

CONVEYANCE AND DEVELOPMENT AGREEMENT
AND
JOINT ESCROW INSTRUCTIONS

THIS CONVEYANCE AND DEVELOPMENT AGREEMENT ("Agreement") is made and entered into as of the 24th day of July 1998 (the "Contract Date"), by and between NORTH WAVECREST PARTNERS, L.P, a California limited partnership ("NWP") and PEPPER LANE - HALF MOON BAY, LLC, a California limited liability company ("PL") (with NWP, PL or any entity in which NWP, PL or both are shareholders, members or partners being collectively referred to herein as "Developer"), and the CABRILLO UNIFIED SCHOOL DISTRICT, a public school district organized under the laws of the State of California ("District"). Developer and District are sometimes collectively referred to in this Agreement as "Parties" and individually as a "Party".

RECITALS

A. District is the owner of approximately 20 gross acres of unimproved land in the County of San Mateo, California, more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the "EG Property").

B. District wishes to convey fee title to the EG Property to Developer in return for the Developer's payment of One Million Seven Hundred Thousand Dollars (\$1,700,000) (with NWP and PL taking title to the EG Property as tenants-in-common or in any designated entity), on the terms and conditions set forth herein.

C. Developer and District have entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions of even date herewith (the "Purchase Agreement") for the sale to District of approximately 25 gross acres of Developer's property (the "School Property"). The Parties' obligations to close the transactions which are the subject of this Agreement and the Purchase Agreement are mutually dependent and conditioned upon the concurrent closing by Developer and District under this Agreement and the Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Developer and District agree as follows.

1. Conveyance. District agrees to convey the EG Property to Developer, and Developer agrees to purchase the EG Property from District for the consideration (as defined in Section 2 below) and on the terms and conditions set forth in this Agreement. District shall convey fee simple title to the EG Property to Developer at Closing (with NWP and PL taking title to the EG Property as tenants-in-common or in any designated entity); provided, however, that District shall retain the Future Participation (as defined in Section 14.2 below) and the Repurchase Option (as defined in Section 15 below).

2. Consideration. The consideration for the EG Property shall be ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000) (the "Purchase Price")

plus the Future Participation defined in Section 14 below. The Purchase Price shall be payable by Developer to District in immediately available good funds at Closing.

3. Closing. As described in Section 12 below, the sale of the EG Property shall be closed through an escrow ("Escrow") with Old Republic Title Insurance Company in Half Moon Bay, California ("Title Company"). The date of close of Escrow ("Closing" or "Closing Date") shall be the date the Grant Deed (as defined in Section 11.1.4 below) is actually recorded by the Title Company in the Office of the County Recorder of San Mateo County ("Official Records"). The Closing under this Agreement shall be concurrent with and conditioned upon the closing under the Purchase Agreement with respect to the School Property (or the transfer of title pursuant to condemnation proceedings), as such closing or condemnation proceedings may be extended pursuant to the terms of the Purchase Agreement. Except as otherwise expressly set forth herein, the Closing shall not be extended for any reason whatsoever. Developer shall be entitled to possession of the EG Property, subject to the Permitted Exceptions (as defined in Section 6.1 below) on the Closing Date.

4. Deposit. Within two (2) business days following the Contract Date, Developer shall deliver to the Title Company a deposit of THIRTY THOUSAND DOLLARS (\$30,000) in immediately available good funds (the "Deposit"). The Title Company shall immediately invest the Deposit in an interest-bearing account at the risk and for the benefit of Developer pursuant to separate written instructions from Developer. The Deposit and all interest earned thereon while in Escrow ("Interest") shall become nonrefundable upon Developer's delivery of its Notice of Election to Proceed (as defined in Section 5.1 below) on or before the Approval Date to District and the Title Company. The Deposit and Interest shall be retained in Escrow and applied toward the Purchase Price upon Closing.

5. Due Diligence and Related Matters.

5.1 Due Diligence Investigation. Commencing on the Contract Date and continuing until the date that is one-hundred eighty (180) days following the Contract Date (the "Approval Date") Developer and its employees, agents, partners, contractors and consultants shall have the right to enter upon the EG Property, during normal business hours at Developer's sole risk and expense and with at least two (2) days prior written notice to the District, to (i) perform such soil, environmental, engineering, geological and other physical tests and inspections of the EG Property, and to make such appraisals, inspections, investigations, studies, surveys, tests and reports as Developer may elect; (ii) make investigations or inquiries of the County of San Mateo, and any other governmental agencies having jurisdiction over the EG Property or development of the EG Property (collectively, "Governmental Agencies") with respect to the status of zoning, building codes, land use applications, the assignability or transferability of any development rights, permits or approvals, the conditions, fees, mitigation measures or exactions made or proposed to be made in connection with the EG Property, and any other inquiries to such Governmental Agencies as Developer may elect; (iii) review and investigate, to Developer's satisfaction, all applicable local, municipal, regional, state or federal statutes, laws, codes, ordinances, regulations, rules or requirements relating to any matter concerning the EG Property, including, without limitation, zoning, subdivision, access, utilities,

planning, environmental matters, hazardous or toxic waste matters, and any covenants, conditions and restrictions ("CC&Rs"); and (iv) undertake any other title review, investigation, report or study as Developer may elect to make or obtain, all at Developer's sole cost and expense (collectively, "Due Diligence Investigation"). Developer shall, at all times, keep the EG Property free and clear of any mechanic's or materialmen's claims or liens arising out of or relating to its Due Diligence Investigation, and upon completion of the Due Diligence Investigation, Developer shall immediately restore the EG Property to substantially its condition prior to such tests and inspections. If Developer, in its sole discretion, determines that it wishes to proceed with the transaction which is the subject of this Agreement, Developer shall deliver written notice to the District and to the Title Company on or before 3:00 p.m. on the Approval Date of its election to proceed under the terms of this Agreement (the "Notice of Election to Proceed"). If Developer fails to deliver its Notice of Election to Proceed on a timely and unconditional basis, then this Agreement shall be deemed to have automatically terminated as of 3:00 p.m. on the Approval Date. Upon such termination, neither Party shall have any further rights or obligations to the other Party and the Deposit and Interest earned thereon shall be released from Escrow and refunded to Developer.

5.2 "As Is" Purchase. Developer's delivery of its Notice of Election to Proceed, on or before 3:00 p.m. on the Approval Date, shall be unconditionally and conclusively deemed to constitute its agreement to take ownership of the EG Property strictly "AS-IS" and "WITH ALL FAULTS", in the condition that exists on the Approval Date. Except with respect to those express covenants, representation and warranties made in Sections 8 and 10 below, Developer acknowledges and agrees that (i) District (and its respective principals, partners, board members, agents, employees, consultants and representatives) has not made any covenants, representations or warranties of any kind or nature whatsoever, either express or implied, oral or written, with respect to the EG Property or this Agreement, and (ii) Developer is not relying on any covenant, representation or warranty, express or implied, oral or written, with respect to the School Property or this Agreement. Further, Developer acknowledges and agrees that it has not and shall not rely on any of the studies, reports, documents, work product, maps or materials, if any, made available by District to Developer with respect to the EG Property (collectively, the "Reports"). It is specifically understood and agreed that, to the extent District delivers (or makes available) to the Developer any Reports, this is done strictly as an accommodation and that District makes no covenant, representation or warranty as to its Reports, including, without limitation, the reliability, accuracy or completeness of any of the Reports.

5.3 Indemnity and Insurance. Developer shall indemnify, defend and hold District harmless from and against any and all losses, damages, liabilities, claims, causes of action, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) suffered or incurred by the District as a result of or arising from any act or omission of the Developer in connection with (i) the Developer's Due Diligence Investigation, (ii) the Developer's exercise of the right of entry described in Section 5.1 above, (iii) any activities, studies or activities conducted by the Developer on the EG Property, and (iv) the Developer's presence at or on the EG Property. Following completion of its Due Diligence Investigation, Developer shall repair any damage caused by it to the EG Property. The obligations of

Developer set forth in this Section 5.3 shall survive the Closing or earlier termination of this Agreement.

6. Title Matters.

6.1 Conveyance of Title. On or before Closing, District shall deposit into Escrow the Grant Deed for the EG Property conveying the EG Property to Developer. Developer acknowledges receipt of Preliminary Title Report No. 257458-A issued by the Title Company as of February 5, 1998 and covering the EG Property (the "Title Report"). Developer shall accept title to the EG Property subject to the Permitted Exceptions, as defined below. On or before the date that is twenty (20) days after the Contract Date, Developer shall notify the District in writing of any title exceptions which Developer is not willing to accept at Closing. Within ten (10) days after District's receipt of such written notice from the Developer setting forth such unacceptable title exceptions, District shall inform the Developer in a written response of whether it will cause the title exceptions which have been objected to to be removed prior to Closing. If District should fail to deliver such written response to the Developer within such ten (10) day period, District shall be deemed to have elected not to cause any title exceptions which were objected to by the Developer to be removed, and such exceptions shall be deemed to be Permitted Exceptions upon Developer's issuance of its Notice of Election to Proceed (as defined in Section 5.1 above). As used herein, the term Permitted Exceptions shall mean only (i) nondelinquent real property taxes and assessments; (ii) those exceptions to title shown in the Title Report (including all standard preprinted exceptions and exclusions in an ALTA standard owner's policy of title insurance) to which Developer did not object in writing to the District in the manner and within the time periods set forth above; (iii) upon Developer's issuance of its Notice of Election to Proceed, those exceptions to title shown in the Title Report to which it objected in writing to the District during the required time period, and which the District did not agree in its written response to cause to be removed on or prior to the Closing; and (iv) such other exceptions to title as may be created by, through or under Developer or approved in writing by Developer prior to Closing. At Closing, Developer agrees to accept title to the EG Property, subject to the Permitted Exceptions, as evidenced by an ALTA standard owner's policy of title insurance issued by the Title Company.

6.2 Title Defects and Cure. If, after delivery of the Notice of Election to Proceed and prior to Closing, the Title Company discloses any liens, claims, encumbrances, conditions or other title exceptions other than the Permitted Exceptions or Intentional Title Defects (as defined in Section 10.2 below) (collectively, "Title Defects"), said Title Defects shall, as a condition precedent to Closing, but not as a covenant of District, be cured and removed by District, or endorsed against by the Title Company, prior to the later of (i) the scheduled Closing Date, or (ii) twenty (20) days after delivery of written notice from Developer to the District of the existence of the Title Defects. In the event that such twenty (20) day period extends beyond the scheduled Closing Date, the Closing Date shall automatically be extended to the first (1st) business day after the last day of such twenty (20) day period. If District elects not to, or fails to, cure all Title Defects, or, at its option, if District elects not to, or fails to, cause the Title Company to insure over all such Title Defects, then the Developer may, as its sole remedy, either: (a) terminate this Agreement by written notice to the District given on or before the then

scheduled Closing Date, in which event the Parties shall be released from their obligations hereunder and the Deposit and Interest shall be released from Escrow and refunded to Developer; or (b) proceed to close, and waive and accept all existing Title Defects without any reduction in the Purchase Price, escrow retention or other claim. If Developer fails to notify District of its election on or before the then scheduled Closing Date, Developer shall be deemed to have disapproved the Title Defects and to have elected to terminate this Agreement in which event the provisions of item (a) above shall apply.

6.3 Intentional Title Defects. If, prior to Closing, District first becomes aware of any Intentional Title Defects (as defined in 10.2 below), it shall promptly notify the Developer in writing as to the existence of such Intentional Title Defects. District shall cure and remove such Intentional Title Defects on or prior to the Closing. The removal of such Intentional Title Defects shall be a condition precedent to the Developer's obligation to close Escrow.

7. Developer's Representations and Warranties. Each of NWP and PL represents and warrants to District on a several (not joint) basis that the matters set forth in Sections 7.1 and 7.2 below shall be true and accurate as of both the Contract Date and as of the Closing Date:

7.1 Authority to Enter Into this Agreement. Each of NWP and PL has full power and authority to execute, deliver and perform this Agreement and to close the transactions contemplated herein. Each of NWP's and PL's execution, delivery and performance of this Agreement will not result in any material violation of, or default under, any term or condition of NWP's or PL's organizational documents, as applicable, or any indenture, deed of trust, mortgage, voting trust or other agreement to which either NWP or PL is a Party, or by which either NWP or PL is bound. NWP's and PL's execution and delivery of this Agreement, and the acquisition and development of the EG Property pursuant to this Agreement, will not result in the violation of any statute, law, judgment, order or regulation applicable to NWP or PL, respectively.

7.2 Due Organization and Ownership. NWP is a California limited partnership duly formed, validly existing, and in good standing under the laws of the State of California. PL is a California limited liability company duly formed, validly existing and in good standing under the laws of the State of California. Each of NWP and PL has authority to own and to operate its assets, to conduct its business as now conducted and to acquire the EG Property under the terms and conditions of this Agreement.

8. District's Representations and Warranties. District represents and warrants to Developer that the matters set forth in Section 8.4 and 8.5 below shall be true and accurate as of the Contract Date only and that the matters set forth in Sections 8.1, 8.2 and 8.3 below shall be true and accurate as of both the Contract Date and as of the Closing Date:

8.1 Authority to Enter Into this Agreement. District has full power and authority to execute, deliver and perform this Agreement and to close the transaction

contemplated herein. District's execution, delivery and performance of this Agreement will not result in any material violation of, or default under, any term or condition of District's organizational documents or any indenture, deed of trust, mortgage, voting trust or other agreement to which District is a party, or by which District is bound. District's execution and delivery of this Agreement, and the conveyance of the EG Property pursuant to this Agreement, will not result in the violation of any statute, law, judgment, order or regulation applicable to District.

8.2 Due Organization and Ownership. District is a public school district duly formed, validly existing, and in good standing under the laws of the State of California. District has authority to own and to operate its assets, to conduct its business as now conducted transfer and convey the EG Property under the terms and conditions of this Agreement.

8.3 Not a Foreign Person. District is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended.

8.4 No Litigation. As of the Contract Date only, to the actual present knowledge of District, without any independent investigation or duty of inquiry, there is no pending or threatened litigation, or pending investigation or proceeding by any Governmental Agencies, against District or the EG Property which would materially impair or materially adversely affect District's ability to perform its obligations under this Agreement.

8.5 Hazardous Materials. With the exception of the disclosures set forth in Schedule 1 attached hereto and incorporated herein by this reference, as of the Contract Date only, to the actual present knowledge of District, without any independent investigation or duty of inquiry, there are no Hazardous Materials (as defined in Schedule 1) on, under or in the EG Property in violation of existing Environmental Laws (as defined in Schedule 1).

9. Developer's Covenants, Acknowledgments and Agreements. Developer hereby covenants, acknowledges and agrees with District as follows:

9.1 Delivery Into Escrow of Documents and Performance of Other Acts. Developer shall execute and deliver into Escrow those documents required pursuant to Section 12.3 below, and shall do such other acts and make such other deliveries required of Developer by this Agreement. In addition, Developer shall take all actions reasonably required to be taken in order to complete and consummate this transaction promptly.

10. District's Covenants, Acknowledgments and Agreements. District hereby covenants, acknowledges and agrees with Developer as follows:

10.1 Delivery Into Escrow of Documents and Performance of Other Acts. District shall execute and deliver into Escrow those documents required pursuant to Section 12.4 below, and shall do such other acts and make such other deliveries required of

District by this Agreement. In addition, District shall take all actions reasonably required to be taken under this Agreement in order to complete and consummate this transaction promptly.

10.2 Intentional Title Defects. After the Contract Date but prior to the Closing Date or earlier termination of this Agreement, District shall not take any intentional and affirmative action that causes, creates, or imposes any adverse new liens, encumbrances, or title exceptions (other than the Permitted Exceptions) to the EG Property (collectively, "Intentional Title Defects"). In no event shall any of the Permitted Exceptions be deemed to be Intentional Title Defects.

10.3 Maintain Existing Physical Condition. After the Contract Date but prior to the Closing Date or earlier termination of this Agreement, District shall maintain the physical condition of the EG Property in substantially the condition existing as of the Contract Date, but excluding (i) any alterations made to the physical condition of the EG Property by Developer; (ii) any Hazardous Materials migrating from other parcels not owned by District; and (iii) any alterations caused by rains, floods, ponding, standing water, earthquakes, fires and other acts of God.

10.4 Cooperation in Tax Free Exchange. District acknowledges that Developer is desirous of effecting a tax-free exchange of the School Property for the EG Property or other property under Internal Revenue Code Section 1031. District agrees to reasonably cooperate with Developer to effect such exchange at the Closing.

11. Conditions to Closing.

11.1 Developer's Conditions to Closing. Developer's obligation to complete the acquisition of the EG Property is specifically subject to satisfaction of all of the conditions set forth below in this Section 11.1, at or prior to Closing, unless specifically waived by Developer in writing and in Developer's sole discretion prior to Closing.

11.1.1 District's Performance of Terms and Conditions of Agreement. District shall have performed and satisfied all of the terms and conditions to be performed and satisfied by District at or prior to Closing, under this Agreement.

11.1.2 Accuracy of District's Representations and Warranties. All of the representations and warranties of District contained in Section 8 above are true and accurate and shall be so as if made at the time of Closing (without regard to the date to which they expressly apply).

11.1.3 Title Policy. The Title Company shall be prepared to deliver to Developer at Closing the Title Policy for the EG Property pursuant to the terms of Section 6.1 above and the EG Property shall be a legal lot.

11.1.4 Delivery of Deed. District shall have executed, acknowledged and delivered into Escrow for recording and subsequent delivery to Developer, a

grant deed ("Grant Deed") to the EG Property, conveying District's fee title to the EG Property to Developer, subject to the Permitted Exceptions only. The Grant Deed shall be in the form attached hereto as Exhibit B.

11.1.5 Closing Under Purchase Agreement. The purchase and sale transaction under the Purchase Agreement with respect to the School Property shall close concurrently with the Closing under this Agreement or title to the School Property shall be transferred pursuant to condemnation proceedings.

11.1.6 Non-Foreign Affidavit. In order to comply with Section 1445 of the Internal Revenue Code of 1986, as amended, and Section 18805 of the California Revenue and Taxation Code, District shall have executed and delivered to Developer through Escrow a Non-Foreign Affidavit and a California Residency Affidavit as required by the Title Company.

11.2 District's Conditions to Closing. District's obligation to complete the sale and conveyance of the EG Property is specifically subject to satisfaction of all of the conditions set forth below in this Section 11.2, at or prior to Closing, unless specifically waived by District in writing and in District's sole discretion prior to Closing.

11.2.1 Developer's Performance of Terms and Conditions of Agreement. Developer shall have performed and satisfied all of the terms and conditions to be performed and satisfied by Developer at or prior to Closing, under this Agreement.

11.2.2 Accuracy of Developer's Representations and Warranties. All of the representations and warranties of Developer contained in Section 7 above are true and accurate and shall be so as if made at the time of Closing (without regard to the date to which they expressly apply).

11.2.3 Receipt of Cash Price. District shall have received, or the Title Company shall have received and be prepared to unconditionally pay to District at Closing, the cash portion of the Purchase Price in immediately available good funds.

11.2.4 Closing Under Purchase Agreement. The purchase and sale transaction under the Purchase Agreement with respect to the School Property shall close concurrently with the Closing under this Agreement.

12. Escrow and Closing.

12.1 Escrow. District and Developer have opened the Escrow with the Title Company for this purchase and sale transaction. The Title Company identifies the Escrow as Escrow No. 257458-B and the escrow officer is Carol Icard.

12.2 Escrow Instructions. This Agreement shall constitute joint escrow instructions to the Title Company. The Parties shall execute and deliver to the Title Company, as

joint escrow instructions, such additional escrow instructions as may reasonably be required by the Title Company or the Parties in order to close the transaction described herein. Either Party may submit separate escrow instructions to the Title Company so long as such escrow instructions implement, and do not conflict with, the provisions of this Agreement. The Title Company shall prepare closing statements for delivery to Developer and District at Closing.

12.3 Developer's Closing Deliveries. On or before one (1) business day prior to the Closing, Developer shall deposit into Escrow the following, all of which shall be executed and acknowledged where necessary or appropriate:

12.3.1 The cash portion of the Purchase Price in immediately available good funds, plus or minus all prorations but less the Deposit and Interest, together with any other sums required to pay other Closing-related expenses which are, under the terms of this Agreement, Developer's responsibility.

12.3.2 Such other documents and instruments as are reasonably required by District or the Title Company to close Escrow and consummate this transaction (collectively, "Developer's Additional Documents"); provided that such Developer's Additional Documents shall not impose on Developer any obligations which are not expressly provided for in this Agreement.

12.4 District's Closing Deliveries. On or before one (1) business day prior to the Closing, District shall deposit into Escrow the following, all of which shall be executed and acknowledged where necessary or appropriate:

12.4.1 The Grant Deed to the EG Property;

12.4.2 District's Non-Foreign Affidavit;

12.4.3 District's California Residency Affidavit; and

12.4.4 Such other documents and instruments as are reasonably required by Developer or the Title Company to close Escrow and consummate this transaction (collectively, "District's Additional Documents"); provided that such District's Additional Documents shall not impose on District any obligations which are not expressly provided for in this Agreement.

12.5 Closing Costs. At the Closing, Developer and District shall bear (i) the costs of the premium for the Title Policy for the EG Property, (ii) the cost of any documentary transfer taxes imposed on the recording of the Grant Deed to the EG Property, (iii) the recording fee for recording the Grant Deed to the EG Property, and (iv) the Escrow fee all in accordance with the customary closing practices in San Mateo County. Each Party shall bear its own legal and other professional fees.

12.6 Procedure for Closing. On the Closing Date, and provided that the Title Company has received all of the deliveries required pursuant to Sections 12.3 and 12.4 above, and further provided that the Title Company is prepared to deliver the Title Policy for the EG Property to Developer, the Title Company shall close the Escrow as follows:

12.6.1 Record the Grant Deed to the EG Property (with the amount of the documentary transfer tax attached after recordation);

12.6.2 Deliver one original of the District's Non-Foreign Affidavit, District's California Residency Affidavit, the Title Policy for the EG Property and any District's Additional Documents to Developer.

13. Prorations and Adjustments. All current general and special real estate taxes, bond interest (if applicable), assessments, CC&R assessments, association dues, improvement district assessments and similar items shall be prorated and adjusted between Developer and District as of the Closing Date using the customary escrow practices of the Title Company. Assessments of record shall be taken "subject to" by Developer with no adjustment to the Purchase Price.

14. Development of EG Property; Sales and Future Participation; First Refusal Rights; and Repurchase Option.

14.1 Development of EG Property. From and after the Closing Date, Developer shall use commercially reasonable efforts to achieve Development (as defined below) of the EG Property for resale and attempt to process with the County of San Mateo and other Government Agencies having jurisdiction over the EG Property those applications, subdivision maps, certifications, environmental documents, entitlements, permits (but excluding building permits) and agreements as Developer, may determine are reasonable or necessary for the EG Property (collectively, the "Development Approvals"). The Development Approvals may include general plan amendments, specific plans, rezoning, tentative and final subdivision maps, coastal development permits, use permits, subdivision improvement agreements, development agreements, licenses, easements, and any other documents, certificates or permits. District acknowledges and agrees that from and after the Closing Date, Developer shall have the sole right, power and authority (i) to attempt to achieve Development, to process the Development Approvals, and to negotiate with the County of San Mateo or any Governmental Agencies concerning any or all of the Development Approvals or Development, (ii) to finance and refinance the EG Property for purposes of paying the Development Costs (defined below), and (iii) to make other decisions with respect to the EG Property, Development and the Development Approvals, and (iv) to sell or transfer the EG Property. Upon the prior written request of District, Developer shall meet, consult and confer with District on a quarterly basis during reasonable business hours to receive District's comments and suggestions with respect to the Development Approvals and the status of development of the EG Property. Any and all costs incurred by Developer in attempting to achieve Development, processing and issuance of the Development Approvals, and negotiating with the County of San Mateo and Governmental Agencies which are reflected on or contemplated by the budget attached hereto as Schedule 2 and hereby approved

by the Parties (the "Development Budget") or otherwise reasonably incurred by Developer for such purposes irrespective of the Development Budget (the "Budget Exceptions"), shall constitute "Development Costs" under this Agreement. Prior to any sale or conveyance of the EG Property, Developer shall cause the EG Property to be deed restricted so that upon the issuance of each building permit for each residential unit in the EG Property, the developer or builder of such residential unit shall pay the following fees (the "Mitigation Fees") to District in lieu of school impact fees for residential development levied by District pursuant to Government Code section 53080 or any other statute, ordinance or regulation (a) \$3.80 per buildable square foot for each market-rate single family and multi-family residential unit but not to exceed Eight Thousand Seven Hundred Dollars (\$8,700) for each such unit and (b) \$2.00 per buildable square foot for each affordable residential unit. No Mitigation Fees or other mitigations shall be due or payable for any residential unit qualifying as "Senior" under Civil Code Section 51 *et seq.* The Mitigation Fees are based on 1998 dollars and shall be adjusted by CPI changes occurring from 1998 through the date of payment. From and after achievement of Development, Developer shall be entitled to proceed with infrastructure improvements, site and utility work and other physical improvements to the EG Property and all costs reasonably incurred for such activities shall be added to the Development Budget and considered Development Costs. Commencing on the Closing Date and continuing thereafter for 2 years, District shall pay to Developer semi-annually in advance an annual-development fee ("Annual Development Fee") equal to Seven and One-Half Percent (7 ½ %) of One Million Seven Hundred Thousand Dollars (\$1,700,000). District acknowledges and agrees that neither Developer nor any of its partners, employees, agents or representatives has made or is making any covenant, representation or warranty of any nature whatsoever relative to Developer's ability to achieve Development, obtain any or all of the Development Approvals or to develop the EG Property for resale. For purposes of this Agreement, "Development" shall mean written acknowledgment from the County of San Mateo that site work, improvements or development can proceed on the EG Property or the issuance of any grading, site or improvement permit for the EG Property.

14.2 Sales and Future Participation. From and after achievement of Development or eighteen (18) months following the Closing Date (the "18 Month Anniversary"), Developer, acting in its sole discretion, may elect to market the EG Property for sale, negotiate the terms and conditions, including, without limitation, the purchase price and payment terms, for the sale or transfer of the EG Property; provided, however, that if Development has not been achieved, any sale or transfer after the 18 Month Anniversary and prior to thirty-six months following the Contract Date (the "36 Month Anniversary") shall be subject to the District's First Refusal Rights set forth in Section 14.3 below. Prior to the 18 Month Anniversary (unless Development has been achieved) Developer may only sell or transfer the EG Property with the District's approval.

14.2.1 Sales Before 36 Month Anniversary. For any sale or transfer of the EG Property prior to the 36 Month Anniversary (unless Development has been achieved) the proceeds from such sale or transfer shall be applied and distributed by Developer as follows: (i) first, to pay actual and reasonable costs of sale or transfer including brokers commissions and finders' fees, transfer taxes, escrow fees, title premiums and recording costs and other related fees and charges; (ii) second, to repay any financing on the EG Property; (iii)

third, to pay One Million Seven Hundred Thousand Dollars (\$1,700,000) to Developer; (iv) *fourth*, to repay Developer for any Development Costs it previously paid (the "Developer's Development Costs"); (v) fifth, to pay Developer interest on Developer's Development Costs from the date incurred until repaid at the annual rate of seven and one-half percent (7-1/2%) compounded annually (the "Developer's Interest"); (vi) sixth, to pay to Developer or District a bonus or bonuses equal to twenty-five percent (25%) of any Budget Exceptions previously paid by Developer or deemed to be paid by District through financing of the EG Property for such Budget Exceptions (the "Bonus Exception Payments"); and (vii) last, the remaining balance to the District.

14.2.2 Sales After Development or 36 Month Anniversary.

For any sale or transfer of the EG Property after Development has been achieved or after the 36 Month Anniversary, the proceeds from such sale or transfer shall be applied and distributed by Developer as follows: (a) first, to pay actual and reasonable costs of sale or transfer including brokers commissions and finders' fees, transfer taxes, escrow fees, title premiums and recording costs and other related fees and charges; (b) second, to repay any financing on the EG Property; (c) third, to pay One Million Seven Hundred Thousand Dollars (\$1,700,000) to Developer; (d) *fourth*, to repay the Developer's Development Costs; (e) *fifth*, to pay the Developer's Interest; (f) sixth, to pay the Bonus Exception Payments; and (g) last, the remaining balance ratably to District and Developer with District being entitled to Seventy-Five Percent (75%) of the remaining balance (the "Future Participation") and Developer being entitled to Twenty-Five Percent (25%) of the remaining balance (the "Developer's Share").

14.3 First Refusal Rights. If, after the 18 Month Anniversary and prior to the 36 Month Anniversary, Development has not been achieved and Developer obtains a bona fide offer to purchase all or any portion of the EG Property (the "Offer") (which shall not include any conveyance, assignment or transfer by Developer to an entity including NWP, PL or both), Developer shall promptly deliver a copy of the Offer to District. District may, at its election, purchase the EG Property (or the portion thereof which is the subject of the Offer) by paying to Developer all sums which would otherwise be payable to Developer pursuant to the provisions of Section 14.2.1 above upon the closing of the sale of the EG Property (or portion thereof) pursuant to the terms of the Offer and upon such payment Developer shall concurrently convey fee title to the EG Property (or portion thereof) to District. District shall deliver notice of such election to Developer within thirty (30) days following receipt of the Offer, and shall close the purchase within sixty (60) days thereafter. From and after any such purchase by District, Developer shall have no further interest in the portion of the EG Property purchased by District. Alternatively, should District not purchase the EG Property, Developer may sell it with the proceeds of the sale applied as set forth in Section 14.2.1. From and after the achievement of Development or the 36 Month Anniversary, District's First Refusal Rights under this Section 14.3 shall automatically terminate.

15. Repurchase Option. If, by the fifth (5th) year anniversary of the Closing Date (the "Fifth Anniversary"), Development has not been achieved and no portion of the EG Property has been previously sold or conveyed as set forth in Section 14 above, then, and only in such event, District shall have the option to repurchase (the "Repurchase Option") the entire EG

Property on the terms and conditions set forth in this Section 15 and subject to all liens, title exceptions, encumbrances and loans then existing against (or applicable to) the EG Property. In order for District to exercise the Repurchase Option, District shall deliver to Developer its irrevocable written notice of election to repurchase the EG Property for the Repurchase Price (defined below) within thirty (30) days following the Fifth Anniversary and close the repurchase of the EG Property within sixty (60) days following such notice. If District shall fail to deliver its irrevocable written notice within such thirty (30) day period or fail to close the repurchase of the EG Property within such sixty (60) day period, then the Repurchase Option shall lapse and be of no further force or effect. The repurchase price ("Repurchase Price") payable by District to Developer shall equal the net sum of (i) One Million Seven Hundred Thousand Dollars (\$1,700,000), (ii) Developer's Development Costs (as defined in Section 14.2.1 above), (iii) the Developer's Interest, and (iv) any Budget Exception Payment due Developer. From and after any such repurchase by District, Developer shall have no further interest in the EG Property.

16. Destruction or Condemnation. If, prior to Closing, the EG Property, or any part thereof, is destroyed or damaged, or if condemnation proceedings are commenced or threatened against the EG Property, Developer shall have the right, exercisable upon thirty (30) days notice to District, to terminate this Agreement, in which case neither Party shall have any further rights or obligations hereunder and the Deposit and Interest shall be released from Escrow and refunded to Developer. If Developer elects to accept the EG Property in its condition at that time and proceed with the Closing, all proceeds of insurance or condemnation awards payable to District by reason of such damage, destruction or condemnation shall be paid or assigned to Developer at Closing.

17. Defaults and Remedies. A default or breach under this Agreement shall constitute a default or breach under the Purchase Agreement and a default or breach under the Purchase Agreement shall also constitute a default or breach under this Agreement. Except as otherwise expressly provided in this Agreement, in the event of a default or breach by Developer or District the other party shall have the right to exercise any and all available legal, equitable and statutory rights and remedies including, without limitation, specific performance, deed reformation, injunctive relief and actions for damages (including actual, consequential and punitive damages). The parties acknowledge and agree that specific performance is a proper remedy for both Developer and District because the EG Property is of a unique nature and character, because of the interrelationship between this Agreement and the Purchase Agreement and the legal obligations and relations created thereby, and because it may be extremely difficult to determine the economic detriment to District resulting from removal of the EG Property from the real estate market for an extended period and District's forbearance with respect to other sale, joint venture or investment opportunities.

18. Miscellaneous Provisions.

18.1 Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when personally delivered (including by Federal Express or courier) or when deposited in a United

States Post Office, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

If to Developer: North Wavecrest Partners, L.P.
2002 Fairway Drive
Half Moon Bay, CA 94019
Attention: William E. Barrett
Facsimile No.: (650) 726-5831

With a copy to: Pepper Lane - Half Moon Bay, LLC
18 Paseo de San Antonio
San Jose, CA 95113
Attention: Henry W. Cord
Facsimile No.: (408) 971-7699

If to District: Cabrillo Unified School District
498 Kelly Avenue
Half Moon Bay, CA 94019
Facsimile No.: (650) 726-0279
Attention: District Superintendent

or such other address as either Party may from time to time specify in writing to the other Party.

18.2 Brokers. Each of District and Developer warrants to the other that it has dealt with no broker, agent, salesman, finder or consultant with respect to this Agreement or the sale contemplated herein, and District and Developer do hereby indemnify, protect, defend and hold each other harmless from and against all claims, demands, losses, liabilities, judgments, actions, costs, expenses and damages (including, without limitation, attorneys' fees) resulting from the claims of any broker, agent, finder or other such Party claiming by, through or under the acts or agreements of the indemnifying Party.

18.3 Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the Parties hereto and their respective successors, heirs, administrators and assigns.

18.4 Amendments and Termination. This Agreement may only be amended or modified by a written instrument executed by District and Developer.

18.5 Continuation and Survival of Representations and Warranties. All agreements, covenants, representations and warranties by the respective Parties contained herein or made in writing pursuant to this Agreement shall survive the execution and delivery of this Agreement, the delivery of the Grant Deeds and the Closing.

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

18.7 Merger of Prior Agreements. This Agreement is the entire Agreement between the Parties and supersedes all prior agreements and understandings between the Parties hereto relating to the subject matter hereof.

18.8 Enforcement. In the event either Party hereto fails to perform any of its obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting Party or the Party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other Party in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees.

18.9 Time of the Essence. Time is of the essence of this Agreement.

18.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by counterpart facsimile signatures delivered to the parties and into Escrow with original signatures to follow within three (3) business days.

[Signature Blocks on Following Page]

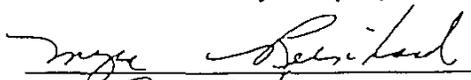
IN WITNESS WHEREOF, Seller and District have executed this Agreement on the date first above written.

Developer: NORTH WAVECREST PARTNERS, L.P.,
a California limited partnership

By: WMB Consulting, Inc.,
a Delaware corporation
its General Partner

By: 
William E. Barrett
President

PEPPER LANE - HALF MOON BAY, LLC,
a California limited liability company

By: 
Its: 

District: CABRILLO UNIFIED SCHOOL DISTRICT,
a public school district

By: 
Its: 

CONSENT OF TITLE COMPANY

OLD REPUBLIC TITLE INSURANCE COMPANY (the "Title Company") hereby agrees to: (i) accept and carry out the escrow instructions set forth in the foregoing CONVEYANCE AND DEVELOPMENT AGREEMENT AND JOINT ESCROW INSTRUCTIONS dated as of July 24, 1998 (the "Agreement"), an original or copy of which is attached hereto; (ii) carry out the responsibilities of the Title Company as provided in the Agreement; and (iii) be bound by the Agreement in the performance of its duties as the Title Company; provided, that the undersigned shall have no obligations, liability or responsibility under any amendment to the Agreement unless and until the same shall be accepted by the undersigned in writing.

DATED: _____, 1998

OLD REPUBLIC TITLE INSURANCE COMPANY

By: _____

EXHIBIT A

LEGAL DESCRIPTION

The real property located in El Granada, County of San Mateo, State of California, described as follows:

The land referred to in this Report is situated in the County of San Mateo, in the unincorporated area, State of California, and is described as follows:

PARCEL ONE:

Lots 10, 11, 12 and 13, in Block 90; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19 in Block 91; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22 and 23 in Block 92; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22 and 23 in Block 94; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 19 and 20, in Block 95; Lots 8, 9, 10, 11, 12, 13 and 14 in Block 98; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 in Block 99; Lots 1, 2, 3, 4, 5, 6, 7 and 8 in Block 100, as delineated upon that certain Map entitled "PLAT OF SUBDIVISION NO. 8, OF GRANADA, SAN MATEO COUNTY, CALIFORNIA", filed for record in the Office of the Recorder of the County of San Mateo, State of California, on June 7th, 1909 in Book 6 of Maps, at Page 65.

PARCEL TWO:

Portion of Lot 15 in Block 98, as delineated upon that certain Map entitled "PLAT OF SUBDIVISION NO. 8 OF GRANADA, SAN MATEO COUNTY, CALIFORNIA", filed for record in the Office of the Recorder of the County of San Mateo, State of California, on June 7th, 1909 in Book 6 of Maps, at Page 65, more particularly described as follows:

BEGINNING at a nail set at the intersection of the centerline of Sonora Avenue with the centerline of Sevilla Avenue, as said Avenues are shown on the above mentioned map; thence from said point of beginning along the said centerline of Sonora Avenue North $88^{\circ} 47' 48''$ West 1,157.95 feet to the intersection with the Southwesterly prolongation of the Northwesterly line of Lot 1, Block 98, as said Lot and Block are shown on said map; thence along last said prolongation North $28^{\circ} 50' 54''$ East 33.86 feet to the most Westerly corner of said Lot 1; thence along the said Northwesterly line of Lot 1, last said line also being the Southeasterly line of Alcatraz Avenue as last said Avenue is shown on said map North $28^{\circ} 50' 54''$ East 122.89 feet to the Northwest corner of said Lot 1, last said point also being the most Westerly corner of Lot 15, Block 98 as shown on said map; thence along the Northwesterly line of said Lot 15 and said Southeasterly line of Alcatraz Avenue, North $28^{\circ} 50' 54''$ East 52.71 feet to the true point of beginning of the portion of said Lot 15, Block 98 described herein; thence from said true point of beginning along the said Southeasterly line of Alcatraz Avenue and along the Northwesterly line of said Lot 15, North $28^{\circ} 50' 54''$ East 34.02 feet to the most Northerly corner of said Lot 15; thence along the Northeasterly line of said Lot 15, South $41^{\circ} 33' 12''$ East 104.64 feet to the Southwesterly corner of said Lot 15; thence along the Southerly line of said Lot 15 North $88^{\circ} 47' 48''$ West 33.00 feet; thence leaving said Southerly line of Lot 15, North $47^{\circ} 48' 25''$ West 71.18 feet to the true point of beginning.

The California Coordinate System, Zone 3, has been used as the basis of bearing. All distances given are grid distances. All bearings given are grid bearings. To convert grid distance to ground distance, multiply grid distance by scale

EXHIBIT A
(Page 2 of 2)

factor 1.0000768.

PARCEL THREE:

BEGINNING at a nail set at the intersection of the centerline of Sonora Avenue with the centerline of Sevilla Avenue, as said Avenues are shown on that certain map entitled "Plat of Subdivision No. 8 of Granada, San Mateo County, California", filed in the office of the County Recorder of San Mateo County in Book 6 of Maps at Page 65, Records of San Mateo County, California; thence from said point of beginning along the said centerline of Sonora Avenue North $68^{\circ} 47' 48''$ West 1,157.96 feet to the intersection with the Southwesterly prolongation of the Northwesterly line of Lot 1, Block 98, as said Lot and Block are shown on said map; thence along said prolongation North $73^{\circ} 50' 54''$ East 33.86 feet to the most Westerly corner of said Lot 1; thence along the said Northwesterly line of Lot 1, last said line also being the Southeasterly line of Alcatraz Avenue as last said Avenue is shown on said Map North $28^{\circ} 50' 54''$ East 112.88 feet to the Northwest corner of said Lot 1, last said point also being the most Westerly corner of Lot 15, Block 98 as shown on said map; thence along the Northwesterly line of said Lot 15 and said Southeasterly line of Alcatraz Avenue, North $28^{\circ} 50' 54''$ East 52.71 feet to the true point of beginning of the lands to be described herein; thence from said true point of beginning along the said Southeasterly line of Alcatraz Avenue North $25^{\circ} 50' 54''$ East 1,421.03 feet to the most Northwesterly corner of Lot 23, Block 92, as last said Lot and Block are shown on said map; thence leaving last said line and perpendicular thereto North $61^{\circ} 09' 06''$ West 56.56 feet to a one inch iron pipe with a brass disc; thence South $28^{\circ} 39' 34''$ West 1,408.72 feet to a point which bears North $28^{\circ} 39' 34''$ East 65.03 feet from a one inch iron pipe with a brass disc; thence South $47^{\circ} 48' 25''$ East 51.36 feet to the true point of beginning.

EXCEPTING THEREFROM all the land lying Southeasterly of a line which is parallel with and perpendicularly distant 20 feet Northwesterly from the said Southeasterly line of Alcatraz Avenue.

The California Coordinate System, Zone 3, has been used as the basis of bearing. All distances given are grid distances. All bearings given are grid bearings. To convert grid distance to ground distance, multiply grid distance by scale factor 1.0000768.

A.P.N. 037-320-030
047-041-070
047-041-170
047-047-070
047-048-150
047-049-170
047-051-040
047-052-100
047-053-130
047-054-100

J.P.N. 37-32-320-8
47-4-041-7
47-4-041-17
47-4-047-7
47-4-048-15
47-4-049-5
47-4-049-14
47-5-051-4
47-5-052-10
47-5-053-13
47-5-054-10

EXHIBIT B

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

SPACE ABOVE FOR RECORDER'S USE

GRANT DEED

By this instrument, dated as of _____, 199_, for valuable consideration, receipt of which is hereby acknowledged, the CABRILLO UNIFIED SCHOOL DISTRICT, a public school district organized under the laws of the State of California, hereby grants to PEPPER LANE - HALF MOON BAY, LLC, a California limited liability company, and NORTH WAVECREST PARTNERS, L.P., a California limited partnership, with each owning an undivided one-half (1/2) interest as tenants-in-common, that certain real property located in the State of California, County of San Mateo, City of Half Moon Bay, as more particularly described in Exhibit A attached hereto and incorporated herein by this reference.

THIS GRANT DEED SHALL BE DEEMED TO HAVE BEEN EXECUTED as of the date first written above.

CABRILLO UNIFIED SCHOOL DISTRICT,
a public school district organized under the laws of the
State of California

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT A
TO
GRANT DEED

The real property located in El Granada, County of San Mateo, State of California, described as follows:

The land referred to in this Report is situated in the County of San Mateo in the unincorporated area, State of California, and is described as follows:

PARCEL ONE:

Lots 10, 11, 12 and 13, in Block 90; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19 in Block 91; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22 and 23 in Block 92; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22 and 23 in Block 94; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 19 and 20, in Block 95; Lots 9, 10, 11, 12, 13 and 14 in Block 98; Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 in Block 99; Lots 1, 2, 3, 4, 5, 6, 7 and 8 in Block 100, as delineated upon that certain Map entitled "PLAT OF SUBDIVISION NO. 8, OF GRANADA, SAN MATEO COUNTY, CALIFORNIA", filed for record in the Office of the Recorder of the County of San Mateo, State of California, on June 7th, 1909 in Book 6 of Maps, at Page 65.

PARCEL TWO:

Portion of Lot 15 in Block 98, as delineated upon that certain Map entitled "PLAT OF SUBDIVISION NO. 8 OF GRANADA, SAN MATEO COUNTY, CALIFORNIA", filed for record in the Office of the Recorder of the County of San Mateo, State of California, on June 7th, 1909 in Book 6 of Maps, at Page 65, more particularly described as follows:

BEGINNING at a nail set at the intersection of the centerline of Sonora Avenue with the centerline of Sevilla Avenue, as said Avenues are shown on the above mentioned map; thence from said point of beginning along the said centerline of Sonora Avenue North $88^{\circ} 47' 48''$ West 1,157.55 feet to the intersection with the Southwesterly prolongation of the Northwesterly line of Lot 1, Block 98, as said Lot and Block are shown on said map; thence along last said prolongation North $23^{\circ} 50' 54''$ East 23.86 feet to the most Westerly corner of said Lot 1; thence along the said Northwesterly line of Lot 1, last said line also being the Southeasterly line of Alcatraz Avenue as last said Avenue is shown on said map North $23^{\circ} 50' 54''$ East 122.88 feet to the Northwest corner of said Lot 1, last said point also being the most Westerly corner of Lot 15, Block 98 as shown on said map; thence along the Northwesterly line of said Lot 15 and said Southeasterly line of Alcatraz Avenue, North $23^{\circ} 50' 54''$ East 52.71 feet to the true point of beginning of the portion of said Lot 15, Block 98 described herein; thence from said true point of beginning along the said Southeasterly line of Alcatraz Avenue and along the Northwesterly line of said Lot 15, North $23^{\circ} 50' 54''$ East 34.02 feet to the most Northerly corner of said Lot 15; thence along the Northeasterly line of said Lot 15, South $41^{\circ} 33' 12''$ East 104.64 feet to the Southeast corner of said Lot 15; thence along the Southerly line of said Lot 15 North $88^{\circ} 47' 48''$ West 33.00 feet; thence leaving said Southerly line of Lot 15, North $47^{\circ} 48' 25''$ West 71.12 feet to the true point of beginning.

The California Coordinate System, Zone 3, has been used as the basis of bearings. All distances given are grid distances. All bearings given are grid bearings. To convert grid distance to ground distance, multiply grid distance by scale

EXHIBIT A

(Page 2 of 2)

faccor 1.0000768.

PARCEL THREE:

BEGINNING at a nail set at the intersection of the centerline of Sonora Avenue with the centerline of Sevilla Avenue, as said Avenues are shown on that certain map entitled "Plat of Subdivision No. 8 of Granada, San Mateo County, California", filed in the office of the County Recorder of San Mateo County in Book 6 of Maps at Page 65. Records of San Mateo County, California; thence from said point of beginning along the said centerline of Sonora Avenue North 63° 47' 48" West 1,157.96 feet to the intersection with the Southwesterly prolongation of the Northwesterly line of Lot 1, Block 98, as said Lot and Block are shown on said map; thence along said prolongation North 13° 50' 54" East 33.86 feet to the most Westerly corner of said Lot 1; thence along the said Northwesterly line of Lot 1, last said line also being the Southeasterly line of Alcatraz Avenue as last said Avenue is shown on said Map North 28° 50' 54" East 112.83 feet to the Northwest corner of said Lot 1, last said point also being the most Westerly corner of Lot 15, Block 98 as shown on said map; thence along the Northwesterly line of said Lot 15 and said Southeasterly line of Alcatraz Avenue, North 28° 50' 54" East 52.71 feet to the true point of beginning of the lands to be described herein; thence from said true point of beginning along the said southeasterly line of Alcatraz Avenue North 29° 50' 54" East 1,421.03 feet to the most Northerly corner of Lot 23, Block 92, as last said Lot and Block are shown on said map; thence leaving last said line and perpendicular thereto North 61° 09' 06" West 56.56 feet to a one inch iron pipe with a brass disc; thence South 28° 39' 34" West 1,409.72 feet to a point which bears North 28° 39' 34" East 65.03 feet from a one inch iron pipe with a brass disc; thence South 47° 48' 25" East 53.36 feet to the true point of beginning.

EXCEPTING THEREFROM all the land lying southeasterly of a line which is parallel with and perpendicularly distant 70 feet Northwesterly from the said southeasterly line of Alcatraz Avenue.

The California Coordinate System, Zone 3, has been used as the basis of bearing. All distances given are grid distances. All bearings given are grid bearings. To convert grid distance to ground distance, multiply grid distance by scale factor 1.0000768.

A.P.N. 037-320-030
047-041-070
047-041-170
047-047-070
047-048-150
047-049-170
047-051-040
047-052-100
047-053-130
047-054-100

J.P.N. 37-32-320-8
47-4-041-7
47-4-041-17
47-4-047-7
47-4-048-15
47-4-049-5
47-4-049-14
47-5-051-4
47-5-052-10
47-5-053-13
47-5-054-10

State of California)
) ss.
County of _____)

On this ____ day of _____, 1998, before me, the undersigned, a notary public in and for the State of California, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature

(Seal)

State of California)
) ss.
County of _____)

On this ____ day of _____, 1998, before me, the undersigned, a notary public in and for the State of California, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature

(Seal)

SCHEDULE 1

Pursuant to Section 8.5 of the Conveyance and Development Agreement, and in accordance with California Health and Safety Code Sections 25359.7, 25249.5 et seq., and other Environmental Law (as defined below), District is providing Developer with the following notice. The information contained in this notice is being made available to Developer for disclosure purposes only, without any representations or warranties by District, including, without limitation, any representations or warranties as to the completeness or accuracy of such information. This Schedule is subject to and does not amend or modify the terms and conditions of the Conveyance and Development Agreement.

Definitions. As used in this Schedule 1, the term:

(i) "Hazardous Materials" shall mean any substance or material which is regulated as a hazardous, toxic or dangerous waste, substance or material or is defined as a "hazardous waste" or "hazardous substance" in (or for purposes of) the comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act, the Toxic Substance Control Act or any so-called "Superfund" or "Superlien" law or any other Environmental Law, as now in effect.

(ii) "Environmental Law" shall mean any federal, state or local statutes, laws, ordinances, codes, regulations, rules, orders, actions, policies or decrees regulating, relating to or imposing liability or standards or conduct concerning any environmental matters, including, but not limited to, matters relating to air pollution, water pollution, noise control or Hazardous Materials.

A. With Respect to the EG Property:

None.

B. With Respect to Properties in the Vicinity of the EG Property:

None.