



March 20, 2014

Dr. Edward Brand, Superintendent
Sweetwater Union High School District
1130 Fifth Avenue
Chula Vista, California 91911

Regarding: Participation Agreement Between
E2 Management and
Sweetwater Union High School District
Meeting Minutes - March 19, 2014

Dear Dr. Brand:

We appreciate the opportunity to meet with you and Thomas Calhoun yesterday. The following represents our general discussion points regarding the status of our Participation Agreement. Please correct any misstatements as you see appropriate.

Item 1 – It is our position that the Participation Agreement is still in full force and affect.

Item 2 – Your position is that the District does not want to honor the *one-third of the net cash savings of each of the Asset Properties or related transactions after the Asset Properties are entitled and sold that would be distributed to E2 and its partners as described in the Participation Agreement ("Compensation")*.

- You have instructed Thomas Calhoun to develop an alternate compensation plan on behalf of the District that would be acceptable to E2 and its partners.
- Tom indicated that he would return in mid- to late-April with the District's proposal for compensating E2 and its partners.

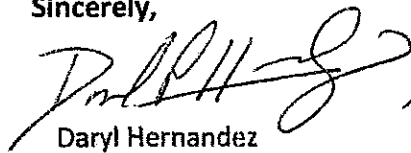
Item 3 – After further consideration, E2 and its partners have decided to continue to operate in accordance with the Participation Agreement. Therefore, E2 and its partners will continue to operate in good faith in honoring the terms of the Participation Agreement for all of the Asset Properties.

It should be noted that our proposal for Professional Services/Asset Management Support dated October 7, 2011 ("Proposal") has been presented to the Board of Trustees on at least two separate occasions (September 19, 2011 and March 12, 2012 [continued on April 10, 2012]). Our Proposal was presented each time as support for a request for funds and was

approved at each meeting. And to that point, from the minutes of the Board meeting (i.e., recorded statements), it was clear that the Board Members understood the back-end Compensation. Notwithstanding this, the District's Attorney, who was present at the Board Meetings, never objected to the Proposal and; therefore, tacitly agreed to the terms of the Compensation. It should be noted that during these meetings Dianne Russo, acting as the Interim Deputy Superintendent of Operations, clearly stated that she met with two groups (on the recommendation of the City of Chula Vista) and 25 other developers recommended by either Board Members and/or the Superintendent before recommending E2 and its partners to the Board. She further clarified that except for E2 and its partners, none of the aforementioned entities were interested in waiting for back-end compensation.

We would like to schedule the next meeting for April 30, 2014 to continue to discuss this matter.

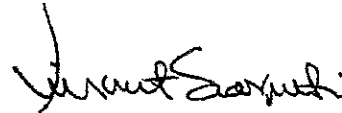
Sincerely,



Daryl Hernandez
Vice President
E2 ManageTech, Inc.



Charles J. Diamond
Principal
HTI Property Group



Vince Scarpati
Principal
C&V Consulting, Inc.

cc: Thomas Calhoun
Karen Michel



April 17, 2014

Dr. Edward Brand, Superintendent
Sweetwater Union High School District
1130 Fifth Avenue
Chula Vista, California 91911

Regarding: Participation Agreement Between
E2 Management and
Sweetwater Union High School District

Dear Dr. Brand:

This is to confirm that we have received a letter from Mr. Thomas Calhoun dated April 8, 2014 in response to our letter dated March 19, 2014 regarding the Participation Agreement (PA) between E2 ManageTech (E2) and the Sweetwater Union High School District (District) and the meeting minutes from our March 19, 2014 status meeting.

In Item 1 of the April 8, 2014 letter, Tom states that he is not aware of any evidence that the terms of the PA have been presented to the Board either for approval or for ratification. Tom further states that an obligation to pay one-third of the profits is an obligation that should have been clearly understood and accepted by the Board in a public meeting with full disclosure to the public.

As a matter of clarification, it is our position that the terms of the PA have in fact been presented to the Board during a public meeting at the District's regular Board meetings held on September 19, 2011 and March 12, 2012 (continued on April 10, 2012) when our proposal for Professional Services/Asset Management Support was approved by the Board. Specifically, the terms of the PA are addressed under Task 5 of our Proposal dated October 7, 2011. The three bullets under the Task 5 subheading "*Participation Agreement – Between the District and BRG*" read:

- *"A Participation Agreement will be submitted for School District Board Approval within thirty days of the execution of this Proposal."*
- *"The substance of the Participation Agreement is that BRG will share in one third of the net cash savings of each of the Asset Properties or related transactions after the Asset Properties are Entitled and sold. Furthermore, BRG will have to approve the ultimate sale/disposition of the Asset Properties. Additionally, any net savings attributed to the relocation of the District's Transportation facility mentioned above will be part of the Participation Agreement."*

- *"The above referenced Discount is predicated upon the execution of the Participation Agreement."*

Although we specifically acknowledged in our Proposal that the PA would be submitted for Board approval (Bullet 1 above), we were subsequently told by the District's Chief Financial Officer/Interim Deputy Superintendent of Operations that the actions of the September 09, 2011 Board meeting provided her the authority to sign the PA as a duly authorized representative of the District.

With respect to the one-third sharing of the net savings outlined in Bullet No. 2 above, Board Member Jim Cartmill, as evidenced in the recorded meeting minutes of the September 09, 2011 Board meeting, clearly acknowledges his understanding of the compensation plan as outlined in our Proposal and PA. During the referenced Board meeting, Member Cartmill further clarifies the poor financial investment the District made in its L Street property and his support to approve our Proposal for assisting the District with entitling the Asset Properties to a higher value.

Since our Proposal was approved and the PA was signed by the District, E2 and its partners have continued to provide the District with a 30% discount of our normal billing rates for self-performed services as described in our Proposal. More importantly, we have performed thousands of man-hours in effort outside of compensated services towards the goal of adding value to the properties and recouping the District's investments. Additionally, we have held regular monthly status meetings to discuss the progress of the project and presented an Economic Financial Feasibility Study (Study) for each Asset Property. These Studies were prepared at the specific request of the District. During several status meetings, as documented in meeting minutes, we specifically discussed the terms of the PA which were never disputed. Also, each Study was individually reviewed and discussed in detail with Tom, Albert Alt, and yourself. Specific conversations were held regarding the Allocation of Funds spreadsheet (Tab 2 of the Studies) and the funds to be allocated to the District and E2 were reviewed, discussed, and never disputed.

Item 2 of the April 8, 2014 letter indicates that *"the original agreement approved in 2011 was to perform all entitlement services within an eleven month period."* Notwithstanding the fact that the City of Chula Vista adopted a local City Ordinance (Cummings Initiative) in 1988 that restricts the ability to rezone two of the Asset Properties for a period of two years, there were many other factors that prohibited the ability to entitle all of the Asset Properties within an eleven month period. The entitlement process and schedule has been the continued subject of our discussions during each of the monthly status meetings. Throughout the entitlement process, any changes to the process and/or schedule have been specifically discussed during the status meetings and ultimately approved by the District as indicated by the Board-approved extensions provided in December 2012 and November 2013.



Dr. Edward Brand
Sweetwater Union High School District
April 17, 2014
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As acknowledged in Item 3 of the April 08, 2014 letter, we have and will continue to perform our proposed activities toward entitling the Fifth Avenue (The Cove) and L Street Asset Properties and marketing the recently entitled Third Avenue (The Colony) Asset Property for sale.

We appreciate the opportunity to meet with you and your staff on May 2, 2014 to further discuss the issue regarding the referenced PA and resolve this issue.

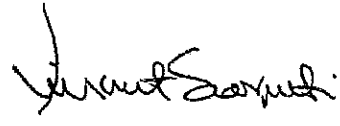
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