

Attachment 3

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**Construction and Transfer of
Water, Sewer and Recycled Water
Infrastructure Agreement**

**(For the East Garrison Development,
Phase 1 and Phase 2)**

CONSTRUCTION AND TRANSFER OF WATER, SEWER AND
RECYCLED WATER INFRASTRUCTURE AGREEMENT
BETWEEN MARINA COAST WATER DISTRICT AND
UNION COMMUNITY PARTNERS EAST GARRISON, LLC
FOR THE EAST GARRISON DEVELOPMENT,
PHASE 1 AND PHASE 2

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CONSTRUCTION AND TRANSFER OF WATER, SEWER AND
RECYCLED WATER INFRASTRUCTURE AGREEMENT
BETWEEN MARINA COAST WATER DISTRICT AND
UNION COMMUNITY PARTNERS EAST GARRISON, LLC
FOR THE EAST GARRISON DEVELOPMENT,
PHASE 1 AND PHASE 2

This Agreement made and entered into this _____ Day of _____ 2011, by and between **Marina Coast Water District**, 11 Reservation Road, Marina, CA, 93933, hereinafter called "District", and **UCP East Garrison LLC**, a Delaware limited liability company, with its principal offices at 6489 Camden Avenue, Suite 204, San Jose, CA 95120, hereinafter called the "Developer." This Agreement pertains to the construction and transfer of water, sewer and recycled water infrastructure.

1. Recitals

1.1 The Developer owns and is developing a parcel of land approximately 244-acres in size generally known as the East Garrison Development, to be developed in phases on property described in Exhibit B and Exhibit C attached hereto and made a part hereof, on the former Fort Ord in an unincorporated area of the County of Monterey, California, ("County") all hereafter referred to as the "Development".

1.2 The County has approved the allocation of water and sewer capacity for the Development from the water and sewer capacity allocated to the County by Fort Ord Reuse Authority (FORA). The County allocated 470.0-AFY of water for the East Garrison Development per County Resolution 05-268 on November 4, 2005 (as documented in Exhibit A). The sale of the development from the original owner of the East Garrison Development to the current Developer included the water rights (see Exhibit A, Implementation Agreement dated June 28, 2011). Therefore the total water allocated by the County to the Development is 470.0-AFY. However, neither the County nor the District may approve: (1) water allocations that exceed the allocations set by FORA, or (2) sewer capacity established by the type and density of development as included in the FORA Consistency Determinations. The District's role in the Development is to approve the plans for, and inspect the construction of the water sewer, and recycled water "facilities", (defined to mean those certain infrastructure improvements provided for in this Agreement and as approved by District as part of its review of Development plans), accept the transfer of the title, to maintain and operate the systems, and to bill customers for water and sewer service at rates set for the District's Ord Service Area from time to time.

1.3 The property is located within the boundary of CFD No. 2006-1. CFD 2006-1 has been established pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Mello-Roos Act") and is operated by the East Garrison Public Financing Authority (Authority), whose purpose and authority is documented in Exhibit F attached hereto and made part hereof. CFD 2006-1 has the purpose, among others, of providing bond financing for all or a portion of the cost

and expense of the capital facilities described in Exhibit F (the "CFD Financed Water District Facilities"). The CFD Financed Water District Facilities are to become the property of the District upon completion and satisfaction of other conditions prescribed by this Agreement, which shall serve as the joint community facilities agreement required by Section 53316.2 of the Mello-Roos Act with respect to the CFD Financed Water District Facilities.

2. Agreement Term and Performance

2.1 This Agreement commences upon execution by the parties and continues until completion of the development construction as outlined below and the associated warranty period, whichever comes first, unless terminated earlier as provided in section 2.2 of this Agreement. In no case shall this agreement extend beyond December 31, 2015 unless extensions are requested and granted as provided in section 2.2.

2.2 Developer agrees to promptly design and construct the water and sewer and recycled water system and, transfer the same to the District in accordance with the terms of this Agreement. If construction of the water and sewer and recycled water system facilities of the Development has not been completed and accepted by District before December 31, 2015, the District shall have the option to terminate this Agreement. One-year (1-year) extensions to the Agreement may be granted in writing by the District's General Manager or Deputy General Manager upon written request from the Developer. A maximum of two (2) such one-year extensions may be granted. If construction on any phase is not complete by December 31, 2015 or as extended as provided above, then an Amendment to this Agreement will be necessary to address each such incomplete phase. Subsequent phases also may be addressed, at District's discretion, by Amendment(s) to this Agreement.

3. Design and Construction Requirements

3.1 Construction of the Phase 1 and 2 facilities (Phasing is shown in Exhibit C) shall be pursuant to the following District-approved plans:

- "East Garrison Phase 1 Off-Site Improvement Plans" approved by the District on 5/17/2007 and "Final Record Drawings" for sanitary sewer and water infrastructure that were completed on 5/27/2008.
- "East Garrison Phase 1 On-Site Improvement Plans" approved by the District on 6/6/2007 and "Final Record Drawings" completed on 6/20/2008.
- "East Garrison Phase 2 Improvement Plans" approved by the District on 4/15/2008 except that the District reserves the right to re-authorize for construction the Phase II Improvement Plans after reviewing the Plans for compliance with current District standards and procedures (defined in Section 2) and other applicable current health and safety laws and regulations. Phase 2 "Final Record Drawings" will be completed after the infrastructure has been installed.

Revisions to the "Final Record Drawings" for Phase 1 and 2 will be processed with the District as necessary until all site improvements are completed.

Phase 3 Improvement Plans will be submitted and approved at a future date. District and Developer agree that the Phase 3 improvements shall be viewed as a portion of the total 224-acre East Garrison Development and within the 470-AFY water allocation.

3.2 The water, sewer, and recycled water facilities shall be designed, constructed and be operable to the District's requirements, which shall be a condition of the District's acceptance of the system facilities under this Agreement. District's requirements include, but are not limited to the following:

3.2.1 Developer shall design and construct the water, sewer and recycled water system facilities in accordance with the District's most recent *Standard Plans and Specifications for Construction of Domestic Water, Sewer, and Recycled Water Facilities* (hereafter *Standards*), Construction Inspection Manual and any other applicable State Regulatory Agency requirements, whichever are most stringent. Any conflict in Development requirements shall be worked out during the plan review process. A licensed civil engineer registered in the State of California shall prepare all plans and specifications.

3.1.2 The Developer shall comply with the District's most recent *Procedure Guidelines and Design Requirements* (hereafter *Procedures*) and the District's *Standards* when submitting project plans and specifications to the District for review and consideration of approval. District's review shall commence after determining compliance with District's *Procedures* regarding the submittals and any other applicable State Regulatory Agency requirements, whichever are most stringent. District review of the project plans and specifications shall commence after receipt of the initial deposit (see Paragraph 2.1.7). District may approve plans concurrent with the County's approval.

3.1.3 The Developer shall comply with most recent District Code including, but not limited to, section 4.28 *Recycled Water*. More specifically, section 4.28.010 *Applicability* states that "[T]his chapter applies to publicly owned properties, to commercial, industrial and business properties, and to other such properties as may be specified from time to time by Marina Coast Water District ... "Section 4.28 does not require the use of recycled water for irrigation to privately owned residential lots. Improvement plans for the Development must contain recycled water lines to serve common areas and other non-residential lot irrigation within the Development. The Developer and the District will cooperatively identify recycled water turnout location(s). The Developer will also install the lateral lines from each turnout. The Developer, or its successors or assignees (such as an owners association) will obtain required permits for recycled water. This shall include, complying with the California Department of Health Services and other regulatory agency requirements prior to constructing any recycled water facilities.

3.1.4 The District will inspect the construction of water, sewer and recycled water facilities and verify that construction conforms to project plans and specifications. District responsibilities for inspection extends to five (5) feet from the building exterior at the point where the utility enters the structure. The District will also inspect special fixtures including, zero water use urinals, hot water recirculation systems, etc. The District will inform the Developer of required field changes and will contact the Developer and the County regarding easements outside publicly dedicated rights of way. The District will enter into a franchise

agreement with the County for non-exclusive use within the public rights of way. Upon receipt of recorded private easements to serve the Development in accordance with the plans and specifications approved by the District, the District will quitclaim any easements not required to serve the Development and not required by the District.

3.1.5 All system facilities shall be tested to meet District requirements. No system facilities or portion thereof, including but not limited to pipes, pumps, electrical and instrumentation and control will be accepted without meeting District test requirements. The District shall have the right to inspect work in progress in the construction of either in-tract or out-of-tract water, recycled water and sewer infrastructure facilities or special fixtures, as described above.

3.1.6 The Developer, on a phased basis, agrees to pay all fees and charges, including additional plan check fees and construction inspection fees as required by the District for Developer's work. These fees will be assessed when the fee is paid. The District may also require a prepaid fee to cover staff time before preliminary level or concept level plan check begins. (See *Procedures* section 100.6.2) If the District Engineer determines consultant assistance is required for plan check review or portion thereof, the Developer agrees to prepay the additional plan check fees if that cost exceeds the balance on the initial deposit. The District shall obtain the Developer's written approval for any costs in excess of this amount, for which approval shall not be unreasonably withheld. Upon the execution of this Agreement by both parties, the Developer shall deposit with the District the applicable administration and plan check fees. Any surplus fees shall be returned to the Developer, or at Developer's request, used to pay subsequent fees, e.g., construction inspection fees.

3.1.7 On a phased basis, the District shall require the construction inspection fee before undertaking a construction inspection review of the proposed water, recycled water and sewer facilities. As a condition precedent to the District's obligation to undertake a construction inspection review of the proposed water, recycled water and sewer facilities, the Developer shall provide to the District the construction inspection fee, which is currently five hundred dollars (\$500.00) per unit plus three percent (3%) of water, recycled water and sewer facilities construction costs, pursuant to Developer's Engineer's estimate. (See *Procedures* section 200.3.2) Any surplus inspection fees shall be returned to Developer.

4. Existing Water and Sewer Infrastructure

4.1 The Developer will comply with the District's *In-Tract Policy* regarding any water, reclaimed water and sewer mains or appurtenances within the Development. Developer, or its successors or assignees, shall assume all responsibility, and will hold District harmless, for all water/sewer infrastructure within the Development boundaries that will be removed or abandoned by Developer. Abandonment-in-place requires written approval by the District. The Developer is responsible to repair or replace water and sewer facilities within the Development boundaries during the construction of the Development which are for the exclusive use of the Development.

5. District to Serve Development

5.1 District will provide water, recycled water and sewer service to the Development as shown on Exhibit C after final Board Acceptance of the conveyance of the water, recycled water, and

sewer system facilities and final Board Acceptance of the system (see *Procedures* section 300.25). The District will bill and serve the individual parcels within the development as they are prepared for occupancy. The bill will include the prepayment of applicable meter fees and charges, cross connection charges, and other applicable fees and charges approved pursuant to the agreement with FORA for service on the former Fort Ord. Once the applicable fees and charges are made, the District will immediately begin service with the installation of the water meter(s). The District's obligations in this section are subject to District's rules, regulations, policies and ordinances, which may be updated from time to time.

6. Capacity Charge

6.1 The current capacity charges for water and sewer services are \$5,750 per EDU and \$2,150 per EDU respectively. These charges are due for each dwelling or commercial unit prior to the District providing service to any given dwelling or commercial unit. The District Board of Directors reserves its right to review and revise these charges from time to time subject to applicable law and the District's approval procedures for such charges.

6.2 Exhibit E states an agreed process to provide notice to the homeowners informing them of the need for and amount of water and sewer surcharge that will be included on their District customer bills.

7. Water Augmentation Project

7.1 In October 2004, the District Board of Directors certified its Regional Urban Water Augmentation Project Environmental Impact Report for a Water Augmentation Project. That project will provide additional water to the former Fort Ord. Alternatives included a 3,000 AFY recycled water project, a 3,000 AFY desalination project, or a 3,000 AFY hybrid project that includes a 1,500 AFY desalination plant and a 1,500 AFY recycled water project. In June 2005, the District and FORA Board of Directors approved the Hybrid Alternative and directed staff to initiate the scoping process. The selection of the Hybrid Alternative will result in the availability of recycled water. Therefore, improvement plans must be compatible with and anticipate the availability of a non-potable water supply to serve common area open spaces within the Development, as permitted by applicable laws and regulations. If an alternative water supply satisfies the foregoing requirements, Developer and District will cooperatively identify recycled water turnout location(s).

7.2 Developer, or its successors or assignees (such as an owners association), agree to take recycled water for non-potable use at the time it becomes available. The District shall establish a separate cost for recycled water in a manner similar to how it establishes the cost of potable water. Developer, or its successors or assignees agree that the District-established cost will be paid by the recycled water customers. .

8. Licensed Contractor

8.1 The Developer, or his authorized representative (contractor) performing the work, shall be licensed under the provisions of the Business and Professions Code of the State of California to do the work called for in the project. District reserves the right to waive this requirement at its discretion where permitted under state statute.

8.2 The Developer, or his contractor, shall be skilled and regularly engaged in the installation of water and sewer systems. The District may request evidence that the constructing party has satisfactorily installed other projects of like magnitude or comparable difficulty. Contractors must furnish evidence of their qualifications to do the work.

9. Permits, Easements, and Related Costs

9.1 Except as otherwise provided in this Agreement, the Developer shall obtain all necessary local, county and state permits (including encroachment permits) and conform to requirements thereof. Developer shall obtain all easements, for other than public rights of way, necessary for ingress and egress to and from the facilities for the purpose of installation, operation, maintenance and removal of said facilities. The minimum pipeline easements shall be 20 feet in width. Easements widths may vary as required by District *Procedures* and *Standards* or as otherwise agreed by the District Engineer and Developer. Easements shall be in a reasonable form accepted by the District and shall be submitted/conveyed to the District in recordable form before the District provides service.

10. Final Inspection and Reimbursement of District Costs

10.1 The District's Engineer must inspect completed water, sewer and recycled water system facilities, or portion thereof. The District will not accept the facility until its Engineer has given written approval that it satisfies the District's requirements. Developer shall be responsible for all costs incurred by the District that are associated with interim and final inspection, completion, additional construction, and testing of the system facilities, subject to the limitations set forth in Section 3 *Design and Construction* Requirements. Developer shall reimburse District for costs to correct any damages to facilities related to the construction of the Development caused by the Developer or any authorized representative (developer's contractor). This reimbursement obligation is limited to the warranty period described in Section 16 *Warranties*. Developer shall remit to District prior to the conveyance of the water, sewer and recycled water system facilities to the District, payment of reimbursable costs, if any, incurred for inspection, administration and plan review, over and above deposits previously paid to the District. If there is a surplus in such accounts or any refunds due Developer, then District shall return to Developer the amount of such surplus or refunds.

10.2 Upon completion of construction of the CFD Financed Water District Facilities, as evidenced by the written concurrence of the District Engineer as provided above in Paragraph 10.1, the Developer may submit a written request to the Authority for payment of the Developer's actual cost and related incidental expense of constructing such completed CFD Financed Water District Facilities. The procedures for submission and processing such payment requests shall be established by separate written agreement between the Developer and the Authority, and except for providing the Authority with a copy of the written concurrence of the District Engineer referred to in the foregoing sentence, the District shall have no responsibility for or participation in such payment request procedures or such payments.

11. Underground Obstructions

11.1 The District is not responsible for and does not assume any responsibility or liability

whatsoever for Developer's (or Developer's contractor's) acts and omissions during the design and construction of the water, sewer, and recycled water facilities. Any location of underground utility lines or surface obstructions given to the Developer or placed on the project drawing by District are for the Developer's convenience, and must be verified by Developer in the field. The District assumes no responsibility for the sufficiency or accuracy of such information, lines, or obstructions.

12. As-Built Plans, Specifications, Values, Etc.

12.1 Developer shall, as a condition of District's acceptance of the water, sewer and recycled water system facilities, provide to the District in accordance with Section 400.13 of the *Procedures*. Developer agrees to supply the following:

12.1.1 A set of Mylar drawing prints and AutoCAD digitized files of the improvement plans which show the water, sewer and recycled water system facilities, and a hardcopy and electronic copy of the specifications, and any contract documents used for the construction of the water, sewer and recycled water system facilities. These files may be in Adobe Acrobat format.

12.1.2 A complete, detailed statement of account, the form and content to be provided by the District at the time of conveyance, of the amounts expended for the installation and construction of the system facilities, with values applicable to the various components thereof, together with a list of any other materials and equipment (and their values) being transferred.

12.1.3 Any other documents required by Section 400.13 of the *Procedures*.

13. Indemnity, Insurance, and Sureties

13.1 Insurance and Liability. The Developer agrees to have its contractor provide the indemnity, defense, and save harmless statements and certifications to the District, its officers, agents, and employees as provided in Exhibit D, attached hereto and hereby incorporated by reference. Insurance policies shall provide that such insurance is primary insurance. Coverages described in Exhibit D shall be maintained through the term of this Agreement, and the Developer's contractor shall file with the District prior to the execution of this Agreement, and as policy renewals occur, a Certificate of Insurance evidencing that the insurance coverages required herein have been obtained and are currently in effect.

13.2. Performance and Payment Surety - Developer or its authorized representative to do the work (contractor) shall furnish the District with a surety in the amount of the District's estimate of the project construction cost to secure the completion of and payment for the work. The surety shall be in a form satisfactory to the District such as a performance and payment bond, irrevocable letter of credit, cash deposit, or construction "set-aside" letter. Such surety may include evidence that it was submitted to another public agency of an equivalent or greater amount covering the work to be done under this Agreement.

13.3. Submittal of Insurance Certificates and Surety - The required insurance certificates shall be delivered prior to commencement of construction and performance, and payment surety shall be delivered to the District prior to District approval of plans and specifications.

14. Transfer of System Facilities to District after Completion

14.1 Developer will execute and obtain all signatures of any other parties having any interest (including any Deed of Trust), and deliver a conveyance satisfactory in form and content to District. This conveyance shall transfer unencumbered ownership of the completed water, sewer and recycled water system facilities to the District together with all real property, interest in real property, easements and rights-of-ways (including any off-site easements or real property) other than those contained in public rights of way, and all overlying and other underground water rights that are a part of, appurtenant to, or belonging to the Development now or hereafter served by the water, sewer and recycled water system facilities that are necessary or appropriate in the opinion of the District for the ownership and operation of the system. Provided all other conditions set forth herein are satisfied, the District shall accept the conveyance. All costs of construction of the system facilities, for which the Developer is responsible, shall have been paid for by Developer, the time for filing mechanics liens shall have expired (or Developer shall provide other security to protect against liens), and the title to the water, sewer and recycled water system facilities and the interests in real property transferred shall be good, clear and marketable title, free and clear of all encumbrances, liens or charges. Developer shall pay all District costs for transferring system facilities to the District, including reasonable attorney costs and the cost of title insurance deemed necessary by the District that is reasonable and customary for the insured transaction type. All construction, including final inspection punch list items must be completed prior to transfer, and the transfer shall not be completed until the conveyance transferring the water, sewer and recycled water system facilities has been formally accepted by the District. After transfer, the District shall own and be free in every respect to operate and manage the water, sewer and recycled water system facilities and to expand or improve, or interconnect with adjacent facilities, as it deems appropriate.

15. Developer Assistance

15.1 Developer shall, both before and after the transfer, secure and provide any information or data reasonably needed by District to take over the ownership, operation and maintenance of the system facilities.

16. Warranties

16.1 Developer hereby warrants that as of the time of the District's acceptance of the conveyance of the water, sewer and recycled system facilities (or when Developer thereafter completes the installation of any works or components subsequently installed, repaired, or replaced) the water, sewer and recycled system facilities and all components thereof, will be in satisfactory working order and quality; and that the water, sewer and recycled systems facilities and all components thereof have been constructed and installed in compliance with specifications and as-built plans being provided to the District, and in accordance with applicable requirements of any governmental agency having jurisdiction. Developer also warrants that as of the time of the District's acceptance of the conveyance of the water, sewer and recycled water system facilities (or when Developer thereafter completes the installation of any works or components subsequently installed, repaired, or replaced) the system facilities will operate in good and sufficient manner for the purpose intended for one (1) year after the date of acceptance (see *Procedures* section 300.24), or 180-days from the date new facilities are subsequently re-

installed, repaired, or replaced (hereafter *replacement facilities*), whichever is later and the Developer shall indemnify District for any costs or expenses (including District's own labor costs) incurred by reason of failure, malfunction, replacements, repairs or any other expenses incurred by District during the one (1) year warranty period or 180-days for *replacement facilities*, whichever is later.

16.2 Developer shall furnish the District with a Warranty Bond (or other instrument satisfactory to the District) in the amount of twenty percent (20%) of the actual construction costs to protect the District against any failure of the work due to faulty materials, poor workmanship or defective equipment within a period of one (1) year following the date of acceptance or 180-days for *replacement facilities*, whichever is later.

17. No Water, Recycled Water and Sewer Service Prior to Completion and Transfer

17.1 The Developer shall not allow any occupant or person to commence operations or use of any part of the water, recycled water and sewer system facilities without the express written consent of the District. Such consent may not be unreasonably withheld. District may impose conditions or restrictions upon any consent to such prior service, such as posting a surety bond. District recognizes that the Development, and hence the water, sewer and recycled system facilities, will be built, accepted and transferred in multiple phases. Notwithstanding any of the foregoing, Developer may use the sewer, water and recycled system facilities before they are accepted for fire protection and construction purposes in all phases, subject to satisfaction of applicable testing.

18. Assignment

18.1 Neither party may assign their rights or obligations under this Agreement within its term without the written consent of the other party, which consent shall not be unreasonably withheld. Rights to water, recycled water, and sewer service will be deemed assigned to each property owner upon acquisition of his/her commercial unit in the Development. Upon assignment, the Developer's responsibilities relating to recycled water facilities, use and approvals will become the assignee's responsibility. This provision will cease to have any effect when the District accepts title to the water facilities or the Agreement is terminated.

19. Dispute Resolution Procedure

19.1 Disputes arising under this agreement shall be resolved as follows:

19.1.1. Prevention of Claims / Meet and confer (3 days)

The parties agree that they share an interest in preventing misunderstandings that could become claims against one another under this agreement. The parties agree to attempt to identify and discuss in advance any areas of potential misunderstanding that could lead to a dispute. If either party identifies an issue of disagreement, the parties agree to engage in a face-to-face discussion of the matter within three calendar days of the initial request. If the dispute cannot be negotiated between the parties, the matter shall first be brought to the attention of the District's Board of Directors at the first available regularly scheduled Board Meeting. The District Board of Directors may seek to intervene in the negotiations or may

direct staff to seek arbitration. If any disagreement remains unresolved for ten (10) days after direction is provided by the District Board of Directors, the parties agree to submit it to mediation as provided in Paragraph 19.1.2 below.

19.1.2. Mediation (30 days)

Either party may demand, and shall be entitled to, mediation of any dispute arising under this agreement at any time after completing the meet and confer process described in subsection 19.1. Mediation shall commence not more than ten (10) days after the initial mediation demand and must be concluded not more than thirty (30) days after the date of the first mediation demand. If mediation is not concluded within that time, then either party may demand arbitration as set forth in Paragraph 19.1.3.

Mediation shall be submitted first to a mediator with at least ten years experience in Monterey County. The mediator shall be selected by mutual agreement of the parties. Failing such mutual agreement, a mediator shall be selected by the presiding judge of the Monterey County Superior Court. In the interest of promoting resolution of the dispute, nothing said, done or produced by either party at the mediation may be discussed or repeated outside of the mediation or offered as evidence in any subsequent proceeding. The parties acknowledge the confidentiality of mediation as required by Evidence Code 1152.5.

No mediator shall submit, and no arbitrator or court shall consider, any mediator recommendations, declarations, or findings unless the parties give their written consent to the proposed mediator statement.

19.1.3. Arbitration (60 days)

If mediation fails to resolve the dispute, the parties shall select an arbitrator by mutual agreement. Failing such agreement, the arbitrator shall be selected by the Presiding Judge of the Superior Court. The decision of the arbitrator shall be final and not subject to judicial litigation.

Arbitration shall be commenced within thirty days of the arbitration demand and concluded within 60 days of arbitration demand.

Arbitration shall follow the so-called "baseball arbitration" rule in which the arbitrator is required to select an award from among the final offers presented by the contending parties. The arbitrator may not render an award that compromises between the final offers.

Unless the arbitrator selects another set of rules, the arbitration shall be conducted under the J.A.M.S. Endispute Streamlined Arbitration Rules and Procedures, but not necessarily under the auspices of J.A.M.S. Upon mutual agreement, the parties may agree to arbitrate under an alternative scheme or statute. The Arbitrator may award damages according to proof. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction.

**NOTICE: IN AGREEING TO THE FOREGOING PROVISION, YOU ARE
WAIVING YOUR RIGHT TO HAVE YOUR RIGHTS UNDER THIS AGREEMENT**

TRIED IN A COURT OF LAW OR EQUITY. THAT MEANS YOU ARE GIVING UP YOUR RIGHT TO TRIAL BY JUDGE OR JURY. YOU ARE ALSO GIVING UP YOUR RIGHT TO DISCOVERY AND APPEAL EXCEPT AS PROVIDED IN THE ARBITRATION RULES. IF YOU REFUSE TO ARBITRATE YOUR DISPUTE AFTER A PROPER DEMAND FOR ARBITRATION HAS BEEN MADE, YOU CAN BE FORCED TO ARBITRATE OR HAVE AN AWARD ENTERED AGAINST YOU BY DEFAULT. YOUR AGREEMENT TO ARBITRATE IS VOLUNTARY.

BY INITIALING THIS PROVISION BELOW, THE PARTIES AFFIRM THAT THEY HAVE READ AND UNDERSTOOD THE FOREGOING ARBITRATION PROVISIONS AND AGREE TO SUBMIT ANY DISPUTES UNDER THIS AGREEMENT TO NEUTRAL BINDING ARBITRATION AS PROVIDED IN THIS AGREEMENT.

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20. Waiver of Rights

20.1 No waiver of any breach or default by either party shall be considered to be a waiver of any other breach or default. The waiver by any party for the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act to be performed at a later time. None of the covenants or other provisions in this Agreement can be waived except by written consent of the waiving party.

21. Notices

21.1 All notices, demands, or other communications which this Agreement contemplates or authorizes shall be in writing and shall be personally delivered, or mailed by certified mail, return receipt requested, or delivered by reliable overnight courier, to the respective party as follows:

To District: Marina Coast Water District
Attn: Carl Niizawa, Deputy General Manager
11 Reservation Road
Marina, California 93933

To Developer: Union Community Partners, LLC
Attn: Jim Fletcher, Vice-President of Acquisitions & Development
6489 Camden Avenue, Suite 204
San Jose, CA 95120

21.2 The address to which notice may be sent may be changed by written notification of each party to the other as above provided.

22. Severability

22.1 If any portion or provision of this Agreement is found to be contrary to law or policy of the

law or unenforceable in a court of competent jurisdiction, then the portion so found shall be null and void, but all other portions of the Agreement shall remain in full force and effect.

23. Paragraph Headings

23.1 Paragraph headings are for convenience only and are not to be construed as limiting or amplifying the terms of this Agreement in any way.

24. Successors and Assignees

24.1 This Agreement shall be binding on and benefit the assignees or successors to this Agreement in the same manner as the original parties hereto.

25. Integrated Agreement

25.1 This Agreement integrates and supersedes all prior and contemporaneous Agreements and understandings concerning the subject matter herein. This Agreement constitutes the sole agreement of the parties and correctly sets forth the rights, duties and obligations of each to the others. Future amendments must be in writing signed by the parties. Any prior agreements, promises, negotiations or representations not expressly set forth in this Agreement are of no force and effect.

26. Negotiated Agreement

26.1 This Agreement has been arrived at through negotiation between the parties. Neither party is deemed the party that prepared the Agreement within the meaning of Civil Code Section 1654.

27. Attorneys Fees

27.1 If arbitration or suit is brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover as an element of costs of suit, and not as damages, a reasonable attorneys' fee to be fixed by the arbitrator or Court, in addition to any other relief granted. The "prevailing party" shall be the party entitled to recover costs of suit, whether or not the suit proceeds to arbitrator's award or judgment. A party not entitled to recover costs shall not recover attorneys' fees. No sum for attorneys' fees shall be counted in calculating the amount of an award or judgment for purposes of determining whether a party is entitled to recover costs or attorneys' fees.

27.2 If either party initiates litigation without first participating in good faith in the alternative forms of dispute resolution specified in this agreement, that party shall not be entitled to recover any amount as attorneys' fees or costs of suit even if such entitlement is established by statute.

28. Exhibits

28.1 All exhibits referred to in this Agreement and attached to this Agreement are incorporated in this Agreement by reference.

29. Disclaimer/Indemnity Regarding Public Works

29.1 District has not determined whether the project would be considered a "Public Works" project for the purposes of California law, and makes no warranties or representations to Developer about whether the project would be considered a "Public Works" project. Developer is aware that if the project is considered a "Public Works" project, then Developer would have to pay "prevailing wages" under California Labor Code section 1771. If Developer fails to pay such prevailing wages, Developer acknowledges that it will be liable to, among other things, pay any shortfall owed as well as any penalties that might be assessed for failure to comply with the law. If Developer does not pay prevailing wages, and an action or proceeding of any kind or nature is brought against the District based on such failure, Developer will defend and indemnify District in the action or proceeding. District agrees to reasonably cooperate and assist Developer in any the defense of any such action.

30. No Third Party Beneficiaries

30.1 There are no intended third party beneficiaries to this Agreement.

31. Compliance with Laws

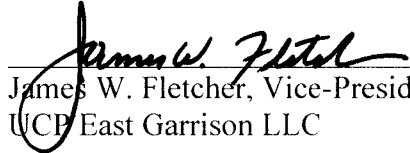
31.1 Developer will comply with all laws, rules and regulations in carrying out its obligations under this Agreement.

32. Counterparts

32.1 This Agreement may be executed in counterparts, and each fully executed counterpart shall be deemed an original document.

Signature Page

By: UCP EAST GARRISON LLC, a Delaware Limited Liability Company


James W. Fletcher, Vice-President of Acquisition & Development
UCP East Garrison LLC

By EAST GARRISON PUBLIC FINANCING AUTHORITY


, Chair
East Garrison Public Financing Authority, CFD 2006-1

By MARINA COAST WATER DISTRICT

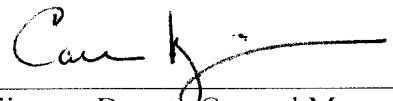

Carl Niizawa, Deputy General Manager
Marina Coast Water District

EXHIBIT A

WATER ALLOCATION DOCUMENTATION

**Before the Board of Supervisors in and for the
County of Monterey, State of California**

Resolution No. 05-268)
Resolution of the Monterey County)
Board of Supervisors allocating 470 acre-)
feet per year for the East Garrison)
Combined Development Permit)
(PLN030204))

The East Garrison Specific Plan, Combined Development Permit, and related actions came on for public hearing on October 4, 2005. Having considered all the written and documentary evidence, the administrative record, the staff report, oral testimony, and other evidence presented, the Board of Supervisors hereby finds and decides as follows:

I. FINDINGS

- 1. FINDING:** East Garrison Partners I, LLC, applied on August 14, 2003 for approval of a Specific Plan and related entitlements to develop 244 acres of the East Garrison area as a mixed use community (PLN030204, East Garrison Partners), as described in the Fort Ord Reuse Plan ("Reuse Plan") and Monterey County General Plan ("General Plan"). The application proposed legislative and discretionary approvals including adoption of a Specific Plan, General Plan amendments, Zoning Ordinance Amendments, a Vesting Tentative Map, Use Permits for development on slopes over 30% and tree removal, water allocation, and a Development Agreement ("Project").

EVIDENCE: Administrative record. The application, plans, and support materials found in the project file (PLN030204).

- 2. FINDING:** The County analyzed the application for a Specific Plan and related entitlements for East Garrison on the former Fort Ord. A Specific Plan was prepared and circulated for public review on September 15, 2004.

EVIDENCE: Administrative record. The application, plans, and support materials found in the project file (PLN030204).

- 3. FINDING:** The Project is located within the former Fort Ord and is governed by the Fort Ord Reuse Plan as well as the Monterey County General Plan.

EVIDENCE: Administrative record. The application, plans, and support materials found in the project file (PLN030204).

- 4. FINDING:** The Fort Ord Reuse Plan, as adopted by the Fort Ord Reuse Authority on June 13, 1997, contains development policies and standards for the redevelopment of the former Fort Ord.

EVIDENCE: Administrative record, including *Fort Ord Reuse Plan*, Fort Ord Reuse Authority, 1997. The application, plans, and support materials found in the project file (PLN030204).

5. **FINDING:** The Reuse Plan limits development through its Development and Resource Management Plan, Section 3.11.5, due to infrastructure and resource constraints. One of the constraints is water supply.

EVIDENCE: Administrative record, including *Fort Ord Reuse Plan*, Fort Ord Reuse Authority, 1997. The application, plans, and support materials found in the project file (PLN030204).

6. **FINDING:** The Fort Ord Reuse Authority has allocated available water to various land use jurisdictions. Monterey County has been allocated 560 acre-feet per year of potable water to serve property within the unincorporated area that is also within the Fort Ord Reuse Plan planning area.

EVIDENCE: Administrative record. The application, plans, and support materials found in the project file (PLN030204).

EVIDENCE: FORA has allocated 560 acre-feet per year of water use for the County to implement the Development and Resource Management Plan. The original allocation of 545 acre-feet was amended by the FORA Board on October 9, 1998 to provide 560 acre-feet per year to the County. The County has reserved 52.5 acre-feet per year for MPC. The East Garrison Specific Plan area, at buildout, would require 470 acre-feet per year. The amount needed for both projects is 37.5 acre-feet below the allocation.

7. **FINDING:** The East Garrison area is served by the Marina Coast Water District ("MCWD").

EVIDENCE: Administrative record. The application, plans, and support materials found in the project file (PLN030204).

8. **FINDING:** Monterey County has complied with California Environmental Quality Act requirements (California Public Resources Code section 21000 et seq.) by preparing and certifying a Final Subsequent Environmental Impact Report (EIR No. 04-04, SCH2003081086) ("FEIR") for the Project.

EVIDENCE: Administrative record found in the project file (PLN030204).

9. **FINDING:** The FEIR prepared for the East Garrison Specific Plan Project included and analyzed the project's water use and determined whether potentially significant environmental effects would result from development of the Project.

EVIDENCE: Administrative record. The application, plans, and support materials found in the project file (PLN030204).

EVIDENCE: SEIR and Technical Appendices, including preparation of technical reports, and independent peer reviews of applicant-submitted technical reports.

EVIDENCE: *Water Supply Assessment and Written Verification of Supply, East Garrison Specific Plan Development*, by Byron Buck & Associates, dated June 3, 2004. The Water Supply Assessment was adopted by the MCWD Board on July 14, 2004.

10. FINDING: In connection with preparation of the FEIR, on May 16, 2003, the County requested that the Marina Coast Water District prepare a Water Supply Assessment and Written Verification of Supply ("WSA") for normal, single dry, and multiple dry water years, in compliance with Water Code Sections 10910 and 10912 and Government Code Sections 65867.5 and 66473.7, to evaluate and determine whether sufficient potable water will be available to serve Project water demand.

EVIDENCE: Administrative record and correspondence found in the project file (PLN030204).

11. FINDING: MCWD, in response to the County's request, prepared the WSA, dated June 3, 2004, attached hereto as Exhibit 1, which document was approved by the MCWD's governing body in accordance with Water Code Section 10910(g)(1) following a public hearing held on July 14, 2004 (MCWD Resolution No. 2004-33).

EVIDENCE: The application, plans, and support materials found in the project file (PLN030204).

EVIDENCE: *Water Supply Assessment and Written Verification of Supply, East Garrison Specific Plan Development*, by Byron Buck & Associates, dated June 3, 2004. The Water Supply Assessment was adopted by the MCWD Board on July 14, 2004.

12. FINDING: On November 17, 2004 and July 13, 2005, the Monterey County Planning Commission held duly noticed public hearings to consider and make recommendations to the Board of Supervisors regarding certification of the FEIR, the proposed General Plan amendments, the proposed East Garrison Specific Plan, proposed related amendments to the County's zoning ordinance, the proposed Combined Development Permit, water allocation, and a proposed ordinance approving a development agreement. At least 10 days before the public hearing, notices of the hearing before the Planning Commission were published in both the Monterey County Herald and the Salinas Californian and were also posted on and near the property and mailed to property owners within 300 feet of the subject property as well as interested parties.

EVIDENCE: Administrative record. Materials found in the project file (PLN030204).

- 13. FINDING:** Prior to making the recommendation on the water allocation, the Planning Commission recommended certification of the FEIR.
- EVIDENCE:** Administrative record, including CEQA resolution adopted by Planning Commission on July 13, 2005.
- 14. FINDING:** On October 4, 2005, the Monterey County Board of Supervisors held a duly noticed public hearing to consider certification of the FEIR, approval of the proposed General Plan amendments, the proposed East Garrison Specific Plan, proposed related amendments to the County's zoning ordinance, the proposed Combined Development Permit, the allocation of potable water for the Combined Development Permit, and a proposed ordinance approving a development agreement. At least 10 days before the public hearing, notices of the hearing before the Board of Supervisors were published in both the Monterey County Herald and the Salinas Californian and were also posted on and near the property and mailed to property owners within 300 feet of the subject property as well as interested parties.
- EVIDENCE:** Administrative record. The application, plans, and support materials found in the project file (PLN030204).
- 15. FINDING:** Prior to allocating water for the Combined Development Permit, the Board of Supervisors certified the FEIR.
- EVIDENCE:** Administrative record, including Board of Supervisors resolutions found in the project file (PLN030204).
- 16. FINDING:** Projected water supplies will be sufficient to satisfy the demands of the Water District, including the East Garrison Project, in addition to existing and planned future uses, for normal, single dry, and multiple dry water years.
- EVIDENCE:** *Water Supply Assessment and Written Verification of Supply, Proposed East Garrison Specific Plan Development (WSA)*, prepared by Byron Buck & Associates, dated June 3, 2004.
- EVIDENCE:** Marina Coast Water District Resolution No. 2004-33 adopting the WSA.
- EVIDENCE:** *East Garrison Specific Plan, Draft Subsequent Environmental Impact Report*, Section 4.11.6.

II. DECISION

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors hereby allocates 470 acre-feet per year for the sole and exclusive purpose of supplying water to the East Garrison project as approved by the Combined Development Permit and as outlined in the attached *Water Supply Assessment and Written Verification of Supply, Proposed East Garrison Specific Plan Development* (Exhibit 1).

BE IT FURTHER RESOLVED that water is allocated as required and at a pace commensurate with actual construction, as described in the Water Supply Assessment and as approved in the conditions of approval and, in the event that East Garrison Partners I, LLC does not complete the project, which design and construction timing is described in the Disposition and Development Agreement between the Redevelopment Agency of Monterey County and East Garrison Partners I, LLC, so much of the allocation of the 470 acre-feet per year as is attributed to the unbuilt portion of the project shall revert to the County.

PASSED AND ADOPTED on this 4th day of October, 2005, upon motion of Supervisor Smith, seconded by Supervisor Potter, by the following vote, to-wit:

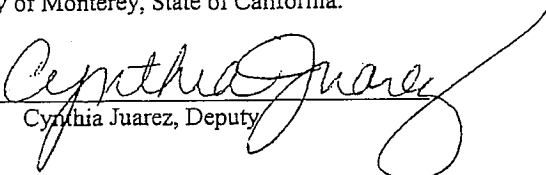
AYES: Supervisors Armenta, Calcagno, Lindley, Potter, and Smith
NOES: None
ABSENT: None

I, Lew Bauman, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof Minute Book 72, on October 4, 2005.

Dated: October 13, 2005

Lew Bauman, Clerk of the Board of Supervisors,
County of Monterey, State of California.

By


Cynthia Juarez, Deputy

**FIRST IMPLEMENTATION AGREEMENT TO
DISPOSITION AND DEVELOPMENT AGREEMENT**

THIS FIRST IMPLEMENTATION AGREEMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT (this "Amendment") is made this 28th day of JUNE, 2011, by and between THE REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY (the "Agency") and UCP EAST GARRISON, LLC ("UCP EG"). Agency and UCP EG are each referred to herein as a "Party" and together as the "Parties." The COUNTY OF MONTEREY (the "County") has consented to this Amendment as set forth in the Consent and Agreement of the County appended hereto following the signature pages.

RECITALS:

A. Agency and East Garrison Partners I, LLC ("EGP") entered into that certain Disposition and Development Agreement (Together With Exclusive Negotiation Rights to Certain Property) on October 4, 2005 (the "DDA"), which DDA, among other things, imposes certain conditions (including, without limitation, construction requirements, operating covenants, and transfer restrictions) on the real property commonly known as East Garrison Track Zero located in the unincorporated area of the County of Monterey, California and more particularly described on Exhibit A to the DDA and incorporated herein by reference (the "Property"). The DDA is evidenced by a Memorandum of Disposition and Development Agreement (Together With Exclusive Negotiation Rights to Certain Property) dated October 4, 2005 and recorded on May 16, 2006 in the official records of the Monterey County Recorder's Office (the "Official Records") as Instrument No. 2006044222 (the "Memorandum"). Capitalized terms used but not defined herein shall have the meanings given to such terms in the DDA.

B. On or around January 30, 2007, EGP obtained a loan from Residential Funding Company, LLC, a Delaware limited liability company and RFC Construction Funding, LLC, a Delaware limited liability company (collectively, the "Original Lender") in the original principal amount of up to Seventy Five Million Dollars (\$75,000,000) (the "Loan"), which Loan was evidenced by, among other instruments, (i) that certain Loan Agreement dated January 30, 2007 by and between EGP and Original Lender (the "Loan Agreement"); (ii) that certain Revolving Promissory Note dated January 30, 2007, made by EGP to the order of Original Lender (the "Note"); and (iii) that certain Construction Deed of Trust, Security Agreement and Fixture Filing with Assignment of Rents, Proceeds and Agreements effective as of January 30, 2007, and made by EGP, as trustor, to First American Title Company, as trustee, for the benefit of Original Lender, as beneficiary, as amended by that certain Modification to Construction Deed of Trust, Security Agreement and Fixture Filing with Assignment of Rents, Proceeds and Agreement bearing a date of February 1, 2008 (collectively, the "Deed of Trust"), which Deed of Trust encumbered the Property. The Loan Agreement, Note, Deed of Trust, together with all other documents, instruments and modifications relating to the Loan are referred to herein collectively as the "Loan Documents."

C. Agency and County each provided their consent to the Loan pursuant to that certain Consent, Subordination and Recognition Agreement dated as of January 30, 2007 ("CSRA") by and among the County, the Agency, EGP and Original Lender, which was recorded in the Official Records on February 1, 2007 as Instrument No. 2007008911.

D. On or around January, 2009, EGP defaulted on its Loan obligations to Original Lender by, among other things, failing to make debt service payments to Original Lender as and when required under the Loan Documents.

E. As a result of EGP's defaults under the Loan Documents, on March 24, 2009, Original Lender commenced trustee sale proceedings under the Deed of Trust by causing a Notice of Default and Election to Sell under Deed of Trust to be recorded in the Official Records as Instrument No. 2009017137 (the "Trustee Sale Proceedings").

F. On August 7, 2009, during the pendency of the Trustee Sale Proceedings, UCP EG purchased the Loan and Loan Documents from Original Lender, as evidenced by, among other instruments, (i) that certain Purchase and Sale Agreement dated July 1, 2009 by and between Original Lender and UCP EG; (ii) that certain Assignment to Note dated August 7, 2009 made by Original Lender for the benefit of UCP EG; (iii) that certain Assignment of Deed of Trust made by Original Lender for the benefit of UCP EG dated and recorded in the Official Records on August 7, 2009 as Instrument No. 2009050410; and (iv) that certain Assignment of CSRA made by Original Lender for the benefit of UCP EG dated and recorded in the Official Records on August 7, 2009 as Instrument No. 200905041.

G. As a result of UCP EG's purchase of the Loan, UCP EG became the lender under the Loan Documents and a "Lender" (as such term is defined in the CSRA) under the CSRA, all as further confirmed by those certain Estoppel Certificates executed by both the Agency and the County for the benefit of UCP, LLC (UCP EG's parent company) on July 28, 2009.

H. On September 8, 2009, the Property was auctioned for sale as part of the Trustee Sale Proceedings and UCP EG, being the highest bidder at such sale, became the purchaser of the Property pursuant to a credit bid equal to Twenty Two Million One Hundred Fifty Three Thousand Four Hundred Twenty Five Dollars and 45/00 cents (\$22,153,425.45). This amount will be considered the "Initial Land Payment" as defined in the DDA.

I. Title to the Property was vested in UCP EG pursuant to that certain Trustee's Deed Upon Sale dated September 8, 2009 and recorded in the Official Records on September 9, 2009 as Instrument No. 2009057220.

J. UCP EG's acquisition of the Property through the Trustee Sale Proceedings resulted in the occurrence of a "Transfer Event" (as such term is defined in the CSRA); thereby rendering UCP EG a "Succeeding Owner" (as such term is defined in the CSRA) under the CSRA and entitling UCP EG to a number of rights and benefits under the CSRA and DDA, including, without limitation, the requirement that both the Agency be bound to UCP EG by the provisions of the DDA as if the DDA was originally between the Agency and UCP EG.

K. However, UCP EG, as a Lender and Succeeding Owner, is not obligated to perform any development or construction work at the Property until such time as it expressly assumes in writing the continuing performance obligations of EGP under the DDA and officially assumes the role of master Developer under the DDA.

L. UCP EG is now ready and willing to assume the role of master Developer under the DDA and to continue the performance obligations required thereunder, as the DDA is implemented pursuant to this and any subsequent Implementation Agreements.

M. The Agency is agreeable to the implementing measures identified in this First Implementation Agreement and to deem UCP EG as the master Developer thereunder, and UCP EG is willing to assume the role of master Developer, in accordance with the terms and conditions set forth hereunder.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants, representations, warranties, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

1. Assumption of DDA.

1.1 Assumption (§ 107 of DDA; §1 of CSRA). UCP EG hereby covenants and agrees that, on and after the Effective Date (as defined below), UCP EG will assume EGP's role as "Developer" under the DDA, and, except as otherwise set forth in Section 1.3 hereof, will assume, observe, perform, fulfill and be bound by all terms, covenants, conditions and obligations of EGP under the DDA (as amended hereby). As of the Effective Date, UCP EG shall have all rights of EGP in, to and under the DDA.

1.2 Agency Consent (§ 107 of DDA; §1 of CSRA) The Agency hereby consents to the foregoing assumption and hereby covenants and agrees that the Agency shall be bound to UCP EG by the provisions of the DDA as if the DDA were originally between the Agency and UCP EG. The Agency's obligations to UCP EG under the DDA shall include, without limitation, all obligations to provide and/or otherwise assist with the financing of the Project, as more specifically set forth in Attachment No. 4 to the DDA. The Agency further agrees that UCP EG is hereby deemed to be the "Master Developer" of the Site (as such term is defined in Attachment No.16 of the DDA) and shall be entitled to all rights granted to the Master Developer under the DDA.

1.3 DDA Provisions Pertaining to EGP and Obligations Prior to Site Conveyance. The Parties acknowledge and agree that UCP EG was not the original Developer under the DDA and, as such, there are a number of DDA provisions that do not apply to UCP EG given that EGP purchased the Site from the Agency in 200[5], including, without limitation, Sections 200-203 (relating to the purchase and sale of the Site by EGP), Sections 509-511 (relating to the parties' rights and remedies that existed prior to the conveyance of the Site to EGP), and Section 706 (relating to property management services prior to the conveyance of the Site).

2. Project Costs.

2.1 Cost Basis (Attachment No. 4, § A(3)(d) of DDA; §3 of CSRA). Notwithstanding anything in the CSRA to the contrary, including, without limitation, Section 3(a)(i) thereof, the Parties hereby covenant and agree that the amount of Project Costs incurred by UCP EG to acquire the Project shall equal Twenty Two Million One Hundred Fifty Three

Thousand Four Hundred Twenty Five Dollars and Forty Five Cents (\$22,153,425.45), plus all other Project Costs (as defined in Attachment No. 4, Section 3(d) of the DDA) incurred by UCP EG in the acquisition and development of the Property and EGP's rights as Developer under the DDA, including all attorneys' fees and costs.

2.2 Management Fee (Attachment No. 4, § A(3)(d)). Agency hereby covenants and agrees that either UCP EG or UCP, LLC (UCP EG's parent company), as UCP EG may determine in its sole discretion, is entitled to receive an ongoing management fee for the supervision and development of the Project equal to (i) One Hundred Fifty Thousand Dollars (\$150,000) per quarter commencing on the Effective Date and continuing through the close of escrow for the final lot to be sold in Phase 1 of the Project; (ii) One Hundred Thousand Dollars (\$100,000) per quarter commencing on the day after the close of escrow for the final lot to be sold in Phase 1 of the Project and continuing through the close of escrow for the final lot to be sold in Phase 2 of the Project; and (iii) Fifty Thousand Dollars (\$50,000) per quarter commencing on the day after the close of escrow for the final lot to be sold in Phase 2 of the Project and continuing until such time the close of escrow for the final lot to be sold in Phase 3 of the Project. In addition, the amount of Seventy-five Thousand Dollars (\$75,000) per quarter may be assessed by UCP EG as a Management Fee, commencing on September 8, 2009, and extending to the Effective Date of this First Implementation Agreement.

Agency acknowledges and agrees that the management fee amounts listed in this Section 2.2 are reasonable and equal to the amount that would be charged by third parties on an arms' length basis and, as such, may be included by UCP EG as part of its Project Costs. UCP EG acknowledges and agrees that these management fees represent all UCP EG management fees to be assessed on the Project and does not include fees that may be assessed by future developers or builders. Management fees for any partial quarter shall be prorated based on the number of days that UCP EG or UCP, LLC (as applicable) is entitled to such management fee bears in proportion to the actual number of days in such quarter.

3. Schedule of Performance.

3.1 Generally. The Parties recognize that the current Schedule of Performance set forth in the DDA is no longer current or feasible due to EGP's failure to complete development of the Project in accordance with the original timelines, EGP's invocation of Enforced Delay in 2008, and the dramatic change and downturn in the local real estate market since the time the DDA was signed. As a result, the Parties desire to implement the DDA by using the Schedule of Performance attached to this First Implementation Agreement.

3.2 Attachment No. 5. Attachment No. 5 to the DDA is hereby deleted in its entirety and replaced with the new Attachment No. 5 attached hereto and incorporated herein by reference.

3.3 Performance Schedule for Phases 2 and 3. As set forth in the new Attachment No. 5, the Parties agreed to the performance schedules for Phases 2 and 3, based upon current local market conditions. This revised Schedule of Performance does not alter the performance conditions related to the provision of affordable rental housing as set forth in Section B of Attachment No. 3 to the DDA, nor the conditions related to the provision of

moderate-income housing set forth in the DDA. The Parties agree, however, that if by the time that escrow has closed on the 250th lot sale in Phase 1, it appears that the performance obligations for housing may not be achieved in a timely manner, the Parties shall begin a meet and confer process with respect to the performance obligations. The Parties also agree that among the matters to be included in the meet and confer process shall be the timing of construction of affordable rental units, the possible self performance of any remaining affordable housing obligations contained in Attachment No. 3 to the DDA, and the possible payment of the applicable In-Lieu Fee for Monterey Peninsula/Coastal Area as an alternative to conditions on the issuance of building permits. The Agency agrees to extend its best good faith efforts to assist UCP EG in finding financial assistance for the completion of the affordable housing obligations, consistent with the provisions of the existing pledge of tax increment contained in Section H of Attachment No. 4 to the DDA.

4. Workforce II Housing (Attachment No. 3, §§ A & B; & Attachment No. 9, § 5).

4.1 Background and Implementation Effort.

(a) Background. The DDA currently requires that one hundred and forty (140) units be offered to Workforce II buyers in Phase 3 of the Project. This requirement was originally intended to guard against Workforce II homebuyers from being priced out of purchasing units located in the Project. However, due to the recent decline in the local real estate market, the Parties agree that a reasonable estimate for the purchase prices of the majority of the market rate units that are anticipated to be sold in Phase 1 of the Project will be at or below "Workforce II" levels.

(b) Implementation of Workforce II Obligations. The Parties agree to implement Section 5 of Attachment No. 9 of the DDA in the following manner and will be embodied in the Workforce Housing II Agreement referenced in Attachment 3 to the DDA:

(i) Developer shall satisfy all Workforce II Housing obligations imposed upon Developer under the DDA with the sale (upon the terms and conditions set forth below) of forty-seven (47) residential units in Phase 1 of the Project as Workforce II units; forty-seven (47) residential units in Phase 2 of the Project as Workforce II units; and forty-six (46) residential units in Phase 3 of the Project as Workforce II units.

(ii) The Workforce II unit must be sold at a Workforce II Purchase Price, which price cannot exceed fair market value for the unit at the time of initial sale.

(iii) The actual buyer(s) of such Workforce II residential unit(s) must be a qualified Workforce II homebuyer and must agree to record a covenant committing to owner-occupancy of the unit for a minimum of one (1) year.

(iv) Agency agrees that it shall not require the placement of any deed restrictions or deeds of trust which requires equity sharing on the Workforce II residential units developed and sold in Phases 1 and 2. Agency further agrees that any equity sharing requirement for Workforce Housing residential units developed and sold in Phase 3 shall only be imposed in the event that there is a differential between fair market value of an equivalent residential unit on the Project of Fifty Thousand Dollars (\$50,000) or Thirty percent (30%),

whichever is less. Agency also agrees that the equity share requirement for any given Phase 3 Workforce Housing unit shall terminate if Developer documents to the Agency that Developer is unable to find a willing qualified Workforce II homebuyer after making a good faith effort to sell such unit for a period of 120 days.

4.2 Definitions. As used in this Section 5, the following capitalized terms shall be defined as follows:

(a) "Monthly Housing Costs" shall mean a monthly debt service payment under a 30 year fixed mortgage loan in the original principal amount of the Workforce II Purchase Price with interest thereon at current market rates along with estimated monthly payments for property taxes, homeowners' association dues, and special assessments.

(b) "Workforce II Buyer" shall mean an actual qualified buyer who earns not more than 180% of area median income for Monterey County, as adjusted for a household size for the appropriate unit (number of bedrooms plus one) as identified in the Workforce Housing II Agreement.

(c) "Workforce II Housing" shall mean the one hundred and forty (140) residential units to be developed as originally described in the DDA and priced for the initial sale to persons and families whose incomes do not exceed 150-180% of the adjusted median income for Monterey County, adjusted for household size.

(d) "Workforce II Purchase Prices" shall mean a purchase price for a Workforce II Housing unit which is equal to that which could have been afforded by a Workforce II Buyer after assuming (i) a down payment not to exceed 10%; and (ii) Monthly Housing Costs equal to 40% of actual eligible gross income for such Workforce II Buyer divided by 12, provided that the Workforce II Purchase Price cannot exceed fair market value for the applicable unit as defined by appraisal or comparable sales whichever is greater.

5. Town Center (Attachment No. 4, § G(2); Attachment No. 9, § 6). The Parties agree that UCP EG shall implement its obligations for the development of the Town Center under the DDA, including Paragraph G, Section 2 of Attachment No. 4, in the following manner: (i) before the time that escrow has closed on the sale of the 1st lot in Phase 3, UCP EG shall post a completion bond with respect to 34,000 square feet of the Town Center, sized sufficiently to compensate for costs related to the construction as well as cost related to accessing the bond; (ii) UCP EG shall complete construction of at least 20,000 square feet of the Town Center by the time that escrow for the sale of the 200th lot in Phase 3 has closed, and shall complete construction of an additional 14,000 square feet of the Town Center by the time the escrow for the sale of the last lot in Phase 3 has closed; (iii) if UCP EG shall not have constructed at least 20,000 square feet of the Town Center by the time that escrow has closed on the 200th lot in Phase 3, then UCP EG shall cause the bond funds to be released to the Agency,

and shall deliver to the Agency a Right of Entry onto the Town Center property, so that the Agency may cause the completion of the Town Center.

6. Parks. The Parties agree that UCP EG shall implement Condition of Approval 122 (Recreation Requirements/Land Dedication) of the East Garrison Specific Plan and Vesting Tentative Map for Phase 1 as follows:

(a) "Neighborhood Parks."

Neighborhood Parks are parks which are generally one (1) acre or smaller in size and are spread across the Project. There are two (2) Neighborhood Parks located in each Phase of the Project. The Neighborhood Parks for each Phase shall be completed in full by the time of issuance of a Certificate of Occupancy for the 200th residential unit for each such Phase.

(b) "Community Park"

The Community Park is a park to constitute approximately 7 acres and consist of certain improvements, including a baseball field and related improvements. By the time of the issuance of a Certificate of Occupancy for the 200th residential unit for Phase 1, all necessary infrastructure for the completed Community Park shall be installed, together with sufficient grading and landscaping to allow for passive recreational use. The Community Park shall be completely developed with all required amenities and improvements no later than the close of escrow for the lot sale which represents fifty percent (50%) or greater of the lot sales for Phase 3, and no further lot sales shall be permitted until completion of the Community Park in its entirety.

(c) "Town Center Park"

The Town Center Park is approximately one acre in size and is to be built in connection with Developer's Town Center Construction Obligation. The Town Center Park shall be completed no later than the time a Certificate of Occupancy for the 200th residential unit is issued in Phase 3.

7. Application of Deposit Amounts (Section 201.a). The Agency hereby covenants and agrees that, within ten (10) business days after the Effective Date, it shall make a demand on the Escrow Agent for payment of the Deposit (including any interest earned and accrued thereon) that was originally submitted by EGP to secure the performance of its obligations under the DDA. Upon Agency's receipt of the Deposit amounts from Escrow Agent, it shall (i) inform UCP EG of the amount received from Escrow Agent; and (ii) use such Deposit amount towards the payment of the Agency and County's cost and expenses in providing services to timely process, implement and administer the DDA and the Development Approvals and which would otherwise be payable by UCP EG under the DDA or the Reimbursement Agreement.

8. Insurance.

8.1 FORA PLL (Section 204). On or before the Effective Date, the Agency shall have added UCP EG as a Named Insured under the FORA PLL and shall have furnished, or caused to be furnished, a certificate or endorsement evidencing the same.

8.2 UCP EG's Insurance (Section 305). On or before the Effective Date, UCP EG shall have added the Agency and the County as additional or coinsureds under the insurance policies required to be maintained under Section 305 of the DDA and UCP EG shall have furnished, or caused to be furnished, a certificate or endorsement evidencing the same.

9. Enforced Delay. This First Implementation Agreement reflects the fact that there has been a significant downward change in the residential market since the DDA was first approved. It also represents the fact that UCP EG acquired the Project after Enforced Delay was invoked and after the prior Developer defaulted in its obligations. In recognition of these facts, the Parties agree that Section 604 {Enforced Delay} shall be implemented in the following manner:

(a) as of the Effective Date of this First Implementation Agreement, the Enforced Delay provisions relating to market demand and absorption shall not apply to the installation of infrastructure and completion of lots with respect to Phase 1 only; and

(b) after all infrastructure and conditions of approval relative to the issuance of the first building permit have been completed for Phase 1, UCP EG may invoke or assert continuation of Enforced Delay (if and as necessary) upon all conditions set forth in Section 604 of the DDA.

10. Miscellaneous.

10.1 Notices. From and after the Effective Date, all notices required or permitted to be sent to "Developer" under the DDA, Development Agreement, or any documents executed in connection therewith, shall be sent to UCP EG at the following address and in the manner required under the DDA:

To: UCP East Garrison, LLC
6489 Camden Avenue, Suite 204
San Jose, CA 95120
Attn: James W. Fletcher
Phone: (408) 323-1113
Fax: (408) 323-1114

With a copy to: W. Allen Bennett, Esq.
Vice President & General Counsel
548 W. Cromwell, Suite 104
Fresno, CA 93711
Phone: (559) 439-4464
Fax: (559) 439-4477

10.2 Effective Date. This Amendment shall become effective as of the date that the Agency executes this First Implementation Agreement (the "Effective Date").

10.3 Ratification. The DDA, as implemented hereby, is and shall remain in full force and effect in accordance with its terms and is hereby ratified and confirmed in all respects. The execution and delivery of this First Implementation Agreement shall not operate as a waiver

of or an amendment of any right, power or remedy of either Party in effect prior to the date hereof.

10.4 Further Cooperation. At all times following the Effective Date, the Parties agree to execute and deliver, or cause to be executed and delivered, such documents and to do, or cause to be done, such other acts and things as might reasonably be requested to assure that the benefits of the DDA (as implemented herein and as implemented by any further Implementation Agreement) are realized by the Parties.

10.5 Entire Agreement; Conflict; Amendments. This First Implementation Agreement and the attachments hereto, which are hereby incorporated into and made a part of this Agreement, constitutes the entire agreement between the Parties with respect to the matters set forth herein and there are no representations, warranties or prior understandings with respect to UCP EG's assumption of the DDA and the implementing measures to the DDA except as expressly set forth herein or any subsequent implementation agreements. In the event of any conflict between the provisions of this Amendment and the provisions of the DDA, the provisions of this First Implementation Agreement shall control. No amendment or modification to the DDA or any Implementation Agreement will be effective unless contained in a writing signed by both Parties.

10.6 Severability. The Parties agree that should any provision of this First Implementation Agreement be deemed by a court of competent jurisdiction to be unenforceable under applicable law, the remaining provisions of this agreement shall in no way be affected and shall remain in full force. The Parties also agree that any such provision deemed unenforceable shall be replaced automatically with an enforceable provision as close as possible, in meaning and effect, to that deemed unenforceable.

10.7 Interpretation. This First Implementation Agreement shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any of the Parties. The Parties acknowledge that each party and its counsel have reviewed and revised this agreement and that the rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this First Implementation Agreement or any document executed and delivered by either Party in connection with the transactions contemplated by this agreement. The titles or headings of the various sections and paragraphs of this First Implementation Agreement are intended solely for convenience of reference and are not intended and shall not be deemed to or in any way be used to modify, explain or place any construction upon any of the provisions of this agreement. Unless the context shall otherwise require, words using the singular or plural number shall also include the plural or singular number, respectively.

10.8 Counterparts. This First Implementation Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise but a single instrument.

10.9 Successors and Assigns. The terms and conditions of this First Implementation Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

10.10 Amendment to Memorandum. Upon UCP EG's request, the Agency shall cooperate in executing an amendment to the Memorandum which evidences UCP EG's status of Developer and recognizes the implementation measures to the DDA set forth herein, in form and substance reasonably satisfactory to the Parties, which shall be recorded in the Official Records.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the day and year next to such Party's signature.

UCP EG:

Date: June 16, 2011

UCP EAST GARRISON, LLC,
a Delaware limited liability company

By: UCP, LLC, a Delaware limited liability company
Its: Sole Member

By: [Signature]
Name: **DUSTIN BOGUE, COO**
Title: **6489 Camden Ave, STE. 204
San Jose, CA 95120**

THE AGENCY:

Date: June 30, 2011

REDEVELOPMENT AGENCY OF THE COUNTY
OF MONTEREY

Approved as to Form:

By: Kay Bernain
Name: **KAY REIMANN**
Title: **DEPUTY COUNTY COUNSEL**

By: [Signature]
Name: **Jane B. Parker**
Title: **Chair, Monterey County
Board of Supervisors**

By: [Signature]
Name: **Jane B. Parker**
Title: **Chair, Board of Directors
Monterey County Redevelopment
Agency**

CONSENT AND AGREEMENT OF THE COUNTY OF MONTEREY

The County of Monterey hereby consents to the terms of the foregoing First Implementation Agreement between the Agency and UCP EG, and does hereby agree, for itself and its officers, departments, boards and agencies:

1. To cooperate with the Agency and UCP EG 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 UCP EG;
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, 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 of the DDA, in the implementation of the Development Agreement and Development Approvals (as defined in the DDA).

Consented to, approved and accepted
by:
Date: June 30, 2011

Approved as to Form:

By: Kay Reisman
Name: KAY REISMAN
Title: DEPUTY COUNTY COUNSEL

THE COUNTY:

THE COUNTY OF MONTEREY

By: Jane B. Parker
Name: Jane B. Parker
Title: Chair, Monterey County Board of Supervisors

By: Jane B. Parker
Name: Jane B. Parker
Title: Chair, Board of Directors Monterey County Redevelopment Agency

Attachment No. 5

[First Referenced, Section 202 (I)]

SCHEDULE OF PERFORMANCE

Updated: _____, 2011

EXHIBIT 5

(Revised)

I. **Schedule of Performance** as currently delineated in the DDA will be modified as follows:

1. PHASE 1

A. Installation of all infrastructure and completion of all Conditions of Approval necessary to sell first lot for market rate units. Timeline shall be as outlined in the "Manzanita Place" Implementation Agreement for Sub-phases A and B.

Sub-phase A improvements by September 30, 2012.

Sub-phase B improvements by March 31, 2013.

B. Close of Escrow for sale of last Market Rate Residential Lot

3/31/2016

i. Within 3 yrs from completion of infrastructure and Conditions of Approval

C. Certificate of Occupancy for last Market Rate Residential Unit

3/31/2021

i. Within 5 yrs of close of escrow for sale of last market rate lot

2. PHASE 2

A. Installation of all infrastructure and completion of all Conditions of Approval necessary to sell first lot for market rate units

Initiate infrastructure construction no later than the Close Of Escrow of the 250th Market Rate Residential Unit in Phase 1.

Complete construction of Phase 2 horizontal improvements and fulfill all Conditions of Approval for Phase 2 Final Map within 18 months of start.

No later than 3 years after completion of infrastructure and Conditions of Approval.

B. Close of Escrow for sale of last Market Rate Residential Lot

C. Certificate of Occupancy for last Market Rate Residential Unit

No later than 5 years after the close of escrow for the sale of the last Market Rate Residential Lot.

EXHIBIT B

LEGAL DESCRIPTION

DECEMBER 22, 2006
JOB NO.: 1208-00

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°06'22" WEST 50.77 FEET;

THENCE, NORTH 08°15'34" EAST 62.65 FEET;

THENCE, NORTH 05°27'17" WEST 95.25 FEET;

THENCE, ALONG THE ARC OF A TANGENT 114.71 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 73°08'32", AN ARC DISTANCE OF 146.44 FEET;

THENCE, NORTH 78°35'49" WEST 632.93 FEET;

THENCE, SOUTH 86°19'16" WEST 521.61 FEET;

THENCE, ALONG THE ARC OF A TANGENT 150.11 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 69°35'53", AN ARC DISTANCE OF 182.34 FEET;

THENCE, NORTH 24°04'51" WEST 75.22 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 55°04'55" EAST, THROUGH A CENTRAL ANGLE OF 11°03'05", AN ARC DISTANCE OF 44.36 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 TO THE LEFT, FROM WHICH THE CENTER OF SAID CURVE BEARS NORTH $10^{\circ}40'10''$ EAST, THROUGH A CENTRAL ANGLE OF $13^{\circ}57'59''$, 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 $05^{\circ}46'10''$ WEST 243.25 FEET,
- 2) ALONG THE ARC OF A TANGENT 530.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF $06^{\circ}12'50''$, AN ARC DISTANCE OF 57.48 FEET,
- 3) NORTH $00^{\circ}26'40''$ 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 $00^{\circ}40'40''$, AN ARC DISTANCE OF 59.50 FEET,
- 5) NORTH $01^{\circ}07'20''$ EAST 371.18 FEET,
- 6) ALONG THE ARC OF A TANGENT 90.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF $53^{\circ}27'20''$, AN ARC DISTANCE OF 83.97 FEET,
- 7) NORTH $52^{\circ}20'00''$ WEST 57.65 FEET,
- 8) ALONG THE ARC OF A TANGENT 140.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF $82^{\circ}47'00''$, AN ARC DISTANCE OF 202.28 FEET,
- 9) NORTH $30^{\circ}27'00''$ EAST 134.37 FEET,
- 10) ALONG THE ARC OF A TANGENT 170.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF $89^{\circ}07'10''$, AN ARC DISTANCE OF 264.42 FEET, AND
- 11) NORTH $58^{\circ}40'10''$ 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 $85^{\circ}01'10''$ WEST 480.17 FEET;

LEGAL DESCRIPTION
PAGE 5 OF 5

DECEMBER 22, 2006
JOB NO.: 1208-00

THENCE, LEAVING SAID SOUTHERN LINE, NORTH 32°14'23" EAST
1,642.75 FEET TO A POINT ON THE SOUTHWESTERN LINE OF PARCEL 2 AS SAID
PARCEL 2 IS SHOWN AND SO DESIGNATED ON SAID RECORD OF SURVEY (20 SURVEYS
110);

THENCE, LEAVING SAID SOUTHWESTERN LINE, NORTH 32°14'08" EAST
130.00 FEET TO A POINT ON 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 1,442.38 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

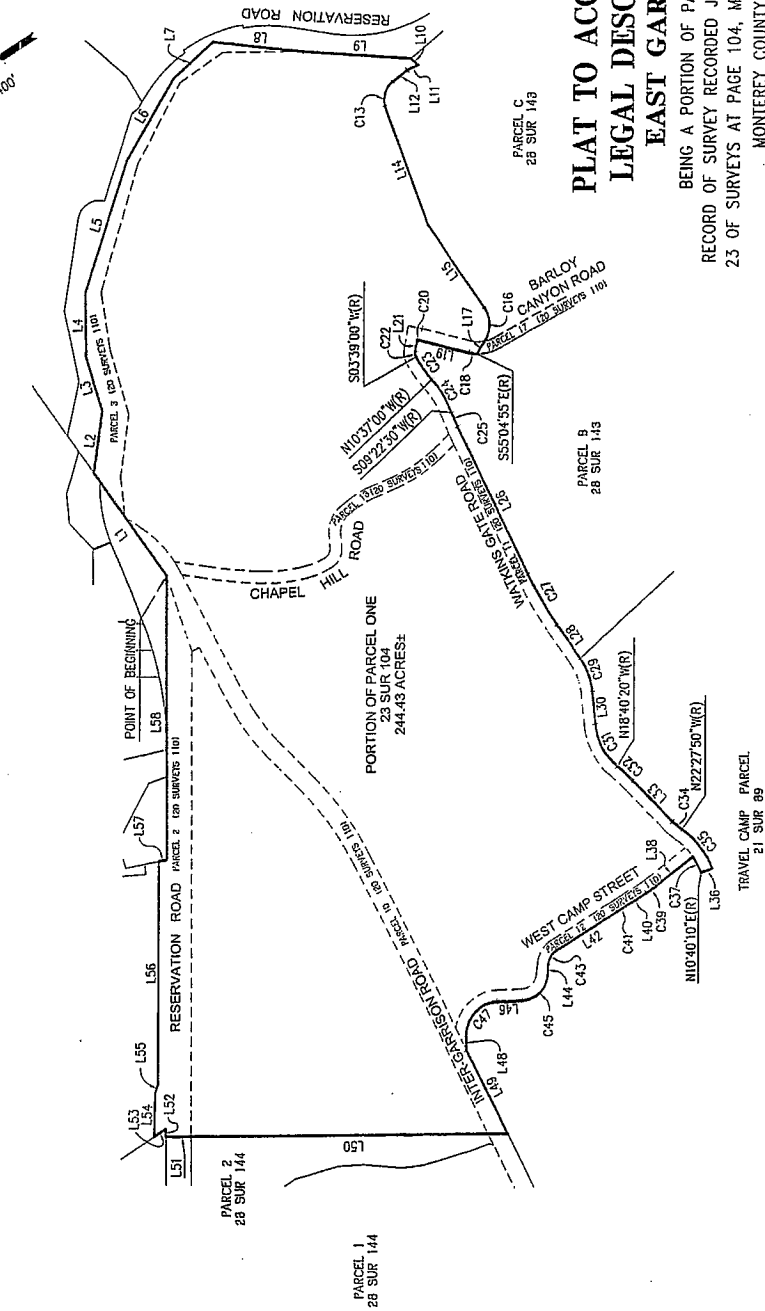
TANGENT TABLE		
NO.	BEARING	LENGTH
L1	N86°10'27"E	647.50'
L2	S50°06'58"E	317.97'
L3	S74°46'08"E	281.64'
L4	S58°35'42"E	324.17'
L5	S40°05'11"E	697.82'
L6	S27°33'51"E	476.75'
L7	S09°43'24"E	271.22'
L8	S39°47'16"W	464.62'
L9	S38°27'16"W	553.37'
L10	S73°06'22"W	50.77'
L11	N08°15'34"E	62.65'

TANGENT TABLE		
NO.	BEARING	LENGTH
L12	N05°27'17"W	95.25'
L14	N78°35'49"W	632.93'
L15	S86°19'16"W	521.61'
L17	N24°04'51"W	75.22'
L18	N45°58'10"E	276.86'
L19	N47°43'00"W	58.68'
L20	N84°20'10"W	842.92'
L21	N84°20'10"W	212.93'
L22	S86°34'50"W	166.36'
L23	S77°22'50"W	292.82'
L24	N10°40'10"E(R)	60.00'

TANGENT TABLE		
NO.	BEARING	LENGTH
L38	N05°46'10"W	243.25'
L40	N00°28'40"E	123.80'
L42	N01°07'20"E	371.18'
L44	N62°20'00"W	57.65'
L46	N30°27'00"E	134.37'
L48	N58°40'10"W	70.02'
L49	N85°01'10"W	480.17'
L50	N32°14'23"E	1642.75'
L51	N32°14'08"E	130.00'
L52	S57°45'52"E	40.03'
L53	N00°40'37"W	73.88'

TANGENT TABLE		
NO.	BEARING	LENGTH
L54	S55°04'56"E	225.68'
L55	S36°20'16"E	39.45'
L56	S57°36'50"E	1135.76'
L57	S21°35'28"W	41.64'
L58	S57°53'16"E	1442.38'

CURVE TABLE		
NO.	RADIUS	DELTA
C13	114.71'	73°08'32"
C16	150.11'	69°35'53"
C18	230.00'	113°03'05"
C20	970.00'	00°32'15"
C22	45.00'	38°38'00"
C23	570.00'	14°16'00"
C24	580.00'	19°59'30"
C25	1220.00'	03°42'40"
C27	1870.00'	08°42'50"
C29	395.00'	29°19'10"
C31	320.00'	44°56'30"
C32	1030.00'	05°03'10"
C34	370.00'	09°50'40"
C35	445.00'	33°08'00"
C37	395.00'	13°57'59"
C39	530.00'	06°12'50"
C41	5030.00'	00°40'40"
C43	90.00'	53°27'20"
C45	140.00'	82°47'00"
C47	170.00'	89°07'10"



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

DATE: DECEMBER 2006
SCALE: 1"=400'

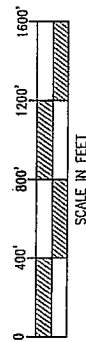


EXHIBIT C

MAP OF DEVELOPMENT

PHASE 1

PHASE 3

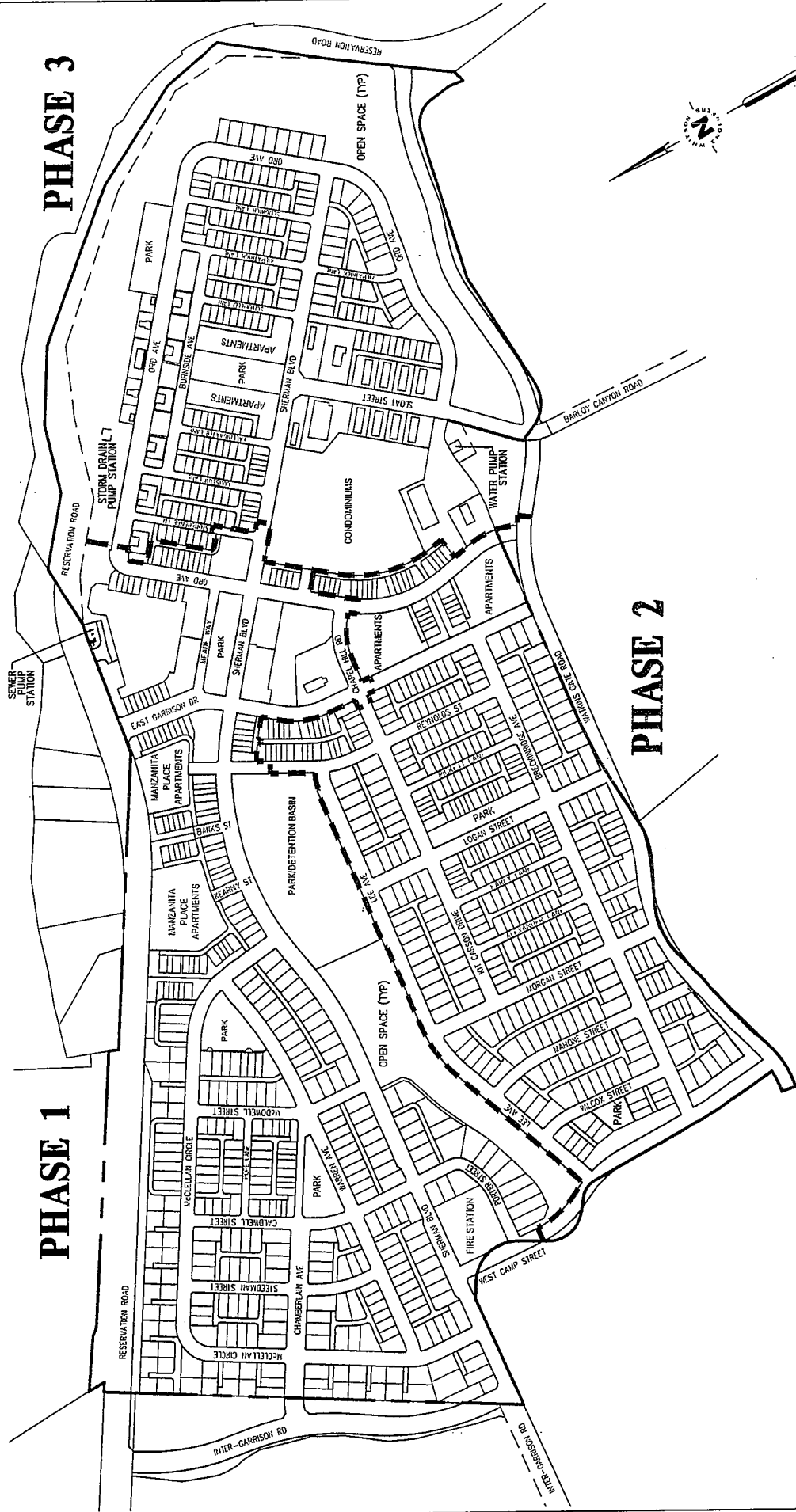


EXHIBIT C

DATE: AUG 23, 2011

SCALE: 1" = 600'

DRAWN: APH

CHECKED: RPW

PROJECT No.: 2615.00

TEL (831) 649-5225

FAX (831) 373-5065

WWW.WHITSONENGINEERS.COM

MONTEREY COUNTY

CALIFORNIA

1

EAST GARRISON SITE PLAN

DRAWING PATH: T:\Monterey Projects\2615\CAD\Exhibits-WE\Exb-8.5x11.dwg

9699 BLUE LARKSPUR LANE, SUITE 105

MONTEREY, CALIFORNIA 93940

TEL (831) 649-5225

FAX (831) 373-5065

WWW.WHITSONENGINEERS.COM

PROJECT No.: 2615.00

OF 1



WHITSON ENGINEERS

EXHIBIT D

INDEMNIFICATION AND INSURANCE REQUIREMENTS

DEVELOPER and their CONSTRUCTION CONTRACTORS

Workers' Compensation Insurance – The Developer shall require their Construction Contractor (Contractor) to certify that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing the performance of the work of the Developer's contract.

Indemnification - To the fullest extent permitted by law, the Developer will require the Contractor to indemnify and hold harmless and defend District, its directors, officers, employees, or authorized volunteers, and each of them from and against:

- a. Any and all claims, demands, causes of action, damages, costs, expenses, losses or liabilities, in law or in equity, of every kind and nature whatsoever for, but not limited to, injury to or death of any person including District and/or Contractor, or any directors, officers, employees, or authorized volunteers of District or Contractor, and damages to or destruction of property of any person, including but not limited to, District and/or Contractor or their directors, officers, employees, or authorized volunteers, arising out of or in any manner directly or indirectly connected with the work to be performed under this agreement, however caused, , except if caused by the sole negligence or willful misconduct or active negligence of District or its directors, officers, employees, or authorized volunteers;
- b. Any and all actions, proceedings, damages, costs, expenses, penalties or liabilities, in law or equity, of every kind or nature whatsoever, arising out of, resulting from, or on account of the violation of any governmental law or regulation, compliance with which is the responsibility of Contractor;
- c. Any and all losses, expenses, damages (including damages to the work itself), attorneys' fees, and other costs, including all costs of defense, which any of them may incur with respect to the failure, neglect, or refusal of Contractor to faithfully perform the work and all of the Contractor's obligations under the contract. Such costs, expenses, and damages shall include all costs, including attorneys' fees, incurred by the indemnified parties in any lawsuit to which they are a party.
- d. Contractor acknowledges and understands that the area in and around which the work will be performed has been identified as a possible location of munitions and explosives of concern ("MEC"). All indemnification obligations of Contractor under this Agreement shall specifically include claims and demands involving, arising out of or related to MEC.

The Developer will require their Contractor to defend, at Contractor's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against District or District's directors, officers, employees, or authorized volunteers.

The Developer will require their Contractor to pay and satisfy any judgment, award or decree that may be rendered against District or its directors, officers, employees, or authorized volunteers, in any such suit, action or other legal proceeding.

The Developer will require their Contractor to reimburse District or its directors, officers, employees, or authorized volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided.

The Developer will require their Contractor to agree to carry insurance for this purpose as set out in the specifications. Contractor's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the District, or its directors, officers, employees or authorized volunteers.

Commercial General Liability and Automobile Liability Insurance - The Developer will require their Contractor to provide and maintain the following commercial general liability and automobile liability insurance:

Coverage - Coverage for commercial general liability and automobile liability insurance shall be at least as broad as the following:

1. Insurance Services Office Commercial **General Liability** Coverage (Occurrence Form CG 0001)
2. Insurance Services Office **Automobile Liability** Coverage (Form CA 0001), covering Symbol 1 (any auto) (owned, non-owned and hired automobiles)

Limits - The Consultant shall maintain limits no less than the following:

1. **General Liability** - Two million dollars (\$2,000,000) per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit or products-completed operations aggregate limit is used, either the general aggregate limit shall apply separately to the project/location (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to the District) or the general aggregate limit and products-completed operations aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability** - One million dollars (\$1,000,000) for bodily injury and property damage each accident limit.

Required Provisions - The general liability and automobile liability policies are to contain, or be endorsed to contain the following provisions:

1. The District, its directors, officers, employees, or authorized volunteers are to be given insured status (via ISO endorsement CG 2010, CG 2033, or insurer's equivalent for general liability coverage) as respects: liability arising out of activities performed by or on behalf of the Contractors; products and completed operations of the Contractor; premises owned, occupied or used by the Contractor; or automobiles owned, leased, hired or borrowed by the Contractor. The coverage shall contain no special limitations on the scope of protection afforded to the District, its directors, officers, employees, or authorized volunteers.
2. For any claims related to this project, the Contractor's insurance shall be primary insurance as respects the District, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance, or other coverage maintained by the District, its directors, officers, employees, or authorized volunteers shall not contribute to it.
3. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the District, its directors, officers, employees, or authorized volunteers.
4. The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
5. Each insurance policy required by this clause shall state or be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to the District.

Such liability insurance shall indemnify the Contractor and his/her sub-contractors against loss from liability imposed by law upon, or assumed under contract by, the Contractor or his/her sub-contractors for damages on account of such bodily injury (including death), property damage, personal injury and completed operations and products liability.

The general liability policy shall cover bodily injury and property damage liability, owned and non-owned equipment, blanket contractual liability, completed operations liability, explosion, collapse, underground excavation and removal of lateral support.

The automobile liability policy shall cover all owned, non-owned, and hired automobiles.

All of the insurance shall be provided on policy forms and through companies satisfactory to the District.

Deductibles and Self-Insured Retentions - Any deductible or self-insured retention must be declared to and approved by the District. At the option of the District, the insurer shall either reduce or eliminate such deductibles or self-insured retentions.

Acceptability of Insurers - Insurance is to be placed with insurers having a current A.M. Best rating of no less than A-:VII or equivalent or as otherwise approved by the District.

MEC Coverage: The Developer will require their Contractor to maintain insurance that includes coverage for services and work in or around MEC, or claims, damage or injury related in any way to this Agreement which arise from MEC. The Marina Coast Water District, its officers, directors and employees and any of its authorized representatives and volunteers shall be named as additional insureds under all insurance maintained by Contractor related in any way to work performed by it on behalf of the Marina Coast Water District.

Workers' Compensation and Employer's Liability Insurance - The Developer will require their Contractor and all sub-contractors to insure (or be a qualified self-insured) under the applicable laws relating to workers' compensation insurance, all of their employees working on or about the construction site, in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any Acts amendatory thereof. The Contractor shall provide employer's liability insurance in the amount of at least \$1,000,000 per accident for bodily injury and disease.

Responsibility for Work - Until the completion and final acceptance by the District of all the work under and implied by this Agreement, the Developer will require the work to be under the Contractor's responsible care and charge. The Contractor shall rebuild, repair, restore and make good all injuries, damages, re-erections, and repairs occasioned or rendered necessary by causes of any nature whatsoever.

The Developer or the Developer's Contractor will provide and maintain builder's risk insurance (or installation floater) covering all risks of direct physical loss, damage or destruction to the work in the amount specified in the General Conditions, to insure against such losses until final acceptance of the work by the District. Such insurance shall include¹ explosion, collapse, underground excavation and removal of lateral support. The District shall be a named insured on any such policy. The making of progress payments to the Contractor by the Developer shall not be construed as creating an insurable interest by or for the District or be construed as relieving the Contractor or his/her subcontractors of responsibility for loss from any direct physical loss, damage or destruction occurring prior to final acceptance of the work by the District.

The Developer will require their Contractor's insurer to waive all rights of subrogation against the District, its directors, officers, employees, or authorized volunteers.

Evidences of Insurance - Prior to the commencement of construction activities subject to this Agreement, the Developer will require their Contractor to file with the District a certificate of insurance (Acord Form 25-S or equivalent) signed by the insurer's representative. Such evidence shall include an original copy of the additional insured endorsement signed by the insurer's representative. Such evidence shall also include confirmation that coverage includes or has been

modified to include Required Provisions 1-5.

The Developer will require their Contractor, upon demand of the District, to deliver to the District such policy or policies of insurance and the receipts for payment of premiums thereon.

All insurance correspondence, certificates, binders, etc., shall be mailed to:

Marina Coast Water District
11 Reservation Road
Marina, CA 93933
Attn: Management Services Administrator

Sub-Contractors - In the event that the Contractor employs other contractors (sub-contractors) as part of the work covered by this agreement, it shall be the Developer's responsibility to require and confirm that the Contractor requires each sub-contractor to meet the minimum insurance requirements specified above.

EXHIBIT E

NOTICE TO HOMEOWNERS
OF
WATER & SEWER SURCHARGE PAYMENTS

The Developer hereby agrees that the Notice to Homeowner(s) informing them of the Water and Sewer surcharge adopted by the District shall either be contained in the Department of Real Estate Public Report or a letter from the Developer to each prospective property buyer. The Developer agrees to provide this notice to each prospective property buyer prior to the execution of any contract to purchase property in the Development. The Developer will submit the text and format of this Notice to the General Manager of the Marina Coast Water District for review and approval prior to inclusion in the Real estate Public Report or in a letter from the Developer to each prospective property buyer.

EXHIBIT F

CFD FINANCED WATER DISTRICT FACILITIES

5100.000; 0125.000

Board of Directors of the
East Garrison Public Financing Authority
County of Monterey, State of California

Agreement No. A-10456

Approve and authorize the Chair to sign an Infrastructure)
Agreement among the East Garrison Public Financing)
Authority, the Marina Coast Water District, and East)
Garrison Partners I, LLC for financing and construction of)
water, sewer, and recycled water improvements related to)
the East Garrison development project.)

Upon motion of Supervisor Calcagno, seconded by Supervisor Armenta, and carried by those members present the Board of Directors of the East Garrison Public Financing Authority hereby approves and authorizes the Chair to sign an Infrastructure Agreement among the East Garrison Public Financing Authority, the Marina Coast Water District, and East Garrison Partners I, LLC for financing and construction of water, sewer, and recycled water improvements related to the East Garrison development project.

PASSED AND ADOPTED on this 16th day of May 2006, by the following vote, to wit:

AYES: Supervisors Armenta, Calcagno, Lindley and Smith

NOES: None

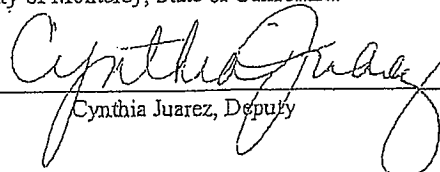
ABSENT: Supervisor Potter

I, Lew C. Bauman, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof Minute Book 73, on May 16, 2006.

Dated: May 17, 2006

Lew C. Bauman, Clerk of the Board of Supervisor,
County of Monterey, State of California.

By


Cynthia Juarez, Deputy

BEFORE THE BOARD OF SUPERVISORS IN AND FOR THE
County of Monterey, State of California

Agreement No.: A-10492

Approve a Funding, Disclosure, and Joint)
Community Facilities Agreement among the East)
Garrison Public Financing Authority, the County of)
Monterey, the East Garrison Community Services)
District, and East Garrison Partners I, LLC regarding)
the bond financing of public improvements to be)
constructed by East Garrison Partners I, LLC for the)
East Garrison development project.)

Upon motion of Supervisor Lindley seconded by Supervisor Calcagno, and carried by those members present, the Board of Supervisors hereby:

Approves a Funding, Disclosure, and Joint Community Facilities Agreement among the East Garrison Public Financing Authority, the County of Monterey, the East Garrison Community Services District, and East Garrison Partners I, LLC regarding the bond financing of public improvements to be constructed by East Garrison Partners^{III}, LLC for the East Garrison development project.

PASSED AND ADOPTED on this 20th day of June 2006, by the following vote, to-wit:

AYES: Supervisors Calcagno, Lindley, and Smith

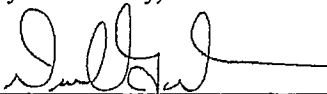
NOES: None

ABSENT: Supervisors Armenta, and Potter

I, Lew C. Bauman, Clerk of the Board Supervisors, County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof Minute Book 73, on June 20, 2006.

Dated: June 23, 2006

Lew C. Bauman, Clerk of the Board of Supervisors,
County of Monterey, State of California.

By 
Darlene Drain, Clerk

FUNDING, DISCLOSURE AND
JOINT COMMUNITY FACILITIES AGREEMENT

East Garrison Public Financing Authority
Community Facilities District 2006-1
(East Garrison Project)

This Agreement is executed by and between the EAST GARRISON PUBLIC FINANCING AUTHORITY (the "Authority"), the COUNTY OF MONTEREY (the "County"), a California county and political subdivision of the State of California, the EAST GARRISON COMMUNITY SERVICES DISTRICT (the "District"), a California community services district organized and operating pursuant to the Community Services District Law (Sections 61000 and following, California Government Code), and EAST GARRISON PARTNERS I, LLC, a California limited liability company, hereafter referred to as the Members.

RECITALS

This Agreement is predicated upon the following facts:

A. The parties to this agreement (this "Agreement") are the East Garrison Public Financing Authority (the "Authority"), the County of Monterey (the "County"), the East Garrison Community Services District (the "District"), and East Garrison Partners I, LLC, a California limited liability company (the "Developer").

B. This Agreement shall be dated as of June 20, 2006, the date of adoption of a resolution of the Board of Directors of the Authority (the "Board") approving the form and substance of this Agreement.

C. The County has given conditional approval to a land development project commonly referred to as East Garrison Project (the "East Garrison Project"), and, among the conditions of approval are the requirements to construct and install or cause the construction and installation of certain public improvements (the "East Garrison Project Public Improvements").

D. In response to a request from the Developer, the Board has initiated legal proceedings pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Act") for establishment of Community Facilities District No. 2006-1 (East Garrison Project) ("CFD No. 2006-1") and has expressed its intention to conduct proceedings to obtain landowner-voter approval for the levy of a special tax (the "CFD Special Tax") on the taxable real property within CFD No. 2006-1 (the "Subject Property") and the issuance and sale of special tax bonds of CFD No. 2006-1 (the "Bonds"), with the Bonds to be issued in one or more series secured by the CFD Special Tax for the purpose of assisting in financing a portion of the cost and expense of the East Garrison Project Public Improvements.

E. That portion of the East Garrison Project Public Improvements which are authorized to be financed by proceeds of sale of the Bonds or proceeds of the CFD Special Tax

(the "CFD Financed Improvements") are identified in Exhibit A attached hereto and by this reference incorporated herein.

F. The parties expressly acknowledge that proceeds of sale of the Bonds and available proceeds of the CFD Special Taxes will not be sufficient, whether from time to time or at all, to finance the full cost and expense of all of the eligible CFD Financed Improvements, and such fact shall not relieve the Developer of the Developer's obligation to construct and install or to cause the construction and installation of all of the East Garrison Project Public Improvements, including but not limited to the CFD Financed Improvements.

G. The parties expressly acknowledge that prescribed portions of the completed CFD Financed Improvements will be transferred to the County, the District and the Marina Coast Water District (the "Water District"). Section 53316.2 of the Act requires the Authority to establish a joint community facilities agreement with each entity to which any portion of the CFD Financed Improvements are to be transferred upon completion for ownership and operation. This Agreement is intended to satisfy such requirement as it relates to the County and the District. The Authority, the Water District and the Developer are establishing a separate agreement (the "Infrastructure Agreement") pertaining to that portion of the CFD Financed Improvements which will be transferred to the Water District (the "Water District Facilities").

H. A further purpose of this Agreement is to establish the terms and conditions pursuant to which (a) the Developer will cause the construction and installation of the CFD Financed Improvements and (b) the Authority, with the cooperation and assistance of the Developer, and subject to the terms and conditions of this Agreement, will undertake to authorize, issue, sell and deliver one or more series of the Bonds and to utilize a prescribed portion of the proceeds of sale of the Bonds to (1) pay the Developer for expenditures made by the Developer in furtherance of designing, constructing and installing CFD Financed Improvements (the "Improvement Expenditures"), as more particularly described in paragraph 4 below

I. In consideration of the mutual commitments and obligations stated, and upon the conditions set forth, the parties hereto agree as follows:

AGREEMENT

NOW, THEREFORE, it is agreed as follows:

1. The foregoing recitals are true and correct, and the parties expressly so acknowledge. Said recitals, together with Exhibit A hereto, are incorporated herein by reference.

2. The Authority has selected Morgan Stanley & Co. Incorporated to be the underwriter of the Bonds (the "Underwriter") on the basis of a negotiated sale. Upon receipt from the Underwriter of a written offer for purchase of the respective series of the Bonds satisfactory to the Authority, and upon prior satisfaction of all other conditions precedent to bond issuance and delivery as specified herein, the Authority agrees to take such actions as may

reasonably be required of the Authority, acting on the advice of its financial advisor for CFD No. 2006-1 (the "Financial Advisor"), to provide for issuance, sale and delivery of the Bonds to the Underwriter; provided, however, that the Authority shall not be required to complete proceedings for formation of CFD No. 2006-1 or to proceed with issuance, sale and delivery of the Bonds if the Authority concludes in good faith and notwithstanding its best efforts to accomplish a public offering and sale of the Bonds as provided in paragraph 6 hereof, that it is not in the best interest of the Authority to do so. The Developer expressly acknowledges that the conditional obligation of the Authority to pay the Improvement Expenditures for the CFD Financed Improvements is strictly limited to a portion of the proceeds of sale of the Bonds and available proceeds of the CFD Special Tax, if any, and any available investment earnings thereon and to no other source of funds whatsoever and, further, that the principal amount of the Bonds will be strictly limited in accordance with Authority policies pertaining thereto.

3. The Developer shall cause the CFD Financed Improvements to be constructed and installed and shall provide for its own construction financing, construction contracting and contract administration. In providing for the construction and installation of the CFD Financed Improvements, the Developer shall be obligated to meet all requirements customarily imposed upon subdividers and developers in such circumstances by the County and by any other entity having jurisdiction. The Developer agrees that any CFD Financed Improvements it builds, under this Agreement, shall be built according to the standards of the County, the District or the Water District, as the case may be, subject to the applicable inspection and approval standards, and agrees to convey those improvements to the County, the District or the Water District, as the case may be, upon completion of such improvements. Conveyance of ownership of completed improvements shall be accomplished in accordance with the customary practices of the County, the District or the Water District, as the case may be.

4. Upon "substantial completion" (as said term is defined below) of a component of the CFD Financed Improvements, as said components are set forth in Exhibit A (each a "Discrete Component"), to the satisfaction of the County, the District or the Water District, as the case may be, the Developer shall submit a request for payment of the Improvement Expenditures related to such Discrete Component to the County, the District or the Water District, as the case may be. For purposes of this Agreement, a Discrete Component shall be deemed "substantially completed" when (a) the Developer has notified the County, the District or the Water District, as the case may be (the "Local Agency"), that the subject Discrete Component has been completed in accordance with the approved plans and specifications pertaining thereto and (b) the inspector for the Local Agency has inspected the facility, has prepared a final "punch list" and has determined that the only punch list items required to be completed are items not required for the safe operation of the Discrete Component and can therefore be completed after the Discrete Component has been opened to or made available for public use.

Each such request shall be substantially in the form of Exhibit B, attached hereto and by this reference incorporated herein (a "Request for Payment"), accompanied by paid invoices, copies of canceled checks, certified accounting reports or other like documentation to establish the actual costs and expenses incurred by the Developer and allocable to the subject Discrete Component in accordance with generally accepted accounting principles. Upon receipt by the applicable Local Agency, the Request for Payment shall be reviewed by (a) the Director of

Public Works of the County or the Director's designee (the "Director") in the case of those CFD Financed Improvements which are to be transferred to and to become the property of the County (the "County Facilities"), (b) the General Manager of the District or the General Manager's designee (the "District General Manager") in the case of those CFD Financed Improvements which are to be transferred to and to become the property of the District (the "District Facilities"), and (c) the General Manager of the Water District or the General Manager's designee (the "Water District General Manager") in the case of the Water District Facilities (the Director, the District General Manager and the Water District General Manager is each an "Authorized Local Agency Representative").

Within fifteen (15) days of receipt of a Request for Payment (whether initial submission or re-submission), the Authorized Local Agency Representative shall review and either approve or disapprove the request, in whole or in part. As to any portion of a Request for Payment which is disapproved, the Director shall provide the Developer with written notification of the basis for disapproval.

The term "Improvement Expenditures" shall include all expenditures made to contractors, suppliers, materialmen and like construction service providers, and shall further include a pro-rata portion of the Developer's incidental expense reasonably allocated to such improvement work being reimbursed, which shall include (1) the cost and expense of engineering design of and preparation of plans and specifications pertaining thereto, (2) the cost and expense of administering the construction contract or contracts for the construction thereof, including construction staking, materials and soils testing, inspection, construction management, accounting and construction change orders, (3) fees and costs incurred in obtaining permits, licenses, and like approvals and payment and performance bonds, maintenance bonds and insurance policies or riders, (4) fees and costs, if any, incurred with respect to acquiring rights-of-way or easements in connection therewith, (5) fees and costs paid to title insurance companies for title reports, title insurance, recording services, lien-free endorsements, or escrow services relating thereto and (6) any similar fees or costs of a like nature reasonably incurred by the Developer incidental to the construction thereof or to satisfaction of Developer obligations imposed by this Agreement.

No more than one Request for Payment shall be submitted or re-submitted, as the case may be, to each of the Local Agencies in any calendar month. Upon determining that (a) the Discrete Component is substantially completed and (b) the Request for Payment is in order, the Authorized Local Agency Representative shall countersign the Request for Payment and submit it to the Authority. Subject to the ten percent (10%) withholding provision set forth in paragraph 5 below, the Improvement Disbursements payable with respect to any approved Request for Payment shall be payable within 30 days of receipt thereof by the Authority from the Local Agency.

5. The amount of any payment made with respect to a Discrete Component under the foregoing paragraph 4 shall be ninety percent (90%) of the approved amount of Improvement Expenditure for such Discrete Component. The ten percent (10%) withheld (the "Ten Percent Withholding") with respect to work performed on any Discrete Component shall be released to the Developer at such time as the applicable Discrete Component is determined to be "finally

completed" (as said term is defined below) and ready for acceptance by the applicable Local Agency which is to become the owner thereof, subject to the following:

a. The Developer shall have provided the applicable Local Agency which is to become the owner thereof with executed (and acknowledged, if appropriate) instruments of transfer of ownership for such Discrete Component (including, if necessary, the easement, right-of-way, or real property pertaining thereto) which the applicable Local Agency reasonably requests, subject to review and approval by counsel to such Local Agency.

b. The applicable Local Agency shall receive from a title company acceptable to the Local Agency a mechanics lien free endorsement or other documentation acceptable to counsel to such Local Agency respecting the Subject Property, and establishing that the Subject Property is free and clear of any form of mechanics lien or claim respecting such completed Discrete Component. It is expressly understood that, by this means, the Authority requires this form of assurance that the subject lien of the CFD Special Tax shall apply to the Subject Property without any threat of being later deemed by a court of competent jurisdiction to be subordinate to a mechanics lien claim stemming from any Discrete Component.

c. All installments of property taxes and all other amounts collected on the general property tax roll of Monterey County respecting the Subject Property owned by the Developer, including but not limited to any installment of the CFD Special Tax, shall not be delinquent (five-year installment payment plans shall not constitute compliance with this condition).

For purposes of this Agreement, the term "finally completed" shall mean that all punch list items for a Discrete Component have been completed to the satisfaction of the applicable Local Agency and the applicable Local Agency has determined that the Discrete Component is ready for acceptance in accordance with the customary procedures of the Local Agency respecting such determinations.

6. Subject to satisfaction of the adopted local goals and policies of the Authority respecting community facilities districts and special tax bonds secured by special taxes of community facilities districts, the Authority agrees to use its best efforts to accomplish a public offering and sale of the Bonds, it being understood that the Authority intends to accomplish such offering and sale by negotiated sale to the Underwriter. To enable the Authority and disclosure counsel to the Authority for CFD No. 2006-1 and the Bonds ("Disclosure Counsel") to prepare an Official Statement to be utilized in connection with the Underwriter's marketing and public offering of any one or more series of the Bonds, the Developer agrees to (a) provide such information that it currently possesses as the Authority and the Underwriter may reasonably consider material in connection with preparing the Official Statement and determining feasibility and structure of the proposed bond issue, including but not limited to Developer financial information, development plan and development financing plan information respecting the East Garrison Project, title reports and appraisal reports (if any) and (b) execute a continuing disclosure undertaking in a form and containing not less than annual reporting and material event notice requirements as determined by the Authority in consultation with Disclosure Counsel.

Such reports and information shall be provided to the Authority and Disclosure Counsel at no cost to any of them.

7. Delivery of any series of the Bonds by the Authority to the Underwriter shall be expressly conditioned upon prior satisfaction of the following conditions precedent:

a. All installments of property taxes and all other amounts collected on the general property tax roll of Monterey County respecting the Subject Property owned by the Developer shall not be delinquent (five-year installment payment plans shall not constitute compliance with this condition).

b. The final map or maps, if any, which create or separately establish the parcels assumed by the appraisal report or reports for the Subject Property, shall have been recorded; provided that this provision shall not be construed to require recordation of final maps with respect to all of the Subject Property as a condition precedent to issuance of Bonds but only with respect to those parcels which are assumed to be established, separate parcels by the appraisal report or reports respecting the taxable property of CFD No. 2006-1.

8. The Developer shall indemnify, hold harmless and defend the Authority, the County, the District and the Water District and each their respective officers, officials and employees from any and all liability, loss, debts, costs, and damages (whether in contract, tort or strict liability, including but not limited to personal injury, death at any time, property damage and damages for breach of contract or warranty) incurred by the Authority, the County, the District, the Water District or their respective officers, officials and employees and from any and all claims, demands, actions and proceedings in law or equity (whether or not well-founded) brought by any person whatsoever, including the Developer, arising or alleged to have arisen directly or indirectly out of (i) any act, omission, or contract of the Developer or any of its contractors, subcontractors, materialmen, suppliers, employees or any other person in connection with construction or installation of the CFD Financed Improvements or any portion or Discrete Component thereof, or (ii) any defects or alleged defects in materials or workmanship in the CFD Financed Improvements or any portion or Discrete Component thereof. The preceding sentence shall not apply to any liability, loss, debts, costs or damages caused solely by the gross negligence or willful misconduct of the Authority, the County, the District, the Water District or any of their respective officers, officials and employees.

Notwithstanding the provisions of this paragraph 8, the Authority, the County, the District and the Water District shall be responsible for gross negligence or willful misconduct in the performance of their obligations under this Agreement, and nothing in this paragraph 8 shall be understood or construed to mean that the Developer agrees to indemnify the Authority, the County, the District, the Water District or any of their respective officials, officers, or employees for any negligence or misconduct of the Financial Advisor, Disclosure Counsel, Bond Counsel, the Underwriter (including any selling group or syndicate member), appraisers or other financing participants, or any of their respective officers, directors, or employees.

9. For the benefit of purchasers from the Developer of the respective parcels of land within CFD No. 2006-1 which are subject to the CFD Special Tax, and to assure the Authority

that the CFD Special Tax obligation is being fully disclosed to such purchasers, the Developer agrees that it will require each purchaser of any one or more of the parcels of the Subject Property to execute and date a notice substantially in the form prescribed by Section 53341.5 of the Act, prepared at the expense of the Developer, and appropriately completed with the pertinent information in the respective blanks on the form, and will cause a copy of the executed notice to be filed with the Authority within ten (10) days of the close of escrow respecting the sale of any such parcel or parcels.

10. The Developer acknowledges that it is represented by its own separate legal counsel in regard to the subject of the proceedings for CFD No. 2006-1 and the project of constructing and installing the CFD Financed Improvements. The Developer accepts responsibility for and shall be responsible for identification of and for compliance with all applicable laws pertaining to the project of constructing and installing the CFD Financed Improvements and the contract or contracts pertaining thereto, including but not limited to the Labor Code, the Public Contract Code, the Public Resources Code, and the Government Code of the State of California. Neither the Authority, the County, the District nor the Water District makes any representation as to the applicability or inapplicability of any laws regarding contracts, including contracts related to the construction and installation of the CFD Financed Improvements, and especially the matters of competitive bidding and the payment of prevailing wages. The Developer will neither seek to hold nor hold the Authority, the County, the District or the Water District liable for, but rather pursuant to paragraph 8 above shall save, defend and hold the Authority, the County, the District and the Water District harmless for, any consequences of any failure by the Developer to correctly determine applicability of any such requirements to any contract it enters into, irrespective of whether the Authority, the County, the District or the Water District knew or should have known about applicability of any such requirement. This paragraph shall apply with respect to any enforcement action, whether public or private, and whether brought by a public enforcement agency or by private civil litigation, against the Developer, the Authority, the County, the District or the Water District or any one or more of them with respect to the matters addressed by this paragraph 10.

11. Any notices required to be given pursuant to this agreement shall be given in writing and shall be mailed to the parties at the following addresses:

East Garrison Public Financing Authority
168 West Alisal Street, 2nd Floor
Salinas, CA 93901
Attention: Authority Secretary

County of Monterey
168 West Alisal Street, 2nd Floor
Salinas, CA 93901
Attention: Clerk of the Board of Supervisors

East Garrison Community Services District
168 West Alisal Street, 2nd Floor
Salinas, CA 93901
Attention: General Manager

Developer
East Garrison Partners I, LLC
24571 Silver Cloud Court, Suite 101
Monterey, CA 93940
Attention: Project Manager, East Garrison Project

12. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California. Any action at law or in equity arising under this Agreement brought by any party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and tried in the Monterey County Superior Court or other court of competent jurisdiction situated within Monterey County, and the parties hereby waive all provisions of law providing for the filing, removal or change of venue to any other court.

13. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine and vice versa.

14. The parties hereto hereby agree that an implied standard of reasonableness shall govern all actions of the parties hereunder, and the parties hereby covenant to one another to act in good faith and to deal fairly with one another to effectuate the purposes of this Agreement.

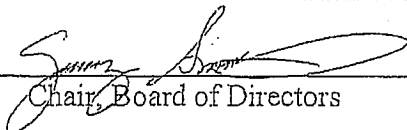
15. Subject to the provisions of the Water District Joint Facilities Agreement as they relate to the Water District Facilities, this is intended to be a fully integrated agreement which contains the entire agreement between the parties with respect to the matters pertaining to the process of financing by the Authority of the CFD Financed Improvements.

16. Time is of the essence with respect to this Agreement and each and every provision hereof.

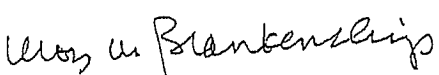
17. Except for the Marina Coast Water District, no third party shall be the express or implied beneficiary of this Agreement or any of its provisions, and no such third party may bring any action in law or equity with respect thereto.

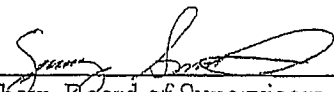
IN WITNESS WHEREOF, the parties hereto have caused this Funding, Disclosure and Joint Community Facilities Agreement to be executed by their authorized representatives as of the effective date stated above.

EAST GARRISON PUBLIC FINANCING AUTHORITY

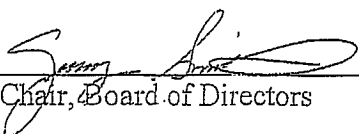
By 
Chair, Board of Directors

COUNTY OF MONTEREY

APPROVED AS TO FORM:

LEROY W. BLANKENSHIP
Assistant County Counsel

By 
Chair, Board of Supervisors

EAST GARRISON COMMUNITY SERVICES DISTRICT

By 
Chair, Board of Directors

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

By _____

(Print Name)

Its _____
(Title)

By _____

(Print Name)

Its _____
(Title)

Funding, Disclosure and Joint Community Facilities Agreement

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: [Signature]

Its: PRESIDENT

By: WACA

Its: Treasurer

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: [Signature]

Its: Richard S. Robinson
Senior Vice President

By: [Signature]

Its: ASSISTANT SECRETARY

By: [Signature]
Its: Vice President

EXHIBIT A

LIST OF CFD-FINANCED IMPROVEMENTS

A. Preliminary Note

The description of authorized facilities which follows in this Exhibit A is intended to serve as a general guide in determining the public capital facilities which are authorized to be wholly or partially financed with the proceeds of the special tax and the proceeds of sale of the special tax bonds of CFD No. 2006-1. Any public capital facilities of a similar nature to those described below, constructed by the Developer or the Developer's assigns with respect to the land development project known as "East Garrison Project" and for which plans and specifications have been approved by the appropriate local agency which will accept ownership of the subject public capital facilities upon completion and acquisition, shall be authorized facilities of CFD No. 2006-1, provided that they have an estimated useful life of five (5) years or greater.

All statements below in this Exhibit A pertaining to sizes, quantities and locations of capital facilities shall be regarded as current best estimates, subject to modification either during the review/approval process of the plans and specifications pertaining thereto or during actual construction thereof.

Nothing in this Exhibit A shall be construed as committing the Authority or CFD No. 2006-1 to provide for the acquisition or reimbursement of all of the authorized facilities, which acquisition or reimbursement shall remain subject to satisfaction of the terms and conditions of a separate agreement between the Authority and the Developer pertaining thereto and further subject to the limitations of financial feasibility and the availability of proceeds of special taxes or proceeds of sale of special tax bonds of CFD No. 2006-1.

B. Public Capital Facilities

1. Preliminary and Incidental Expense and Appurtenant Work and Improvements

Generally, for each of the following categories of public capital facilities to be acquired, constructed and installed on public property (including dedicated rights-of-way and public easements), the authorized facilities shall be deemed to include, to the extent applicable, the cost and expense of mobilization, clearing, grubbing, protective fencing and erosion control, excavation, dewatering, lime treatment, drainage ditches, rock outfalls, curb, gutter and sidewalks, base and finish paving, striping, traffic signage, traffic signals, streetlights, landscaping, irrigation, soundwalls, retaining walls, barricades, and related appurtenant work and facilities, together with the cost and expense of engineering design, environmental analysis, utility relocation, permits for work in jurisdictional waters, right-of-way acquisition, plan review, project management, construction-related surety bonds or like security instruments, construction staking and management, inspection, and any like fees and costs incidental to such acquisition, construction and installation.

2. Public Road Improvements

- a. Reservation Road
- b. Intersection (Reservation Road and Davis)
- c. Inter-Garrison Connector
- d. West Camp Street
- e. Barloy Canyon Road
- f. Watkins Gate Road
- g. D-1 Connector

3. Sewer System Improvements

- a. Sewer Force Main- Reservation Road
- b. Sewer – Reservation Road
- c. Sewer – Watkins Gate Road
- d. East Garrison Pump Station Upgrade
- e. Onsite Sewer Mains

4. Water System Improvements

- a. West Camp Street
- b. Watkins Gate Road
- c. Inter-Garrison Road
- d. Inter-Garrison Connector
- e. Reservation Road
- f. Onsite MCWD Water Mains
- g. Onsite Recycled Mains

5. Public Spaces

- a. Parks
- b. Open Space

EXHIBIT B

FORM OF REQUEST FOR PAYMENT

The East Garrison Public Financing Authority (the "Authority") is hereby requested to pay from the Acquisition and Construction Fund established with respect to Community Facilities District No. 2006-1 (East Garrison Project) to East Garrison Partners I, LLC (the "Developer"), the amount or amounts set forth on the attached schedule. The undersigned representative of the Developer certifies that the amount or amounts requested hereunder (a) are due and payable to the Developer with respect to completed components of facilities constructed and installed pursuant to and in accordance with the Funding, Disclosure and Joint Community Facilities Agreement, dated as of _____, 2006 (the "Agreement"), by and among the Authority, the County of Monterey (the "County"), the East Garrison Community Services District (the "District") and the Developer, and (b) have not formed the basis of any prior Request for Payment.

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

By: _____
(Name)

Its: _____
(Title)

Countersignature of Local Agency

The undersigned, as the Authorized Local Agency Representative (as said term is defined in the Agreement) of the Local Agency identified below, hereby certifies to the Authority as follows:

1. The Discrete Component or Components identified on the attached schedule are substantially complete (as said term is defined in the Agreement); and
2. Based upon my review of the documentation submitted with this Request for Payment, the amount or amounts set forth on the attached schedule appear to represent the Improvement Expenditures made by the Developer in connection with the subject Discrete Component or Components.

Local Agency

Signature of Authorized Representative

5100.000

Board of Directors of the
East Garrison Public Financing Authority
County of Monterey, State of California

Agreement No.: 10486

Approve a Funding, Disclosure and Joint)
Community Facilities Agreement among the East)
Garrison Public Financing Authority, the County of)
Monterey, the East Garrison Community Services)
District, and East Garrison Partners I, LLC.)

Upon motion of Supervisor Calcagno seconded by Supervisor Lindley, and carried by those members present, the Board of Directors of the East Garrison Public Finance Authority hereby:

Approves a Funding, Disclosure and Joint Community Facilities Agreement among the East Garrison Public Financing Authority, the County of Monterey, the East Garrison Community Services District, and East Garrison Partners I, LLC.

PASSED AND ADOPTED on this 20th day of June 2006, by the following vote, to-wit:

AYES: Supervisors, Calcagno, Lindley, and Smith

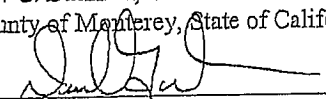
NOES: None

ABSENT: Supervisors Armenta and Potter

I, Lew C. Bauman, Secretary of the East Garrison Public Financing Authority, County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes Minute Book 73, on June 20, 2006.

Dated: June 29, 2006

Lew C. Bauman, Clerk to the Board of Supervisors,
County of Monterey, State of California.

By 
Darlene Drain, Deputy

FUNDING, DISCLOSURE AND
JOINT COMMUNITY FACILITIES AGREEMENT

East Garrison Public Financing Authority
Community Facilities District 2006-1
(East Garrison Project)

This Agreement is executed by and between the EAST GARRISON PUBLIC FINANCING AUTHORITY (the "Authority"), the COUNTY OF MONTEREY (the "County"), a California county and political subdivision of the State of California, the EAST GARRISON COMMUNITY SERVICES DISTRICT (the "District"), a California community services district organized and operating pursuant to the Community Services District Law (Sections 61000 and following, California Government Code), and EAST GARRISON PARTNERS I, LLC, a California limited liability company, hereafter referred to as the Members.

RECITALS

This Agreement is predicated upon the following facts:

A. The parties to this agreement (this "Agreement") are the East Garrison Public Financing Authority (the "Authority"), the County of Monterey (the "County"), the East Garrison Community Services District (the "District"), and East Garrison Partners I, LLC, a California limited liability company (the "Developer").

B. This Agreement shall be dated as of June 20, 2006, the date of adoption of a resolution of the Governing Board of the Authority (the "Board") approving the form and substance of this Agreement.

C. The County has given conditional approval to a land development project commonly referred to as East Garrison Project (the "East Garrison Project"), and, among the conditions of approval are the requirements to construct and install or cause the construction and installation of certain public improvements (the "East Garrison Project Public Improvements").

D. In response to a request from the Developer, the Board has initiated legal proceedings pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Act") for establishment of Community Facilities District No. 2006-1 (East Garrison Project) ("CFD No. 2006-1") and has expressed its intention to conduct proceedings to obtain landowner-voter approval for the levy of a special tax (the "CFD Special Tax") on the taxable real property within CFD No. 2006-1 (the "Subject Property") and the issuance and sale of special tax bonds of CFD No. 2006-1 (the "Bonds"), with the Bonds to be issued in one or more series secured by the CFD Special Tax for the purpose of assisting in financing a portion of the cost and expense of the East Garrison Project Public Improvements.

That portion of the East Garrison Project Public Improvements which are authorized to be financed by proceeds of sale of the Bonds or proceeds of the CFD Special Tax (the "CFD

Financed Improvements") are identified in Exhibit A attached hereto and by this reference incorporated herein.

F. The parties expressly acknowledge that proceeds of sale of the Bonds and available proceeds of the CFD Special Taxes will not be sufficient, whether from time to time or at all, to finance the full cost and expense of all of the eligible CFD Financed Improvements, and such fact shall not relieve the Developer of the Developer's obligation to construct and install or to cause the construction and installation of all of the East Garrison Project Public Improvements, including but not limited to the CFD Financed Improvements.

G. The parties expressly acknowledge that prescribed portions of the completed CFD Financed Improvements will be transferred to the County, the District and the Marina Coast Water District (the "Water District"). Section 53316.2 of the Act requires the Authority to establish a joint community facilities agreement with each entity to which any portion of the CFD Financed Improvements are to be transferred upon completion for ownership and operation. This Agreement is intended to satisfy such requirement as it relates to the County and the District. The Authority, the Water District and the Developer are establishing a separate agreement (the "Infrastructure Agreement") pertaining to that portion of the CFD Financed Improvements which will be transferred to the Water District (the "Water District Facilities").

H. A further purpose of this Agreement is to establish the terms and conditions pursuant to which (a) the Developer will cause the construction and installation of the CFD Financed Improvements and (b) the Authority, with the cooperation and assistance of the Developer, and subject to the terms and conditions of this Agreement, will undertake to authorize, issue, sell and deliver one or more series of the Bonds and to utilize a prescribed portion of the proceeds of sale of the Bonds to (1) pay the Developer for expenditures made by the Developer in furtherance of designing, constructing and installing CFD Financed Improvements (the "Improvement Expenditures"), as more particularly described in paragraph 4 below.

I. In consideration of the mutual commitments and obligations stated, and upon the conditions set forth, the parties hereto agree as follows:

AGREEMENT

NOW, THEREFORE, it is agreed as follows:

1. The foregoing recitals are true and correct, and the parties expressly so acknowledge. Said recitals, together with Exhibit A hereto, are incorporated herein by reference.

2. The Authority has selected Morgan Stanley & Co. Incorporated to be the underwriter of the Bonds (the "Underwriter") on the basis of a negotiated sale. Upon receipt from the Underwriter of a written offer for purchase of the respective series of the Bonds satisfactory to the Authority, and upon prior satisfaction of all other conditions precedent to bond issuance and delivery as specified herein, the Authority agrees to take such actions as may reasonably be required of the Authority, acting on the advice of its financial advisor for CFD No.

2006-1 (the "Financial Advisor"), to provide for issuance, sale and delivery of the Bonds to the Underwriter; provided, however, that the Authority shall not be required to complete proceedings for formation of CFD No. 2006-1 or to proceed with issuance, sale and delivery of the Bonds if the Authority concludes in good faith and notwithstanding its best efforts to accomplish a public offering and sale of the Bonds as provided in paragraph 6 hereof, that it is not in the best interest of the Authority to do so. The Developer expressly acknowledges that the conditional obligation of the Authority to pay the Improvement Expenditures for the CFD Financed Improvements is strictly limited to a portion of the proceeds of sale of the Bonds and available proceeds of the CFD Special Tax, if any, and any available investment earnings thereon and to no other source of funds whatsoever and, further, that the principal amount of the Bonds will be strictly limited in accordance with Authority policies pertaining thereto.

3. The Developer shall cause the CFD Financed Improvements to be constructed and installed and shall provide for its own construction financing, construction contracting and contract administration. In providing for the construction and installation of the CFD Financed Improvements, the Developer shall be obligated to meet all requirements customarily imposed upon subdividers and developers in such circumstances by the County and by any other entity having jurisdiction. The Developer agrees that any CFD Financed Improvements it builds, under this Agreement, shall be built according to the standards of the County, the District or the Water District, as the case may be, subject to the applicable inspection and approval standards, and agrees to convey those improvements to the County, the District or the Water District, as the case may be, upon completion of such improvements. Conveyance of ownership of completed improvements shall be accomplished in accordance with the customary practices of the County, the District or the Water District, as the case may be.

4. Upon "substantial completion" (as said term is defined below) of a component of the CFD Financed Improvements, as said components are set forth in Exhibit A (each a "Discrete Component"), to the satisfaction of the County, the District or the Water District, as the case may be, the Developer shall submit a request for payment of the Improvement Expenditures related to such Discrete Component to the County, the District or the Water District, as the case may be. For purposes of this Agreement, a Discrete Component shall be deemed "substantially completed" when (a) the Developer has notified the County, the District or the Water District, as the case may be (the "Local Agency"), that the subject Discrete Component has been completed in accordance with the approved plans and specifications pertaining thereto and (b) the inspector for the Local Agency has inspected the facility, has prepared a final "punch list" and has determined that the only punch list items required to be completed are items not required for the safe operation of the Discrete Component and can therefore be completed after the Discrete Component has been opened to or made available for public use.

Each such request shall be substantially in the form of Exhibit B, attached hereto and by this reference incorporated herein (a "Request for Payment"), accompanied by paid invoices, copies of canceled checks, certified accounting reports or other like documentation to establish the actual costs and expenses incurred by the Developer and allocable to the subject Discrete Component in accordance with generally accepted accounting principles. Upon receipt by the applicable Local Agency, the Request for Payment shall be reviewed by (a) the Director of Public Works of the County or the Director's designee (the "Director") in the case of those CFD

Financed Improvements which are to be transferred to and to become the property of the County (the "County Facilities"), (b) the General Manager of the District or the General Manager's designee (the "District General Manager") in the case of those CFD Financed Improvements which are to be transferred to and to become the property of the District (the "District Facilities"), and (c) the General Manager of the Water District or the General Manager's designee (the "Water District General Manager") in the case of the Water District Facilities (the Director, the District General Manager and the Water District General Manager is each an "Authorized Local Agency Representative").

Within fifteen (15) days of receipt of a Request for Payment (whether initial submission or re-submission), the Authorized Local Agency Representative shall review and either approve or disapprove the request, in whole or in part. As to any portion of a Request for Payment which is disapproved, the Director shall provide the Developer with written notification of the basis for disapproval.

The term "Improvement Expenditures" shall include all expenditures made to contractors, suppliers, materialmen and like construction service providers, and shall further include a pro-rata portion of the Developer's incidental expense reasonably allocated to such improvement work being reimbursed, which shall include (1) the cost and expense of engineering design of and preparation of plans and specifications pertaining thereto, (2) the cost and expense of administering the construction contract or contracts for the construction thereof, including construction staking, materials and soils testing, inspection, construction management, accounting and construction change orders, (3) fees and costs incurred in obtaining permits, licenses, and like approvals and payment and performance bonds, maintenance bonds and insurance policies or riders, (4) fees and costs, if any, incurred with respect to acquiring rights-of-way or easements in connection therewith, (5) fees and costs paid to title insurance companies for title reports, title insurance, recording services, lien-free endorsements, or escrow services relating thereto and (6) any similar fees or costs of a like nature reasonably incurred by the Developer incidental to the construction thereof or to satisfaction of Developer obligations imposed by this Agreement.

No more than one Request for Payment shall be submitted or re-submitted, as the case may be, to each of the Local Agencies in any calendar month. Upon determining that (a) the Discrete Component is substantially completed and (b) the Request for Payment is in order, the Authorized Local Agency Representative shall countersign the Request for Payment and submit it to the Authority. Subject to the ten percent (10%) withholding provision set forth in paragraph 5 below, the Improvement Disbursements payable with respect to any approved Request for Payment shall be payable within 30 days of receipt thereof by the Authority from the Local Agency.

5. The amount of any payment made with respect to a Discrete Component under the foregoing paragraph 4 shall be ninety percent (90%) of the approved amount of Improvement Disbursements for such Discrete Component. The ten percent (10%) withheld (the "Ten Percent Withholding") with respect to work performed on any Discrete Component shall be released to the Developer at such time as the applicable Discrete Component is determined to be "finally

completed" (as said term is defined below) and ready for acceptance by either the applicable Local Agency which is to become the owner thereof, subject to the following:

a. The Developer shall have provided the applicable Local Agency which is to become the owner thereof with executed (and acknowledged, if appropriate) instruments of transfer of ownership for such Discrete Component (including, if necessary, the easement, right-of-way, or real property pertaining thereto) which the applicable Local Agency reasonably requests, subject to review and approval by counsel to such Local Agency.

b. The applicable Local Agency shall receive from a title company acceptable to the Local Agency a mechanics lien free endorsement or other documentation acceptable to counsel to such Local Agency respecting the Subject Property, and establishing that the Subject Property is free and clear of any form of mechanics lien or claim respecting such completed Discrete Component. It is expressly understood that, by this means, the Authority requires this form of assurance that the subject lien of the CFD Special Tax shall apply to the Subject Property without any threat of being later deemed by a court of competent jurisdiction to be subordinate to a mechanics lien claim stemming from any Discrete Component.

c. All property taxes and all other amounts collected on the general property tax roll of Monterey County respecting the Subject Property, including but not limited to any installment then due and payable on account of the CFD Special Tax, shall be paid current and in full (five-year installment payment plans shall not constitute compliance with this condition).

For purposes of this Agreement, the term "finally completed" shall mean that all punch list items for a Discrete Component have been completed to the satisfaction of the applicable Local Agency and the applicable Local Agency has determined that the Discrete Component is ready for acceptance in accordance with the customary procedures of the Local Agency respecting such determinations.

6. Subject to satisfaction of the adopted local goals and policies of the Authority respecting community facilities districts and special tax bonds secured by special taxes of community facilities districts, the Authority agrees to use its best efforts to accomplish a public offering and sale of the Bonds, it being understood that the Authority intends to accomplish such offering and sale by negotiated sale to the Underwriter. To enable the Authority and disclosure counsel to the Authority for CFD No. 2006-1 and the Bonds ("Disclosure Counsel") to prepare an Official Statement to be utilized in connection with the Underwriter's marketing and public offering of any one or more series of the Bonds, the Developer agrees to (a) provide such Developer financial information, development plan and development financing plan information respecting the East Garrison Project, title reports, appraisal reports, and such other information as the Authority and the Underwriter may reasonably consider material in connection with preparing the Official Statement and determining feasibility and structure of the proposed bond issue and (b) execute a continuing disclosure undertaking in a form and containing not less than annual reporting and material event notice requirements as determined by the Authority in consultation with Disclosure Counsel. Such reports and information shall be provided to the Authority and Disclosure Counsel at no cost to any of them.

7. Delivery of any series of the Bonds by the Authority to the Underwriter shall be expressly conditioned upon prior satisfaction of the following conditions precedent:

a. All property taxes and all other amounts collected on the general property tax roll of Monterey County respecting the Subject Property shall be paid current and in full (five-year installment payment plans shall not constitute compliance with this condition).

b. The final map or maps, if any, which create or separately establish the parcels assumed by the appraisal report or reports for the Subject Property, shall have been recorded; provided that this provision shall not be construed to require recordation of final maps with respect to all of the Subject Property as a condition precedent to issuance of Bonds but only with respect to those parcels which are assumed to be established, separate parcels by the appraisal report or reports respecting the taxable property of CFD No. 2006-1.

8. The Developer shall indemnify, hold harmless and defend the Authority, the County, the District and the Water District and each their respective officers, officials and employees from any and all liability, loss, debts, costs, and damages (whether in contract, tort or strict liability, including but not limited to personal injury, death at any time, property damage and damages for breach of contract or warranty) incurred by the Authority, the County, the District, the Water District or any other person, and from any and all claims, demands, actions and proceedings in law or equity (whether or not well-founded) brought by any person whatsoever, including the Developer, arising or alleged to have arisen directly or indirectly out of (i) any act, omission, or contract of the Developer or any of its contractors, subcontractors, materialmen, suppliers, employees or any other person in connection with construction or installation of the CFD Financed Improvements or any portion or Discrete Component thereof, or (ii) any defects or alleged defects in materials or workmanship in the CFD Financed Improvements or any portion or Discrete Component thereof. The preceding sentence shall not apply to any liability, loss, debts, costs or damages caused solely by the gross negligence or willful misconduct of the Authority, the County, the District or the Water District.

Notwithstanding the provisions of this paragraph 8, the Authority, the County, the District and the Water District shall be responsible for gross negligence or willful misconduct in the performance of their obligations under this Agreement, and nothing in this paragraph 8 shall be understood or construed to mean that the Developer agrees to indemnify the Authority, the County, the District, the Water District or any of their respective officials, officers, or employees for any negligence or misconduct of the Financial Advisor, Disclosure Counsel, Bond Counsel, the Underwriter (including any selling group or syndicate member), appraisers or other financing participants, or any of their respective officers, directors, or employees.

9. For the benefit of purchasers from the Developer of the respective parcels of land within CFD No. 2006-1 which are subject to the CFD Special Tax, and to assure the Authority that the CFD Special Tax obligation is being fully disclosed to such purchasers, the Developer agrees that it will require each purchaser of any one or more of the parcels of the Subject Property to execute and date a notice substantially in the form prescribed by Section 53340.2 of the Act, prepared at the expense of the Developer, and appropriately completed with the pertinent information in the respective blanks on the form, and will cause a copy of the executed

notice to be filed with the Authority within ten (10) days of the close of escrow respecting the sale of any such parcel or parcels.

10. The Developer acknowledges that it is represented by its own separate legal counsel in regard to the subject of the proceedings for CFD No. 2006-1 and the project of constructing and installing the CFD Financed Improvements. The Developer accepts responsibility for and shall be responsible for identification of and for compliance with all applicable laws pertaining to the project of constructing and installing the CFD Financed Improvements and the contract or contracts pertaining thereto, including but not limited to the Labor Code, the Public Contract Code, the Public Resources Code, and the Government Code of the State of California. Neither the Authority, the County, the District nor the Water District makes any representation as to the applicability or inapplicability of any laws regarding contracts, including contracts related to the construction and installation of the CFD Financed Improvements, and especially the matters of competitive bidding and the payment of prevailing wages. The Developer will neither seek to hold nor hold the Authority, the County, the District or the Water District liable for, but rather pursuant to paragraph 8 above shall save, defend and hold the Authority, the County, the District and the Water District harmless for, any consequences of any failure by the Developer to correctly determine applicability of any such requirements to any contract it enters into, irrespective of whether the Authority, the County, the District or the Water District knew or should have known about applicability of any such requirement. This paragraph shall apply with respect to any enforcement action, whether public or private, and whether brought by a public enforcement agency or by private civil litigation, against the Developer, the Authority, the County, the District or the Water District or any one or more of them with respect to the matters addressed by this paragraph 10.

11. Any notices required to be given pursuant to this agreement shall be given in writing and shall be mailed to the parties at the following addresses:

East Garrison Public Financing Authority
168 West Alisal Street, 3rd Floor
Salinas, CA 93901
Attention: Director of Housing and Redevelopment

County of Monterey
168 West Alisal Street, 3rd Floor
Salinas, CA 93901
Attention: Director of Housing and Redevelopment

East Garrison Community Services District
168 West Alisal Street, 3rd Floor
Salinas, CA 93901
Attention: Director of Housing and Redevelopment

Developer

East Garrison Partners I, LLC

24571 Silver Cloud Court, Suite 101

Monterey, CA 93940

Attention: Keith McCoy, Project Manager, East Garrison Project

12. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California. Any action at law or in equity arising under this Agreement brought by any party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and tried in the Monterey County Superior Court or other court of competent jurisdiction situated within Monterey County, and the parties hereby waive all provisions of law providing for the filing, removal or change of venue to any other court.

13. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine and vice versa.

14. The parties hereto hereby agree that an implied standard of reasonableness shall govern all actions of the parties hereunder, and the parties hereby covenant to one another to act in good faith and to deal fairly with one another to effectuate the purposes of this Agreement.

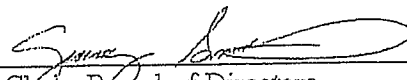
15. Subject to the provisions of the Water District Joint Facilities Agreement as they relate to the Water District Facilities, this is intended to be a fully integrated agreement which contains the entire agreement between the parties with respect to the matters pertaining to the process of financing by the Authority of the CFD Financed Improvements.

16. Time is of the essence with respect to this Agreement and each and every provision hereof.

17. Except for the Marina Coast Water District, no third party shall be the express or implied beneficiary of this Agreement or any of its provisions, and no such third party may bring any action in law or equity with respect thereto.

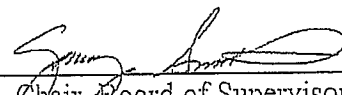
IN WITNESS WHEREOF, the parties hereto have caused this Funding, Disclosure and Joint Community Facilities Agreement to be executed by their authorized representatives as of the effective date stated above.

EAST GARRISON PUBLIC FINANCING AUTHORITY

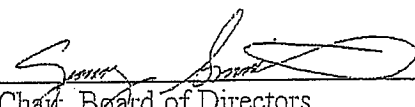
By 
Chair, Board of Directors

COUNTY OF MONTEREY

APPROVED AS TO FORM:
Wes Blankenship
LEROY W. BLANKENSHIP
Assistant County Counsel

By 
Chair, Board of Supervisors

EAST GARRISON COMMUNITY SERVICES DISTRICT

By 
Chair, Board of Directors

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

By _____

(Print Name)

Its _____
(Title)

By _____

(Print Name)

Its _____
(Title)

Funding, Disclosure and Joint Community Facilities Agreement

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: [Signature]

Its: PRESIDENT

By: WACA

Its: Treasurer

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: [Signature]

Its: Richard S. Robinson
Senior Vice President

By: [Signature]

Its: ASSISTANT SECRETARY

By: [Signature]
Its: Vice President

EXHIBIT A

LIST OF CFD-FINANCED IMPROVEMENTS

A. Preliminary Note

The description of authorized facilities which follows in this Exhibit A is intended to serve as a general guide in determining the public capital facilities which are authorized to be wholly or partially financed with the proceeds of the special tax and the proceeds of sale of the special tax bonds of CFD No. 2006-1. Any public capital facilities of a similar nature to those described below, constructed by the Developer or the Developer's assigns with respect to the land development project known as "East Garrison Project" and for which plans and specifications have been approved by the appropriate local agency which will accept ownership of the subject public capital facilities upon completion and acquisition, shall be authorized facilities of CFD No. 2006-1, provided that they have an estimated useful life of five (5) years or greater.

All statements below in this Exhibit A pertaining to sizes, quantities and locations of capital facilities shall be regarded as current best estimates, subject to modification either during the review/approval process of the plans and specifications pertaining thereto or during actual construction thereof.

Nothing in this Exhibit A shall be construed as committing the Authority or CFD No. 2006-1 to provide for the acquisition or reimbursement of all of the authorized facilities, which acquisition or reimbursement shall remain subject to satisfaction of the terms and conditions of a separate agreement between the Authority and the Developer pertaining thereto and further subject to the limitations of financial feasibility and the availability of proceeds of special taxes or proceeds of sale of special tax bonds of CFD No. 2006-1.

B. Public Capital Facilities

1. Preliminary and Incidental Expense and Appurtenant Work and Improvements

Generally, for each of the following categories of public capital facilities to be acquired, constructed and installed on public property (including dedicated rights-of-way and public easements), the authorized facilities shall be deemed to include, to the extent applicable, the cost and expense of mobilization, clearing, grubbing, protective fencing and erosion control, excavation, dewatering, lime treatment, drainage ditches, rock outfalls, curb, gutter and sidewalks, base and finish paving, striping, traffic signage, traffic signals, streetlights, landscaping, irrigation, soundwalls, retaining walls, barricades, and related appurtenant work and facilities, together with the cost and expense of engineering design, environmental analysis, utility relocation, permits for work in jurisdictional waters, right-of-way acquisition, plan review, project management, construction-related surety bonds or like security instruments, construction staking and management, inspection, and any like fees and costs incidental to such acquisition, construction and installation.

2. Public Road Improvements

- a. Reservation Road
- b. Intersection (Reservation Road and Davis)
- c. Inter-Garrison Connector
- d. West Camp Street
- e. Barloy Canyon Road
- f. Watkins Gate Road
- g. D-1 Connector

3. Sewer System Improvements

- a. Sewer Force Main- Reservation Road
- b. Sewer – Reservation Road
- c. Sewer – Watkins Gate Road
- d. East Garrison Pump Station Upgrade
- e. Onsite Sewer Mains

4. Water System Improvements

- a. West Camp Street
- b. Watkins Gate Road
- c. Inter-Garrison Road
- d. Inter-Garrison Connector
- e. Reservation Road
- f. Onsite MCWD Water Mains
- g. Onsite Recycled Mains

5. Public Spaces

- a. Parks
- b. Open Space

EXHIBIT B

FORM OF REQUEST FOR PAYMENT

The East Garrison Public Financing Authority (the "Authority") is hereby requested to pay from the Acquisition and Construction Fund established with respect to Community Facilities District No. 2006-1 (East Garrison Project) to East Garrison Partners I, LLC (the "Developer"), the amount or amounts set forth on the attached schedule. The undersigned representative of the Developer certifies that the amount or amounts requested hereunder (a) are due and payable to the Developer with respect to completed components of facilities constructed and installed pursuant to and in accordance with the Funding, Disclosure and Joint Community Facilities Agreement, dated as of June 20, 2006 (the "Agreement"), by and among the Authority, the County of Monterey (the "County"), the East Garrison Community Services District (the "District") and the Developer, and (b) have not formed the basis of any prior Request for Payment.

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

By: _____
(Name)

Its: _____
(Title)

Countersignature of Local Agency

The undersigned, as the Authorized Local Agency Representative (as said term is defined in the Agreement) of the Local Agency identified below, hereby certifies to the Authority as follows:

1. The Discrete Component or Components identified on the attached schedule are substantially complete (as said term is defined in the Agreement); and
2. Based upon my review of the documentation submitted with this Request for Payment, the amount or amounts set forth on the attached schedule appear to represent the Improvement Expenditures made by the Developer in connection with the subject Discrete Component or Components.

Local Agency

Signature of Authorized Representative