PUBLIC EXTENSION REIMBURSEMENT AGREEMENT

BETWEEN

THE CITY OF ATASCADERO

AND

MIDLAND PACIFIC BUILDING CORPORATION

FOR CONSTRUCTION OF
PUMP STATION NO. 14 AND GRAVITY SEWER

THIS PUBLIC EXTENSION REIMBURSEMENT AGREEMENT (‘‘Agreement’’) is made this _____ day of _____ 2007, in San Luis Obispo County, California, by and among the City of Atascadero, a public body corporate and politic (‘‘City’’), Midland Pacific Building Corporation, with reference to the following recitals.

A. Midland Pacific Building Corporation has developed certain property within the boundaries of the City, as shown on Exhibit A (‘‘Property’’).

B. In order to develop the Property, Midland Pacific Building Corporation has constructed a public sewer lift station and gravity sewer main (‘‘Sewer Facilities’’) to serve the Property as well as other landowners of property in the City adjacent to the Sewer Facilities (‘‘Adjacent Landowners’’). The Sewer Facilities are described as follows:

1. A sewer lift station designed to accept and convey 90 gallons per minute of sewage effluent and constructed in accordance with all City standards and specifications.

2. PVC sewer force main constructed from the lift station on San Ramon Road to Del Rio Road and then east to El Camino Real to the existing sewer system.

C. The Sewer Facilities are depicted on a map attached hereto as Exhibit B.

D. Midland Pacific Building Corporation’s costs for designing, permitting and constructing the Sewer Facilities (‘‘Sewer Facilities Costs’’) are described as follows:
<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gravity Sewer Main – Del Rio Road</td>
<td>$238,023.73</td>
</tr>
<tr>
<td>Gravity Sewer Main – El Camino Real</td>
<td>117,535.00</td>
</tr>
<tr>
<td>Design, Testing, Inspection</td>
<td>11,243.73</td>
</tr>
<tr>
<td><strong>GRAVITY SUBTOTAL</strong></td>
<td><strong>$238,023.73</strong></td>
</tr>
<tr>
<td>Lift Station and Force Main</td>
<td>366,574.26</td>
</tr>
<tr>
<td>Design, Testing Inspection</td>
<td>29,013.23</td>
</tr>
<tr>
<td><strong>LIFT STATION &amp; FORCE MAIN SUBTOTAL</strong></td>
<td><strong>$395,587.49</strong></td>
</tr>
<tr>
<td><strong>REIMBURSEMENT SUBTOTAL</strong></td>
<td><strong>$633,611.20</strong></td>
</tr>
<tr>
<td><strong>LESS BENEFIT TO APPLICANT</strong></td>
<td><strong>($246,404.20)</strong></td>
</tr>
<tr>
<td><strong>REMAINING REIMBURSEMENT</strong></td>
<td><strong>$387,339.80</strong></td>
</tr>
</tbody>
</table>

E. Midland Pacific Building Corporation has agreed to dedicate the Sewer Facilities to the City.

F. The Sewer Facilities will serve Adjacent Landowners within the City of Atascadero as provided in the rules and regulations of the City.

NOW, THEREFORE, in consideration of the mutual conveyance contained herein, Midland Pacific Building Corporation and the City agree as follows:

1. **Term**

   The term of this Agreement shall be for fifteen (15) years from the date that this Agreement is approved by the City Council of the City.

2. **Reimbursement**

   The City will reimburse Midland Pacific Building Corporation for part of the Sewer Facilities Costs from fees (“Reimbursement Fees”) that the City collects from Adjacent Landowners upon issuance of a Sewer Connection Permit. The total reimbursement to Midland Pacific Building Corporation shall not exceed $379,593.00 (Midland Pacific Building Corporation’s Maximum Reimbursement Amount”), which represents Midland Pacific Building Corporation’s reimbursement reduced by the applicable Administrative Fee of 2%.
3. **Rate of Reimbursement**

The City agrees to reimburse Midland Pacific Building Corporation for a portion of the Sewer Facilities Costs from Reimbursement Fees received by the City from Adjacent Landowners during the term of this Agreement. The methodology for calculating each Adjacent Landowner’s Reimbursement Fee is described in Exhibit C. The City will collect Reimbursement Fees from each Adjacent Landowner prior to permitting said owner to connect to the Sewer Facilities. All Reimbursement Fees received by the City, less the applicable Administrative Fee, shall be payable to Midland Pacific Building Corporation, within thirty (30) days of receipt thereof by the City (“Reimbursement Payments”). Reimbursement Payments shall continue to be paid to Midland Pacific Building Corporation for the duration of the term of this Agreement or until Midland Pacific Building Corporation has received the Maximum Reimbursement Amount.

4. **Administrative Fee**

Two percent (2%) of all Reimbursement Fees collected pursuant to this Agreement shall accrue to the City as an administrative fee (“Administrative Fee”).

5. **Conditions of Reimbursement**

City’s obligation to make Reimbursement Payments under this Agreement is conditioned on the following:

5.1 Midland Pacific Building Corporation shall have provided City with an engineer’s certification that the Sewer Facilities are constructed in substantial conformance with the plans and standard improvement drawings submitted to the City.

5.2 The Sewer Facilities shall have been inspected and approved by City.

5.3 Applicable dedications of the Sewer Facilities shall have been offered and accepted by the City.

5.4 Midland Pacific Building Corporation shall have provided the City with a maintenance bond, letter of credit or other financial security satisfactory to the City in a sum equal to ten percent (10%) of the Sewer Facilities Costs, or such agreement satisfactory to the City, whereby Midland Pacific Building Corporation’s contractor and/or it’s surety will repair or replace to the satisfaction of the City any
and all such work that may prove defective in workmanship or materials for a period of one year following substantial completion of the Sewer Facilities, ordinary wear and tear excepted, together with any other work which may be damaged or displaced in so doing.

7. **Obligation of City**

If, for any reason, the Reimbursement Fees are or become legally uncollectible, the City shall not be responsible in any way for collecting the Reimbursement Fees and/or making Reimbursement Payments for the Sewer Facilities Costs. Except as provided in Section 7 above with respect to the City Reimbursement Fee, Reimbursement Payments shall be made only when the City collects Reimbursement Fees from the owners of properties whose buildings are to be connected to the Public Gravity Sewer or will contribute flow to the Sewer Facilities, notwithstanding any provision of any law, the code or this Agreement.

8. **Place of Payment**

The City shall make payment to Midland Pacific Building Corporation at:

Midland Pacific Building Corporation  
7305 Morro Road, Suite 200  
Atascadero, CA 93422

The above addresses may be changed at any time by Midland Pacific Building Corporation by delivery of written notice to the City.

10. **Successors and Assigns**

This Agreement shall be binding on and shall inure to the benefit of the successors and assigns of the parties hereto, but nothing in this Section shall be construed as consent by the City to any assignment of this Agreement or any interest herein by Midland Pacific Building Corporation.

11. **Severability**

If any provision of this Agreement is held by a court of competent jurisdiction to be either invalid, void, or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect unimpaired by the court ruling.
12. **Sole Agreement**

This Agreement constitutes the sole and only agreement among the City, Midland Pacific Building Corporation respecting reimbursement for the Sewer Facilities and correctly sets forth the obligations of City and Midland Pacific Building Corporation to each other as if its date. Any agreements or representations respecting said reimbursement or any other matters discussed in this agreement not expressly set forth in this Agreement are null and void.

13. **Governing Law**

The laws of the State of California shall govern this Agreement, and all matters relating to the Agreement, at the time any need for interpretation of this Agreement or any decision or holding concerning this Agreement arises.

14. **Captions**

The captions of the Sections of the Agreement are for convenience and reference only. They shall not be construed to define or limit the provisions to which they relate.

15. **Indemnity**

Midland Pacific Building Corporation agree to save, indemnify and hold harmless, the City, its officers, employees and agents, from all liabilities, judgments, costs and expenses, due to any and all activities related to the implementation of the rights and privileges granted in this Agreement, except for liabilities, judgments, costs and expenses due to the City’s negligence or willful misconduct or breach of this Agreement.

16. **Time**

Time is expressly declared to be the essence of this Agreement.

17. **Authorization to Execute**

The parties hereby represent that the parties executing this Agreement are expressly authorized to do so for and on behalf of the parties.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day approved by the City Council of the City of Atascadero.

Approved by the Council of the City of Atascadero on this _______ day of _________, 2007.

CITY OF ATASCADERO                                Midland Pacific Building

By: __________________________
    Dr. George Luna, Mayor

By: __________________________
    __________________________

ATTEST:

By: __________________________
    Marcia M. Torgerson, City Clerk

APPROVED AS TO FORM:

By: __________________________
    __________________________
## EXHIBIT C

**REIMBURSEMENT FEE TABLE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Facilities Costs</td>
<td>$633,611.20</td>
</tr>
<tr>
<td>Flow Capacity</td>
<td>43,200 gallons per day</td>
</tr>
<tr>
<td>Total project costs by flow rate</td>
<td>$14.67 per gallon, per day</td>
</tr>
<tr>
<td>Estimated effluent from Apple Valley</td>
<td>16,800 gallons per day</td>
</tr>
<tr>
<td>Apple Valley Share (70 units X 240 gpd)</td>
<td>$246,404.20</td>
</tr>
<tr>
<td>Reimbursement Remaining to Midland Pacific</td>
<td>$387,339.80</td>
</tr>
</tbody>
</table>