

**AGREEMENT FOR PAYMENT IN LIEU OF TAXES
BY AND BETWEEN
SOUTHEAST HOUSING LLC
AND
SANTA ROSA COUNTY PROPERTY APPRAISER**

THIS AGREEMENT FOR PAYMENT IN LIEU OF TAXES (hereinafter the "PILOT Agreement"), is made this ____ day of _____, 2008, by and between **SOUTHEAST HOUSING LLC** (the "Owner") and **GREG BROWN**, the Santa Rosa County Property Appraiser (the "Property Appraiser").

WITNESSETH:

WHEREAS, as a result of its realization of the worsening condition of military housing located at military bases across the country, the United States Congress, through Subtitle A - Military Housing Privatization Initiative of the 1996 Defense Authorization Act, P.L. 104-106 110 Stat. 186 (the "Privatization Initiative"), provided authority for the acquisition and improvement of affordable military housing; and

WHEREAS, the Privatization Initiative encourages the renovation, reconstruction, rehabilitation, ownership, operation and maintenance of military housing by private sector entities and authorizes the Department of Defense to engage in various activities to promote private sector involvement, including the ability to lease or convey existing property and facilities to private entities and to invest in private companies through limited partnerships or other ownership interests; and

WHEREAS, the United States Department of the Navy (the "Navy") and an affiliate of Balfour Beatty Communities, LLC, a Delaware Limited Liability Company, formed the Owner and became the sole members therein; and

WHEREAS, after formation of the Owner, the Navy leased certain lands at Whiting Field pursuant to a ground lease (the "Ground Lease") and conveyed rights to certain housing and ancillary facilities currently existing at Whiting Field to the Owner, and thereafter, the Owner will contract for all necessary services, including architectural, engineering and construction services, obtain financing from a private lender, and supervise demolition or renovation of existing housing and construction of new housing and ancillary facilities in accordance with specifications provided by and plans approved by the Navy; and

WHEREAS, the Owner will operate, manage and maintain the resulting residential units and related ancillary facilities in cooperation with the Navy primarily for family housing units for military personnel (said family housing units, including the underlying ground and ancillary facilities, shall hereinafter be referred to as the "Project"); and

WHEREAS, the aforementioned housing and land is located in Santa Rosa County, Florida, and the tax identification numbers of said housing and land are set forth on

Exhibit "A", attached hereto and incorporated herein by this reference, and are sometimes referred to together as the "Property"; and

WHEREAS, the Property Appraiser recognizes that there is a significant need for decent, safe and sanitary housing at Whiting Field for our soldiers and their families, especially those with limited incomes; and

WHEREAS, the Property Appraiser recognizes that, as a result of the Project being associated with Whiting Field, the Project will have a limited impact, financial or otherwise, on the services provided by Santa Rosa County, the Santa Rosa County School Board, Northwest Florida Water Management and the City of Milton; and

WHEREAS, the Property Appraiser recognizes the significant positive economic impact that Whiting Field, and the military families stationed there, have on the County and its local communities; and

WHEREAS, the Property Appraiser and the Owner have agreed that this military housing is entitled to exemption from ad valorem taxation to the extent that the housing is occupied by active duty or retired military personnel or their families (herein referred to as "Permissible Tenants") and have agreed that any such housing units occupied by other than Permissible Tenants would be included in the PILOT payment (as provided hereinbelow) as if those units were not entitled to such an exemption from ad valorem taxation; and

WHEREAS, rather than trying to annually deal with which portion of the Property is entitled to exemption from ad valorem taxation, the Property Appraiser and the Owner have agreed that the Owner will annually make a payment in lieu of taxes ("PILOT") on those residential structures occupied as of January 1 of a given year by someone other than a Permissible Tenant; and

WHEREAS, the Property Appraiser and the Owner have agreed that the amount of PILOT to be paid will be equal to the ad valorem taxes which would have been assessed on the residential structures (but not the land which remains exempt under federal ownership) occupied by other than Permissible Tenants on January 1 of that year, which ad valorem taxes are inclusive of those assessed by Santa Rosa County, the Santa Rosa School Board and the City of Milton; and

WHEREAS, the Owner and the Property Appraiser have agreed upon an amount to be payable by the Owner to the County, the School Board, Northwest Florida Water Management and the City of Milton for 2008 in lieu of real property taxes upon the Owner's interests in the housing units occupied by other Permissible Tenants, which amount is \$11,972.43 which sum is inclusive of the ad valorem taxes assessed by Santa Rosa County, the Santa Rosa School Board and the City of Milton.

NOW THEREFORE, in consideration of the mutual covenants, terms and agreements hereof, it is agreed as follows:

1. Payment in Lieu of Taxes for 2008. For tax year 2008, the Owner shall pay a PILOT payment in the amount of Twelve Thousand Three and 60/100 Dollars (\$12,003.60), which sum shall be paid by the Owner to the County, the School Board, Northwest Florida Water Management and the City of Milton within 45 days of this PILOT Agreement being signed by all parties hereto. The Property Appraiser shall notify Owner in writing within 15 days of the signing of this Agreement as to the allocable share of said 2008 PILOT payment which is to be paid to Santa Rosa County, the Santa Rosa County School Board, Northwest Florida Water Management and the City of Milton, and also provide owner with the individual and address at each of those governmental bodies to whom these payments should be sent. Said amount of taxes is inclusive of the ad valorem taxes assessed by Santa Rosa County, the Santa Rosa School Board, and the City of Milton.

2. Payment in Lieu of Taxes in Subsequent Years. For each subsequent year of this Agreement, the Owner shall pay to the County an amount based upon the ad valorem tax that would otherwise be due based on the assessed value those housing units (excluding land) that have, as of January 1 of each such year, been rented to individuals other than Permissible Tenants. The PILOT payments to be made by the Owner to the County, School Board, Northwest Florida Water Management and City of Milton, provided for herein with respect to the housing units occupied by other than Permissible Tenants, shall be in lieu of all real property taxes and assessments imposed by the County, the Santa Rosa School Board and the City of Milton or other taxing entities under the Florida Statutes.

3. Calculating the Amount of Future PILOT Payments. The Property Appraiser shall prepare an assessment of the residential unit structures (excluding land) which were occupied by other than Permissible Tenants as of January 1 of that tax year and forward such information or assessment notice to the Owner on or about August 1 of that year. Once the County, the Santa Rosa School Board, the City of Milton and other taxing entities have established their millage rates for the year, the Property Appraiser or other appropriate official shall notify the Owner of the amount of that year's PILOT payment, absent a challenge to the amount of the assessment as set forth below. The Property Appraiser shall also notify the Owner of the allocable share of that year's PILOT payment which is to be paid to Santa Rosa County, the Santa Rosa County School Board, Northwest Florida Water Management and the City of Milton, and also provide Owner with the individual and address at each of those governmental bodies to whom these payments should be sent.

4. Time for Payment. Absent an appeal of the valuation made by the Property Appraiser, the Owner shall make the PILOT payment within 45 days of receipt of the statement or invoice therefor as set forth above.

5. Rights as to Review of Assessments. The Owner shall retain all rights to petition the Value Adjustment Board pursuant to Florida Statute 194.011 in the event that the Owner disputes any tax assessment or valuation determination by the Property Appraiser. The Owner shall also retain all rights to judicial review of these assessments pursuant to Florida Statute 194.171.

6. Exemption of Property. For so long as the Owner is in compliance with the terms of this PILOT Agreement, the Property Appraiser agrees that the Property shall be classified as exempt from ad valorem taxation.

7. Term. Unless otherwise agreed upon by the Owner and the Property Appraiser or sooner terminated pursuant to Paragraph 9 hereinbelow, the term of this Agreement (the "Term") shall commence with the PILOT payment for 2008. In no event shall the Term of this PILOT Agreement extend beyond such time as the Property is not primarily used for housing of military personnel and their families as contemplated by the Privatization Initiative. Notwithstanding anything contained in this PILOT Agreement to the contrary, if, after the commencement of the term of this Agreement, applicable Florida law is modified to exempt the housing units which are the subject of this Agreement from property tax, then this Agreement shall terminate upon the effective date of any such exemption or change in the law.

8. Conditions. The continued right of the Owner under this Agreement to make the PILOT payments calculated in accordance with Paragraphs 1 through 3 above shall be conditioned upon compliance at all times during the Term of this Agreement with the following:

(a) The Owner shall notify the Property Appraiser if at any time the Project is no longer being used primarily for housing of military personnel and their families as contemplated by the Privatization Initiative, as soon as reasonably possible after the effective date of any such change in use.

(b) The Owner shall notify the Property Appraiser within 30 days after January 1 of each year covered by this PILOT Agreement of the housing units in the Project, if any, being rented to other than Permissible Tenants and provide identification as to which units are so rented.

(c) Upon request, the Owner shall provide to the Property Appraiser for examination such of its books and records as are reasonably necessary to permit the Property Appraiser to confirm the Owner's continued compliance with the terms and conditions of this PILOT Agreement. Furthermore, said books and records shall be sufficient to verify whether the housing units have been rented to Permissible Tenants or others.

9. Termination.

(a) This Agreement may be terminated by the Property Appraiser as of December 31 of any tax year, upon thirty (30) days written notice to the Owner, upon the happening of any of the following:

(i) The County or the Property Appraiser is no longer authorized by applicable state law to extend the Owner the benefits of this PILOT Agreement due to repeal or substantial amendment of the applicable sections of the Florida Statutes.

(ii) Any breach or default by the Owner of any of the provisions of this Agreement, which breach or default is not cured within thirty (30) days from the date of written notice of default or breach from the Property Appraiser. In the event a cure of any such fault is not capable of being completed within said thirty (30) day period, the

Owner will not be deemed in breach or default if a good faith effort to cure is commenced within said thirty (30) day period.

10. Notices. All notices shall be deemed given upon actual delivery in person, by fax or by express delivery to the other party at the addresses shown below, which may be changed by written notice to the other parties:

OWNER:
Southeast Housing LLC
c/o Balfour Beatty Communities
Attn: General Counsel
10 Campus Boulevard
Newtown Square, PA | 19073

PROPERTY APPRAISER:
Honorable Greg Brown
Santa Rosa County Property Appraiser
6495 Caroline Street
Milton, FL 32570

11. Amendment. This Agreement may not be amended, altered or modified except by a written amendment executed by the parties hereto or by operation of law.

12. Governing Law. This Agreement and the rights and obligations of the parties hereto and any claims or disputes thereto shall be governed by and construed in accordance with the laws of the State of Florida.

13. Agreement to Run with the Land. The parties acknowledge and agree that this Agreement is to run with the Land, and is binding on the successors and assigns of the parties hereto and shall be appurtenant to and shall run with the title to the Property and shall inure to the benefit of subsequent owners of the Property.

14. Effective Date. This PILOT Agreement shall become effective on the date is signed by the last of the parties to execute this Agreement. This PILOT Agreement may be executed in counterparts and the signature pages assembled to form a complete and binding agreement.

[signatures on next page]

IN WITNESS WHEREOF, SOUTHEAST HOUSING, LLC, a Delaware Limited Liability Company, caused this Agreement to be signed in its name by its duly authorized representative, and GREG BROWN, the Santa Rosa County Property Appraiser, has caused his name to be signed to this Agreement, on the dates indicated below.

WITNESSES:

SOUTHEAST HOUSING LLC

By: BBC Military Housing - Navy Southeast, LLC, its managing member

By: Balfour Beatty Military Housing Investments, LLC, its manager

Print Name: _____

Print Name: _____

By: _____

Its Authorized Officer

Print Name: _____

Title: _____

Date: _____, 2008

ACKNOWLEDGEMENT

The foregoing agreement was executed before me, the undersigned Notary Public, on this _____ day of _____, 2008 by _____, on behalf of Southeast Housing, LLC, and who is personally known to me or who produced the following identification:

_____.

Print Name: _____

Notary Public

My commission expires: _____

(Affix Notarial seal here)

WITNESSES:

SANTA ROSA COUNTY PROPERTY APPRAISER

Margaret L. Nall
Print Name: Margaret L. Nall
[Signature]
Print Name: _____

[Signature]
Print Name: Gregory S. Brown
Title: Santa Rosa County Property Appraiser
Date: January 21, 2008
2009 [Signature]

ACKNOWLEDGEMENT

The foregoing agreement was executed before me, the undersigned Notary Public, on this 21st day of January, 2008 by Gregory S. Brown, on behalf of the Santa Rosa County Property Appraiser, and who is personally known to me or who produced the following identification: _____.

Margaret L. Nall
Print Name: _____
Notary Public
My commission expires _____
(Affix Notary Seal Here)

