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December 1, 2006

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Jim Waring
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202 C Street, MS9B
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Re: Sunroad Centrum - Proposal to Resolve FAA "Hazard" Issues
at Montgomery Field

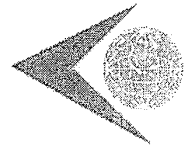
Dear Mr. Waring:

This letter is for the purpose of proposing a permanent resolution of the issues raised by the Federal Aviation Administration's ("FAA") imposition of a "hazard" determination¹ on Centrum 12, the first of three office buildings planned and approved by the City of San Diego ("City") as part of Sunroad Centrum, a mixed use project located at 8620 Spectrum Center Boulevard, San Diego, California.

It should be emphasized at the outset that Sunroad's principal goal in this process is to ensure the safety of the airport, the public and of its future tenants. Consistent with that goal, Centrum 12, at its current height of 180 feet, is not a safety threat. That is because the FAA has already issued a Notice to Airmen ("NOTAM"), raising the minimum altitude for a circling approach to Runway 10 to accommodate the 330 foot height of the construction crane used to build Centrum 12.² The current minimum altitude is, thus, more than 400 feet above the roof of

¹ A determination pursuant to 14 C.F.R. Part 77 that a structure constitutes a "hazard" to air navigation.

² This circling approach, the principal basis for the "hazard" determination, is used very rarely at Montgomery Field, only about 6% of the time during the last 20 years, as attested by some long standing incumbents on the airfield, and only by instrument rated pilots when the wind deviates from its usual west flow and comes from the east as during Santa Ana conditions.



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Centrum 12,³ thus preventing any aircraft on approach from coming within a distance equating approximately the height of a 40 story building above the top of Centrum 12. This NOTAM for the crane will ultimately either remain in effect indefinitely, or be replaced with either a new or revised Instrument Approach Procedure ("IAP") that will ensure that aircraft remain safely clear of the Centrum development.

That having been said, the objective of this letter is to commence the process of working with the City toward the goal of increasing the airport's safety, while at the same time allowing Sunroad's fully vested project to proceed in accordance with Sunroad's own plans and the City's approvals. Sunroad's proposal to resolve the "hazard" determination issue has five parts:

(1) That Sunroad fund a feasibility study for the development of a Straight-In IAP such as an ILS or Localizer type approach for Runway 10, thus eliminating a critical aspect of the "hazard determination" for the entire project, eliminating the need for a circling approach to Runway 10, and increasing the safety and accessibility of the airport under all wind flow conditions;

take study & submit to FAA

(2) That the City agree to accept the conclusions of Sunroad's feasibility study, and, if it determines a Straight-In IAP is feasible, the City shall formally submit the proposal to the FAA for evaluation;

(3) That Sunroad contribute to the cost of the equipment required for the associated Straight-In IAP;⁴

fill

(4) That the City agree to adjust the visual traffic pattern at Montgomery Field, thus accommodating the project's extension into the altitude of the current traffic pattern, and if deemed necessary, chart such approach for pilots in Visual Flight Rule ("VFR") conditions to ensure awareness of the new procedure; and

o.k.

³ That height includes both the mandatory 300 foot buffer between the top of the highest affected structure and the minimum descent altitude, and the height of the construction crane.

⁴ An estimate of potential costs is currently being prepared and will be submitted to the City immediately upon its completion.



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(5) That upon submission of this letter by Sunroad, and agreement to its provisions by the City, the City will also agree to immediately allow completion of the tasks listed in Attachment A to this letter, as well as installation of electrical and mechanical equipment on the roof and elevator equipment in the elevator penthouse. ok 20'

I. BACKGROUND OF THE ISSUE.

Pursuant to its Development Agreement and Vesting Tentative Map for Sunroad Centrum, Sunroad received a Framing and Foundation Permit for a structure of 180 feet on March 27, 2006.

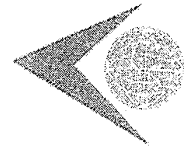
On July 7, 2006, the City issued Sunroad a Building Permit at 180 feet. On July 22, 2006, having verified the accuracy of the FAA's data, Sunroad submitted a second amended Form 7460-1 at 180 feet, in conformance with its Building Permit and all prior approvals. On August 11, 2006, the FAA reissued a Presumed Hazard Determination. On October 27, 2006, after a meeting between City Staff and Sunroad, the City issued a Stop Work Order on the top 17 feet of Centrum 12.

II. THE FAA'S ROLE.

In order to find a resolution that would allow Sunroad to realize its vested rights while at the same time ensuring the safety of the airport, Sunroad again retained Williams Aviation Consultants to find a functional equivalent of the circling approach. Williams recommended the development of an ILS or Localizer type Straight-In Approach Procedure.

An ILS/Localizer provides course guidance which directs an aircraft on a course straight down the runway centerline to a landing. While the circling approach currently in use is safe, most pilots prefer a Straight-In IAP because it is generally less complex than a circling approach procedure.

Recognizing that the FAA possesses plenary power over the safety of airspace, Sunroad concluded that, before making its proposal to the City, it would solicit the FAA's views on possible resolution options. At a meeting of November 29, 2006, at the FAA's Washington headquarters, attended by, among others, Kevin Haggerty, Manager of the FAA's Division of Obstruction Evaluation, and representatives of Sunroad and its consultants, Sunroad and the FAA jointly discussed various options and implementation procedures that would satisfactorily resolve any outstanding issues.



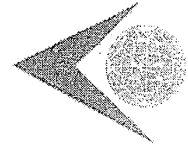
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Mr. Haggerty first opined that the Straight-In IAP was a "good move" toward resolving the issue, but could not evaluate it further until the City, as Airport Operator, made a study of its feasibility, and submitted a formal proposal. Parts 1, 2 and 3 of Sunroad's proposal set forth above address this issue. Additional issues such as the need for CEQA review, and revision of the Airport Layout Plan ("ALP") to include the equipment required for the Straight-In IAP should be part of the study and proposal.

Mr. Haggerty further offered that, while the Localizer (or its more complex counterpart, an Instrument Landing System ("ILS") used at larger airports) could potentially remove the building's impact on Instrument Flight Rule ("IFR") operations, thus eliminating the hazard by eliminating the need for a circling approach, there would still remain a second component, the impact on Visual Flight Rule ("VFR") operations, represented by the building's 19 foot extension into the 160 foot horizontal obstruction surface, or traffic pattern altitude used during visual operations to and from the airport. Mr. Haggerty opined that the way to fix this second component was for the City to agree to adjust the airport visual traffic pattern vertically and/or laterally to accommodate the heights of the project's buildings. Sunroad's consultant offered the alternative of a "charted pattern" whereby the airport operator formally publishes the new traffic pattern altitude, a procedure well precedented at airports around the country. Mr. Haggerty agreed that such a proposal by the City should be submitted to, and would be seriously evaluated by, the FAA's Los Angeles Airport Districts Office with cooperation of other divisions such as Flight Standards, keeping an eye to the impacts of the change in altitude minimums on such factors as flight paths into other airports and cumulative impact of all planned building at Sunroad Centrum. He also stated that the evaluation would take between 30 and 60 days, once the proposal is submitted. Part 4 of Sunroad's proposal addresses the way in which to gain FAA's sanction of this procedure.

III. COOPERATIVE ACTIONS BY THE CITY AND SUNROAD.

As the governing land use jurisdiction, the City's participation and cooperation at the local as well as Federal level is essential. Sunroad realizes that the studies necessary to implement its proposal are likely to be time consuming. With the Stop Work Order in place, Sunroad is disadvantaged irremediably by each day the interim delay lasts. Sunroad, therefore, requests that the City agree that, in the interim, between the submission of this letter and the FAA's approval of the results of the feasibility study, Sunroad be allowed to proceed with the activities listed in Attachment A to this letter, as well as installation of electrical and mechanical equipment on the roof and elevator equipment in the elevator penthouse.



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In return for the City's acquiescence to this limited relief from the Stop Work Order, Sunroad will agree that if, in the final analysis, the proposal outlined in this letter, and all reasonable variations thereto, are determined infeasible by the FAA, Sunroad will assume liability for any work performed that would otherwise fall within the parameters of the Stop Work Order. The City's agreement to partial relief from the Stop Work Order shall not prejudice either the City's or Sunroad's legal position and both sides fully reserve their respective rights.



In summary, Sunroad appreciates the City's willingness to consider avenues of constructive resolution of this issue, and wishes to reassure the City that its goals and those of the City's are identical, *i.e.*, to ensure the safety of the public, while, at the same time, working to ensure its robust economic development and the future welfare of its citizens.

Sincerely,

CHEVALIER, ALLEN & LICHMAN, LLP

Barbara E. Lichman, Ph.D.

Attachment

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