn hotels adjacent to LA Live	Portion of future bed tax collected by development of new lodging rooms	TOT rebate equal to 50% of the revenue collected from projected-generated sales tax, property tax, parking tax, business tax, and TOT over the first 25 years; incentives estimated at value of \$67.3 million

comps

Source: Report prepared by PKF Consulting USA addressed to Mr. Gerry Miller May 30, 2014.

[1] Actual incentive and subsidy packages and programs received by projects may have changed since the 2014 date of the PKF report.

[2] Updated by EPS.

**Table D-2
Proposed Manteca Lodge - Great Wolf Resorts
Subsidy as Percentage of Total Budget for Select Projects**

Case Study Project Name [1]	Total Project Budget	Subsidy Amount	Subsidy as % of Budget
Hyatt Place Hyde Park - Chicago, IL	\$33,800,000	\$5,200,000	15.38%
21c Museum Hotel - Durham, NC	\$48,000,000	\$5,700,000	11.88%
Hilton Convention Center Hotel - Palm Beach County, FL	\$107,000,000	\$27,000,000	25.23%
Westin Riverfront - Wilmington, DE	\$37,000,000	\$9,000,000	24.32%
Gaylord - Aurora, CO [2]	\$800,000,000	\$295,000,000	36.88%
Great Wolf - Garden Grove, CA [3]	\$300,000,000	\$69,000,000	23.00%
Proposed Great Wolf Resort - Manteca, CA [4]	\$180,000,000	\$40,000,000	22.22%

percent

Source: Report prepared by PKF Consulting USA addressed to Mr. Gerry Miller May 30, 2014; City of Aurora; Orange County Register, EPS.

- [1] Case study information as appears in PKF Report. Actual budget and subsidy amounts may have changed since the report's publication.
- [2] Reflects the net present value of incentives contributed to the Gaylord project from both the City of Aurora and the State of Colorado.
- [3] Includes a \$22 million parcel, \$5 million at the start of construction and \$42 million upon completion. The city issued \$51 million in bonds to subsidize construction.
- [4] The estimated Net Present Value (NPV) of future TOT-derived payments to the Developer have been presented in the incentive award column to correspond with bond offerings, which are typically stated without their resulting interest costs.

Appendix 2
Disposition and Development Agreement

DISPOSITION AND DEVELOPMENT AGREEMENT

by and between the

CITY OF MANTECA

and

GREAT WOLF RESORTS, INC.

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DISPOSITION AND DEVELOPMENT AGREEMENT

This Disposition and Development Agreement (“**Agreement**”) is entered into as of _____, 2018, (the “**Effective Date**”) by and between the CITY OF MANTECA, a California municipal corporation (“**City**”), and GREAT WOLF RESORTS, INC., a Delaware corporation (“**Developer**”). City and Developer are sometimes referred to individually herein as a “**Party**” and collectively as the “**Parties**.”

RECITALS

This Agreement is entered into on the basis of the following facts, understandings, and intentions of the Parties. The following recitals are a substantive part of this Agreement.

- A. City is the fee owner of certain real property consisting of approximately 29 acres, as more particularly described in Exhibit A attached hereto (the “**Land**”).
- B. City desires to convey the Land to Developer, and Developer desires to acquire the Land from City, and the Parties desire for Developer to develop on the Land a destination resort that includes a hotel with up to 500 rooms, an indoor water park, restaurants, meeting facilities, and a family entertainment center, all in accordance with the Lodge Standards (the “**Lodge Project**”).
- C. A material inducement to City to enter into this Agreement is the agreement by Developer to develop the Lodge Project on the Land as provided in this Agreement.
- D. The Parties anticipate that the Lodge Project will generate substantial economic and fiscal benefits for City including revenue from transient occupancy taxes, property taxes, sales taxes, and other economic activity including approximately 1,400 construction jobs and 500 permanent jobs (250 full-time and 250 part-time jobs).
- E. City and Developer have reached mutual agreement and desire to voluntarily enter into this Agreement to facilitate development of the Lodge Project subject to the conditions and requirements set forth herein.
- F. Prior to or concurrent with the City Council’s approval of this Agreement, the City Council has taken the following actions related to future development on the Land:
1. Adopted Resolution No. R2015-204, on October 6, 2015, certifying an environmental impact report for the Family Entertainment Zone Project (State Clearinghouse Number 2014022008) (the “**EIR**”).
 2. Adopted Resolution No. R2016-34, on February 16, 2016, again certifying the EIR as supplemented by an Addendum No. 1, and approving a tentative parcel map for the Family Entertainment Zone (Tentative Parcel Map 15-48) (the “**FEZ Tentative Parcel Map**”).
 3. Enacted Ordinance No. 1580, on March 1, 2016, amending Title 17 of the Manteca Municipal Code to include the Family Entertainment Zone Master Plan as an appendix to that title.
 4. Adopted Resolution No. R2016-54, on March 15, 2016, concluding, based upon an Addendum No. 2 to the EIR, that environmental review was adequate for

amendment of the Family Entertainment Zone Master Plan and confirming the environmental impact findings adopted in Resolution No. R2016-34.

5. Enacted Ordinance No. 1585, on April 5, 2016, amending the Family Entertainment Zone Master Plan.

6. Adopted Resolution No. _____, on March 20, 2018, concluding, based upon an Addendum No. 3 to the EIR, that environmental review was adequate for extension of the FEZ Tentative Parcel Map, and approving an extension of the FEZ Tentative Parcel Map to February 16, 2021.

7. Enacted Ordinance No. _____, on April 3, 2018, amending the Family Entertainment Zone Master Plan to incorporate the Great Wolf Lodge PA-16 Site Planning Standards (the "**Lodge Standards**"), and concluding that environmental review was adequate for amending the Family Entertainment Zone Master Plan to incorporate the Lodge Standards. The Lodge Standards are attached hereto as Exhibit B for reference purposes only.

8. Enacted Ordinance No. _____, on April 3, 2018, approving a statutory development agreement by and between City and Developer concerning the Land and the Lodge Project (the "**Development Agreement**"), and concluding that environmental review was adequate for approving the Development Agreement.

G. The City Planning Commission adopted Resolution No. 1489 on February 27, 2018, recommending that the City Council approve this Agreement, the Development Agreement, and the Lodge Standards, following required notice and hearing.

H. The City Council adopted Resolution No. _____, on April 3, 2018, to approve entering into this Agreement in conformance with California Government Code section 52201, and concluding that environmental review was adequate for approving this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and approved, the Parties agree as follows:

1. DEFINITIONS.

1.1 Definitions. The following capitalized terms used in this Agreement shall have the meanings set forth below:

1.1.1 "**Agreement**" means this Disposition and Development Agreement.

1.1.2 "**Approved Title Exceptions**" is defined in Section 2.3.

1.1.3 "**Assignee**" is defined in Section 4.1.

1.1.4 "**Assignment**" is defined in Section 4.1.

1.1.5 “**CERCLA**” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq.

1.1.6 “**Certificate of Completion**” is defined in Section 5.1.

1.1.7 “**Certificate of Termination of Reversion Right**” is defined in Section 5.3.4.

1.1.8 “**Challenge Period End Date**” means the date that is 90 days after the City approves a parcel map creating a legal parcel for the Land.

1.1.9 “**City Council**” means the City Council of the City of Manteca.

1.1.10 “**City Manager**” means the city manager of City.

1.1.11 “**City Planning Commission**” means the Planning Commission of the City of Manteca.

1.1.12 “**City’s Appraisal**” is defined in Section 5.3.4.4.

1.1.13 “**City’s Representatives**” means City’s officials, officers, employees, contractors, subcontractors, agents, and representatives.

1.1.14 “**City**” means the City of Manteca, a California municipal corporation.

1.1.15 “**Close of Escrow**” is defined in Section 2.2.

1.1.16 “**Construction Access Easement Agreement**” means the construction access easement agreement substantially in the form attached hereto as Exhibit G.

1.1.17 “**Construction Loan**” is defined in Section 2.4.2.1.

1.1.18 “**Construction Staging Easement Agreement**” means the construction staging easement agreement substantially in the form attached hereto as Exhibit H.

1.1.19 “**Deed of Trust**” means any mortgage, deed of trust, security agreement, or other security instrument encumbering Developer’s interest in the Land and/or the Lodge Project.

1.1.20 “**Default**” is defined in Section 5.2.

1.1.21 “**Developer Affiliate**” means any corporation, limited liability company, partnership or other entity which controls, is controlled by, or is under common control with Developer, and “control,” for purposes of this definition, means effective management and control of the other entity, subject only to major events requiring the consent or approval of the other owners of such entity, as shown by copies of relevant portions of organizational documents of such entity and Developer.

1.1.22 “**Developer’s Appraisal**” is defined in Section 5.3.4.4.

1.1.23 “**Developer’s Designees**” is defined in Section 2.6.2.

1.1.24 **“Developer’s Representatives”** means Developer’s officials, officers, employees, contractors, subcontractors, agents, and representatives.

1.1.25 **“Developer”** means Great Wolf Resorts, Inc., a Delaware corporation.

1.1.26 **“Development Agreement”** is defined in Recital F.8.

1.1.27 **“Effective Date”** is the date that the Parties entered into this Agreement.

1.1.28 **“EIR”** is defined in Recital F.1.

1.1.29 **“Escrow Holder”** means First American Title Insurance Company.

1.1.30 **“Escrow”** is defined in Section 2.2.

1.1.31 **“Excluded Conditions”** is defined in Section 2.6.3.

1.1.32 **“Fair Market Value”** means the most probable price that the Land should bring in a competitive and open market under all conditions requisite to a fair sale with a willing buyer and seller each acting prudently and knowledgeably in an arms-length transaction; provided, however, that such price shall not include the value of any improvements constructed on the Land by Developer or any increase in value attributable to Developer and City entering into this Agreement and the Development Agreement.

1.1.33 **“FEZ Tentative Parcel Map”** is defined in Recital F.2.

1.1.34 **“FIRPTA Certificate”** is defined in Section 2.7.1.4.

1.1.35 **“First Appraiser”** is defined in Section 5.3.4.4.

1.1.36 **“Force Majeure Event”** means (1) delays by City in performing its obligations under Section 3.1.2 that delay performance by Developer of its obligations under this Agreement, and (2) the range of natural and manmade acts reasonably beyond the control of the Party claiming delay, including (a) severe weather, lightning, earthquake, fire, storm, hurricane, tornado, flood, washout, explosion, or other similar calamities or disasters; (b) war, insurrection, civil disturbance, riot, sabotage, acts of the public enemy, epidemics, or terrorist acts; (c) vandalism; (d) governmental restrictions or priority, freight embargoes, lack of transportation, or any rationing of public services or utilities; (e) strikes, lockouts, or other forms of labor or industrial disputes (whether or not on the part of the employees of either Party); (f) inability to secure necessary labor, materials, or supplies at costs and quality equivalent to those in effect as of the Effective Date; (g) delays of any contractor, subcontractor, or supplier; or (h) litigation brought by a third party (but only to the extent performance is enjoined by a court of competent jurisdiction as a result of such litigation).

1.1.37 **“Grant Deed”** means the grant deed substantially in the form attached hereto as Exhibit E.

1.1.38 **“Gudeli Parcel”** means that certain real property identified as the Gudeli parcel (APN 241-310-34) on the FEZ Tentative Parcel Map.

1.1.39 **“Hazardous Materials”** means any chemical, material or substance now or hereafter defined as or included in the definition of hazardous substances, hazardous wastes, hazardous materials, extremely hazardous waste, restricted hazardous waste, toxic substances, pollutant or contaminant, imminently hazardous chemical substance or mixture, hazardous air pollutant, toxic pollutant, or words of similar import under any local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto applicable to the Land, including, without limitation: CERCLA; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; and RCRA. The term Hazardous Materials shall also include any of the following: any and all toxic or hazardous substances, materials or wastes listed in the United States Department of Transportation Table (49 C.F.R. § 172.101) or by the Environmental Protection Agency as hazardous substances (40 C.F.R. Part 302) and in any and all amendments thereto in effect as of the Close of Escrow; oil, petroleum, petroleum products (including, without limitation, crude oil or any fraction thereof), natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel, not otherwise designated as a hazardous substance under CERCLA; any substance which is toxic, explosive, corrosive, reactive, flammable, infectious or radioactive (including any source, special nuclear or by product material as defined at 42 U.S.C. § 2011, et seq.), carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority; asbestos in any form; urea formaldehyde foam insulation; transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls; radon gas; or any other chemical, material or substance (a) which poses a hazard to the Land, to adjacent properties, or to persons on or about the Land, (b) which causes the Land to be in violation of any of the aforementioned laws or regulations, or (c) the presence of which on or in the Land requires investigation, reporting or remediation under any such laws or regulations.

1.1.40 **“Holder”** means the holder of any Deed of Trust.

1.1.41 **“Land”** is defined in Recital A.

1.1.42 **“Litigation Challenge”** means any court action or proceeding instituted by a third party or other governmental entity or official challenging the validity of any provision of this Agreement, the Development Agreement, or the Lodge Standards.

1.1.43 **“Lodge Project”** is defined in Recital B.

1.1.44 **“Lodge Standards”** is defined in Recital F.7.

1.1.45 **“Memorandum of Option”** means the memorandum of option substantially in the form attached as Exhibit C to the Option to Purchase Agreement.

1.1.46 **“Non-City Agency”** means any government agency other than City.

1.1.47 **“Option Property”** means the Option Property as that term is defined in the Option to Purchase Agreement.

1.1.48 **“Option to Purchase Agreement”** means the option to purchase agreement substantially in the form attached hereto as Exhibit I.

1.1.49 **“Owner’s Title Policy”** is defined in Section 2.4.1.3.

1.1.50 **“Party”** means any party to this Agreement, and **“Parties”** means all parties to this Agreement.

1.1.51 **“Preliminary Phase I Environmental Site Assessment”** means the preliminary Phase I Environmental Site Assessment performed by Kleinfelder for Great Wolf Resorts, Inc., dated February 23, 2018.

1.1.52 **“Preliminary Title Report”** is defined in Section 2.3.

1.1.53 **“Project Budget”** means a budget for development of the Lodge Project and sources and uses of funds containing the following line items: (a) building and sitework; (b) other hard construction; (c) theming, rockwork, furniture, fixtures, equipment and operating supplies; (d) financing, taxes, and legal; (e) architecture and engineering; (f) soft costs; (g) contingency.

1.1.54 **“Purchase Price”** is defined in Section 2.1.

1.1.55 **“RCRA”** means the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq.

1.1.56 **“Restrictive Covenant”** means an instrument that shall be recorded against the property shown as Lot 25 and Lot 27 on the FEZ Tentative Parcel Map, pursuant to which City shall covenant that until such time as City purchases the Gudeli Parcel, (1) City shall not convey such property (except for a conveyance to the California Department of Transportation) without the consent of Developer and (2) City shall use such property only for (a) agricultural use similar to the agricultural use, if any, that has occurred on such property in the 12 months prior to the Effective Date or (b) construction of a pylon sign consistent with Section 3.7.

1.1.57 **“Second Appraiser”** is defined in Section 5.3.4.4.

1.1.58 **“Sewer Easement”** is defined in Section 2.7.2.2.

1.1.59 **“Survey”** is defined in Section 2.3.

1.1.60 **“Third Appraiser”** is defined in Section 5.3.4.4.

1.1.61 **“Title Company”** means First American Title Insurance Company.

1.1.62 **“Utility Easement Area”** means the Utility Easement Area as that term is defined in Section 1 of the Utility Easement Agreement.

1.1.63 **“Utility Easement Agreement”** means the utility easement agreement substantially in the form attached hereto as Exhibit F.

1.1.64 **“Withholding Affidavit”** is defined in Section 2.7.1.3.

2. LAND CONVEYANCE.

2.1 Land Conveyance. In accordance with and subject to the terms and conditions set forth in this Agreement and the Development Agreement, City agrees to convey the Land to Developer, and Developer agrees to acquire the Land from City, for \$675,000 (six

hundred seventy-five thousand dollars) (the “**Purchase Price**”). The Parties agree that the Purchase Price shall be paid solely using transient occupancy tax revenue generated by the Lodge Project pursuant to Article IV of the Development Agreement and that Developer has no obligation to pay the Purchase Price.

2.2 Opening and Closing of Escrow. Within 5 business days after the Effective Date, City and Developer shall cause an escrow (the “**Escrow**”) to be opened with Escrow Holder for the conveyance of the Land by City to Developer and shall deposit with Escrow Holder a copy of this fully executed Agreement. City and Developer shall provide such additional instructions consistent with this Agreement as may be reasonably required by Escrow Holder. Provided that each of the conditions to closing described in Section 2.4 have been satisfied, Escrow shall close (the “**Close of Escrow**”) on or before the date that is 18 calendar months after the Challenge Period End Date. If the Close of Escrow does not occur by such date, then any Party not then in Default may terminate this Agreement by written notice to the other Party, and Escrow Holder shall promptly return all fees and documents deposited with Escrow Holder to the depositing Party. Any escrow and title cancellation fees shall be paid equally by City and Developer.

2.3 Disclosures; Condition of Title; Title Insurance. Developer acknowledges receipt of the documents described on Exhibit C attached hereto, including Condition of Title Guarantee Number 5026900-5617382, dated January 2, 2018, prepared by the Title Company (the “**Preliminary Title Report**”) and an ALTA survey (the “**Survey**”). Developer hereby approves the title exceptions listed on Schedule B of the Preliminary Title Report, except for title exceptions 6, 7, 9, 10, and 11, which title exceptions City has agreed to remove or to cause to be insured over prior to the Close of Escrow. The term “**Approved Title Exceptions**” shall mean all title exceptions in the Preliminary Title Report and Survey, this Agreement, and the Development Agreement, except for title exceptions that City has agreed to remove or to cause to be insured over. At the Close of Escrow, City shall convey title to the Land to Developer by the Grant Deed. Title to the Land shall be conveyed subject to: (a) prorated assessments for the assessment period during which the Close of Escrow occurs and assessments not yet due, (b) all Approved Title Exceptions, (c) the terms of this Agreement (as referenced in the Grant Deed), and (d) any matters which arise out of the actions of Developer, Developer’s Designees, or Developer’s Representatives.

2.4 Conditions to Close of Escrow. The obligations of City and Developer under this Agreement to close Escrow shall be subject to the satisfaction (or express written waiver by the benefited Party) of each of the following conditions.

2.4.1 Developer’s Conditions.

2.4.1.1 There shall have been no change to the physical condition of the Land and no new recorded title exceptions after the date of the Preliminary Title Report and no other title exceptions after the date of the Survey that, in either case, would adversely affect the development, ownership, use, or operation of the Lodge Project in any way.

2.4.1.2 City shall have removed, or the Title Company shall have insured over, as applicable, the title exceptions that City has agreed to remove or insure over pursuant to Section 2.3.

2.4.1.3 The Title Company shall have committed to issue at the Close of Escrow an ALTA extended coverage owner’s title insurance policy (“**Owner’s**

Title Policy”), with any endorsements reasonably requested by Developer, showing fee simple title to the Land vested in Developer (or Developer’s Assignee as permitted by this Agreement) and insuring Developer’s interests under the Construction Access Easement Agreement and the Construction Staging Easement Agreement, subject only to the Approved Title Exceptions.

2.4.1.4 City shall have created a legal parcel of the Land in accordance with the provisions of the California Subdivision Map Act; provided, however, that such parcel shall not be subject to the 20-foot ingress-egress access easement for the benefit of Lot 27 as shown on the FEZ Tentative Parcel Map.

2.4.1.5 The representations and warranties of City contained in this Agreement being true and correct in all material respects.

2.4.1.6 City shall have delivered all documents and funds required to be delivered pursuant to Section 2.7.1.

2.4.1.7 City shall have performed, observed, and complied in all material respects with all covenants, agreements, and conditions that are required by this Agreement and the Development Agreement to be performed, observed, and complied with on its part prior to or as of the Close of Escrow.

2.4.2 City’s Conditions.

2.4.2.1 Developer shall have submitted to the City Manager, and the City Manager shall have reasonably approved, (a) a Project Budget, (b) executed term sheets or commitment letters for one or more loans (each a “**Construction Loan**”) and other financing from external sources (including proposed joint ventures and partnerships) to finance development of the Lodge Project, and (c) evidence in a form reasonably satisfactory to City (which City agrees may include a certificate signed by the chief financial officer of Developer substantially in the form attached hereto as Exhibit D) demonstrating that Developer has or will have access to sufficient additional equity/capital funds to cover the difference between costs of development of the Lodge Project (as shown in the Project Budget) and the amount available to Developer from the Construction Loan(s) and other financing from external sources.

2.4.2.2 Developer shall have satisfied all conditions to the issuance of permits for on-site rough grading and subsurface main trunk utilities (water, sewer, and stormwater) work in connection with development of the Lodge Project.

2.4.2.3 Developer shall have executed, and delivered to City a copy of, a pre-construction services contract with a City Manager-approved general contractor, or a general contractor with comparable qualifications to those general contractors approved by the City Manager, in connection with development of the Lodge Project. Such contract shall outline the general contractor’s fees, general conditions, insurance rates, and form of contract, but need not include a guaranteed maximum price.

2.4.2.4 Developer shall have executed, and delivered to City a copy of, a contract with a contractor (which may or may not be the general contractor described in Section 2.4.2.3) for on-site rough grading and subsurface main trunk utilities (water, sewer, and stormwater) work in connection with development of the Lodge Project.

2.4.2.5 Developer shall have executed, and delivered to City a copy of, a contract with the architect of record for the design of the Lodge Project.

2.4.2.6 Developer shall have submitted to the City Manager a copy of organizational documents of any Assignee of Developer (including formation filings) and an assignment and assumption agreement executed by Developer and such Assignee.

2.4.2.7 Developer shall have provided insuring certificates showing that the construction-related insurance required by Section 6 of this Agreement shall be in effect upon the Close of Escrow.

2.4.2.8 The representations and warranties of Developer contained in this Agreement being true and correct in all material respects.

2.4.2.9 Developer shall have delivered all other documents and funds required to be delivered pursuant to Section 2.7.2.

2.4.2.10 Developer shall have performed, observed, and complied in all material respects with all covenants, agreements, and conditions that are required by this Agreement and the Development Agreement to be performed, observed, and complied with on its part prior to or as of the Close of Escrow.

2.5 Costs; Settlement Statement.

2.5.1 City shall be responsible for all costs and expenses of the Survey, all recording fees, all documentary transfer taxes, and half of all escrow fees and charges.

2.5.2 Developer shall be responsible for the cost of the extended coverage portion of its title insurance (and endorsements thereto, other than endorsements issued at the request of City to insure over any disapproved title exception), the costs of the Construction Loan title insurance, and half of all escrow fees and charges.

2.5.3 Escrow Holder is authorized on the Close of Escrow to pay and charge Developer and City for any fees, charges, and costs payable under this Section 2.5 as set forth on the settlement statements approved by the Parties. Before such payments are made, Escrow Holder shall notify the Parties of the fees, charges, and costs necessary to close under the Escrow by delivering preliminary settlement statements to the Parties for their mutual approval.

2.6 Condition of the Land.

2.6.1 Developer's Acquisition of the Land. Developer acknowledges and agrees that Developer is acquiring the Land in its "AS-IS" condition, WITH ALL FAULTS, IF ANY, WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, except as provided in Section 8.2(ii) and as otherwise expressly provided in this Agreement.

2.6.2 Inspections by Developer. Prior to the Close of Escrow, Developer, and its contractors and consultants who are designated in writing to City ("**Developer's Designees**"), shall have the right to enter onto the Land for the purpose of performing the Survey, hazardous materials inspections, soil inspections, and other physical

inspections and investigations; provided, however, that (a) Developer shall deliver copies of all inspection reports to City, (b) no inspections or investigations shall damage the Land or any improvements thereon or shall be invasive unless City has received a plan describing the scope of the inspection or investigation and has approved such plan in writing, which approval shall not be unreasonably withheld, (c) Developer shall immediately repair all damage caused by or related to its inspections, and (d) neither Developer nor any of Developer's Designees shall enter the Land unless Developer has provided City reasonable written evidence (such as insurance certificates and/or copies of policies) that the activities of Developer and/or Developer's Designees are covered by reasonable liability insurance naming City as an additional insured. Developer shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, without limitation, attorneys' fees) resulting from Developer's and/or Developer's Designees' entry onto and inspection of the Land pursuant to this Section 2.6.2 (excluding the results of the inspections).

2.6.3 Releases and Waivers. Developer hereby waives any and all objections to or complaints regarding the Land and its condition, including, but not limited to, federal, state, or common law based actions and any private right of action under state and federal law to which the Land is or may be subject, including, but not limited to, CERCLA, RCRA, physical characteristics and existing conditions, including, without limitation, structural and geologic conditions, subsurface soil and water conditions, and solid and hazardous waste and Hazardous Materials on, under, adjacent to, or otherwise affecting the Land, except for objections to and complaints relating to the existence or prior existence of any Hazardous Material in, on, above, or beneath the Land or emanating therefrom (a) of which City had actual knowledge but failed to disclose to Developer as of the Close of Escrow; (b) which resulted from City's actions or omissions; or (c) associated with any potential Hazardous Materials issues identified in the Preliminary Phase I Environmental Site Assessment including but not limited to (i) fill of canals and drainage channels on the Land, (ii) biosolids, treated wastewater, and pesticides applied to the Land, (iii) records concerning the Land received from the San Joaquin County Environmental Health Department after the publication date of the Preliminary Phase I Environmental Site Assessment, (iv) the presence of a groundwater monitoring well on the Land, and (v) concrete vaults existing on the Land (collectively, "**Excluded Conditions**"). Developer further hereby assumes the risk of changes in applicable laws and regulations relating to past, present, and future environmental conditions on the Land (excluding Excluded Conditions) and the risk that adverse physical characteristics and conditions, including, without limitation, the presence of Hazardous Materials or other contaminants (excluding Excluded Conditions), may not have been revealed by its investigations.

Developer and anyone claiming by, through, or under Developer also hereby waives its right to recover from and fully and irrevocably releases City and City's Representatives from any and all claims, responsibility, and/or liability that it may now have or hereafter acquire against City or City's Representatives for any costs, loss, liability, damage, expenses, demand, action, or cause of action arising from or related to (a) the condition (including any defects, errors, omissions, or other conditions, latent or otherwise, and the presence in the soil, air, structures, and surface and subsurface waters of materials or substances that have been or may in the future be determined to be Hazardous Materials or otherwise toxic, hazardous, undesirable, or subject to regulation and that may need to be specially treated, handled, and/or removed from the Land under current or future federal, state and local laws, regulations, or guidelines, but excluding Excluded Conditions), valuation, salability, or utility of the Land, or its suitability for any purpose whatsoever, and (b) any information furnished by City or City's Representatives under or in connection with this

Agreement. This release includes claims of which Developer is presently unaware or which Developer does not presently suspect to exist which, if known by Developer, would materially affect Developer's release to City, except for claims based on City's or City's Representatives' failure to disclose to Developer material facts known to City about the physical condition of the Property that are not known to Developer. To the extent applicable to the foregoing release, Developer specifically waives the provision of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR."

In this connection and to the extent permitted by law, Developer hereby agrees, represents, and warrants that Developer realizes and acknowledges that except for Excluded Conditions, factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses, and expenses which are presently unknown, unanticipated, and unsuspected, and Developer further agrees, represents, and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Developer nevertheless hereby intends to release, discharge, and acquit City and City's Representatives from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses, and expenses which might in any way be included as a material portion of the consideration given to City by Developer in exchange for City's performance hereunder.

Developer hereby agrees that, if at any time after the Close of Escrow any third party or any governmental agency seeks to hold Developer responsible for the presence of, or any loss, cost, or damage associated with, Hazardous Materials first existing in, on, above, or beneath the Land, or first emanating therefrom, after the Land is acquired by Developer (except for Excluded Conditions), then Developer waives any rights it may have against City in connection therewith, including, without limitation, under CERCLA, and Developer agrees that it shall not implead City, bring a contribution action or similar action against City, or attempt in any way to hold City responsible with respect to any such matter.

CITY'S INITIALS

DEVELOPER'S INITIALS

2.6.4 Environmental Indemnity. From or after the Close of Escrow, Developer shall indemnify, defend (with counsel reasonably acceptable to City), and hold harmless City and City's Representatives from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys' fees and costs) resulting from any claim for loss or damage to any property, including the Land, injuries to or death of persons, or for the cost of cleaning up the Land and removing Hazardous Materials or toxic substances, materials, and waste therefrom, by reason of contamination or adverse effects on the environment, or by reason of any statutes, ordinances, orders, rules, or regulations of any governmental entity or agency requiring the clean up of any Hazardous Materials caused by or resulting from any Hazardous Material or toxic substances or waste first existing in, on, above, or beneath any portion of the Land, or first emanating therefrom, after the Land is acquired by Developer, except for Excluded Conditions.

2.6.5 Survival of Developer's Obligations. Developer's obligations under this Section 2.6 shall survive termination of this Agreement.

2.7 Deposits into Escrow.

2.7.1 City's Obligations. City shall deliver to Escrow Holder the following instruments and documents at or before the scheduled Close of Escrow:

2.7.1.1 The Grant Deed duly executed by City and acknowledged; a counterpart of the Option to Purchase Agreement duly executed by City; and counterparts of the Utility Easement Agreement, the Construction Access Easement Agreement, the Construction Staging Easement Agreement, and the Memorandum of Option, each duly executed by City and acknowledged;

2.7.1.2 If City is not the fee owner of the Gudeli Parcel as of the Close of Escrow, the Restrictive Covenant duly executed by City and acknowledged.

2.7.1.3 If required by Escrow Holder, an affidavit as contemplated by California Revenue and Taxation Code 590 ("**Withholding Affidavit**");

2.7.1.4 If required by Escrow Holder, a Certification of Non Foreign Status in accordance with 26 U.S.C. § 1445 (the "**FIRPTA Certificate**"); and

2.7.1.5 Such evidence of City's authority to enter into and close the transaction as the Title Company may require.

2.7.2 Developer's Obligations. Developer shall deliver to Escrow Holder the following instruments and documents at or before the scheduled Close of Escrow:

2.7.2.1 A counterpart of the Option to Purchase Agreement duly executed by Developer; and counterparts of the Utility Easement Agreement, the Construction Access Easement Agreement, the Construction Staging Easement Agreement, and the Memorandum of Option, each duly executed by Developer and acknowledged;

2.7.2.2 An instrument granting City an easement to use and maintain the existing sewer line infrastructure located along the eastern portion of the southern boundary of the Land (the "**Sewer Easement**"), duly executed by Developer and acknowledged; and

2.7.2.3 Such evidence of Developer's authority to enter into and close this transaction as the Title Company may require.

2.8 Escrow's Closing Actions. On the Close of Escrow, Escrow Holder shall:

2.8.1.1 Record the Grant Deed and then the Utility Easement Agreement, the Sewer Easement, the Construction Access Easement Agreement, the Construction Staging Easement Agreement, the Memorandum of Option, and, if applicable, the Restrictive Covenant with the San Joaquin County Recorder's Officer (which shall be deemed delivery of said instruments to Developer);

- Company to issue it);
- 2.8.1.2 Issue the Owner's Title Policy (or cause the Title
- 2.8.1.3 Prorate assessments (if any) as of the Close of Escrow in accordance with the settlement statements approved by the Parties;
- 2.8.1.4 Prepare and deliver to each Party one signed copy of Escrow Holder's closing statement showing all receipts and disbursements of the Escrow; and
- 2.8.1.5 If applicable, deliver the FIRPTA Certificate and the Withholding Affidavit to Developer.

2.9 Additional Escrow Instructions. The Parties shall execute additional escrow instructions not inconsistent with this Agreement that may be required by Escrow Holder.

3. DEVELOPMENT COVENANTS.

3.1 Development of the Lodge Project.

3.1.1 Developer's Obligations.

3.1.1.1 Construction Financing. Within 2 years after the Challenge Period End Date, Developer shall reasonably demonstrate to City that it has closed all Construction Loans and secured access to other financing from external sources (including proposed joint ventures and partnerships) necessary (in addition to accessible equity/capital funds) to complete timely development of the Lodge Project.

3.1.1.2 Commencement and Continuance of Construction. Developer shall commence on-site rough grading work in connection with development of the Lodge Project within 2 years after the Challenge Period End Date, and thereafter shall diligently continue to construct the Lodge Project.

3.1.1.3 Completion of Construction. Developer shall complete construction of, and secure all certificates of occupancy for, the Lodge Project within 54 months after the Challenge Period End Date.

3.1.2 City's Obligations.

3.1.2.1 Construction of Daniels Street. Within 18 months after the Challenge Period End Date, City shall complete construction of Daniels Street between Airport Way and McKinley Avenue.

3.1.2.2 Conditions of Approval and Mitigation Measures. Within 12 months after the Challenge Period End Date, City shall comply with all conditions of approval and mitigation measures as described in Exhibits C and D to the Development Agreement, and City shall fund any off-site mitigation required by a Non-City Agency for construction or operation of the Lodge Project; provided, however, that any such off-site mitigation that is required for commencement of construction of the Lodge Project shall be funded by City within 30 days after the Challenge Period End Date.

3.1.2.3 Non-City Agency Approvals. City shall reasonably cooperate with Developer in Developer's efforts to obtain any on-site approvals from any Non-City Agency that are required for construction or operation of the Lodge Project; provided, however, that City shall have sole responsibility to fund and obtain any on-site approvals from any Non-City Agency that are required for construction or operation of public utilities in the Utility Easement Area and the existing sewer line infrastructure located along the eastern portion of the southern boundary of the Land.

3.1.2.4 Off-Site Infrastructure and Utilities. Within 12 months after the Challenge Period End Date, City shall, at its own cost, provide all off-site infrastructure and utilities to the Land (which shall include water, sewer, roadways (including curb, gutter, bicycle lanes, transit stops, and sidewalks to the site), communications, gas, electricity, and recycled water infrastructure) with the capacity necessary to support construction and operation of the Lodge Project, as further described in Exhibit J attached hereto; provided, however, that any such off-site infrastructure and utilities necessary to support commencement of construction of the Lodge Project shall be provided by City within 30 days after the Challenge Period End Date.

3.1.2.5 Remediation of Hazardous Materials Conditions. City shall remediate any Hazardous Materials in, on, above, or beneath the Land or emanating therefrom associated with any potential Hazardous Materials issues identified in the Preliminary Phase I Environmental Site Assessment including but not limited to (i) fill of canals and drainage channels on the Land, (ii) biosolids, treated wastewater, and pesticides applied to the Land, (iii) records concerning the Land received from the San Joaquin County Environmental Health Department after the publication date of the Preliminary Phase I Environmental Site Assessment, (iv) the presence of a groundwater monitoring well on the Land, and (v) concrete vaults existing on the Land.

3.1.3 Extensions. The Parties may mutually agree in writing to extend any of the deadlines in this Section 3.1. Upon the request of either Party, the Parties shall meet and confer in person on at least two occasions to discuss a request for an extension, which either Party may grant or deny in its sole and absolute discretion. The City Manager is hereby authorized to consent to extensions on behalf of City. Upon the request of Developer, the City Manager shall schedule a hearing before the City Council to consider a request for an extension.

3.2 Prevailing Wages. The Lodge Project shall be constructed as a public work of improvements for which prevailing wages shall be paid and bonds provided under California Labor Code Section 1781(a)(2)(C). Developer and its contractors and subcontractors shall pay prevailing wages and employ apprentices in compliance with California Labor Code Section 1770, et seq., and shall be responsible for the keeping of all records required pursuant to California Labor Code Section 1776, complying with the maximum hours requirements of California Labor Code Sections 1810 through 1815, and complying with all regulations and statutory requirements pertaining thereto. Upon the periodic request of City, Developer shall certify to City that it is in compliance with the requirements of this Section 3.2. Developer shall indemnify, protect, defend, and hold harmless City and its officers, employees, contractors and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, expense and/or "increased costs" (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction, and/or operation of the Lodge Project, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of

the following: (a) the noncompliance by Developer of any applicable local, state, and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state prevailing wages); (b) the implementation of California Labor Code Section 1781, as the same may be amended from time to time, or any other similar law; and/or (c) failure by Developer to provide any required disclosure or identification as required by California Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. It is agreed by the Parties that, in connection with the development of the Lodge Project, including, without limitation, any and all public works (as defined by applicable law), Developer shall bear all risks of payment or non-payment of prevailing wages under California law and/or the implementation of California Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 3.2, shall have the meaning ascribed to it in California Labor Code Section 1781, as the same may be amended from time to time. The foregoing indemnity shall survive termination of this Agreement.

3.3 Construction Contracts. Developer shall retain one or more reputable and financially responsible general contractors to undertake the construction of the Lodge Project; provided that Developer may conduct on-site rough grading and subsurface main trunk utilities (water, sewer, and stormwater) work prior to executing a contract with a general contractor. Each such general contractor shall be licensed in California, shall have any other licenses required by City, and shall have significant experience in constructing the type of improvements constituting the Lodge Project.

3.4 Taxes, Assessments, Encumbrances and Liens. During construction of the Lodge Project, Developer shall pay when due all real property taxes and assessments assessed or levied on any portion of the Land.

3.5 Lot Line Adjustment. Developer shall cooperate reasonably with City to process any lot line adjustments necessary for construction of Daniels Street, provided that such lot line adjustments do not interfere with construction or operation of the Lodge Project and do not result in a transfer of any of the Land to City.

3.6 Dedication to California Department of Transportation. Within a reasonable time following request from the California Department of Transportation, Developer shall dedicate to the California Department of Transportation that portion of the Land described in Exhibit K for the State Highway Route 120 right of way.

3.7 Pylon Signs for the Manteca Family Entertainment Zone. Developer consents to City's placement of a pylon sign advertising the Manteca Family Entertainment Zone, which may be located, at Developer's option, either (1) in the southeast corner of the Land, in a location that is no more than 25 feet from the southern and eastern boundaries of the Land; or (2) if approved by City, in a location on the Option Property that is as far west as feasible (consistent with California Department of Transportation setback requirements), provided that such pylon sign (a) can be seen by vehicles traveling on State Highway Route 120, (b) does not block the view of Developer's pylon sign (if any) on the Land as seen by vehicles traveling on State Highway Route 120, and (c) does not block the view of the front entry portico of the Lodge Project. In the event that Developer does not install its own pylon sign on the Land and City installs a pylon sign advertising the Manteca Family Entertainment Zone pursuant to this Section 3.7, Developer shall have the right (at its own cost) to place a sign advertising the Lodge Project on the City's pylon, at a location of its choosing and at a size equal to or greater than all other signs on the City's pylon (consistent with applicable law).

3.8 City's Acquisition of Gudeli Parcel. If City does not own fee title to the Gudeli Parcel as of the Effective Date, City shall use diligent efforts to acquire fee title to the Gudeli Parcel.

4. LIMITATIONS ON ASSIGNMENT AND SECURITY INTERESTS.

4.1 Restriction on Assignment of Developer's Rights and Obligations. Developer shall have the right to sell, transfer, or ground lease (each, an "Assignment") its interests in the Land in whole or in part (provided that no partial transfer shall violate the provisions of the California Subdivision Map Act) to any person, partnership, joint venture, firm, company, corporation, or other entity (any of the foregoing, an "Assignee") provided that an Assignee continues to operate the Lodge Project or contracts with Developer, or another resort operator with similar experience and qualifications, to operate the Lodge Project with operational and quality standards substantially similar to those of Developer as of the Effective Date, subject to the written consent of City, which consent shall not unreasonably be withheld, conditioned, or delayed; provided that Developer may assign its rights under this Agreement without the consent of City to any Developer Affiliate; and provided further, that subject to Sections 4.2, 4.3, and 4.4, Developer may assign this Agreement as security to a Holder and any Holder may foreclose its interest in this Agreement or otherwise assume this Agreement and be deemed a permitted Assignee. Developer shall provide City with written notice of any proposed Assignment at least 30 days prior to such Assignment. Each such notice of proposed Assignment shall be accompanied by evidence of the Assignee's agreement to assume Developer's obligations hereunder. In the event of an Assignment, a written assignment and assumption agreement, in a form reasonably approved by both City and Developer, shall be recorded in the San Joaquin County Recorder's Office. An Assignee shall succeed to the rights, duties, and obligations of Developer only with respect to the portions of the Land so purchased, transferred, ground leased, or assigned, and Developer shall continue to be obligated under this Agreement with respect to any remaining portions of the Land retained by Developer and not sold, transferred, ground leased, or assigned. In the event there is more than one Assignment under the provisions of this Section 4.1, the provisions of this Section 4.1 shall apply to each successive Assignment and Assignee.

4.2 Holders of Deeds of Trust. Notwithstanding any other provisions of this Agreement, Developer shall have the right to grant one or more Deeds of Trust as security for one or more loans or other financing. Within 10 days after a Deed of Trust is recorded in the San Joaquin County Recorder's Office, Developer shall provide City with a copy of such Deed of Trust and with the name and address of the Holder of such Deed of Trust; provided, however, that Developer's failure to provide such document shall not affect any Deed of Trust, including without limitation the validity, priority, or enforceability of such Deed of Trust.

4.3 Rights of Holders. City shall deliver a copy of any notice or demand to Developer concerning any Default by Developer under this Agreement to each Holder who has previously made a written request to City for such notices. Any such notice shall not be effective against any Holder unless given to such Holder. Each Holder shall have the right at its option to cure or remedy any Default by Developer in accordance with the terms of the documentation described in the last sentence of Section 4.4, and to add the cost thereof to the secured debt and the lien of its security interest. If a Default can only be remedied or cured by a Holder upon obtaining possession of the Land, such Holder may remedy or cure such Default within a reasonable period of time after obtaining possession, provided such Holder seeks possession with diligence through a receiver or nonjudicial foreclosure. Any Holder that undertakes construction of the Lodge Project must assume all rights and obligations of

Developer under this Agreement and shall then be entitled, upon written request made to City, to a Certificate of Completion from City.

4.4 Noninterference with Holders. The provisions of this Agreement do not limit the right of Holders (a) to foreclose or otherwise enforce any Deed of Trust, (b) to pursue any remedies for the enforcement of any pledge or lien encumbering such portions of the Land, or (c) to accept, or cause its nominee to accept, a deed or other conveyance in lieu of foreclosure or other realization. In the event of (i) a foreclosure sale under any such Deed of Trust, (ii) a sale pursuant to any power of sale contained in any such Deed of Trust, or (iii) a deed or other conveyance in lieu of any such sale, the purchaser or purchasers and their successors and assigns, and such portions of the Land shall be, and shall continue to be, subject to all of the conditions, restrictions, and covenants of all documents and instruments recorded pursuant to this Agreement, including, without limitation, the restrictions set forth in the Grant Deed. City agrees to execute such further documentation regarding the rights of any Holder as is customary with respect to construction or permanent financing, as the case may be, to the extent that such documentation is reasonably requested by any Holder and is reasonably approved by City.

4.5 Right of City to Cure. In the event of a default or breach by Developer of a loan by a Holder prior to issuance of the Certificate of Completion, City may, upon prior written notice to Developer, cure the default, prior to the completion of any foreclosure. In such event, City shall be entitled to reimbursement from Developer of all costs and expenses incurred by City in curing the default. City shall also be entitled to a lien upon the Land or any portion thereof to the extent of such costs and disbursements. City agrees that such lien shall be subordinate to any lien in favor of a Holder, and City shall execute from time to time any and all documentation reasonably requested by Developer to effect such subordination.

4.6 Right of City to Satisfy Other Liens. After the Close of Escrow and after Developer has had a reasonable time to challenge, cure, or satisfy any liens or encumbrances on the Land or any portion thereof, and has failed to do so, in whole or in part, City shall, upon prior written notice to Developer, have the right to satisfy any such lien or encumbrances prior to issuance of the Certificate of Completion; however, nothing in this Agreement shall require Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as Developer in good faith shall contest the validity or amount therein and so long as such delay in payment shall not subject the Land or any portion thereof to forfeiture or sale.

5. CERTIFICATE OF COMPLETION, DEFAULT, REMEDIES AND TERMINATION.

5.1 Certificate of Completion. Upon Developer's completion of construction of the Lodge Project and opening of the Lodge Project for business, Developer will apply to City for a certificate of completion ("**Certificate of Completion**"). Promptly following City's receipt of such application, and provided that City has issued a certificate(s) of occupancy for the entire Lodge Project and the Lodge Project has been completed in accordance with this Agreement, the City Manager shall execute, acknowledge, and deliver the Certificate of Completion, which shall be recorded in the San Joaquin County Recorder's Office and shall include, in a form reasonably acceptable to Developer, an express termination or reconveyance of City's right of reversion under Section 5.3.4 of this Agreement and Section 2 of the Grant Deed.

5.2 Defaults. The occurrence of any or all of the following shall constitute a default ("**Default**") under this Agreement:

5.2.1 A breach of any term of this Agreement by any Party and failure of such Party to cure such breach within 30 days after the Party not in default has given written notice to the Party in default; provided, however, if such breach is not reasonably curable within such 30-day period, then such Party shall be deemed in Default only if such Party does not commence to cure such breach within such 30-day period or thereafter fails to diligently prosecute such cure to completion;

5.2.2 Filing of a petition in bankruptcy by or against any Party or appointment of a receiver or trustee of any property of any Party, or an assignment by any Party for the benefit of creditors, or adjudication that such Party is insolvent by a court, and the failure of such Party to cause such petition, appointment, or assignment to be removed or discharged within 90 days.

5.2.3 A default under the Development Agreement not cured within the applicable express cure period, if any, in the Development Agreement.

5.3 Remedies.

5.3.1 Remedies Prior to the Close of Escrow. Upon a Default by any Party prior to the Close of Escrow, the Party not in Default shall have the right to terminate this Agreement, by delivering written notice thereof to the Party in Default and to Escrow Holder, and such Party may seek against the Party in Default any available remedies at law or equity, including but not limited to the right to receive damages (excluding damages for lost profits) and, in the case of Developer, to pursue an action for specific performance.

5.3.2 Remedies After the Close of Escrow. Subject to Section 5.3.4, upon a Default by any Party after the Close of Escrow, a Party in Default shall be liable to the Party not in Default for all damages, costs, and losses incurred by the Party not in Default, and the Party not in Default may seek against the Party in Default any available remedies at law or equity, including but not limited to the right to receive damages or, if applicable, to pursue injunctive relief or an action for specific performance.

5.3.3 Developer's Performance of City's Obligations. In the event of a Default by City of any of City's obligations pursuant to Section 3.1.2, Developer shall have the right, at its sole option and without any obligation, to cure such Default, and City shall reimburse Developer for all costs incurred by Developer to cure such Default within 30 days of Developer's providing City with reasonable written evidence of such costs.

5.3.4 City's Right of Reversion.

5.3.4.1 City's Sole and Exclusive Remedy. Notwithstanding Section 5.3.2, after the Close of Escrow, in the event that Developer fails to satisfy any of its obligations set forth in Section 3.1.1, City shall have as its sole and exclusive remedy the right of reversion provided for in this Section 5.3.4.

5.3.4.2 Meetings. At least 90 days prior to City's exercising its right of reversion, City shall give Developer written notice of its intent to exercise its right of reversion, and the Parties shall use good faith efforts to meet in person on at least two occasions within the next 60 days to discuss steps that Developer has taken or will take to finance and develop the Lodge Project; however, after fulfilling such obligation to use good faith

efforts to meet, City shall have the right in its sole and absolute discretion to exercise its right of reversion.

5.3.4.3 Developer's Election to Terminate. Developer may, within the last 30 days of the 90-day period following City's notice of intent to exercise its right of reversion, in its sole and absolute discretion, elect to pay City an amount equal to the Fair Market Value of the Land to terminate City's right of reversion under this Section 5.3.4 and Section 2 of the Grant Deed. In such event, Developer shall provide written notice to City of Developer's election, and City and Developer thereafter shall attempt to agree on the Fair Market Value within 30 days of Developer's delivery of said notice to City. In the event the Parties are unable to agree on the Fair Market Value within such 30-day period, the Fair Market Value shall be determined as provided in Section 5.3.4.4, which determination shall be final and binding. Once the Fair Market Value is established, either as provided in this Section 5.3.4.3 or in Section 5.3.4.4, Developer shall deliver funds in the amount of the Fair Market Value to City within 30 days after the Fair Market Value is established. Promptly thereafter, the Parties shall cooperate reasonably to record a written statement ("**Certificate of Termination of Reversion Right**") acknowledging termination of City's right of reversion under this Section 5.3.4 and Section 2 of the Grant Deed.

5.3.4.4 Procedure to Determine Fair Market Value. The following procedure shall be used to determine the Fair Market Value in the event the Parties are unable to agree on the Fair Market Value as provided in Section 5.3.4.3.

(i) Appraiser Qualifications. Any appraiser designated to serve as provided in this Section 5.3.4.4 shall be disinterested, shall be a licensed Real Estate Appraiser and a member of the American Institute of Real Estate Appraisers (or any successor association or body of comparable standing if such institute is not then in existence), and shall be familiar with commercial property values in San Joaquin County, California.

(ii) First and Second Appraiser. City shall designate the first appraiser (the "**First Appraiser**"), who shall prepare an appraisal ("**City's Appraisal**") of the Fair Market Value within 30 days of such designation. City shall give Developer written notice and a copy of City's Appraisal. If Developer does not agree with City's Appraisal within 10 days of such notice, Developer shall designate a second appraiser (the "**Second Appraiser**"), who shall prepare an appraisal ("**Developer's Appraisal**") of the Fair Market Value within 30 days of such designation. Developer shall give City written notice and a copy of Developer's Appraisal. If City does not agree with such Developer's Appraisal within 10 days of such notice, the provisions of Subsection (iii) shall apply.

(iii) Calculation of Fair Market Value; Third Appraisal. If the difference between City's Appraisal and Developer's Appraisal is 10 percent or less, the two appraisals shall be averaged and the figure calculated shall be deemed to be the Fair Market Value. If the difference between City's Appraisal and Developer's Appraisal exceeds 10 percent, the Parties shall appoint a third appraiser (the "**Third Appraiser**") who shall be a competent and impartial person, which third appraiser shall be agreed upon by the Parties within 15 days. If the Parties do not so agree, then either Party, on behalf of both, may request that such appointment be made by the presiding judge of the California Superior Court for the County of San Joaquin or any successor court of original jurisdiction from a list of names then provided by the Parties. If the Parties shall fail to agree on a list of names, any person meeting the qualifications required by Subsection (i) may be appointed by such presiding judge. The Third Appraiser shall select the appraisal that it believes is the closest to Fair Market Value.

(iv) Failure, Refusal, or Inability of Appraiser to Act. In the event of the failure, refusal, or inability of any appraiser to act, a new appraiser shall be appointed in his or her stead, which appointment shall be made in the same manner as hereinbefore provided for the appointment of such appraiser so failing, refusing, or being unable to act.

(v) Fees and Expenses. Each Party shall pay the fees and expenses of the appraiser they designate, or in whose stead, as above provided, such appraiser was appointed, and the fees and expenses of the Third Appraiser and all other expenses, if any, shall be borne equally by both Parties.

5.3.4.5 City's Exercise of Right of Reversion. In the event that Developer does not timely notify City of its election to pay City the Fair Market Value, or fails to timely make the payment as provided in Section 5.3.4.3, City shall have as its sole and exclusive remedy the right of reversion provided for in this Section 5.3.4. In such event, but subject to any Deed of Trust, City shall have the right to elect to reenter and take possession of the Land, with all improvements thereon, and have title to the Land theretofore conveyed to Developer (or its successors in interest) re-vested in City, and take any and all actions necessary to commence and complete the enforcement of such reversion, subject to any Deed of Trust, and in such event Developer agrees to promptly take all actions and to execute all documents necessary to revert title to the Land to City, and the City shall have the remedy of specific performance in connection therewith.

5.3.5 Interpretation. The rights established in Section 5.3.2 and Section 5.3.4 are to be interpreted in light of the fact that City will convey the Land to Developer solely for development of the Lodge Project and not for speculation, and that Developer has agreed to timely develop and construct and operate the Lodge Project.

5.4 No Personal Liability. No representative, agent, attorney, consultant, or employee of City shall personally be liable to Developer or any successor in interest of Developer, in the event of any Default or breach by City, or for any amount which may become due to Developer or any successor in interest, on any obligation under the terms of this Agreement. No representative, agent, attorney, consultant, employee, officer, or director of Developer shall personally be liable to City in the event of any Default or breach by Developer, or for any amount which may become due to City, on any obligation under the terms of this Agreement.

5.5 Rights and Remedies Are Cumulative. 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 time or different times, of any other rights or remedies for the same Default or any other Default.

5.6 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 rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies. The acceptance by a Party of less than the full amount due from the other Party shall not constitute a waiver of such Party's right to demand and receive the full amount due, unless such Party executes a specific accord and satisfaction.

5.7 Force Majeure Event. If a Party's performance of any obligation(s) under this Agreement (except the obligations of either Party to pay money to the other Party) after the

Close of Escrow is prevented or delayed by reason of any Force Majeure Event, such Party's performance of such obligation(s) shall be excused for a period of time equal to such prevention or delay. The Party claiming a Force Majeure Event shall notify the other Party of such Force Majeure Event within 30 days after the commencement of such Force Majeure Event; provided, however, if such notice is given more than 30 days after the commencement of the Force Majeure Event, the Party's performance shall be excused for only 30 days prior to its giving such notice.

5.8 Termination.

5.8.1 Termination Prior to the Close of Escrow. Notwithstanding any other provision of this Agreement, prior to the Close of Escrow, Developer may terminate this Agreement in its sole and absolute discretion, without any further liability to City except as described in Section 5.8.3. This Agreement shall be terminated 30 days after Developer provides City notice of its intent to terminate this Agreement pursuant to this Section 5.8.1. In such event, Developer shall promptly assign and deliver to City all geotechnical and soils reports concerning the condition of the Land that Developer has caused to be prepared.

5.8.2 Termination After the Close of Escrow. This Agreement shall terminate automatically upon recordation of a Certificate of Completion or a Certificate of Termination of Reversion Right.

5.8.3 Survival of Obligations. Except for Developer's obligations under Section 2.6, Section 3.2, and Section 7.1, and except for City's obligations under Section 5.9 and Section 7.2, upon termination of this Agreement, neither Party shall thereafter have any rights or obligations under this Agreement.

5.9 Developer's Completion of the Lodge Project. Notwithstanding any other provision of this Agreement, in the event that (a) Developer does not timely comply with its obligation under Section 3.1.1.1, (b) Developer pays City Fair Market Value to terminate City's right of reversion pursuant to Section 5.3.4.3, and (c) Developer is in compliance with its obligations under Section 3.1.1.2 at the time that Developer pays City Fair Market Value to terminate City's right of reversion pursuant to Section 5.3.4.3:

(i) If Developer diligently works to continue construction of the Lodge Project and Developer completes construction of, and secures all certificates of occupancy for, the Lodge Project within 54 months after the Challenge Period End Date (subject to extensions pursuant to Section 3.1.3 and delays pursuant to Section 5.7), then City shall refund to Developer the Fair Market Value that Developer had previously paid to City pursuant to Section 5.3.4.3, without interest.

(ii) If Developer does not complete construction of, and secure all certificates of occupancy for, the Lodge Project within 54 months after the Challenge Period End Date (subject to extensions pursuant to Section 3.1.3 and delays pursuant to Section 5.7), then City shall have no obligation to refund to Developer the Fair Market Value that Developer had previously paid to City pursuant to Section 5.3.4.3.

The provisions of this Section 5.9 shall survive termination of this Agreement.

6. INSURANCE.

6.1 From and after the Close of Escrow and until issuance of the Certificate of Completion, and for so long as title to the Land has not reverted to City, Developer shall obtain and maintain at no cost or expense to City, with a reputable and financially responsible insurance company reasonably acceptable to City (a) after the opening of the Lodge Project for business, commercially reasonable casualty insurance for the Lodge Project in an amount not less than the replacement cost of the Lodge Project (subject to commercially reasonable deductibles) with a reasonable inflation rider; (b) commercial broad form general liability insurance, insuring against claims and liability for bodily injury, death, or property damage arising from the construction, use, occupancy, condition, or operation of the Land, which liability insurance shall provide combined single limit protection of at least \$2,000,000 per occurrence, \$5,000,000 general aggregate, contractual liability coverage and products and completed operations coverage (which must be maintained for at least 10 years after the issuance of a certificate of occupancy for the Lodge Project); and (c) commercial automobile liability insurance of at least \$1,000,000 combined single limit. Such liability insurance policies shall name City and City's council members, board members, officers, agents, and employees as additional insureds.

6.2 Before commencement of any demolition or construction work by Developer on any portion of the Land owned by Developer, Developer shall obtain and maintain in force until completion of such work (a) "all risk" builder's risk insurance, including coverage for vandalism and malicious mischief, in a form and amount and with a company reasonably acceptable to City; and (b) workers' compensation insurance covering all persons employed by Developer in connection with work on the Lodge Project, or any portion thereof. During the construction of the Lodge Project on any portion of the Land by Developer, such builder's risk insurance shall cover improvements in place and all material and equipment at the job site furnished under contract, but shall exclude contractors', subcontractors', and construction managers' tools and equipment and property owned by contractors' and subcontractors' employees.

6.3 Each architect and each engineer engaged by Developer shall provide professional liability (errors and omissions) insurance with a limit of liability of at least \$2,000,000.

6.4 Promptly following written request by City, Developer shall also furnish or cause to be furnished to City evidence satisfactory to City that any general contractor with whom it has directly contracted for the performance of work on the Land or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law.

6.5 With respect to each policy of insurance required above, Developer and each of Developer's general contractors, engineers, and architects shall furnish to City a certificate on the insurance carrier's form setting forth the general provisions of the insurance coverage promptly after written request by City showing the additional insureds. The certificate shall also be furnished by Developer prior to commencement of construction of the Lodge Project.

6.6 All such policies required by this Section 6 shall contain: (a) language to the effect that the policies cannot be cancelled or materially changed except after 30 days' written notice by the insurer to City, and (b) a waiver of the insurer of all rights of subrogation against City and the other additional insureds.

7. INDEMNITY.

7.1 Indemnity by Developer. Except as provided in Section 7.3, Developer shall indemnify, defend (with counsel reasonably acceptable to City), and hold harmless City and City's Representatives from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys' fees and costs) to the extent arising from the negligence or willful misconduct of Developer or Developer's Representatives in connection with Developer's activities contemplated by this Agreement, except to the extent such claims, liabilities, obligations, orders, damages, fines, penalties, or expenses arise from the negligence or willful misconduct of City or City's Representatives.

7.2 Indemnity by City. Except as provided in Section 7.3, City shall indemnify, defend (with counsel reasonably acceptable to Developer), and hold harmless Developer from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys' fees and costs) to the extent arising from the negligence or willful misconduct of City or City's Representatives in connection with City's activities contemplated by this Agreement, except to the extent such claims, liabilities, obligations, orders, damages, fines, penalties, or expenses arise from the negligence or willful misconduct of Developer or Developer's Representatives.

7.3 Defense and Cooperation in the Event of a Litigation Challenge. Within 10 days of the initiation of a Litigation Challenge, Developer shall provide City notice of whether it intends to contest or defend such Litigation Challenge. To the extent Developer desires to contest or defend such Litigation Challenge, (a) Developer may, in its sole discretion, take the lead role defending and/or settling such Litigation Challenge and may elect to be represented by legal counsel of its choice, and City shall reimburse Developer for 50 percent of the costs, not to exceed \$250,000 (two hundred fifty thousand dollars), associated with contesting or defending such Litigation Challenge, and (b) City may, in its sole discretion, elect to be separately represented, at its own cost, by legal counsel of its choice. The Parties shall cooperate in the defense of the Litigation Challenge and shall keep each other informed of all developments relating to such defense, subject only to confidentiality requirements that may prevent the communication of such information. Any proposed settlement of a Litigation Challenge by Developer shall be subject to City's approval, which shall not be unreasonably withheld, conditioned, or delayed. If the terms of any proposed settlement of a Litigation Challenge would constitute an amendment of this Agreement, such proposed settlement shall not become effective unless such amendment is approved by City in accordance with applicable law, and City reserves its full legislative discretion with respect thereto. If Developer does not provide City notice of its intent to contest or defend a Litigation Challenge or if Developer elects not to contest or defend a Litigation Challenge, City may, in its sole discretion and at its own cost, defend and/or settle such Litigation Challenge.

7.4 Survival. The obligations set forth in Sections 7.1 and 7.2 shall survive termination of this Agreement.

8. REPRESENTATIONS AND WARRANTIES.

8.1 Developer Representations. Developer represents and warrants to City as of the Effective Date and as of the Close of Escrow that:

(i) Developer is a corporation validly existing and in good standing under the laws of the State of Delaware.

(ii) The individual executing this Agreement has the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of Developer.

(iii) Developer has duly authorized the execution and performance of this Agreement and the execution and performance of all of the closing documents set forth herein.

(iv) Developer's execution and performance of this Agreement and the closing documents will not violate any provision of any deed of trust, lease, contract, agreement, instrument, order, judgment or decree by which Developer is bound.

(v) Developer has not engaged a broker with respect to the conveyance of the Land contemplated herein.

(vi) Developer has received copies of the documents described in Exhibit C.

8.2 City Representations. City represents and warrants to Developer as of the Effective Date and as of the Close of Escrow that:

(i) The individual executing this Agreement has the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of City.

(ii) City has no actual knowledge, except as otherwise disclosed to Developer in writing, of the existence or prior existence of any Hazardous Material in, on, above, or beneath the Land or emanating therefrom.

(iii) City has not engaged a broker with respect to the conveyance of the Land as contemplated herein.

9. GENERAL PROVISIONS.

9.1 Notices. All notices and demands required by this Agreement shall be given in writing by certified mail, postage prepaid, and return receipt requested, or by reputable overnight messenger. Notices shall be considered given upon the earlier of (a) one business day following deposit or delivery with a nationally recognized overnight courier delivery charges prepaid, or (b) three business days following the date of mailing if given by certified mail. Notices shall be addressed as provided below for the respective Party; provided that if any Party gives notice in writing of a change of name or address, notices to such Party shall thereafter be given as demanded in that notice:

City: City of Manteca
Attn: City Manager
1001 West Center Street
Manteca, California 95337

With copies to:

City of Manteca
Attn: City Attorney

1001 West Center Street
Manteca, California 95337

Developer: Great Wolf Resorts, Inc.
Attn: Legal Department
350 North Orleans Street
Suite 10000B
Chicago, IL 60654

With copies to:

Cecily T. Barclay
Perkins Cole LLP
505 Howard Street
Suite 1000
San Francisco, CA 94105

9.2 No Agency Created. In performing their respective obligations under this Agreement, Developer is an independent contractor and not an agent of City, and City is not an agent of Developer. City shall not have any responsibility whatsoever for payment to any contractor or supplier of Developer. Developer shall not have any responsibility whatsoever for payment to any contractor or supplier of City.

9.3 Estoppel Certificate. Developer or its lender may, at any time, and from time to time, deliver written notice to City requesting City to certify in writing that: (a) this Agreement is in full force and effect; (b) this Agreement has not been amended or modified or, if so amended or modified, identifying the amendments or modifications; (c) Developer is not in Default of the performance of its obligations, or if in Default, to describe therein the nature and extent of any such Defaults; and (d) such other certifications that Developer may reasonably request. The City Manager shall execute and return such certificate within 30 days following Developer's written request therefor. Developer and City acknowledge that a certificate hereunder may be relied upon by tenants, transferees, investors, partners, bond counsel, underwriters, bond holders and Holders. The failure to deliver such a statement, or to explain in writing why such notice cannot be provided, within such time shall constitute a conclusive presumption against City that this Agreement is in full force and effect without modification (except as may be asserted by Developer) and that there are no uncured Defaults in the performance of Developer.

9.4 Construction. The Parties agree that each Party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in the interpretation of this Agreement or any amendments or exhibits thereto. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties. Unless the context clearly requires otherwise, (a) the plural and singular numbers shall each be deemed to include the other; (b) the masculine, feminine, and neuter genders shall each be deemed to include the others; (c) "shall," "will," or "agrees" are mandatory, and "may" is permissive; (d) "or" is not exclusive; (e) "includes" and "including" are not limiting; and (f) "days" means calendar days unless specifically provided otherwise.

9.5 Time of the Essence. Time is of the essence of each and every provision of this Agreement in which time is a factor.

9.6 Warranty Against Payment of Consideration for Agreement. Developer warrants that it has not paid or given, and will not pay or give, to any third person, any money or other consideration for obtaining this Agreement, other than normal costs of conducting business and costs of professional services such as architects, engineers and attorneys.

9.7 Attorneys' Fees. If any Party brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing Party in any such action shall be entitled to its reasonable attorneys' fees to be paid by the losing Party as determined by the court.

9.8 Entire Agreement. This Agreement and the Development Agreement, and all agreements executed pursuant to this Agreement and the Development Agreement, constitute the entire understanding and agreement of the Parties, integrate all of the terms and conditions mentioned herein and therein or incidental hereto and thereto, and supersede all negotiations or previous agreements between the Parties with respect to the subject matter hereof and thereof. No subsequent agreement, representation or promise made by either Party, or by or to any employee, officer, agent or representative of either Party, shall be of any effect unless it is in writing and executed by the Party to be bound thereby.

9.9 Severability. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected hereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

9.10 No Third Party Beneficiaries. This Agreement is made and entered into for the sole benefit of the Parties, and there are no third party beneficiaries of this Agreement. No other person shall have any right of action based upon any provision of this Agreement.

9.11 Governing Law; Jurisdiction; Service of Process. This Agreement shall be construed in accordance with the laws of the State of California, without reference to its choice of law provisions. The Parties consent to the exclusive jurisdiction of the California Superior Court for the County of San Joaquin, except for actions that include claims in which the federal District Court for the Eastern District of California has subject matter jurisdiction, in which case the Eastern District of California shall be the proper venue. If any legal action is commenced by Developer against City, service of process on City shall be made by personal service upon the executive director or secretary of City, or in such other manner as may be provided by law. If any legal action is commenced by City against Developer, service of process on Developer shall be made by personal service on Developer's registered agent or in such other manner as may be provided by law. Developer agrees, for the benefit of City, that it shall designate an agent for service of process in the State of California in the manner prescribed by law.

9.12 Survival of Agreement. The provisions hereof shall not merge into, but rather shall survive, conveyance of the Land hereunder (including, without limitation, the delivery and recordation of the Grant Deed).

9.13 City Actions. In addition to any provisions of this Agreement that give the City Manager the authority to make decisions and grant approvals, City hereby authorizes the City Manager to deliver such approvals and consents as are contemplated by this Agreement,

waive requirements under this Agreement, and modify this Agreement, on behalf of City, provided that the applicable approval, consent, waiver or modification is not substantial (i.e., does not change the fundamental business transaction between Developer and City, as determined by the City Manager in his reasonable discretion).

9.14 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed as original but all of which together shall constitute one and the same instrument.

9.15 Governmental Rights and Powers of City. Nothing in this Agreement shall affect the rights or powers of City in its governmental capacity.

9.16 Exhibits. The following exhibits are attached to this Agreement and, except for Exhibit B, are incorporated herein as though set forth in full for all purposes:

<u>Exhibit A</u>	Legal Description of the Land
<u>Exhibit B</u>	Lodge Standards, which are attached for references purposes only
<u>Exhibit C</u>	List of Documents Delivered to Developer
<u>Exhibit D</u>	Form of CFO Certificate
<u>Exhibit E</u>	Form of the Grant Deed
<u>Exhibit F</u>	Form of the Utility Easement Agreement
<u>Exhibit G</u>	Form of the Construction Access Easement Agreement
<u>Exhibit H</u>	Form of the Construction Staging Easement Agreement
<u>Exhibit I</u>	Form of the Option to Purchase Agreement
<u>Exhibit J</u>	Off-Site Infrastructure and Utilities to Be Provided by City
<u>Exhibit K</u>	Legal Description of Property to Be Dedicated to the California Department of Transportation

In witness whereof, the Parties have entered into this Agreement as of the Effective Date.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

"City"

CITY OF MANTECA,
a municipal corporation

By: _____

Stephen F. Debrum

Mayor

"Developer"

GREAT WOLF RESORTS, INC.,
a Delaware corporation

By: _____

Greg Miller

Executive Vice President & Chief
Development Officer

ATTEST:

Lisa Blackmon

City Clerk

APPROVED AS TO FORM:

RICHARDS, WATSON & GERSHON

By: _____

Print Name: _____

Counsel to the City

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

Lot 16 and Lot 24 of that certain tentative parcel map for the Family Entertainment Zone approved by City on February 16, 2016, to be replaced with the parcel map for Lot 16 when approved by the City Planning Commission and subsequently recorded.

EXHIBIT B

LODGE STANDARDS

The Lodge Standards are the Great Wolf Lodge PA-16 Site Planning Standards set forth in Section 7 of the Family Entertainment Zone Master Plan, adopted by the Manteca City Council on April 3, 2018.

EXHIBIT C

LIST OF DOCUMENTS DELIVERED TO DEVELOPER

Condition of Title Guarantee Number 5026900-5617382, dated January 2, 2018, prepared by First American Title Insurance Company

Condition of Title Guarantee Number 5026900-5617386, dated January 3, 2018, prepared by First American Title Insurance Company

Preliminary Title Report Number P-171936, dated September 16, 2016, prepared by Placer Title Company

Soil Sampling Report for FEZ Parcel 53 and Portions of Parcels 32, 34, and 52 (Project No. E9043-02-01), dated February 2, 2018, prepared by Geocon Consultants, Inc.

EXHIBIT D

FORM OF CFO CERTIFICATE

CERTIFICATE OF CHIEF FINANCIAL OFFICER

This Certificate of Chief Financial Officer is provided pursuant to that certain Disposition and Development Agreement (the "Agreement") entered into as of _____, 2018, by and between the City of Manteca, a California municipal corporation, and Great Wolf Resorts, Inc., a Delaware corporation ("Developer"). Capitalized terms used and not otherwise defined herein have the same meanings as set forth in the Agreement.

The undersigned, _____, hereby certifies as of _____, 20____, the following:

1. I, _____, am the duly qualified and acting Chief Financial Officer of Developer or, in the event Developer does not have a duly qualified Chief Financial Officer as of the date hereof, am serving in a substantially equivalent position.

2. Based on my knowledge and understanding of the current and projected equity/capital funds of Developer, it is my belief that Developer has or will have access to sufficient additional equity/capital funds in an amount equal to the difference between costs of development of the Lodge Project (as shown in the Project Budget) and the amount, if any, available to Developer from the loans and other financing from external sources as evidenced by documentation submitted to the City pursuant to Section 2.4.2.1 of the Agreement.

The undersigned has executed this Certificate of Chief Financial Officer solely in the undersigned's capacity as an officer of Developer and not in any personal capacity as of the date first set forth above.

GREAT WOLF RESORTS, INC.,
a Delaware corporation

By: _____

Print Name: _____

Title: _____

EXHIBIT E

FORM OF THE GRANT DEED

RECORDING REQUESTED BY, AND
WHEN RECORDED, RETURN TO:

City of Manteca
City Clerk
1001 West Center Street
Manteca, CA 95337

APN: 241-310-53

Space Above Reserved for Recorder's Use Only

Exempt from recording fees pursuant to Government Code Section 27383.

Documentary transfer tax is \$_____ based on the full value of the property conveyed.

GRANT DEED

BY THIS INSTRUMENT, for a valuable consideration the receipt of which is hereby acknowledged, the CITY OF MANTECA, a municipal corporation ("Grantor"), hereby GRANTS to GREAT WOLF RESORTS, INC., a Delaware corporation ("Grantee"), the land (the "Land") located in the City of Manteca, County of San Joaquin, State of California, described on Exhibit A attached hereto and incorporated herein by this reference.

SUBJECT TO, all matters of record.

1. The grant of the Land under this Grant Deed is subject to the terms of a Disposition and Development Agreement entered into by and between Grantor and Grantee dated as of _____, 2018, (the "Agreement"), the terms of which are incorporated herein by reference. A copy of the Agreement is available for public inspection at the offices of the Grantor at 1001 West Center Street, Manteca, California 95337.

2. Consistent with the provisions contained in Section 5.3.4 of the Agreement, Grantor shall have the right to reenter and take possession of the Land, with all improvements thereon, and to revest the Land in Grantor.

3. There shall be no sale, transfer, assignment, conveyance, lease, pledge, or encumbrance (each a "Transfer") of the Agreement, or the Land and the improvements thereon, or any part thereof, or of any ownership interest in the Grantee in violation of Section 4.1 of the Agreement, which contains restrictions on such Transfers.

4. All covenants contained in this Grant Deed shall run with the land and shall be binding for the benefit of Grantor and its successors and assigns, and such covenants shall run in favor of the Grantor and for the entire period during which the covenants shall be in force and effect under the Agreement.

IN WITNESS WHEREOF, the Grantor has executed this Grant Deed as of the date set forth below.

Dated: _____, 20__

CITY OF MANTECA,
a municipal corporation

By: _____

Print Name: _____

Mayor

ATTEST:

Print Name: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Print Name: _____

Counsel to the City

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, 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 _____ (Seal)

EXHIBIT A TO THE GRANT DEED

LEGAL DESCRIPTION OF THE LAND

Lot 16 and Lot 24 of that certain tentative parcel map for the Family Entertainment Zone approved by City on February 16, 2016, to be replaced with the parcel map for Lot 16 when approved by City and subsequently recorded.

EXHIBIT F

FORM OF THE UTILITY EASEMENT AGREEMENT

RECORDING REQUESTED BY AND
WHEN RECORDED, RETURN TO:

City of Manteca
1001 West Center Street
Manteca, CA 95337
Attn: City Clerk

APN(s): 241-310-53

Space Above Reserved for Recorder's Use Only

Record for the benefit of the City of Manteca pursuant to Government Code Section 27383

UTILITY EASEMENT AGREEMENT

This Utility Easement Agreement ("**Agreement**") is entered into as of _____, 20____, (the "**Effective Date**"), by and between GREAT WOLF RESORTS, INC., a Delaware corporation ("**Owner**"), and the CITY OF MANTECA, a California municipal corporation ("**City**"). Owner and City are referred to individually in this Agreement as a "**Party**" and collectively as the "**Parties.**"

This Agreement is entered into on the basis of the following facts, understandings, and intentions of the Parties. The following recitals are a substantive part of this Agreement.

RECITALS

A. Owner is the fee owner of certain real property located in the City of Manteca, San Joaquin County, California, consisting of approximately 29 acres, as more particularly described on Exhibit A attached hereto (the "**Property**").

B. Owner and City are parties to that certain Development Agreement, dated _____, 2018, and recorded in the San Joaquin County Recorder's Office on _____, 2018, as instrument number _____, and that certain Disposition and Development Agreement, dated _____, 2018 (the "**Disposition and Development Agreement**"), pursuant to which City conveyed the Property to Owner, and in accordance with which Owner plans to construct and operate on the Property a destination resort that includes a hotel, an indoor water park, restaurants, meeting facilities, and a family entertainment center (the "**Lodge Project**").

C. In accordance with the terms of the Disposition and Development Agreement, Owner desires to grant to City, and City desires to accept from Owner, a perpetual, non-exclusive utility easement, subject to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and approved, Owner and City hereby agree as follows:

1. Grant of Utility Easement. Owner hereby grants and dedicates to City a perpetual, non-exclusive utility easement (the “**Utility Easement**”) on, over, through, and across that certain portion of the Property described and depicted on Exhibit B attached hereto (“**Utility Easement Area**”).

2. Use and Maintenance of Utility Easement.

2.1. Subject to the terms of Section 3, the Utility Easement Area may be used by City and other utility providers, including the South San Joaquin Irrigation District, for the purposes of constructing, inspecting, repairing, maintaining, replacing, and operating existing and future utilities including, without limitation, underground pipes for water (both potable and recycled), sewer, and gas; underground wires and conduits for electrical, television, telecommunications, internet, and telephone services; and any and all appurtenances pertaining thereto; all in accordance with the utility easement area cross-section depicted on Exhibit C attached hereto.

2.2. Subject to the terms of Section 3, City may install a pylon sign advertising the Manteca Family Entertainment Zone in the Utility Easement Area, consistent with Section 3.7 of the Disposition and Development Agreement.

2.3. When undertaking any excavation, maintenance, or repair work within the Utility Easement Area, City shall use (and City shall require other utility providers to use) diligent good faith efforts to ensure that the work is undertaken expeditiously and in a manner to reasonably minimize the interference with Owner’s use of the Property, and City shall restore (and City shall require other utility providers to restore) the Utility Easement Area to substantially its original condition as it existed prior to the excavation, maintenance, or repair work.

3. Owner’s Reserved Rights and Restrictions. The Parties agree that Owner shall have the following reserved rights and restrictions:

3.1. Improvements in and Use of Utility Easement Area. Owner, at its expense, may install and maintain the following improvements within the Utility Easement Area, and may use the Utility Easement Area for the following purposes: (i) parking; (ii) truck and other vehicular ingress and egress; (iii) landscaping; (iv) grading; (v) site lighting and associated underground conduit; (vi) utilities for the Lodge Project; (vii) branded directional signage; (viii) sidewalks; (ix) amenities for the Lodge Project; and (x) staging of construction equipment and materials during construction of the Lodge Project; provided, however, that Owner shall not install any improvements that interfere with City’s exercise of its easement rights provided for herein.

3.2. Support Structures. Owner shall not place any support structures, including foundations and piers, associated with buildings, water slide structures, and water slides, within the area that is 15 feet west of the western boundary of the Utility Easement Area (the “**Setback Area**”).

3.3. Elevated Building Elements. Notwithstanding Section 3.2, roof, balconies, and architectural features (“**Elevated Building Elements**”) of any building may extend within the Setback Area; provided, however, that any such Elevated Building Elements shall only be permitted at or above a minimum height of 15 feet above finished grade.

3.4. Elevated Slide Elements. Notwithstanding Section 3.2, elevated water slide structures and water slides (“**Elevated Slide Elements**”) may extend into the Setback Area and 10 feet east of the western boundary of the Utility Easement Area; provided, however, that any such Elevated Slide Elements shall only be permitted within such areas at or above a minimum height of 15 feet above finished grade.

4. Indemnity.

4.1. Indemnity by City. City shall indemnify, defend (with counsel reasonably acceptable to Owner), and hold harmless Owner and Owner’s officers, employees, agents, and representatives (“**Owner’s Representatives**”) from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, reasonable attorneys’ fees and costs) (“**Claims**”) to the extent arising from any activities of City or City’s officials, officers, employees, contractors, subcontractors, agents, and representatives (“**City’s Representatives**”) under this Agreement, except to the extent such Claims arise from the negligence or willful misconduct of Owner or Owner’s Representatives.

4.2. Indemnity by Owner. Owner shall indemnify, defend (with counsel reasonably acceptable to City), and hold harmless City from and against any and all Claims to the extent arising from the activities of Owner or Owner’s representatives under this Agreement, except to the extent such Claims arise from the negligence or willful misconduct of City or City’s representatives.

5. Miscellaneous Provisions.

5.1. Entire Agreement. This Agreement contains the entire understanding and agreement of the Parties hereto relating to the rights and obligations set forth herein. Any prior, contemporaneous, or subsequent written or oral representations and modifications concerning this Agreement shall be of no force or effect. This Agreement may be amended only by a written instrument signed by Owner and City.

5.2. Governing Law; Jurisdiction. This Agreement and the rights of the Parties shall be governed by California law. The Parties consent to the exclusive jurisdiction of the California Superior Court for the County of San Joaquin, except for actions that include claims in which the federal District Court for the Eastern District of California has subject matter jurisdiction, in which case the Eastern District of California shall be the proper venue.

5.3. Binding on Successors and Assigns. The Property is to be burdened by, and City is to be benefited by, the provisions of this Agreement, and such Property shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied, and improved subject to the foregoing easements, limitations, restrictions, obligations and conditions. All provisions of this Agreement shall run with the land and be binding upon all parties having or acquiring any right, title, or interest in the Property, and shall be binding upon, and inure to the benefit of, the City, and its successors and assigns.

5.4. Partial Invalidity. If any term or provision of this Agreement or the application of it to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

5.5. Not a Public Dedication. Except as expressly provided herein, nothing herein contained shall be deemed to be a gift or dedication of the Utility Easement Area or any other portion of the Property to the general public or for any public purpose whatsoever, it being the intention of the parties that this Agreement shall be limited to and for the purposes herein expressed.

5.6. Relationship Between the Parties. This Agreement does not create any partnership or agency between the Parties, each of which is, and at all times shall remain, solely responsible for all acts of its officials, employees, agents, contractors and any subcontractors, including any negligent acts or omissions. None of the Parties is an agent of the other Party, and none has the authority to act on behalf of or to bind the other Parties to any obligation whatsoever.

5.7. Attorneys' Fees. If any Party brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing Party in any such action shall be entitled to its reasonable attorneys' fees to be paid by the non-prevailing Party as determined by the court.

5.8. No Third Party Beneficiaries. This Agreement is made and entered into for the sole benefit of the Parties, and there are no third party beneficiaries of this Agreement. No other person shall have any right of action based upon any provision of this Agreement.

5.9. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall, for all purposes, be deemed an original, and all such counterparts, taken together, shall constitute one and the same instrument.

5.10. Exhibits. The following exhibits are attached to this Agreement and are hereby incorporated herein by this reference for all purposes as if set forth herein in full:

- Exhibit A Legal Description of the Property
- Exhibit B Legal Description and Plat of the Utility Easement Area
- Exhibit C Cross-Section of the Utility Easement Area

IN WITNESS WHEREOF, Owner and City have executed this Agreement as of the Effective Date.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

“Owner”

GREAT WOLF RESORTS, INC.,
a Delaware corporation

By: _____

Print Name: _____

Title: _____

“City”

CITY OF MANTECA,
a municipal corporation

By: _____

Print Name: _____

Mayor

ATTEST:

By: _____

Print Name: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Print Name: _____

Counsel to the City

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, 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 _____ (Seal)

EXHIBIT A TO THE UTILITY EASEMENT AGREEMENT

LEGAL DESCRIPTION OF THE PROPERTY

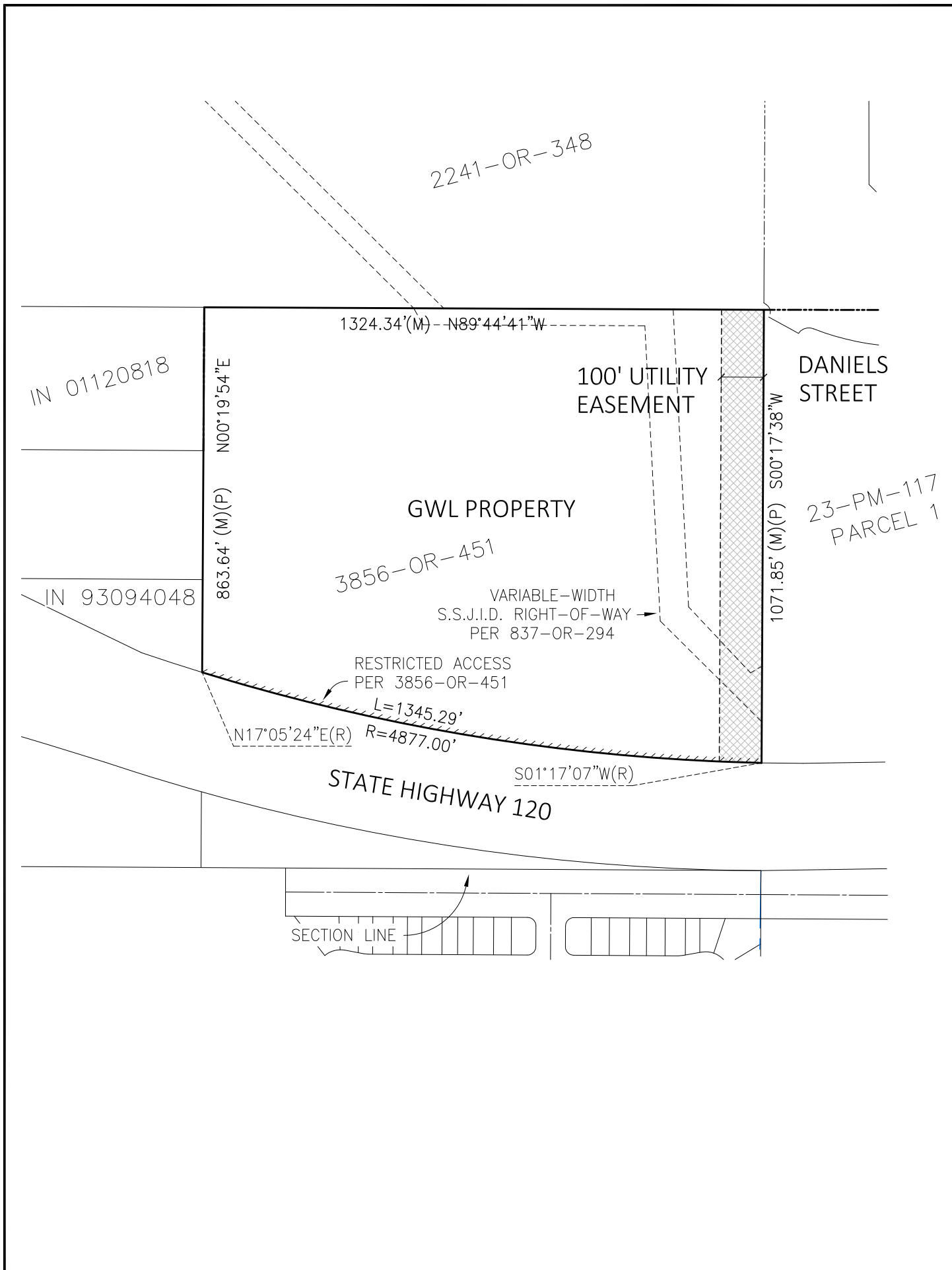
Lot 16 and Lot 24 of that certain tentative parcel map for the Family Entertainment Zone approved by City on February 16, 2016, to be replaced with the parcel map for Lot 16 when approved by City and subsequently recorded.

EXHIBIT B TO THE UTILITY EASEMENT AGREEMENT

LEGAL DESCRIPTION AND PLAT OF THE UTILITY EASEMENT AREA

The westerly 100 feet of Lot 16 of that certain tentative parcel map for the Family Entertainment Zone approved by City on February 16, 2016, to be replaced with the parcel map for Lot 16 when approved by City and subsequently recorded.

PLAT OF THE UTILITY EASEMENT AREA



**EXHIBIT C TO THE UTILITY EASEMENT AGREEMENT
CROSS-SECTION OF THE UTILITY EASEMENT AREA**

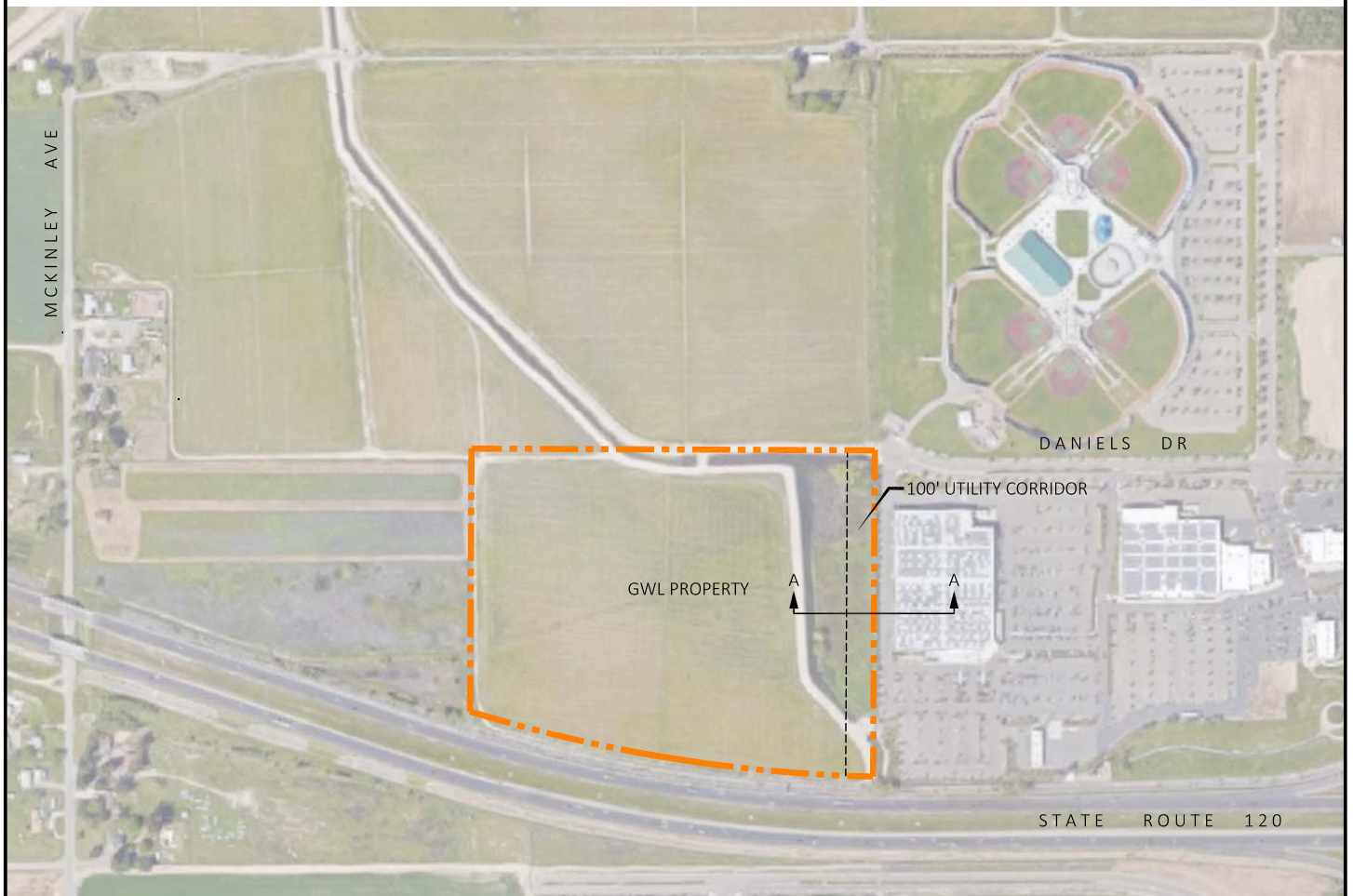
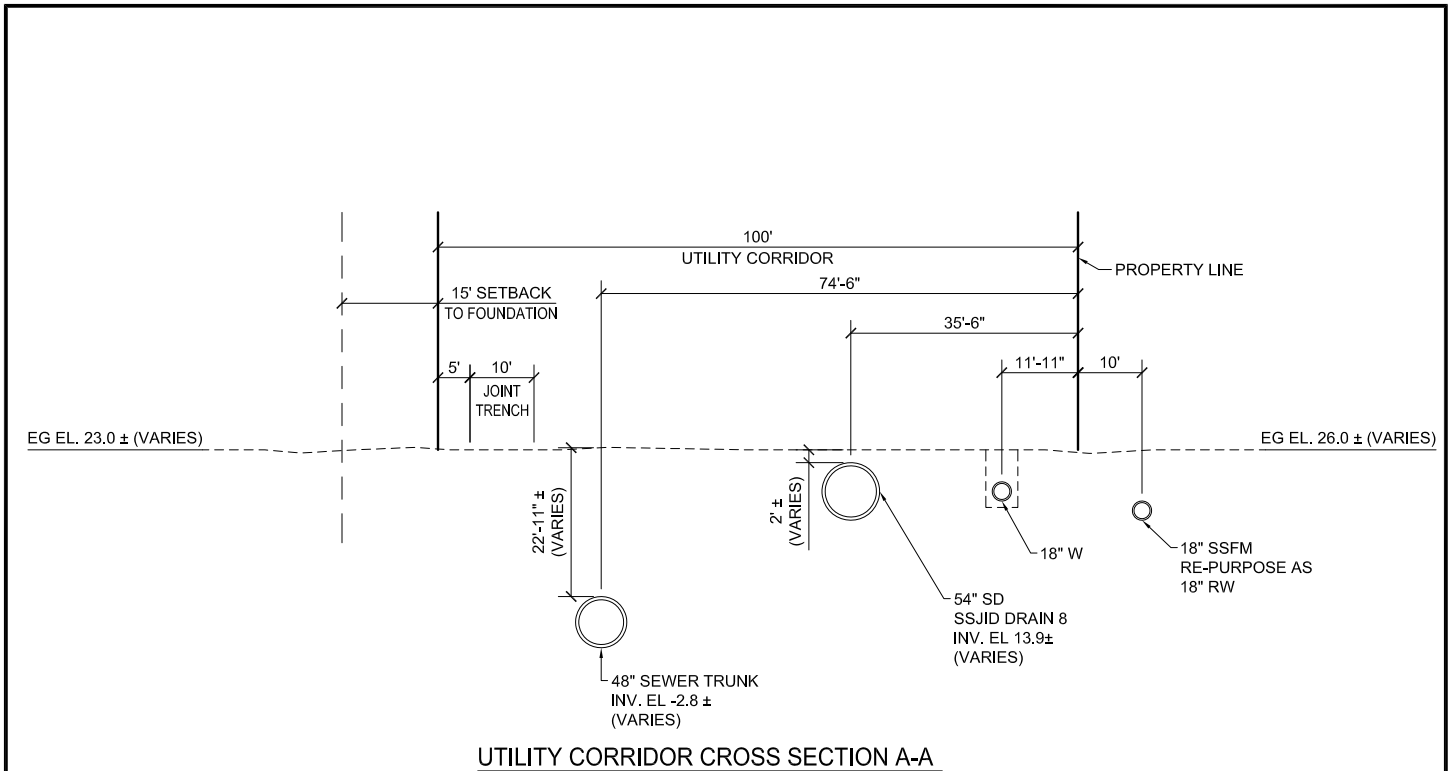


EXHIBIT G

FORM OF THE CONSTRUCTION ACCESS EASEMENT AGREEMENT

RECORDING REQUESTED BY AND
WHEN RECORDED, RETURN TO:

City of Manteca
1001 West Center Street
Manteca, CA 95337
Attn: City Clerk

APN: 241-310-32

Space Above Reserved for Recorder's Use Only

CONSTRUCTION ACCESS EASEMENT AGREEMENT

This Construction Access Easement Agreement ("**Agreement**") is entered into as of _____, 20____, (the "**Effective Date**") by and between the CITY OF MANTECA, a California municipal corporation ("**City**"), and GREAT WOLF RESORTS, INC., a Delaware corporation ("**Developer**"). City and Developer are sometimes referred to individually herein as a "**Party**" and collectively as the "**Parties.**"

RECITALS

This Agreement is entered into on the basis of the following facts, understandings, and intentions of the Parties. The following recitals are a substantive part of this Agreement.

A. City is the owner of certain real property (the "**City-Owned Property**") located in the City of Manteca, County of San Joaquin, State of California, described as Lot 6 on that certain tentative parcel map for the Family Entertainment Zone approved by the Manteca City Council on February 16, 2016. City desires to grant to Developer a construction access easement over a portion (the "**Construction Access Easement Area**") of the City-Owned Property, all as more particularly described on Exhibit A attached hereto.

B. Developer is the owner of certain real property located in the City of Manteca, State of California, consisting of approximately 29 acres, as more particularly described on Exhibit B attached hereto (the "**Developer Property**").

C. City and Developer are parties to that certain Disposition and Development Agreement dated _____, 2018 (the "**Disposition and Development Agreement**"), and that certain Development Agreement dated _____, 2018, and recorded in the San Joaquin County Recorder's Office on _____, 2018, as instrument number _____ (the "**Development Agreement**"), and pursuant to which City conveyed the Developer Property to Developer, and in accordance with which Developer plans to construct and operate on the Developer Property a destination resort that includes a hotel, an indoor water park, restaurants, meeting facilities, and a family entertainment center (the "**Lodge Project**").

D. In connection with construction and development of the Lodge Project, Developer requires the temporary use of the Construction Access Easement Area for construction-related

purposes including, but not limited to, access to and from McKinley Avenue for construction vehicles, and other related activities incidental thereto (collectively, “**Construction Access**”).

E. City desires to grant to Developer an easement to use the Construction Access Easement Area for Construction Access, subject to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and approved, the Parties agree as follows:

1. Grant of Easement. City hereby grants to Developer and Developer’s agents, employees, invitees, representatives, architects, consultants, contractors, and subcontractors (collectively, “**Developer Parties**”) an appurtenant easement to enter upon and use the Construction Access Easement Area portion of the City-Owned Property, as the servient tenement, for the benefit of the Developer Parcel, as the dominant tenement, for Construction Access purposes during the Term of this Agreement; provided that Developer shall (i) obtain all necessary permits and comply with all applicable laws and regulations, except as set forth in the Development Agreement; (ii) obtain and maintain the insurance described in Section 3; and (iii) ensure the Developer Parties comply with all such laws and regulations. Developer accepts the Construction Access Easement Area in its current “AS-IS” condition, subject to all matters of record, and without representation or warranty, express or implied.

2. Term. The term (“**Term**”) of this Agreement shall commence on the Effective Date and shall expire upon the earliest to occur of: (a) termination of the Disposition and Development Agreement, (b) City’s exercise of its right of reversion pursuant to Section 5.3.4 of the Disposition and Development Agreement, or (c) recordation of a Notice of Termination of Construction Access Easement executed by the City Manager and Developer.

3. Insurance. Developer at its own expense shall maintain in full force and effect such policies of insurance having the coverages and limits and issued by such insurance companies as specified in Section 6 of the Disposition and Development Agreement. Such insurance shall apply to activities undertaken by or on behalf of Developer on the Construction Access Easement Area. Evidence of such insurance shall be provided to the City pursuant to Section 6.1.5 of the Disposition and Development Agreement prior to entering the Construction Access Easement Area or performing any work on the Construction Access Easement Area.

4. Indemnity.

4.1 Indemnity by Developer. Developer shall indemnify, defend (with counsel reasonably acceptable to City), and hold harmless City and City’s officials, officers, employees, contractors, subcontractors, agents, and representatives (“**City’s Representatives**”) from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys’ fees and costs) to the extent arising from any activities of Developer or Developer’s officials, officers, employees, contractors, subcontractors, agents, and representatives (“**Developer’s Representatives**”) under this Agreement, except to the extent such claims, liabilities, obligations, orders, damages, fines, penalties, or expenses arise from the negligence or willful misconduct of City or City’s Representatives.

4.2 Indemnity by City. Subject to the last sentence of Section 1, City shall indemnify, defend (with counsel reasonably acceptable to Developer), and hold harmless Developer from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys' fees and costs) to the extent arising from the negligence or willful misconduct of City or City's Representatives with respect to the Construction Access Easement Area.

4.3 Survival. The provisions of this Section 4 shall survive expiration or earlier termination of this Agreement.

5. Assignment. Developer shall have the right to assign this Agreement to any entity to which it may assign the Disposition and Development Agreement, subject to City's consent as provided in Section 4.1 of the Disposition and Development Agreement. In such event, the Parties shall record a written assignment and assumption agreement with the San Joaquin County Recorder's Office. Any assignment of this Agreement shall be made subject to the terms and conditions of this Agreement.

6. Modification. The terms and conditions of this Agreement shall not be modified, amended, waived, or repealed except by the written agreement of the Parties.

7. Notice of Termination. Upon the expiration of this Agreement under Section 2(a) or 2(b), or in the event that the Parties agree to sooner terminate this Agreement, the Parties shall cooperate reasonably to record a written statement acknowledging such termination (a "**Notice of Termination of Construction Access Easement**") in the San Joaquin County Recorder's Office. The provisions of this Section 9 shall survive termination of this Agreement.

8. Notices. All notices and demands required by this Agreement shall be given in writing by certified mail, postage prepaid, and return receipt requested, or by reputable overnight messenger. Notices shall be considered given upon the earlier of (a) one business day following deposit or delivery with a nationally recognized overnight courier delivery charges prepaid, or (b) three business days following the date of mailing if given by certified mail. Notices shall be addressed as provided below for the respective Party; provided that if any Party gives notice in writing of a change of name or address, notices to such Party shall thereafter be given as demanded in that notice:

City: City of Manteca
Attn: City Manager
1001 West Center Street
Manteca, California 95337

With copies to:

City of Manteca
Attn: City Attorney
1001 West Center Street
Manteca, California 95337

Developer: Great Wolf Resorts, Inc.
Attn: Legal Department
350 North Orleans Street

Suite 10000B
Chicago, IL 60654

With copies to:

Cecily T. Barclay
Perkins Cole LLP
505 Howard Street
Suite 1000
San Francisco, CA 94105

9. Miscellaneous Provisions.

9.1 Attorneys' Fees. If any Party brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing Party in any such action shall be entitled to its reasonable attorneys' fees to be paid by the losing Party as determined by the court.

9.2 Successors and Assigns. The terms and conditions herein contained shall be binding upon and inure to the benefit of the successors and assignees of the Parties.

9.3 No Third Party Beneficiaries. This Agreement is made and entered into for the sole benefit of the Parties, and there are no third party beneficiaries of this Agreement. No other person shall have any right of action based upon any provision of this Agreement.

9.4 Governing Law; Jurisdiction. This Agreement and the rights of the Parties shall be governed by California law. The Parties consent to the exclusive jurisdiction of the California Superior Court for the County of San Joaquin, except for actions that include claims in which the federal District Court for the Eastern District of California has subject matter jurisdiction, in which case the Eastern District of California shall be the proper venue.

9.5 Severability; Partial Invalidity. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected hereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

9.6 Entire Agreement. This Agreement, the Development Agreement, the Disposition and Development Agreement, and all agreements executed pursuant hereto and thereto constitute the entire understanding and agreement of the Parties, integrate all of the terms and conditions mentioned herein and therein or incidental hereto and thereto, and supersede all negotiations or previous agreements between the Parties with respect to the subject matter hereof and thereof. No subsequent agreement, representation or promise made by either Party, or by or to any employee, officer, agent or representative of either Party, shall be of any effect unless it is in writing and executed by the Party to be bound thereby.

9.7 Time of Essence. Time is of the essence of each and every provision of this Agreement in which time is a factor.

9.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed as original but all of which together shall constitute one and the same instrument.

9.9 Exhibits. The following exhibits are attached to this Agreement and are incorporated herein as though set forth in full for all purposes:

Exhibit A Description of City-Owned Property and Construction Access Easement Area

Exhibit B Legal Description of Developer Property

In witness whereof, the Parties have entered into this Agreement as of the Effective Date.

“City”

CITY OF MANTECA,
a municipal corporation

By: _____

Print Name: _____

Mayor

“Developer”

GREAT WOLF RESORTS, INC.,
a Delaware corporation

By: _____

Print Name: _____

Title: _____

ATTEST:

By: _____

Print Name: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Print Name: _____

Counsel to the City

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, 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.

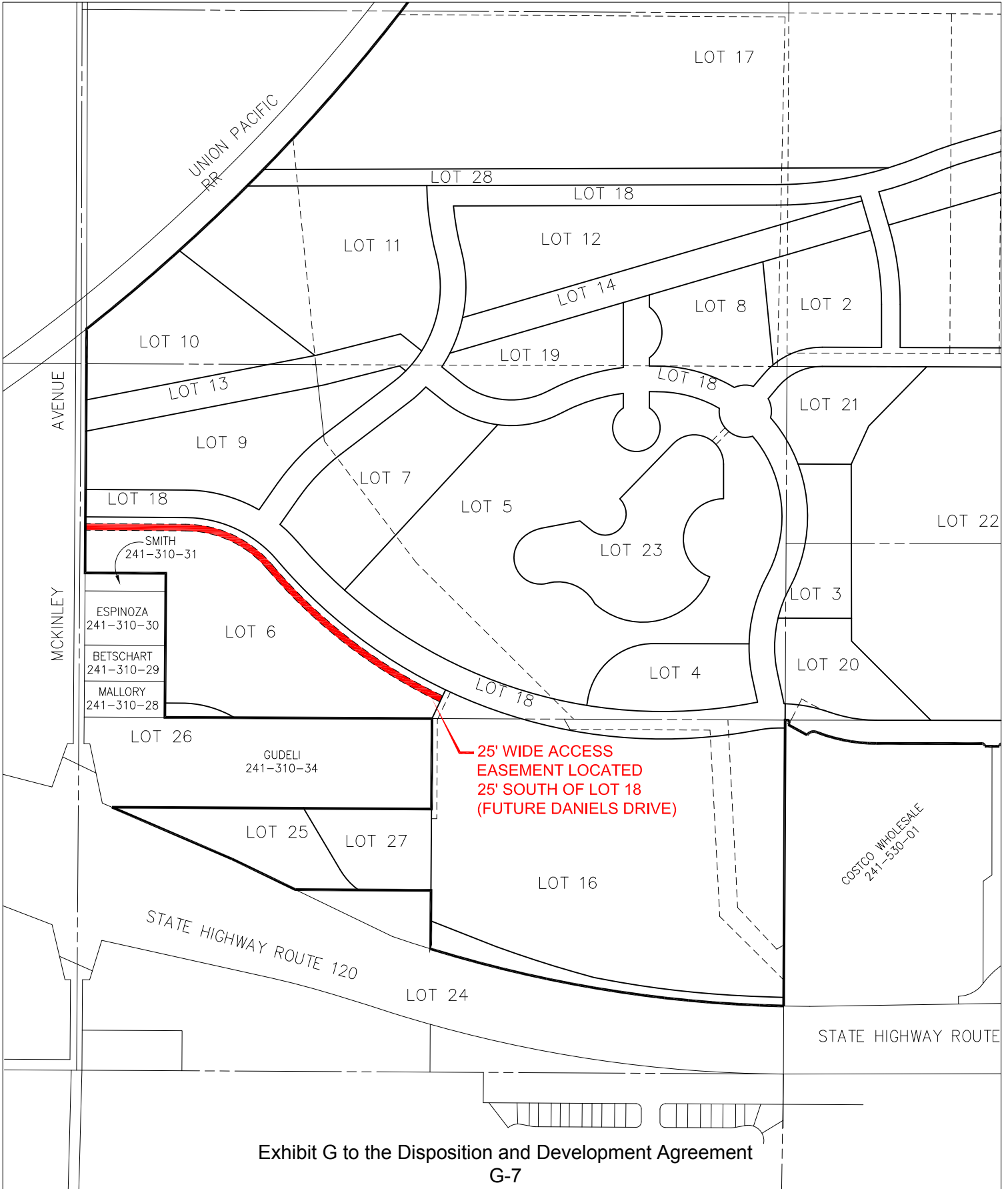
WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A TO THE CONSTRUCTION ACCESS EASEMENT AGREEMENT

"City-Owned Property" is that property depicted below as Lot 6, as shown on that certain tentative parcel map for the Family Entertainment Zone approved by the Manteca City Council on February 16, 2016.

"Construction Access Easement Area" is that area depicted below as a 25-foot wide access easement located 25 feet south of Lot 18 (Future Daniels Drive), as shown on that certain tentative parcel map for the Family Entertainment Zone approved by the Manteca City Council on February 16, 2016.



**EXHIBIT B TO THE CONSTRUCTION ACCESS EASEMENT AGREEMENT
LEGAL DESCRIPTION OF DEVELOPER PROPERTY**

Lot 16 and Lot 24 of that certain tentative parcel map for the Family Entertainment Zone approved by City on February 16, 2016, to be replaced with the parcel map for Lot 16 when approved by City and subsequently recorded.

EXHIBIT H

FORM OF THE CONSTRUCTION STAGING EASEMENT AGREEMENT

RECORDING REQUESTED BY AND
WHEN RECORDED, RETURN TO:

City of Manteca
1001 West Center Street
Manteca, CA 95337
Attn: City Clerk

APN: 241-310-32

Space Above Reserved for Recorder's Use Only

CONSTRUCTION STAGING EASEMENT AGREEMENT

This Construction Staging Easement Agreement ("**Agreement**") is entered into as of _____, 20____, (the "**Effective Date**") by and between the CITY OF MANTECA, a California municipal corporation ("**City**"), and GREAT WOLF RESORTS, INC., a Delaware corporation ("**Developer**"). City and Developer are sometimes referred to individually herein as a "**Party**" and collectively as the "**Parties.**"

RECITALS

This Agreement is entered into on the basis of the following facts, understandings, and intentions of the Parties. The following recitals are a substantive part of this Agreement.

A. City is the owner of certain real property (the "**City-Owned Property**") located in the City of Manteca, County of San Joaquin, State of California, described as Lot 6 on that certain tentative parcel map for the Family Entertainment Zone approved by the Manteca City Council on February 16, 2016. City desires to grant to Developer a construction staging easement over a portion (the "**Construction Staging Easement Area**") of the City-Owned Property, all as more particularly described on Exhibit A attached hereto.

B. Developer is the owner of certain real property located southeast of the City-Owned Property, consisting of approximately 29 acres, as more particularly described on Exhibit B attached hereto (the "**Developer Property**").

C. City and Developer are parties to that certain Disposition and Development Agreement dated _____, 2018 (the "**Disposition and Development Agreement**"), and that certain Development Agreement dated _____, 2018, and recorded in the San Joaquin County Recorder's Office on _____, 2018, as instrument number _____ (the "**Development Agreement**"), and pursuant to which City conveyed the Developer Property to Developer, and in accordance with which Developer plans to construct and operate on the Developer Property a destination resort that includes a hotel, an indoor water park, restaurants, meeting facilities, and a family entertainment center (the "**Lodge Project**").

D. In connection with construction and development of the Lodge Project, Developer requires the temporary use of the Construction Staging Easement Area for construction-related purposes including, but not limited to, grading, stockpiling of dirt and earth, staging and storage

of materials and equipment, installation and maintenance of one or more construction trailers, and other related activities incidental thereto (collectively, "**Construction Staging**").

E. City desires to grant to Developer an easement to use the Construction Staging Easement Area for Construction Staging, subject to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and approved, the Parties agree as follows:

1. Grant of Easement. City hereby grants to Developer and Developer's agents, employees, invitees, representatives, architects, consultants, contractors, and subcontractors (collectively, "**Developer Parties**") an appurtenant easement to enter upon and use the Construction Staging Easement Area portion of the City-Owned Property, as the servient tenement, for the benefit of the Developer Parcel, as the dominant tenement, for Construction Staging purposes during the Term of this Agreement; provided that Developer shall (i) obtain all necessary permits and comply with all applicable laws and regulations, except as set forth in the Development Agreement; (ii) obtain and maintain the insurance described in Section 3; and (iii) ensure the Developer Parties comply with all such laws and regulations. Developer accepts the Construction Staging Easement Area in its current "AS-IS" condition, subject to all matters of record, and without representation or warranty, express or implied.

2. Term. The term ("**Term**") of this Agreement shall commence on the Effective Date and shall expire upon the earliest to occur of: (a) termination of the Disposition and Development Agreement, (b) City's exercise of its right of reversion pursuant to Section 5.3.4 of the Disposition and Development Agreement, or (c) recordation of a Notice of Termination of Construction Staging Easement executed by the City Manager and Developer. Upon the expiration of the Term, Developer shall promptly and diligently remove, or cause to be removed, all stockpiled dirt, earth, materials, equipment, construction trailers, and any other items placed on the Construction Staging Easement Area by or at the request of Developer or any Developer Party.

3. Insurance. Developer at its own expense shall maintain in full force and effect such policies of insurance having the coverages and limits and issued by such insurance companies as specified in Section 6 of the Disposition and Development Agreement. Such insurance shall apply to activities undertaken by or on behalf of Developer on the Construction Staging Easement Area. Evidence of such insurance shall be provided to the City pursuant to Section 6.1.5 of the Disposition and Development Agreement prior to entering the Construction Staging Easement Area or performing any work on the Construction Staging Easement Area.

4. Indemnity.

4.1 Indemnity by Developer. Developer shall indemnify, defend (with counsel reasonably acceptable to City), and hold harmless City and City's officials, officers, employees, contractors, subcontractors, agents, and representatives ("**City's Representatives**") from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys' fees and costs) to the extent arising from any activities of Developer or Developer's officials, officers, employees, contractors, subcontractors, agents, and representatives ("**Developer's Representatives**") under this Agreement, except to

the extent such claims, liabilities, obligations, orders, damages, fines, penalties, or expenses arise from the negligence or willful misconduct of City or City's Representatives.

4.2 Indemnity by City. Subject to the last sentence of Section 1, City shall indemnify, defend (with counsel reasonably acceptable to Developer), and hold harmless Developer from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys' fees and costs) to the extent arising from the negligence or willful misconduct of City or City's Representatives with respect to the Construction Staging Easement Area.

4.3 Survival. The provisions of this Section 4 shall survive expiration or earlier termination of this Agreement.

5. Assignment. Developer shall have the right to assign this Agreement to any entity to which it may assign the Disposition and Development Agreement, subject to City's consent as provided in Section 4.1 of the Disposition and Development Agreement. In such event, the Parties shall record a written assignment and assumption agreement with the San Joaquin County Recorder's Office. Any assignment of this Agreement shall be made subject to the terms and conditions of this Agreement.

6. Modification. The terms and conditions of this Agreement shall not be modified, amended, waived, or repealed except by the written agreement of the Parties.

7. Notice of Termination. Upon the expiration of this Agreement under Section 2(a) or 2(b), or in the event that the Parties agree to sooner terminate this Agreement, the Parties shall cooperate reasonably to record a written statement acknowledging such termination (a "**Notice of Termination of Construction Staging Easement**") in the San Joaquin County Recorder's Office. The provisions of this Section 7 shall survive termination of this Agreement.

8. Notices. All notices and demands required by this Agreement shall be given in writing by certified mail, postage prepaid, and return receipt requested, or by reputable overnight messenger. Notices shall be considered given upon the earlier of (a) one business day following deposit or delivery with a nationally recognized overnight courier delivery charges prepaid, or (b) three business days following the date of mailing if given by certified mail. Notices shall be addressed as provided below for the respective Party; provided that if any Party gives notice in writing of a change of name or address, notices to such Party shall thereafter be given as demanded in that notice:

City: City of Manteca
Attn: City Manager
1001 West Center Street
Manteca, California 95337

With copies to:

City of Manteca
Attn: City Attorney
1001 West Center Street
Manteca, California 95337

Developer: Great Wolf Resorts, Inc.
Attn: Legal Department
350 North Orleans Street
Suite 10000B
Chicago, IL 60654

With copies to:

Cecily T. Barclay
Perkins Cole LLP
505 Howard Street
Suite 1000
San Francisco, CA 94105

9. Miscellaneous Provisions.

9.1 Attorneys' Fees. If any Party brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing Party in any such action shall be entitled to its reasonable attorneys' fees to be paid by the losing Party as determined by the court.

9.2 Successors and Assigns. The terms and conditions herein contained shall be binding upon and inure to the benefit of the successors and assignees of the Parties.

9.3 No Third Party Beneficiaries. This Agreement is made and entered into for the sole benefit of the Parties, and there are no third party beneficiaries of this Agreement. No other person shall have any right of action based upon any provision of this Agreement.

9.4 Governing Law; Jurisdiction. This Agreement and the rights of the Parties shall be governed by California law. The Parties consent to the exclusive jurisdiction of the California Superior Court for the County of San Joaquin, except for actions that include claims in which the federal District Court for the Eastern District of California has subject matter jurisdiction, in which case the Eastern District of California shall be the proper venue.

9.5 Severability; Partial Invalidity. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected hereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

9.6 Entire Agreement. This Agreement, the Development Agreement, the Disposition and Development Agreement, and all agreements executed pursuant hereto and thereto constitute the entire understanding and agreement of the Parties, integrate all of the terms and conditions mentioned herein and therein or incidental hereto and thereto, and supersede all negotiations or previous agreements between the Parties with respect to the subject matter hereof and thereof. No subsequent agreement, representation or promise made by either Party, or by or to any employee, officer, agent or representative of either Party, shall be of any effect unless it is in writing and executed by the Party to be bound thereby.

9.7 Time of Essence. Time is of the essence of each and every provision of this Agreement in which time is a factor.

9.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed as original but all of which together shall constitute one and the same instrument.

9.9 Exhibits. The following exhibits are attached to this Agreement and are incorporated herein as though set forth in full for all purposes:

Exhibit A Description of City-Owned Property and Construction Staging Easement Area

Exhibit B Legal Description of Developer Property

In witness whereof, the Parties have entered into this Agreement as of the Effective Date.

“City”

CITY OF MANTECA,
a municipal corporation

By: _____

Print Name: _____

Mayor

“Developer”

GREAT WOLF RESORTS, INC.,
a Delaware corporation

By: _____

Print Name: _____

Title: _____

ATTEST:

By: _____

Print Name: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Print Name: _____

Counsel to the City

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, 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 _____ (Seal)

EXHIBIT A TO THE CONSTRUCTION STAGING EASEMENT AGREEMENT

"City-Owned Property" is that property depicted below as Lot 6, as shown on that certain tentative parcel map for the Family Entertainment Zone approved by the Manteca City Council on February 16, 2016.

"Construction Staging Easement Area" is that area depicted below as that portion of Lot 6 located 50 feet south of Lot 18 (Future Daniels Drive), as shown on that certain tentative parcel map for the Family Entertainment Zone approved by the Manteca City Council on February 16, 2016.

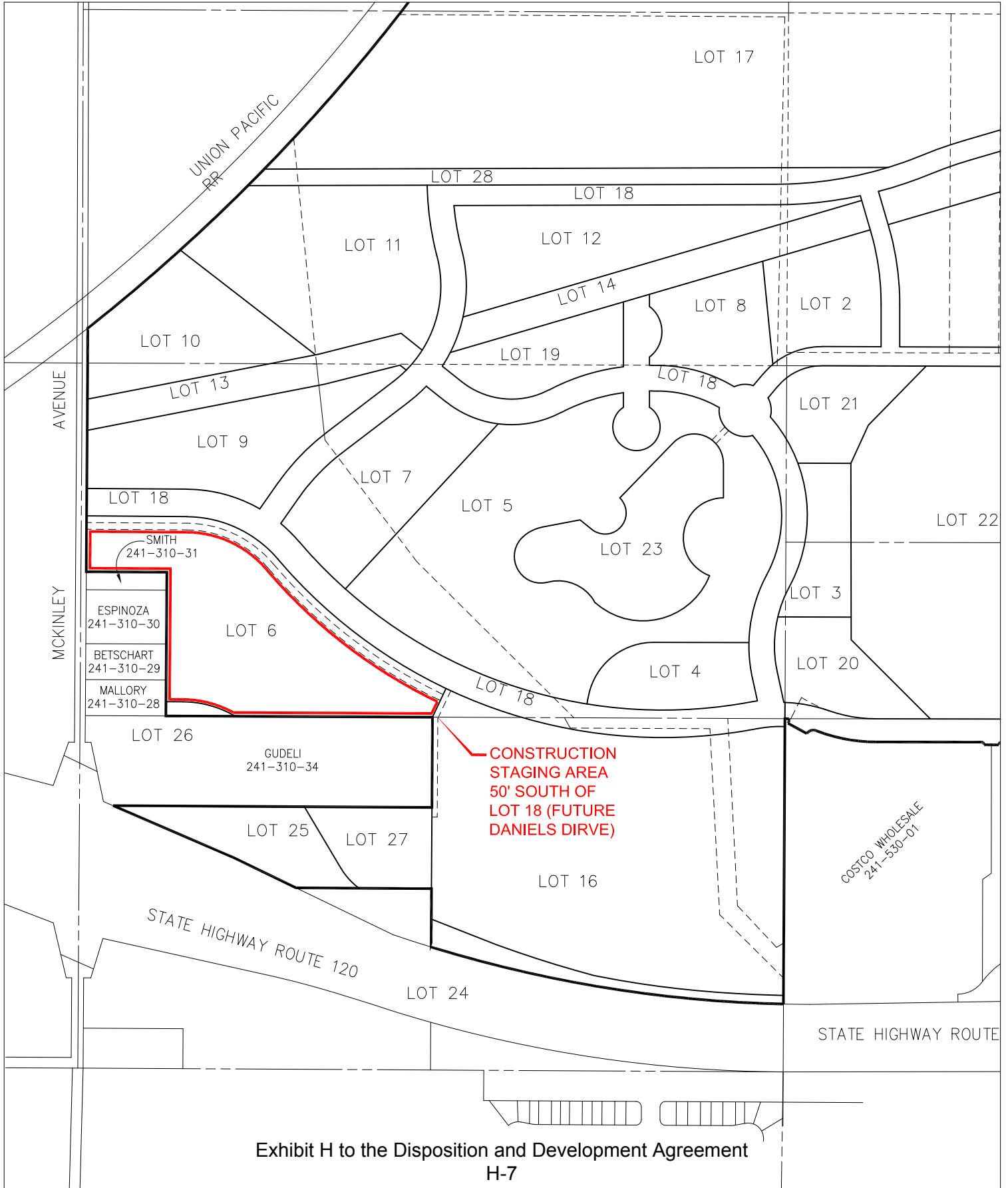


EXHIBIT B TO THE CONSTRUCTION STAGING EASEMENT AGREEMENT

LEGAL DESCRIPTION OF DEVELOPER PROPERTY

Lot 16 and Lot 24 of that certain tentative parcel map for the Family Entertainment Zone approved by City on February 16, 2016, to be replaced with the parcel map for Lot 16 when approved by City and subsequently recorded.

EXHIBIT I

FORM OF THE OPTION TO PURCHASE AGREEMENT

If City is the fee owner of that certain property identified as the Gudeli parcel (APN 241-310-34) on the FEZ Tentative Parcel Map as of the Close of Escrow, [underlined text in brackets] shall be retained and *[italicized text in brackets]* shall be deleted from the Option to Purchase Agreement.

If City is not the fee owner of that certain property identified as the Gudeli parcel (APN 241-310-34) on the FEZ Tentative Parcel Map as of the Close of Escrow, *[italicized text in brackets]* shall be retained and [underlined text in brackets] shall be deleted from the Option to Purchase Agreement.

OPTION TO PURCHASE AGREEMENT

This Option to Purchase Agreement (“**Agreement**”) is entered into as of _____, 20____, (the “**Effective Date**”) by and between the CITY OF MANTECA, a California municipal corporation (“**City**”), and GREAT WOLF RESORTS, INC., a Delaware corporation (“**Optionee**”). City and Optionee are sometimes referred to individually herein as a “**Party**” and collectively as the “**Parties**.”

RECITALS

This Agreement is entered into on the basis of the following facts, understandings, and intentions of the Parties. The following recitals are a substantive part of this Agreement.

A. City is the owner of certain real property consisting of approximately [3] [7] acres, as more particularly described in Exhibit A attached hereto (the “**Option Property**”).

B. Optionee is the owner of certain real property located southeast of the Option Property, consisting of approximately 29 acres, as more particularly described in Exhibit B attached hereto (the “**Developer Property**”).

C. City and Optionee are parties to that certain Disposition and Development Agreement dated _____, 2018 (the “**Disposition and Development Agreement**”), and that certain Development Agreement dated _____, 2018, and recorded in the San Joaquin County Recorder’s Office on _____, 2018, as instrument number _____ (the “**Development Agreement**”), and pursuant to which City conveyed the Developer Property to Optionee, and in accordance with which Optionee plans to construct and operate on the Developer Property a destination resort that includes a hotel, an indoor water park, restaurants, meeting facilities, and a family entertainment center (the “**Lodge Project**”).

D. City desires to grant to Optionee an option to purchase the Option Property upon the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and approved, the Parties agree as follows:

1. Option.

1.1 Grant of Option. City hereby grants to Optionee an irrevocable and exclusive option to purchase the Option Property ("**Option**"), subject to the conditions set forth in Section 1.5.

1.2 Memorandum of Option. Concurrent with the execution of this Agreement, the Parties will execute a Memorandum of Option substantially in the form attached hereto as Exhibit C ("**Memorandum**"), which shall be recorded with the San Joaquin County Recorder's Office.

1.3 Option Term.

1.3.1 Option Term. The term of the Option ("**Option Term**") shall commence on the Effective Date and shall expire on the earlier of (a) termination of the Development Agreement, [or] (b) [10] [20] years after the Effective Date[, or (c) 10 years after City purchases that certain property identified as the Gudeli parcel (APN 241-310-34) on that certain tentative parcel map for the Family Entertainment Zone (Tentative Parcel Map 15-48) approved by City on February 16, 2016].

1.3.2 Automatic Termination. In the event that Optionee does not exercise the Option during the Option Term, then the Option and the rights of Optionee under this Agreement will automatically and immediately terminate without notice. Thereafter, upon City's written request, Optionee shall promptly execute a quitclaim deed in recordable form, or any other document reasonably required by City or a title insurance company, relinquishing and releasing its rights under this Agreement and the Memorandum.

1.4 Restriction on Sale and Use of Option Property. During the Option Term, (1) City shall not convey the Option Property (except for a conveyance to the California Department of Transportation) without the consent of Developer, and (2) City shall use the Option Property only for (a) agricultural use similar to the agricultural use, if any, that has occurred on such property in the 12 months prior to the effective date of the Disposition and Development Agreement or (b) construction of a pylon sign consistent with Section 3.7 of the Disposition and Development Agreement.

1.5 Exercise of Option. Provided that Optionee is not in default under this Agreement, the Development Agreement, or the Disposition and Development Agreement, Optionee may exercise the Option in accordance with this Section 1.5. The Option shall be exercised by delivering written notice (the "**Option Notice**") to City before the expiration of the Option Term. The Option Notice shall state affirmatively that Optionee exercises the Option without condition or qualification except for the closing conditions set forth in Section 2.5.

[1.6 Additions to Option Property. During the Option Term, if City acquires that certain property identified as the Gudeli parcel (APN 241-310-34) on that certain tentative parcel map for the Family Entertainment Zone (Tentative Parcel Map 15-48) approved by City on February 16, 2016, (a) such property, excepting therefrom any land needed by the California Department of Transportation to construct a new interchange at the intersection of State Highway Route 120 and McKinley Avenue, shall automatically be added to the Option Property, and (b) this Agreement shall automatically encumber such property, excepting therefrom any land needed by the California Department of Transportation to construct a new interchange at the intersection of State Highway Route 120 and McKinley Avenue.]

2. Purchase and Sale.

2.1 Purchase and Sale. In the event Optionee exercises the Option pursuant to Section 1.5, City agrees to sell the Option Property to Optionee, and Optionee agrees to purchase the Option Property from City, in accordance with the terms and conditions of this Section 2.

2.2 Purchase Price.

2.2.1 Purchase Price. The purchase price (the "**Purchase Price**") for the Option Property shall be the most probable price that the Option Property should bring in a competitive and open market under all conditions requisite to a fair sale with a willing buyer and seller each acting prudently and knowledgeably in an arms-length transaction (the "**Fair Market Value**"). City and Optionee shall attempt to agree on the Fair Market Value within 60 days after delivery of the Option Notice. In the event City and Optionee are unable to agree on the Fair Market Value within such period, then the Fair Market Value shall be determined in accordance with the procedure set forth in Section 2.2.2, which determination shall be final and binding.

2.2.2 Procedure to Determine Fair Market Value. The following procedure shall be used to determine the Fair Market Value in the event the Parties are unable to agree on the Fair Market Value as provided in Section 2.2.1.

2.2.2.1 Appraiser Qualifications. Any appraiser designated to serve as provided in this Section 2.2.2 shall be disinterested, shall be a licensed Real Estate Appraiser and a member of the American Institute of Real Estate Appraisers (or any successor association or body of comparable standing if such institute is not then in existence), and shall be familiar with commercial property values in San Joaquin County, California.

2.2.2.2 First and Second Appraiser. City shall designate the first appraiser (the "**First Appraiser**"), who shall prepare an appraisal ("**City's Appraisal**") of the Fair Market Value within 30 days of such designation. City shall give Optionee written notice and a copy of City's Appraisal. If Optionee does not agree with City's Appraisal within 10 days of such notice, Optionee shall designate a second appraiser (the "**Second Appraiser**"), who shall prepare an appraisal ("**Optionee's Appraisal**") of the Fair Market Value within 30 days of such designation. Optionee shall give City written notice and a copy of Optionee's Appraisal. If City does not agree with such Optionee's Appraisal within 10 days of such notice, the provisions of Section 2.2.2.3 shall apply.

2.2.2.3 Calculation of Fair Market Value; Third Appraisal. If the difference between City's Appraisal and Optionee's Appraisal is 10 percent or less, the two appraisals shall be averaged and the figure calculated shall be deemed to be the Fair Market Value. If the difference between City's Appraisal and Optionee's Appraisal exceeds 10 percent, the Parties shall appoint a third appraiser (the "**Third Appraiser**") who shall be a competent and impartial person, which third appraiser shall be agreed upon by the Parties within 15 days. If the Parties do not so agree, then either Party, on behalf of both, may request that such appointment be made by the presiding judge of the California Superior Court for the County of San Joaquin or any successor court of original jurisdiction from a list of names then provided by the Parties. If the Parties shall fail to agree on a list of names, any person meeting the qualifications required by Section 2.2.2.1 may be appointed by such presiding judge. The Third Appraiser shall select the appraisal that it believes is the closest to Fair Market Value.

2.2.2.4 Failure, Refusal, or Inability of Appraiser to Act. In the event of the failure, refusal, or inability of any appraiser to act, a new appraiser shall be appointed in his or her stead, which appointment shall be made in the same manner as hereinbefore provided for the appointment of such appraiser so failing, refusing, or being unable to act.

2.2.2.5 Fees and Expenses. Each Party shall pay the fees and expenses of the appraiser they designate, or in whose stead, as above provided, such appraiser was appointed, and the fees and expenses of the Third Appraiser and all other expenses, if any, shall be borne equally by both Parties.

2.2.3 Payment of Purchase Price. The Purchase Price shall be payable by Optionee to City in immediately available funds at the Close of Escrow.

2.3 Opening and Closing of Escrow. Within 5 business days following Optionee's exercise of the Option, Optionee shall cause an escrow (the "**Escrow**") to be opened with First American Title Insurance Company (the "**Escrow Holder**") for the sale of the Option Property by City to Optionee and shall deposit with Escrow Holder a copy of this fully executed Agreement. City and Optionee shall provide such additional instructions consistent with this Agreement as may be reasonably required by Escrow Holder. Provided that each of the conditions to closing described in Section 2.5 have been satisfied, Escrow shall close (the "**Close of Escrow**") as soon as possible, but in no event later than 120 days after determination of the Fair Market Value pursuant to Section 2.2.2; provided, however, that Optionee may, in its sole and absolute discretion, terminate this Agreement within 60 days after determination of the Fair Market Value by the Third Appraiser's selection of an appraisal pursuant to Section 2.2.2. If the Close of Escrow does not occur by such date, then any Party not then in Default may terminate this Agreement by written notice to the other Party, and Escrow Holder shall promptly return all fees and documents deposited with Escrow Holder to the depositing Party. Any escrow and title cancellation fees shall be paid equally by City and Optionee.

2.4 Disclosures; Condition of Title; Title Insurance. Optionee acknowledges receipt of Preliminary Title Report Number P-171936, dated September 16, 2016, prepared by Placer Title Company (the "**Preliminary Title Report**"), and an ALTA survey (the "**Survey**"). Optionee hereby approves the title exceptions listed in the Preliminary Title Report except for exceptions 5, 8, and 10, which title exceptions City has agreed to remove or to cause to be insured over prior to the Close of Escrow. The term "**Approved Title Exceptions**" shall mean all title exceptions in the Preliminary Title Report and Survey, this Agreement, and the Memorandum, except for title exceptions that City has agreed to remove or to cause to be insured over. At the Close of Escrow, City shall convey title to the Option Property to Optionee by a grant deed substantially in the form attached hereto as Exhibit D (the "**Grant Deed**"). Title to the Option Property shall be conveyed subject to: (a) prorated assessments for the assessment period during which the Close of Escrow occurs and assessments not yet due, (b) all Approved Title Exceptions, and (c) any matters which arise out of the actions of Optionee, Optionee's Designees, or Optionee's Representatives.

2.5 Conditions to Close of Escrow. The obligations of City and Optionee under this Agreement to close Escrow shall be subject to the satisfaction (or express written waiver by the benefited Party) of each of the following conditions.

2.5.1 Optionee's Conditions.

2.5.1.1 There shall have been no change to the physical condition of the Option Property, no new recorded title exceptions after the date of the Preliminary Title Report and no other title exceptions after the date of the Survey that (in each case) would adversely affect the development, ownership, or use of the Option Property.

2.5.1.2 City shall have removed, or First American Title Insurance Company (the "**Title Company**") shall have insured over, as applicable, the title exceptions that City has agreed to remove or insure over.

2.5.1.3 The Title Company shall have committed to issue at the Close of Escrow an ALTA extended coverage owner's title insurance policy ("**Owner's Title Policy**"), with any endorsements reasonably requested by Optionee, showing fee simple title to the Option Property vested in Optionee (or Optionee's assignee as permitted by this Agreement), subject only to the Approved Title Exceptions.

2.5.1.4 The representations and warranties of City contained in this Agreement being true and correct in all material respects.

2.5.1.5 City shall have delivered all documents required to be delivered pursuant to Section 2.8.1.

2.5.1.6 City shall have performed, observed, and complied in all material respects with all covenants, agreements, and conditions that are required by this Agreement to be performed, observed, and complied with on its part prior to or as of the Close of Escrow.

2.5.2 City's Conditions.

2.5.2.1 The representations and warranties of Optionee contained in this Agreement being true and correct in all material respects.

2.5.2.2 Optionee shall have delivered all documents and funds required to be delivered pursuant to Section 2.8.2.

2.5.2.3 Optionee shall have performed, observed, and complied in all material respects with all covenants, agreements, and conditions that are required by this Agreement to be performed, observed and complied with on its part prior to or as of the Close of Escrow.

2.6 Costs; Settlement Statement.

2.6.1 City shall be responsible for all costs and expenses of the Survey, all recording fees, all documentary transfer taxes, and half of all escrow fees and charges.

2.6.2 Optionee shall be responsible for the cost of the extended coverage portion of its title insurance (and endorsements thereto, other than endorsements issued at the request of City to insure over any disapproved title exception) and half of all escrow fees and charges.

2.6.3 Escrow Holder is authorized on the Close of Escrow to pay and charge Optionee and City for any fees, charges, and costs payable under this Section 2.6 as set

forth on the settlement statements approved by the Parties. Before such payments are made, Escrow Holder shall notify the Parties of the fees, charges, and costs necessary to close under the Escrow by delivering preliminary settlement statements to the Parties for their mutual approval.

2.7 Condition of the Option Property. Except as expressly set forth in Section 3.2, Optionee acknowledges that City has made no representations, warranties, or agreements as to any matters concerning the condition of the Option Property and Optionee is acquiring the Property "AS IS" without any warranty, express or implied, as to the nature or condition of, or title to, the Option Property or its fitness for Optionee's intended use. No patent or latent physical condition of the Option Property, nor any other matter relating to the Option Property, shall be grounds for any claim against City by Optionee, including any claim for rescission of this Agreement after Close of Escrow, except as to any express representations and warranties set forth in Section 3.2. The Parties acknowledge that no development or change in use of the Option Property has been proposed, and that this Agreement does not curtail City's discretion under CEQA or otherwise to approve, conditionally approve, deny, mitigate, or consider alternatives to any proposal that may be made in the future. If City approves placement of a pylon sign advertising the Manteca Family Entertainment Zone on the Option Property, Optionee consents to City's placement of such sign on the Option Property consistent with Section 3.7 of the Disposition and Development Agreement.

2.8 Deposits into Escrow.

2.8.1 City's Obligations. City shall deliver to Escrow Holder the following instruments and documents at or before the scheduled Close of Escrow:

2.8.1.1 The Grant Deed, duly executed by City and acknowledged;

2.8.1.2 If required by Escrow Holder, an affidavit as contemplated by California Revenue and Taxation Code 590 ("**Withholding Affidavit**");

2.8.1.3 If required by Escrow Holder, a Certification of Non Foreign Status in accordance with 26 U.S.C. § 1445 ("**FIRPTA Certificate**"); and

2.8.1.4 Such evidence of City's authority to enter into and close the transaction as Escrow Holder may require.

2.8.2 Optionee's Obligations. At or before the scheduled Close of Escrow, Optionee shall deposit into Escrow funds in the amount of the Purchase Price and shall deliver to Escrow Holder such evidence of Optionee's authority to enter into and close this transaction as Escrow Holder may require.

2.9 Escrow's Closing Actions. On the Close of Escrow, Escrow Holder shall:

2.9.1 Deliver to City funds in the amount of the Purchase Price;

2.9.2 Record the Grant Deed with the San Joaquin County Recorder's Officer (which shall be deemed delivery of said instrument to Optionee);

2.9.3 Issue the Owner's Title Policy (or cause the Title Company to issue it);

2.9.4 Prorate assessments (if any) as of the Close of Escrow in accordance with the settlement statements approved by the Parties;

2.9.5 Prepare and deliver to each Party one signed copy of Escrow Holder's closing statement showing all receipts and disbursements of the Escrow; and

2.9.6 If applicable, deliver the FIRPTA Certificate and the Withholding Affidavit to Optionee.

2.10 Additional Escrow Instructions. The Parties shall execute additional escrow instructions not inconsistent with this Agreement that may be required by Escrow Holder.

3. Representations and Warranties.

3.1 Optionee Representations. Optionee represents and warrants to City as of the Effective Date and as of the Close of Escrow that:

3.1.1 Optionee is a corporation validly existing and in good standing under the laws of the State of Delaware.

3.1.2 The individual executing this Agreement has the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of Optionee.

3.1.3 Optionee has duly authorized the execution and performance of this Agreement and the execution and performance of all of the closing documents set forth herein.

3.1.4 Optionee's execution and performance of this Agreement and the closing documents will not violate any provision of any deed of trust, lease, contract, agreement, instrument, order, judgment or decree by which Optionee is bound.

3.1.5 Optionee has not engaged a broker with respect to the conveyance of the Option Property contemplated herein.

3.2 City Representations. City represents and warrants to Optionee as of the Effective Date and as of the Close of Escrow that:

3.2.1 The individual executing this Agreement has the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of City.

3.2.2 City has no actual knowledge, except as otherwise disclosed to Optionee in writing, of the existence or prior existence of any Hazardous Material in, on, above or beneath the Land or emanating therefrom. "**Hazardous Material**" means any chemical, material or substance now or hereafter defined as or included in the definition of hazardous substances, hazardous wastes, hazardous materials, extremely hazardous waste, restricted hazardous waste, toxic substances, pollutant or contaminant, imminently hazardous chemical substance or mixture, hazardous air pollutant, toxic pollutant, or words of similar import under

any local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto applicable to the Option Property, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq. The term "Hazardous Material" shall also include any of the following: any and all toxic or hazardous substances, materials or wastes listed in the United States Department of Transportation Table (49 C.F.R. § 172.101) or by the Environmental Protection Agency as hazardous substances (40 C.F.R. Part 302) and in any and all amendments thereto in effect as of the Close of Escrow; oil, petroleum, petroleum products (including, without limitation, crude oil or any fraction thereof), natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel, not otherwise designated as a hazardous substance under the Comprehensive Environmental Response, Compensation and Liability Act of 1980; any substance which is toxic, explosive, corrosive, reactive, flammable, infectious or radioactive (including any source, special nuclear or by product material as defined at 42 U.S.C. § 2011, et seq.), carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority; asbestos in any form; urea formaldehyde foam insulation; transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls; radon gas; or any other chemical, material or substance (a) which poses a hazard to the Land, to adjacent properties, or to persons on or about the Land, (b) which causes the Land to be in violation of any of the aforementioned laws or regulations, or (c) the presence of which on or in the Land requires investigation, reporting or remediation under any such laws or regulations.

3.2.3 City has not engaged a broker with respect to the conveyance of the Land as contemplated herein.

4. Inspections by Optionee. During the Option Term, Optionee, and its contractors and consultants who are designated in writing to City ("**Optionee's Designees**"), shall have the right to enter onto the Option Property for the purpose of performing hazardous materials inspections, soil inspections, and other physical inspections and investigations; provided, however, that (a) Optionee shall deliver copies of all inspection reports to City, (b) no inspections or investigations shall damage the Option Property or any improvements thereon or shall be invasive unless City has received a plan describing the scope of the inspection or investigation and has approved such plan in writing, which approval shall not be unreasonably withheld, (c) Optionee shall immediately repair all damage caused by or related to its inspections, and (d) neither Optionee nor any of Optionee's Designees shall enter the Option Property unless Optionee has provided City reasonable written evidence (such as insurance certificates and/or copies of policies) that the activities of Optionee and/or Optionee's Designees are covered by reasonable liability insurance naming City as an additional insured. Optionee shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, without limitation, attorneys' fees) resulting from Optionee's and/or Optionee's Designees' entry onto and inspection of the Option Property (excluding the results of the inspections). Optionee's obligations under this Section 4 shall survive termination of this Agreement.

5. Assignment. Optionee shall have the right to assign (an "**Assignment**") this Agreement to any person, partnership, joint venture, firm, company, corporation, or other entity (any of the foregoing, an "**Assignee**") subject to the written consent of City, which consent shall not unreasonably be withheld, conditioned, or delayed. Optionee shall provide City with written notice of any proposed Assignment at least 30 days prior to such Assignment. Each such

notice of proposed Assignment shall be accompanied by evidence of the Assignee's agreement to assume Optionee's obligations hereunder. In the event of an Assignment, a written assignment and assumption agreement, in a form reasonably approved by both City and Optionee, shall be recorded in the San Joaquin County Recorder's Office. In the event there is more than one Assignment under the provisions of this Section 5, the provisions of this Section 5 shall apply to each successive Assignment and Assignee.

6. Indemnity.

6.1 Indemnity by Optionee. Optionee shall indemnify, defend (with counsel reasonably acceptable to City), and hold harmless City and City's officials, officers, employees, contractors, subcontractors, agents, and representatives ("**City's Representatives**") from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys' fees and costs) to the extent arising from the negligence or willful misconduct of Optionee or Optionee's officials, officers, employees, contractors, subcontractors, agents, and representatives ("**Optionee's Representatives**") in connection with Optionee's activities contemplated by this Agreement, except to the extent such claims, liabilities, obligations, orders, damages, fines, penalties, or expenses arise from the negligence or willful misconduct of City or City's Representatives.

6.2 Indemnity by City. City shall indemnify, defend (with counsel reasonably acceptable to Optionee), and hold harmless Optionee from and against any and all claims, liabilities, obligations, orders, damages, fines, penalties, and expenses (including, but not limited to, attorneys' fees and costs) to the extent arising from the negligence or willful misconduct of City or City's Representatives in connection with City's activities contemplated by this Agreement, except to the extent such claims, liabilities, obligations, orders, damages, fines, penalties, or expenses arise from the negligence or willful misconduct of Optionee or Optionee's Representatives.

6.3 Survival. The provisions of this Section 6 shall survive termination of this Agreement.

7. Defaults and Remedies.

7.1 Defaults. The occurrence of any or all of the following shall constitute a default ("**Default**") under this Agreement:

7.1.1 Any breach of this Agreement by any Party involving the payment of money, and the continuance of such breach for a period of 10 days after the Party not in Default has given written notice of the breach to the Party in Default;

7.1.2 Except as otherwise provided above, a breach of any term of this Agreement by any Party and failure of such Party to cure such breach within 30 days after the Party not in Default has given written notice to the Party in Default; provided, however, if such breach is not reasonably curable within such 30-day period, then such Party shall be deemed in Default only if such Party does not commence to cure such breach within such 30-day period or thereafter fails to diligently prosecute such cure to completion;

7.1.3 Filing of a petition in bankruptcy by or against any Party or appointment of a receiver or trustee of any property of any Party, or an assignment by any Party for the benefit of creditors, or adjudication that such Party is insolvent by a court, and the failure

of such Party to cause such petition, appointment, or assignment to be removed or discharged within 90 days.

7.1.4 A default under the Development Agreement not cured within the applicable express cure period, if any, in the Development Agreement.

7.2 Remedies. A Party in Default shall be liable to the Party not in Default for all damages, costs, and losses incurred by the Party not in Default, and the Party not in default may seek against the Party in Default any available remedies at law or equity, including but not limited to the right to receive damages or, if applicable, to pursue injunctive relief or an action for specific performance, or may terminate this Agreement.

8. Modification. The terms and conditions of this Agreement shall not be modified, amended, waived, or repealed except by the written agreement of the Parties.

9. Notice of Termination. Upon the termination of this Agreement, the Parties shall cooperate reasonably to record a written statement acknowledging such termination in the San Joaquin County Recorder's Office. The provisions of this Section 9 shall survive termination of this Agreement.

10. General Provisions.

10.1 Notices. All notices and demands required by this Agreement shall be given in writing by certified mail, postage prepaid, and return receipt requested, or by reputable overnight messenger. Notices shall be considered given upon the earlier of (a) one business day following deposit or delivery with a nationally recognized overnight courier delivery charges prepaid, or (b) three business days following the date of mailing if given by certified mail. Notices shall be addressed as provided below for the respective Party; provided that if any Party gives notice in writing of a change of name or address, notices to such Party shall thereafter be given as demanded in that notice:

City: City of Manteca
Attn: City Manager
1001 West Center Street
Manteca, California 95337

With copies to:

City of Manteca
Attn: City Attorney
1001 West Center Street
Manteca, California 95337

Optionee: Great Wolf Resorts, Inc.
Attn: Legal Department
350 North Orleans Street
Suite 10000B
Chicago, IL 60654

With copies to:

Cecily T. Barclay
Perkins Cole LLP
505 Howard Street
Suite 1000
San Francisco, CA 94105

10.2 Construction. The Parties agree that each Party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in the interpretation of this Agreement or any amendments or exhibits thereto. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties. Unless the context clearly requires otherwise, (a) the plural and singular numbers shall each be deemed to include the other; (b) the masculine, feminine, and neuter genders shall each be deemed to include the others; (c) “shall,” “will,” or “agrees” are mandatory, and “may” is permissive; (d) “or” is not exclusive; (e) “includes” and “including” are not limiting; and (f) “days” means calendar days unless specifically provided otherwise.

10.3 Time of the Essence. Time is of the essence of each and every provision of this Agreement in which time is a factor.

10.4 Warranty Against Payment of Consideration for Agreement. Optionee warrants that it has not paid or given, and will not pay or give, to any third person, any money or other consideration for obtaining this Agreement, other than normal costs of conducting business and costs of professional services such as architects, engineers and attorneys.

10.5 Attorneys’ Fees. If any Party brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing Party in any such action shall be entitled to its reasonable attorneys’ fees to be paid by the losing Party as determined by the court.

10.6 Entire Agreement. This Agreement, the Development Agreement, the Disposition and Development Agreement, and all agreements executed pursuant hereto and thereto constitute the entire understanding and agreement of the Parties, integrate all of the terms and conditions mentioned herein and therein or incidental hereto and thereto, and supersede all negotiations or previous agreements between the Parties with respect to the subject matter hereof and thereof. No subsequent agreement, representation or promise made by either Party, or by or to any employee, officer, agent or representative of either Party, shall be of any effect unless it is in writing and executed by the Party to be bound thereby.

10.7 Severability. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected hereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

10.8 Successors and Assigns. The terms and conditions herein contained shall be binding upon and inure to the benefit of the successors and assignees of the Parties.

10.9 No Third Party Beneficiaries. This Agreement is made and entered into for the sole benefit of the Parties, and there are no third party beneficiaries of this Agreement. No other person shall have any right of action based upon any provision of this Agreement.

10.10 Governing Law; Jurisdiction; Service of Process. This Agreement shall be construed in accordance with the laws of the State of California, without reference to its choice of law provisions. The Parties consent to the exclusive jurisdiction of the California Superior Court for the County of San Joaquin, except for actions that include claims in which the federal District Court for the Eastern District of California has subject matter jurisdiction, in which case the Eastern District of California shall be the proper venue. If any legal action is commenced by Optionee against City, service of process on City shall be made by personal service upon the executive director or secretary of City, or in such other manner as may be provided by law. If any legal action is commenced by City against Optionee, service of process on Optionee shall be made by personal service on Optionee's registered agent or in such other manner as may be provided by law. Optionee agrees, for the benefit of City, that it shall designate an agent for service of process in the State of California in the manner prescribed by law.

10.11 Survival of Agreement. The provisions hereof shall not merge into, but rather shall survive, conveyance of the Land hereunder (including, without limitation, the delivery and recordation of the Grant Deed).

10.12 City Actions. In addition to any provisions of this Agreement that give the City Manager the authority to make decisions and grant approvals, City hereby authorizes the City Manager to deliver such approvals and consents as are contemplated by this Agreement, waive requirements under this Agreement, and modify this Agreement, on behalf of City, provided that the applicable approval, consent, waiver or modification is not substantial (i.e., does not change the fundamental business transaction between Optionee and City, as determined by the City Manager in his reasonable discretion).

10.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed as original but all of which together shall constitute one and the same instrument.

10.14 Further Assurances. Each of the Parties agrees that it will without further consideration execute and deliver such other documents and take such other action, whether prior or subsequent to the Close of Escrow, as may be reasonably requested by the other Party to consummate more effectively the purposes or subject matter of this Agreement.

10.15 Exhibits. The following exhibits are attached to this Agreement and are incorporated herein as though set forth in full for all purposes:

- | | |
|------------------|---|
| <u>Exhibit A</u> | Legal Description of the Option Property |
| <u>Exhibit B</u> | Legal Description of the Developer Property |
| <u>Exhibit C</u> | Memorandum of Option |
| <u>Exhibit D</u> | Form of the Grant Deed |

In witness whereof, the Parties have entered into this Agreement as of the Effective Date.

“City”

CITY OF MANTECA,
a municipal corporation

By: _____

Print Name: _____

Mayor

“Optionee”

GREAT WOLF RESORTS, INC.,
a Delaware corporation

By: _____

Print Name: _____

Title: _____

ATTEST:

By: _____

Print Name: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Print Name: _____

Counsel to the City

EXHIBIT A TO THE OPTION TO PURCHASE AGREEMENT

LEGAL DESCRIPTION OF THE OPTION PROPERTY

Lot 27 as shown on that certain tentative parcel map for the Family Entertainment Zone (Tentative Parcel Map 15-48) approved by City on February 16, 2016, (the “**FEZ Tentative Parcel Map**”) [and that certain property identified as the Gudeli parcel (APN 241-310-34) as also shown on the FEZ Tentative Parcel Map,] excepting therefrom any land needed by the California Department of Transportation to construct a new interchange at the intersection of State Highway Route 120 and McKinley Avenue.

EXHIBIT B TO THE OPTION TO PURCHASE AGREEMENT

LEGAL DESCRIPTION OF THE DEVELOPER PROPERTY

Lot 16 and Lot 24 of that certain tentative parcel map for the Family Entertainment Zone approved by City on February 16, 2016, to be replaced with the parcel map for Lot 16 when approved by City and subsequently recorded.

EXHIBIT C TO THE OPTION TO PURCHASE AGREEMENT

FORM OF THE MEMORANDUM OF OPTION

RECORDING REQUESTED BY, AND
WHEN RECORDED, RETURN TO:

City of Manteca
City Clerk
1001 West Center Street
Manteca, CA 95337

APNs: 241-310-34, 241-310-52

Space Above Reserved for Recorder's Use Only

MEMORANDUM OF OPTION

This Memorandum of Option (the "**Memorandum**") is made as of _____, 20____, (the "**Effective Date**"), by and between the CITY OF MANTECA, a California municipal corporation ("**City**"), GREAT WOLF RESORTS, INC., a Delaware corporation ("**Optionee**"), who agree as follows:

1. **Grant of Option.** City grants to Optionee the option ("**Option**") to purchase the real property described in Exhibit A (the "**Option Property**"). *[If City acquires that certain property identified as the Gudeli parcel (APN 241-310-34) on that certain tentative parcel map for the Family Entertainment Zone (Tentative Parcel Map 15-48) approved by City on February 16, 2016, such property, excepting therefrom any land needed by the California Department of Transportation to construct a new interchange at the intersection of State Highway Route 120 and McKinley Avenue, shall automatically be added to the Option Property.]*

2. **Term of Option.** The term of the Option ("**Option Term**") shall commence on the Effective Date and shall expire on the earlier of (a) termination of the Option to Purchase Agreement described in Section 3 below, (b) termination of that certain Development Agreement dated _____, 2018, and recorded in the San Joaquin County Recorder's Office on _____, 2018, as instrument number _____, [or] (c) [10] [20] years after the Effective Date[, or (d) 10 years after City purchases that certain property identified as the Gudeli parcel (APN 241-310-34) on that certain tentative parcel map for the Family Entertainment Zone (Tentative Parcel Map 15-48) approved by City on February 16, 2016].

3. **Option to Purchase Agreement.** The Option is granted in accordance with the Option to Purchase Agreement executed by and between City and Optionee concerning the Option Property, dated _____, 20____ (the "**Option to Purchase Agreement**"). This Memorandum of Option is prepared for the purpose of recordation and shall not alter or affect in any way the rights and obligations of City and Optionee under the Option to Purchase Agreement. In the event of any inconsistency between this Memorandum and the Option Agreement, the terms of the Option to Purchase Agreement shall control.

In witness whereof, the Parties have entered into this Agreement as of the Effective Date.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

“City”

CITY OF MANTECA,
a municipal corporation

By: _____

Print Name: _____

Mayor

“Optionee”

GREAT WOLF RESORTS, INC.,
a Delaware corporation

By: _____

Print Name: _____

Title: _____

ATTEST:

By: _____

Print Name: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Print Name: _____

Counsel to the City

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, 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 _____

(Seal)

EXHIBIT A TO THE MEMORANDUM OF OPTION

LEGAL DESCRIPTION OF THE OPTION PROPERTY

Lot 27 as shown on that certain tentative parcel map for the Family Entertainment Zone (Tentative Parcel Map 15-48) approved by City on February 16, 2016, (the “**FEZ Tentative Parcel Map**”) [and that certain property identified as the Gudeli parcel (APN 241-310-34) as also shown on the FEZ Tentative Parcel Map,] excepting therefrom any land needed by the California Department of Transportation to construct a new interchange at the intersection of State Highway Route 120 and McKinley Avenue.

EXHIBIT D TO THE OPTION TO PURCHASE AGREEMENT

FORM OF THE GRANT DEED

RECORDING REQUESTED BY, AND
WHEN RECORDED, RETURN TO:

City of Manteca
City Clerk
1001 West Center Street
Manteca, CA 95337

APNs: 241-310-34, 241-310-52

Space Above Reserved for Recorder's Use Only

Exempt from recording fees pursuant to Government Code Section 27383.

Documentary transfer tax is \$_____ based on the full value of the property conveyed.

GRANT DEED

BY THIS INSTRUMENT, for a valuable consideration the receipt of which is hereby acknowledged, the CITY OF MANTECA, a municipal corporation ("Grantor"), hereby GRANTS to GREAT WOLF RESORTS, INC., a Delaware corporation ("Grantee"), the land (the "Land") described on Exhibit A attached hereto and incorporated herein by this reference.

SUBJECT TO, all matters of record.

IN WITNESS WHEREOF, the Grantor has executed this Grant Deed as of the date set forth below.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

Dated: _____, 20__

CITY OF MANTECA,
a municipal corporation

By: _____

Print Name: _____

Mayor

ATTEST:

By: _____

Print Name: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Print Name: _____

Counsel to the City

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, 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 _____ (Seal)

EXHIBIT A TO THE GRANT DEED

LEGAL DESCRIPTION OF THE LAND

Lot 27 as shown on that certain tentative parcel map for the Family Entertainment Zone (Tentative Parcel Map 15-48) approved by City on February 16, 2016, (the “**FEZ Tentative Parcel Map**”) [and that certain property identified as the Gudeli parcel (APN 241-310-34) as also shown on the FEZ Tentative Parcel Map,] excepting therefrom any land needed by the California Department of Transportation to construct a new interchange at the intersection of State Highway Route 120 and McKinley Avenue.

EXHIBIT J

OFF-SITE INFRASTRUCTURE AND UTILITIES TO BE PROVIDED BY CITY

Utility Requirements To Be Provided by City to Property Line of the Land		
Water	Average Daily Usage	135,000 Gallons
	Minimum Pressure	65 PSI
	Line Size	8 Inch
Sewer	Average Daily Volume	88,000 Gallons
	Peak Flow	200 Gallons/Minute
	Line Size	12 Inch
Electric	Kilowatts	10,000
	Ampere	12,000
	Voltage	480/277
	Phase	3 Phase - 4 Wire
Electric (Construction Only)	Ampere	2,500
	Phase	3 Phase - 4 Wire
Gas	Peak Load	40,000 CFH
	Pressure After Meter	Medium to High Pressure
Phone	Minimum of 3 service providers	
Cable	Minimum of 3 service providers	

EXHIBIT K
LEGAL DESCRIPTION OF PROPERTY TO BE DEDICATED TO THE CALIFORNIA DEPARTMENT OF
TRANSPORTATION

EXHIBIT 'A'
Parcel 16932-1
APN 241-310-53

Being a portion of Section 2, Township 2 South, Range 6 East, Mount Diablo Base and Meridian, State of California, County of San Joaquin, and more particularly that portion of the lands conveyed in Book 3856, Page 451, Official Records San Joaquin County, lying southerly of the following described line, courses (7) through (8):

Commencing at a point on the northerly right of way of State Route 120, being Station 95+00 200 feet Left, a point at Station 79+00 200 feet Left bears North 71° 08' 26" West 1600.00 feet, as said points are depicted on Record of Survey filed in Book 28 of Record of Surveys, Page 129, San Joaquin County Records; thence along said right of way South 70° 44' 30" East 251.97 feet **Point of Beginning**;

- (1) thence leaving said right of way North 89° 00' 20" East 865.95 feet;
- (2) thence North 60° 14' 28" East 123.91 feet;
- (3) thence North 01° 07' 14" East 115.87 feet;
- (4) thence South 89° 37' 29" East 183.45 feet;
- (5) thence South 00° 39' 33" East 100.00 feet;
- (6) thence South 45° 08' 31" East 72.18 feet;
- (7) thence South 89° 37' 29" East 268.41 feet;
- (8) thence 441.05 feet along a 450.00 foot radius curve concave southwesterly, having an included angle of 56° 09' 20";
- (9) thence South 33° 28' 09" East 554.95 feet;
- (10) thence South 59° 35' 04" East 108.26 feet;
- (11) thence South 89° 42' 05" East 162.65 feet;
- (12) thence South 00° 20' 11" West 115.05 feet;
- (13) thence 602.78 feet along a 3800.00 foot radius curve concave northeasterly, having an included angle of 9° 05' 19", a radial to the beginning of which bears South 22° 54' 44" West;
- (14) thence South 83° 43' 16" East 217.36 feet;
- (15) thence South 07° 41' 59" West 62.78 feet;
- (16) thence 643.85 feet along a 4877.00 foot radius curve concave northerly, having an included angle of 7° 33' 50" a radial to the beginning of which bears South 07° 42' 00" West;

Containing (1.29 acres), more or less.

This conveyance is made for the purpose of a freeway and the grantor hereby releases and relinquishes to the grantee any and all abutter's rights including access rights.

All bearings and distances used in this description are on the California Coordinate System of 1983, Zone 3. Multiply distances by 1.000066 to convert to ground distances.

