EXHIBIT K
TO MASTER DEVELOPMENT AGREEMENT

Project Costs

1. Project Costs mean, without duplication, any and all actual and reasonable fees, costs and expenses incurred by the City or Catellus which are necessary and reasonably related to the development of the Property in accordance with the City’s and Catellus’ obligations under this Agreement, the Current Zoning, the Community Covenants and the Design Guidelines, including, without limitation (the Project Costs with an “*” are eligible for inclusion in the calculation of a Construction Management Fee and are deemed to be included under the Proforma category of “Non-Hospital Infrastructure and Site Preparation”):

(a) **Selling and Closing Costs.**

   (i) Customary procuring and/or listing brokers’ commissions to third parties.

   (ii) In the event Catellus “splits” a customary procuring and listing brokers’ commission with a third party broker that is not a Catellus Affiliate, the Catellus retained portion of the commission (up to 50% of the total commission) will constitute a Project Cost.

   (iii) In the event Catellus is the only broker in a transaction, up to (i) 4% of each sales price of individual sale of land (other than single family attached or detached residential land) in the Property, and (ii) 3% of the sales price of single family attached or detached residential land, will constitute a Project Cost.

   (iv) Customary closing costs regarding the sale of portions of the Property to third parties (or a Catellus Takedown Party), including, but not limited to, prorated property taxes and assessments, title insurance premiums, fees, survey fees, one-half of the escrow fees, recording and filing fees, and legal expenses related to such sale.

   (v) Costs associated with exercising any Repurchase Right.

   (vi) Ad valorem taxes during Catellus’ period of ownership of the Property prior to a sale to third parties.

   (vii) Costs of improving an on site sales office for redeveloping and marketing only the Property, to the extent the Sales Office is utilized to satisfy Catellus’ obligations hereunder.*

   (viii) Costs of operating (but not staffing) an on site sales office for redeveloping and marketing only the Property, to the extent the Sales Office is utilized to satisfy Catellus’ obligations hereunder.
(ix) Costs, fees and expenses up to $5,000 per encumbrance (unless otherwise approved by the City) incurred by Catellus to cure any title and/or survey encumbrances which Catellus objected to, the City failed to cure, and Catellus elected to take title to the affected Applicable Takedown Property pursuant to the terms of this Agreement.*

(x) Costs associated with a retransfer of any portion of the Property under Section 4.2 of this Agreement.

(b) General Costs.

(i) Catellus Project Administration Fee.

(ii) Incentive Based Cost Savings Fee under the continuing provisions of the HSDA.

(iii) City Project Administration Fee.

(iv) Construction Management Fees under this Agreement and the continuing provisions of the HSDA.

(v) Legal fees and expenses of Catellus, including, without limitation, those fees and expenses included in Predevelopment Expenses, except those legal fees and expenses which are the result of a dispute between the City and Catellus.

(vi) Legal fees and expenses of the City, including, without limitation, those fees and expenses included in Predevelopment Expenses, except those legal fees and expenses which are the result of a dispute between the City and Catellus.

(vii) Commencing on April 11, 2002, the City’s and Catellus’ actual third party consultants’ (including, without limitation, M/WBE, affordable housing, LEED/Green Building*, traffic/transportation*, public financial management, public relations and affairs, market and financial analysis and research, and environmental consultants), appraisers, design professionals* (including, without limitation, architects*, engineers*, land planners* and landscape architects*), attorneys’, or other professional fees, costs, expenses and reimbursables (including fees and permits), which directly relate to the preparation, negotiation, operations pursuant to and administration of this Agreement and other documents referenced herein (including without limitation, those incurred in connection with bona fide sales of Property, whether or not such sales close, and the negotiation and Predevelopment Expenses), and the Catellus predevelopment administration reimbursements.

(viii) Costs associated with generating the reports/audits and keeping the books and records required by this Agreement.
(ix) Escrow fees relating to the administration of the escrows created by the Hospital Escrow Agreement, the Public Finance Escrow Agreement and the Project Revenue Escrow Agreement.

(x) Costs associated with organizing and maintaining the TIRZ.

(xii) Costs paid to property tax consultants to research and challenge the taxable assessed value of the Takendown property (other than property Takendown by a Catellus Takendown Party in connection with a Fair Market Value Sale) and that Catellus sells to third parties (incurred prior to such sale).

(xiii) Premiums and deductibles, if any for all insurance (including, without limitation, liability, property and casualty, environmental and pollution liability insurance and workers' compensation) to the extent required to be carried under this Agreement.

(xiv) Costs associated with responding to Public Information Act requests.

(xv) Marketing fees and expenses incurred in connection with the redevelopment of the Property as required by this Agreement according to a yearly budget reviewed and approved by the City in its reasonable discretion.

(xvi) Any amounts that Catellus reimburses to the issuer of the Regional Retail Completion Surety on account of any draws thereon by the City to the extent that any such draws resulted because Commencement of Construction or Completion of Construction was delayed beyond the 24 month periods described in the definition of Regional Retail Completion Surety due to a City Caused Delay or Force Majeure, provided, however such amounts shall be payable only out of the Project Revenue Fund.

(xvii) Costs, fees and expenditures incurred in connection with any proposed, threatened or filed condemnation action with respect to any portion of the Property.

(c) Deconstruction/Environmental.

(i) Costs and expenses of Catellus associated with any assessment, sampling, investigation, monitoring, reporting, response action (including removal and remediation), reliance letters and other activities relating to environmental matters, including environmental conditions (whether known or unknown) and including activities (if any) to the extent reasonably contemplated under this Agreement (including, without limitation, Section 8.6 hereof).*
(ii) Following depletion of Fund 5200 established pursuant to a Memorandum of Agreement between the City of Austin and the Federal Aviation Administration, commonly known as the Mueller Airport Disposition Fund, costs and expenses of the City associated with any assessment, sampling, investigation, response action (including removal and remediation) and other activities relating to obtaining Closure for the Film Society Property and as required by this Agreement (including without limitation Section 8.6 but subject to the limitation in Section 8.6).

(iii) Deconstruction of existing improvements on the Property, but not the Hospital Property.*

(iv) Storing, transporting and otherwise managing and handling any fill or excavated or deconstructed materials.*

(d) Construction.

(i) Construction regarding potable, sanitary and “gray” water, wastewater, drainage, electric, gas, telecom/data/cable TV, stormwater detention, water quality, parkland, Open Space (including vertical improvements in the Open Space) and roadway infrastructure, erosion and sedimentation controls, mass grading, existing utility relocations, traffic lights, offsite intersection improvements, park buildings, park improvements, and boundary sidewalks to the extent constructed in accordance with this Agreement.*

(ii) Town Center structured parking facility. (* only if Catellus actually builds the Town Center structured parking facility)

(iii) Airport Control Tower and Bow-Trussed Hangar renovation: costs in accordance with the studies and plans required by this Agreement or sale or lease costs incurred in connection with any sale or lease of the tower and the hangar.*

(iv) Design/engineering/surveying fees associated with the development of the Infrastructure and the subdivision of any portion of the Property.*

(v) Permit, license, and any other governmental fees or charges associated with the Infrastructure (including, without limitation, those related to subdivision, site development permits and building permits) and all costs and expenses incurred in applying for, pursuing and obtaining same, other than those excluded below.*

(vi) Landscaping, irrigation and monumentation on the Property, but not on individual platted lots except any Open Space platted lots and any green areas in rights-of-way, landscaped medians and similar open areas together with any security deposits required by the City in connection therewith.*
(vii) Payment and performance bond premiums with respect to payment of hard construction costs and performance of related construction work.*

(viii) Costs and/or expenses reasonably approved by the City and incurred by Catellus for Capital Improvement Projects serving the Property which are in excess of, or not otherwise covered by, the maximum reimbursable amounts under such corresponding Capital Improvement Project’s Cost Reimbursement Agreement.*

(ix) Temporary fencing on the Property and permanent perimeter fencing behind the Delwood Houses adjacent to the Property.*

(x) Street lighting on the Property.*

(xi) Fees, costs and expenses for the intersection improvements at Wilshire Blvd. and Airport Blvd pursuant to any Roadway Improvement Agreement between the City and Catellus.*

(xii) Maintenance and repair of the Construction Areas and areas of the Property which are not Construction Areas including landscaping of the School Property prior to any Takedown thereof.*

(xiii) Costs relating to the construction of offsite traffic improvements required by the Traffic Impact Analysis of the Property, as set forth in the Declaration of Traffic Phasing Restrictive Covenant imposed on the Property by the City in connection with the Current Zoning and/or as otherwise required by Applicable Laws.*

(xiv) Costs relating to the construction of offsite drainage improvements required by the City or as otherwise required by Applicable Laws.(* but only if Catellus performs such construction)

(xv) Costs to fund the obligations of the Owner's Association under the Community Covenants, including any subsidies by the master declarant thereunder (which subsidies the parties acknowledge are anticipated), to the extent approved by the City in its reasonable discretion.

(xvi) Costs relating to the maintenance of the Property’s water quality ponds, water detention ponds, Lake Park and Perimeter Parks as reasonably contemplated in the Agreement.*

(xvii) Hospital Chiller Design Costs and Offsite Design and Construction Phase Costs.*

(e) General.

(i) Any other cost, fee or expenditure incurred to comply with Applicable Laws to accomplish the redevelopment of the Property as reasonably contemplated by this Agreement.
(ii) Any other cost, fee or expenditure reasonably approved in writing by the City and Catellus relating to the Infrastructure and the implementation and administration of this Agreement.

2. The following are not Project Costs, except as specifically included in 1. above:

(a) Selling and Closing Costs.

(i) Brokers’ commissions paid to Catellus or a Catellus Affiliate in excess of the commissions set forth above.

(ii) Rent paid by Catellus to the City concerning the Sales Office.

(b) General Costs.

(i) The total amount of the Regional Retail Completion Surety except to the extent set forth above.

(ii) Penalties, fines, late fees, or default fees caused by Catellus or the City under any contract, agreement, or Applicable Laws relating to the Property.

(iii) Charitable contributions.

(iv) The Public Art Fee.

(v) Any tax on Catellus’ and COLP’s income, franchise, gross receipts, corporation, capital levy, excess profits, revenue, or payroll.

(vi) Depreciation.

(vii) Without implying permission to grant a mortgage or similar instrument on the property, debt service pursuant to any mortgage or other financing on the Property and costs and expenses incurred in connection with such financing.

(viii) Management fees, except as expressly provided herein.

(ix) Salaries or fringe benefits of personnel.

(x) Administrative and overhead costs, except as expressly provided herein.

(xi) Fees and costs reimbursed by third parties, excluding however, the contribution of prorata Project Costs in connection with the School Property or the Proposed Academic Health Center Property.

(xii) Costs and expenses incurred or paid, including legal fees, as a result of Catellus’ or the City’s negligence or wrongful act.

(xiii) Reserves for anticipated future expenses.
(xiv) Any expense or fee which could be paid from the Fiscal Posting Credit Bank.

(xv) The following costs, which are already taken into account through the Catellus Project Administration Fee and the City Administration Fee: payroll taxes, association dues, meeting expenses, computer maintenance, computer supplies, data/network equipment, entertainment, courier service, insurance, license & fees, office moving expenses, employee functions, office equipment, office furniture, services for equipment, office supplies, temporary services, printing, publications, office rent, training, postage and stationary (excluding those related to marketing as set forth above), telephone services, cell phone services, travel services, salaries and wages, bonus, employee benefits (medical, dental, life, savings plan, etc.), parking, and miscellaneous other general and administrative costs (except as provided above).

(xvi) Any “undrawn” 15% of Land Sales Proceeds under Section 5.3(b).

(xvii) Catellus’ costs incurred in selling, syndicating, assigning, or hypothecating any of Catellus’ interest in the Property.

(c) Construction/Environmental.

(i) Any Infrastructure which is located within the boundary line of an individual platted lot (except an Open Space lot or a private lot to the extent the use is for a public purpose) which serves only such platted lot (e.g., utility lines and roadways) other than the industry standard utility line “stub” from the neighborhood service line.

(ii) All fees, costs, charges and expenses related to the vertical development of improvements on the Property, except as otherwise specifically permitted herein with respect to the parkland, Open Space, Sales Office, the Control Tower and the Bow-Trussed Hangar.

(iii) To the extent payments under contracts or agreements with Catellus Affiliates to perform services or supply products to the Property are not commercially reasonable or do not represent an arm’s length transaction.

(iv) All fees, costs, charges and expenses related to the design or construction of infrastructure located outside the Property as described in Section 8.2(c) of this Agreement.

(v) Any fees, costs and expenses concerning assessment, sampling, investigation, monitoring, reporting, response action (including removal and remediation) and other activities relating to environmental matters in excess of those (A) required for Closure, or (B) required to satisfy
specific obligations under this Agreement (including those under Section 8.6).

The following are provided as illustrations of potential scenarios under Sections 1.(a)(ii) and (iii) above, but do not limit the terms of such sections:

1. Listing Broker, Procuring Broker and Catellus:
   - Acceptable: 6% commission split 3% to procuring broker and 3% to listing broker. Catellus may share in listing broker commission. This is considered customary and meets the 50% test of Exhibit K, 1.(a)(ii).
   - Unacceptable: 6% commission split 1% each to procuring broker and listing broker and 4% to Catellus. This is not considered customary.

2. Procuring Broker and Catellus:
   - Acceptable: 6% commission split 3% to procuring broker and 3% to Catellus. This is considered customary and meets the 50% test of Exhibit K, 1.(a)(ii).
   - Unacceptable: 6% commission split 1% to procuring broker and 5% to Catellus. This is not considered customary.

3. Listing Broker and Catellus:
   - Acceptable: 6% commission split 3% to listing broker and 3% to Catellus. This is considered customary and meets the 50% test of Exhibit K, 1.(a)(ii).
   - Unacceptable: 6% commission split 1% to listing broker and 5% to Catellus. This is not considered customary.

4. Catellus Only:
   - Acceptable: 4% commission on land sales (other than single family attached or detached residential land).
   - Acceptable: 3% commission on single family attached or detached residential land sales.