*Note: No changes until pg. 33

Redlined 9/28 (from 9/26 draft)

DISPOSITION AND DEVELOPMENT AGREEMENT

THIS DISPOSITION AND DEVELOPMENT AGREEMENT ("Agreement") is entered as of the ___ day of _____, 1990, by and between the REDEVELOPMENT AGENCY OF THE CITY OF EAST PALO ALTO ("Agency") and UNIVERSITY CIRCLE, LTD., a California Limited Partnership ("Developer").

The parties enter this Agreement on the basis of the following facts, intentions and understandings:

I. [Section 100] SUBJECT OF AGREEMENT

A. [Section 101] Purpose of This Agreement. The purpose of this Agreement is to effectuate the Redevelopment Plan ("Redevelopment Plan") for the University Circle Redevelopment Project by providing for the disposition and development of certain real property ("Site") included within the boundaries of the Project Area ("Project Area") identified in the Redevelopment Plan. The Site is shown on the Map of the Site, attached hereto as Exhibit A and incorporated herein by this reference, and is more particularly described in the Legal Description of the Site, attached hereto as Exhibit B and incorporated herein by this reference.

Pursuant to this Agreement, the Site will be developed as a single, unified, modern office complex, including associated commercial uses and a major hotel ("Project"). It is contemplated that the Site will be developed in phases ("Phases," or, individually, "Phase") as follows:

(i) Office building improvements comprising the South Office Building and the Galleria ("South Office Building") and all other related Improvements (as defined herein), as described in the Scope of Development;

(ii) Improvements comprising the Hotel ("Hotel") and all other related Improvements to be constructed on the parcel designated for the Hotel (sometimes collectively referred to herein as the "Hotel Parcel"), as described in the Scope of Development; and

(iii) Office building improvements comprising the North Office Building and the Retail Pavilion ("North Office Building") and all other related Improvements, as described in the Scope of Development.

For purposes of this Agreement, "Improvements" shall mean all on-site and off-site construction, infrastructure and other public improvements comprising, or directly and indirectly affecting or having an impact on, the Project which are described in the approved PUD Permit and Tentative Map for the Project which have been issued to

Developer and which are incorporated by reference herein, as the same may be amended from time to time.

The development of the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City of East Palo Alto ("City"), County of San Mateo, California, and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable federal, state and local laws and requirements.

B. [Section 102] The Redevelopment Plan. This Agreement is subject to the provisions of the Redevelopment Plan, which was approved and adopted on December 5, 1988, by the City Council of the City pursuant to Ordinance No. 534. The Redevelopment Plan, as it now exists and as it subsequently may be amended, is incorporated herein by this reference.

C. [Section 103] The Project Area. The Project Area is located within the City, and the exact boundaries of the Project Area are specifically described in the Redevelopment Plan.

D. [Section 104] The Site. The Site is that portion of the Project Area shown on the Map of the Site, attached hereto as Exhibit A, and is more particularly described in the Legal Description of the Site, attached hereto as Exhibit B.

E. [Section 105] The Development Agreement. The applicable laws governing development of the Site and the City approvals therefor shall be subject to the terms of that certain statutory development agreement ("SDA") to be considered by the City pursuant to Section 65864 of the California Government Code and City Council Resolution No. 651 on September 24, 1990. As a condition precedent to all of Developer's obligations under this Agreement, the SDA must be adopted by the City on or before thirty (30) days after September 24, 1990 (the scheduled date for a first reading thereof) in substantially the form and content attached hereto as Exhibit C and incorporated by reference herein. If the SDA is not so adopted, Developer shall have the right, in its sole discretion and option, to extend the time for adoption of the SDA and to suspend its obligations hereunder, or to terminate this Agreement on the basis that such event constitutes a failure of Developer's conditions precedent.

F. [Section 106] Parties to This Agreement.

1. Agency. Agency is a public body, corporate and politic, exercising governmental functions and powers and organized and existing under the Community Redevelopment Law of the State of California (Cal. Health & Safety Code Section 33000, et seq.). The office of the Agency is located at 2415 University Avenue, East Palo Alto, California 94303. "Agency", as used in this Agreement, includes the Redevelopment Agency of the City and any assignee of or successor to its rights, powers and responsibilities.

2. Developer.

(a) Developer. Developer is University Circle, Ltd., a California Limited Partnership, whose sole general partner is DeMonet Industries, Inc. The principal office of Developer is located at Century Centre I, 1450 Fashion Island Blvd., Suite 600, San Mateo, California 94404, or such other address of which Developer has notified Agency pursuant to Section 701 hereof. "Developer," as used in this Agreement, includes any permitted nominee, assignee or successor in interest as herein provided. Developer qualifies as an owner participant under Agency's Owner Participation Rules, adopted pursuant to Agency Resolution No. 13 on March 14, 1988.

(b) Assignment Prior to Certificate. Except as permitted by this Agreement, prior to the issuance of the Certificate of Completion (as defined in Section 407 hereof) for each Phase of the Project pursuant to the Schedule of Performance, attached hereto as Exhibit D and incorporated by reference herein, Developer shall not assign all or any part of this Agreement as it pertains to a particular Phase without the prior written approval of Agency, which approval shall not be unreasonably withheld or delayed.

(c) Permitted Transfers. The following assignments and transfers by Developer are permitted prior to issuance of a Certificate of Completion, provided that Developer is not then in material default under this Agreement and provided further that Developer is not then in default under Section 8 of the SDA:

(i) An assignment of this Agreement as it pertains to the Hotel Parcel (as described in Section I.A of the Scope of Development, attached hereto as Exhibit E and incorporated by reference herein) may be made to a responsible developer or operator thereof;

(ii) An assignment of this Agreement as it pertains to the Retail Pavilion (as described in Section I.A of the Scope of Development) may be made to a responsible developer or operator thereof;

(iii) An assignment of this Agreement as it pertains to the South Office Building or the North Office Building (as described in Section 1.A of the Scope of Development) may be made to a responsible developer or operator thereof;

(iv) An assignment of this Agreement to any affiliate of Developer of which Developer, Developer's general partner or the president of Developer's general partner, is its general or managing partner, or in which Developer, Developer's general partner or the president of Developer's general partner holds at least a fifty-one percent (51%) interest;

(v) A collateral assignment of this Agreement or portion thereof may be made for security purposes to any holder of a security financing interest permitted by Section 405 of this Agreement.

(d) Qualification of Assignees/Transferees. Developer shall not assign or transfer its rights or obligations under this Agreement pursuant to Sections 106.2.(c)(i) through (iii) above without the prior written consent of Agency, which consent shall not be unreasonably withheld or delayed. To permit Agency to determine whether Agency shall consent to a proposed assignment or transfer, Developer shall submit to Agency all necessary information, including development qualifications and financial information, necessary to evaluate the proposed transferee. Within thirty (30) days after receipt from Developer of all required information, Agency shall evaluate whether the proposed assignee or transferee has the qualifications and financial responsibility necessary, as reasonably determined by Agency, to fulfill the obligations undertaken by Developer pursuant to this Agreement. If Agency has not consented to the proposed assignment or transfer by the end of the thirty (30)-day period, Agency shall be deemed to have consented to the proposed assignment or transfer. If the proposed permitted assignment or transfer is pursuant to subsection (c)(i), the proposed assignee or transferee shall have the additional obligation to construct the Hotel substantially of the same quality, and containing substantially the same amenities, as an Embassy Suites, Hyatt All Suites or other comparably designed hotel located within the San Francisco Bay Area. Agency hereby approves Landmark Hotels, Embassy Suites, Marriott, Hyatt, Westin, Ritz Carlton, Sheraton and Holiday Inn, or entities developing on behalf of the foregoing hotel operators, as assignees of the Hotel Parcel, and further consents to such transfers shall not be required pursuant to this Section.

(e) Assumption. Each assignee or transferee pursuant to Section 106.2.(c), by instrument in writing reasonably satisfactory to Agency, and in recordable form, for the benefit of itself, its successors, assigns and Agency, expressly shall assume all of the obligations of Developer under this Agreement as it relates to the Phase affected by the assignment or transfer, and shall agree to be subject to all of the conditions and restrictions to which Developer is subject. Developer shall submit to Agency, for Agency's prior written approval, all documents proposed to effect any assignment or transfer pursuant to this Section 106. Notwithstanding the foregoing, except for a transfer pertaining to the Hotel Parcel pursuant to Section 106.2.(c)(i), including pursuant to Section 1007 (in which event Developer shall be released from the obligations under this Agreement relating to the Hotel Parcel), Developer shall not be released from its obligations under this Agreement as to the particular Phase transferred until Agency has issued a Certificate of Completion for the Phase.

G. [Section 107] Deposit.

1. Deposit. Concurrently with Developer's delivery to Agency of a copy of this Agreement executed by Developer, Developer shall deliver to Agency a

check in the amount of One Hundred Thousand Dollars ($100,000.00) as a deposit ("Deposit") to secure Developer's performance hereunder. Agency shall deliver the Deposit into the escrow established pursuant to Section 307 hereof.

2. Application of Deposit. Agency shall place the Deposit in an interest-bearing account pursuant to the escrow ("Escrow") established with Ticor Title Insurance Company ("Title Company"), or such other title company acceptable to Agency and Developer, in accordance with Section 307 hereof. If the Site is transferred from Agency to Developer in accordance with the terms of this Agreement, the Deposit and all interest thereon shall apply against the purchase price ("Purchase Price") for the Site, as defined in Section 305.1 hereof, on the Closing Date.

3. Termination by Developer. Upon termination of this Agreement by Developer pursuant to Section 605.1 hereof, the Deposit and all interest thereon shall be returned to Developer as provided therein; subject, however, to the provisions of Section 605.3.

4. Termination by Agency. Upon termination of this Agreement by Agency pursuant to Section 605.2 hereof, the Deposit and all interest thereon shall be retained by Agency as liquidated damages as provided therein.

II. [Section 200] SITE ASSEMBLY

A. [Section 201] Appraisals.

1. Agency to Obtain. Agency has retained Appraisal Research Corporation ("Appraiser") to prepare appraisals of all parcels comprising the Site. Agency shall make a good faith and diligent effort to obtain appraisals for all parcels comprising the Site and the Agency Parcel, as defined in Section 202.1, from the Appraiser within thirty (30) days after execution of this Agreement by Agency. Agency shall submit all appraisals for any parcel comprising the Site to Developer within three (3) days after receipt of the appraisals from the Appraiser for Developer's approval. Developer shall approve or disapprove the appraisals in writing within the later of (i) sixty (60) days after execution of this Agreement by both parties; or (ii) sixty (60) days after receipt of all appraisals for all parcels comprising the Site.

2. Disagreement on Appraisals.

(a) Selection of Appraisers. If Agency and Developer are unable to agree on the appraisals for the parcels comprising the Site within the sixty (60)-day period, then within thirty (30) days after the expiration of the sixty (60)-day period, Developer, by giving notice to Agency and at Developer's sole cost, shall appoint a competent and disinterested real estate appraiser with at least five (5) years' full-time appraisal experience in the geographical area of the Site to appraise the parcels. For purposes of this Section 201, Agency's appraiser shall be the Appraiser

defined in Section 201.1 hereof. If Developer does not appoint an appraiser within thirty (30) days after Developer has disapproved the appraisals, the Appraiser shall be the sole appraiser and shall determine the appraisals. If an appraiser is appointed by Developer as stated in this Section, the appraisers shall meet promptly and attempt to determine the appraisals for the parcels.

(b) Value Determined by Two (2) Appraisers. Within sixty (60) days after selection of Developer's appraiser, the appraisers shall determine the appraisals for the parcels comprising the Site. If the appraisers are unable to determine the appraisals within the stipulated period of time, the two (2) appraisals for each parcel shall be added together and their total divided by two (2); the resulting quotient shall be the appraisal for the particular parcel.

B. [Section 202] Agency Procedures.

1. Agency's Offers.

(a) Content. Once the appraisals have been established in accordance with Section 201 hereof, and provided that Developer has performed the first phase of physical and soils inspections for the Site pursuant to Section 301.1 and Agency has finalized a relocation plan and established the Relocation Costs pursuant to Section 202.4, Agency shall comply with the obligations imposed by Government Code Sections 7267, 7267.1, 7267.2 and 7267.3 with respect to voluntary acquisition of the Site. In complying with the provisions of Sections 7267, 7267.1, 7267.2 and 7267.3, Agency shall deliver to the owners of the parcels comprising the Site, by certified mail, return receipt requested, offers to purchase the Site, at a price equal to the approved appraisals obtained pursuant to Section 201, reduced by the costs to remediate Contamination (as defined in Section 304.1 hereof) existing on the parcels as determined by Developer's soils investigations conducted pursuant to Section 301.1 hereof. Agency's offers shall be conditional upon, without limitation, Developer's waiving its option to terminate this Agreement pursuant to Section 301.1 hereof, the satisfaction or waiver of the conditions precedent set forth in Section 307.3, availability of funds from Developer's lender, Agency's ratification of the offers by Agency's execution of agreements of purchase and sale ("Purchase Agreements"), Agency's adoption of a resolution of necessity for those portions of the Site that Agency is unable to acquire by voluntary acquisition and upon any other conditions Agency deems reasonably necessary. Agency shall submit all offers to Developer for its review prior to delivery to the parcel owners.

(b) Determination of Costs. If reasonably requested by Agency's condemnation counsel, Developer shall fund the cost required to update the appraisals so that Agency's offers to purchase comply with the provisions set forth in Section 202.1.(a) hereof; provided, however, that the updates shall be completed within thirty (30) days after Agency's request therefor, and at a cost not to exceed Ten Thousand Dollars ($10,000.00). The time for performance and cost for preparation of

the updates shall not exceed the foregoing limitations without Developer's prior written consent in Developer's sole discretion. Prior to delivering offers to purchase, Agency and Developer shall agree upon a budget specifying all costs associated with purchasing the parcels comprising the Site either pursuant to Purchase Agreements between Agency and the parcel owners ("Pre-Condemnation Costs") or an award or judgment in an eminent domain action for the parcels that the Agency was unable to acquire voluntarily ("Condemnation Costs"). The Pre-Condemnation Costs and Condemnation Costs shall consist of the approved appraised value of each parcel comprising the Site, plus five percent (5%) of the appraisal for each parcel. The budget also shall include (i) reasonable appraisal fees for the Site (to the extent not previously paid to Agency by Developer); (ii) all costs to close escrow pursuant to the terms of the Purchase Agreements; and (iii) all other costs reasonably necessary to acquire the Site which are not defined elsewhere in this Agreement as Relocation Costs (Section 202.4) or Condemnation Litigation Costs (Section 202.5). If the appraised value of any parcel is increased by more than five percent (5%) as a result of an update prepared in accordance with the provisions of Section 202.1 hereof, Agency shall not make an offer to purchase the parcel at the increased appraisal without the prior written consent of Developer. If Developer refuses to amend the budget to include the increased appraisal for the parcel, Agency and Developer shall negotiate in good faith to amend the budget pursuant to the provisions of Section 1003 hereof. If, pursuant to Section 1003, Developer and Agency have not reached an agreement on the budget amendment, this Agreement shall terminate and neither party shall have any further rights or obligations hereunder (subject to the provisions of Sections 604 and 605.3 hereof).

(c) Prior Written Consent. Without the prior written consent of Developer, in Developer's sole discretion, Agency shall not purchase any parcel comprising the Site, nor settle any eminent domain action undertaken pursuant to Section 202.2, if the purchase price or settlement would exceed the Pre-Condemnation Costs or Condemnation Costs for a parcel. If Developer approves in writing a purchase price for a particular parcel to be in excess of the parcel's Pre-Condemnation or Condemnation Cost, the amount approved shall be the Pre-Condemnation Cost or Condemnation Cost for that parcel. In addition, Agency shall not close escrow on any parcel comprising the Site until all parcels are ready to close pursuant to either a Purchase Agreement, properly issued order of possession or condemnation judgment.

2. Hearing; Developer Advances. If Agency is unable to enter Purchase Agreements for each parcel comprising the Site within forty-five (45) days after the date of Agency's offers to purchase, Agency shall adopt a resolution of intention to consider adoption of a resolution of necessity authorizing acquisition of the unacquired parcels comprising the Site by exercise of the power of eminent domain. At least fifteen (15) days prior to the date established for consideration of adoption of a resolution of necessity as set forth in the resolution of intention to consider adopting a resolution of necessity, Developer shall provide to Agency evidence of availability of funds for acquisition for the Site in an amount not to exceed the Pre-Condemnation

Costs, plus the Condemnation Costs, for the Site. The evidence shall be in the form of a letter from Developer's financial lender or equity partner that the funds would be available conditioned upon the costs not exceeding the sum of the Pre-Condemnation Costs and the Condemnation Costs, and such other conditions as are reasonable and customary for projects in the nature of the Project.

3. Agency Discretion. If Agency adopts a resolution of necessity for the portions of the Site that it has been unable to acquire by voluntary acquisition, Agency shall proceed promptly to acquire the portions by eminent domain. Developer acknowledges that Agency has discretion in determining whether or not it should adopt a resolution of necessity and, therefore, agrees that nothing in this Agreement shall obligate Agency to adopt a resolution of necessity with respect to any portion of the Site not voluntarily acquired by Agency.

4. Relocation Costs. Subject to the provisions of this Section 202.4, Developer shall pay all relocation costs ("Relocation Costs") legally required to be paid by Agency in implementing its relocation plans and complying with all State and Agency guidelines pertaining to relocation of the commercial and residential tenants and landowners currently residing or operating on the Site. Not later than thirty (30) days prior to the Closing Date, Developer and Agency shall develop and approve a budget, which shall not exceed Two Million Two Hundred Thousand Dollars ($2,200,000.00) specifying the Relocation Costs to be paid by Developer. Agency and Developer shall consult on a regular basis regarding Relocation Costs, and the budget may be amended in writing from time to time with the consent of both parties. Developer shall have the right to review the relocation plan or plans adopted by Agency solely for the purpose of determining that the Relocation Costs identified therein are in compliance with the legal requirements imposed by the Agency Guidelines and all applicable California law, and do not exceed the legal requirements therefor pursuant to which the budget was approved. Developer shall pay all Relocation Costs, in cash, to Agency within thirty (30) days after receipt of Agency's itemized statement therefor, which statement shall not be submitted to Developer until Agency legally has become obligated to pay the Relocation Costs. Agency shall not incur any obligation for Relocation Costs in excess of one hundred two percent (102%) of the amount approved in the budget without the prior written consent of Developer, in Developer's sole discretion. Developer acknowledges that it shall be solely responsible for paying all Relocation Costs which Agency becomes committed irrevocably to fund pursuant to the budgeted amount, as amended after obtaining Developer's prior written consent, whether or not Developer acquires the Site from Agency or constructs the Improvements thereon pursuant to the provisions of this Agreement.

5. Condemnation Litigation Costs. In addition to paying the Condemnation Costs defined in Section 202.1.(b), Developer shall pay all costs ("Condemnation Litigation Costs") incurred by Agency in bringing eminent domain actions for all parcels not acquired by Agency pursuant to Purchase Agreements,

including, without limitation, interest and any amount awarded to the condemnee for litigation expenses or costs and Agency's reasonable litigation expenses incurred in bringing the eminent domain actions, including attorneys', experts' and appraisers' fees and court costs. Developer shall pay the Condemnation Litigation Costs to Agency within fifteen (15) days after receipt from Agency of an itemized statement therefor. The Condemnation Litigation Costs shall be subject to the budgeting provisions set forth in Section 1009 hereof.

6. Replacement Housing. Agency shall provide, or cause to be provided, replacement housing for the Project pursuant to its Replacement Housing Plan. If Agency desires Developer to provide replacement housing, Agency and Developer shall negotiate in good faith to arrive at a plan acceptable to Agency and Developer for implementation and construction of replacement housing which shall be economically feasibly as reasonably determined by Agency and Developer. Failure of the parties to reach a mutually acceptable plan shall not be a default hereunder by either party, or entitle either party to terminate this Agreement.

III. [Section 300] INSPECTION AND DISPOSITION OF THE SITE

A. [Section 301] Inspections; Condition of the Site.

1. Inspections. Within ninety (90) days after resolution of the pending validation and CEQA actions relating to the Project, and of any other actions relating to the Project that are filed after the execution of this Agreement and adoption of the SDA, including the running of all applicable appeals periods, Developer shall have conducted all Developer's own initial investigation of the Site, its physical condition, the soils and toxic conditions of the Site and all other Site conditions which in Developer's sole judgment affect or influence Developer's proposed use of the Site and Developer's willingness to enter this Agreement. Developer's investigation may include, without limitation, the preparation by a duly licensed soils engineer of a soils report for the Site. If, at the end of the ninety (90) day period, in Developer's sole judgment the soils conditions are not in all respects suitable for construction of Developer's proposed Improvements on the Site and the uses to which the Site will be put, Developer shall have the option to (i) take any action necessary to place the Site in a condition suitable for development, at no cost to Agency; (ii) negotiate an acceptable alternative with Agency pursuant to the provisions of Section 1003 hereof; or (iii) terminate this Agreement. Agency may extend the deadline for performance for an additional thirty (30) days, at Developer's request, if the extension is reasonably necessary to obtain complete information regarding soil and/or toxic conditions, at no cost to Developer for the extension. If, at the end of the ninety (90)-day period (as may be extended pursuant to this Section), Developer does not notify Agency in writing (A) that it intends to terminate this Agreement pursuant to this Section, or (B) that it desires to negotiate an acceptable alternative with Agency pursuant to Section 1003 hereof, Developer shall be deemed to have preliminarily approved the soils conditions for the Site, and Agency thereafter shall make its offers

to purchase the parcels comprising the Site pursuant to Section 202.1.(a) hereof. Notwithstanding the foregoing, if in Developer's sole judgment a material change in the soils conditions occurs or is discovered after the end of the ninety (90)-day period (as may be extended pursuant to this Section), which renders the Site unsuitable for the construction of the Improvements or the uses therefor, Developer shall have the option to terminate this Agreement prior to the Closing Date. Subject to the provisions of Section 1003, if Developer has not notified Agency of its intent to terminate this Agreement prior to the Closing Date, Developer shall be deemed to have waived its right to terminate this Agreement pursuant to this Section.

2. "As Is". Subject to the terms of this Agreement, Developer acknowledges and agrees that the Site shall be purchased from Agency "as is," in its current physical condition, with no warranties, express or implied (except for the warranty to be provided pursuant to Section 307.5 hereof), as to the physical condition of the Site, the presence or absence of any latent or patent condition thereon or therein and any other matters affecting the Site.

B. [Section 302] Preliminary Work by Developer.

1. Access to Site. Prior to conveyance of title from Agency, representatives of Developer shall have the same right of access to the Site as Agency has, subject to providing Agency with seventy-two (72) hours' prior written notice and receiving Agency's written consent, which consent shall not be unreasonably withheld or delayed, for the purpose of obtaining data and making surveys and tests necessary to carry out this Agreement. Agency shall cooperate to the extent possible with Developer in performing all tests and studies deemed reasonably necessary by Developer if Developer is unable to obtain access to the Site, at no cost to Agency. Developer shall have access to all data and information concerning the Site which is available to Agency.

2. Indemnification. All work undertaken on the Site by Developer prior to conveyance of title shall be done at the sole expense of Developer and only after delivery of written notice to Agency of the time, place and nature of the work to be performed, and receipt from Agency of authorization to commence the work, which authorization shall not be unreasonably withheld or delayed. Developer shall indemnify, defend and hold Agency and the City harmless from and against any loss, cost or expense, including, without limitation, court costs and attorneys' fees, arising out of Developer's work on, access to or use of the Site pursuant to this Section 302. Copies of data, surveys and tests obtained or made by Developer on the Site shall be filed with Agency. All preliminary work by Developer shall be undertaken only after securing any necessary permits from the appropriate governmental agencies.

C. [Section 303] Zoning and Land Use Approvals. Agency shall use reasonable efforts to cooperate with Developer to cause and implement the zoning of the Site, and other necessary City land use approvals, including, without limitation, a

tentative parcel map ("Tentative Map"), amendment of the General Plan of the City, adoption of a Specific Plan pursuant to California Government Code Section 65450, et seq., a PUD permit and the SDA ("City Approvals"), to permit development and construction of Improvements on the Site, and use, operation, leasing, financing and maintenance of the Improvements, in accordance with the provisions of this Agreement. Notwithstanding any provision of this Agreement to the contrary, the City Approvals shall govern the development and use of the Site if any Agency action pursuant to this Agreement is inconsistent with the City Approvals.

D. [Section 304] Environmental Issues.

1. Indemnity. Developer agrees, from and after the date of recording of the Deed or Deeds conveying title to the Site from Agency to Developer under this Agreement, to defend, indemnify, protect and hold harmless Agency and City and their officers, beneficiaries, employees, agents, attorneys, representatives, legal successors and assigns ("Indemnitees") from, regarding and against any and all liabilities, obligations, orders, decrees, judgments, liens, demands, actions, Environmental Response Actions (as defined herein), claims, losses, damages, fines, penalties, expenses, Environmental Response Costs (as defined herein) or costs of any kind or nature whatsoever, together with fees (including, without limitation, reasonable attorneys' fees and experts' and consultants' fees), whenever arising, resulting from or in connection with the actual or claimed generation, storage, handling, transportation, use, presence, placement, migration and/or release of Hazardous Materials (as defined herein), at, on, in, beneath or from the Site (sometimes herein collectively referred to as "Contamination"), except to the extent the Contamination is caused by the Indemnitees' negligence. Developer's defense, indemnification, protection and hold harmless obligations herein shall include, without limitation, the duty to respond to any governmental inquiry, investigation, claim or demand regarding the Contamination, at Developer's sole cost. Nothing herein shall limit or offset Developer's claim or actions against Indemnitee or any third party responsible for the Contamination or costs and expenses associated therewith, including, without limitation, actions for indemnification or contribution.

2. Release and Waiver. Developer hereby releases and waives all rights, causes of action and claims Developer has or may have in the future against the Indemnitees arising out of or in connection with any Hazardous Materials at, on, in, beneath or from the Site, except to the extent the Contamination is caused by the Indemnitees. In furtherance of the intentions set forth herein, Developer acknowledges that it is familiar with Section 1542 of the Civil Code of the State of California which provides as follows:

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

Developer hereby waives and relinquishes any right or benefit which it has or may have under Section 1542 of the Civil Code of the State of California or any similar provision of the statutory or nonstatutory law of any other applicable jurisdiction to the full extent that it may lawfully waive all such rights and benefits pertaining to the subject matter of this Section 304.

3. Definitions.

(a) "Environmental Response Actions." As used in this Agreement, the term "Environmental Response Actions" means any and all activities, data compilations, preparation of studies or reports, interaction with environmental regulatory agencies, obligations and undertakings associated with environmental investigations, removal activities, remediation activities or responses to inquiries and notice letters, as may be sought, engendered, initiated or required in connection with any local, state or federal governmental or private party claims, including any claims by Developer.

(b) "Environmental Response Costs." As used in this Agreement, the term "Environmental Response Costs" means any and all costs associated with Environmental Response Actions including, without limitation, any and all fines, penalties and damages.

(c) "Hazardous Materials." As used in this Agreement, the term "Hazardous Materials" means any substance, material or waste which is (i) defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," or "restricted hazardous waste" under any provision of California law; (ii) petroleum; (iii) asbestos; (iv) polychlorinated biphenyls; (v) radioactive materials; (vi) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251, et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317); (vii) defined as "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq. (42 U.S.C. Section 6903); (viii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601, et seq. (42 U.S.C. Section 9601); or (ix) determined by California, federal or local governmental authority to be capable of posing a risk of injury to health, safety or property.

4. Materiality. Developer acknowledges and agrees that the defense, indemnification, protection and hold harmless obligations of Developer for the benefit of the Indemnitees set forth in this Agreement are a material element of the consideration to Agency for the performance of its obligations under this Agreement, and that Agency would not have entered this Agreement unless Developer's obligations were as provided for herein.

5. No Third Party Beneficiaries. The provisions of this Section 304 shall run to the benefit of the Indemnitees only to the extent their inclusion as Indemnitees arises through their employment by Agency or City, and no third party shall be a beneficiary hereof.

E. [Section 305] Sale and Purchase. Provided that all of Developer's and Agency's pre-disposition conditions have been met in the manner and time set forth in Articles I, II and III of this Agreement, including Agency's acquisition of the Site, Agency shall sell the Site to Developer, and Developer shall purchase the Site from Agency, pursuant to the terms, covenants and conditions of this Agreement.

1. Purchase Price. The purchase price ("Purchase Price") payable by Developer to Agency for each parcel comprising the Site shall be an amount equal to the Pre-Condemnation Costs or Condemnation Costs for the particular parcel, subject to the provisions of Section 202.1(c).

2. Payment of Purchase Price. The Purchase Price for the Site shall be paid as follows:

(a) Payment of Pre-Condemnation Costs. With respect to a parcel voluntarily acquired by Agency from an owner pursuant to a Purchase Agreement, Developer shall deposit the Pre-Condemnation Costs, plus all fees necessary to close Escrow on the parcels pursuant to Sections 202.1.(b) and 307.4 hereof, into Escrow not less than one (1) day prior to the Closing Date (as defined in Section 307.4); provided, however, that not less than seven (7) days prior to the Closing Date, Developer shall deposit into escrow evidence from Developer's lender, in form and content satisfactory to Agency, that the Pre-Condemnation Costs and all fees necessary to close Escrow shall be available for deposit into Escrow one (1) day prior to the Closing Date. Developer shall deposit the Pre-Condemnation Costs into Escrow in the form of cash, letter of credit or other instrument satisfactory to Agency counsel which assures the unrestricted ability of Title Company to draw on the deposit to pay the Pre-Condemnation Costs. If by cash, the Title Company shall deposit the same in an interest-bearing account with interest thereon for the benefit of Developer. If by letter of credit, Agency and Developer shall deliver irrevocable escrow instructions to the Title Company to draw on the letter of credit for the Pre-Condemnation Costs at such time as all parcels comprising the Site are in condition to close Escrow pursuant to Purchase Agreements, orders of possession or condemnation judgments. If any deposit is made by letter of credit, the letter of credit shall be an unconditional and irrevocable letter of credit in a form, and issued by a lender, satisfactory to Agency counsel.

(b) Payment of Condemnation Costs. Once Agency has notified Developer of the date it intends to hold a hearing to consider adopting a resolution of necessity, but subject to the provisions of Section 202.1.(b), Agency shall notify Developer in writing of the Condemnation Costs, including any amounts of probable

compensation, as defined below, together with documentation substantiating the Condemnation Costs, for the parcels comprising the Site that were not voluntarily acquired by Agency. Not less than one (1) day prior to the date that the Agency must deposit the Condemnation Costs with the court, Developer shall advance to Agency the amount of the Condemnation Costs identified in the notice, but subject to the provisions of Section 202.1.(b); provided, however, that not less than seven (7) days prior to the date that Agency must deposit the Condemnation Costs with the court, Developer shall deliver to Agency evidence from Developer's lender, in form and content satisfactory to Agency, that the Condemnation Costs shall be available one (1) day prior to the date that Agency must deposit the Condemnation Costs with the court. Developer shall advance the Condemnation Costs in the form of cash, letter of credit or other instrument satisfactory to Agency counsel which assures the unrestricted ability to draw on the advance to deposit the Condemnation Costs with the Court. If the advance is made by letter of credit, the letter of credit shall be an unconditional and irrevocable letter of credit in a form, and issued by a lender, reasonably satisfactory to Agency. Notwithstanding the foregoing, Developer and Agency shall cooperate fully with each other to comply with all laws relating to eminent domain actions and the timing, amount and form of deposits required in connection therewith. Agency shall not acquire or obtain possession of any parcel comprising the Site, without Developer's prior written approval, in Developer's discretion, until all parcels comprising the Site are ready to close pursuant to Purchase Agreements, properly issued orders of possession or condemnation judgments.

(c) Amount of Probable Compensation. For the purpose of Sections 202.1.(b) and 305.2.(b), the term "Condemnation Costs" also shall include deposits of the probable amount of compensation that Agency makes in eminent domain actions brought by Agency to acquire any parcel comprising the Site.

3. City Parcel. City holds a real property interest in two and seventy-nine hundredths (2.79) acres ("City Parcel") comprising the Site, which are public streets or rights of way. On the Closing Date, in consideration for this Agreement, Agency shall cause City to transfer to Developer, at no cost to Developer, by Deed or other appropriate documentation its interest in the City Parcel. Developer shall have the right to negotiate with City an agreement pursuant to which City shall transfer the City Parcel to Developer.

F. [Section 306] Conditions of Title. On the Closing Date, the Site shall be free and clear of all liens, encumbrances, clouds, conditions and rights of occupancy or possession, except:

1. The conditions and effect of the Redevelopment Plan, as the Redevelopment Plan then exists or thereafter is amended from time to time in accordance with the provisions of this Agreement;

2. Applicable building and zoning laws and regulations pursuant to the SDA;

3. The provisions of this Agreement;

4. Any lien for current taxes not yet due and payable or taxes occurring subsequent to the Closing Date; and

5. Conditions, covenants, restrictions or easements of record ("CC&Rs") proposed by Developer in writing, which CC&Rs shall be submitted to Agency for its review not less than sixty (60) days prior to the Closing Date.

G. [Section 307] Escrow.

1. Establishment of Escrow. Agency shall establish an escrow ("Escrow") with Title Company, located at 100 Marine Parkway, Redwood City, California, 94065, or with any other escrow company approved by Agency and Developer, within five (5) days after execution of this Agreement by Agency. This Agreement shall constitute the joint escrow instructions of Agency and Developer, and a copy of this Agreement shall be delivered to Title Company at the time Escrow is established. Agency and Developer shall provide additional escrow instructions as shall be necessary and consistent with this Agreement. Title Company hereby is empowered to act under this Agreement and to carry out its duties as escrow agent hereunder.

2. Deposit. Concurrently with its delivery of this Agreement into Escrow, Agency shall deliver the Deposit into Escrow. Title Company shall place the Deposit with other escrow funds of Title Company in a general interest-bearing escrow account or accounts with any federally insured state or national bank doing business in the State of California.

3. Conditions Precedent. The following conditions shall have been fulfilled or waived by Developer in writing

(a) not later than thirty (30) days prior to the Closing Date:

(i) Developer shall have approved the conditions of title for the Site pursuant to Section 306 hereof;

(ii) The PUD Permit, the Tentative Map and all other City Approvals shall have been issued, and all time periods for appeal of issuance of the PUD Permit, Tentative Map and all other City Approvals shall have expired;

(iii) Developer shall have reviewed the Agency's relocation plan(s) to determine that the Relocation Costs to be paid pursuant thereto do not exceed the limits established therefor pursuant to applicable California law, and

therefore are payable by Developer, subject, however to the provisions of Section 202.4;

(iv) Developer shall have obtained a commitment from Title Company to issue the Title Policy described in Section 309.1 hereof, together with the endorsements and coinsurance or reinsurance described in Section 309.2 hereof, in an amount equal to the Purchase Price for the Site;

(v) Developer shall have obtained from its lender a firm commitment for financing sufficient to acquire the Site, and construct the South Office Building, related Improvements and all infrastructure improvements for the Project, in an amount and on terms and conditions acceptable to Developer in Developer's sole discretion;

(vi) Developer shall have waived its right to terminate this Agreement pursuant to Section 301.1 hereof, subject, however, to the provisions of that Section;

(vii) Developer shall have obtained an ALTA survey acceptable to Developer and Developer's lender, in their discretion;

(viii) Developer shall have obtained all necessary permits and approvals from third party jurisdictions, including the East Palo Alto Sanitary District, or obtained evidence reasonably satisfactory to Developer of Developer's ability to obtain the approvals.

(ix) Developer shall have obtained from CalTrans final approval of all matters necessary to construct the Highway 101 interchange improvements;

(x) Final resolution, including the running of all applicable appeals periods, of the pending validation and CEQA actions relating to the Project, and of all other actions relating to the Project that are filed after the execution of this Agreement and adoption of the SDA, on terms satisfactory to Agency and Developer shall have occurred; and

(xi) All issues regarding owner participation in the Project shall have been resolved among Agency, Developer and any qualified owner participants.

(b) Not later than the Closing Date, Developer shall have completed its final inspection of and approved the soils conditions for the Site pursuant to Section 301.1 hereof, and none of the facts or circumstances giving rise to its approval or waiver of the conditions set forth in Section 307.3 shall have changed since the date of Developer's approval or waiver thereof.

If Developer has not timely waived or approved in writing any of the foregoing conditions, this Agreement shall terminate in accordance with the provisions set forth in Section 605.3, subject to the provisions of Section 1003 hereof.

4. Developer's Deposits into Escrow. Not later than one (1) day prior to the scheduled date for close of Escrow ("Closing Date"), as that date is established in the Schedule of Performance, but subject to the provisions of Section 305.2.(a), and provided that all of Developer's conditions to closing Escrow have been waived or satisfied in writing by Developer, Developer shall deposit into Escrow the following fees, charges and costs:

(a) The Purchase Price, as determined in accordance with Section 305 of this Agreement, less Developer's advances to Agency for the Condemnation Costs, the Deposit and all interest thereon;

(b) All Escrow fees and documentary transfer taxes (excluding those paid by sellers of parcels pursuant to Purchase Agreements with Agency or pursuant to condemnation judgments or orders of possession);

(c) Recording costs and Developer's share of prorations, if any (excluding those paid by sellers of parcels pursuant to Purchase Agreements with Agency or pursuant to condemnation judgments or orders of possession);

(d) The premium for the Title Policy, as defined in Section 309 hereof, and special endorsements, if any, as described in Section 309; and

(e) The first installment of the Community Redevelopment Fee (as defined in Section 801 hereof).

5. Agency's Deposits into Escrow. Not later than one (1) day prior to the Closing Date, Agency shall deposit into Escrow (i) a grant deed ("Deed") or Deeds for all parcels comprising the Site, in substantially the form attached hereto as Exhibit F and incorporated herein by this reference, executed by Agency and acknowledged; (ii) Agency's representation and warranty that all conditions to Developer's obligation to close Escrow that were under Agency's or City's control and which Developer deemed satisfied or waived remain on the Closing Date in the same status that the conditions were represented to be thirty (30) days prior to the Closing Date; and (iii) the Reimbursement Agreement, executed by Agency, as described in Section 900 hereof.

6. Prorations. Real estate taxes and assessments shall be prorated as of the Closing Date, based on a thirty-(30) day month.

7. Close of Escrow. When Title Company has received all necessary cash and documents and is in a position to issue the Title Policy, Title Company shall do the following:

(a) Record the Deed or Deeds in the Official Records of San Mateo County and deliver the Deed or Deeds to Developer;

(b) Record and file the deed, deeds or other documentation deposited into escrow by City transferring the City Parcel to Developer;

(c) Record and file all deeds of trust (including the Agency Deed), parcel maps, CC&Rs, and such other documents delivered by Developer to Title Company consistent with the provisions of this Agreement;

(d) Pay the Purchase Price to Agency or to the parties entitled to payment thereof pursuant to Purchase Agreements or condemnation judgments, as applicable;

(e) Pay the first installment of the Community Redevelopment Fee to Agency;

(f) Deliver certified copies of the recorded Deed or Deeds, documents transferring the City Parcel and all other recordable documents submitted to Escrow by Developer to Agency and Developer;

(g) Deliver the Title Policy to Developer; and

(h) Deliver the Reimbursement Agreement to Developer.

8. Failure to Close Escrow. If Escrow is not in condition to close on the Closing Date, subject to the provisions of Section 1003, either party which then shall have fully performed the acts to be performed prior to the Closing Date may terminate this Agreement in writing in the manner set forth in Section 605.1 or 605.2 hereof, as the case may be, and demand the return of its money, papers and documents. Thereupon, all obligations and liabilities of the parties under this Agreement (except for under Sections 604 and 605.3) shall cease and terminate in the manner set forth in Section 605.1 or 605.2 hereof, as the case may be. If neither Agency nor Developer shall have fully performed the acts to be performed prior to the Closing Date, no termination or demand for return shall be recognized until ten (10) days after Title Company shall have mailed copies of the demand to the other party at the address of its principal place of business. If any objections are raised within the ten (10) day period, Title Company shall hold all money, papers and documents until instructed in writing by both Agency and Developer or upon failure thereof, by a court of competent jurisdiction. If no demands are made, Escrow shall close as soon as possible after the Closing Date, or on the date mutually agreed to in writing by Agency

and Developer. Nothing in this Section shall be construed to impair or affect the rights or obligations of Developer to specific performance.

9. Amendment; Communications; Liability. Any amendment of these escrow instructions shall be in writing and signed by both Agency and Developer. At the time of any amendment, Title Company shall agree to carry out its duties pursuant to the amendment.

All communications from Title Company to Agency or Developer shall be directed to the addresses and in the manner established in Section 701 of this Agreement for notices, demands and communications between Agency and Developer.

The liability of Title Company pursuant to this Agreement is limited to performance of the obligations imposed upon it under Sections 307 through 309, inclusive, of this Agreement.

10. Brokerage Commissions. Agency and Developer each represent to the other that neither party has engaged or shall engage any real estate broker, agent or finder in connection with the purchase transactions undertaken pursuant to this Agreement. Agency and Developer each shall indemnify, defend and hold harmless the other from and against any loss, cost or expense, including, without limitation, court costs and attorneys' fees, arising out of any claim for a fee or commission in connection with these transactions by any broker, agent or finder, resulting from activities of the indemnifying party in connection with the transfer of the Site.

H. [Section 308] Conveyance of Title and Delivery of Possession. Provided that all conditions precedent to the conveyance have occurred, and subject to any mutually agreed upon extensions of time, Agency shall convey title to the Site to Developer, as provided in Section 306, and subject to the provisions of Section 311, on the Closing Date. Agency and Developer shall perform all acts necessary to convey title to the Site in sufficient time for title to be conveyed in accordance with the foregoing provisions.

Agency shall convey to Developer possession of the Site concurrently with the transfer of title; provided, however, that Developer shall have prior access to the Site in accordance with the provisions of Section 302 hereof.

I. [Section 309] Title Insurance.

1. Title Policy. Concurrently with recordation of the Deed, Title Company, or another title insurance company satisfactory to Developer having equal or greater financial responsibility, shall provide and deliver to Developer an ALTA Owner's and Lender's title insurance policy ("Title Policy") issued by Title Company insuring that title to all or that portion of the Site to be conveyed is vested in Developer in the condition required by Section 306 of this Agreement. Developer may

require reinsurance or co-insurance at its sole expense. Title Company shall provide Agency with a copy of the Title Policy. The Title Policy shall be at least in the amount of the Purchase Price for the Site, plus, if acceptable to Title Company, all fees paid by Developer pursuant to this Agreement, the Development Agreement and the Agreement to Negotiate Exclusively, as amended, entered by Developer, Agency and City on March 17, 1987; provided, however, that if the Title Company fails to issue the Title Policy in an amount in excess of the Purchase Price, Developer shall remain obligated to purchase the Site.

2. Endorsements. Concurrently with recordation of the Deed, Title Company, if requested by Developer, shall provide Developer with an endorsement to insure the amount of Developer's estimated development costs of the Improvements to be constructed upon the Site, and such other endorsements as Developer may require; provided, however, that if the Title Company fails to provide Developer with an endorsement to insure Developer's development costs, Developer shall remain obligated to purchase the Site. Developer shall pay all premiums relating to the Title Policy, reinsurance, co-insurance or endorsements.

3. Agency Warranties and Guaranties. Agency shall provide Title Company with all standard warranties, guaranties and indemnities required by Title Company to issue the Title Policy for those parcels subject to orders of immediate possession.

J. [Section 310] Conveyance Free of Possession. Agency shall convey the Site free of any possession or right of possession by any person except that of Developer.

K. [Section 311] Orders of Possession. If, by the Closing Date, Developer has met its predisposition requirements but Agency has not obtained title to any parcel comprising the Site against which Agency has filed eminent domain actions, upon Developer's request Agency immediately shall seek orders of possession in those actions. Upon obtaining possession, Escrow shall close as set forth above, except with respect to that portion of the Site to which Agency has possession but not title. Agency shall convey its right of possession to Developer by right of entry or other appropriate document acceptable to Developer, together with such warranties, guaranties and indemnities as Title Company and Developer's lender reasonably shall require in order to obtain the Title Policy and financing of the parcels. Once, after the Closing Date, Agency has obtained title to any parcel comprising the Site, it shall convey title to Developer by grant deed in the form set forth in Exhibit E.

IV. [Section 400] DEVELOPMENT OF THE SITE

A. [Section 401] Development of the Site by Developer.

1. Schedule for Development. The Site shall be developed in Phases with the Improvements thereon and associated therewith to be constructed as provided herein.

(a) South Office Building; Infrastructure.

(i) South Office Building; Related Improvements - Commencement. Pursuant to the Schedule of Performance, Developer shall commence construction of the South Office Building and all related Improvements within thirty (30) days after approval of the Final Construction Plans and issuance of a building permit therefor.

(ii) Infrastructure. Simultaneously with commencement of construction of the South Office Building, Developer shall commence construction of all on-site and off-site infrastructure Improvements for the South Office Building in accordance with the PUD Permit.

(iii) Completion of Construction. Developer diligently shall proceed to complete the construction of the South Office Building, all related Improvements and all necessary and required infrastructure Improvements for the South Office Building, and, subject to Section 704.1 hereof, shall complete construction not less than twenty-four (24) months after commencement of construction therefor. Notwithstanding the provisions of Section 407 hereof, Agency shall not issue a Certificate of Completion for the South Office Building until all necessary and required on-site and off-site infrastructure Improvements for the South Office Building have been completed.

(b) Hotel. Subject to the provisions of Section 1100 hereof and pursuant to the Schedule of Performance, Developer shall commence construction of the Hotel, all related Improvements and all necessary and required on-site and off-site infrastructure Improvements for the Hotel within thirty (30) days after completion of the Highway 101 interchange improvements and approval of the Final Construction Plans and issuance of a building permit therefor. Developer diligently shall proceed to complete construction of the Hotel, all related Improvements and all necessary and required on-site and off-site infrastructure Improvements for the Hotel, and, subject to Section 704.1 hereof, shall complete construction not less than twenty-four (24) months after commencement of construction therefor. Notwithstanding the provisions of Section 407 hereof, Agency shall not issue a Certificate of Completion for the Hotel until all necessary and required on-site and off-site infrastructure Improvements for the Hotel have been completed.

(c) North Office Building and Retail Pavilion. Pursuant to the Schedule of Performance, Developer shall commence construction of the North Office Building, Retail Pavilion, all related Improvements and all necessary and required on-site and off-site infrastructure Improvements for the North Office Building within thirty (30) days after receipt of financing for the construction or satisfaction of all conditions to funding if a previous commitment has been obtained by Developer and approval of the Final Construction Plans and issuance of a building permit therefor. Developer diligently shall proceed to complete construction of the North Office Building, Retail Pavilion and related Improvements and all necessary and required on-site and off-site infrastructure Improvements for the North Office Building, and subject to Section 704.1 hereof, shall complete construction not less than twenty-four (24) months after commencement of construction therefor. If, however, a hotel is determined to be infeasible for the Hotel Parcel pursuant to Section 1100 hereof, Developer shall commence construction of the North Office Building within thirty (30) days after receipt of financing for the construction, or satisfaction of all conditions to funding if a previous commitment has been obtained by Developer, but in any event not later than twelve (12) months after Agency has issued to Developer a Certificate of Completion for the South Office Building. Notwithstanding the foregoing, if Developer has been unable to obtain financing, with the result that Developer has not commenced construction of the North Office Building within the applicable twelve (12)-month period, Agency and Developer shall negotiate in good faith an alternative construction schedule or, if necessary, project agreeable to both parties in accordance with the provisions of Section 1003 hereof. Agency shall not issue a Certificate of Completion for the North Office Building and Retail Pavilion until all necessary and required infrastructure Improvements for the North Office Building and Retail Pavilion have been completed.

2. PUD Permit and Related Documents.

(a) PUD Permit Application. In compliance with the City's Planned Unit Development District Ordinance ("PUD Ordinance"), Developer has submitted to the City a PUD Permit Application containing the overall plan for development of the Site. The PUD Permit has been issued by the City pursuant to the Application.

(b) Development in Accordance with Permit. The Site shall be developed in conformity with the PUD Permit, the Conditions of Approval attached hereto as Exhibit F and incorporated by reference herein and related documents issued by the City, as the same may be amended from time to time in accordance with the terms of this Agreement and the PUD Permit.

3. Final Construction Plans, Drawings and Related Documents.

(a) Submission of Final Construction Plans. Developer shall prepare and submit construction plans, drawings and related documents ("Final Construction Plans") to Agency for a determination as to their consistency with the PUD Permit as and at the times established in the Schedule of Performance. As used

herein, "Final Construction Plans" shall mean all construction documentation upon which Developer and Developer's contractors shall rely in constructing the Improvements, and shall include, without limitation, final architectural drawings, landscaping plans and specifications, final elevations, building plans and specifications (i.e., working drawings) and a time schedule for construction in conformity with the Schedule of Performance. The Final Construction Plans shall be based upon the PUD Permit and shall not materially deviate therefrom without the express written consent of Agency.

(b) Progress Meetings. After the preparation of the Final Construction Plans, Agency staff and Developer shall hold regular progress meetings, not less than twice per month, to coordinate the submission and review of the Final Construction Plans by City departments. Agency and Developer shall communicate and consult informally as frequently as is necessary to insure that Developer promptly and speedily responds to all submittal and other requirements set forth in this Section 401, and so that the formal submittal of any documents to City departments can receive prompt and speedy consideration and action by those City departments.

(c) Revisions. If any revisions or corrections to the Final Construction Plans shall be required by any third party government official, agency, department or bureau having jurisdiction thereof, any lending institution or person or entity involved in financing the acquisition or development of the Site, or any "anchor" tenant leasing at least twenty-five thousand (25,000) square feet of the Project, Developer and Agency shall cooperate in efforts to satisfy the requirements, or to develop a mutually acceptable revision to the Final Construction Plans.

4. Approval of Final Construction Plans. If the Final Construction Plans submitted conform to the provisions of this Agreement, the Scope of Development, the Specific Plan, the PUD Permit, the Tentative Map and the Redevelopment Plan, Agency shall approve in writing the Final Construction Plans, and no further filing by Developer or approval by Agency thereof shall be required except with respect to any material change thereto. Unless rejected by Agency for failure of the Final Construction Plans to comply with the foregoing requirements within ninety (90) days after submission by Developer, the Final Construction Plans shall be deemed accepted.

If the Final Construction Plans are rejected by Agency in whole or in part, Agency shall notify Developer in writing of the reasons for the rejection, and Developer shall submit new or corrected Final Construction Plans within sixty (60) days after notification of Agency's rejection and the reasons therefor. Agency then shall have sixty (60) days after receipt of the corrected Final Construction Plans to review and approve Developer's new or corrected Final Construction Plans. The provisions of this Section relating to time periods for approval, rejection or resubmission of new or corrected Final Construction Plans shall continue to apply until the Final Construction

Plans have been approved by Agency, at which time the Final Construction Plans shall become a part of this Agreement as if fully set forth herein.

5. Submission of Evidence of Equity Capital and Mortgage Financing. Not later than the times set forth in the Schedule of Performance, Developer shall deliver to Agency a written identification of any lender providing Developer with financing for its acquisition or development of the Site, together with evidence satisfactory to Agency that Developer has the equity capital and firm and binding commitments for mortgage financing necessary for the acquisition of the Site and the construction of each Phase of the Improvements. If Developer is unable to meet the deadlines set forth in the Schedule of Performance for submitting evidence of equity capital and mortgage financing, but shows continued substantial progress toward meeting the deadlines, Agency, upon receipt of Developer's written request therefor, shall extend Developer's time for performance hereunder, on a month-to-month basis, by up to twelve (12) months in consideration of an extension fee payable monthly in advance by Developer in the amount of Five Thousand Dollars ($5,000.00) per month. "Substantial progress" as used in this subsection shall mean pending good faith applications for financing from creditable lending institutions. If Developer obtains an extension of time to submit the documentation required hereunder prior to the Closing Date, the Closing Date shall be extended for the same period of time.

6. Cost of Construction. The cost of developing the Site and constructing all Improvements thereon shall be borne by Developer, subject to the sums to be advanced by Developer and reimbursed by Agency pursuant to the provisions of this Agreement. Developer shall pay the costs necessary to administer and carry out its responsibilities and obligations under this Agreement.

7. Construction Schedule.

(a) Schedule. After conveyance of title to the Site, and provided that Agency and Developer have complied with the conditions imposed by the relocation plan and all applicable California law regarding relocation, and subject to issuance of the PUD Permit, Tentative Map, Final Map recordation and such other permits as may be required, Developer promptly shall begin, and thereafter shall prosecute diligently to completion, the clearance of the Site, construction of the Improvements and the development of the Site as provided in Section 401 hereof. Developer shall begin and complete all construction and development within the times specified in Section 401 hereof, or in accordance with the reasonable extension of the dates as may be granted by Agency or as provided in Section 704 of this Agreement. The Schedule of Performance may be revised from time to time as agreed upon in writing by Developer and Agency. If the City or Agency delays in granting any approvals or processing any other administrative matters, the time for performance by Developer shall be extended by a like period of time.

(b) Progress Reports. During the period of construction, Developer shall submit to Agency monthly written progress reports regarding the construction. The reports shall be in such form and detail as is required by Developer's construction lender or other party providing equity for construction to Developer.

8. Bodily Injury, Property Damage and Workers' Compensation Insurance. Prior to the commencement of clearance of the Site or any portion thereof, Developer shall furnish or cause to be furnished to Agency duplicate originals or appropriate certificates of bodily injury and property damage insurance policies in the amount required by Developer's construction lender or equity partner, or, if there is no construction lender or equity partner, in the amount of at least Five Million Dollars ($5,000,000.00) for any person, Five Million Dollars ($5,000,000.00) for any occurrence and One Million Dollars ($1,000,000.00) for property damage, naming Agency and City as additional or coinsureds. Developer also shall furnish or cause to be furnished to Agency evidence that any general contractor with whom it has contracted for the construction of the Improvements on the Site carries workers' compensation insurance as required by law. The obligations set forth in this Section shall remain in effect until Developer has received the Certificate of Completion for the final Phase to be constructed on the Site as provided in Section 407 hereof.

9. City and Other Governmental Agency Permits. Before commencing clearance of the Site, construction or development of any buildings, structures or other work of improvement upon the Site, Developer, at its own expense, shall secure or cause to be secured any and all permits which may be required for the work by the City or any other governmental agency having jurisdiction over the construction, development or work. Agency shall provide Developer with reasonable assistance, as needed, in securing the permits.

10. Rights of Access. Representatives of Agency and City shall have a reasonable right of access to the Site without charges or fees and during normal construction hours. The representatives shall be those who are so identified in writing by the Executive Director of Agency or such other party as Agency may designate for this purpose. Agency and the City shall indemnify, defend and hold Developer harmless from any damage caused by, or liability arising out of, the negligence, acts or omissions of the representatives in exercising this right to access. The representatives shall follow all safety and other procedures requested by Developer, and shall not interrupt or interfere with any work underway except as permitted by law or this Agreement.

11. Local, State and Federal Laws. Developer shall carry out the construction of the Improvements in conformity with all applicable laws in effect as of the date of this Agreement and as otherwise provided in the Development Agreement referred to in Section 105 hereof, including all applicable federal and state labor standards.

12. Antidiscrimination During Construction. Developer, for itself and its successors and assigns, agrees that, in connection with the construction of the Improvements provided for in this Agreement, Developer shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry or national origin.

B. [Section 402] Taxes, Assessments and Liens. Developer shall pay when due all real estate taxes and assessments assessed and levied against the Site for any period subsequent to conveyance to Developer of title to the Site. Within a reasonable time, but no later than prior to sale, Developer shall remove or have removed any mechanics' liens placed on the Site or any portion thereof, or shall assure the satisfaction thereof. Nothing herein contained shall be deemed to prohibit Developer from contesting the validity or amounts of any tax, assessment, encumbrance or lien, nor to limit the remedies available to the Developer in respect thereto.

C. [Section 403] Prohibition Against Transfer of Site, Buildings or Structures; Assignment of Agreement. Except as expressly permitted by Section 106 of this Agreement, Developer shall not sell, transfer, convey or assign any portion of the Site or the Improvements constructed thereon prior to issuance of the Certificate of Completion (described in Section 407 hereof) for the portion without the prior written approval of Agency. Any transfer required to be approved by Agency shall comply with the requirements set forth in Section 106 hereof. This prohibition shall not be deemed to prevent the granting of easements or permits to facilitate the development of the Site, nor to prohibit or restrict the leasing of any part or parts of the Site, or buildings or structures located thereon, nor to prohibit or restrict any agreements to sell, transfer, convey or assign a particular Phase to be constructed on the Site, which agreements are conditioned upon the receipt of a Certificate of Completion for the Phase to be transferred, nor applicable to foreclosure or transfer in lieu of foreclosure proceedings.

D. [Section 404] No Relief from Obligations. Subject to the last sentence of Section 106.2.(e) regarding the Hotel Parcel, no transfer by Developer of either (i) Developer's rights or obligations pursuant to this Agreement, or (ii) any portion of the Site or the Improvements constructed thereon, shall be deemed to relieve Developer or the transferee from any obligations imposed by this Agreement until after the Certificate of Completion for the particular portion has been issued by Agency. Agency acknowledges that, upon a transfer described in the last sentence of Section 106.2.(e), Developer shall be released from all of its obligations under this Agreement relating to the Hotel Parcel, and Agency hereby waives as to Developer the provisions of California Civil Code Section 1542 as set forth in Section 304.2 hereof in connection with the release.

E. [Section 405] Security Financing; Rights of Holders.

1. No Encumbrances Except Mortgages, Deeds of Trust, Sales and Leases-Back or Other Financing for Development. Notwithstanding Section 403 of this Agreement, mortgages, deeds of trust, sales and leases-back, joint ventures or any other form of conveyance required for any reasonable method of financing are permitted before issuance of a Certificate of Completion for a particular Phase, but only for the purpose of securing funds to be used for approving, acquiring, developing, managing and operating the Site, and sums to be paid by Developer as provided hereunder, including financing the acquisition of the Site, the construction of Improvements on the Site and any other expenditures necessary or appropriate to develop the Site under this Agreement, including reimbursement to Developer of funds advanced for such purposes, without limitation. Developer shall notify Agency in advance of any mortgage, deed of trust, sale and lease-back, joint venture or other form of conveyance for financing purposes. The words "mortgage" and "deed of trust" as used herein include sale and lease-back transactions, and all other appropriate modes of financing real estate acquisition, construction and development.

2. Holder Not Obligated to Construct Improvements. The holder of any mortgage, deed of trust or other security interest authorized by this Agreement shall in no way be obligated by the provisions of this Agreement to construct or complete the Improvements to be constructed on the Site, or to guarantee the construction or completion, nor shall any covenant or any other provision in the Deed for the Site be construed so as to obligate the holder. Nothing in this Agreement shall be deemed to authorize any holder to devote the Site to any uses or to construct any improvements thereon other than those uses or Improvements provided for or authorized by this Agreement.

3. Notice of Default to Mortgage, Deed of Trust or Other Security Interest Holders; Right to Cure. Whenever Agency shall deliver any notice or demand to Developer with respect to any breach or default by Developer in completion of construction of the Improvements, Agency at the same time shall deliver a copy of the notice or demand to each holder of record of any mortgage, deed of trust or other security interest authorized by this Agreement who previously has made a written request to Agency therefor. Each holder, insofar as the rights of Agency are concerned, shall have the right, at its option, within ninety (90) days after the receipt of the notice, to cure or remedy, or to commence to cure or remedy, any default and to add the cost thereof to the security interest debt and the lien securing its security interest. If there is more than one holder, the right to cure or remedy a breach or default under this Section 405.3 shall be exercised by the holder first in priority or as the holders otherwise may agree among themselves, but there shall be only one exercise of the right to cure and remedy an breach or default under this Section. No holder exercising the option to cure under this Section shall be required expressly to assume Developer's obligations to Agency; provided, however, that nothing herein shall be construed to authorize the holder to devote the Site to any uses or to construct any

improvements thereon other than those uses or Improvements authorized by this Agreement.

4. Right of Agency to Cure Mortgage, Deed of Trust or Other Security Interest Default. In the event of a default or breach by Developer under a mortgage, deed of trust or other security interest on any Phase of the Site alleged by the beneficiary thereof in writing to Developer prior to the completion of construction thereon, and the holder has not exercised its option to complete the development, Agency, subject to the written consent of the holder thereof, may cure the default prior to completion of any foreclosure, and after not less than thirty (30) days' prior written notice to Developer. In this event, and subject to Section 703 herein, Agency shall be entitled to reimbursement from Developer for all costs and expenses incurred by Agency in curing the default. Agency also shall be entitled to a lien upon the Site to the extent of the costs and disbursements. Any lien shall be subject and subordinate to mortgages, deeds of trust or other security interests then constituting liens against the Site.

F. [Section 406] Right of Agency to Satisfy Other Liens on Site After Title Passes. After conveyance of title to the Site and prior to the issuance of a Certificate of Completion for a particular Phase, and after Developer has had a reasonable time to challenge, cure or satisfy any liens or encumbrances on the Site, Agency, subject to the written consent of the holder thereof and Section 703 herein, shall have the right to satisfy those liens or encumbrances after not less than thirty (30) days' prior written notice to Developer; provided, however, that nothing in this Agreement shall require Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as Developer in good faith shall contest the validity or amount thereof, and so long as a forfeiture or sale of the Site has not commenced.

G. [Section 407] Certificate of Completion.

1. Certificate of Completion. Promptly after substantial completion of all Improvements to be completed by Developer upon each Phase to be constructed on the Site, but subject to the provisions of Sections 401.1, Agency shall furnish to Developer, in accordance with the provisions of this Section 407, upon receipt of a written request therefor, a Certificate of Completion for that Phase. The Certificate of Completion shall be granted on the same basis on which the City grants a Certificate of Occupancy pursuant to the applicable City zoning and building ordinances, and "substantial completion," for purposes of this Section, shall be given the same meaning given by the City in determining substantial completion for purposes of issuing a Certificate of Occupancy. The Certificate of Completion shall be in recordable form for recordation in the Official Records of San Mateo County.

2. Evidence of Satisfactory Completion. A Certificate of Completion shall be, and shall state that it is, conclusive determination of satisfactory completion of the construction required by this Agreement for a particular Phase to be constructed

on the Site and of full compliance with all of the terms of this Agreement as they pertain to that particular Phase. After issuance of a Certificate of Completion for a particular Phase, any party other than Developer then owning or thereafter purchasing, leasing or otherwise acquiring any interest in the Phase, because of its ownership, purchase, lease or acquisition, shall not incur any obligation or liability under this Agreement; provided, however, that the party shall be bound by any covenants contained in the Deed in accordance with the provisions of Sections 501 through 504 of this Agreement. The respective rights and obligations of a party with reference to the Site shall be as set forth in the Deed, which shall be in accordance with the provisions of Sections 501 through 504 of this Agreement.

3. Effect of Certificate of Completion. Until Agency issues the Certificate of Completion for a particular Phase to be constructed for the Project, Developer shall remain fully bound by the provisions of this Agreement as they relate to the particular Phase to be constructed, and Agency shall have all rights, remedies or controls against Developer as a result of a default or breach by Developer of any provision of this Agreement until the Certificate of Completion for the particular Phase has been issued.

4. Agency's Failure to Issue Certificate. Agency shall not withhold unreasonably any Certificate of Completion. If Agency refuses to furnish a Certificate of Completion for a particular Phase to be constructed on the Site within thirty (30) days after receipt of Developer's written request therefor, Agency shall provide Developer with a written statement of the reasons Agency refused to furnish the Certificate of Completion. The statement also shall contain Agency's opinion of the action Developer must take to obtain the requested Certificate of Completion. If the reason for Agency's refusal is confined to punch list items or the immediate unavailability of specific items or materials for landscaping, the aggregate cost for which items does not exceed Three Hundred Thousand Dollars ($300,000.00), Agency shall issue the Certificate of Completion for that Phase upon the posting of a bond by Developer with Agency in an amount representing the fair value of the work not yet completed, or upon provision by Developer of other security reasonably deemed appropriate by Agency. A Certificate of Completion for a particular Phase shall not be deemed a notice of completion pursuant to California Civil Code Section 3093.

V. [Section 500] USE OF THE SITE

A. [Section 501] Uses. Developer covenants and agrees for itself, its successors and assigns that during construction and thereafter, Developer, its successors and assigns shall devote the Site to the uses specified in the Redevelopment Plan, as the Redevelopment Plan may be amended from time to time, for the period specified in Section 504 below. The foregoing covenants shall run with the land.

B. [Section 502] Obligation to Refrain From Discrimination. Developer covenants by and for itself and its successors and assigns that there shall be no

discrimination against, or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Developer or any person claiming under or through Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site. In addition, Developer covenants by and for itself and its successors and assigns that it shall comply with the provisions of the City's Equal Opportunity Policy, a copy of which is attached hereto as Exhibit G and incorporated herein by this reference. The foregoing covenants shall run with the land.

C. [Section 503] Form of Nondiscrimination and Nonsegregation Clauses. Developer shall refrain from restricting the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site on the basis of race, color, creed, religion, sex, marital status, ancestry or national origin of any person. All deeds, leases or contracts pertaining to the foregoing shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

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

2. Leases. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the condition, that there shall be no discrimination against, or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises herein leased, nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased. The foregoing covenants shall run with the land."

3. Contracts. In contracts: "There shall be no discrimination against, or segregation of, any person or group of persons on account of race, color, creed,

religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the premises."

D. [Section 504] Effect and Duration of Covenants.

1. Duration. The covenants contained in Section 501 of this Agreement respecting uses of the Site shall remain in effect until the expiration of the Redevelopment Plan. The covenants against discrimination contained in Sections 502 and 503 of this Agreement shall remain in effect in perpetuity. The foregoing covenants, without regard to technical classification and designation, shall be binding upon Developer and its successors and assigns in interest to the Site or any part thereof.

2. Agency as Beneficiary. Agency shall be deemed the beneficiary of the covenants contained in Sections 501, 502 and 503 for and in its own right and for the purposes of protecting the interests of the community. The foregoing covenants shall run in favor of Agency without regard to whether Agency has been, remains or is an owner of any interest in the Site, any portion thereof or in the Project Area. If any of the foregoing covenants are breached, Agency or the City shall have the right to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to which it may be entitled to enforce the curing of a breach. Nothing herein shall be deemed to grant to any other party the right to enforce the covenants contained in Sections 501, 502 and 503.

VI. [Section 600] DEFAULTS, REMEDIES AND TERMINATION

A. [Section 601] Defaults--General.

1. Notice of Default. Subject to the extensions of time provided for in this Agreement, including Section 704, failure or delay by either party to perform any material term or provision of this Agreement constitutes a default under this Agreement. The defaulting party, upon written notice from the non-defaulting party as provided below, immediately shall commence to cure, correct or remedy the failure or delay, and shall complete the cure, correction or remedy with reasonable diligence.

The non-defaulting party shall give written notice of default to the defaulting party specifying the default complained of by the non-defaulting party. Except as required to protect against further damages and except as otherwise expressly provided in Section 604 of this Agreement, the non-defaulting party may not institute proceedings against the defaulting party until thirty (30) days after giving the notice. Failure or delay in giving the notice shall not constitute a waiver of any default.

2. No Waiver. Except as otherwise expressly provided in this Agreement, any failure or delay by either party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any rights or remedies, or deprive the party of its right to institute and maintain any actions or proceedings which it deems necessary to protect, assert or enforce any rights or remedies.

B. [Section 602] Legal Actions.

1. Institution of Legal Actions. Legal actions shall be instituted in the Superior Court of the County of San Mateo, State of California, in an appropriate municipal court in the County of San Mateo or in the appropriate Federal District Court in the State of California.

2. Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

3. Acceptance of Service of Process. If any legal action is commenced by Developer against Agency, service of process on Agency shall be made by personal service upon the Chairperson of Agency or in such other manner as may be provided by law.

If any legal action is commenced by Agency against Developer, service of process on Developer shall be made by personal service upon a corporate officer of the general partner of Developer or in such other manner as may be provided by law.

C. [Section 603] Rights and Remedies are Cumulative. Subject to the provisions of Sections 605.1, 605.2 and 608 hereof, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of the rights or remedies shall not preclude the exercise by it, at the same time or at different times, of any other rights or remedies for the same default or any other default by the other party.

D. [Section 604] Right of First Offer. If this Agreement is terminated for any reason other than a default by Developer, Developer shall have a right of first offer, on the terms set forth herein, to develop the Site for a period of five (5) years after the date of the termination, as provided in this Section 604. If Agency desires to approve any project for the Site (excluding, however, any project consisting of fifteen thousand [15,000] gross square feet or less), Agency shall deliver written notice to Developer specifying the project Agency desires to approve and all of the terms and conditions upon which approval of the project will be granted. In the event that any terms or conditions of the project proposed to be approved by Agency should change (including the addition of terms or conditions) from those that were described in the notice to Developer, Agency shall reoffer the changed project in writing to Developer,

on such changed terms and conditions. Developer shall have thirty (30) days after receipt of Agency's written notice and after receipt of any Agency re-offer to notify Agency in writing of Developer's intent to exercise or waive its right of first offer as provided in this Section. If Developer exercises its right of first offer, Developer shall be entitled to develop the project described in Agency's notice (or re-offer) on the terms and conditions set forth in the notice (or re-offer). If Developer waives its right of first offer, Agency shall cause any third-party developer of the project, within thirty (30) days after developer's receipt of final approval for such project, to pay to Developer a fixed sum in the amount of Developer's Preapproval Costs, as shown on Exhibit H attached hereto and incorporated by reference herein, and costs incurred by Developer from the date of execution of this Agreement until one (1) day prior to the Closing Date, plus interest thereon at the actual rate of interest ("Interest Rate") paid by Developer to borrow funds, not to exceed twelve percent (12%) per annum from the date incurred. For purposes of this Agreement, "Preapproval Costs" shall mean costs incurred by Developer prior to the date of execution of this Agreement by both parties as shown on Exhibit H. Developer's right to the payment of the sums set forth herein shall constitute a lien upon the Site and shall run with the land until paid in full by the third-party developer.

E. [Section 605] Remedies and Rights Prior to Conveyance of the Site to Developer.

1. Certain Developer Rights.

(a) Developer's Elections. If, prior to conveyance of title to the Site by Agency to Developer:

(i) Agency, after and despite reasonable and diligent efforts, does not adopt resolutions of necessity to acquire the parcels comprising the Site that were not voluntarily acquired by Agency by the dates provided in the Schedule of Performance, and the failure is not cured within thirty (30) days after written demand by Developer; or

(ii) Developer's conditions precedent to close of Escrow as set forth in Section 307.3 have not timely been deemed satisfied or waived;

Developer, upon written notice to Agency, (A) may extend the time for performance for subsection 605.1.(a)(i) for a period of up to one year; or (B) shall negotiate in good faith pursuant to Section 1003, and after good faith negotiations pursuant to Section 1003 hereof, at Developer's option may terminate this Agreement. Upon termination pursuant to this Section 605.1, Developer's sole and exclusive remedy shall be a return by Agency to Developer of the Deposit and all interest thereon, and Agency shall have no further obligation to Developer under this Agreement; subject,

however, to the provisions of Section 604 hereof, and provided further that Developer shall be subject to the obligations imposed by Section 605.3 hereof.

(b) Right to Waive. Developer, in its sole and absolute discretion, may waive in whole or in part any of the conditions and defaults set forth in this Section 605.1 upon written notice to the Agency.

2. Certain Agency Rights.

(a) Agency's Elections. If, subject to the provisions of Section 605.3 hereof, prior to conveyance of title to the Site by Agency to Developer:

(i) There is any change in the ownership of Developer contrary to the provisions of Section 106 hereof; or

(ii) Developer transfers or assigns this Agreement or any rights herein or in the Site in violation of this Agreement (subject, however, to the provisions of Section 404); or

(iii) Developer does not take title to the Site in violation of this Agreement after a tender of conveyance by Agency; or

(iv) Developer is in material breach or default with respect to any other material obligation of Developer under this Agreement;

and the default or failure is not cured within thirty (30) days after the date of written demand by Agency or within a reasonable period thereafter in the case of any default which cannot by its nature be cured within the thirty (30) day period (provided that Developer commences to cure within the thirty [30] day period and diligently prosecutes the cure to completion), Agency, at its sole option and upon written notice to Developer, may (A) extend the time for performance of this Agreement for a period determined by Agency to be appropriate; or (B) terminate this Agreement.

Upon termination pursuant to this Section 605.2, Agency's sole and exclusive remedy at law or in equity shall be to retain the Deposit and all interest thereon as liquidated damages as herein provided and to collect from Developer the sums calculated pursuant to Section 605.3 hereof, and Developer shall have no further obligation to Agency under this Agreement. If Agency does not elect to terminate this Agreement, it shall be entitled to suspend its own performance of this Agreement, in whole or in part, for the period determined by Agency pursuant to Subsection (A) above.

(b) Right to Waive. Agency, in its sole and absolute discretion, may waive in whole or in part any of the conditions and defaults set forth in this Section 605.2 upon written notice to the Developer.

(c) Liquidated Damages. IN THE EVENT OF A DEFAULT UNDER THIS AGREEMENT BY DEVELOPER PURSUANT TO THIS SECTION 605.2 WHICH IS NOT CURED BY DEVELOPER AS PROVIDED HEREIN, AND PROVIDED THAT AGENCY IS NOT THEN IN DEFAULT HEREUNDER, THE DEPOSIT AND ANY INTEREST THEREON SHALL BE RETAINED BY AGENCY AND THE SUMS CALCULATED PURSUANT TO SECTION 605.3 HEREOF SHALL BE PAID BY DEVELOPER TO AGENCY AS LIQUIDATED DAMAGES PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE. BECAUSE OF THE SPECIAL NATURE OF THE NEGOTIATIONS WHICH PRECEDED EXECUTION OF THIS AGREEMENT, THE PARTIES ACKNOWLEDGE THAT ACTUAL DAMAGES OF AGENCY AS A RESULT OF DEVELOPER'S FAILURE PURSUANT TO THIS SECTION 605.2 WOULD BE EXTREMELY DIFFICULT OR IMPOSSIBLE TO ESTABLISH. IN ADDITION, DEVELOPER DESIRES TO LIMIT ITS POTENTIAL LIABILITY TO AGENCY IN THE EVENT THAT THIS TRANSACTION DOES NOT CLOSE FOR THE REASONS SET FORTH IN THIS SECTION 605.2. FOR THE EXPRESS PURPOSE OF INDUCING DEVELOPER AND AGENCY TO EXECUTE THIS AGREEMENT, DEVELOPER HAS PROPOSED AND AGENCY HAS ACCEPTED DEVELOPER'S PROPOSAL FOR LIQUIDATED DAMAGES AS HEREIN SET FORTH, WITH THE AMOUNT OF THE PAYMENT TO AGENCY AND THE TIMING OF THE PAYMENT HAVING BEEN SUBJECT TO NEGOTIATIONS BETWEEN THE PARTIES, IT BEING UNDERSTOOD THAT DEVELOPER PREVIOUSLY HAS ADVANCED IN EXCESS OF ONE MILLION DOLLARS ($1,000,000.00) TO AGENCY AS OF THE DATE OF EXECUTION OF THIS AGREEMENT BY DEVELOPER. BY INITIALING THIS AGREEMENT IN THE SPACE HEREINAFTER PROVIDED, THE PARTIES ACKNOWLEDGE THAT IF DEVELOPER DEFAULTS UNDER THIS AGREEMENT PURSUANT TO THIS SECTION 605.2, AGENCY SHALL RETAIN THE DEPOSIT AND ANY INTEREST THEREON AND SHALL RECEIVE FROM DEVELOPER THE SUMS CALCULATED PURSUANT TO SECTION 605.3 HEREOF AS LIQUIDATED DAMAGES.

Developer _____ Agency _____

Initials Initials

3. Inability to Transfer or Acquire Site. If (i) despite reasonable and diligent efforts, Agency is unable, through no fault of Agency, to convey the Site or possession thereof in the manner and condition and by the date provided in this Agreement; or (ii) despite reasonable and diligent efforts, Developer is unable, through no fault of Developer, to fund the Pre-Condemnation and Condemnation Costs and acquire the Site, or (iii) if the conditions precedent to Developer's performance pursuant to Section 307.3 have not been satisfied or waived, the Deposit and all

interest thereon shall be released to Developer, this Agreement shall terminate and neither party shall have any further rights or obligations hereunder (subject to the provisions of Section 604 hereof and this Section 605.3); provided, however, that, prior to release of the Deposit to Developer, there shall be deducted therefrom Agency's as yet unpaid out-of-pocket expenses (including, without limitation, Agency's consultants' and attorneys' fees, administrative expenses and Relocation Costs) incurred in performing its obligations hereunder through the termination date, as previously budgeted and approved by Agency and Developer. If Agency's unpaid out-of-pocket expenses exceed the amount of the Deposit and any interest thereon, Developer shall reimburse Agency for the excess within fifteen (15) days after receipt of Agency's itemized statement therefor. Nothing in this Section 605.3 shall affect Developer's rights in the event of any default by Agency under this Agreement.

F. [Section 606] Option to Repurchase, Reenter and Repossess.

1. Agency's Right. Agency shall have the right, at its option, to repurchase, reenter and take possession of any Phase to be constructed on the Site and all Improvements thereon if, after conveyance to Developer of title to the Site and prior to the issuance of the Certificate of Completion for that Phase, in violation of the provisions of this Agreement, Developer (subject to the provisions of Section 606.3 hereof):

(a) Shall fail to proceed with the construction of the Improvements for the Phase as required by this Agreement for a period of three (3) months after written notice thereof from Agency; or

(b) Shall abandon or substantially suspend construction of the Improvements for the Phase for a period of three (3) months after written notice from Agency of abandonment or suspension; or

(c) Shall transfer or suffer any involuntary transfer of the Site or any part thereof in violation of this Agreement.

There shall be excluded from the period of time specified in subparagraphs (a) and (b) above any period of excused delay pursuant to Section 401.7.(a) or Section 704 of this Agreement.

2. Subordination. Agency's right to repurchase, reenter and repossess, to the extent provided in this Agreement, a particular Phase to be constructed on the Site shall be subject to and shall not defeat the lien or rights of any holder or beneficiary of:

(a) Any mortgage, deed of trust or other security instrument permitted by this Agreement; or

(b) Any rights or interests provided in this Agreement for the protection of the holder of mortgages, deeds of trust or other security instruments.

The Deed or Deeds shall contain appropriate reference and provision to give effect to Agency's right to repurchase, reenter and take possession of any Phase to be constructed on the Site with all Improvements thereon and to terminate and revest in Agency the estate conveyed to Developer.

3. Extensions.

(a) South Office Building, North Office Building, On-Site and Off-Site Improvements If, in violation of Section 606.1 hereof, Developer fails to proceed with the construction of either the South Office Building, all related Improvements and all related infrastructure Improvements, or the North Office Building, all related Improvements and all related infrastructure Improvements for three (3) months, or if, in violation of Section 606.1 hereof, Developer abandons or substantially suspends construction of these Improvements for three (3) months, Developer may request from Agency in writing up to three (3) months' additional time to perform hereunder. Agency shall grant the extension upon receipt from Developer of the sum of Ten Thousand Dollars ($10,000.00) for each month's extension requested.

(b) Hotel. If, in violation of Section 606.1 hereof, Developer fails to proceed with the construction of the Hotel and all related Improvements for three (3) months, or if, in violation of Section 606.1 hereof, Developer abandons or substantially suspends construction of the Hotel for three (3) months, Developer may request from Agency in writing up to three (3) months' additional time to perform hereunder. Agency shall grant the extension upon receipt from Developer of the sum of One Hundred Thousand Dollars ($100,000.00) for each month's extension requested.

4. Exercise of Right. Subject to any extension of time to perform that was granted to Developer pursuant to Section 606.3 hereof, if Developer defaults pursuant to Sections 606.1.(a), (b) or (c) hereof, Agency may exercise its right to repurchase, reenter and take possession of a particular Phase by paying to Developer, upon thirty (30) days' prior written notice, the fair market value of the improved real property comprising the Phase, as determined by an appraisal performed pursuant to Section 609 hereof, but in any event not less than the total amount of loans secured by the Phase, less any installment of the Community Redevelopment Fee payable with respect to the particular Phase pursuant to Section 801.4 hereof.

G. [Section 607] Agency's Option - Must Sell. Notwithstanding the provisions of Section 606 of this Agreement, if Developer defaults pursuant to Section 606.1.(a), (b) or (c) hereof, Agency, at its sole option and in lieu of exercising its rights pursuant to Section 606.4 hereof, may require Developer to sell the Phase that is the subject of the default to a third party for at least the then fair market value of the improved real property comprising the Phase, but in any event not less than the

total amount of loans secured by the Phase, determined by the procedures set forth in Section 609 hereof (subject, however, to the provisions of Section 801.4 hereof). Developer shall submit to Agency for its approval all information required by Section 106.2.(d) hereof regarding Developer's proposed third party transferee. Developer also shall submit to Agency for its review the terms and conditions of the proposed transfer to the third party. If, at the end of six (6) months after the date of Developer's default, Developer has been unable to sell the Phase, Developer may submit to Agency, together with the sum of One Hundred Thousand Dollars ($100,000.00) a request for an extension of an additional six (6) months during which to sell the Phase; provided, however, that during the six (6)-month period Agency also may solicit offers to purchase the Phase from third parties. If Agency locates a third party purchaser during the six (6)-month period, Developer shall transfer the Parcel to the third party for at least the then fair market value of the improved real property comprising the Phase, but in any event not less than the total amount of loans secured by the Phase, and otherwise upon terms and conditions acceptable to Developer and the third party. If, by the end of the six (6)-month extension period neither Developer nor Agency has been able to sell the Phase, Developer shall be deemed in default hereunder and Agency may exercise its rights pursuant to Section 606.4 hereof.

H. [Section 608] Agency Remedies. Agency's sole and exclusive remedies upon Developer's default under this Agreement after conveyance to Developer of title to the Site shall be limited to the exercise of its rights pursuant to either Section 606 hereof or Section 607 hereof, the right to recover its actual, reasonable out-of-pocket expenses directly attributable to Developer's default and its right pursuant to Section 801.4 hereof.

I. [Section 609] Determination of Fair Market Value.

1. Selection of Appraisers. For the purposes of determining "fair market value" for Sections 606 and 607 hereof, Agency and Developer each, by giving notice to the other party at Developer's sole cost, shall appoint a competent and disinterested real estate appraiser with at least five (5) years' full-time appraisal experience in the geographical area of the Site to appraise the Phase to be transferred. If either Agency or Developer does not appoint an appraiser within ten (10) days after the other party has given notice of the name of its appraiser, the single appraiser appointed shall be the sole appraiser and shall determine the appraisals. If two (2) appraisers are appointed by Agency and Developer as stated in this Section, they shall meet promptly and attempt to determine the appraisals for the Phase. If the two (2) appraisers are unable to agree within thirty (30) days after the second appraiser has been appointed, they shall attempt to select a third appraiser meeting the qualifications stated in this Section within thirty (30) days after the last day the two (2) appraisers are given to determine the appraisals. If they are unable to agree on the third appraiser, either Agency or Developer, by giving thirty (30) days' notice to the other party, may apply to the then president of the real estate board of San Mateo County, or the Presiding Judge of the Superior Court of San Mateo County, for the selection of

a third appraiser who meets the qualifications stated in this Section. Developer shall bear the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either Agency or Developer.

2. Value Determined by Three (3) Appraisers. Within thirty (30) days after selection of the third appraiser, a majority of the appraisers shall determine the appraisals for the Phase to be transferred. If a majority of the appraisers is unable to determine the appraisals within the stipulated period of time, Agency's appraiser shall arrange for simultaneous exchange of written appraisals for the Phase from each of the appraisers, and the three (3) appraisals for the Phase shall be added together and their total divided by three (3); the resulting quotient shall be the appraisal for the Phase. If, however, the low appraisal and/or the high appraisal are/is more than ten percent (10%) lower and/or higher than the middle appraisal, the low appraisal and/or the high appraisal shall be disregarded, the remaining two (2) appraisals for the Phase shall be added together and their total divided by two (2); the resulting quotient shall be the appraisal for the Phase. If both the low and the high appraisals are disregarded as stated in this Section, the middle appraisal shall be the appraisal for the Phase.

VII. [Section 700] GENERAL PROVISIONS

A. [Section 701] Notices, Demands and Communications Between the Parties. Formal notices, demands and communications between Agency and Developer shall be given properly if dispatched by certified mail, postage prepaid, return receipt requested, by Federal Express or other national courier service to the principal offices of Agency and Developer as set forth in Section 106 hereof, with copies to Julia M. Baigent, Esq., Aufmuth, Fox & Baigent, 314 Lytton Avenue, Suite 200, Palo Alto, California 94301, and to Deborah A. Churton, Esq., Ware & Freidenrich, 400 Hamilton Avenue, Palo Alto, California 94301. Written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail in accordance with this Section 701.

B. [Section 702] Conflicts of Interest. No member, official or employee of Agency shall have any personal interest, direct or indirect, in this Agreement, nor shall any member, official or employee participate in any decision relating to this Agreement which affects his or her personal interest or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested.

C. [Section 703] Non-liability of Agency and Developer Officials and Employees.

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

2. Developer. No shareholder, director, principal, employee, partner, officer or attorney of Developer or their affiliates shall be personally liable to Agency in the event of any default or breach by Developer or for any amount which may become due to Agency or for any obligations under the terms of this Agreement.

D. [Section 704] Force Majeure; Extension of Time for Performance.

1. Force Majeure. In addition to the specific provisions of this Agreement, performance by any party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier; acts of another party; acts or the failure to act of any public or governmental agency or entity (except that acts or the failure to act of Agency shall not excuse performance by Agency) or any other causes beyond the control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause shall only be for the period of the delay, which period shall commence to run from the time of the commencement of the cause. Times for performance under this Agreement also may be extended in writing by Developer, and shall be deemed extended by any extension period, at a party's election as permitted by Section 605.1 or 605.2, and by any period of administrative delay as provided in Section 401.7.(a).

2. Litigation Delays. The time for performance of the obligations imposed on Developer and Agency pursuant to this Agreement shall be extended for the duration of any litigation that is filed challenging the validity of the Redevelopment Plan (including the current actions filed by the City of Palo Alto, the Crescent Park Homeowners Association and the City of Menlo Park); this Agreement; the land use approvals referred to in Section 303; the environmental studies referred to in Section 304; and any other matter arising out of or necessary to accomplish the obligations imposed on the parties by this Agreement, including actions for inverse condemnation or Klopping damages. Developer shall pay Agency's and/or City's actual and reasonable costs and expenses, including, without limitation, the cost for attorneys' time, incurred in answering, defending or settling any such litigation; Agency and Developer have established a litigation budget for this purpose. Agency and City shall enter a written agreement with any legal counsel representing them setting forth that legal counsel shall not incur costs and expenses in excess of the litigation budget, or such lesser sum as Developer, Agency and such counsel shall agree, without prior written notice to and written approval from Agency and Developer.

E. [Section 705] Inspection of Books and Records.

1. Agency's Right. Agency has the right, upon not less than three (3) business days' prior notice and during normal business hours, to inspect the books and records of Developer pertaining to the Site as pertinent to the purposes of this Agreement.

2. Developer's Right. Developer has the right, upon not less than three (3) business days' prior notice and during normal business hours, to inspect the books and records of Agency pertaining to the Site as pertinent to the purposes of this Agreement.

F. [Section 706] Provisions Not Merged With Deed. None of the provisions of this Agreement are intended to or shall be merged by any grant deed transferring title to any real property which is the subject of this Agreement from Agency to Developer or any successor in interest, and any such grant deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

G. [Section 707] Hold Harmless. Developer shall indemnify, defend and hold harmless Agency and the City, and their officers and employees, from and against any and all actions, damages, claims, losses, expenses or liabilities arising out of the negligence or willful misconduct of Developer and its construction contractors in constructing Developer's Improvements on the Site.

In addition, each party shall indemnify, defend and hold harmless the other party against any and all actions, damages, claims, losses, expenses or liabilities of any nature whatsoever arising out of the indemnifying party's performance of its obligations under this Agreement, and in the event of settlement, compromise or judgment shall hold the indemnified party free and harmless therefrom.

H. [Section 708] Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions of this Agreement shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by the invalidation, voiding or unenforceability.

I. [Section 709] Binding Effect. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest and assigns of each of the parties hereto, except that there shall be no transfer of any interest by either of the parties hereto except pursuant to the terms of this Agreement. Any reference in this Agreement to a specifically named party shall be deemed to

apply to any successor, heir, administrator, executor or assign of the party who has acquired an interest in compliance with the terms of this Agreement, or under law.

J. [Section 710] Parties Not Co-Venturers. Nothing in this Agreement is intended to or does establish the parties as partners, co-venturers, or principal and agent with one another.

K. [Section 711] Guaranty. Developer shall cause DeMonet Industries, Inc., a California corporation, to execute, as of the date of Developer's execution of this Agreement, a guaranty ("Guaranty"), in substantially the same form and content attached hereto as Exhibit I and incorporated by reference herein, pursuant to which DeMonet Industries, Inc. shall guarantee, for the benefit of Agency, all of Developer's obligations pursuant to this Agreement.

L. [Section 712] Definition of "Reasonable". For purposes of this Agreement the term "reasonable" shall mean "fair," "proper," "just," "equitable," "moderate" and "suitable under the circumstances."

VIII. [Section 800] SOCIO-ECONOMIC MITIGATION MEASURES

A. [Section 801] Community Redevelopment Fee. Developer shall pay to Agency, in the installments and at the times set forth herein, the sum of Seven Million Two Hundred Thousand Dollars ($7,200,000.00) ("Community Redevelopment Fee") solely for the purpose of subsidizing the City's social and economic programs supplementing the redevelopment activity described in this Agreement and for mitigating the Project impacts identified in the EIR for the Project to the extent not specifically required to be paid independently by Developer pursuant to the Conditions of Approval to the PUD Permit and Tentative Map. The Community Redevelopment Fee shall be administered and expended by Agency for the City for the purposes set forth in this Agreement, and shall be, together with all other fees identified in this Agreement and Section 401 of the SDA, the only fees, charges, special assessments and exactions payable in connection with the Project.

1. Payment on Closing Date. Developer shall pay to Agency on the Closing Date the sum of Two Million Four Hundred Thousand Dollars ($2,400,000.00) as the first installment of the Community Redevelopment Fee, Five Hundred Thousand Dollars ($500,000.00) of which shall be allocated by Agency for police services and public safety purposes pursuant to Condition 1.48 of the Conditions of Approval to the PUD Permit and Tentative Map.

2. Payment Upon Receipt of Certificate for South Office Building. Developer shall pay to Agency on the date Agency issues the Certificate of Completion for the South Office Building, or for any alternative project approved by Agency and to be owned by Developer for the South Office Building Parcel, the sum of Two Million Four Hundred Thousand Dollars ($2,400,000.00) as the second installment of the

Community Redevelopment Fee, Five Hundred Thousand Dollars ($500,000.00) of which shall be allocated by Agency for police services and public safety purposes pursuant to Condition 1.48 of the Conditions of Approval to the PUD Permit and Tentative Map.

3. Payment Upon Receipt of Certificate for North Office Building. Developer shall pay to Agency on the date Agency issues the Certificate of Completion for the North Office Building, or for any alternative project approved by Agency and to be owned by Developer for the North Office Building Parcel, an additional Two Million Four Hundred Thousand Dollars ($2,400,000.00) as the final installment of the Community Redevelopment Fee.

4. Payment on Default. If, prior to the date that Developer has paid the final installment of the Community Redevelopment Fee pursuant to Section 801.3 hereof, this Agreement is terminated as a result of a default by Developer as to one or more Phases of the Project, if Agency exercises its option to repurchase pursuant to Section 606 hereof (or pursuant to the last sentence of Section 607 hereof), there shall be deducted from the price Agency pays to Developer thereunder the installment of the Community Redevelopment Fee applicable to the Phase (or Phases) that is the subject of Developer's default. If Agency exercises its option pursuant to Section 607 hereof, Developer shall cause to be paid to Agency from the proceeds of the sale paid to Developer at the close of escrow of the sale to a third-party developer the installment of the Community Redevelopment Fee applicable to the Phase (or Phases) that is the subject of Developer's default.

5. Payment Upon Transfer. Developer shall pay to Agency, at the time and in the manner hereinafter described, twenty percent (20%) of the Net Profits on Sale (as hereinafter described). As used herein, "Net Profits on Sale" shall mean the gross proceeds from the sale of the South Office Building and the North Office Building and Retail Pavilion, less:

(a) All costs and expenses of Developer in connection with such sale, including, without limitation, title insurance premiums and title company charges, documentary stamp taxes and transfer taxes, escrow fees and recording charges, appraisal fees, survey costs, loan fees and credits, brokerage commissions, payments or reimbursements to or for the benefit of the buyer ("Closing Costs");

(b) The Project Costs (as hereinafter defined) for the portion of the Project being sold. For purposes of this Section, "Project Costs" shall mean all payments and obligations incurred in connection with the approval, acquisition, construction, development, financing, leasing, marketing and ownership of the South Office Building and the North Office Building and Retail Pavilion which have not yet been reimbursed, including, without limitation, within the following categories: (i) Preapproval Costs as defined in Section 604; (ii) all costs incurred pursuant to or contemplated by this Agreement; (iii) taxes, rentals, licenses, permits, levies, royalties,

duties, excises and assessments, surety bonds, insurance premiums and hook-up fees; (iv) promotional and advertising expenses and property management fees; (v) principal, interest and other charges, including, without limitation, contingent payments, standby fees, discounts, fees for letters of credit, accommodation fees, contingency fees, guaranty fees and any other fees, commissions or charges in connection with financing; (vi) brokers' fees, legal fees, appraisal fees, trustees' fees and expenses and other charges in connection with the acquisition of the Site, financing, equity-raising and construction and development of the Improvements; (vii) accounting and legal fees and expenses; (viii) costs of utilities, wages and benefits paid to on-site personnel, benefits and costs to off-site personnel directly and reasonably allocable to the South Office Building and the North Office Building and Retail Pavilion; (ix) costs of all tenant allowances and improvements, space planning, lease takeover costs, moving expenses, free rent and leasing commissions; (x) annual operating expenses, repairs, replacements and capital improvements to operate the Project to the extent not reimbursed from rental revenues; (xi) Developer's overhead and general administrative expenses to the extent directly and reasonably allocable to the South Office Building and the North Office Building and Retail Pavilion; (xii) all costs to litigate or settle any dispute or proceeding concerning the Project; and (xiii) interest on all Project Costs not paid from the proceeds of any loan secured by the Site at the Interest Rate as defined in Section 604 hereof.

The foregoing Project Costs shall be calculated on an accrual basis in accordance with generally accepted accounting principles.

(c) An amount equal to a fifteen percent (15%) annual cumulative return on the Project Costs, calculated from the time such costs are accrued ("Developer's Return").

6. Distribution. Developer shall provide Agency with an estimate of anticipated Net Profits on Sale at least five (5) days prior to the close of escrow for such sale. Actual Net Profits on Sale shall be calculated after such closing. Nothing herein shall permit Agency to interfere with or delay such sale and Agency shall take no action to interfere with as delay such sale, subject, however, to the restrictions on transfer set forth herein. The Net Profits on Sale shall be distributed eighty percent (80%) to Developer and twenty percent (20%) to Agency; provided that from Agency's twenty percent (20%) share there shall be first reimbursed to Developer the amount of the Community Redevelopment Fee paid or payable pursuant to Sections 801.1, 801.2, 801.3 and 801.4 of this Agreement (excluding therefrom, however, the amount of the Community Redevelopment Fee constituting an Agency Advance pursuant to Section 902.2 hereof). By way of example, in the event Net Profits on Sale equal Fifty Million Dollars ($50,000,000.00), as defined in this Section 801.5, Developer's eighty percent (80%) share would be Forty Million Dollars ($40,000,000.00) and Agency's twenty percent (20%) share would be Ten Million Dollars ($10,000,000.00). From Agency's Ten Million Dollars ($10,000,000.00), Developer would be entitled to deduct Seven Million Two Hundred Thousand Dollars ($7,200,000.00), less that portion of the

Community Redevelopment Fee constituting an Agency Advance pursuant to Section 902.2 hereof, as a reimbursement of the Community Redevelopment Fee, and Agency would receive a net Two Million Eight Hundred Thousand Dollar ($2,800,000.00) payment, plus that amount of the Community Redevelopment Fee constituting an Agency Advance pursuant to Section 902.2 hereof, as its share of Net Profits on Sale. If the Phases are sold separately and the full Community Redevelopment Fee has not been recovered on the sale of the Phase, the remainder of the Community Redevelopment Fee, (excluding the amount constituting an Agency Advance pursuant to Section 902.2 hereof) shall be recovered by Developer from Agency's share of Net Profits on Sale from any sale of the remaining Phases until received in full. If Agency's twenty percent (20%) share of Net Profits on Sale is less than the amount of the Community Redevelopment Fee, in no event shall Agency be required to pay Developer any such shortfall.

17. No Partnership. Agency and Developer hereby acknowledge and agree that they do not intend to be partners by reason of this Agreement or the provisions of this Section 800. Agency acknowledges and confirms that Agency and Developer have conferred specifically concerning the contingent and uncertain nature of Agency's interest in the Profit, and Agency understands and agrees that Agency's interest in the Profit is highly speculative in nature, and the payment thereof is dependent on a number of contingencies and factors that may not be within either party's control. Developer has not made any representations to Agency regarding whether the Profit will be generated by the sale of the Project or any part thereof.

18. Sale in Phases - Allocation of Costs. In the event that the South Office Building and the North Office Building and Retail Pavilion are sold separately, the Profit shall be calculated with respect to the Phase sold, and to the extent that the Project Costs, although allocable to the Phase sold, are not precisely determined for the Phase, the Project Costs shall be allocated to the Phase sold based on the square footage of the legal parcels of land underlying the South Office Building and the North Office Building and Retail Pavilion.

B. [Section 802] Community Uses. For the term of the Redevelopment Plan, Developer shall make available, or shall have made available, to the City or to any other governmental agency, council, department or commission over which the City has jurisdiction (excluding City's Sanitary, Water and Fire Protection Districts) (collectively, for purposes of this Section, "City"), at no cost to City and for up to twelve (12) occasions (in the aggregate, and not for each entity comprising City) during each calendar year, the use of conference rooms, banquet halls or related facilities within the Hotel, and/or the use of conference rooms or related facilities in the office complex. City may use the Hotel or office complex facilities for any reasonable community purpose, subject to the availability of the facilities for the date(s) on which the City requests their use. City shall notify the Hotel or office complex management at least thirty (30) days in advance of the date(s) on which the City intends to use the facilities, and of the intended use. If the facilities are unavailable on the date(s)

requested by the City, the City and the Hotel or office complex management shall determine an alternate date or dates acceptable to both parties. City shall use the facilities in compliance with all applicable state and local governmental regulations. The foregoing shall not include beverage, food or other services, but shall pertain only to the use of space in the Hotel or office facilities.

C. [Section 803] Affirmative Action - Jobs. Developer shall use its best efforts to comply with City's following jobs affirmative action programs.

1. Jobs Training. City is in the process of establishing a jobs training program ("Training Program") which shall require compliance with the provisions thereof by all public and private entities desiring to do business with the City. Developer shall cooperate in good faith to implement the reasonable requirements of any Training Program upon commencement of construction of the first Phase of the Project.

2. First-Source Local Hiring. City is preparing a final first-source local hiring program ("Hiring Program") which requires compliance with the provisions thereof by all public and private entities desiring to do business with City. Developer shall cooperate in good faith to implement the reasonable requirements of the Hiring Program in effect as of November 1, 1990.

3. Equal Opportunity Policy. Developer shall comply with the provisions of the City's Equal Opportunity Policy, the terms of which are incorporated by reference herein.

D. [Section 804] Minority Business Incubation Program. City has adopted a Minority Business Incubation Program ("MBIP"), which requires compliance by all developers and redevelopers of substantial projects located within the City that will both disrupt existing business and employment patterns and afford new, broadened business opportunities, to contribute to the cost of operating the MBIP. Developer has contributed Fifty Thousand Dollars ($50,000) to the MBIP.

E. [Section 805] Relocation Cost Obligations. Developer and Agency acknowledge that Agency shall comply with all applicable State and Agency guidelines pertaining to relocation of the residential tenants and landowners and commercial tenants and landowners currently residing or operating a business on the Site. Developer shall be solely responsible, in accordance with the provisions of Section 202.4, for all Relocation Costs that Agency is required to pay in complying with the State and Agency Guidelines.

F. [Section 806] Preferences to Re-Entry Tenants. Developer shall consider granting preferences for space to business tenants ("Re-Entry Tenants") relocated from the Site and desiring to re-enter the Project, provided that the Re-Entry Tenants' businesses are compatible with other uses in the Project, and that the Re-Entry

Tenants meet all reasonable and standard tenant qualifications; subject, however, to (i) space availability, and (ii) priorities for uses agreed upon by Agency and Developer.

IX. [Section 900] FINANCIAL OBLIGATIONS

A. [Section 901] Agency Obligation. Developer shall pay all costs and expenses associated with the Project and required to be paid pursuant to this Agreement. If, however, pursuant to Section 1100 hereof, a hotel is found to be an economically feasible use for the Hotel Parcel, Agency shall reimburse the costs relative to the Hotel Parcel pursuant to Section 902 hereof in order to subsidize development of a hotel on the Hotel Parcel.

B. [Section 902] Agency Advances - Hotel Feasible. If, at the end of the Feasibility Period (as defined in Section 1100 hereof), a hotel is determined to be feasible, Agency shall reimburse to Developer from available tax increment funds the prorata share of the following costs allocable to the Hotel Parcel not to exceed an aggregate amount of Six Million Two Hundred Thousand Dollars ($6,200,000.00) ("Agency Advances"), subject to the provisions set forth in Section 903 hereof. The prorata share of the following amounts allocable to the Hotel Parcel shall be determined on the basis of the square footage of the Hotel Parcel over the total square footage of the Site (excluding CalTrans or other governmental or municipal easements and rights of way, if any):

1. Developer's Preapproval Costs as calculated pursuant to Section 604 hereof;

2. Developer's actual costs incurred from and after the date of the execution of this Agreement by Developer to comply with the terms of this Agreement, as reasonably agreed to by Agency and Developer in good faith, including, without limitation, all relocation costs payable pursuant to Section 202.4 hereof, all costs required to remediate any hazardous waste or toxic materials on the Site, all costs incurred after the date of execution of this Agreement identified as categories agreed to by Agency and Developer in determining Preapproval Costs pursuant to Section 604 hereof, the Community Redevelopment Fee and all other costs to perform under this Agreement (excluding, however, the Purchase Price for the Site);

3. The cost of all public improvements for the Site as described in that certain report entitled "Review Report for University Centre Public Improvements, East Palo Alto, California", prepared by Brian Kangas Foulk, dated February 5, 1990, as summarized on Page 8 of said report, together with all other public improvements required for the Site and payable by Developer;

4. All costs incurred or paid to mitigate the impacts of the Project as set forth in the Conditions of Approval and the Project's Supplemental Environmental

Impact Report, certified by Agency on June 29, 1990, or otherwise incurred to satisfy the concerns of neighboring jurisdictions or their residents;

5. All costs incurred to complete or settle any litigation concerning the Project;

6. Interest on any of the foregoing costs incurred prior to the Closing Date at the Interest Rate from the date such costs were incurred.

C. [Section 903] Reimbursement Agreement.

1. Agreement. The Agency Advances shall be reimbursed to Developer pursuant to a Reimbursement Agreement, Assignment of Interest and Fiscal Administration Agreement (collectively, "Reimbursement Agreement") in substantially the form and content shown on Exhibit I attached hereto and incorporated by reference herein; provided that for thirty (30) days after execution of this Agreement by both parties, Agency and Developer may make changes to the Reimbursement Agreement requested by either party's bond counsel, provided further that the changes do not materially change the substance thereof or the rights or obligations of the parties thereunder. The Reimbursement Agreement shall be delivered at Close of Escrow to Developer, and provides for reimbursement from available tax increment funds for Agency Advances made prior to the Closing Date. All Agency Advances made from and after the Closing Date to be reimbursed through the Reimbursement Agreement shall bear interest at the Interest Rate, but in no event shall the total sum to be reimbursed by Agency, excluding interest thereon at the Interest Rate, exceed Six Million Two Hundred Thousand Dollars ($6,200,000.00).

2. Terms. For purposes of this Agreement and the Reimbursement Agreement, "available tax increment funds" shall mean all ad valorem taxes annually allocated to Agency, as a redevelopment agency, from the Project pursuant to California Health and Safety Code Section 33670(b), less (i) all amounts waived, or passed through to taxing entities pursuant to pass-through agreements executed by Agency; (ii) Agency's twenty percent (20%) housing set-aside obligation; (iii) annual debt service payments due under all tax allocation bonds issued by Agency, if any; and (iv) Agency administrative costs of not less than One Hundred Thousand Dollars ($100,000.00) per year, adjusted as set forth herein. Commencing with the first anniversary of the date on which the Agency first receives tax increment funds, and each year thereafter, the amount of the Agency administrative costs shall be adjusted to reflect any increase in the cost of living during the prior year. The Agency administrative costs commencing with the second year ("Subject Year") during which Agency receives tax increment funds shall be determined by multiplying the Agency administrative costs during the year ("Prior Year") immediately preceding the Subject Year by a fraction, the denominator of which is the Consumer Price Index ("CPI") most recently published as of the first day of the Prior Year, and the numerator of which is the CPI as of the first day of the Subject Year. In no event, however, shall

the Agency administrative costs retained during the Subject Year be less than the costs to be retained during the Prior Year. As used herein, "CPI" shall refer to the CPI for All Urban Consumers, San Francisco - Oakland - San Jose (1982-1984 = 100), compiled by the U.S. Department of Labor Bureau Statistics. The Reimbursement Agreement shall terminate on the earlier of (i) the date on which the Agency Advances and all interest thereon shall have been paid in full by Agency; or (ii) December 5, 2023, the date of termination of the Redevelopment Plan. To the extent that there is any conflict between the provisions of this Section 903.2 and the Reimbursement Agreement, the provisions of the Reimbursement Agreement shall control.

D. [Section 904] Accounting. At Agency's request, Developer shall provide to Agency a full accounting of Developer's calculation of the Agency Advances. If Agency reasonably disagrees with Developer's calculation, Agency shall have the right, upon reasonable prior written notice, to inspect Developer's books relating to the calculations.

E. [Section 905] Agency Option to Bond. At any time during the term of the Reimbursement Agreement, and at Agency's sole option, Agency shall have the right to issue, solely for the purpose of retiring or decreasing the amount of its obligations, including interest, under the Reimbursement Agreement to date, tax allocation bonds. Developer hereby consents to the sale of tax allocation bonds, for the sole purpose stated herein, and hereby waives any and all rights of notice and any and all rights of protest in connection with the issuance of tax allocation bonds; provided, however, that Developer shall not be obligated to subordinate its rights under the Reimbursement Agreement to the tax allocation bonds without its prior written consent, which consent shall not be reasonably withheld. At Agency's request, Developer shall execute in a timely manner any and all documents, including, without limitation, formal waivers of notice and protest evidencing its consent thereto.

F. [Section 906] Hotel Infeasible. If, prior to the Closing Date and pursuant to Section 1100 hereof, a hotel is found to be an infeasible use for the Hotel Parcel, or if, prior to the Closing Date, the Hotel Parcel developer selected to acquire the Hotel Parcel fails to do so, with the result that a hotel will not be built on the Hotel Parcel, Agency shall not be obligated to execute the Reimbursement Agreement, and shall have no further obligation thereunder to make the Agency Advances to Developer. If, after the Closing Date, the Hotel Parcel developer fails to commence or complete construction of the Hotel in violation of this Agreement, the Reimbursement Agreement shall terminate, and Agency shall have no obligation thereunder to make the Agency Advances to Developer.

X. [Section 1000] SPECIAL PROVISIONS

A. [Section 1001] Agency Approvals.

1. Reasonable Consent. Whenever this Agreement requires Agency to approve any contract, document, plan, specification, drawing or other matter, the approval shall not be unreasonably withheld. Whenever this Agreement conditions a matter on the satisfaction of the Agency, the condition shall be met if Agency is reasonably satisfied. If there is no time specified in this Agreement for Agency action in approving or disapproving a submitted item, Developer may submit a letter requiring Agency approval or rejection of documents or other matters within thirty (30) days after submission to Agency, or the documents or matters shall be deemed approved.

2. Agency Staff Approvals. The following approvals and determinations under this Agreement may be given by Agency's staff or its designee:

(a) An alternative Title Company under Section 107.2, and approval of escrow instructions and other matters required by Title Company;

(b) The Developer's performance of preliminary work on the Site pursuant to Section 302;

(c) Any determination that construction plans, drawings and related documents are consistent with the Basic Concept Drawings or are otherwise in conformity with the requirements therefor, and that any revisions thereto conform to those requirements; and

(d) Approval of any certificates or evidence of insurance pursuant to Section 401.8.

B. [Section 1002] Extensions. Developer and Agency each shall consider reasonable requests for extensions to this Agreement, provided that the requests are consistent with this Agreement and would not alter substantially the basic business terms hereof.

C. [Section 1003] Amendments to this Agreement. Developer and Agency each shall consider reasonable requests for amendments to this Agreement which may be made by lending institutions, major tenants or bond counsel, provided that the requests are consistent with this Agreement and would not alter substantially the basic business terms included hereof. In addition, if, due to unforseen circumstances beyond the control of Developer and Agency (i.e., a change in the market conditions), Developer or Agency is unable to perform any of its obligations hereunder, or if Developer's right to terminate this Agreement arises under any Section hereof, including, without limitation, Sections 202.1.(b), 307.3, 605.1 or 605.3, Developer and Agency shall negotiate in good faith for a period of three (3) months after the date

that one party is notified in writing by the other party of its desire to invoke the provisions of this Section to reach an amendment agreeable to both parties, or to modify the obligation incapable of being performed. Any such amendment shall be in writing executed by both parties. The three (3)-month negotiation period may be extended for an additional three (3) months upon the execution by both parties of a written extension. If an amendment or modification has not been arrived at during the three (3)-month period, as extended, Developer may terminate this Agreement upon written notice to Agency, and neither party shall have any further rights hereunder; subject, however, to the provisions of Section 604, 605.3 and, if applicable, Section 801.4, and subject further to the parties' remedies hereunder if any failure to perform is a default under this Agreement.

D. [Section 1004] Supersedure of Agreement to Negotiate Exclusively. Upon execution by Agency of this Agreement and adoption by the City of the SDA pursuant to Section 105 hereof, the parties' Agreement to Negotiate Exclusively, which was dated as of March 19, 1987, and the parties' Agreement for Extension of Term of Agreement to Negotiate Exclusively, which was dated as of February 6, 1989, shall be superseded in their entirety by this Agreement and shall be of no further force and effect.

E. [Section 1005] Memorandum of Agreement. Upon execution of this Agreement by both parties, Agency shall prepare a memorandum of this Agreement, reasonably acceptable to Developer, for recordation in the Official Records of San Mateo County. Agency and Developer each shall pay one-half (1/2) of the cost of recording the memorandum.

F. [Section 1006] Other Approvals. Agency shall not take any action inconsistent or in conflict with the provisions of the SDA entered by Developer and City, or the PUD Permit, Tentative Map or other approvals for the Project.

G. [Section 1007] Owner Participation Process.

1. Owner Participation Rules. The parties acknowledge that the Agency has implemented Owner Participation Rules pursuant to Agency Resolution No. 13, adopted on March 14, 1988, and that Developer shall comply with the provisions thereof. The parties agree further that owners of any parcels comprising the Site shall be entitled to participate in development of the Site in accordance with the Owner Participation Rules.

2. Owner Participation Agreement. If any property owners ("Participating Owners") in the Project Area desire to participate in the redevelopment of the Site, they shall do so through a single entity formed by them for that purpose, and shall have the right to participate in the Project on the following terms and conditions:

(a) Within thirty (30) days after the date this Agreement is adopted by resolution by the Agency, the Participating Owners shall pay to Developer in readily available U.S. funds a sum equal to the Preapproval Costs paid or payable to such date allocable to the Hotel Parcel, including interest on such sums from the date incurred at the Interest Rate ("Option Consideration"). The Option Consideration shall be determined by multiplying the Preapproval Costs by a fraction equal to the square footage of the Hotel Parcel over the total square footage of the Site as shown on the Tentative Map ("Hotel Parcel Share"). The Option Consideration shall be placed by Developer in an interest-bearing account, to be released as set forth in Subsection (b) below or applied as otherwise set forth in this Section 1007.2.

(b) For a period of sixty (60) days ending after the date this Agreement is executed by both parties, the Participating Owners and Developer shall negotiate in good faith, on terms fair and reasonable to both parties, an owner participation and option agreement ("Owner Participation Agreement") wherein (i) the Participating Owners shall obligate themselves to pay to Developer the Hotel Parcel Share of all further costs and expenses incurred by Developer in performance of its obligations under this Agreement, including, without limitation, all litigations costs, Relocation Costs, appraisal costs, soils and physical inspection costs, Contamination remediation costs, Pre-Condemnation and Condemnation Costs and the costs described in Sections 902.2, 902.3, 902.4 and 902.5 hereof ("Additional Optional Consideration"); and (ii) Developer shall obligate itself to assign this Agreement with respect to the Hotel Parcel to the Participating Owners if, at the end of the Feasibility Period, (A) Developer and Agency determine that a hotel is not an economically feasible use for the Hotel Parcel, and (B) the Participating Owners exercise their option to purchase the Hotel Parcel. If, at the end of the sixty (60)-day period, Developer and the Participating Owners have not entered an Owner Participation Agreement, the Option Consideration, together with all interest accrued thereon, shall be returned to the Property Owners, and the option shall terminate. Developer's failure to enter an Owner Participation Agreement shall not be a default under this Agreement.

(c) If a Hotel developer obligates itself to purchase the Hotel Parcel for development of the Hotel during the Feasibility Period or the Review Period (as defined in Section 1007.3), the Participating Owners' Option Consideration (and all interest thereon) and any Additional Option Consideration paid shall be reimbursed to the Participating Owners by the Hotel Parcel developer, and all owner participation rights of the Participating Owners shall thereafter terminate.

(d) If the Participating Owners fail to exercise their option to purchase the Hotel Parcel (other than due to a Hotel Parcel developer acquiring the Hotel Parcel), the Owner Participation Agreement shall terminate and Developer shall retain the Option Consideration (and all interest thereon) and the Additional Option Consideration. If the Participating Owners exercise the option and fail to purchase the Hotel Parcel or otherwise perform their obligations with regard to the Hotel Parcel, Developer shall retain the Option Consideration and Additional Option Consideration,

and the Owner Participation Agreement thereafter shall terminate and be of no further force or effect.

(e) If the Participating Owners default in the payment of any sums due, the Owner Participation Agreement shall terminate and Developer shall retain all sums advanced as Option Consideration (and all interest thereon) and Additional Option Consideration. If the Participating Owners default under this Agreement after purchase by the Participating Owners of the Hotel Parcel, Agency shall have the right to exercise its remedies pursuant to Sections 606, 607 and 608 hereof with respect to the Hotel Parcel; provided, however, that Developer first shall have the option to repurchase the Hotel Parcel from the Participating Owners for the Hotel Parcel Share of the Purchase Price, to be exercised within ninety (90) days after the default by the Participating Owners, and to be closed within sixty (60) days after the exercise.

(f) The Owner Participation Agreement between Developer and the Participating Owners shall include such other terms and conditions as the parties reasonably shall require in their sole discretion, and shall be acknowledged and, where applicable, consented to in writing by Agency.

3. Hotel Infeasible.

(a) If Developer and the Participating Owners have entered an Owner Participation Agreement, the Participating Owners have exercised their option to purchase the Hotel Parcel pursuant thereto and, at the end of the Feasibility Period, Agency and Developer have determined that a hotel is not an economically feasible use for the Hotel Parcel, the Participating Owners shall have the right to submit an alternative development proposal for the Hotel Parcel, which Agency, in its sole discretion, may approve or reject. Agency shall not consider any other alternative development proposal for the Hotel Site until after it has made a decision on the Participating Owners' alternative proposal.

(b) If (i) Developer and the Participating Owners fail to execute the Owner Participation Agreement; or (ii) the Owner Participation Agreement is executed and the Participating Owners fail to exercise their option to purchase the Hotel Parcel; or (iii) at the end of the Feasibility Period, Developer and Agency determine that a hotel is not an economically feasible use for the Hotel Parcel and the Participating Owners fail to submit an alternative development proposal, or Agency rejects the proposal submitted; or (iv) the Hotel Parcel developer selected to acquire the Hotel Parcel fails to do so pursuant to Section 1102 hereof, Agency shall solicit alternative development proposals for the Hotel Parcel from all owners of parcels comprising the Site as of the date of execution of this Agreement by Agency and Developer and from all interested third-party developers. Developer, as an owner participant and pursuant to the provisions of this Agreement, may submit an alternative development proposal for the Hotel Parcel to Agency for its consideration. For not

longer than the twelve (12) months ("Review Period") following the end of the Feasibility Period, Agency shall review and evaluate all alternative development proposals received from Developer, owner participants and from third-party developers, and, not later than the end of the Review Period, shall select an alternative development proposal for the Hotel Parcel. Notwithstanding the foregoing, the uses permitted to be developed on the Hotel Parcel by any owner participant or third-party developer shall not include any competing office or any competing retail use that, in Developer's reasonable judgment, negatively affects the economic viability of the remainder of the Project.

4. Developer's Proposal Rejected. If Developer's alternative development proposal for the Hotel Parcel is not selected by Agency, Developer shall sell the Hotel Parcel to the Hotel Parcel developer selected by Agency for at least the then fair market value of the improved Hotel Parcel, determined by the procedures set forth in Section 609 hereof, but in any event for not less than the Project Costs allocable to the Hotel Parcel, and otherwise in accordance with terms and conditions, including a date for closing escrow for the sale, acceptable to Developer and the Hotel Parcel developer. Agency shall have the right to review the terms and conditions of the transfer to the Hotel Parcel developer. If Developer's sale to the owner participant or third-party developer fails to close escrow for any reason other than Developer's default under the terms of the purchase agreement governing the sale, Developer and Agency shall negotiate in good faith the terms of an economically feasible alternative development plan for the Hotel Parcel in accordance with the provisions of Section 1003 hereof. Notwithstanding the foregoing, if Agency or Developer, prior to Agency's selection of an alternative developer during the Review Period, locates a Hotel Parcel developer meeting the requirements set forth in Section 106.2.(d) hereof that is willing to acquire the Hotel Parcel at a purchase price equal to the fair market value of the improved Hotel Parcel, but not less than the Project Costs allocable to the Hotel Parcel (or such other price as Developer in its sole discretion is willing to accept), the Hotel Parcel developer shall be obligated to construct the Hotel pursuant to the provisions of this Agreement, and Agency shall notify all owner participants and third-party developers that their proposals have been rejected for this reason. If the hotel developer ultimately does not purchase the Hotel Parcel pursuant to this Subsection 1007.4, the provisions of Sections 1007.3 and 1007.4 shall apply.

H. [Section 1008] Amendment of Redevelopment Plan. Agency shall not implement amendments to the Redevelopment Plan in any manner which would affect Developer's rights under this Agreement including, without limitation, the right to finance, acquire, construct, develop or use the Site pursuant to this Agreement or the SDA without the prior written consent of Developer. Subject to the foregoing sentence, Agency explicitly reserves to itself the right to amend the Redevelopment Plan to expand the boundaries of the Project Area and as to any other issues not affecting Developer's rights under this Agreement and the SDA.

I. [Section 1009] Budgeting Requirements. Wherever this Agreement shall provide, Developer shall pay sums on behalf of Agency or for expenses of the Agency. Agency shall provide Developer with a written budget for such costs, and Developer shall approve the same, in Developer's sole discretion, prior to Agency incurring such costs, subject to the provisions relating to Developer's obligations for the Relocation Costs as set forth in Section 202.4 hereof. All consultants and independent contractors to be employed by Agency at Developer's cost shall have written agreements with Agency, with the agreements providing that the costs under the agreements shall not exceed the budgeted amount without Agency's and Developer's prior written consent. Agency shall deliver to Developer copies of all invoices and statements received from its consultants, and Developer shall transfer funds to Agency in a timely manner to ensure prompt payment of all invoices and statements. In the event of a termination of this Agreement, any excess funds deposited with Agency which are not applied to costs incurred in accordance with this Agreement shall be refunded to Developer.

J. [Section 1010] Contract Within Meaning of Cal. Gov't. Code Section 53511. Pursuant to this DDA, Developer has agreed to make substantial payments and contributions toward the costs of public infrastructure, Agency costs of administering the Project and other projects or programs of community benefit. City and Agency have determined that such arrangements will satisfy and constitute the means of assuring financing to provide public facilities and services to serve the Project and shall benefit the Project Area. Accordingly, this Agreement, because of such arrangements, constitutes a contract, obligation and evidence of indebtedness within the meaning of California Government Code Section 53511.

XI. [Section 1100] ALTERNATIVE TO HOTEL

A. [Section 1101] Feasibility Period. Agency and Developer intend that the Hotel shall be constructed in accordance with Section 401 hereof and with the Schedule of Performance. Notwithstanding the foregoing, however, Agency shall grant to Developer a nine (9)-month feasibility period ("Feasibility Period"), commencing with the date of execution of this Agreement by both parties, during which to use its good faith best efforts to locate a hotel developer that will acquire the Hotel Parcel from Developer and construct thereon a Hotel reasonably acceptable to Agency. If a Hotel Parcel developer meeting the requirements imposed by Section 106.2.(d) hereof contracts with Developer to acquire the Hotel Parcel at its appraised fair market value, but in any event at a purchase price not less than the Project Costs allocable to the Hotel Parcel (or such other price as Developer in its sole discretion is willing to accept), and on such other terms and conditions as may be acceptable to Developer in Developer's sole discretion, the Hotel shall be deemed to be feasible.

B. [Section 1102] Alternative Development Proposals. If, at the end of the Feasibility Period, Agency and Developer have determined that the Hotel is not an economically feasible use for the Hotel Parcel, or if the Hotel Parcel developer selected to acquire the Hotel Parcel and perform the obligations hereunder relating to

the Hotel Parcel should for any reason other than as a result of Developer's default fail to acquire the Hotel Parcel, the provisions of Sections 1007.3 and 1007.4 hereof shall apply.

C. [Section 1103] Hotel Feasible. If, at the end of the Feasibility Period, Agency and Developer have located a Hotel Parcel developer pursuant to Section 1101 hereof, notwithstanding the provisions of the agreement between Developer and the Hotel Parcel developer, the Hotel Parcel developer shall commence construction of the Hotel in accordance with all of the provisions of this Agreement, including Section 401 hereof and the Schedule of Performance.

XII. [Section 1200] ENTIRE AGREEMENT, WAIVERS AND AMENDMENTS

This Agreement is executed in four (4) duplicate originals, each of which is deemed to be an original. This Agreement comprises pages 1 through 57, inclusive, and Exhibits A through I, attached hereto and incorporated herein by reference, all of which constitute the entire understanding and agreement of the parties.

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

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

XIII. [Section 1300] TIME FOR ACCEPTANCE OF AGREEMENT BY AGENCY

This Agreement, when executed by Developer and delivered to Agency, must be authorized, executed and delivered by Agency within five (5) days after the date of delivery to Agency by Developer of an executed copy of this Agreement or this Agreement shall be void, except to the extent that Developer shall consent in writing to further extensions of time for the authorization, execution and delivery of this Agreement.

The effective date of this Agreement shall be the date on which this Agreement has been signed by Agency.

"AGENCY"

Date: _____, 19__

REDEVELOPMENT AGENCY OF THE CITY OF EAST PALO ALTO

By:_____
Chairperson

By:_____
Secretary

"DEVELOPER"

Date: _____, 19__

UNIVERSITY CIRCLE, LTD., a California Limited Partnership

By: DE MONET INDUSTRIES, INC., its General Partner

By: _____
Joaquin de Monet, President

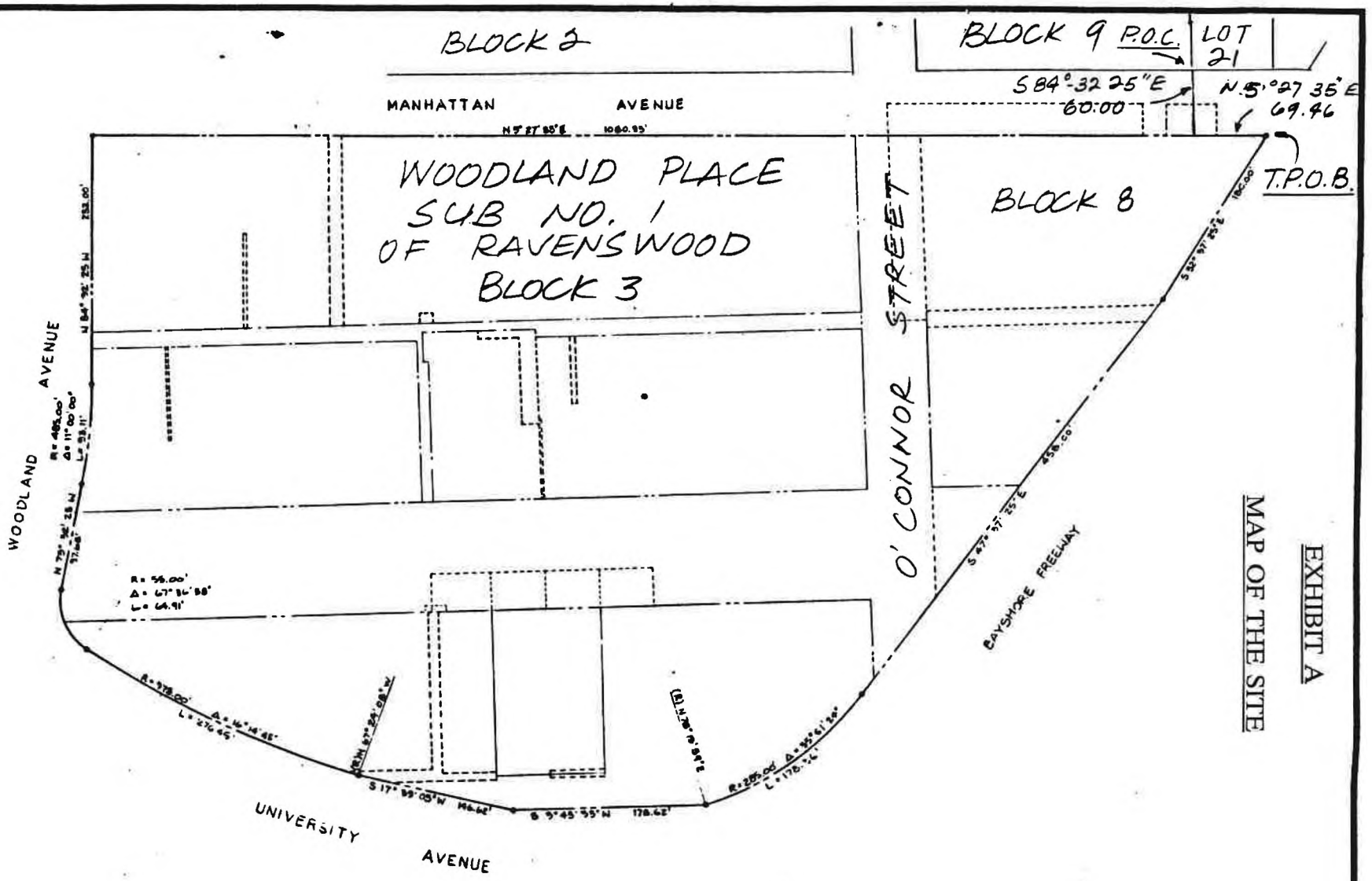

EXHIBIT A

MAP OF THE SITE

PLAT TO ACCOMPANY LEGAL DESCRIPTION

JUNE, 1990

REF. NORTH

EXHIBIT B

LEGAL DESCRIPTION OF THE SITE

LEGAL DESCRIPTION

NOTE: IN PREPARING THIS DESCRIPTION, NO SEARCH OF TITLE WAS MADE TO DETERMINE OWNERSHIP. ANYONE USING THIS DESCRIPTION IS CAUTIONED THAT TITLE INSURANCE COMPANIES HAVE THE RIGHT TO REFUSE TO INSURE ANY DESCRIPTION UNLESS IT MEETS WITH THEIR REQUIREMENTS. THIS DESCRIPTION SHOULD BE SENT TO THE TITLE INSURANCE COMPANY THAT WILL BE ASKED TO INSURE TITLE AT THE EARLIEST POSSIBLE DATE, FOR THEIR REVIEW AND APPROVAL.

ALL THAT CERTAIN LAND SITUATED IN THE CITY OF EAST PALO ALTO, COUNTY OF SAN MATEO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF LOT 21, BLOCK 9, SAID LOT AND BLOCK ARE SHOWN ON THAT CERTAIN MAP ENTITLED "MAP OF WOODLAND PLACE, SUBDIVISION NO. ONE OF RAVENSWOOD" RECORDED AUGUST 1, 1910 IN MAP BOOK 7 AT PAGES 23 AND 24, RECORDS OF SAN MATEO COUNTY; THENCE FROM SAID POINT OF COMMENCEMENT SOUTH 84° 32′ 25′ EAST 60.00 FEET TO THE EASTERLY RIGHT OF WAY LINE OF MANHATTAN AVENUE; THENCE ALONG SAID EASTERLY RIGHT OF WAY LINE NORTH 5° 27′ 35" EAST 69.46 FEET TO THE **TRUE POINT OF BEGINNING.** THENCE FROM SAID TRUE POINT OF BEGINNING ALONG SAID SOUTHERLY RIGHT OF WAY LINE OF BAYSHORE FREEWAY, SOUTH 52° 37′ 25" EAST 180.00 FEET; THENCE SOUTH 47° 37′ 25" EAST 458.00 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE TO THE WEST WITH A RADIUS OF 285 FEET; THENCE SOUTHERLY ALONG SAID TANGENT CURVE THROUGH A CENTRAL ANGLE OF 35° 51′ 24" AN ARC DISTANCE OF 178.36 FEET TO A POINT THROUGH WHICH A RADIAL LINE BEARS NORTH 78° 13′ 59" EAST; THENCE SOUTH 3° 43′ 33" WEST 178.62 FEET; THENCE SOUTH 17° 39′ 05" WEST TO A POINT ON THE BEGINNING OF A NON-TANGENT CURVE, CONCAVE TO THE NORTHWEST, WITH A RADIUS OF 975 FEET; A RADIAL LINE THROUGH SAID POINT BEARS SOUTH 67° 24′ 08" EAST; THENCE SOUTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 16° 14′ 45" AN ARC DISTANCE OF 276.45 FEET TO A POINT OF COMPOUND CURVATURE, SAID POINT BEING THE BEGINNING OF A TANGENT CURVE, CONCAVE TO THE NORTH WITH A RADIUS OF 55 FEET; THENCE WESTERLY CONTINUING ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 67° 36′ 58" AN ARC DISTANCE OF 64.91 FEET; THENCE NORTH 73° 32′ 25" WEST 97.68 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE TO THE SOUTH WEST WITH A RADIUS OF 485 FEET; THENCE WESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 11° 00′ 00" AN ARC DISTANCE OF 93.11 FEET; THENCE NORTH 84° 32′ 25" WEST 232.00 FEET TO A POINT ON THE EASTERLY RIGHT OF WAY LINE OF MANHATTAN AVENUE (60 FEET WIDE), AS SAID LINE IS SHOWN ON SAID MAP OF WOODLAND PLACE, SUBDIVISION NO. ONE OF RAVENSWOOD; THENCE ALONG SAID EASTERLY RIGHT OF WAY LINE OF MANHATTAN AVENUE, NORTH 5° 27′ 35" EAST 1080.93 TO THE **TRUE POINT OF BEGINNING.**

CONTAINING 11.93 ACRES±

BASIS OF BEARINGS

CALIFORNIA COORDINATE SYSTEM ZONE III.

EXHIBIT C

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

City of East Palo Alto
2415 University Avenue
East Palo Alto, California 94303

SPACE ABOVE LINE FOR RECORDER'S USE ONLY

DEVELOPMENT AGREEMENT

BETWEEN

THE CITY OF EAST PALO ALTO,
a municipal corporation

AND

UNIVERSITY CIRCLE, LTD.
a California limited partnership

DEVELOPMENT AGREEMENT

Table of Contents

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Agreement") is entered as of this ___ day of _____, 1990, by and between THE CITY OF EAST PALO ALTO ("City"), a municipal corporation of the State of California, and UNIVERSITY CIRCLE, LTD. ("Developer"), a California limited partnership.

THE PARTIES ENTER THIS AGREEMENT on the basis of the following facts, understandings and intentions:

A. Section 65864 et seq. of the California Government Code authorizes the City to establish procedures to enter binding development agreements with persons having legal or equitable interests in real property located within the City for the development of the property.

B. Resolution No. 651, adopted by the City Council ("City Council") of the City on April 2, 1990, establishes a procedure for review and approval of proposed development agreements.

C. Pursuant to the Disposition and Development Agreement ("DDA"), dated as of _____, 1990, between the Developer and the Redevelopment Agency of the City of East Palo Alto ("Agency"), Developer expects to acquire from Agency that certain real property ("Property") located within the City and more particularly described on Exhibit "A" attached hereto and incorporated by reference herein.

D. Developer intends to develop the Property as a single, unified, modern office complex, including associated commercial uses and a major hotel ("Project"). The DDA provides that Developer and Agency shall cooperate in acquiring the Property, and that Agency shall supervise the development of the Property to ensure compliance with the DDA. In connection with the development of the Property, the Agency has certified a Supplemental Environmental Impact Report, and the City has approved an amendment to the City's General Plan, a Specific Plan, and a Rezoning Amendment. The City also has approved a Tentative Parcel Map and issued a Planned Unit Development ("PUD") Permit for the Project. In addition, Developer and Agency have entered or will enter the DDA. The foregoing approvals, together with the terms and conditions of the Redevelopment Plan ("Redevelopment Plan") for the Property, incorporated herein by reference thereto and adopted by the Agency on December 5, 1988, collectively shall be referred to as the "Approvals."

E. The City and Developer acknowledge that development and construction of the Project is a large-scale undertaking involving major investments by Developer and the City, with development occurring in phases over several years. Certainty that the Project can be developed, used and sold in accordance with the Approvals will benefit Developer and City, and provide to Agency the means of effecting the public purposes of the DDA.

F. The City is willing to enter this Agreement (i) to eliminate uncertainty in the comprehensive development-planning of large-scale projects in the City, such as the Project; (ii) to secure orderly development and progressive fiscal benefits for public

services, improvements and facilities planning in the City; (iii) to meet the goals of the General Plan, as amended by the General Plan Amendment; and (iv) to assist and cooperate with the Agency and Developer in implementing and carrying out the DDA and the Redevelopment Plan.

G. The City's willingness to enter this Agreement was a material inducement to Developer to enter the DDA with the Agency, and Developer desires to enter this Agreement (i) to obtain assurance from the City that the Project may be developed, constructed, completed and used pursuant to the existing project approvals for the Project, and in accordance with existing policies, rules and regulations of the City, subject to the limitations expressed herein; (ii) to provide for a coordinated and systematic approach to funding the cost of certain public improvements or facilities planned by the City, and to establish the timing and extent of required contributions by Developer for these purposes.

H. On June 25, 1990, the City Planning Commission held a duly noticed public hearing on this Agreement and adopted Planning Commission Resolution No. 90-6-25-3, which (i) determined that this Agreement is consistent with the City's General Plan, as amended by the General Plan Amendment; and (ii) voted to recommend that the City Council approve this Agreement.

I. On September 24, 1990, the City Council held a duly noticed public hearing on this Agreement, found this Agreement to be consistent with the City's General Plan, as amended by the General Plan Amendment, and introduced Ordinance No. __ approving this Agreement.

J. On October 1, 1990, the City Council adopted Ordinance No. _____ ("Ordinance") approving this Agreement.

NOW, THEREFORE, pursuant to the authority contained in Section 65864 et seq. of the California Government Code and City Council Resolution No. 651, and in consideration of the mutual covenants and promises of the parties, the parties hereto agree as follows:

1. Development Of The Property.

1.1 Development Plan. Subject to execution of the DDA by Agency and Developer, Developer shall have the right and obligation to develop the Property in accordance with the provisions of this Agreement. The permitted uses of the Property, the density or intensity of use, the maximum height and size of the proposed buildings, the development schedule and provisions for reservation or dedication of land for public purposes or fees in lieu thereof, shall be as provided in this Agreement and in the Development Plan as hereinafter defined. The "Development Plan" shall consist of the following:

(a) The General Plan, as amended by the General Plan Amendment ("General Plan Amendment"), the terms and conditions of which are incorporated by reference herein, which the City adopted by Resolution No. 673 on June 29, 1990;

(b) The Specific Plan ("Specific Plan") for the Project, the terms and conditions of which are incorporated by reference herein, which the City adopted by Resolution No. 674 on June 29, 1990;

(c) The Rezoning Amendment ("Rezoning Amendment"), the terms and conditions of which are incorporated by reference herein, which the City adopted by Ordinance No. 120 on July 16, 1990;

(d) The Tentative Parcel Map ("Tentative Map") and Conditions of Approval ("Conditions of Approval") for the Project, the terms and conditions of which are incorporated by reference herein, which the Planning Commission adopted by Resolution No. 90-7-2-1 on July 2, 1990;

(e) The PUD Permit ("PUD Permit") and Conditions of Approval ("Conditions of Approval"), the terms and conditions of which are incorporated by reference herein, which the Planning Commission adopted by Resolution No. 90-7-2-2 on July 2, 1990; and

(f) The terms and conditions of the Redevelopment Plan which are applicable to the Project.

1.2 Present Right to Develop. Subject to the provisions of this Agreement, fulfillment of the Conditions of Approval and execution of the DDA by the Agency and Developer, the City hereby grants to Developer the present vested right to develop and construct all improvements in the Project in accordance with the Development Plan and the DDA. No future modification of the City's General Plan, Municipal Code, ordinances or regulations that purport to (i) limit the rate of development within the City; or (ii) impose fees, exactions or conditions upon development, occupancy or use of the Project other than as provided in the Development Plan, the DDA or pursuant to this Agreement shall apply to the Project; provided, however, that nothing herein shall prevent or preclude the City from adopting any amendments expressly permitted hereinbelow and, provided further, that nothing

herein shall prevent Agency from amending the Redevelopment Plan in accordance with the provisions of Section 1008 of the DDA.

1.3 Agreement, DDA and Development Plan Comprehensive. The parties acknowledge that, except as specifically set forth herein, this Agreement, the DDA and the Development Plan shall set forth a comprehensive schedule of all conditions, development fees, assessments, exactions, fees-in-lieu, charges and dedications required to be contributed, paid or constructed in connection with the Project and any public improvements or services needed as a result thereof.

1.4 Design of On-Site and Off-Site Improvements. Developer's right to develop and improve the Project shall be subject to architectural and design review by the City and the Agency pursuant to the DDA and the policies, regulations and ordinances in effect as of the date of the first reading of the Ordinance adopting this Agreement. Developer's rights hereunder also shall be subject to the construction of certain on-site and off-site improvements, including streets, sidewalks, curbs, gutters, street lighting, utilities, traffic signals, sewers, storm drains and landscaping, all as set forth in the Conditions of Approval. The parties hereby agree that the Conditions of Approval and any improvement plans prepared in accordance with the Conditions of Approval, as approved by the City and the Agency pursuant to the DDA, shall govern the design and the scope of all on-site and off-site improvements to be constructed for the Project, including, without limitation, all street widths and dedications.

1.5 Cooperation in Obtaining Allocation of Utilities. The City shall cooperate with Developer in obtaining from the appropriate utility companies the allocation of sufficient utilities, including electricity, gas, water and sewerage service

capacity and facilities, for the development of the Project in accordance with the terms hereof throughout the Term of this Agreement (as defined in Section 3 below).

2. Effect Of Agreement.

2.1 Local Rules. The Property shall be subject to all the rules, regulations and official policies (collectively, "Local Rules") of the City governing uses, density, height, design, public improvements and construction standards which are contained in the Development Plan or are in effect as of the date of the first reading of the Ordinance adopting this Agreement, except as to changes in the Local Rules necessitated by life, health or fire safety considerations, and as otherwise provided herein.

2.2 Supersedure by Subsequent State or Federal Laws or Regulations. If state or federal laws or regulations enacted after the effective date of the Ordinance adopting this Agreement prevent or preclude compliance with one or more provisions of this Agreement, this Agreement shall be deemed modified or suspended as may be necessary to comply with the new state or federal laws or regulations. Notwithstanding the foregoing, Developer shall have the right to challenge, in a court of competent jurisdiction, the law or regulation preventing compliance with the terms of this Agreement and, if the challenge in a court of competent jurisdiction is successful, this Agreement shall remain unmodified and in full force and effect.

2.3 Future Exercise of Discretion by City. This Agreement shall not be construed to limit the authority or obligation of the City to hold necessary public hearings, or to limit discretion of the City or any of its officers or officials with regard to rules, regulations, ordinances or laws which require the exercise of discretion by the City or any of its officers or officials; provided, however, that in exercising its

discretion, the City shall not disapprove any application for the uses, density or maximum height and sizes of proposed buildings which conform to the Development Plan and the City's General Plan, and shall not condition its approval on any changes to uses, density or maximum height and sizes of proposed buildings specified in the Development Plan, on the payment of fees, exactions or charges in excess of those described in Section 4.1 hereof or on any matter which is inconsistent with the development rights and obligations of Developer under the Development Plan, the DDA or this Agreement.

3. Term. The term ("Term") of this Agreement shall commence on the date of the first reading of the Ordinance adopting this Agreement. This Agreement shall terminate ten (10) years following the date of the first reading of the Ordinance, unless sooner terminated or extended as hereinafter provided.

4. Development Fees, Exactions and Dedications.

4.1 Development Fees, Exactions. The City and Developer agree that the fees payable in connection with the development, build-out, occupancy and use of the Project pursuant to this Agreement shall be as set forth in the Development Plan and the DDA. Notwithstanding any amendments to the fees or the imposition of any new fees after the effective date of the Ordinance adopting this Agreement, the fees set forth in the Development Plan and the DDA shall be the only fees, charges, special assessments and exactions payable in connection with development, build-out, occupancy and use of the Project; provided, however, that any processing fees set forth in the City's Fee Ordinance may be increased if the increase is applicable City-wide and reflects the reasonable cost to the City for performing the processing service for which the particular fee is paid.

4.2 Dedications. Developer shall dedicate to the City upon request by the City and in accordance with the DDA all portions of the Project designated in the Conditions of Approval for public streets or public areas. No other dedications of property or fees in lieu thereof for public area or other purposes shall be required in connection with the Project.

5. Standard of Review of Permits. All permits ("Permits") required by Developer to develop the Property, including (i) road construction permits; (ii) grading permits; (iii) building permits; and (iv) certificates of occupancy, shall be issued by the City after City's review and approval of Developer's application therefor, provided that the City's review of the application is limited to determining whether the following conditions are met:

(a) The application is complete;

(b) Developer has complied with all material terms and conditions contained in this Agreement, the Development Plan and the DDA; and

(c) The application demonstrates that Developer has complied with the applicable Local Rules as defined in Paragraph 2.1 of this Agreement.

6. Cooperation in Implementation. Upon satisfactory completion by Developer of all required preliminary actions as provided in the Development Plan and the DDA, and payment of required processing fees, if any, the City shall proceed in a reasonable and expeditious manner, and in compliance with the deadlines mandated by applicable agreement, statute or ordinance, to complete all steps necessary for the implementation of this Agreement and the development of the Project in accordance with the Development Plan and the DDA, including, without limitation, the following:

(a) Scheduling any required public hearings or consideration by the City Council or Planning Commission; and

(b) Processing and checking all maps, plans, land use permits, building plans and specifications and other plans relating to the development of the Project filed by Developer or its nominee as necessary for the completion of the Project.

Developer, in a timely manner, shall provide the City with all documents, applications, plans and other information necessary for the City to carry out its obligations hereunder and to cause its planners, engineers and all other consultants to submit in a timely manner all necessary materials and documents. It is the parties' express intent to cooperate with one another and diligently work to implement any and all land use and building approvals for development of the Project in accordance with the Development Plan, the DDA and the terms hereof.

7. Schedule of Development. Developer shall develop and construct the Project in accordance with the provisions of the DDA relating to commencement and completion of each phase of construction.

8. Annual Review.

8.1 Annual Review. City and Developer shall review all actions taken pursuant to the terms of this Agreement once annually during each year of the Term unless the City and Developer agree to conduct the review at another time.

8.2 Developer's Submission. Within sixty (60) days prior to each anniversary of the Effective Date, Developer shall submit a letter ("Compliance Letter") to the City Council describing Developer's compliance with the terms of the DDA, the Conditions of Approval and this Agreement during the preceding year. The Compliance letter shall include a statement that the Compliance Letter is submitted to

the City pursuant to the requirements of Government Code Section 65865.1 and Article 6 of City Council Resolution No. 651.

8.3 City's Findings. Within sixty (60) days after receipt of Developer's report, the City Council, following a duly noticed public hearing, shall determine whether, for the year under review, Developer has demonstrated good faith substantial compliance with the terms of this Agreement. If the City Council finds and determines that Developer has complied substantially with the terms of this Agreement, or does not determine otherwise within sixty (60) days after delivery of the Compliance Letter, the annual review shall be deemed concluded and this Agreement shall remain in full force and effect. If requested by the Developer, the City Council may adopt a resolution certifying compliance through the year under review. Developer may record the resolution with the San Mateo County Recorder's Office. If the City Council finds and determines, on the basis of substantial evidence, that Developer has not complied substantially in good faith with the terms of this Agreement for the year under review, the City Council shall give written notice thereof to Developer specifying the non-compliance. If Developer fails to cure the non-compliance within a reasonable period of time as established by the City Council, the City Council, in its discretion, may modify this Agreement to the extent necessary to remedy or mitigate the non-compliance, or may terminate this Agreement. For purposes of this Section 8, Developer's substantial compliance with the provisions of the DDA, the Conditions of Approval and this Agreement shall be deemed compliance under this Agreement

8.4 Compliance with Mitigation Monitoring Program. Condition 10.1 of the Conditions of Approval provides that, pursuant to the City's Mitigation Monitoring and Reporting Program established in accordance with California Public

Resources Code Section 21081.6, Developer shall comply with the approval conditions identified in the Conditions of Approval which are imposed on the Project in order to mitigate or avoid its significant effects on the environment. Developer shall include in each annual Compliance Letter a description and/or evidence of its compliance during the year under review with the Conditions of Approval included in the Mitigation Monitoring and Reporting Program.

9. Default and Remedies.

9.1 Default. Failure by either party to perform any term or provision of this Agreement shall constitute a default hereunder, provided that the party alleging the default shall have given the other party advance written notice thereof and sixty (60) days within which to cure the condition, or, if the nature thereof is such that it cannot be cured within that time, the party receiving notice shall not be in default hereunder if the party commences to perform its obligations hereunder within the sixty (60)-day period and thereafter diligently completes performance. Written notice hereunder shall specify in detail the nature of the obligation to be performed by the party receiving notice. Subject to the provisions of the DDA permitting an extension of time to perform pursuant to good faith negotiations undertaken in accordance with Section 1003 thereof, any default by either party under the DDA shall be deemed a default by the defaulting party under this Agreement; subject further, however, to the provisions set forth therein regarding notice and right to cure.

9.2 Termination of DDA. If Agency or Developer terminates the DDA with respect to all or any portion of the Property pursuant to the provisions of the DDA (other than pursuant to the issuance of a Certificate of Completion), the termination of the DDA shall be grounds for modification or termination of this

Agreement with respect to the portion of the Property for which the DDA is terminated.

9.3 Remedies. If City defaults hereunder, Developer shall have all of the remedies available to Developer under the DDA, including the option to institute legal proceedings to specifically enforce this Agreement. Upon Developer's material default pursuant to Sections 6 and 13.4 hereof, City shall have the option to initiate legal proceedings to specifically enforce those Sections. Upon a material default by Developer under Section 8 hereof, City shall have the option to initiate legal proceedings to specifically enforce the Section or to terminate this Agreement upon written notice to Developer. Upon a material default by Developer under any Section of this Agreement other than those identified in the foregoing two (2) sentences, City's sole and exclusive remedy shall be to terminate this Agreement. Notwithstanding the foregoing, in no event shall either party be entitled to monetary damages resulting from the other party's breach of this Agreement, and each party hereby waives any right to assert a claim for monetary damages in the event of a breach by the other party.

10. Amendment or Termination.

10.1 Agreement to Amend or Terminate. City and Developer may by mutual agreement terminate or amend the terms of this Agreement, and the amendment or termination shall be accomplished in the manner provided under California law for the adoption of development agreements, except as provided in Section 10.2.

10.2 Development Plan. Upon the written request of Developer, the City may amend or modify the Development Plan (or any of the individual approvals or documents comprising the Development Plan) in compliance with procedural

provisions of the zoning or other land use ordinances and regulations in effect on the date of application for amendment or modification, except as otherwise provided herein. The amendment or modification of the Development Plan, or of the DDA, automatically shall amend this Agreement without further written action by either party, and this Agreement shall remain in full force and effect except as amended by the amendment to the Development Plan.

11. Mortgagee Protection; Certain Rights of Cure.

11.1 Mortgagee Protection. This Agreement shall be superior and senior to any lien placed upon the Project or portion thereof after the date on which this Agreement is recorded, including the lien of any deed of trust or mortgage ("Mortgage"). Notwithstanding the foregoing, no breach hereof shall defeat, render invalid, diminish or impair the lien of any Mortgage made in good faith and for value, but all of the terms and conditions contained in this Agreement shall be binding upon and effective against all persons and entities, including all deed of trust beneficiaries or mortgagees ("Mortgagee") who acquire title to the Project, or any portion thereof, by foreclosure, trustee's sale, deed in lieu of foreclosure or otherwise.

11.2 Mortgagee Not Obligated. No foreclosing Mortgagee shall have any obligation or duty under this Agreement to construct or complete the construction of any improvements required in connection with this Agreement, or to pay for or guarantee construction or completion thereof. City, upon receipt of a written request therefor from a foreclosing Mortgagee, shall permit the Mortgagee to succeed to the rights and obligations of Developer under this Agreement, provided that all defaults by Developer thereunder, if any, that are reasonably susceptible of being cured are cured

by the Mortgagee as soon as is reasonably possible. The foreclosing Mortgagee thereafter shall comply with all of the provisions of this Agreement and the DDA.

11.3 Notice of Default to Mortgagee. If the City receives notice from a Mortgagee requesting a copy of any notice of default given to Developer hereunder and specifying the address for service thereof, the City shall deliver to the Mortgagee, concurrently with service thereof to Developer, any notice given to Developer describing any claim by the City that Developer has defaulted hereunder. If the City determines that Developer is in noncompliance with this Agreement, the City also shall serve notice of noncompliance on the Mortgagee concurrently with service thereof on Developer. Each Mortgagee shall have the right during the same period available to Developer to cure or remedy, or to commence to cure or remedy, the condition of default claimed or the areas of noncompliance set forth in the City's notice.

12. Assignability.

12.1 Right to Assign. Developer may assign its rights to develop the Project hereunder to any successor in interest which acquires any legal or equitable interest in any portion of the Project, which rights shall run with the Property on which the Project is constructed; provided, however, that no assignment may be made under this Section 12.1 unless the assignment is a permissible assignment or transfer under the DDA. Each permitted successor in interest to Developer shall be bound by all of the terms and provisions hereof applicable to that portion of the Project acquired by it. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties' successors, assigns and legal representatives. This Agreement shall be recorded by the City in the San Mateo County Recorder's Office promptly upon execution hereof by both parties.

12.2 No Release Until Certificate of Completion. The provisions of the DDA shall govern Developer's rights and obligations and the restrictions imposed upon the permitted sale, transfer or assignment of Developer's rights and interests under this Agreement. Pursuant to Section 12.1 above and the applicable section or sections of the DDA, Developer shall not be released from its obligations under this Agreement with respect to the Phase of the Project so transferred (unless Developer is so released pursuant to the DDA) until Agency has issued a Certificate of Completion, as defined in the DDA, for that particular Phase of the Project. Upon any permitted transfer under the DDA, the transferee shall expressly and unconditionally assume in writing all of the obligations of Developer under this Agreement with respect to the portion so transferred. Failure to deliver a written assumption agreement hereunder shall not affect the running of any covenants contained herein which run with the land, as provided in Section 12.3 below, nor shall the failure negate, modify or otherwise affect the liability of transferees pursuant to the provisions of this Agreement and the DDA.

12.3 Covenants Run With The Land. During the Term of this Agreement, all of the provisions, agreements, rights, powers, standards, terms, covenants and obligations contained in this Agreement shall be binding upon the parties and their respective heirs, permitted successors (by merger, consolidation or otherwise) and assigns, devisees, administrators, representatives, lessees and all other persons or entities acquiring the Property, any lot, parcel or any portion thereof, or any interest therein, whether by sale, operation of law or in any manner whatsoever, and shall inure to the benefit of the parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns. Subject to the provisions of this Agreement, all of the provisions of this Agreement shall be enforceable as equitable

servitudes and constitute covenants running with the land pursuant to applicable law, including, without limitation, Section 1468 of the California Civil Code. Each covenant to do or refrain from doing some act on the Property (i) is for the benefit of the Property and shall be a burden upon the Property; (ii) runs with the Property; and (iii) is binding upon each party and each permitted successive owner during its ownership of the Property or any portion thereof, and each person or entity having any interest therein derived in any manner through any owner of the Property, or any portion thereof, and shall benefit each party and the Property hereunder, and each other person or entity succeeding to an interest in the Property.

13. General.

13.1 Construction of Agreement. The language in this Agreement in all cases shall be construed as a whole and in accordance with its fair meaning. The captions of the paragraphs and subparagraphs of this Agreement are for convenience only and shall not be considered or referred to in resolving questions of construction. This Agreement shall be governed by the laws of the State of California.

13.2 No Waiver. Subject to the provisions of Section 8.3, no delay or omission by the City in exercising any right or power accruing upon the noncompliance or failure to perform by Developer under the provisions of this Agreement shall impair any right or power or be construed to be a waiver thereof. A waiver by the City of any of the covenants or conditions to be performed by Developer shall not be construed as a waiver of any succeeding breach of the same or other covenants and conditions hereof.

13.3 Agreement is Entire Agreement. This Agreement and all exhibits attached hereto, together with the DDA and the Development Plan, contain the sole

and entire Agreement between the parties concerning the Project. The parties acknowledge and agree that neither of them has made any representation with respect to the subject matter of this Agreement or any representations inducing the execution and delivery hereof, except such representations as are specifically set forth herein, and each party acknowledges that it has relied on its own judgment in entering this Agreement. The parties further acknowledge that any statements or representations that heretofore may have been made by either of them to the other are void and of no effect, and that neither of them has relied thereon in connection with its dealings with the other. To the extent that there is any conflict between the Development Plan and the DDA and this Agreement, the Development Plan and the DDA shall govern the parties' respective rights and obligations.

13.4 Estoppel Certificate. Either party from time to time may deliver written notice to the other party requesting written certification that, to the knowledge of the certifying party (i) this Agreement is in full force and effect and constitutes a binding obligation of the parties; (ii) this Agreement has not been amended or modified either orally or in writing, or, if it has been amended or modified, specifying the nature of the amendments or modifications; and (iii) the requesting party is not in default in the performance of its obligations under this Agreement, or if in default, describing therein the nature and monetary amount, if any, of any default. A party receiving a request hereunder shall execute and return the certificate within sixty (60) days after receipt thereof. The Planning Director of the City shall have the right to execute any certificate requested by Developer hereunder. The City acknowledges that a certificate hereunder may be relied upon by permitted transferees and Mortgagees. At the request of Developer, any certificate provided by the City establishing the status

of this Agreement with respect to any lot or parcel may be in recordable form, and Developer shall have the right to record the certificate for the affected portion of the Property at its cost and expense.

13.5 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but the counterparts together shall constitute only one Agreement.

13.6 Severability. Each provision of this Agreement which shall be adjudged to be invalid, void or illegal shall in no way affect, impair or invalidate any other provisions hereof, and the other provisions shall remain in full force and effect.

13.7 Further Documents. Each party hereto agrees to execute all other documents or instruments necessary or appropriate to effectuate this Agreement.

13.8 Time of Essence. Time is of the essence in the performance of each and every covenant and obligation to be performed by the parties hereunder.

13.9 Attorneys' Fees. In the event of any dispute between the parties involving the covenants or conditions contained in this Agreement, the prevailing party shall be entitled to recover reasonable expenses, attorneys' fees and costs. "Prevailing party" within the meaning of this Section 13.9 shall include, without limitation, a party who brings an action against the other party after the other party's breach or default, if the action is settled or dismissed upon payment or performance by the other party of the matter allegedly due or performance of the covenants allegedly breached, or the plaintiff obtain substantially the relief sought by it in the action.

14. Notice.

14.1 Notices. Except as otherwise expressly provided herein, all notices and demands pursuant to this Agreement shall be in writing and delivered in person,

by commercial courier or by first-class certified mail, postage prepaid and return receipt requested. Except as otherwise expressly provided herein, notices shall be considered delivered when personally served, or upon actual receipt if delivered by commercial courier or by mail. Notices shall be addressed as appears below for the respective parties; provided, however, that either party may change its address for purposes of this Section by giving written notice thereof to the other party:

The City:	City Clerk The City of East Palo Alto 2415 University Avenue East Palo Alto, California 94303
With copy to:	Executive Director Redevelopment Agency of the City of East Palo Alto 2415 University Avenue East Palo Alto, California 94303
With copy to:	Douglas B. Aikins, Esq. Ware & Freidenrich, A Professional Corporation 400 Hamilton Avenue Palo Alto, California 94301-1809
Developer:	University Circle, Ltd. 1450 Fashion Island Boulevard, Suite 600 San Mateo, California 94404 Attention: Joaquin DeMonet
With copy to:	Julia M. Baigent, Esq. Aufmuth, Fox & Baigent 315 Lytton Avenue Palo Alto, California 94301

14.2 Effect of Notice. The provisions of this Section shall be deemed directive only and shall not detract from the validity of any notice given in a manner which would be legally effective in the absence of this Section.

IN WITNESS WHEREOF, the City and Developer have caused this Agreement to be executed in one (1) or more copies as of the day and year first above written.

"CITY"

THE CITY OF EAST PALO ALTO,
a municipal corporation

By_____

"DEVELOPER"

UNIVERSITY CIRCLE, LTD.,
a California limited partnership

By: DeMonet Industries, Inc., a California corporation, its general partner

By:_____
Joaquin DeMonet, President

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

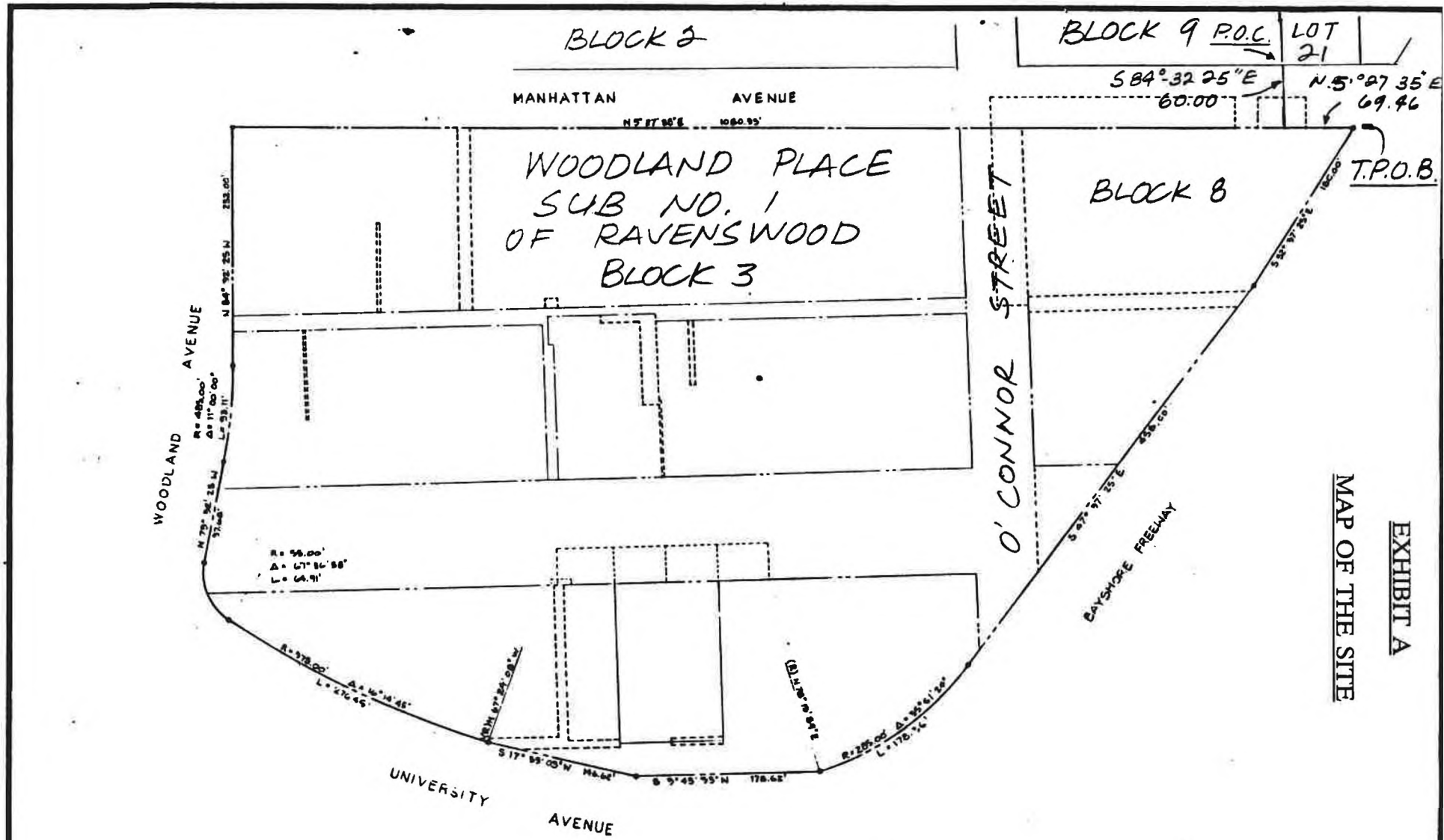

EXHIBIT A

MAP OF THE SITE

PLAT TO ACCOMPANY LEGAL DESCRIPTION

JUNE, 1990

REF. NORTH

EXHIBIT D

SCHEDULE OF PERFORMANCE

	Action	Date
1.	Delivery of Deposit. Developer shall submit Deposit to Agency.	Upon execution of Agreement by Developer.
2.	Execution of Agreement. Agency shall execute Agreement.	Within 5 days after Agency approves Agreement by resolution.
3.	Opening of Escrow. Agency shall open an escrow for conveyance of Site to Developer, and deliver Deposit therein.	Within 5 days after Agency approves Agreement by resolution.
4.	Appraisals. Agency shall select appraiser to prepare appraisals for the Site.	Completed.
5.	Developer's Approval of Appraisals. Developer shall approve or disapprove all appraisals.	Within the later of 60 days after (i) execution of Agreement by both parties, or (ii) Developer's receipt of all appraisals.
6.	Delivery - Agency's Offers. Agency shall prepare and deliver offers to purchase to owners of Site.	After Developer's completion of preliminary physical and soils investigations, subject to need for updated appraisals pursuant to Section 201.1.
7.	Selection of Agency Hearing Date. Agency shall notify Developer of date for hearing to consider adoption of resolution of necessity.	45 days after date of Agency's offers to purchase.
8.	Submission - Evidence of Funds. Developer shall submit to Agency evidence of availability of Pre-Condemnation and Condemnation Costs.	15 days prior to date on which hearing to consider adoption of resolution of necessity is scheduled.
9.	Delivery of Condemnation Costs. Developer shall deposit the Condemnation Costs with Agency.	Not later than 1 day prior to the date Agency must deposit with the court, subject to Section 305.2.(b).

	Action	Date
10.	Delivery of Purchase Price. Developer shall deposit the Purchase Price into Escrow.	Not later than 1 day prior to Close of Escrow, subject to Section 305.2.(a).
11.	Close of Escrow. Agency shall convey title to the Site, including the City Parcel, to Developer, and Developer shall accept the conveyance.	Six months after date of resolution of any pending lawsuits relating to the Project, including the running of all applicable appeals periods.
12.	Inspection of Site. Developer shall conduct all physical, soils and toxic investigations, studies and tests of Site relative to development of the Project.	Not later than Close of Escrow, subject to completion of preliminary soils investigation pursuant to Section 301.1.
13.	Submission - Evidence of Equity Capital and Mortgage Financing. Developer shall submit to Agency evidence of equity capital and/or mortgage financing commitments necessary to purchase and develop the Site.	
	a. Submit evidence of financing for Pre-Condemnation Costs, Condemnation Costs, construction costs for South Office Building, related Improvements and related infrastructure Improvements.	Not later than 30 days prior to Close of Escrow.
	b. Submit evidence of financing for the Hotel, related Improvements and related infrastructure Improvements.	Not later than 30 days prior to commencement of construction of the Hotel.
	c. Submit evidence of financing for North Office Building, related Improvements and related infrastructure Improvements.	Not later than 30 days prior to commencement of construction of North Office Building.
14.	Submission - Final Construction Plans. Developer shall submit Final Construction Plans for the South Office Building, related Improvements and infrastructure Improvements to Agency for approval.	Within 180 days after Close of Escrow.

	Action	Date
15.	Submission - Final Construction Plans. Developer shall submit Final Construction Plans for the Hotel to Agency for approval.	Within 180 days after the later of the last day of the Feasibility Period or Close of Escrow.
16.	Submission - Final Construction Plans. Developer shall submit Final Construction Plans for the North Office Building and Retail Pavilion to Agency for approval.	Within 180 days after receipt of final, irrevocable loan commitment for construction of North Office Building and Retail Pavilion.
17.	Approval - Final Construction Plans. Agency shall approve or disapprove Final Construction Plans.	Within 90 days after submission to Agency.
18.	Submission - Revised Final Construction Plans. Developer shall submit revised Final Construction Plans.	Within 60 days after rejection by Agency of Final Construction Plans.
19.	Approval - Revised Final Construction Plans. Agency shall approve or disapprove revised Final Construction Plans.	Within 60 days after submission to Agency.
20.	Commencement of Construction of South Office Building, Related Improvements, Infrastructure Improvements,. Developer shall obtain building permits for and commence construction of the South Office Building, related Improvements and related infrastructure Improvements.	Not later than 270 days after Close of Escrow for the Site, subject to 120-day extension for submission and approval of revised Final Construction Plans.
21.	Completion of Construction. Developer shall complete construction of the South Office Building, related Improvements and related infrastructure Improvements.	Within 24 months after commencement of construction, subject to delays permitted under Agreement.

	Action	Date
22.	Commencement of Construction of Hotel. Developer shall obtain building permits for and commence construction of Hotel, related Improvements and related infrastructure Improvements.	Within the later of (i) 270 days after submission of Final Construction Plans, subject to 120-day extension for submission and approval of Revised Final Construction Plans, or (ii) 30 days after completion of Highway 101 interchange Improvements.
23.	Completion of Hotel. Developer shall complete construction of Hotel, related Improvements and related infrastructure Improvements.	Within 24 months after commencement of construction, subject to delays permitted under Agreement.
24.	Commencement of Construction of North Office Building; Related Improvements. Developer shall obtain building permits for and commence construction of the North Office Building, Retail Pavilion, related Improvements and related infrastructure Improvements.	Within 270 days after receipt of financing or satisfaction of all conditions to funding if a previous commitment was obtained, subject to 120-day extension for submission and approval of Revised Final Construction Plans, but not later than 12 months after issuance of Certificate of Completion for South Office Building, subject to the provisions of Section 1003.
25.	Completion of Construction. Developer shall complete construction of the North Office Building, Retail Pavilion, related Improvements and related infrastructure Improvements.	Within 24 months after commencement of construction, subject to delays permitted under Agreement.
26.	Issuance of Certificate of Completion. Agency shall issue to Developer a Certificate of Completion for (i) the South Office Building; (ii) the Hotel; and (iii) the North Office Building and Retail Pavilion.	After completion of the construction required to be completed for the South Office Building, the Hotel and the North Office Building and Retail Pavilion, respectively, and within 30 days after Developer's written request therefor, subject also to satisfaction of all necessary requirements.

EXHIBIT E

SCOPE OF DEVELOPMENT

I PRIVATE DEVELOPMENT

A. General.

Developer agrees that the Site shall be developed and improved in accordance with the provisions of this Agreement, and the plans, drawings and related documents approved by the Agency pursuant hereto and the Specific Plan, PUD Permit and Tentative Map issued or to be issued to the Developer. Developer shall work with Agency staff to coordinate the overall design, architecture and color of the Improvements on the Site in accordance with the criteria set forth in the Specific Plan, the PUD Permit and Tentative Map, as contemplated in this Agreement. Subject to the terms and conditions of this Agreement, Developer shall construct, or cause to be constructed, on the Site two (2) office buildings comprising not less than 480,000 gross square feet, a galleria connecting the office buildings, and a Retail Pavilion (the "Retail Pavilion") comprising approximately 9,000 gross square feet. The office buildings are connected by a Galleria (the "Galleria"). The first floor of the office buildings shall be used for retail space such that not less than 35,000 gross square feet of retail space shall exist within the office buildings and retail pavilion. Subject to the terms and conditions of this Agreement, Developer (or Developer's assignee) shall construct, or cause to be constructed, a Hotel consisting of not less than 260 "all suites" type rooms and having approximately 10,000 square feet of meeting space. The Hotel shall be approximately ten (10) stories in height, and the office buildings shall be approximately twelve (12) stories in height, and otherwise shall conform to the parameters set forth in the Specific Plan. Parking facilities shall be provided on grade and consist of two (2) levels of underground parking underneath the office portions of the Site, in accordance with the parking requirements set forth in the Specific Plan, the PUD Permit and the Tentative Map.

B. Architecture and Design.

The Developer's improvements shall be of high architectural quality, shall be well landscaped and shall be effectively and aesthetically designed. The shape, scale of volume, exterior design and exterior finish of the buildings must be consonant with and visually related to each other on the Site. The Developer's plan

submitted to the Agency shall describe in detail the architectural character intended for the Developer's improvements.

C. Landscaping.

Landscaping shall embellish all open spaces upon the Site to integrate the Improvements with adjacent sites within the Project Area. Landscaping shall include materials such as paving, trees, shrubs and other plant materials, landscape containers, plaza treatments, irrigation and pedestrian lighting, in accordance with the Specific Plan. Landscaping shall carry out the objectives and principals of the Agency's desire to accomplish an inviting and aesthetic environment.

D. Other Requirements.

Developer shall conform to all requirements of the Specific Plan, the PUD Permit and the Tentative Map with regard to signage, security, screening of trash areas and mechanical devices and such other provisions as are set forth therein.

II SITE CLEARANCE AND PREPARATION

Developer shall perform, or cause to be performed, at its sole cost and expense the following work as provided in the Agreement:

A. On-Site Demolition and Clearance.

1. On the Site, demolish or salvage, clear, grub and remove (as may be needed and called for in the approved plans) all on-site buildings, pavements, walks, curbs, gutters and other improvements; and

2. Remove, plug and/or crush in place utilities, such as storm sewers, sanitary sewers, water systems, electrical overhead and underground systems and telephone and gas systems located on the Site, as may be required following any necessary relocation of the utilities or permits therefor.

B. Compaction, Finish Grading and Site Work.

The Developer shall compact, finish grade and perform such site preparation as is necessary for construction of the Improvements on the Site.

III HOTEL PARCEL IMPROVEMENTS

Developer, at Agency's cost, by advancing funds on Agency's behalf in accordance with this Agreement, and within the time set forth in the Conditions of Approval and Schedule of Performance, shall provide or cause to be provided the public improvements and all other costs (excluding land costs) for the Hotel Parcel. The costs therefor, as defined in Section 900 of the Agreement, shall be repaid to Developer pursuant to the Reimbursement Agreement, Assignment and Agreement attached as Exhibit J to the Agreement.

EXHIBIT F

FORM OF GRANT DEED

RECORDING REQUESTED BY:

The Redevelopment Agency of the
City of East Palo Alto
2415 University Avenue
East Palo Alto, CA 94503

AFTER RECORDATION, MAIL TO:

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged, THE REDEVELOPMENT AGENCY OF THE CITY OF EAST PALO ALTO ("Grantor"), a public body, corporate and politic, of the State of California acting to carry out the Redevelopment Plan ("Redevelopment Plan") for the University Circle Redevelopment Project, under the Community Redevelopment Law of the State of California, hereby grants to UNIVERSITY CIRCLE, LTD. ("Grantee"), a California limited partnership, all that real property ("Site") more particularly described on Exhibit 1, attached hereto and incorporated herein by this reference.

1. Conveyance Subject to Redevelopment Plan and DDA. The Site is conveyed subject to the Redevelopment Plan, adopted by Ordinance No. 102 and recorded on _____ 1988, as Document No. _____ , in the Official Records of San Mateo County, as the same may be amended from time to time, in accordance with a Disposition and Development Agreement ("DDA"), dated as of _____, 1990, between Grantor, as "Agency," and Grantee, as "Developer."

2. Use Restrictions. The Grantee hereby covenants and agrees for itself, its successors and assigns that, during construction and thereafter for the period specified in Paragraph 5 hereof, the Grantee shall not use the Site for other than the uses specified in the Redevelopment Plan, as the same may be amended from time to time pursuant to Section 1008 of the DDA, and the zoning and land use approvals described in Section 303 of the DDA.

3. Transfer Restrictions. Prior to the issuance of Certificates of Completion by the Grantor for portions of the Site, as provided in Section 407 of the DDA, the Grantee's interest in the Site is subject to certain transfer restrictions as are more specifically set forth in the DDA. These restrictions shall not apply to any portion of the Site subsequent to the issuance of the Certificate of Completion for the portion of the Site. Certain transfers are permitted prior to issuance of the Certificates of Completion as more specifically set forth in the DDA.

4. Covenants. The Grantee covenants by and for itself and any successors in interest that there shall be no discrimination against, or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall the Grantee or any person claiming under or through Grantee establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site. Grantee also covenants by and for itself and any successors in interest that it shall comply with the provisions of the City's Equal Opportunity Policy pursuant to Section 803.3 of the DDA.

All deeds, leases or contracts made relative to the Site. the improvements thereon or any part thereof, shall contain or be subject to substantially the following nondiscrimination clauses:

(a) In deeds:

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

(b) In leases:

"The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to condition, that there shall be no discrimination against, or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the lease, sublease, transfer, use,

occupancy, tenure or enjoyment of the premises herein leased, nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased."

(c) In contracts:

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

5. Term of Covenants. The covenants contained in Paragraph 2 of this Grant Deed shall remain in effect until the expiration of the Redevelopment Plan. The covenants against discrimination contained in Paragraph 4 of this Grant Deed shall remain in perpetuity.

6. Covenants Binding on Successors. The covenants contained in paragraphs 2 and 4 of this Grant Deed shall be binding upon the Grantee and its successors and assigns, and any successor in interest to the Site or any part thereof, and the covenants shall run in favor of the Grantor for the entire period during which the covenants shall be in force and effect, without regard to whether the Grantor is or remains an owner of any land or interest therein to which the covenants relate. The Grantor, in the event of a breach of any covenant, shall have the right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other proper proceedings, to enforce the curing of a breach. The covenants contained in this Grant Deed shall be for the benefit of, and only shall be enforceable by, the Grantor.

7. Right to Repurchase, Must Sell. The Grantor reserves to itself the right, as set forth in Section 606 of the DDA, to repurchase, reenter and repossess all or a portion of the Site, and the right, as set forth in Section 607 of the DDA, to require the Grantee to sell all or a portion of the Site, if the Grantee defaults in the manner provided in Section 606. These rights shall not apply to any portion of the Site subsequent to the issuance of a Certificate of Completion for that portion of the Site.

8. Controlling Provisions. In the event of any express conflict between this Grant Deed and the DDA, the provisions of this Grant Deed shall control.

IN WITNESS WHEREOF, the Grantor and the Grantee have caused this instrument to be executed on their behalf by their respective officers thereunto duly authorized as of this ____ day of _____, 19__.

"GRANTOR"
THE REDEVELOPMENT AGENCY OF
THE CITY OF EAST PALO ALTO

By: _____
Chairperson

By: _____
Secretary

APPROVED:

By: _____
Counsel for Grantor

The provisions of this Grant Deed hereby are approved and accepted.

"GRANTEE"
UNIVERSITY CIRCLE, LTD.,
A California limited partnership

By: DeMonet Industries, Inc.,
a California corporation

By: _____
Joaquin De Monet, President

EXHIBIT G

CONDITIONS OF APPROVAL:
UNIVERSITY CIRCLE REDEVELOPMENT PROJECT
P.U.D. PERMIT AND TENTATIVE PARCEL MAP

1.0 GENERAL

1.1 All development standards and code requirements of Chapter 9, "PUD: PLANNED UNIT DEVELOPMENT DISTRICT" shall be required conditions to this project approval.

1.2 This PUD Permit approval shall expire after forty-eight months from the effective date of approval under 1.20 unless complete application has been made for a building permit for the first office building or as otherwise provided in an executed Disposition and Development Agreement or Statutory Development Agreement.

1.3 The applicant shall submit a complete landscape plan (prepared by a landscape architect licensed in the State of California) showing the common and botanical name, size and location of all plant material to the Planning Commission for review and approval prior to issuance of any building permits.

* 1.4 Mechanical equipment located on building roofs shall be screened from public view from the street and from taller buildings.

1.5 A master sign program for all signs to be located within the project shall be submitted to and approved by the Planning Commission prior to issuance of any sign permits. Prior to installation, all on-site signage must be approved by the City. Prior to final inspection, details of address signs shall be provided to the satisfaction of City staff. All street addresses shall be clearly visible from the street and internally illuminated. Numerals shall be of a size satisfactory to the Fire and Police Departments. Buildings not fronting on a roadway shall be required to have their locations identified along the vehicle roadway nearest the building or at other locations as determined by the Fire and Police Departments.

1.6 A lighting plan showing all parking lot and exterior building lighting, standard design, coverage and intensity shall be submitted to and approved by the Planning Commission prior to issuance of any building permits.

1.7 The applicant must submit a Tentative Parcel Map conforming to the standards of the Subdivision Ordinance of the City of East Palo Alto, and obtain Planning Commission approval of the Map prior to issuance of any building permits. The Tentative Parcel Map shall show all utility improvements proposed to be constructed within the boundaries of the Tentative Parcel Map.

1.8 The applicant shall identify all trees to be removed and retained on the proposed construction site and show the location, species and size of all trees to be retained having a trunk circumference of 24 inches or more measured at a point 24 inches above natural grade. This information shall be shown on the applicant's landscape plan.

1.9 The applicant shall submit to the Planning Department and Redevelopment Agency a final Development Plan showing all required information listed in Section 6916 of Chapter 9 of the Zoning Ordinance of the City of East Palo Alto. The Development Plan must have the approval of the Executive Director of the Redevelopment Agency prior to issuance of building permits for any building in the plan.

1.20 The approval and effective date of this PUD Permit is conditioned upon the applicant's substantiation by evidence of proof acceptable to the Agency Counsel that the applicant has obtained a legal or equitable interest in the property included in the PUD Permit and subdivision applications; in the applicant's petition for a General Plan Amendment to redesignate the project area from Residential and Neighborhood Commercial to General Commercial; and the applicant's petition for a Zoning Amendment to rezone the property from Neighborhood Business (C-1) and Multi Family Residential (R-3) zoning to Planned Unit Development (PUD). For purposes of compliance with this condition, a beneficial interest in a Disposition and Development Agreement properly executed by the Agency shall be considered sufficient.

* 1.21 The applicant shall demonstrate in the Development Plan and final Landscape Plan design guidelines applying to all improvements to the subject site including design and development standards sufficient to buffer surrounding residential areas from the project site. These design guidelines and the implementation measures must be approved by the Executive Director of the Redevelopment Agency prior to issuance of any building permits for the project.

* 1.22 The applicant shall comply with requirements of the Disposition and Development Agreement, as the same may be amended from time to time ("DDA"), entered with the Redevelopment Agency, as the DDA relates to relocation of existing businesses and residents, including but not limited to

paying relocation payments and providing relocation assistance as required by the DDA.

* 1.23 The applicant shall comply with provisions of the DDA relating to the City hiring and jobs training programs for residents of the City of East Palo Alto.

* 1.24 The applicant shall provide existing businesses which are consistent with the uses intended to be included in the new development an opportunity to locate within the project as stipulated in the DDA.

* 1.25 The applicant, within one year after the issuance of a certificate of occupancy for the first office building, shall employ a transportation demand management (TDM) program as follows:

(a) Bicycle racks accommodating 90 bicycles shall be provided in convenient locations as a part of the project's improvements.

(b) The applicant shall conduct a survey upon occupancy of 75% of the total leasable space in the project (excluding the hotel) identifying peak demand of employees for use of a shuttle bus service which will connect to downtown Palo Alto, the CalTrain depot and areas of East Palo Alto. Applicant shall develop a schedule based on the survey and shall underwrite, pro rata, a site-serving shuttle service. If surveyed ridership will not support a shuttle service the applicant may petition the City Council for relief from this condition.

(c) The applicant will employ, for two years following the first certificate of occupancy, a transportation program coordinator responsible for providing information regarding transit, ridesharing, and alternative work schedules to employees and employers. The Coordinator will arrange for car and vanpool matching. The Coordinator will represent University Centre before governmental agencies and service providers to promote transit service to the project for a reasonable number of meetings, not to exceed one per month.

(d) The project will provide preferred parking locations for vanpools and carpools. The project will also provide for reduced parking fees for vanpools and carpools.

(e) The Transportation Coordinator will work with SamTrans and the Santa Clara County Transit District on the rerouting of transit service to the project.

(f) The project will identify and assist in providing methods such as taxi and transit service as an emergency backup for car/vanpool users, and maintain a list of pools available to take passengers to destinations in the event that car/vanpools are not available.

(g) Transit passes will be sold on site, either through the Transportation Coordinator or individual employers.

(h) The Transportation Coordinator shall make referrals to RIDES for Bay Area Commuters to provide matching services, with special emphasis on matching University Centre employees.

(i) The City will identify attainment goals for the peak hour percentage of non-drive-alone commuters employed at the project prior to the date set for implementation of the TDM program as set forth in condition 1.25. Annual goals will be set for the project by the City in subsequent years. The applicant shall conduct an annual survey of employees in the project to determine progress towards that goal. The applicant shall be required to submit the annual survey results to the Planning Director and Executive Director of the Redevelopment Agency.

* 1.26 The applicant is responsible for meeting all fire suppression and prevention requirements of the Menlo Park Fire Protection District. Prior to issuance of any building permits the applicant must provide the City Manager and Executive Director of the East Palo Alto Redevelopment Agency with a letter from the Fire Marshall of the Menlo Park Fire Protection District verifying that all requirements have been met to the satisfaction of the Fire Marshall.

1.27 The project shall be built in substantial conformity with the PUD Permit for the project, the application for which is entitled "University Centre, East Palo Alto, California", as shown on the schematic plans prepared by Hoover Associates, Architects; Hornberger Worstell & Associates, Architects; and Hawk Engineers. Modifications to the project shall be made in accordance with applicable City ordinances.

1.28 Prior to Final Map approval, the applicant shall submit to the Executive Director of the Redevelopment Agency for approval one copy of the CC&R's and any other organizational documents proposed to govern maintenance of grounds and improvements and other management responsibilities within the development. The applicant or any future owner shall provide and conduct regular maintenance of the site in order to eliminate and control the accumulation of trash, excess waste materials and debris.

* 1.29 Prior to issuance of any building permits, the applicant shall fund preparation of a noise study to evaluate the success of automobile traffic noise mitigation measures affecting the buildings and public spaces provided in the Plan. Additional improvements necessary to meet the mitigation level recommended in the noise study shall be incorporated into the site and building design.

1.30 Prior to issuance of a building permit, a complete set of elevations shall be included in the building permit plans indicating colors and materials; and listing manufacturers' names and product identification, and shall be approved by the Executive Director of the Redevelopment Agency.

1.31 Prior to the issuance of a building permit, placement of any construction trailers, construction fencing (e.g., placement and fencing construction material), construction staging areas and phasing of construction activities must be approved by the Executive Director of the Redevelopment Agency.

1.32 Prior to commencement of work in the City's public right-of-way, the applicant shall obtain an encroachment permit, posting the required bonds and insurance.

1.33 Prior to commencement of any work pertaining to on-site drainage facilities, grading or paving, or any work in the City's right-of-way, the applicant shall notify the Director of Public Works at least twenty-four (24) hours in advance.

1.34 All excess fill shall be disposed of in accordance with City requirements. All building debris shall be disposed of outside the City of East Palo Alto.

1.35 Prior to issuance of a building permit, three (3) sets of construction plans shall be submitted to the Building Division for plan check.

1.36 Prior to issuance of a building permit, a soils report satisfactory to the Building Official shall be submitted to the Building Division containing design recommendations for pilings, footings, retaining walls and provision for anticipated differential settlement and any other information that the Building Official may require.

1.37 Prior to issuance of a building permit, the Final Map shall be recorded.

1.38 The PUD Permit and Tentative Parcel Map shall not become effective until after the statutory time periods for first and second reading of the ordinance rezoning the subject property and the 30-day appeal period have transpired.

* 1.39 The applicant shall submit a Master Security Plan to the Police Department for approval prior to issuance of any building permits.

* 1.40 All building exterior construction shall be constructed to ensure maximum interior noise levels of 45dB.

* 1.41 Mechanical equipment shall be located away from residential areas, and noise from project mechanical equipment shall not exceed fifty (50) decibels measured at any residential property line in East Palo Alto. If mechanical

equipment is located near residential development, the applicant shall fund the preparation of an acoustic analysis by a qualified acoustical engineer to determine appropriate noise mitigation measures.

1.42 The applicant and any future owners or occupants of the project shall be subject to any water conservation measures which may be in effect.

* 1.43 The applicant shall be responsible for ensuring that erosion control measures are implemented during demolition and construction of new buildings and public improvements in order to minimize increased creek sedimentation.

* 1.44 Landscaping along the southern portion of the project shall include native species that compliment existing creek vegetation and which are water conserving to protect against drought conditions.

1.45 Landscaping provided in the Landscape Plan shall be a minimum of 70% water-wise plant material.

* 1.46 The widening of Woodland Avenue shall not intrude into the existing creek bed or creekside vegetation.

* 1.47 Direct drainage or runoff from streets and rooftops into the creek is prohibited and must be collected in retention ponds or slowly filtered through vegetation. Storm drainage from the site shall be collected in the storm drainage collection system.

* 1.48 The Applicant shall pay an impact fee for police services as provided in the DDA.

* 1.49 The Master Security Plan shall be approved by the Police Department as a prerequisite to issuance of any building permits.

1.50 Removal of underground tanks shall conform with local and state regulations requiring permitting for removal and supervision by the underground tank program administering public agency. Soil and ground water testing shall be performed as required by the City and local regulatory officials by a qualified soils engineer, and all contamination shall be remediated to acceptable levels in accordance with applicable state and federal laws and regulations.

* 1.51 A water quality survey for adjacent receiving waters shall be performed in order to confirm the effectiveness of the mitigations.

* 1.52 Landscaped areas of the project shall be designed to absorb runoff from roofs and walkways and require minimum maintenances and fertilizers.

1.53 Recycling facilities shall be provided on site and proper disposal facilities for domestic solvent and waste materials shall be provided.

1.54 A site specific response plan for hazardous material spills shall be developed by applicant in coordination with the appropriate regulatory agencies as approved by the City of East Palo Alto.

* 1.55 Groundwater during construction activities shall be retained on-site to allow for settlement of silt and sediment before release into the City's storm drain system.

* 1.56 Sump drainage shall be provided on site for siltation settlement and skimming or filtering of groundwater oils and grease.

* 1.57 The applicant shall cooperate with a tree screen planting program which shall encourage and coordinate homeowners impacted by the visual appearance of the buildings to plant trees along the streets in front of their residences, in coordination with assistance from the National Arbor Foundation and the implementation of the tree planting program by the City of East Palo Alto. The applicant shall contribute $25,000 for provision of trees and planing of the same, within thirty (30) days after receipt of the invoice for such services and trees from the City.

* 1.58 During subsurface construction, if any potentially culturally significant objects are encountered, work shall be halted until a qualified archeologist can be consulted.

* 1.59 All building and landscaping design features shall be energy efficient by incorporating the following design features to the extent feasible:

(a) Grouping rooms to provide more efficient ventilation;

(b) Locating equipment areas, corridors and other service areas against external walls to reduce heat cost;

(c) Minimizing the reflection of solar radiation onto buildings from adjacent ground or building services through painting or planting; and

(d) Concentrating odor producing areas so they are serviced by a single exhaust system, if feasible.

* 1.60 The applicant shall comply with California Energy Conservation Standards for new construction.

* 1.61 The applicant shall undertake construction during the dry season (May through October), unless the applicant implements a winterization program acceptable to the Redevelopment Agency.

* 1.62 The applicant shall plant foliage as a noise barrier along the offramp from US 101 as shown in the approved landscaping plan.

* 1.63 The applicant shall comply with all applicable state and local building requirements to reduce energy consumption.

2.0 TENTATIVE AND FINAL MAP/EASEMENTS.

2.1 The applicant shall cause to have a Tentative Parcel Map and Final Parcel Map prepared by a civil engineer licensed in the State of California submitted to and approved by the City prior to issuance of any building permits.

2.2 Prior to Final Map approval, the applicant shall prepare, or provide from the governing jurisdiction, improvement plans for the construction of all public and private street and utility improvements in accordance with the latest City and affected utility or agency Standard Drawings and Specifications. Should the applicant propose the use of development and/or construction standards for any improvements and or land uses which are different than those presently set forth in the City's codes and ordinances, or presently being employed by the Director of Public Words, such standards must be presented and approved by the City. The applicant shall cause Standard Specifications and Standard Drawings to be prepared in a format to be approved by the Director of Public Works.

2.3 The applicant shall have a Final Map prepared by a registered engineer or licensed land surveyor indicating all parcels and easements created. Prior to approval of the Final Map the City must receive letters of concurrence from PG&E, Pacific Telephone, Cable TV and any other affected agencies to all improvements and easements which are applicable to them. The number and locations of monuments shall be as required by the Director of Public Works.

2.4 Prior to Final Map approval, the applicant shall enter a subdivision improvement agreement with the City which provides for bonding for and completion of all public improvements required. To be included are the costs of all engineering, surveying and inspections at cost plus overhead.

2.5 Prior to Final Map approval, the applicant shall submit to the Director of Public Works a Final Soils Report. Design of the public improvements shall be accomplished in conformity with the final recommended Soils Report in accordance with applicable statutes and codes.

2.6 Prior to Final Map approval, a statement from the soils engineer shall be submitted with regard to the review of the site. The soils engineer shall sign the grading and excavation plans, state that the soils material is acceptable for its intended use and identify any adverse conditions which were discovered.

2.7 Prior to Final Map approval, the applicant shall have included in the Soils Report full disclosure of the investigation and testing for the presence of hazardous wastes on the site. The applicant shall bear responsibility, costs and liability for the removal of any contaminated soil as required by federal, state and local ordinances and laws as provided in the DDA.

2.8 Prior to Final Map approval, the applicant shall submit to the Director of Public Works a complete list of street names for approval.

2.9 Prior to Final Map approval, all pertinent conditions of approval shall be completed to the satisfaction of the City and so reported on a sign-off sheet in the Tentative Parcel Map file.

2.10 A Final Map shall not be recorded until 31 days after adoption of the Rezoning Ordinance by the City Council.

2.11 Prior to placing the Final Map on the Council agenda for approval, the applicant shall provide written evidence that all necessary easements/rights-of-way, including, but not limited to, abandonment of the existing easements, providing for additional width of existing easements/rights-of-way and new easements/rights-of-way, have been provided.

2.12 Prior to placing the Final Map on the Council agenda for approval, the applicant shall provide suitable guarantees of reciprocal easements and/or dedications, as appropriate, among parcels for parking, drainage, egress/ingress and utilities. It is the policy of the City to avoid cross easements for utilities. Each lot should provide direct access for utilities onto public easements or rights-of-way.

2.13 Upon recordation of the Final Map, all dedications of easements, rights-of-way and other parcels shall be made effective.

2.14 Prior to Final Map approval, emergency access easements when required as provided herein for any building shall be granted to the City.

2.15 Prior to Final Map approval, the applicant shall cause dedication to the City and/or special district, as necessary, easements for access to all required on-site fire hydrants that are not within the public right-of-way.

3.0 STREET AND INTERCHANGE IMPROVEMENTS

3.1 Prior to any Final Map approval, the improvement plans shall include the location, including the legal description, of all new public and private streets serving the project. The improvement plans shall be the subject of a bonded improvement agreement between applicant and the City. All improvement plans and specifications for all street improvements shall be designed to the applicable design standards and specifications of the City of East Palo Alto.

3.2 Improvements shall include street lighting and underground utilities. The street lights shall be constructed to applicable City standards.

3.3 In addition to the above items, the following street construction items shall be accomplished in accordance with approved plans and applicable City codes:

- clearing and grubbing
- driveways, curbs, gutters, sidewalks and pavement
- street signs - directional, information and traffic
- striping
- facilities for channeling, merging, stacking, turning and controlling traffic
- barricades and miscellaneous items
- modifications and/or relocation of existing facilities to accommodate the new construction
- landscaping, including sprinkler and irrigation facilities, together with appurtenances to any or all of the above

3.4 All private streets necessary to provide access to all buildings within a phase or parcel shall be constructed with that phase or parcel.

* 3.5 The applicant will construct or cause to be constructed interchange improvements to University Avenue/Bayshore Freeway (State Route 101) generally as set forth and in accordance with geometrics approved by CalTrans. The applicant shall work with CalTrans to resolve all construction requirements and shall dedicate the interchange right-of-way and improvements to CalTrans as required by CalTrans. The applicant shall obtain all necessary permits and approvals from CalTrans prior to start of construction of the hotel phase and the second office building.

* 3.6 The applicant shall reconstruct the University/Woodland intersection in accordance with approved plans and applicable City codes. The intersection shall be reconstructed to provide a six-lane section on Woodland Avenue between University Avenue and the primary project entrance.

3.7 The applicant shall construct a pedestrian overcrossing over the new 101 off-ramp to the University Avenue Overpass, subject to the design standards

and requirements of CalTrans. The applicant shall obtain all necessary permits and pay all necessary fees as required by CalTrans prior to commencement of construction of the hotel and second office building. Said overcrossing shall be dedicated to CalTrans.

* 3.8 The applicant shall widen the southbound segment of the University Avenue overpass between the overpass bridge and Woodland Avenue to provide a five-lane section. This will include an exclusive left turn lane, two through lanes and two right-turn lanes in the southbound direction at the intersection with Woodland Avenue. This improvement also will include the reconstruction of sidewalks on the west side of University Avenue along this segment.

* 3.9 The applicant shall provide a bus duck out, benches and shelter on the south side of Woodland Avenue west of Manhattan Avenue in accordance with the requirements of SamTrans.

* 3.10 Prior to obtaining any Final Map approval, the applicant shall contribute a pro rata share of cost for the improvements listed below. The pro rata share of costs shall be limited to the "percentage change" columns for intersections shown in Table IV-D-6 of the SEIR. The applicant shall be obligated to provide security for the required amount of the pro rata share of cost based upon SEIR for a period not to exceed three years. If the improvements have not been constructed with this time period, the applicant's security will be returned and the obligation to contribute to these improvements will expire.

(a) University/Bay (EPA) - Construction of additional turning lanes at this location, including provision of "free" right-turn lanes westbound and eastbound on Bay as well as southbound on University, plus provision of dual-left turn lanes westbound on Bay. These improvements would require street widening and curb modifications on Bay and University.

(b) Donohoe/Capitol (EPA) - Restriping of the roadway section to provide an eastbound left-turn lane and shoulder through-and-right lane. Relocation of the bus stop to a "far side" location across Capitol.

(c) University/Bayfront Expressway (SR84) (M.P.) - Installation of dual left-turn lanes northbound on University (towards Bayfront westbound) and provide three eastbound through lanes along the Bayfront towards the Dumbarton Bridge.

(d) University/O'Brien (M.P.) - Add a second left turn lane on O'Brien for traffic destined to University Avenue, widening the O'Brien leg of the intersection, moving the north curb and restriping and making required traffic signal modifications.

(e) Embarcadero/East Bayshore (P.A.) - Provide two left-turn lanes northbound by restriping the existing through/left turn lane to left-turn only, and upgrade the traffic signal to full 8-phase operation.

(f) Willow/Newbridge (M.P.) - Widen Willow to provide two southbound through lanes and one through/right-turn lane. Widen the northbound side of the roadway, moving the curb out approximately 12 feet on either side.

(g) University/Middlefield (P.A.) - Provide two travel lanes in the southbound direction (one through lane and one through/right-turn lane). The applicant shall join the City of East Palo Alto and Palo Alto in a joint study to allocate the pro rata share of costs based upon the SEIR.

(h) University/Guinda (P.A.) - Provide two through lanes to accommodate future base traffic with LOS D conditions as set forth in the SEIR. Widen University Avenue out to Guinda subject to the approval of the City of Palo Alto.

(i) Embarcadero/Middlefield (P.A.) - Provide left turn pockets on Middlefield Road in both directions and modify signal operation to upgrade to full 8-phase operation. The applicant shall join the City of East Palo Alto and Palo Alto in a joint study to allocate the pro rata share of costs based upon the SEIR.

(j) Willow/Middlefield (M.P.) - Provide two exclusive left-turn lanes, one through lane and one shared through/right-turn lane on Middlefield eastbound; provide a shared through/right-turn lane on Willow northbound by restriping; and provide two exclusive left-turn lanes, one through lane and one right-turn lane on the southbound Willow approach by restriping and modifications to the median.

(k) Willow/Durham (M.P.) - Add through lanes in each direction.

(l) Ravenswood/Middlefield (M.P.) - Add a through lane on Middlefield and a second left-turn lane to Ravenswood from Middlefield. Coordinate this improvement with the Cities of Menlo Park and Atherton.

* 3.11 The applicant shall construct a bus duck out, benches and a bus shelter in a new location on O'Connor as shown in Figure CSD-4.1 of the PUD Application in accordance with the requirements of SamTrans.

3.12 All public street improvements constructed by the applicant or caused to be constructed as are required to serve the University Circle project shall be dedicated to the City of East Palo Alto upon acceptance of the final construction by the Director of Public Works.

3.13 The applicant is responsible for obtaining all permits and paying all fees required by the City of East Palo Alto for the construction of the street improvements that will serve the development of the site in accordance with applicable City ordinances. All plan checking and inspection fees required by the City of East Palo Alto shall be the sole responsibility of the applicant in accordance with applicable City ordinances.

3.14 The applicant shall submit to the City of East Palo Alto all the necessary insurance and bonding documentation as required by the DDA or applicable East Palo Alto ordinances.

3.15 The applicant shall grant the City of East Palo Alto all rights-of-way or dedications in fee over any locations where the applicant has constructed public street improvements that will eventually become a City of East Palo Alto facility.

3.16 The applicant shall be responsible for the design and construction to City standards and specifications of all conduit, piping and other required facilities to enable the connection of a traffic signal coordination system along University Avenue from Woodland Avenue to Donohoe Street.

* 3.17 All roadways to be constructed in the project area shall be at least 20 feet wide with a standard commercial radius to allow fire truck turns.

* 3.18 The applicant shall elevate the southern portion of the site along Woodland Avenue approximately 2 feet above the Woodland Avenue center line.

4.0 SANITARY SEWER IMPROVEMENTS

4.1 All sanitary sewer facilities shall be designed according to the standards of the East Palo Alto Sanitary District (EPASD).

4.2 All public sanitary sewer facilities constructed by the applicant or caused to be constructed as a result of the system improvements required to be installed to serve the University Circle project shall be dedicated to the EPASD upon acceptance of the final construction by the District.

4.3 The applicant is responsible for obtaining all permits and paying all fees required by the EPASD for the construction of the main sewers that will serve the development of the site. All plan checking and inspection fees required of the EPASD shall be the sole responsibility of the applicant.

4.4 The applicant shall submit to the EPASD all the necessary insurance and bonding documentation as required by the EPASD's ordinances.

4.5 The applicant shall grant to the EPASD all public utility easements over any locations within the site where the applicant has constructed a main sewer that will eventually become a District facility.

4.6 The applicant shall file an application with the EPASD for sanitary sewer service connection and pay the required sanitary sewer connection fees.

4.7 The applicant shall be required to pay the EPASD a reserve capacity allocation fee in an amount to be determined by the EPASD if the applicant wishes to ensure that adequate sanitary sewer treatment capacity is reserved for the complete development needs of the project. It is understood by the applicant that sanitary sewer capacity is allocated on a "first-come-first-served" basis.

* 4.8 The applicant shall be responsible for all costs of design, plan checking, inspection, construction management and construction for the following sanitary sewer transmission line improvements, including, but not limited to:

(a) A 15" sanitary sewer main at Green Street and Clark Street (approximately 2,400 lineal feet);

(b) A 12" sanitary sewer main at Donohoe Street (approximately 1,100 lineal feet);

(c) Manhole modifications as required by the EPASD;

(d) Connecting laterals at Green Street, Clark Street and Donohoe Street as required by the EPASD;

(e) Segment I and II Trunkline Upgrades as required by the EPASD; subject to reimbursement for costs exceeding applicant's pro rata share of 4.5%); and

(f) Cleanouts, "y" branches and laterals.

4.9 Prior to issuance of any building permits, the applicant must provide to the City a letter signed by the Executive Director of the EPASD verifying that all requirements of the EPASD have been met.

5.0 WATER SYSTEM IMPROVEMENTS

5.1 All water system facilities shall be designed and constructed to the standards and specifications of the East Palo Alto County Waterworks District (EPACWD).

5.2 The 8" loop water line to be located within the project site shall remain a private improvement, subject to private maintenance unless the EPACWD requires the dedication of this improvement as a public improvement, in which case the applicant will be required to design, construct and dedicate this facility to the EPACWD.

5.3 The applicant shall pay all water connection fees required by the EPACWD.

5.4 The applicant shall deposit an initial sum of $10,000 in cash with the San Mateo County Department of Public Works upon submittal of improvement plans for plan checking and permitting to fund these services. The applicant shall provide any additional plan checking and inspection fees upon request by the San Mateo County Director of Public Works to fund these services. Said fees shall not exceed a total of 3% of the amount of the estimated cost of construction for plan checking and 3% of the total amount of the estimated cost of construction for inspection services.

* 5.5 The applicant shall be responsible for all costs of design, plan checking, inspection, construction management and construction for the following on-site water system improvements, including, but not limited to:

(a) An 8" looped water line, valves, tees, fittings, blow off assemblies and meter connections (approximately 1,200 lineal feet);

(b) Four Fire Hydrants;

(c) Three Domestic Lateral Connections and three Meters;

(d) Three Fire Service Connections and three Meters;

(e) Two Connections to the Main; and

(f) Backflow prevention devices.

Plan checking fees shall not exceed 3% of the total amount of the estimated costs of construction. Inspection fees shall not exceed 3% of the total amount of the estimated costs of construction.

5.6 Prior to the issuance of any building permits the applicant must provide a letter from the Executive Director of the East Palo Alto Water District that the applicant has met all requirements of the EPAWD.

* 5.7 Prior to Final Map approval, the applicant shall indicate on-site hydrants, blue reflective pavement markers and mains at locations approved by the Menlo

Park Fire Protection District. Fire hydrants shall meet the following requirements:

(a) Fire hydrants shall be installed not more than 300 feet apart; in some instances distances may be less and must meet Menlo Park Fire Protection District standards.

(b) All new fire hydrants or replacement of existing hydrants shall conform to Menlo Park Fire Protection District standards and specifications in effect at the time of approval of improvement plans.

(c) All hydrants must be identified by reflective blue markers on street pavement. Placement shall conform to the standards of the Menlo Park Fire Protection District and the City of East Palo Alto.

* 5.8 If, in the opinion of the Menlo Park Fire Protection District Fire Marshall, due to the building configuration or density, water supplies may be insufficient for firefighting purposes, and exterior dry standpipes may be required. Location and construction design specifications and standards for exterior dry standpipes shall conform to Menlo Park Fire Protection District requirements.

* 5.9 The applicant shall be responsible for providing fire sprinkler systems designed to the specifications and standards of the Menlo Park Fire Protection District for all buildings.

5.10 Prior to the issuance of any building permits or Final Map approval, the applicant must provide to the City a letter from the Fire Marshall of the Menlo Park Fire Protection District that the applicant has met all requirements of the Menlo Park Fire Protection District.

* 5.11 The applicant shall use low flow faucets and shower heads and cooling systems using recycled water.

* 5.12 All fire connections shall be at least 200 feet away from buildings and within 50 feet of a fire hydrant.

* 5.13 The applicant shall provide on-site water storage capacity connected to each building fire sprinkler system.

* 5.14 The applicant shall provide water accessible fire fighting equipment during construction.

6.0 STORM DRAINAGE SYSTEM IMPROVEMENTS

6.1 All storm drainage system facilities shall be designed and constructed to the standards and specifications of the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works.

* 6.2 The applicant shall be responsible to cause to be designed and constructed the following storm drainage improvements, including, but not limited to:

(a) Approximately 240 lineal feet of 30" RCP, including jacking and boring underneath the Bayshore Freeway;

(b) Approximately 360 lineal feet of 30" RCP from the Bayshore Freeway to the intersection of Donohoe Street and University Avenue;

(c) Approximately 1,470 lineal feet of 30" RCP along Donohoe Street and Capitol Avenue to Bell Street;

(d) All required storm drain manholes and frames and covers;

(d) Catch basins and laterals; and

(f) Construct all catch basins as silt detention basins.

6.3 All public storm drainage facilities constructed by the applicant or caused to be constructed as a result of the system improvements required to be installed to serve the University Circle project shall be dedicated to the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works upon acceptance of the final construction by the City and County.

6.4 The applicant is responsible for obtaining all permits and paying all fees required by the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works for the construction of the main sewers that will serve the development of the site. Prior to final map approval, the applicant shall submit to the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works improvement plans for the design of the required storm drainage improvements. All plan checking and inspection fees required shall be the sole responsibility of the applicant.

6.5 The applicant shall submit to the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works all the necessary insurance and bonding documentation as required by the City of

East Palo Alto and the San Mateo County Departments of Public Works ordinances.

6.6 The applicant shall grant to the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works all public utility easements over any locations where the applicant has constructed a main sewer that will eventually become a City/County facility.

6.7 The applicant shall fund the design, construction and all costs associated with storm water transmission lines off-site from the project development site which are determined by the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works to be necessary to serve the University Circle project.

6.8 Prior to the issuance of any building permits, the applicant must provide letters from the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works stating that the applicant has met all storm drainage requirements of the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works.

6.9 The applicant shall be responsible for paying for all plan checking, inspection and construction management fees associated with the plan checking and construction of all storm drainage facilities required to be constructed to serve the project.

* 6.10 Prior to Final Map approval, a complete storm drainage study of the proposed development must be submitted to the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works showing the amount of run-off, and existing and proposed drainage structure capacities. This study shall be subject to review and approval by the City of East Palo Alto Department of Public Works and the San Mateo County Department of Public Works. All needed improvements will be made by the applicant. No overloading of the existing system will be permitted.

* 6.11 The storm drainage collection system shall be designed to be capable of handling the minimum of a 25-year frequency storm or to the City of East Palo Alto Department of Public Works' and the San Mateo County Department of Public Works' standards, whichever are more restrictive, with the hydraulic grade line at least one foot below every grate.

6.12 Calculations and plans showing hydraulic gradelines shall be submitted and approved as a part of the improvement plans package.

* 6.13 The subject site shall be provided with structural protection (e.g., berms, etc.) to protect property from flood inundation by the San Francisquito Creek.

Surface drainage channels shall be maintained and kept clear of vegetation to improve drainage efficiency. New surface and subsurface drainage channels shall be designed with sufficient gradient to permit smooth, rapid flow and to allow for subsidence of filled land.

7.0 OTHER UTILITIES.

7.1 Prior to Final Map approval, the improvement plans shall include the design required to underground all electric, cable TV, gas and communication lines within the development. Such design and construction shall be approved by the affected utilities and the Director of Public Works.

7.2 All utilities within the development shall be underground and shall be constructed in dedicated streets, easements or rights-of-way. They shall include at least the following:

(a) Underground power distribution and service facilities;

(b) Underground communication transmission and service facilities, including Cable TV service to the development;

(c) Underground gas transmission and service lines; and

(d) Any existing above-ground utilities as listed in 7.2(a) through (c) above.

8.0 BONDING AND FEES.

8.1 Prior to approving the Final Map, all bonds, fees and insurance certificates shall be received by the City.

8.2 Prior to Final Map approval, for all public improvements that are a part of the Final Map to be recorded, the applicant shall supply securities in a form acceptable to the City Attorney in the amount of 100% (performance) and 100% (labor and material) of all improvements related to public utilities and public streets. The applicant shall provide two (2) copies of documents verifying the cost of such installation to the satisfaction of the Director of Public Works. For purposes hereof, unconditional letters of credit or general contractor bonds in the required sums shall be deemed sufficient.

8.3 Prior to Final Map approval, for all private street and utility improvements, the applicant shall provide suitable security acceptable to the City in the amount of 100% (performance), 100% (labor and material) and 50% (maintenance) of all landscaping installation and maintenance costs guaranteeing the installation of landscaping and related site improvements and maintenance costs for the 12-month period following installation and

acceptance. The applicant shall provide one copy of a document verifying the cost of both landscape installation and landscape maintenance for 12 months to the Director of Public Works.

8.4 Prior to Final Map approval, the applicant shall pay the City and any utility service districts providing service to the project for the cost of all engineering review, planning review and inspection in accordance with applicable codes and regulations. All other work shall be included in the design and construction contracts. Final Map fees and deposits to pay costs involved for inspection, testing, and contract administration shall be received by the City or special districts.

9.0 CONSTRUCTION PRACTICES.

* 9.1 Construction activities shall be limited to the hours of 7:30 a.m. to 5:30 p.m. on weekdays unless deviations from this schedule are approved in advance by the City. No construction activities may take place between the hours of 5:30 p.m. and 7:30 a.m.

* 9.2 In order to minimize construction noise impacts, all engine-driven construction vehicles, equipment and pneumatic tools shall be required to use effective intake and exhaust mufflers in accordance with OSHA standards.

* 9.3 Blowing dust shall be reduced by timing construction activities so that paving and building construction begin as soon as possible after completion of grading, and by landscaping disturbed soils as soon as possible. Water trucks shall be present and in use at the construction site to wet down loose disturbed soil. All portions of the site subject to blowing dust shall be watered at least three times a day with non-potable water, and more often if necessary to ensure control of blowing dust seven (7) days per week for the duration of the construction.

9.4 All streets shall be kept clean from dirt, mud and other construction debris, and shall be cleaned and swept on a daily basis during the work week.

9.5 All work shall conform to the applicable City codes. Good housekeeping practices shall be observed at all times during the course of construction. Superintendence of construction shall be diligently performed by a person or persons authorized to do so at all times during working hours. The storing of goods and/or materials on the sidewalk and/or the street will not be allowed unless a special permit is issued by the Director of Public Works.

9.6 Prior to the issuance of a building permit, the applicant shall develop an earth movement and management program under the supervision of a licensed soils engineer.

9.7 The applicant shall provide record drawings of utilities and site improvements for review and approval by the Director of Public Works.

* 9.8 The application shall use soil binders or plant grass after construction has been completed to reduce dust.

* 9.9 The application shall use a minimum amount of new paved surfaces and will use local sources of construction materials, including gravel and other fill material, to the extent feasible, in order to reduce energy consumption during construction.

* 9.10 The applicant shall contribute school impact fees as required by law.

10.0 MITIGATION MONITORING PROGRAM.

10.1 The foregoing conditions preceded by an asterisk (*) comprise those mitigations required to be undertaken by the applicant pursuant to the Supplemental Environmental Impact Report ("SEIR") for the project, which was certified by the Redevelopment Agency of the City of East Palo Alto ("Agency") on June 29, 1990. The asterisked conditions shall comprise the Mitigation Reporting and Monitoring Program ("Program") required to be adopted by the Agency pursuant to California Public Resources Code Section 21081.6 and by the Findings Regarding Significant Environmental Effects and Mitigation Measures adopted by the Agency in connection with its certification of the SEIR. Developer shall report to the City annually regarding its compliance with the Program pursuant to Section 8.4 of the Statutory Development Agreement, adopted by ordinance by the City Council of the City of East Palo Alto on _____, 1990.

EXHIBIT H

PREAPPROVAL COSTS
UNIVERSITY CENTRE
SEPTEMBER 07, 1990 REVISED
OUC23.0

SEVEN
BA1..OBSB

	1987	1988	1989	87-89 TOTAL	ACTUAL 1990 JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUG	ACTUAL 9/7 SEPT	OCT	NOV	DEC	1990 TOTAL	87-90 TOTAL	
GOVERNMENT FEES																			
1ST CONSIDERATION	$0			$0														$0	$200,000
REDEVELOPMENT AGCY	$50,000	$350,000	$386,739	$786,739		$100,000			$100,000	$100,000	$100,000						$400,000	$1,186,739	
2ND CONSIDERATION													$100,000				$100,000	$100,000	
BETTER TRANSIT	$0			$0													$0	$0	$5,000
SN CO ECONOMIC DEV		$0		$0													$0	$0	$2,000
	$50,000	$350,000	$386,739	$786,739	$0	$100,000	$0	$0	$100,000	$100,000	$100,000	$0	$100,000	$0	$0	$0	$500,000	$1,286,739	
CITY PRESENTATIONS																			
SCALE MODELS	$53,446	$3,351	$50,395	$107,217	$430	$266	$6,697	$2,122		$2,535	$1,253	$449					$13,752	$120,969	
PETER CHOPE	$28,830		$3,244	$32,074						$1,112							$1,112	$33,206	
RENDERINGS	$4,943			$4,943													$0	$4,943	
MCGUIRE - BARNES		$4,952		$4,952													$0	$4,952	
OTHER	$7,476	$12,170	$2,820	$22,466		$1,950		$124				$1,889					$3,963	$26,429	
	$94,715	$20,477	$56,479	$171,671	$430	$2,216	$6,697	$2,246	$0	$3,646	$1,253	$2,338	$0	$0	$0	$0	$18,826	$190,498	
LEGAL																			
A. F. & B.		$47,257	$82,868	$130,125	$6,580	$7,925	$8,408	$9,530		$6,928	$57,372	$8,875					$105,536	$235,661	
M. B. & A.	$22,969	$81,741	$52,460	$157,171	$5,222		$3,862	$8,504		$10,671	$7,375						$35,634	$192,805	
OTHER	$156		$289	$444						$15,000							$15,000	$15,444	
RUBENSTEIN & PERRY		$3,881		$3,881													$0	$3,881	
	$25,126	$132,879	$135,618	$291,621	$11,722	$7,925	$12,270	$18,034	$0	$32,599	$64,747	$8,875	$0	$0	$0	$0	$156,170	$447,791	
ADMINISTRATION	$1,411	$33,941	$40,998	$76,350	$666			$1,767	$862	$563	$110		$2,076				$6,044	$82,394	
POLITICAL CONTRIBUTIONS		$0	$0	$0	$0			$0				$0					$0	$0	$31,408
ARCHITECTURAL																			
AUBREY ARCHITECTS	$6,092			$6,092													$0	$6,092	
NBBJ	$10,000			$10,000													$0	$10,008	
DENSLER	$5,229			$5,229													$0	$5,229	
BOOVER	$108,000		$80,000	$180,000							$11,512	$111	$18,657				$30,279	$210,279	
	$121,321	$0	$80,000	$201,321	$0	$0	$0	$0	$0	$0	$11,512	$111	$18,657	$0	$0	$0	$30,279	$231,600	
CIVIL ENGINEERS																			
CARROLL RESOURCES	$15,303	$10,000		$25,303														$25,303	
PLANNING & RESEARCH																			
BLAYNEY-DYETT	$36,746	$1,865	$588	$39,197			$661	$313	$194	$655	$438						$2,261	$41,458	
MATTHEWS & SINGLEY	$3,750	$18,500	$8,000	$30,250													$0	$30,250	
OTHER		$0		$0								$0					$0	$0	$6,325
	$40,496	$20,365	$8,588	$69,447	$0	$0	$661	$313	$194	$655	$438	$0	$0	$0	$0	$0	$2,261	$71,708	

PREAPPROVAL COSTS
UNIVERSITY CENTRE
SEPTEMBER 27, 1990
OUC23.0

	REVISED 1987	1988	1989	87-89	ACTUAL 1990 JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	EIGHT BA61..CB118 AUG	SEPT	OCT	NOV	DEC	1990 TOTAL	87-90 TOTAL	
STRUCTURAL ENGINEER																			
ROGERS-LUDKE	$9,254			$9,254													$0	$9,254	
MECHANICAL ENGINEER																			
ORAIR	$2,030			$2,030													$0	$2,030	
GEORGE LIN		$210		$210													$0	$210	
	$2,030	$210	$0	$2,240	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,240	
CIVIL ENG/TRAFFIC																			
RICH CIVIL	$4,965			$4,965													$0	$4,965	
DKS ASSOCIATES	$650			$650													$0	$650	
KORVE ENGINEERING			$4,794	$4,794							$14,885	$10,484					$25,369	$30,163	
RAMC ENGINEERS			$83,934	$83,934	$27,571	$2,709	$14,036	$8,297		$11,453	$15,511	$15,037	$5,777	$0	$0	$0	$100,391	$184,325	
	$5,615	$0	$88,728	$94,342	$27,571	$2,709	$14,036	$8,297	$0	$11,453	$30,396	$25,522	$5,777	$0	$0	$0	$125,760	$220,103	
CITY NEWSLETTER																			
MCGUIRE - BARNES	$12,529		$2,834	$15,363													$0	$15,363	
OTHER		$0	$0	$0		$0											$0	$0	$1,871
	$12,529	$0	$2,834	$15,363	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$15,363	
LANDSCAPE ARCHITECT																			
CALLANDER	$6,449	$74		$6,523													$0	$6,523	
ROYSTON			$14,544	$14,544	$671	$12											$683	$15,227	
	$6,449	$74	$14,544	$21,067	$671	$12	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$683	$21,750	
OTHER CONSULTANTS																			
[illegible]	[illegible]			[illegible]													$0	[illegible]	
[illegible]	[illegible]			[illegible]													$0	[illegible]	
[illegible]	[illegible]	[illegible]		[illegible]					[illegible]	[illegible]		[illegible]					[illegible]	[illegible]	
EARTH METERICS		$14,950	$700	$15,650													$0	$15,650	
[illegible]		[illegible]		[illegible]													$0	[illegible]	
WILLIAM ELMHAT			$10,063	$10,063			$5,044			$5,062	$113						$10,219	$20,282	
BARTON-ASCHMAN			$1,631	$1,631													$0	$1,631	
KENNETH LEVENTHAL																	$0	$0	
	$150,434	$25,377	$12,394	$188,195	$0	$0	$5,044	$0	$6,502	$9,701	$113	$5,736	$0	$0	$0	$0	$25,089	$213,284	
HOTEL CONSULTANT																			
BLACKMAN FLYNN	$6,000	$6,321		$8,321													$0	$8,321	
P. K. F.			$10,500	$10,500								$2,536					$2,536	$13,036	
	$6,000	$6,321	$10,500	$18,821	$0	$0	$0	$0	$0	$0	$0	$2,536	$0	$0	$0	$0	$2,536	$21,357	
DONATIONS		$0	$0	$0	$0		$0		$0			$0					$0	$0	$27,897
EPA SANITARY DISTRICT FEE DEPOSIT				$0	$8,500														

PREAPPROVAL COSTS
UNIVERSITY CENTRE
SEPTEMBER 07, 1990 REVISED
OUC25.0

NINE
BA121..CB178

	1987	1988	1989	87-89	ACTUAL 1990 JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	AUG	SEPT	OCT	NOV	DEC	1990 TOTAL	87-90 TOTAL	
LEGAL-RESIDENTIAL		$1,143		$1,185													$0	$1,185	
	$536,670	$598,824	$837,423	$1,972,917	$49,560	$112,859	$38,708	$30,657	$187,958	$158,617	$208,568	$43,111	$126,510	$0	$0	$0	$876,148	$2,849,065	
OTHER MONTHLY EXPENSES																			
1.3 SENIOR CENTER								$50,000									$50,000		
1.4 POLICE SERVICES - 1990							$0	↓									$0		$50,000
2.0 EIR MITIGATION MEASURES																			
BUSINESS INCUBATION PROGRAM							$50,800										$50,800		
BAYSHORE EMPLOYMENT							$2,000	$2,000	$2,000	$2,000	$2,000	$2,000					$12,800		
TOTAL 1990 MONTHLY EXPENSES					$49,560	$112,859	$90,708	$82,657	$189,958	$160,617	$210,568	$45,111	$126,510	$0	$0	$0	$988,148	$2,961,065	
																			$324,491
CUMULATIVE EXPENSES WITHOUT INTEREST					2,022,477	2,135,336	2,226,044	2,308,701	2,418,259	2,578,876	2,789,444	2,834,555	2,961,065	2,961,065	2,961,065	2,961,065			
MONTHLY INTEREST				12.00%	$23,021	$23,747	$25,113	$26,271	$27,360	$28,729	$30,623	$33,035	$33,816	$35,420	$35,774	$36,131			
CUMULATIVE EXPENSES WITH INTEREST					2,374,673	2,511,278	2,627,099	2,736,827	2,872,945	3,062,291	3,303,483	3,381,629	3,541,955	3,577,375	3,613,149	3,649,280			
																688,215			

EXHIBIT I

GUARANTY

Date: _____, 1990
_____, California

To: The Redevelopment Agency of the City of East Palo Alto

As an inducement to the Redevelopment Agency of the City of East Palo Alto ("Agency") to enter the Disposition and Development Agreement ("DDA"), dated as of _____, 1990, by and between Agency and University Circle, Ltd. ("Developer"), a California Limited Partnership, DeMonet Industries, Inc. ("Guarantor"), a California corporation, hereby does unconditionally guarantee full and prompt payment of all sums required to be paid by Developer under the DDA, and the performance of Developer under the DDA.

If Developer shall default in the performance of any of its obligations, including, without limitation, the payment of any sum, under the DDA, Guarantor shall perform directly the obligation as if it were Developer.

Guarantor hereby waives (a) presentment, notice, notice of demand, protest, notice of protest, notice of dishonor, notice of nonpayment and notice of acceptance of this Guaranty; (b) the right to require Agency to proceed directly against Developer or to pursue any remedy in Agency's power; (c) the right, if any, to require Agency to disclose any information with respect to the financial condition or character of Developer, any collateral, other guarantors, or any action or nonaction on Agency's part or on the part of Developer, any other guarantor or other person; (d) any defense arising by reason of any endorsers or other guarantors; and (e) any rights of subrogation against Developer. Without limiting the foregoing, Guarantor expressly waives any and all benefits of California Civil Code Sections 2809, 2810, 2819, 2825, 2839, and 2845 through 2850.

The obligations under this Guaranty are independent of the obligations of Developer. A separate action or actions may be brought or prosecuted against Guarantor, and recourse may be had against Guarantor's separate property, irrespective of whether any action is brought against Developer or whether Developer may be joined in any such action or actions. In the event of any dispute between the parties hereunder, the prevailing party shall be entitled to receive reasonable expenses, attorneys' fees and costs. "Prevailing Party" shall include, without limitation, a party who brings an action against the other party after the other party's breach or default, if the action is settled or dismissed upon payment or performance by the other party of the matter allegedly due or performance of the covenants allegedly breached, or the plaintiff obtains substantially the relief sought by it in the action. Notwithstanding the foregoing or anything else contained herein, Agency shall have no greater remedies or rights of recovery against Guarantor by virtue of this Guaranty, or otherwise, than Agency would have had against Developer for any default by Developer under the DDA.

Guarantor agrees that, to the extent that Developer makes a payment or payments to, or is credited for any payment or payments made for or on behalf of Developer to Agency, which payment or payments, or any part thereof, is subsequently invalidated, determined to be fraudulent or preferential, set aside and/or required to be repaid to any trustee, receiver, assignee or any other party whether under any bankruptcy, state or federal law, common law or equitable cause or otherwise, then to the extent thereof, the obligation or part thereof intended to be satisfied thereby shall be revived, reinstated and continued in full force and effect as if the payment or payments had not been made originally by or on behalf of Developer.

Notwithstanding the foregoing, this Guaranty shall not apply to Developer's obligations relating to the Hotel Parcel if the Hotel Parcel is subject to a permitted transfer under the DDA, or to Developer's obligations relating to any other Parcel once a Certificate of Completion has been issued by Agency for the Parcel pursuant to the DDA.

In any action brought under or arising out of this Guaranty, the Guarantor hereby submits to the jurisdiction of any competent federal or state court within the State of California, and consents to service of process by any means authorized by California or federal law. This instrument shall be binding on the heirs, legal representatives, successors and assigns of Agency and Guarantor. If any provision of this Guaranty is held to be unenforceable, it shall be of no further effect, and all the remaining terms and provisions hereof shall continue in full force and effect as if such invalid provision had never been included herein.

No shareholder, director, principal, employee, partner, officer or attorney of Guarantor or their affiliates shall be personally liable for performance of any obligation of Guarantor pursuant to this Guaranty, or in the event of any default by Guarantor under this Guaranty. This Guaranty automatically shall terminate upon termination of the DDA.

Receipt of a true copy of this Guaranty hereby is acknowledged by Guarantor. Guarantor agrees that this Guaranty shall be effective with or without notice from Agency of its acceptance of the Guaranty.

GUARANTOR:

DeMonet Industries, Inc.,
a California corporation

By:_____

Title:_____