Attachment C

This page intentionally left blank.

Stephen L. Vagnini
Monterey County Recorder
Recorded at the request of
Filer

RANJELIQUE
5/16/2006
15:29:27

DOCUMENT: **2006044222**

Titles: 2/ Pages: 15

Fees...
Taxes...
Other...
AMT PAID

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Monterey County Resource Management Ag
Housing and Redevelopment Office
168 West Alisal Street, 3rd Floor
Salinas, California 93901

No fee for recording pursuant
to Government Code Section 27383

MEMORANDUM OF DISPOSITION AND DEVELOPMENT AGREEMENT
(TOGETHER WITH EXCLUSIVE NEGOTIATION RIGHTS
TO CERTAIN PROPERTY)

THIS MEMORANDUM OF DISPOSITION AND DEVELOPMENT AGREEMENT (TOGETHER WITH EXCLUSIVE NEGOTIATION RIGHTS TO CERTAIN PROPERTY) (the "Memorandum of DDA") is made as of October 4, 2005, by and between Redevelopment Agency of the County of Monterey, a public body, corporate and politic (the "Agency"), and East Garrison Partners I, LLC, a California limited liability company (the "Developer") to confirm that the Agency and the Developer have entered into that certain Disposition and Development Agreement dated as of October 4, 2005 (the "DDA"). The DDA imposes certain conditions (including but not limited to, construction requirements, operating covenants, and transfer restrictions) on the real property described in Exhibit A attached hereto and incorporated herein by reference (the "Property"). The DDA also grants specified exclusive negotiation rights to the Developer with respect to the real property described in Exhibits B-1 and B-2 attached hereto and incorporated herein by reference (the "Option Property"). The DDA is a public document on file with the Clerk of the Board of Supervisors of the County of Monterey.

[REST OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have caused this Memorandum of DDA to be duly executed as of the date last written below.

AGENCY:

REDEVELOPMENT AGENCY OF
THE COUNTY OF MONTEREY

By: _____
Chair, Board of Directors

APPROVED AS TO FORM
4/27/06
DEPUTY COUNTY COUNSEL
COUNTY OF MONTEREY

State of California

County of MONTEREY

On May 16, 2006 before me, GRETCHEN J. MARKLEY (here insert name and title of the officer), personally appeared JERRY SMITH personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Gretchen Markley (Seal)

GRETCHEN J. MARKLEY
Commission # 1572480
Notary Public - California
Monterey County
My Comm. Expires Apr 24, 2009

State of California

County of _____

On _____ before me, _____ (here insert name and title of the officer), personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

DEVELOPER:

EAST GARRISON PARTNERS I, LLC,
a California limited liability company

BY: WOODMAN DEVELOPMENT COMPANY LLC,
a California limited liability company,
as its managing member

By: Woodman Development Company, Inc., a California corporation, as its managing member

By: _____
John Anderson
President

By: _____

Its: Treasurer

Dated: 4-26-06

State of California

County of MONTEREY

On APRIL 26TH, 2006 before me, SON PHAM (here insert name and title of the officer), personally appeared JOHN K. ANDERSON personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand ~~and~~ official seal.

Signature _____ (Seal)

SON T. PHAM
Comm. # 1380810
NOTARY PUBLIC - CALIFORNIA
Monterey County
My Comm. Expires Oct. 20, 2006

State of California

County of MONTEREY

On APRIL 26TH, 2006 before me, SON PHAM (here insert name and title of the officer), personally appeared WILLIAM A. SILVA personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

SON T. PHAM
Comm. # 1380810
NOTARY PUBLIC - CALIFORNIA
Monterey County
My Comm. Expires Oct. 20, 2006

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

LEGAL DESCRIPTION OF THE SITE

LEGAL DESCRIPTION
BEING A PORTION OF THE EAST GARRISON
OF FORT ORD MILITARY RESERVATION
MONTEREY COUNTY, CALIFORNIA

CERTAIN REAL PROPERTY SITUATE IN MONTEREY CITY LANDS TRACT NO. 1, COUNTY OF MONTEREY, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEING A PORTION OF PARCEL 1, AS SAID PARCEL 1 IS SHOWN AND SO DESIGNATED ON THAT CERTAIN RECORD OF SURVEY RECORDED JUNE 26, 2000, IN VOLUME 23 OF SURVEYS AT PAGE 104, IN THE OFFICE OF THE COUNTY RECORDER OF MONTEREY COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHEASTERN LINE OF SAID PARCEL 1, SAID POINT BEING THE SOUTHEASTERN TERMINUS OF THAT CERTAIN COURSE DESIGNATED AS "(SOUTH 57°53'16" EAST) (1,442.38 FEET)" ON SAID RECORD OF SURVEY:

THENCE, FROM SAID POINT OF BEGINNING, ALONG SAID NORTHEASTERN LINE AND SOUTHEASTERN LINE OF SAID PARCEL 1, THE FOLLOWING NINE (9) COURSES:

1) NORTH 86°10'27" EAST 647.59 FEET,
2) SOUTH 50°06'58" EAST 317.97 FEET,
3) SOUTH 74°46'08" EAST 287.64 FEET,
4) SOUTH 58°35'42" EAST 324.17 FEET,
5) SOUTH 40°05'11" EAST 697.82 FEET,
6) SOUTH 27°33'51" EAST 478.75 FEET,
7) SOUTH 09°43'24" EAST 277.22 FEET,
8) SOUTH 38°47'16" WEST 464.82 FEET AND
9) SOUTH 36°27'16" WEST 553.37 FEET;

THENCE, LEAVING SAID SOUTHEASTERN LINE, SOUTH 73°07'44" WEST 50.80 FEET;

THENCE, NORTH 08°08'06" EAST 62.52 FEET; THENCE, NORTH 05°15'27" WEST 94.71 FEET;

THENCE, ALONG THE ARC OF A TANGENT 115.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 73°21'05", AN ARC DISTANCE OF 147.23 FEET; THENCE, NORTH 78°36'32" WEST 632.84 FEET;

THENCE, SOUTH 86°20'31" WEST 521.93 FEET;

THENCE, ALONG THE ARC OF A TANGENT 150.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 71°15'51", AN ARC DISTANCE OF 186.57 FEET;

THENCE, NORTH 22°23'38" WEST 71.92 FEET TO A POINT ON THE WESTERN LINE OF PARCEL 17, AS SAID PARCEL 17 IS SHOWN AND SO DESIGNATED ON THAT CERTAIN RECORD OF SURVEY, RECORDED JANUARY 31, 1997, IN VOLUME 20 OF SURVEY MAPS AT PAGE 110, IN SAID OFFICE OF THE COUNTY RECORDER OF MONTEREY COUNTY;

THENCE, ALONG SAID WESTERN LINE, THE FOLLOWING THREE (3) COURSES:

1) ALONG THE ARC OF NON-TANGENT 230.00 FOOT RADIUS CURVE TO THE
RIGHT, FROM WHICH THE CENTER OF SAID CURVE BEARS SOUTH 54°30'22" EAST, THROUGH A CENTRAL ANGLE OF 10°28'32", AN ARC DISTANCE OF 42.05 FEET,

2) NORTH 45°58'10" EAST 276.86 FEET, AND

3) ALONG THE ARC OF A TANGENT 970.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 00°32'15", AN ARC DISTANCE OF 9.10 FEET TO A POINT ON THE SOUTHERN LINE OF PARCEL 11, AS SAID PARCEL 11 IS SHOWN AND SO DESIGNATED ON SAID RECORD OF SURVEY (20 SURVEYS 110);

THENCE, ALONG SAID SOUTHERN LINE AND WESTERN AND NORTHERN LINES OF SAID PARCEL 11 (20 SURVEYS 110) THE FOLLOWING SEVENTEEN (17) COURSES:

1) NORTH 47°43'00" WEST 58.68 FEET,

2) ALONG THE ARC OF A TANGENT 45.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE 38°38'00", AN ARC DISTANCE OF 30.34 FEET,

3) ALONG THE ARC OF A COMPOUND 570.00 FOOT RADIUS CURVE TO THE LEFT, FROM WHICH THE CENTER OF SAID CURVE BEARS SOUTH 03°39'00" WEST, THROUGH A CENTRAL ANGLE OF 14°16'00", AN ARC DISTANCE OF 141.93 FEET,

4) ALONG THE ARC OF A REVERSE 580.00 FOOT RADIUS CURVE TO THE RIGHT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 10°37'00" WEST, THROUGH A CENTRAL ANGLE OF 19°59'30", AN ARC DISTANCE OF 202.37 FEET,

5) ALONG THE ARC OF A REVERSE 1,220.00 FOOT RADIUS CURVE TO THE LEFT, FROM WHICH THE CENTER OF SAID CURVE BEARS SOUTH 09°22'30" WEST, THROUGH A CENTRAL ANGLE OF 03°42'40", AN ARC DISTANCE OF 79.02 FEET,

6) NORTH 84°20'10" WEST 842.92 FEET,

7) ALONG THE ARC A TANGENT 1,970.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 08°42'50", AN ARC DISTANCE OF 299.61 FEET,

8) SOUTH 86°57'00" WEST 212.93 FEET,

9) ALONG THE ARC OF A TANGENT 355.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 29°19'10", AN ARC DISTANCE OF 181.66 FEET,

10) NORTH 63°43'50" WEST 166.36 FEET,

11) ALONG THE ARC OF A TANGENT 320.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 44°56'30", AN ARC DISTANCE OF 251.00 FEET,

12) ALONG THE ARC OF A REVERSE 1,030.00 FOOT RADIUS CURVE TO THE RIGHT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 18°40'20" WEST, THROUGH A CENTRAL ANGLE OF 06°03'10", AN ARC DISTANCE OF 108.81 FEET,

13) SOUTH 77°22'50" WEST 292.82 FEET,

14) ALONG THE ARC OF A TANGENT 370.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 09°50'40", AN ARC DISTANCE OF 63.57 FEET,

15) ALONG THE ARC OF A REVERSE 445.00 FOOT RADIUS CURVE TO THE RIGHT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 22°27'50" WEST, THROUGH A CENTRAL ANGLE OF 33°08'00", AN ARC DISTANCE OF 257.34 FEET,

16) NORTH 10°40'10" EAST 60.00 FEET, AND

17) ALONG THE ARC OF A NON-TANGENT 385.00 FOOT RADIUS CURVE THE LEFT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 10°40'10" EAST, THROUGH A CENTRAL ANGLE OF 13°57'59", AN ARC DISTANCE OF 93.85 FEET TO A POINT ON THE WESTERN LINE OF SAID PARCEL 12, AS SAID PARCEL 12 IS SHOWN AND SO DESIGNATED ON SAID RECORD OF SURVEY (20 SURVEYS 110);

THENCE, ALONG SAID WESTERN LINE, THE FOLLOWING ELEVEN (11) COURSES:

1) NORTH 05°46'10" WEST 243.25 FEET,
2) ALONG THE ARC OF A TANGENT 530.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 06°12'50", AN ARC DISTANCE OF 57.48 FEET,
3) NORTH 00°26'40" EAST 123.80 FEET,
4) ALONG THE ARC OF A TANGENT 5,030.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 00°40'40", AN ARC DISTANCE OF 59.50 FEET,
5) NORTH 01°07'20" EAST 371.18 FEET,
6) ALONG THE ARC OF A TANGENT 90.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 53°27'20", AN ARC DISTANCE OF 83.97 FEET,
7) NORTH 52°20'00" WEST 57.65 FEET,
8) ALONG THE ARC OF A TANGENT 140.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 82°47'00", AN ARC DISTANCE OF 202.28 FEET,
9) NORTH 30°27'00" EAST 134.37 FEET,
10) ALONG THE ARC OF A TANGENT 170.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 89°07'10", AN ARC DISTANCE OF 264.42 FEET, AND
11) NORTH 58°40'10" WEST 70.02 FEET TO A POINT ON THE SOUTHERN LINE OF PARCEL 10, AS SAID PARCEL 10 IS SHOWN AND SO DESIGNATED ON SAID RECORD OF SURVEY (20 SURVEYS 110);

THENCE, ALONG SAID SOUTHERN LINE, NORTH 85°01'10" WEST 480.03 FEET;

THENCE, LEAVING SAID SOUTHERN LINE, NORTH 32°14'08" EAST 1,772.68 FEET TO A POINT ON SAID NORTHEASTERN LINE OF PARCEL 1(23 SURVEYS 104);

THENCE, ALONG SAID NORTHEASTERN LINE, THE FOLLOWING SEVEN (7) COURSES:

1) SOUTH 57°45'52" EAST 40.03 FEET,
2) NORTH 00°40'37" WEST 73.68 FEET,
3) SOUTH 56°04'56" EAST 225.68 FEET,
4) SOUTH 36°20'16" EAST 39.45 FEET,
5) SOUTH 57°36'50" EAST 1,135.76 FEET,
6) SOUTH 21°35'29" WEST 41.64 FEET, AND
7) SOUTH 57°53'16" EAST 1442.38 FEET TO SAID POINT OF BEGINNING.

CONTAINING 244.43 ACRES MORE OR LESS.

ATTACHED HERETO IS A PLAT TO ACCOMPANY LEGAL DESCRIPTION, AND BY THIS REFERENCE MADE A PART HEREOF.

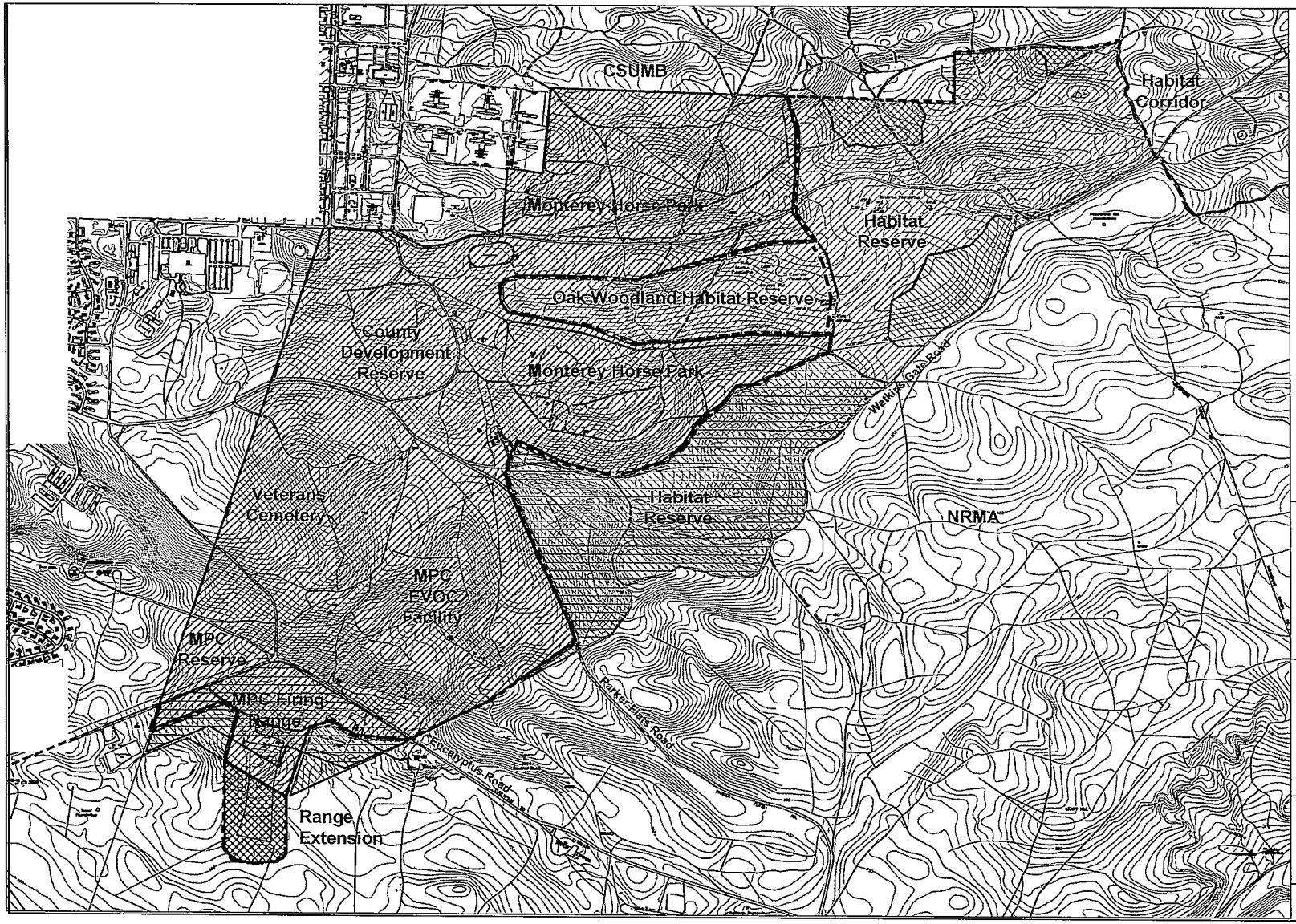
END OF DESCRIPTION

EXHIBIT B-1

MAP OF OPTION PARCELS

(PARKER FLATS)

ATTACHMENT NO. 13a
MAP OF OPTION PARCELS
(PARKER FLATS)



Scale: 1" = Approx. 1200'

LEGEND

- Habitat Reserve areas:
  - Oak woodland
  - Maritime chaparral
  - Grassland
- Development
  - Designated development
  - Extended development
- Areas mechanically cleared
- Proposed location of Horse Park cross country trail
- Boardlands

Zander Associates
Environmental Consultants
150 Ford Way, Suite 101
Novato, CA 94945
(415) 897-8781

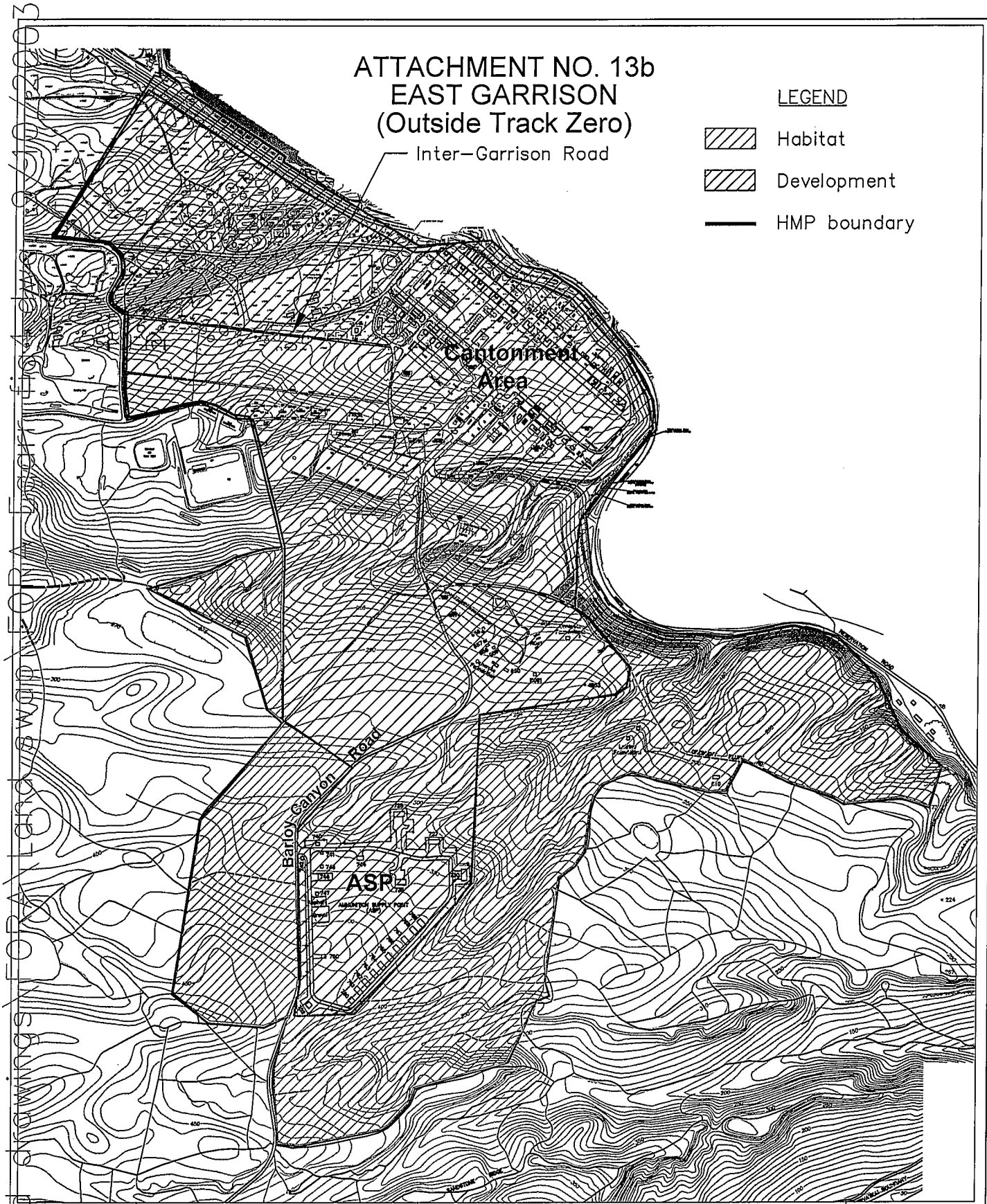
Parker Flats
Development Concept

Figure
5

EXHIBIT B-2

MAP OF OPTION PARCELS

(EAST GARRISON OUTSIDE TRACK 0)



Zander Associates
Environmental Consultants
150 Ford Way, Suite 101
Novato, CA 94945
(415) 897-8781

Proposed Development Footprint at East Garrision

Figure 4

Page 10

* Scale: 1" = Approx. 1100'

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

Redevelopment Agency of the
County of Monterey
Office of Community Development
County Administrative Offices
168 West Alisal
Salinas, CA 93901

Recorded for the Benefit of
The Redevelopment Agency of
The County of Monterey
Pursuant to Government
Code Section 6301

DISPOSITION AND DEVELOPMENT AGREEMENT

(TOGETHER WITH EXCLUSIVE NEGOTIATION RIGHTS TO CERTAIN PROPERTY)

By and Between

REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY

and

EAST GARRISON PARTNERS I, LLC

for the
East Garrison Project
Fort Ord, County of Monterey

Monterey County Redevelopment Project

TABLE OF CONTENTS

Attachments

LIST OF DEFINED TERMS, WHERE FIRST USED OR DEFINED

Development Parcels	Sec. 3.e. of Part A of Attachment No. 4
Direct Building Costs	Sec. 3.f. (ii) of Part A of Attachment No. 4
DTSC	Sec. 202 (22) (l) (v)
Effective Date	Preamble
EIR	Sec. 101.a (c) (iii)
Enacting Ordinance	Sec. 101.c
Enforced Delay	Sec. 304; Sec. 604
ENR Cost Index	Part B of Attachment No. 4
ENRA	Sec. 101.c
Equestrian Developer	Sec. 705
Escrow Agent	Sec. 202 (1)
Estimated Costs	Sec. 3.f. (ii) of Part A of Attachment No. 4
Federal Base Closure Act	Sec. 101.a (a)
Final Accounting	Sec. 3.g. of Part A to Attachment No. 4
Final Participation Payment	Sec. 3.b. of Part A of Attachment No. 4
Final Reporting Date	Sec. 3.g. of Part A of Attachment No. 4
Financial Terms	Sec. 201; Attachment No. 4
Fire Station	Sec. 104, Sec. 8 of Attachment No. 9
Fiscal Neutrality Funding Plan	Sec. 1 of Part E of Attachment No. 4; Part K of Attachment No. 4; Exhibit 1 to Attachment No. 4
FORA	Sec. 101.b (a)
FORA Act	Sec. 101.b (a)
FORA CIP	Part D of Attachment No. 4

In Lieu Property Tax Payment	Sec. 311
IRR	Sec. 3.b. (ii) of Part A of Attachment No. 4
JAMS	Sec. 513
LAFCO	Sec. 202 (22) (l) (xi)
Land Payment	Sec. 201; Sec. 2 of Part A of Attachment No. 4
List of Pre-Approved Lenders	Sec. 202 (22) (l) (xvi); Attachment No. 11 [List]
LRA	Sec. 101.a (c) (ii)
Lyon	Sec. 107
Mandatory Public Facilities	Part B of Attachment No. 4; Sec. 8 of Attachment No. 9
Market Rate Residual Lot Value	Sec. 3.f. (ii) of Part A of Attachment No. 4
MCWD	Sec. 101.c
MCWD Parcels	Sec. 104; Attachment 17 [Map]
MEC	Sec. 604
Member	Sec. 3.d. of Part A of Attachment No. 4
Mid Peninsula Housing Coalition	Sec. 202 (22) (j)
MMRP	Sec. 101.c
Moderate-Income Residual Lot Value	Sec. 3.f. (ii) of Part A of Attachment No. 4
MPC	Sec. 705
Named Insureds	Sec. 204
NFA Letter	Sec. 202 (22) (l) (v)
Non-Affiliated Third Party	Sec. 3.f (i) of Part A of Attachment No. 4

Site	Sec. 101.c; Sec. 104; Attachment Nos. 1-A (Map) and 2 (Description)
Specific Plan	Sec. 101.c
Specific Plan Conditions of Approval	Part F of Attachment No. 4
SRFD	Sec. 202 (22) (k)
SRFD Contract	Sec. 8 of Attachment No. 9
Subcommunity	Sec. 1 of Part C of Attachment No. 3
Subsequent Development Approvals	Sec. 101.c
Target IRR	Sec. 8 of Part B of Attachment No. 3; Sec. 3.b of Part A of Attachment No. 4
Title Company	Sec. 202 (2)
Title Holder	Sec. 107
Town Center	Sec. 104; Section 6 of Attachment No. 9
Town Center Construction Obligation	Sec. 2 of Part G of Attachment No. 4
Unleveraged Cash Flow	Sec. 3.b. of Part A of Attachment No. 4
UXO	Sec. 604
Vested Elements	Sec. 101.c
William Lyon Homes, Inc.	Sec. 107; Section 7 of Part B of Attachment No. 3
Woodman	Sec. 107; Sec. 2 of Part G of Attachment No. 4
Workforce II	Part A of Attachment No. 3; Sec. 5 of Attachment No. 9
Workforce II Housing	Part A of Attachment No. 3; Sec. 5 of Attachment No. 9

DISPOSITION AND DEVELOPMENT AGREEMENT
(TOGETHER WITH EXCLUSIVE NEGOTIATION RIGHTS
TO CERTAIN PROPERTY)

THIS AGREEMENT (this "Agreement") is entered into as of the 4th day of October, 2005 (the "Effective Date"), by and between the REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY (the "Agency") and EAST GARRISON PARTNERS I, LLC (the "Developer") (each a "Party", and collectively the "Parties"). The COUNTY OF MONTEREY (the "County") has consented to this Agreement as set forth in the Consent and Agreement of the County appended hereto following the signature pages. The Agency and the Developer agree as follows:

I. [§100] SUBJECT OF AGREEMENT

A. [§101] Background and Purpose of this Agreement

1. [§101.a] Background

(a) The United States Department of the Army ("Army") military facility known as Fort Ord in the County of Monterey was officially closed pursuant to the federal Defense Base Closure and Realignment Act of 1990 (Public Law 101-510) ("Federal Base Closure Act"), and became federal surplus property available for disposition by the Army subject to the provisions of federal law including the provisions of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §§9601 et seq.) ("CERCLA") under which Fort Ord was placed on the National Priority List as a "superfund" site.

(b) Federal property is not subject to State or local planning laws or building codes, and State law and local laws do not control or govern the disposition of federal surplus property except as specially provided by federal law.

The Federal Base Closure Act and implementing regulations of the Department of Defense have created procedures for the participation of affected local jurisdictions in the planning and disposition process. The State or local jurisdictions are required to designate a "redevelopment authority" to act as a military base reuse authority for purposes of the transfer of property at the closed military base, and adopt a base reuse plan, through a comprehensive public process involving all stakeholders, to be approved by the federal government to guide the disposition and reuse of the closed military base.

(c) The California Legislature, in response to the Federal Base Closure Act process, has adopted special legislation governing the planning, reuse and redevelopment of closed military bases, including but not limited to:

(i) The Military Base Reuse Authority Act (Government Code Sections 67800 et seq. (adopted Stats. 1994, Chap. 1165 (A.B. 3759)). This State legislation authorizes counties and cities to establish and designate a separate public corporation as a redevelopment authority to act as a military base reuse authority (Sections 67811 and 67812) to plan for, finance, and manage the transition of the military base from military to civilian use. The board of the authority is required to adopt a reuse plan and a 5-year capital improvement

program which "shall be the official local plan for the reuse of the base for all public purposes...." (Government Code Section 67840). Local general plans are then required to be submitted to the board of the authority for conformance with the reuse plan, as well as local zoning ordinances, maps and any other implementation actions for conformity with the board-certified local general plan. (Government Code Sections 67840.1 and 67840.4). The Legislature has found and declared that the "planning, financing, and management of the reuse of military bases is a matter of statewide importance, and that the powers and duties granted to the authority by this title shall prevail over those of any local entity, including any city or county..." (Government Code Section 67812).

(ii) The Local Reuse Authority ("LRA") (Government Code Sections 65050 et seq., or Sections 67800 et seq.). The LRA is established pursuant to applicable State law or pursuant to special State legislation (Stats. of 1997, Chap. 898). This State legislation authorizes specific military bases to establish a local reuse authority and provides, for those military bases without specific reuse authority designation, procedures for establishing an LRA. Pursuant to Government Code Section 65050, Fort Ord is a recognized military base for which the Fort Ord Reuse Authority was designated as the separate public corporation to plan for, finance and manage the Fort Ord transition from a military facility to a civilian facility.

(iii) Amendments to the California Environmental Quality Act ("CEQA") (Public Resources Code Sections 21000 et seq.). CEQA requirements for the environmental impact reports ("EIR") were amended as they apply to reuse plans for closed military bases, and subject to certain requirements, to allow agencies to analyze significant impacts in the context of physical conditions that were present at the time the decision for closure or realignment became final as opposed to existing conditions at the time of preparation of the EIR (Public Resources Code Section 21083.8.1).

(iv) Amendments to the Community Redevelopment Law ("CRL"). The CRL (Health and Safety Code Sections 33000 et seq.) was amended to provide for the expedited adoption of redevelopment plans for closed military bases (Health and Safety Code Section 33492.5), with special provisions for Fort Ord (Health and Safety Code Section 33492.70) that authorize the establishment and authority of the Redevelopment Agency of Fort Ord (Health and Safety Code Section 33492.70), but this provision has not been implemented, and the adoption of redevelopment plans by local jurisdictions for their territory within the boundaries of Fort Ord, which provisions have been implemented. Such provisions require that redevelopment plans adopted by local jurisdictions at Fort Ord be consistent with the Fort Ord Reuse Plan (Health and Safety Code Section 33492.73).

(d) California courts have held that pursuant to the federal law governing military base closures and the disposition and reuse of surplus military property, and State laws implementing the federal law, the transfer of surplus military property does not make the property subject to all local planning and zoning laws but only those laws that are consistent with the reuse plan approved by the federal government. (*See Save Our NTC, Inc. v. City of San Diego, et al.* (2003) 105 Cal.App.4th 285, modified on denial of rehearing, 105 Cal. App. 4th 1381c.)

2. [§101.b] Fort Ord Reuse Authority Act

(a) The California Legislature has adopted special legislation to create the Fort Ord Reuse Authority ("FORA") as the governmental structure for the planning and reuse of Fort Ord, at the request of the County and the cities in the County affected by the closure of Fort Ord (Government Code Sections 67650 et seq.) ("FORA Act"). Pursuant to the FORA Act, the County and cities have established FORA, an independent public agency (Government Code Sections 67656, 67657), with a governing board of 13 representing the County and the cities of Carmel, Del Rey Oaks, Marina, Sand City, Monterey, Pacific Grove, Salinas, and Seaside (Government Code Section 67660), with a number of ex officio non-voting members (Government Code Section 67661).

(b) FORA's purpose is to plan for, finance, and manage the transition of Fort Ord from military to civilian use (Government Code Section 67658).

(c) FORA was required to adopt a comprehensive reuse plan (the "Fort Ord Reuse Plan") approved by the federal government, including land use, transportation, conservation, recreation, capital improvements and other elements, as the "official local plan for the reuse of the base for all pubic purposes, including all discussions with the Army and other federal agencies, and for purposes of planning, design, and funding by all state agencies." (Government Code Section 67675.) FORA officially adopted the Fort Ord Reuse Plan on June 30, 1997, following certification of a Final Environmental Impact Report for the Fort Ord Reuse Plan and adoption of a statement of overriding considerations pursuant to CEQA, following the filing of an environmental impact statement by the federal government (Public Resources Code, Section 21083.8.1).

(d) The Fort Ord Reuse Plan is designated under the FORA Act as the official local plan for all purposes related to planning, disposition, reuse and redevelopment of the former Fort Ord (Government Code Section 67675).

(e) Upon adoption of the Fort Ord Reuse Plan, local jurisdictions were required to amend and submit to FORA their general plans for a determination of conformity with the Fort Ord Reuse Plan, and to conform their zoning regulations to the FORA-approved, amended general plans. (Government Code Sections 67675.2 to 67675.7, inclusive.) The County prepared its General Plan Amendment on or about November 20, 2001, and FORA found the County General Plan Amendment was consistent with the Fort Ord Reuse Plan by adopting Resolution No. 02-3 on or about February 8, 2002.

(f) FORA is authorized to accept the transfer of property at Fort Ord from the Army and to dispose of such property by sale, lease or other disposition at full market value or at less than full market value, in compliance with applicable federal regulations, in order to facilitate the rapid and successful transition of Fort Ord to civilian use. "Except for property transferred to the California State University, or to the University of California, and that is used for educational or research purposes, and except for property transferred to the California Department of Parks and Recreation, all property transferred from the federal government to any user or purchaser, whether public or private, shall be used only in a manner consistent with the

plan [the Fort Ord Reuse Plan] adopted or revised pursuant to Section 67675." (Government Code Section 67678(f); emphasis added.)

(g) FORA has adopted a Master Resolution (the "FORA Master Resolution), as amended which, among other matters, implements requirements that all land use and development approvals of local jurisdictions be consistent with the Fort Ord Reuse Plan.

(h) FORA and the County entered into an Implementation Agreement, dated as of January 9, 2001, providing, among other matters, procedures for FORA's acquisition of Fort Ord property from the Army and transfer to local jurisdictions and for review by FORA of the financial terms of disposition of such property by local jurisdictions and requiring a covenant that such property only be used and developed in a manner consistent with the Fort Ord Reuse Plan.

(i) As mandated by the special provisions of the CRL relating to Fort Ord (Health and Safety Code Sections 33492.70 et seq.), the County adopted the Redevelopment Plan for the Fort Ord Redevelopment Project Area, on February 19, 2002, by Ordinance No. 4136 (the "Redevelopment Plan") for the reuse and redevelopment of Fort Ord lands in the unincorporated area of the County. Pursuant to Health and Safety Code Section 33492.73, FORA found the Redevelopment Plan to be consistent with the Fort Ord Reuse Plan. Pursuant to Section 8 of Ordinance No. 4136, the Agency is charged with carrying out the Redevelopment Plan.

3. [§101.c] Purpose of this Agreement

The purpose of this Agreement is to effectuate the Redevelopment Plan by providing for the disposition and development of certain real property (the "Site", as identified in Section 104 hereof) included within the boundaries of the Fort Ord Redevelopment Project Area (the "Redevelopment Project Area").

The Agency plans to take title to the Site from FORA, which has received or will receive title to the Site, as an economic development conveyance, from the Army. The Site is therefore subject to certain covenants, restrictions and disclosures contained in the Army Deed and FORA Deed (both as defined in Section 202) which will be applicable, as incorporated or referenced, in the Agency's deed to the Developer together with other matters acceptable to the Developer pursuant to Section 202. The Parties assume, and the transaction contemplated by this Agreement assumes, that the conveyance of title to the Site from the Army to FORA and from FORA to the Agency will be at no cost to either of the transferees.

The development of the Site pursuant to the Development Approvals (as defined below) and this Agreement (the "Project") and the fulfillment generally of this Agreement are in the vital and best interests of the County, and the health, safety, and welfare of its residents and in accord with the public purposes and provisions of applicable federal, state and local laws and requirements.

Construction of the Project will substantially improve the economic and physical conditions in the Site and the County lands in accordance with the purposes and goals of the Fort Ord Reuse Plan, the General Plan (as referenced below) and the Redevelopment Plan.

As of October 30, 2001, the Agency, County and Developer entered into an Exclusive Negotiating Rights Agreement (as amended and extended, the "ENRA"). Pursuant to the ENRA, the Agency, County and Developer entered into an Option Agreement, dated as of February 4, 2003, as the same has been extended from time to time (the "Option Agreement"). This Agreement is entered into pursuant to and in furtherance of certain provisions of the Option Agreement. Notwithstanding the foregoing, the Parties acknowledge that this Agreement differs in certain respects from certain terms of the Option Agreement. Upon mutual execution and delivery of this Agreement, this Agreement shall supersede and replace the Option Agreement which shall be hereby terminated, except to the extent that certain provisions thereof expressly remain in effect as set forth in Sections 202 (22) (l) (xvii) and 704 through 708 hereof.

In connection with the actions contemplated in the Option Agreement, the County has approved, for the development of the Site:

1. Certification of a Final Subsequent Environmental Impact Report ("FSEIR"), including project-specific mitigation measures and a Statement of Overriding Considerations, adopted by the County Board of Supervisors (Resolution No. 05-264, adopted on October 4, 2005).

2. Mitigation Monitoring and Reporting Plan ("MMRP") adopted by the County Board of Supervisors (Resolution No. 05-264, adopted on October 4, 2005).

3. The East Garrison Specific Plan ("Specific Plan") approved by the County Board of Supervisors (Resolution No. 05-266, adopted on October 4, 2005).

4. General Plan text amendments approved by the County Board of Supervisors (Resolution No. 05-265 adopted on October 4, 2005).

5. Zoning Ordinance text and map amendments adopted by the County Board of Supervisors (Ordinance No. 05000 adopted on October 4, 2005).

6. Combined Development Permit, including Conditions of Approval, comprising a standard subdivision (Vesting Tentative Map) to create parcels for up to 1400 dwelling units (plus up to 70 second ("carriage") units, each on the same lot as a residential unit), commercial uses, and public uses, use permit for tree removal, general development plan, use permit to allow development on slopes over thirty percent (30%), and Design Approval including approval of a Pattern Book, approved by County Board of Supervisors (Resolution No. 05-267, adopted on October 4, 2005).

7. Allocation by the County Board of Supervisors of 470 acre-feet annually of potable water (from the FORA allocation of water to the County) to serve the Project (Resolution No. 05-268, adopted on October 4, 2005).

8. The Development Agreement (the "Development Agreement"), approved by the County Board of Supervisors (Ordinance No. 05001, adopted on October 4, 2005, (the "Enacting Ordinance")).

All such documents, each as may be amended from time to time, together with the Subsequent Development Approvals and Vested Elements, each as defined in the Development Agreement, collectively are referred to herein as the "Development Approvals".

It is the purpose and intent of this Agreement, among others, to provide for the terms and conditions (including consideration payable by the Developer) for the disposition and development of the Site; to establish appropriate terms and conditions to assure that development of the Site will be in accordance with the Development Approvals; and to set forth the requirements, terms and conditions of financing to be provided by the Developer, the Agency and others in connection with the development of the Site. Accordingly, all maps, plans and drawings submitted by the Developer or others, and all approvals required, for development of the Site, including, but not limited to, development plans, infrastructure design and financing plans, construction plans for building permits, the formation of special financing districts (including community facilities districts and community services districts), commitments pertaining to the financing and/or construction of improvements and facilities by entities other than the Agency such as FORA and the Marina Coast Water District ("MCWD"), and the dedication or reservation of land or improvements for public use (including, but not limited to, utilities, roads, parks, schools and related public uses), shall be reviewed, given and/or administered by the County and its designated personnel in accordance with the Development Approvals, and, except for any action required to be taken by the Agency pursuant to this Agreement, the Agency shall have no jurisdiction over such matters and shall rely upon and be bound by the actions and approvals of the County pertaining thereto or other agencies as provided pursuant to the Development Approvals.

Inasmuch as this Agreement, in substantial part, provides for funding of the development of the Site from private sources, public financing mechanisms and Agency tax increment financing for public, affordable housing and certain nonprofit elements of the Project, it constitutes a contract, obligations and evidence of indebtedness within the meaning and scope of Government Code Section 53511 in that it provides a means of satisfying financial obligations above referenced to benefit the County, Agency and the public generally in the community, and finality as to the respective obligations of the Agency and Developer is required for the financial operations of the Agency and the County and in order to ensure the redevelopment of the Site for public benefit.

B. [§102] The Redevelopment Plan

This Agreement and the development of the Project as contemplated herein, is in accordance with the provisions of the Redevelopment Plan that was approved and adopted on February 19, 2002, by the Board of Supervisors of the County by Ordinance No. 4136 (as referenced in Section 101.b.(i) hereof), which Ordinance contained certain findings, including among others that the Redevelopment Plan conformed to and was consistent with the Fort Ord Reuse Plan and the General Plan of the County as amended November 20, 2001 (as referenced in Section 101.b.(e) hereof), including, but not limited to, the Housing Element of the General Plan. The Redevelopment Plan, as it now exists, and as it may be subsequently amended pursuant to Section 701, is incorporated herein by reference and made a part hereof as though fully set forth herein.

C. [§103] The Redevelopment Project Area

The Redevelopment Project Area is located in the unincorporated area of former Fort Ord, County of Monterey, California, and the exact boundaries thereof are specifically described in the Redevelopment Plan.

D. [§104] The Site

The Site, generally known as East Garrison Track Zero, is that portion of the Redevelopment Project Area shown on the Map of the Site (Attachment No. 1A hereto) and is more particularly described in the Legal Description of the Site (Attachment No. 2 hereto), consisting of approximately 244 acres. The Site also includes the MCWD Parcels shown on Attachment No. 17 hereto. The Site consists of three phases of development to be developed concurrently or sequentially as determined by Developer (as generally shown on the Phasing Map, Attachment No. 1B) as Phases 1, 2 and 3, each of which shall be deemed a separate "Phase" for certain purposes of this Agreement, and reference to the "Site" herein shall be to, as applicable, the entire Site or each Phase thereof as development is undertaken and completed in such Phase. The Site excludes certain lands and buildings to be retained by the Agency for public use and/or conveyed by the Agency to a nonprofit corporation for purposes of preserving certain historic buildings in Phase 3. A list of the foregoing parcels, and the Town Center and Fire Station parcels which are being conveyed to the Developer as part of the Site, is set forth in Exhibit 2 to Attachment No. 9 hereto.

E. [§105] Parties to This Agreement

1. [§106] The Agency

The Agency is a public body, corporate and politic, exercising governmental functions and powers and organized and existing under the CRL. The office of the Agency is located at County Administrative Offices, County of Monterey, 168 West Alisal, Salinas, CA 93901, Fax: (831) 786-1342. "Agency," as used in this Agreement, includes the Redevelopment Agency of the County of Monterey and any assignee of or successor to all of its rights, powers and responsibilities with respect to jurisdiction over the Site and, if applicable, the Option Parcels (as defined in Section 705 hereof). The Executive Director of the Agency or his or her designee is authorized to act on behalf of the Agency as to matters of administration and interpretation of this Agreement and the reviews, consents and approvals required by the Agency under this Agreement, except for matters expressly required in this Agreement to be acted upon by the Agency Governing Board or the County's Board of Supervisors; provided that the Executive Director, in his or her sole discretion, may refer any matter under this Agreement to the Agency Governing Board for action in a timely manner and as may be required by the Agency under this Agreement.

2. [§107] The Developer

The Developer is East Garrison Partners I, LLC, a California limited liability company, the members of which are Woodman Development Company, LLC ("Woodman"), and Lyon East Garrison Company I, LLC ("Lyon"). The principal office of the Developer is located at c/o Woodman Development Company, LLC, 24571 Silver Cloud Court,

Suite 101, Monterey, California, 93940, Fax: (831) 674-2441. Wherever the term "Developer" is used herein, such term shall include any permitted nominee, transferee, assignee or successor in interest as herein provided.

The Developer is a single-purpose limited liability company formed for the purpose of planning the Project, pursuing and obtaining entitlements, acquiring the Site and causing the development of the Site. The Developer has submitted its limited liability company operating agreement ("Operating Agreement") to the Agency for the Agency's review and approval prior to closing. Any change in the managing members of the Developer (other than Woodman or Lyon) shall require approval of the Agency which shall not be unreasonably withheld, conditioned or delayed; provided that this restriction shall not preclude the members from agreeing in or pursuant to the Operating Agreement for the allocation or delegation to one or the other of specific functions and responsibilities pertaining to the implementation of the Project provided such provisions of the Operating Agreement, if not included in the Operating Agreement as reviewed and approved by the Agency, have been reviewed and reasonably approved by the Agency. Any change adding any new member (not already a member of the Developer or an Affiliate (as defined in Section 3.f.(i) of Part A of Attachment No. 4 hereto) of a member of the Developer) or any new financial partner admitted to the Developer (other than a lender ("Pre-Approved Lender") on the List of Pre-Approved Lenders let forth on Attachment No. 11 hereto) must be approved by the Agency, as must any other material changes in the material provisions of the Operating Agreement, which approval shall not be unreasonably withheld, conditioned or delayed.

The Agency agrees that the Developer shall be deemed the master developer of the Site and, in consultation with Agency and County staff, shall be authorized to speak on behalf of and promote the development of the Site before public agencies and in the community, provided that the Developer cannot purport to speak on behalf of the Agency or the County. The Developer intends to serve as the land development entity and intends to build or cause the build out of all major infrastructure and obtain all land use and Development Approvals for the Site. The Agency acknowledges that the Developer may sell portions of the Site at fair market value (as determined in accordance with the provisions of Section 3.f. of Part A of Attachment No. 4 hereto) to its members or their Affiliates and to merchant homebuilders, who will build and market housing thereon, and other portions of the Site to nonprofit corporations or other parties, who will develop and/or operate such other portions of the Site. The Developer presently intends that at least one-half of the market rate housing units to be built on the Site will be built by the members of Developer or their Affiliates, who shall take conveyance of development pads or lots for such purpose at fair market value in an arms-length transaction determined in accordance with the methodology set forth in Section 3.f. of Part A of Attachment No. 4 hereto.

The qualifications and identity of the Developer, including, but not limited to, its members, are of particular concern to the Agency, and it is because of such qualifications and concerns, among other reasons, that the Agency has selected the Developer to carry out the Project described in this Agreement. Agency in selecting Developer has determined that Developer as constituted upon the execution of this Agreement has the necessary experience, skill, capacity and financial capability to develop the Project, and to fund and pay for or cause to be funded and paid for (i) the amount of the Initial Land Payment (as defined in Part A of

Attachment No. 4 hereto); (ii) the amount necessary to pay the development costs including the cost of infrastructure improvements and the cost of inclusionary and Workforce II Housing to be developed in accordance with Sections 4 and 5 of Attachment 9 hereto; (iii) the estimated impact and mitigation fees payable to the County; and (iv) the community facilities district fees payable to FORA. No voluntary or involuntary successor in interest of the Developer shall acquire any rights or powers under this Agreement except as expressly set forth in this Agreement. The Agency may declare a default and exercise its remedies for such default, including any right of termination of this Agreement, if there is any transfer of the interest of Developer in material violation of the express restrictions on transfer in this Agreement.

Except as otherwise expressly permitted by this Agreement, the Developer shall not, prior to completion of development of any portion of the Site as evidenced by a Certificate of Completion pursuant to Section 320 hereof for such portion of the Site, assign all or any part of this Agreement with respect to such portion of the Site without the prior written approval of the Agency's Executive Director, which approval shall not be unreasonably withheld, conditioned or delayed if such assignment is approved by the County pursuant to the terms of the Development Agreement. It shall not be unreasonable for the Agency to withhold such approval if the proposed assignee ("Assignee") fails to demonstrate to the reasonable satisfaction of the Agency that it possesses the financial resources and development experience necessary to develop such portion of the Site assigned in accordance with this Agreement, and to satisfy the indemnification obligations in Sections 204, 321 and 610 to be assumed by such Assignee. Except as otherwise provided in this Agreement, for an approved assignment to be effective, the Developer and Assignee shall enter into an assignment and assumption agreement with the Agency ("Assignment and Assumption Agreement," which may be included as part of the assumption agreement entered into pursuant to the Development Agreement with respect to such assignment), whereby the Assignee assumes the obligations of the Developer under this Agreement which are assigned with respect to the vertical development of the applicable assigned portion of the Site, and, upon such assignment becoming effective, Developer shall be released from all obligations under this Agreement with respect to such portion of the Site being assigned, except with respect to any Completion Guaranty (as defined in Section 7 of Part B of Attachment No. 3) of very low and low income affordable housing, if applicable, provided by William Lyon Homes, Inc., in its sole and absolute discretion under Section 7 of Part B of Attachment No. 3 hereto. Any such Assignment and Assumption Agreement shall be substantially in the form set forth in Attachment No. 16 hereto, and the Agency shall not unreasonably withhold its consent to any such Assignment and Assumption Agreement. The Executive Director of the Agency shall administer the provisions of this Section 107, including the approval and execution on behalf of the Agency of all Assignment and Assumption Agreements, and no review or action by the Agency Board shall be required.

Notwithstanding the provisions of this Section 107 and Section 312, the following assignments or transfers of this Agreement and portions of the Site shall be permitted:

(a) the sale or lease of residential units within the Project, for occupancy upon completion;

(b) the sale or lease of any non-residential improvements in the Project to tenants or end-users, for occupancy upon completion;

(c) a transfer of the Town Center mixed-use commercial and residential parcels, and the rights and obligations under this Agreement pertaining thereto, to Woodman or a special purpose Affiliate, as further defined in and as such transfer is referenced in Section 2 of Part G of Attachment No. 4 hereto, which transfer shall have the effect of substituting such transferee as the "Developer" under this Agreement with respect to the Town Center and relieving the Developer of any rights or obligations with respect to the Town Center;

(d) a transfer of any portion of the Site to a member of the Developer or an Affiliate of the Developer or of a member of the Developer;

(e) a transfer of a portion of the Site to an Agency-approved affordable housing developer, including a Rental Affordable Housing Developer (as defined in Section 4 of Attachment No. 9) for the development of deed-restricted affordable housing, including ArtSpace with respect to affordable housing in the Historic District;

(f) a transfer of lots (subject only to the usual subdivision improvements to be provided by such merchant builders) to third party merchant builders meeting the following minimum requirements: (i) a minimum net worth of at least Two Million Dollars ($2,000,000), (ii) construction of at least 250 homes in northern California during the preceding five years, and (iii) demonstrating to the reasonable satisfaction of the Agency that it has secured financing commitments, subject to the customary conditions, in an amount sufficient to construct its vertical development obligations; provided the builder entity shall maintain its legal existence for at least two years following the issuance of a Certificate of Completion (as defined in Section 320 hereof) for the last of its homes to be built, shall also maintain its minimum net worth at all times during construction and for the two year period above, and shall allow the Agency to inspect its financial records pertaining thereto at reasonable times and upon reasonable notice not more often than twice a year;

(g) a transfer of title of all or any portion of the Site (including, if requested by the Developer, a direct conveyance of the Site or such portion thereof from the Agency at close of escrow for the Site), for financing purposes under Section 314, to one or more of the lenders ("Title Holder") on the List of the Pre-Approved Lenders set forth in Attachment No. 11 hereto, subject to the obligation of the Developer to take title to such portions of the Site for horizontal development and subsequent transfers for vertical development; provided that such Title Holder shall hold title subject to all of the terms of this Agreement and the Developer shall at all times remain responsible for the obligations of the Developer under this Agreement; and provided, further, that the Agency shall have reviewed the terms of the transaction documents between the Developer and such Title Holder and, in the exercise of its sole and absolute discretion, shall have approved the entire financing transaction as well as the transfer of title to the Title Holder;

(h) any transfers between the Developer and the County and/or Agency or other federal, state or local public entity or utility company in order to facilitate the development of the Project as designated in the Development Approvals;

provided, that no transfer permitted under (d), (e) or (f), above, shall be effective until the transferee has entered into an Assignment and Assumption Agreement as required hereunder

(and any transfer of the Town Center parcels or portions thereof under (c) for residential development, above, shall also require an Assignment and Assumption Agreement).

Following the issuance of a Certificate of Completion pursuant to Section 320 hereof as to the Site or any Phase or portion thereof, the provisions of this Section 107 and Sections 312-319 hereof shall be of no further effect with respect to the Site or such Phase or portion thereof, as applicable and the Development Agreement shall govern the transfer or assignment of the Site or such Phase or portion thereof covered by the Certificate of Completion.

F. [§108] Special Phasing Conditions: Income-Restricted Affordable Housing

In order to assure that the development of the income-restricted affordable housing units required for the Project occurs in a timely manner relative to the development of the market rate housing units in the Project, the market rate housing units shall be subject to the Housing Development and Affordable Phasing Requirements set forth in Attachment No. 3 hereto.

II. [§200] DISPOSITION OF THE SITE

A. [§201] Sale and Purchase

In accordance with and subject to all the terms, covenants and conditions of this Agreement, the Agency agrees to use its diligent good faith efforts to assure that the Implementation Agreement between FORA and the County is carried out and to acquire the Site from FORA, provided that any reasonable expenses incurred by the Agency in enforcing the Implementation Agreement shall promptly be reimbursed by the Developer to the extent not reimbursed under other agreements with Agency or County, and if the Agency does acquire the Site, to sell it to the Developer, and the Developer agrees to purchase the Site from the Agency for development in phases in accordance with the Development Approvals and this Agreement and for a land price (the "Land Payment") in the amount and to be paid in the manner set forth in Part A of the Financial Terms as set forth in Attachment No. 4 hereto. To facilitate orderly and efficient demolition of structures, grading, site preparation and infrastructure installation, which shall include both backbone infrastructure and in-tract infrastructure required for recording of final maps, all of which may occur in phases, the entire Site (including all Phases) will be sold and conveyed to the Developer in a single conveyance.

The Agency acknowledges that the Developer, prior to conveyance of the Site, intends to seek approval from FORA, the County and/or Agency to enter onto the Site, pursuant to Section 203 hereof, to conduct inspection and deconstruction and preliminary site preparation activities, such as sampling, testing and surveys, but not grading or tree removal without the express written consent of the County in its sole discretion.

The County and Agency acknowledge that the Developer intends, following conveyance of the Site, to initially conduct mass grading of multiple phases of the Site, followed by the installation of infrastructure and site preparation in the following estimated sequence dependent upon the anticipated scheduling of vertical development: first, as necessary for the Phase 1 vertical development, second, as necessary for the Phase 2 vertical development and third, as necessary for the Phase 3 vertical development, pursuant to approved grading plans for grading

and pursuant to infrastructure improvement plans for infrastructure, all subject to prior approval by the County consistent with the Development Approvals.

The Developer acknowledges and understands that the Site will be conveyed to the Developer for purposes of development pursuant to this Agreement and not for speculation in undeveloped land.

B. [§201.a] Deposit

The Developer shall, prior to or simultaneously with the execution of this Agreement by the Agency, place into an escrow account with the Escrow Agent (as defined in Section 202) for the benefit of the Agency a deposit of cash or certified check in the amount of ONE HUNDRED THOUSAND DOLLARS ($100,000) (the "Deposit") as security for the performance of the obligations of the Developer to be performed prior to the credit and/or return of the Deposit to the Developer as provided herein, or its retention by the Agency as liquidated damages if permitted by the express terms of this Agreement.

The Deposit shall be placed in an interest bearing account, and any interest earned or accrued thereon shall become part of the Deposit.

Upon termination of this Agreement by the Agency prior to conveyance of the Site, as more specifically provided in Section 511 expressly allowing for retention of the Deposit by the Agency, the Deposit (including all interest earned or accrued thereon) shall be paid to the Agency as liquidated damages as provided therein and such liquidated damages shall be the sole remedy of the Agency as further provided in Section 511.

Upon termination of this Agreement by the Developer as provided in Section 510, the Deposit (including all interest earned or accrued thereon) shall be returned to the Developer.

Upon the issuance of a Certificate of Completion for the development of the last phase of horizontal development pursuant to Section 320 of this Agreement, the full amount of the Deposit of ONE HUNDRED THOUSAND DOLLARS ($100,000) (plus all interest earned or accrued thereon) shall be returned to the Developer.

C. [§202] Escrow; Title; Conditions Precedent to Conveyance

(1) The Agency and Developer shall open an escrow with Chicago Title Company or First American Title Company, or any other escrow company approved by the Agency and the Developer, as escrow agent (the "Escrow Agent"), in the County of Monterey, California, within the time established in the Schedule of Performance attached hereto as Attachment No. 5, for the purchase and conveyance of the Site. The Agency and Developer shall exercise mutual best efforts to complete the conveyance of the Site within 60 days of the satisfaction of all of the conditions precedent referenced in this Section 202 including, without limitation, subsection 22 hereof. This Agreement constitutes the joint escrow instructions of the Agency and the Developer, and a duplicate original of this Agreement shall be delivered to the Escrow Agent upon the opening of escrow. The Agency and the Developer shall mutually provide such additional escrow instructions as shall be necessary and consistent with this Agreement; provided that in the event of any inconsistency between such additional escrow

instructions and this Agreement, the provisions of this Agreement shall control. Upon indicating its acceptance of the provisions of this Section 202 in writing, delivered to the Agency and to the Developer prior to opening the escrow, the Escrow Agent is empowered to act under this Agreement and shall carry out its duties as Escrow Agent hereunder. Satisfaction of the requirements of this Section 202 shall be a condition precedent to the Developer's obligation under this Agreement to close escrow and take title to the Site.

Subject to the Agency's approval, in its sole discretion as provided in subsection (g) of Section 107, the Developer may direct the Escrow Agent that upon the satisfaction of all of the requirements of this Section 202 for close of escrow title to the Site or any portion thereof shall be conveyed from the Agency directly to a Title Holder (as defined in subsection (g) of Section 107), in which event the deed conveying title to the Developer (the "Agency Deed") (Attachment No. 7 hereto) and the provisions of this Section 202 shall be modified as necessary to effectuate the transfer of title from the Agency to the Title Holder, provided that the Developer shall remain fully responsible for the obligations of the Developer under this Agreement, and provided further that the Agency shall have approved transfer of title to Title Holder in its sole and absolute discretion.

(2) Within the time set forth in the Schedule of Performance (Attachment No. 5 hereto), the Agency shall submit to the Developer for review and approval a preliminary title report (the "Preliminary Title Report") issued by Chicago Title Company or First American Title Company or any other title company approved by the Agency and the Developer (the "Title Company"). The Developer shall approve or disapprove the Preliminary Title Report within the time established in the Schedule of Performance. The Agency and Developer will mutually approve certain title exceptions, including, but not limited to, a lien for the FORA Fees (as referenced in Part C of Attachment No. 4), after the execution of this Agreement and within the time set forth in the Schedule of Performance (Attachment No. 5 hereto) (the "Approved Title Exceptions") and Developer's approval or disapproval of the Preliminary Title Report shall pertain only to exceptions to title which are not Approved Title Exceptions. Failure by the Developer to either approve or disapprove within such time shall be deemed a disapproval.

(3) In the event the Developer disapproves or is deemed to have disapproved any exception(s) to the title reflected in the Preliminary Title Report, the Agency shall have thirty (30) days to either modify or remove the disapproved exception(s); provided the Developer may not disapprove any exception unless such exception is not consistent with the terms of this Agreement or would materially impede (or increase the costs of) development of the Site as contemplated by the Development Approvals, including, but not limited to, the Specific Plan and Development Agreement. If the Agency determines that it is not feasible to, or in its sole and absolute discretion elects not to, modify or remove any disapproved exception(s), the Developer, at its sole election, may act to remove such disapproved title exception(s). Any costs incurred by the Developer, at its sole election, to remove any disapproved title exception(s) not removed by the Agency shall result in an adjustment to the Initial Land Payment (as defined in Section 2 of Part A of Attachment No. 4); provided, however, any such adjustment shall not exceed in any event, without the consent of the Agency, the aggregate sum of $100,000; and provided, further, that any such adjustment shall not exceed the reasonable cost of removing such disapproved exception(s).

(4) As a condition precedent to closing, the Agency shall convey to the Developer good and marketable fee simple title to the Site, free and clear of all recorded liens, encumbrances, assessments, leases and taxes, or rights of possession in any party; provided, however, that the Site shall be subject to such easements and matters of record reflected on the Preliminary Title Report to the extent approved by the Developer.

(5) As a condition precedent to closing, the Developer shall deliver into escrow to the Escrow Agent the following payments, fees, charges and costs promptly after the Escrow Agent has notified the Developer of the amount of such fees, charges and costs, but not later than two (2) business days prior to the scheduled date for the close of escrow:

(a) The amount of the Initial Land Payment (as defined in Section 2 of Part A of Attachment No. 4) for the Site (subject to adjustment, if any, provided in subsection (3) above) in the manner provided in Part A of Attachment No. 4;

(b) The amount of any due and unpaid Agency or County invoices pursuant to the Reimbursement Agreement (as defined in Section 707);

(c) The premium for the title insurance policy for the Site plus any special endorsements requested by the Developer unless otherwise paid for by the Agency pursuant to subsection (3) above;

(d) Recording fees for any documents to be recorded in connection with conveyance of the Site;

(e) Any State, County or City documentary transfer tax for the Site; and

(f) Except for Agency costs set forth in subsection (6), below, all other costs of escrow for the Site, including the escrow fee.

(6) As a condition precedent to closing, the Agency shall pay in escrow to the Escrow Agent the following fees, charges and costs promptly after the Escrow Agent has notified the Agency of the amount of such fees, charges and costs, but not later than two (2) business days prior to the scheduled date for the close of escrow:

(a) Ad valorem taxes, if any, upon the Site for any time prior to conveyance of title; and

(b) If applicable, any costs incurred by the Title Company at the request of the Agency to remove any disapproved exception(s) to title pursuant to subsection (3) of this Section 202.

(7) As a condition precedent to closing, the Agency shall timely and properly execute, acknowledge and deliver to Escrow Agent not later than two (2) business days prior to the scheduled date for the close of escrow the Agency Deed conveying to the Developer title to the Site in substantially the form set forth in Attachment No. 7 hereto.

(8) As a condition precedent to closing, the Title Company shall have irrevocably and unconditionally committed to providing, and concurrently with recordation of the Agency Deed for the Site, the Title Company shall provide and deliver to the Developer or irrevocably and unconditionally commit to provide and deliver, a title insurance policy issued by the Title Company insuring that the title to the Site is vested in the Developer in the condition required by subsection (4) of this Section 202. The title insurance policy shall be for an ALTA extended form coverage, with endorsements or additional coverages if and as requested by Developer in the reasonable exercise of its business judgment, in an amount to be determined by the Developer. The Title Company shall provide the Agency with a copy of the title insurance policy.

(9) The Developer shall pay for all premiums for title insurance coverage, including any special endorsements or extended coverage that may be requested by the Developer unless otherwise paid for by the Agency pursuant to subsection (3) above.

(10) Ad valorem taxes and assessments, if any, on the Site, and taxes upon this Agreement or any rights hereunder, levied, assessed or imposed for any period commencing prior to conveyance of title shall be borne by the Agency and shall be paid and satisfied on the closing to the extent then outstanding. All ad valorem taxes and assessments levied with respect to the Site for any period commencing after closing of the escrow for the Site shall be paid by the Developer. Notwithstanding the foregoing, the Developer agrees that the Site may be subject to a lien for FORA Fees (as referenced in Part C of Attachment No. 4).

(11) The Site shall be conveyed free of any possession or right of possession by any person except that of the Developer and the easements of record to the extent approved by Developer.

(12) The Escrow Agent shall record the Agency Deed for the Site on the close of escrow in accordance with the terms and provisions of this Agreement. Possession of the Site shall be delivered to the Developer concurrently with the conveyance of title thereof, except that limited access to the Site by the Developer may be permitted before conveyance of title as permitted in Sections 203 and 706.

(13) Subject to Section 604 of this Agreement, the satisfaction of all conditions precedent to conveyance under this Section 202, including, without limitation, under subsection (22), and the timely closing of escrow, the Developer shall accept title and possession of the Site on or before the date specified in the Schedule of Performance (Attachment No. 5 hereto).

(14) The Escrow Agent shall buy, affix and cancel any transfer stamps required by law and pay any transfer tax required by law. Any insurance policies governing the Site are not to be transferred other than the FORA PLL (as defined in Section 204) with respect to Developer's interest in the Site.

(15) Upon receiving a written certification from both the Agency and the Developer that the conditions for conveyance to the Developer of title to the Site have either

been satisfied or waived and instructing the Escrow Agent to close escrow as to the Site, the Escrow Agent is authorized to:

(a) Pay and charge the Agency and the Developer, respectively, for any fees, charges and costs payable under this Section 202. Before such payments are made, the Escrow Agent shall notify the Agency and the Developer, at least four business days prior to the scheduled date for the close of escrow, of the fees, charges and costs necessary to clear title and close the escrow;

(b) Disburse funds to the parties entitled thereto when the conditions of the escrow have been fulfilled by the Agency and the Developer; and

(c) Record or cause to be recorded any instruments delivered through the escrow, as necessary or proper, to vest title in the Site to the Developer in accordance with the terms and provisions of this Agreement and deliver the recorded Agency Deed to the Developer and other documents to the parties entitled thereto.

(16) All funds received in the escrow shall be deposited by the Escrow Agent with other escrow funds of the Escrow Agent in a general interest bearing escrow account or interest bearing accounts with any state or national bank doing business in the State of California for the benefit of the Party depositing the funds into escrow. Such funds may be transferred from time to time to any other such general interest bearing escrow account or interest bearing accounts maintained by the Escrow Agent. All disbursements shall be made by check or wire transfer of the Escrow Agent. All adjustments shall be made on the basis of a 30-day month.

(17) Any amendment of these escrow instructions shall be in writing and signed by both the Agency and the Developer. At the time of any amendment, the Escrow Agent shall agree to carry out its duties as Escrow Agent under such amendment.

(18) All communications from the Escrow Agent to the Agency or the Developer shall be directed to both the Agency and Developer to the addresses and in the manner established in Sections 105 and 601 of this Agreement for notices, demands and communications between the Agency and the Developer.

(19) Quitclaim Deed (Termination). Upon opening of escrow pursuant to this Section 202, the Developer shall deposit with the Escrow Agent a quitclaim deed fully executed and acknowledged, in substantially the form attached hereto as Attachment No. 8-A, Form of Quitclaim Deed (Termination), quitclaiming to the Agency all right, title and interest of the Developer under this Agreement as to the Site not already conveyed to the Developer in the event this Agreement is terminated by the Agency pursuant to Section 511 of this Agreement. Subject to the provisions of subsection (20) below relating to objections, the Escrow Agent shall deliver the quitclaim deed to the Agency not sooner than ten (10) days after receipt by the Escrow Agent (with evidence of concurrent delivery to the Developer) of a written notice and certification by the Agency that this Agreement has been terminated by the Agency pursuant to Section 511 of this Agreement.

(19.a) Quitclaim Deed (Reverter). Upon opening of escrow pursuant to this Section 202, the Developer shall deposit with the Escrow Agent a quitclaim deed fully executed

and acknowledged, in substantially the form attached hereto as Attachment No. 8-B, Form of Quitclaim Deed (Reverter), quitclaiming to the Agency all right, title and interest of the Developer under this Agreement as to the Site in the event this Agreement is terminated by the Agency pursuant to Section 512 of this Agreement. Subject to the provisions of subsection (20) below relating to objections, the Escrow Agent shall record the quitclaim deed not sooner than ten (10) days after receipt by the Escrow Agent (with evidence of concurrent delivery to the Developer) of a written notice and certification by the Agency that this Agreement has been terminated by the Agency pursuant to Section 512 of this Agreement.

(20) Liability of Escrow Agent. The liability of the Escrow Agent under this Agreement is limited to performance of the obligations imposed upon it under this Section 202.

If escrow is not in condition to close before the time for conveyance established above, either Party who then shall have fully performed the acts to be performed by it before the conveyance of title may, in writing, enforce this Agreement in the manner set forth in Section 508 hereof. Thereupon all obligations and liabilities of the Parties under this Agreement shall be governed by the provisions set forth in Section 508 hereof. If either the Agency or the Developer has not fully performed the acts to be performed by it before the time for conveyance established above, no termination or demand for return of money, paper or documents including the Quitclaim Deed (Termination) referenced in subsection (19) above or the Quitclaim Deed (Reverter) referenced in subsection (19.a) above shall be recognized until ten (10) days after the Escrow Agent shall have mailed copies of such demand to the other Party or Parties at the address and in the manner specified in Section 601 of this Agreement. If any objections are raised within the 10-day period specified in subsections (19) or (19.a), above, or this subsection (20), the Escrow Agent is authorized to hold all money, papers and documents with respect to the Site until instructed in writing by both the Agency and the Developer or upon failure thereof by a court of competent jurisdiction. Nothing in this subsection (20) shall be construed to impair or affect the rights or obligations of the Agency or the Developer to other remedies set forth in Article V hereof.

(21) Preparation of Survey. The Parties contemplate that a survey will be prepared on behalf of the Army or FORA for the conveyance of the Site from the Army to FORA. The Agency shall promptly provide the Developer with a copy of any such survey. Any other survey of the Site (if not prepared on behalf of the Army or FORA) required for conveyance from the Agency to the Developer shall be prepared on behalf of the Developer at its expense and submitted to the Agency for its approval, which shall not be unreasonably withheld, conditioned or delayed.

(22) Additional Conditions Precedent to Conveyance. In addition to the foregoing, satisfaction of the following conditions are conditions precedent to the obligation of the Agency to convey, and the Developer to accept conveyance of, the Site, except to the extent mutually waived in writing by the Agency and Developer or by the Party for whose sole benefit the condition exists:

(a) The Developer shall provide evidence or certification reasonably satisfactory to the Agency that the Developer has obtained all Development Approvals required for initial commencement of mass grading and horizontal improvements to

the Site (subject to early entry onto the Site pursuant to Section 203);

(b) FORA has found the Project consistent with the Fort Ord Reuse Plan and has approved the financial terms of this Agreement;

(c) With respect to mass grading and initial infrastructure costs, to the extent that mass grading and/or infrastructure is to be financed (with the exception of any Mello-Roos financing), in whole or in part, with equity and/or loans or lines of credit, Developer has demonstrated the availability of such equity and/or source of such loans or lines of credit (which if from the List of Pre-Approved Lender attached hereto as Attachment No. 11, shall be deemed approved as to source);

(d) The Developer has demonstrated that an approved grading permit with appropriate addenda, if any, is ready to be issued, subject only to conveyance of the Site to the Developer, or, at the option of the Developer, a pre-grading permit or other such approval by the County to commence pre-development activities on the Site;

(e) Developer has received a "will serve" letter, or other assurance satisfactory to the Developer and the County, from the MCWD (as defined in Section 101.c.) for a firm and timely supply of 470 acre feet of potable water annually for the Project on the entire Site (which the County shall have allocated as part of the Development Approvals);

(f) Developer has entered into an agreement with FORA addressing the issues described in Part C of Attachment No. 4 hereto, except to the extent waived by the Developer;

(g) Developer has taken actions necessary on its part for the County to initiate the formation of a Community Services District ("CSD") to the extent necessary to establish fiscal neutrality, as referenced in Part K of Attachment No. 4 hereto;

(h) Developer has complied with all the conditions of the Historic District Agreement (as defined in Part G of Attachment No. 4), with respect to providing for the review by the State Historic Preservation Officer ("SHPO") of the Specific Plan provisions for the Historic District;

(i) Developer, County and Agency have entered into an agreement with ArtSpace or another non-profit corporation to rehabilitate and operate certain buildings in conjunction with Arts Habitat in the Historic District, as referenced in Section 3 of Attachment No. 9 hereto;

(j) Developer has entered into preliminary agreements (which agreements shall include requirements for submission of financing plans and satisfaction of other conditions) with Mid Peninsula Housing Coalition, CHISPA, ArtSpace, Inc., or other non-profit housing developers reasonably satisfactory to the Agency and Developer, for construction of the very low and low income restricted units to be developed in Phases 1, 2 and 3, respectively;

(k) Developer has entered into a contract with the Salinas Rural Fire District ("SRFD") for the construction and equipping of a fire station on the Site,

consistent with the Development Approvals, as referenced in Section 8.(i) of Attachment No. 9 hereto; and

(l) In addition, other conditions to closing are the following:

(i) FORA has agreed to the timing, financing and construction or deconstruction and infrastructure for which FORA is responsible, including fee credits, to the satisfaction of the County, Agency and Developer (which agreement may be included as part of the FORA agreement under subsection (22)(f), above).

(ii) No challenges, referenda, initiative, litigation or administrative appeal has been filed and/or is pending with respect to the Development Approvals and/or this Agreement, including, without limitation, FORA actions, the FSEIR, the Specific Plan, the Development Agreement or actions of any public entities required in order to implement the Development Approvals or this Agreement, and the time period for the filing of any such challenge, referenda, initiative, litigation or administrative appeal has expired.

(iii) The Army shall have conveyed, or shall be prepared to convey concurrently with the close of escrow for conveyance to the Developer under this Agreement, title to the Site to FORA by quitclaim deed (the "Army Deed") in form and substance acceptable to the Agency and the Developer, and under a Finding of Suitability to Transfer ("FOST") satisfactory to the Developer in its sole discretion and subject only to such terms and conditions as shall be satisfactory to the Developer in its sole discretion, which shall include, but not be limited to, Developer's satisfaction that any Hazardous Substances (as defined in Section 204 hereof) or dangerous conditions on the Site have been removed or remediated to a level acceptable to local, Federal and State agencies having jurisdiction over the Site or any portion thereof to permit unrestricted residential use, and that the Army Deed contains the covenants and warranties under the CERCLA, and "Section 330" (P.L. 102-484) indemnifications, running to the benefit of subsequent transferees of the Site or any portion thereof.

(iv) FORA shall have conveyed, or shall be prepared to convey concurrently with the close of escrow for conveyance to the Developer under this Agreement, title to the Site, including the MCWD Parcels, as shown in Attachment No. 17, to the Agency by quitclaim deed (the "FORA Deed") in form and substance acceptable to the Agency and the Developer, subject only to such terms and conditions as shall be satisfactory to the Developer in its sole discretion.

(v) The Department of Toxic Substances Control of the California Environmental Protection Agency ("DTSC") and the Central Coast Regional Water Quality Control Board ("RWQCB") and other environmental enforcement agencies having jurisdiction over the Site or any portion thereof shall have issued no further action letters (each an "NFA Letter") or have otherwise approved the development of the Site to a standard for unrestricted residential use for Phases 1 and 2, and subject to compliance with an agreement with respect to land development activities in Phase 3, will issue such NFA Letter or shall have otherwise approved Phase 3 for unrestricted residential use subject only to such restrictions or requirements as are acceptable to the Developer in its sole discretion.

(vi) The Agency and/or Developer shall have entered into a mutually satisfactory agreement with DTSC concerning any matters (such as lead based paint in soils) as may be required by the Developer in its sole discretion.

(vii) The FORA PLL shall have been obtained by FORA and be in effect, to the satisfaction of the Agency and the Developer; the County and Agency shall have been allocated coverage under the FORA PLL to their satisfaction and shall be named additional insureds with respect to such coverage; and the Developer, its members, and successors, transferees and assigns shall be named additional insureds under the FORA PLL as to coverage and other terms satisfactory to the Developer in its sole discretion.

(viii) Any excess environmental insurance desired by the Developer shall have been obtained to its satisfaction.

(ix) The MCWD shall have entered into agreements with the County or the Developer for the transfer of the MCWD Parcels, as shown in Attachment No. 17, and the financing, timing and provision of public facilities, including water and sewer, to serve the Site, to the satisfaction of the County and the Developer.

(x) The County, at the request of the Developer, shall have commenced formation of a community facilities district ("CFD") and shall have commenced preparation of a financing plan, consistent with Part E of Attachment No. 4, for the construction, maintenance and operation of specified infrastructure and public facilities by the CFD to implement the Development Approvals to the satisfaction of the County and the Developer as provided in Part E of Attachment No. 4.

(xi) The County, at the request of the Developer, shall have submitted an application to the Local Agency Formation Commission ("LAFCO") and shall have commenced formation of a CSD, and the Developer and the County shall have commenced preparation of a financing plan for the installation, maintenance and operation of certain public facilities and the provision of certain public services to implement the Development Approvals to the satisfaction of the County and the Developer.

(xii) LAFCO shall have received an application for the annexation of the Site to the SRFD.

(xiii) The Army, FORA, the Agency or the County, as the case may be, shall have granted rights of entry, easements or other licenses or rights, by agreement or otherwise, over lands outside the Site which are necessary for development of the Site in accordance with the Development Approvals, to the satisfaction of the Agency and the Developer.

(xiv) The Developer and the Agency shall have agreed to the form of the Developer's Progress Reports referred to in Attachment No. 4, Part A, Section 3.g.(ii).

(xv) The Developer, Agency and County shall have entered into a Project Reimbursement Agreement as required under Section 707.

(xvi) Agency shall have approved the initial financing for the horizontal development, and, in the exercise of its approval of the initial financing for horizontal development under this Agreement, a subordination agreement with a horizontal lender approved by the Agency (unless a lender on the List of Pre-Approved Lenders in Attachment No.11), in form mutually acceptable to the Agency, Developer and such horizontal lender, containing, among other matters, provisions governing the rights and obligations, if any, of the horizontal lender and the application and enforcement of the Agency's remedies hereunder in the event of a default by the Developer under its loan or financing documents or under the terms of this Agreement, as a material inducement for the horizontal lender to make its loan to the Developer for the horizontal improvements, in whole or in part; and, in conjunction therewith, the Agency shall also have approved, in its sole and absolute discretion, to the reasonable satisfaction of the Developer, a draft of provisions which would be acceptable to the Agency for any subordination agreement with a lender for a loan for vertical development, at such time as negotiations with such a lender are commenced by a vertical developer.

(xvii) Until all of the above conditions are satisfied or waived as provided herein and the closing occurs, the obligations of the County and Agency under Section 6, subsections (a), (d), (e), (f), (g), (h), (i), and (j) of the Option Agreement shall remain in full force and effect.

D. [§203] Preliminary Work by Developer

Following the conveyance of the Site from the Army to FORA and prior to the conveyance of title from the Agency to the Developer, representatives of or consultants or agents for the Developer shall have the right of access to the Site at all reasonable times and after reasonable notice to the Agency pursuant to a right of entry granted by FORA for the purpose of obtaining data and making surveys and tests necessary to carry out this Agreement, and subject to compliance with other applicable regulatory requirements, to proceed with demolition and other preliminary site preparation activities, such as sampling, testing and surveys, as approved by FORA and the County, but not including tree removal or grading without the express written consent of the County in its sole discretion. The Developer shall have access to all data and information on the Site available to the Agency, but without warranty or representation by the Agency as to the completeness, correctness or validity of such data and information.

Copies of data, surveys and tests obtained or made by the Developer on the Site or any portion thereof shall be filed with the Agency. Any preliminary work by the Developer shall be undertaken only after securing any necessary permits from the appropriate governmental agencies.

The right of entry from FORA shall also cover entry into those lands and buildings to be retained by the Agency or to be conveyed by the Agency to others (i.e. Historic District buildings) which have been excluded from the Site, as referenced in Section 104 hereof.

E. [§204] "AS IS" Conveyance; Release by Developer

Subject to the applicable provisions of Section 202, including, but not limited to, subsections (3), (4) and (22) (l) (iii) through (viii), and as a condition precedent to the close of

escrow for the Site, the Site shall be conveyed from the Agency to the Developer in its "AS IS" condition but with an assignment to the Developer of warranties, indemnifications and covenants given by the United States Government (acting by and through the Army) to FORA and/or the Agency, together with certifications or agreements in place from local, State and Federal agencies having jurisdiction over the Site or any portion thereof, that the Site has been remediated of Hazardous Substances (as defined below) to a level permitting unrestricted residential use. The Agency will assign the warranties and indemnifications received from the Army and FORA, if any, and obtain the above certifications or agreements from local, State and Federal agencies having jurisdiction.

Effective upon the close of escrow for the Site, the Developer shall be deemed to waive, release, acquit and forever discharge the Agency and the County only (and not the Army or FORA), their officers, directors, employees or agents, or any other person acting on behalf of the Agency or County, of and from any and all claims, actions, causes of action, demands, rights, damages, costs, expenses or compensation whatsoever, direct or indirect, known or unknown, foreseen or unforeseen, which Developer may have or which may arise in the future on account of or in any way resulting from or in connection with the condition of title to the Site or any conditions on the Site, including, but not limited to, the presence of any Hazardous Substance(s) on, in, under, from, or affecting or otherwise resulting from operations or activities on the Site or any law or regulation applicable thereto, including, but not limited to, the application to the Site of the CERCLA, as amended, and any similar state or local law; provided, however, that the foregoing waiver and release shall not apply to the extent such condition of title, conditions on the Site and/or such Hazardous Substances have been actually caused or released by the Agency or the County or their respective officers, directors, employees or agents, or by any other person acting on behalf of the Agency or County or, with the knowledge and/or consent of the Agency or County, by the holder of any possessory interest or any other approval, permit or authorization, express or implied, granted by the Agency or County (collectively "Related Parties"), or to the extent the Agency, County or their respective Related Parties otherwise had actual knowledge of and did not disclose to the Developer or concealed from the Developer such conditions of title, conditions of the Site or Hazardous Substances. Developer acknowledges that it is familiar with Section 1542 of the California Civil Code which reads:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor..."

Developer acknowledges that the release contemplated by this Section includes unknown claims, and except as otherwise provided hereinabove, Developer waives the benefit of Civil Code Section 1542, or under any other statute or common law principle of similar effect, in connection with the releases contained in this Section.

DEVELOPER INITIALS

Because the Agency anticipates it will convey the Site to the Developer simultaneously with receiving conveyance from FORA, the Agency contemplates that it will have no remediation obligations whatsoever with respect to the Site. Under such conditions the Agency

is conveying the Site on an "AS IS" basis to Developer, and will cooperate in facilitating the assignment of covenants and warranties it receives from the Army and/or FORA. Since the Agency and the Developer negotiated the terms of and entered into the Option Agreement, FORA has obtained base-wide environmental liability insurance ("FORA PLL") providing for the County, Agency and the Developer to be eligible to be allocated a portion of the base-wide coverage as a Named Insured under the FORA PLL. The Parties contemplate that they will each, as the case may be, rely upon their status as Named Insureds under the FORA PLL to provide basic protection from environmental liability and costs resulting from pre-existing hazardous conditions of the Site, and any of the Parties may also seek "excess coverage" environmental insurance over and above that provided in the FORA PLL on such terms and at such cost as they may individually desire. In addition, the Agency shall rely on and diligently seek to enforce for its own benefit and, at the request of Developer, for the benefit of Developer and any successor or assign, (consistent with its FORA PLL coverage) the covenants, warranties and indemnifications from the Army under the Army Deed to FORA and under the FORA Deed to the Agency and shall also assert, as applicable, its governmental immunities from liability from claims or costs.

Indemnity. Without limiting the generality of the indemnification set forth in Section 610 according to its terms but as a separate and distinct obligation, the Developer hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Agency) the Agency, the County, their board members, officers, and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of: (1) the failure of the Developer or its contractors to comply with any laws relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Substances into, on, under or from the Site first occurring after the Developer has accepted conveyance of the Site or if the Developer performs work pursuant to a right of entry prior to conveyance, after the Developer obtains a right of entry; (2) the presence or any releases or discharges of any Hazardous Substances (including unexploded ordnance) into, on, under or from the Site first occurring while the Developer is owner of or in possession of the Site or portion thereof; or (3) any activity carried on or undertaken by the Developer on or off the Site subsequent to the conveyance of the Site or any portion thereof to the Developer or subsequent to the entry by the Developer onto the Site or any portion thereof pursuant to a right of entry, whichever is later, and whether by the Developer, or employees, agents, contractors or subcontractors of the Developer or any third persons at any time occupying or present on the Site with the permission of the Developer (other than the Agency, County or their respective Related Parties), in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Substances at any time located or present on or under the Site (collectively "Indemnification Claims"). The foregoing indemnity shall further apply to any contamination on or under Site, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Substances on or from the Site and irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, provided such contamination first arises or occurs while Developer is the owner of or in possession of the Site. The foregoing

indemnity shall not apply to the extent that any such conditions on the Site and/or the presence, storage, release or discharge of Hazardous Substances (including unexploded ordnance) are attributable solely to the County or Agency or their respective Related Parties, or concerning which the Agency or County or their respective Related Parties otherwise had actual knowledge and was not disclosed to the Developer or was concealed by the County or Agency or their respective Related Parties.

No Limitation. Except as otherwise expressly provided in this Section 204, the Developer hereby acknowledges and agrees that the Developer's duties, obligations and liabilities under this Agreement, including, without limitation, under Section 610, are in no way limited or otherwise affected by any information the Agency may have concerning the Site and/or the presence within the Site of any Hazardous Substances, whether the Agency obtained such information from the Developer or from its own investigations.

Environmental Work. The Developer shall be responsible for performing the work of any investigation and remediation which may be required by applicable law on the Site in order to develop the Project, except with respect to those conditions and Hazardous Substances excepted from the Developer's indemnification obligations including, without limitation, those referenced in the last sentence of the paragraph above entitled Indemnity. The determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of the governmental agency with responsibility for monitoring such remediation and the Developer. The Developer shall notify the Agency promptly upon discovery of any actionable levels of Hazardous Substances, and upon any release thereof, and shall consult with the appropriate governmental agency in order to establish the extent of remediation to be undertaken and the procedures by which remediation thereof shall take place. The Developer shall comply with, and shall cause its agents and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Substances. The investigation and remediation work shall be carried out in accordance with all applicable laws and such other procedures and processes as may be described in this Agreement. The foregoing provision of this paragraph shall be interpreted and applied consistent with and in compliance with the procedures of and policies of the FORA PLL under which the Developer is an Additional Named Insured and a Developer Insured with respect to the Site or other portion or Phase thereof.

For the purposes of this Agreement, "Hazardous Substances" shall have the meaning set forth in the CERCLA, as amended as of the date of this Agreement, 42 U.S.C. §9601(14), and in addition shall include, without limitation, petroleum (including crude oil or any fraction thereof) and petroleum products, asbestos, asbestos-containing materials, polychlorinated biphenyls ("PCBs"), PCB-containing materials, all hazardous substances identified in the California Health & Safety Code Sections 25316 and 25281(h), all chemicals listed pursuant to the California Health & Safety Code Section 25249.8, and any substance deemed a hazardous substance, hazardous material, hazardous waste, or contaminant under any federal, state or local law, regulation or ordinance governing hazardous wastes, wastewater discharges, drinking water, air emissions, Hazardous Substance release or reporting requirements, Hazardous Substance use or storage, and employee or community right-to-know requirements.

Successors and Assigns. The provisions of this Section 204 shall be binding upon successors and assigns of the Developer, including Affiliates, with respect to portions of the Site transferred to them, and shall be incorporated into every Assignment and Assumption Agreement entered into pursuant to Section 107 hereof; provided, that Developer shall have no liability or indemnification obligations under this Section 204 with respect to such portions of the Site after transfer to a successor or assign under Section 107 hereof.

F. [§205] Agency Financial Assistance; Developer's Evidence of Financing

(1) The Agency shall provide financial assistance for the development of the public improvements and facilities, inclusionary housing and certain nonprofit elements of the Project to be developed on the Site in the manner and within the times set forth in the Financial Terms (Attachment No. 4).

(2) If the Developer, through a third party, finances the acquisition and development of all or any portion of the Site and related activities, such financing shall be subject to the approval of the Agency, which approval will not be unreasonably withheld, delayed or conditioned by the Agency (and which shall be deemed approved as to source if from one or more Pre-Approved Lenders listed in the List of Pre-Approved Lenders attached hereto as Attachment No. 11); provided, however, that the Agency shall accept and be bound by financing mechanisms, including but not limited to, a CFD and a CSD, adopted or approved by the County pursuant to the Development Approvals.

Subject to Section 604, no later than the time specified in the Schedule of Performance (Attachment No. 5 hereto), the Developer shall submit to the Agency a written certification that the Developer has invested not less than Five Million Dollars ($5,000,000) in the planning and development of the Site and that it has the ability to finance or obtain financing, subject to customary conditions, for the balance of the costs to be incurred by the Developer for the horizontal development of the Site, taking into consideration any financial assistance provided by the Agency pursuant to Section 205 (1) hereof and financing mechanisms adopted or approved by the County, from one or more Pre-Approved Lenders listed in the List of Pre-Approved Lenders (Attachment No. 11 hereto) or from another lender reasonably approved by the Agency. The Agency has pre-approved the List of Pre-Approved Lenders, attached hereto as Attachment No. 11.

The Agency shall act reasonably to approve or disapprove the Developer's evidence of financing and other submittals within the times set forth in the Schedule of Performance (Attachment No. 5 hereto). Failure by the Agency to approve or disapprove within such time shall be deemed an approval. Any disapproval shall be in a writing delivered to Developer and shall state the reasons therefor.

III. [§300] DEVELOPMENT OF THE SITE

A. [§301] Development of the Site by the Developer

1. [§302] Scope of Development

Subject to Section 604, the Developer agrees to maintain, plan and develop or cause the development of the Site in accordance with the terms of the Development Approvals as referred to in the Scope of Development, Attachment No. 9 hereto; provided, however, the Development Approvals shall govern and control in the event of any conflict with the Scope of Development (Attachment No. 9 hereto).

Notwithstanding anything to the contrary in the Redevelopment Plan, the Agency agrees that all plan and design review for construction and development of the Site shall be undertaken by the County (in its role of assisting the Agency in carrying out the Redevelopment Plan) in administering the Development Approvals in implementation of the Redevelopment Plan.

2. [§303] Cost of Construction

Subject to Sections 107 and 604, the total cost of entitling and developing the Site and constructing all horizontal improvements thereon shall be borne by the Developer or its assigns, except for work expressly set forth in Sections 205 and 310 and Attachments No. 4 and No. 9 of this Agreement to be performed or paid for by the Agency, or work to be performed or paid for through other financing mechanisms or by others.

3. [§304] Construction Schedule

Subject to Sections 107 and 604, after the conveyance of title to the Site to the Developer, the Developer shall promptly begin and thereafter diligently prosecute to completion the construction of the improvements and the development of the Site in accordance with this Agreement and the Development Approvals. Subject to Sections 107 and 604, the Developer shall begin and complete all such construction and development within the times specified in the Schedule of Performance (Attachment No. 5 hereto) or such reasonable extension of said dates as may be granted by the Agency or as provided in Section 604 of this Agreement. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between the Developer and the Agency; provided that the Agency shall agree to reasonable revisions to accommodate Enforced Delay (Section 604) or to conform specific provisions of this Agreement to the Development Approvals.

4. [§305] Bodily Injury, Property Damage and Workers' Compensation Insurance

Prior to the commencement of horizontal construction on the Site, the Developer, through one or more of its members, at the sole election of Developer, shall furnish or cause to be furnished to the Agency duplicate originals or appropriate certificates of commercial general liability insurance in the amount of at least TEN MILLION DOLLARS ($10,000,000) combined single limit for bodily injury and property damage and TWENTY-FIVE

MILLION DOLLARS ($25,000,000) general aggregate limit, with an endorsement naming the Agency and County as additional or coinsureds. The Developer shall, upon request, also furnish or cause to be furnished to the Agency and the County evidence satisfactory to the Agency and the County that any contractor with whom it has contracted for the performance of work on the Site carries workers' compensation insurance as required by law. All insurance policies maintained in satisfaction of this Section 305 shall contain a provision requiring the insurance carrier to provide thirty (30) days written notice of any cancellation or termination to the Agency and the County. The obligations set forth in this Section 305 shall remain in effect only until a final Certificate of Completion has been issued for the completion of horizontal development for the entire Site as hereinafter provided in Section 320, or the Developer no longer has an interest in the Site, whichever first occurs, with a ten- (10-) year period ("tail") for filing of claims following any such event.

The Developer may satisfy the requirements of this Section 305 by obtaining an endorsement naming the Agency and the County as additional insureds to any insurance maintained by the Developer pursuant to the Development Approvals to the extent such insurance otherwise satisfies the requirements of this section.

Insurance requirements for vertical development to be met by vertical developers shall be based on industry standards for the type and scale of vertical development and shall comply with the limits included in the Assignment and Assumption Agreement (Attachment No. 16 hereto).

5. [§306] County and Other Governmental Agency Permits

Before commencement of construction or development of any buildings, structures or other work of improvement upon the Site, the Developer shall, at its own expense, secure or cause to be secured any and all permits that may be required by the County or any other governmental agency affected by such construction, development or work. The Agency shall provide all assistance reasonably deemed appropriate by the Agency to the Developer in securing these permits.

6. [§307] Rights of Access

For the purposes of assuring compliance with this Agreement, representatives of the Agency and the County shall have the reasonable right of access to the Site without charges or fees and at normal construction hours during the period of construction for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed in constructing the improvements. Such representatives of the Agency or the County shall be those who are so identified in writing by the Executive Director of the Agency. The Agency and the County shall indemnify the Developer and defend and hold it harmless from any damage caused or liability arising out of the sole negligence or willful misconduct of the Agency or the County or their respective Related Parties (as defined in Section 204 hereof) during the exercise of this right to access.

7. [§308] Local, State and Federal Laws

The Developer shall carry out the construction of the improvements in conformity with all applicable laws, including all applicable federal and state labor standards, including the payment of prevailing wages as provided in Section 321 hereof, if and to the extent required.

8. [§309] Antidiscrimination During Construction

The Developer, for itself and its successors and assigns, agrees that in the construction of the improvements provided for in this Agreement, the Developer will comply with all the applicable federal, state or local antidiscrimination laws.

B. [§310] Responsibilities of the Agency

The Agency, without expense to the Developer or assessment or claim against the Site, shall perform, or cause to be performed, all work specified herein and in the Scope of Development (Attachment No. 9 hereto) for the Agency to perform or cause to be performed by others within the times specified in the Schedule of Performance (Attachment No. 5).

The Agency and County shall diligently cooperate with the Developer and use their best efforts to provide, subject without limitation to any applicable requirements for environmental review that may be required, or cause to be provided (by the Army, FORA, the County or others), such easements, licenses, dedications and rights-of-way or other rights of entry to, and use of, property outside of the Site, to facilitate the development of the Site. To the extent that such rights are required to comply with the terms of this Agreement or the Development Approvals, the obtaining of such rights shall be a condition to close of escrow for the Site.

The Agency shall diligently attempt to satisfy the conditions for conveyance of the Site set forth in Section 202 hereof, including but not limited to, those conditions precedent to be satisfied by the Agency pursuant to subsection (22) of Section 202, and shall cooperate with the County and the Developer to secure the satisfaction of all other conditions precedent to the conveyance of the Site, including conditions requiring action or approvals by the County and other government entities.

The Agency shall at all times cooperate with the Developer and County in carrying out and effectuating the Development Approvals and shall undertake its responsibilities under this Agreement in a reasonable and timely manner.

C. [§311] Taxes, Assessments, Encumbrances and Liens

The Developer shall pay when due all real estate taxes and assessments assessed and levied on the Site for any period subsequent to conveyance of title for the Site and delivery of possession thereof to the Developer. Subject to the provisions of Section 314 below, prior to the issuance of a Certificate of Completion for the Site or a Phase or any portion thereof, the Developer shall not place or allow to be placed on the Site or such Phase or portion thereof, as applicable, any mortgage, trust deed, encumbrance or lien unauthorized by this Agreement. The Developer shall remove or have removed any unpermitted levy or attachment made on the Site

(or any portion thereof), or shall assure the satisfaction thereof, within a reasonable time, but in any event prior to a sale thereunder.

Nothing herein contained shall be deemed to prohibit the Developer or its successors or assigns from contesting the validity or amounts of any tax, assessment, encumbrance or lien, nor to limit the remedies available to the Developer in respect thereto; provided, however, that for a period of five (5) years following the issuance by the Agency of the allocation bonds to finance all or a part of its obligations under this Agreement, the Developer or a successor or assign undertaking vertical development on the Site (exclusive of home buyers or purchasers or tenants of completed buildings) shall not contest the assessor's valuation of taxable property owned by it to obtain a reduction in such assessed valuation below that amount of the property valuation for property tax purposes relied upon by the Agency to project Agency receipt of annual tax increment to support the issuance of tax allocation bonds by the Agency, if as a direct result of such reduction in the assessed value of the property the Agency will experience a shortfall in its receipt of the amount of tax increment below the amount required to make annual debt service payments and maintain required debt service ratios under such tax allocation bonds ("Bond Deficiency"). If the Developer or a successor or assign undertaking vertical development on the Site shall be in violation of the preceding sentence, then, in such event and for so long as such violation continues and there is a Bond Deficiency resulting therefrom, the Developer or such successor or assign, as applicable, shall make annual payments directly to the Agency, as in lieu property tax payments ("In Lieu Property Tax Payments") in the amount of such Bond Deficiency but in no event greater than the amount (when added to the amount of property taxes payable with respect to the property) that would have been paid in property taxes had the assessed valuation of the property not been successfully contested. The provision of this Section shall be included in every Assignment and Assumption Agreement with an approved assignee under Section 107 hereof and shall be binding upon such assignees irrespective of whether such provisions are included in the Assignment and Assumption Agreement. The Developer shall not be responsible or liable hereunder for a violation of this Section by an approved assignee.

D. [§312] Prohibition Against Transfer of the Site, the Buildings or Structures Thereon and Assignment of Agreement

Subject to the provisions of Section 314 below, after conveyance of title and prior to the issuance by the Agency of a Certificate of Completion for the Site or any Phase or portion thereof pursuant to Section 320, the Developer shall not, except as expressly permitted by Section 107 of this Agreement, sell, transfer, convey, assign or lease the whole or any part of the Site not covered by a Certification of Completion or the existing buildings or improvements thereon without the prior written approval of the Agency which shall not be unreasonably withheld, conditioned or delayed. This prohibition shall not apply subsequent to the issuance of the Certificate of Completion for the Site or any Phase or portion thereof for which a Certificate of Completion has been issued. This prohibition shall not be deemed to prevent the granting of easements or permits to facilitate the development of the Site, or prohibit or restrict the sale or leasing of any part or parts of a building or structure conditioned upon completion of said improvements as evidenced by a Certificate of Completion, or to restrict any acquisition financing or construction financing therefor.

In the absence of specific written agreement by the Agency, no such transfer or assignment or approval by the Agency shall be deemed to relieve the Developer or any other party from any obligations under this Agreement until completion of development as evidenced by the issuance of a Certificate of Completion for the Site or any Phase or portion thereof unless the Agency has approved an Assignment and Assumption Agreement with respect to such transaction pursuant to Section 107.

E. [§313] Security Financing; Rights of Holders

1. [§314] No Encumbrances Except Mortgages, Deeds of Trust, Sales and Lease-Backs or Other Financing for Development

Notwithstanding Sections 107, 311 and 312 of this Agreement, mortgages, deeds of trust, sales and lease-backs or any other form of conveyance required for any reasonable method of financing (including the financing transaction referenced in subsection (g) of Section 107 which financing transaction the Agency may approve or disapprove in its sole and absolute discretion) are permitted before issuance of any Certificate of Completion, but only for the purpose of securing loans of funds to be used for financing the acquisition of the Site, the entitlement, development and/or construction of improvements on the Site or any Phase or portion thereof and any other expenditures necessary and appropriate to develop the Site or any Phase or portion thereof under this Agreement and the Development Approvals, subject to the Agency's reasonable approval with respect to mortgage and deed of trust financing transactions, but provided that any sale and lease-back financing, as well as any financing of the type described in subsection (g) of Section 107 shall be subject to the approval of the Agency in its sole and absolute discretion. The Developer shall notify the Agency in advance of any mortgage, deed of trust, sale and lease-back or other form of conveyance for financing if the Developer proposes to enter into the same before issuance of a Certificate of Completion for the Site or any Phase or portion thereof. The Developer shall not enter into any such conveyance for financing without the prior written approval of the Agency (unless the lender shall be one of the twenty-five (25) largest banking or financial institutions doing business in the State of California, or one of the twenty-five (25) largest insurance lending institutions in the United States qualified to do business in the State of California or a lender on the List of Pre-Approved Lenders attached hereto as Attachment No. 11), which approval the Agency agrees to give if any such conveyance is given to a responsible financial or lending institution or other acceptable person or entity as reasonably determined by the Agency. Such lender shall be deemed approved unless rejected in writing by the Agency within ten (10) days after notice thereof to the Agency by the Developer. In any event, the Developer shall promptly notify the Agency of any mortgage, deed of trust, sale and lease-back or other financing conveyance, encumbrance or lien that has been created or attached to the Site or any Phase or portion thereof prior to the issuance of a Certificate of Completion for the Site, or such Phase or portion thereof, whether by voluntary act of the Developer or otherwise. The words "mortgage" and "deed of trust," as used herein, include all other appropriate modes of financing real estate acquisition, construction and land development, including equity financing and mezzanine financing.

2. [§315] Holder Not Obligated to Construct Improvements

The holder of any mortgage, deed of trust or other security interest authorized by this Agreement shall in no way be obligated by the provisions of this Agreement to construct or complete any improvements or to guarantee such construction or completion, nor shall any covenant or any other provision in the grant deed for the Site be construed so to obligate such holder. Nothing in this Agreement shall be deemed to construe, permit or authorize any such holder to devote the Site to any uses or to construct any improvements thereon other than those uses or improvements provided for or authorized by this Agreement.

3. [§316] Notice of Default to Mortgage, Deed of Trust or Other Security Interest Holders; Right to Cure

Whenever the Agency shall deliver any notice or demand to the Developer with respect to any breach or default by the Developer under this Agreement, the Agency shall at the same time deliver a copy of such notice or demand to each holder of record of any mortgage, deed of trust or other security interest authorized by this Agreement who has previously made a written request to the Agency therefor. Each such holder shall (insofar as the rights of the Agency are concerned) have the right, at its option, within ninety (90) days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default and to add the cost thereof to the security interest debt and the lien of its security interest. In the event there is more than one such holder, the right to cure or remedy a breach or default of the Developer under this Section 316 shall be exercised by the holder first in priority or as the holders may otherwise agree among themselves, but there shall be only one exercise of such right to cure and remedy a breach or default of the Developer under this Section 316. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction or completion of the improvements (beyond the extent necessary to conserve or protect the improvements or construction already made) without first having expressly assumed the Developer's obligations to the Agency by written agreement satisfactory to the Agency. The holder in that event must agree to complete, in the manner provided in the Development Approvals, including, but not limited to, this Agreement, the improvements to which the lien or title of such holder relates and submit evidence satisfactory to the Agency that it has the qualifications and financial responsibility necessary to perform or cause to be performed such obligations. Any such holder properly completing such improvements shall be entitled, upon written request made to the Agency, to a Certificate of Completion from the Agency.

4. [§317] Failure of Holder to Complete Improvements

In any case where, six (6) months after default by the Developer in completion of construction of improvements under the Development Approvals, including, but not limited to, this Agreement, the holder of any mortgage, deed of trust or other security interest creating a lien or encumbrance upon the Site or any Phase or portion thereof has not exercised the option to construct, or if it has exercised the option and has not proceeded diligently with construction, the Agency may purchase the mortgage, deed of trust or other security interest by payment to the holder of all amounts owing the holder under the mortgage, deed of trust and/or other security documents creating a lien or encumbrance upon the Site or any Phase or portion thereof and related documents, including, without limitation any unsecured and/or unpaid

interest, costs and/or penalties. If the ownership of the Site or any Phase or portion thereof has vested in the holder, the Agency, if it so desires, shall be entitled to a conveyance of the Site or any Phase or portion thereof from the holder to the Agency upon payment to the holder of all amounts that were and/or are still owing the holder under its mortgage, deed or trust and/or other security documents creating a lien or encumbrance upon the Site or any Phase or portion thereof and related documents, including, without limitation, any unsecured and/or unpaid interest, costs and/or penalties.

5. [§318] Right of Agency to Cure Mortgage, Deed of Trust or Other Security Interest Default

In the event of a default or breach by the Developer under a mortgage, deed of trust or other security interest with respect to the Site or any Phase or portion thereof prior to the completion of development under the Development Approvals, including, but not limited to, this Agreement, and if the holder has not exercised its option to complete the development, the Agency may cure the default prior to completion of any foreclosure if such cure by the Agency is permitted under the terms of such mortgage, deed of trust or other security interest. In such event, the Agency shall be entitled to reimbursement from the Developer of all costs and expenses reasonably incurred by the Agency in curing the default. The Agency shall also be entitled to a lien upon the Site to the extent of such costs and disbursements. Any such lien shall be subject and subordinate to all mortgages, deeds of trust or other security interests executed for the sole purpose of obtaining funds to purchase and develop the Site or any Phase or portion thereof as authorized herein.

F. [§319] Right of the Agency to Satisfy Other Liens on the Site After Title Passes

After the conveyance of title to the Site and prior to the issuance of a Certificate of Completion pursuant to Section 320 hereof, and after the Developer has had a reasonable time to challenge, cure or satisfy any liens or encumbrances not permitted on the Site or any Phase or portion thereof under this Agreement, the Agency shall have the right to satisfy any such liens or encumbrances, provided, however, that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount thereof, and so long as such delay in payment shall not subject the Site or any Phase or portion thereof to forfeiture or sale.

G. [§320] Certificate of Completion

Upon completion of all construction and development to be completed by the Developer under this Agreement or the Development Approvals upon the Site or any Phase or portion thereof (including, without limitation, individual facilities, improvements, buildings and structures separately owned or financed), the Agency shall furnish the Developer with a Certificate of Completion, substantially in the form attached hereto as Attachment No. 12, with respect to the Site or applicable Phase or portion thereof, within thirty (30) days following written request therefor by the Developer. A Certificate of Completion shall also be provided by the Agency upon completion of all construction and development of all or a portion of the Site or any portion of any Phase thereof by an approved assignee, transferee or successor in interest or

any lender of Developer. Any such Certificate(s) of Completion shall be executed in such form as to permit it to be recorded in the Office of the County Recorder of Monterey County.

A Certificate of Completion shall be, and shall so state that it is, a conclusive determination of satisfactory completion of the construction required by this Agreement upon the Site or such applicable Phase or portion thereof and of full compliance with the terms hereof. After issuance of such Certificate of Completion, any party then owning or thereafter purchasing, leasing or otherwise acquiring any interest in the Site or such Phase or portion thereof covered by said Certificate of Completion shall not (because of such ownership, purchase, lease or acquisition) incur any obligation or liability under this Agreement, except that such party shall be bound by any covenants contained in the deed, lease, mortgage, deed of trust, contract or other instrument of transfer, including without limitation those contained in Sections 401-405 of this Agreement. Except as otherwise provided herein, after the issuance of a Certificate of Completion for the Site or any Phase or portion thereof, neither the Agency, the County nor any other person shall have any rights, remedies or controls with respect to the Site or such Phase or portion thereof that it would otherwise have or be entitled to exercise under this Agreement as a result of a default in or breach of any provision of this Agreement, and the respective rights and obligations of the parties with reference to the Site or applicable Phase or portion thereof shall be as set forth in the Agency Deed conveying the Site from the Agency to the Developer, which shall be in accordance with the provisions of Sections 401-405 of this Agreement.

The Agency shall not unreasonably withhold, delay or condition the issuance of any Certificate of Completion. If the Agency refuses or fails to furnish a Certificate of Completion for the Site or applicable Phase or portion thereof after written request from the Developer, the Agency shall, within thirty (30) days after receipt of such written request, provide the Developer with a written statement of the reasons the Agency refused or failed to furnish a Certificate of Completion. The statement shall also contain the Agency's opinion of the action the Developer must take to obtain a Certificate of Completion. If the reason for such refusal is confined to the immediate unavailability of specific items or materials for landscaping, the Agency will issue its Certificate of Completion upon the posting of a bond by the Developer with the Agency in an amount representing a fair value of the work not yet completed. If the Agency shall have failed to provide such written statement within said thirty (30) day period (which may be extended by mutual written consent), the Developer shall be deemed entitled to the Certificate of Completion and the Agency shall be obligated to provide same.

Such Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of a mortgage or any issuer of a mortgage securing money loaned to finance the improvements or any part thereof. Such Certificate of Completion is not notice of completion as referred to in California Civil Code Section 3093.

H. [§321] Prevailing Wages

When improvements identified below are considered to be a Public Work for purposes of prevailing wages under State law when constructed by the Developer or any successor or assign, the Developer or such successor or assign shall and shall cause the contractor and subcontractors to pay prevailing wages in the construction of the improvements as those wages are determined

pursuant to California Labor Code Sections 1720 *et seq.* and implementing regulations of the California Department of Industrial Relations and comply with the other applicable provisions of Labor Code Sections 1720 *et seq.* and implementing regulations of the Department of Industrial Relations. The Developer or any such successor or assign shall cause its contractors and/or subcontractors to post at the site of the work the applicable prevailing wages and to keep and retain such records as are necessary to determine that prevailing wages have been paid as required by law. The applicable per diem prevailing wages shall be available to Developer and its contractors by the State Department of Industrial Relations. The improvements to which this section may apply are as follows:

> All work for which prevailing wages are required to be paid under the FORA Master Resolution; and
>
> Any construction of vertical improvements for which prevailing wages are required to be paid under Labor Code Sections 1720 *et seq.*;

provided, that the foregoing provisions shall not be deemed a determination by either the Agency or the Developer that any element of the vertical improvements will or will not be subject to prevailing wages, and provided, further, that a determination that an improvement is a Public Work for purposes of prevailing wages shall not mean that such improvement is a Public Work under State law for any other purpose, because certain private construction may be subject to prevailing wages under State Law merely by reason of a source of public funding involved in the construction but not be subject, by way of example, to public competitive bidding requirements.

From time to time, the Developer may request a determination by the California Department of Industrial Relations (which the Agency may join in) whether prevailing wage requirements are or are not applicable to certain improvements or construction to be undertaken by the Developer or others in connection with the development of the Site or a Phase or portion thereof. If the Department determines, or if it is determined under the FORA Master Resolution, that prevailing wages must be paid, successors and assigns of the Developer shall, as a condition to closing escrow on parcels to be transferred for vertical development, include in their building trades construction contracts for vertical construction, in such form as shall be reasonably required by the Agency and County, provisions for bi-weekly or other periodic reporting to and monitoring by the County of payroll records, and providing the County with the right, after noltice and a 30-day cure period, to stop work or take other remedial action against a building trades contractor (but not with respect to work being performed by other contractors) in the event of an uncured violation of the law requiring the payment of prevailing wages by such building trades contractor. The County's reasonable costs of such reporting and monitoring shall be borne by the vertical developer and/or its contractor(s) and reimbursed to the County.

Developer or any such successor or assign, as applicable, shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the Agency) the Agency and County against any claim for losses, liabilities, damages, compensation, fines, penalties, causes of action, administrative and judicial proceedings and orders, judgments, remedial action or requirements, enforcement actions of any kind, and all costs and expenses incurred therewith (including but not limited to reasonable attorneys' fees and costs) or other amounts arising out of the failure or alleged failure of the Developer or such successor or assign, or their respective contractors and

subcontractors, to pay prevailing wages pursuant to the first paragraph of this Section 321. Developer in giving this indemnification acknowledges the provisions of California Labor Code Section 1781 and specifically waives any protection, rights or claims against the Agency that may accrue to the Developer pursuant to California Labor Code Section 1781. Following a permitted assignment of a portion of the Site pursuant to Section 107 hereof, Developer's assignee shall be subject to and assume the obligations of this Section 321 with respect to the portion of the Site subject to the assignment, and Developer shall be relieved of such obligations with respect to construction by its assignee. Nothing in this Section 321 shall be construed to relieve contractors or subcontractors of the Developer or any successor or assign from their respective obligations to comply with applicable prevailing wage and labor laws.

IV. [§400] USE OF THE SITE

A. [§401] Uses

The Developer covenants and agrees for itself, its successors, its assigns, its transferees and every successor in interest that during construction and thereafter, the Developer and its successors, transferees and assignees shall devote the Site and any Phase or portion thereof to the uses specified in the Redevelopment Plan, the Agency Deed conveying the Site from the Agency to the Developer, the Development Approvals and this Agreement for the periods of time specified therein; provided that in the event of any conflict between the foregoing, the Development Approvals shall govern and control. The foregoing covenant shall run with the land for the period set forth in Section 404 hereof.

B. [§402] Obligation to Refrain From Discrimination

The Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site or any Phase or portion thereof, nor shall the Developer itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site or any Phase or portion thereof. The foregoing covenants shall run with the land.

C. [§403] Form of Nondiscrimination and Nonsegregation Clauses

The Developer shall refrain from restricting the rental, sale or lease of the Site or any Phase or portion thereof on the basis of race, color, creed, religion, sex, marital status, ancestry or national origin of any person. As required by Section 33337 of the California Health and Safety Code (a part of the CRL), all such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry

in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises herein conveyed, nor shall the grantee, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

2. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased, nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein leased."

3. In contracts: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the premises."

D. [§404] Effect and Duration of Covenants

Except as otherwise provided in this Agreement (including, without limitation, Sections 312, 314 and 320), the covenants contained in this Agreement and the deed shall remain in effect until the termination date of the Redevelopment Plan as such Redevelopment Plan may be amended pursuant to the provisions of Section 701. Under Section 1100.2 of the Redevelopment Plan, the Redevelopment Plan terminates 30 years from the date the County Auditor certifies to the Director of Finance, pursuant to California Health and Safety Code Section 53492.9, as the date of the final day of the first fiscal year in which One Hundred Thousand Dollars ($100,000) or more of tax increment funds from the Redevelopment Project Area are or have been paid to the Agency. When the date of termination of the Redevelopment Plan is established, the Agency shall issue a recordable instrument setting forth such date for purposes of this section and the Redevelopment Plan, and such date shall be inserted in all deeds and other instruments referring to such date. The covenants against discrimination shall remain

in effect in perpetuity. Further, environmental covenants or indemnifications by the Army and/or FORA for their grantees, transferees and successors and assigns shall also remain in place in perpetuity. The covenants established in this Agreement and the grant deed shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Agency, its successors and assigns, the Developer and any successor in interest to the Site or any Phase or portion thereof.

The Agency and the Developer are each deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided. This Agreement and the covenants shall run in favor of the Agency and the Developer without regard to whether the Agency or the Developer has been, remains or is an owner of any land or interest therein in the Site or any Phase or portion thereof, any parcel or subparcel, or in the Redevelopment Project Area. The Agency and the Developer shall have the right, if this Agreement or the covenants are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it may be entitled.

E. [§405] Rights of Access – Public Improvements and Facilities

During the term of this Agreement, the Agency, for itself and for the County and other public agencies and their respective Related Parties, at their sole risk and expense, reserves the right to enter the Site or any part thereof at all reasonable times and with as little interference as possible for the purposes of construction, reconstruction, maintenance, repair or service of any public improvements or public facilities located on the Site. Any such entry shall be made only after reasonable notice to the Developer, and the Agency shall indemnify, defend and hold the Developer harmless from any claims or liabilities pertaining to any entry. Any damage or injury to the Site resulting from such entry shall be promptly repaired at the sole expense of the Agency or the public agency responsible for the entry.

Before any entry on the Site by the Agency, County, other public entity, or their respective Related Parties (as defined in Section 204 hereof) the Agency shall provide or cause to be provided evidence to the reasonable satisfaction of the Developer that the Agency, County or other public entity, and their respective Related Parties, as the case may be, has and will maintain in effect property damage and liability insurance or self insurance adequate to insure the entry or activities of the Agency, County or other public entity, and their respective Related Parties as the case may be, under this section, which insurance, or comparable self insurance, shall be not less than One Million Dollars ($1,000,000) combined single limit, for bodily injury and property damages, and Five Million Dollars ($5,000,000) general aggregate limit, naming the Developer as additional or co-insured (or in the case of self insurance, covering the Developer) with respect to such entry.

V. [§500] DEFAULTS, REMEDIES AND TERMINATION

A. [§501] Defaults – General

Subject to the provisions of Section 513 and to the extensions of time set forth in Section 604, failure or delay by either Party to perform any term or provision of this Agreement when required by the express terms of this Agreement constitutes a default under this Agreement. The Party who so fails or delays must immediately upon receipt of notice of default commence to cure, correct or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence and during any period of curing shall not be in default.

The injured Party shall give written notice of default to the Party in default specifying the default complained of by the injured Party. Except as required to protect against further damages and except as otherwise expressly provided in Sections 507 and 508 of this Agreement, the injured Party may not institute proceedings against the Party in default until after giving such notice and the expiration of the applicable cure period. Failure or delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

Except as otherwise expressly provided in this Agreement, any failure or delay by either Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies or deprive such Party of its right to institute and maintain any actions or proceedings that it may deem necessary to protect, assert or enforce any such rights or remedies.

B. [§502] Legal Actions

1. [§503] Institution of Legal Actions

Subject to the provisions of Sections 511, 513 and 604, in addition to any other rights or remedies, and following delivery of the required notices of default and expiration of the applicable cure or other periods provided for hereunder, either Party may institute legal action to cure, correct or remedy any default, or recover damages, subject to Sections 507 and 511, for any default, or to obtain any other remedy consistent with the terms and purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of Monterey, State of California.

2. [§504] Applicable Law; Interpretation

The laws of the State of California shall govern the interpretation and enforcement of this Agreement (without regard to choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State).

This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. In addition, each Party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law (including California Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is

waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the Parties and this Agreement.

3. [§505] Acceptance of Service of Process

In the event that any legal action is commenced by the Developer against the Agency, service of process on the Agency shall be made by personal service upon the Clerk of the Board of Supervisors or in such other manner as may be provided by law.

In the event that any legal action is commenced by the Agency against the Developer, service of process on the Developer shall be made by personal service upon the Developer or in such other manner as may be provided by law and shall be valid whether made within or without the State of California.

C. [§506] Rights and Remedies are Cumulative

Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by any Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other Party.

D. [§507] Damages

If the Developer or the Agency defaults with regard to any of the provisions of this Agreement, the nondefaulting Party shall serve written notice of such default upon the defaulting Party. Subject to the provisions of Sections 513 and 604, if the default is not cured or commenced and be diligently proceeding to be cured by the defaulting Party within the applicable time periods set forth in Sections 510 and 511 or otherwise within sixty (60) days after service of the notice of default, the defaulting Party shall be liable to the other Party for damages caused by such default which damages shall be limited to:

(1) Liquidated Damages to which the Agency may be entitled under Section 511;

(2) Amounts then accrued and owed by one Party to the other Party and not paid at the time of default; and

(3) In addition, if all conditions precedent in Section 202 to be fulfilled by the Developer for the close of escrow for conveyance of the Site have been satisfied or waived in accordance with this Agreement, but the Agency has willfully failed to fulfill any condition precedent in Section 202 to be fulfilled by the Agency or the Agency has otherwise willfully failed to convey the Site to the Developer in violation of this Agreement, then the Developer may pursue specific performance or, at its sole discretion, elect to terminate this Agreement and pursue litigation against the Agency for recovery of the amount of the Developer's pre-development and pre-conveyance costs paid or incurred prior to the termination of this Agreement; provided, however, that: (a) in no event shall the Agency be liable for monetary damages in excess of Fifteen Million Dollars ($15,000,000) and (b) the Developer may recover any damages awarded only from the net proceeds resulting from a sale or transfer of the

Agency's interests in the Site or portion thereof (which sale or transfer shall be for an amount not less than the fair market value of the Site or portion thereof at the time of such sale or transfer by the Agency), and not from any of the Agency's other assets.

E. [§508] Specific Performance

If the Developer or the Agency defaults under any of the provisions of this Agreement, the nondefaulting Party shall serve written notice of such default upon the defaulting Party. Subject to the provisions of Sections 511, 513 and 604, if the default is not commenced to be cured by the defaulting Party within the applicable time periods set forth in Sections 510 and 511 or otherwise within sixty (60) days of service of the notice of default, the nondefaulting Party, at its option, may institute an action for specific performance of the terms of this Agreement.

F. [§509] Remedies and Rights of Termination Prior to Conveyance of the Site to the Developer

1. [§510] Termination by the Developer

Subject to the provisions of Sections 513 and 604, in the event that prior to conveyance of title to the Site to the Developer:

a. The Developer is not in default under Section 511 and any of the conditions precedent to conveyance of the Site are not satisfied by the times set forth in this Agreement, and such failure is not cured within sixty (60) days after written notice from Developer or, if such failure cannot be reasonably cured within such 60-day period, the Agency is not reasonably acting to cure such failure in a timely manner; or

b. The Agency does not tender conveyance of the Site or possession thereof in the manner and condition and by the date provided in this Agreement, and any such failure is not cured within sixty (60) days after written demand by the Developer or, if such failure cannot be reasonably cured within such 60-day period, the Agency is not reasonably acting to cure such failure in a timely manner; or

c. The Agency is in default under any other provisions of this Agreement and such default is not cured within the applicable time period under Section 501, 507 or 508 hereof;

then this Agreement may, at the option of the Developer, be terminated by written notice thereof to the Agency. Upon such termination, Developer shall retain, and shall not be deemed to have waived, any and all remedies (including but not limited to Section 507 hereof) available to Developer under this Agreement or the Development Approvals arising from the circumstances giving rise to Developer's termination of this Agreement, and the Deposit referenced in Section 201.a (including any interest earned or accrued thereon) shall be returned to the Developer.

2. [§511] Termination by the Agency

Subject to the provisions of Sections 513 and 604, in the event that prior to conveyance of title to the Site to the Developer:

a. The Developer transfers or assigns or attempts to transfer or assign this Agreement or any rights herein or in the Site in violation of this Agreement;

b. There is a change in the ownership or identity of the Developer or the parties in control of the Developer in violation of the provisions of Section 107 hereof;

c. Subject to Section 604 of this Agreement, the Developer does not satisfy the requirements of Section 202 (22)(c) of this Agreement;

d. Subject to Section 604 of this Agreement, the Developer does not pay the Initial Land Payment and take title to the Site under tender of conveyance by the Agency after satisfaction of all conditions precedent pursuant to this Agreement;

e. The Developer is in breach or default with respect to any other material obligation of the Developer under this Agreement; and

f. If any default or failure referred to in subdivision c., d., or e. of this Section shall not be cured within sixty (60) days after the date of written demand by the Agency or, if such default cannot be reasonably cured within such 60-day period, the Developer is not reasonably acting to cure such default in a timely manner;

then this Agreement, and any rights of the Developer or any assignee or transferee in this Agreement pertaining thereto or arising therefrom with respect to the Agency, may, at the option of the Agency, be terminated by the Agency by written notice thereof to the Developer; provided, however, that prior to the Agency's giving notice to terminate this Agreement, the Agency Governing Board and the County Board of Supervisors shall hold a joint public hearing (with reasonable notice to and an opportunity to be heard by the Developer) on the decision to terminate this Agreement and consideration of the reasons therefor and alternatives to termination including, without limitation, opportunities available to continue or mutually renegotiate terms of this Agreement with Developer's members and lenders.

In the event of termination of this Agreement pursuant to this Section 511, and notwithstanding anything to the contrary in Sections 503, 506 or 508, the Agency shall have (except as provided in Section 507 hereof) no further rights against the Developer, and the Developer shall have no further obligations, with respect to the Site; provided that the Agency may retain the Deposit as liquidated damages for the Developer's default under this Section 511.

IN THE EVENT OF TERMINATION UNDER THIS SECTION 511 IN CONNECTION WITH A DEVELOPER DEFAULT OCCURRING PRIOR TO

CONVEYANCE, THE DEPOSIT MAY BE RETAINED BY THE AGENCY AS LIQUIDATED DAMAGES FOR SUCH DEVELOPER DEFAULT AND AS AGENCY'S PROPERTY WITHOUT ANY DEDUCTION, OFFSET OR RECOUPMENT WHATSOEVER.

IF THE DEVELOPER SHOULD DEFAULT UNDER THIS SECTION 511, MAKING IT NECESSARY FOR THE AGENCY TO TERMINATE THIS AGREEMENT AND TO PROCURE ANOTHER PARTY OR PARTIES TO REDEVELOP THE SITE, THEN THE DAMAGES SUFFERED BY THE AGENCY BY REASON THEREOF WOULD BE UNCERTAIN. SUCH DAMAGES WOULD INVOLVE SUCH VARIABLE FACTORS AS THE CONSIDERATION WHICH SUCH PARTY WOULD PAY FOR THE SITE; THE EXPENSES OF CONTINUING THE OWNERSHIP AND CONTROL OF THE SITE; OF INTERESTING PARTIES AND NEGOTIATING WITH SUCH PARTIES; POSTPONEMENT OF TAX REVENUES THEREFROM TO THE COMMUNITY; AND THE FAILURE OF THE AGENCY TO EFFECT ITS PURPOSES AND OBJECTIVES WITHIN A REASONABLE TIME, RESULTING IN ADDITIONAL IMMEASURABLE DAMAGE AND LOSS TO THE AGENCY AND THE COMMUNITY. IT IS IMPRACTICABLE AND EXTREMELY DIFFICULT TO FIX THE AMOUNT OF SUCH DAMAGES TO THE AGENCY, BUT THE PARTIES ARE OF THE OPINION, UPON THE BASIS OF ALL INFORMATION AVAILABLE TO THEM, THAT SUCH DAMAGES WOULD APPROXIMATELY EQUAL THE APPLICABLE AMOUNTS OR PORTIONS OF THE DEPOSIT SET FORTH ABOVE IN THIS SECTION 511 AND HELD BY THE AGENCY AT THE TIME OF THE DEFAULT OF THE DEVELOPER, AND THE APPLICABLE AMOUNTS OR PORTIONS OF SUCH DEPOSIT AS SET FORTH ABOVE IN THIS SECTION 511 SHALL BE PAID TO THE AGENCY UPON ANY SUCH OCCURRENCE AS THE TOTAL OF ALL LIQUIDATED DAMAGES FOR THE APPLICABLE DEVELOPER DEFAULT(S) UNDER THIS SECTION 511, AND NOT AS A PENALTY, AND SUCH LIQUIDATED DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF THE AGENCY WITH RESPECT TO THE APPLICABLE DEVELOPER DEFAULT(S) SET FORTH UNDER THIS SECTION 511. NOTWITHSTANDING THE FOREGOING, IN THE EVENT THAT THIS PARAGRAPH SHOULD BE HELD TO BE VOID FOR ANY REASON, THE AGENCY SHALL BE ENTITLED TO THE FULL EXTENT OF DAMAGES OTHERWISE PROVIDED BY LAW, AS LIMITED BY SECTION 507 HEREOF.

THE DEVELOPER AND THE AGENCY SPECIFICALLY ACKNOWLEDGE THIS LIQUIDATED DAMAGES PROVISION BY THEIR SIGNATURES HERE:

DEVELOPER:

By: _____

AGENCY:

By: _____

G. [§512] Right of Reverter

Subject to the provisions of Sections 513 and 604, the Agency shall have the right to re-enter and take possession of the conveyed Site or any Phase or portion thereof from Developer with all improvements thereon (the "Revested Parcel"), and revest in the Agency the estate previously conveyed to the Developer ("Right of Reverter") if after conveyance to Developer of title to the Site or such Phase or portion thereof and prior to the issuance of the Certificate of Completion therefor, the Developer shall, as to the Revested Parcel:

a. Fail to commence construction of approved improvements on the Site or such Phase or portion thereof within the time set forth in the Schedule of Performance (Attachment 5 hereto) (unless such failure results from an Enforced Delay under Section 604 hereof or was caused by the Agency or County); for purposes of this provision, the Developer shall be deemed to "commence construction" when and only when the Developer has commenced rough grading on the Site or such Phase or portion thereof pursuant to a permit issued by the County for the construction of the improvements provided for herein;

b. Once construction has been commenced in accordance with subparagraph a. above, fail to diligently prosecute construction of the improvements through completion within the applicable time set forth in the Schedule of Performance, where such failure has not been cured within ninety (90) days after written notice thereof from the Agency (unless such failure results from an Enforced Delay under Section 604 hereof or was caused by the Agency or County);

c. Abandon or substantially suspend construction of the improvements for a period of ninety (90) days after written notice of such abandonment or suspension from the Agency or, if such failure cannot be reasonably cured within such ninety (90) day period, failure to reasonably act to cure such failure in a timely manner (unless such abandonment or failure was caused by the Agency or County or resulted from an Enforced Delay under Section 604 hereof);

d. Without the prior written consent of Agency, directly or indirectly, voluntarily or involuntarily sell, assign, transfer, dispose of or further encumber or agree to sell, assign, transfer, dispose of or further encumber or suffer to exist any other lien against all or any portion of or any interest in the Site or any Phase or portion thereof, except for any sale, transfer, disposition, assignment or encumbrance that is expressly permitted by the terms of this Agreement;

e. If any event under a. through d., above, is caused by or is attributable to a successor, assignee or transferee of the Developer under an Assignment and Assumption Agreement, and the Developer shall fail, within ninety (90) days of written notice from the Agency either: (a) to commence to enforce the Developer's remedies under the Assignment and Assumption Agreement to cause such successor, assignee or transferee to cure the failure, or (b) to commence to act to repurchase the Site or Phase or portion thereof and vest title in the Developer who shall have, upon such repurchase and revesting, a reasonable period of time to either (x) cure such failure or (y) resell the Site or Phase or portion thereof repurchased by the Developer to another assignee or transferee pursuant to an Assignment and Assumption Agreement approved by the Agency; and

f. Provided, however, that prior to the Agency's exercising its Right of Reverter under this Section 512, the Agency Governing Board and the County Board of Supervisors shall hold a joint public hearing (with reasonable notice to and an opportunity to be heard by the Developer) on the decision to exercise its Right of Reverter under this Section 512, and consideration of the reasons therefor and alternatives to such action by the Agency, including, without limitation, opportunities available to continue or mutually renegotiate terms of this Agreement with Developer's members and lenders.

Such Right of Reverter shall be subordinate and subject to and be limited by and shall not defeat, render invalid or limit:

1. Any mortgage, deed of trust or other security instrument permitted by this Agreement; or

2. Any rights or interests provided in this Agreement for the protection of the holder of such mortgages, deeds of trust or other security instruments;

3. Any rights or interests of bondholders or other parties under financing mechanisms adopted or approved by the County as part of the Development Approvals.

4. Upon revesting in the Agency of title to the Revested Parcel as provided in this Section 512, the Agency shall, pursuant to its responsibilities under state law, use its best efforts to resell the Revested Parcel as soon as possible, in a commercially reasonable manner and for not less than its fair reuse value and consistent with the objectives of such law and of the Redevelopment Plan, to a qualified and responsible party or parties (as determined by the Agency) who will assume the obligation of making or completing such improvements as are acceptable to the Agency in accordance with the uses specified for the Revested Parcel in the Redevelopment Plan and in a manner satisfactory to the Agency. Upon such resale of the Revested Parcel the proceeds thereof shall be applied as follows:

(a) First, to reimburse the Agency on its own behalf or on behalf of the County for all costs and expenses reasonably incurred by the Agency, including but not limited to salaries of personnel and legal fees directly incurred in connection with the recapture, management, and resale of the Revested Parcel (but less any income derived by the Agency from any part of the Revested Parcel); all taxes and installments of assessments incurred and payable prior to resale, and water and sewer charges with respect to the Revested Parcel incurred and payable prior to sale; any payments made or required to be made to discharge any encumbrances or liens, except any FORA liens, existing on the Revested Parcel at the time of revesting of title in the Agency or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of the Developer, its successors or transferees; expenditures made or obligations incurred which are necessary or required to preserve the value or protect the Revested Parcel or any part thereof; and any amounts otherwise owing the Agency by the Developer and its successors or transferees.

(b) Second, to reimburse the Developer, its successors or transferees, up to the amount equal to the sum of the following, as reasonably allocated by the Developer to the Revested Parcel:

a. The Initial Land Payment or portion thereof for the Revested Parcel paid by the Developer; plus

b. The amounts of any Participation Payments for the Revested Parcel paid to the Agency pursuant to Section 3 of Part A of Attachment No. 4 hereto; plus

c. Pre-development and development costs paid or incurred by the Developer for the Revested Parcel; plus

d. All other costs pertaining to the acquisition or development of the Revested Parcel, including but not limited to premiums and self-insured retentions for insurance (including the FORA PLL and any Developer excess or supplemental environmental insurance coverage), and loans made by the Developer to the Agency and not repaid; plus

e. Payments made by the Developer pursuant to financing mechanisms adopted or approved by the County as part of the Development Approvals, and the costs actually incurred by the Developer for on-site labor and materials for the construction of the improvements existing or in process on the Revested Parcel or applicable portion thereof at the time of the repurchase, reentry and repossession, exclusive of amounts financed.

Included with the above amounts shall be the fair market value of the improvements the Developer has placed on the Revested Parcel, less any gains or income withdrawn or made by the Developer from the Revested Parcel or the improvements thereon.

Notwithstanding the foregoing, the amount calculated pursuant to this subsection (b) shall not exceed the fair market value of the Revested Parcel together with the improvements thereon as of the date of the default or failure which gave rise to the Agency's exercise of the Right of Reverter.

(c) Any balance remaining after such reimbursements shall be retained by the Agency as its property.

H. [§513] Dispute Resolution; Legal Action.

1. Informal Resolution. If any dispute arises between or among the Parties as to interpretation or application of any of the terms of this Agreement, the Parties shall attempt to resolve the dispute in accordance with this Agreement prior to judicial reference or formal court action. As to any such dispute, the Parties shall first meet and confer in good faith to resolve the matter between themselves. Each Party shall make all reasonable efforts to provide to the other Party or Parties all information relevant to the dispute, to the end that all Parties will have appropriate and adequate information to resolve the dispute.

2. Mediation. Before pursuing any administrative or judicial remedies to resolve any dispute or claim under this Agreement, the Parties hereto shall attempt in good faith to resolve any such dispute by mediation conducted by a mediator mutually selected by the Parties or in the absence of mutual agreement, a panel of three (3) mediators where each Party selects one mediator, and those two mediators select the third mediator. The third mediator shall serve as chairperson and shall adhere to the Commercial Mediation Rules of the American Arbitration Association.

3. Judicial Reference. If mediation is not required under the provisions of this Agreement or mediation has not resolved the dispute and any Party to this Agreement commences a lawsuit relating to a dispute arising under this Agreement, all the issues in such action, whether of fact or law, shall be resolved by judicial reference pursuant to the provisions of California Code of Civil Procedure Sections 638.1 and 641 through 645.1. The Parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding. Neither Party shall be required to participate in the judicial reference proceeding unless it is satisfied that all necessary and appropriate parties will participate. The following shall apply to any such proceedings:

(a) The proceeding shall be brought and held in Monterey County, unless the Parties agree to an alternative venue.

(b) The Parties shall use the procedures adopted by JAMS/ENDISPUTE ("JAMS") for judicial reference and selection of a referee (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the Parties).

(c) The referee must be a retired judge or a licensed attorney with substantial experience in relevant real estate matters.

(d) The Parties to the litigation shall agree upon a single referee who shall have the power to try any and all of the issues raised, whether of fact or of law, which may be

pertinent to the matters in dispute, and to issue a statement of decision thereon. Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court in accordance with California Code of Civil Procedure Sections 638 and 640.

(e) The referee shall be authorized to provide all remedies available in law or equity appropriate under the circumstances of the controversy and consistent with this Agreement, other than punitive damages.

(f) The referee may require one or more pre-hearing conferences.

(g) The Parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(h) A stenographic record of the trial shall be made.

(i) The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable.

(j) The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

(k) The Parties shall promptly and diligently cooperate with each other and the referee and perform such acts, as may be necessary for an expeditious resolution of the dispute.

(l) The costs of such proceeding, including the fees of a referee, shall be borne equally by the Parties to the dispute.

(m) The statement of decision of the referee upon all of the issues considered by the referee shall be binding upon the Parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. Except for actions for indemnification, the Parties acknowledge and accept that they are waiving their right to a jury trial to the extent such waiver is authorized by the Legislature in response to the decision of the California Supreme Court in *Grafton Partners v. Superior Court of Alameda County* (August 2005).

VI. [§600] GENERAL PROVISIONS

A. [§601] Notices, Demands and Communications Between the Parties

Formal written notices, demands, correspondence and communications between the Agency and the Developer shall be sufficiently given if delivered personally (including delivery by private courier), by certified mail, postage prepaid and return receipt requested, or delivered by nationally recognized overnight courier service, or by electronic facsimile transmission followed by delivery of a "hard" copy to the offices of the Agency and the Developer set forth in Section 105 hereof. Such written notices, demands, correspondence, and communications may

be sent in the same manner to such persons and addresses the Agency or the Developer may from time to time designate in writing.

B. [§602] Conflicts of Interest

No member, official or employee of the Agency shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to this Agreement that affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested.

The Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration as a brokerage fee or real estate commission for obtaining this Agreement.

C. [§603] Nonliability of Agency or Developer Officials and Employees

No member, official or employee of the Agency shall be personally liable to the Developer in the event of any default or breach by the Agency or for any amount that may become due to the Developer or on any obligations under the terms of this Agreement.

No direct or indirect member, official or employee of the Developer shall be personally liable to the Agency in the event of any default or breach by the Developer or for any amount which may become due to the Agency or on any obligation under the terms of this Agreement.

D. [§604] Enforced Delay; Extension of Times of Performance

In addition to the specific provisions of this Agreement, performance by any party hereunder shall not be deemed to be in default ("Enforced Delay") where delays or defaults are resulting from war; acts of terrorism; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; environmental conditions (including, but not limited to, Hazardous Substances or munitions or explosives of concern ("MEC" or "UXO")) existing or discovered on or affecting the Site or any Phase or portion thereof, and any delay caused or resulting from the investigation or remediation of such conditions, whether the responsibility of the Army, Developer or other parties; litigation which enjoins construction or other work on the Site or any Phase or portion thereof, causes a lender to refuse to fund a loan or accelerate payment on a loan, or would cause a reasonably prudent developer either to forbear from commencing construction or other work on the Site or any Phase or portion thereof or to suspend construction or other work on the Site or any Phase or portion thereof; unusually severe weather; inability to secure necessary labor, materials or tools (provided that Developer has reasonably attempted to obtain such materials on a timely basis); delays of any contractor, subcontractor or supplier; acts or the failure to act of any public or governmental agency or entity (assuming such agency or entity was timely requested to act or otherwise has a duty to act) (except that acts or the failure to act of the Agency or the County shall not excuse performance by the Agency or County); moratorium, as defined in California Government Code Section 66452.6(f); or any other causes beyond the reasonable control and without the fault of the Party claiming an extension of time to perform. Enforced Delay also includes, without limitation: (1) a drop of twenty-five percent (25%) or more (based on the most

current edition of the Ryness report for Monterey County or comparable market report if the Ryness Report is not available) in market demand and absorption rate for sales of residential lots or homes in those market demand and absorption assumptions made in the Developer's financial projections reviewed and accepted by the Agency prior to the close of escrow, or (2) an increase in interest rates to a rate equal to 10% or more for construction and permanent financing or home mortgage interest rates, or (3) national or international economic or monetary conditions (including, but not limited to, those caused by acts of war or terrorism) materially adversely affecting the supply and/or cost of investment capital assumed to be available for the Project in the Developer's financial projections reviewed and accepted by the Agency prior to the close of escrow, (4) environmental conditions, pre-existing or discovered, delaying the construction or development of the Site or any portion thereof, (5) litigation or administrative proceedings challenging this Agreement, the Project or the Development Approvals, and (6) the inability of Developer or a Rental Affordable Housing Developer or their respective members or assignees, despite reasonable and timely efforts, to obtain tax credit allocations and/or bond financing on reasonable terms for the low and very low income affordable housing to meet the inclusionary housing requirements of the Project, provided that nothing in this Section 604 shall excuse the failure of the Developer to meet phasing requirements under Sections 2 through 6 of Part B of Attachment No. 3 to this Agreement. If such phasing requirements are not met, and William Lyon Homes, Inc. provides a Completion Guaranty pursuant to Section 7 of Part B of Attachment No. 3, the obligations of William Lyon Homes, Inc. under such Completion Guaranty shall be subject to Enforced Delay under this Section 604.

An extension of time for any such cause shall only be for the period of the Enforced Delay, which period shall commence to run from the time of the commencement of the cause. If, however, notice by the Party claiming such extension is sent to the other Parties more than thirty (30) days after the commencement of the cause, the period shall commence to run only thirty (30) days prior to the giving of such notice. Times of performance under this Agreement may also be extended in writing by the Agency and the Developer.

Notwithstanding the foregoing paragraph, the time for completion of any action by the Agency or Developer pursuant to this Agreement shall constitute an Enforced Delay and shall be automatically extended for such additional period of time as may be required to complete: (1) compliance and certification of compliance with CEQA, or (2) any pending application for consideration by the County or Agency with respect to an approval by the County or Agency relating to any such action, provided that the Developer has timely taken all reasonable actions to obtain any such approval or action.

In the event extensions of time of performance for events of Enforced Delay shall exceed two (2) years, except for Enforced Delays as a result of litigation, moratoria, acts of war, terrorism or insurrection, or environmental conditions (including the presence, release or required remediation of Hazardous Substances or MEC or UXO), the Parties shall meet and confer on mutually acceptable ways or modifications to the Project to proceed with development notwithstanding the event or events causing such Enforced Delay. In the event the Parties are unable to agree, the question of whether a further extension of the period of Enforced Delay is reasonable under the circumstances shall be presented to the Agency Governing Board (with reasonable notice to and an opportunity to be heard by the Developer), which may then decide

either to grant an extension or proceed with its remedies under this Agreement, including any termination rights, subject to the rights of the Parties under Section 513.

E. [§605] Inspection of Books and Records

The Agency has the right, upon not less than seventy-two (72) hours written notice, at reasonable times and at its own expense, but not more often than once a year or more frequently if the Agency provides reasonable reasons therefore in its notice, to inspect, subject to the requirement that the Agency keep such material confidential except as to the matters which are matters of public record, the books and records of the Developer pertaining to the Site or any Phase or portion thereof as pertinent to the purposes of this Agreement, exclusive of communications subject to legal privilege. Developer shall retain its books and records pertaining to the development of the Project for a period of three (3) years following the issuance of the last Certificate of Completion for improvements by the Developer in the Project.

The Developer also has the right, upon not less than seventy-two (72) hours' written notice, at reasonable times but not more often than once a year or more frequently if Developer provides reasonable reasons therefore in its notice, to inspect, subject to the requirement that the Developer keep such material confidential except as to the matters which are matters of public record, the books and records of the Agency pertaining to the Site or any Phase or portion thereof as pertinent to the purposes of this Agreement, exclusive of communications subject to legal privilege. Agency shall retain its books and records pertaining to the development of the Project for a period of three (3) years following the issuance of the last Certificate of Completion for improvements by the Developer in the Project.

F. [§606] Plans and Data

If the Developer does not proceed with the purchase and development of the Site, and if this Agreement is terminated by the Agency pursuant to Section 511 hereof, the Developer shall deliver to the Agency any and all plans and data concerning the Site (unless Developer is precluded by the terms of any contract with any third party provider from doing so), and the Agency or any other person or entity designated by the Agency shall be free to use such plans and data, including plans and data previously delivered to the Agency, for any reason whatsoever without cost or liability therefor to the Developer or any other person.

G. [§607] Attorneys' Fees

Should any action or proceeding under Section 513 be brought arising out of this Agreement including, without limitation, any action for declaratory or injunctive relief or arising out of the termination of this Agreement, each Party shall bear its own costs and any attorneys' fees.

H. [§608] No Third Party Beneficiaries

The Agency and the Developer hereby renounce the existence of any third party beneficiary to this Agreement and agree that nothing contained herein shall be construed as giving any other person or entity third party beneficiary status.

I. [§609] [Intentionally Deleted]

J. [§610] General Indemnity

The Developer shall indemnify, defend, and hold the Agency and the County, its directors, officers, employees, agents, and its successors and assigns harmless against all claims, liabilities, and losses which arise from events occurring in connection with entry onto, ownership of, occupancy in, or construction on the Site by the Developer or the Developer's contractors, subcontractors, agents or employees. This indemnity obligation shall not extend to the extent of any claim, liability, or loss arising from the sole negligence or willful misconduct of the Agency, County or their respective Related Parties (as defined in Section 204 hereof) or the Agency's or County's failure to perform its obligations under this Agreement, and shall survive termination of this Agreement. The indemnity Section 610 must be interpreted and applied in a manner consistent with the indemnification provisions under Section 204 hereof or other provisions of this Agreement or under the Development Approvals. This indemnity shall survive the termination of this Agreement.

K. [§611] Mechanics' Liens

The Developer shall indemnify the Agency and hold the Agency harmless against and defend the Agency in any proceeding related to any mechanic's lien, stop notice or other claim brought by a subcontractor, laborer or material supplier who alleges having supplied labor or materials in the course of the construction of the Project by the Developer. This indemnity obligation shall survive the termination of this Agreement but shall not apply in the case where the Agency reacquires a portion of the Site pursuant to Section 512 in which case the Agency's rights shall be governed by Section 512.

L. [§612] Government Functions of Agency; No Joint Venture or Third Party Liability

In entering into and enforcing the terms of this Agreement the Agency shall be deemed to be exercising discretionary governmental functions and responsibilities for public purposes delegated to it under the CRL, including, but not limited to, carrying out the Redevelopment Plan and, pursuant to California Health and Safety Code Sections 33435 through 33439, inclusive, the imposition of obligations upon the Developer and its successors and assigns with respect to the use and construction of improvements on the Site and the provision for covenants or conditions running with the land (subject to Section 404 of this Agreement) to assure development of the Site in accordance with this Agreement, the Redevelopment Plan and the CRL. Nothing in this Agreement nor any of the actions by the Agency pursuant to this Agreement shall be construed as creating a joint venture or other active involvement by the Agency in the private development of the Site which would give rise to a claim by any third party or governmental agency against the Agency for injury or damages arising out of the activities of the Developer or a successor or assign under this Agreement.

VII. [§700] SPECIAL PROVISIONS

A. [§701] Amendment of Redevelopment Plan

The Agency staff agrees that for a period commencing on the Effective Date of this Agreement and continuing until the completion of the development of the Site in its entirety, staff will not recommend any amendment to the Redevelopment Plan which changes the uses or development permitted on the Site or any Phase or portion thereof or changes the restrictions or controls that apply to the Site or any Phase or portion thereof or otherwise directly affects the use or development of the Site or any Phase or portion thereof or otherwise extends the duration of any of the covenants contained in this Agreement or the Agency Deed conveying the Site to the Developer without the prior written consent of the Developer, which shall not be unreasonably withheld, conditioned or delayed provided such recommended amendment will not materially interfere with the use, development, operation and/or maintenance of the Site or any Phase or portion thereof (including, without limitation, costs of developing the Site or any Phase or portion thereof) consistent with the Development Approvals. In no event shall any amendment to the Redevelopment Plan change or modify the Agency's tax increment pledge under Section 703 below or any other financial obligations of the Agency, without the express written consent of the Developer in its sole and absolute discretion.

B. [§702] Amendments to this Agreement

The Developer and the Agency agree to mutually consider reasonable requests for amendments to this Agreement which may be made by any of the Parties hereto, lending institutions, or bond counsel or financial consultants to the Agency, provided such requests are consistent with this Agreement and would not substantially alter the basic business terms included herein, and are consistent with applicable law, including CEQA.

C. [§703] Agency Tax Increment Pledge

To the fullest extent permitted by law, during the term of this Agreement, the obligations of the Agency under Sections 205 and 310 and the Financial Terms (Attachment No. 4) and Scope of Development (Attachment No. 9) of this Agreement constitute contractual obligations of the Agency according to their terms and are secured by a pledge of (and constitute an indebtedness of the Agency for purposes of carrying out the Redevelopment Plan which indebtedness is payable solely out of) taxes that are or will be levied by or for the benefit of taxing agencies in that portion of the Redevelopment Project Area which comprises the Site and which are available to the Agency pursuant to California Health and Safety Code Section 33670(b), subject to the limitations (including payments to FORA and other taxing agencies) of the Redevelopment Plan. From time to time, if feasible under the circumstances in the independent judgment of the Agency's bond consultants, the Agency, at the Developer's request, shall issue its tax allocation bonds to repay such indebtedness owed to the Developer in whole or in part. Except for the limitations in the Redevelopment Plan, such pledge and indebtedness of the Agency under this Section 703 shall be senior to any Agency bond indebtedness or other indebtedness or form of obligation incurred after the date of approval by the Agency of this Agreement.

D. [§704] Option Agreement; Continuing Provisions

Certain provisions of the Option Agreement are continued in effect as part of this Agreement as modified, restated and set forth in or expressly referenced in the Attachments hereto. In addition, other provisions of the Option Agreement are given continuing effect as part of this Agreement pursuant to this Section 704, including those set forth in Sections 705, 706, 707 and 708 below.

1. [§705] Rights to Exclusive Negotiations: Option Parcels. [Source: based on Sections 2 and 6 (j) of Option Agreement].

Under the Fort Ord Reuse Plan, the County lands included in the Redevelopment Project Area have received an allocation of 3,100 homes plus a hotel and business park, programmed for the East Garrison and Parker Flats areas. The development of the Site will represent the first phase of these County lands. The lands at East Garrison and Parker Flats, exclusive of the Site, are referred to herein (and in the Development Agreement) for purposes of rights granted Developer under this Section, as the "Option Parcels," and are shown on the maps set forth in Attachment Nos. 13-A and 13-B hereto.

The Agency and Developer acknowledge that Monterey Peninsula College ("MPC") has relinquished any rights to a site in East Garrison in exchange for a site in Parker Flats.

The Agency and the Developer agree to continue to investigate the feasibility of developing the Option Parcels, in whole or in part, and except as provided below, the Developer shall have the exclusive right, subject to this Agreement and the Development Agreement not being terminated for uncured default on the part of Developer in accordance with the respective terms thereof, to negotiate with the Agency regarding the Option Parcels for a period of four (4) years from the date of this Agreement, provided that if, in the reasonable judgment of the Agency, reasonable progress is being made in such negotiations, the period of exclusive negotiations may be extended for an additional period not to exceed an additional two (2) years.

The Agency and the Developer acknowledge that it may be necessary to provide a school site and an area for Native American uses either on lands at East Garrison outside of (and not including) the Site or on other lands at Fort Ord (not including the Site) within the jurisdiction of the County. The Agency and the Developer further acknowledge that as of the date of this Agreement the Agency is contemplating the conveyance of portions of Parker Flats to a private developer of an equestrian facility (the "Equestrian Developer"). If, by August 4, 2008, negotiations with the Equestrian Developer do not result in a binding agreement with the Agency providing for the conveyance of a portion of Parker Flats to the Equestrian Developer, then the exclusive negotiation rights of the Developer under this Section shall also include that portion of Parker Flats and such portion of Parker Flats shall no longer be considered by the Agency for an equestrian center or any other purpose without the express written consent of the Developer which consent may be withheld by the Developer in its sole and absolute discretion.

If pursuant to this Section the Agency and the Developer successfully conclude negotiations and reach agreement for the acquisition and development of the Option Parcels, in whole or in part, they shall incorporate such agreement into a new agreement, subject to applicable procedures required by the Agency, including CEQA compliance, and subject to the obtaining of necessary approvals from the County for land use and development entitlements, and Agency shall use its good faith reasonable efforts to assist Developer in obtaining such approvals from the County.

During the term of this Agreement the Agency and County agree that they shall not consider, negotiate or accept any oral or written inquiries, proposals or offers from any other parties, entities or sources with respect to all or any portion of the Site or the Option Parcels, in whole or in part (including, without limitation, for the use, leasing, acquisition or development thereof); provided, that the Agency and County may negotiate with the Equestrian Developer during the time period allowed in this Section with respect to relocating equestrian uses to a portion of Parker Flats, and the Agency and County may respond to inquiries over the status of the Site and the Option Parcels by referring to the existence of this Agreement and the provisions of this Section without further comment or expression of opinion.

Nothing in this Section shall be deemed to impose upon either the Agency or the Developer any obligation to conclude or enter into binding agreements with respect to the negotiations for the Option Parcels undertaken pursuant to this Section if, after good faith negotiations, they are unable to reach agreement.

2. [§706] Interim Property Management. [Source: based on Section 5 (c) of Option Agreement].

In the sole event that back-to-back closings of the conveyance of the Site from FORA to the Agency and from the Agency to the Developer are not possible, the Agency and Developer shall negotiate in good faith mutually acceptable terms of an agreement (a "Property Management Agreement"), to be effective as of the date the Agency accepts title to the Site or portion thereof from FORA, for the Developer to maintain and manage to minimum standards the Site or such Agency-owned portion thereof, from time to time, at Developer's reasonable expense, to be determined by Developer in its sole discretion, during the period it is owned by the Agency and prior to its conveyance to the Developer or earlier termination of the Developer's rights to receive such conveyance. The Agency acknowledges and agrees that the Property Management Agreement shall be for the sole purpose of relieving the Agency of costs of managing and maintaining the Site while it is owned by the Agency and that such Agreement shall not provide Developer with any other interest in the Site or with any beneficial use of the Site, except as otherwise permitted under this Agreement. The Parties acknowledge that it may not be possible for the Parties to reach agreement on the terms of a Property Management Agreement. Therefore, the Parties contemplate that the Property Management Agreement shall be expressly conditioned upon a requirement that the Property Management Agreement shall not result in the imposition of any possessory interest taxes or other taxes (including, without limitation, both general and special taxes), charges, levies, assessments, or any easements, liens or encumbrances unauthorized by this Agreement (collectively, "Impositions"), unless expressly agreed to by Developer in it sole business judgment.

A condition to the effectiveness of such an interim Property Management Agreement shall be that the Developer's undertakings thereunder on behalf of the Agency are covered to the satisfaction of the Developer and the Agency under the FORA PLL obtained by FORA as referenced in Section 204 hereof.

3. [§707] Reimbursement Agreement. [Source: based on Section 5 (e) of Option Agreement].

Pursuant to the Option Agreement the Developer has entered into an agreement with the Agency and County (the "Reimbursement Agreement") for the Developer to reimburse the Agency and the County for certain of their budgeted expenses relating to the planning for, negotiation of documents, and their respective costs prior to the conveyance of the Site to the Developer for development. Prior to and as condition to close of escrow under Section 202, the Developer shall have entered into a new reimbursement agreement for the Project with the Agency and the County, to the reasonable satisfaction of the Agency and the County ("Project Reimbursement Agreement"). The Reimbursement Agreement shall remain in full force and effect until the effective date of the Project Reimbursement Agreement. The Project Reimbursement Agreement shall provide for the Developer and its successors and assigns to reimburse the Agency and the County for reasonable and necessary costs of Agency and County staff and consultants in providing services in order to timely process, administer and implement this Agreement and the Development Approvals, including but not limited to, any services of County or Agency staff or consultants specifically requested by the Developer for such purpose or any services of County or Agency staff and consultants deemed necessary by the County Administrative Officer or the Agency Executive Director for such purpose. Examples of such costs include, but are not limited to, costs of reviewing reports under Section 3.g. of Part A (subject to a cap to be mutually agreed upon) of Attachment No. 4 to this Agreement and the costs of negotiating and drafting agreements with ArtSpace for the rehabilitation and operation of the Historic District and the costs of any litigation or administrative proceedings challenging the approval of this Agreement or the Development Approvals or their implementation. The Project Reimbursement Agreement shall include terms similar to those in the Reimbursement Agreement referred to in the first sentence of this Section 707 and shall not duplicate reimbursement for costs recovered by the Agency and County under other provisions of this Agreement or from the imposition of processing fees for Development Approvals under the Development Agreement.

4. [§708] No Third Party Rights to Use or Possession of the Site or Option Parcels. [Source: based on Sections 5 (c) and 6 (k) of Option Agreement].

The Agency and County acknowledge and agree that, as a material inducement to the Developer to undertake the commitments under the Option Agreement, this Agreement and the other Development Approvals, the Developer is relying on the timely transfer of the Site (and, if mutually agreed to during the period of exclusive negotiations under Section 705 above, the Option Parcels) free from all right, title and interest (including, without limitation, right of possession) of and by third parties that could impair the Developer's ability to construct the infrastructure and develop the Site and/or the Option Parcels, and subject only to the Approved Title Exceptions and any other title exceptions approved by the Developer.

Accordingly, so long as this Agreement and the other Development Approvals are in effect the Agency and the County agree not to license, lease or provide for any rights of use or possession in the Site or the Option Parcels in favor of any third parties without the prior written consent of the Developer, which consent may be granted or denied by the Developer in the exercise of its reasonable discretion. The Agency and County further agree not to consent (if such consent is sought) to FORA's licensing, leasing or providing for any rights of possession with respect to the Site or the Option Parcels by third parties without the prior written consent of the Developer, which consent may be granted or denied in the exercise of its reasonable discretion; provided that, prior to conveyance of portions of the Site or Option Parcels to the Developer, the Agency, County or FORA may permit the entry of third parties on such unconveyed portions of the Site and Option Parcels for purposes related to health and safety without the consent of the Developer, provided Developer shall have no liability in connection therewith.

VIII. [§800] ENTIRE AGREEMENT, WAIVERS AND AMENDMENTS

This Agreement shall be executed in four (4) duplicate originals, each of which shall be deemed to be an original. This Agreement comprises pages 1 through 56, inclusive, and Attachment Nos. 1 through 18, attached hereto and incorporated herein by reference, all of which constitute the entire understanding and agreement of the Parties with respect to the subject matter of this Agreement.

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the Parties with respect to all or any part of the subject matter hereof.

Any waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Agency and the Developer, and any amendments hereto must be in writing and signed by the appropriate authorities of the Agency and the Developer.

The Parties may agree to record a mutually satisfactory Memorandum of this Agreement in the Records of the Monterey County Recorder in lieu of recording this entire Agreement.

[SIGNATURE PAGES TO FOLLOW]

5-3, 2006

AGENCY:

REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY

By:_____
Chair, Board of Directors

By:_____
Secretary

APPROVED AS TO FORM
DEPUTY COUNTY COUNSEL
COUNTY OF MONTEREY
4/18/06

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

DEVELOPER:

EAST GARRISON PARTNERS I, LLC,
a California limited liability company

BY: WOODMAN DEVELOPMENT COMPANY LLC,
a California limited liability company, as a member

By: Woodman Development Company, Inc.,
a California corporation, as its
managing member

By: _____
John Anderson
President

By: _____ WILLIAM A. SILVA
Its: CFO

and

BY: LYON EAST GARRISON COMPANY I, LLC,
a California limited liability company, as a member

By: William Lyon Homes, Inc., a California
corporation, as its managing member

By: _____
Its: Executive Vice President

By: _____
Its: Richard S. Robinson
Senior Vice President

[ADD ACKNOWLEDGMENTS
IF AGREEMENT WILL BE RECORDED]

STATE OF CALIFORNIA)
) ss.
COUNTY OF MONTEREY)

On MARCH 9TH, 2006, before me, SON PHAM, a Notary Public in and for said County and State, personally appeared JOHN K. ANDERSON personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

SON T. PHAM
Comm. # 1380810
NOTARY PUBLIC - CALIFORNIA
Monterey County
My Comm. Expires Oct. 20, 2006

Signature of Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF MONTEREY)

On MARCH 9TH 2006, before me, SON PHAM, a Notary Public in and for said County and State, personally appeared WILLIAM A. SILVA personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

SON T. PHAM
Comm. # 1380810
NOTARY PUBLIC - CALIFORNIA
Monterey County
My Comm. Expires Oct. 20, 2006

Signature of Notary Public

STATE OF California)
) ss.
COUNTY OF Orange)

On March 13, 2006, before me Kathy Sampson, a Notary Public in and for said County and State, personally appeared Douglas F. Bauer, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

OFFICIAL SEAL
KATHY SAMPSON
NOTARY PUBLIC - CALIFORNIA
COMMISSION # 1397488
ORANGE COUNTY
My Commission Exp. FEBRUARY 9, 2007

Kathy Sampson
Signature of Notary Public

STATE OF California)
) ss.
COUNTY OF Orange)

On March 13, 2006, before me, Kathy Sampson, a Notary Public in and for said County and State, personally appeared Richard S. Robinson, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

OFFICIAL SEAL
KATHY SAMPSON
NOTARY PUBLIC - CALIFORNIA
COMMISSION # 1397488
ORANGE COUNTY
My Commission Exp. FEBRUARY 9, 2007

Kathy Sampson
Signature of Notary Public

CONSENT AND AGREEMENT OF THE COUNTY OF MONTEREY

In implementation of the Redevelopment Plan for the Fort Ord Redevelopment Project Area and to facilitate the planning and implementation of development of the East Garrison and Parker Flats areas, the County of Monterey hereby consents to the terms of the foregoing Disposition and Development Agreement (Together with Exclusive Negotiation Rights to Certain Property) (the "DDA") between the Redevelopment Agency of the County of Monterey (the "Agency") and East Garrison Partners I, LLC (the "Developer"), and does hereby agree, for itself and its officers, departments, boards and agencies:

1. To cooperate with the Agency and the Developer in implementing the provisions of the DDA;

2. To consider and act upon, in a timely and good faith manner, the matters submitted to it by the Agency and/or Developer;

3. To undertake, in a timely and good faith manner, subject to applicable legal requirements, those obligations, responsibilities and actions required of the County under and in furtherance of the DDA and to satisfy the conditions precedent to the conveyance of the Site to the Developer pursuant to the DDA, provided that nothing in the DDA shall constrain or limit the County in the lawful exercise of its discretion in accordance with CEQA and its regulatory responsibilities; and

4. To be bound by and comply with the terms of the DDA, to the extent expressly required under the DDA, including but not limited to Section 310 and the Financial Terms (Attachment No. 4) of the DDA, in the implementation of the Development Agreement and Development Approvals (as defined in the DDA).

COUNTY OF MONTEREY

Dated: as of 5-3-06

By: _____

Its: _____

APPROVED AS TO FORM
4/31/06
DEPUTY COUNTY COUNSEL
COUNTY OF MONTEREY

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

STATE OF _____)
) ss.
COUNTY OF _____)

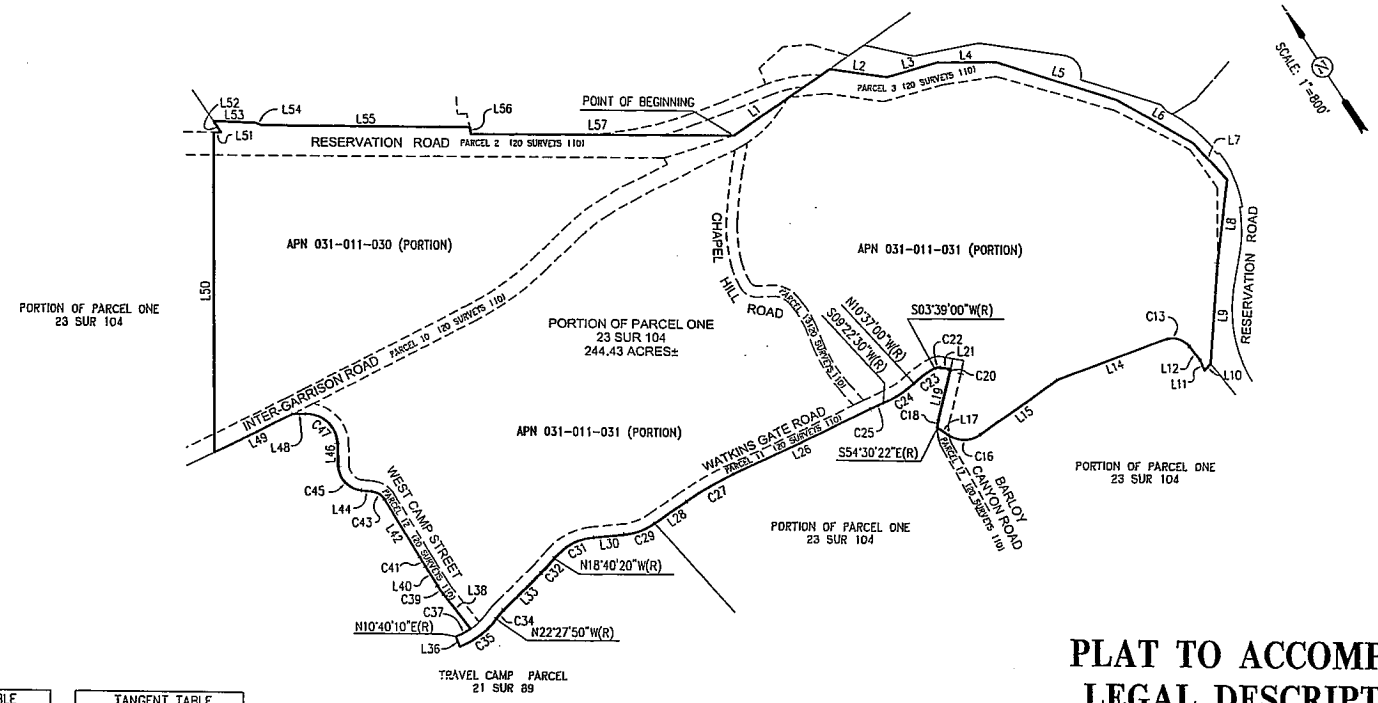
On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

[ADD ACKNOWLEDGMENTS
IF AGREEMENT WILL BE RECORDED

ATTACHMENT No. 1A
MAP OF THE SITE



CURVE TABLE			
NO.	RADIUS	DELTA	LENGTH
C13	115.00'	73°21'05"	147.23'
C16	150.00'	71°15'51"	186.57'
C18	230.00'	10°28'32"	42.05'
C20	970.00'	00°32'15"	9.10'
C22	45.00'	38°38'00"	30.34'
C23	570.00'	14°16'00"	141.93'
C24	580.00'	19°59'30"	202.37'
C25	1220.00'	03°42'40"	79.02'
C27	1970.00'	08°42'50"	299.61'
C29	355.00'	29°19'10"	181.66'
C31	320.00'	44°56'30"	251.00'
C32	1030.00'	06°03'10"	108.81'
C34	370.00'	09°50'40"	63.57'
C35	445.00'	33°08'00"	257.34'
C37	385.00'	13°57'59"	93.85'
C39	530.00'	06°12'50"	57.48'
C41	5030.00'	00°40'40"	59.50'
C43	90.00'	53°27'20"	83.97'
C45	140.00'	82°47'00"	202.28'
C47	170.00'	89°07'10"	264.42'

TANGENT TABLE		
NO.	BEARING	LENGTH
L1	N86°10'27"E	647.59'
L2	S50°06'58"E	317.97'
L3	S74°46'08"E	287.64'
L4	S58°35'42"E	324.17'
L5	S40°05'11"E	697.82'
L6	S27°33'51"E	478.75'
L7	S09°43'24"E	277.22'
L8	S38°47'16"W	464.82'
L9	S36°27'16"W	553.37'
L10	S73°07'44"W	50.80'
L11	N08°08'06"E	62.52'

TANGENT TABLE		
NO.	BEARING	LENGTH
L12	N05°15'27"W	94.71'
L14	N78°36'32"W	632.84'
L15	N86°20'31"E	521.93'
L17	N22°23'38"W	71.92'
L19	N45°58'10"E	276.86'
L21	N47°43'00"W	58.68'
L26	N84°20'10"W	842.92'
L28	S86°57'00"W	212.93'
L30	N63°43'50"W	166.36'
L33	S77°22'50"W	292.82'
L36	N10°40'10"E(R)	60.00'

TANGENT TABLE		
NO.	BEARING	LENGTH
L38	N05°46'10"W	243.25'
L40	N00°26'40"E	123.80'
L42	N01°07'20"E	371.18'
L44	N52°20'00"W	57.65'
L46	N30°27'00"E	134.37'
L48	N58°40'10"W	70.02'
L49	N85°01'10"W	480.03'
L50	N32°14'08"E	1772.68'
L51	S57°45'52"E	40.03'
L52	N00°40'37"W	73.68'
L53	S56°04'56"E	225.68'

TANGENT TABLE		
NO.	BEARING	LENGTH
L54	S36°20'16"E	39.45'
L55	S57°36'50"E	1135.76'
L56	S21°35'29"W	41.64'
L57	S57°53'16"E	1442.38'

0 800' 1600' 2400'

SCALE IN FEET

PLAT TO ACCOMPANY LEGAL DESCRIPTION
EAST GARRISON

BEING A PORTION OF PARCEL 1 OF THE RECORD OF SURVEY RECORDED JUNE 26, 2000, IN VOLUME 23 OF SURVEYS AT PAGE 104, MONTEREY COUNTY RECORDS.

MONTEREY COUNTY, CALIFORNIA

CARLSON, BARBEE AND GIBSON, INC.
ENGINEERS • SURVEYORS • PLANNERS
SAN RAMON, CALIFORNIA

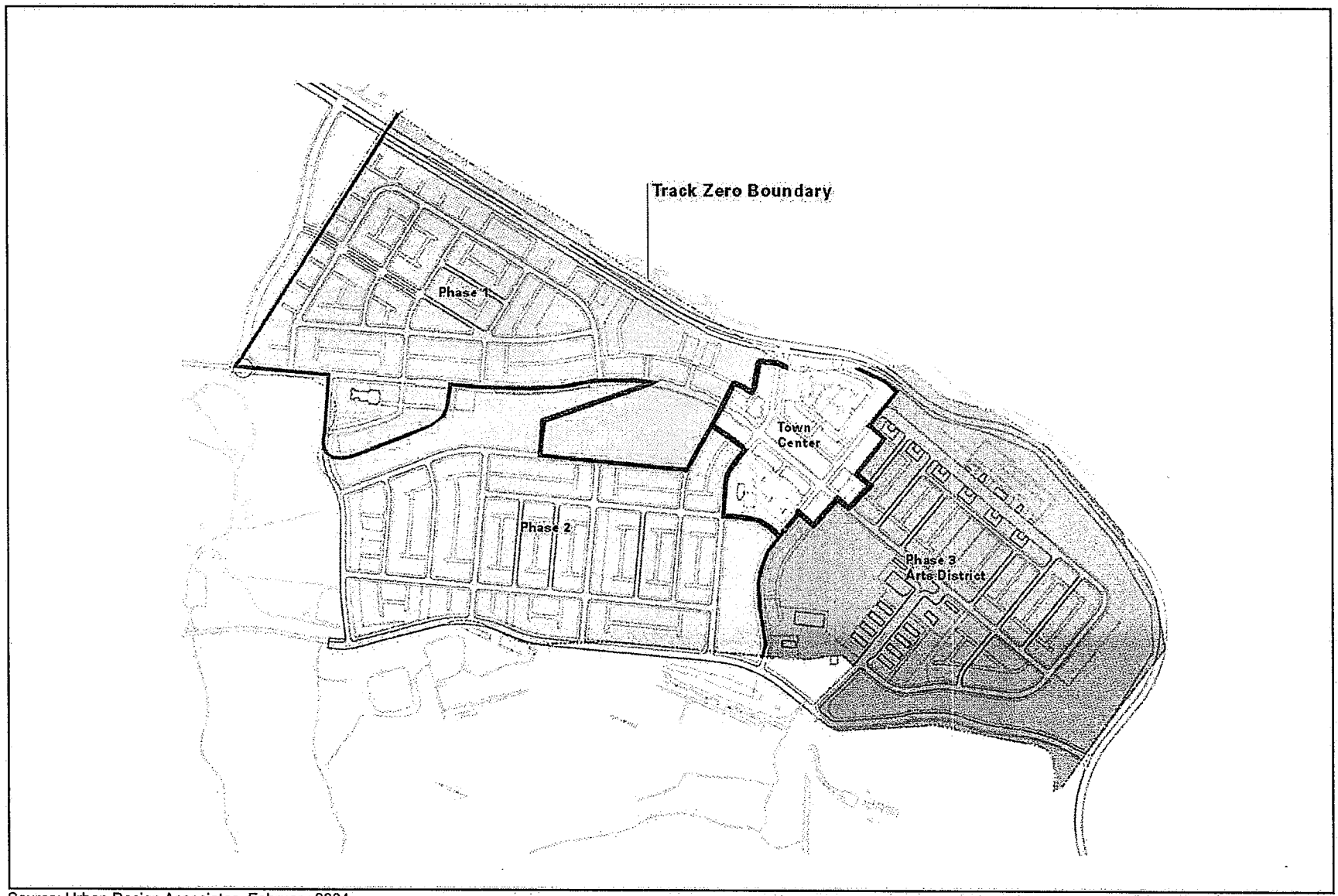
SCALE: 1"=400' DATE: JUNE 2005

SHEET 1 OF 1

1208-00

G:\1208\ACAD\PLAT\PLAT-01.DWG

ATTACHMENT NO. 1B
PHASING MAP



Source: Urban Design Associates, February 2004.

NORTH

NOT TO SCALE

Michael Brandman Associates

21370006 • 06/2004 | 3-6_phasing_plan.cdr

Exhibit 3-6
Phasing Plan

ATTACHMENT NO. 2

LEGAL DESCRIPTION OF THE SITE

LEGAL DESCRIPTION
BEING A PORTION OF THE EAST GARRISON
OF FORT ORD MILITARY RESERVATION
MONTEREY COUNTY, CALIFORNIA

CERTAIN REAL PROPERTY SITUATE IN MONTEREY CITY LANDS TRACT NO. 1, COUNTY OF MONTEREY, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEING A PORTION OF PARCEL 1, AS SAID PARCEL 1 IS SHOWN AND SO DESIGNATED ON THAT CERTAIN RECORD OF SURVEY RECORDED JUNE 26, 2000, IN VOLUME 23 OF SURVEYS AT PAGE 104, IN THE OFFICE OF THE COUNTY RECORDER OF MONTEREY COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHEASTERN LINE OF SAID PARCEL 1, SAID POINT BEING THE SOUTHEASTERN TERMINUS OF THAT CERTAIN COURSE DESIGNATED AS "(SOUTH 57°53'16" EAST) (1,442.38 FEET)" ON SAID RECORD OF SURVEY:

THENCE, FROM SAID POINT OF BEGINNING, ALONG SAID NORTHEASTERN LINE AND SOUTHEASTERN LINE OF SAID PARCEL 1, THE FOLLOWING NINE (9) COURSES:

1) NORTH 86°10'27" EAST 647.59 FEET,
2) SOUTH 50°06'58" EAST 317.97 FEET,
3) SOUTH 74°46'08" EAST 287.64 FEET,
4) SOUTH 58°35'42" EAST 324.17 FEET,
5) SOUTH 40°05'11" EAST 697.82 FEET,
6) SOUTH 27°33'51" EAST 478.75 FEET,
7) SOUTH 09°43'24" EAST 277.22 FEET,
8) SOUTH 38°47'16" WEST 464.82 FEET AND
9) SOUTH 36°27'16" WEST 553.37 FEET;

THENCE, LEAVING SAID SOUTHEASTERN LINE, SOUTH 73°07'44" WEST 50.80 FEET; THENCE, NORTH 08°08'06" EAST 62.52 FEET; THENCE, NORTH 05°15'27" WEST 94.71 FEET;

THENCE, ALONG THE ARC OF A TANGENT 115.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 73°21'05", AN ARC DISTANCE OF 147.23 FEET; THENCE, NORTH 78°36'32" WEST 632.84 FEET;

THENCE, SOUTH 86°20'31" WEST 521.93 FEET;

THENCE, ALONG THE ARC OF A TANGENT 150.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 71°15'51", AN ARC DISTANCE OF 186.57 FEET;

THENCE, NORTH 22°23'38" WEST 71.92 FEET TO A POINT ON THE WESTERN LINE OF PARCEL 17, AS SAID PARCEL 17 IS SHOWN AND SO DESIGNATED ON THAT CERTAIN RECORD OF SURVEY, RECORDED JANUARY 31, 1997, IN VOLUME 20 OF SURVEY MAPS AT PAGE 110, IN SAID OFFICE OF THE COUNTY RECORDER OF MONTEREY COUNTY;

THENCE, ALONG SAID WESTERN LINE, THE FOLLOWING THREE (3) COURSES:

1) ALONG THE ARC OF NON-TANGENT 230.00 FOOT RADIUS CURVE TO THE
RIGHT, FROM WHICH THE CENTER OF SAID CURVE BEARS SOUTH 54°30'22" EAST, THROUGH A CENTRAL ANGLE OF 10°28'32", AN ARC DISTANCE OF 42.05 FEET,

2) NORTH 45°58'10" EAST 276.86 FEET, AND

3) ALONG THE ARC OF A TANGENT 970.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 00°32'15", AN ARC DISTANCE OF 9.10 FEET TO A POINT ON THE SOUTHERN LINE OF PARCEL 11, AS SAID PARCEL 11 IS SHOWN AND SO DESIGNATED ON SAID RECORD OF SURVEY (20 SURVEYS 110);

THENCE, ALONG SAID SOUTHERN LINE AND WESTERN AND NORTHERN LINES OF SAID PARCEL 11 (20 SURVEYS 110) THE FOLLOWING SEVENTEEN (17) COURSES:

1) NORTH 47°43'00" WEST 58.68 FEET,

2) ALONG THE ARC OF A TANGENT 45.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE 38°38'00", AN ARC DISTANCE OF 30.34 FEET,

3) ALONG THE ARC OF A COMPOUND 570.00 FOOT RADIUS CURVE TO THE LEFT, FROM WHICH THE CENTER OF SAID CURVE BEARS SOUTH 03°39'00" WEST, THROUGH A CENTRAL ANGLE OF 14°16'00", AN ARC

DISTANCE OF 141.93 FEET,

4) ALONG THE ARC OF A REVERSE 580.00 FOOT RADIUS CURVE TO THE RIGHT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 10°37'00" WEST, THROUGH A CENTRAL ANGLE OF 19°59'30", AN ARC DISTANCE OF 202.37 FEET,

5) ALONG THE ARC OF A REVERSE 1,220.00 FOOT RADIUS CURVE TO THE
LEFT, FROM WHICH THE CENTER OF SAID CURVE BEARS SOUTH 09°22'30" WEST, THROUGH A CENTRAL ANGLE OF 03°42'40", AN ARC DISTANCE OF 79.02 FEET,

6) NORTH 84°20'10" WEST 842.92 FEET,

7) ALONG THE ARC A TANGENT 1,970.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 08°42'50", AN ARC DISTANCE OF 299.61 FEET,

8) SOUTH 86°57'00" WEST 212.93 FEET,

9) ALONG THE ARC OF A TANGENT 355.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 29°19'10", AN ARC DISTANCE OF 181.66 FEET,

10) NORTH 63°43'50" WEST 166.36 FEET,

11) ALONG THE ARC OF A TANGENT 320.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 44°56'30", AN ARC DISTANCE OF 251.00 FEET,

12) ALONG THE ARC OF A REVERSE 1,030.00 FOOT RADIUS CURVE TO THE RIGHT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 18°40'20" WEST, THROUGH A CENTRAL ANGLE OF 06°03'10", AN ARC DISTANCE OF 108.81 FEET,

13) SOUTH 77°22'50" WEST 292.82 FEET,

14) ALONG THE ARC OF A TANGENT 370.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 09°50'40", AN ARC DISTANCE OF 63.57 FEET,

15) ALONG THE ARC OF A REVERSE 445.00 FOOT RADIUS CURVE TO THE RIGHT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 22°27'50" WEST, THROUGH A CENTRAL ANGLE OF 33°08'00", AN ARC DISTANCE OF 257.34 FEET,

16) NORTH 10°40'10" EAST 60.00 FEET, AND

17) ALONG THE ARC OF A NON-TANGENT 385.00 FOOT RADIUS CURVE THE LEFT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH 10°40'10" EAST, THROUGH A CENTRAL ANGLE OF 13°57'59", AN ARC DISTANCE OF 93.85 FEET TO A POINT ON THE WESTERN LINE OF SAID PARCEL 12, AS SAID PARCEL 12 IS SHOWN AND SO DESIGNATED ON SAID RECORD OF SURVEY (20 SURVEYS 110);

THENCE, ALONG SAID WESTERN LINE, THE FOLLOWING ELEVEN (11) COURSES:

1) NORTH 05°46'10" WEST 243.25 FEET,

2) ALONG THE ARC OF A TANGENT 530.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 06°12'50", AN ARC DISTANCE OF 57.48 FEET,

3) NORTH 00°26'40" EAST 123.80 FEET,

4) ALONG THE ARC OF A TANGENT 5,030.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 00°40'40", AN ARC DISTANCE OF 59.50 FEET,

5) NORTH 01°07'20" EAST 371.18 FEET,

6) ALONG THE ARC OF A TANGENT 90.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 53°27'20", AN ARC DISTANCE OF 83.97 FEET,

7) NORTH 52°20'00" WEST 57.65 FEET,

8) ALONG THE ARC OF A TANGENT 140.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 82°47'00", AN ARC DISTANCE OF 202.28 FEET,

9) NORTH 30°27'00" EAST 134.37 FEET,

10) ALONG THE ARC OF A TANGENT 170.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 89°07'10", AN ARC DISTANCE OF 264.42 FEET, AND

11) NORTH 58°40'10" WEST 70.02 FEET TO A POINT ON THE SOUTHERN LINE OF PARCEL 10, AS SAID PARCEL 10 IS SHOWN AND SO DESIGNATED ON SAID RECORD OF SURVEY (20 SURVEYS 110);

THENCE, ALONG SAID SOUTHERN LINE, NORTH 85°01'10" WEST 480.03 FEET;

THENCE, LEAVING SAID SOUTHERN LINE, NORTH 32°14'08" EAST 1,772.68 FEET TO A POINT ON SAID NORTHEASTERN LINE OF PARCEL 1(23 SURVEYS 104);

THENCE, ALONG SAID NORTHEASTERN LINE, THE FOLLOWING SEVEN (7) COURSES:

1) SOUTH 57°45'52" EAST 40.03 FEET,

2) NORTH 00°40'37" WEST 73.68 FEET,

3) SOUTH 56°04'56" EAST 225.68 FEET,

4) SOUTH 36°20'16" EAST 39.45 FEET,

5) SOUTH 57°36'50" EAST 1,135.76 FEET,

6) SOUTH 21°35'29" WEST 41.64 FEET, AND

7) SOUTH 57°53'16" EAST 1442.38 FEET TO SAID POINT OF BEGINNING.

CONTAINING 244.43 ACRES MORE OR LESS.

ATTACHED HERETO IS A PLAT TO ACCOMPANY LEGAL DESCRIPTION, AND BY THIS REFERENCE MADE A PART HEREOF.

END OF DESCRIPTION

ATTACHMENT NO. 3

HOUSING DEVELOPMENT AND AFFORDABLE PHASING REQUIREMENTS

[First referenced, Section 108]

A. Affordable Housing Requirements

In each of the three Phases of the Project, six percent (6%) of the residential units shall be affordable to very low income persons and families, eight percent (8%) of the residential units shall be affordable to low income persons and families (together, "Rental Affordable Housing"), and six percent (6%) of the residential units shall be affordable to persons and families of moderate income (collectively, with Rental Affordable Housing, "Inclusionary Housing"). All such units shall be subject to regulatory agreements which shall require, among other matters, that they remain affordable for at least fifty-five (55) years for Rental Affordable Housing and forty-five (45) years for moderate income Inclusionary Housing. In addition, ten percent (10%) of the units constructed in Phase 3 of the Project shall be priced for initial sale to persons and families whose incomes do not exceed "Workforce II" levels (150-180% of adjusted median income) (income restricted on individual sale only, with equity sharing for resales ("Workforce II Housing")). These requirements shall be implemented through Inclusionary Housing and Workforce II Housing Agreements with the County entered into by the Developer, as referenced in Sections 4 and 5 of Attachment No. 9, and binding on the Rental Affordable Housing Developers (as defined in Section 4 of Attachment No. 9), and, as applicable, developers of moderate income Inclusionary Housing and Workforce II Housing pursuant to the Development Approvals.

B. Conditions for Phasing of Rental Affordable Housing (Phases 1, 2 and 3)

1. In all Phases, the development of the income-restricted moderate income Inclusionary Housing units, and in Phase 3, the Workforce II Housing, which in the aggregate comprise 54% of the affordable units, shall be constructed concurrently with and completed at the same time as market rate units of comparable product type. As used herein, "market rate units" do not include Inclusionary and Workforce II Housing or the housing units in the Town Center. The development of market rate units shall be subject to the phasing requirements of the Rental Affordable Housing, as applicable, set forth below in this Paragraph B.

2. As a condition for the issuance of building permits for the 315th and above market rate units in Phase 1, Developer shall have rough graded the Rental Affordable Housing parcel(s), provided design review for project plans and constructed all the infrastructure necessary to serve construction of all of the Rental Affordable Housing units for Phase 1.

3. Prior to issuance of building permits for the 299th and above market rate units in Phase 2, construction of 50% of the Rental Affordable Housing units in Phase 1 shall have proceeded to the point of full enclosure including weatherproofing. As used herein, the term "weatherproofing" shall mean framing, roofing and windows.

4. Prior to the issuance of building permits for the 89th and above market rate units in Phase 3, the Developer shall have obtained certificates of occupancy for 100% of the Phase 1

Rental Affordable Housing units and shall have constructed 50% of the Rental Affordable Housing units in Phase 2 to the point of full enclosure including weatherproofing.

5. Prior to issuance of building permits for the 191st and above market rate units in Phase 3: (1) the Developer shall have obtained certificates of occupancy for all of the Phase 2 Rental Affordable Housing units; and (2) 50% of the Rental Affordable Housing units in Phase 3 shall have proceeded to the point of full enclosure including weatherproofing.

6. Prior to the issuance of certificates of occupancy for the 192nd and above market rate units in Phase 3, the Developer shall have obtained certificates of occupancy for all of the Rental Affordable Housing units in Phase 3.

7. In the event that a Rental Affordable Housing Developer does not secure timely financing or experiences construction delays or other Enforced Delay under Section 604 of this Agreement, notwithstanding its best efforts, or is in default under the terms of the Assignment and Assumption Agreement entered into between Developer and such Rental Affordable Housing Developer, such that there could be a withholding of building permits and/or certificates of occupancy for market rate units in the Project under this Part B of this Attachment No. 3, William Lyon Homes, Inc. ("Guarantor"), in its sole and absolute discretion, may execute and deliver to the Agency one or more guarantees, as applicable, of the completion of the Rental Affordable Housing units through a completion guaranty ("Completion Guaranty") substantially in the forms attached to this Agreement as Attachment No. 18, and, upon delivery of such Completion Guaranty(ies) to the Agency, the Agency and the County shall waive, without further condition, compliance with the conditions to issuance of building permits for market rate units in paragraphs 2 through 5, inclusive, and the issuance of certificates of occupancy for market rate units in paragraph 6, to which such guarantee(s) may be applicable.

8. To the extent Guarantor incurs costs in performing under its Completion Guaranty(ies) pursuant to Section 7 above of this Part B, the amount of such costs shall be deemed Project Costs for purposes of calculating the Developer's Target IRR (as defined in Section 3.b. of Part A of Attachment No. 4).

C. Market Rate Units (Affiliated Homebuilders). The provisions of this Part C of this Attachment No. 3 shall apply only to market rate units (as defined in Section 1 of Part B, above) to be constructed by a Member of Developer or an Affiliate of a Member of Developer ("Affiliated Homebuilder").

1. Following the filing of final maps and completion of finished lots in accordance with the Development Approvals, Developer shall commence the sale of lots to vertical developers, which may include Affiliated Homebuilders, for market rate units in each Phase of the Project within the times set forth in the Schedule of Performance (Attachment No. 5). The Developer anticipates that each conveyance will include such number of lots in a Phase for a particular Product Type as defined in Exhibit 1 to Attachment No. 9 as Developer shall elect (each such conveyance of all lots in a Product Type being a "Community", and each partial conveyance of lots in a Product Type being a "Subcommunity", as defined in Section 3.f.(ii) of Part A of Attachment No. 4). Each sale of a Community or Subcommunity to an Affiliated Homebuilder shall be made pursuant to an Assignment and Assumption Agreement

(substantially in the form set forth as Attachment No. 16) and shall include a Schedule of Performance which shall include the following provisions, subject to Enforced Delay under Section 604:

(i) Following the sale of a Community or Subcommunity to an Affiliated Homebuilder in Phase 1, the Affiliated Homebuilder shall commence and diligently complete the construction of model home(s) for such Community or Subcommunity within the times set forth in the Schedule of Performance. Upon the completion of the model home(s), the Affiliated Homebuilder of such Community or Subcommunity shall commence a sales program (consisting of a sales office, sales staff and marketing efforts) for the sale of homes and shall sell all homes (as evidenced by sales contracts) in such Community or Subcommunity within a 12-month period following the completion of the model home(s) or, in the case of a subsequent Subcommunity where the model homes have already been constructed, within a 12-month period following the transfer of the subsequent Subcommunity to the Affiliated Homebuilder. Sales shall be subject only to close of escrow for homes as they are completed and issued a certificate of occupancy by the County.

(ii) Following the sale of a Community or Subcommunity to an Affiliated Homebuilder in Phase 2 or 3, the Affiliated Homebuilder shall commence and diligently complete the construction of any model home(s) for such Community or Subcommunity if not already constructed as part of a prior Phase, and shall commence a sales program (consisting of a sales office, sales staff and marketing efforts) for the sale of homes in that Community or Subcommunity and shall sell all homes (as evidenced by sales contracts) in such Community or Subcommunity within a 12 month period following the completion of the model home(s), if applicable, or, if model homes have already been constructed in a prior Phase or in connection with an earlier Community or Subcommunity, a 12-month period following the transfer of the Community or Subcommunity to the Affiliated Homebuilder. Sales shall be subject to close of escrow for homes as they are completed and issued a certificate of occupancy by the County.

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:

AIRR = 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:				all types	
Phase:				all phases	
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				
	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 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 2 TO ATTACHMENT NO. 4

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

TEMPLATE FOR IRR CALCULATION

[FOLLOWING PAGE]

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 Assesments											
G & A (Post Closing) Expense											
Net Disbursements											
Net Cash Flow											

ATTACHMENT NO. 5
[First referenced, Section 202 (1)]

SCHEDULE OF PERFORMANCE
Updated: Sept. 19, 2005

Dates assume Board of Supervisor and Agency final approvals on 10/4/05 and expiration of all subsequent CEQA challenge periods without commencement of litigation (but not statutory challenge periods to development approvals or DDA), and are subject to the Enforced Delay provisions of Section 604.

LAND TRANSFER AND PAYMENT SCHEDULE

	ESTIMATED DATE	
Execution of Agreement	11/7/2005	Expiration of CEQA challenge period (30 days)
Opening of Escrow (includes $100,000 deposit)	11/7/2005	Upon execution of the agreement
Developer commences preliminary site work	2/6/2006	Approx. 90 days after execution of agreement
Preliminary Title Report is issued	1/6/2006	Approx. 60 days after execution of agreement
Developer and Agency approve Title Report	3/6/2006	Within 60 days from issuance of title report
Delivery of fees, charges, and costs to escrow	.3/31/2006	Two (2) business days prior to close of escrow
Close of Escrow/Site Conveyance	4/4/2006	Within 60 days upon satisfying pre-closing req'ments
Commence 1st Sales of CFD Bonds	12/1/2007	Prior to land transfer to vertical builders
1st Progress Report (Phase I and II)	2/1/2010	12 months after 2nd bulk sale to builders for Phase II
2nd Progress Report (Phase III)	2/1/2011	12 months after 2nd bulk sale to builders for Phase III
Final Progress Report (Phase I, II, and III)	8/1/2012	18 months after 2nd reporting date for Phase III

PHASE I - IMPROVEMENT SCHEDULE

	EXPECTED DATES		OUTSIDE DATE
Plan Processing	**Start**	**Finish**	**Start & Finish**
Grading Plans - design	Jan-05	Oct-05	add 3 months
Tree & Demo Grading Permit - submit/approval	Aug-05	Mar-06	add 3 months
Final Map / Imp. Plans - design	Dec-05	Jul-06	add 3 months
Final Map / Imp. Plan - submittal / approvals	Aug-06	Jan-07	add 3 months
Utility Plans - design / approvals	Jun-05	Jan-07	add 3 months
HORIZONTAL IMPROVEMENTS			
Developer submits equity and financing	Jan-06	Jan-06	add 3 months
Agency approves/disapproves financing	within 30 days	within 30 days	within 30 days
Tree Removal	Apr-06	Jul-06	add 3 months
Demolition	May-06	Aug-06	add 3 months
Fire Protection Line	Jun-06	Aug-06	add 3 months
Grading Operation	Sep-06	May-07	add 6 months
Erosion control - installation	Nov-06	Jan-07	add 6 months
Storm drain/force main – installation	Jan-07	Jun-07	add 6 months
Sewer – installation	Feb-07	Aug-07	add 6 months
Water – installation	Mar-07	Sep-07	add 6 months
Joint Trench – install	Apr-07	Oct-07	add 6 months
Curb & Gutter	Sep-07	Dec-07	add 6 months
Pavement Operation	Jan-08	Jan-08	add 6 months
Park Improvements, Common Areas	Mar-09	Mar-10	add 6 months

VERTICAL IMPROVEMENTS			
Submit Residential Documents to Agency	Sep-07	Oct-07	add 6 months
Agency approves Residential Documents	within 30 days	within 30 days	within 30 days
Agency approves Assign. & Assump. for verticals	Jan-08	Jan-08	add 6 months
Land Transfer for vertical development (models)	Jan-08	Jan-09	add 6 months
Models	Jan-08	Jul-08	add 6 months
Sales Program (per Section C of Attach. No. 3)	Aug-08	Aug-11	add 6 months
House Construction	Aug-08	Aug-11	add 6 months
Income-Restricted Units (subject to Attach. No. 3)	Aug-08	Feb-11	add 6 months
OFFSITE IMPROVEMENTS			
- Res. Rd(Main gate to Inter-Gar.)	Jun-07	Dec-08	add 6 months
- Inter-Garrison Connector	Jun-07	Dec-08	add 6 months
- Inter-Garrison TC/MCWD tank	Jun-07	Dec-08	add 6 months
- West Camp / Detent. Basin	Jun-07	Dec-08	add 6 months

SCHEDULE OF PERFORMANCE
Updated: Sept. 19, 2005

PHASE II - IMPROVEMENT SCHEDULE

	EXPECTED DATES		OUTSIDE DATE
PLAN PROCESSING	**Start**	**Finish**	**Start & Finish**
Grading Plans – design	Jan-05	Oct-05	add 3 months
Tree & Demo Grading Permit - submit/approval	Aug-05	Mar-06	add 3 months
Final Map / Imp. Plans - design	Apr-07	Sep-07	add 3 months
Final Map / Imp. Plan - submittal / approvals	Oct-07	Mar-08	add 3 months
Utility Plans - design / approvals	Jan-07	Nov-07	add 3 months
HORIZONTAL IMPROVEMENTS			
Developer submits evidence of financing	Oct-07	Oct-07	add 3 months
Agency approves/disapproves financing	within 30 days	within 30 days	within 30 days
Tree Removal	Apr-06	Jul-06	add 3 months
Demolition	May-06	Aug-06	add 3 months
Fire Protection Line	n/a	n/a	add 3 months
Grading Operation	Sep-06	May-07	add 6 months
Erosion control - installation	Nov-06	Jan-07	add 6 months
Storm drain/force main - installation	Jan-08	Jun-08	add 6 months
Sewer - installation	Feb-08	Aug-08	add 6 months
Water - installation	Mar-08	Sep-08	add 6 months
Joint Trench - install	Apr-08	Oct-08	add 6 months
Curb & Gutter	Sep-08	Dec-08	add 6 months
Pavement Operation	Jan-09	Jan-09	add 6 months
Park Improvements, Common Areas	Mar-10	Mar-11	add 6 months
VERTICAL IMPROVEMENTS			
Submit Residential Documents to Agency	Sep-08	Oct-08	add 6 months
Agency approves Residential Documents	within 30 days	within 30 days	within 30 days
Agency approves Assign. & Assump. for verticals	Jan-09	Jan-09	add 6 months
Land Transfer for vertical development (models)	Jan-09	Jan-10	add 6 months
Models	Jan-09	Jul-09	add 6 months
Sales Program (per Section C of Attach. No. 3)	Aug-09	Aug-12	add 6 months
House Construction	Aug-09	Aug-12	add 6 months
Income-Restricted Units (subject to attach. #3)	Aug-09	Feb-12	add 6 months
OFFSITE IMPROVEMENTS			
- Watkins Gate - Sloat/Barloy to Res. Rd.	Jun-08	Dec-09	add 6 months
- Sewer Lift Stations	Jun-08	Dec-09	add 6 months
- Fire Station	Jun-08	Dec-09	add 6 months

SCHEDULE OF PERFORMANCE
Updated: Sept. 19, 2005

PHASE III - IMPROVEMENT SCHEDULE

	EXPECTED DATES		OUTSIDE DATE
PLAN PROCESSING	**Start**	**Finish**	**Start & Finish**
Grading Plans - design	Jun-07	Nov-07	add 3 months
Tree & Demo Grading Permit - submit/approval	Nov-07	Mar-08	add 3 months
Final Map / Imp. Plans - design	Dec-07	Jul-08	add 3 months
Final Map / Imp. Plan - submittal / approvals	Aug-08	Jan-09	add 3 months
Utility Plans - design / approvals	Jun-07	Jan-09	add 3 months
HORIZONTAL IMPROVEMENTS			
Developer submits evidence of financing	Oct-08	Oct-08	add 3 months
Agency approves/disapproves financing	within 30 days	within 30 days	within 30 days
Tree Removal	Apr-08	Jul-08	add 3 months
Demolition	May-08	Aug-08	add 3 months
Fire Protection Line	n/a	n/a	add 3 months
Grading Operation	Sep-08	May-09	add 6 months
Erosion control - installation	Nov-08	Jan-09	add 6 months
Storm drain/force main - installation	Jan-09	Jun-09	add 6 months
Sewer - installation	Feb-09	Aug-09	add 6 months
Water - installation	Mar-09	Sep-09	add 6 months
Joint Trench - install	Apr-09	Oct-09	add 6 months
Curb & Gutter	Sep-09	Dec-09	add 6 months
Pavement Operation	Jan-10	Jan-10	add 6 months
Park Improvements, Common Areas	Mar-11	Mar-12	add 6 months
VERTICAL IMPROVEMENTS			
Submit Residential Documents to Agency	Sep-09	Oct-09	add 6 months
Agency approves Residential Documents	within 30 days	within 30 days	within 30 days
Agency approves Assign. & Assump. for verticals	Jan-10	Jan-10	add 6 months
Land Transfer for vertical development (models)	Jan-10	Jan-11	add 6 months
Models	Jan-10	Jul-10	add 6 months
Sales Program (per Section C of Attach. No. 3)	Aug-10	Aug-13	add 6 months
House Construction	Aug-10	Aug-13	add 6 months
Income-Restricted Units (subject to attach. #3)	Aug-10	Feb-13	add 6 months
OFFSITE IMPROVEMENTS			
- Historic District			
Developer execute Agreement with non-profit entity	Apr-06	Apr-06	add 6 months
Developer complies with SHPO covenant	Apr-06	Apr-06	add 6 months
Developer provides infrastructure to buildings	Jan-09	Jan-10	add 6 months
- Town Center			
Developer completes infrastructure	Jun-07	Jun-08	add 6 months
Developer completes 20,000 sf of TC obligation	Aug-08	Aug-10	add 6 months
Developer posts completion bond	Aug-10	Aug-10	add 6 months
Developer completes 34,000 sf of facilities	Jul-09	Aug-13	add 6 months
- Watkins Gate - West Camp to Sloat/Barloy	Jun-09	Dec-10	add 6 months

ATTACHMENT NO. 6

[INTENTIONALLY OMITTED]

ATTACHMENT NO. 7

FORM OF QUITCLAIM DEED

[SUBJECT TO CONFORMING AND CLARIFYING CHANGES PRIOR TO EXECUTION]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Monterey County
Resource Management Agency
Office of Housing and Redevelopment
168 West Alisal Street, Third Floor
Salinas, CA 93901

Attention: Executive Director

No fee for recording pursuant to
Government Code Section 27383

QUITCLAIM DEED

THE REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY, a public body, corporate and politic, herein called "Grantor", acting to carry out the Redevelopment Plan (defined below) under the Community Redevelopment Law of California, hereby remises, releases and quitclaims to EAST GARRISON PARTNERS I, LLC, a California limited liability company, herein called "Grantee", all of Grantor's right, interest, title and claim to the real property situated in the County of Monterey, State of California, more particularly described in Exhibit A attached hereto (the "Property").

SUBJECT, however, to easements of record, the Redevelopment Plan for the Fort Ord Redevelopment Project Area adopted by Ordinance No. 4136 of the Board of Supervisors of the County of Monterey on February 19, 2002, hereinafter called the "Redevelopment Plan," which is incorporated and made a part of this Quitclaim Deed with the same force and effect as though set forth in full herein, and the Disposition and Development Agreement by and between Grantor and Grantee, dated as of October 4, 2005, [as may be amended], a copy of which is on file with the Secretary of the Grantor, hereinafter referred to as the "DDA," which DDA is incorporated and made a part of this Quitclaim Deed with the same force and effect as though set forth in full herein, and the certain conditions, covenants and restrictions as follows:

Section 1. Mandatory Language in All Subsequent Deeds and Leases.

The Grantee covenants and agrees, for itself and its successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national

origin, ancestry or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Grantee itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property and the Improvements thereon.

All deeds, leases or contracts made relative to the Property and the Improvements thereon or any part thereof, shall contain or be subject to substantially the following non-discrimination clauses:

(a) In deeds: "The grantee herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through the lessee, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee, or any person claiming under or through the lessee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants or vendees in the land herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee, or any person claiming under or through the transferee, establish or permit any such practice or practices of

discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants or vendees in the land."

Section 2. Grantor Right of Reverter.

Subject to the terms of Sections 512 and 513 and Enforced Delays under 604 of the DDA, the Grantor shall have the right to re-enter and take possession of the conveyed Site or any Phase or portion thereof from Grantee with all improvements thereon (the "Revested Parcel"), and revest in the Grantor the estate previously conveyed to the Grantee ("Right of Reverter") if after conveyance to Grantee of title to the Property or such Phase or portion thereof and prior to the issuance of the Certificate of Completion therefore pursuant to Section 320 of the DDA, the Grantee shall, as to the Revested Parcel:

a. Fail to commence construction of approved improvements on the Site or such Phase or portion thereof within the time set forth in the Schedule of Performance (Attachment 5 to the DDA) (unless such failure results from an Enforced Delay under Section 604 of the DDA or was caused by the Grantor or County); for purposes of this provision, the Grantee shall be deemed to "commence construction" when and only when the Grantee has commenced rough grading on the Property or such Phase or portion thereof pursuant to a permit issued by the County for the construction of the improvements provided for under the DDA;

b. Once construction has been commenced in accordance with subparagraph a. above, fail to diligently prosecute construction of the improvements through completion within the applicable time set forth in the Schedule of Performance, where such failure has not been cured within ninety (90) days after written notice thereof from the Grantor (unless such failure results from an Enforced Delay under Section 604 of the DDA or was caused by the Grantor or County);

c. Abandon or substantially suspend construction of the improvements for a period of ninety (90) days after written notice of such abandonment or suspension from the Grantor or, if such failure cannot be reasonably cured within such ninety (90) day period, failure to reasonably act to cure such failure in a timely manner (unless such abandonment or failure was caused by the Grantor or County or resulted from an Enforced Delay under Section 604 of the DDA);

d. Without the prior written consent of Grantor, directly or indirectly, voluntarily or involuntarily sell, assign, transfer, dispose of or further encumber or agree to sell, assign, transfer, dispose of or further encumber or suffer to exist any other lien against all or any

portion of or any interest in the Site or any Phase or portion thereof, except for any sale, transfer, disposition, assignment or encumbrance that is expressly permitted by the terms of the DDA; and

e. If any event under a. through d. above is caused by or is attributable to a successor, assignee or transferee of the Grantee under an Assignment and Assumption Agreement, and the Grantee shall fail, within ninety (90) days of written notice from the Grantor either: (a) to commence to enforce the Grantee's remedies under the Assignment and Assumption Agreement to cause such successor, assignee or transferee to cure the failure, or (b) to commence to act to repurchase the Property or Phase or portion thereof and vest title in the Grantee who shall have, upon such repurchase and revesting, a reasonable period of time to either (x) cure such failure or (y) resell the Property or Phase or portion thereof repurchased by the Grantee to another assignee or transferee pursuant to an Assignment and Assumption Agreement approved by the Grantor; and

f. Provided, however, that prior to the Grantor's exercising its Right of Reverter under this Section 2 or under Section 512 of the DDA, the Agency Governing Board and the County Board of Supervisors shall hold a joint public hearing (with reasonable notice to and an opportunity to be heard by the Grantee) on the decision to exercise its Right of Reverter under this Section 2 or under Section 512, and consideration of the reasons therefor and alternatives to such action by the Grantor, including, without limitation, opportunities available to continue or mutually renegotiate terms of the DDA with Grantee's members and lenders.

Such Right of Reverter shall be subordinate and subject to and be limited by and shall not defeat, render invalid or limit:

1. Any mortgage, deed of trust or other security instrument permitted by the DDA; or

2. Any rights or interests provided in the DDA for the protection of the holder of such mortgages, deeds of trust or other security instruments;

3. Any rights or interests of bondholders or other parties under financing mechanisms adopted or approved by the County as part of the Development Approvals (as such term is defined in the DDA).

4. Upon revesting in the Grantor of title to the Revested Parcel as provided in this Section and in Section 512 of the DDA, the Grantor shall, pursuant to its responsibilities under state law, use its best efforts to resell the Revested Parcel as soon as possible, in a

commercially reasonable manner and for not less than its fair reuse value and consistent with the objectives of such law and of the Redevelopment Plan, to a qualified and responsible party or parties (as determined by the Grantor) who will assume the obligation of making or completing such improvements as are acceptable to the Grantor in accordance with the uses specified for the Revested Parcel in the Redevelopment Plan and in a manner satisfactory to the Grantor. Upon such resale of the Revested Parcel the proceeds thereof shall be applied as follows:

(a) First, to reimburse the Grantor on its own behalf or on behalf of the County for all costs and expenses reasonably incurred by the Grantor, including but not limited to salaries of personnel and legal fees directly incurred in connection with the recapture, management, and resale of the Revested Parcel (but less any income derived by the Grantor from any part of the Revested Parcel); all taxes and installments of assessments incurred and payable prior to resale, and water and sewer charges with respect to the Revested Parcel incurred and payable prior to sale; any payments made or required to be made to discharge any encumbrances or liens, except any FORA liens, existing on the Revested Parcel at the time of revesting of title in the Grantor or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of the Grantee, its successors or transferees; expenditures made or obligations incurred which are necessary or required to preserve the value or protect the Revested Parcel or any part thereof; and any amounts otherwise owing the Grantor by the Grantee and its successors or transferees.

(b) Second, to reimburse the Grantee, its successors or transferees, up to the amount equal to the sum of the following, as reasonably allocated by the Grantee to the Revested Parcel:

(1) The Initial Land Payment or portion thereof for the Revested Parcel paid by the Grantee; plus

(2) The amounts of any Participation Payments for the Revested Parcel paid to the Grantor pursuant to Section 3 of Part A of Attachment No. 4 to the DDA; plus

(3) Pre-development and development costs paid or incurred by the Grantee for the Revested Parcel; plus

(4) All other costs pertaining to the acquisition or development of the Revested Parcel, including but not limited to premiums and self-insured retentions for insurance (including the FORA PLL and any Grantee excess or supplemental environmental insurance coverage), and loans made by the Grantee to the Grantor and not repaid; plus

(5) Payments made by the Grantee pursuant to financing mechanisms adopted or approved by the County as part of the Development Approvals, and the costs actually incurred by the Grantee for on-site labor and materials for the construction of the improvements existing or in process on the Revested Parcel

or applicable portion thereof at the time of the repurchase, reentry and repossession, exclusive of amounts financed.

Included with the above amounts shall be the fair market value of the improvements the Grantee has placed on the Revested Parcel, less any gains or income withdrawn or made by the Grantee from the Revested Parcel or the improvements thereon. Notwithstanding the foregoing, the amount calculated pursuant to this subsection (b) shall not exceed the fair market value of the Revested Parcel together with the improvements thereon as of the date of the default or failure which gave rise to the Grantor's exercise of the Right of Reverter.

(d) Any balance remaining after such reimbursements shall be retained by the Grantor as its property.

Section 3. Use and Maintenance.

The Grantee covenants and agrees for itself, its successors, its assigns, its transferees and every successor in interest that during construction and thereafter, the Grantee and its successors, transferees and assignees shall devote the Property and Phases thereof to the uses specified in the Redevelopment Plan, the Development Approvals and the DDA for the periods of time specified therein; provided that in the event of any conflict between the foregoing, the Development Approvals shall govern and control.

In the event that there arises at any time prior to the expiration of the above covenants a condition in contravention of those standards, then the Grantor shall give written notice to the Grantee of the deficiency, and the Grantee shall commence to cure, correct or remedy such condition and shall complete such cure, correction or remedy with reasonable diligence.

Section 4. Prohibition Against Transfer of Property and Assignment of Agreement.

Subject to the provisions of Section 314 of the DDA, after conveyance of title and prior to the issuance by the Grantor of a Certificate of Completion for the Property or any Phase or portion thereof pursuant to Section 320 of the DDA, the Grantee shall not, except as expressly permitted by Section 107 of the DDA, sell, transfer, convey, assign or lease the whole or any part of the Property not covered by a Certification of Completion or the existing buildings or improvements thereon without the prior written approval of the Grantor which shall not be unreasonably withheld, conditioned or delayed. This prohibition shall not apply subsequent to the issuance of the Certificate of Completion for the Property or any Phase or portion thereof for which a Certificate of Completion has been issued. This prohibition shall not be deemed to prevent the granting of easements or permits to facilitate the development of the Property, or prohibit or restrict the sale or leasing of any part or parts of a building or structure conditioned upon completion of said improvements as evidenced by a Certificate of Completion, or to restrict any acquisition financing or construction financing therefor.

In the absence of specific written agreement by the Grantor, no such transfer or assignment or approval by the Grantor shall be deemed to relieve the Grantee or any other party from any obligations under the DDA until completion of development as evidenced by the issuance of a Certificate of Completion for the Property or any Phase or portion thereof unless

the Grantor has approved an Assignment and Assumption Agreement with respect to such transaction pursuant to Section 107 of the DDA.

Section 5. Enforcement.

Except as otherwise provided in the DDA (including, without limitation, Sections 312, 314 and 320), the covenants contained in this Quitclaim Deed shall remain in effect until the termination date of the Redevelopment Plan as such Redevelopment Plan may be amended pursuant to the provisions of Section 701 of the DDA. Under Section 1100.2 of the Redevelopment Plan, the Redevelopment Plan terminates 30 years from the date the County Auditor certifies to the Director of Finance, pursuant to Health and Safety Code Section 53492.9, as the date of the final day of the first fiscal year in which One Hundred Thousand Dollars ($100,000) or more of tax increment funds from the Redevelopment Project Area are or have been paid to the Grantor. **[INSERT THIS DATE IF DETERMINED AT TIME OF EXECUTION OF DEED.]** When the date of termination of the Redevelopment Plan is established, the Grantor shall issue a recordable instrument setting forth such date for purposes of this section and the Redevelopment Plan, and such date shall be inserted in all deeds and other instruments referring to such date. The covenants against discrimination shall remain in effect in perpetuity. Further, environmental covenants or indemnifications by the Army and/or FORA for their grantees, transferees and successors and assigns shall also remain in place in perpetuity. The covenants established in this Quitclaim Deed shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Grantor, its successors and assigns, the Grantee and any successor in interest to the Property or any Phase or portion thereof.

The Grantor and the Grantee are each deemed the beneficiary of the terms and provisions of this Quitclaim Deed and of the covenants running with the land for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit the covenants running with the land have been provided. The covenants shall run in favor of the Grantor and the Grantee without regard to whether the Grantor or the Grantee has been, remains or is an owner of any land or interest therein in the Property or any Phase or portion thereof, any parcel or subparcel, or in the Redevelopment Project Area. The Grantee and the Grantor shall have the right, if the covenants are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it may be entitled.

Section 6. Army/FORA Grant Deed Provisions. **[TO BE INSERTED BASED ON THE FINAL ARMY/FORA GRANT DEED PROVISIONS, AND, AS APPLICABLE the Memorandum of Agreement entered into by the U.S. Fish & Wildlife Service, Army, FORA, County and Developer,] and recorded _____.**

Section 7. Capitalized Terms.

Capitalized terms used in this Quitclaim Deed, if not otherwise defined, shall have the meaning given to such terms in the DDA.

Date: _____

REDEVELOPMENT AGENCY OF THE
COUNTY OF MONTEREY

By: _____
Its: _____

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

ATTACHMENT NO. 8-A

FORM OF QUITCLAIM DEED (TERMINATION)

[First referenced, Section 202 (19)]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Space above this line for Recorder's use

MAIL TAX STATEMENTS TO:

The Redevelopment Agency of the County of Monterey _____ _____ Attn: _____	DOCUMENTARY TRANSFER TAX $0 Computed on the consideration or value of property conveyed; Signature of Declarant or Agent determining tax

QUITCLAIM DEED (TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT)

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, EAST GARRISON PARTNERS I, LLC, a California limited liability company, does hereby REMISE, RELEASE AND QUITCLAIM to THE REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY the real property in the County of Monterey, State of California described on Exhibit A attached hereto.

The delivery of this Quitclaim Deed shall evidence that as to the Property herein described, the rights of East Garrison Partners I, LLC, under that certain Disposition and Development Agreement dated as of October 4, 2005, by and between the Redevelopment Agency of the County of Monterey and East Garrison Partners I, LLC, have been terminated pursuant to the provisions of Section 511 of said Disposition and Development Agreement.

Dated : _____

EAST GARRISON PARTNERS I, LLC,
a California limited liability company

By: Woodman Development Company LLC,
a California limited liability company

By: _____
John Anderson, President

By: _____
Its: _____

By: Lyon East Garrison Company I, LLC,
a California limited liability company, as a member

By: William Lyon Homes, Inc., a California
corporation, as its managing member

By: _____
Its: _____

By: _____
Its: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

EXHIBIT A

DESCRIPTION OF PROPERTY

[TO BE INSERTED AT THE TIME OF DELIVERY OF DEED

PER SECTION 511.]

ATTACHMENT NO. 8-B

FORM OF QUITCLAIM DEED (RIGHT OF REVERTER)

[First referenced, Section 202 (19a)]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Space above this line for Recorder's use

MAIL TAX STATEMENTS TO:

The Redevelopment Agency of the County of Monterey Attn:	DOCUMENTARY TRANSFER TAX $0 Computed on the consideration or value of property conveyed; Signature of Declarant or Agent determining tax

QUITCLAIM DEED (RIGHT OF REVERTER UNDER DISPOSITION AND DEVELOPMENT AGREEMENT)

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, EAST GARRISON PARTNERS I, LLC, a California limited liability company, does hereby REMISE, RELEASE AND QUITCLAIM to THE REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY the real property in the County of Monterey, State of California described on Exhibit A attached hereto.

The delivery of this Quitclaim Deed shall evidence that as to the real property herein described, one or more of the events set forth in (a) through (d) of Section 512 of that certain Disposition and Development Agreement ("DDA") dated as of October 4, 2005, by and between the Redevelopment Agency of the County of Monterey ("Agency") and East Garrison Partners I, LLC ("Developer"), has occurred, creating in the Agency a right to re-enter and take possession of the real property herein described, subject to the terms and provisions set forth below.

The delivery of this Quitclaim Deed further evidences that pursuant to Section 512 of the DDA and Section 3 and 4 of that certain Quitclaim Deed from Agency (as Grantor) to Developer (as Grantee) recorded in the Official Records of Monterey County on _____, as Document No. _____ (the "Agency Deed"), and after the exhaustion of remedies available to the Agency and Developer under Section 513 of the DDA, the Governing Board of the Agency and the Monterey County Board of Supervisors have held a joint public hearing (with reasonable notice to and an opportunity to be heard having been given to Developer) and approved the exercise by the Agency of its Right of Reverter under Section 512 of the DDA and

under the Agency Deed, after having considered the reasons therefor and alternatives to such action by the Agency, including, without limitation, opportunities available to continue or mutually renegotiate terms of the DDA with Developer's members and lenders.

Limitations on Right of Reverter

The rights granted by this Quitclaim Deed are expressly subordinate and subject to and are limited by and shall not defeat, render invalid or limit:

1. Any mortgage, deed of trust or other security instrument permitted by the DDA; or

2. Any rights or interests provided in the DDA for the protection of the holder of such mortgages, deeds of trust or other security instruments;

3. Any rights or interests of bondholders or other parties under financing mechanisms adopted or approved by the County as part of the Development Approvals, as such term is defined in the DDA.

4. Upon revesting in the Agency of title to the Revested Parcel as provided in Section 512 of the Agreement and in the Agency Deed, the Agency shall, pursuant to its responsibilities under state law, use its best efforts to resell the Revested Parcel as soon as possible, in a commercially reasonable manner and for not less than its fair reuse value and consistent with the objectives of such law and of the Redevelopment Plan for Fort Ord Redevelopment Project, within which this real property is included, to a qualified and responsible party or parties (as determined by the Agency) who will assume the obligation of making or completing such improvements as are acceptable to the Agency in accordance with the uses specified for the Revested Parcel in the Redevelopment Plan and in a manner satisfactory to the Agency. Upon such resale of the Revested Parcel the proceeds thereof shall be applied as follows:

(a) First, to reimburse the Agency on its own behalf or on behalf of the City for all costs and expenses reasonably incurred by the Agency, including but not limited to salaries of personnel and legal fees directly incurred in connection with the recapture, management, and resale of the Revested Parcel (but less any income derived by the Agency from any part of the Revested Parcel); all taxes and installments of assessments incurred and payable prior to resale, and water and sewer charges with respect to the Revested Parcel incurred and payable prior to sale; any payments made or required to be made to discharge any encumbrances or liens, except any FORA liens, existing on the Revested Parcel at the time of revesting of title in the Agency or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of the Developer, its successors or transferees; expenditures made or obligations incurred which are necessary or required to preserve the value or protect the Revested Parcel or any part thereof; and any amounts otherwise owing the Agency by the Developer and its successors or transferees.

(b) Second, to reimburse the Developer, its successors or transferees, up to the amount equal to the sum of the following as reasonably allocated by the Developer to the Revested Parcel:

(1) The Initial Land Payment or portion thereof for the Revested Parcel paid by the Developer; plus

(2) The amounts of any Participation Payments for the Revested Parcel paid to the Agency pursuant to Section 3. of Part A of Attachment No. 4 to the DDA; plus

(3) Pre-development and development costs paid or incurred by the Developer for the Revested Parcel; plus

(4) All other costs pertaining to the acquisition or development of the Revested Parcel, including but not limited to premiums and self-insured retentions for insurance (including the FORA PLL and any Developer excess or supplemental environmental insurance coverage), and loans made by the Developer to the Agency and not repaid; plus

(5) Payments made by the Developer pursuant to financing mechanisms adopted or approved by the County as part of the Development Approvals (as defined in the DDA), and the costs actually incurred by the Developer for on-site labor and materials for the construction of the improvements existing or in process on the Revested Parcel or applicable portion thereof at the time of the repurchase, reentry and repossession, exclusive of amounts financed.

Included with the above amounts shall be the fair market value of the improvements the Developer has placed on the Revested Parcel, less any gains or income withdrawn or made by the Developer from the Revested Parcel or the improvements thereon. Notwithstanding the foregoing, the amount calculated pursuant to this subsection (b) shall not exceed the fair market value of the Revested Parcel together with the improvements thereon as of the date of the default or failure which gave rise to the Agency's exercise of the Right of Reverter.

(c) Any balance remaining after such reimbursements shall be retained by the Agency as its property.

Dated: _____

EAST GARRISON PARTNERS I, LLC,
a California limited liability company

By: Woodman Development Company, LLC,
a California limited liability company,

By: _____
John Anderson, President

By: _____
Its: _____

By: Lyon East Garrison Company I, LLC,
a California limited liability company, as a member

By: William Lyon Homes, Inc., a California
corporation, as its managing member

By: _____
Its: _____

By: _____
Its: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is/are) subscribed to the within instrument, and acknowledged to me that (he/she/they) executed the same in (his/her/their) authorized capacit(-y/-ies), and that by (his/her/their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary Public

ATTACHMENT NO. 9

SCOPE OF DEVELOPMENT

[First referenced, Section 202(22)(h) and (i)]

Subject in all instances to the other Development Approvals (including but not limited to the Specific Plan, Master Tentative Map and Development Agreement), which shall govern and control in the event of a conflict, the Agency and Developer agree on the following scope of development to generally serve as a guide to the planning and development of the Site.

1. **Development Concept**: The Site will be developed as a new community with residential, commercial, public, cultural and open space land uses, as set forth in the Development Approvals, including the Pattern Book, which shall be administered by the County. The community will consist of a number of residential neighborhoods surrounding a mixed use Town Center. The Development Approvals allow for the development of up to one thousand four hundred (1,400) residential units, plus up to seventy (70) second units ("carriage"), each on the same lot as a residential unit, including 280 Inclusionary Housing units, 140 "Workforce II" Housing units, and market rate housing, a mixed use Town Center with commercial and office and residential uses, Public Facilities and institutional uses, an Arts District including 65 live/work units and artist studio space as part of a Historic District, and open space, parks and recreational areas, as more specifically set forth in the Development Approvals. Residential Product Types shall not exceed the maximum square footage for each Product Type set forth in Exhibit No. 1 to this Attachment No. 9.

2. **Development Approach**: Developer shall serve as the land development entity and, except as otherwise provided in this Agreement, shall build out all infrastructure including parks and public parking areas and shall obtain all entitlements (including approval of a Pattern Book to be prepared by Developer) required under the Development Approvals for the Project. The Parties acknowledge that Developer may sell portions of the Project to third party merchant homebuilders who shall build and market the housing pursuant to Assignment and Assumption Agreements referred to in Section 107 of this Agreement. It is contemplated that portions of the Project shall be sold to and at least one-half of the market rate units in the Project will be built by Affiliated Homebuilders. All of the market rate units shall be developed and sized in a manner consistent with promoting affordability by design, consistent with the Pattern Book. Mechanisms and procedures are included in Section 3. of Part A of Attachment No. 4 to assure that conveyances of development pads to Affiliated Homebuilders and to third party builders shall take place at fair market value in an arm's length transaction.

3. **Historic District; Arts District/Studio Space:** The Historic District is subject to the Historic District Agreement (defined in Part G of Attachment No. 4).

The Agency and the Developer agree that as conditions to closing, (1) the Developer shall comply with the conditions of the Historic District Agreement; (2) a non-profit corporation will be identified by the Developer, which may be ArtSpace or an affiliate thereof, which will qualify as an Internal Revenue Code Section 501(c)(3) organization; and (3) the Agency, the Developer and the non-profit corporation will enter into a contract providing for the maintenance

and rehabilitation of buildings in the Historic District to be conveyed to the non-profit corporation. The Developer will commit the financial contributions described in Part G of Attachment No. 4 to the non-profit corporation, which shall deposit them in an account subject to Agency and Developer signature authority. In the event that tax increment funds are not available at the time the non-profit corporation wishes to initiate rehabilitation of the buildings in the Historic District, it will seek interim financing from foundations or other similar sources, possibly in the form of a program related investment loan secured by a pledge of the tax increment, and shall not be required to proceed with rehabilitation unless and only to the extent such financing is available to it.

The Agency will convey all of the Site to the Developer in a single conveyance, except the 23 contributing buildings as referenced in Exhibit 2 hereto and an amount of unimproved land surrounding those buildings, for logical building sites for conveying and mapping purposes to be agreed upon by the Parties, to remain in the Historic District at closing. The Parties contemplate that prior to the recordation of a final map which includes the Historic District, title to the 23 contributing buildings and an amount of unimproved land surrounding the buildings in the Historic District will be retained by the Agency (with a metes and bounds description) and excluded from the conveyance of the Site to the Developer; provided, that the Developer shall include parcels for the 23 contributing buildings on the final map for the Historic District for the Agency's reference in further conveyances of those buildings and parcels. The Agency shall also retain Parcel 13. (See Exhibit 2 to Attachment 9.) This parcel shall be excluded from the conveyance of the Site to the Developer, and Developer shall include this parcel on the final map.

The Agency will convey by lease or in fee to the non-profit corporation the 20 buildings to be maintained and rehabilitated by the non-profit corporation and will retain the three buildings planned for public use and public ownership; provided that with respect to such three retained buildings, the Agency shall enter into an agreement with the non-profit corporation for the maintenance and timely rehabilitation of such buildings to Agency specifications in accordance with the standards approved by SHPO at the sole cost of the Agency. Following rehabilitation of those three retained buildings, the Agency shall convey them to the County. To the extent reasonably necessary, easements for access to and as necessary for site preparation and to provide infrastructure for the 20 buildings to be rehabilitated and owned by or leased to the non-profit corporation, as well as to the three buildings to be used as public facilities and owned by the County or the Agency, shall be reserved by or granted to the Developer.

The non-profit corporation will operate and maintain the 20 buildings to be owned or leased by it and will fund its program activities from a combination of (1) the initial endowment fund established by the Developer contributions, (2) rental or lease income from the property and (3) charitable grants and contributions. Neither the Developer nor the Agency shall have any ongoing responsibility for the operation of the non-profit corporation or of the 20 buildings owned or leased by it.

4. **Inclusionary Housing**: The Developer shall enter into an Inclusionary Housing Agreement with the County, in a form acceptable to the County, Agency, and Developer, prior to the recordation of the first final map for the project. A minimum of 20% of all residential units constructed in each phase of the Project must be affordable to persons and families of very low,

low and moderate income levels, as follows: 6% for very low, 8% for low and 6% for moderate income, all subject to appropriate deed restrictions to assure their continued affordability in accordance with the requirements of the CRL, the Inclusionary Housing Agreement, the County's Inclusionary Housing Ordinance with such modifications of its requirements as approved by the Board of Supervisors, and the Development Approvals and, as applicable, tax credit and bond financing requirements; provided that the Rental Affordable Housing units shall continue to be affordable for a term of at least 55 years from issuance of the Certificate of Occupancy for the particular unit and the for-sale moderate income Inclusionary Housing units shall continue to be affordable for a term of at least 45 years from the issuance of the certificate of occupancy by the County for the particular unit. Moderate income Inclusionary Housing units will be developed by a Member or Affiliate of a Member of the Developer or by a merchant builder as part of the development of the market rate units. Rental Affordable Housing units shall be developed by one or more qualified tax credit entities (each a "Rental Affordable Housing Developer") selected by the Developer, subject to the reasonable approval of the Agency. The Developer shall provide finished graded and infrastructure serviced pads to the Inclusionary Housing development sites; provided that the pads for the Rental Affordable Housing shall be conveyed to the Rental Affordable Housing Developer at such time as the Agency subsidy payment (or payments from the Developer as part of the Shortfall Loan) under Section b. of Part H of Attachment No. 4 is available for such units and the Rental Affordable Housing Developer has obtained tax credit financing and bonded construction contracts for each phase or segment of the Rental Affordable Housing units to be developed. Eligibility for, and pricing of, the Inclusionary Housing units under this Section 4 shall be calculated according to the methodology set forth in the Inclusionary Housing Agreement consistent with the terms of this Agreement. The County will be solely responsible for selection of buyers for the moderate income Inclusionary Housing units and shall make the selection through a lottery process in accordance with the procedures set forth in the Administrative Manual for the County of Monterey Inclusionary Housing Program (dated May 2003). The County shall not impose any local preference policies for eligibility for the Rental Affordable Housing units.

For purposes of calculations of the total number of affordable units and required percentages of Inclusionary Housing units, the total number of residential units constructed in the Project shall not include secondary or "carriage" units developed on the same lot. For purposes of counting total residential units and required percentages of Inclusionary Housing units, if a fraction results, it shall be rounded down to a whole number if the fraction is less than ½ and rounded up to the next whole number if the fraction is ½ or greater.

5. Sale of Workforce Homes.

The Developer, pursuant to this Agreement and the Development Approvals, is required to sell not less than ten percent (10%), or One Hundred Forty (140) of the residential units to be developed within Phase 3 of the Project at Affordable Workforce II Housing Costs to qualified Workforce II homebuyers (hereafter "Workforce II Housing"). "Workforce II" levels are defined as 150-180% of area median income for Monterey County, adjusted for household size. Eligibility for, and pricing of, Workforce II Housing under this Section 5 shall be calculated as provided in the Workforce II Housing Agreement to be entered into by the County and Developer pursuant to the Development Approvals, consistent with the terms of this Agreement. Prior to the recordation of the first Final Map for the Project, the Developer shall execute a

Workforce II Housing Agreement with the County, in a form acceptable to the County, the Agency and Developer, that sets forth the Workforce II Housing requirements for the Project as a whole, consistent with this Agreement and the Development Approvals. The Workforce II Housing Agreement shall address the parameters of the purchase and resale of the Workforce II Housing, including without limitation the location, size, design, initial pricing, equity sharing, marketing, eligibility of and selection of buyers, and recordation of implementing documents. Unless the County retains sole responsibility for the selection of buyers of Workforce II Housing, the County shall not impose any local preference policies for eligibility for Workforce II Housing units.

The Developer shall sell or cause to be sold, the Workforce II Housing at purchase prices assuming a down payment not exceeding 10% and the principal amount of a first mortgage loan that may be obtained by a qualified Workforce II homebuyer and such other factors affecting the homebuyer's monthly housing costs (e.g., property taxes, homeowners' association dues, and special assessments) that will result in County's calculation of a monthly housing cost for the qualified Workforce II homebuyers based on a housing cost equal to 40% of actual eligible gross income divided by 12. The purchase price shall not exceed fair market value of the Workforce II Housing units. The Agency shall approve the terms of sale of the Workforce II Housing units prior to completion of the sales. The County shall assist the Developer or developers of the Affordable Housing Developer in developing a pool of qualified Workforce II homebuyers and in selection of qualified Workforce II homebuyers to purchase the Workforce II Housing units. In the event that the Developer cannot find qualified Workforce II homebuyers following reasonable efforts, the Developer shall submit documentation to the County of its reasonable efforts to find qualified Workforce II homebuyers and notify the County of its inability to find such buyers. Following County's determination that Developer has made reasonable efforts, County shall have 120 days to find qualified Workforce II homebuyers and/or exercise its option to purchase the Workforce II Housing unit for the price set forth in this Section. If the County does not find a qualified Workforce II homebuyer or exercise its option with respect to a particular unit within the 120 days, the Developer may sell the unit at fair market value.

As a condition of purchase of a Workforce II Housing unit, each qualified Workforce II homebuyer shall be required to execute a promissory note for the benefit of the Monterey County Community Housing Trust (or, if the Monterey County Community Housing Trust is not in existence, the County or the Agency), secured by a deed of trust and recorded on the property upon which the Workforce II Housing unit is located, for an amount equal to the difference between the fair market price determined by the County at the time of the initial sale and the restricted sales price (initial subsidy), including reasonable interest, to be payable at the time of the re-sale of the Workforce II Housing unit. In addition, said promissory note and deed of trust shall include an amount (determined by the County through a specified calculation) that provides for sharing of future appreciation, between the homeowner and the Monterey County Community Housing Trust in the re-sale value of the home based on a sliding scale that provides for payment of an increasing percentage of the appreciation to the homeowner over time to encourage retention of the home by the initial homeowner. The proceeds from the repayment of the promissory note by the homeowner at the time of re-sale shall be used by the beneficiary (Monterey County Community Housing Trust) for the purposes of encouraging/assisting in the construction and/or retention of workforce housing in Monterey County. The Community

Housing Trust deed of trust shall be subordinate to any first mortgage for the home, but not less than in third position.

6. **Town Center**: The Parties recognize that the development of the Town Center is an important part of the design of the Project and agree that the market for retail and commercial space at East Garrison is uncertain and cannot accurately be predicted. Under the Development Approvals, the maximum amount of square footage allowed for the Town Center commercial mixed use parcels is 120,000 square feet (including up to 75,000 square feet of commercial). The Town Center shall be developed with a minimum of 34,000 square feet of neighborhood serving retail, civic and other non-residential uses, as set forth in Section 2 of Part G of Attachment No. 4 hereto, provided that 4,000 square feet of the Library/Sheriff's Substation that Developer is obliged to provide funding for under Section 8(i)(b) of this Attachment No. 9 shall count toward satisfying the Developer's 34,000 square feet Town Center Construction Obligation.

The financial terms governing the Town Center parcels (as described in Exhibit 2 hereto) are set forth in Section 2 of Part G of Attachment No. 4 hereto.

7. **Open Space**: The provisions for open space shall be governed by the Development Approvals as to amount, timing and maintenance.

8. **Public Facilities**: Developer shall be responsible for providing $3.5 million (indexed to the ENR Cost Index, as first defined in Part B of Attachment No. 4) (the "Developer's Contribution") for the design and construction of the Mandatory Public Facilities within the Project, as described below, and, if approved by the County, to provide construction management services for a fee, provided that the Agency provides binding assurances including the escrow of funds, to the reasonable satisfaction of the Developer, of any funding obligation necessary to complete such Public Facilities.

(i) Mandatory Public Facilities

a. *Fire Station*, as a first priority for the Developer's Contribution, which shall be designed, constructed and equipped at a time and in a location approved by the County consistent with a Contract between the Developer and the SRFD (the "SRFD Contract") approved by the County, which SRFD Contract shall be a condition to closing. In the time and manner required by such SRFD Contract with SRFD, the Developer shall pay up to the sum of $2.3 million (as indexed to the ENR Cost Index) or such other amount (not to exceed, in any event, the amount of the Developer's Contribution) as shall be specified in the SRFD Contract, which funds shall be used to design, construct and equip the fire station pursuant to the Contract. If, pursuant to the SRFD Contract, the Developer, subject to the express consent of the County, will act as the development or construction manager, the Developer will require, and the Agency agrees, that the SRFD Contract amount shall include a management fee payable to the Developer in an amount of five percent (5%) of the total SRFD Contract amount exclusive of the management fee. The payment of such amount by the Developer shall constitute the Developer's sole obligation to

contribute to the costs of design, construction and equipping of the fire station, and the County shall assist the Developer in limiting the Developer's costs to an amount not to exceed $2.3 million, as indexed to the ENR Cost Index, if feasible, under the SRFD Contract; provided, as a condition to the expenditure of all or any portion of the Developer's Contribution to design, construct and equip the fire station, the Agency shall agree to pay any costs in excess of such amount and shall demonstrate to the reasonable satisfaction of the Developer and SRFD its ability to timely make such payment as a priority under Section c. of Part H of Attachment No. 4 above, from the $5.5 million the Agency has committed to Public Facilities.

b. *Library and Sheriff's Substation Facility*, as a second priority for any portion of the Developer's Contribution remaining after the first priority, at the time the Agency and Developer determine it is time to proceed with development, but no later than six months after the conveyance of the first Development Parcel in Phase 3, the Developer shall pay up to $1.2 million (as indexed to the ENR Cost Index), or such amount of the Developer's Contribution as shall remain after the first priority toward the costs of the design and construction of the library and sheriff's substation facility (including, if Developer, subject to the express consent of the County, will act as the development or construction manager, a management fee to the Developer in the amount of five percent (5%) of the total project cost exclusive of the management fee); provided that in lieu of the deposit of such funds into an escrow account, the Developer may provide the Agency with a payment bond assuring in such form and amount as the Agency shall reasonably require that the Developer will pay for such design and construction up to such amount as the work progresses. The payment of such amount by the Developer shall constitute the Developer's sole obligation to contribute to the costs of design and construction of the facility, and the Agency, as a condition to the Developer's obligation to incur the expenditure of any portion of the Developer's Contribution remaining after the first priority, shall agree to pay any costs in excess of such amount and shall demonstrate to the reasonable satisfaction of the Developer and the County its ability to timely make such payment as a priority under Section c. of Part H of Attachment No. 4 above, from the $5.5 million the Agency has committed to Public Facilities.

In no event shall the Developer's total obligation to contribute to the costs of (the Mandatory Public Facilities (including management fees payable to the Developer) under a. and b., above, exceed the total amount of the Developer's Contribution of $3.5 million (as indexed to the ENR Cost Index).

(ii) Other Public Facilities (to the extent funds are available from the Agency's commitment of $5.5 million for the costs of Public Facilities after providing funding, if required, for the costs of completing the Mandatory Public Facilities under (i).a. and b., above.)

Prior to close of escrow, the Agency and the Developer shall agree on a list of other Public Facilities (designated by the Agency, except as otherwise required by the Specific Plan and the Conditions of Approval) and a schedule for planning and development of those listed Public Facilities subject to payment of the costs thereof from the tax increment available to the Agency under priority e. in Part H of Attachment No. 4 and the amount of the Developer's Contribution of $3.5 million (as indexed to the ENR Cost Index) remaining, if any, after all expenditures are made to satisfy the first and second priorities under Section 8 (i) a. and b., above. The Public Facilities to be provided and to be finally determined by the Agency, include, but are not limited to, the following as listed on Exhibit No. 2 to this Attachment No. 9:

a. Day Care Center,

b. Youth Center,

c. Community Services District Offices, and

d. Sports and Recreation Center on the site of the Battle Simulation Building;

provided, however, that the Developer shall be under no obligation to contribute any amount to the costs of such Public Facilities in excess of the remaining amount, if any, of the Developer's Contribution of $3.5 million (as indexed to the ENR Cost Index) after the first and second priorities under Section 8 (i) a. and b., above, are satisfied, and Developer shall have no obligation to build such Public Facilities and the Agency shall be responsible for the design and construction of such Public Facilities, and shall agree to pay any costs in excess of such amount to complete such Public Facilities and shall demonstrate to the reasonable satisfaction of the Developer and the County its ability to timely make such payment. The Agency shall also retain Parcels E24 and B1. (See Exhibit 2 to Attachment 9.) These parcels shall be excluded from the conveyance of the Site to the Developer, and Developer shall include these parcels on the final map.

(iii) Reallocation of Funds.

Except for funds required to be contributed to Mandatory Public Facilities, the Agency shall have the discretion to reallocate up to the remaining amount of the Developer's Contribution, if any, and Agency funding to Public Facilities for the Project from the list in (ii), above, designated by the Agency provided sufficient funding is available to complete those designated Public Facilities.

9. Habitat Management: Developer and its successors and assigns shall comply with any border/transitional area requirements for portions of the Site immediately adjacent to Bureau of Land Management land, as well as with the Endangered Species Act Memorandum of Agreement between the U.S. Fish and Wildlife Service, Army, FORA, County and Developer, which is expected to be entered into and recorded prior to conveyance of the Site.

10. Processing Consultant: Agency and County will retain, at Developer's request, a consultant (or if agreed to by Developer, a dedicated temporary "at will" employee of the Agency or County to act as the County's East Garrison Project Manager whose sole duties will

be devoted to managing and facilitating the implementation of the Project) to manage for and at the direction of the Agency and the County the timely processing of entitlements for the Project and other services for the Agency or County as requested by the Developer or as may be required by the Development Approvals, the costs of which will be paid by Developer monthly within 30 days of invoicing. If the Developer requests the County and/or Agency to retain such a consultant, the Agency will use its best efforts in consultation with the Developer to do so within 30 days of Developer's request. The Agency and County also agree, at Developer's request, to provide on the same basis as above the retention of outside plan check and/or inspection services for both improvement plans and building construction or, in the alternative as approved by the Developer, the hiring of a qualified person dedicated exclusively to providing such services for the development of the Site.

EXHIBIT 1 TO

ATTACHMENT NO. 9

MAXIMUM SIZES OF PRODUCT TYPES

East Garrison Market Rate Units	*# OF UNITS*	*MAX. SQ. FT.*
Garden (2,450 SF Lot)		
Plan 1	Minimum 22	1,650
Plan 2	Minimum 30	1,760
Plan 3	Minimum 30	1,925
Plan 4	30 - 50	2,090
Plan 5	39 - 63	2,200
Total	**201**	
Grove (2,100 SF Lot)		
Plan 1	Minimum 43	1,430
Plan 2	50 - 82	1,650
Plan 3	50 - 82	1,870
Total	**189**	
Bungalow (4,000 SF Lot)		
Plan 1	Minimum 26	2,310
Plan 2	26 - 44	2,530
Plan 3	40 - 66	2,750
Plan 4	40 - 66	2,860
Total	**176**	
Village (4,550 SF Lot)		
Plan 1	Minimum 12	1,980
Plan 2	13 - 21	2,200
Plan 3	13 - 21	2,420
Total	**50**	
Bluff (5,000 SF Lot)		
Plan 1	0	2,700
Plan 2	7 - 12	3,190
Plan 3	8 - 16	3,410
Total	**21**	
Cottage (5,000 SF Lot)		
Plan 1	Minimum 32	2,750
Plan 2	32 - 52	2,970
Plan 3	43 - 69	3,190
Total	**140**	
Town Center Condos		
Plan 1	Minimum 11	715
Plan 2	Maximum 29	970
Total	**40**	
Condo Lofts		
Plan 1	Minimum 22	990
Plan 2	28 - 46	1,100
Plan 3	29 - 47	1,320
Plan 4	34 - 56	1,485
Total	**150**	
Live/Work		
Plan 1	Minimum 11	1,925
Plan 2	11 - 19	2,172
Plan 3	14 - 24	2,310
Total	**49**	
Townhomes		
Plan 1	Minimum 15	1,760
Plan 2	Minimum 20	1,925
Plan 3	20 - 32	2,090
Plan 4	24 - 40	2,200
Total	**104**	
Total for market rate/Workforce II units	**1120**	

EAST GARRISON
PRODUCT TYPES BY PHASE AND COMMUNITY
September 19, 2005
[Subject to revision from time to time based on Final Maps approved under the Development Approvals]

Affordable Product Types*		Ave.		Ave.	Ph 1	Ph 2	Ph 3	Project
Product Type	Description	Lot Size	Type	Sq. ft.	Total	Total	Total	Total
Arts Space Afford. Live/Work	Live/Work Rent	NA	3-Story	1,100	0	0	65	65
Affordable Apts	Apartment for rent	NA	2/3 Story	902	49	49	0	98
Affordable Apts (Townhome)	Townhome for rent	22 X 70	3-Story	1,300	16	16	0	32
Affordable Townhomes (Sale)	Townhome for sale	22 X 70	2-Story	1,300	17	30	35	82
Condos/Lofts	Workforce II inc.	N/A	3-story	1,136	0	0	140	140
Affordable Grove Lots	Moderate inc.	30 X 70	2-Story	1,300	0	0	3	3
				Total	**82**	**95**	**243**	**420**

*** 30% of total units**

Market Rate Product Types		Ave.		Ave.	Ph 1	Ph 2	Ph 3	Project
Product Type	Description	Lot Size	Type	Sq. ft.	Total	Total	Total	Total
Garden	Alley Loaded	35 X 70	2-story	1,776	61	73	67	201
Courtyard	4 Pack Cluster	65 X 70	2-story	2,004	50	0	0	50
Bungalow	Alley Loaded	40 X 100	2-story	2,411	82	72	22	176
Groves	Small SF	30 X70	2-story	1,506	0	98	91	189
Villages	Alley-loaded	50 X 100	2-story	2,720	68	72	0	140
Bluffs	Alley-loaded	50 X 100	2-story	3,014	12	0	9	21
Live/Work	Mkt MF	22 X 70	3-story	1,955	9	7	33	49
Condos/Lofts	Mkt MF	N/A	3-story	1,136	0	0	10	10
Market Townhome	Walk-up TH	22 X 70	2.5 story	1,793	43	61	0	104
				Total	**325**	**383**	**232**	**940**
				Subtotal Units	**407**	**478**	**475**	**1360**
Towncenter								
Condo/Apt.	Condo/Apt	N/A	2/3-story	813	0	0	40	40
				Project total Units	**407**	**478**	**515**	**1400**

EXHIBIT 2 TO

ATTACHMENT NO. 9

LIST OF CERTAIN REFERENCED PARCELS

Tentative Map
Parcel Description

Parcel Name	Parcel Description (Tentative Map)
Day Care Center (Agency retained building and parcel in Historic District)	E25
Youth Center (Agency retained building and parcel in Historic District)	E1
Community Services District Offices (Agency retained building and parcel in Historic District)	E9
Sports and Recreation Center Agency retained parcel (Battle simulation building site)	E24
Library and Sheriff's Substation Site – Agency retained parcel (Town Center)	B1
SRFD Fire Station (Town Center)	F1
20 buildings and parcels in Historic District (nonprofit corporation)	E2-E8, E10-E12, E14-E23
Theater – Agency retained parcel (nonprofit corporation)	E13
County ¼ acre parcel to be conveyed to Developer	H5, H6 B2 and lots 749 and 750 Street A1
Town Center Parcels	B2, B3, B4, B5, B6

ATTACHMENT NO. 10

FORM OF PROMISSORY NOTE

[First referenced, Part H of Attachment No. 4

FORM OF
PROMISSORY NOTE AND AGREEMENT ("NOTE")

NOT TO EXCEED
$5,500,000 [Indexed]

_____, 200__
_____, California

FOR VALUE RECEIVED, THE **REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY**, a public body, corporate and politic (the "Agency"), having an address at County Administrative Offices, 168 West Alisal, Salinas, CA 93901, promises to pay **EAST GARRISON PARTNERS I, LLC**, a California limited liability company ("Developer"), the principal sum not to exceed FIVE MILLION FIVE HUNDRED THOUSAND DOLLARS ($5,500,000), or so much of such principal as may be advanced by the Developer (the "Principal Sum") together with interest at the rate set forth below. **[NOTE: PRINCIPAL AMOUNT MAY BE ADJUSTED AS IT IS INDEXED TO ENR COST INDEX, AS DEFINED IN PART B. OF ATTACHMENT NO. 4.]**

This Note is made and delivered pursuant to and in implementation of that certain Disposition and Development Agreement (the "DDA") between the Agency and Developer, dated October 4, 2005, in connection with the vertical construction of housing units in the Project (as defined in the DDA) to be made available and restricted to occupancy by persons and families of very low and low income. Capitalized terms in this Note shall have the meanings used in the DDA unless otherwise defined herein. Pursuant to Section b. of Part H of Attachment No. 4 to the DDA, and subject to the priorities set forth in said Section b. of Part H, the Agency has agreed 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, up to $48,469 (indexed to the ENR Cost Index) per very low income and low income ("Rental Affordable Housing") unit (not to exceed a total amount of $9.5 million (indexed to the ENR Cost Index)), solely for the purpose of subsidizing the costs related to vertical construction of said units in the Project. Said Section b. further provides that, 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 (indexed to the ENR Cost Index) (the Shortfall Loan") that the Agency is obligated to contribute for the Rental Affordable Housing units. This Note represents the amount of Shortfall Loan which is advanced for or on behalf of the Agency pursuant to Section b. of Part H of Attachment No. 4 to the DDA.

This Note is a special limited obligation of the Agency payable solely from tax increment bond proceeds or Available Tax Increment Revenues from the Project (as defined below). This

Note shall not be deemed an obligation of the County of Monterey or any other entity other than the Agency.

1. Definitions.

a. "Agency's Subsidy Obligation" means an amount, up to $48,469 per Rental Affordable Housing unit, to be paid by the Agency 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 person and families of very low and low income. The Agency's Subsidy Obligation is exclusive of any subsidy to be provided by the Developer or a Rental Affordable Housing Developer, as provided for under Section b. of Part H of Attachment No. 4 to the DDA.

b. "Available Tax Increment Revenues from the Project" shall mean the property tax revenues paid to and received by the Agency from the entire East Garrison Project pursuant to Health and Safety Code Section 33670, less (a) any amounts required to be allocated to and paid to affected taxing agencies pursuant to Health and Safety Code Section 33607.5, and less (b) the Agency's actual annual costs of administering the Redevelopment Project Area not otherwise reimbursed by the Developer, 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, which costs are to be paid from Available Tax Increment Revenues from the Project as the first priority order pursuant to Section b. of Part H of Attachment No. 4 to the DDA.

2. Principal Sum. The Principal Sum of this Note shall be the aggregate amount of all advances of the Agency's Subsidy Obligation paid by the Developer for or on behalf of the Agency in accordance with Section b. of Part H of Attachment No. 4 to the DDA. On the date hereof, the Developer has advanced and paid for or on behalf of the Agency the sum of _____ DOLLARS ($_____), which amount shall be denoted on the Exhibit A attached hereto, and which amount shall be periodically increased by the amount of the Developer's subsequent advances paid for or on behalf of the Agency in accordance with Section b. of Part H of Attachment No. 4 to the DDA.

The date and amount of each additional advance by the Developer of the Agency's Subsidy Obligation paid for or on behalf of the Agency shall be noted and initialed by the Agency and Developer on the Exhibit A attached hereto.

This Note shall be cumulative, ultimately reflecting the total amount of the Developer's advances of the Agency's Subsidy Obligation paid for or on behalf of the Agency, which shall not exceed the principal amount of FIVE MILLION FIVE HUNDRED THOUSAND DOLLARS ($5,500,000) (indexed to the ENR Cost Index).

3. Interest. Interest shall accrue on the outstanding Principal Sum at the higher of Seven Percent (7%) or One Percent (1%) over the prime interest rate announced by Wells Fargo Bank, N.A., from time to time, compounded annually until repaid in full; provided that in the event of a default by the Agency under Section 9 of this Note, interest shall accrue from the time

of such default on the Principal Sum plus any unpaid interest thereon at the higher of Nine Percent (9%) or Two Percent (2%) over the prime commercial interest rate announced by Wells Fargo Bank, N.A., from time to time, not to exceed the maximum rate permitted by law, compounded annually until said default is cured.

4. Secured Note. This Note shall be secured by, and shall constitute a lien by the Developer against, the Available Tax Increment Revenues from the Project, and except as hereinafter provided, upon a default in payment of this Note, the Developer shall be entitled to enforce payment of this Note against the Agency to the full extent of the Available Tax Increment Revenues from the Project.

5. Transfer and Assignment. This Note may be assigned or transferred by the Developer at its option; provided that the Developer shall notify the Agency in writing prior to any such assignment or transfer.

6. Limited Recourse Note. This is a limited recourse Note whereby the Agency has no personal liability for repayment of the sums evidenced hereby, and the Developer must resort only to the Available Tax Increment Revenues from the Project for repayment should the Agency fail to repay the sums evidenced hereby.

7. Prepayment. The Agency shall have the right to prepay, at any time and from time to time, all or any portion of the Principal Sum, together with any accrued interest, of this Note without any premium or penalty.

8. Payments. The Agency shall make payments on this Note not later than thirty (30) days following the receipt by the Agency of Available Tax Increment Revenues from the Project or proceeds of Tax Allocation Bonds. The Agency shall apply its tax increments and proceeds of Tax Allocation Bonds to effectuate the repayment of this Note in the earliest feasible time. Payments shall be credited first to any accrued but unpaid interest, and then to unpaid principal under this Note. Payment shall be made in lawful money of the United States to Developer at _____. The place of payment may be changed from time to time as the Developer may from time to time designate in writing.

9. Defaults. The occurrence of any of the following shall constitute an event of default under this Note: (i) Agency fails to pay any amount due hereunder within fifteen (15) days of its due date; or (ii) Any default by Agency under the DDA after the expiration of applicable notice and cure periods.

Upon the occurrence of any event of default, or at any time thereafter, at the option of the Developer hereof and without notice, the entire unpaid principal and interest owing on this Note shall become immediately due and payable. This option may be exercised at any time following any such event, and the acceptance of one or more installments thereafter shall not constitute a waiver of Developer's option. Developer's failure to exercise such option shall not constitute a waiver of such option with respect to any subsequent event. Developer's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the

indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.

10. Attorneys' Fees; Enforcement Costs. If either party commences an action against the other to enforce or interpret any provision of this Note, the prevailing party shall be entitled to have and recover reasonable attorneys' fees and costs of suit from the other party. The Agency agrees to pay all reasonable collection and enforcement costs, expenses and attorneys' fees paid or incurred by the Developer or adjudged by a Court in any action required to be brought by the Developer to enforce collection of any sums owed hereunder.

11. Waivers. Agency and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without any way affecting or discharging this liability.

12. Notices. Any notices provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested at the address stated in this Note or at such address as either party may designate by written notice.

13. Binding Effect. This Note shall be binding upon Agency, its successors and assigns.

14. Invalidity. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

15. Governing Law. This Note shall be governed by and be construed in accordance with the laws of the State of California.

AGENCY:

REDEVELOPMENT AGENCY OF THE
COUNTY OF MONTEREY

By _____
Executive Director

ATTEST:

By: _____
Secretary

DEVELOPER:

EAST GARRISON PARTNERS I, LLC,
a California limited liability company

BY: WOODMAN DEVELOPMENT COMPANY LLC,
a California limited liability company, as a member

By: Woodman Development Company, Inc.,
a California corporation, as its
managing member

By:_____
John Anderson
President

and

BY: LYON EAST GARRISON COMPANY I, LLC,
a California limited liability company, as a member

By: William Lyon Homes, Inc., a
California corporation, as its
managing member

By:_____

Its:_____

By:_____

Its:_____

EXHIBIT A

LIST OF ADVANCES OF PRINCIPAL

Date	Amount	Agency's Initials	Developer's Initials
	$		

ATTACHMENT NO. 11

LIST OF PRE-APPROVED LENDERS

[First referenced, Section 205]

California Bank & Trust, a California banking corporation

Guaranty Bank, a federal savings bank organized and existing under the laws of the United States

RFC Construction Funding Corp., a Delaware corporation

California National Bank, a national banking association

Indymac Bank, F.S.B.

Comerica Bank-California, a California banking corporation

Bank One, a national banking association

Lowe Enterprises Residential Advisors, LLC, a Delaware limited liability company

Hearthstone, Inc., a California corporation

IHP Capital Partners, a California corporation (fka Institutional Housing Partners, Inc.)

Resmark Equity Partners, LLC, a Delaware limited liability company

La Salle Bank

Weyerhauser Realty Investors Inc., a Washington corporation

Capstone Realty Advisors

Bank of America

Wachovia Bank, N.A.

J.P. Morgan Chase Bank, NA

LNR Western Properties, Inc.

Lehman Bros.

Rockpointe LLC

Westbrook LLC

Terrabrook LLC

ATTACHMENT NO. 12

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

Space Above this Line for Recorder's Use Only

FORM OF CERTIFICATE OF COMPLETION OF CONSTRUCTION AND DEVELOPMENT

FORT ORD REDEVELOPMENT PROJECT

EAST GARRISON PROJECT
FORD ORD, COUNTY OF MONTEREY
[PARCEL _____]

WHEREAS, pursuant to a Disposition and Development Agreement as of dated October 4, 2005 (the "DDA"), by and between the REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY (hereinafter referred to as the "Agency") and EAST GARRISON PARTNERS I, LLC, a California limited liability company (hereinafter referred to as the "Developer"), the Developer [or its assignee: _____] is developing or has developed the real property (the "Property") legally described on the attached Exhibit A by constructing, or causing to be constructed, the improvements thereon according to the terms and conditions of said DDA; and

WHEREAS, the Property constitutes a portion of the entire Site (as defined in the DDA) which is subject to the DDA; and

WHEREAS, pursuant to Section 320 of the DDA, promptly after completion of all work of construction and development to be completed by the Developer **[or its assignee]** upon any portion of the Site or Phase thereof (including, without limitation, individual facilities, improvements, buildings or structures), the Agency is required to furnish the Developer **[or its assignee]** with a Certificate of Completion for such portion of the Site or Phase thereof, upon written request therefor by the Developer **[or its assignee]**; and

WHEREAS, the issuance by the Agency of a Certificate of Completion shall be conclusive evidence that the Developer **[or its assignee]** has satisfactorily completed the work of construction and development as described in Exhibit B in full compliance with the terms of the DDA pertaining to the development of such portion or Phase of the Site; and

WHEREAS, the Developer **[or its assignee]** has requested that the Agency furnish the Developer **[or its assignee]** with a Certificate of Completion pertaining to that portion of the Site constituting the Property; and

WHEREAS, the Agency has conclusively determined that the work of construction and development on the Property as described in Exhibit B, and as required by the DDA, has been satisfactorily completed;

NOW, THEREFORE:

1. As provided in the DDA, the Agency does hereby certify that the work of construction and development on the Property as described in Exhibit B has been fully and satisfactorily performed and completed, and that such development is in full compliance with said DDA. [**INSERT ADDITIONAL STATEMENT FOR FINAL CERTIFICATE**: Agency further does hereby certify that ALL work of construction and development to be completed by Developer **[or its assignee]** under the DDA has been satisfactorily performed and completed and this document is the FINAL Certificate of Completion pertaining to the Property]

2. Any party owning or hereafter purchasing, leasing or otherwise acquiring any interest in the Site or such Phase or portion thereof covered by this Certificate of Completion shall not (because of such ownership, purchase, lease or acquisition) incur any obligation or liability under the DDA, except that such party shall be bound by any covenants contained in the deed, lease, mortgage, deed of trust, contract or other instrument of transfer, including without limitation those contained in Sections 401-405 of the DDA. Except as otherwise provided herein, neither the Agency, the County nor any other person shall have any rights, remedies or controls with respect to the Site or such Phase or portion thereof as described in Exhibit A that it would otherwise have or be entitled to exercise under the DDA as a result of a default in or breach of any provision of the DDA, and the respective rights and obligations of the parties with reference to the Site or applicable Phase or portion thereof shall be as set forth in the Quitclaim Deed of the Site from the Agency to the Developer, which shall be in accordance with the provisions of Sections 401-405 of the DDA.

3. This Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of a mortgage or any issuer of a mortgage securing money loaned to finance the improvements or any part thereof. Such Certificate of Completion is not a notice of completion as referred to in California Civil Code Section 3093.

IN WITNESS WHEREOF, the Agency has executed this Certificate as of this ____ day of _____, 200__.

"AGENCY":

REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY

By:_____
Executive Director

ATTEST:

By:_____
Secretary

ACCEPTED BY:

"DEVELOPER [OR "ASSIGNEE"]:

By: _____

Its:_____

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

[To Be Inserted – To include only that portion or phase of the Site covered by the Certificate of Completion.]

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, before me, the undersigned notary public, personally appeared ___ _____,

[ ] personally known to me; or
[ ] proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged to me that he / she executed the same in his / her authorized capacity, and that by his / her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

Type of Document: _____

* * * * *

STATE OF CALIFORNIA)
COUNTY OF)

On _____, before me, the undersigned notary public, personally appeared ___ _____,

[ ] personally known to me; or
[ ] proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged to me that he / she executed the same in his / her authorized capacity, and that by his / her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

Type of Document: _____

EXHIBIT B

LIST OF COMPLETED WORK

[To be Inserted – To include only that work completed on the portion or phase of the Site covered by the Certificate of Completion.]

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, before me, the undersigned notary public, personally appeared ___ _____,

[ ] personally known to me; or
[ ] proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged to me that he / she executed the same in his / her authorized capacity, and that by his / her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

Type of Document: _____

* * * * *

STATE OF CALIFORNIA)
COUNTY OF)

On _____, before me, the undersigned notary public, personally appeared ___ _____,

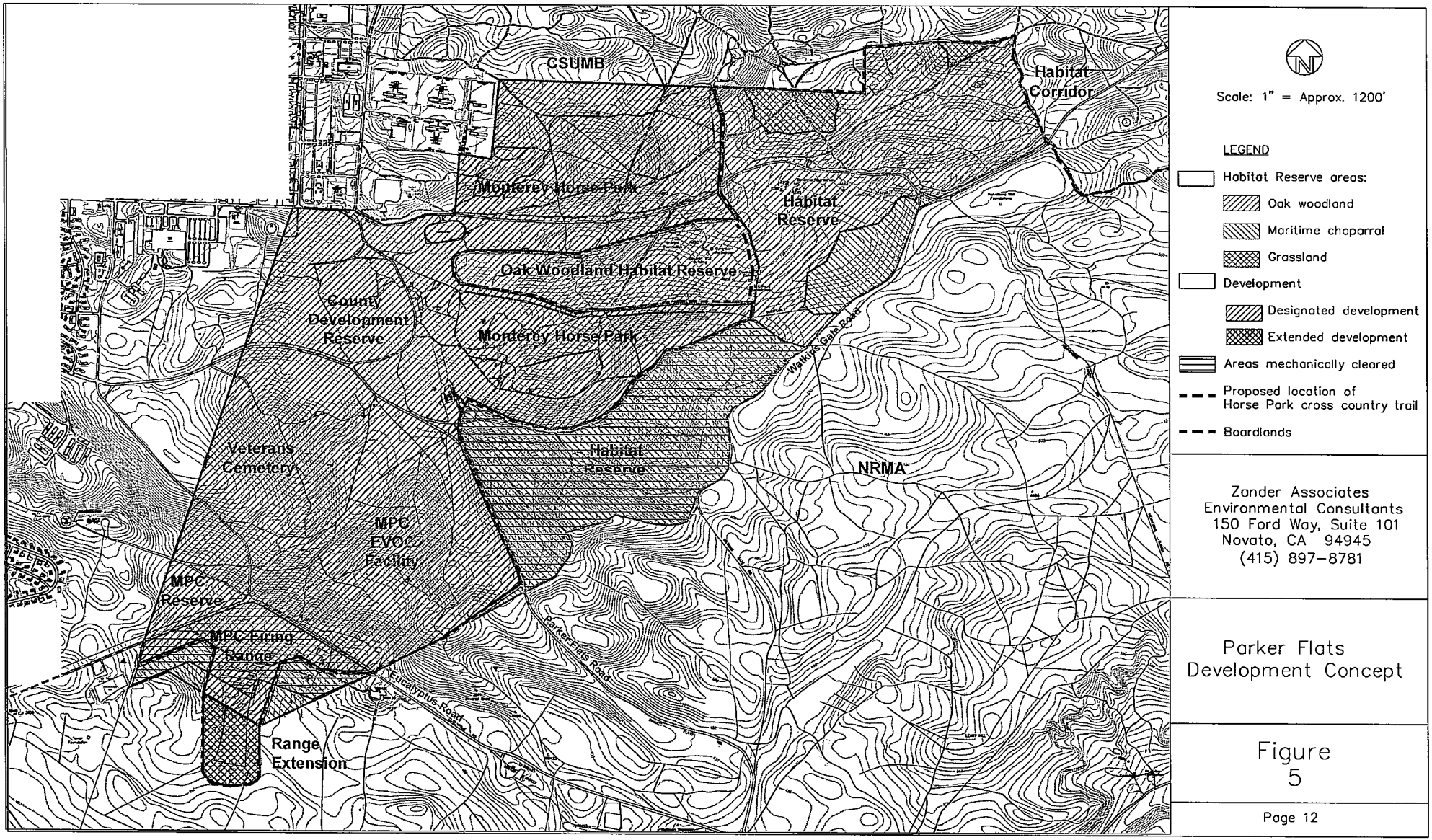
[ ] personally known to me; or
[ ] proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged to me that he / she executed the same in his / her authorized capacity, and that by his / her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____
Type of Document: _____

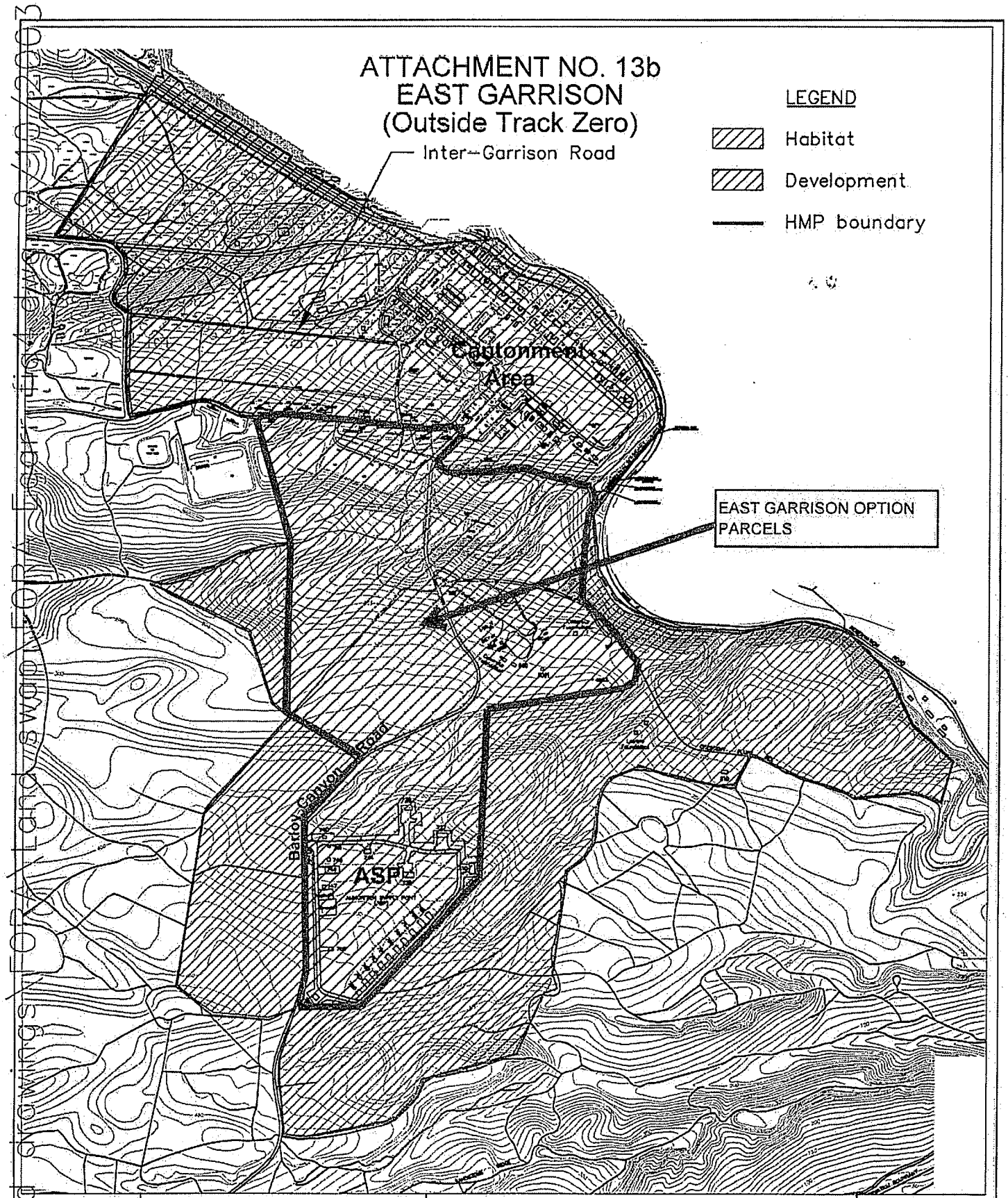
ATTACHMENT NO. 13a
MAP OF OPTION PARCELS
(PARKER FLATS)



Zander Associates
Environmental Consultants
150 Ford Way, Suite 101
Novato, CA 94945
(415) 897-8781

Parker Flats
Development Concept

Figure
5



Zander Associates
Environmental Consultants
150 Ford Way, Suite 101
Novato, CA 94945
(415) 897-8781

Proposed Development Footprint at East Garrision

Figure 4

ATTACHMENT NO. 14

[INTENTIONALLY OMITTED]

ATTACHMENT NO. 15

[INTENTIONALLY OMITTED]

ATTACHMENT NO. 16

FORM OF
ASSIGNMENT AND ASSUMPTION AGREEMENT

[SUBJECT TO CONFORMING CHANGES PRIOR TO TRANSFER; MAY BE COMBINED INTO AGREEMENT ASSIGNING RIGHTS UNDER DEVELOPMENT AGREEMENT]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED, RETURN TO:

_____
_____
_____
_____

PARTIAL ASSIGNMENT AND ASSUMPTION AGREEMENT

(PARCEL _____, PURSUANT TO DISPOSITION AND DEVELOPMENT AGREEMENT AND AGENCY DEED: EAST GARRISON PROJECT)

THIS PARTIAL ASSIGNMENT AND ASSUMPTION AGREEMENT (herein "this Agreement") is entered into as of _____, 200__ (the "Effective Date"), by and among EAST GARRISON PARTNERS I, LLC, a California limited liability company (herein "Master Developer") and _____, a _____ (herein "Assignee") and [is consented to] [acknowledged and accepted] by the REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY ("Agency") [and approved by the County of Monterey ("County")].

RECITALS

A. Master Developer entered into a Disposition and Development Agreement with the Agency dated as of October 4, 2005 (the "DDA") setting forth rights, terms and conditions and requirements for the acquisition and development of certain real property described therein (the "Site") included within the Fort Ord Redevelopment Project Area. Pursuant to the DDA, the property subject to this Agreement will be developed as part of a new mixed-use community with residential, commercial, office, research, public, cultural, recreation, park and open space land uses (the "Project"). Unless otherwise defined in this Agreement, capitalized terms shall have the same meanings as set forth in the DDA.

B. Master Developer owns a portion of the Site pursuant to that certain Quitclaim Deed, dated as of _____, from the Agency to Master Developer, which Deed was recorded in the Official Records of the Monterey County Recorder on _____, 200_, as Instrument No. _____ (the "Agency Deed"), setting forth certain disclosures, covenants, restrictions and requirements pertaining to the Assigned Parcel (as defined below), as well as the Remaining Site (as defined below).

C. Subject to Agency approval as provided in the DDA, the Master Developer desires to [convey/lease] and assign to Assignee, its interests under the DDA as to that portion of the Site identified and described in Exhibit 1, attached hereto and incorporated herein by this reference (herein the "Assigned Parcel"). The remainder of the Site as described in the DDA shall be hereafter referred to as the "Remaining Site."

D. Assignee desires to be bound by and assume all of the Master Developer's obligations and other terms and conditions under the DDA and Agency Deed with respect to the Assigned Parcel.

E. Agency has determined that this Agreement satisfies the requirements of the DDA and Agency Deed with respect to the transfer of the Assigned Parcel.

[F. In consenting hereto, the County has determined that this Agreement also satisfies the requirements pertaining to the transfer and assignment of the Assigned Parcel under that certain Development Agreement (the "DA") between the Master Developer and the County, dated as of _____, and recorded in the Official Records of the Monterey County Recorder on _____, as Instrument No. _____.]

AGREEMENTS

NOW, THEREFORE, THE MASTER DEVELOPER AND ASSIGNEE HEREBY AGREE AS FOLLOWS:

1. Transfer of Assigned Parcel. Subject to all of the terms and conditions of that certain [Purchase and Sale Agreement/Lease] (the "Transfer Document"), Master Developer intends to transfer the Assigned Parcel to Assignee subject to the terms of the DDA and the Agency Deed applicable to the Assigned Parcel, and Assignee agrees to accept such transfer subject to the terms and conditions of the DDA and Agency Deed applicable to the Assigned Parcel, including but not limited to those provisions for performance in the development of the Assigned Parcel, restrictions on subsequent assignments, and rights and remedies in the event of default. The Transfer Document, in addition to other rights and remedies, reserves to the Master Developer the right to exercise certain remedies of reverter and repurchase under the Agency Deed prior to the exercise by the Agency of such rights retained by the Agency in the DDA and Agency Deed. Certain relevant provisions of the Transfer Document are attached hereto as Exhibit 5 and incorporated herein by reference.

2. Assignment by Master Developer. Subject to the terms and conditions of this Agreement, as of the Effective Date (as determined under Section 6 hereof), Master Developer hereby assigns, transfers and grants to Assignee, and its successors and assigns, all of the Assigned Development Rights and Obligations, as such term is defined in Section 8 below. The Retained Development Rights and Obligations (as such term is defined in Section 8 of this Agreement) are hereby retained by the Master Developer and/or its other assignees and the Remaining Site.

3. Acceptance and Assumption by Assignee. Subject to the terms and conditions of this Agreement, as of the Effective Date (as determined under Section 6 hereof), Assignee, for itself and its assignors and assigns, hereby accepts such assignment and assumes all of the Assigned Development Rights and Obligations. Except as expressly provided in this Agreement, Assignee agrees, expressly for the benefit of the Agency, to comply with, perform and execute all the covenants and obligations of Master Developer under the DDA and Agency Deed arising from or under the Assigned Development Rights and Obligations.

4. Effect of Assignment.

(a) Approval or acceptance of this Agreement by the Agency shall not be deemed to create any responsibility on the part of Assignee for the performance or satisfaction of the Retained Development Rights and Obligations and the Remaining Site and Agency shall look solely to the Master Developer and/or its other assignees for the performance of such obligations, it being understood and agreed that the failure of the Master Developer and/or its assignees to timely perform all or any of such Retained Development Rights and Obligations shall not delay or prevent development of or the issuance of building permits or certificates of occupancy for the Assigned Parcel except to the extent such failure by the Master Developer and/or its assignees relates to satisfaction of conditions precedent under the DDA, if any, to the issuance of building permits, such as backbone infrastructure or services to serve the Assigned Parcel, or the timely construction and completion of Rental Affordable Housing as set forth in Attachment No. 3 of the DDA. Approval or acceptance of this Agreement by the Agency shall be deemed to relieve the Master Developer and/or its other assignees from any and all responsibility or liability for the Assigned Parcel and the performance of the Assigned Development Rights and Obligations and Agency shall look solely to the Assignee for the performance of such obligations, subject to the rights (but not the obligations) of the Master Developer to enforce such obligations pursuant to Section 12 of this Agreement, it being understood and agreed that the failure of Assignee for the performance of the Assigned Development Rights and Obligations (except with respect to any Rental Affordable Housing obligations assumed by the Assignee) shall not delay or prevent development of or the issuance of building permits or certificates of occupancy for the Remaining Site.

(b) Without limiting the foregoing, Agency [approval/acceptance] of this Agreement shall constitute Agency consent and agreement to the following:

(i) Agency hereby acknowledges and agrees that a default under the DDA with respect to the Remaining Site by the Master Developer and/or its other assignees which is not caused by Assignee or a

breach of the DDA with respect to the Remaining Site by any third party (other than Assignee) or by any of their respective agents, employees or contractors, shall not constitute a default or breach of the DDA on the part of Assignee with respect to the Assigned Parcel; however, it is understood that a default by the Master Developer under certain circumstances set forth in the DDA, as referenced in the first sentence of subsection (a) of this Section 4, could impact the issuance of building permits for the Assigned Parcel.

(ii) Agency is not aware of any breach or default by the Master Developer referred to above with respect to any portion of the Assigned Parcel or the Assigned Development Rights and Obligations hereby transferred to Assignee.

(iii) Pursuant to the DDA, Agency has [approved/accepted] the qualifications and financial capability of Assignee to carry out the development of the Assigned Parcel hereby transferred from Master Developer to Assignee.

(iv) Agency hereby acknowledges and agrees that a default under the DDA by Assignee with respect to the Assigned Parcel which is not caused by the Master Developer shall not constitute a default or breach of the DDA on the part of the Master Developer and/or its other assignees with respect to the Assigned Parcel or the Remaining Site.

(v) The DDA with respect to the Assigned Parcel and the Assigned Development Rights and Obligations may not be amended by the Agency and Assignee without the Master Developer's express written consent so long as the Master Developer retains an ownership or possessory interest in the Site or any part thereof.

(vi) For the period that the Master Developer retains an interest in the Site or any part thereof under the DDA, the DDA with respect to the Remaining Site and with respect to the Master Developer's Retained Development Rights and Obligations, may be amended without Assignee's consent (but following prior written notice to Assignee; provided, however, the timely delivery of said notice shall not be a condition to the validity of any such amendment) so long as the amendments do not impose any additional burdens or obligations on Assignee or impair Assignee's ability to develop the Assigned Parcel.

5. Substitution of Assignee. Assignee hereby assumes, as applicable to the Assigned Parcel, all of the burdens and obligations of the Master Developer under the DDA and Agency

Deed and agrees to observe and fully perform all of the duties and obligations of the Master Developer under the DDA and Agency Deed as applicable to the Assigned Parcel and to be subject to all the terms and conditions thereof, with respect to the Assigned Parcel, it being the express intention of both the Master Developer and Assignee that, upon the Effective Date of this Agreement, Assignee shall, subject to the terms and conditions of this Agreement become substituted for the Master Developer as the "Developer" under the DDA and Agency Deed with respect to the Assigned Parcel.

6. Effective Date. The Effective Date of this Agreement shall be the date of its recordation in the Official Records of the Recorder of Monterey County. The Effective Date of this Agreement shall be entered in the introductory paragraph of this Agreement, and this Agreement shall be recorded by the parties immediately preceding conveyance or transfer of the Assigned Parcel to Assignee.

7. Assignee Representations and Warranties. Assignee warrants and represents to the Agency as a material inducement to its approval of the assignment hereunder, that Assignee has independently reviewed, analyzed, and understands the effect and conditions of the DDA and Agency Deed, the County's approval of the East Garrison Specific Plan and other Development Approvals (as defined in the DDA) pertinent to the development of the Assigned Parcel. Assignee further warrants and represents to the Agency that except as may be expressly set forth in Sections 9 and 10 below, it is not relying upon any representations on the part of the Agency or any of its officers, agents or employees as to the status or effect of such matters.

8. Assignment of Development Rights and Obligations Related to the Assigned Parcel. As used herein "Assigned Development Rights and Obligations" means all of Master Developer's rights, title and interest (hereinafter collectively "Rights") and obligations, duties, responsibilities, conditions and restrictions (hereinafter collectively "Obligations") under the DDA and Agency Deed, but only to the extent those Rights or Obligations are applicable to Assignee and/or the Assigned Parcel. The Assigned Development Rights and Obligations are set forth or referenced in the following exhibits to this Agreement; which are incorporated herein by reference:

Exhibit 1:	Location and Legal Description of Assigned Parcel
Exhibit 2:	Permitted Uses and Scope of Development for Assigned Parcel
Exhibit 3:	Schedule of Performance for the Assigned Parcel
Exhibit 4:	Provisions of DDA and Agency Deed Applicable to Assigned Parcel
Exhibit 5	Certain Relevant Portions of the Transfer Document

Any and all Rights and Obligations not expressly within the Assigned Development Rights and Obligations are hereby retained by the Master Developer and/or its other assignees and the Remaining Site ("Retained Development Rights and Obligations").

9. Other Provisions.

(a) Commencement and Completion of Development: The Assignee shall commence and complete development within the time provided therefor in the Schedule of Performance attached hereto as Exhibit 3, subject to Enforced Delays under Section 604 of the DDA.

(b) Uses; Scope of Development; Approval of Construction Plans: The Assignee shall use and develop the Assigned Parcel in accordance with the Permitted Uses and Scope of Development for Assigned Parcels attached hereto as Exhibit 2. The Assignee shall submit its construction plans to the County of Monterey for approval pursuant to the Development Approvals, which shall include the Pattern Book.

(c) Reversionary Deeds:

(i) The Assignee shall deliver to the escrow holder under the Transfer Document an executed and acknowledged reversionary deed in a form reasonably satisfactory to the Master Developer with irrevocable instructions directing the escrow holder to record the reversionary deed upon the Master Developer's written notice that the Assignee has committed an uncured reversionary default under Section 512 of the DDA with respect to the Assigned Parcel.

(ii) The Assignee shall deliver to the escrow holder under the Transfer Document an executed and acknowledged reversionary deed in substantially the form attached to the DDA as Attachment No. 8-B with irrevocable instructions directing the escrow holder to record the reversionary deed upon the Agency's written notice that the Assignee has committed an uncured reversionary default under Section 512 of the DDA and the Master Developer has failed to exercise its remedies pertaining thereto (and after exhaustion of remedies under Section 513).

(iii) Reversionary defaults for purposes of subsections (a) and (b) shall include, but not be limited to, as set forth in Section 512 of the DDA, a violation of the Schedule of Performance (Exhibit 3 hereto) or a transfer in violation of the transfer and assignment provisions of the DDA or this Agreement.

[10. [USE WHERE AGENCY APPROVAL REQUIRED UNDER DDA]

Agency Approval of Assignment and Conditions of Approval. Subject to the terms and conditions of this Agreement, the Agency hereby approves and consents to (i) the assignment of the DDA and the Agency Deed, as to the Assigned Parcel, to Assignee, and (ii) the assignment of the Assigned Development Rights and Obligations to Assignee.]

[10. (Alternative) [USE WHERE AGENCY APPROVAL NOT REQUIRED UNDER DDA] Subject to the terms and conditions of this Agreement the Agency hereby acknowledges and accepts (i) the assignment of the DDA and the Agency Deed, as to the Assigned Parcel, to Assignee, and (ii) the assignment of the Assigned Development Rights and Obligations to Assignee.]

11. Remedies of Master Developer.

(a) Master Developer shall have the right to enforce the provisions of this Agreement and Assignee's obligations under the Assigned Development Rights and Obligations by any appropriate legal or equitable actions and remedies in the event of any delay, failure to perform or breach by Assignee under the provisions of this Agreement or the Assigned Development Rights and Obligations assumed by Assignee.

(b) The remedies set forth in the DDA that are available to the Agency in the event of an uncured material default by the Master Developer shall also be available to the Agency and the Master Developer in the event of an uncured material default by the Assignee, including termination of the title of the Assignee in the Assigned Parcel in the first instance in favor of the Master Developer, and if the Master Developer fails to exercise its rights, in favor of the Agency.

12. Remedies of Agency. Subject to the right of Master Developer to first exercise its rights under Section 12 above and relevant provisions of the DDA, Agency shall have the right under the DDA and the Agency Deed to enforce the provisions of this Agreement and the Assigned Development Rights and Obligations by any appropriate legal or equitable actions and remedies in the event of any delay, failure to perform or breach by Assignee under the provisions of this Agreement or the Assigned Development Rights and Obligations assumed by Assignee.

13. Master Developer Deed to Assignee. The deed from the Master Developer to the Assignee shall include, among other things, a condition subsequent to the effect that in the event of a material default by the Assignee and the failure of the Master Developer to enforce the terms of the Assignment and Assumption Agreement or revert title in the Assigned Parcel to the Developer in the first instance, the Agency may declare a termination in favor of the Agency of the title and all of the rights and interests in the Assigned Parcel conveyed by the deed to the Assignee.

14. Successors and Assigns. All of the covenants, terms and conditions set forth herein shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, successors and assigns.

15. Amendments. Assignee acknowledges and agrees that Master Developer and Agency may amend the DDA from time to time without the consent of Assignee; provided that no amendment which would have the effect of increasing the burdens or obligations of Assignee with respect to the Assigned Parcel or impairing the ability of Assignee to develop the Assigned Parcel shall be effective without the express written consent of Assignee, except as otherwise permitted under the terms of the DDA existing prior to such amendment.

16. Vertical Development Insurance Requirements

Prior to the commencement of vertical construction on the Assigned Parcel, the Assignee shall furnish or cause to be furnished to the Agency and Master Developer duplicate originals or appropriate certificates of commercial general liability insurance, with an endorsement naming the Agency, the County and Master Developer as additional or coinsureds, in the amounts set forth in the following chart and based upon the estimated project revenue for each product type within a phase of development. The Assignee shall, upon request, also furnish or cause to be furnished to the Agency, the County and Master Developer evidence satisfactory to the Agency, the County and Master Developer that any contractor with whom it has contracted for the performance of work on the Site carries workers' compensation insurance as required by law. All insurance policies maintained in satisfaction of this section shall contain a provision requiring the insurance carrier to provide thirty (30) days' prior written notice of any cancellation or termination to the Agency and Master Developer. The obligations set forth in this section shall remain in effect until completion of vertical development on the Assigned Parcel, with a ten- (10-) year period ("tail") for filing of claims following any such event. The Agency may, in its discretion, modify the requirements of this Section 17 to accommodate the practices and economic needs of nonprofit affordable housing developers.

Estimated Project Revenues (For each product type within a phase of development)	**Required Insurance Levels** (Combined Single Limit/General Aggregate)
$0 million to $50 million	$5 million / $10 million
$51 million to $75 million	$5 million / $15 million
$76 million to $100 million	$10 million / $15 million
$100 million +	$10 million / $20 million

17. General Provisions.

(a) Notices. Notices under this Agreement with respect to the Assigned Parcel shall be sent in the manner required by Section 601 of the DDA to Assignee as follows:

_____

_____

_____

_____

Attn.: _____

with a copy thereof to the Master Developer as follows:

_____
_____
_____

Attn.: _____

(b) Applicable Law. This Agreement shall be construed and enforced in accordance with the law of the State of California, without reference to choice of law provisions.

(c) Headings. Section headings in this Agreement are for convenience only and are not intended to be used in interpreting or constraining the terms, covenants or conditions of this Agreement.

(d) Severability. Except as otherwise provided herein, if any provision(s) of this Agreement is (are) held invalid, the remainder of this Agreement shall not be affected, except as necessarily required by the invalid provisions, and shall remain in full force and effect unless amended or modified by mutual consent of the parties.

(e) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original, but all of which, when taken together, shall constitute the same instrument, with the same effect as if all of the parties to this Agreement had executed the same counterpart.

SIGNATURES CONTINUED ON NEXT PAGE

IN WITNESS HEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MASTER DEVELOPER:

EAST GARRISON PARTNERS I, LLC,
a California limited liability company

BY: WOODMAN DEVELOPMENT COMPANY LLC,
a California limited liability company, as a member

By: Woodman Development Company, Inc.,
a California corporation, as its
managing member

By:_____
John Anderson
President

and

BY: LYON EAST GARRISON COMPANY I, LLC,
a California limited liability company, as a member

By: William Lyon Homes, Inc., a California
corporation, as its managing member

By: _____
Its: _____

By: _____
Its: _____

ASSIGNEE:

By: _____

Title: _____

APPROVED AND CONSENTED TO/ACKNOWLEDGED AND ACCEPTED:

REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY

By: _____

Title: _____

"AGENCY"

APPROVED:

COUNTY OF MONTEREY

By: _____

Title: _____

"COUNTY"

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, before me, the undersigned notary public, personally appeared ___ _____,

[ ] personally known to me; or
[ ] proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged to me that he / she executed the same in his / her authorized capacity, and that by his / her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

Type of Document: _____

* * * * *

STATE OF CALIFORNIA)
COUNTY OF)

On _____, before me, the undersigned notary public, personally appeared ___ _____,

[ ] personally known to me; or
[ ] proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged to me that he / she executed the same in his / her authorized capacity, and that by his / her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____
Type of Document: _____

EXHIBIT 1
TO ATTACHMENT NO. 16

LOCATION AND
LEGAL DESCRIPTION OF ASSIGNED PARCEL

All that certain real property situate in the County of Monterey, State of California, and described as follows:

[To Be Inserted.]

EXHIBIT 2
TO ATTACHMENT NO. 16

PERMITTED USES AND
SCOPE OF DEVELOPMENT FOR ASSIGNED PARCEL

[To Be Inserted.]

EXHIBIT 3
TO ATTACHMENT NO. 16

SCHEDULE OF PERFORMANCE
FOR THE ASSIGNED PARCEL

[To Be Inserted.]

EXHIBIT 4
TO ATTACHMENT NO. 16

PROVISIONS OF DDA AND
AGENCY DEED APPLICABLE TO ASSIGNED PARCEL

[NOTE: SECTIONS REFERENCED BELOW ARE TO BE APPROPRIATELY MODIFIED (TO INCLUDE, AMONG OTHER MODIFICATIONS, REFERENCES TO BOTH DEVELOPER AND AGENCY RESERVED APPROVALS AND REMEDIES) AND TO BE SET FORTH IN FULL AS MODIFIED IN EACH ASSIGNMENT AND ASSUMPTION AGREEMENT TO BE ENTERED INTO.]

Wherever the term "Developer" is used in any of the sections set forth below, such term shall refer to the Assignee of this Agreement and further, shall include any permitted nominee, transferee, assignee or successor in interest to the DDA, unless otherwise expressly stated herein. The term "Master Developer" as used herein refers to East Garrison Partners I, LLC.

Any of the rights held by the Agency in any of the Sections set forth below (such as rights of review, approval, consent, notification, etc.) shall also be deemed to be rights of the Master Developer. Whenever Assignee is required pursuant to the terms set forth below to provide notice or request the consent or approval of the Agency, the Assignee shall also be required to provide notice or request consent or approval from the Master Developer.

The term "Site" as used in the Sections set forth below shall mean the Assigned Parcel.

The following sections, as modified in accordance with the first paragraph, above, shall be incorporated in Exhibit No. 4 of each Assignment and Assumption Agreement.

[§107] The Developer.

[§108] Special Phasing Conditions: Deed-Restricted Affordable Housing

[§204] "AS IS" Conveyance; Release by Developer.

[§302] Scope of Development

[§306] County and Other Governmental Agency Permits

[§308] Local, State and Federal Laws

[§309] Antidiscrimination During Construction

[§311] Taxes, Assessments, Encumbrances and Liens

[§312] Prohibition Against Transfer of Site, the Buildings or Structures Thereon and Assignment of Agreement

[§314] No Encumbrances Except Mortgages, Deeds of Trust, Sales and Lease-Backs or Other Financing for Development

[§315] Holder Not Obligated to Construct Improvements

[§316] Notice of Default to Mortgage, Deed of Trust or Other Security Interest Holders; Right to Cure

[§317] Failure of Holder to Complete Improvements

[§318] Right of Agency to Cure Mortgage, Deed of Trust or Other Security Interest Default

[§319] Right of the Agency to Satisfy Other Liens on the Site After Title Passes

[§320] Certificate of Completion

[§321] Prevailing Wages

[§401] Uses

[§402] Obligation to Refrain From Discrimination

[§403] Form of Nondiscrimination and Nonsegregation Clauses

[§405] Rights of Access – Public Improvements and Facilities

[§501] Defaults – General

[§503] Institution of Legal Actions

[§504] Applicable Law; Interpretation

[§507] Damages

[§508] Specific Performance

[§512] Right of Reverter

[§513] Dispute Resolution; Legal Action.

[§604] Enforced Delay: Extension of Times of Performance

[§607] Attorneys' Fees

[§608] No Third Party Beneficiaries

[§610] General Indemnity

[§611] Mechanics' Liens

[Provisions of Attachments which are applicable to Assigned Parcel to be included.]

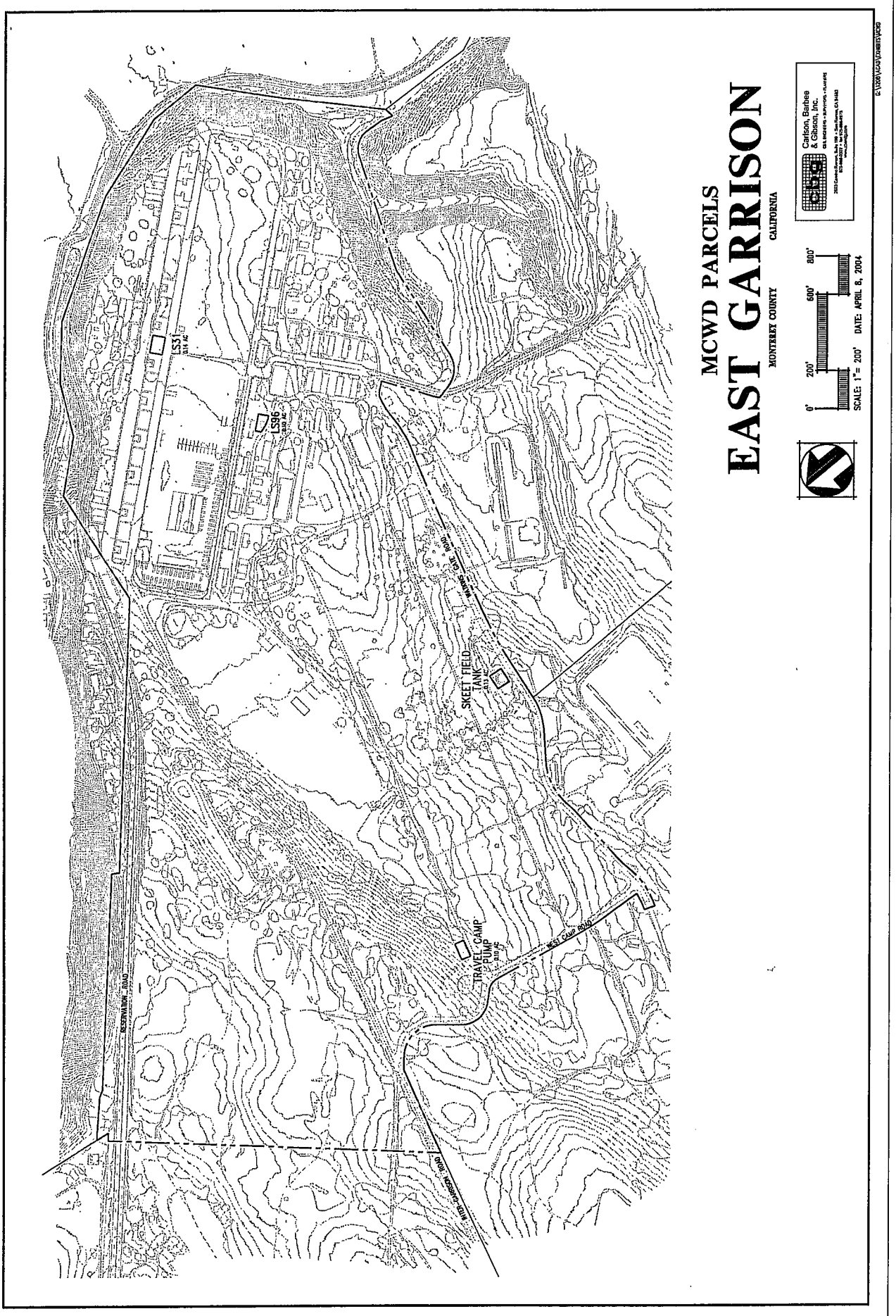
[Provisions of Agency Quitclaim Deed to Developer which are applicable to Assigned Parcel to be included.]

EXHIBIT 5
TO ATTACHMENT NO. 16

RELEVANT PROVISIONS OF TRANSFER DOCUMENT

[To Be Inserted.]

MAP OF MCWD PARCELS



ATTACHMENT NO. 18

FORM OF
COMPLETION GUARANTY
FOR PHASE ONE

THIS PHASE ONE COMPLETION GUARANTY ("Phase One Guaranty"), dated as of _____, 200__, is hereby given by **WILLIAM LYON HOMES, INC.**, a California corporation ("Guarantor"), to the **REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY** (the "Agency"), with respect to the following facts:

RECITALS:

A. East Garrison Partners I, LLC, a California limited liability company ("Developer") has entered into that certain Disposition and Development Agreement (Together with Exclusive Negotiation Rights to Certain Property) (the "DDA"), dated as of October 4, 2005, between Developer and the Agency, and approved by the County of Monterey (the "County"). Unless otherwise defined in this Phase One Guaranty, capitalized terms shall have the same meanings as set forth in the DDA.

B. Section 108 of the DDA and Attachment No. 3 thereto provide for the construction of certain deed-restricted affordable housing units in each of three Phases of the Project. Very low and low income rental inclusionary housing units ("Rental Affordable Housing"), which constitute a portion of such deed-restricted affordable housing units, are to be developed and constructed in each Phase by a qualified tax credit entity selected by Developer with the reasonable approval of the Agency (a "Rental Affordable Housing Developer") pursuant to an Inclusionary Housing Agreement (Rental Units) approved by the County, the Agency and Developer and entered into with Developer and assigned to and assumed by the Rental Affordable Housing Developer.

C. The DDA further provides that if, notwithstanding its best efforts, a Rental Affordable Housing Developer does not secure timely financing for, or experiences construction delays or other Enforced Delays in, the construction of any of the Rental Affordable Housing units to be developed in a Phase by such Rental Affordable Housing Developer, or is in default under the terms of the assignment agreement entered into between Developer and such Rental Affordable Housing Developer (the "Assignment") or is otherwise in default with respect to such Rental Affordable Housing units to be developed by such Rental Affordable Housing Developer such that there could be a withholding of building permits and/or certificates of occupancy for market rate residential units in the Project under Attachment No. 3 of the DDA (each a "Triggering Event"), Guarantor shall have the option, exercisable in its sole discretion, to execute and deliver a Completion Guaranty with respect to such Rental Affordable Housing units in such Phase, and, if Guarantor elects to execute and deliver this Phase One Guaranty, the Agency shall waive, without further condition, compliance with the conditions set forth in Attachment No. 3 to the DDA for the issuance of building permits and certificates of occupancy for market rate units in the Project to the extent such conditions relate to the Rental Affordable Housing units to be developed in Phase One (collectively, the "Phase One Metering Requirements") and the Agency

and the County shall continue to issue building permits and certificates of occupancy for the market rate units in the Project without regard to the Phase One Metering Requirements.

D. Guarantor is a related party to Developer and will receive a direct and substantive benefit from consummation of the provisions of the DDA and from the development and construction of the Rental Affordable Housing units in the Project.

E. Developer has entered into an Inclusionary Housing Agreement (Rental Units) for Phase One dated as of _____, 20__ (the "Phase One Inclusionary Housing Agreement (Rental Units)"), a copy of which agreement is set forth on Exhibit "A" attached hereto. _____, a Rental Affordable Housing Developer (the "Phase One Affordable Builder") has assumed by Assignment the obligations of Developer under the Phase One Inclusionary Housing Agreement (Rental Units), pursuant to which the Phase One Affordable Builder has agreed to construct certain very low and/or low income rental inclusionary housing units in Phase One (the "Phase One Guaranteed Units"). A Triggering Event has occurred because the Phase One Affordable Builder has been unable to secure timely financing and/or has encountered construction delays or other Enforced Delays and/or is in default under the Assignment and/or is in default in completing construction of the Phase One Guaranteed Units.

F. In consideration of the Agency's waiver of compliance with the Phase One Metering Requirements as a condition to the continued issuance by the County and the Agency of building permits and certificates of occupancy for the market rate residential units, to which the Agency and the County hereby agree as evidenced by their approval of this Phase One Guaranty, Guarantor has elected to execute and deliver this Phase One Guaranty to the Agency. Guarantor acknowledges that Agency would not waive such conditions but for this Phase One Guaranty.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth below, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. Guaranty. Guarantor hereby guarantees and agrees, as its separate and sole obligation, that Guarantor shall construct, equip, complete (with such completion to be evidenced by a certificate of occupancy) and pay for the Phase One Guaranteed Units and perform all other obligations of Developer under the Phase One Inclusionary Housing Agreement (Rental Units) (collectively, the "Guaranteed Obligations") by no later than six (6) months after the issuance of a building permit for the 89th market rate residential unit in Phase Three, subject to extension for Enforced Delays as defined in Section 604 of the DDA; provided, however, that in the event a Triggering Event occurs after the Phase One Affordable Builder has closed on and taken title to the lots on which the Phase One Guaranteed Units are to be built, Guarantor shall have until twelve (12) months after the issuance of a building permit for the 89th market rate residential unit in Phase Three, subject to extension for Enforced Delays as defined in Section 604 of the DDA, to satisfy in full the Guaranteed Obligations. As used herein, the term "market rate residential unit" does not include the units in the Town Center, very low and

low income inclusionary housing units, the income-restricted moderate income residential units or the Workforce II Housing units. To the extent Guarantor incurs any costs in performing under this Phase One Guaranty, the amount of any and all such costs shall be deemed Project Costs for purposes of calculating the Developer's Target IRR (as defined in Section 3.b. of Part A of Attachment No. 4 to the DDA).

2. Waivers by Guarantor.

(a) Guarantor waives any right to require the Agency to: (i) proceed first against the Phase One Affordable Builder or Developer; (ii) proceed against or exhaust any security for the obligations of the Phase One Affordable Builder or Developer under the Phase One Inclusionary Housing Agreement (Rental Units) or the obligations of Guarantor hereunder; (iii) give notice of the terms, time and place of any public or private sale of any real or personal property security for any such obligations, or (iv) pursue any other remedy in the Agency's power whatsoever. Guarantor waives any defense arising by reason of any act or omission of the Agency, the County, or others which directly or indirectly results in or aids the discharge or release of the Phase One Affordable Builder or Developer or any indebtedness or obligation or any security therefor by operation of law or otherwise. Guarantor waives all set-offs and counterclaims and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Phase One Guaranty and of the existence, creation or incurring of new or additional indebtedness or obligations. Guarantor further waives the right to plead any and all statutes of limitation as a defense to any demand under or enforcement of this Phase One Guaranty.

(b) Guarantor further waives any duty on the part of the Agency to disclose to Guarantor any facts the Agency may now have or hereafter acquire concerning the Phase One Affordable Builder or the Developer, regardless of whether the Agency has reason to believe that any such facts materially increase the risk beyond which Guarantor has contemplated hereunder or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the financial condition of the Phase One Affordable Builder and the Developer and of all circumstances bearing on the obligations of Guarantor under this Phase One Guaranty.

(c) Guarantor waives: (i) any defense based upon any legal disability or other defense of the Phase One Affordable Builder or Developer, any other guarantor or other person, or by reason of the cessation or limitation of the liability of the Phase One Affordable Builder or Developer from any cause other than full payment and performance of the Guaranteed Obligations; (ii) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of the Phase One Affordable Builder or the Developer or any principal of the Phase One Affordable Builder or the Developer or any defect in the formation of the Phase One Affordable Builder or the Developer or any principal of the Phase One Affordable Builder or the Developer; (iii) any and all rights and defenses arising out of an election of remedies by Agency, even though that election of remedies has destroyed Guarantor's rights of subrogation and reimbursement against the principal; (iv) any defense

based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (v) any defense based upon Agency's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code or any successor statute; and (vi) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Federal Bankruptcy Code.

(d) Guarantor acknowledges and agrees that the obligations of Guarantor under this Phase One Guaranty to the Agency are separate and independent from any obligations of the Phase One Affordable Builder or the Developer under the Phase One Inclusionary Housing Agreement (Rental Units), and Agency and County acknowledge and agree that this Phase One Guaranty and the obligations of Guarantor hereunder are not intended to be and are not secured by any deed of trust or other security agreement.

3. No Release. Once this Phase One Guaranty has become effective, and until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not be released by any act or thing which might, but for this paragraph, be deemed a legal or equitable discharge of a surety (including any act by the Agency or the County which might have the effect of destroying Guarantor's rights of subrogation against the Phase One Affordable Builder or Developer), or by reason of any waiver, extension, modification, forbearance or delay of the Agency or the County or its failure to proceed promptly or otherwise, and Guarantor hereby expressly waives and surrenders any defense to its liability under this Phase One Guaranty based upon any of the foregoing acts, things, agreements or waivers.

4. Subordination; Subrogation. Guarantor subordinates all present and future indebtedness owing by Developer or Phase One Affordable Builder to Guarantor to the obligations at any time owing by Developer or Phase One Affordable Builder to Agency under the Phase One Inclusionary Housing Agreement (Rental Units) (the "Subordinated Indebtedness"); provided, however, that the Subordinated Indebtedness shall not include any indebtedness or other obligations owing by Developer to Lyon East Garrison Company I, LLC, a California limited liability company and a member of Developer ("Lyon EGP") or preclude any distributions or other payments by Developer to Lyon EGP or by Woodman Development Company LLC, a California limited liability company, to Guarantor or Lyon EGP. Until such time as the Guaranteed Obligations are satisfied in full, Guarantor assigns all such Subordinated Indebtedness to Agency as security for this Phase One Guaranty and Guarantor agrees to make no claim for such Subordinated Indebtedness. Until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not exercise any rights that it might acquire by way of subrogation under this Guaranty or any other rights that it might otherwise have or acquire entitling it at any time to share or participate in any right, remedy or security of the Agency or County as against the Phase One Affordable Builder or against Developer under the Phase One Inclusionary Housing Agreement (Rental Units). Provided that, following the satisfaction in full of the Guaranteed Obligations, if Guarantor shall have made any payments in furtherance of its performance under this Phase One Guaranty, Guarantor shall, to the extent of such payments, be subrogated to the rights and remedies of the Agency and/or the County under any agreements or

other documents containing the Phase One Affordable Builder's or Developer's obligations to construct the Phase One Guaranteed Units, subject to paragraph 2(c)(iii) hereof..

5. Representations and Warranties. Guarantor hereby makes the following representations and warranties to the Agency as of the date of this Phase One Guaranty:

(a) Authorization and Validation. The execution, delivery and performance by Guarantor of this Phase One Guaranty (i) is within the powers of Guarantor, (ii) has received all necessary authorizations and approvals on behalf of Guarantor, (iii) has received all necessary governmental approvals, and (iv) will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Guarantor is a party or by which Guarantor or any of its property is bound, or be in conflict with, result in any material breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance upon any of its property or assets, except as contemplated by the provisions of this Phase One Guaranty. Guarantor further warrants and acknowledges that: (i) there are no conditions precedent to the effectiveness of this Phase One Guaranty; (ii) the most recent financial statements of Guarantor previously delivered to Agency are true and correct in all material respects, have been prepared in accordance with generally accepted accounting principles consistently applied (or other principles acceptable to Agency) and fairly present the financial condition of Guarantor as of the respective dates thereof, and no material adverse change has occurred in the financial condition of Guarantor since the respective dates thereof which would materially adversely affect the ability of Guarantor to perform its obligations under this Phase One Guaranty or would cause the net worth of Guarantor to fall below $75,000,000 prior to the satisfaction in full of the Guaranteed Obligations; and (iii) unless and until the Guaranteed Obligations are satisfied in full, Guarantor has not and will not, without the prior written consent of Agency, sell, lease, assign, encumber, transfer or otherwise dispose of all or substantially all of Guarantor's assets (collectively, an "Asset Transfer"), other than in the ordinary course of Guarantor's business, unless after such Asset Transfer, Guarantor has a net worth of not less than $75,000,000. The foregoing shall not prohibit Guarantor from entering into a merger or consolidation so long as until such time as the Guaranteed Obligations are satisfied in full the surviving corporation has a net worth of at least $75,000,000 and, in Agency's reasonable judgment, has expertise in the construction of multifamily housing projects in California at least equivalent to that of Guarantor.

(b) No Defaults. Guarantor is not (i) a party to any agreement or instrument that will materially interfere with its performance under this Phase One Guaranty, or (ii) in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions set forth in any agreement or instrument to which it is a party.

(c) Compliance. Guarantor has examined and is familiar with all conditions, restrictions, reservations and zoning ordinances affecting the Phase One Guaranteed Units. The Phase One Guaranteed Units shall in all material respects conform to and comply with all of the requirements of said conditions, restrictions, reservations and zoning ordinances and all construction of the Phase One Guaranteed Units shall in all material respects conform with

applicable ordinances and statutes, including subdivision laws and environmental impact laws, and shall be in accordance with all requirements of the regulatory authorities having jurisdiction therefor.

6. Notices. Any notice, demand or request by the Agency to Guarantor shall be in writing and shall be deemed to have been duly given or made if either delivered personally or if mailed by U.S. registered or certified mail as follows:

c/o WILLIAM LYON HOMES, INC.
4490 Von Karman Avenue
Newport Beach, California 92660
Attn: Richard S. Robinson

7. Termination of Guaranty. Notwithstanding anything to the contrary herein contained, this Phase One Guaranty shall automatically terminate and become null and void upon the satisfaction in full of the Guaranteed Obligations, whether by Guarantor, Developer, the Phase One Affordable Builder, any third party to whom Guarantor sells, leases, assigns, transfers or otherwise disposes of all or substantially all of Guarantor's assets (a "Transferee") or any other person or entity; provided, however, that if all or any part of such performance is avoided or recovered directly or indirectly from the Agency as a preference, fraudulent transfer or otherwise under the Federal Bankruptcy Code or any other federal or state laws, then this Phase One Guaranty shall be reinstated and shall remain in full force and effect.

8. Remedies. If Guarantor fails to perform its obligations when due under this Phase One Guaranty, Agency shall be entitled to all remedies available at law and in equity with respect to such breach. Without limiting the foregoing, Agency shall have the right, from time to time and without first requiring performance by the Phase One Affordable Builder or Developer or exhausting any remedies under the Phase One Inclusionary Housing Agreement (Rental Units), to bring any action at law or in equity or both to compel Guarantor to perform its obligations hereunder, and to collect in any such action reasonable compensation for all actual loss, cost, damage, injury and expense sustained or incurred by Agency as a direct consequence of the failure of Guarantor to perform its obligations; provided that in no circumstances shall Agency be entitled to any consequential, punitive or exemplary damages. All remedies afforded to the Agency by reason of this Phase One Guaranty are separate and cumulative remedies and none of such remedies, whether exercised by the Agency or not, shall be deemed to be in exclusion of any one of the other remedies available to the Agency, and shall not in any way limit or prejudice any other legal or equitable remedy available to the Agency. Without limiting the foregoing, the parties hereto agree that the measure of damages recoverable by Agency by reason of Guarantor's failure to perform the Guaranteed Obligations shall be the cost to construct, equip and complete the Phase One Guaranteed Units to the extent not constructed, equipped and completed by Guarantor, Developer, the Phase One Affordable Builder or any Transferee, it being acknowledged and agreed by the parties that the Agency would suffer irreparable harm if the Phase One Guaranteed Units are not constructed, equipped and completed.

9. Governing Law; Venue. This Phase One Guaranty is and shall be deemed to be a contract entered into and pursuant to the laws of the State of California and shall in all respects be governed, construed, applied and enforced in accordance with the laws thereof. Guarantor hereby consents to venue for purposes of any action brought by the Agency under this Phase One Guaranty in any court located in the County of Monterey, State of California.

10. Binding Effect. This Phase One Guaranty shall inure to the benefit of the Agency and its successors and assigns and shall be binding upon the heirs, personal representatives, successors and assigns of Guarantor.

11. Severability. Should any one or more of the provisions of this Phase One Guaranty be determined to be illegal, invalid or unenforceable, all other provisions of this Phase One Guaranty shall remain in effect as if the provisions(s) determined to be illegal, invalid or unenforceable did not exist.

12. Attorneys' Fees and Costs. In any action or proceeding arising out of this Phase One Guaranty, including, without limitation, any action for declaratory or injunctive relief or arising out of the termination of this Phase One Guaranty, the prevailing party shall be entitled to recover from the losing party, as determined by the judge or presiding official, reasonable attorneys' fees and costs and expenses of investigation and/or litigation incurred, including, without limitation, those incurred in appellate proceedings or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11, or 13 of the United States Bankruptcy Code or any successor or similar statutes, and any judgment or decree rendered in any such actions or proceedings shall include an award thereof.

13. No Guarantee Of Phase One Affordable Builder's Performance or DDA. This Phase One Guaranty is a guarantee of completion by the date set forth in Section 1 hereof of the Guaranteed Obligations; it is not a guarantee of performance by the Phase One Affordable Builder of its obligations under any agreement and is not a guarantee of the Developer's obligations under the DDA.

14. Entire Phase One Guaranty; Amendments. Except for the relevant provisions of the Phase One Inclusionary Housing Agreement (Rental Units), this Phase One Guaranty embodies the entire agreement of Guarantor and the Agency with respect to the matters set forth herein, and, together with such provisions of the Phase One Inclusionary Housing Agreement (Rental Units), supersedes all prior or contemporaneous agreements (whether oral or written) between Guarantor and the Agency with respect to the matters set forth herein. No course of prior or subsequent dealing between Guarantor and the Agency shall be used to supplement, modify or vary the terms hereof, and no term or provision of this Phase One Guaranty may be changed, waived, revoked or amended without the prior written consent of Guarantor and the Agency.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Phase One Guaranty as of the date first above written.

WILLIAM LYON HOMES, INC.,
a California corporation

By:_____
Name:_____
Its:_____

By:_____
Name:_____
Its:_____

APPROVED:

REDEVELOPMENT AGENCY OF THE
COUNTY OF MONTEREY

By:_____
Executive Director

By:_____
Secretary

COUNTY OF MONTEREY

By:_____
Its:_____

By:_____
Its:_____

EXHIBIT "A"

PHASE ONE INCLUSIONARY HOUSING AGREEMENT (RENTAL UNITS)

FORM OF
COMPLETION GUARANTY
FOR PHASE TWO

THIS PHASE TWO COMPLETION GUARANTY ("Phase Two Guaranty"), dated as of _____, 200__, is hereby given by **WILLIAM LYON HOMES, INC.**, a California corporation ("Guarantor"), to the **REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY** (the "Agency"), with respect to the following facts:

RECITALS:

A. East Garrison Partners I, LLC, a California limited liability company ("Developer") has entered into that certain Disposition and Development Agreement (Together with Exclusive Negotiation Rights to Certain Property) (the "DDA"), dated as of October 4, 2005, between Developer and the Agency, and approved by the County of Monterey (the "County"). Unless otherwise defined in this Phase Two Guaranty, capitalized terms shall have the same meanings as set forth in the DDA.

B. Section 108 of the DDA and Attachment No. 3 thereto provide for the construction of certain deed-restricted affordable housing units in each of three Phases of the Project. Very low and low income rental inclusionary housing units ("Rental Affordable Housing"), which constitute a portion of such deed-restricted affordable housing units, are to be developed and constructed in each Phase by a qualified tax credit entity selected by Developer with the reasonable approval of the Agency (a "Rental Affordable Housing Developer") pursuant to an Inclusionary Housing Agreement (Rental Units) approved by the County, the Agency and Developer and entered into with Developer and assigned to and assumed by the Rental Affordable Housing Developer.

C. The DDA further provides that if, notwithstanding its best efforts, a Rental Affordable Housing Developer does not secure timely financing for, or experiences construction delays or other Enforced Delays in, the construction of any of the Rental Affordable Housing units to be developed in a Phase by such Rental Affordable Housing Developer, or is in default under the terms of the assignment agreement entered into between Developer and such Rental Affordable Housing Developer (the "Assignment") or is otherwise in default with respect to such Rental Affordable Housing units to be developed by such Rental Affordable Housing Developer such that there could be a withholding of building permits and/or certificates of occupancy for market rate residential units in the Project under Attachment No. 3 of the DDA (each a "Triggering Event"), Guarantor shall have the option, exercisable in its sole discretion, to execute and deliver a Completion Guaranty with respect to such Rental Affordable Housing units in such Phase, and, if Guarantor elects to execute and deliver this Phase Two Guaranty, the Agency shall waive, without further condition, compliance with the conditions set forth in Attachment No. 3 to the DDA for the issuance of building permits and certificates of occupancy for market rate units in the Project to the extent such conditions relate to the Rental Affordable Housing units to be developed in Phase Two (collectively, the "Phase Two Metering Requirements") and the Agency

and the County shall continue to issue building permits and certificates of occupancy for the market rate units in the Project without regard to the Phase Two Metering Requirements.

D. Guarantor is a related party to Developer and will receive a direct and substantive benefit from consummation of the provisions of the DDA and from the development and construction of the Rental Affordable Housing units in the Project.

E. Developer has entered into an Inclusionary Housing Agreement (Rental Units) for Phase Two dated as of _____, 20__ (the "Phase Two Inclusionary Housing Agreement (Rental Units)"), a copy of which agreement is set forth on Exhibit "A" attached hereto. _____, a Rental Affordable Housing Developer (the "Phase Two Affordable Builder") has assumed by Assignment the obligations of Developer under the Phase Two Inclusionary Housing Agreement (Rental Units), pursuant to which the Phase Two Affordable Builder has agreed to construct certain Rental Affordable Housing units in Phase Two (the "Phase Two Guaranteed Units"). A Triggering Event has occurred because the Phase Two Affordable Builder has been unable to secure timely financing and/or has encountered construction delays or other Enforced Delays and/or is in default under the Assignment and/or is in default in completing construction of the Phase Two Guaranteed Units.

F. In consideration of the Agency's waiver of compliance with the Phase Two Metering Requirements as a condition to the continued issuance by the County and the Agency of building permits and certificates of occupancy for the market rate residential units, to which the Agency and the County hereby agree as evidenced by their approval of this Phase Two Guaranty, Guarantor has elected to execute and deliver this Phase Two Guaranty to the Agency. Guarantor acknowledges that Agency would not waive such conditions but for this Phase Two Guaranty.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth below, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. Guaranty. Guarantor hereby guarantees and agrees, as its separate and sole obligation, that Guarantor shall construct, equip, complete (with such completion to be evidenced by a certificate of occupancy) and pay for the Phase Two Guaranteed Units and perform all other obligations of Developer under the Phase Two Inclusionary Housing Agreement (Rental Units) (collectively, the "Guaranteed Obligations") by no later than six (6) months after the issuance of a building permit for the 191st market rate residential unit in Phase Three, subject to extension for Enforced Delays as defined in Section 604 of the DDA; provided, however, that in the event a Triggering Event occurs after the Phase Two Affordable Builder has closed on and taken title to the lots on which the Phase Two Guaranteed Units are to be built, Guarantor shall have until twelve (12) months after the issuance of a building permit for the 191st market rate residential unit in Phase Three, subject to extension for Enforced Delays as defined in Section 604 of the DDA, to satisfy in full the Guaranteed Obligations. As used herein, the term "market rate residential unit" does not include the units in the Town Center, Rental

Affordable Housing units, the income-restricted moderate income residential units or the Workforce II Housing units. To the extent Guarantor incurs any costs in performing under this Phase Two Guaranty, the amount of any and all such costs shall be deemed Project Costs for purposes of calculating the Developer's Target IRR (as defined in Section 3.b. of Part A of Attachment No. 4 to the DDA).

2. Waivers by Guarantor.

(a) Guarantor waives any right to require the Agency to: (i) proceed first against the Phase Two Affordable Builder or Developer; (ii) proceed against or exhaust any security for the obligations of the Phase Two Affordable Builder or Developer under the Phase Two Inclusionary Housing Agreement (Rental Units) or the obligations of Guarantor hereunder; (iii) give notice of the terms, time and place of any public or private sale of any real or personal property security for any such obligations, or (iv) pursue any other remedy in the Agency's power whatsoever. Guarantor waives any defense arising by reason of any act or omission of the Agency, the County, or others which directly or indirectly results in or aids the discharge or release of the Phase Two Affordable Builder or Developer or any indebtedness or obligation or any security therefor by operation of law or otherwise. Guarantor waives all set-offs and counterclaims and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Phase Two Guaranty and of the existence, creation or incurring of new or additional indebtedness or obligations. Guarantor further waives the right to plead any and all statutes of limitation as a defense to any demand under or enforcement of this Phase Two Guaranty.

(b) Guarantor further waives any duty on the part of the Agency to disclose to Guarantor any facts the Agency may now have or hereafter acquire concerning the Phase Two Affordable Builder or the Developer, regardless of whether the Agency has reason to believe that any such facts materially increase the risk beyond which Guarantor has contemplated hereunder or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the financial condition of the Phase Two Affordable Builder and the Developer and of all circumstances bearing on the obligations of Guarantor under this Phase Two Guaranty.

(c) Guarantor waives: (i) any defense based upon any legal disability or other defense of the Phase Two Affordable Builder or Developer, any other guarantor or other person, or by reason of the cessation or limitation of the liability of the Phase Two Affordable Builder or Developer from any cause other than full payment and performance of the Guaranteed Obligations; (ii) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of the Phase Two Affordable Builder or the Developer or any principal of the Phase Two Affordable Builder or the Developer or any defect in the formation of the Phase Two Affordable Builder or the Developer or any principal of the Phase Two Affordable Builder or the Developer; (iii) any and all rights and defenses arising out of an election of remedies by Agency, even though that election of remedies has destroyed

Guarantor's rights of subrogation and reimbursement against the principal; (iv) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (v) any defense based upon Agency's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code or any successor statute; and (vi) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Federal Bankruptcy Code.

(d) Guarantor acknowledges and agrees that the obligations of Guarantor under this Phase Two Guaranty to the Agency are separate and independent from any obligations of the Phase Two Affordable Builder or the Developer under the Phase Two Inclusionary Housing Agreement (Rental Units), and Agency and County acknowledge and agree that this Phase Two Guaranty and the obligations of Guarantor hereunder are not intended to be and are not secured by any deed of trust or other security agreement.

3. No Release. Once this Phase Two Guaranty has become effective, and until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not be released by any act or thing which might, but for this paragraph, be deemed a legal or equitable discharge of a surety (including any act by the Agency or the County which might have the effect of destroying Guarantor's rights of subrogation against the Phase Two Affordable Builder or Developer), or by reason of any waiver, extension, modification, forbearance or delay of the Agency or the County or its failure to proceed promptly or otherwise, and Guarantor hereby expressly waives and surrenders any defense to its liability under this Phase Two Guaranty based upon any of the foregoing acts, things, agreements or waivers.

4. Subordination; Subrogation. Guarantor subordinates all present and future indebtedness owing by Developer or Phase Two Affordable Builder to Guarantor to the obligations at any time owing by Developer or Phase Two Affordable Builder to Agency under the Phase Two Inclusionary Housing Agreement (Rental Units) (the "Subordinated Indebtedness"); provided, however, that the Subordinated Indebtedness shall not include any indebtedness or other obligations owing by Developer to Lyon East Garrison Company I, LLC, a California limited liability company and a member of Developer ("Lyon EGP") or preclude any distributions or other payments by Developer to Lyon EGP or by Woodman Development Company LLC, a California limited liability company, to Guarantor or Lyon EGP. Until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not exercise any rights that it might acquire by way of subrogation under this Guaranty or any other rights that it might otherwise have or acquire entitling it at any time to share or participate in any right, remedy or security of the Agency or County as against the Phase Two Affordable Builder or against Developer under the Phase Two Inclusionary Housing Agreement (Rental Units). Provided that, following the satisfaction in full of the Guaranteed Obligations, if Guarantor shall have made any payments in furtherance of its performance under this Phase Two Guaranty, Guarantor shall, to the extent of such payments, be subrogated to the rights and remedies of the Agency and/or the County under any agreements or other documents containing the Phase Two Affordable

Builder's or Developer's obligations to construct the Phase Two Guaranteed Units, subject to paragraph 2(c)(iii) hereof.

5. Representations and Warranties. Guarantor hereby makes the following representations and warranties to the Agency as of the date of this Phase Two Guaranty:

(a) Authorization and Validation. The execution, delivery and performance by Guarantor of this Phase Two Guaranty (i) is within the powers of Guarantor, (ii) has received all necessary authorizations and approvals on behalf of Guarantor, (iii) has received all necessary governmental approvals, and (iv) will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Guarantor is a party or by which Guarantor or any of its property is bound, or be in conflict with, result in any material breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance upon any of its property or assets, except as contemplated by the provisions of this Phase Two Guaranty. Guarantor further warrants and acknowledges that: (i) there are no conditions precedent to the effectiveness of this Phase Two Guaranty; (ii) the most recent financial statements of Guarantor previously delivered to Agency are true and correct in all material respects, have been prepared in accordance with generally accepted accounting principles consistently applied (or other principles acceptable to Agency) and fairly present the financial condition of Guarantor as of the respective dates thereof, and no material adverse change has occurred in the financial condition of Guarantor since the respective dates thereof which would materially adversely affect the ability of Guarantor to perform its obligations under this Phase Two Guaranty or would cause the net worth of Guarantor to fall below $50,000,000 (indexed to the ENR Cost Index) prior to the satisfaction in full of the Guaranteed Obligations; and (iii) unless and until the Guaranteed Obligations are satisfied in full, Guarantor has not and will not, without the prior written consent of Agency, sell, lease, assign, encumber, transfer or otherwise dispose of all or substantially all of Guarantor's assets (collectively, an "Asset Transfer"), other than in the ordinary course of Guarantor's business, unless after such Asset Transfer, Guarantor has a net worth of not less than $50,000,000 (indexed to the ENR Cost Index). The foregoing shall not prohibit Guarantor from entering into a merger or consolidation so long as until such time as the Guaranteed Obligations are satisfied in full the surviving corporation has a net worth of at least $50,000,000 (indexed to the ENR Cost Index) and, in Agency's reasonable judgment, has expertise in the construction of multifamily housing projects in California at least equivalent to that of Guarantor.

(b) No Defaults. Guarantor is not (i) a party to any agreement or instrument that will materially interfere with its performance under this Phase Two Guaranty, or (ii) in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions set forth in any agreement or instrument to which it is a party.

(c) Compliance. Guarantor has examined and is familiar with all conditions, restrictions, reservations and zoning ordinances affecting the Phase Two Guaranteed Units. The Phase Two Guaranteed Units shall in all material respects conform to and comply with all of the

requirements of said conditions, restrictions, reservations and zoning ordinances and all construction of the Phase Two Guaranteed Units shall in all material respects conform with applicable ordinances and statutes, including subdivision laws and environmental impact laws, and shall be in accordance with all requirements of the regulatory authorities having jurisdiction therefor.

6. Notices. Any notice, demand or request by the Agency to Guarantor shall be in writing and shall be deemed to have been duly given or made if either delivered personally or if mailed by U.S. registered or certified mail as follows:

c/o WILLIAM LYON HOMES, INC.
4490 Von Karman Avenue
Newport Beach, California 92660
Attn: Richard S. Robinson

7. Termination of Guaranty. Notwithstanding anything to the contrary herein contained, this Phase Two Guaranty shall automatically terminate and become null and void upon the satisfaction in full of the Guaranteed Obligations, whether by Guarantor, Developer, the Phase Two Affordable Builder, any third party to whom Guarantor sells, leases, assigns, transfers or otherwise disposes of all or substantially all of Guarantor's assets (a "Transferee") or any other person or entity; provided, however, that if all or any part of such performance is avoided or recovered directly or indirectly from the Agency as a preference, fraudulent transfer or otherwise under the Federal Bankruptcy Code or any other federal or state laws, then this Phase Two Guaranty shall be reinstated and shall remain in full force and effect.

8. Remedies. If Guarantor fails to perform its obligations when due under this Phase Two Guaranty, Agency shall be entitled to all remedies available at law and in equity with respect to such breach. Without limiting the foregoing, Agency shall have the right, from time to time and without first requiring performance by the Phase Two Affordable Builder or Developer or exhausting any remedies under the Phase Two Inclusionary Housing Agreement (Rental Units), to bring any action at law or in equity or both to compel Guarantor to perform its obligations hereunder, and to collect in any such action reasonable compensation for all actual loss, cost, damage, injury and expense sustained or incurred by Agency as a direct consequence of the failure of Guarantor to perform its obligations; provided that in no circumstances shall Agency be entitled to any consequential, punitive or exemplary damages. All remedies afforded to the Agency by reason of this Phase Two Guaranty are separate and cumulative remedies and none of such remedies, whether exercised by the Agency or not, shall be deemed to be in exclusion of any one of the other remedies available to the Agency, and shall not in any way limit or prejudice any other legal or equitable remedy available to the Agency. Without limiting the foregoing, the parties hereto agree that the measure of damages recoverable by Agency by reason of Guarantor's failure to perform the Guaranteed Obligations shall be the cost to construct, equip and complete the Phase Two Guaranteed Units to the extent not constructed, equipped and completed by Guarantor, Developer, the Phase Two Affordable Builder or any Transferee, it being acknowledged and agreed by the parties that the Agency would suffer

irreparable harm if the Phase Two Guaranteed Units are not constructed, equipped and completed.

9. Governing Law; Venue. This Phase Two Guaranty is and shall be deemed to be a contract entered into and pursuant to the laws of the State of California and shall in all respects be governed, construed, applied and enforced in accordance with the laws thereof. Guarantor hereby consents to venue for purposes of any action brought by the Agency under this Phase Two Guaranty in any court located in the County of Monterey, State of California.

10. Binding Effect. This Phase Two Guaranty shall inure to the benefit of the Agency and its successors and assigns and shall be binding upon the heirs, personal representatives, successors and assigns of Guarantor.

11. Severability. Should any one or more of the provisions of this Phase Two Guaranty be determined to be illegal, invalid or unenforceable, all other provisions of this Phase Two Guaranty shall remain in effect as if the provisions(s) determined to be illegal, invalid or unenforceable did not exist.

12. Attorneys' Fees and Costs. In any action or proceeding arising out of this Phase Two Guaranty, including, without limitation, any action for declaratory or injunctive relief or arising out of the termination of this Phase Two Guaranty, the prevailing party shall be entitled to recover from the losing party, as determined by the judge or presiding official, reasonable attorneys' fees and costs and expenses of investigation and/or litigation incurred, including, without limitation, those incurred in appellate proceedings or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11, or 13 of the United States Bankruptcy Code or any successor or similar statutes, and any judgment or decree rendered in any such actions or proceedings shall include an award thereof.

13. No Guarantee Of Phase Two Affordable Builder's Performance or DDA. This Phase Two Guaranty is a guarantee of completion by the date set forth in Section 1 hereof of the Guaranteed Obligations; it is not a guarantee of performance by the Phase Two Affordable Builder of its obligations under any agreement and is not a guarantee of the Developer's obligations under the DDA.

14. Entire Phase Two Guaranty; Amendments. Except for the relevant provisions of the Phase Two Inclusionary Housing Agreement (Rental Units), this Phase Two Guaranty embodies the entire agreement of Guarantor and the Agency with respect to the matters set forth herein, and, together with such provisions of the Phase Two Inclusionary Housing Agreement (Rental Units), supersedes all prior or contemporaneous agreements (whether oral or written) between Guarantor and the Agency with respect to the matters set forth herein. No course of prior or subsequent dealing between Guarantor and the Agency shall be used to supplement, modify or vary the terms hereof, and no term or provision of this Phase Two Guaranty may be changed, waived, revoked or amended without the prior written consent of Guarantor and the Agency.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Phase Two Guaranty as of the date first above written.

WILLIAM LYON HOMES, INC.,
a California corporation

By:_____
Name:_____
Its:_____

By:_____
Name:_____
Its:_____

APPROVED:

REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY

By:_____
Executive Director

By:_____
Secretary

COUNTY OF MONTEREY

By:_____
Its:_____

By:_____
Its:_____

EXHIBIT "A"

PHASE TWO INCLUSIONARY HOUSING AGREEMENT (RENTAL UNITS)

FORM OF
COMPLETION GUARANTY
FOR PHASE THREE

FORM OF
COMPLETION GUARANTY
FOR PHASE THREE

[SUBJECT TO FINAL REVIEW OF THE PARTIES.]

THIS PHASE THREE COMPLETION GUARANTY ("Phase Three Guaranty"), dated as of _____, 200__, is hereby given by **WILLIAM LYON HOMES, INC.**, a California corporation ("Guarantor"), to the **REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY** (the "Agency"), with respect to the following facts:

RECITALS:

A. East Garrison Partners I, LLC, a California limited liability company ("Developer") has entered into that certain Disposition and Development Agreement (Together with Exclusive Negotiation Rights to Certain Property) (the "DDA"), dated as of October 4, 2005, between Developer and the Agency, and approved by the County of Monterey (the "County"). Unless otherwise defined in this Phase Three Guaranty, capitalized terms shall have the same meanings as set forth in the DDA.

B. Section 108 of the DDA and Attachment No. 3 thereto provide for the construction of certain deed-restricted affordable housing units in each of three Phases of the Project. Very low and low income rental inclusionary housing units ("Rental Affordable Housing"), which constitute a portion of such deed-restricted affordable housing units, are to be developed and constructed in each Phase by a qualified tax credit entity selected by Developer with the reasonable approval of the Agency (a "Rental Affordable Housing Developer") pursuant to an Inclusionary Housing Agreement (Rental Units) approved by the County, the Agency and Developer and entered into with Developer and assigned to and assumed by the Rental Affordable Housing Developer.

C. The DDA further provides that if, notwithstanding its best efforts, a Rental Affordable Housing Developer does not secure timely financing for, or experiences construction delays or other Enforced Delays in, the construction of any of the Rental Affordable Housing units to be developed in a Phase by such Rental Affordable Housing Developer, or is in default under the terms of the assignment agreement entered into between Developer and such Rental Affordable Housing Developer (the "Assignment") or is otherwise in default with respect to such Rental Affordable Housing units to be developed by such Rental Affordable Housing Developer such that there could be a withholding of building permits and/or certificates of occupancy for market rate residential units in the Project under Attachment No. 3 of the DDA (each a

"Triggering Event"), Guarantor shall have the option, exercisable in its sole discretion, to execute and deliver a Completion Guaranty with respect to such Rental Affordable Housing units in such Phase, and, if Guarantor elects to execute and deliver this Phase Three Guaranty, the Agency shall waive, without further condition, compliance with the conditions set forth in Attachment No. 3 to the DDA for the issuance of building permits and certificates of occupancy for market rate units in the Project to the extent such conditions relate to the Rental Affordable Housing units to be developed in Phase Three (collectively, the "Phase Three Metering Requirements") and the Agency and the County shall continue to issue building permits and certificates of occupancy for the market rate units in the Project without regard to the Phase Three Metering Requirements.

D. Guarantor is a related party to Developer and will receive a direct and substantive benefit from consummation of the provisions of the DDA and from the development and construction of the Rental Affordable Housing units in the Project.

E. Developer has entered into an Inclusionary Housing Agreement (Rental Units) for Phase Three dated as of _____, 20__ (the "Phase Three Inclusionary Housing Agreement (Rental Units)"), a copy of which agreement is set forth on Exhibit "A" attached hereto. _____, a Rental Affordable Housing Developer (the "Phase Three Affordable Builder") has assumed by Assignment the obligations of Developer under the Phase Three Inclusionary Housing Agreement (Rental Units), pursuant to which the Phase Three Affordable Builder has agreed to construct certain Rental Affordable Housing units in Phase Three (the "Phase Three Guaranteed Units"). A Triggering Event has occurred because the Phase Three Affordable Builder has been unable to secure timely financing and/or has encountered construction delays or other Enforced Delays and/or is in default under the Assignment and/or is in default in completing construction of the Phase Three Guaranteed Units.

F. In consideration of the Agency's waiver of compliance with the Phase Three Metering Requirements as a condition to the continued issuance by the County and the Agency of building permits and certificates of occupancy for the market rate residential units, to which the Agency and the County hereby agree as evidenced by their approval of this Phase Three Guaranty, Guarantor has elected to execute and deliver this Phase Three Guaranty to the Agency. Guarantor acknowledges that Agency would not waive such conditions but for this Phase Three Guaranty.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth below, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. Guaranty. Guarantor hereby guarantees and agrees, as its separate and sole obligation, that Guarantor shall construct, equip, complete (with such completion to be evidenced by a certificate of occupancy) and pay for the Phase Three Guaranteed Units and perform all other obligations of Developer under the Phase Three Inclusionary Housing Agreement (Rental Units) (collectively, the "Guaranteed Obligations") by no later than six (6) months after the issuance of a certificate of occupancy for the 192nd market rate residential unit in Phase Three, subject to extension for Enforced Delays as defined in Section 604 of the DDA;

provided, however, that in the event a Triggering Event occurs after the Phase Three Affordable Builder has closed on and taken title to the lots on which the Phase Three Guaranteed Units are to be built, Guarantor shall have until twelve (12) months after the issuance of a certificate of occupancy for the 192nd market rate residential unit in Phase Three, subject to extension for Enforced Delays as defined in Section 604 of the DDA, to satisfy in full the Guaranteed Obligations. As used herein, the term "market rate residential unit" does not include the units in the Town Center, Rental Affordable Housing units, the income-restricted moderate income residential units or the Workforce II Housing units. To the extent Guarantor incurs any costs in performing under this Phase Three Guaranty, the amount of any and all such costs shall be deemed Project Costs for purposes of calculating the Developer's Target IRR (as defined in Section 3.b. of Part A of Attachment No. 4 to the DDA).

2. Waivers by Guarantor.

(a) Guarantor waives any right to require the Agency to: (i) proceed first against the Phase Three Affordable Builder or Developer; (ii) proceed against or exhaust any security for the obligations of the Phase Three Affordable Builder or Developer under the Phase Three Inclusionary Housing Agreement (Rental Units) or the obligations of Guarantor hereunder; (iii) give notice of the terms, time and place of any public or private sale of any real or personal property security for any such obligations, or (iv) pursue any other remedy in the Agency's power whatsoever. Guarantor waives any defense arising by reason of any act or omission of the Agency, the County, or others which directly or indirectly results in or aids the discharge or release of the Phase Three Affordable Builder or Developer or any indebtedness or obligation or any security therefor by operation of law or otherwise. Guarantor waives all set-offs and counterclaims and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Phase Three Guaranty and of the existence, creation or incurring of new or additional indebtedness or obligations. Guarantor further waives the right to plead any and all statutes of limitation as a defense to any demand under or enforcement of this Phase Three Guaranty.

(b) Guarantor further waives any duty on the part of the Agency to disclose to Guarantor any facts the Agency may now have or hereafter acquire concerning the Phase Three Affordable Builder or the Developer, regardless of whether the Agency has reason to believe that any such facts materially increase the risk beyond which Guarantor has contemplated hereunder or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the financial condition of the Phase Three Affordable Builder and the Developer and of all circumstances bearing on the obligations of Guarantor under this Phase Three Guaranty.

(c) Guarantor waives: (i) any defense based upon any legal disability or other defense of the Phase Three Affordable Builder or Developer, any other guarantor or other person, or by reason of the cessation or limitation of the liability of the Phase Three Affordable Builder or Developer from any cause other than full payment and performance of the Guaranteed Obligations; (ii) any defense based upon any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of the Phase Three Affordable Builder or the

Developer or any principal of the Phase Three Affordable Builder or the Developer or any defect in the formation of the Phase Three Affordable Builder or the Developer or any principal of the Phase Three Affordable Builder or the Developer; (iii) any and all rights and defenses arising out of an election of remedies by Agency, even though that election of remedies has destroyed Guarantor's rights of subrogation and reimbursement against the principal; (iv) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (v) any defense based upon Agency's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code or any successor statute; and (vi) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Federal Bankruptcy Code.

(d) Guarantor acknowledges and agrees that the obligations of Guarantor under this Phase Three Guaranty to the Agency are separate and independent from any obligations of the Phase Three Affordable Builder or the Developer under the Phase Three Inclusionary Housing Agreement (Rental Units), and Agency and County acknowledge and agree that this Phase Three Guaranty and the obligations of Guarantor hereunder are not intended to be and are not secured by any deed of trust or other security agreement.

3. No Release. Once this Phase Three Guaranty has become effective, and until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not be released by any act or thing which might, but for this paragraph, be deemed a legal or equitable discharge of a surety (including any act by the Agency or the County which might have the effect of destroying Guarantor's rights of subrogation against the Phase Three Affordable Builder or Developer), or by reason of any waiver, extension, modification, forbearance or delay of the Agency or the County or its failure to proceed promptly or otherwise, and Guarantor hereby expressly waives and surrenders any defense to its liability under this Phase Three Guaranty based upon any of the foregoing acts, things, agreements or waivers.

4. Subordination; Subrogation. Guarantor subordinates all present and future indebtedness owing by Developer or Phase Three Affordable Builder to Guarantor to the obligations at any time owing by Developer or Phase Three Affordable Builder to Agency under the Phase Three Inclusionary Housing Agreement (Rental Units) (the "Subordinated Indebtedness"); provided, however, that the Subordinated Indebtedness shall not include any indebtedness or other obligations owing by Developer to Lyon East Garrison Company I, LLC, a California limited liability company and a member of Developer ("Lyon EGP") or preclude any distributions or other payments by Developer to Lyon EGP or by Woodman Development Company LLC, a California limited liability company, to Guarantor or Lyon EGP. Until such time as the Guaranteed Obligations are satisfied in full, Guarantor shall not exercise any rights that it might acquire by way of subrogation under this Guaranty or any other rights that it might otherwise have or acquire entitling it at any time to share or participate in any right, remedy or security of the Agency or County as against the Phase Three Affordable Builder or against Developer under the Phase Three Inclusionary Housing Agreement (Rental Units). Provided that, following the satisfaction in full of the Guaranteed Obligations, if Guarantor shall have made any payments in furtherance of its performance under this Phase Three Guaranty, Guarantor shall, to the extent of such payments, be subrogated to the rights and remedies of the

Agency and/or the County under any agreements or other documents containing the Phase Three Affordable Builder's or Developer's obligations to construct the Phase Three Guaranteed Units, subject to paragraph 2(c)(iii) hereof.

5. Representations and Warranties. Guarantor hereby makes the following representations and warranties to the Agency as of the date of this Phase Three Guaranty:

(a) Authorization and Validation. The execution, delivery and performance by Guarantor of this Phase Three Guaranty (i) is within the powers of Guarantor, (ii) has received all necessary authorizations and approvals on behalf of Guarantor, (iii) has received all necessary governmental approvals, and (iv) will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Guarantor is a party or by which Guarantor or any of its property is bound, or be in conflict with, result in any material breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance upon any of its property or assets, except as contemplated by the provisions of this Phase Three Guaranty. Guarantor further warrants and acknowledges that: (i) there are no conditions precedent to the effectiveness of this Phase Three Guaranty; (ii) the most recent financial statements of Guarantor previously delivered to Agency are true and correct in all material respects, have been prepared in accordance with generally accepted accounting principles consistently applied (or other principles acceptable to Agency) and fairly present the financial condition of Guarantor as of the respective dates thereof, and no material adverse change has occurred in the financial condition of Guarantor since the respective dates thereof which would materially adversely affect the ability of Guarantor to perform its obligations under this Phase Three Guaranty or would cause the net worth of Guarantor to fall below $25,000,000 (indexed to the ENR Cost Index) prior to the satisfaction in full of the Guaranteed Obligations; and (iii) unless and until the Guaranteed Obligations are satisfied in full, Guarantor has not and will not, without the prior written consent of Agency, sell, lease, assign, encumber, transfer or otherwise dispose of all or substantially all of Guarantor's assets (collectively, an "Asset Transfer"), other than in the ordinary course of Guarantor's business, unless after such Asset Transfer, Guarantor has a net worth of not less than $25,000,000 (indexed to the ENR Cost Index). The foregoing shall not prohibit Guarantor from entering into a merger or consolidation so long as until such time as the Guaranteed Obligations are satisfied in full the surviving corporation has a net worth of at least $25,000,000 (indexed to the ENR Cost Index) and, in Agency's reasonable judgment, has expertise in the construction of multifamily housing projects in California at least equivalent to that of Guarantor.

(b) No Defaults. Guarantor is not (i) a party to any agreement or instrument that will materially interfere with its performance under this Phase Three Guaranty, or (ii) in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions set forth in any agreement or instrument to which it is a party.

(c) Compliance. Guarantor has examined and is familiar with all conditions, restrictions, reservations and zoning ordinances affecting the Phase Three Guaranteed Units. The Phase Three Guaranteed Units shall in all material respects conform to and comply with all of the requirements of said conditions, restrictions, reservations and zoning ordinances and all

construction of the Phase Three Guaranteed Units shall in all material respects conform with applicable ordinances and statutes, including subdivision laws and environmental impact laws, and shall be in accordance with all requirements of the regulatory authorities having jurisdiction therefor.

6. Notices. Any notice, demand or request by the Agency to Guarantor shall be in writing and shall be deemed to have been duly given or made if either delivered personally or if mailed by U.S. registered or certified mail as follows:

c/o WILLIAM LYON HOMES, INC.
4490 Von Karman Avenue
Newport Beach, California 92660
Attn: Richard S. Robinson

7. Termination of Guaranty. Notwithstanding anything to the contrary herein contained, this Phase Three Guaranty shall automatically terminate and become null and void upon the satisfaction in full of the Guaranteed Obligations, whether by Guarantor, Developer, the Phase Three Affordable Builder, any third party to whom Guarantor sells, leases, assigns, transfers or otherwise disposes of all or substantially all of Guarantor's assets (a "Transferee") or any other person or entity; provided, however, that if all or any part of such performance is avoided or recovered directly or indirectly from the Agency as a preference, fraudulent transfer or otherwise under the Federal Bankruptcy Code or any other federal or state laws, then this Phase Three Guaranty shall be reinstated and shall remain in full force and effect.

8. Remedies. If Guarantor fails to perform its obligations when due under this Phase Three Guaranty, Agency shall be entitled to all remedies available at law and in equity with respect to such breach. Without limiting the foregoing, Agency shall have the right, from time to time and without first requiring performance by the Phase Three Affordable Builder or Developer or exhausting any remedies under the Phase Three Inclusionary Housing Agreement (Rental Units), to bring any action at law or in equity or both to compel Guarantor to perform its obligations hereunder, and to collect in any such action reasonable compensation for all actual loss, cost, damage, injury and expense sustained or incurred by Agency as a direct consequence of the failure of Guarantor to perform its obligations; provided that in no circumstances shall Agency be entitled to any consequential, punitive or exemplary damages. All remedies afforded to the Agency by reason of this Phase Three Guaranty are separate and cumulative remedies and none of such remedies, whether exercised by the Agency or not, shall be deemed to be in exclusion of any one of the other remedies available to the Agency, and shall not in any way limit or prejudice any other legal or equitable remedy available to the Agency. Without limiting the foregoing, the parties hereto agree that the measure of damages recoverable by Agency by reason of Guarantor's failure to perform the Guaranteed Obligations shall be the cost to construct, equip and complete the Phase Three Guaranteed Units to the extent not constructed, equipped and completed by Guarantor, Developer, the Phase Three Affordable Builder or any Transferee, it being acknowledged and agreed by the parties that the Agency would suffer irreparable harm if the Phase Three Guaranteed Units are not constructed, equipped and completed.

9. Governing Law; Venue. This Phase Three Guaranty is and shall be deemed to be a contract entered into and pursuant to the laws of the State of California and shall in all respects be governed, construed, applied and enforced in accordance with the laws thereof. Guarantor hereby consents to venue for purposes of any action brought by the Agency under this Phase Three Guaranty in any court located in the County of Monterey, State of California.

10. Binding Effect. This Phase Three Guaranty shall inure to the benefit of the Agency and its successors and assigns and shall be binding upon the heirs, personal representatives, successors and assigns of Guarantor.

11. Severability. Should any one or more of the provisions of this Phase Three Guaranty be determined to be illegal, invalid or unenforceable, all other provisions of this Phase Three Guaranty shall remain in effect as if the provisions(s) determined to be illegal, invalid or unenforceable did not exist.

12. Attorneys' Fees and Costs. In any action or proceeding arising out of this Phase Three Guaranty, including, without limitation, any action for declaratory or injunctive relief or arising out of the termination of this Phase Three Guaranty, the prevailing party shall be entitled to recover from the losing party, as determined by the judge or presiding official, reasonable attorneys' fees and costs and expenses of investigation and/or litigation incurred, including, without limitation, those incurred in appellate proceedings or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11, or 13 of the United States Bankruptcy Code or any successor or similar statutes, and any judgment or decree rendered in any such actions or proceedings shall include an award thereof.

13. No Guarantee Of Phase Three Affordable Builder's Performance or DDA. This Phase Three Guaranty is a guarantee of completion by the date set forth in Section 1 hereof of the Guaranteed Obligations; it is not a guarantee of performance by the Phase Three Affordable Builder of its obligations under any agreement and is not a guarantee of the Developer's obligations under the DDA.

14. Entire Phase Three Guaranty; Amendments. Except for the relevant provisions of the Phase Three Inclusionary Housing Agreement (Rental Units), this Phase Three Guaranty embodies the entire agreement of Guarantor and the Agency with respect to the matters set forth herein, and, together with such provisions of the Phase Three Inclusionary Housing Agreement (Rental Units), supersedes all prior or contemporaneous agreements (whether oral or written) between Guarantor and the Agency with respect to the matters set forth herein. No course of prior or subsequent dealing between Guarantor and the Agency shall be used to supplement, modify or vary the terms hereof, and no term or provision of this Phase Three Guaranty may be changed, waived, revoked or amended without the prior written consent of Guarantor and the Agency.

IN WITNESS WHEREOF, the undersigned has executed this Phase Three Guaranty as of the date first above written.

WILLIAM LYON HOMES, INC.,
a California corporation

By:_____
Name:_____
Its:_____

By:_____
Name:_____
Its:_____

APPROVED:

REDEVELOPMENT AGENCY OF THE
COUNTY OF MONTEREY

By:_____
Executive Director

By:_____
Secretary

COUNTY OF MONTEREY

By:_____
Its:_____

By:_____
Its:_____

EXHIBIT "A"

PHASE THREE INCLUSIONARY HOUSING AGREEMENT (RENTAL UNITS)