

1. In comparing 15-16 and 16-17 there was a difference of 1,000,000 in Income, where did that come from?

The drop was primarily due to the Kennedy Wilson (KW) transaction. Income projections come from estimated expenses. Income for the KW rental program decreased by \$914,000. Decreases were due to reductions in expenses. The most significant decreases in Kennedy Wilson's share of expenses are Reserve Contribution \$374,000, Management Fees \$215,000 and Taxes \$160,000.

Townhome Income decreased by \$186,000 as the result of the Townhome sales. The most significant decreases in expenses were Insurance \$53,000 and Taxes 35,000.

2. Provide a 15-16 and 16-17 actuals comparison

Please find attached a 15-16 and 16-17 comparison of actuals categorized by Kennedy Wilson Rental Program and University Glen Homeowners and Townhome rentals.

3. Expenses are approximately off by \$20,000 when compared to Mr. Pausch's calculation.

Mr. Pausch's calculation reflects an error in the Townhome Reserve Contribution expense category the amount reflected is \$189,200 it should be 169,200

4. Please check the Pro Rata share calculation.

The pro rata share calculations are correct. The pro rata calculation takes expenses divided by the number of units divided by 12 months. For example Administrative cost for Homeowners  $\$17,141/72/12= 19.84$ .

**5. Define the responsibility of Insurance coverage for the Townhome Property Insurance.**

**Please refer to the ground sublease excerpts below.**

**8.1 Property Insurance.**

8.1.1 Attached Homes. If the Sublease Parcel is improved with an Attached Unit, then SA shall obtain and maintain during the term of this Sublease from a good and responsible company doing insurance business in the State of California, a policy of insurance in the amount of not less than one hundred percent (100%) of the full insurable replacement value (less any applicable deductible) of only the Improvements, which the SA is obligated to maintain under Section 10.2 below (the "SA Casualty Policy"). The SA Casualty Policy insurance shall be for the benefit of SA, Homeowner and the homeowners of the other Attached Units in the Project. Homeowner shall be assessed as Maintenance Rent for (i) Homeowner's Pro Rata Share of the cost of the insurance coverage on and the cost of any uninsured repairs, maintenance or replacements in all Attached Units in the Project, and (ii) one hundred percent (100%) of the cost of any insured repair, maintenance or replacements in the Homeowners Unit, which are subject to a deductible under the SA Casualty Policy. Homeowner shall not separately insure against any loss or casualty covered by the SA Casualty Policy. If Homeowner violates this provision, any diminution in insurance proceeds otherwise payable under policies obtained by SA that results from the existence of such other insurance shall be chargeable to Homeowner. SA may elect to change the deductible on the SA Casualty Policy from time to time only after giving Homeowner at least thirty (30) days prior written notice.

Homeowner must obtain and maintain at all times from a good and responsible insurance company doing business in the State of California a policy of casualty insurance (currently referred to as an HO-6 policy) covering (i) all the interior improvements to the Unit that the Homeowner, and not the SA, is obligated to maintain, repair and replace under Section 10.1 below, and (ii) the deductible on the SA Casualty Policy. Such insurance may include coverage for Homeowners personal property. Homeowner shall provide SA with a certificate of insurance, or the actual policy if requested, confirming coverage as required hereunder, and that such coverage cannot be cancelled or modified without at least thirty (30) days' prior written notice to SA.

**10.1**

**By Homeowners.** The owners of the Detached Units shall be solely responsible for all maintenance, repair and replacement of the Units, inside and outside, and the landscaping in the Courtyards regardless of the cause of any damage (e.g., fire, earthquake, wind, water, etc.). Homeowner shall commence any necessary repair or replacement after any damage occurs within not later than six (6) months after such occurrence and diligently pursues the same to completion at Homeowner's sole cost, whether or not covered by insurance. The owners of the Attached Units

will be solely responsible for the repair, replacement and maintenance of all improvements inside of the interior drywall surfaces of the walls and ceilings and above the surface of the concrete slab, including, but not limited to, wall coverings by paint, wallpaper, tile or other materials, floor coverings of any type, cabinets, counter tops, appliances, light fixtures, plumbing pipes and fixtures, the air conditioning unit, if one is added as a Capital Improvement, and the landscaping in the Courtyards, as well as all the Homeowner's personal property, damaged due to any cause, including casualties such as fire, earthquake, wind, water, etc., or due to ordinary wear and tear. If Homeowner fails to perform his or her responsibilities hereunder, SA shall have the right after giving at least thirty (30) days' prior written notice to perform the work and to assess Homeowner all costs therefor as Additional Rent.

## **10.2**

**By SA.** As to Attached Units only, SA shall be responsible for the maintenance, repair and replacement of the interior and exterior walls from the outside surface of the exterior walls to the inside surface of the drywall on the interior walls and ceilings, the windows and doors, the concrete slab, the roof, the plumbing and electrical systems and light fixtures inside the walls, ceilings or concrete slab, the heating unit and all ducting therefor, and all landscaping on the Sublease Parcels and the Common Area except the Courtyards, which shall be the responsibility of Homeowner, damaged due to any cause, including casualties such as fire, earthquake, wind, water, etc., or due to ordinary wear and tear. All such costs shall be paid by the SA from proceeds of the SA Casualty Policy to the extent such proceeds are available. To the extent insurance proceeds are not available, Homeowner shall pay as Maintenance Rent (i) his or her Pro Rata Share of the costs for maintenance, repair and replacement performed by SA under this Section 10.2, resulting from uninsured events, or (ii) one hundred percent (100%) of such costs if the same result from insured events but are subject to a deductible on the SA Casualty Policy.

**Common Area Maintenance Two-Year Comparison**

	16-17	15-16		16-17	15-16		16-17	15-16		16-17	15-16		16-17	15-16		16-17	15-16		16-17	15-16	
	328	328		58	58		14	14		400	400		72	72		200	200		272	272	
	Apartments	Apartments	% Increase / (Decrease)	Town Center Apartments	Town Center Apartments	% Increase / (Decrease)	Town Center Retail	Town Center Retail	% Increase / (Decrease)	Kennedy Wilson Rental Program Total	Kennedy Wilson Rental Program Total	% Increase / (Decrease)	For-sale Single Family Residences	For-sale Single Family Residences	% Increase / (Decrease)	Townhomes	Townhomes	% Increase / (Decrease)	SFH and TH Program Total	SFH and TH Program Total	% Increase / (Decrease)
<b>Income</b>																					
Homeowner CAM																					
Rental CAM	759,451	1,476,591	-49%	135,469	269,148	-50%	32,700	96,771	-66%	927,620	1,842,510	-50%	169,220	168,359	1%	573,489	761,144	-25%	742,709	929,503	-20%
	<b>759,451</b>	<b>1,476,591</b>	<b>94%</b>	<b>135,469</b>	<b>269,148</b>	<b>99%</b>	<b>32,700</b>	<b>96,771</b>	<b>196%</b>	<b>927,620</b>	<b>1,842,510</b>	<b>99%</b>	<b>169,220</b>	<b>168,359</b>	<b>-1%</b>	<b>573,489</b>	<b>761,144</b>	<b>33%</b>	<b>742,709</b>	<b>929,503</b>	<b>25%</b>
<b>Expense</b>																					
Landscaping	163,416	172,433	-5%	28,840	30,491	-5%	6,931	7,360	-6%	199,187	210,284	-5%	37,345	37,851	-1%	103,736	105,142	-1%	141,081	142,993	-1%
Electric - Common Area	36,364	59,132	-39%	6,430	10,456	-39%	1,552	2,524	-39%	44,346	72,112	-39%	7,982	12,980	-39%	22,173	36,056	-39%	30,155	49,036	-39%
Gas - Common Area	3,135	9,062	-65%	554	1,602	-65%	134	387	-65%	3,823	11,051	-65%	688	1,989	-65%	1,912	5,525	-65%	2,600	7,514	-65%
Water	32,827	41,918	-22%	5,805	7,412	-22%	1,401	1,789	-22%	40,033	51,119	-22%	7,206	9,201	-22%	20,016	25,559	-22%	27,222	34,760	-22%
Water- reclaimed	20,647	30,675	-33%	3,651	5,424	-33%	881	1,309	-33%	25,179	37,408	-33%	4,532	6,734	-33%	12,590	18,704	-33%	17,122	25,438	-33%
Sewer	42,527	55,192	-23%	7,520	9,760	-23%	1,815	2,356	-23%	51,863	67,308	-23%	9,335	12,115	-23%	25,931	33,654	-23%	35,267	45,769	-23%
Trash Removal	59,441	63,414	-6%	10,511	11,213	-6%	2,537	2,707	-6%	72,489	77,334	-6%	13,048	13,920	-6%	36,245	38,666	-6%	49,293	52,586	-6%
Maintenance	137,294	162,220	-15%	24,278	28,685	-15%	5,860	6,924	-15%	167,431	197,829	-15%	30,138	35,609	-15%	83,716	98,914	-15%	113,853	134,523	-15%
Insurance- Property	0	87,775	-100%	0	15,521	-100%	0	3,746	-100%	0	107,042	-100%	0	0	0%	0	53,521	-100%	0	53,521	-100%
Insurance- General Liability	7,939	44,502	-82%	1,404	7,869	-82%	339	1,899	-82%	9,682	54,270	-82%	1,743	9,769	-82%	4,841	27,136	-82%	6,583	36,905	-82%
Management Fees	78,089	254,765	-69%	13,808	45,050	-69%	3,333	10,874	-69%	95,230	310,689	-69%	17,141	55,924	-69%	47,615	155,344	-69%	64,757	211,268	-69%
Taxes	0	131,924	-100%	0	23,328	-100%	0	5,631	-100%	0	160,883	-100%	0	0	0%	0	35,394	-100%	0	35,394	-100%
Parking Offser			0%			0%			0%	0	0	0%			0%			0%	0	0	0%
Reserves			0%			0%			0%	0	0	0%			0%			0%	0	-135,457	-100%
Common Space	56,167	56,167	0%	9,932	9,932	0%	2,397		0%	68,496	66,099	4%	12,329	12,329	0%	34,248	34,248	0%	46,577	46,577	0%
Single Family Residences			0%			0%			0%	0	0	0%	10,005	10,005	0%			0%	10,005	10,005	0%
Townhomes			0%			0%			0%	0	0	0%			0%	169,200	178,668	-5%	169,200	178,668	-5%
Rental Apt / Town Center		307,415	-100%		62,403	-100%		4,548	-100%	0	374,366	-100%			0%			0%	0	0	0%
	<b>637,845</b>	<b>1,476,594</b>	<b>-57%</b>	<b>112,733</b>	<b>269,146</b>	<b>-58%</b>	<b>27,181</b>	<b>52,054</b>	<b>-48%</b>	<b>777,759</b>	<b>1,797,794</b>	<b>131%</b>	<b>151,493</b>	<b>168,358</b>	<b>-10%</b>	<b>562,222</b>	<b>761,142</b>	<b>-26%</b>	<b>713,715</b>	<b>929,500</b>	<b>30%</b>
	<b>121,606</b>	<b>(3)</b>	<b>-4470922%</b>	<b>22,737</b>	<b>2</b>	<b>1093003%</b>	<b>5,519</b>	<b>44,717</b>	<b>-88%</b>	<b>149,861</b>	<b>44,716</b>	<b>-70%</b>	<b>17,727</b>	<b>1</b>	<b>2954332%</b>	<b>11,267</b>	<b>2</b>	<b>563256%</b>	<b>28,994</b>	<b>3</b>	<b>-100%</b>
Administrative	19.84	64.73		19.84	64.73		19.84	64.73					19.84	64.73		19.84	64.73				
Maintenance and Other																					
Operational																					
Costs	34.88	41.21		34.88	41.21		34.88	41.21					34.88	41.21		34.88	41.21				
Utilities	49.53	65.90		49.53	65.90		49.53	65.90					49.53	65.90		49.53	65.90				
Landscaping	41.52	43.81		41.44	43.81		41.26	43.81					43.22	43.81		43.22	43.81				
Insurance- Property	-	22.30		-	22.30		-	22.30					-	-		-	22.30				
Insurance- General Liability	2.02	11.31		2.02	11.31		2.02	11.30					2.02	11.31		2.02	11.31				
Taxes	-	33.52		-	33.52		-	33.52					-	-		-	-				
Parking Offset Credit														(57.95)			(63.53)				
Reserves- Common	14.27	14.27		14.27	14.27		14.27	-					14.27	14.27		14.27	14.27				
Reserves- Single Family													11.58	11.58		-	-				
Reserves- Rentals /	-	78.10		-	89.66		-	27.07					-	-		70.50	74.45				
	162.05	375.15		161.97	386.70		161.79	309.85					175.34	194.86		234.26	274.44				