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April 21, 2009

MEMORANDUM

TO: Manuel Lara representing the Sully-Miller Arena Ownership

FROM: Lon T. Stephen, Esq.

RE: Legal Review of License Agreement for Sully-miller Arena

In response to recent actions, I believe that it is now prudent for JMI Real Estate ("Ownership") to conduct a full legal review of the License Agreement for the Sully-Miller Arena property. Since purchasing the Sully Miller Arena in 2007, Ownership has consistently stated its intent to maintain public access to the facility. Ownership understands that the Arena has become an important amenity for those in the Orange Park Acres community. In fact, much of the maintenance of the Arena is conducted through the efforts of local volunteers. Therefore, and in an effort to ensure public access to the facility, a full legal review is now requested.

BACKGROUND

The original 1992 License Agreement between Sully-Miller Orange Venture and the Orange Park Association granted the Association a NONEXCLUSIVE and REVOCABLE right and license for access and use of the Sully-Miller Arena property. Use of the Arena property for equestrian activities was conducted at the Association's sole risk, cost and expense. Insurance coverage (with detailed insurance coverage values noted) was clearly identified as being the responsibility of the Association. Specifically, property damages, worker's compensation, occupational disease coverage, employer's liability insurance coverage, comprehensive general and automobile liability coverage, as well as special coverage related to equestrian activities were among the insurance requirements in the agreement. The Agreement also specified that the Association would coordinate its activities with the General Manager of Orange Venture. In addition, it was noted that the intent and agreement of both parties was that Orange Venture would not suffer nor incur any loss, costs, damage or expense by virtue of the Association's activities on the property.

In 2007, when Ownership of the Sully-Miller Arena changed hands to JMI Real Estate, the terms, covenants and conditions of the previous Agreement remained intact. However, over the last few years, there appears to have been a lack in adherence to the terms of the original Agreement including the following:

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- Regular and recent unauthorized use of the facility.
- A lack of coordination of Arena activities between the new Ownership and the Association.
- Confusion over providing evidence of insurance coverage by equestrian groups seeking to use the Arena (which result in cost and increased risk to Ownership).
- Several additional situations, which combined with the above stated, have begun to erode the integrity of the existing License Agreement.

As a result, there is now a need for Ownership to conduct a thorough legal review of existing Arena operational and management procedures as specified in the License Agreement with the Association.

Unfortunately, given the hostile relationship that exists between some members of the Association and Ownership, any action to review the management of the Arena could be perceived as a negative effort by Ownership. Nevertheless, several events make now the time to enter into the review of the existing License Agreement, determine an interim management structure, provide clear management and operation procedures, and ultimately, determine a permanent management structure which allows the Arena to remain open to the public while under license or other agreements that are respected and followed by all parties while providing Ownership with the appropriate liability protection.

WHY NOW?

On April 8, 2009, a Memorandum Of Understanding ("MOU") was signed by The Coalition Group (Orange Citizens for Parks and Schools, Santiago Greenway Alliance, and Mabury Ranch HOA) and JMI Real Estate noting that the Sully-Miller Arena would be offered for donation to a 501(c)(3) non-profit corporation upon Orange City Council approval of both the Ridgeline Equestrian Estates and Rio Santiago residential/ recreational development projects. The MOU specifically stated that the Arena would be used for the sole and limited purpose of equestrian activities for the Orange Park Acres community. Given this, now is the time to conduct the License Agreement review and ensure the realization of Ownership's intent to secure the Arena for the community.

INTERIM ACTIONS

The legal review of the Arena License Agreement and therefore the review of its operation and management should not interfere with the regular, authorized use of the Arena by Orange Park Acres equestrians (individuals and organized groups) as well as other equestrian groups (providing that the Association is in compliance with the License Agreement). In fact, during the

review period, the operations and management of the Arena will remain with the Association yet under the following parameters:

- All requests for use of the Arena will be forwarded to the General Manager of the Arena (Manuel Lara representing Ownership). Requests can be provided via email or metered mail.
- Requests must be received by the Arena General Manager from the Association at least 30 days prior to the requested use of the Arena. Requests received less than 30 days prior to the requested use of the Arena will be subject to denial.
- Requests will be considered on a first-come, first-serve basis, excluding key and traditional Orange Park Acres community equestrian events, which will be calendared in advance.
- All requests must be accompanied by proof of insurance, liens and indemnity waivers holding Ownership harmless of losses or damages, as specified in Section 7 of the existing Sully-Miller Orange Properties License Agreement. (It should be noted that insurance protection not currently provided by the Association, and in conflict with the existing License Agreement, include property damage limits of no less than \$1,000,000 as well as worker's compensation insurance coverage in an amount of at least \$500,000.)
- All on-site signage will be changed to reflect this new interim policy. Posted contacts will include both the Association and the Arena General Manager.
- The Association will continue to maintain the Arena area including (but not limited to) regular weed abatement and maintenance of the fuel modification zones.

The period during which the operations and management of the Arena will be reviewed by Ownership's legal counsel should commence immediately and last no longer than 12 months.

REVIEW CRITERIA

In order to help provide expert and thorough review, the criteria used to review the current operations of the Arena will be the terms, covenants and conditions of the existing Sully-Miller Orange Properties License Agreement among other considerations. More specifically, the Association will be asked to demonstrate its compliance with these terms, covenants and conditions over the past three years to ensure a strong record of compliance.

LONG-TERM ACTIONS

If the legal review results in a determination that the operations and management of the Arena remain with the Association, then a meeting will be conducted with the Association Board of Directors to carefully review the License Agreement as well as the approved policies for obtaining Arena use and rights by equestrian groups and individuals. In this situation, the interim signage will remain intact or be modified to reflect final agreements, policies and procedures.

If the review results in a determination that the operations and management of the Arena should not remain with the Association, then Ownership will provide a 30-day notice of termination of the License Agreement to the Association and immediately identify another 501(c)(3) non-profit group who will enter into an Arena agreement. This group could either be a private management firm or an existing or new non-profit organization.

Again, it should be restated that the intent of the Ownership is to provide the OPA community with access to the Arena for its regular events and activities pursuant to the newly posted policies for obtaining use of the Arena.

In addition, during the review period, there will be a formal Request for Proposal ("RFP") issued to Orange County-based property management firms and 501(c)(3) non-profit groups to provide management and operation services for the Arena. These proposals will only be considered by Ownership should the Association lose its License Agreement.