

4.19.07

SETTLEMENT AGREEMENT

This Settlement Agreement (hereinafter "Agreement") is made by and between the POST FALLS URBAN RENEWAL AGENCY, an Idaho urban renewal agency, P.O. Box 236, Post Falls, Idaho, 83877-0236 (hereinafter referred to as "AGENCY"), and J.R. WATSON & ASSOCIATES DEVELOPMENT CO. (P.O. Box 610, Seal Beach, California 90740) JAMES R. WATSON and JUDY WATSON, husband and wife (250 Ocean Avenue, Seal Beach, CA 90740), each in their individual capacity and on behalf of their marital community (hereinafter collectively referred to as "WATSON").

RECITALS:

WHEREAS, AGENCY is an Idaho urban renewal agency created by and existing under the authority of and pursuant to the laws of the state of Idaho.

WHEREAS, the City of Post Falls, Idaho, by the adoption of Ordinance No. 990 on November 6th, 2001 and Ordinance No. 1011 on November 5th, 2002, duly formed and adopted the Expo Urban Renewal Plan and created the Expo Urban Renewal District (hereinafter referred at as the "Plan" and the "District").

WHEREAS, pursuant to the language of the Plan itself, AGENCY is charged with the administration and enforcement of such Plan.

WHEREAS, WATSON is the sole developer within the District who has participated in the Plan by constructing public improvements contemplated by such Plan.

WHEREAS, WATSON and AGENCY have been unable to agree on the amount of reimbursement WATSON is entitled to under the Plan for public improvements WATSON has already constructed in the District and will construct in the future.

WHEREAS, WATSON and AGENCY have since resolved their differences and now desire to memorialize their mutual understandings in writing.

NOW THEREFORE, in consideration of the terms and conditions set forth in this Agreement, and other good and valuable consideration, it is mutually agreed by and between the parties as follows:

1. Purpose. This Agreement is made as a compromise between the parties for the complete and final settlement of their claims, differences, and causes of action with respect to the dispute described below.

2. Statement of Dispute. WATSON asserts a claim against AGENCY based upon the facts and allegations contained in the Notice of Tort Claim filed with the Agency and attached hereto as **Exhibit "A"**. AGENCY denies any liability to WATSON. The parties desire to reach a full and final compromise and settlement of all matters and all causes of action arising out of such facts and allegations.

3. Terms of Settlement. In consideration of the mutual covenants set forth herein, the parties agree as follows:

A. Except for deviations noted herein, the parties' past and future relationship shall be governed by the terms and provisions of the Plan itself, with neither party conceding that such Plan is or is not a contract.

B. All references to the sequential phasing of Projects within the Plan are deleted. The parties agree that the market shall dictate the manner in which the improvements set forth in the Plan are installed and that WATSON is free to utilize his development experience and expertise to construct the Projects set forth within the Plan in any order which will enhance the development of the property in accordance with the Plan.. WATSON agrees to provide a consolidated line item budget to AGENCY which is consistent with the individual line item budgets set forth in the Plan, and with Section 5 of the Plan, for each of the sequential phases contemplated in the original Plan (Provided in Exhibit C attached).

C. The cost estimates allocated to the specific line items set forth in Section 5 of the Plan shall be deemed to be fungible, meaning that savings realized with respect to one line item may be reallocated to the total costs projected for another line item, so long as the total estimated cost of the Projects contemplated by the Plan (\$4,702,827.00) is not exceeded.

D. WATSON'S entitlement to reimbursement for the hard costs incurred/to be incurred in constructing public improvements within the District shall be determined based on specific verification of the amount of improvements installed and payment shall be based solely upon the percentage of completion method as applied to each hard cost line item set forth in the Plan. Correspondingly, for improvements already constructed, WATSON and AGENCY agree that as of the date of this Agreement, WATSON is entitled to reimbursement from the AGENCY'S available tax increment revenue solely derived from this District, in the agreed upon amount of Seven Hundred Five Thousand, Five Hundred and Sixty-One Dollars and no 00/100 (\$705,561.00) based upon a thorough analysis of such completed improvements which was performed by Bill Melvin, City Engineer for the City of Post Falls (hereinafter referred to as "City Engineer"), and Michael Hunt, P.E, as a representative of WATSON. The term "hard costs" refers to those costs incurred by WATSON that are contemplated in Section 5 of the Plan, excluding bond costs, miscellaneous costs and administrative costs, which are referred to herein as "soft costs". Since the date of the Melvin and Hunt analysis, additional work has been approved by the City increasing the percentage of completion subject to reimbursement and will be considered following verification of completion and cost of improvements by the City Engineer and the AGENCY.

E. WATSON shall be reimbursed for certain budgeted soft costs set forth in the Plan, to the extent that they have been incurred or are to be incurred in constructing public improvements within the District to the extent that such costs do not exceed the estimates provided within Section 5 of the Plan (Administrative Costs of \$100,000 and Miscellaneous Costs of \$209,220) and provided that the respective Project to which such costs are allocated has been certified as

complete by the City Engineer. The Administrative Costs and Miscellaneous Costs represent 2.39% and 5.00% of hard costs (total costs less bond costs, Miscellaneous Costs and Administrative Costs, as set forth in Exhibit "C") respectively. These percentages shall be applied to the work approved by the City Engineer for reimbursement purposes. Payment of such soft costs shall be calculated based on the percentage of completion of the overall improvements set forth in the Plan and pursuant to the consolidated line item budget for such improvements which WATSON shall provide as set forth in Paragraph 3 B, above.

F. With respect to the bond financing contemplated by the Plan, AGENCY agrees to consider a proposal from WATSON to issue revenue anticipation bonds in increments of One Million Dollars and no 00/100 (\$1,000,000.00) or more to repay costs incurred by WATSON installing public improvements in accordance with the Plan, so long as: (1) the debt service coverage ratio of 1.35% as set forth in Appendix B of the Plan is fully satisfied (WATSON and AGENCY acknowledge that such calculation shall be net of the annual AGENCY Administrative Fee), (2) WATSON provides a feasible plan for such issue(s), including but not limited to retaining bond counsel and an underwriter, providing such additional security as may be required to accommodate the issue of bonds and paying the costs associated with such an issue, as set forth in the Plan, with reimbursement for such costs limited by the line item for such costs as set forth in the Plan, and (3) WATSON executes indemnity and surety agreements in a form acceptable to the AGENCY assuring that the AGENCY has no liability, cost, or exposure for such issue(s).

G. WATSON agrees to pay the AGENCY'S Plan Fee of Fifteen Thousand Dollars and no 00/100 (\$15,000.00) out of the available tax increment revenues solely derived from this District, which are currently held by the AGENCY.

H. WATSON agrees to pay the AGENCY'S Annual Administrative Fee as required by the Plan in an amount equal to the *greater of* (a) Ten Thousand Dollars and no 00/100 (\$10,000.00) per year or (b) fifteen percent (15%) of the total tax increment revenues derived solely from this District each year, whichever is greater.

I. WATSON agrees that the AGENCY shall maintain a Retainage Reserve equal to three percent (3%) of all costs associated with the public improvements completed in the District. Such Retainage Reserve shall be held in the AGENCY'S District Reserve Account and shall be retained by the AGENCY from reimbursement amounts due WATSON. After written acceptance and certification by the City and approval by the AGENCY of the completion of specific public improvements, the total balance held in the Retainage Reserve for that completed work shall be paid to WATSON within three (3) years after the date of issuance of such certification and acceptance. It is possible that not all improvements listed in the plan will be completed, or they may be replaced with alternative public improvements approved by the AGENCY.

J. Based upon the foregoing, AGENCY and WATSON agree that WATSON is currently due a payment in the amount of \$19,501.96 representing tax increment funds derived from the District in fiscal year 2006 which are available

as partial reimbursement for public improvements that Watson has installed in the District. This amount is based on the computations and allocations made according to the terms of this Agreement as detailed in the spreadsheet attached hereto as **Exhibit "B"**. Future payments will be bi-annually with payments on April 1 and October 1 of every year. The Agency may specify different dates to be consistent with the receipt of funds from the County.

K. WATSON agrees that all claims, demands, rights, and causes of action that WATSON has or may have against AGENCY with respect to the above-described dispute are satisfied, discharged, and settled.

L. AGENCY agrees to pay WATSON the sum of \$19,501.96 as a partial reimbursement for public improvements installed in the District as confirmed by the City of Post Falls.

4. Reservation of Rights. This Agreement is to operate as a release and discharge only as to the parties, and it is agreed that WATSON reserves the right to prosecute suits and claims against any and all other corporations or persons that may be responsible for or that have contributed to any injuries or damages claimed by WATSON.

5. Liability Contested and Denied. Nothing contained in this Agreement shall constitute an admission of fault or liability by either party on any claim asserted or alleged. The parties to this Agreement intend by this Agreement to fully, finally and forever resolve all claims, and the parties intend to buy their peace and avoid further litigation. This Agreement and the consideration provided are made and accepted in good faith with the understanding by the parties of the risks attendant to litigation.

6. Authority as to Settlement of all Claims. The parties hereto represent and warrant that no other person or entity has or has had any interest in or lien against the claims, demands or causes of action referred to in this Agreement, that the parties hereto have the sole right and exclusive authority to execute this Agreement and receive the benefits specified herein as consideration; and that neither party has sold, assigned, transferred, conveyed or otherwise disposed of any of the claims, demands, obligations or causes of action referred to in this Agreement.

7. Covenant Not to Sue. The parties hereby agree and covenant that they will not sue or commence any action at law, equity or otherwise against each other for any claim, cause of action or demand, whatsoever and whatsoever nature, arising out of or in any way related to the dispute that is the subject of this Agreement. The parties mutually agree and understand, however, that they may initiate an action against the other for breach of this Agreement or any of the obligations, promises, representations and covenants of this Agreement.

8. Costs and Attorneys' Fees. In the event that any litigation arises under this Agreement, the prevailing party (which term shall mean the party which obtains substantially all of the relief sought by such party) shall be entitled to recover, as part of their judgment, reasonable attorneys' fees and costs. Each party shall pay its own legal and all related costs associated with the negotiation and execution of this Settlement Agreement

9. All Modifications to be Written/Extent of Plan Modification. This Agreement shall not be modified or amended except in a written document signed by WATSON and AGENCY. The Plan shall not be deemed modified except to the extent discussed herein.

10. Governing Law/Venue. This Agreement shall be governed and interpreted in accordance with the laws of the state of Idaho, and venue shall lie in Kootenai County, Idaho.

11. Counterparts/Execution by Facsimile. This Agreement may be signed in any number of counterparts each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Execution of this Agreement by facsimile signature is permitted.

12. Interpretation. The terms used in this Agreement shall be given their plain and ordinary meaning and shall not be subject to the rule of construction that construes ambiguities against the drafter.

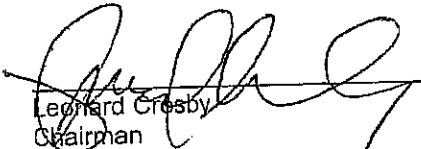
13. Change of Facts. It is mutually understood by the parties that the facts with respect to which this Agreement is made may subsequently prove to be other than or different from the facts now known by either of them or believed by either of them to be true, as set out in this Agreement. Each of the parties accepts and assumes the risk of the facts proving to be so different, and each of the parties agrees that all the terms of this Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

14. Effect of Agreement. This Agreement shall be binding on and inure to the benefit of the parties and their respective legal representatives, successors, and assigns.

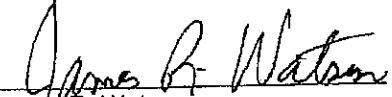
15. Severability. All of the provisions of this Agreement are distinct and severable, and if any provision shall be deemed illegal, void, or unenforceable, it shall not affect the validity, legality, or enforceability of any other provision or portion of this Agreement.


The parties have executed this Agreement as of the dates acknowledged below.

"AGENCY"


Leonard Crosby
Chairman
Post Falls Urban Renewal Agency

"WATSON"


James R. Watson
President
J. R. Watson & Associates Development Co.


James R. Watson, individually and
on behalf of his marital community

Judy R. Watson
Judy Watson, individually and
and on behalf of her marital community

STATE OF IDAHO)
) ss.
County of Kootenai)

On this 16 day of March, 2007, before me, a Notary Public, personally appeared Leonard Crosby, known to me to be the Chairman of the Post Falls Urban Renewal Agency, and the person who executed the foregoing instrument and acknowledged to me that said Agency executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year in this certificate first above written.

Notary for the State of Idaho
My Commission Expires: _____

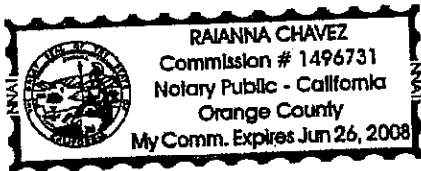
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California)
County of Orange) ss.

On March 16, 2007, before me, Raianna Chavez, Notary Public
(Name and Title of Officer (e.g., "Jane Doe
Notary Public"))

personally appeared, James R. Watson and Judy Watson, husband and wife

- personally known to me
 proved to me on the basis of satisfactory evidence to be the person(s), whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

SETTLEMENT AGREEMENT

NOTICE OF TORT CLAIM

TO: POST FALLS URBAN RENEWAL AGENCY
408 Spokane Street
Post Falls ID 83854

This Notice of Tort Claim is submitted by James Watson and Judy Watson, husband and wife, and J. R. Watson & Associates Development Co., a California corporation licensed to do business in the State of Idaho, hereinafter collectively referred to as Watsons, pursuant to the Idaho Tort Claims Act (Idaho Code §6-901 through § 6-929 and the relevant provisions of Idaho Code § 50-219). This Notice of Tort Claim is being filed to preserve Claimant's claims against the Post Falls Urban Renewal Agency, an independent body, corporate and politic, formed pursuant to Title 50 Idaho Code, its staff and/or employees to the extent that any claim may be subject to the notice requirements imposed by law.

1. CONDUCT AND CIRCUMSTANCES WHICH BROUGHT ABOUT THE INJURY:

In 1998, Judy and Jim Watson, husband and wife, and J. R. Watson & Associates Development Co., applied to the Post Falls Urban Renewal Agency for the adoption of a plan to enable tax increment financing of public infrastructure improvements upon the Watsons' real property being developed in the West Post Falls area. Subsequent to lengthy discussions and negotiations, the Agency resolved to adopt a plan approving Watsons' expenditure of Four Million Seven Hundred Two Thousand Eight Hundred Twenty Seven Dollars (\$4,702,827) for infrastructure improvements to be subsequently reimbursed through the tax increment received as a result of the construction of improvements upon the real property.

The general nature of the infrastructure improvements approved by the Agency, as well as an engineer's estimate of the cost of said improvements and the cost of overhead and administration was approved as part of the Expo Urban Renewal Plan adopted by the Agency in 2001. The specific methodology for the reimbursement of the Watsons for the millions of dollars to be expended in accordance with the Plan was set forth in Section 5, pages 18 and 19 of the approved Plan (A copy of which is attached, and hereby incorporated for reference.) In accordance with state law, the Plan approved by the Agency was approved by the Post Falls City Council by ordinance in late 2001. Thereafter, Watsons, in accordance with the provisions of the Plan, proceeded to make such improvements that were allocated in the Expo Urban Renewal Plan of 2001. By the end of calendar year 2003, Watsons had expended \$586,851.71 of the \$4,702,827.00 allocated in the Plan. Watsons expenditure of said funds was in complete reliance upon the Plan approved by the Agency and approved by the City of Post Falls by ordinance. In accordance with his obligations, Watsons submitted an accounting of said expenditures on September 18, 2003.



While Watsons were hopeful of receiving some partial reimbursement in 2003, any reimbursement was dependent upon the receipt of tax increment as set forth in the provisions of Section 5 of the 2001 Expo Urban Renewal Plan. At that time, Watsons were told by then acting director of the Agency, Jerry Basler, that the submissions were acceptable and approved; however, no increment existed to fund any reimbursement.

More than a year later, Watsons were informed by the legal counsel of the Agency that the Agency Board members had a number of questions concerning the reimbursement. Indeed, Watsons were informed that part of the confusion arose from the thoroughness and detail of Watsons' submittals, which included copies of all invoices which were related and cross-referenced to the allocations made by the Agency in the 2001 Expo Urban Renewal Plan. Thereafter, Watsons, their legal counsel and staff engaged in ongoing and lengthy communications in response to the Agency's inquiries in an effort to resolve and clarify the submittals that had been made. The Agency, through its correspondence and communications, clearly indicated that the Agency was not refusing to pay the reimbursements, but that the submittals required clarification and the assistance of personnel outside the Agency as it related to the reasonableness of the costs of the improvements.

It is important to note that during these discussions, Watsons requested an accounting by the Agency, and was informed that there was no increment that had been received by the Agency sufficient to make any reimbursement. Indeed, during these discussions, the Agency informed Watsons of the following:

A. The Agency should have, but did not at the time of the Plan, charge a Plan fee, which they believe Watsons should now pay;

B. The Agency did not have sufficient resources to fund its ongoing expenses and requested that Watsons agree to pay the sum of Fifteen Thousand Dollars (\$15,000) per year in addition to the administrative expense agreed to be paid by Watsons in the Plan from increment revenue; and

C. That Watsons enter into an agreement to supplement the Plan prior to receiving the distribution of any increment.

As part and parcel of these discussions, Watsons, at the request of the Agency, agreed that they would utilize the services of the City Engineer (to act on behalf of the Agency), and Michael Hunt, formally of Lake City Engineering who assisted Watsons in the development of the original development (to act on behalf of Watsons) to see if these individuals could independently make recommendations to and clarify the accuracy in and appropriateness of the sums sought to be reimbursed. Watsons expended additional sums of money to effectuate these discussions in hopes of resolving any questions as to the submission that Watsons had or would make concerning allowable reimbursement.

Watsons received no reimbursement based upon the submittals for 2003 during 2004 or in 2005. The Agency communicated to Watsons and their representatives that no increment existed for that purpose, and in any event, could not be paid until the accuracy of the submittals was agreed to by the parties.

In September 2005, Watsons submitted an updated accounting (including all relevant invoices) for funds expended for infrastructure by Watsons in accordance with the Plan through that date. Again, Watsons requested payment of those amounts at such time increment was made available for that expense. Correspondence between the parties continued to be exchanged in hopes of satisfying the questions and concerns of the Agency and pending receipt of sufficient income to make any partial payment upon the increment then due which had arisen to the amount of One Million Two Hundred Twenty Thousand and 04/100 Dollars (\$1,220,450.04). Pending confirmation the distribution would be made by the Agency, the Agency demanded Watsons execute a new agreement as a precondition of receiving reimbursements now or in the future. Watsons agreed that they would review a supplemental agreement and did so. The agreement provided by the Agency contained unconscionable terms which had never been made a part of the original Plan or ever discussed in any agreement between Watsons and the City. An example of such terms included the right of the Agency to unilaterally and arbitrarily terminate the Expo Urban Renewal Plan foreclosing any opportunity of reimbursement from increment to Watsons as promised. The Agency also communicated to Watsons that they would not bond for the improvements as contemplated in Section 5 of the Plan.

Thereafter, Watsons, through their counsel and representatives, made demand upon the Agency to articulate its position concerning approval of the expenditures and also requested an accounting of any increment that had been received for the purpose of distribution. On June 26, 2006, Watsons received from the Agency a letter dated June 8th informing Watsons that the Agency would be willing to pay a part of the monies claimed to be due and owing (though it is believed that no such increment then existed which would have enabled the payment or the obligation of the Agency to do so) on the condition that Watsons would accede to the other demands of the Agency. Since June 26, 2006, no accounting has ever been received by Watsons as requested, though such an accounting was promised in writing by the Executive Director of the Agency. Further, the Agency ceased to communicate with Watsons concerning the submittals that have been made.

On November 8, 2006, Watsons caused to be communicated to the Agency and its attorney a demand that the Agency affirm either their intention to pay the increment in accordance with the submittals or reject the same so that Watsons could seek legal redress to the extent that he deemed appropriate.

Although Watsons are not certain there is any increment sufficient to reimburse the expenses they have made, Watsons wish to preserve their legal rights to pursue an action against the Agency and others for their refusal to pay the same as such actions accrue

based upon the availability of increment as contemplated under Section 5 of the 2001 Expo Urban Renewal Plan.

It is Watsons' intention that this notice of claim be continuing in nature and apply to each annual payment for reimbursement which should become due to Watsons from the increment received from the preceding tax year.

2. DESCRIPTION OF THE INJURY OR DAMAGE:

Claimants, as a result of the actions and omissions of the Agency have been damaged and will continue to be damaged as follows:

A. Claimants are denied the reimbursement agreed to by and between the Claimants and the Agency, the amount of which is presently payable being undetermined due to the failure of the Agency to provide an accounting, but believe prospectively to be the total sum of the agreed reimbursement in an amount in excess of Four Million Dollars (\$4,000,000).

B. Claimants, James and Judy Watson, have been damaged by the denial of their civil rights, property rights and rights to due process of law guaranteed by the Fifth and Fourteenth Amendments to the United States Constitution, and Article 1, Section 17 of the Idaho State Constitution, and as protected by federal statute and further protected by 42 USC § 1983, *et seq.*, for which Claimants are entitled to general damages and the award of their attorneys' fees.

C. The value of Claimants' property has been and will continue to be diminished by reason of the refusal of the Agency to abide by its agreement, the Agency communications to others, and the requirement that the Claimants are thus required to disclose the conflict between the Claimants and the Agency as it relates to the tax increment financing Plan associated with Claimants' property.

D. Claimants have incurred substantial professional fees for engineering, accounting, legal and other professional services associated with the Plan and the clarifications requested by Claimants as a prerequisite to receiving increment revenue, which results from the negligence, acts and omissions of the Agency.

3. TIME AND PLACE THE INJURY OR DAMAGE OCCURRED:

Claimants claims are based upon various theories of negligence, breach of contract, claims for monies due and owing, and the violation of constitutional rights and statutory guarantees of state and federal law. The acts complained of occurred in Kootenai County, Idaho. The acts of negligence complained of herein occurred within 180 days of this Notice and are ongoing. The contractual breach of the agreements by the Agency is ongoing.

The actual dates of some misconduct by Agency representatives is unknown to Claimants and has been secreted or refused to be disclosed.

4. THE NAMES OF ALL PERSONS INVOLVED:

The names of all persons involved are not presently known, but are anticipated to include:

Urban Renewal Agency of the City of Post Falls, a political subdivision of the State of Idaho, all of the current appointees and officials thereof, and those past officials who have served as appointees since the submission of the application of the Plan by Claimants, the identities of which include but are not limited to: All Current Board Members, namely Len Crosby, David Holloway, Todd Tondee, Nancy Mabile, Mel Palmer, Layton Rosencrance and Bobbi Rollins; all former Board Members, including but not limited to Skip Hissong and Ron Jacobsen; Jerry Basler, former Executive Director of the Agency; Patricia Raffee, current Executive Director of the Agency; and Freeman Duncan, former attorney for the Agency.

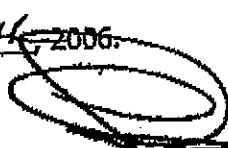
5. THE AMOUNT OF DAMAGES CLAIMED:

Claimants claim special damages as a result of economic loss and the expenses incurred as a result of the actions and omissions of the Agency, its officers and agents in an amount in excess of Five Million Dollars (\$5,000,000). Claimants further make claim for the attorneys' fees and professional fees and other costs that have been incurred in the prosecution of this claim and any litigation subsequent hereto.

6. STATEMENT OF THE ACTUAL RESIDENCE OF THE CLAIMANT:

The actual residence of James Watson and Judy Watson, husband and wife, at present and for six months prior to the claim arising is: 250 Ocean Avenue, Seal Beach CA 90740. The address of J. R. Watson & Associates Development Co. is 101 Main Street Suite A Seal Beach CA 90740.

DATED this 9th day of NOVEMBER, 2006.



CHARLES B. LEMPESTIS
Attorney for Claimant

STATE OF IDAHO)
) SS
COUNTY OF KOOTENAI)

Before me, the undersigned notary public, did personally appear CHARLES B. LEMPESIS, identified to me to be the person whose name is subscribed to this instrument as Attorney for Claimant, and who acknowledged to me that he executed the same and that statements contained therein are true, to certify which, witness my hand and seal of office on this the 9th day of November, 2006.



Charlene Beamer
NOTARY PUBLIC FOR IDAHO
Commission expires: 11/5/9
Residing at: Post Falls

EXHIBIT B

2006 Operating Budget by District

District: Expo District
 Proponent: Watson and Associates

| | <u>Reserves Held</u> | <u>Reserve Required*</u> | <u>Remaining</u> |
|----------|----------------------|--------------------------|------------------|
| Debt | \$0.00 | \$0.00 | \$0.00 |
| District | \$21,166.83 | \$21,166.83 | \$0.00 |
| Cap Exp. | \$0.00 | \$0.00 | \$0.00 |

| | Actual 2004 | Actual 2005 | Actual 2006 | TOTALS |
|--|--------------------|--------------------|--------------------|--------------------|
| Revenues: | | | | |
| Borrowed Funds | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Expo Tax Allocation Revenue | \$15,935.61 | \$18,653.72 | \$51,079.46 | \$85,668.79 |
| Developer Advance | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Plan Service | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total Revenues | \$15,935.61 | \$18,653.72 | \$51,079.46 | \$85,668.79 |
| Expenses | | | | |
| Annual Administration Fee | \$10,000.00 | \$10,000.00 | \$10,000.00 | \$30,000.00 |
| Transfer-Debt Service(Other) | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Transfer-Debt Service(Other) | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Available to Transfer-Capital Projects | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Reimbursement-Plan Fee | \$0.00 | \$0.00 | \$15,000.00 | \$15,000.00 |
| Total Expenses | \$10,000.00 | \$10,000.00 | \$25,000.00 | \$45,000.00 |
| Revenue minus expenses: | \$5,935.61 | \$8,653.72 | \$26,079.46 | \$40,668.79 |
| Reserve Allocations | | | | |
| Debt Service Reserve | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| District Reserve | \$5,935.61 | \$8,653.72 | \$6,577.50 | \$21,166.83 |
| Reserve for Capital Expenditures | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Grand Total | \$0.00 | \$0.00 | \$19,501.96 | \$19,501.96 |
| Calculated Carryover | \$0.00 | \$0.00 | \$0.00 | |

| <u>District Information</u> | |
|-----------------------------------|--------------|
| Date Created | 2001 |
| Authorized District Plan Life-Yrs | 20 |
| Date Plan Expires | 2021 |
| Improvement Dollar Costs | \$705,561.00 |

| <u>Debt Service Information</u> | | N/A |
|---------------------------------|----|-----|
| Original Debt Service Amount | \$ | - |
| Current Debt Service Amount | \$ | - |
| Expected Debt Service Payment | \$ | - |
| Remaining Debt Service | \$ | - |

Notes:

Reserve for Capital Expenditures is for funds held by the agency for obligated improvements
 * District Retainage is 3 percent of all costs associated with the public improvements made in the District up to a maximum retainage of \$141,085 - representing 3% of the maximum reimburseable costs agreed to in the Plan of \$4,702,827.

EXHIBIT C
 CONSOLIDATED LINE ITEM BUDGET
 Prepared: February 20, 2007

| <u>Description</u> | <u>Budget</u> | <u>Spent through 12/31/2006</u> | <u>Percent Complete As of 2/20/07</u> |
|--|---------------------|-------------------------------------|---|
| A. Keystone Way (Innovation Way)(1) | \$ 483,230 | \$ 831,761 | 95% |
| B. Seltice Way (1) | 396,340 | 394,109 | 80% |
| C. Expo Parkway | 1,380,500 | 188,014 | 5% |
| D. Jacklin Road | 996,710 | 99,489 | 20% |
| E. Beck Road | 133,870 | 3,833 | 0% |
| F. Pleasant View Underpass (4) | 269,472 | - | 0% |
| G. Water line Peasant View to 102 Acres | 103,565 | 52,618 | 100% |
| H. Park n Ride (2) | 260,700 | 24,580 | 0% |
| I. Regional Sewer Lift Station (3) | 160,000 | 1,260 | 90% |
| J. Bond Cost | 209,220 | 8,422 | 5% |
| K. Miscellaneous Costs | 209,220 | 124,292 | 60% |
| L. Administrative Costs | 100,000 | 100,000 | 100% |
| Total | \$ 4,702,827 | \$ 1,828,378 | |

Notes:

- (1) Proponent represents that Seltice Way is completed except for approximately 570 feet bordering Beck Road at Commerce. Proponent represents that costs have exceeded original budget for Keystone Way and Seltice Way. If there are later cost savings in other line items, then part or all of these savings will be moved to cover the higher cost encountered on Keystone and Seltice consistent with Paragraph C of the Settlement Agreement.
- (2) If not incurred will be used for other transportation related public infrastructure.
- (3) Currently installed by others. Hook up to Expo property not yet completed. May require some portion of the budgeted funds to upgrade or expand existing lift station.
- (4) This is the right turn on Expo Parkway to the on ramp. If not needed, funds will be used for transportation related public infrastructure on Seltice or Pleasant View.

FIRST ADDENDUM TO SETTLEMENT AGREEMENT

This First Addendum to Settlement Agreement (hereinafter "Addendum") is entered into as of the dates set forth below by and between the Post Falls Urban Renewal Agency, an Idaho urban renewal agency, P.O. Box 236, Post Falls, Idaho 83877-0236 (hereinafter "PFURA"), and J.R. Watson & Associates Development Co., P.O. Box 610, Seal Beach, California 90740, James R. Watson and Judy Watson, husband and wife, 250 Ocean Avenue, Seal Beach, California 90740, each in their individual capacity and on behalf of their marital community (hereinafter collectively referred to as "WATSON").

RECITALS:

WHEREAS, PFURA is an Idaho urban renewal agency created by and existing under the authority of and pursuant to the laws of the State of Idaho.

WHEREAS, the City of Post Falls, Idaho, by the adoption of Ordinance No. 990 on November 6th, 2001 and Ordinance No. 1011 on November 5th, 2002 duly formed and adopted the Expo Urban Renewal Plan and created the Expo Urban Renewal District (hereinafter referred to as the "Plan" and the "District").

WHEREAS, WATSON is the sole developer within the District who has participated in the Plan by constructing public improvements contemplated by such Plan.

WHEREAS, in 2007 PFURA and WATSON entered into a Settlement Agreement regarding the amount of reimbursement that WATSON is entitled to under the Plan for the construction of public improvements.

WHEREAS, PFURA and WATSON now wish to amend the terms of the Settlement Agreement in the following manner.

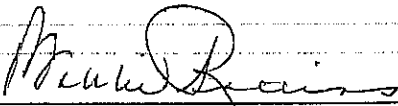
NOW THEREFORE, in consideration of the above Recitals, the mutual covenants and agreements set forth herein and the benefits to be derived therefrom, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged,

1. Amendment of Section 3H. Section 3F of the Settlement Agreement is hereby deleted in its entirety and shall now read as follows:

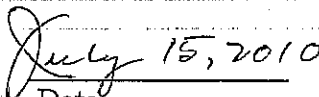
"WATSON agrees to pay the Agency's Annual Administrative Fee in an amount equal to WATSON's proportionate share of PFURA's actual administrative expenses as determined by PFURA on an annual basis consistent with current PFURA policy."

2. Remainder of Settlement Agreement. The other terms of the Settlement Agreement shall remain in full force and effect unless amended by this Addendum or any other valid modifications executed by the parties.

POST FALLS URBAN RENEWAL AGENCY

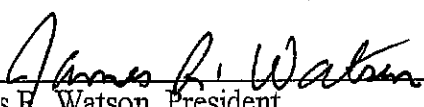


Bobbi Rollins, Chairperson

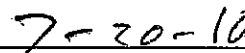


Date

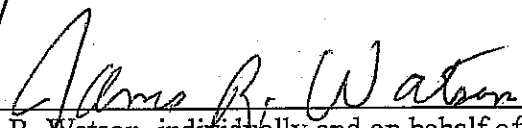
J.R. WATSON & ASSOCIATES DEVELOPMENT CO.



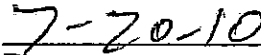
James R. Watson, President



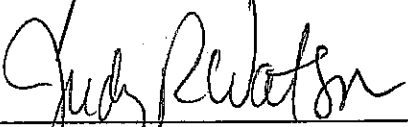
Date



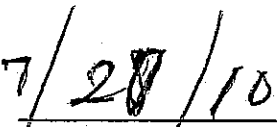
James R. Watson, individually and on behalf of
his marital community



Date



Judy Watson, individually and on behalf of
her marital community



Date