OPERATING MEMORANDUM NO. 1

TO

THIRD AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT (WATERFRONT PROJECT)

Re: Action Dismissal Date

A. General Background/Authority

This Operating Memorandum No. 1 (the "Operating Memorandum") is entered into as of April 13, 2007, by and between the Redevelopment Agency of the City of Vallejo (the "Agency") and Callahan/DeSilva Vallejo, LLC (the "Developer"). This Operating Memorandum is entered into in accordance with the terms of Section 709 of the Disposition and Development Agreement entered into by and between the Agency and the Developer as of October 17, 2000, as amended and restated as of October 1, 2002, as further amended by an Amendment entered into as of October 24, 2003, as further amended by a Second Amendment entered into as of August 24, 2004, as fully amended and restated a second time as of October 27, 2005, and as fully amended and restated a third time as of February 27, 2007 (collectively, the "Agreement"). Capitalized terms used but not defined in this Operating Memorandum shall have the meanings given in the Agreement.

The purpose of this Operating Memorandum is to implement the terms of the Agreement, with particular reference to Section 102.2, by memorializing the date that constitutes the Action Dismissal Date.

Section 709 of the Agreement authorizes the parties to enter into this Operating Memorandum to make mutually acceptable coordinating adjustments and modifications in the performance of the basic terms of the Agreement; provides that the Operating Memorandum does not constitute an amendment of the Agreement; and expressly authorizes the Executive Director to execute the Operating Memorandum on behalf of the Agency. Pursuant to Section 709 of the Agreement, as approved by the Agency Board, the Operating Memorandum may be executed without prior notice, hearing, or other action of the Agency Board. Section 102.2 of the Agreement expressly provides for the execution of an Operating Memorandum to memorialize the date that constitutes the Action Dismissal Date.

B. Agreements

Pursuant to this Operating Memorandum, the Agency and the Developer specify and agree that the Action Dismissal Date is April 13, 2007.

C. <u>Counterparts</u>

This Operating Memorandum may be executed in counterparts, which when executed by the parties shall together constitute one and the same document.

IN WITNESS WHEREOF, the parties hereto have executed this Operating Memorandum as of the date first written above.

AGENCY:

REDEVELOPMENT AGENCY THE CITY OF VALLEJO

By:

Joseph M. Tanner Executive Director

APPROVED AS TO FORM:

Erederick G. Soley Agency Counsel

ATTEST:

Mary Ellsworth

Acting Agency Secretary

DEVELOPER:

CALLAHAN DeSILVA VALLEJO, LLC, a California limited liability company

By: The DeSilva Group, Inc., a California corporation, Member

> Ernest D. Lampkin Vice President

By: Joseph W. Callahan, Jr., an individual, Member