THIRD IMPLEMENTATION AGREEMENT

to

DISPOSITION AND DEVELOPMENT AGREEMENT
(CENTREPOINT PROJECT)

by and between

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO,

AGENCY,

and

CENTREPOINT LLC,
DEVELOPER.

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THIRD IMPLEMENTATION AGREEMENT
TO
DISPOSITION AND DEVELOPMENT AGREEMENT
(CENTREPOINT PROJECT)

THIS THIRD IMPLEMENTATION AGREEMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT ("Agreement") is made and entered into as of ______________________________, 2008, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO (the "Agency"), and CENTREPOINT LLC, a Delaware limited liability company, with reference to the following facts:

A. In furtherance of the objectives of the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) ("CRL"), the Agency has undertaken a program for the redevelopment of certain areas within the City of San Diego, State of California, and, in this regard, has adopted the Crossroads Redevelopment Project Area ("Project Area") and the Redevelopment Plan ("Redevelopment Plan") for the Project Area pursuant to the CRL.

B. In furtherance of the objectives for the Redevelopment Plan, the Agency and Developer entered into that certain Disposition and Development Agreement effective April 11, 2006, as amended by that certain First Implementation Agreement effective July 11, 2007, and that certain Second Implementation Agreement effective April 23, 2008 (collectively, the "DDA") for the redevelopment of certain real property consisting of approximately 8.93 acres, bounded by El Cajon Boulevard to the north, Art Street to the east, Seminole Drive and Stanley Avenue to the south, and 63rd Street to the west, within the Mid-Cities Communities Plan, Eastern Planning Area, Central Urbanized Planned District and the Project Area ("Site"). The DDA is incorporated herein by this reference. DDA as used herein shall mean, refer to and include the DDA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference).

C. The purpose of the DDA is to effectuate the Redevelopment Plan for the Project Area by providing for the acquisition of the Site and the Developer's development of the Site as a pedestrian-oriented mixed use project that incorporates 312 for-sale residential dwelling units, of which 47 units will be designated by the Developer for not less than fifty-five (55) years from the date of Completion as affordable to families earning 100% of Area Median Income, and approximately 4,000 square feet of retail space.

D. Pursuant to and in accordance with the terms and conditions of the DDA, the Agency agreed to assist with the financing of the development of the 47 affordable housing units by providing a subsidy to the Developer in an amount not to exceed $5,245,000 from the Project Area Low and Moderate Income Housing Fund.

E. To date, the Developer has assembled the Site and has demolished certain of the structures on the Site in order to prepare the Site for development.

F. On October 10, 2008 the Developer requested and on October 21, 2008 the Agency approved, administratively as allowed by the Second Implementation Agreement, extensions to certain deadlines imposed on the Developer set forth in the Amended Schedule of Performance (as amended by the Second Implementation Agreement).

G. The parties desire to enter into this Agreement to implement the DDA with regard to: (1) approving an assignment and transfer of the Site and the DDA to Trammel Crow So. Cal. Development, Inc., a Delaware corporation ("Assignee"); (2) modifying the DDA to provide that all 312 dwelling units to be developed on the Site will be rental rather than for-sale units; (3) modifying the affordability restrictions for the 47 Affordable Units; (4) making further modifications to certain dates in the Amended Schedule of Performance; (5) modifying the amount of the Agency reimbursement grant to be provided under the DDA; (6) making modifications to the terms of repayment of the Developer Loan Obligation; (7) making clarifications to the irrevocable letter of credit provisions added by the Second Implementation Agreement; (8) modifying certain definitions in the DDA to conform to this Agreement; and (9) making such other modifications to the DDA as set forth in this Agreement as agreed to by the parties.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Conversion to Rental Project. The Developer has requested and the Agency hereby consents to the conversion of the residential dwelling units to be developed on the Site from 312 for-sale residential dwelling units to 312 rental residential dwelling units ("Rental Conversion"). Accordingly, (a) whenever the term "for-sale" is used in the DDA, it shall be deemed replaced with "rental", and (b) whenever "sold" is used in the DDA, it shall be deemed replaced with "rented". The Developer acknowledges and agrees that there shall be no for-sale units developed on the Site (market rate or affordable) without the prior written approval of the Agency Board. Any capitalized term not defined herein shall have the meaning ascribed to such term in the DDA.

2. Affordability Restrictions for the 47 Affordable Units. Due to the Rental Conversion, the parties agree that the Affordable Units to be developed and maintained on the Site shall for not less than fifty-five (55) years from the date of Completion be occupied by "Low Income" households (as defined in this Agreement) and rented at an Affordable Rent (as defined in this Agreement). Accordingly, (a) whenever the term "100% of Area Median Income is used in the DDA, it shall be deemed replaced with "65% of Area Median Income", (b) whenever the term "Median Income" is used in the DDA, it shall be deemed replaced with "Low Income"; and (c) whenever the term "Affordable Housing Cost" is used in the DDA, it shall be deemed replaced with "Affordable Rent."

3. Amount of Agency Grant. Due to the modification of the size of the dwelling units to be developed on the Site and the corresponding reduction in development costs, the Developer acknowledges and agrees that the amount of reimbursement assistance to be provided from the Agency pursuant to the DDA (as amended by this Agreement) shall be reduced to Four Million Nine Hundred Sixty-Nine Thousand Dollars ($4,969,000). Accordingly, whenever "5,245,000" is used in the DDA, it shall be deemed replaced with "$4,969,000".

4. Section 102 entitled "Definitions". The following changes are hereby made to Section 102 entitled "Definitions" of the DDA:

a. The following definitions are hereby deleted:

(1) "Affordable Housing Cost"

(2) "Housing Costs"

(3) "Improvements"

(4) "Median Income"

(5) "Next Bond Issue Funds"

b. The following definitions are hereby added:

(1) "Affordable Rent" means maximum monthly rent, plus a reasonable utility

allowance for utilities paid for by the tenant, that does not exceed one-twelfth (1/12) times the product of 30% times 60% of the Area Median Income, adjusted for family size appropriate for the Affordable Unit.

(2) "Improvements" means the pedestrian-oriented mixed-use development to be constructed on the Site, consisting of 312 rental residential dwelling units including the Affordable Units, 10 rental ground-level live/work units, and approximately 4,000 square feet of commercial/retail space, and related improvements and amenities as described in the Amended Scope of Development attached to this Agreement as Attachment No. 4.

(3) "Low Income" means a household income that exceeds the qualifying limits for Very Low Income (as defined in Health and Safety Code Section 50105) but does not exceed 65% of the Area Median Income, adjusted for size.

(4) "Monitoring Agreement" means the Reporting and Monitoring Agreement, substantially in the form attached to the Third Implementation Agreement to this Agreement as Exhibit No. 12.

5. Disbursement of Agency Grant. Section 216 of the DDA entitled "Conditions Precedent to Agency Disbursement of Grant" is hereby deleted in its entirety and replaced with a new Section 216 to read as follows:

"Section 216 Conditions Precedent to Agency Disbursement of Grant

The disbursement of the Agency Grant is conditioned upon the satisfaction by the Developer of each and all of the following conditions precedent, which are solely for the benefit of the Agency:

a. Developer shall have completed the Improvements in accordance with all of the terms and conditions of this Agreement, including, without limitation, the Second Amended Schedule of Performance.

b. Completion shall have occurred in accordance with all of the terms and conditions of this Agreement.

c. Developer shall have fully executed (in recordable form as applicable), and the Agency shall have filed or recorded as appropriate, the following documents:

(1) Agreement Affecting Real Property, substantially in the form attached to the Third Implementation Agreement to this Agreement as Exhibit No. 8, which shall be recorded against title to the Site senior to any liens or encumbrances;

(2) Amended Environmental Indemnity, substantially in the form attached to the Third Implementation Agreement to this Agreement as Exhibit No. 15;

(3) Notice of Affordability Covenants, substantially in the form attached to the Third Implementation Agreement to this Agreement as Exhibit No. 11, which shall be recorded against title to the Site; and

(4) Monitoring Agreement, substantially in the form attached to the Third Implementation Agreement to this Agreement as Exhibit No. 12.

d. All representations and warranties of Developer shall be true and correct.

e. Developer shall not be in default of any terms or obligations of this Agreement (as amended by the Third Implementation Agreement to this Agreement), including, without limitation, satisfaction all of the Agency Conditions Precedent set forth in Section 209, above, prior to the Contingency End Date."

6. Payment in Lieu of Taxes. Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof, that in any year that Developer, its successors or assigns do not pay real property taxes on the Site or any portion thereof for any reason (including, without limitation, because Developer's or its successor's or assign's entity status exempts Developer or its successor or assign from the payment of such taxes), Developer, its successors and assigns shall pay to the Agency by December 10th of such year the following in-lieu fee payment:

a. An amount equal to one (1%) percent of the assessed value of the Site (or portion thereof); or at the option of the Agency Executive Director or designee

b. Payment in the form of a credit towards repayment under the Loan Agreement and accompanying Promissory Note for Developer Loan Agreement.

The obligations under this Section shall continue until the later of: (1) the date all of Developer's obligations hereunder pertaining to payment of each and every in-lieu fee payment has been satisfied; or (b) the last date to receive taxes under the Redevelopment Plan.

7. Irrevocable Letter of Credit. Section 3 of the Second Implementation Agreement added provisions relating to an irrevocable letter of credit. Section 3.c. of such provisions is hereby deleted in its entirety and replaced with the following:

"c. The Letter of Credit shall be subject to the prior written approval of the Agency Executive Director or designee and Agency Counsel as to form, content and issuer. Developer shall be responsible for paying to the issuer

of the Letter of Credit all interest, costs and fees incurred with respect to the Letter of Credit (including, without limitation, any draw on the Letter of Credit). The Letter of Credit shall be available to the Agency to secure the development of two (2) replacement affordable housing units on the Site by June 11, 2011 in accordance with and pursuant to the Replacement Housing Plan, the DDA and CRL Section 33413(a). The term of the Letter of Credit shall end no earlier than June 11, 2011. Upon the occurrence of any of the events set forth below, the Agency Executive Director or designee shall have the immediate right to draw down on the entire amount of the Letter of Credit:

(1) Developer has not "commenced construction" of the two (2) replacement affordable housing units on the Site by December 11, 2009 in accordance with and pursuant to the Replacement Housing Plan, the DDA and CRL Section 33413(a). "Commence construction" shall mean the pouring of concrete for the foundation of at least the two (2) replacement affordable housing units on the Site in accordance with a building permit issued by the City;

(2) Final certificates of occupancy have not been issued by the City for the two (2) replacement affordable housing units on the Site by June 11, 2011 which have been developed in accordance with and pursuant to the Replacement Housing Plan, the DDA and CRL Section 33413(a); or

(3) Developer fails to maintain the Letter of Credit as provided in the DDA or herein.

The proceeds from the Letter of Credit shall be retained by the Agency as an off-set to the costs to the Agency to provide the two (2) replacement affordable housing units in a location other than on the Site.

Developer shall provide an Agency-approved Letter of Credit to the Agency within forty-five (45) days following the execution of the Third Implementation to the DDA by the Agency. It shall be a material default of Developer under the DDA if an Agency-approved Letter of Credit is not provided to the Agency with such 45-day period. Notwithstanding any cure period set forth in Section 501 of the DDA, if an Agency-approved Letter of Credit is not provided to the Agency with such 45-day period, then Developer shall have fifteen (15) days following the date of written notice from the Agency to provide an Agency-approved Letter of Credit. If an Agency-approved Letter of Credit is not received with said 15-day cure period, in addition to any other rights of termination in the DDA, the Agency Executive Director shall have the right to immediately terminate the DDA. In the event the Agency Executive Director terminates the DDA pursuant to this section, neither the Agency nor the Developer shall have

any further rights against or liability to the other under the DDA, except as otherwise provided therein."

8. Conditions Precedent. The Developer acknowledges and agrees that Developer must satisfy all of the Agency Conditions Precedent set forth in Section 209 of the DDA prior to the Contingency End Date regardless of whether the Agency acquires the Leasehold Interests and that the obligations of the Agency under the DDA (as amended by this Agreement), including, without limitation, the obligation to make the Agency Grant, are subject to such timely satisfaction.

9. Revised Basic Concept and Schematic Drawings. Due to the modification of the size of the dwelling units to be developed on the Site, Developer has, as part of this Agreement, submitted to the Agency revised Basic Concept and Schematic Drawings pursuant to Section 305 of the DDA. The revised Basic Concept and Schematic Drawings are attached hereto as Exhibit No. 14 and incorporated herein by reference.

10. Additional $50,000 Developer Deposit. Prior to the Agency's execution of this Agreement, Developer has deposited with the Agency $50,000 in order to reimburse the Agency and City for third party costs (e.g., attorneys and consultants) and costs of the Agency and City for drafting, negotiation, and execution of this Agreement and any subsequent assignment to Assignee. Unused portions of such deposit will be promptly refunded to Developer.

11. Affordable Housing Documents. In order to conform to this Agreement, the Affordable Housing Documents (Attachment No. 14 to the DDA) are hereby deleted as an attachment to the DDA and references in the DDA to "Affordable Housing Documents" are hereby deleted.

12. Termination by Developer. Due to the fact that the entire Site has been acquired by the Developer since the DDA was entered into, Section 508 of the DDA is hereby deleted in its entirety.

13. Assignment to Assignee.

a Subject to satisfaction of the conditions precedent set forth in Section 13.b, below, the Agency consents to Developer's assignment to Assignee and Assignee's assumption from Developer of all of Developer's right, title, interest and obligations in the Site and the DDA as set forth in the Assignment and Assumption Agreement attached hereto as Exhibit No. 13 and incorporated herein by reference (such assignment and assumption referred to as the "Assignment").

b. The Assignment shall be conditioned upon and shall only become effective if and when all of the following conditions precedent have been satisfied:

(1) This Agreement has become effective;

(2) Assignee has acquired the entire Site;

(3) The Assignment and Assumption Agreement has been fully executed by all parties thereto in substantially the form attached hereto as Exhibit No. 13, and a fully executed original of the Assignment and Assumption Agreement has been provided to the Agency; and

(4) Developer is not in default of any terms or obligations of the DDA (as amended by this Agreement), including, without limitation, satisfaction all of the Agency Conditions Precedent set forth in Section 209, above, prior to the Contingency End Date.

14. Cell Tower Relocation. Developer covenants and agrees that, in order to prepare the Site for development of the Improvements in accordance with the Second Amended Schedule of Performance, Developer shall relocate the existing cell tower on the Site by March 11, 2009 in accordance with that certain Relocation Agreement entered into as of November 30, 2006 by and between Developer, Chicago Title and Sprint PCS Assets, L.L.C.

15. Interest Rate for Repayment of Developer loan for Agency Grant. The interest rate payable by the Agency for repayment of any Developer loan of the Agency Grant as provided in Section 218 of the DDA shall be reduced to five and one-half percent (5 ½%). Accordingly, whenever "7%" is used in the DDA, it shall be deemed replaced with "5 ½%".

16. Second Amended Schedule of Performance. The DDA is hereby amended by changing all references to the "Amended Schedule of Performance" to the "Second Amended Schedule of Performance". The "Second Amended Schedule of Performance" is attached hereto as Exhibit No. 1 and incorporated herein by this reference.

17. Amended Scope of Development. The DDA is hereby amended by changing all references to the "Scope of Development" to the "Amended Scope of Development". The "Amended Scope of Development" is attached hereto as Exhibit No. 2 and incorporated herein by this reference.

18. Amended Project Budget. The DDA is hereby amended by changing all references to the "Project Budget" to the "Amended Project Budget". The "Amended Project Budget" is attached hereto as Exhibit No. 3 and incorporated herein by this reference.

19. Developer Loan Agreement. The DDA is hereby amended by replacing in its entirety the "Developer Loan Agreement" attached to the DDA as Attachment No. 7 with the "Developer Loan Agreement" attached hereto as Exhibit No. 4 and incorporated herein by this reference.

20. Promissory Note for Developer Loan Agreement. The DDA is hereby amended by replacing in its entirety the "Promissory Note for Developer Loan Agreement" attached to the DDA as Attachment No. 8 with the "Promissory Note for Developer Loan Agreement" attached hereto as Exhibit No. 5 and incorporated herein by this reference.

21. Amended Method of Financing. The DDA is hereby amended by changing all references to the "Method of Financing" to the "Amended Method of Financing". The "Amended Method of Financing" is attached hereto as Exhibit No. 6 and incorporated herein by this reference.

22. Amended Universal Design Checklist. The DDA is hereby amended by changing all references to the "Universal Design Checklist" to the "Amended Universal Design Checklist". The "Amended Universal Design Checklist" is attached hereto as Exhibit No. 7 and incorporated herein by this reference.

23. Agreement Affecting Real Property. The DDA is hereby amended by replacing in its

entirety the "Agreement Affecting Real Property" attached to the DDA as Attachment No. 13 with the "Agreement Affecting Real Property" attached hereto as Exhibit No. 8 and incorporated herein by this reference.

24. Amended Marketing Plan. The DDA is hereby amended by changing all references to the "Marketing Plan" to the "Amended Marketing Plan". The "Amended Marketing Plan" is attached hereto as Exhibit No. 9 and incorporated herein by this reference.

25. Amended EOCP Documents. The DDA is hereby amended by changing all references to the "EOCP Documents" to the "Amended EOCP Documents". The "Amended EOCP Documents" are attached hereto as Exhibit No. 10 and incorporated herein by this reference.

26. Notice of Affordability Restrictions. The DDA is hereby amended by replacing in its entirety the "Notice of Affordability Restrictions" attached as Attachment No. 17 to the DDA with the "Notice of Affordability Restrictions" attached hereto as Exhibit No. 11 and incorporated herein by this reference.

27. Amended Environmental Indemnity. The DDA is hereby amended by changing all references to the "Environmental Indemnity" to the "Amended Environmental Indemnity". The "Amended Environmental Indemnity" is attached hereto as Exhibit No. 15 and incorporated herein by this reference.

28. Binding on Successors and Assigns. This Agreement and all of the terms and conditions herein shall be binding upon and inure to the benefit of the successors, assignees, personal representatives, heirs and legatees of the parties hereto and every successor in interest to or assignee of the Site or any portion thereof.

29. Effect of Third Implementation Agreement; DDA and Attachments to Remain in Full Force and Effect. Except as otherwise expressly provided herein, the terms and conditions of the DDA shall remain unmodified and in full force and effect. In the event of any conflict between the terms of this Agreement and the DDA, the terms of this Agreement shall control.

30. Further Assurances and Changes. The parties agree to execute such other documents and to take such other action as may be reasonably necessary to further the purposes of this Agreement. The Agency's Executive Director or designee is authorized to make such further changes to the forms of documents and instruments attached to the DDA and this Agreement as may be necessary or appropriate to conform such documents and instruments to this Agreement.

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

32. Attorneys' Fees. If any action or proceeding is brought by any party against the other party under this Agreement, whether for interpretation, enforcement or otherwise, the prevailing party shall be entitled to recover all costs and expenses, including the fees of its attorneys and

any expert witnesses in such action or proceeding. This provision shall also apply to any postjudgment action by either party, including without limitation, efforts to enforce a judgment.

33. Authority to Sign. The individuals executing this Agreement on behalf of Developer hereby represents that they have full authority to do so and to bind Developer to perform pursuant to the terms and conditions of this Agreement.

34. Counterparts. This Agreement may be executed by each party on a separate signature page, and when the executed signature pages are combined, shall constitute one single instrument.

[signatures on following pages]

DEVELOPER

CENTREPOINT LLC,
a Delaware limited liability company

Date: __________________________ By:_______________________________________
Name: _____________________________
Title: ______________________________

Date: __________________________ By:_______________________________________
Name: _____________________________
Title: ______________________________

[signatures continue on following page]

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
(Agency)

Date: _________________________

By:________________________________
Name: _______________________
Title: ________________________

APPROVED AS TO
FORM AND LEGALITY

AGENCY GENERAL COUNSEL

By: ______________________________
Deputy General Counsel

APPROVED:
KANE, BALLMER & BERKMAN
Agency Special Counsel

By: ______________________________

Exhibit No. 1

Second Amended Schedule of Performance

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Exhibit No. 2

Amended Scope of Development

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Exhibit No. 3

Amended Project Budget

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Exhibit No. 4

Developer Loan Agreement

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Exhibit No. 5

Promissory Note for Developer Loan Agreement

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Exhibit No. 6

Amended Method of Financing

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Exhibit No. 7

Amended Universal Design Checklist

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Agreement Affecting Real Property

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Amended Marketing Plan

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Exhibit No. 10

Amended EOCP Documents

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Exhibit No. 11

Notice of Affordability Restrictions

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Exhibit No. 12

Monitoring Agreement

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Exhibit No. 13

Assignment and Assumption Agreement

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Exhibit No. 14

Revised Basic Concept and Schematic Drawings

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Exhibit No. 15

Amended Environmental Indemnity

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