



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Paul Krutko

SUBJECT: See Below

DATE: April 14, 2008

Approved

Date

4/14/08

COUNCIL DISTRICT: #3
SNI AREA: (NA)

SUBJECT

Memorandum of Understanding Concerning Business Terms for the Purchase and Sale of the Airport West Property and for the Development of a Major League Soccer Stadium

RECOMMENDATION

- (a) Approve a Memorandum of Understanding between the City of San Jose, Coleman Airport Partners, LLC, FWSH Partners, LLC and Earthquakes Soccer, LLC regarding proposed development of certain real properties including the 74.8-acre 1125 Coleman Avenue property.
- (b) Authorize the City Manager or her designee to negotiate and execute an option agreement and a purchase and sale agreement for the property located at 1125 Coleman Avenue that will facilitate the development of 1.5 million square feet of office development, 300 hotel rooms, 95,000 square feet of retail space and the required parking for all uses including a proposed stadium.
- (c) Authorize the City Manager or her designee to ensure that a 13.5 acre site for a proposed soccer stadium is reserved at the 1125 Coleman Avenue property. Staff will return to Council with information regarding financing and development of the stadium when appropriate.

OUTCOME

The result of the approval of the proposed recommended actions will facilitate the development of the Airport West site for economic development purposes. The development as envisioned will include 1.5 million square feet of office, R&D development, 300 hotel rooms, up to 95,000

square feet of retail, and reserve a 13.5 acre parcel for an approximately 18,000 seat soccer stadium and required parking. The proposed development is anticipated to generate over 2,700 sustained jobs, 7,100 construction jobs, \$1.8 million dollars in annual net revenue and \$748 million dollars in economic impact for the San Jose economy.

The project being presented to City Council provides for the developer to pay option payments of up to \$12 million to be used to pay for the City's debt service during the Option Period; and to purchase 66 acres of the property for \$132.2 million resulting in \$17 million cash for the City's General Fund. The Developers have also agreed to purchase the remaining 9.3 acres for an additional \$18.6 million bringing total potential revenue from the sale of the property to \$35.6 million.

The recommended action will allow the development of the Airport West site to move forward, prior to the construction of a soccer stadium and associated parking. The proposed conversion of the approximately 78 acre iStar property from industrial and retail uses to residential uses will be brought forward for City Council consideration at such time that the applicants can provide sufficient evidence of a real estate transaction that would generate sufficient revenue to facilitate development of the soccer stadium.

City staff and the applicants have completed negotiations for the purchase of the Airport West site. The remainder of this memorandum primarily discusses:

- the proposed terms of the sale of the Airport West Property to Coleman Airport Partners, LLC;
- the reservation of a 13.5 acre site for a stadium and required parking, steps related to stadium development and operations;
- and outline the process by which FWSH Partners, LLC will proceed on the proposed conversion of the 78 acre iStar property and subsequent sale to finance, in part, the development of the stadium.

NEGOTIATED BUSINESS TERMS – OPTION AGREEMENT AND PURCHASE AND SALE AGREEMENT

Coleman Airport Partners, LLC, FWSH Partners, LLC and Earthquakes Soccer, LLC are requesting that the City Council approve the attached Memorandum of Understanding (MOU) describing the process leading to the development of an Option Agreement and a Purchase and Sale Agreement for the Airport West property located at 1125 Coleman Avenue.

In June of 2007, the City of San Jose entered into an Exclusive Negotiations Agreement with the developers for the development of the approximately 75-acre City owned land located at 1125 Coleman Avenue as a possible site for a proposed approximately 18,000 seat stadium. The proposed development of the Airport West property is to include 1.5 million square feet of office R&D, 300 hotel rooms and up to 95,000 square feet of retail. The site would also accommodate a 13.5 acre parcel for the soccer stadium and associated parking.

April 14, 2008

Subject: MOU for Airport West and Proposed Soccer Stadium

Page 3

Proposed Sale of the Airport West Property

The developers desire to purchase 66 acres of the Airport West Property. Sale of the Property will allow the City to eliminate all outstanding City debt on the property (City of San Jose Financing Authority Lease Revenue Bonds, and the HUD Section 108 Loan) and allow the City to earn a substantial return on the purchase of the property in a relatively short time frame. The City purchased the property to support construction lay down, employee parking and rental car activities associated with a planned \$4 B expansion program for the Mineta San Jose International Airport (Airport). Sometime after purchase of the Airport West property, the City Council re-scaled the Airport expansion program in alignment with the new economic realities affecting the Airline industries in the aftermath of the events of 9/11. The expansion program was reduced to \$1.3 B and eliminated the need for permanent Airport related uses at the 1125 Coleman Avenue Property. As a result, the City now can proceed to dispose of the property to implement the economic development program for which the site is entitled.

The City negotiated purchase of the Airport West property in 2005 for \$25 per square foot, at a cost of approximately \$81.5 million dollars. The purchase of the Airport West Property was made in two installments; first in February of 2005 51.64 acres of the property were purchased through the issuance of Lease Revenue Bonds producing proceeds in the amount of approximately \$56 million dollars. Second, in May of 2006 the City obtained a HUD Section 108 loan in the approximate amount of \$25.4 million for the remaining 23.23 acre portion of the property. Related site improvement costs, infrastructure and financing costs brought the total debt on the property to approximately \$103 million.

Sale of the property is appropriate as interested office R&D users and hotel developers require ownership positions in their developments. Coleman Airport Partners and FWSH Partners purchase offer is based on their belief that marketability to future users of the site will be substantially diminished without fee title to the land.

Proposed Purchase Price and Basic Terms

The purchase price of the property is \$46 per square foot, or roughly \$2 million dollars per acre sold. The approximate price for the Property would be \$132 million dollars. The sales price is equal to or greater than the appraised value of the property. The sale would be AS IS and would be an all cash sale, cash to be provided to the City at the close of escrow. The proposed sales price is exclusive of the costs of required demolition of existing structures on the site. It is estimated that the cost of demolition is an additional \$3 million to \$6 million to be borne by the developers. The developers have up until June of 2010 to close escrow on the property.

As the sale of the property is not final until the Purchase and Sale Agreement is executed, the City will not release the City ordered appraisal until that time. It is possible that the proposed Purchase and Sales Agreement may not be executed and the City would proceed to dispose of the property through a Request for Proposals process. Release of the appraisal would compromise City negotiations if such a scenario unfolds. It is important that the appraisal be released upon execution of the Purchase and Sales Agreement to establish the fact that there is no public subsidy to the stadium development.

Summary of Option Terms

City staff and the developers have agreed that commencing in June 2008, and for up to three additional six month periods thereafter, and concluding in June 2010, the developers will make up to a total of four option payments of \$3 million dollars in exchange for the option to purchase the property for a potential total of \$12 million dollars. These option payments will be credited to the sales price. The proposed option payments are intended to offset City debt obligations on the property during the time of the Option Period. If, for whatever reason, the Developers do not acquire the site, the city retains the option payments. The Finance Department staff is currently working to refinance portions of the outstanding bonds on the 52 acre parcel controlled by the Airport. This refunding will accomplish several objectives, one of which is to re-amortize the principal payments on the outstanding bonds, to defer any principal payments until after June 2010. This will reduce the overall "carry cost" on the property during this Option Period which concludes June, 2010. As a result, the \$3 million semi-annual payments should be sufficient to cover debt service on the outstanding lease revenue bonds and the HUD Section 108 loan.

Letter of Credit

The developers have further agreed to provide a Letter of Credit (LOC) in the amount of \$3 million dollars. If for whatever reason the developers terminate the transaction leaving less than one half of any option period remaining, the City can draw on the LOC. City would use the proceeds of the LOC to cover City debt service during the period required to conduct a Request for Proposals (RFP) process for the Airport West Property.

City Parcel

If the proposed Purchase and Sales Agreement is approved by the City Council, the City will retain the remaining 9.3 acres of the Property. The developers have agreed to purchase the remaining 9.3 acre parcel at the \$46 sales price at the request of the City, up to the final close of escrow of the Property. Sale of the additional 9.3 acres at the \$46 per square foot price will yield the City an additional approximately \$18 million dollars.

Staff has reserved the remaining 9.3 acre parcel to allow the Valley Transportation Authority (VTA) a period of time to negotiate for the property. The VTA is interested in the 9.3 acre site to serve as a Bay Area Rapid Transit (BART) maintenance facility. City staff is in discussion with VTA for the 9.3 acre property. Potential earnings from the site will be significantly diminished if the City cannot successfully conclude negotiations with VTA and if the time frame for putting the property to Coleman partners and FWSH partners is allowed to lapse.

Summary of Proposed Purchase Terms

If the City Council approves the proposed terms as recommended, the City would stand to gain approximately **\$35 million dollars** after the 66 acre parcel had been sold to Coleman Partners and FWSH partners and the 9.3 acre parcel was sold to either VTA or Coleman Partners and FWSH Partners.

Total Purchase Price	\$132,000,000
Less Total Potential Option Payments	<u>12,000,000</u>
Purchase Price Less Option Payments	\$120,000,000
Outstanding Debt on the Property	\$103,000,000
Sales Earned From Sale of the 66 acre parcel	\$ 17,000,000
Sales Earned From Sale of the 9.3 acre parcel	\$ 18,000,000
Total Potential Revenue Earned From Sale of the Property	\$ 35,000,000

Rationale for Proceeding with Airport West Development

Staff recommends proceeding with the sale of 66 acres of land to Coleman Partners and FWSH Partners and the sale of the 9.3 acre parcel to either the VTA or Coleman Partners and FWSH Partners. Staff believes that the proposed real estate transaction described above provides the City with significant financial and economic development benefits including:

- Market price for the sale of the property
- Ability to obtain significant intensification of the site that will provide the full economic development envisioned for the site plus the soccer stadium.
- Development of a community asset – Soccer Stadium
- Elimination of City's budgetary debt and loan repayment obligations related to the Property during the Option Period.
- Partnership with proven developers that can deliver the desired office, R&D, hotel and retail development and the soccer stadium that will result in significant construction and permanent jobs and increased revenues.

In addition to the attributes described above the developers have agreed to hold a 13.5 acre parcel for stadium development and to provide cross easements for parking to ensure sufficient parking for the stadium once constructed.

Proposed Stadium Lease and Operations

The proposed stadium is to be constructed by Coleman Airport Partners, LLC and FWSH Partners, LLC. The mutual interest of the Developers and the City is to build a first class professional grade soccer stadium to be home to the San Jose Earthquakes. Upon obtaining a Certificate of Occupancy for the stadium, the stadium will be donated to the City of San Jose. The Earthquakes, or the appropriate non-profit entity, will then enter into an operating lease for the stadium with the City. The lease term is to be 30 years with two ten year options.

It is important to note that the stadium operating lease with the Developers will be at no cost to the City. No City funds will be expended for operations, maintenance, or any taxes associated with the stadium. The operating lease will, in effect, be a triple net lease. The land underneath the stadium will be owned by the Developers, but it will be leased to the City for a period that is

April 14, 2008

Subject: MOU for Airport West and Proposed Soccer Stadium

Page 6

coterminous with the operating lease. The operating lease will provide a right for the City to have various civic and other events at the stadium at no rental charge, provided however that the City shall be responsible for all direct operational costs for such events. The operating lease will also specify maintenance requirements including periodic stadium improvements.

Stadium Financing and the iStar Property

Stadium financing is in part contingent upon the change of use of the iStar property from its current industrial and retail designation to a residential designation. The revenues earned by the Developers from the conversion and sale of the property will, in part, finance the stadium. The Developers are working to negotiate for the sale of the iStar site to a housing developer or other appropriate entity. At such time that requisite evidence of financial resources sufficient to build the stadium is available the Developers will bring actions necessary to change the allowable uses forward for City Council consideration with all necessary analysis and documents.

BACKGROUND

In 2003, the City of San Jose purchased the 74.8 acre former FMC property, now known as the Airport West property. The City desire was to purchase only 52 acres of the approximately 75-acre site. FMC was unwilling to negotiate with the City for a partial acquisition of the site. The City acquired the property to assist the Airport in its expansion activities in the short-term. In the long-term, the site would be developed for economic development purposes to support job and revenue generation. The Airport West site is fulfilling the goals established for the property. The Airport is fully utilizing the 52 acres of the site controlled by the Airport for construction lay down, construction related activities and parking.

In April of 2007, the City was approached by Lew Wolff with a plan to build a \$100 million dollar Major League Soccer (MLS) stadium in San Jose with 100% private financing. Mr. Wolff proposed to change the general plan land use classification and zoning of the approximately 78 acre iStar site in Edenvale from industrial to residential to generate sufficient revenues to ensure the development of the soccer stadium. The soccer stadium would be located on the Airport West property along with the full development of office, R&D, hotel, retail, and parking that was originally entitled on the site. Mr. Wolff and partners purchased the MLS Earthquake expansion team in June of 2007. Mr. Wolff has developed other major projects in San Jose including the Fairmont Hotel and the downtown Hilton Hotel. Mr. Wolff is currently in development for a new stadium for the Oakland Athletics Baseball franchise, for which he is part owner. Mr. Wolff is partnering with Ed Storm and Deke Hunter on the proposed Airport West and Soccer Stadium. Mr. Storm and Mr. Hunter are also successful developers with extensive experience in both office, R&D and retail projects. Hunter/Storm projects include McCarthy Ranch, and the Whole Foods Center in Campbell. Hunter/Storm is currently developing the @ First Project at the corner of North First Street and Hwy 237.

On June 14, 2007 the City Council authorized staff to enter into an Exclusive Negotiations Agreement (ENA) for the development of the property. The City's Municipal Code allows the private sale of property for economic development purposes. The period allocated for exclusive

negotiations was up to September 15, 2007. On October 12, 2007 staff provided an update on the progress of the negotiations. Staff requested and Council approved an extension of the ENA to June 30, 2008. Council also directed staff to bring forward applications and agreements related to the stadium project at such time that those items were ready for Council review. The required General Plan amendment and related documents would not be subject to the General Plan hearing schedule.

EVALUATION AND FOLLOW-UP

As stated above, the City Manager, or her designee, will negotiate an option agreement and a purchase and sale agreement with the Developers. The MOU states that the Developers will initiate option payments by June 30, 2008. The Developers will have until June 2010 to complete the purchase of the Airport West property.

POLICY ALTERNATIVES

Alternative: The City Council could direct staff to end negotiations with the current applicants and further direct staff to conduct a Request for Proposals (RFP) process for the Airport West Property.

Pros: The City Council could attempt to attain a higher price for the Airport West Property.

Cons: In the current economic climate, particularly with the difficulty of obtaining real estate financing it is not likely a greater price for the Airport West property could be obtained.

Reason for not recommending: The proposal being considered returns to the City significant cash from the sale of the property, 2,700 sustained jobs, 7,100 construction jobs, \$1.8 million dollars in annual revenue and \$748 million dollars in economic impact. Additionally, if the City were to reject the current proposal and seek an alternative, it is likely the Airport West site would not be an option for a stadium site.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum will be posted on the City's web site and the Office of Economic Development's website (www.sjeconomy.com). Discussion of both reports will occur at the Community and Economic Development Committee meeting on April 28, 2008.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the Airport, the Finance Department, the Department of Transportation, the Public Works Department, the Department of Planning, Building and Code Enforcement and the Redevelopment Agency.

FISCAL/POLICY ALIGNMENT

The project aligns with the City's Economic Development Strategy #11, "Revise Key Land Use and Transportation Policies to Reflect the new Realities of the San Jose Economy", and Strategy #12, "Encourage Sporting Teams, Events, and Facilities, professional as well as Amateur".

COST SUMMARY/IMPLICATIONS

As discussed above, the City owns the 74.8-acre Airport West property that has existing debt of approximately \$103 million dollars. The City's annual debt service payments for this property are projected at \$6.7 million for 2008-2009 and \$7.8 million for 2009-2010, which includes the payment of \$1.46 million and \$1.5 million in principal payments in 2008-09 and 2009-10, respectively. It is the expectation that the principal amortization on the bonds will be restructured as part of the refinancing of the City of San Jose financing Authority Lease Revenue bonds Series 2004 A/B to be considered by the City Council in May. This restructuring is proposed to eliminate any principal payments in those two fiscal years.

The proposed purchase price of \$132 million for 66 acres of this property is sufficient to repay all of the outstanding Lease Revenue Bonds and the HUD Section 108 loan and generate significant one-time revenue for the City. The Developers have agreed to make Option Payments totaling up to \$12 million in exchange for an extension to June 2010 to close escrow on the property. The Option Payments are anticipated to be sufficient to cover the City's debt service and Section 108 loan payments on the property during the two-year escrow period. Additionally, the Option Payments would be credited against the sales price of \$132 million. If the property closed in June 2010, the City would receive a net amount of \$120 million. Of this amount, \$103 million would be used to defease all of the bonds and loans on the property and the remaining \$17 million would be available to address City needs.

In addition to the 66 acres, the remaining 9.3 acre site is proposed to be sold to the developer or to the VTA for a BART maintenance facility. The term of the sales agreement allows VTA a period of time to negotiate for the property. The developer has agreed to pay \$18 million for this property if the City decides to sell to that entity. These funds would be available to address City needs.

HONORABLE MAYOR AND CITY COUNCIL
April 14, 2008
Subject: MOU for Airport West and Proposed Soccer Stadium
Page 9

CEQA

Not a Project. As described above, the proposed actions are Council's direction to approve a non-binding MOU. Appropriate environmental review as required by CEQA would be conducted.



PAUL KRUTKO
Chief Development Officer

Attachment

For questions please contact Paul Krutko, Chief Development Officer, at (408) 535-8181.

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY OF SAN JOSE,
COLEMAN AIRPORT PARTNERS, LLC, FWSH PARTNERS, LLC AND
EARTHQUAKES SOCCER, LLC**

THIS MEMORANDUM OF UNDERSTANDING (“MOU”), entered into as of April 15, 2008 (the “Effective Date”), is by and among the CITY OF SAN JOSE, a California charter city (the “City”), Coleman Airport Partners, LLC, a California limited liability company (“Developers”), FWSH Partners, LLC, a California limited liability company (“FWSH”) and Earthquakes Soccer LLC, a California limited liability company (“Earthquakes”). The City, Developers, FWSH and Earthquakes shall each be referred to herein as a “Party” and collectively as the “Parties.”

RECITALS

A. The City is the fee owner of approximately 74.88 acres of real property located in the Cities of San Jose and Santa Clara, County of Santa Clara, commonly known as 1125 Coleman Avenue (the “Airport West Site”) as more fully described on Exhibit A hereto and as depicted in Exhibit B hereto.

B. The Santa Clara Valley Transportation Authority (the “VTA”) has indicated an interest in acquiring an approximately 9.3 acre portion of the Airport West Site, which portion is more fully described on Exhibit C hereto and depicted in Exhibit D hereto (the “VTA Site”).

C. FWSH has an interest in an approximately 78-acre parcel of real property located in the City of San Jose, County of Santa Clara, in Edenvale, commonly known as the iStar site (the “iStar Site”), which property is currently zoned for industrial and retail use.

D. Major League Soccer, L.L.C., a Delaware limited liability company, has granted Earthquakes the exclusive right to operate a Division I men's outdoor professional soccer team in the San Jose area, commonly known as the San Jose Earthquakes (the “Team”).

E. The Developers have expressed an interest in acquiring an approximately 65.58 acre portion of the Airport West Site (the “Development Site”), exclusive of the VTA Site, for the purposes of facilitating the development of (i) a 15,000 - 20,000 seat major league soccer stadium (the “Stadium”) for use by the Team and (ii) 1.5 million square feet of office space, 300 hotel rooms, and 95,000 square feet of retail uses (the “Commercial Development”). The Development Site is more fully described on Exhibit E hereto and depicted in Exhibit F hereto.

F. In order to facilitate the financing of a portion of the development cost associated with the Stadium, FWSH has submitted an application (the "Application") for a general plan amendment for and a rezoning of the iStar Site from industrial and retail use to residential use (the "Conversion"). If the Conversion is approved, the increase in value of the iStar Site that accrues from such Conversion, together with other funds available to develop the Stadium would be provided to a designated qualified non-profit corporation to be formed for the specific purpose of developing the Stadium. In connection with the Conversion, the Parties shall enter into a development agreement which will contain provisions with regard to development of the Stadium.

G. Developers, the Earthquakes and the City of San Jose entered into that certain Exclusive Negotiations Agreement effective as of August 23, 2007 (the "ENA"), pursuant to which the Parties agreed to negotiate the lease or purchase by the Developers of all or a portion of the Airport West Site for the purposes of facilitating the development of the Stadium and Commercial Development. Additionally, FWSH and the City have agreed to study potential modifications to the general plan, zoning and redevelopment plan applicable to the iStar Site so that the permitted land uses might be, subject to City Council consideration and approval, changed from industrial and retail use to residential use in order to facilitate the financing, in part, of the construction of the Stadium.

H. In order to assist in the development of more formal legal agreements, City and the Developers desire to mutually memorialize herein the basic terms and conditions for an option agreement and purchase agreement regarding the Development Site ("Property Agreements"), with the understanding that by its execution of this MOU, the City is not committing to or agreeing to undertake (a) any disposition of land to the Developers; or (b) any other acts requiring the subsequent independent exercise of discretion by the City or its departments. It is further agreed and understood that this MOU does not imply any obligation on the part of City to enter into any agreement that may result from the terms set forth herein. It is expressly acknowledged and agreed by the Parties that, until and unless one or more Property Agreements is signed by the Developers and/or Earthquakes and approved by the City Council, or its designated official, in their sole discretion, any drafts or other communications incorporating terms set forth in this MOU shall not be used to impose any legally binding obligation on such party or as evidence of any oral or implied agreement by such party to enter into legally binding documents.

UNDERSTANDING

I. Terms of MOU

A. Term and Termination. The term of this MOU shall begin on the Effective Date and end June 30, 2008 unless earlier terminated. This MOU shall terminate if the City provides thirty (30) days written notice to Developers that the City, in its sole discretion, has determined that a soccer stadium or other development proposed by the Developers and the Earthquakes on the Airport West Site is no longer feasible or in the interest of the City or if the City determines in its sole discretion that Developers are not diligently pursuing negotiation of the Property Agreements.

B. Status Reports and Meetings. The Developers and all potential development partners identified by the Developers shall meet with the City periodically, at the City's request, to discuss the City's expectations with regard to any component of the proposed project. Throughout the term of this MOU, the Developers shall meet with the City periodically, at City's request, to discuss the status of the acquisition and development of the Development Site.

II. Option Agreement

The City intends to grant an option (the "Option") to Developers to purchase the Development Site pursuant to the provisions of an option agreement (the "Option Agreement") to be negotiated by the Parties incorporating the following provisions:

A. Property. The property subject to the Option shall be the Development Site.

B. Term. The term (the "Term") of the Option shall commence upon the full execution of the Option Agreement, which shall be no later than June 30, 2008 (the "Commencement Date"), and shall expire on December 31, 2008 unless the Option is extended in the manner set forth below. Developers shall have the right to extend the Term for three (3) additional six-month periods (each an "Extension"), upon the payment of extension fees as provided for below, for a total Term of two (2) years.

C. Option Fees. Within two (2) business days of the Commencement Date, in consideration of the City granting the Option, the Developers shall deposit into an escrow account in favor of the City, a non-refundable option fee in the amount of Three Million Dollars (\$3,000,000) (the "Option Fee"). As provided for in Section II.B above, Developers shall have the right to extend the Option by providing written notice to the City no later than ten (10) days prior to the expiration of the original Term, or Term as extended, and depositing an additional non-refundable extension fee for each such Extension in the amount of Three Million Dollars (\$3,000,000) (each an "Extension Fee", and collectively with the Option Fee, the "Option Fees"). In the event the Developers exercise the Option during the Term, as it may be extended, and close the purchase, any

amount of the Option Fees paid prior to the exercise of the Option shall be applicable toward the purchase price of the Development Site. Except as provided for in Section III.H below, in the event there is a termination of or a failure to exercise the Option or a failure to close the purchase for any reason other than material default by the City, the City shall retain the Option Fees.

D. Option Letter of Credit. As additional consideration for the Option, separate and apart from the Option Fees, within two (2) business days of the Commencement Date, Developers shall provide the City an irrevocable letter of credit (the "Option L/C") in the amount of Three Million Dollars (\$3,000,000) in favor of the City. The Option L/C shall be in a form and from an issuing bank acceptable to the City, shall have an expiration date no earlier than thirty (30) days after the last date for the closing of the purchase of the Development Site (the "Closing"), assuming exercise of the Option on the last possible day of the maximum extended Term, and may be drawn upon presentation in the City of San Jose. In the event there is a termination of the Option (other than due to the material default by the City) after the ninetieth (90th) day of any Option period, the City shall have the right to draw upon the Option L/C. In the event the Option is timely exercised or terminated before the ninetieth (91st) day of any Option period, the City shall return the Option L/C to the Developers. The Option L/C shall not be secured by the Airport West Site, or any portion thereof, or by the Option Agreement itself.

E. Use During Term. The Option Agreement shall provide for limited use, at Developers' election, of a portion of the Development Site during the Term for purposes of surface parking and/or demolition by the Developers and/or the Earthquakes of the existing improvements. The Option Agreement shall specify an approximately 23.23-acre portion of the Development Site (the "Parking Site") of which portions shall be available for parking during the 2008, 2009, and 2010 Team soccer season for use in connection with Team events. The Developers and/or Earthquakes may use those portions of the Parking Site which are currently vacant upon entry into a lease with the City at a rent as specified therein. Upon completion of demolition of existing improvements on the Parking Site by the Developers and/or the Earthquakes, the Earthquakes may use those portions of the Parking Site currently encumbered by existing improvements for surface parking at no cost. The Option Agreement shall include prohibitions during the Term against the use of the Development Site for other general or commercial parking. In the sole discretion of the City, the Option Agreement may include limited provisions for overflow or holiday parking for the San Jose airport at specific times during the year.

1. License/Right of Entry. In connection with the use of the Parking Site, the Option Agreement shall provide Developers with a limited right of entry/license agreement for entry onto and use of the Parking Site for demolition of existing improvements and creation and use of surface parking for Team events.

2. Costs. Any demolition on any portion of the Development Site conducted by the Developers during the Term or after acquisition of the Development Site pursuant to the provisions of the Property Agreements, including the Option Agreement or a separate right of entry agreement shall be conducted at the sole cost and expense of the Developers.

3. Indemnification. The City shall have no liability and no responsibility with regard to the demolition on the Development Site or with regard to the use of the Parking Site for parking by the Developers and/or the Earthquakes. The provisions with respect to demolition and parking shall provide for indemnification (including defense costs) by Developers of the City from and against any and all claims arising out of the demolition of the Parking Site and use of the Parking Site for surface parking during the course of the Term, including any claim under that certain purchase agreement by and between the City and FMC Corporation ("FMC") dated as of September 9, 2004 (the "FMC Agreement") pursuant to which the City acquired the Airport West Site, and shall provide that prior to entry Developers obtain and maintain insurance as specified therein, with the Developers and the Earthquakes as the named insured and the City named as coinsured.

4. Coordination with FMC and DTSC. The Developers and the City shall coordinate with FMC and DTSC (as defined below) as to any actions taken on the Development Site, including the Parking Site, during the Term, which actions might (a) trigger obligations by the City or FMC under the FMC Agreement or (b) be subject to restrictions set forth in the Covenant (as defined below). The Parties acknowledge that the Airport West Site is subject to that certain Covenant to Restrict Use of Property (the "Covenant") by and between the City and the Department of Toxic Substances Control (the "DTSC"), made as of May 8, 2007 and recorded in the Official Records of the County of Santa Clara on May 31, 2007 as document number 19451014, which covenant contains use restrictions on and requirements in connection with development and construction at the Airport West Site. During the Term, the City agrees to participate, at the Developers' request, in meetings and telephone conferences with DTSC concerning the Development Site.

F. Due Diligence. Developers shall have the right to conduct due diligence related to the purchase of the Development Site during the Term. The Option Agreement shall set forth the procedures for title review and property condition assessment including conducting any necessary surveys of the Development Site. All costs related to due diligence of the Development Site, including the costs of any surveys or title reports, shall be borne by the Developers.

G. Due Diligence Right of Entry. The Option Agreement shall also include a limited right of entry (the "Right of Entry") onto the Development Site for purposes of due diligence by the Developers, including environmental due diligence, inspections and testing with appropriate limitations and subject to the provisions of the FMC Agreement

and in coordination with FMC. The Right of Entry shall, in addition, set forth the rights and obligations of the Developers with respect to insurance and indemnification.

H. Existing Leases. The Parties acknowledge that the Airport West Site, including the Development Site, is subject to existing month-to-month leases. The City shall deliver notices of termination of any then existing leases no later than fifteen (15) days of receiving notice from the Developers of (i) exercise of the Option or (ii) as to the Leases affected, of demolition on the Parking Site.

I. Parcelization of Airport West Site. During the Term, Developers may file an application for a subdivision map for the purpose of seeking the City's approval of the subdivision of the Airport West Site. The Developers will establish the number of parcels and parcel lines, subject to the City's review and approval pursuant to law. At a minimum, prior to the Closing, the City shall create separate legal parcels for the Stadium Site (as defined below), the VTA Site and the Development Site. Developers shall contract and pay for surveys and engineering services required and shall be responsible for all costs and expenses incurred by the City in connection with the subdivision.

J. Exercise of Option. Provided the Option Agreement has not been terminated, the Option may be exercised in whole, but not in part, by the Developers delivering to the City at any time during the Term written notice of such exercise (the "Exercise Notice") which Exercise Notice shall state (i) that the Option is being exercised, without condition or qualification and (ii) the date of Closing, which must not be more than sixty (60) days after the date of the Exercise Notice.

K. Termination. The Option Agreement shall include provisions for termination upon material default by Developers, failure to pay Option Fees timely as required, or failure to exercise the Option during the Term. If at any time Developers fail to timely close the purchase of the Development Site for any reason other than the City's material breach of the Option Agreement or the Purchase Agreement as appropriate, then Developers' right, title and interest in all studies, surveys, if any, reports, test results, examinations, and analyses and all architectural, engineering plans, specifications, and schematics to the extent concerning the Development Site prepared by, for or on behalf of the Developers in connection with the Development Site (collectively "Developers' Reports") shall immediately be delivered and assigned on a non-exclusive basis to the City subject to the rights of the other parties thereto without payment by the City to Developers on account thereof. The Developers shall not be required to deliver to the City internally prepared reports, correspondence or analyses concerning the valuation or potential performance of the Development Site, or any documents subject to any privilege provided by law (such as the attorney-client privilege). Any Developers' Reports delivered to the City pursuant to this Section II.K shall be delivered without representation or warranty, nor shall the City assert any warranty or rights against the consultants of the Developers who have prepared such Developers' Reports.

L. Memorandum of Option; Option Policy. Upon full execution and delivery of the Option Agreement, the Parties shall execute and record a Memorandum of Option Agreement in the form to be attached to the Option Agreement. Developers shall pay for any title policy insuring the Option.

III. Purchase Agreement

Upon exercise of the Option, the City shall sell to the Developers, and the Developers shall purchase from the City the Development Site pursuant to the provisions of a purchase agreement (the "Purchase Agreement"), which Purchase Agreement shall be an exhibit to the Option Agreement.

A. Property. The property to be sold by the City and purchased by the Developers will be the Development Site.

B. Purchase Price. The purchase price (the "Purchase Price") for the Development Site shall be Forty Six Dollars (\$46) per square foot for an approximate price of One Hundred Thirty Two Million, Eight Hundred Thousand Dollars (\$132,800,000.00), as shall be finally determined by an ALTA survey of the Development Site to be conducted prior to the Closing.

C. Payment. The Purchase Price shall be paid in immediately available funds upon the Closing. Any Option Fees paid during the Term shall be credited toward the Purchase Price. The Purchase Price shall also be subject to customary prorations.

D. Closing Costs. All closing costs for the purchase shall be paid by the Developers.

E. "As Is" Sale. Developers acknowledge that the Development Site shall be sold by the City on an "As Is, With All Faults" basis. The City shall have no further obligations as to the Development Site and shall make no representations as to the fitness or suitability of the Development Site for any particular purpose or any other representations.

F. Indemnification; Release. At Closing, the Developers shall execute (i) an indemnity agreement indemnifying the City with regard to use of the Development Site from and after the Closing (except for the City's use of the Stadium for events), and (ii) a release in favor of the City for all claims arising from or relating to the Development Site (except for the City's use of the Stadium).

G. Assumption of FMC Obligations. At Closing, the City shall assign all of its right, title and interest in and to the FMC Agreement to the Developers and the Developers shall execute an assumption of all obligations of the City under the FMC Agreement, including the environmental obligations set forth therein, and all other documents and shall give all notifications required therein.

H. Existing Entitlements on Development Site. The Parties acknowledge that the Development Site currently is entitled for up to 1.5 million square feet of office development, 300 hotel rooms, and 95,000 square feet of retail development. In the event the entitlements for the Development Site are changed by the City during the Term, or, if the Option has been exercised, prior to the Closing, to the substantial detriment of the Developers, the Developers shall have the right to terminate the Option Agreement and/or Purchase Agreement, as applicable, and shall be entitled to a refund of all Option Fees paid to the date of termination and return of the Option L/C.

I. Easements.

1. Easements Between Development Site and Stadium Site. The Purchase Agreement will require Developers at Closing to grant easements for ingress and egress, roadways and pedestrian access, parking, construction, fire breaks, utilities and other similar rights between the Development Site and the Stadium Site (as defined below). The purchase agreement, if any, with any third party purchaser of the Stadium Site shall require reciprocal easements as necessary and provide that the costs of roads, utilities or other infrastructure between the Development Site and the Stadium Site be shared equitably between the Stadium Site and the Development Site.

2. Easements Between Development Site and VTA Site. The Purchase Agreement will require Developers at Closing to grant easements for ingress and egress, roadways and pedestrian access, construction, fire breaks, utilities and other similar rights between the Development Site and the VTA Site. The purchase agreement, if any, with VTA or any other third party purchaser shall require reciprocal easements as necessary and provide that the costs of roads, utilities or other infrastructure between the Development Site and the VTA Site be shared equitably between the VTA Site and the Development Site.

J. Prohibitions on Development and Encumbrance of Stadium Site. The Purchase Agreement shall incorporate provisions related to prohibition of development on and encumbrance of the Stadium Site as further described in Section IV.B below.

K. Closing. The Closing shall occur within sixty (60) days of the exercise of the Option.

IV. Stadium

A. Location of Stadium. Approximately 13.5-acres of the Development Site (the "Stadium Site"), as depicted on Exhibit G, shall be set aside for development of the Stadium and associated improvements. The Stadium itself shall be generally located in the area depicted on Exhibit H.

B. Reservation; No Encumbrance of Stadium Site. The Purchase Agreement shall provide that, except for grading, demolition and construction of surface parking, development on the Stadium Site shall be prohibited until the earlier of (i) actual development of the Stadium, (ii) failure of the Conversion or (iii) withdrawal by FWSH of the Application. Except in the event of withdrawal by FWSH of the Application, or failure of the Conversion, there will be no encumbrance of the Stadium Site except in connection with the financing of the construction of the Stadium. All encumbrances on the Stadium Site shall contain appropriate non-disturbance agreements from the lender not to disturb the Ground Lease and Sublease (each as defined below) of the Stadium, if applicable.

C. Stadium Leases. If the Stadium is developed, the Parties acknowledge that the City may own the Stadium and may be the ground lessee of the Stadium Site pursuant to a ground lease by and between the City and the owner of the Stadium Site (the "Ground Lease"). The City may enter into a sublease or other joint use and occupancy agreement acceptable to City and the Earthquakes (the "Sublease") with the Earthquakes, or a mutually agreed upon affiliate, for purposes of developing and operating the Stadium for a period of thirty (30) years with two (2) additional ten (10) year options to renew on terms mutually acceptable to the Parties. The Ground Lease and Sublease or other agreement with respect to the Stadium, whether or not the City owns the Stadium or any part thereof, shall provide a right for the City to have various civic and other events at the Stadium at no rental charge; provided, however, that the City shall be responsible for all direct operational costs for such events. In the event the Parties enter into a Ground Lease and Sublease, the ground lessor shall accept the performance if any by the sublessee as sufficient to satisfy any obligations of the City as to the Ground Lease, or other terms to insulate the City from liability.

D. Stadium Maintenance. If the Stadium is developed, the Earthquakes shall be required to maintain the Stadium in a first class, professional standard applicable for professional MLS soccer.

V. HUD.

A. HUD Section 108. The Parties acknowledge that in connection with the acquisition of the Airport West Site by the City, the City incurred financing from the Department of Housing and Urban Development ("HUD") pursuant to which the Airport West Site, including the Development Site, became subject to certain job creation requirements, which requirements are binding on and run with the land. Developers acknowledge that the Airport West Site shall be subject to such job creation requirements until such time as those requirements are met to the satisfaction of HUD, and that repayment of the HUD financing alone will be insufficient to release the Airport West Site from the job creation requirements.

VI. VTA Site

Acquiring VTA Site. At any time prior to Closing, in the event VTA does not agree to acquire the VTA Site or does not close the purchase of the VTA Site, the City, in its sole and exclusive discretion, shall have the right, upon ninety (90) days written notice, to require the Developers to acquire the VTA Site upon the same terms as set forth in the Purchase Agreement for the Development Site, including the agreed upon purchase price of Forty Six Dollars (\$46) per square foot. The Parties acknowledge that the VTA Site shall be delivered without entitlements, as all the existing entitlements for the entire Airport Site shall be vested in the Development Site; provided that in the event the VTA Site is purchased by Developers pursuant to this Agreement, the VTA Site may be used for surface parking.

If at any time within one year of the Closing, the City desires to sell all or any part of the VTA Site, City shall enter into an exclusive negotiation agreement with Developers to negotiate the terms of a proposed purchase of all or a portion of the VTA Site for a period of not less than one hundred twenty (120) days. If, at the end of the aforesaid one hundred twenty (120) day period the parties cannot reach agreement on the terms and conditions of such sale, including the all-cash closing price for the land, the City shall have the right to offer and sell the VTA Site (or portion thereof) on such terms and conditions as shall be acceptable to the City in its sole discretion.

VII. No City Funds

A. No City Funds. Notwithstanding anything to the contrary contained herein or in any prior oral or written understanding between the City and Developers and/or the Earthquakes, no City funds shall be expended on development or construction of the Development Site, including site preparation, remediation, and off-site improvements, all of which will be funded by the Developers.

B. No Tax Dollars. As required pursuant to Section 4.95.010 of the Municipal Code of the City of San Jose (the "Municipal Code"), the Developers shall acknowledge and agree that no tax dollars (as defined in the Municipal Code) will be expended by the City for development or construction of the Stadium or the Commercial Development.

VIII. Indemnities and Insurance

A. In connection with indemnities provided in the Option Agreement, Purchase Agreement, and any license or Right of Entry agreement, the City shall require that the indemnifying party be financially credit worthy in the reasonable judgment of the City.

B. Developers and/or the Earthquakes shall provide an appropriate level of insurance to be specified in the final Option Agreement, License and Right of Entry Agreements and Purchase Agreement.

C. Developers and Earthquakes shall defend, indemnify and hold harmless the City and its officers, employees and agents against any claim, loss or liability arising out of or resulting in any way from work performed under this MOU by Developers, Earthquakes and/or their principals, officers, stockholders, partners, joint-venturers, employees and other associates or arising out of or resulting from any claim described in Section IX.G below. This indemnification shall survive the expiration or other termination of this MOU.

IX. Legal

This Memorandum of Understanding and the Property Agreements, as applicable, shall be subject to the following provisions:

A. Disclosure of Confidential Information. The parties acknowledge that the City is subject to the California Public Records Act ("Act"). The Act generally provides that written documents retained by the City are subject to disclosure upon the request of any third party except for specific limited exceptions provided for in the Act. Developers shall designate as "Confidential" any information which Developers provide to the City which the Developers desire to keep confidential. If a request for disclosure of any information designated as "Confidential" by the Developers is made under the Act, the City shall notify the Developers in writing and the Developers shall have the opportunity to object to the release of such information.

B. Full Disclosure and Approval.

1. Developers are currently managed by Ed Storm, FWSH is currently managed by Wolff Urban Development, LLC of which Keith M. Wolff is manager, and Earthquakes is currently managed by Lewis N. Wolff, managing member (collectively, "Development Principals"). Developers shall fully disclose to the City other proposed principals, officers, stockholders, partners, or joint-venturers and all other pertinent information concerning the Developers or Earthquakes.

2. Any change in the management and control of the Developers, FWSH or the Earthquakes shall be subject to the approval of the City, which approval

shall be within the reasonable discretion of the City. Any material change in the management and control of the Developers, FWSH or the Earthquakes without prior City approval shall be a material default under this MOU and the Property Agreements and the City shall be entitled to terminate this MOU and/or the Property Agreements. The City's City Manager shall have the right to terminate this MOU and/or the Property Agreements under these circumstances on behalf of the City by providing written notice of such termination to Developers.

3. Prior to entering into Property Agreements, Developers (or their permitted assignees) shall, if required, register and obtain any other governmental approvals necessary to conduct business in the State of California and to own or hold real property in the State of California. Developers shall provide evidence of its compliance with any such requirements to the City.

C. Conflict of Interest.

1. All Parties shall at all times avoid conflict of interest or appearance of conflict of interest under any applicable state, federal or local laws, rules and regulations in the performance of this MOU and the Property Agreements. All Parties shall disclose any conflict of interest, or potential conflict of interest, which exists or arises at any time during the term of this MOU and/or the Property Agreements. City and Developers acknowledge that Developers also own property adjacent to the Airport West Site and affiliates of Developers are participants in a proposed development project that abuts the Airport West Site. For purposes of this Section IX.C or the Property Agreements, any conflict of interest of a principal, officer, stockholder, partner, joint-venturer, employee or other associate of Developers or Earthquakes shall be conclusively deemed to be a conflict of interest of Developers or Earthquakes, respectively.

2. The City shall have the right to treat any violation of this Section IX.C as a material breach of this MOU and/or the Property Agreements, and shall have the right to terminate the MOU and/or the Property Agreements and pursue any and all legal or equitable remedies for said breach.

D. California Environmental Quality Act. The California Environmental Quality Act (CEQA) is applicable to any project contemplated by this MOU or the Property Agreements. Environmental clearance must be obtained prior to obtaining the City Council's approval for any project proposed. City staff may provide assistance to the Developers in working with the City to obtain the necessary environmental clearance, but all costs shall be the sole responsibility of Developers.

E. Distinction from Regulatory Authority of the City. All Parties understand and agree that this MOU does not and shall not be construed to indicate or imply that the City, acting as a regulatory or permitting authority, has hereby granted or is obligated to grant any approval or permit required by law for the development of the Development Site.

F. City Public Hearing. The negotiations contemplated herein may culminate in Property Agreements agreed to by all Parties and City administration, in which event the Property Agreements may be brought forward for consideration by the City Council, provided, however, such Property Agreements shall become effective only after having been considered and approved by the City Council, or its designated official, in their sole and absolute discretion following any public hearing or other actions required by law. Notwithstanding any other provision of this MOU or the Property Agreements, Developers expressly agree and acknowledge that the timing of any presentation of Property Agreements for City Council consideration shall be in the City Manager's sole discretion.

G. Real Estate Commissions. The City shall not be liable for any real estate commission or brokerage fee which may arise from the transfer, lease, or sale of the Airport West Site. The City represents that it has engaged no broker, agent or finder in connection with any proposed project contemplated by this MOU and the Developers agree to hold City harmless from any claim by any broker, agent or finder with whom Developers or Earthquakes have dealt with regard to the Airport West Site in accordance with the provisions of Section VIII.C hereof.

H. Non-discrimination. Neither Developers nor Earthquakes shall discriminate, in any way, against any person on the basis of age, sex, race, color, religion, sexual orientation, disability, ethnicity or national origin in connection with or related to the performance of this MOU or the Property Agreements.

I. Assignment. Neither Developers nor Earthquakes may transfer or assign any or all of its rights or obligations hereunder or in the Property Agreements except with the prior written consent of City which may be granted or withheld in City's sole and absolute discretion, and any such attempted assignment without the prior written consent of City shall be wholly void and of no effect. Notwithstanding the foregoing, the City shall not withhold its consent to (i) the assignment of the Property Agreements from Developers to a legal entity to be formed for the purpose of developing the project contemplated by this MOU provided that the Development Principals of Developers retain management and control of such legal entity prior to Closing and (ii) the assignment of the Property Agreements from Earthquakes to a legal entity to be formed for the purpose of developing the soccer stadium contemplated by this MOU provided that the Development Principals of the Earthquakes retain management and control of such legal entity prior to the Closing.

J. Waiver. Developers agree that waiver by City of any breach or violation of any term or condition of this MOU or the Property Agreements shall not be deemed to be a waiver of any other term or condition contained herein or a waiver of any subsequent breach or violation of the same or any other term or condition. The acceptance by City of the performance of any work or services by the Developers shall not be deemed to be a waiver of any term or condition of this MOU or the Property Agreements.

K. Governing Law. The law governing this MOU and the Property Agreements shall be that of the State of California.

L. Venue. In the event that suit shall be brought by either party under the Property Agreements, the parties agree that trial of such action shall be exclusively vested in a state court in the County of Santa Clara, or where appropriate, in the United States District Court for the Northern District of California, San Jose, California.

X. Legal Effect

A. Legal Effect. This Memorandum of Understanding is merely an expression of interest and understanding and is intended to facilitate the negotiations between the City and Developers. This memorandum shall not be binding upon the Parties and creates no legal obligations on either Party, including any obligation to negotiate or continue negotiations at any stage. Each Party agrees that it has not relied upon negotiations to date and will not rely upon any subsequent negotiations or drafts of agreements as creating any legal obligations and each Party agrees that they will not create any legal obligations. Legal obligations will only be created, if at all, by a formal option agreement executed and delivered by the parties. Each party will bear its own costs in connection with this Memorandum of Understanding and any negotiations, documentation, due diligence, or other undertakings prior to the execution and delivery of a formal option agreement and whether or not it occurs.

B. Supersedes ENA. This MOU, including all exhibits attached hereto, supersedes the ENA and the ENA is of no further force and effect.

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

[REMAINDER OF PAGE INTENTIONALLY BLANK]

WITNESS THE EXECUTION HEREOF the day and year first hereinabove set forth.

THE CITY

The City of San Jose,
a California charter city

By: _____
Nadine Nader
Assistant to the City Manager

APPROVED AS TO FORM:

By: _____
Attorney

DEVELOPERS

Coleman Airport Partners, LLC,
a California limited liability company

By: _____
Ed Storm, Manager

Earthquakes Soccer LLC,
a California limited liability company

By: _____
Lewis Wolff, Managing Member

FWSH

FWSH Partners, LLC,
a California limited liability company

By: Wolff Urban Development LLC, a
California limited liability company,

By: _____
Keith M. Wolff, Manager

EXHIBIT A

Legal Description of Airport West Site

LEGAL DESCRIPTION

Real property in the City of San Jose, County of Santa Clara, State of California, described as follows:

Parcel A:

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE CITY OF SAN JOSE, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEING A PORTION OF "ADJUSTED PARCEL A" DESCRIBED IN THE LOT LINE ADJUSTMENT PERMIT FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY SANTA CLARA ON JUNE 22, 1999 UNDER RECORDER'S SERIES NO. 14867793, OFFICIAL RECORDS AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHWESTERLY LINE OF COLEMAN AVENUE WITH THE NORTHWESTERLY LINE OF "PARCEL B" DESCRIBED IN THE NOTICE OF LOT LINE ADJUSTMENT FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA ON JULY 30, 1999 UNDER RECORDER'S SERIES NO. 14920701, OFFICIAL RECORDS, THENCE ALONG THE NORTHEASTERLY LINE OF SAID "PARCEL B" AND "ADJUSTED PARCEL A" ALSO BEING THE SOUTHWESTERLY LINE OF COLEMAN AVENUE SOUTH 57° 34' 50" EAST, 996.50 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTH 32° 25' 10" WEST, 1083.08 FEET TO THE SOUTHWESTERLY LINE OF SAID "ADJUSTED PARCEL A"; THENCE ALONG THE SOUTHWESTERLY LINE OF "ADJUSTED PARCEL A" SOUTH 57° 34' 50" EAST, 1002.79 FEET TO THE SOUTHERLY CORNER OF "ADJUSTED PARCEL A"; THENCE ALONG THE SOUTHEASTERLY LINE OF "ADJUSTED PARCEL A", NORTH 32° 25' 10" EAST, 1083.08 FEET TO THE EASTERLY CORNER OF "ADJUSTED PARCEL A" AND THE SOUTHWESTERLY LINE OF COLEMAN AVENUE; THENCE ALONG SAID SOUTHWESTERLY LINE OF COLEMAN AVENUE NORTH 57° 34' 50" WEST, 1002.79 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL B:

ALL THAT CERTAIN REAL PROPERTY SITUATED PARTIALLY IN THE CITY OF

SAN JOSE AND PARTIALLY IN THE CITY OF SANTA CLARA, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

ALL THAT LAND DESIGNATED AND DELINEATED AS "PARCEL B" IN THE NOTICE OF LOT LINE ADJUSTMENT FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA ON JULY 30, 1999, UNDER RECORDER'S SERIES NO. 14920701, OFFICIAL RECORDS AND A PORTION OF "ADJUSTED PARCEL A" DESCRIBED IN THE LOT LINE ADJUSTMENT PERMIT FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA ON JUNE 22, 1999, UNDER RECORDER'S SERIES NO. 14867793, OFFICIAL RECORDS BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHWESTERLY LINE OF COLEMAN AVENUE WITH THE NORTHWESTERLY LINE OF SAID "PARCEL B", THENCE ALONG THE NORTHEASTERLY LINE OF SAID "PARCEL B" AND "ADJUSTED PARCEL A" ALSO BEING THE SOUTHWESTERLY LINE OF COLEMAN AVENUE SOUTH 57° 34' 50" EAST, 996.50 FEET; THENCE SOUTH 32° 25' 10" WEST, 1083.08 FEET TO THE SOUTHWESTERLY LINE OF SAID "ADJUSTED PARCEL A"; THENCE ALONG THE SOUTHWESTERLY LINE OF "ADJUSTED PARCEL A" AND "PARCEL B" NORTH 57° 34' 50" WEST, 1038.06 FEET TO THE MOST WESTERLY CORNER OF SAID "PARCEL B" THENCE ALONG THE NORTHWESTERLY LINE OF "PARCEL B" THE FOLLOWING SIX (6) COURSES AND DISTANCES.

1. NORTH 32° 25' 09" EAST 250.12 FEET;
2. NORTH 57° 34' 51" WEST, 105.40 FEET;
3. NORTH 08° 45' 53" EAST, 270.00 FEET;
4. NORTH 82° 20' 17" EAST, 219.28 FEET;
5. SOUTH 57° 34' 51" EAST, 87.51 FEET;
6. NORTH 32° 25' 09" EAST, 444.46 FEET TO THE POINT OF BEGINNING.

PARCEL C:

BEING "ADJUSTED PARCEL B" DESCRIBED IN THAT LOT LINE ADJUSTMENT PERMIT FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY SANTA CLARA ON JUNE 22, 1999 UNDER RECORDER'S SERIES NO. 14867793, SANTA CLARA COUNTY OFFICIAL RECORDS AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE NORTHWESTERLY LINE OF NEWHALL STREET AT THE EASTERNMOST CORNER OF THAT CERTAIN 7.528 ACRE TRACT OF LAND DESCRIBED IN THE DEED FROM FOOD MACHINERY CORPORATION, A CORPORATION, TO SOUTHERN PACIFIC RAILROAD COMPANY, A CORPORATION, DATED JANUARY 23, 1947, RECORDED

FEBRUARY 25, 1947 IN BOOK 1433 OFFICIAL RECORDS, PAGE 231 SANTA CLARA COUNTY RECORDS; THENCE NORTH 57 DEG. 34' 50" WEST ALONG THE NORTHEASTERLY LINE OF SAID 7.528 ACRE TRACT 841.00 FEET TO THE TRUE POINT OF BEGINNING;

THENCE NORTH 32 DEG. 25' 10" EAST 35.14 FEET;
THENCE NORTH 57 DEG. 34' 50" WEST 39.00 FEET;
THENCE NORTH 32 DEG. 25' 10" EAST 1047.94 FEET TO THE SOUTHWESTERLY LINE OF COLEMAN AVENUE (100.00 FEET IN WIDTH);
THENCE NORTH 57 DEG. 34' 50" WEST 933.02 FEET ALONG SAID SOUTHWESTERLY LINE;
THENCE SOUTH 32 DEG. 25' 10" WEST 1083.08 FEET TO SAID NORTHEASTERLY LINE OF SAID 7.528 ACRE TRACT;
THENCE SOUTH 57 DEG 34' 50" EAST ALONG SAID NORTHEASTERLY LINE 972.02 FEET TO THE TRUE POINT OF BEGINNING.

APN: 230-46-055 (Affects: Parcel C), 230-46-060 (Affects: Portion of Parcel B), 230-46-062 (Affects: Parcel A) and 230-46-063 (Affects: Remainder Portion of Parcel B)

EXHIBIT B

Map of Airport West Site

[City to provide]

EXHIBIT C

Legal Description of VTA Site

[City to provide]

EXHIBIT D

Map of VTA Site

[City to provide]

EXHIBIT E

Legal Description of Development Site

[City to provide]

EXHIBIT F

Map of Development Site

[City to provide]

EXHIBIT G

Map of Stadium Site

[City to provide]

EXHIBIT H

Approximate Location of Stadium

[City and Developers to provide]