FOOTNOTES TO EXHIBIT M

IMPROVED PARCEL LEASE

PROPOSED OPERATIONS BUDGET & PERCENT ALLOCATION OF COSTS

(REVISED OCTOBER 20, 1986)

INTRODUCTION

The following footnotes are an integral part of the schedules relating to allocation of expenses for the Marina City Club after the sale of long term leaseholds to the public. In certain categories, there are assumptions made which require further support and clarification, and as such may be changed by receipt of updated information. The account descriptions are meant to follow the order of the attached schedules.

MAINTENANCE EXPENSE PAID BY LEASEHOLDS

Based on the aggregate Leasehold Maintenance Expense Budget a monthly payment will be required of each unit to cover common area maintenance expenditures. These monthly payments will commence upon the first close of escrow for a long-term leasehold. Thereafter, payment will be made on each of the 701 units (including the promenade units) whether owned by the developer or transferred to a long-term leaseholder.

ALLOCATION OF UNIT MAINTENANCE EXPENSES BETWEEN TOWER UNITS AND PROMENADE UNITS

The 101 units owned by the developer will be responsible for a pro-rata share of all common area maintenance expenses. Certain cost centers are allocated based on assumptions related to direct use, but in most cases, the allocations are based on 13.4% of costs to the promenade units and 86.6% of costs to the tower units. The allocation percentages are based on the total square footages of the promenade and tower units.

ADMINISTRATION

Office Expense-Direct:

These charges relate to office supplies required by specific developer activities and are not related to the leasehold interest.

Office Expenses-Allocable:

The leasehold interest will be administered by separate management and will be responsible for any direct costs related to areas of office expense. It is assumed that equipment such as typewriters, xerox machines, postage machines, and other office equipment will be supplied to the leasehold interest, and the on-going maintenance will be a direct cost of the leasehold. Furthermore, the leasehold interest will bear the cost of all office supplies related to the activities of the leasehold. (See specific categories listed in the Aggregate Maintenance Expense Budget.)

Management Fees-Direct and Allocable:

The developer will contract with an unaffiliated professional management company to manage the leasehold interest as well as other revenue producing areas of the property. The fee payable for services rendered to the leasehold interest will be based on comparable fees for other properties where similar services are provided. It should be noted that these services are distinct from any management of developer activities and relate to management only to common areas and the leasehold interest. This will also include assistance in maintaining proper allocation between developer activities and the leasehold interest. The allocation of management fees between the leasehold and promenade units is 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Fees payable for other revenue producing areas such as rents collected on apartments, retail lease payments, rents collected on the marina, and management of the grog shop will be based on competitive fees for the industry.

Legal-Direct:

Legal fees will be paid by the developer for activities related to rentals and other activities which are primarily related to unlawful detainer actions and legal assistance in the preparation of leases. In the event there are costs related to the collection of maintenance expenses, these costs will be charged to the promenade or tower as a direct cost. It is estimated that these costs will not exceed $1,500 in each case.

Legal-Allocable:

Anticipated legal costs for the leasehold interest are $10,000 and will be expended on such items as contractor disputes, insurance matters, and any other areas which relate to the leasehold interest. The allocation of legal fees between the leasehold and the promenade units is 86.6% and 13.4% respectively.

PAYROLL

Resident Personnel-Direct:

The developer will utilize certain personnel to direct activities for the marina, retail leases, grog shop and rental activities for the promenade units. These employees will be direct charges to the developer activities and will not be involved in any activities related to the leasehold interest.

Resident Personnel-Allocable:

The management company will employ certain personnel who will be charged to the leasehold interest and will be responsible for the day to day management activities of the common areas. The allocation of these employee related costs between the leasehold and promenade units is 86.6% and 13.4% respectively. (See Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Accounting Personnel-Allocable:

These employees will be responsible for leasehold responsibilities and are not involved in any developer activities. Specific areas of responsibility will be payables, payroll, and collection of monthly maintenance fees. The allocation of the employee related costs between the leasehold and promenade units is 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Maintenance Personnel-Direct:

There will be a separate maintenance staff to handle repairs and maintenance problems for the interiors of the promenade units, marina, retail, and Grog Shop. These employees will not be included in any leasehold activities and will be employed by the developer.

Maintenance Personnel-Allocable:

The management company will employ certain personnel who will be charged to the leasehold interest and will be responsible for the day to day maintenance activities in the common areas. These personnel will not be involved in maintenance of unit interiors unless repairs are the result of common area problems. The allocation of these employee related costs between the leasehold interest and promenade units is 86.6% and 13.4% respectively. (See Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Groundsmen-Allocable:

It is assumed that the groundsmen will be responsible for the cleanliness of the Marina City Club grounds and, therefore, all activities of the developer, including the club and the leasehold interest will benefit. The total cost in this category is $48,600 and if we assume that the developer activities would require one employee for grounds that would equal approximately 30% of the total cost. Therefore, the cost of these employees will be allocated based upon the following percentages:

Marina	5% ✓
Club	15%
Retail	5% ✓
Grog Shop	5% ✓
Leasehold Interest & Promenade Units	70%

The allocation of these employee related costs between the leasehold and promenade units is 86.6% and 13.4% respectively. (See Aggregate Expense Maintenance Budget for assumptions regarding these expenses.)

Painters:

The major responsibilities of the painters will be to maintain the cosmetic appearance of the property with regard to railings, laundry rooms, garage areas, restrooms, and other similar areas. These employees will not be involved in areas which directly involve the developer activities or major activities such as the exterior building surface. Therefore, the benefits derived from these improvements are primarily attributable to the leasehold interest and promenade units, and it is assumed that 88% of the costs are so allocated. The remaining 12% will be allocated as follows:

Marina	2%
Club	6%
Retail	2%
Grog Shop	2%

The remaining 88% will be allocated between the leasehold interest and promenade units, 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget regarding these expenses.)

Custodians-Allocable:

These employees are responsible for the general cleanliness of the property and thus, maintain laundry rooms, elevators, lobbies, restrooms, and hallways (exterior corridors). These functions will not include any services to the club facilities or to the interior of the individual units.

The major benefit to developer activities will be custodial functions in the lobbies where club members or retail clients will pass and the related cost for these services would be two hours per day or approximately 60 hours per month. This calculation would represent approximately 4.5% of the total cost to be divided as follows:

Marina	2%
Club	1%
Retail	1%
Grog Shop	0.05%

The remaining 95.5% will be allocated between the leasehold and the promenade units, 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Social Personnel-Allocable:

There will be one employee who will provide social activities for the leasehold residents and will not in any way be involved with the club or other developer activities. The allocation of the employee-related costs between the leasehold interest and promenade units is 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Telephone Operators-Allocable:

It is assumed that the existing telephone system will be utilized to provide direct service to the leasehold units, promenade units, club facilities, marina and Grog Shop. Additionally, it is expected that existing telephones in all residential units will be equipped with message lights in order to provide for total messenger service. Because the existing telephones in the tower units are not currently equipped with message lights, it is difficult to presume what allocation will result. It is known that service to the club facility and the possibility of restaurants may cause this usage to be significant. This allocation should be subject to review but for purposes of this report, it is assumed that usage by the residential units, including the leasehold interest and promenade units will represent 80% of the total cost of the telephone operators. The remaining cost will be allocated as follows:

Marina	3%
Club	15%
Greg Shop	2%

The remaining 80% will be allocated between the leasehold and promenade units, 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Payroll Taxes-Direct:

In each of the allocable categories, adequate payroll taxes have been included depending on the nature of the activity. Certain employees are union members and the related costs are higher. For those employees that are direct charges to the developer activities, a 30% payroll charge has been included.

CONTACTS

Security:

Each of the developer's activities, as well as the leasehold interests will derive benefits by having a full-time security service on the property. It can also be stated that the degree of this security will vary depending on the various time periods (i.e. security during the period from 10:00 p.m. to 10:00 a.m. will primarily benefit the leasehold and promenade units, as other activities will be dormant.) Based on a higher degree of usage for the developers activities during working hours and the club during high usage hours, the following table has been used as a basis for allocation of the total costs:

Total Hours Per Day 152 Hours

	Leasehold Interest & Promenade Units	Marina	Club	Retail	Greg
10:00 a.m. to 10:00 p.m.	68%	5%	15%	5%	2%
10:00 p.m. to 10:00 a.m.	85%	10%	6%	2%	2%
Average Usage	76.5%	7.5%	10.5%	3.5%	2%

The benefits derived by the marina are limited to a roving guard on the walkway, and it is not assumed that direct security is provided to the marina. Any additional security will be provided by the developer or service currently provided by the county.

The 76.5% allocation between the leasehold interest and promenade units are 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Valet Parking-Allocable:

The final budget for valet parking is dependent on several developer considerations and as such is subject to modification. The existing leasehold budget presumes adequate valet parkers to service the leasehold residents and retail outlets only. It will be necessary to increase the budget amount to provide adequate coverage for club members. Based on discussions with management and existing staffing, it is assumed that one additional employee will be required during club hours or 16 hours a day. With the increase in hours, the following assumptions are made based on the various shifts in a day:

	Total Hours	Leasehold Interest Promenade Units	Club	Retail
8:00 a.m.-4:00 p.m.	24	33%	62%	5%
4:00 p.m.-12:00 a.m.	24	50%	50%	0%
12:00 a.m.-8:00 p.m.	8	100%	0%	0%
Average Percentage		49.86%	48.00%	2.14%

The 48.71% allocation between the leasehold and promenade units is 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Telephone-Allocable:

Assume the same allocations as made under the category "Telephone Operators."

Landscaping-Allocable:

The appearance of the landscape will benefit all of the activities of the developer and leasehold interest. The majority of the landscaping which benefits the developer activities is located by the front gate and center tower, and it is assumed that these areas account for 20% of the total cost. The breakdown of these costs are as follows:

Marina	2%
Club	14%
Retail	2%
Grog Shop	2%

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The remaining remaining 80% is allocated between the leasehold and promenade units, 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Elevators-Allocable:

The existing contract or purchase order provides for approximately $115,000 based on the existing condition of the equipment. Although the developer plans to upgrade the elevators, the existing amount is retained for budget purposes. With the exception of the elevators in the center tower which service the club facility, all other elevators are a direct cost of the leasehold. There are a total of 24 elevators, divided as follows:

Club	5 Elevators	20.83%
Leasehold Interest	14 Elevators	58.33%
Promenade Units	5 Elevators	20.84%

While the elevators are electric and hydraulic, it is assumed that they are equal for purposes of maintenance, and the applicable percentages are utilized. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Other Contracts-Allocable:

These contracts relate to minor contracts for security and fire alarm systems, window cleaning and service contracts. Allowing for certain allocation of contracts, the following assumptions are made:

Leasehold Interest	80%
Promenade Units	13%
Club	5%
Retail	2%

(See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

MAINTENANCE

This category which is listed in the leasehold budget, relates to various maintenance and miscellaneous other costs designed to benefit the leasehold interest. It is possible that other developer activities may encounter similar costs and, in fact, there may be a question as to the responsibility for such costs. It is intented each entity handle the payment for such costs separately. These categories are summarized as follows:

Uniforms:

Management for the leasehold units may elect to require uniforms for its employees. Should other developer employees do the same, the cost would be separate.

Fire Equipment:

The fire extinguishers will be maintained and replaced only in those areas that are considered leasehold and promenade units.

Air Conditioning:

Although it may be difficult to isolate responsibilities for maintenance of heat pumps, exchangers, and the cooling towers, an analysis of each cost will be made to determine cost responsibility.

Elevator Extras:

The leasehold and promenade units will be responsible for elevators that service the residential units only.

Cleaning Supplies:

Cleaning supplies will be allocated on the same basis as the allocation of custodial employees.

Equipment Rental, Paint Supplies, Windows, Screens, Landscape Extras, Light Bulbs, Gate Maintenance and Electrical Supplies:

These costs provide benefits related to developer activities and the leasehold interests. The total costs in these categories are $23,200 and are allocable as follows:

Marina	2%
Retail	6%
Grog Shop	2%
Club Facility	2%

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The remaining 88% allocation between the leasehold interest and promenade units is 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Plumbing Supplies:

An evaluation of necessary plumbing maintenance will be made as to the cause and nature of the problem to determine responsibility. The location of the problem should assist in the determination of the responsibility and the budget allocation applicable to leasehold and promenade units only.

Security Supplies:

Security supplies will be allocated on the same basis as the allocation of security guards.

UTILITIES

Electricity-Allocable:

Estimates regarding the allocation of electricity charges between the leasehold and promenade units and all of the other activities, including the club, marina, retail, and Grog Shop have been difficult due to master metering. A study has just been completed which indicates that the budget projections for the leasehold and promenade units are substantially underestimated. While further analysis is required to understand the allocation of cost, current estimates of $840,000 (excluding approximately $40,000 of costs billed to the adjacent property where Jonah's is located) are reasonable. These costs are projected on the following allocation:

3 Towers (Leasehold Interest)	$ 450,000	56.25%	
Promenade Units	65,000	8.13%	13.4
Marina	25,000	3.12%	
Retail	10,000	1.25%	
Grog Shop	15,000	1.87%	
Club Facility	235,000	29.38%	
	$800,000		

(See specific Aggregate Maintenance Expense Budget for assumptions regarding these expenses.)

Natural Gas-Allocable:

Natural gas is used to provide heat to the residential units, although the method varies in the different towers and promenade units. Water is heated by electric water heaters and is not considered in the allocation of natural gas to the leasehold and promenade units. The total consumption in dollars is approximately $130,000 and it is evident from the monthly billings that the colder months cause the monthly billing to increase. Considering this is the primary time that gas is consumed for heat, the excess costs plus a nominal amount of the on-going costs are assumed to be attributable to heat for the residences and club. This calculation would result in an approximate a $45,000 allocation to the individual units. Further assume that if heat is provided for seven months a year this amount would result in a monthly charge of approximately $9.00 per unit. (The center and east towers have electric strip heaters and a master boiler which only operates when the outside temperature is below 58 degrees.) Therefore, the following allocations are applicable:

Leasehold Interest & Promenade Units	$45,000	34.6%
Club	83,000	63.8% 13.4
Retail	1,000	0.7%
Grog Shop	1,000	0.7%
	$130,000	

The costs of $45,000 related to the leasehold interest and promenade units are allocated 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget regarding these expenses.)

Water-Allocable:

The water for the total complex is on one meter. It is assumed that 76.8% of the total cost is attributable to the residential units which would result in approximately a $7.00 charge per month.

Leasehold Interest & Promenade Units	57,600	76.8%
Club	16,400	21.8%
Retail	500	0.6% 1.2
Grog Shop	500	0.6%
	$75,000	

The costs of $57,600 related to the leasehold interest and promenade units are allocated 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget regarding these expenses.)

Trash-Allocable:

Currently, there are separate trash bins for the leasehold and promenade units and club facilities. The only further allocation necessary would be to attribute certain costs to the retail and club which are nominal.

Leasehold Interest & Promenade Units	$ 84,000	80.00%
Club	15,000	14.28%
Retail	300	2.80%
Grog Shop	700	6.06%
Marina	5,000	4.76%
	$105,000	

The costs of $84,000 related to the leasehold interest and promenade units are allocated 86.6% and 13.4% respectively. (See specific Aggregate Maintenance Expense Budget regarding these expenses.)

Insurance-Allocable:

The existing insurance contract expires during December, 1986 and the developer is in the process of obtaining quotes for 1987. Although there can be no assurances as to the level of premium, indications are that the insurance coverage as it relates to the leasehold and promenade units will be between $750,000 to $1,000,000. Specifically, this coverage will provide for property coverage on the leasehold and promenade units and corresponding common areas and adequate liability coverage. The developer will provide separate coverage for all other activities, including the club facility.

REPLACEMENT RESERVES-Allocable

The replacement reserve study has been completed by an independent consultant, Reserve Data Analysis, and is in the final phase of completion. Indications are that an annual reserve of $367,211 will be required in order to adequately replace and repair those capital assets which effect the leasehold and promenade units. There is no provision for any assets which relate to the other activities of the facility, including the club facility, marina, retail and Grog Shop.

The Replacement Reserve Study will include certain items, such as boilers and cooling towers where both residential units and other facilities receive benefit and, therefore, a certain amount of the reserve will be borne by the developer.

CONTINGENCY

A contingency of ten percent is provided on the estimated total cost of the leasehold interest and the promenade units. It is felt that this contingency will cover all items which may not be considered during the first full year of operation and will be allocated to common area costs only. None of these contingency funds will be applied to developer activities.

REAL ESTATE TAXES

For purposes of the operating budget, it is assumed that real estate taxes will be subdivided by the County Assessor's office and that the individual leasehold purchasers units and developer activities will be taxed separately.