

TENTH AMENDMENT TO ACQUISITION AGREEMENT

THIS TENTH AMENDMENT TO ACQUISITION AGREEMENT (this "Tenth Amendment") is entered into this 04 day of JANUARY, 2005 by and between the CITY OF VALLEJO (the "City"), and LENNAR MARE ISLAND LLC, a California limited liability company ("Lennar").

the
city

RECITALS

A. The City and Lennar entered into that certain Acquisition Agreement, dated as of December 21, 1999 (as amended, the "Acquisition Agreement"), wherein the parties established the terms upon which Lennar will acquire the Acquisition Property and act as Master Developer, as defined in the Acquisition Agreement.

B. On September 20, 2000, the City and Lennar entered into that certain First Amendment to Acquisition Agreement (the "First Amendment"), which First Amendment extended the Preliminary Feasibility Period from September 30, 2000 to January 29, 2001.

C. On January 31, 2001, the City and Lennar entered into that certain Second Amendment to Acquisition Agreement (the "Second Amendment"), which Second Amendment extended the Preliminary Feasibility Period from January 29, 2001 to March 30, 2001.

D. On March 30, 2001, the City and Lennar entered into that certain Third Amendment to Acquisition Agreement (the "Third Amendment"), which Third Amendment extended the Preliminary Feasibility Period from March 30, 2001 to May 31, 2001.

E. On May 24, 2001, the City and Lennar entered into that certain Fourth Amendment to Acquisition Agreement (the "Fourth Amendment"), which Fourth Amendment extended the Preliminary Feasibility Period from May 31, 2001 to August 31, 2001.

F. On August 28, 2001, the City and Lennar entered into that certain Fifth Amendment to Acquisition Agreement (the "Fifth Amendment"), which Fifth Amendment extended the Preliminary Feasibility Period from August 31, 2001 to September 30, 2001.

G. On September 30, 2001, the City and Lennar entered into that certain Sixth Amendment to Acquisition Agreement (the "Sixth Amendment"), which Sixth Amendment extended the Preliminary Feasibility Period from September 30, 2001 to November 30, 2001.

H. On November 30, 2001, the City and Lennar entered into that certain Seventh Amendment to Acquisition Agreement (the "Seventh Amendment"), which Seventh Amendment extended the Preliminary Feasibility Period from November 30, 2001 to January 31, 2002.

I. On January 15, 2002, the City and Lennar entered into that certain Eighth Amendment to Acquisition Agreement (the "Eighth Amendment"), which Eighth Amendment extended the Preliminary Feasibility Period from January 31, 2002 to February 28, 2002.

J. On February 26, 2002, the City and Lennar entered into that certain Ninth Amendment to Acquisition Agreement (the "Ninth Amendment"), which Ninth Amendment extended the Preliminary Feasibility Period from February 28, 2002 to April 30, 2002.

K. As the result of unforeseen changes to the dates and sequence of various entitlements governing the development of Mare Island, Early Transfer (as defined below), and the processing of an amendment to the Mare Island Specific Plan, among other events, the parties desire to delete Exhibit F to the Acquisition Agreement.

L. The City and Lennar negotiated with the Navy the terms of an early transfer of title to a portion of the Acquisition Property commonly known as the Eastern Early Transfer Parcel (the "EETP") to the City from the Navy and to Lennar from the City, subject to the assumption by the City and Lennar of responsibility for certain environmental remediation required to obtain environmental regulatory closure with respect to the EETP following its transfer from the Navy. The EETP was transferred from the Navy to the City and from the City to Lennar on March 26, 2002. A diagram of the EETP will become the new Exhibit F to the Acquisition Agreement. In order to implement early transfer of title to the EETP, (i) the Navy and the City entered into that certain Environmental Services Cooperative Agreement, dated as of April 16, 2001 (the "ESCA"), setting forth the City's responsibilities and payments to be received from the Navy for the environmental remediation of the EETP, (ii) the City and Lennar entered into that certain Mare Island Remediation Agreement, dated as of April 16, 2001 (the "MIRA"), setting forth Lennar's responsibilities and payments to be received from the City (as received from the Navy by the City under the ESCA) for the environmental remediation of the EETP, and (iii) the City, Lennar and the Department of Toxic Substances Control ("DTSC") entered into that certain Consent Agreement, dated as of April 16, 2001 (the "Consent Agreement"), establishing the process for obtaining regulatory closure from DTSC for remediation of hazardous materials within each "Investigation Area" (as defined by the Consent Agreement) conveyed by the Navy to the City pursuant to a Finding of Suitability for Early Transfer ("FOSET"). The activities and obligations of the parties contemplated by this Recital L shall collectively be referred to herein as early transfer of the EETP ("Early Transfer"). The ESCA, MIRA, and Consent Agreement are herein referred to as "Early Transfer Documents."

M. Although the Acquisition Agreement generally contemplated Early Transfer, many specific provisions of the Acquisition Agreement assumed that the Navy would complete the environmental remediation of the Site prior to its transfer to the City and subsequent transfer to Lennar. As a result of the execution of the Early Transfer Documents, many specific provisions of the Acquisition Agreement should be amended to reflect Early Transfer.

N. Subsequent to the approval and execution of the Acquisition Agreement, the parties negotiated and executed a statutory development agreement (the "Development Agreement") setting forth terms for the development of the Site. During the Development Agreement negotiations, the parties discussed certain issues addressed by the Acquisition Agreement, including provisions related to default, and the parties agreed to revise the Acquisition Agreement provisions regarding cure of default.

O. As a result of events beyond the control of the City and Lennar subsequent to execution of the Acquisition Agreement, the dates set forth in the Performance Schedule, attached to the Acquisition Agreement as Exhibit Q, no longer reflect the understandings of the parties. The City and Lennar revised the Performance Schedule accordingly during Development Agreement negotiations and now desire to reflect further revisions in the Performance Schedule.

P. On April 11, 2001 the City and the Mare Island Historic Park Foundation (the "MIHPF") entered into that certain Memorandum of Agreement (the "MOA"), which MOA sets forth terms for the lease by MIHPF of certain historic resources located on the Site. Lennar consented to the MOA, and the parties have agreed to revise Exhibit N to the Acquisition Agreement to reflect the terms of the MOA and to attach and incorporate the MOA by reference into the Acquisition Agreement as Exhibit N.

Q. By order dated January 2, 2003 and filed January 3, 2003, the Superior Court of the State of California in and for the County of Solano validated the formation of the City of Vallejo Community Facilities District No. 2002-1 as of July 1, 2002. As a result of the foregoing, the City and Lennar desire to amend Exhibit D to the Acquisition Agreement to replace the reference to "Service District Fees" with "CFD Special Tax."

R. The City and Lennar entered into that certain Facility Agreement dated March 26, 2002 (as it may be amended, the "Facility Agreement"), wherein the parties set forth the terms upon which the City will occupy the City Occupied Facilities, as that term is defined in the Facility Agreement. The City and Lennar desire to incorporate the Facility Agreement into the

Acquisition Agreement. As a result of changed circumstances resulting from the Facility Agreement, the City and Lennar desire to amend Sections 2.2.9 and 6.1.8 of the Acquisition Agreement to reflect the rights and obligations of the parties with respect to the City Occupied Facilities.

S. The City and Lennar desire to amend the Acquisition Agreement as provided herein.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE CITY AND LENNAR HEREBY AGREE AS FOLLOWS:

AGREEMENT

1. Incorporation of Recitals. The foregoing recitals are true and correct and by this reference are hereby incorporated into this Tenth Amendment.

2. Defined Terms. All capitalized terms not defined herein shall have the meanings ascribed to them in the Acquisition Agreement. All capitalized terms defined herein shall be deemed to be incorporated into Section 1.1 of the Acquisition Agreement.

3. Cure of Default. Section 21.4 of the Acquisition Agreement shall be deleted in its entirety and replaced by the following:

In the event of an alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured and a reasonable period of time in which to cure, that shall in no event be less than thirty (30) days, or if such default cannot reasonably be cured within thirty (30) days, a period of time that is sufficient to allow for such cure, which period of time shall not exceed ninety (90) days. At the close of such 90-day period, and provided that Lennar is working diligently to cure any such default, the parties shall meet and confer in good faith to determine whether additional time to cure such default or further amendment of this Agreement is warranted by the circumstances. During any such cure period, including the extension of such cure period by mutual consent of the parties, the party charged shall not be considered in default for purposes of termination or institution of legal proceedings.

4. Historic Resources. Exhibit N of the Acquisition Agreement identifies the MIHPF Sublease Premises to be owned by Lennar, the City or the State of California and subleased to MIHPF pursuant to the MIHPF Subleases. Certain of the MIHPF Sublease Premises, consisting of Building 46, Quarters A and Quarters B, were originally contemplated to be owned by Lennar but now are to be owned by the City. To reflect this change, Exhibit N of the Acquisition

Agreement is deleted in its entirety and replaced by a new Exhibit N to the Acquisition Agreement consisting of the MOA, which is attached hereto as Exhibit 1 and incorporated by reference. In addition to the MOA, certain terms of the Facility Agreement related to the Chapel, Chapel Park and Alden Park shall govern the ownership, use and occupancy of these historic resources. In addition, the second and third paragraphs of Section 16.1 of the Acquisition Agreement shall be deleted in its entirety and replaced by the following:

With respect to properties described in **Exhibit N**, the Chapel is Excluded Property. Chapel Park and Alden Park are initially Lennar Acquisition EDC Parcels, but shall become Excluded Property once conveyed to City for park dedication credits. Further terms and conditions with respect to the Chapel, Chapel Park and Alden Park are set forth in the Facility Agreement. Dry Dock #1, Building Ways 2 and Berth 10 are portions of the Lennar Acquisition State Lands Sublease Areas. The balance of the MIHPF Sublease Premises are portions of the Lennar Acquisition EDC Parcels.

If, during the Term, MIHPF is in default under the MOA or any MIHPF Sublease, and the MOA or any such MIHPF Sublease is terminated or, for any other reason, MIHPF vacates any MIHPF Sublease Premises or portion thereof, excluding the Chapel, Chapel Park and Alden Park, the City may, at its option, (i) following consultation with Lennar, enter into a new sublease on substantially the same terms as the applicable MIHPF Sublease with a new subtenant for the purpose of continuing operations consistent with the requirements of the MOA and ensuring preservation of the facilities that have been vacated by MIHPF or are the subject of the MIHPF default, or (ii) take over operation consistent with the requirements of the MOA of the facilities that have been vacated by MIHPF or are the subject of the MIHPF default. If the City elects not to pursue either of the options set forth in clauses (i) and (ii) above, then the City shall offer in writing such premises at no cost to Lennar, and Lennar shall notify City in writing, within 90 days of such offer, if it shall accept conveyance of such premises. If Lennar accepts such offer, such premises shall be conveyed to Lennar within ninety (90) days of Lennar's acceptance. Lennar shall have the right to develop the conveyed premises in a manner consistent with its overall development of Mare Island, subject to all applicable federal, state and local laws, as provided for in the Development Agreement. Following such conveyance, all revenue from any subsequent lease or sale of such premises shall become Project Revenues and all associated expenses shall be Project Costs. Lennar acknowledges that to the extent City receives any equipment from MIHPF, City may, but shall not be obligated, to offer such equipment to Lennar at no cost to Lennar. In the event Lennar determines it shall not accept such premises, or if escrow has not closed within the ninety (90) day-period specified above, City may offer to convey such premises to a third party.

5. Amendment of Recalculation Events. Section 5.2(x) shall be deleted and replaced by the following Sections 5.2(x) through (xi):

(x) Regulatory changes related to infrastructure (e.g., wastewater discharge standards) resulting in significant cost increases beyond those costs in the Approved Participation Model ;

(xi) Any other event expressly stated to be a Recalculation Event in this Agreement or the DA.

6. Facility Agreement. In order to reflect the changed circumstances resulting from the adoption of the Facility Agreement, which shall be Exhibit S to the Acquisition Agreement and which is attached hereto as Exhibit 2 and incorporated by reference, the Acquisition Agreement is amended as follows:

a. Section 2.2 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

The Acquisition Property will include the following property, subject to the Reuse Area Subleases, the Touro Sublease, the Facility Agreement dated March 26, 2002 between the City and Lennar (as it may be amended, the "Facility Agreement"), and the subleases entered into by City during the Preliminary Feasibility Period in accordance with Section 7.3.1:

b. Section 2.2.9 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

The MIHPF Sublease Premises, as defined in Section 16.1 and identified in Exhibit N, including Chapel Park and Alden Park, provided that Lennar shall convey Chapel Park and Alden Park to City at no cost. To the extent applicable to the Chapel, Chapel Park and Alden Park, the terms of the Facility Agreement shall also apply. Pursuant to the City's Historic Resources Ordinance, the MIHPF Sublease Premises will be maintained as "contributing resources." City shall accept Lennar's conveyance of the portion of the MIHPF Sublease Premises consisting of Chapel Park and Alden Park, and upon such conveyance, Lennar shall be deemed to have dedicated 6.8 acres of park land (2.5 acres for Chapel Park and 4.3 acres for Alden Park) to City for purposes of helping to satisfy any park dedication requirements under the Entitlements; and

c. The title of Section 2.3.5 of the Acquisition Agreement is hereby deleted in its entirety and replaced by "Fire Station Facility" and Section 2.3.5 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

The fire station located at Building 127, with associated parking, unless at any time during the Term the fire station is abandoned by City as a fire station, whereupon the fire station site shall be offered in writing to Lennar at no cost,

and Lennar either shall accept or decline, in writing, such offer within 90 days of City's written offer. A failure to respond shall be deemed a declination of the offer. The fire station shall be deemed abandoned as a fire station (i) if City notifies Lennar of City's abandonment thereof as a fire station, or (ii) if the fire station has not been used by City as a fire station for a continuous twelve (12) month period and City does not resume such use within six (6) months after the date of Lennar's notice of presumed abandonment. At Lennar's request, City shall verify in writing whether City has used the fire station as a fire station at any time during the prior twelve (12) month period. Notwithstanding the foregoing, if Lennar requests that City relocate the Fire Station to a mutually approved location on Mare Island, City shall cooperate with Lennar to promptly accomplish such relocation and the reasonable cost of which relocation shall be paid by Lennar and shall be a Project Cost. Further terms and conditions regarding the City's occupancy of the City Occupied Facility known as the Fire Station Facility are set forth in the Facility Agreement;

d. Section 2.3.10 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

The Chapel shall be excluded from the Acquisition Property. Further terms and conditions regarding the City's occupancy of the City Occupied Facility known as the Chapel are set forth in the Facility Agreement.

e. Section 2.3.11 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

Chapel Park and Alden Park shall be Excluded Property as set forth in **Exhibit N** upon their conveyance to the City in accordance with Sections 2.2.9 and 16.1, unless either or both of such premises are thereafter included in the Acquisition Property pursuant to Section 16.1 and Section 2.2.10. Further terms and conditions regarding the City's occupancy of the City Occupied Facilities known as Chapel Park and Alden Park are set forth in the Facility Agreement.

f. The title of Section 6.1.8 of the Acquisition Agreement is hereby deleted in its entirety and replaced by "Facility Agreement" and the text of Section 6.1.8 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

The City and Lennar entered into the Facility Agreement, attached hereto as **Exhibit S**, with respect to the City Occupied Facilities, as that term is defined in the Facility Agreement. The City shall have the right to utilize the Ferry Facility, Marketing Facility, and Public Works Facility (all as defined in the Facility Agreement) for the Term of this Agreement. Upon the expiration of the Term of this Agreement, Lennar shall convey title to the Ferry Facility, Marketing Facility, and Public Works Facility to the City, which conveyance shall be accepted by the City. All City Occupied Facilities that are to be transferred by Lennar to the City pursuant to the Facility Agreement or this

Agreement shall be transferred to the City in "as is" condition without representation or warranty by Lennar, at no cost to City.

g. The title of Section 8.9.2 of the Acquisition Agreement is hereby deleted in its entirety and replaced by "Maintenance of City Occupied Facilities" and the text of Section 8.9.2 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

During the Term of this Agreement, City shall maintain the City Occupied Facilities at City's sole cost in compliance with the requirements of the Facility Agreement, the Specific Plan, and in a manner consistent with the standard of maintenance of the Site as then developed in accordance with the Project, which may require fencing, screening, and other improvements. A City Occupied Facility shall be deemed abandoned by City to Lennar for use in the Project (i) if City notifies Lennar of City's abandonment thereof, or (ii) if the City Occupied Facility has not been used by City for its specified purpose for a continuous twelve (12) month period and City does not resume such use within six (6) months after the date of Lennar's notice of presumed abandonment. At Lennar's request, City shall verify in writing whether City has used such City Occupied Facility for its specified purpose at any time during the prior twelve (12) month period.

h. The title of Section 8.9.3 of the Acquisition Agreement is hereby deleted in its entirety and replaced by "Payment of Mare Island Operating Expenses for City Occupied Facilities" and the text of Section 8.9.3 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

As more fully set forth in the Facility Agreement, from and after October 1, 2001, City will pay its proportionate share of Mare Island Operating Expenses with respect to the City Occupied Facilities.

i. Section 8.9.4 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

During the Term of this Agreement, to facilitate the development of the Project, if Lennar requests that City relocate a City Occupied Facility to a mutually approved location on Mare Island, or that City reduce the size of a City Occupied Facility to a mutually satisfactory size in light of the function to be performed, City shall cooperate with Lennar to promptly accomplish such relocation or size reduction, the reasonable cost of which relocation shall be paid by Lennar and shall be a Project Cost. Concurrent with such relocation, the provisions of the Facility Agreement with respect to such relocated City Occupied Facility shall be modified to conform to the relocated premises.

j. Section 20.2 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

City shall defend, indemnify and hold harmless the Lennar-Related Parties from all Actions and Losses incurred by the Lennar-Related Parties by reason of any act, failure to act, error or omission of the City, arising out of or in connection with the performance of City's obligations under this Agreement, or the use of the City Occupied Facilities, including, without limitation, any such Actions or Losses arising out of (i) the violation or alleged violation of any Environmental Laws caused solely by the acts or omissions of City, or (ii) the release of any Hazardous Substances in, on, under or about the Site solely to the extent such Hazardous Substances were brought onto or used, and released, on the Site by City in violation of any Environmental Law; and City agrees at its own cost, expense and risk to defend any and all Actions against the Lennar-Related Parties, or any of them, arising out of or in connection with the performance of City's obligations under this Agreement and to pay and satisfy any resulting Losses, provided that in no event shall City be liable to indemnify Lennar or any other party for consequential, incidental or special damages, lost profits or lost revenues. The provisions of this Section will survive the termination of this Agreement. The City's indemnification obligations with respect to the City Occupied Facilities are set forth in more detail in the Facility Agreement.

7. Early Transfer. In order to reflect Early Transfer and subsequent environmental remediation thereof pursuant to the Early Transfer Documents, the following provisions of the Acquisition Agreement are hereby amended:

a. The definition of Project Costs, set forth in Section 1.1 of the Acquisition Agreement, is hereby deleted in its entirety and replaced by the following:

"Project Costs" means any and all of Lennar's costs, including interest on debt, incurred for or in connection with the acquisition, ownership, development (including but not limited to any and all net, unreimbursed costs related to Early Transfer), management, construction, operation, marketing and disposition of the Project, and shall include Project Costs incurred by Lennar prior to the date of this Agreement, and all fees paid to Lennar under this Agreement. Project Costs are subject to change as to categories and amounts to accommodate the needs of the Project.

b. Section 3.1 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

City shall use its best efforts to acquire the Acquisition Property either (i) pursuant to the EDC in accordance with the "EDC Transfer Dates Schedule," as defined in and attached to the EDC, and the SLC Agreement, or (ii) pursuant to the provisions of the Early Transfer Documents and the SLC Agreement dated February 28, 2002; provided that Lennar acknowledges that City's obligation is subject to receipt of the Acquisition Property from the

United States Government, and the negotiation of the SLC Agreement, and City has not represented that City will be able to acquire the Acquisition Property in accordance with the EDC Transfer Dates Schedule, or negotiate the SLC Agreement within the Preliminary Feasibility Agreement.

c. Section 3.2 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

Subject to the provisions of this Agreement, the EDC Transfer Dates Schedule and, if the Acquisition Property is conveyed pursuant to a FOSET, the Early Transfer Documents, City agrees to expeditiously convey, assign, lease, transfer and deliver to Lennar, and Lennar agrees to acquire and accept from City all right, title and interest in and to the Acquisition Property at the times specified and in the following manner.

d. Section 3.2.1.1 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

Fee title to any portion of the Lennar Acquisition EDC Parcels shall be conveyed by Deed from City to Lennar, in the Approved Title Condition in accordance with and as defined in Section 6.1.1, the Approved Transfer Condition in accordance with and as defined in Section 10.6 and, if conveyed pursuant to a FOSET, in accordance with the provisions of the Early Transfer Documents. The portion of the Lennar Acquisition EDC Parcel that is the subject of City's Notice of Acquisition of Real Property, shall be transferred by City to Lennar on a date mutually approved by City and Lennar, which date shall not be more than sixty (60) days after the date of Lennar's receipt of City's Notice of Acquisition of Real Property with respect to such portion of the Lennar Acquisition EDC Parcels.

e. Section 3.2.1.2 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

Subject to the provisions of the SLC Agreement, the Lennar Acquisition State Lands Sublease Area, or any portion thereof, shall be subleased by City to Lennar pursuant to a sublease satisfactory in form and substance to City, Lennar and the State Lands Commission (the "Lennar State Lands Sublease"), which sublease shall be evidenced by the recordation of the SLC Endorsement for such State Lands Sublease. Any portion of the Lennar Acquisition State Lands Sublease Area that is the subject of City's Notice of Acquisition of Real Property shall be transferred by City to Lennar in the Approved Title Condition in accordance with Section 6.1.1, the Approved Transfer Condition in accordance with Section 10.6 and, if conveyed pursuant to a FOSET, in accordance with the provisions of the Early Transfer Documents, on a date mutually approved by City and Lennar, which date shall not be more than sixty (60) days after City's execution of a State Lands Lease.

f. Section 5.2(v) of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

(v) Conveyance by the United States to City, and Lennar as successor to City, of the Site in accordance with the EDC Transfer Dates Schedule or, in the event the Site is transferred pursuant to a FOSET, in accordance with the provisions of the Early Transfer Documents, and with the improvements, assumed in the Approved Participation Model.

g. Section 6.1.3 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

Lennar shall undertake such inspections of the Acquisition Property including a Lennar Acquisition Personal Property inventory, as Lennar shall desire. Unless Lennar notifies City on or before the expiration of the Preliminary Feasibility Period that Lennar has elected to terminate this Agreement for any reason, including, without limitation, because the physical condition of the Acquisition Property is unacceptable, Lennar will be deemed to have accepted the physical condition of the Acquisition Property subject to either (i) in the event the Acquisition Property is transferred pursuant to the FOST, the performance by the United States of any environmental remediation with respect to the Acquisition Property that is the obligation of the United States pursuant to the EDC and applicable laws, or (ii) in the event the Acquisition Property is transferred pursuant to a FOSET, performance by the United States and the City of their respective obligations under the EDC, the Early Transfer Documents and applicable law, and in either case subject to the performance by the United States of its historic resources maintenance obligations pursuant to the Memorandum of Agreement Among The United States Navy, The Advisory Council on Historic Preservation and The California State Historic Preservation Officer Regarding the Layaway, Caretaker Maintenance, Leasing, and Disposal of Historic Properties on the Former Mare Island Navel Shipyard, Vallejo, California, executed as of February 25, 1997, as concurred to by the City and the National Park Service (the "Historic Resources MOA") concerning the United States' duty to perform caretaker maintenance with respect to historic resources. The City shall use its best efforts as a concurring party to the Historic Resources MOA to enforce the United States maintenance obligations under the Historic Resources MOA upon notification by Lennar of any failure to perform the required maintenance. Lennar acknowledges that the Acquisition Property is being transferred by City to Lennar "As-Is". As used in this Section 6.1.3, "As-Is" means the Acquisition Property in its condition at the time of transfer or lease to Lennar, with all faults other than any funds to be paid or any matter that is required to be performed or remediated by the United States pursuant to the EDC, the Early Transfer Documents or any applicable law, or that is City's obligation pursuant to the Early Transfer Documents or with respect to the City Occupied Facilities. Except with respect to City's obligation to enforce the environmental remediation, historic structure preservation, and other obligations of the United States with respect to the Acquisition Property

pursuant to the EDC, the Historic Resources MOA, the Early Transfer Documents, or other applicable law for Lennar's benefit, to perform City's obligations with respect to the City Occupied Facilities, to perform City's obligations pursuant to the Early Transfer Documents, and to complete the cure of any Cured Title and Survey Exceptions, City shall not have any responsibility for the condition of the Acquisition Property.

h. Section 7.2 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

At Lennar's request, City and Lennar shall cooperate in good faith to pursue efforts to effect an "early transfer" of any portion of the Acquisition Property to the extent feasible, provided that neither party shall be obligated to waive any express condition to such transfer set forth in this Agreement. Default by Lennar of any of the Early Transfer Documents, while it may affect the timing and phasing of the acquisition of the Acquisition Property, shall not result in a default by Lennar of this Agreement.

i. Section 8.4 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

Except to the extent of the Cooperative Agreement Funds, funds from the Island Wide Services District, Working Capital Account, funds due Lennar pursuant to the Early Transfer Documents, and any grants benefiting the Project, Lennar shall be solely responsible for all costs incurred in connection with the development of the Acquisition Property, including all costs of infrastructure, all of which costs shall be Project costs. Notwithstanding the above, in the event insurance proceeds from any environmental insurance policies, including, but not restricted to, any remediation stop loss policies and environmental liability policies obtained in connection with Early Transfer, are paid to the City pursuant to the Early Transfer Documents, City shall apply such funds in their entirety to the environmental remediation of the Acquisition Property.

j. Section 8.9.12 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

In the event of a termination of this Agreement for any reason, including, without limitation, Lennar's default, the conditions of approval imposed by City for future development of the Acquisition Property surrendered to City by Lennar in connection with such termination (the "Surrendered Acquisition Property") shall include the requirement that any developer of Surrendered Acquisition Property shall reimburse Lennar for the cost of the development of the offsite infrastructure serving the portion of the Surrendered Acquisition Property being developed in accordance with a "fair share" engineering analysis, obtained by the City at Lennar's expense, for the Surrendered Acquisition Property. In addition, any such developer shall be required to reimburse Lennar for a proportionate share of any costs actually paid by Lennar to independent third parties for the environmental remediation of such

Surrendered Acquisition Property, over and above those costs paid to Lennar pursuant to the MIRA or from any other source.

All such reimbursements shall be paid at the time a building permit is issued, and transferred to Lennar as and when received by City. Such reimbursements shall be included as Project Revenues in the Approved Participation Model.

- k. The first paragraph of Section 10.6 of the Acquisition Agreement shall be deleted in its entirety and replaced by the following:

At least sixty (60) days prior to the scheduled transfer to City, City and Lennar shall conduct an inspection (the "Pre-EDC Transfer Inspection") to confirm that the property to be transferred is in the condition required under the EDC, including, without limitation, all remediation work required to be completed by the Navy (the "Approved Transfer Condition"). If the property is transferred pursuant to a FOSET, the Approved Transfer Condition may include additional or revised conditions as set forth in the Early Transfer Documents. City and Lennar shall confirm in writing the Approved Transfer Condition of the property to be transferred as of the Pre-EDC Transfer Inspection. After transfer of property to City and prior to transfer to Lennar, City shall be obligated to maintain the property in the Approved Transfer Condition. Lennar shall have the right to conduct such further reasonable inspections as Lennar desires prior to the Closing to confirm that as of the Closing Date for such property, the property remains in the Approved Transfer Condition. If the property is not in the Approved Transfer Condition then Lennar shall have the right but not the obligation, to correct such deficiencies and City shall assist Lennar in obtaining reimbursement from any available funds under the Cooperative Agreement.

8. Performance Schedule. Exhibit Q of the Acquisition Agreement, entitled "Performance Schedule," is hereby deleted in its entirety and replaced by a new Exhibit Q to the Acquisition Agreement, which is attached hereto as Exhibit 3 and incorporated by reference.

9. Notices. The names and addresses listed in Section 22.9 of the Acquisition Agreement are hereby deleted in its entirety and replaced by the following:

If to the City: City Manager
 City of Vallejo
 P. O. Box 3068
 Vallejo, CA 94590
 Tel: (707) 648-4575
 Fax: (707) 648-4426

With Copies to: City Attorney
City of Vallejo
P. O. Box 3068
Vallejo, CA 94590
Tel: (707) 648-4545
Fax: (707) 648-4687

Director of Community Development
City of Vallejo
P. O. Box 3068
Vallejo, CA 94590
Tel: (707) 648-4444
Fax: (707) 648-4499

If to Lennar, to: Mr. Emile Haddad
24800 Chrisanta Road
Mission Viejo, CA 92691
Tel: (714) 598-8500

With Copies to: Thomas E. Sheaff
690 Walnut Ave., Ste. 100
Vallejo, CA 94592
Tel: (707) 562-4003

Kevin Hanson
David O. Team
Lennar Partners
4350 Von Karman Ave., Ste. 200
Newport Beach, CA 92660
(949) 885-8500

Bruce Reed Goodmiller, Esq.
John P. Doorlay, Esq.
Morrison & Foerster LLP
101 Ygnacio Valley Road, Suite 450
Walnut Creek, CA 94596-4095
Tel: (925) 295-3300
Fax: (925) 946-9912

10. The last entry in the "Mare Island Operating Expenses" column of Exhibit D of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

Items listed above are expected to be replaced by the CFD Special Tax.

11. Exhibit F to the Acquisition Agreement is hereby deleted in its entirety and replaced by a diagram of the EETP as a new Exhibit F to the Acquisition Agreement, which is attached hereto as Exhibit 4 and incorporated by reference. The List of Exhibits to the Acquisition Agreement is hereby revised accordingly.

12. Entitlement Schedule. In order to reflect the deletion of Exhibit F to the Acquisition Agreement, the Acquisition Agreement is amended as follows:

a. The defined term "Entitlement Schedule" in Section 1.1 of the Acquisition Agreement is hereby deleted in its entirety.

b. The defined term "Project" in Section 1.1 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

"Project" means the activities contemplated by the Entitlements identified on the Performance Schedule and the Approved Participation Model.

c. Section 8.1(v) of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

cooperation to diligently process certain subsequent land use and planning approvals and environmental review in connection with such Entitlements sought by Lennar which may require further amendments of the City-initiated General Plan Amendment, the Specific Plan, and other approvals obtained by Lennar; including but not limited to subsequent adjustments as may be needed to attain the original housing and employment generating goals of the Reuse Plan.

d. Section 8.2 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

It is the intent of City and Lennar that the Acquisition Property be developed in an expeditious manner, consistent with the creation and funding of the City of Vallejo Community Facilities District No. 2002-1, the creation and funding of other assessment districts or other public financing mechanisms in connection with financing infrastructure improvements, market conditions, and other similar factors, and the goal of completing expeditious development of the Acquisition Property, subject to Force Majeure. In furtherance of such intent, Lennar and City have approved the Performance Schedule attached hereto as **Exhibit Q** (the "Performance Schedule"). From and after the date hereof, on July 31 and January 15 of each calendar year, Lennar shall submit to the City Manager (i) evidence that either (a) the Cumulative Job Projections for such semi-annual period have been achieved, or (b) that the cumulative amount of Lennar Capital invested for periods ending as of June 30 and December 31, respectively, shown in column 1 of the Performance Schedule (each a "Performance Schedule Benchmark Date") is at least the amount set forth in column 3 of **Exhibit Q** (the "Cumulative Required Semi-Annual Lennar Investment"), and (ii) evidence of the sum of all cumulative Project Revenues

through such six (6) month period (the "Cumulative Semi-Annual Revenue"). If the Cumulative Semi-Annual Revenue is not an amount equal to or greater than the amount set forth in column 4 of **Exhibit Q** (the "Cumulative Semi-Annual Revenue Target"), then Lennar shall not be obligated to provide any further Lennar Capital to the Project until the cumulative Project Revenues are equal to the Cumulative Semi-Annual Revenue Targets for then applicable Performance Schedule Benchmark Date (the "Cumulative Semi-Annual Revenue Targets"). At any time that the Cumulative Semi-Annual Revenue Targets have been achieved but the Cumulative Job Projection has not been achieved, Lennar shall be obligated to resume providing Lennar Capital up to the amount of the Cumulative Required Semi-Annual Lennar Investment prior to the next Performance Schedule Benchmark Date, and the failure to do so by such Performance Schedule Benchmark Date shall be a default by Lennar under this Agreement. In no event shall the failure to achieve the Cumulative Job Projection set forth on **Exhibit Q** be a default by Lennar under this Agreement or the DA. Lennar and City shall each promptly notify the other of any anticipated or actual material delay due to Force Majeure or any other matter, the expected duration of the delay and the anticipated effect on the Performance Schedule. At Lennar's request, the Performance Schedule shall be extended from time to time to permit reasonable delays in implementing the Project, or any one or more anticipated components of the Project, to respond to adverse market conditions, and City shall not unreasonably delay, withhold or condition City's approval of the period of such extension. Lennar and City shall use commercially reasonable efforts to remedy any delay in meeting the Performance Schedule caused by Force Majeure or any other matter including City's administrative delay. Upon the written request of a party approved by the other party, which approval shall not be unreasonably withheld, conditioned or delayed, the Performance Schedule shall be modified and extended to account for any event of Force Majeure and for any mutually approved delay. A party's failure to remedy any unexcused delay within thirty (30) days after written notice from the other party shall be a default under this Agreement. A delay shall be "excused" if such delay is a result of Force Majeure or a mutually approved delay. An unexcused delay shall be deemed "remedied" if within such thirty (30) day period the party notified of the unexcused delay either institutes such action as is needed to remedy the delay and thereafter pursues such action to completion, or such delay is excused in writing.

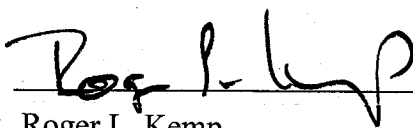
e. Section 8.7 of the Acquisition Agreement is hereby deleted in its entirety and replaced by the following:

City and Lennar shall cooperate in good faith to negotiate and further the land use and other regulatory approvals process necessary to develop the Acquisition Property. City and Lennar agree to consult with one another on an ongoing basis in an effort to diligently undertake all steps necessary to further development of the Site.

13. Effect of this Tenth Amendment. Except as expressly modified by this Tenth Amendment, the Acquisition Agreement shall continue in full force and effect according to its terms and the City and Lennar hereby ratify and affirm all their respective rights and obligations under the Acquisition Agreement. In the event of any conflict between this Tenth Amendment and the Acquisition Agreement, the provisions of this Tenth Amendment shall govern.

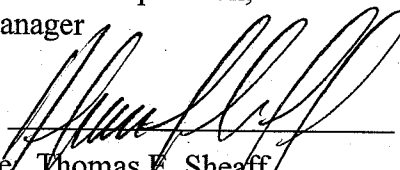
IN WITNESS WHEREOF, the City and Lennar have signed this Tenth Amendment effective as of the date first set forth hereinabove.

CITY OF VALLEJO

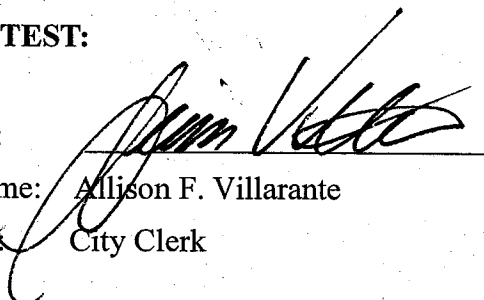
By: 
Name: Roger L. Kemp
Its: City Manager

LENNAR MARE ISLAND, LLC,
a California limited liability company

By: Lennar Homes of California, Inc.,
a California corporation,
its manager

By: 
Name: Thomas E. Sheaff
Its: Vice President

ATTEST:

By: 
Name: Allison F. Villarante
Its: City Clerk

APPROVED AS TO FORM:

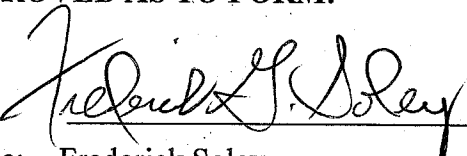
By: 
Name: Frederick Soley
Its: City Attorney

EXHIBIT 1

**Exhibit N
to the
Acquisition Agreement
(Memorandum of Agreement)**

Memorandum of Agreement
Between City of Vallejo, Lennar Mare Island LLC and
Mare Island Historic Park Foundation dated April 11,
2001 is filed in the M.I.H.P.F Agreements binder
Tab 3

EXHIBIT 2

**Exhibit S
to the
Acquisition Agreement
(Facility Agreement)**

The Facilities Agreement
Between the City of Vallejo and Lennar Mare Island
LLC dated March 26, 2002 is filed in tab 5 of this
binder

EXHIBIT 3

**Exhibit Q
to the
Acquisition Agreement**

**Performance Schedule
Projections and Targets Only***

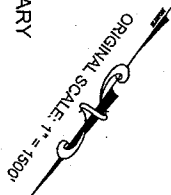
Column 1	Column 2	Column 3	Column 4
Benchmark Date	Cumulative Job Projection	Cumulative Semi-Annual Investment	Cumulative Semi-Annual Target Revenues
Existing	1,250		
06/30/2003	1,338	\$9,585,001	\$633,430
12/31/2003	1,431	\$11,955,786	\$6,153,933
06/30/2004	1,531	\$13,503,338	\$7,560,761
12/31/2004	1,638	\$31,271,717	\$9,308,707
06/30/2005	1,753	\$32,713,244	\$15,910,483
12/31/2005	1,876	\$39,108,694	\$44,627,103
06/30/2006 →	2,007	\$45,673,618	\$53,432,788
12/31/2006	2,148	\$52,628,469	\$89,517,742
06/30/2007	2,298	\$57,993,867	\$105,188,573
12/31/2007	2,459	\$70,066,080	\$114,794,235
06/30/2008	2,631	\$79,212,067	\$125,791,937
12/31/2008	2,815	\$92,780,135	\$150,791,639
06/30/2009	3,012	\$102,634,494	\$169,591,477
12/31/2009	3,223	\$107,351,832	\$203,959,395
06/30/2010	3,449	\$113,585,568	\$209,431,161
12/31/2010	3,690	\$120,003,480	\$216,448,900
06/30/2011	3,949	\$125,517,526	\$223,960,210
12/31/2011	4,225	\$129,763,156	\$235,990,975
06/30/2012	4,521	\$133,512,749	\$240,423,334
12/31/2012	4,837	\$137,507,905	\$254,565,733
06/30/2013	5,176	\$140,850,963	\$258,932,468
12/31/2013	5,538	\$145,837,495	\$268,374,235
06/30/2014	5,926	\$151,276,152	\$271,626,352
12/31/2014	6,340	\$159,060,302	\$273,916,470
06/30/2015	6,784	\$164,125,024	\$310,239,446
Total	6,784	\$164,125,024	\$310,239,446

* The parties expressly acknowledge that any failure to meet the projections and targets set forth in this Exhibit Q shall not constitute a default under this Agreement. The investment and revenue projections in columns 3 and 4 are exclusive of reimbursable expenses associated with Early Transfer. The parties also acknowledge that these projections and targets may be revised in the event of a Recalculation Event.

EXHIBIT 4

**Exhibit F
to the
Acquisition Agreement
(EETP Diagram)**

----- EETP EDC PARCEL BOUNDARY
 _____ EETP GAPLANDS PARCEL BOUNDARY



MARE
 ISLAND
 STRAIT

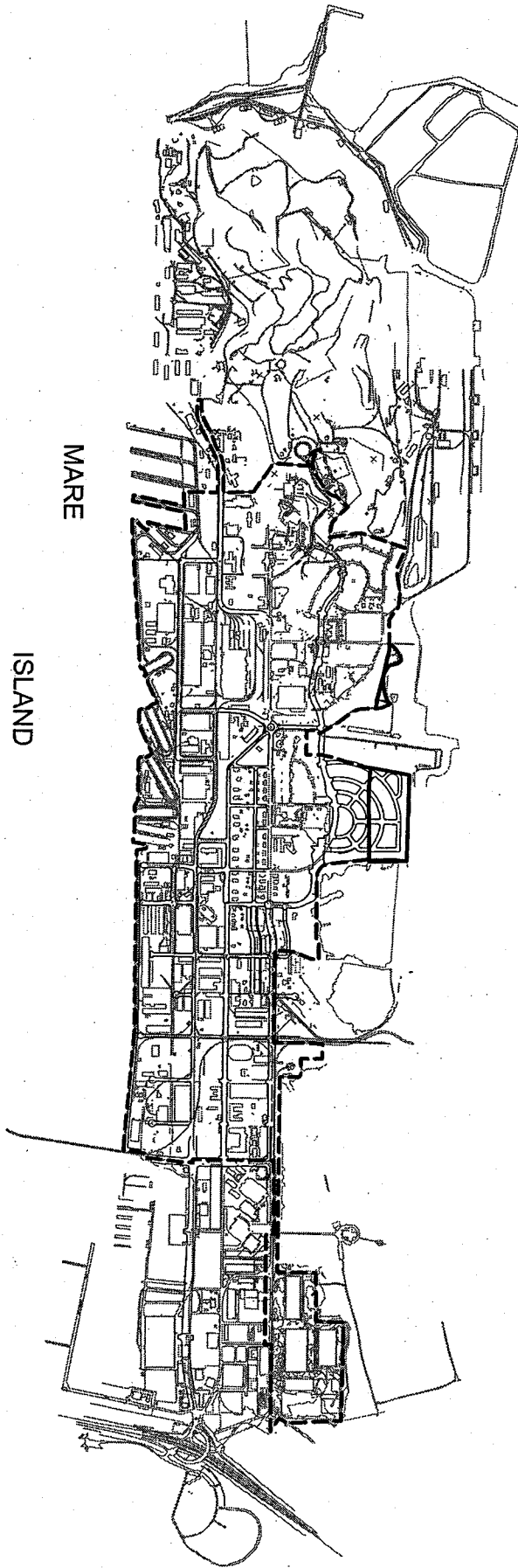


EXHIBIT 4
 To Attachment B

PREPARED BY:



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PREPARED FOR:



EXHIBIT 4

EXHIBIT F TO THE ACQUISITION AGREEMENT
 (EETP DIAGRAM)

SCALE: 1" = 1500'

DATE: DECEMBER 20, 2004