LOAN AGREEMENT BETWEEN THE CITY OF SAN LEANDRO AND THE SAN LEANDRO UNIFIED SCHOOL DISTRICT

THIS LOAN AGREEMENT (this "**Agreement**") is entered into effective as of _____, 2013 (**"Effective Date")** by and between the City of San Leandro, a municipal corporation (the "**City**") and the San Leandro Unified School District, a political subdivision of the State of California (the "**District**").

RECITALS

A. The District is in the process of negotiating the purchase of a property in the City that is owned by Girls, Inc., a non-profit corporation, that will be used by the District to directly support the educational and administrative functions of the District (the **"Property")**; and

B. The City, pursuant to and in accordance with its Charter and State law, may loan monies from its various funds for any public purpose; and

C. The City Council found by Resolution No. _____ dated February 4, 2013 that it is a public purpose and within the City's power and interest to loan the District monies from its General Fund reserves to support the educational objectives of the District related to its purchase of the Property.

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the City and the District agree as follows:

1. Loan. The City agrees to loan to the District, and the District agrees to borrow from and repay to City the sum of One million, two hundred fifty thousand dollars ($1,250,000.00) (the **"Loan"**) upon the terms and conditions and for the purposes set forth in this Agreement. The Loan shall be evidenced by a promissory note (the "**Note**"**)** which shall be dated as of the Effective Date and executed by the District in the form attached hereto as Exhibit A. The Term of this Agreement shall be 15 years from the Effective Date until the principal, and all interest, if any, shall have been paid in full, and all other obligations satisfied.

2. Interest Rate; Maturity Date; Prepayment. Interest shall accrue on the outstanding principal balance of the Note commencing upon the date of disbursement of the Loan proceeds and continuing as follows for the 15 years of the term until the Note is paid in full:

Years 1 – 3: 1.5% simple interest per annum

Years 4 – 10: 3% simple interest per annum

Years 11 -15: 5% simple interest per annum

The entire outstanding principal balance of the Loan together with interest accrued thereon and all other sums due under the Note shall be payable in accordance with the amortization schedule attached hereto as Exhibit B. The District may prepay the Loan in whole or in part at any time without penalty or premium. Partial prepayments shall be applied first to accrued interest and then to principal. District may transfer real property to City, the value of which, as determined by the City, may be applied as a prepayment of loan principal. If such a transfer of real property occurs, the amortization schedule in Exhibit B shall be re-adjusted by City to reflect the application of the value of the real property received to the Loan principal.

3. Subordination. Notwithstanding any contrary provision hereof, the Parties agree that the District's obligation to repay the Loan shall not be subordinate to any other instrument or indebtedness of the District, whether or not such instrument or indebtedness is related to the District's purchase of the Property.

4. Use of Loan Proceeds. The Loan proceeds shall be used solely for the purchase of the Property. The Parties agree that the Property shall be used for the District's educational and administrative purposes during the Term of this Agreement. In the event the Property ceases to be used by the District for educational purposes, or is sold, transferred, or otherwise disposed of by the District, all Loan principal and interest shall immediately come due and payable. The Parties understand and agree that City shall bear no duty or have any responsibility for the maintenance, upkeep, insurance or repair of the Property.

5. Parties Not Co-Venturers. Nothing in this Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another.

6. Amendments. No amendment to or modification of this Agreement shall be effective unless and until such amendment or modification is in writing, properly approved in accordance with applicable law and procedures, and executed by the Parties.

7. Non-Liability of Officials, Employees and Agents. No member, official, employee or agent of the District shall be personally liable to City in the event of any default or breach by the District, or for any amount of money which may become due to City or its successor, or for any obligation of District under this Agreement.

8. No Third Party Beneficiaries. There shall be no third party beneficiaries to this Agreement.

9. Captions. The headings of the sections and paragraphs of this Agreement have been inserted for convenience only and shall not be used to construe this Agreement.

10. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to principles of conflicts of law.

11. Severability. If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties are materially altered or abridged by such invalidation, voiding or unenforceability.

12. Entire Agreement. This Agreement, together with the Note contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all prior oral or written agreements between the Parties with respect thereto.

13. Notices. Notices delivered pursuant to this Agreement shall be delivered personally or by first class mail to the Parties at the addresses set forth below or such other address as a Party may designate in writing by notice delivered to the other Party.

District: San Leandro Unified School District
14735 Juniper Street
San Leandro, CA 94579
Attention: Superintendent of Schools

City: City of San Leandro
City Hall
835 E. 14th Street
San Leandro, CA 94577
Attention: City Manager

14. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

Signatures on following page.

IN WITNESS WHEREOF, the Parties have executed this Loan Agreement as of the date first written above.

City of San Leandro

By: _____
City Manager

Attest:_____
City Clerk

Approved as to form:

_____
City Attorney

San Leandro Unified School District

By: _____
Superintendent of Schools

Approved as to form:

_____
District Counsel

Exhibit A

PROMISSORY NOTE

(Attach form of Promissory Note.)

PROMISSORY NOTE

$1,250,000.00 San Leandro, California

FOR VALUE RECEIVED, the San Leandro Unified School District, a political subdivision of the State of California (the "**District**") promises to pay to the City of San Leandro, a municipal corporation (the "**City**") in lawful money of the United States of America, the principal sum of one million, two hundred fifty thousand dollars ($1,250,000.00) or so much thereof as may be advanced by City from time to time pursuant to the Loan Agreement referred to herein, in the manner provided below, together with interest on the outstanding principal balance in accordance with the terms and conditions described herein. Interest shall accrue on the outstanding principal balance commencing upon the date of disbursement thereof for fifteen years for the term of the Loan until the Loan is paid in full, as follows:

Years 1 – 3: 1.5% simple interest per annum

Years 4 – 10: 3% simple interest per annum

Years 11 -15: 5% simple interest per annum

Interest shall be calculated on the basis of a year of 365 days and charged for the actual number of days elapsed.

This Promissory Note (this "**Note**") has been executed and delivered pursuant to and in accordance with that certain Loan Agreement dated as of _____, 2013, by and between District and City (the "**Loan Agreement**"), and is subject to the terms and conditions of the Loan Agreement which is by this reference incorporated herein and made a part hereof. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Loan Agreement.

1. PAYMENTS

1.1 MATURITY DATE. The entire principal balance outstanding under this Note, together with interest accrued thereon and any other sums accrued hereunder, shall be due and payable in accordance with the amortization Schedule provided in Exhibit B, which is incorporated herein and made a part hereof.

1.2 PREPAYMENT. District may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this Note provided that each such prepayment is accompanied by accrued interest on the amount of principal prepaid calculated to the date of such prepayment. Prepayments shall be applied first to accrued but unpaid interest, and then to principal.

1.3 MANNER OF PAYMENT. All payments of principal and interest on this Note shall be made payable to "City of San Leandro" in lawful money of the United States at 835 East 14th Street, San Leandro, California 94577 or such other place as City shall designate to District in writing, or by wire transfer of immediately available funds to an account designated by City in writing.

1.4 SUBORDINATION. Notwithstanding any contrary provision hereof, District's obligation to repay the Loan shall not be subordinate to any encumbrance, instrument or other indebtedness incurred by the District, whether or not such encumbrance, instrument or other indebtedness is related to this Note.

1.5 The Parties acknowledge that they are both public entities and, as such, are precluded by the California State Constitution and other laws from entering into obligations which financially bind future governing bodies without a vote of the electorate, and that, therefore, except to the extent permitted by law, nothing in this Loan Agreement shall constitute an obligation of future legislative bodies of the City and District to appropriate funds for the purposes of this Note. The Parties covenant that each will take all diligent steps necessary to seek appropriations each year. If the District ceases appropriating funds for the purposes of this Note, the District shall be required to issue a payment of one hundred thousand dollars ($100,000) to the City.

2. DEFAULTS AND REMEDIES.

2.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an event of default hereunder ("**Event of Default**"):

(a) District fails to pay upon demand any payment due of principal and interest payable hereunder and such failure continues for ten (10) days after City notifies District thereof in writing.

(b) District breaches any other provision of this Note or the Loan Agreement and does not cure such breach within thirty (30) days following written notice from City.

2.2 The District's failure to appropriate sufficient funds to pay when due any payment of principal and interest payable hereunder shall not constitute an event of default pursuant to this Section.

2.3 REMEDIES. The rights and remedies of City under this Note shall be cumulative and not alternative. Upon the occurrence of an Event of Default hereunder, City may, at its option: (i) by written notice to District declare the entire unpaid principal balance of this Note, together with all accrued interest thereon and all sums due hereunder, immediately due and payable regardless of any prior forbearance, (ii) exercise any and all rights and remedies available to it under law or equity, and (iii) exercise any and all rights and remedies available to City pursuant to the Loan Agreement. To the extent City must exercise its rights under this Agreement at law or equity, District shall pay City's attorneys' fees and costs.

3. MISCELLANEOUS

3.1 WAIVER; AMENDMENT. No waiver by City of any right or remedy under this Note shall be effective unless in a writing signed by City. Neither the failure nor any delay in exercising any right, power or privilege under this Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege by City will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. There shall be no amendment to or modification of this Note except by written instrument executed by City and District.

3.2 NOTICES. Any notice required or permitted to be given hereunder shall be given in accordance with Section 13 of the Loan Agreement.

3.3 SEVERABILITY. If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

3.4 GOVERNING LAW; VENUE. This Note shall be construed and enforced in accordance with the laws of the State of California without regard to principles of conflicts of law. Any legal action filed in connection with this Note shall be filed in the Superior Court of Alameda County, California.

3.5 SECTION HEADINGS, CONSTRUCTION. The headings of Sections in this Note are provided for convenience only and will not affect its construction or interpretation.

3.6 RELATIONSHIP OF THE PARTIES. The relationship of District and City under this Note is solely that of borrower and lender, and the loan evidenced by this Note will in no manner make District the partner or joint venturer of City.

IN WITNESS WHEREOF, District has executed and delivered this Note as of the date first written above.

San Leandro Unified School District:

By: _____
Superintendent of Schools

EXHIBIT B

AMORTIZATION OF PAYMENTS SCHEDULE

Pmt. No.	Payment Date	Beginning Balance	Rate	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	8/1/2013	1,250,000.00		100,000.00	100,000.00	-	1,150,000.00	(**prepayment**)
2	8/1/2014	1,150,000.00	1.50%	86,186.01	68,936.01	17,250.00	1,081,063.99	17,250.00
3	8/1/2015	1,081,063.99	1.50%	86,186.01	69,970.05	16,215.96	1,011,093.94	33,465.96
4	8/1/2016	1,011,093.94	1.50%	86,186.01	71,019.60	15,166.41	940,074.34	48,632.37
5	8/1/2017	940,074.34	3.00%	110,205.39	82,003.16	28,202.23	858,071.18	76,834.60
6	8/1/2018	858,071.18	3.00%	110,205.39	84,463.26	25,742.14	773,607.92	102,576.73
7	8/1/2019	773,607.92	3.00%	110,205.39	86,997.15	23,208.24	686,610.77	125,784.97
8	8/1/2020	686,610.77	3.00%	110,205.39	89,607.07	20,598.32	597,003.70	146,383.30
9	8/1/2021	597,003.70	3.00%	110,205.39	92,295.28	17,910.11	504,708.42	164,293.41
10	8/1/2022	504,708.42	3.00%	110,205.39	95,064.14	15,141.25	409,644.28	179,434.66
11	8/1/2023	409,644.28	3.00%	110,205.39	97,916.06	12,289.33	311,728.22	191,723.99
12	8/1/2024	311,728.22	5.00%	72,001.36	56,414.95	15,586.41	255,313.27	207,310.40
13	8/1/2025	255,313.27	5.00%	72,001.36	59,235.70	12,765.66	196,077.57	220,076.06
14	8/1/2026	196,077.57	5.00%	72,001.36	62,197.48	9,803.88	133,880.09	229,879.94
15	8/1/2027	133,880.09	5.00%	72,001.36	65,307.36	6,694.00	68,572.73	236,573.95
16	8/1/2028	68,572.73	5.00%	72,001.36	68,572.73	3,428.64	-	240,002.58
		-		**1,490,002.58**	**1,250,000.00**	**240,002.58**	**-**	