

EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT
(Monterey Downs LLC)

This Exclusive Negotiating Rights Agreement ("Agreement") is entered into as of this ___ day of _____, 2010 (the "Effective Date"), by and between the REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY, a public body, corporate and politic (the "Agency"), and MONTEREY DOWNS, LLC, a California limited liability company (the "Developer") on the basis of the following facts:

RECITALS

- A. As endorsed by the Board of Directors of the Redevelopment Agency of the County of Monterey, the Agency's goals and objectives include pursuing redevelopment activities in the Fort Ord Redevelopment Project Area that eliminate blight, are environmentally sensitive, support the Fort Ord Base Reuse Plan infrastructure program and generate jobs, economic opportunities and land sales revenues, in collaboration with potentially affected agencies and organizations.
- B. The Agency owns or will be conveyed that certain real property previously known as Parker Flats and more particularly described in Exhibit A attached hereto (the "Agency Parcels").
- C. The Agency has received a preliminary proposal from Developer for the development of a combination equestrian training facility, mixed use commercial, office, retail, hotel, residential, light industrial and non-profit equestrian and recreational facility on the Agency Parcels as well as other parcels (collectively, the "Preliminary Proposal"). The general boundaries of the Preliminary Proposal are shown on that map attached hereto as Exhibit B.
- D. The Preliminary Proposal includes a component for the development of a non-profit equestrian facility and park ("Horse Park") designed to promote the training of equestrians and competition in international, national and regional equine events. Additionally, it is the intent of the Horse Park to promote intercollegiate, as well as public equestrian recreational activities that protect and preserve habitat. The Preliminary Proposal contemplates that the lead in development of the Horse Park component will be undertaken by the Monterey Horse Park, a California nonprofit public benefit corporation.
- E. After preliminary consideration of the Developer's Preliminary Proposal, the Agency is willing to enter into this Agreement to negotiate with Developer on an exclusive basis, to establish the terms and conditions of a Disposition and Development Agreement ("DDA") to be proposed for consideration, which would result in the Developer's acquisition and development of the Agency Parcels (the "Project").

- F. The purpose of this Agreement is to establish procedures and standards for the negotiation by the Agency and the Developer of the contemplated DDA for the Project. Phase 1 of the negotiation process consists of the Developer and the Agency determining the feasibility of the Project as set forth in Article 2 of this Agreement, which includes an initial submittal as specified in Sections 2.2(a) through 2.2(e), inclusive, and the development of a comprehensive Project Description, culminating in the approval of the proposed development concept by the Agency ("Project Concept" or "Phase 1"). If Phase 1 is successfully completed and the Agency approves the Project, the Agency and the Developer will proceed to negotiation of the Disposition and Development Agreement for the Agency Parcels ("Phase 2").
- G. Through the ENA Periods (as defined below), the staff, consultants and attorneys of the Agency will devote substantial time and effort in meeting with Developer and its representatives, reviewing proposals, plans and reports and negotiating and preparing the terms of this Agreement and the contemplated DDA.
- H. The Agency Parcels are currently scheduled to be conveyed only after completion of the Environmental Services Cooperative Agreement (ESCA) work the affected areas.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Agency and Developer, (each a "Party" and collectively the "Parties") mutually agree as follows:

ARTICLE 1.

EXCLUSIVE NEGOTIATIONS RIGHT

Section 1.1 Good Faith Negotiations. The purpose of Phase 1 negotiations is to focus and validate the development concept proposed by Developer in the Preliminary Proposal. The purpose of Phase 2 negotiations is to negotiate mutually acceptable terms for the conveyance and development of property, based upon the work performed during Phase 1.

During the Phase 1 Negotiating Period, the Parties shall use good faith efforts to accomplish the respective tasks outlined in Article 2 to facilitate the description of a mutually satisfactory development concept and preliminary site plan and to evaluate the market and financial feasibility of the development concept. During the Phase 2 Negotiating Period described in Section 1.2, the Agency and the Developer shall negotiate diligently and in good faith the terms of the Disposition and Development Agreement for the development of the Project on the Site.

Among the issues to be addressed in the negotiations ultimately leading to the Disposition and Development Agreement are: (i) the scope of development included in the

Project; (ii) the physical and land title conditions of the Agency Parcels and remediation of any adverse conditions, (iii) the type of entitlements necessary for the Project, (iv) possible phasing for the disposition and development of the Project, (v) the development schedule for the Project (including each phase thereof), (vi) financing of the Project, and (vii) lease or sale terms for the Agency Parcels according to the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq., the "Redevelopment Law").

Section 1.2 Negotiating Periods. The Phase 1 negotiating period (the "Phase 1 Negotiating Period") under this Agreement shall be **nine (9) months**, commencing on the Effective Date. The Phase 1 Negotiating Period may be extended for up to an additional **ninety (90) days** by the Agency Executive Director or designee if, in the Executive Director's judgment, sufficient progress has been made with regards to those tasks set forth in Article 2 below during the initial **nine (9) month** negotiating period to merit such extension. In the event the Phase 1 Negotiating Period, as such period may be extended pursuant to the terms of this Agreement, culminates in the Agency approving the preliminary development concept of the Project on the Agency Parcels including a Preliminary Site Plan, Market Study demonstrating market support for the Project, and a Financing Plan demonstrating the financial feasibility of the Project, the terms of this Agreement shall be extended for the Phase 2 negotiating period ("Phase 2 Negotiating Period") to negotiate the terms of a Disposition and Development Agreement ("DDA") providing for the Developer to lease or purchase the Agency Parcels and develop thereon the Project and securing entitlements.

The Phase 2 Negotiating Period shall be **eighteen (18) months** commencing from the date of the Agency approval of the preliminary development concept and related submittals. During the Phase 2 Negotiating Period, the parties shall complete those tasks set forth in Article 3 below.

Notwithstanding any provision herein to the contrary and provided this Agreement has not been terminated earlier, if the parties cannot agree upon the terms of a DDA by the expiration of the Phase 2 Negotiating Period then this Agreement shall terminate. Upon termination of this Agreement, neither Party shall have any further rights or obligations under this Agreement.

Section 1.3 Exclusive Negotiations. During the Phase 1 Negotiating Period and the Phase 2 Negotiating Period (as such Negotiating Periods may be extended by operation of Section 1.2), the Agency shall not negotiate with any entity, other than the Developer, regarding development of the Agency Parcels, or solicit or entertain bids or proposals to do so.

Section 1.4 Identification of Developer' Representatives. Developer's representative to negotiate with the Agency is Brian Boudreau.

Section 1.5 Developer Phase 1 Negotiating Period Payment. In consideration for the exclusive right to negotiate during the Phase 1 Negotiating Period, Developer agrees to negotiate in good faith and to pay Agency a deposit in the amount of Three Hundred Thousand Dollars (\$300,000.00) (the "Payment") within five business days after the Effective Date. The Payment shall be used by the Agency to cover costs incurred by the Agency related to the tasks set forth herein, including staff costs, costs for outside consultants and legal costs and costs related to

assisting the Developer with the "pre-application process" in order to prepare as complete and comprehensive Project Description as possible for review and evaluation. The Agency acknowledges that Developer has a legitimate need to seek to predict and contain costs. Accordingly, the Agency shall provide Developer with a quarterly accounting for the use of the Payment and shall meet and confer prior to authorizing any increase in amounts currently estimated for outside consultants. Any portion of the Payment that is not used during the Phase I Negotiating Period shall be either (a) applied to the Phase 2 Payment if the Project moves forward to Phase 2, or (b) refunded to the Developer if the Project does not move forward to Phase 2. In the event that the balance of the Payment is, at any time, drawn down to an amount of less than \$50,000, the Agency may notify the Developer of such fact, and the Developer shall forthwith provide the Agency with an additional deposit of \$50,000 to assure the continued availability of funds for the payment of such services.

Section 1.6 Developer Phase 2 Negotiating Period Payment. At or prior to the time that the Parties enter into the Phase 2 Negotiating Period, the Agency shall provide the Developer with a budget for Agency costs for Phase 2 activities. Developer agrees to pay Agency the amount agreed upon by the Parties (the "Phase 2 Payment") within 15 business days after commencement of Phase 2 Negotiations. The Phase 2 Payment shall be used by the Agency to cover costs incurred by the Agency related to the tasks set forth herein, including staff costs, costs for outside consultants and legal costs. The terms of the Phase 2 Payment shall be as agreed upon by the Parties. If the Parties cannot agree on the terms for the Phase 2 Payment, this Agreement shall terminate.

ARTICLE 2.

PHASE 1 NEGOTIATING TASKS

Section 2.1 Overview. To facilitate negotiation of Phase 1, the Parties shall use reasonable good faith efforts to accomplish the tasks set forth in this Article 2 in a timeframe that will support submission of a mutually agreed upon proposal for development of the Agency Parcels to the Agency with sufficient time to receive a response from the Agency prior to the expiration of the Phase 1 Negotiating Period.

The Parties acknowledge that the scope of Developer's proposal is extensive, encompassing approximately 450 acres. While it is the good faith expectation of the Parties that any DDA negotiated and approved will be successful, Developer understands and acknowledges that it is the intent of the Agency that the phasing of the Project be designed in a manner so as to avoid adverse impacts to Agency Parcels, should one Phase fail. That is, the Project should be designed in such a way as to preserve the developability and marketability of the entirety of the Agency Parcels, in the event one Phase or another does not proceed.

Section 2.2 Developer Submissions. The Developer shall submit the following documents and information within the time frame set forth herein. It is intended that, based upon the conceptual development program described below, a market analysis will be performed and, based upon the market analysis, a refined development program will be produced which contains sufficient specificity as to produce the Preliminary Financing Plan and Development Pro Forma described in subsection (e).

(a) Conceptual Development Program. Within **one hundred twenty (120) days** of the execution of this Agreement, the Developer shall submit to the Agency, for its review and approval: a breakdown of the proposed scope of development program for the Agency Parcels, including a range of building square feet by land use and acreage by land use, proposed development phasing schedule for entitlements, backbone infrastructure, and vertical improvements, approximate number and mix of residential units, affordable housing units by level of affordability, proposed public parks/amenities, circulation acreage, proposed commercial tenancies and general uses for the Agency Parcels. A narrative and quantitative tabular presentation of the proposed development program shall be provided. This conceptual development program shall be based upon the conceptual outline as described in Exhibit C.

(b) Market Study. Within **one hundred twenty (120) days** of the execution of this Agreement, the Developer shall provide the Agency, for its review and approval, a detailed market analysis for the Project demonstrating the marketability of each component of the proposed conceptual development program. If appropriate, the findings of the market study may be used to modify and refine the development concept.

(c) Preliminary Site Plan. Within **one hundred twenty (120) days** of the Effective Date of this Agreement, the Developer shall submit to the Agency, for its review and approval, a preliminary site plan for the Project. The Preliminary Site Plan shall set out the general location of the proposed buildings and landscaping, the massing of any proposed buildings, roadways and points of ingress and egress and the general location of any other proposed improvements to be constructed as part of the Development.

(d) Roles and Responsibilities. Within **one hundred twenty (120) days** of the Effective Date of this Agreement, the Developer shall submit to the Agency, for its review and approval, an organizational chart of the Developer that corresponds to the proposed Development Program. The chart shall identify which member of the Developer and/or Development Team is responsible for: securing entitlements; completing backbone infrastructure; completing each component of vertical improvements and operating various components. The Developer shall also provide a narrative description of the Developer's approach to developing the proposed project, including a discussion of the Developer's objectives for spinning-off entitled land or improved land to other builders.

(e) Preliminary Financing Plan and Development Pro Forma. Within **two hundred forty (240) days** of the Effective Date of this Agreement, the Developer shall submit to the Agency, for its review and approval, a preliminary financing plan for the proposed project. The financing plan shall include a general estimate of the following:

- A pro forma of backbone infrastructure costs;
- A pro forma of entitlement costs;
- A pro forma of vertical improvement costs for each land use;
- A pro forma phasing schedule for entitlements, land take down, construction of infrastructure improvements, sale of pads (if applicable), construction of vertical improvements, sale/lease of finished improvements;

- A preliminary estimate of valuation for the purposes of purchase price and/or lease rates for the Project, including a break down of valuation for component parts thereof, including Agency Parcels and any additional parcels contemplated in the overall Project;
- Absorption schedule for sale of pads (if applicable) and completed improvements
- A cash flow projection of development costs and project revenues both leveraged and unleveraged, from entitlements through the completion of vertical improvements and 10-years following the completion of components to be leased to tenants;
- A sources and uses of funds table showing sources of funds for: entitlements; backbone infrastructure; on-site improvements; vertical improvements.
- A narrative description of the proposed financing plan, including the financial return requirements of the various sources of financing, the terms of proposed debt and equity, and the forms of security for proposed debt
- A narrative description and cash flow projection of any request for Agency assistance. The description should include the amount, timing, conditions, and repayment structure for any assistance request and a demonstration that the amount of requested assistance is necessary for the project's feasibility

(f) Other Documentation Necessary for Processing of a Pre-Application for the Project. In addition to the items set forth in Sections 2.2(a) through 2.2(e), inclusive, Developer shall submit any other documentation necessary or beneficial for the Agency to accept and review a Pre-Application for the Proposed Project.

Section 2.3 Planning Approvals. The Developer acknowledges that the Project requires approvals and entitlements from the County (the "Planning Approvals"). Within **one hundred twenty (120) days** of the Effective Date of the Agreement, the Agency and the Developer will mutually agree on the type of entitlements necessary for construction of the Project including, but not limited to, the Discretionary Permits. Developer and Agency shall mutually develop an entitlement schedule within **one hundred eighty (180) days** of the Effective Date of the Agreement

Section 2.4 Organizational Documents. No later than **ninety (90) days** after the execution of this Agreement, the Developer shall provide the Agency with a proposed structure for the development entity including a proposed legal structure and clear definition of each party's roles and responsibilities, including an organizational chart. Developer shall also submit to the Agency for its approval, copies of all operating agreements, joint venture agreements or other agreements between the members of the development entity. The Agency shall approve or disapprove the proposed development entity as part of the Agency Review in Section 2.3.

Section 2.5 Agency Review. Upon receipt of the information from Developer required pursuant to Section 2.2 above, the Agency shall review and analyze the information provided to determine the feasibility of the proposed Project. For the material described in Section 2.2(a) through (d), inclusive, the Agency shall review and provide comments and/or approvals within forty-five (45) days of receipt from Developer. For the material described in Section 2.2(e) and (f), the Agency shall review and provide comments and/or approvals within sixty (60) days of receipt from Developer.

During the Agency review period the Developer shall cooperate with the Agency by providing the Agency with requested information and revisions to the various submissions. The Parties agree that the process of determining the appropriate parameters of the development for the Agency Parcels requires a high degree of cooperation by the parties. The parties shall mutually use best efforts to reach agreement on all efforts, including the Conceptual Development Program, Preliminary Site Plan and Preliminary Financing Plan. If the Agency, after diligent review of the Developer Submissions determines that the Project is infeasible or fails to meet the Agency goals and objectives for development of the Agency Parcel the Agency shall so inform the Developer and provide the Developer with the opportunity to modify the Project such that the Project can be considered feasible with an additional time extension of 120-days to modify the Project. If after said reconsideration the Agency determines the Project is still infeasible, this Agreement shall terminate.

Section 2.6 Due Diligence. During the Phase 1 Negotiating Period if possible, but in any event prior to the end of the Phase 2 Negotiating Period, the Developer shall conduct such due diligence activities as Developer considers necessary, including but not limited to soils report, hazardous materials report, and survey of the Agency Parcels to determine actual property lines, and title adequacy.

As part of its due diligence, the Developer shall determine whether the Agency Parcels are suitable for development of the Project, taking into account the presence or absence of toxic or other hazardous materials, the massing of the proposed Project improvements and the parking requirements imposed on developments of this type and the other environmental and regulatory factors that the Developer deems relevant. If, in the Developer's judgment based on such investigations and analyses, any portion of the Agency Parcels is not suitable for development, the Developer shall notify the Agency in writing prior to the expiration of Phase 2 Negotiating Period of its determination (an "Unsuitability Notice"). Upon delivery of an Unsuitability Notice by the Developer, this Agreement shall be terminated without further action of any Party, and thereafter no Party shall have any further duties, obligations, rights or liabilities under this Agreement, except as set forth in Sections 4.3 and Section 4.6. If the Developer does not deliver an Unsuitability Notice prior to the expiration of Phase 2 Negotiating Period, then the Agency Parcels shall be deemed physically suitable for development of the Project and any executed DDA shall not provide for an additional opportunity for the Developer to determine the physical suitability of the Agency Parcels or for the Developer to terminate the DDA as a result of the purported physical unsuitability of the Agency Parcels.

Section 2.7 Reports. Unless otherwise waived by the Agency, the Developer shall provide the Agency with copies of all final reports, studies, analyses, official correspondence and similar documents, but excluding confidential or proprietary information, prepared or commissioned by the Developer with respect to this Agreement and the Project, promptly upon their completion, and in both paper and electronic form as part of the formal submittal package and addendums thereto.

While desiring to preserve its rights with respect to treatment of certain information on a confidential or proprietary basis, the Developer acknowledges that the Agency will need sufficient, detailed information about the proposed Project (including, without limitation the

financial information described in Section 2.2(e)) to make informed decisions about the content and approval of the business terms and preliminary site plan. The Agency will work with the Developer to maintain the confidentiality of proprietary information subject to the requirements imposed on the Agency by the Public Records Act (Government Code Section 6253 *et seq.*), including, if necessary and appropriate requiring consultants to executed confidential agreements with respect to proprietary and certain financial information. The Developer acknowledges that the Agency may share information provided by the Developer of a financial and potential proprietary nature with third party consultants and Agency Board members as part of the negotiation and decision making process. The Developer also acknowledges that certain information of a financial nature will be required to be made public if a DDA is to be approved. If this Agreement is terminated without the approval of a DDA, the Agency shall return to the Developer any information submitted by the Developer under this Agreement.

The Agency shall provide the Developer with copies of all reports, studies, analyses, official correspondence and similar documents (collectively, "Documents"), including detailed property appraisals, prepared or commissioned by the Agency with respect to this Agreement and the Project, promptly following execution of this Agreement with respect to Documents then in its possession or under its reasonable control, and promptly upon their completion with respect to any subsequently prepared Documents. Agency will use its best efforts to assist Developer in obtaining similar Documents from other regulatory agencies with respect to the Property, including, but not limited to, the US Army, Fort Ord Reuse Authority (FORA) and the Bureau of Land Management.

Section 2.8 Progress Reports. From time to time as reasonably agreed upon by the Parties, each Party shall make oral or written progress reports advising the other Party on studies being made and matters being evaluated by the reporting Party with respect to this Agreement and the Project.

ARTICLE 3.

PHASE 2 NEGOTIATING AND ENTITLEMENT TASKS

Section 3.1 Overview. To facilitate negotiation of Phase 2, upon approval of the Development Concept, Preliminary Site Plan, Preliminary Financing Plan, Preliminary Phasing Plan, Entitlement Schedule, and Organizational Documents, the Parties shall use reasonable good faith efforts to accomplish the negotiation of the terms and conditions of the DDA and complete the tasks set forth in this Article 3 in a timeframe that will support the completion of a DDA prior to the expiration of the Phase 2 Negotiating Period.

(a) Schedule of Performance. Within **one hundred twenty (120) days** of the Commencement of the Phase 2 Negotiating Period, the Developer shall provide to the Agency with a proposed detailed schedule of performance for each Proposed Phase of the Project and shall include, but not be limited to: the dates or time periods for obtaining financing commitments (e.g., X days after approval), the dates or time periods for the submittal of construction plans to the County, and the dates for the commencement and completion of construction of each phase of the Project.

(b) Prevailing Wages. Developer shall comply with all applicable laws (including, without limitation, all applicable ordinances of the County), the applicable redevelopment plan, and any and all applicable resolutions of the County and Agency. Developer acknowledges that the County and Agency will require that prevailing wages shall be paid to all contractors and workmen in connection with the construction of the Project.

(c) Developer and Agency Responsibilities. Developer and Agency shall negotiate and finalize the details of the respective rights, responsibilities and obligations of the Developer and Agency in the disposition and development of the Agency Parcels pursuant to the DDA, including such business terms as compensation for the conveyance of property, any public assistance required for the Project, and such other terms as are reasonable, mutually agreeable and based upon the Community Redevelopment Law.

Section 3.3 Sale/Lease Terms. The Parties agree that, if a DDA are executed, the purchase price and/or lease rate for the Agency Parcels shall be based on an evaluation of the fair reuse value of the Agency Parcels taking into account the restrictions and development conditions imposed by the Agency in accordance with the Redevelopment Plan, all other applicable requirements and restrictions on the use of the Agency Parcels related to the terms of the Fort Ord Base Reuse Plan and conveyances from the Fort Ord Reuse Authority ("FORA"), any restrictions imposed by any source of funding for the Development, any other limitations or restriction on the use of the Agency Parcels.

Section 3.4 Environmental Review. The County or the Agency shall prepare or cause to be prepared any environmental documentation required by the California Environmental Quality Act ("CEQA") for consideration of approval of the DDA, the Development and actions related thereto; provided, that nothing in this Agreement shall be construed to compel the Agency or the County to approve or make any particular findings with respect to such CEQA documentation. The Developer shall provide such information about the Development as may be required to enable the Agency or the County to prepare or cause preparation and consideration of any CEQA-required document, and shall otherwise generally cooperate with the Agency and the County to complete this task. The County or the Agency shall enter into a contract with a consultant to prepare the required environmental documentation no later than **sixty (60) days** after the Agency approvals provided for in Section 2.5. The Developer shall be responsible for all costs associated with the preparation of the required CEQA documentation, which costs shall be paid from funds to be paid by the Developer as part of the Phase 2 Negotiating Period Payment referenced in Section 1.6. The Agency and Developer shall work together to promote the containment of costs while ensuring the timely preparation of adequate environmental assessments. After selection of the consultant to prepare the required environmental documentation the Agency and the Developer shall meet to determine the appropriate amount to be required to ensure that funds are available when necessary to pay the costs associated with the preparation of the CEQA documentation. It is acknowledged that neither the DDA nor anticipated entitlements may be approved without certification of required environmental documentation.

Section 3.5 Section 33433 Report. The Agency shall prepare the necessary documentation pursuant to Section 33433(a)(2)(B) of the California Health and Safety Code to

be submitted to the Agency Board and the County Board of Supervisors in conjunction with the Agency's and the County's consideration of any DDA that is prepared under this Agreement.

ARTICLE 4.

GENERAL PROVISIONS

Section 4.1 Limitation of Effect of Agreement. This Agreement shall not obligate either the Agency or the Developer to enter into a DDA or any other agreement regarding the Agency Parcels. By execution of this Agreement, and acceptance of the payment from the Developer, the Agency is not committing to the disposition of the Agency Parcels. Execution of this Agreement by the Agency is merely an agreement to conduct a period of exclusive negotiations in accordance with the terms hereof, reserving for subsequent Agency Board action the final discretion and approval regarding the approval of a DDA and all proceedings and decisions in connection therewith. Any DDA resulting from negotiations pursuant to this Agreement shall become effective only if, and after, such DDA has been considered and approved by the Agency Board following conduct of all legally required procedures, and executed by duly authorized representatives of the Agency and the Developer. Until and unless a DDA is executed by the Developer, approved by the Agency Board, and executed by the Agency, no agreement drafts, actions, deliverables or communications arising from the performance of this Agreement shall impose any legally binding obligation on either Party to enter into or support entering into a DDA or be used as evidence of any oral or implied agreement by either Party to enter into any other legally binding document.

Section 4.2 Redevelopment Purposes. The Developer represents and warrants that its undertakings pursuant to this Agreement are for the purpose of redevelopment of the Agency Parcels and not for speculation in land, and the Developer recognizes that, in view of the importance of the redevelopment of the Agency Parcels to the general welfare of the community, the qualifications and identity of the Developer and its principals are of particular concern to the County and the Agency; therefore, this Agreement may not be assigned by the Developer without the prior express written consent of the Agency in its sole and absolute discretion.

Section 4.3 Notices. Any notice, demand or communication under, or in connection with, this Agreement may be served upon any Party by personal service or by mailing the same by certified mail in the United States Post Office, postage prepaid, and directed to:

Agency: Redevelopment Agency of the County of Monterey
 Attn: Director, Housing and Redevelopment Office
 168 W. Alisal Street, 3d Floor
 Salinas, California 93901
 Fax: (831) 755-5398

Developer: Monterey Downs, LLC
 26885 Mulholland Highway
 Calabasas, California 91302
 Fax: (818) 880-5414

With a courtesy copy to:

Horse Park: Monterey Horse Park
Attn: Anne Cribbs, Executive Director
2450 Agnes Way
Palo Alto, California 94303
Fax: (650) 852-9383

Notice shall be deemed satisfied within one (1) business day if provided by personal service. Notice shall be deemed satisfied within three (3) business days if provided by certified mail. Either Agency or Developer may change such address by notifying the other Party in writing as to such new address as Developer or Agency may desire used and which address shall constitute as the address until further written notice.

Section 4.4 Waiver of Lis Pendens. It is expressly understood and agreed by the Parties that no lis pendens shall be filed against any portion of the Agency Parcels with respect to this Agreement or any dispute or act arising from it.

Section 4.5 Right of Entry. The Agency shall cooperate with the Developer to provide the Developer the right to enter upon the Agency Parcels, as necessary, for purpose of conducting investigations to further the objectives of this Agreement pursuant to a written right of entry, to be prepared by the Agency, and executed by the Parties.

Section 4.6 Indemnification. The Developer shall indemnify, defend, and hold the Agency and County harmless from any and all costs, expenses, losses, claims, liabilities, damages and causes of action arising out of Developer's entering into or performing this Agreement and/or Developer's failure to perform any obligation of Developer under this Agreement. The Developer's obligations under the preceding sentence shall survive the expiration or earlier termination of this Agreement.

Section 4.7 Costs and Expenses. Except as specifically provided in this Agreement, each Party shall be responsible for its own costs and expenses in connection with any activities and negotiations undertaken in connection with this Agreement, and the performance of each Party's obligations under this Agreement.

Section 4.8 No Commissions. The Agency shall not be liable for any real estate commissions or brokerage fees that may arise from this Agreement or any DDA or Ground Lease resulting from this Agreement. Each Party represents that it has engaged no broker, agent or finder in connection with this transaction, and each Party shall indemnify, defend, and hold harmless the other Party from any claim by any broker, agent or finder retained by the other Party.

Section 4.9 Defaults and Remedies.

(a) Default. Failure by any Party to (i) submit required documents within the time frames required or (ii) to negotiate in good faith as provided in this Agreement shall constitute events of default hereunder. The non-defaulting Party shall give written notice of a default to the defaulting Party, specifying the nature of the default and the required action to cure the default. If a default remains uncured fifteen (15) days after receipt by the defaulting Party of such notice, the non-defaulting Party may exercise the remedies set forth in subsection (b).

(b) Remedies. After notice and a fifteen (15) day opportunity to cure, in the event of an uncured default on the Agency's obligation to negotiate exclusively with Developer during the pendency of this Agreement, Developer shall be entitled to seek injunctive relief against the Agency prohibiting negotiations with others while this Agreement is in effect. In the event of an Agency default in meeting its obligations to timely review and comment or approve Developer submissions, Developer's sole remedy shall be to add time to its own performance obligations in an amount equivalent to the Agency's delay. In the event of any other uncured default by the Agency, the Developer's only remedy is to terminate this Agreement. Except as may be agreed with respect to the Phase 2 Negotiating Period Payment, in the event of an uncured default by the Developer, the Agency's sole remedy shall be to terminate this Agreement and retain the Phase 1 Negotiating Period payment. Following such termination, no Party shall have any right, remedy or obligation under this Agreement, except that the Developer's indemnification obligation pursuant to Section 4.6 shall survive such termination.

Except as expressly provided above, no Party shall have any liability to any other Party for damages or otherwise for any default, nor shall any Party have any other claims with respect to performance under this Agreement. Each Party specifically waives and releases any such rights or claims it may otherwise have at law or in equity.

Section 4.10 Attorneys' Fees. The prevailing Party in any action to enforce this Agreement shall be entitled to recover reasonable attorneys' fees and costs from the other Party.

Section 4.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 4.12 Entire Agreement. This Agreement constitutes the entire agreement of the Parties regarding the subject matters of this Agreement.

Section 4.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

Section 4.14 Assignment. The identity and qualifications of the Developer are a major factor in the Agency's willingness to enter into this Agreement and Developer may not transfer or assign any or all of its rights or obligations hereunder except with the prior written consent of the Agency, which consent shall be granted or withheld in the Agency's sole discretion, and any such attempted transfer or assignment without the prior written consent of Agency shall be void.

Section 4.15 No Third Party Beneficiaries. This Agreement is made and entered into solely for the benefit of the Agency and the Developer and no other person shall have any right of action under or by reason of this Agreement.

Section 4.16 Actions By The Agency. Whenever this Agreement calls for or permits the approval, consent, authorization or waiver of the Agency, the approval, consent, authorization or waiver of the Director of the Redevelopment and Housing Office shall constitute the approval, consent, authorization or waiver of the Agency without further action of the Agency Board.

REDEVELOPMENT AGENCY
OF THE COUNTY OF MONTEREY

By: [Signature]
Date: May 11, 2010

MONTEREY DOWNS, LLC,
a California limited liability company

By: Spectrum Development, Inc.,
a California corporation
Its Managing Member

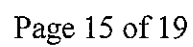
By: [Signature]
Brian Boudreau, President

Date: APRIL 30, 2010

Approved as to form:

By: [Signature]
Agency Counsel
Date: 5/3/10

Redevelopment Agency Property at Parker Flats



Monterey Downs Preliminary Planning Area

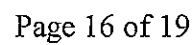


EXHIBIT C

Monterey Downs Conceptual Outline

The Monterey Downs and Horse Park encompasses approximately 450 acres. Approximately 50-acres of this property is Preserve Habitat that will not be developed. Of the remaining 400 acres, approximately 50-acres is located in the City of Seaside, and 350 acres within the County of Monterey. The Monterey Downs and Horse Park contains several components, creating a "village" as required under the FORA Master Plan. The components are:

1. Monterey Downs Training Facility
2. Mixed Use Pedestrian Village known as Country Walk
3. Sports Arena
4. Monterey Horse Park
5. Public Horse Stabling
6. Single Family Housing within the County of Monterey
7. Single Family Housing within the City of Seaside

1. Monterey Downs Training Facility

The current design for the Monterey Downs Training Facility includes a one-mile track on which horses can train to run in races at other tracks. The training center will be modeled after Del Mar Thoroughbred Club in Del Mar, California with a proposed water feature in the middle of the track (the in-field) in which reclaimed water can be stored to be used to irrigate the property. The track and infield are designed to fit on approximately 52-acres of land. Additionally, a 120,000 square foot grandstand is proposed. Also, the backstretch area of the training facility is designed to fit on approximately 30-acres. Within the backstretch area approximately 1,000 stalls and 157 low-low income worker housing units are planned as well. These worker housing units are proposed as a combination of dorm-style and single apartments designed for the workers of the track who must live on-site. Also, 26-acres are intended to be used for parking for visitors to the training facility. Finally, it is anticipated that approximately 25,000 square feet of industrial type buildings will be set aside to hold equipment necessary to maintain the grounds of the Training Facility and Horse Park.

2. Mixed Use Pedestrian Village known as Country Walk

Country Walk is expected to be approximately 150,000 square feet on approximately 25-acres. It is currently designed to be a pedestrian only village with a walkway down the center and buildings on either side. The first and second floors of the buildings are planned for commercial space, with approximately 200 two-bedroom apartments and 50,000 square feet of office space above the commercial area. Additionally, two free standing apartment buildings with another 100 two-bedroom apartments each, for a total of 400 two-bedroom apartment units are also planned within Country Walk. A 200-room hotel is designed at one end of Country Walk to provide a convenient place to stay for visitors to the Monterey Downs and Horse Park as well as a theatre complex. Finally, 48-acres of parking are intended to be used for parking for visitors to Country Walk.

3. Sports Arena

A covered 6,500-seat covered arena is planned be built between Country Walk and the Monterey Horse Park on 7-acres of land. This sports arena is designed to host indoor equestrian events as well as other visitor serving activities. A covered staging area is intended to be constructed adjacent to the sports arena for horses to stage in before entering the arena. Visitors to the Sports Arena may use the same parking as the visitors to Country Walk.

4. Monterey Horse Park

Several components are planned within The Monterey Horse Park. Forty acres are planned to be dedicated to sand- based outdoor arenas, a Grand-Prix sized field, and other equine facilities, as well as temporary stalls to house horses during the events. The Monterey Horse Park proposed to utilize 10-acres of the Horse Park for a visitor center, office space and a veterinarian clinic. Finally, the Monterey Horse Park intends to have 51-acres for use as private yards. These 26 private yards are designed be for-sale lots approximately two-acres in size each. Common equine facilities that are separate from the main horse park, but located within the 51-acres are planned for the exclusive use of the private yards. The parking that is included within the description for Country Walk is designed to be used for visitors to the Monterey Horse Park as well.

5. Public Horse Stabling

Separate from the Monterey Horse Park will be a public stabling facility located on 40-acres. This public stabling center is designed to potentially offer approximately 100 horse stalls for rent to the public. The renters will be able to board their horses at the facility and then use fenced horse trails to reach both the Monterey Horse Park and the Open Space BLM land adjacent to the Monterey Horse Park. Facilities to offer programs for the public, such as riding programs for the handicapped, local equestrian teams and youth-oriented programs are also planned for this portion of the Monterey Downs and Horse Park.

6. Single Family Housing within the County of Monterey

The Monterey Downs and Horse Park intends to offer single family housing on approximately 52-acres of land. Approximately 360 homes, ranging in size from 1,800 square feet to 2,300 square feet, and each with an average size lot of 45' x 75' are proposed for this area. Fenced horse trails will connect the housing to the Horse Park and BLM land.

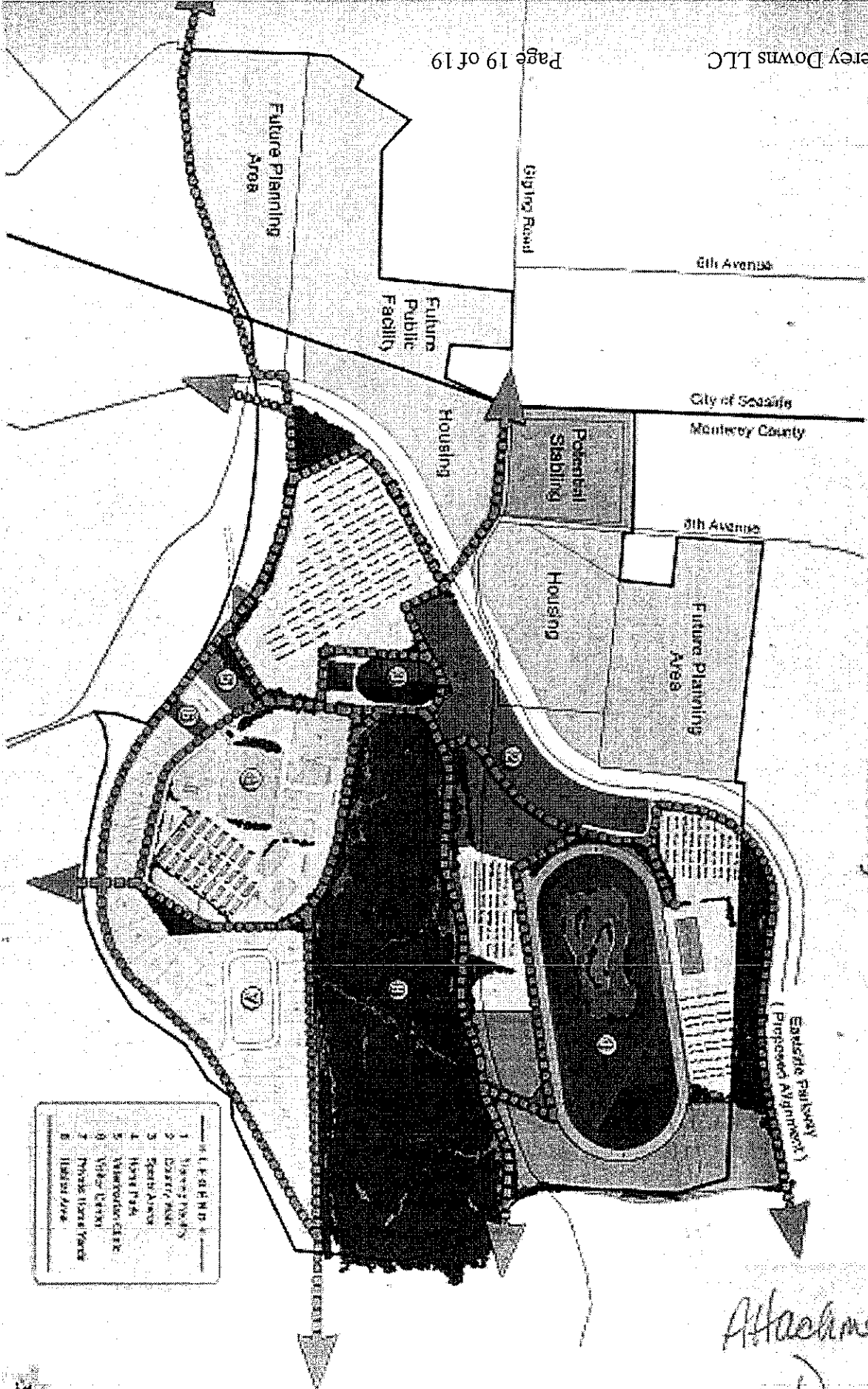
7. Single Family Housing within the City of Seaside

Approximately 370 homes are proposed on approximately 50-acres of property located in the City of Seaside. Similar to the units proposed in the County of Monterey, these homes are designed to range in size from 1,800 square feet to 2,300 square feet, be located on an average size lot of 45' x 75', and connect to the Horse Park and BLM land through by way of fenced horse trails.

Use Plan with Trail Circulation and Connectivity

Monterey Downs LLC

Page 19 of 19



LEGEND

1. Existing Road
2. Existing Road
3. Existing Road
4. Existing Road
5. Existing Road
6. Existing Road
7. Existing Road
8. Existing Road

Attachment
1