MEMORANDUM OF UNDERSTANDING REGARDING
INTENT TO ENTER INTO PURCHASE AGREEMENT

City of Encinitas (“Buyer”) and the Encinitas Union School District (“Seller”) desire to enter into this Memorandum of Understanding Regarding their Intent to enter into a Purchase Agreement (“MOU”) for the purchase of the former Pacific View School Site. The purpose of this MOU is to set forth the current intent of the parties with respect to the general terms and conditions to be included in the final Purchase and Sale Agreement to be entered into between Buyer and Seller (“Purchase Agreement”).

RECITALS

WHEREAS, the Buyer and Seller have entered into negotiations regarding the Buyer’s proposed purchase of the former Pacific View School Site, consisting of approximately 2.8 acres located at 608 Third Street, Encinitas, California APN 258-115-122 (“Property”) from the Seller; and

WHEREAS, the Buyer and Seller desire to enter into this MOU in order to memorialize the current status of such negotiations as well as the good faith deposit and other actions to be taken in advance of the parties development and execution of a final Purchase Agreement;

TERMS

1. Terms

The parties have mutually agreed upon the following terms and conditions relative to their negotiations and the basic terms to be included in the final Purchase Agreement for the Property:

a. The purchase price for the Property, in its as-is condition, shall be Ten Million Dollars ($10,000,000) due at the close of escrow.

b. The Buyer will agree not to sell the Property for ten (10) years from the date of the close of escrow, except as set forth herein. If the Buyer decides to sell the property before this ten (10) year period elapses, Buyer must first offer the Property back to the Seller for re-purchase for the original $10 Million purchase price (plus the reasonable value of any improvements made to the Property by Buyer). After this ten (10) year period, the Buyer may dispose of the Property in any manner it chooses.

c. The Old Schoolhouse will remain on the Property.

d. Upon approval and execution of this MOU, and in advance of the finalization of Purchase Agreement, Buyer will immediately make a non-refundable deposit (credited to the purchase price) payment to the Seller in the amount of Fifty thousand dollars ($50,000). This deposit shall not be refundable except as described below in paragraphs (e) and (f).

e. Upon approval and execution of this MOU, and in advance of the finalization of the Purchase Agreement, Seller will provide Buyer and its consultants access to the Property for the purpose of inspecting the Property and conducting environmental testing of the soils underlying the Property. In the event such testing reveals contaminants in the soil, then Seller shall either remedy such contamination or else refund the Buyer’s deposit described above. At the same time, Buyer shall also review the preliminary title report and ensure that the Property is unencumbered by any title exceptions affecting the Seller’s ability to transfer unencumbered fee title to the Buyer. In the event any such title
exceptions are identified, then Seller shall either remove such exception or else refund the Buyer’s deposit described above.

f. The parties shall use reasonable efforts to enter into the Purchase Agreement on or before May 31, 2014. Seller shall not enter into or conduct any discussions with any other person or entity with respect to the sale or disposition of the Property prior to such date. During this time period, the Buyer shall use all reasonable efforts to obtain the municipal bond financing necessary to secure the funds for the purchase price prior to the Close of Escrow. If Buyer cannot secure such financing, then Buyer and Seller shall mutually agree to an alternative financing plan for the purchase price, or else Seller shall refund Buyer’s deposit described above.

g. It is expressly understood that the terms of this MOU do not constitute a binding obligation on the parties to enter into a Purchase Agreement for the Property. Neither party shall be finally bound to buy or sell the Property unless and until the Purchase Agreement is executed by the parties and delivered to each other. It is contemplated that the Agreement shall contain such other terms, covenants, conditions, warranties and representations as are customary or appropriate in transactions of this nature.

2. **Laws:** This MOU shall be governed by the laws of the State of California.

3. **Interpretation:** In interpreting this MOU, it shall be deemed that it was prepared jointly by the Parties with full access to legal counsel of their own. No ambiguity shall be resolved against any party on the premise that it or its attorneys were solely responsible for drafting this MOU or any provision thereof.

4. **Severability:** The unenforceability, invalidity or illegality of any provision(s) of this MOU shall not render the other provisions unenforceable, invalid, or illegal.

5. **Integration:** This MOU represents the entire understanding of the Parties as to those matters contained herein, and supersedes and cancels any prior oral or written understanding, promises or representations with respect to those matters covered hereunder. This MOU may not be modified or altered except in writing signed by both parties hereto. This is an integrated document.

6. **Counterparts:** This MOU may be executed in counterparts, each of which shall constitute an original and all of which shall constitute one agreement.

IN WITNESS THEREOF, the parties hereto have executed this Memorandum of Understanding on the date written above:

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<thead>
<tr>
<th>SELLER</th>
<th>BUYER</th>
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<tr>
<td>ENCINITAS UNION SCHOOL DISTRICT</td>
<td>CITY OF ENCINITAS</td>
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<td>By: ________________________</td>
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