

ATTACHMENT C

Amendment No. 1
to
Professional Services Agreement
with
Keyser Marston Associates, Inc.

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**AMENDMENT NO. 1
TO PROFESSIONAL SERVICES AGREEMENT
BETWEEN SUCCESSOR AGENCY OF THE COUNTY OF MONTEREY AND
KEYSER MARSTON ASSOCIATES, INC.**

THIS AMENDMENT NO. 1 to the Professional Services Agreement between the Successor Agency to the Redevelopment Agency of the County of Monterey, a public body, corporate and politic (hereinafter, "Agency") and Keyser Marston Associates, Inc. (hereinafter, "CONTRACTOR") is hereby entered into between the Agency and the CONTRACTOR (collectively, the "Parties") and effective as of the last date opposite the respective signatures below.

WHEREAS, CONTRACTOR entered into a Professional Services Agreement with Agency on March 16, 2018 (hereinafter, "Agreement") to provide financial consulting services (hereinafter, "services") related to the Participation Payment Provision of the East Garrison Disposition and Development Agreement (hereinafter, "Project") through December 31, 2018 for an amount not to exceed \$9,500; and

WHEREAS, Task 1, Refinements to Participation Manual, and Task 2, Review of First Progress Report, of the Agreement have been completed; and

WHEREAS, the Parties have identified the need for additional reporting for completion of the Project, as further set out in Exhibit A-1, attached hereto and incorporated herein by reference; and

WHEREAS, additional time and funding are necessary to allow CONTRACTOR to continue to provide the services required by the Agency for completion of the Project; and

WHEREAS, the Parties wish to further amend the Agreement to extend the term for three (3) additional years to December 31, 2021 and to increase the amount by \$20,000 for a total amount not to exceed \$29,500 to allow CONTRACTOR to continue to provide services identified in the Agreement and as amended by this Amendment No. 1.

NOW, THEREFORE, the Parties agree to amend the Agreement as follows:

1. Amend the first sentence of Paragraph 1, "Services to be Provided", to read as follows:

The Agency hereby engages CONTRACTOR to perform, and CONTRACTOR hereby agrees to perform, the services described in Exhibits A and A-1 in conformity with the terms of this Agreement.

2. Amend Paragraph 2, "Payments by Agency", to read as follows:

Agency shall pay the CONTRACTOR in accordance with the payment provisions set forth in Exhibits A and A-1, subject to the limitations set forth in this Agreement. The total amount

payable by Agency to CONTRACTOR under this Agreement shall not exceed the sum of \$29,500.

3. Amend the first sentence of Paragraph 3, "Term of Agreement", to read as follows:

The term of this Agreement is from March 1, 2018 to December 31, 2021, unless sooner terminated pursuant to the terms of this Agreement.

4. Amend Paragraph 4, "Additional Provisions/Exhibits", to add "Exhibit A-1, Scope of Services/Payment Provisions", "Exhibit C, Attachment 4, Financial Terms, to the Disposition and Development Agreement for the East Garrison Project" and "Exhibit D, East Garrison Profit Participation Manual, Dated December 19, 2006".
5. Delete the "Professional Liability Insurance" section of Paragraph 9.03, "Insurance Coverage Requirements" under Section 9, "Insurance".
6. All other terms and conditions of the Agreement, including all Exhibits thereto, remain unchanged and in full force.
7. This Amendment No. 1 shall be attached to the Agreement and incorporated therein as if fully set forth in the Agreement.
8. The recitals to this Amendment No. 1 are incorporated into the Agreement and this Amendment No. 1.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 to the Agreement which shall be effective as of the last date opposite the respective signatures below.

**SUCCESSOR AGENCY OF THE
COUNTY OF MONTEREY**

CONTRACTOR*

By: _____

Contracts/Purchasing Officer

Keyser Marston Associates, Inc.

Contractor's Business Name

Date: _____

By: _____

(Signature of Chair, President or Vice President)

Debbie M Kern

Its: _____

Vice President

(Print Name and Title)

Approved as to Form and Legality

Date: _____

Dec. 13, 2018

By: _____

Brian P. Briggs

Agency Counsel

By: _____

(Signature of Secretary, Asst. Secretary, CFO,
Treasurer or Asst. Treasurer)

David Poczema

Its: _____

Asst. Secretary

(Print Name and Title)

Approved as to Fiscal Provisions

Date: _____

Dec. 13, 2018

By: _____

Auditor/Controller

Date: _____

Approved as to Indemnity and Insurance Provisions

By: _____

Name: _____

Title: _____

Date: _____

*INSTRUCTIONS: If CONTRACTOR is a corporation, including non-profit corporations, the full legal name of the corporation shall be set forth above together with the signatures of two (2) specified officers per California Corporations Code Section 313. If CONTRACTOR is a Limited Liability Corporation (LLC), the full legal name of the LLC shall be set forth above together with the signatures of two (2) managing members. If CONTRACTOR is a partnership, the full legal name of the partnership shall be set forth above together with the signature of a partner who has authority to execute this Agreement on behalf of the partnership. If CONTRACTOR is contracting in an individual capacity, the individual shall set forth the name of the business, if any, and shall personally sign the Agreement or Amendment to said Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 to the Agreement which shall be effective as of the last date opposite the respective signatures below.

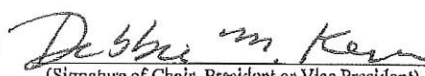
**SUCCESSOR AGENCY OF THE
COUNTY OF MONTEREY**

CONTRACTOR*

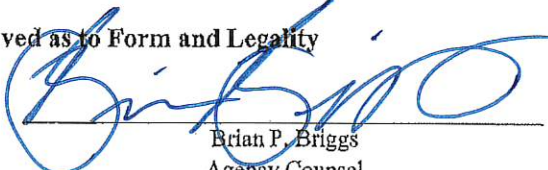
By: 
Contracts/Purchasing Officer

Keyser Marston Associates, Inc.
Contractor's Business Name

Date: 18 Dec 2018


By: 
(Signature of Chair, President or Vice President)

Its: Debbie M Kern
(Print Name and Title)

Approved as to Form and Legality
By: 
Brian P. Briggs
Agency Counsel

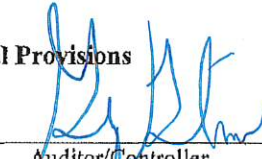
Date: Dec. 13 2018

Date: 12-17-18

By: 

(Signature of Secretary, Asst. Secretary, CFO,
Treasurer or Asst. Treasurer)

Its: David Decena
(Print Name and Title)

Approved as to Fiscal Provisions
By: 
Auditor/Controller

Date: Dec. 13, 2018

Date: 12/17/18

Approved as to Indemnity and Insurance Provisions

By: _____

Name: _____

Title: _____

Date: _____

*INSTRUCTIONS: If CONTRACTOR is a corporation, including non-profit corporations, the full legal name of the corporation shall be set forth above together with the signatures of two (2) specified officers per California Corporations Code Section 313. If CONTRACTOR is a Limited Liability Corporation (LLC), the full legal name of the LLC shall be set forth above together with the signatures of two (2) managing members. If CONTRACTOR is a partnership, the full legal name of the partnership shall be set forth above together with the signature of a partner who has authority to execute this Agreement on behalf of the partnership. If CONTRACTOR is contracting in an individual capacity, the individual shall set forth the name of the business, if any, and shall personally sign the Agreement or Amendment to said Agreement.

EXHIBIT A-1 – SCOPE OF SERVICES/PAYMENT PROVISIONS

To Agreement by and between
Successor Agency to the Redevelopment Agency of the County of Monterey,
hereinafter referred to as "AGENCY"
and
Keyser Marston Associates, Inc.,
hereinafter referred to as "CONTRACTOR"

A. SCOPE OF SERVICES

A.1 CONTRACTOR shall provide services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

Task 3. Review of Second Progress Report

When the Second Progress Report is submitted, CONTRACTOR will review the Progress Report, confirm that the necessary documentation has been provided and that the calculations have been made correctly, and report the results to the AGENCY.

Task 4. Final Report

When the Final Report is submitted, CONTRACTOR will review the Final Report, and report the final results to the AGENCY.

A.2 CONTRACTOR shall produce the following deliverables (written reports, installed products, etc.) as indicated below:

Task 3. Deliverable: Memorandum Summarizing Review of Second Progress Report. Complete by ~~September 26~~ December 31, 2019.

Task 4. Deliverable: Final Report. Completion dependent on timing of final report submittal pursuant to the DDA, and anticipated in 2021.

All written reports required under this Agreement must be delivered in hardcopy and electronic .PDF format, in accordance with the schedule above and to the following:

Melanie Beretti, Property Administration/Special Programs Manager
County of Monterey
Resource Management Agency (RMA)
1441 Schilling Place, South 2nd Floor
Salinas, California 93901-4527
Email: berettim@co.monterey.ca.us

EXHIBIT A-1 – SCOPE OF SERVICES/PAYMENT PROVISIONS

B. PAYMENT PROVISIONS

B.1 COMPENSATION/PAYMENT

AGENCY shall pay an increased amount not to exceed \$20,000, for a total Agreement amount not to exceed \$29,500, for the completion of tasks identified in this Exhibit A-1. The total not to exceed amount of this Agreement is \$29,500 for the performance of all things necessary for or incidental to the performance of work as set forth in Exhibits A and A-1 of this Agreement. CONTRACTOR'S compensation for services rendered shall be based on a time and materials basis according to the following rates or in accordance with the following terms:

<u>CONTRACTOR Staff</u>	<u>Hourly Rates</u>
A. JERRY KEYSER	\$280.00
MANAGING PRINCIPALS	\$280.00
SENIOR PRINCIPALS	\$270.00
PRINCIPALS	\$250.00
MANAGERS	\$225.00
SENIOR ASSOCIATES	\$187.50
ASSOCIATES	\$167.50
SENIOR ANALYSTS	\$150.00
ANALYSTS	\$130.00
TECHNICAL STAFF	\$95.00
ADMINISTRATIVE STAFF	\$80.00

Hourly rates effective January 1, 2019 and valid through December 31, 2021.

Directly related job expenses not included in the above rates are: auto mileage, parking, air fares, hotels and motels, meals, car rentals, taxis, telephone calls, delivery, electronic data processing, graphics and printing. Directly related job expenses will be billed at 110% of cost.

These rates do not include cost for time spent in court testimony and the parties may enter into a separate agreement in the event that such services are required.

AGENCY and CONTRACTOR agree that CONTRACTOR shall be reimbursed for travel expenses during this Agreement. CONTRACTOR shall receive compensation for travel expenses as per the "County Travel Policy". A copy of the policy is available online at www.co.monterey.ca.us/auditor/policies.htm. To receive reimbursement, CONTRACTOR must provide a detailed breakdown of authorized expenses, identifying what was expended and when.

EXHIBIT A-1 – SCOPE OF SERVICES/PAYMENT PROVISIONS

CONTRACTOR warrants that the cost charged for services under the terms of this Agreement are not in excess of those charged to any other client for the same services performed by the same individuals.

B.2 CONTRACTOR'S BILLING PROCEDURES

Invoices under this Agreement shall be submitted monthly and promptly, and in accordance with Paragraph 6, Payment Conditions, of the Agreement. All invoices shall reference the Multi-Year Agreement (MYA) number, Project name and associated Delivery Order number, and an original hardcopy shall be sent to the following address or via email to RMA-Finance-AP-GP@co.monterey.ca.us.

County of Monterey
RMA – Finance Division
1441 Schilling Place, South 2nd Floor
Salinas, California 93901-4527

Any questions pertaining to invoices under this Agreement shall be directed to the RMA – Finance Division at (831) 755-4800 or via email to RMA-Finance-AP-GP@co.monterey.ca.us.

AGENCY may, in its sole discretion, terminate the Agreement or withhold payments claimed by CONTRACTOR for services rendered if CONTRACTOR fails to satisfactorily comply with any term or condition of this Agreement.

No payments in advance or in anticipation of services or supplies to be provided under this Agreement shall be made by AGENCY.

AGENCY shall not pay any claims for payment for services submitted more than twelve (12) months after the calendar month in which the services were completed.

DISALLOWED COSTS: CONTRACTOR is responsible for any audit exceptions or disallowed costs incurred by its own organization or that of its subcontractors.

**EXHIBIT C - ATTACHMENT 4, FINANCIAL TERMS,
TO THE DISPOSITION AND DEVELOPMENT AGREEMENT
FOR THE EAST GARRISON PROJECT**

ATTACHMENT NO. 4

FINANCIAL TERMS

[First referenced, Section 201]

A. Land Payment/Agency Participation.

1. Deposit. Prior to or upon execution of this Agreement by the Agency and Developer, the Developer shall deliver a deposit of One Hundred Thousand Dollars (\$100,000), as provided in Section 201.a. of this Agreement.
2. Land Payment. Upon close of escrow, Developer shall pay to Agency One Million Five Hundred Thousand Dollars (\$1,500,000) (subject to adjustment under Section 202(3) of this Agreement, if any, not to exceed One Hundred Thousand Dollars (\$100,000)), as the initial land payment for conveyance of the Site to Developer (the "Initial Land Payment"). Developer shall make additional land payments to the Agency ("Additional Land Payments") calculated and payable at the time, and in the manner set forth in Section 3, below, of this Part A. (The Initial Land Payment and any Additional Land Payments may be referred to collectively as the "Land Payment.")

In addition, at closing the Developer shall pay to the County or Agency (as directed by the County), provided Developer is a Named Insured under the FORA PLL with its allocated policy limits, its pro rata percentage of the County's share of the premium payments then due by the County, to FORA for the FORA PLL described in Section 204 of this Agreement, to be calculated as equal to the percentage of the County policy limits under the FORA PLL allocated by the County to and accepted by the Developer. By way of example: the County has been allocated \$20,000,000 of the \$100,000,000 policy limits under the FORA PLL, and the Developer anticipates being allocated 50% of the County's limit, or \$10,000,000. FORA has financed the total premium payment for the FORA PLL and the County has agreed to pay FORA the County's share of the premium (including financing costs) in a series of installment payments over a period of years. Based on the assumptions that the Developer will be allocated 50% of the County's policy limits, and that upon taking title to the Site will become a Named Insured under the FORA PLL, the Developer shall be obligated to pay to the County 50% of the amount of each County installment payment to FORA not later than fifteen (15) days after receipt of written notice from the County of the amount of the installment payment then due. At the close of escrow, the Developer shall be obligated to pay to the County or the Agency (as directed by the County) 50% of the amount of any installment payments previously made or currently payable from the County to FORA (as disclosed by the County not less than fifteen (15) days prior to closing), and thereafter the Developer shall be obligated to pay to the County or the Agency (as directed by the County) 50% of the amount of each subsequent County installment payment not later than

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fifteen (15) days after receipt of written notice from the County of the amount of the installment payment then due.

3. Additional Land Payment.

- a. *Participation Payment.* In addition to the Initial Land Payment, the Developer shall make contingent Additional Land Payments to the Agency of a portion of any residual proceeds from the Developer's horizontal development and sale of buildable parcels of the Site ("Participation Payment"), calculated in accordance with the financial model set forth in Section 3.b., below, if available at the times described below (the "Agency Participation Model").
- b. *Agency Participation Model.* As used herein, "Completion of Development" shall mean the occurrence of all of the following: (i) the sale by the Developer of the last parcel or lot in the Site for vertical development (as evidenced by close of escrow); and (ii) the completion by the Developer of all horizontal improvements to the Site, including infrastructure and public improvements and facilities that the Developer is required to provide or pay for (as evidenced by one of more Certificates of Completion for such horizontal improvements issued by the Agency pursuant to Section 320 of this Agreement), and (iii) the incurrence by the Developer of all Project Costs (as defined in Section 3.d., below) such that no further investment by Developer is required for development of the Site under this Agreement and the Development Approvals, and (iv) the receipt by the Developer of all Project Revenues (as defined in Section 3.e., below). The Developer shall apply all Project Revenues (as defined in Section 3.e., below) as follows: (i) first, to first reimburse the Developer for all Project Costs; (ii) second, to pay the Developer an amount of Unleveraged Cash Flow (as defined below) received by the Developer up to but not to exceed the amount necessary for the Developer to achieve its Target IRR (as defined below); and (iii) thereafter, following Completion of Development, if any Unleveraged Cash Flow (as defined below) remains after the Developer has achieved its Target IRR, to make an Additional Land Payment ("Participation Payment") to the Agency in an amount equal to Fifty Percent (50%) of any such remaining Unleveraged Cash Flow. If required and in the manner set forth in subsection g., below, the Developer may be required to make the Participation Payment, if owed to the Agency, in one or more partial payments ("Partial Participation Payments") in addition to a final payment ("Final Participation Payment").

(i) "Unleveraged Cash Flow" means Project Revenues less Project Costs.

(ii) "IRR" means the internal rate of return and shall be calculated on a monthly basis using the Unleveraged Cash Flow as reflected in the template attached hereto as Table 2 to this Attachment No. 4; provided that the listing in Table 2 of categories of costs shall be deemed for convenience and shall not limit the inclusion of applicable Project Costs as defined in subsection d.

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below. The monthly IRR shall be used to calculate an annual IRR for the Project by the following method, wherein MIRR is equal to the monthly IRR (noncompounded) and AIRR is the annual IRR:

$$\text{AIRR} = \text{MIRR} (x) 12$$

(iii) "Target IRR" means the IRR of 22.5%."

Project Revenues received by the Developer and Project Costs paid by the Developer during any month shall be deemed to be received or paid on the last day of the month.

c. *Intentionally Omitted.*

d. *Project Costs.* "Project Costs" means all direct and indirect third party out-of-pocket predevelopment, planning, development, marketing and disposition costs and expenses paid by the Developer pursuant to the ENRA among the Developer and the Agency and the County, and/or in implementation of and pursuant to the Option Agreement, this Agreement and/or the Development Approvals to acquire, own, hold, develop or sell all or any part of the Project, which costs shall include, without limitation, all pre-development and pre-conveyance costs and post-conveyance costs for items included in the Developer's Project Pro Forma (as presented to the Agency), subject only to a combined limit on post-conveyance sale and marketing and general and administrative costs of three and one-half percent (3.5%) of Project Revenues (as defined in e. below), any reimbursement or indemnification costs or fees paid to FORA or the Agency, any CEQA mitigation costs, costs of investigation and remediation of Hazardous Substances or other environmental conditions on the Site, including insurance and indemnification in connection therewith, payments to the Agency or County for fiscal neutrality, all CSD and CFD costs (including formation and debt service) and other public financing costs, costs resulting from litigation or administrative challenges to the Project, all reasonable development fees, management fees (including costs of on-site employees which are not included in general and administrative costs) or other amounts paid by the Developer to Affiliates (as defined in Section 3.f.(i), below) of the Developer or any Member of Developer (a "Member") for services rendered in connection with the Development; provided, however, any amounts paid to Affiliates of Developer any Member of Developer shall exclude any amounts that exceed the costs that would have been incurred by the Developer had the Developer obtained the relevant services or goods from a third party on an arms' length basis. Without limiting the foregoing, Project Costs shall include the Initial Land Payment (as defined in Section 2 of Part A of this Attachment No. 4), but shall exclude any Participation Payment to be paid to the Agency, including any Partial Participation Payments and any Final Participation Payment (each as defined in Section 3.b.of Part A of this Attachment No. 4). Project Costs shall also exclude (a) the repayment of the principal and interest

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of any private loan obtained by the Developer; and (b) any distributions, preferred return or other capital return to the members of the Developer.

- e. *Project Revenues.* "Project Revenues" means all cash revenues actually received by Developer or fixed amounts to be received by Developer from an Affiliated Homebuilder under an installment sale or other delayed or deferred payment of any type or nature from (a) a sale, lease or other disposition (other than any disposition by foreclosure or transfer in lieu of foreclosure) of the Site or any portion thereof to a third party, or (b) any other event, contract, service or other transaction of any type or nature generating revenues actually received by Developer from any portion or all of the Site, excluding management fees for construction of public facilities. By way of example and not limitation, Project Revenues include rents, forfeited earnest money, rebates, fees for the provision by Developer of utility and other services to the Project of any nature, reimbursements, damage awards (net of costs of recovery), insurance proceeds (net of costs of recovery), all proceeds received by the Developer from the sale of CFD bonds and tax allocation bonds (including proceeds to reimburse Developer for costs incurred), condemnation awards (net of costs of recovery), income from granting easements or other interests in or rights relating to the Site, and interest on Project Revenues to the extent invested in interest-bearing accounts. Notwithstanding the foregoing, Agency and Developer acknowledge (i) that Project Revenues shall include, but not be limited to, all cash revenues actually received or to be received by Developer, as provided above, from the sale of lots for homes ("Homesites") to merchant builders, including, but not limited to, any participation payments paid to Developer from merchant builders, if any, along with revenues derived from the sale by Developer of other parcels for vertical development ("Development Parcels"), and (ii) that Project Revenues shall not include any revenues or profits from the construction and sale of homes on any of the Homesites by any Member of Developer or any Affiliate (as defined in Section 3.f.(i), below) thereof, other than revenues or profits, if any, paid as participation payments to the Developer.

- f. *Homesite and Development Parcel Sales Prices.* The consideration for all Homesites and Development Parcels sold by Developer shall be calculated as set forth in this Section 3.f.

(i) *Sales to Non-Affiliated Third Parties.* Any and all Homesites and Development Parcels sold by Developer to a person or entity that is not a Member or an Affiliate of a Member (a "Non-Affiliated Third Party") shall be sold at a market rate ("fair market value") to be determined by mutual agreement between Developer and such Non-Affiliated Third Party taking into consideration comparable sales, if any, which have requirements to commence and complete construction, restrictions on use and transfers, including notification and insurance requirements and other conditions imposed on buyers similar to those that are imposed on Non-Affiliated Third Parties under this Agreement; provided, however, that Developer shall market

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available Homesites and Development Parcels to potential third-party buyers using those methods and practices customarily used by persons marketing similar property under similar conditions in the same or similar locality. As used in this Agreement, an "Affiliate" means any entity in which a Member, either directly or indirectly, has any interest whatsoever.

(ii) Sales to Affiliated Homebuilders.

- (1) Homesites. Any and all Homesites sold by Developer to an Affiliated Homebuilder shall be sold at a price that is no less than the fair market value, calculated using the methodology for determining Residual Lot Value set forth in Table 1 to this Attachment No. 4, in accordance with the following:

A. *Base Home Price*. Not later than 180 days prior to the first anticipated sale by the Developer to an Affiliated Homebuilder of a group of lots for a specific product category of market rate homes, as provided in Section C. of Attachment No. 3, (herein, for each group of all lots sold to an Affiliated Homebuilder for a specific product category of market rate homes in a Phase of the Project, a "Community", or if there is a partial sale of lots in a specific product category, a "Subcommunity"), the Developer and the Agency shall mutually agree upon a qualified marketing consultant with at least ten (10) years experience in evaluating new residential community values in the San Francisco Bay Area and in Monterey County, California (the "Residential Marketing Consultant"). The Residential Marketing Consultant may be changed from time to time by mutual agreement of the Developer and the Agency. The Residential Marketing Consultant shall be responsible for preparing a report determining the Base Home Price to be used in completing the methodology used in Table 1 to this Attachment No. 4 to determine Residual Lot Value for each Community or Subcommunity, to be presented as a final report to the Developer and Agency not later than thirty (30) days prior to the sale of the lots in the Community or Subcommunity to an Affiliated Homebuilder and establishing such Base Home Price as of the date of the final report. By not later than ninety (90) days prior to the sale by the Developer to an Affiliated Homebuilder of the lots in a Community or Subcommunity, the Residential Marketing Consultant shall present a draft report and conclusions to the Developer and Agency, who each shall have ten (10) business days following receipt of such draft report to submit to each other their comments or objections to the draft report, and, if there are comments and objections, to meet and confer in good faith with each other and the Residential Marketing Consultant for a period of not more than

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fifteen (15) additional business days to mutually resolve such comments or objections. Following the expiration of the meet and confer period, the Residential Marketing Consultant, after considering all such comments and objections, shall issue its final report, not later than the time set forth above, determining the Base Home Price for the Community or Subcommunity, which both the Developer and the Agency shall be bound to accept for purposes of completing Table 1 of this Attachment No. 4 to establish the Residual Lot Value for the Community or Subcommunity.

Option Revenues shall be determined in accordance with Table 1, annexed to this Attachment No. 4, with the exception of moderate-income Inclusionary Housing and Workforce II Housing where Option Revenues shall not be included.

B. *Cost Deductions.* From the Base Home Price for each of the finished homes, the following costs (collectively, the "Estimated Costs") shall be deducted:

- (i) *Direct Building Costs.* For Phase 1, average direct building costs ("Direct Building Costs") will be projected based upon actual direct building costs incurred by William Lyon Homes (or an Affiliate thereof) for Product Types of similar size and specifications, in the San Francisco Bay Area, adjusted for cost differentials attributable to prevailing wage requirements unless a particular project is not subject to prevailing wages as determined by the FORA and Department of Industrial Relations, and adjusted for inflation based upon increases in the RS Means Construction Price Index. Alternatively, if such comparable detailed actual direct building cost figures are not available, then Direct Building Costs for Phase 1 shall be based upon actual direct building costs for comparable Product Types of similar size and specifications constructed elsewhere within the area encompassed by the Fort Ord Reuse Plan. Direct Building Costs shall also include final lot improvements typically made by homebuilders (including finished grading, landscaping and driveways and fences). For Phase 2 and Phase 3, Direct Building Costs will be based upon actual direct building costs incurred by Developer for Product Types of similar size and specifications within Phase 1, adjusted for inflation based upon increases in the RS Means Construction Price Index. In the event a particular Product Type in Phase 2 or Phase 3 is not included in Phase 1, then the Direct

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Building Costs for such Product Type shall be projected in the same manner as such costs are projected in Phase 1.

- (ii) *Option Costs.* Option Costs shall be determined in accordance with Table 1 annexed to this Attachment No. 4.
- (iii) *Fees and Permits.* Fees and permits will be calculated for an average unit as estimated by the County in accordance with the Development Agreement and including but not limited to MCWD fees and connection charges and MPUSD fees.
- (iv) *FORA Fees.* FORA Fees will be calculated based on the FORA Fee currently in force or with an adjustment for the maximum increase to be estimated for the date of the first building permit for each segment of Homesites and as adjusted and reapportioned in accordance with Section C of this Attachment No. 4.
- (v) *Other Costs.* Other costs shall be determined according to the methodology shown on Table 1 to this Attachment No. 4.

C. *Residual Lot Value.* The fair market value of Homesites sold to an Affiliated Homebuilder shall be the Residual Lot Value, determined in accordance with the methodology of Table 1 to this Attachment No. 4; provided, however, that if a Community or Subcommunity to be constructed by an Affiliated Homebuilder includes lots for moderate-income Inclusionary Housing units and/or Workforce II Housing units, the Residual Lot Value for the Community or Subcommunity shall be a weighted blended result of separate calculations as follows: (1) first, for the market rate units in the Community or Subcommunity the Residual Lot Value ("Market Rate Residual Lot Value") shall be calculated under Table 1 of this Attachment No. 4 using the Base Home Price determined by the Residential Marketing Consultant; (2) second, for the moderate-income Inclusionary Housing units, if any, are required in the Community or Subcommunity, the Residual Lot Value ("Moderate-Income Residual Lot Value"), which may be a positive or negative amount, shall be calculated under Table 1 of this Attachment No. 4 wherein the Base Home Price for both revenues and costs is defined as the average income-restricted sales price (discounted for continuing income restrictions on resale) at which those units will be sold to

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eligible households in order to satisfy the requirements of the applicable Inclusionary Housing Agreement with the County for such income-restricted units, but excluding Option Revenues and Option Costs from such calculation; (3) third, for the Workforce II Housing units, if any are required in the Community or Subcommunity, the Residual Lot Value ("Workforce II Residual Lot Value"), which may be a positive or negative amount, shall be calculated under Table 1 of this Attachment No. 4 wherein Base Home Price for both revenue and costs is defined as the average income-restricted sales price (discounted for continuing equity sharing on resale) at which those units will be sold to eligible households in order to satisfy the requirements of the applicable Workforce II Housing Agreement with the County for such income-restricted units, but excluding Option Revenues and Option Costs from such calculation; and (4) the resultant Market Rate Residual Lot Value, Moderate-Income Residual Lot Value (positive or negative amount), if any, and the Workforce II Residual Lot Value (positive or negative amount), if any, shall be averaged together on a weighted basis according to the number of units in each category, and the resultant number shall be the Residual Lot Value for the Community or Subcommunity. By way of example: assume that the Community or Subcommunity includes a total of 50 lots, 30 of which will be for market rate units with a Market Rate Residual Lot Value of \$100,000, 10 of which will be for moderate-income Inclusionary Housing units with a Moderate-Income Residual Lot Value of [-\$5000], and 10 of which will be for Workforce II Housing units with a Workforce II Residual Lot Value of \$50,000. The resultant average Residual Lot Value for the entire Community or Subcommunity shall be the product of the following equation:

Residual Lot Value equals:

$$\frac{((30 \times 100,000) + (10 \times [-5000]) + (10 \times 50,000))}{\text{Divided by } 50}$$

Equals: 69,000

- (2) Town Center Parcels. Town Center parcels shall be sold at a price that is no less than the residual land value (the "Residual Land Value", which shall be established by the Developer in its sole business judgment and which shall be deemed the fair market value) determined by the residual approach: taking estimated rents/residential sales prices per an approved consultant's market

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study, estimating capitalized value, using an eleven percent (11%) return on costs for the retail or office portion and a residential profit margin of nine percent (9%) of the residential sale price, and deducting all development costs, provided that: (i) any developer's fee/overhead in construction of the project shall not exceed 5% of direct construction costs, and (ii) any annual management fee for the operation of the project shall not exceed 3.5% of effective gross income.

g. Progress Reports; Final Accounting; Timing of Participation Payment.

(i) As used in this subsection g.:

"1st Reporting Date" shall mean the last day of a 12-month period commencing on the date that Developer has completed (as evidenced by close of escrow) the second bulk sale of lots in Phase 2 for a particular Community or Subcommunity to a vertical developer-homebuilder (including, but not limited to, an Affiliated Homebuilder).

"2nd Reporting Date" shall mean the last day of a 12-month period commencing on the date that Developer has completed (as evidenced by close of escrow) the second bulk sale of lots in Phase 3 for a particular Community or Subcommunity to a vertical developer-homebuilder (including, but not limited to, an Affiliated Homebuilder).

"Final Reporting Date" shall mean the last day of an 18-month period commencing on the 2nd Reporting Date, plus extensions of said 18-month period for the periods of any Enforced Delay under Section 604 of this Agreement affecting the Developer and/or market rate residential homebuilders which prevent or delay the sale by Developer of market rate units to homebuilders on customary terms at reasonable prices consistent with fair market value.

"Payment Date" shall mean a date that is sixty (60) days after a Reporting Date.

(ii) On each of the 1st and 2nd Reporting Dates the Developer shall submit to the Agency a report in the form, template and accounting methodology to be agreed upon by the Agency and Developer prior to close of escrow ("Developer's Progress Report") which shall include, on a cumulative cash basis, a summary of Project Costs (as defined in Section 3.d., above) incurred and Project Revenues (as defined in Section 3.e., above) received by the Developer, as horizontal developer, for the entire Project as of such Reporting Date.

(iii) If a Developer's Progress Report submitted under subsection (ii), above, shows that Project Revenues received by the Developer has exceeded Project Costs incurred by the Developer for the entire Project such that the

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Developer has exceeded the achievement of its Target IRR, (as defined in Section 3.b., above), the Developer shall make on or before the Payment Date a Partial Participation Payment (as defined in Section 3.b., above) to the Agency from available Unleveraged Cash Flow, subject to the Final Accounting (as defined in subsection (iv), below), in the following amount and manner: fifty percent 50% of the amount by which the Developer's Target IRR is estimated to be exceeded in the Developer's Progress Report (but, in the case of the 2nd Reporting Date only to the extent not previously paid to the Agency and/or deposited into an escrow account under this subsection (iii) pursuant to the Developer's Progress Report submitted on the 1st Reporting Date) shall constitute and shall be paid and deposited by the Developer as a Partial Participation Payment, as follows: (x) fifty percent (50%) of the amount of such Partial Participation Payment shall be paid directly to the Agency, and (y) fifty percent (50%) of the amount of such Partial Participation Payment shall be deposited by the Developer into an interest-bearing escrow account with an independent escrow holder mutually agreed to by the Developer and the Agency, to be held by such escrow holder and, following the Final Accounting (as defined in subsection (iv), below) to either be released to the Agency in whole or in part to the extent the Developer is not entitled to a refund of such amount as a result of the Final Accounting (as defined in subsection (iv), below) or be refunded to the Developer, in whole or in part, to the extent the Developer is entitled to a refund of such amount under the Final Accounting (as defined in subsection (iv), below).

(iv) Upon the Final Reporting Date, the Developer shall submit to the Agency a final report ("Final Accounting") in substantially the form of the Developer's Progress Report containing a final accounting and reconciliation of total Project Revenues received by the Developer and total Project Costs incurred by the Developer, as horizontal developer, for the entire Project, and the IRR achieved by the Developer.

(a) To the extent the Final Accounting shows that the Developer's Target IRR (as defined in Section 3.b., above) is exceeded for the entire Project, fifty percent (50%) of the Unleveraged Cash Flow available to the Developer in excess of the amount required to achieve the Developer's Target IRR (as defined in Section 3.b., above) shall constitute the amount of the Participation Payment due the Agency. By not later than the Payment Date, the Developer shall release to the Agency funds escrowed under subsection (iii), above. To the extent the amount of the Participation Payment still exceeds the sum of the Partial Participation Payments plus the sum of the released escrow funds, the Developer shall make a Final Participation Payment in the amount of such remaining amount to the Agency on or before the Payment Date. To the extent that the sum of the Partial Participation Payments plus the sum of the released escrow funds to the Agency exceeds the amount of the Participation Payment, the Agency shall be entitled to keep such excess amount.

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(b) To the extent that the Final Accounting shows that the Developer's Target IRR (as defined in Section 3.b., above) is not achieved for the entire Project, the Developer shall be entitled to withdraw from the escrow account on or before the Payment Date all or such amounts as shall be required to increase the Developer's Project Revenues up to an amount not to exceed the Developer's Target IRR (as defined in Section 3.b., above), and the Agency shall be entitled to release of the amount, if any, in the escrow account not withdrawn by the Developer, even though the Agency may have received Partial Participation Payments and escrowed funds in excess of the amount of the Participation Payment.

- h. *Dispute Resolution.* Any dispute between the Agency and Developer arising out of the provisions of this Section 3 shall be settled pursuant to the dispute resolution process set forth in Section 513 of this Agreement.

B. Public Facilities.

Developer shall be responsible for providing an amount not to exceed \$3,500,000, indexed to the Engineering News Record Building Cost Index for the San Francisco area (as applied from the Effective Date of this Agreement, the "ENR Cost Index"), for the design and construction of public facilities ("Public Facilities") within the Project, including construction management services (if approved by the County) on terms set forth in the Scope of Development (Attachment No. 9 hereto) specifically relating to the fire station, library and Sheriff's substation (the "Mandatory Public Facilities"). Except as provided in Section 8 of Attachment No. 9, Agency shall be responsible for providing an amount not to exceed \$5,500,000 (indexed to the ENR Cost Index) for Public Facilities in the Project, with priority to funding the Mandatory Public Facilities, as provided in Part H of this Attachment No. 4.

C. FORA Fees.

The Developer and the Agency acknowledge that the FORA fees and/or assessments ("FORA Fees") for the Site must be satisfied, and that the imposition of those fees is reflected by an existing lien on the Site, which lien may be discharged upon payment in full of the FORA Fees. Subject to FORA concurrence, the actual payment of the FORA Fees may be redistributed among units so that larger units pay higher fees than smaller units, provided that such allocation generates the full aggregate amount required by FORA, and Developer may be given credit for infrastructure constructed and/or financed directly by Developer or Agency, where such infrastructure would have otherwise been the responsibility of FORA to finance and construct. The County agrees to diligently pursue the inclusion by FORA in its CIP of those traffic improvements designated as FORA's responsibility in the Combined Development Permit Conditions of Approval.

At the request of the Developer, the Agency and County shall cooperate with the Developer to obtain a comprehensive agreement with FORA covering, to the reasonable satisfaction of the Developer and the Agency: (i) redistribution of the FORA Fees among units on the Site, (ii) credit against FORA Fees for qualifying infrastructure provided by the Developer or Agency, (iii) timing of payment of pro rata FORA Fees upon the issuance of building permits

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for vertical construction, (iv) present or current removal of the FORA lien on the Site in consideration of the obligations to pay FORA Fees pro rata at the time of and as a condition to issuance of building permits for vertical construction on the Site, and (v) credits from FORA for demolition costs. An executed agreement with FORA shall be a condition to close of escrow unless and to the extent waived by the Developer. A copy of any such agreement upon its completed execution shall be recorded and appended to this Attachment No. 4.

D. Offsite Infrastructure.

The Parties contemplate that off-site traffic improvements required in the implementation of the Specific Plan will be included in the FORA Capital Improvements Program (FORA CIP"), and that credits against the FORA Fees will be covered in the agreement with FORA referenced in Part C, above. The Agency and County staffs shall work with Developer and FORA to obtain the inclusion of offsite traffic improvements in the FORA CIP.

E. Community Facilities District ("CFD").

1. Developer and County and Agency staff and consultants shall consider the formation of a CFD, consistent with County CFD policies, to fund a portion of the cost of public infrastructure installation required for development of the Project, equal to but not to exceed Twenty Million Dollars (\$20,000,000) in infrastructure costs, as an important element for the economic feasibility of the development of the Site. It is also recognized that the formation of a CFD for purposes of levying a special tax to partially fund the ongoing operations of a CSD is an important component of satisfying the County's requirement for a fiscally neutral project based on a final fiscal impact analysis and a Fiscal Neutrality Funding Plan as referenced in Part K of this Attachment No. 4.

- a. For purposes of a CFD to fund infrastructure, it shall be a condition of closing, except as may be waived by the Developer in its sole and absolute discretion, that all actions required to be taken by the County to initiate the formation of a CFD, including a financing program, applicable to all parcels to be developed on the Site (excluding only the deed-restricted very low and low income affordable residential units and the public facilities) shall have occurred to the satisfaction of the Developer.
- b. For purposes of a CFD to levy a special tax for ongoing services, if a necessary part of the Developer's financial program to provide a fiscally neutral Project, it shall be a condition of closing that the Developer shall have initiated the actions needed to be taken by the Developer in connection with the formation of a CFD, including recognition by the Developer of its obligation to provide any reasonable credit enhancement required for the issuance of CFD Bonds under County policies at such time as CFD Bonds are proposed to be issued.

One CFD to address the purposes in a. and b. above is contemplated. The Developer shall advance the costs for the formation of the CFD subject to reimbursement by the CFD. County and Agency staff shall support the formation of a CFD in a timely manner, so as not to delay the timely issuance of CFD Bonds when required by the Developer.

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F. Community Services District ("CSD").

Developer and Agency staff also agree that the formation of a CSD to provide ongoing maintenance of certain elements of infrastructure is important to enhance the physical and fiscal soundness of the Project and to achieving fiscal neutrality for the County (as further discussed in Part K. of this Attachment No. 4). Because of the unique circumstances of Fort Ord, the Parties have agreed that special State legislation will be required to facilitate the formation of a CSD. It shall be a condition of closing, that, in the absence of an interim alternative financing mechanism, steps needed to form a CSD shall have been initiated by the County to comply with the Combined Development Permit Conditions of Approval for the formation of a CSD. The Developer shall advance the reasonable costs for the formation (including LAFCO approval, if needed) of the CSD to comply with the Development Approvals subject to reimbursement by the CSD. County and Agency staff shall diligently pursue the enactment of State legislation and shall support the formation of a CSD in a timely manner.

The total combined property tax burden on any developed parcel, including any overrides and the special assessment burdens of the CFD and the CSD, shall not exceed 2.0% (exclusive of HOA dues and assessments) of the assessed value. The Rental Affordable Housing and the Public Facilities shall not be subject to any liens related to the CFD or costs of the CSD.

Following concurrence by the County Treasurer, the financial advisor to the County and bond counsel, and subject to agreement on matters such as credit enhancement where required for the issuance of CFD Bonds, compliance with the County's policies on CFD formation, and consistency with industry practices of land secured financing in California, Agency, in cooperation with County and its Board of Supervisors, will agree to use its best efforts to establish a CFD and a CSD on the entire Site as contemplated above. The Agency's and the County's obligations hereunder are subject to the Developer's agreement, in the form of a mutually acceptable Reimbursement Agreement, to advance all funds required to plan and process the formation of a CFD and CSD, including but not limited to the fees and costs of the County's and the Agency's financial advisor, subject to reimbursement of such costs from the CFD and CSD, as applicable. Under the CFD, funds for infrastructure costs shall only be disbursed to Developer in tranches that are tied to completion of discreet operable segments of the public improvements. The Developer shall have the option to use or not to use the CFD financing. In the event the Developer elects not to use the CFD financing, the Agency shall have no obligation to repay to the Developer any advances for the CFD formation, except to the extent that such advances have not been expended or otherwise legally committed or obligated to be paid for costs incurred. Formation of a CFD and a CSD may be commenced by the County or Agency and is subject to required public hearings and procedural requirements, and neither the County nor the Agency shall be deemed legally bound to form either a CFD or a CSD, but Agency and County staffs shall recommend to the Board of Supervisors that it take the actions necessary to form the CFD and the CSD in a timely manner so as not to delay the closing.

The Parties agree that the formation of a CSD and/or CFD, as to improvements and services to be financed, shall be accomplished in such manner as to satisfy, together with additional funding sources that may be required, the requirements for the Project to be fiscally neutral as to impacts on the County as referenced in Part K of this Attachment No. 4.

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G. Historic District and Town Center.

1. Historic District

As a condition to conveyance, and to ensure that all historic preservation requirements are met, Developer will comply with the Agreement and Covenant for the Transfer of East Garrison Historic District (the "Historic District Agreement"), dated as of August 3, 2004, between the SHPO and FORA and recorded in the Records of the Monterey County Recorder on October 15, 2004 as Document 2004110087, and Mitigation Measure 4.8.1-H and Combined Development Permit Condition of Approval No. 59. The Developer must also provide infrastructure to all buildings in the Historic District, subject to the CFD and CSD, as applicable to such buildings. Subject to Part H, below, Agency agrees to make available to the Project for the rehabilitation of the Historic District the net tax increment allocable to the Agency as set forth below in this section.

The Developer will be legally obligated to expend directly or make available to the Agency a total amount of \$750,000, (indexed to the ENR Cost Index, as first defined in Part B hereof), to fund the predevelopment expenses of the Historic District on the following timetable: \$150,000 in 2006, \$300,000 in 2007 and \$300,000 in 2008.

For capital costs (exclusive of capital costs for buildings to be devoted to public use and owned after rehabilitation by public entities, which costs shall be deemed part of the costs of the Public Facilities under Attachment No. 9 hereto) and subject to Section c. of Part H, below, of this Attachment No. 4, the Agency will make available up to but not to exceed \$5 million (indexed to the ENR Cost Index, as first defined in Part B hereof) in tax increment funds during the first year that tax increment funds sufficient for major capital improvements to the buildings in the Historic District are available, currently estimated to be FY 2008/09. The Developer shall thereupon provide funds for major capital improvements to buildings in the Historic District up to but not to exceed \$1 million (indexed to the ENR Cost Index, as first defined in Part B hereof, in the same percentage as the Agency's \$5 million), to be provided in an amount equal to Twenty Percent (20%) of the amount made available for such purposes by the Agency. In addition, upon completion of work on and occupancy of fifty percent (50%) of the buildings in the Historic District, the Developer will contribute \$250,000, (indexed to the ENR Cost Index, as first defined in Part B hereof) to the establishment of an endowment for the non-profit corporation described in Section 3 of Attachment No. 9 hereto to cover the operating costs of the Historic District. No other contributions will be required by the Agency or the Developer. Nothing in this paragraph shall be deemed to impose an obligation on the Agency or the Developer to perform any work or make any capital improvements to the buildings to be retained in the Historic District.

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The Developer, the Agency and the County agree to enter into an agreement with ArtSpace to take title to the historic buildings and rehabilitate such buildings. Agency has approved Artspace as the developer and operator of the Historic District. Funds for the rehabilitation will be paid to Artspace upon a demonstration, to the satisfaction of the Agency and Developer, that Artspace has the technical, managerial and financial ability to complete the rehabilitation in accordance with the covenants and conditions stated in the Historic District Agreement between FORA and the SHPO.

2. Town Center

Pursuant to the Option Agreement, Developer has the obligation to construct approximately 34,000 square feet of neighborhood serving retail, civic and other non-residential uses ("Town Center Construction Obligation"). Developer and County recognize that the retail portion of the Town Center Construction Obligation may not be economically feasible. Consequently if no residual value is determined to exist pursuant to Section 3.b(ii)(2) of Part A of this Attachment No. 4, no value may be attributable to the town center mixed use parcels and any subsidy which may be required from Developer to finance construction shall be considered a Project Cost, as defined in Section 3.d. of Part A of this Attachment No. 4. Developer will install all the infrastructure necessary to service the Town Center parcels, including the Town Center Park and parking lots. Developer may assign its rights and obligations to develop the Town Center mixed-use commercial and residential parcels (as described in Exhibit 2 to Attachment No. 9) to either Woodman Development Company, LLC ("Woodman") or a special purpose Affiliate of either the Developer or Woodman ("Assignee").

An approximately 7,000 square foot Fire Station to be constructed on a site within Phase 1 comprises a portion of the Town Center Construction Obligation but is the subject of its own separate subsidy by Developer, described in Section 8 of Attachment No. 9, and shall not count toward satisfying the Developer's 34,000 square foot Town Center Construction Obligation. As provided in Section 6 of Attachment 9, 4,000 square feet of the Library/Sheriff's Substation shall count toward satisfying the Developer's 34,000 square foot Town Center Construction Obligation. At least 20,000 square feet of the Town Center Construction Obligation must have been completed prior to the issuance of the first market rate unit permit within Phase 3 of the Project and the remaining 14,000 square feet of the Town Center Construction Obligation must be completed prior to the issuance of the last certificate of occupancy for the last market rate unit in Phase 3.

Prior to the first market rate unit building permit being issued in Phase 3, Developer or Assignee shall post a completion bond with respect to any portion of the Town Center Construction Obligation which is not completed or under construction at that time.

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Developer shall thereafter be allowed to continue to obtain all remaining building permits and certificates of occupancy for the market rate units of the Project without restriction. Timing of construction of the Town Center Construction Obligation shall be subject to Enforced Delays under Section 604 of this Agreement.

H. Tax Increment; Agency Assistance.

The Agency agrees to pledge and devote to the Project its share of the net tax increment produced by the Project and allocable under State law to the Agency in the following priority order:

- a. First, to the Agency's actual annual costs of administering the Redevelopment Project Area, estimated at the lesser of total increment or \$300,000, escalated at 3% per year, from non-housing funds based on net increment after statutory pass-throughs.
- b. Second, subject to priority a. above, and to availability, up to \$48,469 (indexed to the ENR Cost Index as first defined in Part B hereof) per Rental Affordable Housing unit as requested by the Developer, up to but not to exceed in the aggregate \$9.5 million (indexed to the ENR Cost Index as first defined in Part B hereof) solely for the purpose of subsidizing the costs related to vertical construction (hard costs only, not including, by way of example, site preparation costs, infrastructure costs, permits, fees and exactions) of the units in the Project to be made available and restricted to occupancy by persons and families of very low and low income, all subject to the terms of the Inclusionary Housing Agreements to be entered into between the Developer and the County pursuant to the Combined Development Permit Conditions of Approval and the agreements with one or more Rental Affordable Housing Developers (referenced in Section 4 of Attachment No. 9). The source of such tax increment funding shall be the Agency tax increment generated by the Project. Developer has represented to Agency, and Agency acknowledges, that Developer will budget and expend, in addition to the amount of the Agency's subsidy for the Rental Affordable Housing units referenced in the preceding sentence, up to a total of \$630,000 of its own funds (indexed to the ENR Cost Index as first defined in Part B hereof) for such Rental Affordable Housing units; provided, however, that Developer acknowledges and agrees that notwithstanding the amounts required to be contributed by the Agency and the Developer for Rental Affordable Housing units under this subsection b., the Developer shall be responsible in any event for causing such Rental Affordable Housing units to be constructed in accordance with the terms of the Inclusionary Housing Agreements, and that no additional amount of subsidy for such units shall be required from the Agency or requested by the Developer or any Rental Affordable Housing Developer.

Tax increment funds will be made available as provided in the immediately preceding paragraph for the Rental Affordable Housing units. No such funds shall be made available for the moderate income Inclusionary Housing units. If tax increment is not available when needed for construction of the Rental Affordable Housing units, the Developer will advance those funds up to but not to exceed \$5.5 million (the

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"Shortfall Loan") of the \$9.5 million (as indexed to the ENR Cost Index as first defined in Part B hereof) that the Agency is obligated to contribute for the Rental Affordable Housing units, which Shortfall Loan shall be evidenced by a promissory note (the "Note") from the Agency to the Developer substantially in the form attached to this Agreement as Attachment No. 10 and shall be repaid by the Agency out of tax increment Bond proceeds or pay-as-you-go tax increment proceeds with accrued per annum interest at the higher of 7% or prime plus 1% on the unpaid balance, compounded annually until repaid. The Agency shall apply its pay-as-you-go tax increment and/or the proceeds of tax allocation Bonds to effectuate the repayment of the Note as soon as it is feasible to do so, in the good faith determination of the Agency. The Shortfall Loan shall not be considered "Project Revenues" or "Project Cost" under Section 3.d. of Part A hereof for purposes of calculating the Developer's Target IRR under Section 3.b. of Part A hereof.

- c. Third, subject to priority a. and b. above, and further subject to timing of availability, to fund, to the extent required, completion of the Mandatory Public Facilities referred to in Part B of this Attachment No. 4 above.
- d. Fourth, subject to priority a., b. and c. above, and further subject to timing of availability, to fund a portion of the capital cost of rehabilitating the Historic District, in an amount not to exceed \$5.0 million (indexed to the ENR Cost Index) as set forth in Part G., above.
- e. Fifth, subject to priority under a., b., c. and d. above, and further subject to timing of availability, to fund the costs of design and construction of other Public Facilities as specified in Part B., above, not to exceed a total cost of \$5.5 million (indexed to the ENR Cost Index).
- f. Sixth, subject to priority under a., b., c., d. and e. above, and further subject to timing of availability, at the discretion of the Agency, for projects and programs to be carried out in the County's Redevelopment Project Area (with Public Facilities needs of the Project, if any remain, to be given first consideration by the Agency, in its discretion, after consultation with the Developer) to which tax increment may be applied.

I. Tax Increment Pledge.

The financial obligations of the Agency in Sections 205 and 310 of this Agreement, and in Part H, above, are secured by the Agency's pledge of tax increment set forth in Section 703 of this Agreement. In the event State Legislation enacted after the date of this Agreement would have the effect of diverting tax increment funds of the Agency to other State purposes with a material impact on the Agency's ability to fund its obligations under this Agreement and as set forth in this Attachment No. 4, the Parties hereto: (1) shall cooperate to explore all feasible means to enforce and/or validate the Agency's pledge under Part H above and, (2) in addition, shall meet and confer in good faith to attempt to mutually restructure the timing and amount of the Agency tax increment funding for the Project and the requirements and financial obligations for the Project in a way that would allow the Project to proceed in an economically feasible

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manner as planned consistent with maintaining the Developer's Target IRR of 22.5%. Nothing in the preceding sentence shall obligate the Agency to materially alter the terms of the transaction to accommodate the reduction or diversion of tax increment or obligate the Developer to proceed with the transaction if the Project cannot proceed in an economically feasible manner as a result of the reduction or diversion, and the failure to reach mutual agreement thereunder shall constitute a failure of the Agency to satisfy a condition precedent and to tender conveyance of the Site under Section 510 of this Agreement, for which the Developer's sole remedy shall be, subject to the provisions of Section 513, termination of this Agreement.

J. [Intentionally Deleted].

K. Fiscal Neutrality.

The Project shall provide fiscal neutrality with respect to the County, the SRFD and the Monterey-Salinas Transit District ("MST"). A CSD shall be formed as provided in Part F., above and/or the Developer shall provide an appropriate alternative financing mechanism (such as a property owners association) to achieve this requirement, together with other appropriate funding mechanisms to the extent necessary to establish fiscal neutrality, meaning that annual tax revenues to the County, the SRFD and MST from the Project for each year starting with the receipt of the first certificate of occupancy issued by the County for the Project shall equal or exceed costs to the County, the SRFD and MST in providing urban services to the Project.

In order to achieve fiscal neutrality, a preliminary fiscal impact analysis by the Agency assumes that the Project will be responsible for funding all net operational and maintenance costs related to public works, parks, fire protection, public safety and the library and other services provided by the County's general fund.

A final fiscal impact analysis, consistent with the methodology used in the preliminary impact analysis prepared for the Agency in May, 2004, will be conducted following the approval of this Agreement and prior to closing, which will be used to finalize a Fiscal Neutrality Funding Plan, which, when approved by the Developer, Agency and County, shall be added to this Agreement as Exhibit 1 to this Attachment No. 4 and shall be the basis for financing obligations of the CSD and, if necessary, other appropriate funding mechanisms.

L. School Site.

If the Monterey Peninsula School District (the "School District") identifies a site for a new school on County lands outside the Site to serve the Project, the County intends, on request from the School District and conditioned upon completion of appropriate environmental review and applicable County process, to provide the identified site to the School District for the purpose of constructing the new school.

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EXHIBIT 1 TO ATTACHMENT NO. 4

FISCAL NEUTRALITY FUNDING PLAN

[First referenced, Part K, Attachment No. 4]

[TO BE ATTACHED WHEN PREPARED AND APPROVED IN FINAL FORM.]

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Table 1 to Attachment No. 4
Determination of Residential Lot Value for Affiliated
Homebuilders

Product type:		<u>all types</u>
Phase:		<u>all phases</u>
Number of units:		_____
Date:		_____
Revenue:		
Base Home Price		\$0 (1), (2)
Options Revenue	6% of Base Home Price	\$0
Estimated Sales Revenue		<u>\$0</u>
Estimated Costs:		
Direct Building Costs		\$0 (3)
Option Costs	84% of Options Revenue	\$0
Fees and Permits		\$0 (4), (5)
a. Sales & Marketing		
Warranty	23.10% Base Price/Lot premium	\$0
Taxes		
Financing		
Builder Margin		
b. Indirect		
Construction		
A&E/Consultants	7.00% Base Price/Lot Premium	\$0
Overhead		
Insurance		
Estimated Costs		<u>\$0</u>
Residual Lot Value		<u>\$0</u> (6)

(1) Includes Lot Premiums and adjustments for CFD and CSD. Based on 3rd party marketing report.

(2) Base Home Price equals average Base Home Price of all units in that Phase.

(3) Direct Building Costs calculated per Attachment No. 4 (3f II B i) and excludes model upgrades.

(4) Fees Calculated by County in accordance with DA including MCWD and MPUSD.

(5) FORA fees currently applicable as reallocated and apportioned by Developer and approved by County and FORA.

(6) Average price paid by Affiliated Homebuilder per lot

Table 1 to Attachment No. 4

W02-SF-PDM\61466910.11

Keyser Marston Associates, Inc.
East Garrison Disposition and Development Agreement

RMA

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**EXHIBIT C - ATTACHMENT 4, FINANCIAL TERMS,
TO THE DISPOSITION AND DEVELOPMENT AGREEMENT
FOR THE EAST GARRISON PROJECT**

TABLE 2 TO ATTACHMENT NO. 4

[First referenced, Section 3.b.(ii) of Part A]

TEMPLATE FOR IRR CALCULATION

[FOLLOWING PAGE]

**EXHIBIT C - ATTACHMENT 4, FINANCIAL TERMS,
TO THE DISPOSITION AND DEVELOPMENT AGREEMENT
FOR THE EAST GARRISON PROJECT**

DDA Proforma Template

Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Grand
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total	

CASH FLOW REPORT:

Total Units

Units Closed

Cumulative Units

Gross Sales Revenue

Receipts:

Cash @ Closings (per DDA)

CFD Net Proceeds

Less:

Closing Costs

Net Receipts

Disbursements:

Land Acquisition

Property Tax Payments

Entitlements

Final Map/Consultants

Onsite Infrastructure

Offsite Infrastructure

PG & E Reimbursements

MCWD Reimbursements (Sewer)

MCWD Reimbursements (Water)

Performance Bonds

Arts District Subsidy

Environmental Insurance

Cleanup Costs

Operational Costs

FORA Fee Infrastructure Credit

FORA Demolition (Land sale) Credit

Sales and Marketing

Town Center Subsidy (if any)

Construction Insurance

Affordable Housing Subsidy

County Facilities (Fire/Lib/Police)

Documented Other Misc Costs

Air Quality EIR Mitigations

CFD Debt Service

DRE/HOA Assessments

G & A (Post Closing) Expense

Net Disbursements

Net Cash Flow

Table 2 to Attachment No. 4

-2-

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KEYSER MARSTON ASSOCIATES

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

DRAFT

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

MEMORANDUM

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
ROBERT J. WETMORE

To: Jim Cook
Redevelopment Director
Monterey County Redevelopment Agency

From: Keyser Marston Associates, Inc.

LOS ANGELES
CALVIN E. HOLLIS, II
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO

Date: December 19, 2006

Subject: East Garrison Profit Participation Manual

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

This Manual has been prepared for the Redevelopment Agency's use in reviewing the Developer's Participation Payment Progress Reports for East Garrison. The purpose of the Developer's Progress Reports is to report on the economics of the East Garrison Project and to calculate the amount, if any, of Participation Payments to be made by the Land Developer to the Redevelopment Agency. The terms of the Participation Payments are detailed in Attachment 4 to the Disposition and Development Agreement ("DDA") between the Agency and East Garrison Partners, LLC (alternatively "EGP" and "Land Developer"). This memorandum is not a substitute to the DDA. The reader of this Manual needs also to review the DDA, specifically the Participation Payment provisions contained in Attachment 4, which is included as Appendix 5 to this Manual.

This Manual provides the background of the Participation Payment provisions of the DDA and describes the Agency Participation Model, which the Agency will use to cross-check and verify the calculation of Participation Payments that the Developer is submitting to the Agency in its Progress Reports. The reason why the Agency is independently running its Agency Participation Model is to ensure that the calculation is being made correctly and the Agency receives the proper amount of Participation Payments in accordance with the terms of the DDA. The Manual is organized as follows:

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Subject: East Garrison Profit Participation Manual

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- Section I. Background and General Description
- Section II. Developer's Progress Reports – What EGP will Submit to the Agency
- Section III. Agency Participation Model – What the Agency will do with the Developer's Progress Reports
- Section IV. Reconciliation with the Developer's Estimate
- Section V. Agency Verification of Data Submitted by Developer
- Section VI. Agency's Right to Audit

I. Background and General Description

The East Garrison Project is a new residential community which, at completion, will include 1,400 residential units, a central Town Center, and a Historic Arts District. The Project will be built in three phases and is currently estimated to be completed in 2013.

The Land Developer, East Garrison Partners, is a partnership of William Lyon Homes and Woodman Development. EGP is the legal entity that is buying the property from the Agency, demolishing existing buildings on site, and constructing the necessary infrastructure. EGP will then sell finished residential lots to homebuilders for ultimate construction of the homes. EGP can sell the lots to any number of qualified homebuilders, however it is anticipated that most will be sold to themselves (i.e., by EGP to Lyon and Woodman). Some portions of the Project will be built by third party developers such as the Affordable Apartments in each of the three phases (currently anticipated to be Mid-Peninsula Housing, CHISPA, and ArtSpace), and the historic buildings in the Arts District (by a third party developer to be determined at a later time).

Pursuant to the DDA, EGP is purchasing the Site from the Agency for a Base Price of \$1.5 million¹. In addition, the Agency will receive future land payments from EGP ("Participation Payments") should the Project prove economically successful beyond a certain threshold. Pursuant to the DDA, that threshold is a "Target IRR" of 22.5%. This unleveraged IRR, or internal rate of return, is a method of measuring the Developer's

¹ Pursuant to Section 202(3) of the DDA, the \$1.5 million can be reduced by up to \$100,000 in order for the Developer to remove disapproved title exceptions.

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financial return from the Project. It is "unleveraged" because it is the return before taking into account loans that the Developer will utilize to finance the Project (i.e., Project Revenues do not include loan proceeds and Project Costs do not include loan repayment, interest costs, etc.). The IRR is calculated on the monthly Unleveraged Cash Flow of the Project, which is the Project Revenues less Project Costs for every month of Project development up to the date of the Developer's Progress Report. The Participation Payment will be equal to 50% of the amount by which the Target IRR is exceeded.

Per the DDA, the Developer will submit a Progress Report to the Agency at three different times during development of the Project:

- 1st Progress Report: 12 months following the second bulk sale of lots in Phase 2 (currently estimated to take place in August 2010)²
- 2nd Progress Report: 12 months following the second bulk sale of lots in Phase 3 (currently estimated to take place in August 2011)
- Final Progress Report: 18 months following the 2nd Progress Report (currently estimated to take place in February 2013)

Each of the three Progress Reports to the Agency will include the amount and timing of both Project Revenues and Project Costs to arrive at the monthly Unleveraged Cash Flow.

A. Project Costs

Project Costs incurred by EGP as the Land Developer include costs for predevelopment and planning of the Project, demolition costs, and direct and indirect costs related to designing and constructing infrastructure. The costs related to constructing the homes and other vertical improvements are not a cost to EGP as the Land Developer.

² As confirmed by the Developer, "second bulk sale of lots" means the sale of lots of a second product type in a Phase. By way of example, if in August 2009 the Developer sells to homebuilders 26 Phase 2 Garden Lots and 65 Phase 2 Grove lots then the second bulk sale in Phase 2 will have occurred as of that month since there were at least two different product types sold – Garden and Grove. Therefore, the First Progress Report would be submitted by the Developer 12 months later, or August 2010.

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It should be noted that for purposes of the Participation Payment calculation, the following costs are not to be included as a Project Cost:

1. The repayment of the principal and interest of any private loan obtained by the Developer;
2. Any distributions, preferred return or other capital return to the members of the Developer;
3. Any post-conveyance sales and marketing and general administrative costs in excess of 3.5% of Project Revenues;
4. Any Participation Payment to be paid to the Agency
5. The "Shortfall Loan" as defined in Section H of Attachment 4 to the DDA;
6. Any amounts paid to Affiliates of the Developer that would have been incurred by the Developer had the Developer obtained the relevant services or goods from a third party on an arms' length basis.

B. Project Revenues

The primary source of Project Revenues to EGP as the Land Developer is lot sales to homebuilders. Pursuant to the DDA, lots sold by EGP to Lyon and Woodman ("Affiliated Homebuilders") must be sold at fair market value, which is determined by formula as discussed in Section II.C. of this Manual. Lots sold to third party "Non-Affiliated Homebuilders" are to be sold using customary marketing methods and practices and must take into consideration available comparable sales.

Two other key sources of Project Revenues are proceeds from the sale of Community Facilities District (CFD) bonds (to reimburse EGP for eligible public infrastructure improvements) and Tax Increment bonds from the Agency (to fund all or a portion of the subsidy needed for the 196 Affordable Apartments³).

Project Revenues may also include other types of revenues received by EGP including rents, reimbursements, insurance proceeds, income from granting easements or other

³ It should be noted that EGP currently assumes that the Tax Increment bond proceeds will be contributed directly by the Agency to the non-profit affordable housing developers rather than to EGP. If this proves to be the case, the Tax Increment funds should not be reported as a Project Revenue in the Developer's Progress Reports and a like amount of subsidy should not be reported as a Project Cost.

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interests in rights relating to the site, and any participation payments paid to EGP from homebuilders.

II. Developer's Progress Reports – What EGP will Submit to the Agency

Each of the Developer's Progress Reports will include the following components:

A. Detailed Report of Project Costs

The Developer will be accounting for its Project Costs through the use of the JD Edwards accounting software used by Lyon Homes, which categorizes costs by various cost codes. The Developer has an Excel spreadsheet that replicates the JD Edwards data, which will be transmitted to the Agency as part of each Progress Report. The Excel spreadsheet reports the Project Costs incurred by the Developer as of the date of the Progress Report on a monthly basis (see Appendix 1, Exhibit A). Each line item in the Developer's Excel spreadsheet has an associated cost code which can be used to trace invoices verifying the individual costs constituting each line item. This accounting is important should the Agency need or decide to audit the costs in the Progress Reports. The detailed Project Costs contained on this table fall under the following cost categories, which have been agreed to by the Developer and the Agency:

1. Consultants
2. Development Fees
3. Land Improvements
4. Amenities
5. Infrastructure Indirects
6. Management Fees/Sales & Marketing
7. Land Acquisition
8. Property Taxes
9. Selling Expenses/Closing Costs

B. Residential Marketing Consultant Report

Pursuant to the DDA, the calculation of the value of lots to be sold to Affiliated Homebuilders is to be based on an estimate of sale prices for each Product Type in each group of lots sold. The applicable Residential Marketing Consultant Reports (one for each group of lots sold) are to be included as part of the Progress Report to the Agency. The report will be completed by Hanley-Wood and the format will be similar in format to that shown in Appendix 1, Exhibit B.

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C. Lot Sales to Affiliated Homebuilders

For each group of lots sold by EGP to an Affiliated Homebuilder (Lyon or Woodman), the Developer's Progress Report will include a calculation of Residual Lot Value in the form shown on Appendix 1 Exhibit C of this Manual, which is consistent with the form of Table 1 to Attachment 4 to the DDA. The Appendix 1 Exhibit C will be completed for each group of lots sold by EGP to an Affiliated Homebuilder. These tables will constitute the Project Revenues to be derived from lot sales to Affiliated Homebuilders.

D. Lot Sales to Non-Affiliated Homebuilders

While Lyon and Woodman represent that it is their intention that all lots in the Project will be purchased by them, it is possible that some lots will be sold to third party homebuilders ("Non-Affiliated Homebuilders"). Such lots are to be sold on an arms length and at fair market value. All revenues from the sale of lots to Non-Affiliated Homebuilders are to be reported to the Agency.

E. Profit Participation Calculation

This table will be completed in the format as shown on Appendix 1 Exhibit D. It will include the sales revenue of lots sold to Affiliated Homebuilders (which were calculated as described above) and all other Project Revenues. The Project Costs on this table are a summary of the detailed costs shown in the Excel spreadsheet on Project Costs on Appendix 1 Exhibit A. The monthly Cash Flow is used to calculate the IRR and the Participation Payment.

III. Agency Participation Model – What the Agency will do with the Developer's Progress Reports

Once the Agency has received the Developer's Progress Report, the Agency needs to proceed to input certain key data into the Agency Participation Model in order to verify that the Participation Payment was calculated by the Developer correctly. The Agency Participation Model is contained in a Microsoft Excel file and is designed in a simple format so that it can be used by Agency staff that may not be familiar with the Project or the provisions of the transaction. Appendix 2, Appendix 3, and Appendix 4 of this Manual contain a hypothetical sample of the Profit Participation calculation for the First, Second, and Third Progress Reports respectively. These are the tables that will be completed by Agency staff to verify the Developer's calculations.

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The following is a description of the tables contained in Appendices 2, 3 and 4:

A. Appendix 2 Table 1 – Summary of Lots Sold to Date

This table is a summary of all groups of lots sold by EGP to Affiliated Homebuilders and Non-Affiliated Homebuilders as of the First Progress Report, projected to occur in August 2010 (excluding the affordable apartment parcels and the Town Center parcels, which are discussed later). The purpose of this table is to summarize in a simple format the lot sales for each Phase.

For the lot sales to Affiliated Homebuilders, the data on Table 1 is simply pulled from the data from Tables 2a to 2d, the Residual Lot Value calculations for each of the groups of lots sold as of that Progress Report. For example, the sample Appendix 2 Table 1 shows that Sale 1 in Phase 1 occurred in August 2008 for \$58.55 million. The detail on this calculation can be seen on Appendix 2, Table 2a with the \$58.55 million shown on the lower right corner of the table.

For lot sales to Non-Affiliated Homebuilders, if there are such lot sales, this revenue is also to be reported to the Agency. As shown in the sample Appendix 2, Table 3, there were 53 lots sold in August 2008 to "Homebuilder X" for \$14.15 million.

For the Second and Third Progress Reports, the same Table 1 is to be completed. Samples are shown in Appendix 3 and Appendix 4. At the time of the Third Progress Report all lots should have been sold. Therefore, as shown on Appendix 4 Table 1, there were 1,164 lots sold. This excludes the 196 Affordable Apartments and 40 Town Center Condos, which constitute the remainder of the 1,400 units in the Project.

B. Appendix 2 Tables 2a to 2d – Lot Residual Values for Lots Sold to Affiliated Homebuilders

Table 2a calculates the lot sale values of the lots in the first sale of lots in Phase 1. For each Product Type included in the group of lots, the following data should be entered into the worksheet:

1. Number of units
2. Average unit sq. ft.
3. Base Home Price
4. Direct Building Costs
5. Fees and Permits Costs

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All this information should already have been provided in the Developer's Progress Report. The balance of data in the tables is based on formulas and will be calculated automatically to arrive at the lot value. For example, the collective costs for Sales & Marketing, Warranty, Taxes, Financing, and Builder Margin are to be calculated at 23.1% of the Base Price plus Lot Premium for each Product Type.

As noted previously, the Base Home Price for each Product Type is to be based on an updated third party Residential Marketing Consultant Report. The Direct Building Costs are to be based on costs for the same or like homes adjusted as for inflation.

Each sale of lots in each Phase should have its own table. As shown in the sample, Tables 2b to 2d of Appendix 2 are the tables for the balance of sales included as part of the First Progress Reporting Date.

Similarly, Appendix 3 and Appendix 4 contain a Table 2 for each sale of Lots for the balance of the Project.

C. Appendix 2 Table 3 – Lots Sold to Non-Affiliated Homebuilders

This table summarizes the lots sold to Non-Affiliated Homebuilders. If there are other sales to Non-Affiliated Homebuilders, this information should be reported on separate tables.

D. Appendix 2 Table 4 – Summary of Participation Payment Calculation

The purpose of this table is to summarize the detailed monthly cash flow that occurs on Appendix 2 Table 5. This Table 4 summarizes the total Project Revenues and Project Costs as of the time of the First Progress Report and shows the calculation of the Participation Payment. As shown in the sample Appendix 2 Table 4, there were a total of \$164.85 million in sources of funds or Revenues and \$141.86 million in Project Costs, resulting in an Unleveraged Cash Flow of \$23 million. The IRR of this cash flow is 13.06%. Because the Developer only pays a Profit Participation payment to the Agency if the Project yields a Target IRR of at least 22.5%, there is no payment due the Agency in this sample of the First Progress Report.

However, in the sample there are Profit Participation Payments due in both the Second and Third Progress Reports. As shown in Appendix 4 Table 4, as of the Third (and final) Progress Report, there was Unleveraged Cash Flow of \$110.53 million, yielding an IRR

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of 30.68%. The Cash Flow Needed to Reach the Target IRR of 22.5% is \$24.51 million, resulting in Remaining Cash Flow of \$86.02 million. Per the DDA, 50% of the \$86.02 million, or \$43.01 million) is the Participation Payment due the Agency. However, since in the sample there was a \$21.87 million Participation Payment paid for the Second Progress Report, this amount is deducted from the \$43.01 million total, resulting in a net Third Participation Payment of \$21.14 million. In summary, therefore, in the sample the Agency will have received \$0 Participation Payment for the First Progress Report in 2010, \$21.87 million for the Second Progress Report in 2011, and \$21.14 million for the Third (and final) Progress Report in 2013.

E. Appendix 4 Table 5 – Project Cash Flow to Date

Appendix 4 Table 5 details the monthly cash flow of Project Revenues, Project Costs, and Unleveraged Cash Flow over the term of the Progress Report. Each page of this table contains one full year of the cash flow, starting with Year 2003. The Agency will enter data into this table based on the Developer's Progress Reports. The monthly cash flow over the many years of expected build-out of the Project would make data entry of all months and all line items a laborious process. All the monthly data does not need to be entered to calculate the Participation Payment. The minimum amount of data entry recommended is the monthly Project Revenues and monthly Project Costs (totals line only). After entering this data, the Model can then calculate the IRR.

If the IRR of the Unleveraged Cash Flow is less than the Target IRR of 22.5%, there is no Participation Payment due the Agency. If the IRR exceeds 22.5%, 50% of the amount by which the Unleveraged Cash Flow exceeds 22.5% is the amount of the Participation Payment. In order to calculate this amount, the last month of the last year of the line "Cash Flow Needed to Reach Target IRR" (February 2013; Row 41, Column DX) will need to be adjusted so that the IRR shown on Row 42, Column E equals 22.5%. This can be achieved by using the "Goal Seek" function of Excel or by iteratively adjusting the amount until the 22.5% IRR is reached. The Model then calculates the amount of the Profit Participation at 50% of the excess. In the sample, the Participation Payment is 50% of \$86.02 million, or \$43.01 million. Again, since in the sample there was a \$21.87 million Participation Payment made in the Second Progress Report, this amount is subtracted from the \$86.02 million, yielding a Participation Payment at the end of the Project of \$21.14 million.

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IV. Reconciliation with the Developer's Estimate

In theory, the calculation of the Participation Payment amounts in the Agency's Participation Model should be identical to the amounts calculated in the Developer's Progress Reports since the same data is used for both calculations. As shown in the Developer's estimate on Appendix 1 Exhibit D (last page), the Developer estimates that the cash flow will support a Final Participation Payment in February 2013 of \$43.00 million. After subtracting a Participation Payment of \$21.885 million for the Second Progress Report, the net Participation Payment at the Final Progress Report is \$21.115 million.

The comparable table in the Agency Participation Model, Appendix 4 Table 5 (last page), estimates a supported Final Participation Payment of \$43.01 million (compared to the Developer's \$43.00 million). After subtracting a Participation Payment of \$21.873 million (compared to \$21.885 million) for the Second Progress Report, the net Participation Payment at the Final Progress Report is \$21.136 million (compared to \$21.115 million).

Because the two calculations of the Participation Payment are so close, it is almost certain that the reason for the difference is that the 22.5% Target IRR is rounded to different decimals in the two models. Rounding to the same decimal should result in identical Participation Payment amounts. If, however, there is a more significant difference, the Agency and Developer will need to meet to reconcile these differences.

V. Agency Verification of Data Submitted by Developer

The Agency can spend as much time as it deems appropriate to check the data submitted in the Developer's Progress Reports. Once the Agency Participation Model has been run, the Agency could circulate the Model and the detailed data in the Developer's Progress Report to Agency and County staff familiar with the Project for review. This could include staff in Redevelopment, Planning, Building, Public Works, and Treasurer. If such a review takes place, the Developer should be asked to answer any questions subsequently raised by staff.

To assist in the Agency's review of the Developer's Progress Reports, the Agency is reminded of the following:

1. Project Cost Exclusions – For purposes of the Participation Payment calculation excludes certain costs as described in Section IA of this Manual. The Agency should verify that these exclusions are adhered to.

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2. Initial Land Acquisition Cost – As per the DDA, the Initial Land Acquisition Cost is \$1.5 million (but no less than \$1.4 million as described in footnote #1 of this Manual).
3. Subsidy for Affordable Apartments – It is projected that EGP will have to provide a subsidy to its Affordable Housing Partners (currently Mid-Peninsula Housing, CHISPA, and ArtSpace) in the construction of the Affordable Apartments, which subsidy will be a Project Cost to EGP. If necessary, the Agency can ask to review pro formas from EGP's Affordable Housing Partners and/or contracts between EGP and those Affordable Housing Partners to verify the subsidy amounts and timing (as shown on Appendix 1 Exhibit A, Cost Code 2375).
4. County Facilities – Per the DDA, EGP will contribute a total of \$3.5 million (escalated for inflation) toward County Public Facilities such as the new fire station and library. This \$3.5 million as escalated for inflation, is a fixed cost (Cost Code 2367).
5. Town Center Subsidy – Subsequent to the DDA, EGP has agreed to provide Woodman with a subsidy to build the Town Center retail buildings (including 40 condominiums above the retail). The agreed subsidy is a fixed cost of \$1.9 million to be paid in three equal installments (Cost Code 2325).
6. CFD Bond Proceeds – It is estimated that a total of \$20 million in net CFD bond proceeds will be raised for the Project. The County Treasurer-Tax Collector should be familiar with the amount and timing of the CFD bonds issued for the Project.
7. Agency Tax Increment – Per the DDA, the Agency will contribute a total of \$9.5 million in Tax Increment to the Project (escalated for inflation). The Redevelopment Agency can verify the amount and timing of these payments.

VI. Agency's Right to Audit

Clearly, the process described in this Manual for running the Agency Participation Model is dependent upon reliable data reported by the Developer for both Project Revenues

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and Project Costs. It is important for the Agency to note in this regard that pursuant to Section 605 of the DDA the Agency has the right to inspect the books and records of the Developer pertaining to the Site or any Phase or portion thereof as pertinent to the purposes of the DDA. Therefore, if upon review of the Developer's Progress Reports the Agency has questions about either the amount or timing of Project Revenues or Project Costs, the Agency has the right to verify that data with the Developer's own records.

APPENDIX 1

MATERIALS SUBMITTED BY EGP

- | | |
|-----------|--|
| Exhibit A | Sample of Project Costs for final progress report
(Full Project Buildout) |
| Exhibit B | Sample of Residential Marketing Consultant Report |
| Exhibit C | Sample of Residual Lot Values – Phase 1,
Community 1 |
| Exhibit D | Sample of Profit Participation
Calculation for Final Progress Report
(Full Project Buildout) |

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1, EXHIBIT A.
Project Costs
East Garrison

SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT

Code	Description	Grand Total	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Annual Total	Jan-04	Feb-04
2205	Planning/Architect																
2210	Landscape Architect																
2215	Civil Engineering Office																
2220	Civil Engineering Field																
2225	Soils & Geology																
2230	Utility (County Processing Fees)																
2235	Legal Fees																
2240	Other Consultants																
2245	Blueprints																
2250	Economic Consultant																
2255	Public Ref/Mar/col																
2270	Environmental Consultants																
	Subtotal Consultants																
2305	Bonds																
2310	Permits & Fees																
2315	Inspection Fees																
2320	Community Services (CSD formation)																
2325	County Facilities (Town Center subsidy)																
2345	DRE Fees (School Fees)																
2355	Insurance (General Liability)																
2360	Historic District																
2365	Other Fees (County Processing Fees)																
2367	Public Facilities																
2370	Special Assessment Fees (T.I. Loan)	XXXXXXXXXX NOT AN ELIGIBLE PROJECT COST XXXXXXXXXX															
2375	Affordable Housing Subsidy																
2380	FORA Loan Interest																
2385	HOA Fees (CFD Debt Service)																
2390	FORA P/L Insurance																
	Subtotal Development Fees																
2411	Clearing Demo & Relocation																
2412	Grading																
2413	Gravel Export																
2421	Fences/Walls - Retaining																
2422	Fences/Walls - Masonry																
2431	Sanitary Sewer																
2432	Sewer Force Main																
2434	Sewer Refundable Deposits																
2440	Storm Drain System																
2442	Storm Drain Force Main																
2480	Domestic Water System																
2483	Recycled Water																
2486	Domestic Water Return																
2471	Cuts & Gutters																
2472	Sidewalks & Approaches																
2480	Street Improvements																
2491	Stitching																
2492	Street Signs & Protective Dev.																
2501	FORA Fee																
2501e	FORA Reimbursement (CAP)																
2502	Reimbursements - Others																
2502e	FORA Reimbursement (Demo)																
2503	Traffic Signals																
2511	Utility Trenching																
2512	Street Lights & Traffic																
2521	PG&E Refundable Deposits																
2532	Landscape																
2533	Landscape Maintenance																
2538	Environmental Field (mitigation leasing)																
2550	Paint & Patch																
2560	Erosion & Dust Control																
2561	Lime Treatment																
2576	Operational expenses																
2578	Bridge Construction																
2579	Skurry Seal																
2579	Prudent Woodman Reimbursement																
2580	Contingency	XXXXXXXXXX NOT AN ELIGIBLE PROJECT COST XXXXXXXXXX															
	Subtotal Land Improvements																
2605	Bus Stops																
2625	Intersection Improvements																
2626	Path Lighting																
2630	Entry Monuments Major																
2632	Dry Utilities																
2641	Tennis Courts																
	Subtotal Amenities																
2712	Indirect Supervision																
2715	Offsite Assistant																
2718	Auto & Truck Expense																
2722	Field Temporary Utilities																
2724	Telephone																
2728	Construction Water																
2732	Field Office Expense																
2734	Sanitation Facilities																
2738	Equipment Rentals																
2738	Fences/Walls-Temp Enclosures																
2740	Misc. Expenses																
2742	Cleanup/Graveling																
2744	Guard & Patrol Service																
2747	Vandalism																
	Subtotal Infra Indirects																
	Subtotal																
0555	Woodman Management Fee																
0651	EGP Management Fee																
	Sales & Marketing																
	Land Cost																
	Property Taxes																
	Selling Expenses																
	Grand Total	\$158,000,000	30	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$4,400,000	\$290,000	\$290,000

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1, EXHIBIT A,
Project Costs
East Garrison

SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT

Cost Code	Description	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Annual Total	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
2205	Planning/Architect																	
2210	Landscape Architect																	
2215	Civil Engineering Office																	
2220	Civil Engineering Field																	
2225	Soils & Geology																	
2230	Utility (County Processing Fees)																	
2235	Legal Fees																	
2240	Other Consultants																	
2245	Blueprints																	
2250	Economic Consultant																	
2255	Public Ref/Market																	
2270	Environmental Consultants																	
	Subtotal Consultants																	
2305	Bonds																	
2310	Permits & Fees																	
2315	Inspection Fees																	
2320	Community Services (CSD formation)																	
2325	County Facilities (Town Center subsidy)																	
2345	DRE Fees (School Fees)																	
2355	Insurance (General Liability)																	
2360	Historic District																	
2365	Other Fees (County Processing Fees)																	
2367	Public Facilities																	
2370	Special Assessment Fees (T.I. Loan)																	
2375	Affordable Housing Subsidy																	
2380	FORA Loan Interest																	
2385	HCA Fees (CFD Debt Service)																	
2390	FORA P.L.L. Insurance																	
	Subtotal Development Fees																	
2411	Clearing Demo & Relocation																	
2412	Rough Grading																	
2413	Dirt Export																	
2421	Fences/Walls - Retaining																	
2422	Fences/Walls - Masonry																	
2431	Sanitary Sewer																	
2432	Sewer Force Main																	
2434	Sewer Refundable Deposits																	
2440	Storm Drain System																	
2442	Storm Drain Force Main																	
2450	Domestic Water System																	
2453	Recycled Water																	
2456	Domestic Water Retank																	
2471	Curb & Gutters																	
2472	Sidewalks & Approaches																	
2480	Street Improvements																	
2491	Striping																	
2492	Street Signs & Protective Dev.																	
2501	FORA Fee																	
2501a	FORA Reimbursement (C/P)																	
2502	Reimbursements - Others																	
2502a	FORA Reimbursement (Demo)																	
2503	Traffic Signals																	
2511	Utility Trenching																	
2512	Street Lights & Traffic																	
2521	PG&E Refundable Deposits																	
2532	Landscape																	
2533	Landscape Maintenance																	
2536	Environmental Field (mitigation fencing)																	
2550	Paint & Patch																	
2550	Erosion & Dust Control																	
2561	Line Treatment																	
2575	Operational expenses																	
2578	Bridge Construction																	
2579	Slurry Seal																	
2579	PrsAgmt Woodman Reimbursement																	
2580	Contingency																	
	Subtotal Land Improvements																	
2605	Bus Stops																	
2625	Intersection Improvements																	
2626	Path Lighting																	
2630	Entry Monuments Major																	
2632	Dry Utilities																	
2641	Tennis Courts																	
	Subtotal Amenities																	
2712	Indirect Supervision																	
2715	Office Assistant																	
2718	Auto & Truck Expense																	
2722	Field Temporary Utilities																	
2724	Telephone																	
2728	Construction Water																	
2732	Field Office Expenses																	
2734	Sanitation Facilities																	
2735	Equipment Rentals																	
2736	Fences/Walls-Temp Enclosures																	
2740	Misc. Expenses																	
2742	Cleanup/Sweeping																	
2744	Guard & Patrol Service																	
2747	Vandalism																	
	Subtotal Infra Indirects																	
	Subtotal																	
6555	Woodman Management Fee																	
6551	EQP Management Fee																	
	Sales & Marketing																	
	Land Cost																	
	Property Taxes																	
	Selling Expenses																	
	Grand Total	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$3,480,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1, EXHIBIT A.
Project Costs
East Garrison

SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT

Cost		Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Annual Total	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06
Code	Description															
2205	Planning/Architect															
2210	Landscape Architect															
2215	Civil Engineering Office															
2220	Civil Engineering Field															
2225	Soils & Geology															
2230	Utility (County Processing Fees)															
2235	Legal Fees															
2240	Other Consultants															
2245	Blueprints															
2250	Economic Consultant															
2255	Public Ref/Market															
2270	Environmental Consultants															
	Subtotal Consultants															
2305	Bonds															
2310	Permits & Fees															
2315	Inspection Fees															
2320	Community Services (CSD formation)															
2325	County Facilities (Town Center Subsidy)															
2345	ORE Fees (School Fees)															
2355	Insurance (General Liability)															
2360	Historic District															
2365	Other Fees (County Processing Fees)															
2370	Public Facilities															
2375	Special Assessment Fees (T.I. Loan)															
2380	Affordable Housing Subsidy															
2390	FORA Loan Interest															
2395	HQA Fees (CFD Debt Service)															
2399	FORA P.L.I. Insurance															
	Subtotal Development Fees															
2411	Clearing Demo & Relocation															
2412	Rough Grading															
2413	Dirt Export															
2421	Fences/Walls - Retaining															
2422	Fences/Walls - Masonry															
2431	Sanitary Sewer															
2432	Sewer Force Main															
2434	Sewer Refundable Deposits															
2440	Storm Drain System															
2442	Storm Drain Force Main															
2460	Domestic Water System															
2463	Recycled Water															
2466	Domestic Water Retard															
2471	Curb & Gutters															
2472	Sidewalks & Approaches															
2480	Street Improvements															
2491	Striping															
2492	Street Signs & Protective Dev.															
2501	FORA Fee															
2501a	FORA Reimbursement (CIP)															
2502	Reimbursements - Others															
2502a	FORA Reimbursement (Demo)															
2503	Traffic Signals															
2511	Utility Trenching															
2512	Street Lights & Traffic															
2521	PG&E Refundable Deposits															
2532	Landscape															
2533	Landscape Maintenance															
2536	Environmental Field (mitigation fencing)															
2550	Paint & Patch															
2580	Erosion & Dist Control															
2581	Limn Treatment															
2575	Operational expenses															
2576	Bridge Construction															
2579	Slurry Seal															
2579	PreAgmt Woodman Reimbursement															
2580	Contingency															
	Subtotal Land Improvements															
2605	Bus Stops															
2625	Intersection Improvements															
2628	Path Lighting															
2630	Entry Monuments Major															
2632	Dry Utilities															
2641	Tennis Courts															
	Subtotal Amenities															
2712	Indirect Supervision															
2715	Office Assistant															
2718	Auto & Truck Expenses															
2722	Field Temporary Utilities															
2724	Telephone															
2726	Construction Water															
2732	Field Office Expenses															
2734	Sanitation Facilities															
2736	Equipment Rentals															
2736	Fences/Walls-Temp Enclosures															
2740	Misc. Expenses															
2742	Cleanup/Sweeping															
2744	Guard & Patrol Service															
2747	Vandalism															
	Subtotal Infra Indirects															
	Subtotal															
6555	Woodman Management Fee															
6561	EGP Management Fee															
	Sales & Marketing															
	Land Cost															
	Property Taxes															
	Selling Expenses															
	Grand Total	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$3,400,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1, EXHIBIT A.
Project Costs
East Garrison

SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT

Cost Code	Description	Sep-06	Oct-06	Nov-06	Dec-06	Annual Total	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07
2205	Planning/Architect														
2210	Landscape Architect														
2215	Civil Engineering Office														
2220	Civil Engineering Field														
2225	Soils & Geology														
2230	Utility (County Processing Fees)														
2235	Legal Fees														
2240	Other Consultants														
2245	Blueprints														
2250	Economic Consultant														
2255	Public Ref/Market														
2270	Environmental Consultants														
	Subtotal Consultants														
2305	Bonds														
2310	Permits & Fees														
2315	Inspection Fees														
2320	Community Services (CSD formation)														
2325	County Facilities (Town Center subsidy)														
2345	DRE Fees (School Fees)														
2356	Insurance (General Liability)														
2360	Historic District														
2365	Other Fees (County Processing Fees)														
2367	Public Facilities														
2370	Special Assessment Fees (T.I. Loan)														
2375	Affordable Housing Subsidy														
2380	FORA Loan Interest														
2385	HOA Fees (CFD Debt Service)														
2390	FORA PLL Insurance														
	Subtotal Development Fees														
2411	Clearing Demo & Relocation														
2412	Rough Grading														
2413	Dirt Export														
2421	Fences/Walls - Retaining														
2422	Fences/Walls - Masonry														
2431	Sanitary Sewer														
2432	Sewer Force Main														
2434	Sewer Refundable Deposits														
2440	Storm Drain System														
2442	Storm Drain Force Main														
2460	Domestic Water System														
2463	Recycled Water														
2466	Domestic Water Refund														
2471	Curbs & Gutters														
2472	Sidewalks & Approaches														
2480	Street Improvements														
2491	Striping														
2492	Street Signs & Protective Dev.														
2501	FORA Fee														
2501a	FORA Reimbursement (CIP)														
2502	Reimbursements - Others														
2502a	FORA Reimbursement (Demo)														
2503	Traffic Signals														
2511	Utility Trenching														
2512	Street Lights & Traffic														
2521	PG&E Refundable Deposits														
2530	Landscape														
2533	Landscape Maintenance														
2536	Environmental Field (mitigation fencing)														
2560	Paint & Patch														
2560	Erosion & Dest Control														
2561	Limbs Treatment														
2575	Operational Expenses														
2576	Bridge Construction														
2579	Slurry Seal														
2579	ProAgent Woodman Reimbursement														
2580	Contingency														
	Subtotal Land Improvements														
2606	Bus Stops														
2625	Intersection Improvements														
2626	Path Lighting														
2630	Entry Monuments Major														
2632	Dry Utilities														
2641	Tennis Courts														
	Subtotal Amenities														
2712	Indirect Supervision														
2715	Offsite Assistant														
2718	Auto & Truck Expense														
2722	Field Temporary Utilities														
2724	Telephone														
2728	Construction Water														
2732	Field Office Expense														
2734	Sanitation Facilities														
2736	Equipment Rentals														
2738	Fences/Walls-Temp Enclosures														
2740	Misc. Expenses														
2742	Cleaning/Sweeping														
2744	Guard & Patrol Service														
2747	Vandalism														
	Subtotal Infra Indirects														
	Subtotal														
6555	Woodman Management Fee														
6551	EGP Management Fee														
	Sales & Marketing														
	Land Cost														
	Property Taxes														
	Selling Expenses														
	Grand Total	\$840,000	\$840,000	\$840,000	\$840,000	\$10,080,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1, EXHIBIT A.
Project Costs
East Garrison

SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT

Cost Code	Description	Oct-07	Nov-07	Dec-07	Annual Total	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08
2205	Planning/Architect														
2210	Landscape Architect														
2215	Civil Engineering Office														
2220	Civil Engineering Field														
2225	Soils & Geology														
2230	Utility (County Processing Fees)														
2235	Legal Fees														
2240	Other Consultants														
2245	Blueprints														
2250	Economic Consultant														
2255	Public Realm/Market														
2270	Environmental Consultants														
	Subtotal Consultants														
2305	Bonds														
2310	Permits & Fees														
2315	Inspection Fees														
2320	Community Services (CSD formation)														
2325	County Facilities (Town Center subsidy)														
2345	DPE Fees (School Fees)														
2355	Insurance (General Liability)														
2360	Historic District														
2365	Other Fees (County Processing Fees)														
2367	Public Facilities														
2370	Special Assessment Fees (T.I. Loan)														
2375	Affordable Housing Subsidy														
2380	FORA Loan Interest														
2385	HOA Fees (CFO Debt Service)														
2390	FORA PLL Insurance														
	Subtotal Development Fees														
2411	Clearing Demo & Relocation														
2412	Rough Grading														
2413	Dirt Export														
2421	Fences/Walls - Retaining														
2422	Fences/Walls - Masonry														
2431	Sanitary Sewer														
2432	Sewer Force Main														
2434	Sewer Refundable Deposits														
2440	Storm Drain System														
2442	Storm Drain Force Main														
2460	Domestic Water System														
2463	Recycled Water														
2466	Domestic Water Refund														
2471	Curb & Gutters														
2472	Sidewalks & Approaches														
2480	Street Improvements														
2491	Striping														
2492	Street Signs & Protective Dev.														
2501	FORA Fee														
2501e	FORA Reimbursement (CIP)														
2502	Reimbursements - Others														
2502e	FORA Reimbursement (Demo)														
2503	Traffic Signals														
2511	Utility Trenching														
2512	Street Lights & Traffic														
2521	P&E Refundable Deposits														
2532	Landscape														
2533	Landscape Maintenance														
2536	Environmental Field (mitigation fencing)														
2550	Paint & Patch														
2560	Erosion & Dust Control														
2561	Line Treatment														
2575	Operational expenses														
2578	Bridge Construction														
2579	Slurry Seal														
2579	PreAgmt Woodman Reimbursement														
2580	Contingency														
	Subtotal Land Improvements														
2605	Bus Stops														
2625	Intersection Improvements														
2625	Path Lighting														
2630	Entry Monuments Major														
2632	Dry Utilities														
2641	Tennis Courts														
	Subtotal Amenities														
2712	Indirect Supervision														
2715	Office Assistant														
2718	Auto & Truck Expense														
2722	Field Temporary Utilities														
2724	Telephone														
2728	Construction Water														
2732	Field Office Expense														
2734	Sanitation Facilities														
2736	Equipment Rentals														
2738	Fences/Walls-Temp Enclosures														
2740	Misc. Expenses														
2742	Cleanup/Sweeping														
2744	Guard & Patrol Service														
2747	Vandalism														
	Subtotal Infra Indirects														
	Subtotal														
6505	Woodman Management Fee														
6551	EQP Management Fee														
	Sales & Marketing														
	Land Cost														
	Property Taxes														
	Selling Expenses														
	Grand Total	\$3,000,000	\$3,000,000	\$3,000,000	\$30,000,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1. EXHIBIT A.

SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT

Project Costs
East Garrison

Cost Code	Description	Nov-08	Dec-08	Annual Total	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
2205	Planning/Architect														
2210	Landscape Architect														
2216	Civil Engineering Office														
2220	Civil Engineering Field														
2225	Soils & Geology														
2230	Utility (County Processing Fees)														
2235	Legal Fees														
2240	Other Consultants														
2245	Blueprints														
2250	Economic Consultant														
2255	Public Ref/Market														
2270	Environmental Consultants														
	Subtotal Consultants														
2305	Bonds														
2310	Permits & Fees														
2315	Inspection Fees														
2320	Community Services (CSD formation)														
2325	County Facilities (Town Center subsidy)														
2345	DRC Fees (School Fees)														
2355	Insurance (General Liability)														
2360	Historic District														
2365	Other Fees (County Processing Fees)														
2367	Public Facilities														
2370	Special Assessment Fees (T.L. Loan)														
2375	Affordable Housing Subsidy														
2380	FORA Loan Interest														
2385	HOA Fees (CFD Debt Service)														
2390	FORA P.L.I. Insurance														
	Subtotal Development Fees														
2411	Clearing Demo & Relocation														
2412	Rough Grading														
2413	Dirt Export														
2421	Fences/Walls - Retaining														
2422	Fences/Walls - Masonry														
2431	Sanitary Sewer														
2432	Sewer Force Main														
2434	Sewer Refundable Deposits														
2440	Storm Drain System														
2442	Storm Drain Force Main														
2460	Domestic Water System														
2463	Recycled Water														
2468	Domestic Water Refund														
2471	Curbs & Gutters														
2472	Sidewalks & Approaches														
2480	Street Improvements														
2481	Striping														
2482	Street Signs & Protective Dev.														
2501	FORA Fee														
2501e	FORA Reimbursement (CIP)														
2502	Reimbursements - Others														
2502e	FORA Reimbursement (Demo)														
2503	Traffic Signals														
2511	Utility Trenching														
2512	Street Lights & Traffic														
2621	PG&E Refundable Deposits														
2532	Landscape														
2533	Landscape Maintenance														
2536	Environmental Field (mitigation fencing)														
2690	Paint & Patch														
2690	Erosion & Dust Control														
2561	Lime Treatment														
2575	Operational expenses														
2578	Bridge Construction														
2579	Slurry Seal														
2579	PreAgmt Woodman Reimbursement														
2580	Contingency														
	Subtotal Land Improvements														
2605	Bus Stops														
2625	Intersection Improvements														
2626	Park Lighting														
2630	Entry Monuments Major														
2632	Dry Utilities														
2641	Tennis Courts														
	Subtotal Amenities														
2712	Indirect Supervision														
2715	Office Assistant														
2718	Auto & Truck Expenses														
2722	Field Temporary Utilities														
2724	Telephone														
2726	Construction Water														
2732	Field Office Expenses														
2734	Sanitation Facilities														
2736	Equipment Rentals														
2738	Fences/Walls-Temp Enclosures														
2740	Misc. Expenses														
2742	Cleanup/Sweeping														
2744	Guard & Patrol Service														
2747	Vandalism														
	Subtotal Infra Indirects														
	Subtotal														
6555	Woodmen Management Fee														
6551	EGP Management Fee														
	Sales & Marketing														
	Land Cost														
	Property Taxes														
	Selling Expenses														
	Grand Total	\$1,200,000	\$1,200,000	\$28,400,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1. EXHIBIT A.

Project Costs
East Garrison

SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT

Cost Code	Description	Dec-08	Annual Total	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
2206	Planning/Architect														
2210	Landscape Architect														
2215	Civil Engineering Office														
2220	Civil Engineering Field														
2225	Soils & Geology														
2230	Utility (County Processing Fees)														
2235	Legal Fees														
2240	Other Consultants														
2245	Blueprints														
2250	Economic Consultant														
2255	Public Rel/Market														
2270	Environmental Consultants														
	Subtotal Consultants														
2305	Bonds														
2310	Permits & Fees														
2315	Inspection Fees														
2320	Community Services (CSD formation)														
2325	County Facilities (Town Center subsidy)														
2345	DRE Fees (School Fees)														
2355	Insurance (General Liability)														
2360	Historic District														
2365	Other Fees (County Processing Fees)														
2367	Public Facilities														
2370	Special Assessment Fees (T.I. Loan)														
2375	Affordable Housing Subsidy														
2380	FORA Loan Interest														
2385	NOA Fees (CFD Debt Service)														
2390	FORA PLL Insurance														
	Subtotal Development Fees														
2411	Clearing Demo & Relocation														
2412	Rough Grading														
2413	Dirt Export														
2421	Fences/Walls - Retaining														
2422	Fences/Walls - Masonry														
2431	Sanitary Sewer														
2432	Sewer Force Main														
2434	Sewer Refundable Deposits														
2440	Storm Drain System														
2442	Storm Drain Force Main														
2450	Domestic Water System														
2453	Recycled Water														
2455	Domestic Water Refund														
2471	Curb & Gutters														
2472	Shoulders & Approaches														
2480	Street Improvements														
2491	Striping														
2492	Street Signs & Protective Dev.														
2501	FORA Fee														
2501a	FORA Reimbursement (CIF)														
2502	Reimbursements - Others														
2502a	FORA Reimbursement (Demo)														
2503	Traffic Signals														
2511	Utility Trenching														
2512	Street Lights & Traffic														
2521	PG&E Refundable Deposits														
2532	Landscape														
2533	Landscape Maintenance														
2536	Environmental Field (mitigation fencing)														
2550	Paint & Poles														
2560	Erosion & Dust Control														
2561	Limbs Treatment														
2575	Operational expenses														
2578	Bridge Construction														
2579	Slurry Seal														
2579	PreAgmt Woodman Reimbursement														
2580	Contingency														
	Subtotal Local Improvements														
2605	Bus Stops														
2626	Intersection Improvements														
2626	Path Lighting														
2630	Entry Monuments Major														
2632	Dry Utilities														
2641	Tennis Courts														
	Subtotal Amenities														
2712	Indirect Supervision														
2715	Office Assistant														
2718	Auto & Truck Expense														
2722	Field Temporary Utilities														
2724	Telephone														
2728	Construction Water														
2732	Field Office Expense														
2734	Sanitation Facilities														
2736	Equipment Rentals														
2736	Fences/Walls-Temp Enclosures														
2740	Misc. Expenses														
2742	Cleanup/Sweeping														
2744	Guard & Patrol Service														
2747	Vandalism														
	Subtotal Infra Indirects														
	Subtotal														
8555	Woodman Management Fee														
9561	EGP Management Fee														
	Sales & Marketing														
	Land Cost														
	Property Taxes														
	Selling Expenses														
	Grand Total	\$2,800,000	\$31,200,000	\$1,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1, EXHIBIT A.

SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT

Project Costs
East Garrison

Cost Code	Description	Annual Total	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Annual Total	Jan-12	Feb-12
2206	Planning/Architect																
2210	Landscape Architect																
2215	Civil Engineering Office																
2220	Civil Engineering Field																
2225	Soils & Geology																
2230	Utility (County Processing Fees)																
2235	Legal Fees																
2240	Other Consultants																
2245	Blueprints																
2250	Economic Consultant																
2255	Public Ref/Market																
2270	Environmental Consultants																
	Subtotal Consultants																
2305	Bonds																
2310	Permits & Fees																
2315	Inspection Fees																
2320	Community Services (OSD formation)																
2325	County Facilities (Town Center subsidy)																
2345	DRE Fees (School Fees)																
2355	Insurance (General Liability)																
2360	Historic District																
2365	Other Fees (County Processing Fees)																
2367	Public Facilities																
2370	Special Assessment Fees (T.I. Loan)																
2375	Affordable Housing Subsidy																
2380	FORA Loan Interest																
2385	HOA Fees (CFO Debt Service)																
2390	FORA PLL Insurance																
	Subtotal Development Fees																
2411	Clearing Demo & Reclamation																
2412	Rough Grading																
2413	Dirt Export																
2421	Fences/Walls - Retaining																
2422	Fences/Walls - Masonry																
2431	Rearranging Sewer																
2432	Sewer Force Main																
2434	Sewer Refundable Deposits																
2440	Storm Drain System																
2442	Storm Drain Force Main																
2460	Domestic Water System																
2463	Recycled Water																
2466	Domestic Water Retard																
2471	Curbs & Gutters																
2472	Sidewalks & Approaches																
2480	Street Improvements																
2491	Striping																
2492	Street Signs & Protective Dev.																
2501	FORA Fee																
2501a	FORA Reimbursement (CIP)																
2502	Reimbursements - Others																
2502a	FORA Reimbursement (Demo)																
2503	Traffic Signals																
2511	Utility Trenching																
2512	Street Lights & Traffic																
2521	PG&E Refundable Deposits																
2532	Landscape																
2533	Landscape Maintenance																
2536	Environmental Field (mitigation landscaping)																
2550	Point & Patch																
2550	Erosion & Dist Control																
2561	Lime Treatment																
2573	Operational expenses																
2578	Bridge Construction																
2579	Slurry Seal																
2578	PreAgnd Woodman Reimbursement																
2580	Contingency																
	Subtotal Land Improvements																
2605	Bus Stops																
2625	Intersection Improvements																
2626	Path Lighting																
2630	Entry Monuments Major																
2632	Dry Utilities																
2641	Tennis Courts																
	Subtotal Amenities																
2712	Indirect Supervision																
2715	Offsite Assistant																
2718	Auto & Truck Expense																
2722	Field Temporary Utilities																
2724	Telephone																
2726	Construction Water																
2732	Field Office Expense																
2734	Sanitation Facilities																
2736	Equipment Rentals																
2738	Fences/Walls-Temp Enclosures																
2740	Misc. Expenses																
2742	Cleanup/Sweeping																
2744	Guard & Patrol Service																
2747	Vandalism																
	Subtotal Infra Indirects																
	Subtotal																
6556	Woodman Management Fee																
6551	EGP Management Fee																
	Sales & Marketing																
	Land Cost																
	Property Taxes																
	Selling Expenses																
	Grand Total	\$25,208,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$470,000	\$5,640,000	\$58,000	\$58,000

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 1, EXHIBIT A, SAMPLE ONLY - ALL LINE ITEMS ARE TO BE COMPLETED IN ACTUAL REPORT
Project Costs
East Garrison

Cost Code	Description	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Annual Total	Grand Total
2205	Planning/Architect												
2210	Landscape Architect												
2215	Civil Engineering Office												
2220	Civil Engineering Field												
2225	Soils & Geology												
2230	Utility (County Processing Fees)												
2235	Legal Fees												
2240	Other Consultants												
2245	Blueprints												
2250	Economic Consultant												
2255	Public Re/Market												
2270	Environmental Consultants												
	Subtotal Consultants												
2305	Bonds												
2310	Permits & Fees												
2315	Inspection Fees												
2320	Community Services (CSD formation)												
2325	County Facilities (Town Center subsidy)												
2345	DRE Fees (School Fees)												
2350	Insurance (General Liability)												
2380	Historic District												
2385	Other Fees (County Processing Fees)												
2395	Public Facilities												
2370	Special Assessment Fees (T.L. Loan)												
2375	Affordable Housing Subsidy												
2380	FORA Loan Interest												
2385	HOA Fees (CFO Debt Service)												
2390	FORA P.L. Insurance												
	Subtotal Development Fees												
2411	Clearing Demo & Relocation												
2412	Rough Grading												
2413	Dirt Export												
2421	Fences/Walls - Retaining												
2422	Fences/Walls - Masonry												
2431	Sanitary Sewer												
2432	Sewer Force Main												
2434	Sewer Refundable Deposits												
2440	Storm Drain System												
2442	Storm Drain Force Main												
2460	Domestic Water System												
2463	Recycled Water												
2466	Domestic Water Refund												
2471	Curb & Gutters												
2472	Sidewalks & Approaches												
2480	Street Improvements												
2491	Striping												
2492	Street Signs & Protective Dev.												
2501	FORA Fee												
2501a	FORA Reimbursement (GIP)												
2502	Reimbursements - Others												
2502a	FORA Reimbursement (Demo)												
2503	Traffic Signals												
2511	Utility Trenching												
2512	Street Lights & Traffic												
2521	PG&E Refundable Deposits												
2532	Landscape												
2533	Landscape Maintenance												
2536	Environmental Field (irrigation fencing)												
2550	Point & Patch												
2550	Erosion & Silt Control												
2561	Line Treatment												
2575	Operational expenses												
2578	Bridge Construction												
2579	Slurry Seal												
2579	PreAgmt Woodman Reimbursement												
2580	Contingency												
	Subtotal Land Improvements												
2605	Bus Stops												
2626	Intersection Improvements												
2626	Path Lighting												
2630	Entry Monuments/Motor												
2632	City Utilities												
2641	Tennis Courts												
	Subtotal Amenities												
2712	Indirect Supervision												
2715	Office Assistant												
2718	Auto & Truck Expenses												
2722	Field Temporary Utilities												
2724	Telephone												
2728	Construction Water												
2732	Field Office Expense												
2734	Sanitation Facilities												
2736	Equipment Rentals												
2738	Fences/Walls-Temp Enclosures												
2740	Misc. Expenses												
2742	Cleanup/Sweeping												
2744	Guard & Patrol Services												
2747	Vandalism												
	Subtotal Infra Indirects												
	Subtotal												
6555	Woodman Management Fee												
6551	EGP Management Fee												
	Sales & Marketing												
	Lease Cost												
	Property Taxes												
	Selling Expenses												
	Grand Total	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$600,000	\$158,400,000

Appendix 1 Exhibit B

PRICING AND ABSORPTION ANALYSIS
East Garrison Property
Fort Ord, Monterey County; California

Prepared for:
East Garrison Partners
August 2006

hanley▲wood
Market Intelligence

5674 Stoneridge Drive, Ste. 208 Pleasanton Ca 94588
(925) 737-1110



Exhibit 1
PROPOSED DEVELOPMENT PROGRAM ~ AUGUST 2006
East Garrison Partners @ East Garrison, Fort Ord, Monterey County, California

- **Product/Location:** A total of approximately 1,200 single family detached and attached homes
Northeast section of Fort Ord, East of Marina, Monterey County

- **Target Market:** The majority of buyers will be commuters from the Monterey and San Jose area, and will be employed in Santa Clara County or other parts of Monterey County. Some empty nester/reitree move-down buyers will be attracted to the location and proposed plans. The subject property's attached units will attract an entry-level or first move-up buyer, while the small lot, single family product will attract move-up buyers.

• **HMMI Proposed Development Program:**

		<i>August 2006</i>					
	Plan	Mix	Units	Lvls/Parking	Unit Size	Base Price	Value Ratio
Town Center Mixed use Resid. 2-3 Story Condo 6.0/mo.	1	35%	14	1/2	650	\$375,000	\$576.92
	2	0%	0	1/2	800	\$419,000	\$523.75
	3	65%	26	1/2	881	\$438,000	\$497.16
	Total/Wtd. Ave:		40		800	\$415,950	\$519.84
Market Condos Condos 6.0/mo.	1	100%	10	2/2	1,350	\$540,000	\$400.00
	Total/Wtd. Ave:		10		1,350	\$540,000	\$400.00
Retail/Live Work 1,540 SF Lots (22' x 70') 6.0/mo.	1	31%	15	2/2	1,750	\$610,000	\$348.57
	2	31%	15	2/2	1,950	\$630,000	\$323.08
	3	39%	19	2/2	2,100	\$645,000	\$307.14
	Total/Wtd. Ave:		49		1,947	\$629,694	\$323.43
Market Townhome 1,540 SF Lots (22' x 70') 6.0/mo.	1	19%	20	2/2	1,600	\$600,000	\$375.00
	2	25%	26	2/2	1,750	\$615,000	\$351.43
	3	25%	26	2/2	1,900	\$630,000	\$331.58
	4	31%	32	2/2	2,000	\$640,000	\$320.00
	Total/Wtd. Ave:		104		1,836	\$623,558	\$339.71
Market Grove Lots 2,100 SF Lots (30' x 70') 5.0/mo.	1	30%	57	2/2	1,300	\$620,000	\$476.92
	2	35%	66	2/2	1,500	\$640,000	\$426.67
	3	35%	66	2/2	1,700	\$660,000	\$388.24
	Total/Wtd. Ave:		189		1,510	\$640,952	\$424.61
Garden Lots 2,450 SF Lots (35' x 70') 5.0/mo.	1	15%	30	2/2	1,500	\$650,000	\$433.33
	2	20%	40	2/2	1,600	\$660,000	\$412.50
	3	20%	40	2/2	1,750	\$675,000	\$385.71
	4	20%	40	2/2	1,900	\$690,000	\$363.16
	5	25%	51	2/2	2,000	\$700,000	\$350.00
	Total/Wtd. Ave:		201		1,776	\$677,612	\$381.51
Courtyard 4,550 SF Lots (65' x 70') 5.0/mo.	1	32%	16	2/2	1,800	\$720,000	\$400.00
	2	34%	17	2/2	2,000	\$740,000	\$370.00
	3	34%	17	2/2	2,200	\$760,000	\$345.45
	Total/Wtd. Ave:		50		2,004	\$740,400	\$369.46



Exhibit 1
PROPOSED DEVELOPMENT PROGRAM ~ AUGUST 2006
East Garrison Partners @ East Garrison, Fort Ord, Monterey County, California

• **HMMI Proposed Development Program:**

Bungalow Lots
4,000 SF Lots (40' x 100')
4.0/mo.

November 2005						
Plan	Mix	Units	Lvts/Parking	Unit Size	Base Price	Value Ratio
1	20%	35	2/2	2,100	\$760,000	\$361.90
2	20%	35	2/2	2,300	\$780,000	\$339.13
3	30%	53	2/2	2,500	\$800,000	\$320.00
4	30%	53	2/2	2,600	\$810,000	\$311.54
Total/Wtd. Ave:		176		2,411	\$791,080	\$328.14

Cottage Lots
5,000 SF Lots (50' x 100')
4.0/mo.

1	30%	42	2/2	2,500	\$815,000	\$326.00
2	30%	42	2/2	2,700	\$835,000	\$309.26
3	40%	56	2/2	2,900	\$855,000	\$294.83
Total/Wtd. Ave:		140		2,720	\$837,000	\$307.72

Bluff Lots
5,000 SF Lots (50' x 100')
4.0/mo.

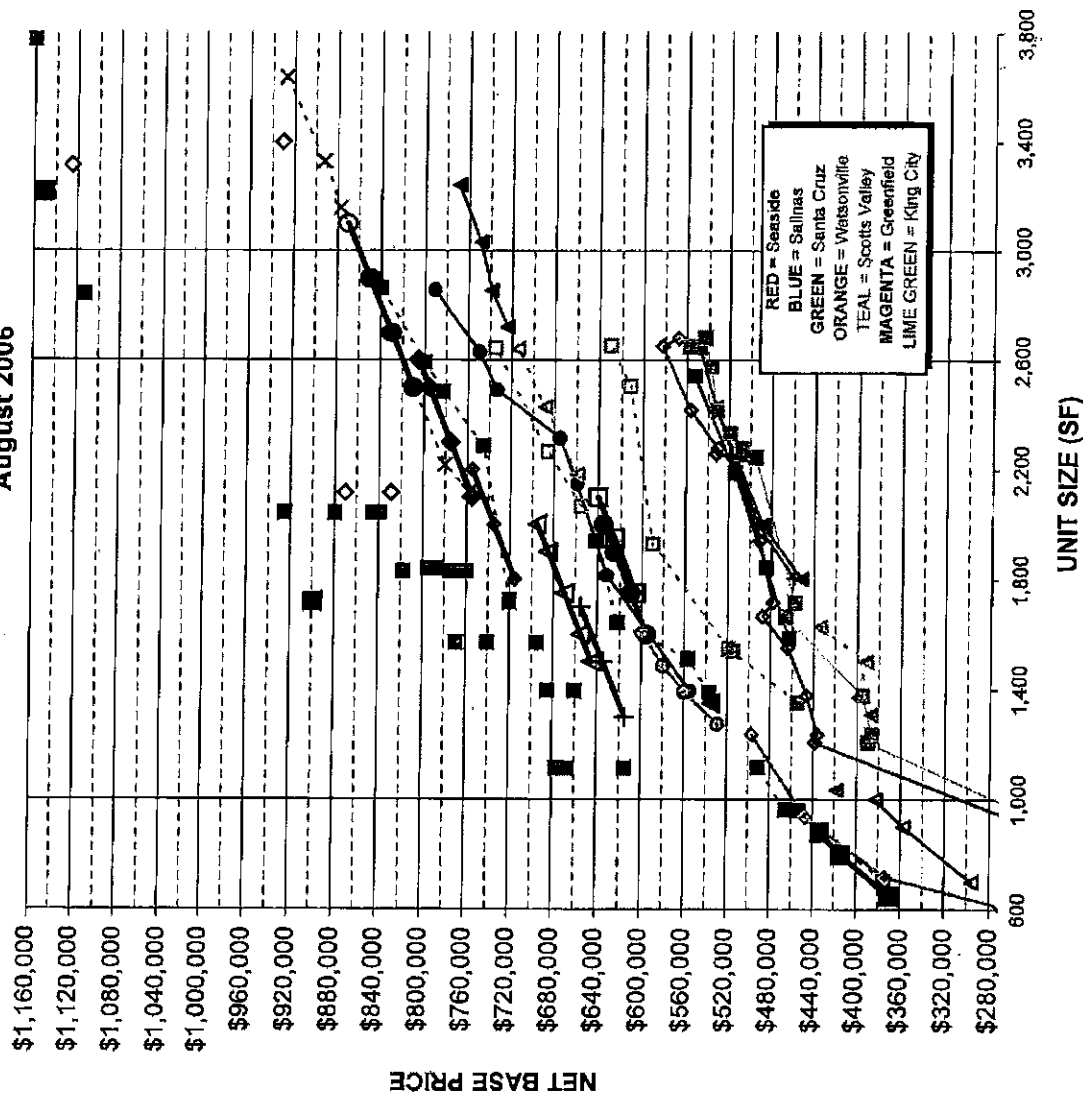
1	43%	9	2/2	2,900	\$855,000	\$294.83
2	57%	12	2/2	3,100	\$875,000	\$282.26
Total/Wtd. Ave:		21		3,014	\$866,429	\$287.44

- **Incentives:** Approximately two-thirds of the competitive projects are currently offering incentives that are contingent upon the use of the builder's preferred lender. Typical incentives range up to \$5,000, and average about \$2,000. Incentives in the competitive market area should be re-evaluated at the time the subject property opens. Any additional incentives used should be added to the recommended prices above to achieve published pricing.
- **Premiums:** Premiums are not included in the recommended prices above. Based on the competitive market area, premiums for cul-de-sac or corner lots/units may extend up to approximately 3% of the base price while oversized lots may achieve premiums up to approximately 5% of the base price. Valley views can achieve premiums up to 10% of the base home price.
- **Market Positioning:**

The Competitive Market Area for the subject property is composed of communities in Monterey County, including Seaside and Salinas, but given the lack of new home projects in this region, the market area was extended to Santa Cruz and parts of San Benito Counties. Locational characteristics of the property support its positioning towards the top portion of the competitive market, though below most resales in the subject property's best comparable Seaside Highlands and above new homes in much less desirable locations. Specifically, the subject property is positioned:

 - below appreciated values of KB Home's sold out Seaside Highlands homes, which are located in the former Hayes Housing section of Fort Ord. Seaside Highlands offered homes on larger lots than what is planned for the subject property, and is located in a neighborhood with superior proximity to the ocean and golf course. Although, Seaside is a less desirable city than the subject property's neighboring City of Marina. Since KB Home's last available base prices, the market has appreciated about 12%, which would position Seaside Highlands' homes on minimum 6,000 square foot lots about 10% higher than the recommended base positioning for the Cottage and Bluff neighborhoods.
 - above single family and attached communities in further inland locations such as Salinas, Watsonville, Greenfield, and at the bottom of Las Palmas recent resales, given the combination of the subject property's small lot size, and superior location with closer proximity to services (Las Palmas is located along the Highway between Salinas and Monterey) and proximity to the ocean.
 - below Marina single family resales over the last year, which are on average 304 years old. According to First American Real Estate Solutions (FARES) there were 112 recorded single family resales over the last year with an average value of \$699,281 for a 1,604 square foot home on an average 7,000 square foot lot. The subject property will offer new product features on smaller lots, but the additional fees associated with with subject property supports the subject property's positioning below the trend line for Marina resales.

Exhibit 2
NEW HOME MARKET POSITIONING
East Garrison Partners @ East Garrison, Fort Ord
August 2006



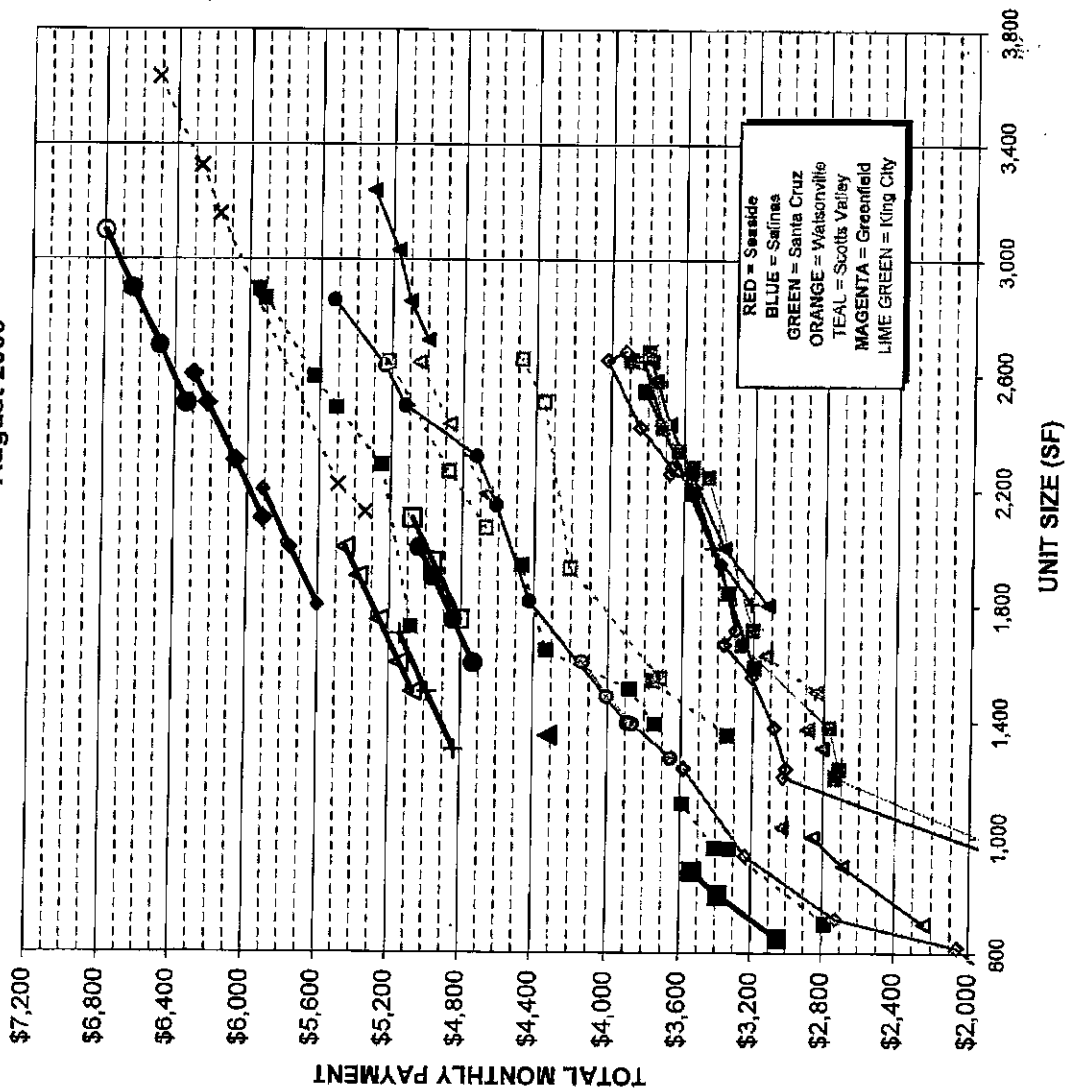
Town Center Mixed use Resid. (Condos) East Garrison 6.0/mo, 2-3 Story Condo, inc-\$5.0k
Market Condos (Condos) East Garrison 6.0/mo, Condos, inc-\$5.0k
Retail/Live Work (Mkt MF) East Garrison 6.0/mo, 1,540 SF Lots (21' x 70'), inc-\$5.0k
Market Townhome (Walk-up Townhome) East Garrison 5.0/mo, 2,100 SF Lots (30' x 70'), inc-\$5.0k
Market Grove Lots (Small Lot Single Family) East Garrison 5.0/mo, 1,540 SF Lots (21' x 70'), inc-\$5.0k
Garden Lots (Alley Loaded) East Garrison 5.0/mo, 2,450 SF Lots (35' x 70'), inc-\$5.0k
Courtyard (4 Pack Cluster) East Garrison 5.0/mo, 4,550 SF Lots (65' x 70'), inc-\$5.0k
Bungalow Lots (Alley Loaded) East Garrison 4.0/mo, 4,000 SF Lots (40' x 100'), inc-\$5.0k
Cottage Lots (Alley Loaded) East Garrison 4.0/mo, 5,000 SF Lots (50' x 100'), inc-\$5.0k
Bluff Lots (Alley Loaded) East Garrison 4.0/mo, 5,000 SF Lots (50' x 100'), inc-\$5.0k
Bluff (KCB Home) Seaside-Seaside Highlands SO 6.50/mo, Min. 6,000 SF Lots, inc-\$5.0k
Cove (KCB Home) Seaside-Seaside Highlands SO 9.48/mo, Min. 4,500 SF Lots, inc-\$2.5k
Monte Bella/Tucumcui Series (Valley Community Homes) Salinas-Monte Bella 12.54/mo, Min 4,000 SF Lots, inc-\$5.0k
Sorrento at Monte Bella (Standard Pacific Homes) Salinas 7.64/mo, Min 6,500 SF Lot, inc-None
Flor de Salinas (Watt Communities) Salinas 3.9/mo, Condominium Conversion, inc-\$2.4k
The Cottages (Arcadia Development) Salinas-Miramar SO 5.01/mo, Min 2,400 SF Lots, inc-\$3.0k
Baywood at North Shore (Sequoia Equities) Santa Cruz SO 7.06/mo, Condominium, inc-None
Parajo Vista (Claram Homes) Watsonville 7.78/mo, Min 3,000 SF Lots, inc-None
Vista Del Mar (Marinco Real Estate Group) Watsonville 8.20/mo, Condominium, inc-\$2.0k
Casitas at Seaview Ranch (Standard Pacific Homes) Watsonville-Seaview Ranch SO 4.06/mo, Townhouse, inc-None
Las Brisas Townhomes (Drake Homes) Watsonville SO 4.07/mo, Townhouse, inc-\$4.0k
Las Brisas (D.R. Horton) Watsonville SO 8.91/mo, Min 3,000 SF Lots, inc-\$5.0k
Escuderas at Seaview Ranch (Standard Pacific Homes) Watsonville-Seaview Ranch SO 6.16/mo, Min 4,000 SF Lots, inc-\$1.0k
Nino Homes at Terra Verde (Nino Homes) Greenfield 2.56/mo, Min 6,000 SF Lots, inc-\$2.0k
Seville (Standard Pacific Homes) Greenfield 7.53/mo, Min 5,000 SF Lots, inc-\$3.0k
St. Charles Place (Creekbridge Homes) Greenfield 7.28/mo, Min 2,800 SF Lots, inc-None
Las Manzanas (Standard Pacific Homes) Greenfield 3.83/mo, Min 7,000 SF Lots, inc-\$1.0k
Arbolita (Creekbridge Homes) King City-Arbor Cove 6.80/mo, Min 4,500 SF Lots, inc-None
10/04-10/05 Seaside Highlands Resales
Gabilan Gardens (Woodman Development) Soledad SO 7.95/mo, Min 3,400 SF Lots, inc-None
Diamond Ridge (Award Homes) Soledad SO 6.91/mo, Min 6,000 SF Lots, inc-None
8/05-8/06 Seaside Highlands Resales
Las Palmas Ranch Resales

SOURCE: Hanley Wood Market Intelligence

ci508v(East Garrison)Update.xls



Exhibit 3
MONTHLY PAYMENT COMPARISON
East Garrison Partners @ East Garrison, Fort Ord
August 2006



SOURCE: Hanley Wood Market Intelligence

cl508v(East Garrison)Update.xls

Exhibit 4
MONTHLY PAYMENT COMPARISON TABLE
East Garrison Partners @ East Garrison, Fort Ord, Monterey County, California
August 2006

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

Project Name/Builder Community/ Lot Size	Planned Released Sold/Rate	Type	Floors	Unit Size (Sq. Ft.)	Base Price	Incentives	Net Base Price	Price/ Sq. Ft.	10% Down Payment-1/	Loan Amount	Mortgage Payment	Base Tax Rate 2/	HOA Fee	Mello Rosa	Total Monthly Payment	Mo. Price/ Sq. Ft.
Town Center Mixed use Resid																
Condos	40	-	-	650	\$375,000	\$5,000	\$370,000	\$569.23	\$37,000	\$333,000	\$2,215	\$355	\$200	\$278	\$3,048	\$4.69
East Garrison	-	-	-	800	\$419,000	\$5,000	\$414,000	\$517.50	\$41,400	\$372,600	\$2,479	\$397	\$200	\$311	\$3,386	\$4.23
2-3 Story Condo	8.0/mo.	-	-	881	\$438,000	\$5,000	\$433,000	\$491.48	\$43,300	\$389,700	\$2,593	\$415	\$200	\$325	\$3,532	\$4.01
Market Condos																
Condos	10	-	-	1,350	\$540,000	\$5,000	\$535,000	\$396.30	\$53,500	\$481,500	\$3,203	\$513	\$200	\$401	\$4,317	\$3.20
East Garrison	-	-	-													
Condos	6.0/mo.	-	-													
Retail/Live Work																
Mkt MF	49	-	-	1,750	\$610,000	\$5,000	\$605,000	\$345.71	\$60,500	\$544,500	\$3,623	\$580	\$150	\$454	\$4,806	\$2.75
East Garrison	-	-	-	1,950	\$630,000	\$5,000	\$625,000	\$320.51	\$62,500	\$562,500	\$3,742	\$589	\$150	\$468	\$4,960	\$2.54
1,540 SF Lots (22' x 70')	6.0/mo.	-	-	2,100	\$645,000	\$5,000	\$640,000	\$304.76	\$64,000	\$576,000	\$3,832	\$613	\$150	\$480	\$5,075	\$2.42
Market Townhome																
Walk-up Townhome	104	-	-	1,600	\$600,000	\$5,000	\$595,000	\$371.88	\$59,500	\$535,500	\$3,563	\$570	\$150	\$446	\$4,729	\$2.96
East Garrison	-	-	-	1,750	\$615,000	\$5,000	\$610,000	\$348.57	\$61,000	\$549,000	\$3,653	\$585	\$150	\$458	\$4,845	\$2.77
1,540 SF Lots (22' x 70')	6.0/mo.	-	-	1,900	\$630,000	\$5,000	\$625,000	\$328.95	\$62,500	\$562,500	\$3,742	\$599	\$150	\$469	\$4,960	\$2.61
Market Grove Lots																
Small Lot Single Family	189	-	-	1,300	\$620,000	\$5,000	\$615,000	\$473.08	\$61,500	\$553,500	\$3,682	\$589	\$100	\$461	\$4,833	\$3.72
East Garrison	-	-	-	1,500	\$640,000	\$5,000	\$635,000	\$423.33	\$63,500	\$571,500	\$3,802	\$609	\$100	\$476	\$4,987	\$3.32
2,100 SF Lots (30' x 70')	5.0/mo.	-	-	1,700	\$660,000	\$5,000	\$655,000	\$385.29	\$65,500	\$589,500	\$3,922	\$628	\$100	\$491	\$5,141	\$3.02
Garden Lots																
Alley Loaded	201	-	-	1,500	\$650,000	\$5,000	\$645,000	\$430.00	\$64,500	\$580,500	\$3,862	\$618	\$100	\$484	\$5,064	\$3.38
East Garrison	-	-	-	1,600	\$660,000	\$5,000	\$655,000	\$409.38	\$65,500	\$589,500	\$3,922	\$628	\$100	\$491	\$5,141	\$3.21
2,450 SF Lots (35' x 70')	5.0/mo.	-	-	1,750	\$675,000	\$5,000	\$670,000	\$382.86	\$67,000	\$603,000	\$4,012	\$642	\$100	\$503	\$5,256	\$3.00
Courtyard																
4 Pack Cluster	50	-	-	2,000	\$690,000	\$5,000	\$685,000	\$360.53	\$68,500	\$616,500	\$4,102	\$656	\$100	\$514	\$5,372	\$2.83
East Garrison	-	-	-	2,000	\$700,000	\$5,000	\$695,000	\$347.50	\$69,500	\$625,500	\$4,161	\$666	\$100	\$521	\$5,449	\$2.72
4,550 SF Lots (65' x 70')	5.0/mo.	-	-	1,800	\$720,000	\$5,000	\$715,000	\$397.22	\$71,500	\$643,500	\$4,281	\$685	\$100	\$536	\$5,603	\$3.11
Bungalow Lots																
Alley Loaded	176	-	-	2,100	\$760,000	\$5,000	\$755,000	\$359.52	\$75,500	\$679,500	\$4,521	\$724	\$100	\$568	\$5,911	\$2.81
East Garrison	-	-	-	2,300	\$780,000	\$5,000	\$775,000	\$338.96	\$77,500	\$697,500	\$4,640	\$743	\$100	\$581	\$6,084	\$2.64
4,000 SF Lots (40' x 100')	4.0/mo.	-	-	2,500	\$800,000	\$5,000	\$795,000	\$318.00	\$79,500	\$715,500	\$4,760	\$762	\$100	\$596	\$6,218	\$2.49
				2,600	\$810,000	\$5,000	\$805,000	\$309.62	\$80,500	\$724,500	\$4,820	\$771	\$100	\$604	\$6,295	\$2.42

Exhibit 4
MONTHLY PAYMENT COMPARISON TABLE
East Garrison Partners @ East Garrison, Fort Ord, Monterey County, California
August 2006

Project Name/Builder	Planned Released	Unit	Floors	Size	Base Price	Incentives	Net Base Price	Price/Sq. Ft.	10% Down Payment	Loan Amount	Mortgage Payment	Base Rate	Tax	HOA Fees	Mello Roos	Total Monthly Payment	Mo. Price
Cottage Lots	140			2,500	\$815,000	\$5,000	\$810,000	\$324.00	\$81,000	\$729,000	\$4,850	\$776	\$100	\$100	\$608	\$6,334	\$2.53
Alley Loaded				2,700	\$835,000	\$5,000	\$830,000	\$307.41	\$83,000	\$747,000	\$4,970	\$795	\$100	\$100	\$623	\$6,488	\$2.40
East Garrison				2,900	\$855,000	\$5,000	\$850,000	\$293.10	\$85,000	\$765,000	\$5,090	\$815	\$100	\$100	\$638	\$6,642	\$2.29
5,000 SF Lots (50' x 100')	4.0/mo.																
Bluff Lots	21			2,900	\$855,000	\$5,000	\$850,000	\$293.10	\$85,000	\$765,000	\$5,090	\$815	\$100	\$100	\$638	\$6,642	\$2.29
Alley Loaded				3,100	\$875,000	\$5,000	\$870,000	\$280.65	\$87,000	\$783,000	\$5,209	\$834	\$100	\$100	\$653	\$6,796	\$2.19
East Garrison																	
5,000 SF Lots (50' x 100')	4.0/mo.																

Competitive Market Area

SEASIDE

1 Bluff	143		3/2	1/2	2,121	\$762,550	\$5,000	\$757,550	\$357.17	\$75,755	\$681,795	\$4,536	\$694	\$108	\$0	\$5,338	\$2.52
KB Home	143		3/2	1/2	2,218	\$784,980	\$5,000	\$779,980	\$351.66	\$77,999	\$701,991	\$4,670	\$715	\$108	\$0	\$5,493	\$2.48
Seaside-Seaside Highlands	143		3/2.5/D	2/2	3,157	\$881,990	\$5,000	\$876,990	\$277.79	\$87,699	\$789,291	\$5,251	\$804	\$108	\$0	\$6,163	\$1.96
Min. 6,000 SF Lots	SO 6.50/mo.		4/2.5	2/2	3,327	\$896,990	\$5,000	\$891,990	\$268.11	\$89,199	\$802,791	\$5,341	\$818	\$108	\$0	\$6,267	\$1.88
			4/2.5	2/2	3,327	\$897,990	\$5,000	\$892,990	\$268.41	\$89,299	\$803,691	\$5,347	\$819	\$108	\$0	\$6,274	\$1.89
			4/2.5/D	2/3	3,635	\$931,990	\$5,000	\$926,990	\$255.02	\$92,699	\$834,291	\$5,551	\$850	\$108	\$0	\$6,508	\$1.79
2 Cove	237		3/2.5/D	1/2	1,725	\$722,490	\$2,500	\$719,990	\$418.83	\$71,999	\$647,991	\$4,311	\$660	\$108	\$0	\$5,079	\$2.94
KB Home	237		3/2.5	2/2	2,287	\$747,490	\$2,500	\$744,990	\$326.84	\$74,499	\$670,491	\$4,461	\$683	\$108	\$0	\$5,252	\$2.30
Seaside-Seaside Highlands	237		3/2.5/D	2/2	2,484	\$784,490	\$2,500	\$781,990	\$315.82	\$78,199	\$703,791	\$4,682	\$717	\$108	\$0	\$5,507	\$2.22
Min. 4,500 SF Lots	SO 8.48/mo.		4/2.5	2/2	2,592	\$802,490	\$2,500	\$799,990	\$309.61	\$79,999	\$719,991	\$4,790	\$733	\$108	\$0	\$5,631	\$2.17
			4/2.5	2/2	2,864	\$842,490	\$2,500	\$839,990	\$294.17	\$83,999	\$755,991	\$5,030	\$770	\$108	\$0	\$5,808	\$2.06
			3/2.5	2/2	2,896	\$847,490	\$2,500	\$844,990	\$292.84	\$84,499	\$760,491	\$5,060	\$775	\$108	\$0	\$5,942	\$2.05

SALINAS

3 Monte Bella/Tuscany Series	863		3/2	1/2	1,385	\$560,000	\$5,000	\$555,000	\$401.43	\$55,500	\$499,500	\$3,323	\$609	\$0	\$62	\$3,894	\$2.79
Valley Community Homes	298		4/2.5	2/2	1,815	\$637,000	\$5,000	\$632,000	\$350.96	\$63,200	\$568,800	\$3,784	\$579	\$0	\$62	\$4,426	\$2.44
Salinas-Monte Bella	277		5/2.5	2/2	2,149	\$664,000	\$5,000	\$659,000	\$308.98	\$65,900	\$593,100	\$3,946	\$604	\$0	\$62	\$4,612	\$2.16
Min 4,000 SF Lots	12.54/mo.		4/3	2/2	2,316	\$680,000	\$5,000	\$675,000	\$293.61	\$67,500	\$607,500	\$4,042	\$619	\$0	\$62	\$4,723	\$2.04
			4/3	2/2	2,491	\$738,000	\$5,000	\$733,000	\$296.27	\$73,300	\$659,700	\$4,389	\$672	\$0	\$62	\$5,123	\$2.06
			5/3	2/2	2,631	\$755,000	\$5,000	\$750,000	\$286.96	\$75,000	\$675,000	\$4,491	\$685	\$0	\$62	\$5,240	\$1.99
			5/3	2/2	2,858	\$796,000	\$5,000	\$791,000	\$278.52	\$79,100	\$711,900	\$4,736	\$725	\$0	\$62	\$5,524	\$1.93
4 The Cottages	203		3/2.5	2/2	1,389	\$539,950	\$3,000	\$536,950	\$388.73	\$53,695	\$483,255	\$3,215	\$492	\$0	\$37	\$3,744	\$2.70
Arcadia Development	203		3/2.5	2/2	1,511	\$559,950	\$3,000	\$556,950	\$370.58	\$55,695	\$501,255	\$3,335	\$511	\$0	\$37	\$3,882	\$2.57
Salinas-Miramonte	203		3/2.5	2/2	1,644	\$624,950	\$3,000	\$621,950	\$380.14	\$62,195	\$559,755	\$3,724	\$570	\$0	\$37	\$4,331	\$2.63
Min 2,400 SF Lots	SO 5.01/mo.		3/2.5	2/2	1,940	\$644,950	\$3,000	\$641,950	\$332.45	\$64,195	\$577,755	\$3,844	\$588	\$0	\$37	\$4,469	\$2.30
4 Sorrento at Monte Bella	125		4/2	2/2	2,720	\$724,000	\$0	\$724,000	\$266.18	\$72,400	\$651,600	\$4,335	\$664	\$0	\$0	\$4,999	\$1.84
Standard Pacific Homes	20		4/3	2/2	2,854	\$739,000	\$0	\$739,000	\$258.93	\$73,900	\$665,100	\$4,425	\$677	\$0	\$0	\$5,102	\$1.79
Salinas	17		4/3.5	2/2	3,032	\$749,000	\$0	\$749,000	\$247.03	\$74,900	\$674,100	\$4,485	\$687	\$0	\$0	\$5,171	\$1.71
Min 6,500 SF Lot	7.84/mo.		4/3	2/2	3,240	\$769,000	\$0	\$769,000	\$237.35	\$76,900	\$692,100	\$4,605	\$705	\$0	\$0	\$5,309	\$1.64

Exhibit 4
MONTHLY PAYMENT COMPARISON TABLE
East Garrison Partners @ East Garrison, Fort Ord, Monterey County, California
August 2006

Project Name/Builder	Planned Released	Unit	Floors	Size (Sq. Ft.)	Base Price	Incentives	Net Base Price	Price/Sq. Ft.	10% Down Payment	Loan Amount	Mortgage Payment	Base Tax Rate 2/	HOA Fees	Mello Roos	Total Monthly Payment	Mo. Price/Sq. Ft.
4 Flor de Salinas	280	1/1	2/2	700	\$298,000	\$2,400	\$295,600	\$425.71	\$29,560	\$286,040	\$1,770	\$271	\$198	\$0	\$2,239	\$3.20
Watt Communities	40	2/1	2/2	900	\$360,000	\$2,400	\$357,600	\$400.00	\$35,760	\$321,840	\$2,141	\$328	\$217	\$0	\$2,688	\$2.98
Salinas	24	2/2	2/2	1,000	\$385,000	\$2,400	\$382,600	\$385.00	\$38,260	\$344,340	\$2,291	\$351	\$217	\$0	\$2,859	\$2.86
Condominium Conversion	3.8/mo.															
SANTA CRUZ																
5 Baywood at North Shore	115	1/1	1/1	702	\$375,000	\$0	\$375,000	\$534.19	\$37,500	\$337,500	\$2,245	\$344	\$197	\$0	\$2,786	\$3.97
Sequoia Equities	115	2/2	1/1	960	\$453,000	\$0	\$453,000	\$471.88	\$45,300	\$407,700	\$2,712	\$415	\$197	\$0	\$3,325	\$3.46
Santa Cruz	115	2/2	1/1	963	\$485,000	\$0	\$485,000	\$482.87	\$48,500	\$418,500	\$2,784	\$426	\$197	\$0	\$3,408	\$3.54
Condominium	SO 7.06/mo.	2/2.5	2/1	1,116	\$491,000	\$0	\$491,000	\$439.96	\$49,100	\$441,900	\$2,940	\$450	\$197	\$0	\$3,587	\$3.21
WATSONVILLE																
6 Casas at Seaview Ranch	76	3/2.5	2/2	1,352	\$455,000	\$0	\$455,000	\$336.54	\$45,500	\$409,500	\$2,724	\$417	\$201	\$0	\$3,342	\$2.47
Standard Pacific Homes	76	4/2.5	2/2	1,539	\$515,000	\$0	\$515,000	\$334.63	\$51,500	\$463,500	\$3,084	\$472	\$201	\$0	\$3,757	\$2.44
Watsonville-Seaview Ranch	76															
Townhouse	SO 4.08/mo.															
7 Las Brisas Townhomes	35	2/2	2/2	1,034	\$421,990	\$4,000	\$417,990	\$408.11	\$41,799	\$376,191	\$2,503	\$383	\$143	\$0	\$3,029	\$2.93
Drake Homes	35															
Watsonville	35															
Townhouse	SO 4.07/mo.															
8 Las Brisas	93	4/3	2/2	2,068	\$659,980	\$5,000	\$654,980	\$319.14	\$65,499	\$589,491	\$3,922	\$600	\$143	\$0	\$4,665	\$2.26
D.R. Horton	93	4/2.5	2/2	2,264	\$690,990	\$5,000	\$685,990	\$305.21	\$68,599	\$617,391	\$4,108	\$629	\$143	\$0	\$4,879	\$2.16
Watsonville	93	4/2.5	2/2	2,645	\$739,990	\$5,000	\$734,990	\$279.77	\$73,499	\$661,491	\$4,401	\$674	\$143	\$0	\$5,218	\$1.97
Min 3,000 SF Lots	SO 8.01/mo.															
9 Haciendas at Seaview Ranch	134	4/3	2/2	2,184	\$660,000	\$1,000	\$659,000	\$302.20	\$65,900	\$593,100	\$3,946	\$604	\$119	\$0	\$4,669	\$2.14
Standard Pacific Homes	134	4/3	2/2	2,428	\$690,000	\$1,000	\$689,000	\$284.18	\$68,900	\$620,100	\$4,126	\$632	\$119	\$0	\$4,876	\$2.01
Watsonville-Seaview Ranch	134	4/3	2/2	2,641	\$715,000	\$1,000	\$714,000	\$270.73	\$71,400	\$642,600	\$4,275	\$655	\$119	\$0	\$5,049	\$1.91
Min 4,000 SF Lots	SO 6.16/mo.															
9 Parajo Vista	74	2/2	1/2	1,274	\$529,000	\$0	\$529,000	\$415.23	\$52,900	\$476,100	\$3,168	\$485	\$0	\$0	\$3,652	\$2.87
Clarum Homes	74	2/2/D	1/2	1,391	\$560,000	\$0	\$560,000	\$402.59	\$56,000	\$504,000	\$3,353	\$513	\$0	\$0	\$3,866	\$2.78
Watsonville	70	2/2/D	1/2	1,393	\$560,000	\$0	\$560,000	\$402.01	\$56,000	\$504,000	\$3,353	\$513	\$0	\$0	\$3,866	\$2.78
Min 3,000 SF Lots	7.78/mo.	3/2	1/2	1,486	\$580,000	\$0	\$580,000	\$390.31	\$58,000	\$522,000	\$3,473	\$532	\$0	\$0	\$4,005	\$2.58
Active Adult Community		3/2	1/2	1,605	\$599,000	\$0	\$599,000	\$373.21	\$59,900	\$539,100	\$3,587	\$548	\$0	\$0	\$4,136	\$2.58
9 Vista Del Mar	102	1/1	1/1	505	\$249,000	\$2,000	\$247,000	\$493.07	\$24,700	\$222,300	\$1,479	\$226	\$150	\$0	\$1,855	\$3.67
Meritage Real Estate Group	52	1/1	1/1	619	\$278,000	\$2,000	\$276,000	\$450.73	\$27,600	\$248,400	\$1,659	\$254	\$150	\$0	\$2,063	\$3.33
Watsonville	32	1/1/D	1/1	717	\$375,000	\$2,000	\$373,000	\$523.01	\$37,300	\$335,700	\$2,233	\$342	\$150	\$0	\$2,725	\$3.80
Condominium	8.20/mo.	2/1.5	1/1	936	\$449,000	\$2,000	\$447,000	\$479.70	\$44,700	\$402,300	\$2,677	\$410	\$150	\$0	\$3,236	\$3.46
		2/2	1/1	1,237	\$489,000	\$2,000	\$487,000	\$403.40	\$49,700	\$447,300	\$2,976	\$456	\$150	\$0	\$3,581	\$2.90

Exhibit 4
MONTHLY PAYMENT COMPARISON TABLE
East Garrison Partners @ East Garrison, Fort Ord, Monterey County, California
August 2006

Project Name/Builder Community/ Lot Size	Planned Released Sold/Rate	Type	Floors	Unit Size (Sq. Ft.)	Base Price	Incentives	Net Base Price	Price/ Sq. Ft.	10% Down Payment	Loan Amount	Mortgage Payment	Base Tax Rate 2%	HOA Fees	Mello Roos	Monthly Payment	Total Price/ Sq. Ft.
SCOTT'S VALLEY																
10 Glenwood	44	4/3.5	2/2	2,761	\$980,900	\$2,500	\$978,400	\$355.27	\$97,840	\$880,560	\$5,858	\$897	\$132	\$0	\$6,887	\$2.49
Ponderosa Homes	44	4/3.5	2/2	2,922	\$970,900	\$2,500	\$968,400	\$332.27	\$96,840	\$871,560	\$5,799	\$888	\$132	\$0	\$6,818	\$2.33
Scotts Valley	44	5/4.5	2/2	3,260	\$1,130,900	\$2,500	\$1,128,400	\$346.90	\$112,840	\$1,015,560	\$9,757	\$1,034	\$132	\$0	\$7,923	\$2.43
Min 6,000 SF Lots	SO 2.38/mo.															
GREENFIELD																
12 Las Manzanitas	19	4/2	1/2	1,802	\$453,000	\$1,000	\$452,000	\$251.39	\$45,200	\$406,800	\$2,706	\$414	\$0	\$0	\$3,121	\$1.73
Standard Pacific Homes	19	4/2	1/2	1,899	\$489,000	\$1,000	\$488,000	\$244.62	\$48,800	\$439,200	\$2,922	\$447	\$0	\$0	\$3,369	\$1.69
Greenfield	14	4/3	2/2	2,428	\$534,000	\$1,000	\$533,000	\$219.93	\$53,300	\$479,700	\$3,191	\$489	\$0	\$0	\$3,680	\$1.52
Min 7,000 SF Lots	3.03/mo.	5/3	2/2	2,646	\$549,000	\$1,000	\$548,000	\$207.48	\$54,800	\$493,200	\$3,281	\$502	\$0	\$0	\$3,784	\$1.43
11 Casa Del Sol	38	3/2.5	2/2	1,832	\$410,000	\$1,000	\$409,000	\$223.80	\$40,900	\$368,100	\$2,449	\$375	\$130	\$0	\$2,954	\$1.61
Standard Pacific Homes	38	4/2.5	2/2	1,938	\$420,000	\$1,000	\$419,000	\$216.94	\$41,900	\$377,100	\$2,509	\$384	\$130	\$0	\$3,023	\$1.56
Greenfield	38	4/2.5	2/2	2,137	\$445,000	\$1,000	\$444,000	\$208.24	\$44,400	\$399,600	\$2,859	\$407	\$130	\$0	\$3,196	\$1.50
Min 2,900 SF Lots	SO 5.58/mo.															
12 Nino Homes at Terra Verde	96	4/2	1/2	1,585	\$464,900	\$2,000	\$462,900	\$293.31	\$46,290	\$416,610	\$2,772	\$424	\$0	\$0	\$3,196	\$2.02
Nino Homes	65	5/2.5	2/3	1,843	\$486,400	\$2,000	\$484,400	\$263.92	\$48,440	\$435,960	\$2,900	\$444	\$0	\$0	\$3,344	\$1.81
Greenfield	61	4/3	1/2	2,189	\$516,400	\$2,000	\$514,400	\$235.91	\$51,440	\$462,960	\$3,080	\$472	\$0	\$0	\$3,552	\$1.62
Min 6,000 SF Lots	2.59/mo.	4/2.5	2/3	2,543	\$564,900	\$2,000	\$562,900	\$218.21	\$56,290	\$497,610	\$3,311	\$507	\$0	\$0	\$3,817	\$1.50
13 Seville	167	4/2	1/2	1,806	\$462,000	\$3,000	\$459,000	\$255.81	\$45,900	\$413,100	\$2,748	\$421	\$0	\$42	\$3,211	\$1.78
Standard Pacific Homes	135	4/2	1/2	1,999	\$495,000	\$3,000	\$492,000	\$247.62	\$49,200	\$442,800	\$2,946	\$451	\$0	\$42	\$3,439	\$1.72
Greenfield	132	4/3	2/2	2,428	\$536,000	\$3,000	\$533,000	\$220.76	\$53,300	\$479,700	\$3,191	\$489	\$0	\$42	\$3,722	\$1.53
Min 5,000 SF Lots	7.53/mo.	5/3	2/2	2,646	\$561,000	\$3,000	\$558,000	\$208.24	\$55,800	\$493,200	\$3,281	\$502	\$0	\$42	\$3,826	\$1.45
14 St. Charles Place	156	1/1	2/3	672	\$94,500	\$0	\$94,500	\$140.63	\$9,450	\$85,050	\$566	\$87	\$0	\$0	\$652	\$0.97
Creekridge Homes	140	3/2	1/2	1,207	\$438,100	\$0	\$438,100	\$362.97	\$43,810	\$394,290	\$2,623	\$402	\$0	\$0	\$3,025	\$2.51
Greenfield	127	3/2	1/2	1,235	\$435,900	\$0	\$435,900	\$352.96	\$43,590	\$392,310	\$2,610	\$400	\$0	\$0	\$3,010	\$2.44
Min 2,800 SF Lots	7.26/mo.	3/2	2/2	1,378	\$446,100	\$0	\$446,100	\$323.73	\$44,610	\$401,490	\$2,671	\$409	\$0	\$0	\$3,080	\$2.24
		3/2.5	2/2	1,552	\$464,500	\$0	\$464,500	\$299.29	\$46,450	\$418,050	\$2,781	\$426	\$0	\$0	\$3,207	\$2.07
		4/2	1/2	1,866	\$487,400	\$0	\$487,400	\$262.56	\$48,740	\$438,660	\$2,918	\$447	\$0	\$0	\$3,365	\$2.02
		4/2	1/2	1,716	\$478,200	\$0	\$478,200	\$278.67	\$47,820	\$430,380	\$2,863	\$438	\$0	\$0	\$3,302	\$1.82
		4/2.5	2/2	1,942	\$490,800	\$0	\$490,800	\$252.73	\$49,080	\$441,720	\$2,939	\$450	\$0	\$0	\$3,389	\$1.74
		4/3.5	2/2	2,245	\$517,300	\$0	\$517,300	\$230.42	\$51,730	\$465,570	\$3,097	\$474	\$0	\$0	\$3,572	\$1.59
		4/2	1/2	2,257	\$532,200	\$0	\$532,200	\$235.80	\$53,220	\$478,980	\$3,187	\$488	\$0	\$0	\$3,675	\$1.63
		4/2	1/2	2,278	\$531,000	\$0	\$531,000	\$233.10	\$53,100	\$477,900	\$3,179	\$487	\$0	\$0	\$3,666	\$1.61
		4/3	2/2	2,418	\$556,200	\$0	\$556,200	\$230.02	\$55,620	\$500,580	\$3,330	\$510	\$0	\$0	\$3,840	\$1.59
		5/3	2/2	2,651	\$582,300	\$0	\$582,300	\$219.65	\$58,230	\$524,070	\$3,487	\$534	\$0	\$0	\$4,020	\$1.52
		5/3	2/2	2,680	\$567,800	\$0	\$567,800	\$211.87	\$56,780	\$511,020	\$3,400	\$520	\$0	\$0	\$3,920	\$1.46

(Prices from January 2006 have not changed. Number of homes sold include sales for ranches.)

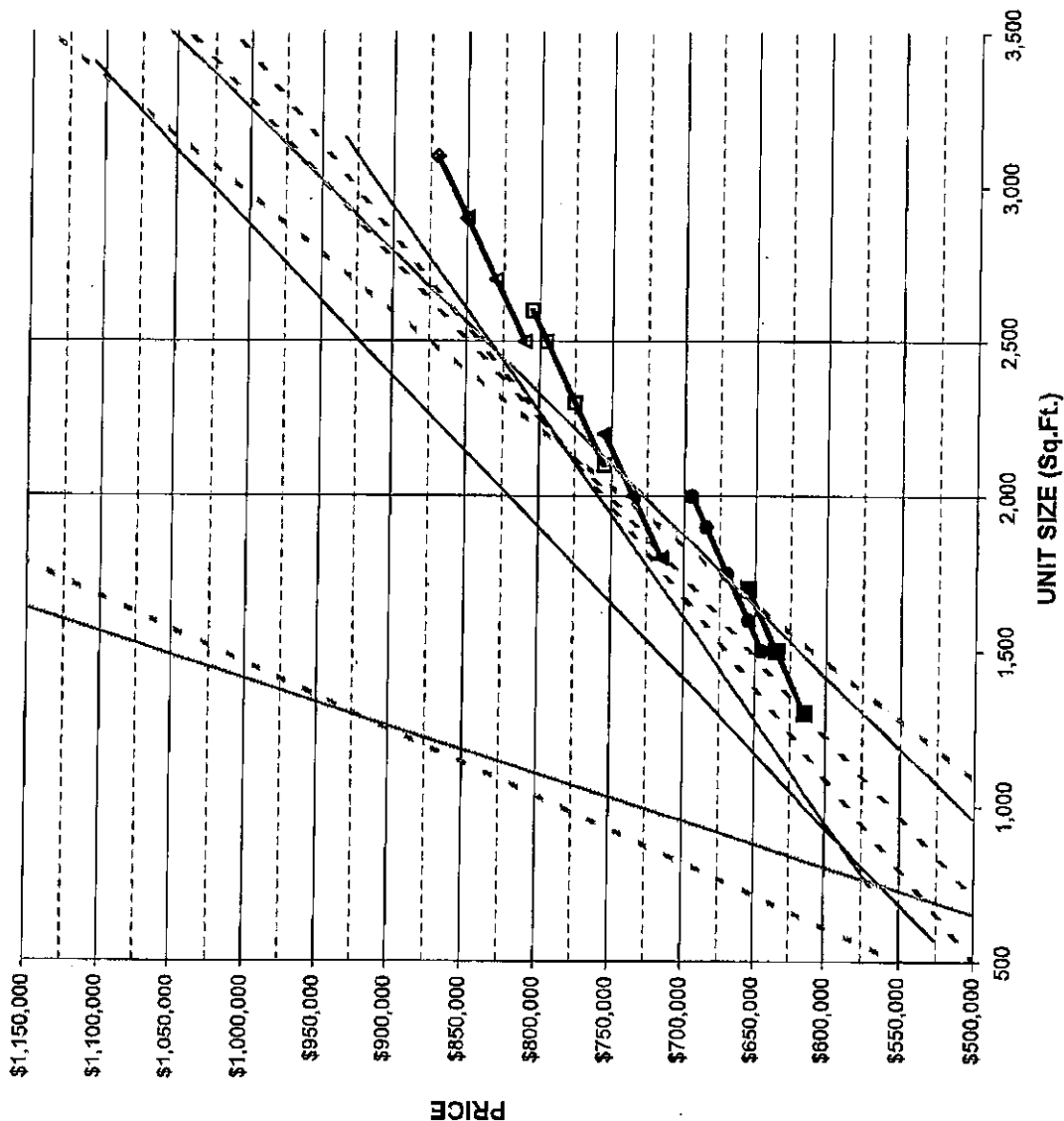
Exhibit 4
MONTHLY PAYMENT COMPARISON TABLE
East Garrison Partners @ East Garrison, Fort Ord, Monterey County, California
August 2006

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

Project Name/Builder Community/ Lot Size	Planned Released Sold/Rate	Unit Size (Sq. Ft.)	Floors	Parking	Type	Incentives	Base Price	Net Base Price	Price/ Sq. Ft.	10% Down Payment(1)	Loan Amount	Mortgage Payment	Base Tax Rate 2/	HOA Fees	Mello- Roos	Total Monthly Payment	Mo. Price/ Sq. Ft.
SOLEDAD																	
13 Gablian Gardens Woodman Development Soledad Min 3,400 SF Lots	61	1,308	2/2	2/2	2/2.5	\$0	\$386,900	\$386,900	\$295.80	\$38,690	\$348,210	\$2,317	\$355	\$136	\$0	\$2,807	\$2.15
	61	1,373	2/2	2/2	2/2.5	\$0	\$398,900	\$398,900	\$290.53	\$39,890	\$359,010	\$2,389	\$366	\$136	\$0	\$2,890	\$2.10
	61	1,502	2/2	2/2	3/2.5	\$0	\$392,000	\$392,000	\$260.99	\$39,200	\$352,800	\$2,347	\$359	\$136	\$0	\$2,843	\$1.89
	SO 7.95/mo.	1,628	2/2	2/2	3/2.5	\$0	\$433,900	\$433,900	\$266.52	\$43,390	\$390,510	\$2,598	\$398	\$136	\$0	\$3,132	\$1.92
13 Diamond Ridge Award Homes Soledad Min 6,000 SF Lots	225	1,550	1/2	1/2	4/2	\$0	\$518,950	\$518,950	\$334.81	\$51,895	\$467,055	\$3,107	\$476	\$0	\$132	\$3,715	\$2.40
	225	1,928	1/2	1/2	5/2.5	\$0	\$589,950	\$589,950	\$305.99	\$58,995	\$530,955	\$3,532	\$541	\$0	\$132	\$4,205	\$2.18
	225	2,505	2/2	2/2	6/3	\$0	\$611,950	\$611,950	\$244.29	\$61,195	\$550,755	\$3,664	\$561	\$0	\$132	\$4,357	\$1.74
	SO 6.91/mo.	2,653	2/2	2/2	6/3	\$0	\$629,950	\$629,950	\$237.45	\$62,995	\$566,955	\$3,772	\$577	\$0	\$132	\$4,481	\$1.69
KING CITY																	
15 Arboleda Creekbridge Homes King City-Arbor Cove Min 4,500 SF Lots	400	672	1/1	1/1	1/1	\$0	\$94,500	\$94,500	\$140.63	\$9,450	\$85,050	\$566	\$87	\$44	\$0	\$696	\$1.04
	114	1,207	1/2	1/2	3/2	\$0	\$389,900	\$389,900	\$323.03	\$38,990	\$350,910	\$2,335	\$357	\$44	\$0	\$2,736	\$2.27
	108	1,235	1/2	1/2	3/2	\$0	\$386,900	\$386,900	\$313.28	\$38,690	\$348,210	\$2,317	\$355	\$44	\$0	\$2,715	\$2.20
	6.80/mo.	1,378	2/2	2/2	3/2	\$0	\$394,900	\$394,900	\$286.57	\$39,490	\$355,410	\$2,365	\$362	\$44	\$0	\$2,771	\$2.01
	9.78/mo.	1,686	1/2	1/2	4/2	\$0	\$466,500	\$466,500	\$280.01	\$46,650	\$419,850	\$2,793	\$428	\$44	\$0	\$3,265	\$1.96
		1,716	1/2	1/2	4/2	\$0	\$457,800	\$457,800	\$266.78	\$45,780	\$412,020	\$2,741	\$420	\$44	\$0	\$3,205	\$1.87
		2,245	2/2	2/2	4/3.5	\$0	\$495,200	\$495,200	\$220.58	\$49,520	\$445,680	\$2,965	\$454	\$44	\$0	\$3,463	\$1.54
		2,257	1/2	1/2	4/2	\$0	\$508,300	\$508,300	\$225.65	\$50,830	\$458,470	\$3,050	\$467	\$44	\$0	\$3,560	\$1.58
		2,278	1/2	1/2	4/2	\$0	\$508,200	\$508,200	\$223.09	\$50,820	\$457,380	\$3,043	\$466	\$44	\$0	\$3,553	\$1.56
		2,334	2/2	2/2	4/3	\$0	\$519,400	\$519,400	\$222.54	\$51,940	\$467,460	\$3,110	\$476	\$44	\$0	\$3,630	\$1.54
		2,418	2/2	2/2	4/3	\$0	\$532,300	\$532,300	\$220.14	\$53,230	\$479,070	\$3,187	\$488	\$44	\$0	\$3,719	\$1.54
		2,578	2/2	2/2	5/3	\$0	\$537,900	\$537,900	\$208.65	\$53,790	\$484,110	\$3,221	\$493	\$44	\$0	\$3,758	\$1.46
		2,651	2/2	2/2	5/3	\$0	\$557,300	\$557,300	\$210.22	\$55,730	\$501,570	\$3,337	\$511	\$44	\$0	\$3,892	\$1.47
		2,680	2/2	2/2	5/3	\$0	\$543,500	\$543,500	\$202.80	\$54,360	\$489,150	\$3,254	\$498	\$44	\$0	\$3,797	\$1.42
Competitive Market Average:						\$1,549	\$564,488	\$564,488	\$304.14	\$56,449	\$508,038	\$3,380	\$517	\$63	\$12	\$3,972	\$2.15

1/ Mortgage payment schedule assumes a 10% down payment on a 7.0% 30-year fixed loan.
2/ Base Tax Assumes 1.1%, except the subject property, which assumes a tax rate of 1.15%. Subject property assumes total tax and assessments of 2%.

Exhibit 6
COMPETITIVE MARKET POSITIONING - DETACHED RESALES
East Garrison Partners @ East Garrison, Monterey County
August 2006 vs November 2005

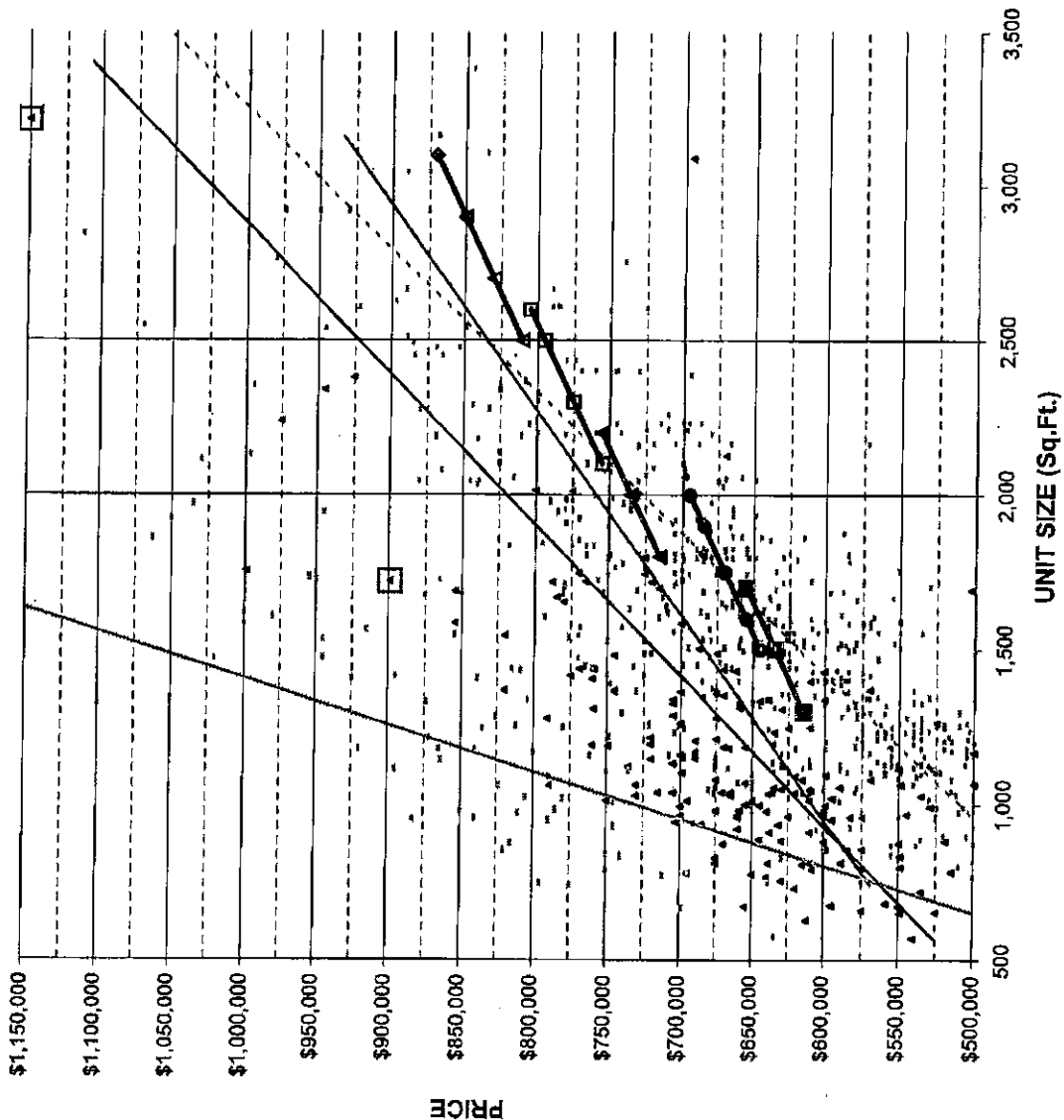


SOURCE: First American Real Estate Solutions (FARES); Hanley Wood Market Intelligence

cl508v(East Garrison)Update.xls

hanleywood
Market Intelligence

Exhibit 6
COMPETITIVE MARKET POSITIONING - DETACHED RESALES
East Garrison Partners @ East Garrison, Monterey County
August 2006



- Market Grove Lots (Small Lot Single Family) East Garrison 6.0/mo., 2,100 SF Lots (30' x 70'), Inc-\$5.0k
- Garden Lots (Alley Loaded) East Garrison 6.0/mo., 2,450 SF Lots (35' x 70'), Inc-\$5.0k
- Courtyard (4 Pack Cluster) East Garrison 6.0/mo., 4,550 SF Lots (65' x 70'), Inc-\$5.0k
- Bungalow Lots (Alley Loaded) East Garrison 5.0/mo., 4,000 SF Lots (40' x 100'), Inc-\$5.0k
- Cottage Lots (Alley Loaded) East Garrison 5.0/mo., 5,000 SF Lots (50' x 100'), Inc-\$5.0k
- Bluff Lots (Alley Loaded) East Garrison 5.0/mo., 5,000 SF Lots (50' x 100'), Inc-\$5.0k
- 8/05-8/06 Single Family Resales ~City of Marina (Avg. \$699,281, 1,604 sf, \$458/sf) - Built 1975
- ▲ 8/05-8/06 Single Family Resales ~City of Seaside (Avg. \$696,979, 1,209 sf, \$584/sf) - Built 1960
- 8/05-8/06 Single Family Resales ~City of Seaside (Avg. \$696,979, 1,209 sf, \$584/sf) - Built 1960
- 8/05-8/06 Seaside Highlands Resales
- 2/06-8/06 Single Family Resales ~City of Salinas (Avg. \$633,931, 1,570 sf, \$428/sf) - Built 1972
- Linear (8/05-8/06 Single Family Resales ~City of Marina (Avg. \$698,281, 1,604 sf, \$458/sf) - Built 1975)
- Linear (8/05-8/06 Single Family Resales ~City of Seaside (Avg. \$696,979, 1,209 sf, \$584/sf) - Built 1960)
- Linear (8/05-8/06 Single Family Resales ~City of Seaside (Avg. \$696,979, 1,209 sf, \$584/sf) - Built 1960)
- Linear (2/06-8/06 Single Family Resales ~City of Salinas (Avg. \$633,931, 1,570 sf, \$428/sf) - Built 1972)

SOURCE: First American Real Estate Solutions (FARES); Hanley Wood Market Intelligence

ci508v(East Garrison)Update.xls

Appendix A
City of Marina, Monterey County
Detached from August 2005 to August 2006

Site	Address	Site Zip	Year Built	Unit Size (Sq. Ft.)	Bed	Bath	Lot Size (Sq. Ft.)	Sale Date	Sale Value	Price/ Sq. Ft.	TB Map Pg/Grd	Site APN#
232 Sean Ct		93933-244	1987	1,598	3	2	6,357	05/09/06	\$715,000	\$447.43	1095-b3	032-021-034-00
231 Harben Cir		93933-240	1965	1,616	4	2	6,899	02/22/06	\$687,000	\$425.12	1095-b4	032-031-031-00
3257 Fitzgerald Cir		93933-262	1963	1,320	3	2	8,252	05/09/06	\$860,000	\$500.00	1095-b4	032-042-008-00
238 Fitzgerald Cir		93933-260	1963	1,614	3	3	7,645	08/31/05	\$709,000	\$439.28	1095-b4	032-042-028-00
3192 Melanie Rd		93933-260	1958	1,120	3	2	7,651	06/21/06	\$630,000	\$562.50	1095-b5	032-064-002-00
3191 Vista Del Camino		93933-261	1958	1,636	3	2	7,852	11/10/05	\$710,000	\$433.99	1095-b4	032-066-035-00
3228 Vista Del Camino		93933-274	1963	1,175	3	2	7,954	12/21/05	\$665,000	\$565.96	1095-b4	032-082-013-00
3237 Vista Del Camino		93933-274	1963	1,196	3	2	8,058	07/11/06	\$575,000	\$480.77	1095-b4	032-082-022-00
3215 De Forest Rd		93933-270	1947	743	2	1	15,028	09/12/05	\$575,000	\$773.89	1095-b5	032-082-029-00
296 Park Cir		93933-271	1966	1,569	4	2	7,246	07/13/06	\$640,000	\$407.90	1095-b5	032-101-014-00
3159 Shuler Cir		93933-272	1984	2,334	3	2	7,350	08/31/05	\$825,000	\$353.47	1095-b5	032-101-049-00
3180 Crescent Ave		93933-272	1993	1,080	2	2	5,313	10/14/05	\$654,000	\$616.98	1095-b6	032-101-073-00
3170 De Forest Rd		93933-270	1985	1,584	3	2	9,744	10/12/05	\$550,000	\$347.22	1095-b5	032-101-093-00
473 Forest Cir		93933-340	1966	1,500	3	2	7,621	09/27/05	\$670,000	\$446.67	1095-d6	032-131-032-00
467 Edna Ct		93933-340	1962	1,032	3	1	8,244	06/27/06	\$615,000	\$595.93	1095-c6	032-142-003-00
464 Edna Ct		93933-340	1962	1,032	3	1	8,130	08/08/05	\$610,000	\$591.09	1095-c6	032-142-008-00
3135 Lella Pl		93933-341	1962	1,032	3	1	7,366	07/20/06	\$676,000	\$655.04	1095-c6	032-142-020-00
499 Crivello Rd		93933-344	1962	1,032	3	1	7,541	06/21/06	\$635,000	\$615.31	1095-c6	032-142-030-00
3152 Lynscoff Dr		93933-342	1962	1,333	4	2	6,000	05/23/06	\$640,000	\$480.12	1095-c6	032-142-037-00
3138 Ocean Ter		93933-329	2003	2,360	4	3	4,252	08/18/05	\$808,000	\$342.37	1095-c6	032-151-066-00
416 Exeter Pl		93933-330	1975	1,528	3	2	6,450	07/14/06	\$659,000	\$431.28	1095-c6	032-152-041-00
237 Carmel Ave		93933-305	1954	1,290	3	1	5,250	10/13/05	\$615,000	\$476.74	1095-a5	032-192-010-00
3110 Nicklas Ln		93933-325	1962	1,159	3	2	7,260	11/21/05	\$649,000	\$559.97	1095-b6	032-221-007-00
3102 Nicklas Ln		93933-325	1961	1,232	3	2	7,565	07/12/06	\$575,000	\$466.72	1095-b6	032-221-011-00
3101 Pleasant Cir		93933-321	1961	1,092	3	2	7,467	02/08/06	\$650,000	\$595.24	1095-c6	032-222-005-00
3110 Bradley Cir		93933-330	1969	1,560	3	2	7,808	09/30/05	\$680,000	\$435.90	1095-c6	032-232-030-00
3117 Bradley Cir		93933-330	1969	1,500	3	2	7,615	11/30/05	\$695,000	\$463.33	1095-c6	032-232-037-00
411 Osullivan Ct		93933-331	1977	1,433	3	2	5,000	03/08/06	\$665,000	\$464.06	1095-c6	032-232-050-00
415 Osullivan Ct		93933-331	1977	1,323	3	2	7,139	11/30/05	\$650,000	\$491.31	1095-c6	032-232-052-00
490 Albert Way		93933-340	1962	1,039	3	2	7,737	03/29/06	\$607,500	\$584.70	1095-c6	032-242-021-00
475 Carmel Ave		93933-343	1962	1,759	4	3	7,657	09/02/05	\$725,000	\$412.17	1095-c6	032-242-029-00
3107 Bayer St		93933-340	1965	1,603	3	2	7,202	09/16/05	\$682,000	\$425.45	1095-d6	032-242-063-00
3111 Salinas Ave		93933-345	2003	2,222	4	3	6,334	02/27/06	\$805,000	\$362.29	1133-f7	032-242-087-00
3062 Bayer Dr		93933-372	1995	1,699	3	2	6,888	08/02/05	\$780,000	\$459.09	1095-c7	032-252-006-00
3065 Bayer Dr		93933-374	1993	1,918	4	2	6,737	01/06/06	\$770,000	\$401.46	1095-c7	032-253-015-00
3077 Vaughn Ave		93933-363	1962	1,103	3	2	7,508	03/30/06	\$625,000	\$566.64	1095-b6	032-271-006-00
342 Elba Cir		93933-360	1962	2,050	5	3	7,579	10/06/05	\$815,000	\$397.56	1095-b6	032-272-020-00
282 Hibbing Cir		93933-355	1963	1,506	3	2	7,200	05/31/06	\$660,000	\$438.25	1095-b6	032-282-035-00
320 Hillcrest Ave		93933-353	1987	1,526	3	2		03/31/06	\$685,000	\$448.89	1176-a6	032-331-052-00
3060 Otto Dr		93933-360	1966	1,680	3	2	8,487	05/19/06	\$685,000	\$407.74	1095-b6	032-342-018-00
3045 Redwood Dr		93933-370	1963	1,351	3	2	9,829	02/24/06	\$675,000	\$499.63	1095-b6	032-342-029-00
419 Reindollar Ave		93933-371	1962	1,267	2	1	20,788	11/10/05	\$650,000	\$513.02	1095-c7	032-351-054-00
3061 Sunrise Cir		93933-372	1965	1,485	3	2	6,985	07/10/06	\$629,000	\$423.57	1095-c7	032-361-009-00
3060 Mildred Ct		93933-371	1966	1,520	3	2	8,154	02/10/06	\$615,000	\$404.61	1095-c7	032-361-024-00
3046 Bayer Dr		93933-400	1964	1,120	3	2	7,200	06/22/06	\$590,000	\$526.79	1095-c7	032-363-005-00
3039 Ferris Cir		93933-400	1964	1,131	3	2	7,466	08/30/05	\$636,000	\$562.33	1095-c7	032-364-027-00
487 Ferris Ave		93933-400	1964	1,120	3	2	7,496	08/16/05	\$610,000	\$544.64	1095-c7	032-364-029-00
493 Sunrise Pl		93933-401	1975	1,939	3	3	6,000	10/21/05	\$785,000	\$404.85	1095-c7	032-371-068-00
468 Sunrise Pl		93933-401	1974	1,446	3	2	9,407	12/08/05	\$699,000	\$483.40	1095-c7	032-371-091-00
497 Melville Ave		93933-401	1964	1,120	3	2	8,591	03/24/06	\$629,000	\$561.61	1095-c7	032-372-006-00
3023 Gloria Cir		93933-402	1963	1,120	3	2	8,000	12/01/05	\$675,000	\$602.68	1095-c7	032-381-020-00
3017 Eddy St		93933-402	1965	1,043	3	2	7,219	06/20/06	\$680,000	\$651.97	1095-c7	032-382-040-00
3006 Liberty Ct		93933-361	1966	1,051	3	2	7,393	12/23/05	\$650,000	\$618.46	1095-b7	032-383-022-00
3021 Independence Ave		93933-361	1966	1,051	3	2	7,210	11/18/05	\$675,000	\$642.25	1095-b6	032-383-043-00
3023 King Cir		93933-361	1963	1,143	3	1	6,702	07/14/06	\$675,000	\$590.55	1095-b6	032-391-036-00
3017 Crescent St		93933-390	1978	3,159	5	4	7,674	09/15/05	\$869,000	\$275.09	1095-b6	032-401-029-00
337 Parson Cir		93933-362	1970	1,224	3	2	8,413	04/07/06	\$575,000	\$469.77	1095-b6	032-403-012-00
333 Parson Cir		93933-362	1970	1,947	4	2		06/23/06	\$665,000	\$341.55	1095-b6	032-403-014-00
254 Grant St		93933-390	1962	1,599	3	2	7,200	01/27/06	\$793,000	\$495.93	1095-a6	032-411-032-00
3016 Talcott Ave		93933-391	1962	1,511	3	2	7,325	09/09/05	\$590,000	\$390.47	1095-a6	032-411-048-00

Source: Hanley Wood Market Intelligence; FARES

cl508v(East Garrison)Update.xls

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

**Appendix A
City of Marina, Monterey County
Detached from August 2005 to August 2006**

Site	Address	Site Zip	Year Built	Unit Size (Sq. Ft.)	Bed	Bath	Lot Size (Sq. Ft.)	Sale Date	Sale Value	Price/ Sq. Ft.	TB Map Pg/Grd	Site APN#
3028	Talcott Ave	93933-3913					7,182	10/20/05	\$729,000		1095-a6	032-411-051-00
2996	Max Cir	93933-3938		2,322	3	2		05/19/06	\$799,000	\$344.10	1095-b6	032-411-079-00
3273	Michael Dr	93933-2411	1964	1,440	3	2	5,000	11/10/05	\$669,000	\$464.58	1095-b3	032-431-026-00
236	Michael Dr	93933-2401	1964	1,512	3	2	7,904	08/19/05	\$650,000	\$429.89	1095-b4	032-432-008-00
3206	Tallmon St	93933-2721	1966	1,560	3	2	7,095	12/14/05	\$640,000	\$410.26	1095-c5	032-444-012-00
309	Johnson Pl	93933-2721	1971	1,752	3	2	8,121	05/09/06	\$675,000	\$385.27	1095-c5	032-452-006-00
3250	Vista Del Camino Cir	93933-2751	1981	2,298	7	2	6,527	08/18/05	\$799,500	\$347.91	1095-b4	032-482-014-00
331	Quebrada Del Mar Rd	93933-4311	1991	1,799	3	3	6,000	04/13/06	\$765,000	\$425.24	1095-c4	032-541-010-00
317	Costa Del Mar Rd	93933-4301	1990	1,799	3	2	7,827	05/18/06	\$699,500	\$388.83	1095-c5	032-542-021-00
3219	Tallmon St	93933-4321	1990	2,095	4	3	6,100	11/16/05	\$765,000	\$365.16	1095-c5	032-543-006-00
299	Costa Del Mar Rd	93933-4301	1990	2,129	3	3	8,227	09/22/05	\$825,000	\$387.51	1133-j3	032-553-004-00
306	Quebrada Del Mar Rd	93933-4311	1990	2,095	4	3	6,000	03/17/06	\$825,000	\$393.79	1095-c4	032-553-011-00
3242	Estrella Del Mar Way	93933-4311	1990	2,095	4	3	6,761	08/18/05	\$700,000	\$334.13	1095-c4	032-555-007-00
3244	Estrella Del Mar Way	93933-4311	1990	1,799	3	3	6,257	05/31/06	\$749,000	\$416.34	1095-c4	032-555-008-00
140	Silverwood Pl	93933-2141	1973	1,360	3	2	7,114	09/23/05	\$730,000	\$536.76	1095-b3	033-021-027-00
142	Lakewood Dr	93933-2131	1973	1,360	3	2	6,000	07/05/06	\$675,000	\$496.32	1095-b3	033-021-042-00
147	Lakewood Dr	93933-2131	1976	1,498	3	2	11,135	06/07/06	\$220,000	\$146.86	1095-b3	033-022-005-00
115	Redondo Ct	93933-2131	1972	1,487	4	2	5,948	11/22/05	\$657,000	\$441.83	1095-a3	033-031-031-00
118	Lakewood Dr	93933-2111	1974	1,482	4	2	6,431	01/11/06	\$720,000	\$485.83	1095-b3	033-031-035-00
123	Brookside Pl	93933-2101	1974	1,482	4	2	6,858	05/01/06	\$725,000	\$489.20	1095-a3	033-031-047-00
3349	Drew St	93933-2101	1989	1,444	3	2	6,000	08/26/05	\$689,000	\$477.15	1095-a3	033-042-005-00
3279	Cardoza Ave	93933-2101	1971	1,686	4	2	6,362	08/02/05	\$730,000	\$432.98	1095-a3	033-061-006-00
126	Reams Ct	93933-2121	1972	1,634	3	2	6,116	03/02/06	\$633,000	\$387.39	1095-a3	033-061-048-00
3286	Cove Way	93933-2231	1987	1,147	3	2	4,000	01/27/06	\$697,500	\$608.11	1095-b3	033-076-016-00
3248	Sandpiper Way	93933-2221	1987	1,174	3	2	6,383	07/28/06	\$620,000	\$528.11	1095-a3	033-076-046-00
167	Dolphin Cir	93933-2221	1987	1,521	4	3	4,351	09/30/05	\$750,000	\$493.10	1095-a3	033-076-050-00
151	Dolphin Cir	93933-2211	1987	1,521	3	3	5,578	02/14/06	\$725,000	\$476.66	1095-a3	033-076-082-00
186	Starfish Ct	93933-2241	1997	2,915	4	3	6,251	01/04/06	\$930,000	\$319.04	1095-b3	033-082-005-00
3266	Marina Dr	93933-2251	1997	2,914	4	3	6,975	04/03/06	\$950,000	\$326.01	1095-b4	033-082-013-00
3265	Sand Dollar Ct	93933-2241	1997	2,915	4	3	6,150	11/03/05	\$875,000	\$300.17	1095-b4	033-082-015-00
3264	Sand Dollar Ct	93933-2241	1997	2,183	4	3	6,020	07/21/06	\$810,000	\$371.05	1095-b4	033-082-020-00
3275	Marina Dr	93933-2251	1997	2,915	4	3	6,004	05/23/06	\$974,000	\$334.13	1095-b4	033-082-023-00
183	Starfish Ct	93933-2241	1997	2,183	4	3	6,000	01/20/06	\$869,000	\$398.08	1095-b4	033-082-031-00
3138	Lake Dr 3	93933-2807		1,800	3	3		08/16/05	\$585,500	\$325.28	1095-a4	033-141-046-00
3137	Messinger Dr	93933-2821	1977	1,514	3	2	6,578	11/01/05	\$580,000	\$383.09	1095-a5	033-221-014-00
3137	Shoemaker Pl	93933-2811	1977	1,946	4	2	9,234	08/26/05	\$735,000	\$377.70	1095-a4	033-221-031-00
3127	Shoemaker Pl	93933-2811	1987	1,441	3	3	8,004	03/31/06	\$765,000	\$530.88	1095-a4	033-221-034-00
3103	Messinger Dr	93933-2811	1977	1,770	3	2	11,410	10/28/05	\$740,000	\$418.08	1095-a5	033-221-047-00
3105	Magyar Pl	93933-2801	1975	1,966	3	2	10,512	09/27/05	\$740,000	\$376.40	1095-a5	033-222-010-00
3093	Magyar Pl	93933-2801	1985	1,440	3	2		02/24/06	\$732,000	\$508.33	1133-j3	033-222-013-00
3100	Messinger Dr	93933-2811	1985	1,440	3	2		01/24/06	\$765,000	\$531.25	1133-j3	033-222-014-00
3106	Messinger Dr	93933-2811	1975	1,718	3	2	6,585	04/12/06	\$700,000	\$407.45	1095-a5	033-222-016-00
3076	Clarke Pl	93933-2801	1974	1,902	4	3	7,541	08/22/05	\$779,000	\$409.57	1095-a5	033-232-001-00
3097	Messinger Dr	93933-2811	1985	1,491	3	2		10/13/05	\$650,000	\$435.95	1133-j3	033-232-017-00
3143	Lake Dr	93933-2801	1988	1,813	4	3	6,742	06/21/06	\$870,000	\$369.55	1095-a4	033-251-002-00
3160	Mimi Ct	93933-2861	1985	1,289	3	2	8,622	09/09/05	\$739,500	\$573.70	1095-a4	033-251-007-00
139	Robin Dr	93933-2861	1984	1,412	3	2	6,392	10/19/05	\$725,000	\$513.46	1095-a4	033-251-023-00
161	Aaron Way	93933-2141	1995	1,790	4	2	6,645	06/30/06	\$750,000	\$418.99	1095-b3	033-271-012-00
171	Aaron Way	93933-2141	1995	1,974	4	2	8,155	08/12/05	\$790,000	\$400.20	1095-b3	033-271-017-00
171	Pacific Ct	93933-2231	1996	1,674	3	2	6,374	07/07/06	\$753,000	\$449.82	1095-b3	033-281-006-00
166	Pacific Ct	93933-2231	1996	1,674	3	2	7,011	11/30/05	\$780,500	\$466.25	1095-b3	033-281-011-00
160	Pacific Ct	93933-2231	1996	1,979	4	3		10/27/05	\$779,000	\$393.63	1095-b3	033-281-014-00
COUNT			112									
AVERAGE			1975	1,604	3	2	7,355		\$699,281	\$457.70		
MEDIAN			1973	1,520	3	2	7,200		\$685,000	\$441.83		
MINIMUM			1947	743	2	1	4,000		\$220,000	\$146.86		
MAXIMUM			2003	3,159	7	4	20,788		\$974,000	\$773.89		

Source: Hanley Wood Market Intelligence; FARES

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**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

**Appendix B
City of Seaside, Monterey County
Detached from August 2005 to August 2006**

Site	Address	Year Built	Unit Size (Sq. Ft.)	Bed	Bath	Lot Size (Sq. Ft.)	Sale Date	Sale Value	Price/ Sq. Ft.	TB Map Pg/Grd	Site APN#
5041	Sunset Vista Dr	2003	3,399	4	3	13,829	11/01/05	\$1,175,000	\$345.69	1015-e2	031-231-038-00
4855	Peninsula Point Dr						03/13/06	\$1,075,000			031-232-015-00
4906	Sea Crest Ct						08/03/05	\$876,000			031-232-041-00
4907	Sea Crest Ct						08/31/05	\$892,500			031-232-042-00
4905	Sea Crest Ct						08/24/05	\$896,500			031-232-043-00
4901	Sea Crest Ct						08/22/05	\$875,000			031-232-045-00
4899	Sea Crest Ct						08/26/05	\$826,500			031-232-046-00
4897	Sea Crest Ct						09/09/05	\$886,000			031-232-047-00
4895	Sea Crest Ct						09/23/05	\$908,500			031-232-048-00
4893	Sea Crest Ct						08/31/05	\$951,000			031-232-049-00
4705	Sea Ridge Ct						09/15/05	\$813,500			031-232-073-00
4725	Sea Ridge Ct						09/20/05	\$916,000			031-232-074-00
4802	Paradise Cove Ct						09/16/05	\$922,000			031-232-081-00
4792	Paradise Cove Ct						09/16/05	\$827,500			031-232-082-00
4760	Sea Crest Dr						09/23/05	\$876,000		971-h5	031-232-083-00
4750	Sea Ridge Ct						09/02/05	\$1,201,500			031-232-094-00
4740	Sea Ridge Ct						08/29/05	\$1,093,500			031-232-095-00
4730	Sea Ridge Ct						08/26/05	\$1,139,500			031-232-096-00
4720	Sea Ridge Ct						09/29/05	\$1,163,000			031-232-097-00
4710	Sea Ridge Ct						09/09/05	\$1,048,500			031-232-098-00
4700	Sea Ridge Ct						09/23/05	\$1,189,500			031-232-099-00
5006	Pacific Crest Dr	2004	3,215	3	3	6,550	09/08/05	\$1,150,000	\$357.70		031-241-044-00
5063	Sunset Vista Dr	2004	3,313	4	3	7,899	01/09/06	\$1,195,000	\$360.70		031-241-055-00
4440	Peninsula Point Dr						09/14/05	\$1,100,000			031-242-017-00
4315	Peninsula Point Dr	2004	1,720	3	3	4,799	05/12/06	\$899,000	\$522.67		031-242-037-00
4270	Bay Crest Cir	2003	3,113	4	3	4,641	10/28/05	\$1,290,000	\$414.39		031-242-046-00
4445	Peninsula Point Dr						09/13/05	\$925,000			031-242-057-00
4377	Shoreline Ct						04/21/06	\$1,045,000			031-242-060-00
4370	Shoreline Ct						04/04/06	\$1,155,000			031-242-066-00
4435	Cypress Ridge Ct						10/12/05	\$1,100,000			031-242-077-00
4426	Cypress Ridge Ct						03/17/06	\$1,215,000			031-242-083-00
2035	Cross St	1950	1,670	2	1	8,926	06/30/06	\$785,000	\$470.06	1114-f7	011-032-006-00
1505	Military Ave	1950	829	2	1	10,800	08/02/05	\$675,000	\$814.23	1114-f7	011-041-008-00
1486	Military Ave	1950	813	2	1	8,900	08/05/05	\$675,000	\$830.26	1114-f7	011-042-003-00
1575	Mira Mar Ave	1953	2,012	3	2	8,833	01/04/06	\$775,000	\$385.19	1114-g7	011-042-016-00
1555	Mira Mar Ave	1952	982	2	1	8,800	09/27/05	\$675,000	\$687.37	1114-g7	011-042-018-00
1514	Mira Mar Ave	1954	1,406	3	2	9,900	09/30/05	\$780,000	\$540.54	1114-g7	011-043-005-00
17	Primrose Cir	1989	1,438	3	3	6,400	11/30/05	\$769,000	\$534.77	1114-h7	011-063-007-00
6	Sandpiper Ct	1988	1,438	3	3	4,684	07/17/06	\$759,000	\$627.82	1114-h7	011-063-027-00
1985	Yosemite St	1954	1,263	3	2	7,000	07/27/06	\$700,000	\$554.24	1114-g7	011-073-020-00
1972	Mariposa St	1956	1,212	3	1	7,000	03/23/06	\$675,000	\$556.93	1114-g7	011-075-004-00
1950	Mariposa St	1954	1,699	3	2	7,000	11/18/05	\$715,000	\$420.84	1114-g7	011-075-008-00
1976	Luxton St	1950	996	2	1	7,900	11/10/05	\$700,000	\$702.81	1114-f7	011-081-014-00
1555	Mira Monte Ave	1951	1,028	2	1	10,000	03/01/06	\$535,000	\$520.43	1114-g7	011-082-013-00
1976	Noche Buena St	1951	1,398	3	2	6,700	06/22/06	\$610,000	\$436.34	1114-f7	011-093-032-00
	Broadway						08/05/05	\$608,000			011-292-018-00
704	Broadway Ave						08/05/05	\$608,000		1134-e1	011-292-019-00
725	Elm Ave		774	2	1	3,946	05/26/06	\$475,000	\$613.70	1134-e1	011-295-012-00
365	Amador Ave		1,265	2	1	3,922	05/16/06	\$525,000	\$415.02	1134-d2	011-311-013-00
445	Sonoma Ave	1935	874	1	1	4,054	06/02/06	\$670,000	\$766.59	1134-d2	011-312-009-00
530	Amador Ave	1945	1,487	2	1	4,000	03/28/06	\$675,000	\$453.93	1134-d2	011-314-003-00
545	Sonoma Ave	1977	882	2	1	4,007	01/24/06	\$600,000	\$680.27	1134-e2	011-314-014-00
700	Elm Ave		756	2	1	4,045	12/20/05	\$630,000	\$833.33	1134-e1	011-322-001-00
780	Sonoma Ave	1935	660	2	1	4,000	11/16/05	\$575,000	\$871.21	1134-e2	011-332-007-00
725	Harcourt Ave	2004	2,339	4	2	6,000	02/15/06	\$945,000	\$404.02	1134-e2	011-335-020-00
665	Harcourt Ave	1953	1,802	3	2	5,300	03/17/06	\$685,000	\$380.13	1134-e2	011-335-025-00
1391	Contra Costa St		868	2	1	4,136	11/10/05	\$437,500	\$504.03	1134-d2	011-341-012-00
535	Trinity Ave	1942	1,416	4	2	10,300	01/31/06	\$775,000	\$547.32	1134-d2	011-343-026-00
580	Trinity Ave		962	3	1	6,676	12/16/05	\$625,000	\$649.69	1134-d2	011-344-009-00
1259	Hillsdale St	1952	682	2	1	2,896	08/05/05	\$559,000	\$819.65	1134-d2	011-344-011-00

Source: Hanley Wood Market Intelligence; FARES

cl508v(East Garrison)Update.xls

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

**Appendix B
City of Seaside, Monterey County
Detached from August 2005 to August 2006**

Site	Address	Year Built	Unit Size (Sq. Ft.)	Bed	Bath	Lot Size (Sq. Ft.)	Sale Date	Sale Value	Price/ Sq. Ft.	TB Map Pg/Grd	Site APN#
	370 Trinity Ave	1948	889	3	1	4,000	10/21/05	\$645,000	\$725.53	1134-d2	011-345-003-00
	580 Hilby Ave	1954	796	2	1	5,947	08/30/05	\$575,000	\$722.36	1134-e2	011-353-007-00
	605 Lopez Ave						05/05/06	\$675,000		1134-e2	011-355-028-00
	607 Lopez Ave						02/28/06	\$625,000		1134-e2	011-355-029-00
	640 Lopez Ave	1950	912	3	1	4,700	11/16/05	\$610,000	\$668.86	1134-e2	011-357-006-00
	2060 Lassen St	1956	1,654	3	2	7,200	09/02/05	\$780,000	\$471.58	1114-h7	011-472-004-00
	1770 Military Ave	1955	1,193	3	2	10,700	03/30/06	\$760,000	\$637.05	1114-g7	011-473-004-00
	1790 Military Ave	1956	1,546	3	2	8,700	03/30/06	\$820,000	\$530.40	1114-h7	011-473-005-00
	1775 Ord Grove Ave	1956	1,124	3	2	7,500	02/02/06	\$735,000	\$653.91	1114-g7	011-474-014-00
	2005 Paralta Ave	1960	1,150	3	2	6,000	07/20/06	\$690,000	\$600.00	1114-h7	011-492-020-00
	1950 Paralta Ave	1960	1,147	3	2	7,600	08/09/05	\$720,000	\$627.72	1114-h7	011-493-007-00
	2010 Paralta Ave		1,338	3	2	5,960	12/14/05	\$600,000	\$448.43	1114-h7	011-493-013-00
	2078 Paralta Ave	1958	1,584	3	2	8,536	01/25/06	\$700,000	\$441.92	1114-h7	011-493-021-00
	1829 Juarez St	1970	1,339	4	2	5,500	06/02/06	\$705,000	\$528.51	1114-h7	012-014-047-00
	1817 Nadina St	1961	1,056	3	2	5,500	06/05/06	\$590,000	\$558.71	1114-h7	012-015-032-00
	1191 Birch Ave		992	1	1	4,600	09/08/05	\$529,000	\$533.27	1134-e1	012-072-013-00
	6 Shawnee Ct	1970	1,720	3	2	8,076	09/30/05	\$765,000	\$444.77	1134-g1	012-109-007-00
	14 Mizpah Ct	1968	945	3	2	6,500	11/21/05	\$703,000	\$743.92	1134-g1	012-109-010-00
	1740 Mescal St	1968	1,368	3	2	7,300	05/18/06	\$745,000	\$544.59	1134-g1	012-109-015-00
	1716 Mescal St	1967	1,247	3	2	6,000	06/15/06	\$699,000	\$560.55	1134-g1	012-109-020-00
	1761 Napa St	1959	1,030	3	2	4,500	12/28/05	\$730,000	\$708.74	1134-h1	012-111-032-00
	1770 Fernando St	1959	1,171	4	2	4,700	07/26/06	\$690,000	\$589.24	1134-h1	012-111-037-00
	1759 Granada St	1960	1,068	3	2	4,563	09/01/06	\$490,000	\$458.80	1134-h1	012-112-028-00
	1733 Havana St	1960	1,040	3	2	3,650	06/15/06	\$715,000	\$687.50	1134-h1	012-113-019-00
	1723 Havana St	1960	1,040	3	2	3,700	11/03/05	\$655,000	\$639.42	1134-h1	012-113-021-00
	1745 Havana St	1960	1,040	3	2	3,700	08/04/05	\$671,000	\$645.19	1134-h1	012-113-027-00
	1712 Goodwin St	1962	912	3	2	3,840	11/08/05	\$638,000	\$699.56	1134-f1	012-163-023-00
	1732 Baker St	1956	1,320	3	1	5,700	03/14/06	\$430,000	\$325.76	1134-f1	012-164-029-00
	1709 Goodwin St	1939	651	1	1	2,849	07/11/06	\$549,000	\$843.32	1134-f1	012-164-051-00
	1065 Clementina St		1,338	2		4,018	07/28/06	\$639,000	\$477.58	1134-e1	012-171-014-00
	1140 Clementina St	1948	775	2	1	4,178	04/28/06	\$650,000	\$838.71	1134-f1	012-172-008-00
	1173 Palm Ave		571	1		5,204	08/19/05	\$540,000	\$945.71	1134-f1	012-195-046-00
	1165 Elm Ave	1950	761	2		6,455	09/22/05	\$495,000	\$650.46	1134-f1	012-195-051-00
	1559 Kenneth St	1935	628	2	2	1,850	08/30/05	\$612,000	\$974.52	1134-f1	012-201-005-00
	1541 Harding St	1959	1,030	3	1	3,650	12/27/05	\$665,000	\$645.63	1134-g1	012-207-006-00
	1513 Darwin St	1958	964	3	1	3,650	03/23/06	\$700,000	\$726.14	1134-g1	012-211-016-00
	1564 Harding St	1958	1,096	3	2	4,500	11/07/06	\$599,000	\$546.53	1134-g1	012-211-023-00
	1531 Elm Ave	1958	1,261	4	2	5,400	09/16/05	\$700,000	\$555.11	1134-g1	012-213-012-00
	1589 Soto St	1958	982	3	1	3,700	06/29/06	\$600,000	\$611.00	1134-g1	012-214-002-00
	1473 Darwin St	1958	1,334	3	2	5,500	03/01/06	\$645,000	\$483.51	1134-g2	012-241-033-00
	1437 Vallejo St	1957	784	2	1	3,700	12/14/05	\$515,000	\$656.89	1134-g2	012-242-004-00
	1467 Vallejo St	1963	1,014	3	2	3,700	12/01/05	\$750,000	\$739.64	1134-g1	012-242-032-00
	1443 Luzern St	1958	1,115	3	2	3,700	10/25/05	\$550,000	\$493.27	1134-g2	012-243-018-00
	1418 Lowell St	1948	812	1	1	3,800	09/28/05	\$639,000	\$786.95	1134-f2	012-253-011-00
	1484 Luxton St	1960	1,071	3	2	3,750	12/19/05	\$655,000	\$611.58	1134-f2	012-254-016-00
	1418 Judson St	1974	883	1	1	1,900	12/20/05	\$519,000	\$587.77	1134-f2	012-255-008-00
	1431 Waring St	1953	732	2	1	3,750	12/12/05	\$620,000	\$846.99	1134-f2	012-255-015-00
	1191 Amador Ave		924	3	1	4,827	11/04/05	\$400,000	\$432.90	1134-f2	012-261-016-00
	1204 Elm Ave		1,280	4	2	7,488	09/23/05	\$675,000	\$527.34	1134-f2	012-262-031-00
	1262 Amador Ave		1,288	3	2	6,160	03/08/06	\$705,000	\$547.36	1134-f2	012-263-005-00
	1248 Sonoma Ave		768	2	1	4,968	06/30/06	\$383,000	\$498.70	1134-f2	012-264-006-00
	1263 Hamilton Ave		672	2	1	7,531	08/19/05	\$655,000	\$974.70	1134-f2	012-264-018-00
	1289 Trinity Ave	1947	2,126	4	3	5,000	05/15/06	\$670,000	\$315.15	1134-f2	012-265-013-00
	1198 Hamilton Ave		1,186	2	2	6,120	03/28/06	\$670,000	\$564.92	1134-f2	012-266-012-00
	1198 Sonoma Ave	1949	3,091	4	2	5,853	10/31/05	\$695,000	\$224.85	1134-f2	012-267-012-00
	1172 Sonoma Ave		960	3	1	4,837	07/11/06	\$575,000	\$598.96	1134-f2	012-267-028-00
	1190 Amador Ave	1958	1,014	3	1	5,000	10/25/05	\$610,000	\$601.58	1134-f2	012-268-012-00
	1066 Elm Ave	1947	813	2	1	5,800	08/26/05	\$589,000	\$724.48	1134-e1	012-271-013-00
	1061 Amador Ave	1998	2,015			5,800	06/09/06	\$800,100	\$397.07	1134-e2	012-271-020-00
	976 Sonoma Ave	1949	959	2	1	5,120	09/29/05	\$583,000	\$607.92	1134-e2	012-273-005-00

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**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

**Appendix B
City of Seaside, Monterey County
Detached from August 2005 to August 2006**

Site	Address	Year Built	Unit Size (Sq. Ft.)	Bed	Bath	Lot Size (Sq. Ft.)	Sale Date	Sale Value	Price/ Sq. Ft.	TB Map Pg/Grd	Site APN#
	945 Hamilton Ave	1955	855	2	1	5,400	11/23/05	\$435,000	\$508.77	1134-e2	012-273-042-00
	1087 Hamilton Ave	1999	922	2	2		01/24/06	\$660,000	\$715.84	1134-e2	012-273-060-00
	1017 Trinity Ave		1,798	3	2	7,310	12/02/05	\$725,000	\$403.23	1134-e2	012-274-035-00
	1360 Noche Buena St	1947	928	2	1	3,800	10/25/05	\$460,000	\$495.69	1134-f2	012-281-010-00
	1336 Noche Buena St	1941	654	2	1	3,800	11/10/05	\$457,500	\$699.54	1134-f2	012-281-019-00
	1324 Noche Buena St	1941	654	2	1	3,750	01/06/06	\$525,000	\$802.75	1134-f2	012-281-023-00
	1356 Kenneth St	1991	1,744	3	3	1,900	04/28/06	\$725,000	\$415.71	1134-f2	012-282-038-00
	1297 Luxton St	1964	1,064	3	2	3,750	05/12/06	\$730,000	\$686.09	1134-f2	012-283-027-00
	1307 Judson St	1946	720	2	1	3,800	04/12/06	\$535,000	\$743.06	1134-f2	012-284-009-00
	1366 Luxton St	1982	1,430			3,800	10/03/05	\$600,000	\$419.58	1134-f2	012-284-027-00
	1409 Wanda Ave	1951	792	2	1	3,750	04/10/06	\$608,000	\$767.68	1134-f2	012-285-027-00
	1342 Waring St	1958	967	3	1	3,700	04/20/06	\$660,000	\$682.52	1134-f2	012-286-021-00
	1398 Waring St	1963	1,014	3	2	3,900	09/21/05	\$695,000	\$885.40	1134-f2	012-286-028-00
	1543 Wanda Ave	1964	1,369	4	2	6,900	09/26/05	\$820,000	\$598.98	1134-g2	012-293-036-00
	1330 Luzern St	1958	972	3	1	3,700	06/06/06	\$600,000	\$617.28	1134-g2	012-294-012-00
	1224 Harding St	1949	811	2	1	3,650	08/05/05	\$609,500	\$751.54	1134-g2	012-321-014-00
	1212 Harding St	1963	1,186	3	2	5,500	10/28/05	\$655,000	\$552.28	1134-g2	012-321-021-00
	1244 Harding St	1953	858	2	1	3,700	01/12/06	\$599,000	\$698.14	1134-g2	012-321-026-00
	1237 Vallejo St	1963	1,363	3	2	4,500	05/19/06	\$700,000	\$513.57	1134-g2	012-322-038-00
	1245 Vallejo St	1962	2,059	3	2	4,745	01/05/06	\$699,000	\$339.49	1134-g2	012-322-039-00
	1233 Kenneth St	1961	672	2	1	3,750	06/30/06	\$550,000	\$818.45	6677-d6	012-331-021-00
	1229 Luxton St	1948	936	2	1	5,509	11/30/05	\$632,000	\$675.21	1134-f2	012-333-007-00
	1213 Judson St	1952	1,216	3	2	5,731	11/09/05	\$720,000	\$592.11	1134-f2	012-334-007-00
	1467 Hilby Ave	1964	1,050	3	2	3,671	02/16/06	\$630,000	\$600.00	1134-g2	012-337-017-00
	1261 Harcourt Ave	1947	1,309	2	1	5,051	09/07/05	\$759,000	\$579.83	1134-f2	012-342-019-00
	1179 Prospect St	1951	1,104	3	2	6,270	09/01/05	\$699,000	\$633.15	1134-e2	012-381-040-00
	1141 Rousch Ave	1955	1,063	2	1	15,628	12/06/05	\$789,000	\$742.24	1134-f2	012-382-051-00
	1125 Santa Ana St		1,747	3	2	7,816	06/08/06	\$770,000	\$440.76	1134-f2	012-383-010-00
	1122 Modoc St		1,586	3	2		09/16/05	\$855,000	\$539.09	1134-f2	012-384-001-00
	1165 Santa Ana St	1967	1,161	3	2	6,604	04/21/06	\$700,000	\$602.93	1134-f2	012-393-008-00
	1179 Waring St	1948	1,308	3	2	7,712	05/16/06	\$630,000	\$481.65	1134-f2	012-401-082-00
	1101 Buena St	1956	1,161	3	2	4,500	12/30/05	\$690,000	\$594.32	1134-f3	012-402-027-00
	1128 Sunnyhill Ct		1,248				05/15/06	\$700,100	\$560.98	1134-g3	012-402-053-00
	1667 Mescal Ct						02/28/06	\$800,000		1134-g3	012-414-012-00
	1576 Hilby Ave		1,191	3		11,995	06/16/06	\$749,000	\$628.88	1134-g2	012-414-052-00
	1381 Boles Ct						02/23/06	\$685,000		1134-f3	012-431-035-00
	1140 Kimball Ave						08/18/05	\$725,000		1134-f3	012-451-008-00
	1119 Malta Ct	1960	1,278	3	2	5,900	04/27/06	\$791,000	\$618.94	1134-f3	012-451-016-00
	1061 Wheeler St		1,196	3	1		08/12/05	\$720,000	\$602.01	1134-e3	012-462-006-00
	1694 La Salle Ave	1968	1,719	3	2	6,100	08/11/05	\$720,000	\$418.85	1114-g7	012-621-002-00
	1816 Lincoln St	1968	1,353	3	2	4,300	03/31/06	\$870,000	\$495.20	1114-g7	012-622-060-00
	1416 Soto St	1973	1,347	5	2	5,911	08/05/05	\$685,000	\$508.54	1134-g1	012-632-037-00
	2 Athens Ct	1971	1,248	3	2	6,500	05/12/06	\$625,000	\$500.80	1134-g2	012-642-023-00
	3 Villanova Ct	1969	1,482	3	2	6,500	12/21/05	\$745,000	\$502.70	1134-g1	012-651-015-00
	5 Villanova Ct	1971	1,689	4	2	8,250	04/13/06	\$855,000	\$506.22	1134-g1	012-651-016-00
	1618 Highland St	1959	1,066	3	2	3,800	01/19/06	\$150,000	\$140.71	1134-g1	012-652-017-00
	1685 Mendocino St	1973	1,365	3	2	5,500	01/03/06	\$745,000	\$545.79	1134-g1	012-652-034-00
	1677 Mendocino St	1959	1,080	3	2	4,700	12/23/05	\$675,000	\$625.00	1134-g1	012-652-035-00
	1623 Highland St	1959	1,049	3	2	3,800	12/09/05	\$610,000	\$581.51	1134-g1	012-654-033-00
	1684 Soto St	1957	1,249	3	1	3,750	08/11/05	\$610,000	\$488.39	1134-g1	012-654-036-00
	1655 Highland St	1959	1,040	3	2	3,800	11/10/05	\$705,000	\$677.88	1134-g1	012-654-038-00
	1610 Soto St	1958	1,092	3	1	3,800	12/28/05	\$620,000	\$567.77	1134-g1	012-654-042-00
	1364 Skyview Dr	1975	2,238	4	3	11,300	08/24/05	\$975,000	\$435.66	1134-g2	012-673-004-00
	1365 Skyview Dr	1975	2,380	3	3	7,300	02/15/06	\$925,100	\$388.70	1134-g2	012-673-014-00
	1255 Mescal St	1972	1,719	3	2	8,080	05/26/06	\$788,000	\$458.41	1134-g2	012-682-006-00
	1660 Wanda Ave	1970	1,755	4	2	6,193	12/20/05	\$999,000	\$569.23	1134-g2	012-682-026-00
	1220 Yosemite St	1972	1,693	3	2	8,300	03/24/06	\$503,000	\$297.11	1134-g2	012-682-044-00
	1671 Hilby Ave	1958	884	2	1	4,500	09/16/05	\$630,000	\$712.67	1134-g2	012-682-054-00
	1609 Judson St	1959	1,040	3	1	3,697	07/24/06	\$620,000	\$596.15	1134-f1	012-692-030-00
	1607 Judson St	1953	780	2	1	3,650	01/05/06	\$695,000	\$891.03	1134-f1	012-692-032-00

Source: Hanley Wood Market Intelligence; FARES

cl508v(East Garrison)Update.xls

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

**Appendix B
City of Seaside, Monterey County
Detached from August 2005 to August 2006**

Site	Address	Year Built	Unit Size (Sq. Ft.)	Bed	Bath	Lot Size (Sq. Ft.)	Sale Date	Sale Value	Price/ Sq. Ft.	TB Map Pg/Grd	Site APN#
1293	Olympia Ave	1947	857	2	1	3,757	12/30/05	\$575,000	\$670.95	1134-f1	012-696-003-00
1609	Waring St	1972	974	2	1	3,650	12/22/05	\$370,000	\$379.88	1134-f1	012-701-016-00
1618	Judson St		1,312			3,200	05/12/06	\$559,000	\$502.29	1134-f1	012-701-031-00
1625	Flores St	1954	855	2	1	3,750	09/13/05	\$585,000	\$684.21	1134-f1	012-702-002-00
1609	Darwin St	1959	1,066	3	2	5,500	04/13/06	\$500,000	\$469.04	1134-g1	012-711-009-00
1696	Luzern St	1970	1,328	4	2	7,354	08/26/05	\$705,000	\$530.87	1134-g1	012-723-001-00
1669	Soto St	1958	1,020	3	1	3,650	04/03/06	\$595,000	\$583.33	1134-g1	012-723-013-00
1678	Waring St						09/29/05	\$487,500		1134-f1	012-732-008-00
1692	Flores St	1956	798	2	1	5,200	01/31/06	\$549,000	\$687.97	1134-f1	012-733-003-00
1666	Noche Buena St	1956	960	3	1	3,750	02/22/06	\$660,000	\$687.50	1134-f1	012-742-011-00
1670	Lowell St	1971	1,206	3	2	5,500	12/15/05	\$690,000	\$572.14	1134-f1	012-744-009-00
1698	Luxton St	1960	1,080	3	2	3,650	08/12/05	\$615,000	\$569.44	1134-f1	012-745-001-00
1654	Luxton St	1958	1,055	3	2	3,700	11/30/05	\$635,000	\$601.90	1134-f1	012-745-016-00
1720	Luxton St	1956	999	3	1	3,700	12/01/05	\$645,000	\$645.65	1134-f1	012-751-006-00
1723	Judson St	1957	1,503	3	2	5,500	10/19/05	\$688,000	\$457.75	1134-f1	012-751-014-00
1727	Luxton St	1963	1,001	3	2	3,650	04/28/06	\$655,000	\$654.35	1134-f1	012-752-015-00
1757	Luxton St						08/31/05	\$705,000		1134-f1	012-752-021-00
1730	Harding St	1963	1,080	3	2	3,700	10/25/05	\$569,000	\$526.85	1134-g1	012-763-003-00
1726	Harding St	1954	875	2	1	3,700	11/23/05	\$550,000	\$628.57	1134-g1	012-763-004-00
1731	Flores St	1950	859	2	2	3,750	09/07/05	\$425,000	\$494.76	1134-f1	012-764-015-00
1750	Judson St	1959	1,036	3	2	3,700	06/30/06	\$639,000	\$616.80	1134-f1	012-765-003-00
1756	Luzern St	1973	998	2	1	3,700	08/12/05	\$599,000	\$600.20	1134-g1	012-773-001-00
1740	Luzern St	1953	676	2	1	3,697	04/26/06	\$595,000	\$880.18	1134-g1	012-773-004-00
1820	Vallejo St	1972	1,431	4	2	5,500	12/16/05	\$662,000	\$462.61	1114-g7	012-781-001-00
1790	Luzern St	1965	1,134	3	2	3,650	12/23/05	\$705,000	\$621.69	1134-g1	012-786-001-00
1770	Soto St	1971	1,360	3	2	5,475	10/07/05	\$675,000	\$496.32	1134-g1	012-787-014-00
1425	San Pablo Ave	1952	1,370	3	1	3,650	02/22/06	\$570,000	\$416.06	1134-f1	012-791-004-00
1783	Kenneth St	1972	1,436	4	2	1,436	04/03/06	\$670,000	\$466.57	1134-f1	012-805-014-00
1276	San Pablo Ave	1948	1,169	3	1	3,800	11/23/05	\$500,000	\$427.72	1114-f7	012-811-018-00
1761	Hilton St	1950	808	2	1	3,750	08/25/05	\$615,000	\$761.14	1134-f1	012-813-014-00
1881	Noche Buena St	1948	1,064	3	1	3,750	08/01/05	\$549,000	\$515.98	1114-f7	012-822-003-00
1852	Laguna St	1957	980	3	1	3,800	09/20/05	\$640,000	\$653.06	1114-f7	012-822-019-00
1817	Laguna St	1945	834	2	1	5,600	10/20/05	\$549,000	\$658.27	1114-f7	012-823-013-00
1899	Waring St	1960	1,014	3	2	3,700	06/07/06	\$650,000	\$641.03	1114-f7	012-833-017-00
1869	Flores St	1956	938	3	1	3,700	04/28/06	\$685,000	\$730.28	1114-f7	012-834-014-00
1872	Vallejo St	1954	768	2	1		12/27/05	\$640,000	\$833.33	1114-g7	012-841-006-00
1861	Luzern St	1957	1,233	3	2	3,700	06/28/06	\$635,000	\$515.00	1114-g7	012-841-016-00
1829	Vallejo St	1949	1,000	2	1	7,300	02/17/06	\$652,000	\$652.00	1114-g7	012-842-010-00
1820	Harding St	1959	964	3	1	3,650	01/18/06	\$600,000	\$622.41	1134-g1	012-843-010-00
1872	Mendocino Ct	1976	1,412	3	2	5,900	08/24/05	\$113,500	\$80.38	1114-g7	012-853-019-00
1830	Soto St	1954	968	2	1	3,700	07/11/06	\$545,000	\$563.02	1114-g7	012-854-010-00
1889	Highland St	1956	982	3	1	3,750	10/14/05	\$659,000	\$671.08	1114-g7	012-854-019-00
1892	Luzern St	1954	952	3	1	3,950	07/03/06	\$595,000	\$625.00	1114-g7	012-856-002-00

COUNT	223										
AVERAGE	1960	1,209	3	2	5,322			\$696,979	\$583.65		
MEDIAN	1958	1,067	3	2	4,700			\$671,000	\$585.55		
MINIMUM	1935	571	1	1	1,436			\$113,500	\$80.38		
MAXIMUM	2004	3,399	5	3	15,628			\$1,290,000	\$874.70		

Residual Lot value (Project Revenue) calculation

East Garrison Partners 1, LLC East Garrison Proforma

Phase: 1
Community: 1
Date of Sale: 8/15/2008

Product type:	Total	Bluff	Bungalow	Condo	WFl Condi	Cottages	Garden	Grove	Aff Grove	Live/Work	Twnhse	Aff Townhse	Courtyd
Number of units:	274	12	0	0	0	71	61	4	0	16	42	18	50
Revenue:													
Base Home Price (inc Premiums)	925,600					854,100	627,300	570,600		582,200	535,800	264,900	724,700
Options Revenue 6.0% of Base price	55,536					51,246	37,638	34,236		34,932	32,148	0	43,482
Estimated Sales Revenue	981,136					905,346	664,938	604,836		617,132	567,948	264,900	768,182
Costs:													
Direct Building Costs	257,600					237,200	173,100	152,400		216,000	202,300	148,600	193,800
Option Costs	46,650					43,047	31,616	28,758		29,343	27,004	0	36,521
Fees and Permits	84,400					80,100	61,700	58,190		33,760	32,430	57,000	70,700
Sales & Marketing 6%													
Warranty 1%													
Taxes 1.1%													
Financing 6%													
Builder Margin 9%													
Indirect Construct 2%													
A&E/Consultants 1%													
Overhead 3%													
Insurance 1%													
Estimated Costs	84,792					59,787	43,911	39,942		40,754	37,506	18,543	50,729
Residual Lot Value	667,256					617,431	455,233	411,099		454,345	423,010	285,335	519,160
Total residual	313,880					287,815	209,705	193,737		162,787	144,938	(20,435)	249,022
	3,766,562					20,441,983	12,791,992	774,949		2,604,591	6,087,391	(367,828)	12,451,121

Total project residential land sales revenue

\$58,550,760

Appendix 1
Exhibit C

12/13/2006 10:47 AM

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

East Garrison Partners
Sample Proforma

3rd report date

Appendix 1
Exhibit D

	TOTAL	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	Oct 2003	Nov 2003	Dec 2003
Units Closed	1,400												
Cumulative Units	1,400												
Gross Sales Revenue	235,329,503												
Receipts:													
Cash @ Closings	235,329,503	0	0	0	0	0	0	0	0	0	0	0	0
Homebuilder Part. Revenue	3,000,000												
CFD Net Proceeds	20,000,000												
Tax Increment	9,500,000												
FORA Loan Interest Repay	1,300,000												
Less:													
Closing Costs	0												
Net Receipts	269,129,503	0	0	0	0	0	0	0	0	0	0	0	0
Disbursements:													
Land Acquisition													
Property Tax Payments													
Consultants													
Development Fees													
Land Improvements													
Amenities													
Infrastructure Indirects													
Infra Sales & Marketing													
Infra EGP Mgt Fee													
Net Disbursements	158,600,000	0	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Cash Flow Before Loans	110,529,503	0	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000
Cashflow required for 22.5% IRR	24,529,503												
Project Cashflow over 22.5% IRR at reporting date													
Participation Payment Before Adjustments (50%)													
less previous payment (1st reporting date)													
less previous payment (2nd reporting date)													
Net Calculated Payment amount													
Escrow Proceeds (50% of County proceeds)													
Cumulative escrowed proceeds													
less IRR Backfill Payment (if any)													
Cash to County													
First Reporting Date	Aug-10												
Monthly IRR	1.09%												
Annual Simple IRR	13.08%												
County Payment	\$0												
Second Reporting Date	Aug-11												
Monthly IRR	2.52%												
Annual Simple IRR	30.20%												
County Payment	\$21,885,000												
Third Reporting Date	Feb-13												
Monthly IRR	1.88%												
Annual Simple IRR	22.50%												
County Payment	\$21,115,000												
Total County Payments	\$43,000,000												

12/18/2006 2:57 PM

EG 121706 (county payments 3rd reporting date KMA method)

East Garrison Partners
Sample Proforma

3rd report date

	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004	Jun 2004	Jul 2004	Aug 2004	Sep 2004	Oct 2004	Nov 2004	Dec 2004
TOTAL												
Units Closed	1,400											
Cumulative Units	1,400											
Gross Sales Revenue	235,329,503											
Receipts:												
Cash @ Closings	235,329,503	0	0	0	0	0	0	0	0	0	0	0
Homebuilder Part. Revenue	3,000,000											
CFD Net Proceeds	20,000,000											
Tax Increment	9,500,000											
FORA Loan Interest Repay	1,300,000											
Less:												
Closing Costs	0											
Net Receipts	269,129,503	0	0	0	0	0	0	0	0	0	0	0
Disbursements:												
Land Acquisition												
Property Tax Payments												
Consultants												
Development Fees												
Land Improvements												
Amenities												
Infrastructure Indirects												
Infra Sales & Marketing												
Infra EGP Mgt Fee												
Net Disbursements	158,800,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000
Cash Flow Before Loans	110,529,503	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000
Cashflow required for 22.5% IRR	24,529,503	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)
Project Cashflow over 22.5% IRR at reporting date												
Participation Payment Before Adjustments (50%)												
less previous payment (1st reporting date)												
less previous payment (2nd reporting date)												
Net Calculated Payment amount												
Escrow Proceeds (50% of County proceeds)												
Cumulative escrowed proceeds												
less IRR Backfill Payment (if any)												
Cash to County												
First Reporting Date	Aug-10											
Monthly IRR	1.09%											
Annual Simple IRR	13.06%											
County Payment	\$0											
Second Reporting Date	Aug-11											
Monthly IRR	2.52%											
Annual Simple IRR	30.20%											
County Payment	\$21,885,000											
Third Reporting Date	Feb-13											
Monthly IRR	1.88%											
Annual Simple IRR	22.50%											
County Payment	\$21,115,000											
Total County Payments	\$43,000,000											

East Garrison Partners
Sample Proforma

3rd reporting date

TOTAL Jan 2005 Feb 2005 Mar 2005 Apr 2005 May 2005 Jun 2005 Jul 2005 Aug 2005 Sep 2005 Oct 2005 Nov 2005 Dec 2005

Units Closed 1,400
Cumulative Units 1,400
Gross Sales Revenue 235,329,503

Receipts:
Cash @ Closings 235,329,503
Homebuilder Part. Revenue 3,000,000
CFD Net Proceeds 20,000,000
Tax Increment 9,500,000
FORA Loan Interest Repay 1,300,000
Less:

Closing Costs 0
Net Receipts 268,129,503

Disbursements:
Land Acquisition
Property Tax Payments
Consultants
Development Fees
Land Improvements
Amenities
Infrastructure Indirects
Infra Sales & Marketing
Infra EGP Mgt Fee

Net Disbursements 158,600,000
Cash Flow Before Loans 110,529,503

Cashflow required for 22.5% IRR 24,529,503
Project Cashflow over 22.5% IRR at reporting date
Participation Payment Before Adjustments (50%)
less previous payment (1st reporting date)
less previous payment (2nd reporting date)
Net Calculated Payment amount
Escrow Proceeds (50% of County proceeds)
Cumulative escrowed proceeds
less IRR Backfill Payment (if any)
Cash to County

First Reporting Date Aug-10
Monthly IRR 1.09%
Annual Simple IRR 13.06%
County Payment \$0
Second Reporting Date Aug-11
Monthly IRR 2.52%
Annual Simple IRR 30.20%
County Payment \$21,885,000
Third Reporting Date Feb-13
Monthly IRR 1.88%
Annual Simple IRR 22.50%
County Payment \$21,415,000
Total County Payments \$43,000,000

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

East Garrison Partners
Sample Proforma

3rd reporting date

	TOTAL	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Nov 2006	Dec 2006
Units Closed	1,400												
Cumulative Units	1,400												
Gross Sales Revenue	236,329,503												
Receipts:													
Cash @ Closings	235,329,503	0	0	0	0	0	0	0	0	0	0	0	0
Homebuilder Part. Revenue	3,000,000												
CFD Net Proceeds	20,000,000												
Tax Increment	9,500,000												
FORA Loan Interest Repay	1,300,000												
Less:													
Closing Costs	0												
Net Receipts	269,129,503	0	0	0	0	0	0	0	0	0	0	0	0
Disbursements:													
Land Acquisition													
Property Tax Payments													
Consultants													
Development Fees													
Land Improvements													
Amenities													
Infrastructure Indirects													
Infra Sales & Marketing													
Infra EGP Mgt Fee													
Net Disbursements	158,600,000	840,000	840,000	840,000	840,000	840,000	840,000	840,000	840,000	840,000	840,000	840,000	840,000
Cash Flow Before Loans	110,529,503	-840,000	-840,000	-840,000	-840,000	-840,000	-840,000	-840,000	-840,000	-840,000	-840,000	-840,000	-840,000
Cashflow required for 22.5% IRR	24,529,503	(840,000)	(840,000)	(840,000)	(840,000)	(840,000)	(840,000)	(840,000)	(840,000)	(840,000)	(840,000)	(840,000)	(840,000)
Project Cashflow over 22.5% IRR at reporting date													
Participation Payment Before Adjustments (50%)													
less previous payment (1st reporting date)													
less previous payment (2nd reporting date)													
Net Calculated Payment amount													
Escrow Proceeds (50% of County proceeds)													
Cumulative escrowed proceeds													
less IRR Backfill Payment (if any)													
Cash to County													
First Reporting Date	Aug-10												
Monthly IRR	1.09%												
Annual Simple IRR	13.06%												
County Payment	\$0												
Second Reporting Date	Aug-11												
Monthly IRR	2.52%												
Annual Simple IRR	30.20%												
County Payment	\$21,885,000												
Third Reporting Date	Feb-13												
Monthly IRR	1.88%												
Annual Simple IRR	22.50%												
County Payment	\$21,115,000												
Total County Payments	\$43,000,000												

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

East Garrison Partners
Sample Proforma

3rd reporting date

Jan 2007 Feb 2007 Mar 2007 Apr 2007 May 2007 Jun 2007 Jul 2007 Aug 2007 Sep 2007 Oct 2007 Nov 2007 Dec 2007

	TOTAL	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007	Jul 2007	Aug 2007	Sep 2007	Oct 2007	Nov 2007	Dec 2007
Units Closed	1,400												
Cumulative Units	1,400												
Gross Sales Revenue	235,329,503												
Receipts:													
Cash @ Closings	235,329,503	0	0	0	0	0	0	0	0	0	0	0	0
Homebuilder Part. Revenue	3,000,000												
CFD Net Proceeds	20,000,000												
Tax Increment	9,500,000												
FORA Loan Interest Repay	1,300,000												
Less:													
Closing Costs	0												
Net Receipts	269,129,503	0	0	0	0	0	0	0	0	0	0	0	0
Disbursements:													
Land Acquisition													
Property Tax Payments													
Consultants													
Development Fees													
Land Improvements													
Amenities													
Infrastructure Indirects													
Infra Sales & Marketing													
Infra EGP Mgt Fee													
Net Disbursements	158,600,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Cash Flow Before Loans	110,529,503	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Cashflow required for 22.5% IRR	24,529,503	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Project Cashflow over 22.5% IRR at reporting date													
Participation Payment Before Adjustments (50%)													
less previous payment (1st reporting date)													
Net Calculated Payment amount													
Escrow Proceeds (50% of County proceeds)													
Cumulative escrowed proceeds													
less IRR Backfill Payment (if any)													
Cash to County													
First Reporting Date	Aug-10												
Monthly IRR	1.09%												
Annual Simple IRR	13.06%												
County Payment	\$0												
Second Reporting Date	Aug-11												
Monthly IRR	2.52%												
Annual Simple IRR	30.20%												
County Payment	\$21,885,000												
Third Reporting Date	Feb-13												
Monthly IRR	1.88%												
Annual Simple IRR	22.50%												
County Payment	\$21,115,000												
Total County Payments	\$43,000,000												

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EG 121706 (county payments 3rd reporting date KMA method)

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

**East Garrison Partners
Sample Proforma**

3rd reporting date

	TOTAL	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008	Jun 2008	Jul 2008	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008
Units Closed	1,400								393	393	393	393	393
Cumulative Units	1,400								393	393	393	393	393
Gross Sales Revenue	235,329,503								72,708,120	72,708,120	72,708,120	72,708,120	72,708,120
Receipts:													
Cash @ Closings	235,329,503	0	0	0	0	0	0	0	72,708,120	72,708,120	72,708,120	72,708,120	72,708,120
Homebuilder Part. Revenue	3,000,000												
CFD Net Proceeds	20,000,000						6,695,000						
Tax Increment	9,500,000												
FORA Loan Interest Repay	1,300,000												
Less:													
Closing Costs	0												
Net Receipts	289,129,503	0	0	0	0	0	6,695,000	0	72,708,120	72,708,120	72,708,120	72,708,120	72,708,120
Disbursements:													
Land Acquisition													
Property Tax Payments													
Consultants													
Development Fees													
Land Improvements													
Amenities													
Infrastructure Indirects													
Infra Sales & Marketing													
Infra EGP Mgt Fee													
Net Disbursements	158,600,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
Cash Flow Before Loans	110,529,503	-3,200,000	-3,200,000	-3,200,000	-3,200,000	-3,200,000	3,495,000	-3,200,000	69,508,120	-3,200,000	-3,200,000	-3,200,000	-3,200,000
Cashflow required for 22.5% IRR	24,529,503	(3,200,000)	(3,200,000)	(3,200,000)	(3,200,000)	(3,200,000)	3,495,000	(3,200,000)	69,508,120	(3,200,000)	(3,200,000)	(3,200,000)	(3,200,000)
Project Cashflow over 22.5% IRR at reporting date													
Participation Payment Before Adjustments (50%)													
less previous payment (1st reporting date)													
less previous payment (2nd reporting date)													
Net Calculated Payment amount													
Escrow Proceeds (50% of County proceeds)													
Cumulative escrowed proceeds													
less IRR Backfill Payment (if any)													
Cash to County													
First Reporting Date	Aug-10												
Monthly IRR	1.09%												
Annual Simple IRR	13.06%												
County Payment	\$0												
Second Reporting Date	Aug-11												
Monthly IRR	2.52%												
Annual Simple IRR	30.20%												
County Payment	\$21,885,000												
Third Reporting Date	Feb-13												
Monthly IRR	1.88%												
Annual Simple IRR	22.50%												
County Payment	\$21,415,000												
Total County Payments	\$43,000,000												

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EG 121706 (county payments 3rd reporting date KMA method)

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

East Garrison Partners
Sample Proforma

3rd reporting date

	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009
TOTAL	1,400	22	415	415	415	415	415	298	713	713	713	713
Units Closed	1,400	415						713				
Cumulative Units	1,400	6,078,304						39,818,174				
Gross Sales Revenue	235,329,503											
Receipts:												
Cash @ Closings	235,329,503	0	6,078,304	0	0	0	0	39,818,174	0	0	0	0
Homebuilder Part. Revenue	3,000,000											
CFD Net Proceeds	20,000,000					7,435,000						
Tax Increment	9,500,000											
FORA Loan Interest Repay	1,300,000											
Less:												
Closing Costs	0											
Net Receipts	269,129,503	1,300,000	6,078,304	0	0	7,435,000	0	46,151,507	0	0	0	0
Disbursements:												
Land Acquisition												
Property Tax Payments												
Consultants												
Development Fees												
Land Improvements												
Amenities												
Infrastructure Indirects												
Infra Sales & Marketing												
Infra EGP Mgt Fee												
Net Disbursements	168,800,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Cash Flow Before Loans	110,529,503	3,478,304	-2,600,000	-2,600,000	-2,600,000	4,835,000	-2,600,000	43,551,507	-2,600,000	-2,600,000	-2,600,000	-2,600,000
Cashflow required for 22.5% IRR	24,529,503	(1,300,000)	3,478,304	(2,600,000)	(2,600,000)	4,835,000	(2,600,000)	43,551,507	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)
Project Cashflow over 22.5% IRR at reporting date												
Participation Payment Before Adjustments (50%)												
less previous payment (1st reporting date)												
less previous payment (2nd reporting date)												
Net Calculated Payment amount												
Escrow Proceeds (50% of County proceeds)												
Cumulative escrowed proceeds												
less IRR Backfill Payment (if any)												
Cash to County												
First Reporting Date	Aug-10											
Monthly IRR	1.09%											
Annual Simple IRR	13.06%											
County Payment	\$0											
Second Reporting Date	Aug-11											
Monthly IRR	2.52%											
Annual Simple IRR	30.20%											
County Payment	\$21,885,000											
Third Reporting Date	Feb-13											
Monthly IRR	1.88%											
Annual Simple IRR	22.50%											
County Payment	\$21,115,000											
Total County Payments	\$43,000,000											

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EG 121706 (county payments 3rd reporting date KMA method)

3rd reporting date

East Garrison Partners
Sample Proforma

	TOTAL	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010
Units Closed	1,400		69						1,419				
Cumulative Units	1,400	713	782	782	782	782	782	782	1,201	1,201	1,201	1,201	1,201
Gross Sales Revenue	235,329,503		17,611,734						60,739,158				
Receipts:													
Cash @ Closings	235,329,503	0	17,611,734	0	0	0	0	0	60,739,158	0	0	0	0
Homebuilder Part. Revenue	3,000,000	1,000,000											
CFD Net Proceeds	20,000,000						5,870,000						
Tax Increment	9,500,000												
FORA Loan Interest Repay	1,300,000												
Less:									3,166,667				
Closing Costs	0												
Net Receipts	269,129,503	1,000,000	17,611,734	0	0	0	5,870,000	0	63,905,825	0	0	0	0
Disbursements:													
Land Acquisition													
Property Tax Payments													
Consultants													
Development Fees													
Land Improvements													
Amenities													
Infrastructure Indirects													
Infra Sales & Marketing													
Infra EGP Mgt Fee													
Net Disbursements	158,600,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Cash Flow Before Loans	110,529,503	-1,100,000	15,511,734	-2,100,000	-2,100,000	-2,100,000	3,770,000	-2,100,000	-2,100,000	-2,100,000	-2,100,000	-2,100,000	-2,100,000
Cashflow required for 22.5% IRR	24,529,503	(1,100,000)	15,511,734	(2,100,000)	(2,100,000)	(2,100,000)	3,770,000	(2,100,000)	(2,100,000)	(2,100,000)	(2,100,000)	(2,100,000)	(2,100,000)
Project Cashflow over 22.5% IRR at reporting date													
Participation Payment Before Adjustments (50%)													
less previous payment (1st reporting date)													
less previous payment (2nd reporting date)													
Net Calculated Payment amount													
Escrow Proceeds (50% of County proceeds)													
Cumulative escrowed proceeds													
less IRR Backfill Payment (if any)													
Cash to County										0	0	0	0
First Reporting Date	Aug-10												
Monthly IRR	1.09%												
Annual Simple IRR	13.06%												
County Payment	\$0												
Second Reporting Date	Aug-11												
Monthly IRR	2.52%												
Annual Simple IRR	30.20%												
County Payment	\$21,886,000												
Third Reporting Date	Feb-13												
Monthly IRR	1.88%												
Annual Simple IRR	22.50%												
County Payment	\$21,715,000												
Total County Payments	\$43,000,000												

EXHIBIT D - EAST GARRISON PARTNERSHIP PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

East Gallatin Partners Sample Proforma														3rd reporting date
	TOTAL	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	
Units Closed	1,400		107						62					
Cumulative Units	1,400	1,201	1,308	1,308	1,308	1,308	1,308	1,308	1,370	1,370	1,370	1,370	1,370	
Gross Sales Revenue	235,329,503		17,943,256						13,253,575					
Receipts:														
Cash @ Closings	235,329,503	0	17,943,256	0	0	0	0	0	13,253,575	0	0	0	0	
Homebuilder Part. Revenue	3,000,000	1,000,000												
CFD Net Proceeds	20,000,000													
Tax Increment	9,500,000													
FORA Loan Interest Repay	1,300,000													
Less:														
Closing Costs	0													
Net Receipts	269,129,503	1,000,000	17,943,256	0	0	0	0	0	13,253,575	0	0	0	0	
Disbursements:														
Land Acquisition														
Property Tax Payments														
Consultants														
Development Fees														
Land Improvements														
Amenities														
Infrastructure Indirects														
Infra Sales & Marketing														
Infra EGP Mgt Fee														
Net Disbursements	158,600,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	
Cash Flow Before Loans	110,529,503	530,000	17,473,256	-470,000	-470,000	-470,000	-470,000	-470,000	12,783,575	-470,000	-470,000	-470,000	-470,000	
Cashflow required for 22.5% IRR	24,529,503	530,000	17,473,256	(470,000)	(470,000)	(470,000)	(470,000)	(470,000)	12,783,575	(470,000)	(470,000)	(470,000)	(470,000)	
Project Cashflow over 22.5% IRR at reporting date														
Participation Payment Before Adjustments (50%)														
less previous payment (1st reporting date)														
less previous payment (2nd reporting date)														
Net Calculated Payment amount														
Escrow Proceeds (50% of County proceeds)									21,885,000					
Cumulative escrowed proceeds									0					
less IRR Backfill Payment (if any)									0					
Cash to County		0	0	0	0	0	0	0	10,942,500	10,942,500	10,942,500	10,942,500	10,942,500	
First Reporting Date	Aug-10													
Monthly IRR	1.09%													
Annual Simple IRR	13.08%													
County Payment	\$0													
Second Reporting Date	Aug-11													
Monthly IRR	2.52%													
Annual Simple IRR	30.20%													
County Payment	\$21,885,000													
Third Reporting Date	Feb-13													
Monthly IRR	1.88%													
Annual Simple IRR	22.50%													
County Payment	\$21,115,000													
Total County Payments	\$43,000,000													

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EG 121706 (county payments 3rd reporting date KMA method)

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

East Garrison Partners
Sample Proforma

3rd reporting date

	TOTAL	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012
Units Closed	1,400		30										
Cumulative Units	1,400	1,370	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Gross Sales Revenue	235,329,503		7,177,182	1,400									
Recap:													
Cash @ Closings	235,329,503	0	7,177,182	0	0	0	0	0	0	0	0	0	0
Homebuilder Part. Revenue	3,000,000	1,000,000											
CFD Net Proceeds	20,000,000												
Tax Increment	9,500,000												
FORA Loan Interest Repay	1,300,000												
Less:													
Closing Costs	0												
Net Receipts	269,129,503	1,000,000	7,177,182	0	0	0	0	0	0	0	0	0	0
Disbursements:													
Land Acquisition													
Property Tax Payments													
Consultants													
Development Fees													
Land Improvements													
Amenities													
Infrastructure Indirects													
Infra Sales & Marketing													
Infra EGP Mgt Fee													
Net Disbursements	158,600,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Cash Flow Before Loans	110,529,503	950,000	7,127,182	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000
Cashflow required for 22.5% IRR	24,529,503	850,000	7,127,182	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Project Cashflow over 22.5% IRR at reporting date													
Participation Payment Before Adjustments (50%)													
less previous payment (1st reporting date)													
less previous payment (2nd reporting date)													
Net Calculated Payment amount													
Escrow Proceeds (50% of County proceeds)													
Cumulative escrowed proceeds		10,942,500	10,942,500	10,942,500	10,942,500	10,942,500	10,942,500	10,942,500	10,942,500	10,942,500	10,942,500	10,942,500	10,942,500
less IRR Backfill Payment (if any)													
Cash to County													
First Reporting Date	Aug-10												
Monthly IRR	1.09%												
Annual Simple IRR	13.08%												
County Payment	\$0												
Second Reporting Date	Aug-11												
Monthly IRR	2.52%												
Annual Simple IRR	30.20%												
County Payment	\$21,885,000												
Third Reporting Date	Feb-13												
Monthly IRR	1.88%												
Annual Simple IRR	22.50%												
County Payment	\$21,115,000												
Total County Payments	\$43,000,000												

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EG 121706 (county payments 3rd reporting date KMA method)

3rd report date

East Garrison Partners
Sample Proforma

	TOTAL	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	TOTAL
Units Closed	1,400			1,400			1,400
Cumulative Units	1,400	1,400	1,400				59,492
Gross Sales Revenue	235,329,503						235,329,503
Receipts:							
Cash @ Closings	235,329,503	0	0	0	0		235,329,503
Homebuilder Part. Revenue	3,000,000						3,000,000
CFD Net Proceeds	20,000,000						20,000,000
Tax Increment	9,500,000						9,500,000
FORA Loan Interest Repay	1,300,000						1,300,000
Less:							0
Closing Costs	0						0
Net Receipts	289,129,503	0	0	0	0		289,129,503
Disbursements:							
Land Acquisition							0
Property Tax Payments							0
Consultants							0
Development Fees							0
Land Improvements							0
Amenities							0
Infrastructure Indirects							0
Infra Sales & Marketing							0
Infra EGP Mgt Fee							0
Net Disbursements	158,800,000	0	0	0	0		158,800,000
Cash Flow Before Loans	110,529,503	0	0	0	0		110,529,503
Cashflow required for 22.5% IRR	24,529,503	0					24,529,503
Project Cashflow over 22.5% IRR at reporting date			(86,000,000)				
Participation Payment Before Adjustments (50%)			86,000,000				
less previous payment (1st reporting date)			43,000,000				
less previous payment (2nd reporting date)			0				
Net Calculated Payment amount			21,885,000				
Escrow Proceeds (50% of County proceeds)			21,885,000				
Cumulative escrowed proceeds			0				
less IRR Backfill Payment (if any)			0				
Cash to County	10,942,500	10,942,500	10,942,500				10,942,500
First Reporting Date	Aug-10						
Monthly IRR	1.09%						
Annual Simple IRR	13.08%						
County Payment	\$0						
Second Reporting Date	Aug-11						
Monthly IRR	2.52%						
Annual Simple IRR	30.20%						
County Payment	\$21,885,000						
Third Reporting Date	Feb-13						
Monthly IRR	1.88%						
Annual Simple IRR	22.30%						
County Payment	\$21,885,000						
Total County Payments	\$43,000,000						

APPENDIX 2

**AGENCY PARTICIPATION MODEL FOR
FIRST PROGRESS REPORT**

Table 1	Sample of Lots Sold Todate
Table 2	Sample of Residual Lot Values For Communities Sold Todate
Table 3	Sample of Lots Sold To Non-Affiliated Homebuilders
Table 4	Sample of Summary of Participation Calculation
Table 5	Sample of Participation Calculation

	A	B	C	D	E	F	G	H	I	J
1	APPENDIX 2					SAMPLE FOR FIRST PROGRESS REPORT				
2	Table 1.									
3	Lots Sold to Date (Excluding Affordable Apartments & Town Center Condos)									
4	Participation Payment Calculation									
5	East Garrison									
6	Monterey County									
7										
8										
9	Date of Progress Report:		8/15/2010							
10										
11										
12										
13	Community of Lots		Date of Sale		Lots in Community		Total Community Sale Price		Price Per Lot	
14										
15										
16	I.	Phase 1								
17										
18	<u>Sales to Affiliated Homebuilders</u>									
19	Community 1 (Table 2a)		8/15/2008		274		\$58,550,760		\$213,689	
20	Community 2 (Table 2b)		2/15/2009		22		\$6,078,304		\$276,287	
21										
22	<u>Sales to Non-Affiliated Homebuilders (Table 3a)</u>		8/15/2008		53		\$14,157,360		\$267,120	
23										
24	Total Phase 1				349		\$78,786,424		\$225,749	
25										
26										
27	II.	Phase 2								
28										
29	<u>Sales to Affiliated Homebuilders</u>									
30	Community 1 (Table 2c)		8/15/2009		213		\$39,818,174		\$186,940	
31	Community 2 (Table 2d)		2/15/2010		69		\$17,611,734		\$255,243	
32	Community 3									
33	Community 4									
34										
35	<u>Sales to Non-Affiliated Homebuilders</u>									
36										
37	Total Phase 2				282		\$57,429,909		\$203,652	
38										
39										
40	III.	Phase 3								
41										
42	<u>Sales to Affiliated Homebuilders</u>									
43	Community 1									
44	Community 2									
45	Community 3									
46	Community 4									
47										
48	<u>Sales to Non-Affiliated Homebuilders</u>									
49										
50	Total Phase 3				0		\$0			
51										
52										
53	IV.	Total Project to Date			631		\$136,216,333		\$215,874	
54										
55										
56										

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**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN	AO
1	APPENDIX 2																																								
2	Table 2b:																																								
3	Lot Residual Value Schedule (Gale to Affiliated Homebuilders)																																								
4	Participation Payment Calculations:																																								
5	East Garrison																																								
6	Neighborhood																																								
7																																									
8																																									
9	Phase: Phase 1																																								
10	Community: Community 2																																								
11	Date of Sale: 2/18/2009																																								
12																																									
13																																									
14	Product Type																																								
15	Number of Units																																								
16	Average Unit Sq. Ft.																																								
17																																									
18																																									
19	Notes																																								
20	6.0% of Base Home Price																																								
21																																									
22																																									
23																																									
24																																									
25																																									
26																																									
27																																									
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40																																									
41																																									
42																																									
43																																									
44																																									
45																																									
46																																									
47																																									

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Attachment Template 12-12-08.xls

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

SAMPLE FOR FIRST PROGRESS REPORT

APPENDIX 2

Table 3.
Lots Sold to Non-Affiliated Homebuilders
Participation Payment Calculation
East Garrison
Monterey County

Phase 1 Community: Date of Sale:		Community 1 (Sale to Non-Affiliated Homebuilders) 8/15/2008 Builder/Buyer "Homebuilder X"											
Product/Lot Type	Number of Units	Workforce II Condo	Market Rate Condo	Mod-Income Townhouse	Market Rate Townhouse	Live/Work	Grove	Garden	Courtyard	Bungalow	Village/Cottage	Bluff	Total/Average
		0 units	0 units	0 units	0 units	0 units	0 units	0 units	0 units	53 units	0 units	0 units	53 units
Lot Sale Price		Per Unit \$0	Per Unit \$0	Per Unit \$0	Per Unit \$0	Per Unit \$0	Per Unit \$0	Per Unit \$0	Per Unit \$0	Per Unit \$297,120	Per Unit \$0	Per Unit \$0	Per Unit \$297,120
x Number of Units		units	units	units	units	units	units	units	units	53 units	units	units	
Total Residual Lot Value		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,157,360	\$0	\$0	\$14,157,360

	A	B	C	D	E	F
1	APPENDIX 2		SAMPLE FOR FIRST PROGRESS REPORT			
2	Table 4.					
3	Summary of Participation Calculation (Detail Backup on Table 5a)					
4	Participation Payment Calculation					
5	East Garrison					
6	Monterey County					
7						
8						
9						
10						
11						
12	I. Project Revenues					
13						
14	Lot Sale Revenues - Phase 1			\$78,786,424		
15	Lot Sale Revenues - Phase 2			\$57,429,909		
16	Lot Sale Revenues - Phase 3			\$0		
17	Subtotal			\$136,216,333		
18						
19	Homebuilder Participation Revenues			\$1,000,000		
20	CFD Net Proceeds			\$20,000,000		
21	Tax Increment			\$6,333,333		
22	Repayment of FORA Loan Interest			\$1,300,000		
23						
24	Total Sources of Funds			\$164,849,666		
25						
26						
27	II. Project Costs					
28						
29	Consultants					
30	Development Fees					
31	Land Improvements					
32	Amenities					
33	Infrastructure Indirects					
34	Management Fees/Sales & Marketing					
35						
36	Total Uses of Funds			\$141,860,000		
37						
38						
39	III. Unleveraged Cash Flow			\$22,989,666		
40	Unleveraged IRR			43.1%		13.06%
41						
42	Cash Flow Needed to Reach Target IRR		22.5%	\$22,989,666		
43						
44	Remaining Cash Flow			\$0		
45						
46	Participation Payment before Adjustments		50%	\$0		
47	(Less) Participation Payment #1					
48	(Less) Participation Payment #2					
49	Net Participation Payment			\$0		
50						
51						

A		B		C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
SAMPLE FOR FIRST PROGRESS REPORT																			
Table 5.																			
Project Cash Flow to Date																			
Participation Payment Calculation																			
East Garrison																			
Monticary County																			
Total																			
Project Revenues																			
Lot Sale Revenues - Phase 1																			
Lot Sale Revenues - Phase 2																			
Lot Sale Revenues - Phase 3																			
Subtotal																			
Homebuilder Participation Revenues																			
CFD Net Proceeds																			
Tax Increment																			
Repayment of FORA Loan Interest																			
Total Sources																			
Project Costs																			
Consultants																			
Development Fees																			
Land Improvements																			
Amenities																			
Infrastructure Indirects																			
Management Fees/Sales & Marketing																			
Land Acquisition																			
Property Taxes																			
Closing Costs/Selling Expenses																			
Total Costs																			
Unleveraged Cash Flow																			
IRR																			
Cash Flow Needed to Reach Target IRR																			
IRR																			
Remaining Cash Flow																			
Participation Payment before Adjustments																			
(Less) Participation Payment #1																			
(Less) Participation Payment #2																			
Net Participation Payment																			

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD
1	APPENDIX 2																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues																
12	Lot Sale Revenues - Phase 1																
13	Lot Sale Revenues - Phase 2																
14	Lot Sale Revenues - Phase 3																
15	Subtotal																
16																	
17	Homebuilder Participation Revenues																
18	CFD Net Proceeds																
19	Tax Increment																
20	Repayment of FORA Loan Interest																
21																	
22	Total Sources																
23																	
24	Project Costs																
25																	
26	Consultants																
27	Development Fees																
28	Land Improvements																
29	Amenities																
30	Infrastructure Indirects																
31	Management Fees/Sales & Marketing																
32	Land Acquisition																
33	Property Taxes																
34	Closing Costs/Selling Expenses																
35																	
36	Total Costs																
37																	
38	Unleveraged Cash Flow																
39	IRR																
40																	
41	Cash Flow Needed to Reach Target IRR																
42	IRR																
43																	
44	Remaining Cash Flow																
45																	
46	Participation Payment before Adjustments																
47	(Less) Participation Payment #1																
48	(Less) Participation Payment #2																
49	Net Participation Payment																
50																	

APPENDIX 2											
A	B	C	D	E	F	AE	AF	AG	AH	AI	AJ
1	2	3	4	5	6	7	8	9	10	11	12
Table 5.	Project Cash Flow to Date	Participation Payment Calculation	East Garrison	Monterey County							
13	Lot Sale Revenues - Phase 1										
14	Lot Sale Revenues - Phase 2										
15	Lot Sale Revenues - Phase 3										
16	Subtotal										
17	Homebuilder Participation Revenues										
18	CFD Net Proceeds										
19	Tax Increment										
20	Repayment of FORA Loan Interest										
21											
22	Total Sources										
23											
24	Project Costs										
25	Consultants										
26	Development Fees										
27	Land Improvements										
28	Amenities										
29	Infrastructure Indirects										
30	Management Fees/Sales & Marketing										
31	Land Acquisition										
32	Property Taxes										
33	Closing Costs/Selling Expenses										
34	Total Costs										
35											
36	Unleveraged Cash Flow										
37	IRR										
38											
39	Cash Flow Needed to Reach Target IRR										
40	IRR										
41											
42	Remaining Cash Flow										
43											
44	Participation Payment before Adjustments										
45	(Less) Participation Payment #1										
46	(Less) Participation Payment #2										
47	Net Participation Payment										
48											
49											
50											

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ	BA	BB
1	APPENDIX 2																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues																
12	Lot Sale Revenues - Phase 1																
13	Lot Sale Revenues - Phase 2																
14	Lot Sale Revenues - Phase 3																
15	Subtotal																
16																	
17	Homebuilder Participation Revenues																
18	CFD Net Proceeds																
19	Tax Increment																
20	Repayment of FORA Loan Interest																
21																	
22	Total Sources																
23																	
24	Project Costs																
25																	
26	Consultants																
27	Development Fees																
28	Land Improvements																
29	Amortization																
30	Infrastructure Indirects																
31	Management Fees/Sales & Marketing																
32	Land Acquisition																
33	Property Taxes																
34	Closing Costs/Selling Expenses																
35	Total Costs																
36																	
37	Unleveraged Cash Flow																
38	IRR																
39																	
40																	
41	Cash Flow Needed to Reach Target IRR																
42	IRR																
43																	
44	Remaining Cash Flow																
45																	
46	Participation Payment before Adjustments																
47	(Less) Participation Payment #1																
48	(Less) Participation Payment #2																
49	Net Participation Payment																
50																	

A	B	C	D	E	F	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN
1	APPENDIX 2																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues																
12																	
13	Lot Sale Revenues - Phase 1																
14	Lot Sale Revenues - Phase 2																
15	Lot Sale Revenues - Phase 3																
16	Subtotal																
17																	
18	Homebuilder Participation Revenues																
19	CFD Net Proceeds																
20	Tax Increment																
21	Repayment of FORA Loan Interest																
22																	
23	Total Sources																
24																	
25	Project Costs																
26																	
27	Consultants																
28	Development Fees																
29	Land Improvements																
30	Amenities																
31	Infrastructure Indirects																
32	Management Fees/Sales & Marketing																
33	Land Acquisition																
34	Property Taxes																
35	Closing Costs/Selling Expenses																
36																	
37	Total Costs																
38																	
39	Unleveraged Cash Flow																
40	IRR																
41																	
42	Cash Flow Needed to Reach Target IRR																
43	IRR																
44																	
45	Remaining Cash Flow																
46																	
47	Participation Payment before Adjustments																
48	(Less) Participation Payment #1																
49	(Less) Participation Payment #2																
50	Net Participation Payment																

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX	BY	BZ
1	APPENDIX 2																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues																
12																	
13	Lot Sale Revenues - Phase 1																
14	Lot Sale Revenues - Phase 2																
15	Lot Sale Revenues - Phase 3																
16	Subtotal																
17																	
18	Homebuilder Participation Revenues																
19	CFD Net Proceeds																
20	Tax Increment																
21	Repayment of FDRA Loan Interest																
22																	
23	Total Sources																
24																	
25	Project Costs																
26																	
27	Consultants																
28	Development Fees																
29	Land Improvements																
30	Amenities																
31	Infrastructure Indirects																
32	Management Fees/Sales & Marketing																
33	Land Acquisition																
34	Property Taxes																
35	Closing Costs/Selling Expenses																
36	Total Costs																
37																	
38	Unleveraged Cash Flow																
39	IRR																
40																	
41	Cash Flow Needed to Reach Target IRR																
42	IRR																
43																	
44	Remaining Cash Flow																
45																	
46	Participation Payment before Adjustments																
47	(Less) Participation Payment #1																
48	(Less) Participation Payment #2																
49	Net Participation Payment																
50																	

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
1	APPENDIX 2																								
2	Table 6.																								
3	Project Cash Flow to Date																								
4	Participation Payment Calculation																								
5	East Garrison																								
6	Monterey County																								
7																									
8																									
9																									
10																									
11	Project Revenues																								
12	Lot Sale Revenues - Phase 1																								
13	Lot Sale Revenues - Phase 2																								
14	Lot Sale Revenues - Phase 3																								
15	Subtotal																								
16																									
17	Homebuilder Participation Revenues																								
18	CFD Net Proceeds																								
19	Tax Increment																								
20	Repayment of FORA Loan Interest																								
21																									
22	Total Sources																								
23																									
24	Project Costs																								
25																									
26	Consultants																								
27	Development Fees																								
28	Land Improvements																								
29	Amenities																								
30	Infrastructure Indirects																								
31	Management Fees/Sales & Marketing																								
32	Land Acquisition																								
33	Property Taxes																								
34	Closing Costs/Selling Expenses																								
35																									
36	Total Costs																								
37																									
38	Unleveraged Cash Flow																								
39	IRR																								
40																									
41	Cash Flow Needed to Reach Target IRR																								
42	IRR																								
43																									
44	Remaining Cash Flow																								
45																									
46	Participation Payment before Adjustments																								
47	(Less) Participation Payment #1																								
48	(Less) Participation Payment #2																								
49	Net Participation Payment																								
50																									

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A		B		C	D	E	F	CM	CN	CO	CP	CQ	CR	CS	CT	CU	CV	CW	CX
SAMPLE FOR FIRST PROGRESS REPORT																			
APPENDIX 2																			
Table 5.																			
Project Cash Flow to Date																			
Participation Payment Calculation																			
East Garrison																			
Monteary County																			
Table 6.																			
Project Revenues																			
Total																			
2010 Jan 2010 Feb 2010 March 2010 April 2010 May 2010 June 2010 July 2010 Aug 2010 Sept 2010 Oct 2010 Nov 2010 Dec																			
Lot Sale Revenues - Phase 1																			
\$78,786,424																			
Lot Sale Revenues - Phase 2																			
\$57,428,909																			
Lot Sale Revenues - Phase 3																			
\$0																			
Subtotal																			
\$136,215,333																			
Homebuilder Participation Revenues																			
\$1,000,000																			
CFD Net Proceeds																			
\$20,000,000																			
Tax Increment																			
\$6,333,333																			
Repayment of FORA Loan Interest																			
\$1,300,000																			
Total Sources																			
\$164,849,666																			
Project Costs																			
Consultants																			
Development Fees																			
Land Improvements																			
Amenities																			
Infrastructure Indirects																			
Management Fees/Sales & Marketing																			
Land Acquisition																			
Property Taxes																			
Closing Costs/Selling Expenses																			
Total Costs																			
\$141,860,000																			
Unleveraged Cash Flow																			
IRR																			
13.06%																			
Cash Flow Needed to Reach Target IRR																			
IRR																			
13.06%																			
Remaining Cash Flow																			
\$0																			
Participation Payment before Adjustments																			
50%																			
(Less) Participation Payment #1																			
\$0																			
(Less) Participation Payment #2																			
\$0																			
Net Participation Payment																			
\$0																			

APPENDIX 3

**AGENCY PARTICIPATION MODEL FOR
SECOND PROGRESS REPORT**

Table 1	Sample of Lots Sold Todate
Table 2	Sample of Residual Lot Values For Communities Sold Todate
Table 3	Sample of Lots Sold To Non-Affiliated Homebuilders
Table 4	Sample of Summary of Participation Calculation
Table 5	Sample of Participation Calculation

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	G	H	I	J
1	APPENDIX 3								
2	SAMPLE FOR SECOND PROGRESS REPORT								
3	Table 1.								
4	Lots Sold to Date (Excluding Affordable Apartments & Town Center Condos)								
5	Participation Payment Calculation								
6	East Garrison								
7	Monterey County								
8									
9	Date of Progress Report: 8/15/2011								
10									
11									
12									
13									
14									
15									
16	I. Phase 1								
17									
18	<u>Sales to Affiliated Homebuilders</u>								
19	Community 1 (Table 2a) 8/15/2008 274 \$58,550,760 \$213,689								
20	Community 2 (Table 2b) 2/15/2009 22 \$6,078,304 \$276,287								
21									
22	<u>Sales to Non-Affiliated</u>								
23	<u>Homebuilders (Table 3a)</u> 8/15/2008 53 \$14,157,360 \$267,120								
24	Total Phase 1 349 \$78,786,424 \$225,749								
25									
26									
27	II. Phase 2								
28									
29	<u>Sales to Affiliated Homebuilders</u>								
30	Community 1 (Table 2c) 8/15/2009 213 \$39,818,174 \$186,940								
31	Community 2 (Table 2d) 2/15/2010 69 \$17,611,734 \$255,243								
32	Community 3 (Table 2e) 8/15/2010 117 \$27,406,638 \$234,245								
33	Community 4 (Table 2f) 2/15/2011 13 \$3,010,995 \$231,615								
34									
35	<u>Sales to Non-Affiliated</u>								
36	<u>Homebuilders</u>								
37	Total Phase 2 412 \$87,847,542 \$213,222								
38									
39									
40	III. Phase 3								
41									
42	<u>Sales to Affiliated Homebuilders</u>								
43	Community 1 (Table 2g) 8/15/2010 217 \$33,332,520 \$153,606								
44	Community 2 (Table 2h) 2/15/2011 94 \$14,932,261 \$158,854								
45	Community 3								
46	Community 4								
47									
48	<u>Sales to Non-Affiliated</u>								
49	<u>Homebuilders</u>								
50	Total Phase 3 311 \$48,264,781 \$155,192								
51									
52									
53	IV. Total Project to Date 1,072 \$214,898,747 \$200,465								
54									
55									
56									

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Participation Template 12-12-05.xls

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

[illegible]

Participation Template 12-12-06.xls

	A	B	C	D	E	F
1	APPENDIX 3		SAMPLE FOR SECOND PROGRESS REPORT			
2	Table 4.					
3	Summary of Participation Calculation (Detail Backup on Table 5b)					
4	Participation Payment Calculation					
5	East Garrison					
6	Monterey County					
7						
8						
9						
10						
11						
12	I. Project Revenues					
13						
14	Lot Sale Revenues - Phase 1					
15	Lot Sale Revenues - Phase 2					
16	Lot Sale Revenues - Phase 3					
17	Subtotal					
18						
19	Homebuilder Participation Revenues					
20	CFD Net Proceeds					
21	Tax Increment					
22	Repayment of FORA Loan Interest					
23						
24	Total Sources of Funds					
25						
26						
27	II. Project Costs					
28						
29	Consultants					
30	Development Fees					
31	Land Improvements					
32	Amenities					
33	Infrastructure Indirects					
34	Management Fees/Sales & Marketing					
35						
36	Total Uses of Funds					
37						
38						
39	III. Unleveraged Cash Flow					
40	Unleveraged IRR					
41						
42	Cash Flow Needed to Reach Target IRR					
43						
44	Remaining Cash Flow					
45						
46	Participation Payment before Adjustments					
47	(Less) Participation Payment #1					
48	(Less) Participation Payment #2					
49	Net Participation Payment					
50						
51						

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	APPENDIX 3																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues																
12																	
13	Lot Sale Revenues - Phase 1																
14	Lot Sale Revenues - Phase 2																
15	Lot Sale Revenues - Phase 3																
16	Subtotal																
17																	
18	Homebuilder Participation Revenues																
19	CFD Net Proceeds																
20	Tax Increment																
21	Repayment of FORA Loan Interest																
22																	
23	Total Sources																
24																	
25	Project Costs																
26																	
27	Consultants																
28	Development Fees																
29	Land Improvements																
30	Amenities																
31	Infrastructure Indirects																
32	Management Fees/Sales & Marketing																
33	Land Acquisition																
34	Property Taxes																
35	Closing Costs/Selling Expenses																
36																	
37	Total Costs																
38	Unleveraged Cash Flow																
39	IRR																
40																	
41	Cash Flow Needed to Reach Target IRR																
42	IRR																
43																	
44	Remaining Cash Flow																
45																	
46	Participation Payment before Adjustments																
47	(Less) Participation Payment #1																
48	(Less) Participation Payment #2																
49	Net Participation Payment																
50																	

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

APPENDIX 3											
A	B	C	D	E	F	G	H	I	J	K	L
1	Table 5.										
2	Project Cash Flow to Date										
3	Participation Payment Calculation										
4	East Garrison										
5	Monterey County										
6											
7											
8											
9											
10											
11	Project Revenues										
12	Lot Sale Revenues - Phase 1										
13	Lot Sale Revenues - Phase 2										
14	Lot Sale Revenues - Phase 3										
15	Subtotal										
16											
17											
18	Homebuilder Participation Revenues										
19	CFD Net Proceeds										
20	Tax Increment										
21	Repayment of FORA Loan Interest										
22											
23	Total Sources										
24											
25	Project Costs										
26	Consultants										
27	Development Fees										
28	Land Improvements										
29	Amenities										
30	Infrastructure Indirects										
31	Management Fees/Sales & Marketing										
32	Land Acquisition										
33	Property Taxes										
34	Closing Costs/Selling Expenses										
35											
36	Total Costs										
37											
38	Unleveraged Cash Flow										
39	IRR										
40											
41	Cash Flow Needed to Reach Target IRR										
42	IRR										
43											
44	Remaining Cash Flow										
45											
46	Participation Payment before Adjustments										
47	(Less) Participation Payment #1										
48	(Less) Participation Payment #2										
49	Net Participation Payment										
50											

A	B	C	D	E	F	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP
1	APPENDIX 3																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues																
12																	
13	Lot Sales Revenues - Phase 1																
14	Lot Sales Revenues - Phase 2																
15	Lot Sales Revenues - Phase 3																
16	Subtotal																
17																	
18	Homebuilder Participation Revenues																
19	CFD Net Proceeds																
20	Tax Increment																
21	Repayment of FORA Loan Interest																
22																	
23	Total Sources																
24																	
25	Project Costs																
26																	
27	Consultants																
28	Development Fees																
29	Land Improvements																
30	Amortization																
31	Infrastructure Indirects																
32	Management Fees/Sales & Marketing																
33	Land Acquisition																
34	Property Taxes																
35	Closing Costs/Selling Expenses																
36																	
37	Total Costs																
38	Unleveraged Cash Flow																
39	IRR																
40																	
41	Cash Flow Needed to Reach Target IRR																
42	IRR																
43																	
44	Remaining Cash Flow																
45																	
46	Participation Payment before Adjustments																
47	(Less) Participation Payment #1																
48	(Less) Participation Payment #2																
49	Net Participation Payment																
50																	

A	B	C	D	E	F	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ	BA	BB
1	APPENDIX 3																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues			Total		2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006
12						Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
13	Lot Sale Revenues - Phase 1			\$78,786,424		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Lot Sale Revenues - Phase 2			\$87,847,642		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	Lot Sale Revenues - Phase 3			\$48,264,791		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	Subtotal			\$214,898,747		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Homebuilder Participation Revenues					\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	CFD Net Proceeds			\$2,000,000		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	Tax Increment			\$9,500,000		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Repayment of FORA Loan Interest			\$1,300,000		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21						\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22						\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Total Sources			\$247,698,747		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24						\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Project Costs																
26	Consultants																
27	Development Fees																
28	Land Improvements																
29	Amenities																
30	Infrastructure Indirects																
31	Management Fees/Sales & Marketing																
32	Land Acquisition																
33	Property Taxes																
34	Closing Costs/Selling Expenses																
35																	
36	Total Costs																
37																	
38	Unleveraged Cash Flow			\$155,850,000		\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000
39	IRR			\$92,048,747		(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)
40				28.82%													
41	Cash Flow Needed to Reach Target IRR			\$48,301,747		(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)	(\$840,000)
42	IRR			22.500%													
43																	
44	Remaining Cash Flow			\$43,747,000		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
45																	
46	Participation Payment before Adjustments			\$21,875,500		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
47	(Less) Participation Payment #1			\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
48	(Less) Participation Payment #2			\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
49	Net Participation Payment			\$21,875,500		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
50																	

A		B		C	D	E	F	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN
APPENDIX 3		SAMPLE FOR SECOND PROGRESS REPORT																	
Table 5.																			
Project Cash Flow to Date																			
Participation Payment Calculation																			
East Garrison																			
Monterey County																			

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX	BY	BZ
1	APPENDIX 3																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11																	
12																	
13																	
14																	
15																	
16																	
17																	
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**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

B											
A	C	D	E	F	CA	CB	CC	CD	CE	CF	CG
1	2	3	4	5	6	7	8	9	10	11	12
APPENDIX 3	Table 5.	Project Cash Flow to Date	Participation Payment Calculation	East Garrison	Monterey County						
SAMPLE FOR SECOND PROGRESS REPORT											
Total											
Project Revenues											
Lot Sale Revenues - Phase 1	\$78,766,424										
Lot Sale Revenues - Phase 2	\$97,847,542										
Lot Sale Revenues - Phase 3	\$48,264,781										
Subtotal	\$214,868,747										
Homebuilder Participation Revenues											
CFD Net Proceeds	\$2,000,000										
Tax Increment	\$20,000,000										
Repayment of FORA Loan Interest	\$9,500,000										
Total Sources	\$1,300,000										
Project Costs											
Consultant's	\$0										
Development Fees	\$0										
Land Improvements	\$0										
Amenities	\$0										
Infrastructure Indirects	\$0										
Management Fees/Sales & Marketing	\$0										
Land Acquisition	\$0										
Property Taxes	\$0										
Closing Costs/Selling Expenses	\$0										
Total Costs	\$0										
Unleveraged Cash Flow	\$155,650,000										
IRR	\$92,048,747										
Cash Flow Needed to Reach Target IRR	\$48,301,747										
IRR	22.500%										
Remaining Cash Flow	\$43,747,000										
Participation Payment before Adjustments	\$21,873,500										
(Less) Participation Payment #1	\$0										
(Less) Participation Payment #2	\$0										
Net Participation Payment	\$21,873,500										

		SAMPLE FOR SECOND PROGRESS REPORT																						
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y
1	APPENDIX 3																							
2	Table 5.																							
3	Project Cash Flow to Date																							
4	Participation Payment Calculation																							
5	East Garrison																							
6	Monterey County																							
7																								
8																								
9																								
10																								
11																								
12																								
13	Project Revenues																							
14	Lot Sale Revenues - Phase 1																							
15	Lot Sale Revenues - Phase 2																							
16	Lot Sale Revenues - Phase 3																							
17	Subtotal																							
18	Homebuilder Participation Revenues																							
19	CFD Net Proceeds																							
20	Tax Increment																							
21	Repayment of FDRA Loan Interest																							
22																								
23	Total Sources																							
24																								
25	Project Costs																							
26	Consultants																							
27	Development Fees																							
28	Land Improvements																							
29	Amenities																							
30	Infrastructure Indirects																							
31	Management Fees/Sales & Marketing																							
32	Land Acquisition																							
33	Property Taxes																							
34	Closing Costs/Selling Expenses																							
35	Total Costs																							
36																								
37	Unleveraged Cash Flow																							
38	IRR																							
39																								
40	Cash Flow Needed to Reach Target IRR																							
41	IRR																							
42																								
43	Remaining Cash Flow																							
44																								
45	Participation Payment before Adjustments																							
46	(Less) Participation Payment #1																							
47	(Less) Participation Payment #2																							
48	Net Participation Payment																							
49																								
50																								

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ	BA	BB	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX	BY	BZ	CA	CB	CC	CD	CE	CF	CG	CH	CI	CJ	CK	CL	CM	CN	CO	CP	CQ	CR	CS	CT	CU	CV	CW	CX	CY	CZ	DA	DB	DC	DD	DE	DF	DG	DH	DI	DJ
APPENDIX 3		SAMPLE FOR SECOND PROGRESS REPORT																																																																																																															
Table 5.																																																																																																																	
Project Cash Flow to Date																																																																																																																	
Participation Payment Calculation																																																																																																																	
East Garrison																																																																																																																	
Monterey County																																																																																																																	

APPENDIX 4

**AGENCY PARTICIPATION MODEL FOR
FINAL PROGRESS REPORT**

Table 1	Sample of Lots Sold Todate
Table 2	Sample of Residual Lot Values For Communities Sold Todate
Table 3	Sample of Lots Sold To Non-Affiliated Homebuilders
Table 4	Sample of Summary of Participation Calculation
Table 5	Sample of Participation Calculation

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

	A	B	C	D	E	F	G	H	I	J
1	APPENDIX 4									
2	SAMPLE FOR FINAL PROGRESS REPORT									
3	Table 1.									
4	Lots Sold to Date (Excluding Affordable Apartments & Town Center Condos)									
5	Participation Payment Calculation									
6	East Garrison									
7	Monterey County									
8										
9	Date of Progress Report: 2/15/2013									
10										
11										
12										
13										
14										
15										
16	I. Phase 1									
17										
18	<u>Sales to Affiliated Homebuilders</u>									
19	Community 1 (Table 2a)									
20	Community 2 (Table 2b)									
21										
22	<u>Sales to Non-Affiliated</u>									
23	<u>Homebuilders (Table 3a)</u>									
24	Total Phase 1									
25										
26										
27	II. Phase 2									
28										
29	<u>Sales to Affiliated Homebuilders</u>									
30	Community 1 (Table 2c)									
31	Community 2 (Table 2d)									
32	Community 3 (Table 2e)									
33	Community 4 (Table 2f)									
34										
35	<u>Sales to Non-Affiliated</u>									
36	<u>Homebuilders</u>									
37	Total Phase 2									
38										
39										
40	III. Phase 3									
41										
42	<u>Sales to Affiliated Homebuilders</u>									
43	Community 1 (Table 2g)									
44	Community 2 (Table 2h)									
45	Community 3 (Table 2i)									
46	Community 4 (Table 2j)									
47										
48	<u>Sales to Non-Affiliated</u>									
49	<u>Homebuilders</u>									
50	Total Phase 3									
51										
52										
53	IV. Total Project to Date									
54										
55										
56										

Participation Template 12-12-05.xls

EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006

APPENDIX 4		EAST GARRISON																									
1. Lot Residual Value Schedule (Sale to Affiliated Homebuilders)		2. Participation Payment Calculation																									
3. East Garrison		4. Monetary Commitment																									
5. Phase 3		6. Community 4																									
7. Date of Sale		8. 2/15/2012																									
9. Product Type		10. Single-Family Home																									
11. Number of Units		12. 30																									
13. Average Unit Sq. Ft.		14. 1,778																									
15. Base Home Price		16. \$979,000																									
17. Options Revenue		18. \$49,740																									
19. Estimated Sales Revenue		20. \$1,028,740																									
21. Estimated Costs		22. \$1,028,740																									
23. Selling Costs		24. \$100,000																									
25. Option Costs		26. \$34,222																									
27. Fixed & Variable Costs		28. \$65,760																									
29. Warranty		30. \$168,849																									
31. Franchising		32. \$0																									
33. Builder Margin		34. \$0																									
35. Indirect Construction		36. \$0																									
37. ASES/Consultants		38. \$0																									
39. Insurance		40. \$0																									
41. Total Estimated Costs		42. \$1,197,589																									
43. Residual Lot Value		44. \$0																									
45. x Number of Units		46. 30																									
47. Total Residual Lot Value		48. \$0																									
49. Total Available		50. \$0																									
51. Workforce II		52. Market Rate		53. Moderate-Income		54. Market Rate		55. Low/Mid		56. Space		57. Garden		58. Courtyard		59. Budget Low		60. Village/Cottage		61. Bldg		62. Total Available					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0		56. \$0		57. \$1,778		58. \$0		59. \$0		60. \$0		61. \$0		62. \$0					
51. 0 units		52. 0 units		53. 0 units		54. 0 units		55. 0 units		56. 0 units		57. 1,778 sq. ft.		58. 0 units		59. 0 units		60. 0 units		61. 0 units		62. 30					
51. \$0		52. \$0		53. \$0		54. \$0		55. \$0																			

	A	B	C	D	E	F
1	APPENDIX 4		SAMPLE FOR FINAL PROGRESS REPORT			
2	Table 4.					
3	Summary of Participation Calculation (Detail Backup on Table 5c)					
4	Participation Payment Calculation					
5	East Garrison					
6	Monterey County					
7						
8						
9						
10						
11						
12	I. Project Revenues					
13						
14	Lot Sale Revenues - Phase 1					
15	Lot Sale Revenues - Phase 2					
16	Lot Sale Revenues - Phase 3					
17	Subtotal					
18						
19	Homebuilder Participation Revenues					
20	CFD Net Proceeds					
21	Tax Increment					
22	Repayment of FORA Loan Interest					
23						
24	Total Sources of Funds					
25						
26						
27	II. Project Costs					
28						
29	Consultants					
30	Development Fees					
31	Land Improvements					
32	Amenities					
33	Infrastructure Indirects					
34	Management Fees/Sales & Marketing					
35						
36	Total Uses of Funds					
37						
38						
39	III. Unleveraged Cash Flow					
40	Unleveraged IRR					
41						
42	Cash Flow Needed to Reach Target IRR					
43						
44	Remaining Cash Flow					
45						
46	Participation Payment before Adjustments					
47	(Less) Participation Payment #1					
48	(Less) Participation Payment #2					
49	Net Participation Payment					
50						
51						

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	APPENDIX 4																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues																
12																	
13	Lot Sale Revenues - Phase 1																
14	Lot Sale Revenues - Phase 2																
15	Lot Sale Revenues - Phase 3																
16	Subtotal																
17																	
18	Homebuilder Participation Revenues																
19	CFD Net Proceeds																
20	Tax Increment																
21	Repayment of FORA Loan Interest																
22																	
23	Total Sources																
24																	
25	Project Costs																
26																	
27	Consultants																
28	Development Fees																
29	Land Improvements																
30	Amenities																
31	Infrastructure Indirects																
32	Management Fees/Sales & Marketing																
33	Land Acquisition																
34	Property Taxes																
35	Grading Costs/Selling Expenses																
36																	
37	Total Costs																
38																	
39	Unleveraged Cash Flow																
40	IRR																
41																	
42	Cash Flow Needed to Reach Target IRR																
43	IRR																
44																	
45	Remaining Cash Flow																
46																	
47	Participation Payment before Adjustments																
48	(Less) Participation Payment #1																
49	(Less) Participation Payment #2																
50	Net Participation Payment																

A		B		C	D	E	F	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD
APPENDIX 4																			
Table 5.																			
Project Cash Flow to Date																			
Participation Payment Calculation																			
East Garrison																			
Monterey County																			
SAMPLE FOR FINAL PROGRESS REPORT																			
Total																			
Project Revenues																			
Lot Sale Revenues - Phase 1																			
Lot Sale Revenues - Phase 2																			
Lot Sale Revenues - Phase 3																			
Subtotal																			
Homebuilder Participation Revenues																			
CFD Net Proceeds																			
Tax Increment																			
Repayment of FORA Loan Interest																			
Total Sources																			
Project Costs																			
Consultants																			
Development Fees																			
Land Improvements																			
Amenities																			
Infrastructure Indirects																			
Management Fees/Sales & Marketing																			
Land Acquisition																			
Property Taxes																			
Closing Costs/Selling Expenses																			
Total Costs																			
Unleveraged Cash Flow																			
IRR																			
Cash Flow Needed to Reach Target IRR																			
IRR																			
Remaining Cash Flow																			
Participation Payment before Adjustments																			
(Less) Participation Payment #1																			
(Less) Participation Payment #2																			
Net Participation Payment																			

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP
1	APPENDIX 4																
2	Table 6.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
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10																	
11	Project Revenues																
12	Lot Sale Revenues - Phase 1																
13	Lot Sale Revenues - Phase 2																
14	Lot Sale Revenues - Phase 3																
15	Subtotal																
16																	
17	Homebuilder Participation Revenues																
18	CFD Net Proceeds																
19	Tax Increment																
20	Repayment of FORA Loan Interest																
21																	
22																	
23	Total Sources																
24																	
25	Project Costs																
26																	
27	Consultants																
28	Development Fees																
29	Land Improvements																
30	Amenities																
31	Infrastructure Indirects																
32	Management Fees/Sales & Marketing																
33	Land Acquisition																
34	Property Taxes																
35	Closing Costs/Selling Expenses																
36																	
37	Total Costs																
38	Unleveraged Cash Flow																
39	IRR																
40																	
41	Cash Flow Needed to Reach Target IRR																
42	IRR																
43																	
44	Remaining Cash Flow																
45																	
46	Participation Payment before Adjustments																
47	(Less) Participation Payment #1																
48	(Less) Participation Payment #2																
49	Net Participation Payment																
50																	

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ	BA	BB
1	APPENDIX 4																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
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APPENDIX 4											
A	B	C	D	E	F	G	H	I	J	K	L
1	Table 5.										
2	Project Cash Flow to Date										
3	Participation Payment Calculation										
4	East Garrison										
5	Monterey County										
6											
7											
8											
9											
10											
11	Project Revenues										
12											
13	Lot Sale Revenues - Phase 1										
14	Lot Sale Revenues - Phase 2										
15	Lot Sale Revenues - Phase 3										
16	Subtotal										
17											
18	Homebuilder Participation Revenues										
19	CFD Net Proceeds										
20	Tax Increment										
21	Repayment of FORA Loan Interest										
22											
23	Total Sources										
24											
25	Project Costs										
26											
27	Consultants										
28	Development Fees										
29	Land Improvements										
30	Amenities										
31	Infrastructure Indirects										
32	Management Fees/Sales & Marketing										
33	Land Acquisition										
34	Property Taxes										
35	Closing Costs/Selling Expenses										
36	Total Costs										
37											
38	Unleveraged Cash Flow										
39	IRR										
40											
41											
42	Cash Flow Needed to Reach Target IRR										
43	IRR										
44											
45	Remaining Cash Flow										
46											
47	Participation Payment before Adjustments										
48	(Less) Participation Payment #1										
49	(Less) Participation Payment #2										
50	Net Participation Payment										

APPENDIX 4											
A	B	C	D	E	F	G	H	I	J	K	L
1	Table 5.										
2	Project Cash Flow to Date										
3	Participation Payment Calculation:										
4	East Garrison										
5	Monteary County										
6											
7											
8											
9											
10											
11	Project Revenues										
12	Lot Sale Revenues - Phase 1										
13	Lot Sale Revenues - Phase 2										
14	Lot Sale Revenues - Phase 3										
15	Subtotal										
16											
17	Homebuilder Participation Revenues										
18	CFD Net Proceeds										
19	Tax Increment										
20	Repayment of FORA Loan Interest										
21											
22	Total Sources										
23											
24											
25	Project Costs										
26	Consultants										
27	Development Fees										
28	Land Improvements										
29	Amenities										
30	Infrastructure Indirects										
31	Management Fees/Sales & Marketing										
32	Land Acquisition										
33	Property Taxes										
34	Closing Costs/Selling Expenses										
35	Total Costs										
36											
37	Unleveraged Cash Flow										
38	IRR										
39											
40											
41	Cash Flow Needed to Reach Target IRR										
42	IRR										
43											
44	Remaining Cash Flow										
45	Participation Payment before Adjustments										
46	(Less) Participation Payment #1										
47	(Less) Participation Payment #2										
48	Net Participation Payment										
49											
50											

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	CA	CB	CC	CD	CE	CF	CG	CH	CI	CJ	CK	CL
1	APPENDIX 4																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues				Total												
12	Lot Sale Revenues - Phase 1				\$79,796,424												
13	Lot Sale Revenues - Phase 2				\$97,847,542												
14	Lot Sale Revenues - Phase 3				\$98,695,536												
15	Subtotal				\$235,329,602												
16	Homebuilder Participation Revenues				\$3,000,000												
17	CFD Net Proceeds				\$20,000,000												
18	Tax Increment				\$3,500,000												
19	Repayment of FORA Loan Interest				\$1,300,000												
20																	
21																	
22	Total Sources				\$288,128,602												
23																	
24	Project Costs																
25	Consultants																
26	Development Fees																
27	Land Improvements																
28	Amortities																
29	Infrastructure Indirects																
30	Management Fees/Sales & Marketing																
31	Land Acquisition																
32	Property Taxes																
33	Closing Costs/Selling Expenses																
34	Total Costs																
35																	
36																	
37																	
38	Unleveraged Cash Flow				\$159,600,000												
39	IRR				\$110,628,502												
40					30.68%												
41	Cash Flow Needed to Reach Target IRR				\$24,609,502												
42	IRR				22.500%												
43																	
44	Remaining Cash Flow				\$66,020,000												
45	Participation Payment before Adjustments				\$43,010,000												
46	(Less) Participation Payment #1				\$0												
47	(Less) Participation Payment #2				(\$21,873,500)												
48	Net Participation Payment				\$21,136,500												
49																	
50																	

		SAMPLE FOR FINAL PROGRESS REPORT																							
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	
1	APPENDIX 4																								
2	Table 5:																								
3	Project Cash Flow to Date																								
4	Participation Payment Calculation																								
5	East Garrison																								
6	Monterey County																								
7																									
8																									
9																									
10																									
11	Project Revenues																								
12																									
13	Lot Sale Revenues - Phase 1																								
14	Lot Sale Revenues - Phase 2																								
15	Lot Sale Revenues - Phase 3																								
16	Subtotal																								
17																									
18	Homebuilder Participation Revenues																								
19	CFD Net Proceeds																								
20	Tax Increment																								
21	Repayment of FORA Loan Interest																								
22																									
23	Total Sources																								
24																									
25	Project Costs																								
26																									
27	Consultants																								
28	Development Fees																								
29	Land Improvements																								
30	Amenities																								
31	Infrastructure Indirects																								
32	Management Fees/Sales & Marketing																								
33	Land Acquisition																								
34	Property Taxes																								
35	Closing Costs/Selling Expenses																								
36	Total Costs																								
37																									
38	Unleveraged Cash Flow																								
39	IRR																								
40																									
41	Cash Flow Needed to Reach Target IRR																								
42	IRR																								
43																									
44	Remaining Cash Flow																								
45																									
46	Participation Payment before Adjustments																								
47	(Less) Participation Payment #1																								
48	(Less) Participation Payment #2																								
49	Net Participation Payment																								
50																									

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

A	B	C	D	E	F	CY	CZ	DA	DB	DC	DD	DE	DF	DG	DH	DI	DJ
1	APPENDIX 4																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monterey County																
7																	
8																	
9																	
10																	
11	Project Revenues																
12																	
13	Lot Sale Revenues - Phase 1																
14	Lot Sale Revenues - Phase 2																
15	Lot Sale Revenues - Phase 3																
16	Subtotal																
17																	
18	Homebuilder Participation Revenues																
19	CFD Net Proceeds																
20	Tax Increment																
21	Repayment of FORA Loan Interest																
22																	
23	Total Sources																
24																	
25	Project Costs																
26																	
27	Consultants																
28	Development Fees																
29	Land Improvements																
30	Amenities																
31	Infrastructure Indirects																
32	Management Fees/Sales & Marketing																
33	Land Acquisition																
34	Property Taxes																
35	Closing Costs/Selling Expenses																
36																	
37	Total Costs																
38																	
39	Unleveraged Cash Flow																
40	IRR																
41																	
42	Cash Flow Needed to Reach Target IRR																
43	IRR																
44																	
45	Remaining Cash Flow																
46																	
47	Participation Payment before Adjustments																
48	(Less) Participation Payment #1																
49	(Less) Participation Payment #2																
50	Net Participation Payment																

A	B	C	D	E	F	DK	DL	DM	DN	DO	DP	DQ	DR	DS	DT	DU	DV
1	APPENDIX 4																
2	Table 5.																
3	Project Cash Flow to Date																
4	Participation Payment Calculation																
5	East Garrison																
6	Monticary County																
7																	
8																	
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10																	
11	Project Revenues																
12																	
13	Lot Sale Revenues - Phase 1																
14	Lot Sale Revenues - Phase 2																
15	Lot Sale Revenues - Phase 3																
16	Subtotal																
17																	
18	Homebuilder Participation Revenues																
19	CFD Net Proceeds																
20	Tax Increment																
21	Repayment of FORA Loan Interest																
22																	
23	Total Sources																
24																	
25	Project Costs																
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27	Consultants																
28	Development Fees																
29	Land Improvements																
30	Amenities																
31	Infrastructure Indirects																
32	Management Fees/Sales & Marketing																
33	Land Acquisition																
34	Property Taxes																
35	Closing Costs/Selling Expenses																
36	Total Costs																
37																	
38	Unleveraged Cash Flow																
39	IRR																
40																	
41	Cash Flow Needed to Reach Target IRR																
42	IRR																
43																	
44	Remaining Cash Flow																
45																	
46	Participation Payment before Adjustments																
47	(Less) Participation Payment #1																
48	(Less) Participation Payment #2																
49	Net Participation Payment																
50																	

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

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A		B												EH	
1		C												EF	
2		D												EE	
3		E												ED	
4		F												EC	
5		G												EB	
6		H												EA	
7		I												DZ	
8		J												DY	
9		K												DX	
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21		W												Oct	
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25		AA													
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APPENDIX 5

ATTACHMENT 4 TO DDA

(Financial Terms)

ATTACHMENT NO. 4

FINANCIAL TERMS

[First referenced, Section 201]

A. Land Payment/Agency Participation.

1. Deposit. Prior to or upon execution of this Agreement by the Agency and Developer, the Developer shall deliver a deposit of One Hundred Thousand Dollars (\$100,000), as provided in Section 201.a. of this Agreement.
2. Land Payment. Upon close of escrow, Developer shall pay to Agency One Million Five Hundred Thousand Dollars (\$1,500,000) (subject to adjustment under Section 202(3) of this Agreement, if any, not to exceed One Hundred Thousand Dollars (\$100,000)), as the initial land payment for conveyance of the Site to Developer (the "Initial Land Payment"). Developer shall make additional land payments to the Agency ("Additional Land Payments") calculated and payable at the time, and in the manner set forth in Section 3, below, of this Part A. (The Initial Land Payment and any Additional Land Payments may be referred to collectively as the "Land Payment.")

In addition, at closing the Developer shall pay to the County or Agency (as directed by the County), provided Developer is a Named Insured under the FORA PLL with its allocated policy limits, its pro rata percentage of the County's share of the premium payments then due by the County, to FORA for the FORA PLL described in Section 204 of this Agreement, to be calculated as equal to the percentage of the County policy limits under the FORA PLL allocated by the County to and accepted by the Developer. By way of example: the County has been allocated \$20,000,000 of the \$100,000,000 policy limits under the FORA PLL, and the Developer anticipates being allocated 50% of the County's limit, or \$10,000,000. FORA has financed the total premium payment for the FORA PLL and the County has agreed to pay FORA the County's share of the premium (including financing costs) in a series of installment payments over a period of years. Based on the assumptions that the Developer will be allocated 50% of the County's policy limits, and that upon taking title to the Site will become a Named Insured under the FORA PLL, the Developer shall be obligated to pay to the County 50% of the amount of each County installment payment to FORA not later than fifteen (15) days after receipt of written notice from the County of the amount of the installment payment then due. At the close of escrow, the Developer shall be obligated to pay to the County or the Agency (as directed by the County) 50% of the amount of any installment payments previously made or currently payable from the County to FORA (as disclosed by the County not less than fifteen (15) days prior to closing), and thereafter the Developer shall be obligated to pay to the County or the Agency (as directed by the County) 50% of the amount of each subsequent County installment payment not later than

fifteen (15) days after receipt of written notice from the County of the amount of the installment payment then due.

3. Additional Land Payment.

- a. *Participation Payment.* In addition to the Initial Land Payment, the Developer shall make contingent Additional Land Payments to the Agency of a portion of any residual proceeds from the Developer's horizontal development and sale of buildable parcels of the Site ("Participation Payment"), calculated in accordance with the financial model set forth in Section 3.b., below, if available at the times described below (the "Agency Participation Model").
- b. *Agency Participation Model.* As used herein, "Completion of Development" shall mean the occurrence of all of the following: (i) the sale by the Developer of the last parcel or lot in the Site for vertical development (as evidenced by close of escrow); and (ii) the completion by the Developer of all horizontal improvements to the Site, including infrastructure and public improvements and facilities that the Developer is required to provide or pay for (as evidenced by one of more Certificates of Completion for such horizontal improvements issued by the Agency pursuant to Section 320 of this Agreement), and (iii) the incurrence by the Developer of all Project Costs (as defined in Section 3.d., below) such that no further investment by Developer is required for development of the Site under this Agreement and the Development Approvals, and (iv) the receipt by the Developer of all Project Revenues (as defined in Section 3.e., below). The Developer shall apply all Project Revenues (as defined in Section 3.e., below) as follows: (i) first, to first reimburse the Developer for all Project Costs; (ii) second, to pay the Developer an amount of Unleveraged Cash Flow (as defined below) received by the Developer up to but not to exceed the amount necessary for the Developer to achieve its Target IRR (as defined below); and (iii) thereafter, following Completion of Development, if any Unleveraged Cash Flow (as defined below) remains after the Developer has achieved its Target IRR, to make an Additional Land Payment ("Participation Payment") to the Agency in an amount equal to Fifty Percent (50%) of any such remaining Unleveraged Cash Flow. If required and in the manner set forth in subsection g., below, the Developer may be required to make the Participation Payment, if owed to the Agency, in one or more partial payments ("Partial Participation Payments") in addition to a final payment ("Final Participation Payment").

(i) "Unleveraged Cash Flow" means Project Revenues less Project Costs.

(ii) "IRR" means the internal rate of return and shall be calculated on a monthly basis using the Unleveraged Cash Flow as reflected in the template attached hereto as Table 2 to this Attachment No. 4; provided that the listing in Table 2 of categories of costs shall be deemed for convenience and shall not limit the inclusion of applicable Project Costs as defined in subsection d.

below. The monthly IRR shall be used to calculate an annual IRR for the Project by the following method, wherein MIRR is equal to the monthly IRR (noncompounded) and AIRR is the annual IRR:

$$\text{AIRR} = \text{MIRR} (x) 12$$

(iii) "Target IRR" means the IRR of 22.5%."

Project Revenues received by the Developer and Project Costs paid by the Developer during any month shall be deemed to be received or paid on the last day of the month.

- c. *Intentionally Omitted.*
- d. *Project Costs.* "Project Costs" means all direct and indirect third party out-of-pocket predevelopment, planning, development, marketing and disposition costs and expenses paid by the Developer pursuant to the ENRA among the Developer and the Agency and the County, and/or in implementation of and pursuant to the Option Agreement, this Agreement and/or the Development Approvals to acquire, own, hold, develop or sell all or any part of the Project, which costs shall include, without limitation, all pre-development and pre-conveyance costs and post-conveyance costs for items included in the Developer's Project Pro Forma (as presented to the Agency), subject only to a combined limit on post-conveyance sale and marketing and general and administrative costs of three and one-half percent (3.5%) of Project Revenues (as defined in e. below), any reimbursement or indemnification costs or fees paid to FORA or the Agency, any CEQA mitigation costs, costs of investigation and remediation of Hazardous Substances or other environmental conditions on the Site, including insurance and indemnification in connection therewith, payments to the Agency or County for fiscal neutrality, all CSD and CFD costs (including formation and debt service) and other public financing costs, costs resulting from litigation or administrative challenges to the Project, all reasonable development fees, management fees (including costs of on-site employees which are not included in general and administrative costs) or other amounts paid by the Developer to Affiliates (as defined in Section 3.f.(i), below) of the Developer or any Member of Developer (a "Member") for services rendered in connection with the Development; provided, however, any amounts paid to Affiliates of Developer any Member of Developer shall exclude any amounts that exceed the costs that would have been incurred by the Developer had the Developer obtained the relevant services or goods from a third party on an arms' length basis. Without limiting the foregoing, Project Costs shall include the Initial Land Payment (as defined in Section 2 of Part A of this Attachment No. 4), but shall exclude any Participation Payment to be paid to the Agency, including any Partial Participation Payments and any Final Participation Payment (each as defined in Section 3.b. of Part A of this Attachment No. 4). Project Costs shall also exclude (a) the repayment of the principal and interest

of any private loan obtained by the Developer; and (b) any distributions, preferred return or other capital return to the members of the Developer.

- e. *Project Revenues.* "Project Revenues" means all cash revenues actually received by Developer or fixed amounts to be received by Developer from an Affiliated Homebuilder under an installment sale or other delayed or deferred payment of any type or nature from (a) a sale, lease or other disposition (other than any disposition by foreclosure or transfer in lieu of foreclosure) of the Site or any portion thereof to a third party, or (b) any other event, contract, service or other transaction of any type or nature generating revenues actually received by Developer from any portion or all of the Site, excluding management fees for construction of public facilities. By way of example and not limitation, Project Revenues include rents, forfeited earnest money, rebates, fees for the provision by Developer of utility and other services to the Project of any nature, reimbursements, damage awards (net of costs of recovery), insurance proceeds (net of costs of recovery), all proceeds received by the Developer from the sale of CFD bonds and tax allocation bonds (including proceeds to reimburse Developer for costs incurred), condemnation awards (net of costs of recovery), income from granting easements or other interests in or rights relating to the Site, and interest on Project Revenues to the extent invested in interest-bearing accounts. Notwithstanding the foregoing, Agency and Developer acknowledge (i) that Project Revenues shall include, but not be limited to, all cash revenues actually received or to be received by Developer, as provided above, from the sale of lots for homes ("Homesites") to merchant builders, including, but not limited to, any participation payments paid to Developer from merchant builders, if any, along with revenues derived from the sale by Developer of other parcels for vertical development ("Development Parcels"), and (ii) that Project Revenues shall not include any revenues or profits from the construction and sale of homes on any of the Homesites by any Member of Developer or any Affiliate (as defined in Section 3.f.(i), below) thereof, other than revenues or profits, if any, paid as participation payments to the Developer.
- f. *Homesite and Development Parcel Sales Prices.* The consideration for all Homesites and Development Parcels sold by Developer shall be calculated as set forth in this Section 3.f.
- (i) *Sales to Non-Affiliated Third Parties.* Any and all Homesites and Development Parcels sold by Developer to a person or entity that is not a Member or an Affiliate of a Member (a "Non-Affiliated Third Party") shall be sold at a market rate ("fair market value") to be determined by mutual agreement between Developer and such Non-Affiliated Third Party taking into consideration comparable sales, if any, which have requirements to commence and complete construction, restrictions on use and transfers, including notification and insurance requirements and other conditions imposed on buyers similar to those that are imposed on Non-Affiliated Third Parties under this Agreement; provided, however, that Developer shall market

available Homesites and Development Parcels to potential third-party buyers using those methods and practices customarily used by persons marketing similar property under similar conditions in the same or similar locality. As used in this Agreement, an "Affiliate" means any entity in which a Member, either directly or indirectly, has any interest whatsoever.

(ii) Sales to Affiliated Homebuilders.

(1) Homesites. Any and all Homesites sold by Developer to an Affiliated Homebuilder shall be sold at a price that is no less than the fair market value, calculated using the methodology for determining Residual Lot Value set forth in Table 1 to this Attachment No. 4, in accordance with the following:

A. *Base Home Price*. Not later than 180 days prior to the first anticipated sale by the Developer to an Affiliated Homebuilder of a group of lots for a specific product category of market rate homes, as provided in Section C. of Attachment No. 3, (herein, for each group of all lots sold to an Affiliated Homebuilder for a specific product category of market rate homes in a Phase of the Project, a "Community", or if there is a partial sale of lots in a specific product category, a "Subcommunity"), the Developer and the Agency shall mutually agree upon a qualified marketing consultant with at least ten (10) years experience in evaluating new residential community values in the San Francisco Bay Area and in Monterey County, California (the "Residential Marketing Consultant"). The Residential Marketing Consultant may be changed from time to time by mutual agreement of the Developer and the Agency. The Residential Marketing Consultant shall be responsible for preparing a report determining the Base Home Price to be used in completing the methodology used in Table 1 to this Attachment No. 4 to determine Residual Lot Value for each Community or Subcommunity, to be presented as a final report to the Developer and Agency not later than thirty (30) days prior to the sale of the lots in the Community or Subcommunity to an Affiliated Homebuilder and establishing such Base Home Price as of the date of the final report. By not later than ninety (90) days prior to the sale by the Developer to an Affiliated Homebuilder of the lots in a Community or Subcommunity, the Residential Marketing Consultant shall present a draft report and conclusions to the Developer and Agency, who each shall have ten (10) business days following receipt of such draft report to submit to each other their comments or objections to the draft report, and, if there are comments and objections, to meet and confer in good faith with each other and the Residential Marketing Consultant for a period of not more than

fifteen (15) additional business days to mutually resolve such comments or objections. Following the expiration of the meet and confer period, the Residential Marketing Consultant, after considering all such comments and objections, shall issue its final report, not later than the time set forth above, determining the Base Home Price for the Community or Subcommunity, which both the Developer and the Agency shall be bound to accept for purposes of completing Table 1 of this Attachment No. 4 to establish the Residual Lot Value for the Community or Subcommunity.

Option Revenues shall be determined in accordance with Table 1, annexed to this Attachment No. 4, with the exception of moderate-income Inclusionary Housing and Workforce II Housing where Option Revenues shall not be included.

B. *Cost Deductions.* From the Base Home Price for each of the finished homes, the following costs (collectively, the "Estimated Costs") shall be deducted:

- (i) *Direct Building Costs.* For Phase 1, average direct building costs ("Direct Building Costs") will be projected based upon actual direct building costs incurred by William Lyon Homes (or an Affiliate thereof) for Product Types of similar size and specifications, in the San Francisco Bay Area, adjusted for cost differentials attributable to prevailing wage requirements unless a particular project is not subject to prevailing wages as determined by the FORA and Department of Industrial Relations, and adjusted for inflation based upon increases in the RS Means Construction Price Index. Alternatively, if such comparable detailed actual direct building cost figures are not available, then Direct Building Costs for Phase 1 shall be based upon actual direct building costs for comparable Product Types of similar size and specifications constructed elsewhere within the area encompassed by the Fort Ord Reuse Plan. Direct Building Costs shall also include final lot improvements typically made by homebuilders (including finished grading, landscaping and driveways and fences). For Phase 2 and Phase 3, Direct Building Costs will be based upon actual direct building costs incurred by Developer for Product Types of similar size and specifications within Phase 1, adjusted for inflation based upon increases in the RS Means Construction Price Index. In the event a particular Product Type in Phase 2 or Phase 3 is not included in Phase 1, then the Direct

Building Costs for such Product Type shall be projected in the same manner as such costs are projected in Phase 1.

- (ii) *Option Costs.* Option Costs shall be determined in accordance with Table 1 annexed to this Attachment No. 4.
- (iii) *Fees and Permits.* Fees and permits will be calculated for an average unit as estimated by the County in accordance with the Development Agreement and including but not limited to MCWD fees and connection charges and MPUSD fees.
- (iv) *FORA Fees.* FORA Fees will be calculated based on the FORA Fee currently in force or with an adjustment for the maximum increase to be estimated for the date of the first building permit for each segment of Homesites and as adjusted and reapportioned in accordance with Section C of this Attachment No. 4.
- (v) *Other Costs.* Other costs shall be determined according to the methodology shown on Table 1 to this Attachment No. 4.

C. *Residual Lot Value.* The fair market value of Homesites sold to an Affiliated Homebuilder shall be the Residual Lot Value, determined in accordance with the methodology of Table 1 to this Attachment No. 4; provided, however, that if a Community or Subcommunity to be constructed by an Affiliated Homebuilder includes lots for moderate-income Inclusionary Housing units and/or Workforce II Housing units, the Residual Lot Value for the Community or Subcommunity shall be a weighted blended result of separate calculations as follows: (1) first, for the market rate units in the Community or Subcommunity the Residual Lot Value ("Market Rate Residual Lot Value") shall be calculated under Table 1 of this Attachment No. 4 using the Base Home Price determined by the Residential Marketing Consultant; (2) second, for the moderate-income Inclusionary Housing units, if any, are required in the Community or Subcommunity, the Residual Lot Value ("Moderate-Income Residual Lot Value"), which may be a positive or negative amount, shall be calculated under Table 1 of this Attachment No. 4 wherein the Base Home Price for both revenues and costs is defined as the average income-restricted sales price (discounted for continuing income restrictions on resale) at which those units will be sold to

eligible households in order to satisfy the requirements of the applicable Inclusionary Housing Agreement with the County for such income-restricted units, but excluding Option Revenues and Option Costs from such calculation; (3) third, for the Workforce II Housing units, if any are required in the Community or Subcommunity, the Residual Lot Value ("Workforce II Residual Lot Value"), which may be a positive or negative amount, shall be calculated under Table 1 of this Attachment No. 4 wherein Base Home Price for both revenue and costs is defined as the average income-restricted sales price (discounted for continuing equity sharing on resale) at which those units will be sold to eligible households in order to satisfy the requirements of the applicable Workforce II Housing Agreement with the County for such income-restricted units, but excluding Option Revenues and Option Costs from such calculation; and (4) the resultant Market Rate Residual Lot Value, Moderate-Income Residual Lot Value (positive or negative amount), if any, and the Workforce II Residual Lot Value (positive or negative amount), if any, shall be averaged together on a weighted basis according to the number of units in each category, and the resultant number shall be the Residual Lot Value for the Community or Subcommunity. By way of example: assume that the Community or Subcommunity includes a total of 50 lots, 30 of which will be for market rate units with a Market Rate Residual Lot Value of \$100,000, 10 of which will be for moderate-income Inclusionary Housing units with a Moderate-Income Residual Lot Value of [-\$5000], and 10 of which will be for Workforce II Housing units with a Workforce II Residual Lot Value of \$50,000. The resultant average Residual Lot Value for the entire Community or Subcommunity shall be the product of the following equation:

Residual Lot Value equals:

$$\frac{((30 \times 100,000) + (10 \times [-5000]) + (10 \times 50,000))}{\text{Divided by } 50}$$

Equals: 69,000

- (2) Town Center Parcels. Town Center parcels shall be sold at a price that is no less than the residual land value (the "Residual Land Value", which shall be established by the Developer in its sole business judgment and which shall be deemed the fair market value) determined by the residual approach: taking estimated rents/residential sales prices per an approved consultant's market

study, estimating capitalized value, using an eleven percent (11%) return on costs for the retail or office portion and a residential profit margin of nine percent (9%) of the residential sale price, and deducting all development costs, provided that: (i) any developer's fee/overhead in construction of the project shall not exceed 5% of direct construction costs, and (ii) any annual management fee for the operation of the project shall not exceed 3.5% of effective gross income.

g. Progress Reports; Final Accounting; Timing of Participation Payment.

(i) As used in this subsection g.:

"1st Reporting Date" shall mean the last day of a 12-month period commencing on the date that Developer has completed (as evidenced by close of escrow) the second bulk sale of lots in Phase 2 for a particular Community or Subcommunity to a vertical developer-homebuilder (including, but not limited to, an Affiliated Homebuilder).

"2nd Reporting Date" shall mean the last day of a 12-month period commencing on the date that Developer has completed (as evidenced by close of escrow) the second bulk sale of lots in Phase 3 for a particular Community or Subcommunity to a vertical developer-homebuilder (including, but not limited to, an Affiliated Homebuilder).

"Final Reporting Date" shall mean the last day of an 18-month period commencing on the 2nd Reporting Date, plus extensions of said 18-month period for the periods of any Enforced Delay under Section 604 of this Agreement affecting the Developer and/or market rate residential homebuilders which prevent or delay the sale by Developer of market rate units to homebuilders on customary terms at reasonable prices consistent with fair market value.

"Payment Date" shall mean a date that is sixty (60) days after a Reporting Date.

(ii) On each of the 1st and 2nd Reporting Dates the Developer shall submit to the Agency a report in the form, template and accounting methodology to be agreed upon by the Agency and Developer prior to close of escrow ("Developer's Progress Report") which shall include, on a cumulative cash basis, a summary of Project Costs (as defined in Section 3.d., above) incurred and Project Revenues (as defined in Section 3.e., above) received by the Developer, as horizontal developer, for the entire Project as of such Reporting Date.

(iii) If a Developer's Progress Report submitted under subsection (ii), above, shows that Project Revenues received by the Developer has exceeded Project Costs incurred by the Developer for the entire Project such that the

Developer has exceeded the achievement of its Target IRR, (as defined in Section 3.b., above), the Developer shall make on or before the Payment Date a Partial Participation Payment (as defined in Section 3.b., above) to the Agency from available Unleveraged Cash Flow, subject to the Final Accounting (as defined in subsection (iv), below), in the following amount and manner: fifty percent 50% of the amount by which the Developer's Target IRR is estimated to be exceeded in the Developer's Progress Report (but, in the case of the 2nd Reporting Date only to the extent not previously paid to the Agency and/or deposited into an escrow account under this subsection (iii) pursuant to the Developer's Progress Report submitted on the 1st Reporting Date) shall constitute and shall be paid and deposited by the Developer as a Partial Participation Payment, as follows: (x) fifty percent (50%) of the amount of such Partial Participation Payment shall be paid directly to the Agency, and (y) fifty percent (50%) of the amount of such Partial Participation Payment shall be deposited by the Developer into an interest-bearing escrow account with an independent escrow holder mutually agreed to by the Developer and the Agency, to be held by such escrow holder and, following the Final Accounting (as defined in subsection (iv), below) to either be released to the Agency in whole or in part to the extent the Developer is not entitled to a refund of such amount as a result of the Final Accounting (as defined in subsection (iv), below) or be refunded to the Developer, in whole or in part, to the extent the Developer is entitled to a refund of such amount under the Final Accounting (as defined in subsection (iv), below).

(iv) Upon the Final Reporting Date, the Developer shall submit to the Agency a final report ("Final Accounting") in substantially the form of the Developer's Progress Report containing a final accounting and reconciliation of total Project Revenues received by the Developer and total Project Costs incurred by the Developer, as horizontal developer, for the entire Project, and the IRR achieved by the Developer.

(a) To the extent the Final Accounting shows that the Developer's Target IRR (as defined in Section 3.b., above) is exceeded for the entire Project, fifty percent (50%) of the Unleveraged Cash Flow available to the Developer in excess of the amount required to achieve the Developer's Target IRR (as defined in Section 3.b., above) shall constitute the amount of the Participation Payment due the Agency. By not later than the Payment Date, the Developer shall release to the Agency funds escrowed under subsection (iii), above. To the extent the amount of the Participation Payment still exceeds the sum of the Partial Participation Payments plus the sum of the released escrow funds, the Developer shall make a Final Participation Payment in the amount of such remaining amount to the Agency on or before the Payment Date. To the extent that the sum of the Partial Participation Payments plus the sum of the released escrow funds to the Agency exceeds the amount of the Participation Payment, the Agency shall be entitled to keep such excess amount.

(b) To the extent that the Final Accounting shows that the Developer's Target IRR (as defined in Section 3.b., above) is not achieved for the entire Project, the Developer shall be entitled to withdraw from the escrow account on or before the Payment Date all or such amounts as shall be required to increase the Developer's Project Revenues up to an amount not to exceed the Developer's Target IRR (as defined in Section 3.b., above), and the Agency shall be entitled to release of the amount, if any, in the escrow account not withdrawn by the Developer, even though the Agency may have received Partial Participation Payments and escrowed funds in excess of the amount of the Participation Payment.

- h. *Dispute Resolution.* Any dispute between the Agency and Developer arising out of the provisions of this Section 3 shall be settled pursuant to the dispute resolution process set forth in Section 513 of this Agreement.

B. Public Facilities.

Developer shall be responsible for providing an amount not to exceed \$3,500,000, indexed to the Engineering News Record Building Cost Index for the San Francisco area (as applied from the Effective Date of this Agreement, the "ENR Cost Index"), for the design and construction of public facilities ("Public Facilities") within the Project, including construction management services (if approved by the County) on terms set forth in the Scope of Development (Attachment No. 9 hereto) specifically relating to the fire station, library and Sheriff's substation (the "Mandatory Public Facilities"). Except as provided in Section 8 of Attachment No. 9, Agency shall be responsible for providing an amount not to exceed \$5,500,000 (indexed to the ENR Cost Index) for Public Facilities in the Project, with priority to funding the Mandatory Public Facilities, as provided in Part H of this Attachment No. 4.

C. FORA Fees.

The Developer and the Agency acknowledge that the FORA fees and/or assessments ("FORA Fees") for the Site must be satisfied, and that the imposition of those fees is reflected by an existing lien on the Site, which lien may be discharged upon payment in full of the FORA Fees. Subject to FORA concurrence, the actual payment of the FORA Fees may be redistributed among units so that larger units pay higher fees than smaller units, provided that such allocation generates the full aggregate amount required by FORA, and Developer may be given credit for infrastructure constructed and/or financed directly by Developer or Agency, where such infrastructure would have otherwise been the responsibility of FORA to finance and construct. The County agrees to diligently pursue the inclusion by FORA in its CIP of those traffic improvements designated as FORA's responsibility in the Combined Development Permit Conditions of Approval.

At the request of the Developer, the Agency and County shall cooperate with the Developer to obtain a comprehensive agreement with FORA covering, to the reasonable satisfaction of the Developer and the Agency: (i) redistribution of the FORA Fees among units on the Site, (ii) credit against FORA Fees for qualifying infrastructure provided by the Developer or Agency, (iii) timing of payment of pro rata FORA Fees upon the issuance of building permits

for vertical construction, (iv) present or current removal of the FORA lien on the Site in consideration of the obligations to pay FORA Fees pro rata at the time of and as a condition to issuance of building permits for vertical construction on the Site, and (v) credits from FORA for demolition costs. An executed agreement with FORA shall be a condition to close of escrow unless and to the extent waived by the Developer. A copy of any such agreement upon its completed execution shall be recorded and appended to this Attachment No. 4.

D. Offsite Infrastructure.

The Parties contemplate that off-site traffic improvements required in the implementation of the Specific Plan will be included in the FORA Capital Improvements Program (FORA CIP), and that credits against the FORA Fees will be covered in the agreement with FORA referenced in Part C, above. The Agency and County staffs shall work with Developer and FORA to obtain the inclusion of offsite traffic improvements in the FORA CIP.

E. Community Facilities District ("CFD").

1. Developer and County and Agency staff and consultants shall consider the formation of a CFD, consistent with County CFD policies, to fund a portion of the cost of public infrastructure installation required for development of the Project, equal to but not to exceed Twenty Million Dollars (\$20,000,000) in infrastructure costs, as an important element for the economic feasibility of the development of the Site. It is also recognized that the formation of a CFD for purposes of levying a special tax to partially fund the ongoing operations of a CSD is an important component of satisfying the County's requirement for a fiscally neutral project based on a final fiscal impact analysis and a Fiscal Neutrality Funding Plan as referenced in Part K of this Attachment No. 4.

- a. For purposes of a CFD to fund infrastructure, it shall be a condition of closing, except as may be waived by the Developer in its sole and absolute discretion, that all actions required to be taken by the County to initiate the formation of a CFD, including a financing program, applicable to all parcels to be developed on the Site (excluding only the deed-restricted very low and low income affordable residential units and the public facilities) shall have occurred to the satisfaction of the Developer.
- b. For purposes of a CFD to levy a special tax for ongoing services, if a necessary part of the Developer's financial program to provide a fiscally neutral Project, it shall be a condition of closing that the Developer shall have initiated the actions needed to be taken by the Developer in connection with the formation of a CFD, including recognition by the Developer of its obligation to provide any reasonable credit enhancement required for the issuance of CFD Bonds under County policies at such time as CFD Bonds are proposed to be issued.

One CFD to address the purposes in a. and b. above is contemplated. The Developer shall advance the costs for the formation of the CFD subject to reimbursement by the CFD. County and Agency staff shall support the formation of a CFD in a timely manner, so as not to delay the timely issuance of CFD Bonds when required by the Developer.

F. Community Services District ("CSD").

Developer and Agency staff also agree that the formation of a CSD to provide ongoing maintenance of certain elements of infrastructure is important to enhance the physical and fiscal soundness of the Project and to achieving fiscal neutrality for the County (as further discussed in Part K. of this Attachment No. 4). Because of the unique circumstances of Fort Ord, the Parties have agreed that special State legislation will be required to facilitate the formation of a CSD. It shall be a condition of closing, that, in the absence of an interim alternative financing mechanism, steps needed to form a CSD shall have been initiated by the County to comply with the Combined Development Permit Conditions of Approval for the formation of a CSD. The Developer shall advance the reasonable costs for the formation (including LAFCO approval, if needed) of the CSD to comply with the Development Approvals subject to reimbursement by the CSD. County and Agency staff shall diligently pursue the enactment of State legislation and shall support the formation of a CSD in a timely manner.

The total combined property tax burden on any developed parcel, including any overrides and the special assessment burdens of the CFD and the CSD, shall not exceed 2.0% (exclusive of HOA dues and assessments) of the assessed value. The Rental Affordable Housing and the Public Facilities shall not be subject to any liens related to the CFD or costs of the CSD.

Following concurrence by the County Treasurer, the financial advisor to the County and bond counsel, and subject to agreement on matters such as credit enhancement where required for the issuance of CFD Bonds, compliance with the County's policies on CFD formation, and consistency with industry practices of land secured financing in California, Agency, in cooperation with County and its Board of Supervisors, will agree to use its best efforts to establish a CFD and a CSD on the entire Site as contemplated above. The Agency's and the County's obligations hereunder are subject to the Developer's agreement, in the form of a mutually acceptable Reimbursement Agreement, to advance all funds required to plan and process the formation of a CFD and CSD, including but not limited to the fees and costs of the County's and the Agency's financial advisor, subject to reimbursement of such costs from the CFD and CSD, as applicable. Under the CFD, funds for infrastructure costs shall only be disbursed to Developer in tranches that are tied to completion of discreet operable segments of the public improvements. The Developer shall have the option to use or not to use the CFD financing. In the event the Developer elects not to use the CFD financing, the Agency shall have no obligation to repay to the Developer any advances for the CFD formation, except to the extent that such advances have not been expended or otherwise legally committed or obligated to be paid for costs incurred. Formation of a CFD and a CSD may be commenced by the County or Agency and is subject to required public hearings and procedural requirements, and neither the County nor the Agency shall be deemed legally bound to form either a CFD or a CSD, but Agency and County staffs shall recommend to the Board of Supervisors that it take the actions necessary to form the CFD and the CSD in a timely manner so as not to delay the closing.

The Parties agree that the formation of a CSD and/or CFD, as to improvements and services to be financed, shall be accomplished in such manner as to satisfy, together with additional funding sources that may be required, the requirements for the Project to be fiscally neutral as to impacts on the County as referenced in Part K of this Attachment No. 4.

G. Historic District and Town Center.

1. Historic District

As a condition to conveyance, and to ensure that all historic preservation requirements are met, Developer will comply with the Agreement and Covenant for the Transfer of East Garrison Historic District (the "Historic District Agreement"), dated as of August 3, 2004, between the SHPO and FORA and recorded in the Records of the Monterey County Recorder on October 15, 2004 as Document 2004110087, and Mitigation Measure 4.8.1-H and Combined Development Permit Condition of Approval No. 59. The Developer must also provide infrastructure to all buildings in the Historic District, subject to the CFD and CSD, as applicable to such buildings. Subject to Part H, below, Agency agrees to make available to the Project for the rehabilitation of the Historic District the net tax increment allocable to the Agency as set forth below in this section.

The Developer will be legally obligated to expend directly or make available to the Agency a total amount of \$750,000, (indexed to the ENR Cost Index, as first defined in Part B hereof), to fund the predevelopment expenses of the Historic District on the following timetable: \$150,000 in 2006, \$300,000 in 2007 and \$300,000 in 2008.

For capital costs (exclusive of capital costs for buildings to be devoted to public use and owned after rehabilitation by public entities, which costs shall be deemed part of the costs of the Public Facilities under Attachment No. 9 hereto) and subject to Section c. of Part H, below, of this Attachment No. 4, the Agency will make available up to but not to exceed \$5 million (indexed to the ENR Cost Index, as first defined in Part B hereof) in tax increment funds during the first year that tax increment funds sufficient for major capital improvements to the buildings in the Historic District are available, currently estimated to be FY 2008/09. The Developer shall thereupon provide funds for major capital improvements to buildings in the Historic District up to but not to exceed \$1 million (indexed to the ENR Cost Index, as first defined in Part B hereof, in the same percentage as the Agency's \$5 million), to be provided in an amount equal to Twenty Percent (20%) of the amount made available for such purposes by the Agency. In addition, upon completion of work on and occupancy of fifty percent (50%) of the buildings in the Historic District, the Developer will contribute \$250,000, (indexed to the ENR Cost Index, as first defined in Part B hereof) to the establishment of an endowment for the non-profit corporation described in Section 3 of Attachment No. 9 hereto to cover the operating costs of the Historic District. No other contributions will be required by the Agency or the Developer. Nothing in this paragraph shall be deemed to impose an obligation on the Agency or the Developer to perform any work or make any capital improvements to the buildings to be retained in the Historic District.

The Developer, the Agency and the County agree to enter into an agreement with ArtSpace to take title to the historic buildings and rehabilitate such buildings. Agency has approved Artspace as the developer and operator of the Historic District. Funds for the rehabilitation will be paid to Artspace upon a demonstration, to the satisfaction of the Agency and Developer, that Artspace has the technical, managerial and financial ability to complete the rehabilitation in accordance with the covenants and conditions stated in the Historic District Agreement between FORA and the SHPO.

2. Town Center

Pursuant to the Option Agreement, Developer has the obligation to construct approximately 34,000 square feet of neighborhood serving retail, civic and other non-residential uses ("Town Center Construction Obligation"). Developer and County recognize that the retail portion of the Town Center Construction Obligation may not be economically feasible. Consequently if no residual value is determined to exist pursuant to Section 3.b(ii)(2) of Part A of this Attachment No. 4, no value may be attributable to the town center mixed use parcels and any subsidy which may be required from Developer to finance construction shall be considered a Project Cost, as defined in Section 3.d. of Part A of this Attachment No. 4. Developer will install all the infrastructure necessary to service the Town Center parcels, including the Town Center Park and parking lots. Developer may assign its rights and obligations to develop the Town Center mixed-use commercial and residential parcels (as described in Exhibit 2 to Attachment No. 9) to either Woodman Development Company, LLC ("Woodman") or a special purpose Affiliate of either the Developer or Woodman ("Assignee").

An approximately 7,000 square foot Fire Station to be constructed on a site within Phase 1 comprises a portion of the Town Center Construction Obligation but is the subject of its own separate subsidy by Developer, described in Section 8 of Attachment No. 9, and shall not count toward satisfying the Developer's 34,000 square foot Town Center Construction Obligation. As provided in Section 6 of Attachment 9, 4,000 square feet of the Library/Sheriff's Substation shall count toward satisfying the Developer's 34,000 square foot Town Center Construction Obligation. At least 20,000 square feet of the Town Center Construction Obligation must have been completed prior to the issuance of the first market rate unit permit within Phase 3 of the Project and the remaining 14,000 square feet of the Town Center Construction Obligation must be completed prior to the issuance of the last certificate of occupancy for the last market rate unit in Phase 3.

Prior to the first market rate unit building permit being issued in Phase 3, Developer or Assignee shall post a completion bond with respect to any portion of the Town Center Construction Obligation which is not completed or under construction at that time.

Developer shall thereafter be allowed to continue to obtain all remaining building permits and certificates of occupancy for the market rate units of the Project without restriction. Timing of construction of the Town Center Construction Obligation shall be subject to Enforced Delays under Section 604 of this Agreement.

H. Tax Increment; Agency Assistance.

The Agency agrees to pledge and devote to the Project its share of the net tax increment produced by the Project and allocable under State law to the Agency in the following priority order:

- a. First, to the Agency's actual annual costs of administering the Redevelopment Project Area, estimated at the lesser of total increment or \$300,000, escalated at 3% per year, from non-housing funds based on net increment after statutory pass-throughs.
- b. Second, subject to priority a. above, and to availability, up to \$48,469 (indexed to the ENR Cost Index as first defined in Part B hereof) per Rental Affordable Housing unit as requested by the Developer, up to but not to exceed in the aggregate \$9.5 million (indexed to the ENR Cost Index as first defined in Part B hereof) solely for the purpose of subsidizing the costs related to vertical construction (hard costs only, not including, by way of example, site preparation costs, infrastructure costs, permits, fees and exactions) of the units in the Project to be made available and restricted to occupancy by persons and families of very low and low income, all subject to the terms of the Inclusionary Housing Agreements to be entered into between the Developer and the County pursuant to the Combined Development Permit Conditions of Approval and the agreements with one or more Rental Affordable Housing Developers (referenced in Section 4 of Attachment No. 9). The source of such tax increment funding shall be the Agency tax increment generated by the Project. Developer has represented to Agency, and Agency acknowledges, that Developer will budget and expend, in addition to the amount of the Agency's subsidy for the Rental Affordable Housing units referenced in the preceding sentence, up to a total of \$630,000 of its own funds (indexed to the ENR Cost Index as first defined in Part B hereof) for such Rental Affordable Housing units; provided, however, that Developer acknowledges and agrees that notwithstanding the amounts required to be contributed by the Agency and the Developer for Rental Affordable Housing units under this subsection b., the Developer shall be responsible in any event for causing such Rental Affordable Housing units to be constructed in accordance with the terms of the Inclusionary Housing Agreements, and that no additional amount of subsidy for such units shall be required from the Agency or requested by the Developer or any Rental Affordable Housing Developer.

Tax increment funds will be made available as provided in the immediately preceding paragraph for the Rental Affordable Housing units. No such funds shall be made available for the moderate income Inclusionary Housing units. If tax increment is not available when needed for construction of the Rental Affordable Housing units, the Developer will advance those funds up to but not to exceed \$5.5 million (the

"Shortfall Loan") of the \$9.5 million (as indexed to the ENR Cost Index as first defined in Part B hereof) that the Agency is obligated to contribute for the Rental Affordable Housing units, which Shortfall Loan shall be evidenced by a promissory note (the "Note") from the Agency to the Developer substantially in the form attached to this Agreement as Attachment No. 10 and shall be repaid by the Agency out of tax increment Bond proceeds or pay-as-you-go tax increment proceeds with accrued per annum interest at the higher of 7% or prime plus 1% on the unpaid balance, compounded annually until repaid. The Agency shall apply its pay-as-you-go tax increment and/or the proceeds of tax allocation Bonds to effectuate the repayment of the Note as soon as it is feasible to do so, in the good faith determination of the Agency. The Shortfall Loan shall not be considered "Project Revenues" or "Project Cost" under Section 3.d. of Part A hereof for purposes of calculating the Developer's Target IRR under Section 3.b. of Part A hereof.

- c. Third, subject to priority a. and b. above, and further subject to timing of availability, to fund, to the extent required, completion of the Mandatory Public Facilities referred to in Part B of this Attachment No. 4 above.
- d. Fourth, subject to priority a., b. and c. above, and further subject to timing of availability, to fund a portion of the capital cost of rehabilitating the Historic District, in an amount not to exceed \$5.0 million (indexed to the ENR Cost Index) as set forth in Part G., above.
- e. Fifth, subject to priority under a., b., c. and d. above, and further subject to timing of availability, to fund the costs of design and construction of other Public Facilities as specified in Part B., above, not to exceed a total cost of \$5.5 million (indexed to the ENR Cost Index).
- f. Sixth, subject to priority under a., b., c., d. and e. above, and further subject to timing of availability, at the discretion of the Agency, for projects and programs to be carried out in the County's Redevelopment Project Area (with Public Facilities needs of the Project, if any remain, to be given first consideration by the Agency, in its discretion, after consultation with the Developer) to which tax increment may be applied.

I. Tax Increment Pledge.

The financial obligations of the Agency in Sections 205 and 310 of this Agreement, and in Part H, above, are secured by the Agency's pledge of tax increment set forth in Section 703 of this Agreement. In the event State Legislation enacted after the date of this Agreement would have the effect of diverting tax increment funds of the Agency to other State purposes with a material impact on the Agency's ability to fund its obligations under this Agreement and as set forth in this Attachment No. 4, the Parties hereto: (1) shall cooperate to explore all feasible means to enforce and/or validate the Agency's pledge under Part H above and, (2) in addition, shall meet and confer in good faith to attempt to mutually restructure the timing and amount of the Agency tax increment funding for the Project and the requirements and financial obligations for the Project in a way that would allow the Project to proceed in an economically feasible

manner as planned consistent with maintaining the Developer's Target IRR of 22.5%. Nothing in the preceding sentence shall obligate the Agency to materially alter the terms of the transaction to accommodate the reduction or diversion of tax increment or obligate the Developer to proceed with the transaction if the Project cannot proceed in an economically feasible manner as a result of the reduction or diversion, and the failure to reach mutual agreement thereunder shall constitute a failure of the Agency to satisfy a condition precedent and to tender conveyance of the Site under Section 510 of this Agreement, for which the Developer's sole remedy shall be, subject to the provisions of Section 513, termination of this Agreement.

J. [Intentionally Deleted].

K. Fiscal Neutrality.

The Project shall provide fiscal neutrality with respect to the County, the SRFD and the Monterey-Salinas Transit District ("MST"). A CSD shall be formed as provided in Part F., above and/or the Developer shall provide an appropriate alternative financing mechanism (such as a property owners association) to achieve this requirement, together with other appropriate funding mechanisms to the extent necessary to establish fiscal neutrality, meaning that annual tax revenues to the County, the SRFD and MST from the Project for each year starting with the receipt of the first certificate of occupancy issued by the County for the Project shall equal or exceed costs to the County, the SRFD and MST in providing urban services to the Project.

In order to achieve fiscal neutrality, a preliminary fiscal impact analysis by the Agency assumes that the Project will be responsible for funding all net operational and maintenance costs related to public works, parks, fire protection, public safety and the library and other services provided by the County's general fund.

A final fiscal impact analysis, consistent with the methodology used in the preliminary impact analysis prepared for the Agency in May, 2004, will be conducted following the approval of this Agreement and prior to closing, which will be used to finalize a Fiscal Neutrality Funding Plan, which, when approved by the Developer, Agency and County, shall be added to this Agreement as Exhibit 1 to this Attachment No. 4 and shall be the basis for financing obligations of the CSD and, if necessary, other appropriate funding mechanisms.

L. School Site.

If the Monterey Peninsula School District (the "School District") identifies a site for a new school on County lands outside the Site to serve the Project, the County intends, on request from the School District and conditioned upon completion of appropriate environmental review and applicable County process, to provide the identified site to the School District for the purpose of constructing the new school.

EXHIBIT 1 TO ATTACHMENT NO. 4

FISCAL NEUTRALITY FUNDING PLAN

[First referenced, Part K, Attachment No. 4]

[TO BE ATTACHED WHEN PREPARED AND APPROVED IN FINAL FORM.]

Table 1 to Attachment No. 4
Determination of Residential Lot Value for Affiliated
Homebuilders

Product type:	<u>all types</u>	
Phase:	<u>all phases</u>	
Number of units:	_____	
Date:	_____	
Revenue:		
Base Home Price	_____	\$0 (1), (2)
Options Revenue 6% of Base Home Price	_____	\$0
Estimated Sales Revenue	_____	\$0
Estimated Costs:		
Direct Building Costs	_____	\$0 (3)
Option Costs 84% of Options Revenue	_____	\$0
Fees and Permits	_____	\$0 (4), (5)
a. Sales & Marketing		
Warranty 23.10% Base Price/Lot premium	_____	\$0
Taxes <i>PROP / IRS / F&B</i>		
Financing		
Builder Margin		
b. Indirect		
Construction		
A&E/Consultants 7.00% Base Price/Lot Premium	_____	\$0
Overhead		
Insurance		
Estimated Costs	_____	\$0
Residual Lot Value	_____	\$0 (6)

- (1) Includes Lot Premiums and adjustments for CFD and CSD. Based on 3rd party marketing report.
 (2) Base Home Price equals average Base Home Price of all units in that Phase.
 (3) Direct Building Costs calculated per Attachment No. 4 (3f li B i) and excludes model upgrades.
 (4) Fees Calculated by County in accordance with DA including MCWD and MPUSD.
 (5) FORA fees currently applicable as reallocated and apportioned by Developer and approved by County and FORA.
 (6) Average price paid by Affiliated Homebuilder per lot

TABLE 2 TO ATTACHMENT NO. 4

[First referenced, Section 3.b.(ii) of Part A]

TEMPLATE FOR IRR CALCULATION

[FOLLOWING PAGE]

**EXHIBIT D - EAST GARRISON PROFIT PARTICIPATION MANUAL,
DATED DECEMBER 19, 2006**

DDA Proforma Template											
	Total 2003	Total 2004	Total 2005	Total 2006	Total 2007	Total 2008	Total 2009	Total 2010	Total 2011	Total 2012	Grand Total
CASH FLOW REPORT:											
Total Units											
Units Closed											
Cumulative Units											
Gross Sales Revenue											
Receipts:											
Cash @ Closings (per DDA)											
CFD Net Proceeds											
Less:											
Closing Costs											
Net Receipts											
Disbursements:											
Land Acquisition											
Property Tax Payments											
Entitlements											
Final Map/Consultants											
Onsite Infrastructure											
Offsite Infrastructure											
PG & E Reimbursements											
MCWD Reimbursements (Sewer)											
MCWD Reimbursements (Water)											
Performance Bonds											
Arts District Subsidy											
Environmental Insurance											
Cleanup Costs											
Operational Costs											
FORA Fee Infrastructure Credit											
FORA Demolition (Land sale) Credit											
Sales and Marketing											
Town Center Subsidy (if any)											
Construction Insurance											
Affordable Housing Subsidy											
County Facilities (Fire/Lib/Police)											
Documented Other Misc Costs											
Air Quality EIR Mitigations											
CFD Debt Service											
DRE/HOA Assessments											
G & A (Post Closing) Expense											
Net Disbursements											
Net Cash Flow											

Table 1 to Attachment No. 4