

PURCHASE AND SALE AGREEMENT
AND
JOINT ESCROW INSTRUCTIONS

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

RECITALS

A. NWP is the owner of approximately 68 gross acres of unimproved land located in the City of Half Moon Bay ("City"), County of San Mateo, California, a portion of which is more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the "NWP Property").

B. PL is the owner of approximately 28 gross acres of unimproved land located in the City, County of San Mateo, California, as more particularly described in Exhibit B attached hereto and incorporated herein by this reference (the "PL Property").

C. The NWP Property and the PL Property are located in a part of the City generally known as North Wavecrest. Seller and other owners of real property in North Wavecrest are presently processing with the City development plans and land use applications for the development of a portion of North Wavecrest for residential, commercial and/or retail uses and other related uses (the "North Wavecrest Project"), which plans and applications may include, without limitation, the processing of a specific plan, tentative map(s), a coastal development permit, use permits and supplemental environmental reports (collectively, the "North Wavecrest Approvals"). The School Property (defined below) is part of the North Wavecrest Project and will be subject to the North Wavecrest Approvals. Seller shall use commercially reasonable efforts to process the Parcel Map (as defined in Section 9.4 below) pursuant to the provisions of Section 9.4 below to create a legal parcel of unimproved land consisting of approximately 25 gross acres as more particularly depicted and described on Exhibit C attached hereto and incorporated herein by this reference (the "School Property"); provided, however, that prior to the creation of such legal parcel, and a new legal description for such parcel, NWP and PL-HMB may adjust the easterly and westerly lines of the School Property depicted on Exhibit C without affecting the gross acres being conveyed. The School Property would be comprised of a portion of the NWP Property and a portion of the PL Property.

D. The District desires to acquire the School Property and Seller is prepared to sell the School Property to District in return for District's payment of Two Million Seven Hundred Thousand Dollars (\$2,700,000) to Seller, on the terms and conditions set forth in this Agreement.

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

1. Conveyance. Seller agrees to sell, and District agrees to purchase the School Property from Seller for the purchase price (as defined in Section 2 below) and on the terms and conditions set forth in this Agreement.

2. Purchase Price. The purchase price for the School Property shall be TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$2,700,000) (the "Purchase Price"), payable by the District to Seller in immediately available good funds at Closing (as defined in Section 3 below).

3. Closing. The Closing through an escrow ("Escrow") shall be with Old Republic Title Insurance Company in Half Moon Bay, California ("Title Company"). The date of the close of Escrow ("Closing" or Closing Date") shall be the date that the Grant Deed (as defined in Section 11.2.4 below) is actually recorded by the Title Company in the Office of the County Recorder of San Mateo County ("Official Records"). Subject to the Closing deadlines and extension provisions in Sections 6.2, 9.4.1 and 9.4.2 below, the Closing shall take place within ten (10) days after satisfaction of the Closing conditions set forth in Section 11 below. District shall be entitled to possession of the School Property, subject to the Permitted Exceptions (as defined in Section 6.1 below) on the Closing Date.

4. Deposit. Within two (2) business days following the Contract Date, District shall deliver to the Title Company a deposit of ONE HUNDRED THOUSAND DOLLARS (\$100,000) in immediately available good funds (the "Deposit"). The Title Company shall immediately invest the Deposit in an interest-bearing account at the risk and for the benefit of the District pursuant to separate written instructions from the District. The Deposit and all interest earned thereon while in Escrow ("Interest") shall become nonrefundable upon District's delivery of its Notice of Election to Proceed (as defined in Section 5.1 below) on or before the Approval Date to Seller and Title Company. The Deposit and Interest shall be retained in Escrow and applied toward the Purchase Price upon Closing.

5. Due Diligence and Related Matters.

5.1 Due Diligence Investigation. Commencing on the Contract Date and continuing until the date that is one-hundred eighty (180) days following the Contract Date (the "Approval Date"), District and its employees, agents, contractors and consultants shall have the right to enter upon the School Property, during normal business hours at District's sole risk and expense and with at least two (2) days prior to written notice to the Seller, to perform such soil, environmental, engineering, geological and other physical tests and inspections of the

School Property, and to make such appraisals, inspections, investigations, studies, surveys, tests and reports as District may elect; (ii) make investigation or inquiries of the City of Half Moon Bay, and any other governmental agencies having jurisdiction over the School Property (collectively, "Governmental Agencies") with respect to the status of zoning, building codes, land use application, the assignability or transferability of any development rights, permits or approvals, the conditions, fees, mitigation measures or exactions made or proposed to be made in connection with the School Property, and any other inquiries to such Governmental Agencies as District may elect; (iii) review and investigate to its satisfaction, all applicable local, municipal, regional, state or federal statutes, laws, codes, ordinances, regulations, rules or requirements relating to any matter concerning the School Property, including, without limitation, zoning, subdivision, access, utilities, planning, environmental matters, hazardous or toxic waste matters, the North Wavecrest Approvals, and any covenants, conditions and restrictions ("CC&Rs"); and (iv) undertake any other title review, investigation, report or study as it may elect to make or obtain, all at District's sole cost and expense (collectively "Due Diligence Investigation"). District shall, at all times, keep the School Property free and clear of any mechanic's or materialmen's claims or liens arising out of or relating to its Due Diligence Investigation, and upon completion of the Due Diligence Investigation, District shall immediately restore the School Property to substantially its condition prior to such tests and inspections. If District at its sole discretion wishes to proceed with the transaction which is the subject of this Agreement, District shall deliver written notice to Seller and to the Title Company on or before 3:00 p.m. on the Approval Date of its election to proceed under the terms of this Agreement (the "Notice of Election to Proceed") conditioned solely upon Seller obtaining the Parcel Map on or before May 31, 1999 or, if Seller has not obtained the Parcel Map by such date, the Parties proceeding as set forth in Section 9.4.1 and 9.4.2 below. If District fails to deliver its Notice of Election to Proceed on a timely and unconditional basis, then this Agreement shall be deemed to have automatically terminated as of 3:00 p.m. on the Approval Date. Upon such termination, neither Party shall have any further rights or obligations to the other Party and the Deposit and Interest earned thereon shall be released from Escrow and refunded to the District.

5.2 "As Is" Purchase. District's delivery of its Notice of Election to Proceed, on or before 3:00 p.m. on the Approval Date, shall be unconditionally and conclusively deemed to constitute its agreement to take ownership of the School Property strictly "AS-IS" and "WITH ALL FAULTS", in the condition that exists on the Approval Date. Except with respect to those express covenants, representation and warranties made in Sections 7 and 9 below, District acknowledges and agrees that (i) the Seller (and its respective principals, partners, board members, agents, employees, consultants and representatives) has not made any covenants, representations or warranties of any kind or nature whatsoever, either express or implied, oral or written, with respect to the School Property, or this Agreement, and (ii) District is not relying on any covenant, representation or warranty, express or implied, oral or written, with respect to the School Property or this Agreement. Further, District acknowledges and agrees that it has not and shall not rely on any of the studies, reports, documents, work product, maps or materials, if any, made available by Seller to District with respect to the School Property (collectively, the "Reports"). It is specifically understood and agreed that, to the extent Seller delivers (or makes available) to the District any Reports, this is done strictly as an accommodation and that Seller

makes no covenant, representation or warranty as to any Reports, including, without limitation, the reliability, accuracy or completeness of any of the Reports.

5.3 Site Improvements for School Property. District acknowledges and agrees that District, and not Seller, shall be solely responsible for all costs and expenses for the development, construction or installation of any on-site improvements for the School Property; provided, however, that if, as part of the North Wavecrest Approvals, ball fields and playing fields are constructed by Seller on a portion of the North Wavecrest Project adjacent to the School Property and the City or other Governmental Agency requires shared parking for these ball fields and playing fields on the School Property, then solely the cost of constructing and installing surface parking areas on the School Property shall be shared by Seller and District on a pro rata basis based upon the projected actual amounts and times of usage of the parking areas. Seller shall have no obligation to contribute toward the cost of any Off-Site Improvements (defined below) unless and until all final, non-appealable North Wavecrest Approvals are obtained. From and after the date on which all final, non-appealable North Wavecrest Approvals are obtained, District, and not Seller, shall be solely responsible for all costs and expenses for the development, construction or installation of any Off-Site Improvements which solely relate to or benefit the School Property including, without limitation, the satisfaction of all Map Conditions (as defined in Section 9.4 below) and all North Wavecrest Approvals. From and after the date on which all final, non-appealable North Wavecrest Approvals are obtained, if and solely to the extent that the Off-Site Improvements relate to and benefit both the School Property and the North Wavecrest Project (collectively, the "Shared Off-Site Improvements"), Seller and District shall meet and confer to determine a reasonable allocation of the costs of developing, constructing and installing the Shared Off-Site Improvements based upon the projected actual benefit to and usage of the Shared Off-Site Improvements by each of the School Property and the North Wavecrest Project, and each of Seller and District shall pay its ratable share of the costs of the Shared Off-Site Improvements. As used in this Agreement, "Off-Site Improvements" shall mean and include all off-site improvements including, without limitation, roadways, streets, pathways, sidewalks, public or private utilities, utility connections, utility extensions, storm drainage and sewer systems, street lighting, signalization and other traffic measures and any other improvements, fees, exactions or mitigation measures related to District's development, construction and use of the School Property, or required by the City or any Governmental Agency in connection with the School Property or any part thereof, or the North Wavecrest Project. Seller shall contribute, pay or reimburse District for Seller's share, if any, of the costs and expenses of the shared parking and Shared Off-Site Improvements set forth above within twelve (12) months after the issuance to Seller of the first building permit for a residential unit in the North Wavecrest Project Area.

5.3.1 Arbitration of Certain Disputes. In the event of any claim, dispute or controversy between the parties regarding the Off-Site Improvements, Shared Off-Site Improvements, this Section 5.3, or any directly related matters, District and Seller agree that such claim, dispute or controversy shall be resolved by final and binding arbitration pursuant to California Code of Civil Procedure Sections 1280 through 1293.2 (or any amended or substitute statutes) and conducted by Judicial Arbitration and Mediation Service pursuant to its rules then

in effect. The arbitrator shall have the authority to enter any orders, rulings or awards (including, without limitation, discovery orders and equitable relief) and the arbitration award shall be enforceable by any court of competent jurisdiction. It is the intent of the parties that such arbitration be completed as soon as possible but in no event later than one hundred twenty (120) days from its initiation by petition and the arbitrator is hereby authorized to establish a schedule and enter appropriate orders to accomplish such result. The prevailing party in any such arbitration (as determined by the arbitrator) shall be entitled to recover in the arbitration award all of its attorney's fees, costs, expert witness and consultant fees, and interest on any awarded sums.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF CERTAIN DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF CERTAIN DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF CERTAIN DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Initials: District  Seller 

5.4 Seller's Mitigation Fees. The Parties acknowledge and agree that Seller and its successors and/or assigns shall pay to District as mitigation for the impact of residential development resulting from the North Wavecrest Project, the sum of (i) \$3.80 per buildable square foot for each market-rate single-family and multi-family unit constructed by Seller or its successors and/or assigns but not to exceed Eight Thousand Seven Hundred Dollars (\$8,700) for each such unit, and (ii) \$2.00 per buildable square foot for each affordable housing unit constructed by Seller or its successors and/or assigns (collectively, the "Mitigation Fees"). No Mitigation Fees or other mitigations shall be due or payable for any residential unit qualifying as "Senior" under Civil Code Section 51 et seq. The Mitigation Fees shall be in lieu of school impact fees for residential development levied by District pursuant to Government Code Section 53080 or any other statute, ordinance or regulation, and in addition to impact fees for commercial/retail development, if any. The Mitigation Fees shall be paid on a unit-by-unit basis at the time each building permit is obtained from the City. Seller agrees to cooperate reasonably with District in recording deed restrictions reflecting this Section 5.4. The Mitigation Fees are based on 1998 dollars and shall be adjusted by CPI changes occurring from 1998

through the date of payment. The District acknowledges that the Mitigation Fees are sufficient to mitigate the impact of residential development resulting from the North Wavecrest Project and, therefore, the District will publicly support the North Wavecrest Project and issuance of the North Wavecrest Approvals.

5.5 Indemnity and Insurance. District shall indemnify, defend and hold the Seller harmless from and against any and all losses, damages, liabilities, claims, causes of action, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) suffered or incurred by the Seller as a result of or arising from any act or omission of the District in connection with (i) the District's Due Diligence Investigation, (ii) the District's exercise of the right of entry described in Section 4.1 above, (iii) any activities, studies or activities conducted by the District on the School Property, and (iv) the District's presence at or on the School Property. Following completion of its Due Diligence Investigation, District shall repair any damage caused by District to the School Property. The obligations of District shall survive the Closing or earlier termination of this Agreement.

6. Title Matters.

6.1 Conveyance of Title. On or before Closing, Seller shall deposit into Escrow the Grant Deed for the School Property conveying the School Property to District. District acknowledges receipt of Preliminary Title Report No. 257458-B issued by the Title Company as of May 19, 1998 and covering the School Property (the "Title Report"). District shall accept title to the School Property subject to the Permitted Exceptions as defined below. On or before the date that is twenty (20) days after the Contract Date, District shall notify the Seller in writing of any title exceptions which District is not willing to accept at Closing. Within ten (10) days after Seller's receipt of such written notice from the District setting forth such unacceptable title exceptions, Seller shall inform the District in a written response of whether Seller will cause the title exceptions which have been objected to be removed prior to Closing. If Seller should fail to deliver such written response to the District within such ten (10) day period, then Seller shall be deemed to have elected not to cause any title exceptions which were objected to by the District to be removed, and such exceptions shall be deemed to be Permitted Exceptions upon the District's issuance of its Notice of Election to Proceed (as defined in Section 5.1 above). As used herein, the term Permitted Exceptions shall mean only (i) nondelinquent real property taxes and assessments; (ii) those exceptions to title shown in the Title Report (including all standard preprinted exceptions and exclusions in an ALTA standard owner's policy of title insurance), or in any survey obtained by the District, to which District did not object in writing to the Seller in the manner and within the time periods set forth above; (iii) upon District's issuance of its Notice of Election to Proceed, those exceptions to title shown on the Title Report, or in any survey obtained by the District, to which District objected in writing to the Seller during the required time period, and which the Seller did not agree in its written response to cause to be removed on or prior to the Closing; (iv) those exceptions to title as may be created by, through or under the Parcel Map and Seller's Easements; and (v) such other exceptions to title as may be created by, through or under District or approved in writing by District prior to Closing. At Closing, District agrees to accept title to the School Property, subject to the Permitted

Exceptions, as evidenced by an ALTA standard owner's policy of title insurance issued by the Title Company.

6.2 Title Defects and Cure. If, after delivery of the Notice of Election to Proceed and prior to Closing, the Title Company discloses any liens, claims, encumbrances, conditions or other title exceptions other than the Permitted Exceptions or Intentional Title Defects (as defined in Sections 9.2 below) (collectively, "Title Defects"), said Title Defects shall, as a condition precedent to Closing, but not as a covenant of Seller, be cured and removed by Seller or endorsed against by the Title Company, prior to the later of (i) the scheduled Closing Date, or (ii) twenty (20) days after delivery of written notice from District to the Seller of the existence of the Title Defects. In the event that such twenty (20) day period extends beyond the scheduled Closing Date, the Closing Date shall automatically be extended to the first (1st) business day after the last day of such twenty (20) day period. If Seller elects not to, or fails to, cure all Title Defects, or, at its option, if Seller elects not to, or fails to, cause the Title Company to insure over all such Title Defects, then the District may, as its sole remedy, either: (a) terminate this Agreement by written notice to the Seller given on or before the then scheduled Closing Date, in which event the Parties shall be released from their obligations hereunder and the Deposit and Interest shall be released from Escrow and refunded to District; or (b) proceed to close, and waive and accept all existing Title Defects without any reduction in the Purchase Price, escrow retention or other claim. If District fails to notify Seller of its election on or before the then scheduled Closing Date, District shall be deemed to have disapproved the Title Defects and to have elected to terminate this Agreement in which event the provisions of item (a) above shall apply.

6.3 Intentional Title Defects. If, prior to Closing, Seller first becomes aware of any Intentional Title Defects (as defined in Section 9.2 below), Seller shall promptly notify the District in writing as to the existence of such Intentional Title Defects. Seller shall cure and remove such Intentional Title Defects on or prior to the Closing. The removal of such Intentional Title Defects shall be a condition precedent to District's obligation to close Escrow.

6.4 Seller's Easements. In connection with the North Wavecrest Project or North Wavecrest Approvals, District agrees to grant to Seller on or after the Closing (or Seller may reserve from the Grant Deed to District on the Closing) any private or public utility, drainage, roadway, ingress and egress, parking, pedestrian, and service easements, licenses or use agreements that are reasonably required for the North Wavecrest Project provided such easements, licenses or use agreements do not unreasonably interfere with the District's development, construction and use of the School Property (collectively, the "Seller's Easements").

7. Seller's Representations and Warranties. Each of NWP and PL represents and warrants to District on a several (not joint) basis that the matters set forth in Section 7.4 and 7.5 below shall be true and accurate as of the Contract Date only and that the matters set forth in Sections 7.1, 7.2 and 7.3 below shall be true and accurate as of both the Contract Date and as of the Closing Date:

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

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

7.3 Not a Foreign Person. Neither NWP nor PL is a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended.

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

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

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

8.1 Authority to Enter Into this Agreement. District has full power and authority to execute, deliver and perform this Agreement and to close the transaction contemplated herein. District's execution, delivery and performance of this Agreement will not result in any material violation of, or default under, any term or condition of District's organizational documents or any indenture, deed of trust, mortgage, voting trust or other

agreement to which District is a Party, or by which District is bound. District's execution and delivery of this Agreement, and the purchase of the School Property pursuant to this Agreement, will not result in the violation of any statute, law, judgment, order or regulation applicable to District.

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

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

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

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

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

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

9.4 Parcel Map. After the Contract Date and prior to the Closing Date, Seller shall exercise commercially reasonable efforts to process with the City through a subdivision map(s) or parcel map (the "Parcel Map") the School Property (as the School Property is more particularly described in Recital C above) as a separate legal lot. As provided in Section 5.3 above, District shall be responsible, at District's sole cost and expense, for satisfying all easements, reservations, rights-of-way, dedications, exactions or conditions shown on or attached to the Parcel Map and relating to the School Property (collectively, the "Map Conditions"). Except for any obligations of Seller under Section 5.3 above, Seller's obligations under this Section 9.4 shall not require Seller to (i) satisfy any Map Conditions or subdivision improvement agreements, (ii) dedicate any land, provide parking on any property or pay any in lieu parking fees, reduce the density on any other property owned by Seller or in any other manner adversely affect Seller or any other property owned by Seller, or (iii) require Seller to record the Parcel Map prior to Closing. If Seller is required to post any subdivision tax bond or other security to secure payment of real property taxes on the School Property or with respect to the Parcel Map (collectively, "Map Security"), District agrees to indemnify, defend, and hold Seller harmless from and against any and all loss, costs, claim, cause of action, liability or indebtedness arising from or through the Map Security or arising from District's failure to pay, in a timely manner so as to avoid a draw on the Map Security, all taxes, assessments and other items which are or may be or become a lien against (or applicable to) all or part of the School Property and which become due after Closing.

9.4.1 Delay in Parcel Map. If, notwithstanding Seller's commercially reasonable efforts, Seller has not been able to obtain all required approvals for the Parcel Map on terms and conditions acceptable to Seller on or before May 31, 1999, then, and only in such event, (i) the Closing Date shall be extended to the earlier of (A) the date which is ten (10) days following the date on which the Parcel Map has been approved by the City and Seller and is ready for recording or (B) July 31, 1999 and (ii) the Parties shall promptly enter into a license and indemnification agreement (the "License Agreement"). The License Agreement shall provide, inter alia, that (a) Seller shall grant to District a revocable license to enter upon the School Property for the sole purpose of District grading the School Property and developing, constructing and installing District's On-Site Improvements (to be defined in the License Agreement) on the School Property, (b) District shall indemnify, defend and hold Seller harmless from and against any and all losses, damages, liabilities, claims, causes of action, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) arising out of or relating to District's entry upon and activities on the School Property and District's development, construction, and installation of the On-Site Improvements on the School Property, (c) if the Closing does not occur under this Agreement other than by reason of a default by Seller then District shall, upon Seller's request, assign all of District's right, title and interest in and to District's On-Site Improvements to Seller or another third party designated by Seller as Seller may direct and (d) Seller shall have no responsibility to District for any costs, expenses, liabilities or obligations of any nature whatsoever, arising out of or related to District's On-Site Improvements.

9.4.2 Condemnation Proceedings. If, notwithstanding Seller's commercially reasonable efforts, Seller has not been able to obtain all required approvals for the Parcel Map on terms and conditions acceptable to Seller on or before July 31, 1999, then Seller acknowledges and agrees that provided District complies with all applicable legal requirements (i) District, at District's sole cost and expense (and without any payments, contributions, deductions or costs being required from Seller), may initiate condemnation proceedings ("Condemnation Proceedings") to obtain title to the School Property upon payment to Seller of net compensation therefore of not less than Two Million Seven Hundred Thousand Dollars (\$2,700,000) and (ii) Seller shall not directly or indirectly oppose, seek to restrict, interfere with or seek to impose conditions upon the Condemnation Proceedings. Anything contained in this Agreement to the contrary notwithstanding, if District obtains title to the School Property through the Condemnation Proceedings, title to the School Property shall be conveyed to District (a) subject to all title exceptions then of record (other than Intentional Title Defects) and without any covenant, representation or warranty, express or implied, oral or written, of any kind or nature whatsoever by Seller as to the School Property or otherwise, and (b) pursuant to an order of condemnation or other appropriate judgment or stipulation and the terms and conditions of this Agreement involving Closing conditions, deliveries and procedures and Escrow shall not apply. If District has not acquired title to the School Property through the Condemnation Proceedings on or before September 30, 1999, then this Agreement shall terminate in which event the parties shall be released from their obligations hereunder, the Deposit and Interest shall be released from Escrow and refunded to District, the License Agreement shall automatically terminate and District shall terminate all of the Condemnation Proceedings.

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

10.1 Delivery Into Escrow of Documents and Performance of Other Acts. District shall execute and deliver into Escrow those documents required pursuant to Section 12.4 below, shall pay the Purchase Price into Escrow and shall do such other acts and make such other deliveries required of District by this Agreement. In addition, District shall take all actions reasonably required to be taken under this Agreement in order to complete and consummate this transaction promptly.

10.2 No Processing of Applications by District. After the Contract Date and prior to the Closing Date, District covenants and agrees that District shall not make, file, submit or process any applications, permits, licenses, variances, subdivision maps, entitlements, subdivision agreements, jurisdictional determinations, mitigation plans, waivers or certifications of any nature whatsoever relating to the School Property or any proposed use, development or improvements to the School Property which could be binding on Seller or the School Property prior to the Closing, with the City or any Governmental Agencies without first obtaining Seller's prior written approval, which approval Seller shall not unreasonably withhold.

11. Conditions to Closing.

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

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

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

11.1.3 Delivery of Deposit and Issuance of Notice of Election to Proceed. District shall have (i) delivered the Deposit into Escrow within two (2) business days following the Contract Date and (ii) delivered to Seller and into Escrow, no later than 3:00 p.m. on the Approval Date, District's Notice of Election to Proceed.

11.1.4 Receipt of Purchase Price. Developer shall have received, or the Title Company shall have received and be prepared to unconditionally pay to Developer at Closing, the Purchase Price in immediately available good funds.

11.1.5 Parcel Map. The Parcel Map shall have been approved by the City and Seller and be available for recording at the Closing.

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

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

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

11.2.3 Title Policy. The Title Company shall be prepared to deliver to District at Closing the Title Policy for the School Property.

11.2.4 Delivery of Deed. Seller shall have executed, acknowledged and delivered into Escrow for recording and subsequent delivery to District, a grant deed ("Grant Deed") to the School Property, conveying Seller's fee title to the School Property to District subject to the Permitted Exceptions only. The Grant Deed shall be in the form attached hereto as Exhibit D and may include reservations for Seller's Easements as set forth in Section 6.4 above.

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

11.2.6 Parcel Map. The Parcel Map shall have been approved by the City and Seller and be available for recording at the Closing.

11.2.7 CEQA Compliance. There shall be environmental compliance with the California Environmental Quality Act ("CEQA") as required for the District's acquisition of the School Property.

12. Escrow and Closing.

12.1 Escrow. District and Seller have opened the Escrow with the Title Company for this purchase and sale transaction. The Title Company identifies the Escrow as Escrow No. 257458-A.

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

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

12.3.1 The Grant Deed to the School Property;

12.3.2 Seller's Non-Foreign Affidavit;

12.3.3 Seller's California Residency Affidavit; and

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

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

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

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

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

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

12.6.1 Record the Parcel Map;

12.6.2 Record the Grant Deed to the School Property (with the amount of the documentary transfer tax attached after recordation) and concurrently therewith pay the Purchase Price (plus or minus the prorations and closing costs set forth herein) to Seller as Seller may direct;

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

12.6.4 Deliver any District's Additional Documents to Seller.

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

14. Destruction or Condemnation. If, prior to Closing, the School Property, or any part thereof, is destroyed or damaged, or if condemnation proceedings are commenced or threatened against the School Property, (excluding the Condemnation Proceedings as set forth in Section 9.4.2 above) District shall have the right, exercisable upon thirty (30) days notice to Seller, to terminate this Agreement, in which case neither Party shall have any further rights or obligations hereunder and the Deposit and Interest shall be released from Escrow and refunded to District. If District elects to accept the School Property in its condition at that time and proceed with the Closing, all proceeds of insurance or condemnation awards payable to Seller by reason of such damage, destruction or condemnation shall be paid or assigned to District at Closing.

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

16. Miscellaneous Provisions.

16.1 Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when personally delivered (including by Federal Express or courier) or when deposited in a United States Post Office, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

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

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

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

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

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

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

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

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

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

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

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

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

16.10 Condemnation Forbearance. The District has expressed an intent to initiate condemnation proceedings to acquire the School Property if a voluntary sale cannot be arranged on acceptable terms and conditions. In order to avoid such condemnation proceedings and the costs and uncertainties related thereto, Seller has agreed to this Agreement and to the forbearance of condemnation proceedings unless initiated pursuant to Section 9.4.2 above.


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

[Signature Blocks on Following Page]

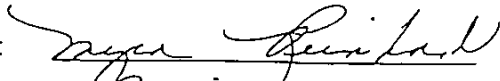
IN WITNESS WHEREOF, Seller and District have executed this Agreement on the date first above written.

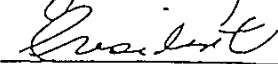
Seller: NORTH WAVECREST PARTNERS, L.P.,
a California limited partnership

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


By: 
William E. Barrett
President

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

By: 

Its: 

District: CABRILLO UNIFIED SCHOOL DISTRICT,
a Public school district

By: 

Its: 

CONSENT OF TITLE COMPANY

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

DATED: _____, 1998

OLD REPUBLIC TITLE INSURANCE COMPANY

By: _____

EXHIBIT A

LEGAL DESCRIPTION

The real property located in the City of Half Moon Bay, County of San Mateo, State of California, described as follows:

Lot lettered "B" and a portion of Lot lettered "A", as said Lots are designated on the Map encicled, "SUBDIVISION OF MAP OF A PORTION OF THE JOHNSTON RANCH, SAN MATEO COUNTY, CALIFORNIA", which Map was filed in the Office of the Recorder of the County of San Mateo, State of California, on November 4, 1892 in Book "B" of Maps, at Page 4, and a copy entered in Book 2 of Maps at Page 57, said portion of Lot lettered "A" being more particularly described as follows:

BEING the most Northerly corner common to said Lots lettered "A" and "B", thence from said point of beginning Easterly, along the Northerly line of said Lot lettered "A", a distance of 193.12 feet; thence Southerly, parallel with the dividing line between said Lots, a distance of 984.72 feet to the Southerly line of said Lot lettered "A"; thence Westerly, along the last mentioned line, 193.12 feet to the said dividing line between Lots lettered "A" and "B"; thence Northerly, along said dividing line 984.72 feet to the point of beginning.

A.P.N. 065-011-100

J.P.N. 65-01-011-10

EXHIBIT B

LEGAL DESCRIPTION

The real property located in the City of Half Moon Bay, County of San Mateo, State of California, described as follows:

PARCEL ONE:

COMMENCING at a point in the Northerly line of the Lot or Subdivision 42, as laid down on Map of the Johnston Ranch hereinafter mentioned, distant thereon South 81° West 20.40 chains from the Westerly line of the road leading from Spanishtown to Pescadero and running thence (variation 16° 50' East) South 81° West 10.10 chains; thence South 6° East 14.92 chains to a roadway 60/100 chains in width; thence North 81° East, along the Northerly line of said last named roadway, 10.10 chains and thence North 6° West 14.92 chains to the point of commencement of land and being a part of Lots or subdivisions Nos. 42, 43, 44, 45 and 46 as per a certain map entitled "MAP OF JOHNSTON RANCH, SAN MATEO COUNTY, SURVEYED BY J. J. CLOUD, COUNTY SURVEYOR, APRIL 1879" filed in the office of the County Recorder of San Mateo County on January 25, 1881, also being known as Lot lettered "C" as designated on the map entitled "SUBDIVISION MAP OF A PORTION OF THE JOHNSTON RANCH IN SAN MATEO CO. CAL.", filed in the office of the County Recorder of San Mateo County on November 4, 1892 in Book "B" of Maps at page 4 and copied into Book 2 at page 57, and being the same land conveyed by Deed from San Francisco Savings Union to Joseph Marcelino, dated October 20, 1888 and recorded November 22, 1888 in Book 45 of Deeds at page 455, Records of San Mateo County, California.

A.P.N. 065-011-040

S.P.N. 55-1-011-04

PARCEL TWO:

Lot lettered "D" of the Johnston Ranch, as shown on that certain map entitled "SUBDIVISION MAP OF A PORTION OF THE JOHNSTON RANCH, SAN MATEO CO. CAL.", filed in the office of the County Recorder of San Mateo County, State of California, on November 4, 1892 in Book "B" of Maps at page 4 and copied into Book 2 of Maps at page 57.

A.P.N. 065-011-050

S.P.N. 55-1-011-05

EXHIBIT C

LEGAL DESCRIPTION

The real property located in the City of Half Moon Bay, County of San Mateo, State of California, described and depicted below:

Being a portion of Lot B and D and all of Lot C as said lots are shown on that certain Map entitled "SUBDIVISION MAP OF A PORTION OF THE JOHNSTON RANCH", as said Map is filed for record on November 4, 1892, in Book 2 of Maps at Page 57 in the Office of the Recorder for the County of San Mateo and being more particularly described as follows:

BEGINNING at the most Southwesterly corner of said Lot C; thence along the Westerly line of said Lot North $4^{\circ} 51' 28''$ West, a distance of 46.45 feet to the True Point of Beginning; thence South $82^{\circ} 13' 04''$ West, a distance of 1.92 feet to the beginning of a tangent curve to the right; thence along said curve having a radius of 30.00 feet, through a central angle of $37^{\circ} 29' 18''$, an arc distance of 19.63 feet to a point of reverse curvature; thence along said curve to the left having a radius of 62.00 feet, through a central angle of $130^{\circ} 37' 16''$, an arc length of 141.35 feet to a point of the Southerly line of said Lot D; thence along said line South $82^{\circ} 13' 04''$ West, a distance of 37.51 feet; thence leaving said line North $7^{\circ} 46' 56''$ West, a distance of 985.82 feet to a point on the Northerly line of said Lot D; thence along the Northerly line of said Lots D, C and B North $82^{\circ} 13' 04''$ East, a distance of 1157.90 feet; thence leaving said Northerly line South $7^{\circ} 46' 56''$ East, a distance of 539.42 feet; thence South $82^{\circ} 13' 04''$ West, a distance of 1000.57 feet to the True Point of Beginning.

A.P.N. 055-011-040 (Ptn.)
055-011-050 (Ptn.)
055-011-100 (Ptn.)

J.P.N. 55-01-011-04 (Ptn.)
65-01-011-05 (Ptn.)
65-01-011-10 (Ptn.)

EXHIBIT C
(Page 2 of 2)

Review Set

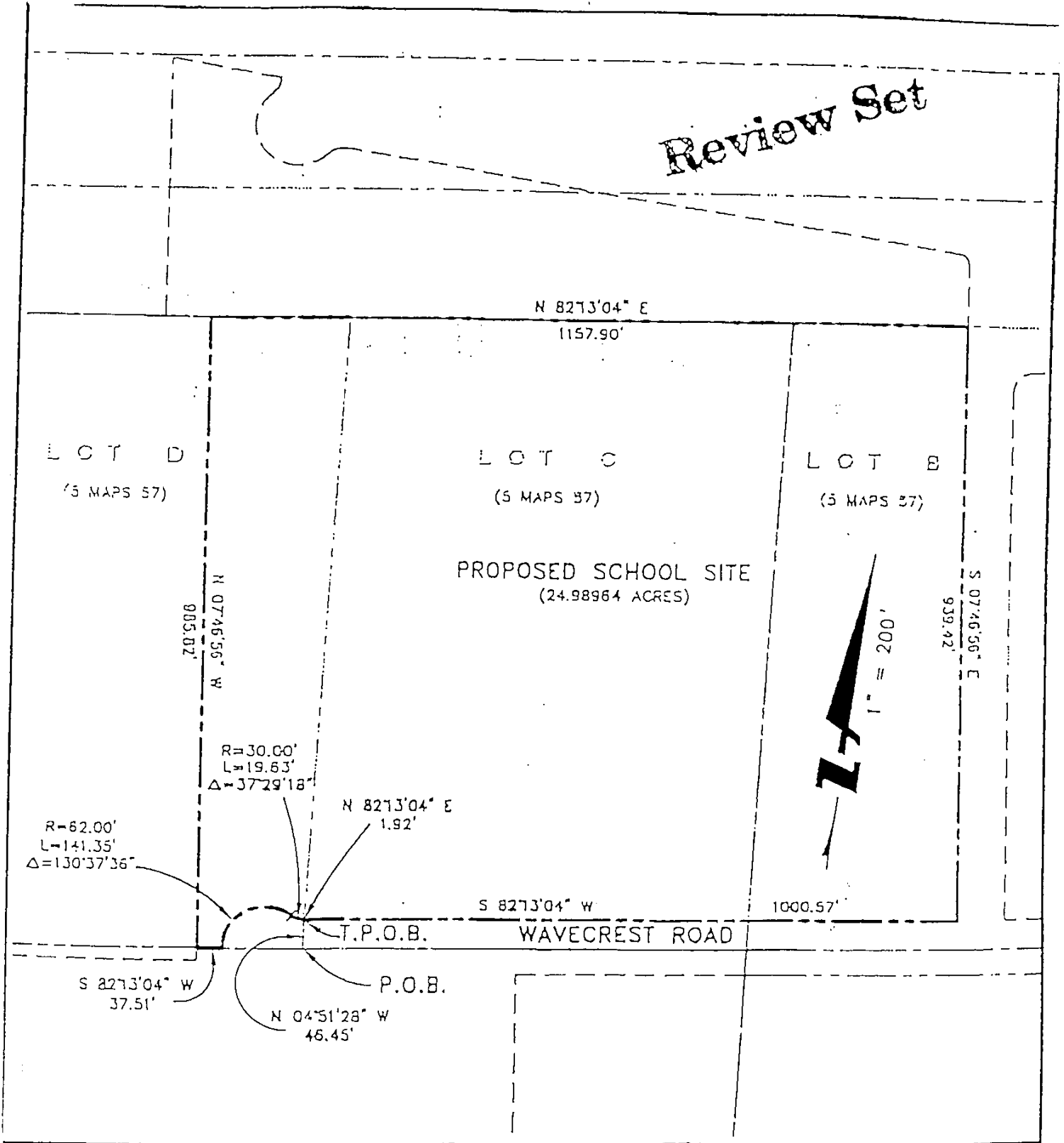


EXHIBIT D

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

SPACE ABOVE FOR RECORDER'S USE

GRANT DEED

By this instrument, dated as of _____, 1998, for valuable consideration, receipt of which is hereby acknowledged, PEPPER LANE - HALF MOON BAY, LLC, a California limited liability company, and NORTH WAVECREST PARTNERS, L.P., a California limited partnership, as tenants-in-common, hereby grant to the CABRILLO UNIFIED SCHOOL DISTRICT, a public school district organized under the laws of the State of California, that certain real property located in the State of California, County of San Mateo, City of Half Moon Bay, as more particularly described in Exhibit A attached hereto and incorporated herein by this reference.

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

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

By: _____
Its: _____

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

By: _____
Its: _____

EXHIBIT A
TO
GRANT DEED

The real property located in the City of Half Moon Bay, County of San Mateo, State of California, described as follows:

[TO BE INSERTED WITH LEGAL DESCRIPTION FROM PARCEL MAP]

A.P. Nos. _____

State of California)
) ss.
County of _____)

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

WITNESS my hand and official seal.

Signature

(Seal)

State of California)
) ss.
County of _____)

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

WITNESS my hand and official seal.

Signature

(Seal)

SCHEDULE 1

Pursuant to Section 7.5 of the Purchase and Sale Agreement, and in accordance with California Health and Safety Code Sections 25359.7, 25249.5 et seq., and other Environmental Laws (as defined below), Seller is providing District with the following notice. The information contained in this notice is being made available to District for disclosure purposes only, without any representations or warranties by Seller, including, without limitation, any representations or warranties as to the completeness or accuracy of such information. This Schedule is subject to and does not amend or modify the terms and conditions of the Purchase and Sale Agreement.

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

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

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

A. With Respect to the School Property:

Any and all matters referred to or disclosed by (i) that certain report entitled Preliminary Environmental Assessment 64-Acre Property To The North Of The Existing Ocean Colony Development And West Of Highway 1 Half Moon Bay, California For Ocean Colony Partners, L.P., dated as of August 30, 1990, and prepared by Bay Area Geotechnical Group (the "Environmental Assessment"), and (ii) that certain report entitled Phase I Environmental Site Assessment Key No. 21 North of Wavecrest Road Half Moon Bay, California dated June 12, 1995, and prepared by Geraghty & Miller, Inc., Environmental Services (the "Phase I Report").

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

Any and all matters referred to or disclosed by the Environmental Assessment and the Phase I Report.

NORTH WAVECREST PARTNERS, L.P.
2002 FAIRWAY DRIVE
HALF MOON BAY, CA 94019
TELEPHONE: (650) 726-5764
FACSIMILE: (650) 726-5831

July 24, 1998

Via U.S. Mail

Mr. Henry W. Cord
Pepper Lane-Half Moon Bay, LLC
c/o Cord Associates
18 Paseo De San Antonio
San Jose, California 95113

Re: North Wavecrest

Dear Henry:

This letter sets forth the agreement between North Wavecrest Partners ("NWP") and Pepper Lane-Half Moon Bay ("PL-HMB") regarding the sale of the "Equalization Property" by NWP to PL-HMB in consideration of PL-HMB's assignment to NWP of any right which PL-HMB may otherwise have had to more than fifty percent (50%) of the proceeds of the sale of the "School Property" to the "School District".

Concurrently with this letter agreement NWP and PL-HMB are entering into two agreements with the Cabrillo Unified School District ("School District"), hereinafter referred to as the "School District Sale Agreement" and the "Conveyance Agreement" (collectively, the "Exchange Agreement"). Pursuant to the Exchange Agreement, NWP and PL-HMB anticipate (i) creating a separate legal lot located on a portion of the property owned by NWP and a portion of the property owned by PL-HMB tentatively depicted on Exhibit A hereto (the "School Property"), and (ii) conveying the School Property to the School District for certain cash proceeds and the exchange of fee title to the "El Granada Property" as defined in the Conveyance Agreement.

Mr. Henry W. Cord
July 24, 1998
Page 2

The School Property is comprised of approximately eighteen (18) acres of property owned by PL-HMB, but only approximately seven (7) acres of the property owned by NWP. Despite this disparity in acreage being sold to the School District by each of them (the "Acreage Disparity"), NWP and PL-HMB desire to each receive fifty percent (50%) of the cash proceeds from the sale of the School Property and fifty percent (50%) of the fee interest in the El Granada Property.

NWP and PL-HMB agree that in the event that the School District Sale Agreement closes, NWP shall immediately following the school closing (as part of the same escrow) convey to PL-HMB, or such other Pepper Lane affiliated entity as PL-HMB designates, fee title to an amount of acreage of unimproved land equal to approximately fifty percent (50%) of the Acreage Disparity (the "Equalization Property") as depicted on the map attached hereto as Exhibit B. The purchase price payable by PL-HMB for the sale of the Equalization Property by NWP to PL-HMB pursuant hereto shall be PL-HMB's agreement that (despite the Acreage Disparity) NWP shall receive 50% of the cash proceeds of the sale of the entire School Property to the School District and a 50% fee interest in the El Granada Property (if such El Granada Property is acquired pursuant to the Exchange Agreement). It is anticipated that the Equalization Property will be approximately 5.5 acres. Such conveyance shall be by a grant deed and shall be "AS-IS" and "WITH ALL FAULTS", but shall be free and clear of all monetary encumbrances.

NWP and PL-HMB further agree that from and after the date of the execution of this letter agreement, PL-HMB shall have the right to record with the San Mateo County Recorder's Office the Memorandum of Purchase Agreement in the form attached hereto as Exhibit C evidencing NWP's intent and obligation to convey the Equalization Property to PL-HMB pursuant to the terms and conditions of this letter agreement.

Mr. Henry W. Cord
July 24, 1998
Page 3

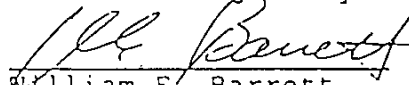
Please acknowledge PL-HMB's agreement to all of the foregoing by signing the enclosed copy of this letter and returning it to me.

Very truly yours,

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

By: WMB Consulting, Inc.,
a Delaware corporation
its Authorized Signatory

By:



William E. Barrett
President

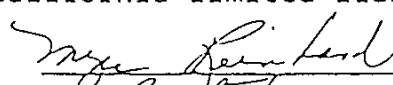
The undersigned hereby acknowledges and agrees to all of the foregoing terms and conditions.

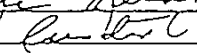
Dated: July 24, 1998

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

By:

Its:



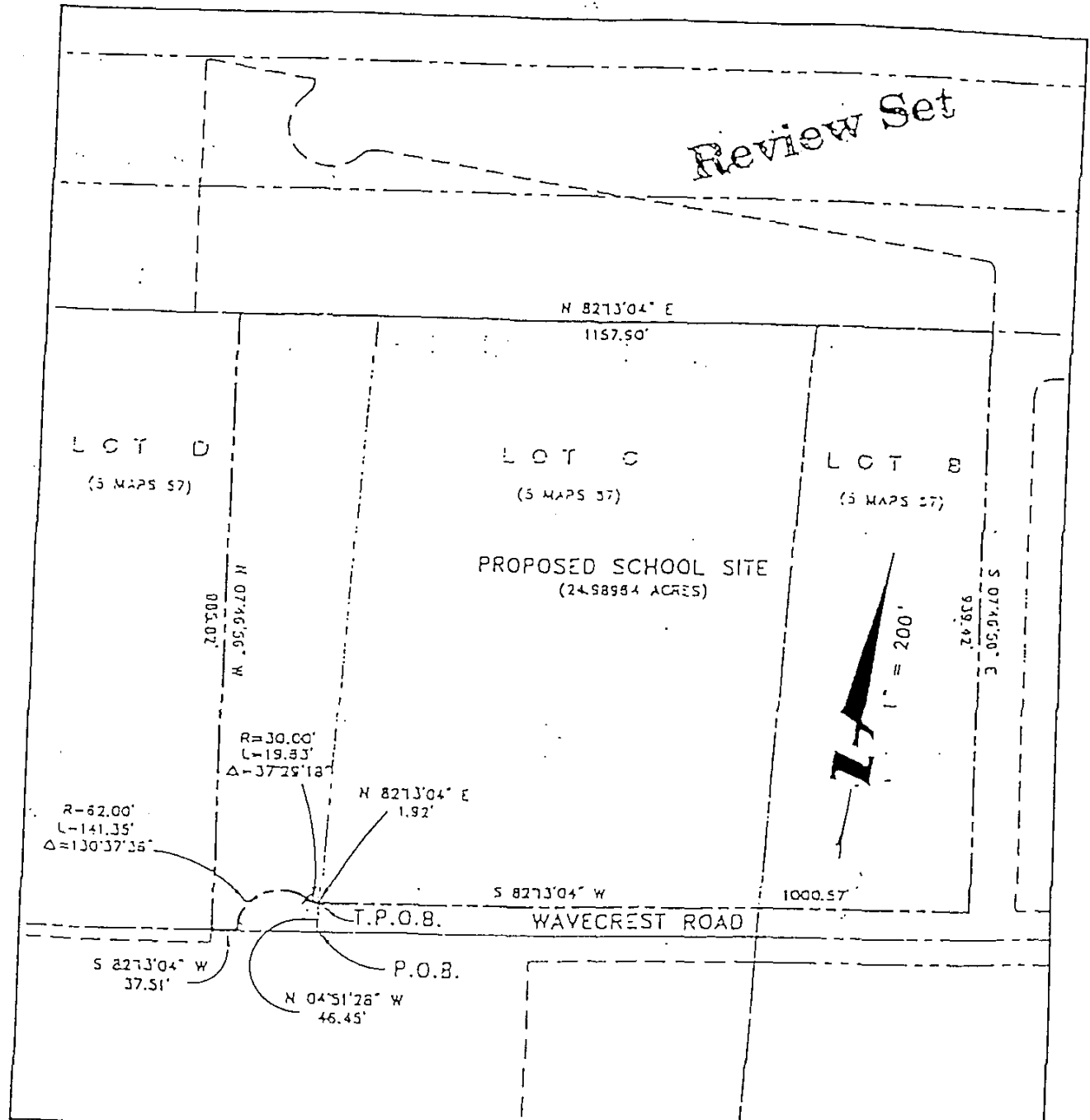


WEB:mg
Enclosure

cc: Bruce J. Russell, Esq.

EXHIBIT A
TO
LETTER AGREEMENT

MAP TENTATIVELY DEPICTING SCHOOL PROPERTY



Brian Kangas Foulk
Encoder - Surveyor - Planner

540 Price Avenue
Redwood City, CA 94063
650/482-8300
650/482-8300 (FAX)

Subject EXHIBIT B: N. WAVECREST
PROPOSED SCHOOL SITE
Job No. 960057.20
By GLB Date 5/17/98 chkd CC

NORTH WAVECREST PARTNERS, L.P.
2002 Fairway Drive
Half Moon Bay, CA 95109
Telephone: (650) 726-5764
Facsimile: (650) 726-5831

PEPPER LANE-HALF MOON BAY, LLC
18 Paseo de San Antonio
San Jose, CA 95113
Telephone: (408) 283-7292
Facsimile: (408) 971-7699

July 24, 1998

Via Hand-Delivery

Cabrillo Unified School District
498 Kelly Avenue
Half Moon Bay, California 94019
Attn: District Superintendent

Re: School District Transactions

Dear District Superintendent:

This letter confirms the agreement between NWP and PL (collectively "Seller") and the Cabrillo Unified School District ("District"), regarding release of a portion of the One Hundred Thousand Dollar (\$100,000) deposit held in the escrow ("Purchase Agreement Escrow") established under the Purchase and Sale Agreement and Joint Escrow Instructions between the parties dated as of July 24, 1998 (the "Purchase Agreement"), and delivery and deposit of such sum to the escrow ("Conveyance Agreement Escrow") established under the Conveyance and Development Agreement and Joint Escrow Instructions between the parties dated as of July 24, 1998 (the "Conveyance Agreement"). Capitalized terms used herein and not defined shall have the meanings given them in the Purchase Agreement.

Pursuant to Section 4 of the Purchase Agreement, the District is obligated to deliver to the Title Company a deposit of One Hundred Thousand Dollars (\$100,000) (the "Purchase Agreement Deposit"). Section 4 of the Purchase Agreement provides that the Purchase Agreement Deposit is to be held in the Purchase Agreement Escrow and applied toward the Purchase Price under the Purchase Agreement upon Closing.

Cabrillo Unified School District
July 24, 1998
Page 2

Pursuant to Section 4 of the Conveyance Agreement, Seller ("Developer" under the Conveyance Agreement) is obligated to deliver to the Title Company under the Conveyance Agreement a deposit of Thirty Thousand Dollars (\$30,000) (the "Conveyance Agreement Deposit"). Section 4 of the Conveyance Agreement provides that the Conveyance Agreement Deposit is to be held in the Conveyance Agreement Escrow and applied toward the purchase price under the Conveyance Agreement upon the closing under the Conveyance Agreement.

Notwithstanding any provision to the contrary contained in the Purchase Agreement and Conveyance Agreement, Seller and District agree that two (2) business days following the Contract Date a portion of the Purchase Agreement Deposit in the amount of Thirty Thousand Dollars (\$30,000) shall be transferred from the Purchase Agreement Escrow to the Conveyance Agreement Escrow, and such sum shall constitute Seller's Conveyance Agreement Deposit. If District fails to deliver its Notice of Election to Proceed on or before the Approval Date, Seller and District agree that five (5) days after the Approval Date the Title Company shall deliver the Conveyance Agreement Deposit and any interest earned thereon to the Purchase Agreement Escrow and such deposit and interest shall be refunded or retained in accordance with the terms and conditions of the Purchase Agreement. Similarly, if either (i) the Purchase Agreement and Conveyance Agreement terminate or (ii) Seller or District defaults under either the Purchase Agreement or Conveyance Agreement, then immediately upon receiving written notice of such termination or default from Seller or District the Title Company shall deliver the Conveyance Agreement Deposit and any interest earned thereon to the Purchase Agreement Escrow and such deposit and interest shall be refunded or retained in accordance with the terms and conditions of the Purchase Agreement. Notwithstanding any provision to the contrary contained in the Purchase Agreement and Conveyance Agreement, the Purchase Agreement Deposit in the amount of One Hundred Thousand Dollars (\$100,000) and any Interest thereon shall be applied toward the Purchase Price under the Purchase Agreement upon Closing, and the Conveyance Agreement Deposit shall not be applied to the Purchase Price under the Conveyance Agreement upon Closing.

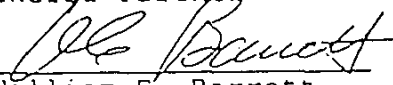
Cabrillo Unified School District
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Page 3

Please acknowledge District's agreement to all of the foregoing by signing the enclosed copy of this letter and returning it to me.

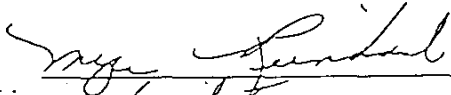
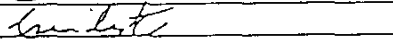
Very truly yours,

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

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

By: 
William E. Barrett
President

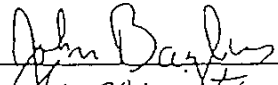
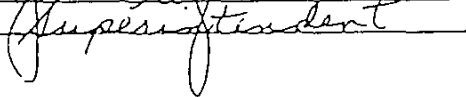
PEPPER LANE-HALF MOON BAY, LLC,
a California limited liability company

By: 
Its: 

The undersigned hereby acknowledges and agrees to all of the foregoing terms and conditions.

Dated: July __, 1998

CABRILLO UNIFIED SCHOOL DISTRICT,
a public school district

By: 
Its: 
Superintendent

WEB:mg
cc: Bruce J. Russell, Esq.