



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

AGENDA
COLUMBIA GATEWAY URBAN RENEWAL AGENCY BOARD
SPECIAL MEETING

Meeting Conducted in a Room in Compliance with ADA Standards

Wednesday, May 3, 2017

5:30 pm

City Hall Council Chambers

313 Court Street

The Dalles, Oregon

- I. CALL TO ORDER
- II. ROLL CALL

Scott Baker, Staci Coburn, Taner Elliott, John Fredrick, Steve Kramer, Darcy Long-Curtiss, Linda Miller, Chuck Raleigh and John Willer
- III. PLEDGE OF ALLEGIANCE
- IV. APPROVAL OF AGENDA
- V. PUBLIC COMMENTS *for items not on the agenda*
- VI. ACTION ITEM
 - A. Discussion and consideration of action pertaining to Sunshine Mill's Urban Renewal Loan due May 15, 2017 and Land Sale Contract due May 15, 2018
- VII. STAFF COMMENTS
 - A. Next Meeting Date: May 16, 2017
- VIII. BOARD MEMBERS COMMENTS OR QUESTIONS
- IX. ADJOURNMENT

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IMPROVING OUR COMMUNITY


COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

**SPECIAL MEETING
AGENDA STAFF REPORT
AGENDA LOCATION: VI. A.**

Date: May 3, 2017

To: Honorable Chair and Members of the Agency Board

From: Steven Harris, AICP, Urban Renewal Manager 

Subject: Discussion and Consideration of Amendment to Repayment Schedule of Loan and Land Sale Contract for Discover Development, LLC, dba Sunshine Mill

BACKGROUND

Owners of the Sunshine Mill ("Borrower") have approached Agency staff with a request to forgive the outstanding balance on their \$350,000 loan repayment due May 15, 2017, and a restructuring of the \$309,770.55 outstanding balance on their land sale contract due May 15, 2018.

Due to the timing of their request, a Special Meeting of the Board is required; in that the Board's next regularly scheduled meeting isn't until May 16, 2017, after the due date of the scheduled loan repayment.

The Borrower's (Discover Development, LLC, dba Sunshine Mill) current financial obligations with the Urban Renewal Agency consist of the subject loan (executed October 12, 2009), which was originally intended to fund various interior and exterior building improvements and other repairs. The second financial obligation is the installment land sale contract entered into on May 15, 2013.

The Agency's involvement with the potential redevelopment/reuse of the property dates from the early 2000's, with the expenditure of funds for such activities as: appraisals and acquisition of the site; acquisition of railroad right-of-way for the construction of the

East Gateway round-about; remediation/removal of on-site underground heating oil tanks; structural engineering analysis of the silos; etc. If requested, staff will provide an accounting of Agency expenditures for the property.

In November 2003 the Agency entered into a purchase option agreement with Cereal Food Processors, Inc., culminating with the purchase of the property in May 2005 at a sales price of \$210,917. Total Agency funds expended for the purchase were \$295,267; this figure included additional costs for a land survey, environmental and engineering studies, a purchase option extension, taxes and title insurance. On July 29, 2005 the Agency entered into an Option to Purchase Real Property Agreement with Discover Development, LLC. That agreement was followed up with a Lease Agreement on April 13, 2009, between the same parties. Subsequent to the Lease Agreement, a Lease with Purchase Option Agreement between the Agency and Discover Development, LLC was drafted in 2012, but never executed. As noted, the land sale contract was entered into on May 15, 2013.

Copies of the land sale contract and loan agreement, with amendments are attached.

DISCUSSION

Current Loan Agreement

The Agency and Borrower entered into a loan agreement on October 12, 2009 to fund various building improvements and repairs to the property identified as Sunshine Mill. At that time the Borrower was identified as Discover Development LLC and TGE, LLC aka Quenett Winery LLC.

Two sources of Agency funds were identified in this agreement. The first was for \$300,000, requiring interest only monthly payments (at 4.25%) with a balloon payment due after sixty months to retire the loan balance. The second funding source identified an additional \$200,000 for improvements and repairs with similar repayment terms.

To date there have been four amendments to the loan agreement, as summarized below:

- 1st Amendment – September 19, 2010
 - Loan reassigned from Discover Development LLC and TGE, LLC aka Quenett Winery LLC to Discover Development LLC, dba Sunshine Mill, and releasing TGE, LLC from its obligations and assumed by Discover Development LLC, dba Sunshine Mill.
 - 2nd source of funds increased from \$200,000 to \$300,000 for exterior improvements, repairs and painting of the milling building and the silo building. (\$600,000 total loan funding available)

- 2nd Amendment – October 31, 2010
 - Due date for \$600,000 balloon payment extended from October 12, 2014 to December 12, 2014.

- Financial review to be conducted as part of the “agreed upon procedures” process.
- 3rd Amendment – December 19, 2014
 - Loan interest rate increased from 4.25% to 5.25%.
 - Modified principal balance payment schedule.
 - May 15, 2015 - \$150,000 – paid
 - May 15, 2016 - \$100,000 – paid (see below)
 - May 17, 2017 - \$350,000
- 4th Amendment – May 25, 2016
 - Modified May 15, 2016 \$100,000 loan repayment schedule, principal plus interest:

<u>2016 – principal payments</u>			
May 15 -	\$15,000 - paid	Nov 15 -	\$10,000 – paid
June 15 -	\$10,000 - paid	Dec 15 -	\$10,000 – paid
July 15 -	\$10,000 - paid		
Aug 15 -	\$10,000 - paid	<u>2017</u>	
Sept 15 -	\$10,000 - paid	Jan 15 -	\$10,000 - paid
Oct 15 -	\$15,000 - paid		\$100,000 - paid in full

Current Land Sale Contract

The \$309,700.55 land sale agreement originally entered into on May 15, 2013 with the Agency and Borrower has been amended twice. The terms of the original agreement called for a due date of May 15, 2015; with monthly interest only payments (4.25%) required until the closing date. As of April 17, 2017 the interest only payments (\$1,354.94/mn) on the land sale contract are current.

- a) 1st Amendment – December 19, 2014
 - Sales closing date extended from May 15, 2015 to May 15, 2018.
 - Sales price increased from \$305,124.69 to \$309,700.36.
 - Interest rate to be 5.25%.
 - Borrower to make good faith effort to investigate opportunities for obtaining a commercial loan prior to May 15, 2018 closing date.
- b) 2nd Amendment – May 23, 2016
 - Referenced the fourth amendment to the loan agreement which restructured the repayment schedule.

Borrower’s Proposal

At the April 24th meeting with Agency staff, Mr. James Martin and Ms. Natasha Skov representing Sunshine Mill, submitted two proposals (Option A and B, attached) addressing the \$350,000 loan repayment due May 15, 2017, and the outstanding land sale contract balance (\$309,700.55 due May 15, 2018).

Consistent with each proposed option is the forgiveness of the \$350,000 outstanding loan balance (designated as “Agency Spend” on the attachments). To date the

Borrower has repaid \$250,000 of the original \$600,000 loan and \$58,121.90 in monthly interest only payments, since the October 12, 2009 loan origination date.

The primary difference between Option A and B is the restructured payment schedule for the outstanding balance on the land sale contract.

As presented each payment option is dependent upon the Borrower moving forward with their plans to develop a hotel ("The Silos") on the subject property. Material submitted at the April 24th meeting also included expansion plans for winery facilities, both on and off-site. From the information submitted it is unclear if construction of the additional facilities is separate or included in the hotel concept plans. It is also unknown what level of expenditures the Borrower has incurred as of this date toward the development of the hotel and winery facilities expansion plans.

Option A

- Forgiveness of the \$350,000 balance of the loan agreement, due May 15, 2017.
- Principal and interest payments to begin July 2017 on the \$309,700.55 land sale contract balance, with a final payment due June 2021.
- This option also identifies projected Borrower annual expenditures from 2017 to 2021 of \$36,000 for maintenance and improvements (\$180,000 total), and \$30,000 for engineering and architecture services (\$150,000 total). No further details were provided for these projected expenditures.

Option B

- Forgiveness of the \$350,000 balance of the loan agreement, due May 15, 2017.
- Principal and interest payments on the \$309,700.55 land sale contract balance to be deferred until 2019, with a final payment due June 2021. Annual payments would be approximately \$111,500.
- Under this option, the Borrower would accelerate their projected \$150,000 engineering and architecture expenses into 2017 and 2018 (\$75,000 in each year). The \$36,000 in projected annual maintenance and improvements expenditures would begin in July 2017 and run through June 2021 (\$180,000 total), similar to Option A. No documentation was submitted that defines "maintenance and improvements" or identifies the current level of "maintenance and improvements" expenditures.

Along with the hotel development concept, forgiveness of the \$350,000 loan repayment and the restructuring of the \$309,700.55 land sale contract balance, the Borrower submitted summaries of various financial and economic impact data attributed to Discover Development, LLC and Copa Di Vino. The accuracy of this information has not been verified at the time, as the Borrower submitted no supporting documentation. However, a copy of the financial review cited in the second amendment of the loan

agreement is attached for the Board's review. Although the material may be somewhat dated at this time, it does provide an accounting of funds and expenditures at the time of the review (September 22, 2014). *If the Board were to consider either one of the Borrower's proposed loan repayment options, it would be prudent to update the financial review.*

FINANCIAL IMPLICATIONS

Approval of either proposed option (Option A or B) would have significant impact on the Agency's ability to fund ongoing and future programs and projects at budgeted levels. If the Board were to approve either option the Agency's FY2016-17 budgeted revenue would be reduced by \$350,000 (with the forgiveness of the outstanding loan balance due May 15, 2017). This amount would also carryover to FY2017-18 with a corresponding reduction in the Agency's beginning fund balance from \$1,470,583 to \$1,120,563. To make up this shortfall a transfer of funds from the capital projects account would be required, or other from other Agency accounts.

Option A

With respect to the request to restructure the land sale contract, approval of Option A would result in a net revenue reduction of \$254,205 (in addition to the \$350,000) to Agency's FY2017-18 budgeted revenue as follows:

\$324,604.89 – budgeted FY2017-18 principal and interest payments
-70,400.02 – proposed principal and interest payments
\$254,204.87 – net revenue loss
+350,000.00 – reduction in beginning fund balance (loan forgiveness)
\$604,204.87 – total reduction in available funds for FY2017-18

In order to maintain current budgeted levels in the administration and property rehabilitation accounts, a transfer out of the Capital Project account would be required (or a combination of reduced funding from the Capital Project account and other program accounts). The transfer of \$604,204.87 from the account would leave a balance of \$715,863, of which \$300,000 has been previously committed to the Civic Auditorium restoration project.

Option B

Approval of Option B would result in an even greater reduction in the Agency's budgeted revenues and ability to fund ongoing and future programs and projects. Option B includes the forgiveness of the \$350,000 loan balance and a two year deferral (July 2019) on repayment of the land sale contract balance.

\$604,204.87 – reduction in available funds from above
+56,823.32 – additional loss for FY2017-18, attributed to repayment deferral
\$661,028.19 – total reduction in available funds for FY2017-18

As noted in Option A, a reduction in funds budgeted for the Capital Project account would be necessary to maintain administration and programs funding levels. The transfer of \$661,028.19 from the account would leave a balance of \$659,040, of which \$300,000 has been previously committed to the Civic Auditorium restoration project.

Since the financial implications of either option proposed by the Borrower are significant, adoption of a new Agency FY2017-18 budget would be required; regardless of which option is approved. Approval of a new FY2017-18 budget would necessitate public notice, publication of the proposed budget, and the reconvening of the Urban Renewal Agency Budget Committee.

RECOMMENDATION

1. If the Board is of the opinion to consider the Borrower's requests to forgive the \$350,000 loan repayment and a restructuring of the repayment schedule for the \$309,700.55 land sale contract, staff would suggest a continuance of the item until the August 15, 2017 Agency Board meeting. In doing so, staff would also suggest that the continuance be subject to the following conditions:
 - a) That the Borrower shall be required to make payments of \$10,000 on May 15, 2017, June 15, 2017 and July 15, 2017, with the funds paid credited toward the outstanding loan balance of \$350,000. Regular monthly interest payments on the loan balance would also be required during this period, per the loan agreement, as amended.
 - b) That the Borrower shall be required to continue to make interest only payments of the outstanding balance of \$309,700.55 on the land sale contract, as amended.
 - c) That the Borrower shall be required to pay for a financial review of Discover Development LLC, dba Sunshine Mill. The professional services agreement for the financial review shall be between the Agency and the consultant.
 - d) That the Borrower shall be required to provide evidence that a good faith effort has been made to investigate opportunities for obtaining a commercial loan for the outstanding balance, as required in the 1st Amendment of the land sale contract.
2. Decline the Borrower's proposed repayment options and maintain the previously agreed upon repayment schedules for the loan agreement and land sale contract.
3. The Board also has the option of considering only one of the requests at this time. As an example, the Board could act on the loan repayment due May 15, 2017 at this time, and defer action on the land sale contract restructure request due May 15, 2018 to a latter date.

4. Provide staff with direction as appropriate.

ATTACHMENTS

- Sunshine Mill Loan Repayment Submittals
 - Option A and Option B
- Loan Agreement for Sunshine Mill 3rd Amendment Principal Repayment Schedule
- Terms for 1st Amendment Land Sale Contract for Sunshine Mill Property
- Loan Agreement for Sunshine Mill property w/amendments (dated October 12, 2009)
- Land Sale Contract for Sunshine Mill property w/amendments (dated May 15, 2013)
- Preliminary Independent Accountant's Report on Applying Agreed-Upon Procedures, Rowe & Deming, LLC (dated September 22, 2014)
- Discover Development and Copa Di Vino Financial and Economic Impact Data
- "The Silos" Hotel concept plans

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Option A:

	<u>July 2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>June 2021</u>	<u>TOTAL</u>
Maintenance & Improvements	\$ 36,000.00	\$ 36,000.00	\$ 36,000.00	\$ 36,000.00	\$ 36,000.00	\$ 180,000.00
Engineering & Architecture	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 150,000.00
Principle	\$ 55,500.37	\$ 58,485.29	\$ 61,630.74	\$ 64,945.36	\$ 68,412.69	\$ 308,974.45
Interest	\$ 14,899.65	\$ 11,914.74	\$ 8,769.29	\$ 5,454.67	\$ 1,951.79	\$ 42,990.14
Annual Spend	\$ 136,400.02	\$ 136,400.03	\$ 136,400.03	\$ 136,400.03	\$ 136,364.48	\$ 681,964.59
Monthly Spend	\$ 11,366.67	\$ 11,366.67	\$ 11,366.67	\$ 11,366.67	\$ 11,363.71	\$ 56,830.38
Agency Spend	\$ 350,000.00	\$ -	\$ -	\$ -	\$ -	\$ 350,000.00
Bond Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agency Tax Revenue	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ (10,240.00)
TOTAL Agency Spend	\$ 347,952.00	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ 339,760.00
Property / Corp Tax	\$ 31,000.00	\$ 31,000.00	\$ 31,000.00	\$ 31,000.00	\$ 31,000.00	\$ 155,000.00
Total Local Cost	\$ 316,952.00	\$ (33,048.00)	\$ (33,048.00)	\$ (33,048.00)	\$ (33,048.00)	\$ 184,760.00
Local Economy Spend						
Copa / D.D.						
Property / Corp Tax	\$ 31,000.00	\$ 31,000.00	\$ 31,000.00	\$ 31,000.00	\$ 31,000.00	\$ 155,000.00
Wages Local	\$ 2,264,000.00	\$ 2,264,000.00	\$ 2,264,000.00	\$ 2,264,000.00	\$ 2,264,000.00	\$ 11,320,000.00
Local Spend	\$ 1,300,000.00	\$ 1,300,000.00	\$ 1,300,000.00	\$ 1,300,000.00	\$ 1,300,000.00	\$ 6,500,000.00
TOTAL	\$ 3,595,000.00	\$ 3,595,000.00	\$ 3,595,000.00	\$ 3,595,000.00	\$ 3,595,000.00	\$ 17,975,000.00

Submitted by Sunshine Mill, April 24, 2017

Option B:

	<u>July 2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>June 2021</u>	<u>TOTAL</u>
Maintenance & Improvements	\$ 36,000.00	\$ 36,000.00	\$ 36,000.00	\$ 36,000.00	\$ 36,000.00	\$ 180,000.00
Engineering & Architecture	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -	\$ -	\$ 150,000.00
Principle	\$ -	\$ -	\$ 97,653.84	\$ 102,905.85	\$ 108,399.82	\$ 308,959.51
Interest	\$ 16,222.50	\$ 16,222.50	\$ 13,894.00	\$ 8,642.42	\$ 3,108.45	\$ 58,089.87
Annual Spend	\$ 127,222.50	\$ 127,222.50	\$ 147,547.84	\$ 147,548.27	\$ 147,508.27	\$ 697,049.38
Monthly Spend	\$ 10,601.88	\$ 10,601.88	\$ 12,295.65	\$ 12,295.69	\$ 12,292.36	\$ 58,087.45
Agency Spend	\$ 350,000.00	\$ -	\$ -	\$ -	\$ -	\$ 350,000.00
Bond Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agency Tax Revenue	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ (10,240.00)
TOTAL Agency Spend	\$ 347,952.00	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ (2,048.00)	\$ 339,760.00
Property / Corp Tax	\$ 17,000.00	\$ 31,000.00	\$ 31,000.00	\$ 31,000.00	\$ 31,000.00	\$ 141,000.00
Total Local Cost	\$ 330,952.00	\$ (33,048.00)	\$ (33,048.00)	\$ (33,048.00)	\$ (33,048.00)	\$ 198,760.00
Local Economy Spend						
Copa / D.D.						
Wages Local	\$ 2,264,000.00	\$ 2,264,000.00	\$ 2,264,000.00	\$ 2,264,000.00	\$ 2,264,000.00	\$ 11,320,000.00
Local Spend	\$ 1,300,000.00	\$ 1,300,000.00	\$ 1,300,000.00	\$ 1,300,000.00	\$ 1,300,000.00	\$ 6,500,000.00
TOTAL	\$ 3,564,000.00	\$ 3,564,000.00	\$ 3,564,000.00	\$ 3,564,000.00	\$ 3,564,000.00	\$ 17,820,000.00

Submitted by Sunshine Mill, April 24, 2017

**LOAN AGREEMENT SUNSHINE MILL
 3RD AMENDMENT**

Principal Repayment Schedule

Interest rate 5.25%

5/15/2015	150,000.00
5/15/2016	100,000.00
5/15/2017	350,000.00

PmtNo.	Payment Date	Beginning Balance	Scheduled Payment	Date Payment Received	Extra Payment	Regular Interest Payment	Principal	Interest	Ending Balance	ck#
1	12/15/2014	600,000.00	2,625.00		-	2,125.00	-	2,625.00	600,000.00	
2	1/15/2015	600,000.00	2,625.00	1/20/2015	-	2,125.00	-	2,625.00	600,000.00	
3	2/15/2015	600,000.00	2,625.00	2/17/2015	-	3,625.00	-	2,625.00	600,000.00	
4	3/15/2015	600,000.00	2,625.00	3/12/2015	-	2,625.00	-	2,625.00	600,000.00	
5	4/15/2015	600,000.00	2,625.00	4/6/2015	-	2,625.00	-	2,625.00	600,000.00	
6	5/15/2015	600,000.00	152,625.00	5/14/2015	150,000.00	2,625.00	150,000.00	2,625.00	450,000.00	
7	6/15/2015	450,000.00	1,968.75	6/17/2015	-	2,625.00	-	1,968.75	450,000.00	1239
8	7/15/2015	450,000.00	1,968.75	7/13/2015	-	1,968.75	-	1,968.75	450,000.00	1242
9	8/15/2015	450,000.00	1,968.75	8/17/2015	-	1,968.75	-	1,968.75	450,000.00	1247
10	9/15/2015	450,000.00	1,968.75	9/17/2015	-	1,968.75	-	1,968.75	450,000.00	1250
11	10/15/2015	450,000.00	1,968.75	10/1/2015	-	1,968.75	-	1,968.75	450,000.00	1252
12	11/15/2015	450,000.00	1,968.75	11/19/2015	-	1,968.75	-	1,968.75	450,000.00	1254
13	12/15/2015	450,000.00	1,968.75	1/8/2016	-	1,968.75	-	1,968.75	450,000.00	1258
14	1/15/2016	450,000.00	1,968.75	1/22/2016	-	1,968.75	-	1,968.75	450,000.00	1259
15	2/15/2016	450,000.00	1,968.75	2/18/2016	-	1,968.75	-	1,968.75	450,000.00	1264
16	3/15/2016	450,000.00	1,968.75	3/24/2016	-	1,968.75	-	1,968.75	450,000.00	1268
17	4/15/2016	450,000.00	1,968.75	4/18/2016	-	1,968.75	-	1,968.75	450,000.00	1270
18	5/15/2016	450,000.00	16,968.75	5/10/2016	15,000.00	1,968.75	15,000.00	1,968.75	435,000.00	1272
19	6/15/2016	435,000.00	11,903.13	6/15/2016	10,000.00	1,968.75	10,000.00	1,968.75	425,000.00	1275
20	7/15/2016	425,000.00	11,859.38	7/15/2016	10,000.00	1,968.75	10,000.00	1,968.75	415,000.00	1279
21	8/15/2016	415,000.00	11,815.63	8/16/2016	10,000.00	1,793.76	10,000.00	1,793.76	405,000.00	1281
22	9/15/2016	405,000.00	11,771.88	9/15/2016	10,000.00	1,793.76	10,000.00	1,793.76	395,000.00	1284
23	10/15/2016	395,000.00	16,728.13	10/19/2016	15,000.00	1,728.13	15,000.00	1,728.13	380,000.00	1288
24	11/15/2016	380,000.00	11,662.50	11/15/2016	10,000.00	1,662.50	10,000.00	1,662.50	370,000.00	1290
25	12/15/2016	370,000.00	11,618.75	12/20/2016	10,000.00	1,662.50	10,000.00	1,662.50	360,000.00	1293
26	1/15/2017	360,000.00	11,575.00	2/9/2017	10,000.00	1,575.00	10,000.00	1,575.00	350,000.00	
27	2/15/2017	350,000.00	1,531.25	2/21/2017	-	1,531.25	-	1,531.25	350,000.00	1304
28	3/15/2017	350,000.00	1,531.25	3/15/2017	-	1,531.25	-	1,531.25	350,000.00	1307
29	4/15/2017	350,000.00	1,531.25	4/17/2017	-	1,531.25	-	1,531.25	350,000.00	1308
30	5/15/2017	350,000.00	351,531.25						350,000.00	
			659,434.38		250,000.00	58,778.15	250,000.00	58,121.90		

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**TERMS FOR FIRST AMENDMENT LAND SALE
 CONTRACT FOR SUNSHINE MILL PROPERTY**

PURCHASE PRICE \$ 309,700.55

Interest rate 5.25%

Enter Pmt Date & Amt in shaded area.

Report late payments to Kate

Delinquent as of 1/20/15

PmtNo.	Payment Date	Beginning Balance	Scheduled Payment	Date Pmt Received	Payment Received	Principal	Interest	Ending Balance	Ck #
1	12/15/2014	309,700.55	1,354.94	1/23/2015	1,354.94	-	1,354.94	309,700.55	
2	1/15/2015	309,700.55	1,354.94	1/23/2015	1,354.94	-	1,354.94	309,700.55	
3	2/15/2015	309,700.55	1,354.94	2/17/2015	1,354.94	-	1,354.94	309,700.55	
4	3/15/2015	309,700.55	1,354.94	3/12/2015	1,354.94	-	1,354.94	309,700.55	
5	4/15/2015	309,700.55	1,354.94	4/6/2015	1,354.94	-	1,354.94	309,700.55	
6	5/15/2015	309,700.55	1,354.94	5/14/2015	1,354.94	-	1,354.94	309,700.55	
7	6/15/2015	309,700.55	1,354.94	6/17/2015	1,354.94	-	1,354.94	309,700.55	1239
8	7/15/2015	309,700.55	1,354.94	7/13/2015	1,354.94	-	1,354.94	309,700.55	1242
9	8/15/2015	309,700.55	1,354.94	8/17/2015	1,354.94	-	1,354.94	309,700.55	1247
10	9/15/2015	309,700.55	1,354.94	9/17/2015	1,354.94	-	1,354.94	309,700.55	1250
11	10/15/2015	309,700.55	1,354.94	10/1/2015	1,354.94	-	1,354.94	309,700.55	1252
12	11/15/2015	309,700.55	1,354.94	11/19/2015	1,354.94	-	1,354.94	309,700.55	1254
13	12/15/2015	309,700.55	1,354.94	1/8/2016	1,354.94	-	1,354.94	309,700.55	1258
14	1/15/2016	309,700.55	1,354.94	1/22/2016	1,354.94	-	1,354.94	309,700.55	1259
15	2/15/2016	309,700.55	1,354.94	2/18/2016	1,354.94	-	1,354.94	309,700.55	1264
16	3/15/2016	309,700.55	1,354.94	3/24/2016	1,354.94	-	1,354.94	309,700.55	1268
17	4/15/2016	309,700.55	1,354.94	4/18/2016	1,354.94	-	1,354.94	309,700.55	1270
18	5/15/2016	309,700.55	1,354.94	5/12/2016	1,354.94	-	1,354.94	309,700.55	1272
19	6/15/2016	309,700.55	1,354.94	6/15/2016	1,354.94	-	1,354.94	309,700.55	1275
20	7/15/2016	309,700.55	1,354.94	7/15/2016	1,354.94	-	1,354.94	309,700.55	1278
21	8/15/2016	309,700.55	1,354.94	8/16/2016	1,354.94	-	1,354.94	309,700.55	1282
22	9/15/2016	309,700.55	1,354.94	9/15/2016	1,354.94	-	1,354.94	309,700.55	1285
23	10/15/2016	309,700.55	1,354.94	10/19/2016	1,354.94	-	1,354.94	309,700.55	1288
24	11/15/2016	309,700.55	1,354.94	11/15/2016	1,354.94	-	1,354.94	309,700.55	1291
25	12/15/2016	309,700.55	1,354.94	12/15/2016	1,354.94	-	1,354.94	309,700.55	1294
26	1/15/2017	309,700.55	1,354.94	1/23/2017	1,354.94	-	1,354.94	309,700.55	
27	2/15/2017	309,700.55	1,354.94	2/21/2017	1,354.94	-	1,354.94	309,700.55	1304
28	3/15/2017	309,700.55	1,354.94	3/15/2017	1,354.94	-	1,354.94	309,700.55	1307
29	4/15/2017	309,700.55	1,354.94	4/17/2017	1,354.94	-	1,354.94	309,700.55	1308
30	5/15/2017	309,700.55	1,354.94			-	1,354.94	309,700.55	
31	6/15/2017	309,700.55	1,354.94			-	1,354.94	309,700.55	
32	7/15/2017	309,700.55	1,354.94			-	1,354.94	309,700.55	
33	8/15/2017	309,700.55	1,354.94			-	1,354.94	309,700.55	
34	9/15/2017	309,700.55	1,354.94			-	1,354.94	309,700.55	
35	10/15/2017	309,700.55	1,354.94			-	1,354.94	309,700.55	
36	11/15/2017	309,700.55	1,354.94			-	1,354.94	309,700.55	
37	12/15/2017	309,700.55	1,354.94			-	1,354.94	309,700.55	
38	1/15/2018	309,700.55	1,354.94			-	1,354.94	309,700.55	
39	2/15/2018	309,700.55	1,354.94			-	1,354.94	309,700.55	
40	3/15/2018	309,700.55	1,354.94			-	1,354.94	309,700.55	
41	4/15/2018	309,700.55	1,354.94			-	1,354.94	309,700.55	
42	5/15/2018	309,700.55	311,055.49			309,700.55	1,354.94	-	

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COLUMBIA GATEWAY URBAN RENEWAL AGENCY
LOAN AGREEMENT

Between: Discover Development LLC
TGE, LLC, aka Quenett Winery LLC
("Borrower")

and
Columbia Gateway Urban Renewal Agency
("Lender")

RECITALS

WHEREAS, pursuant to Section 606 of the Columbia Gateway Urban Renewal Agency's Plan and Report (May 2008), Lender is authorized to enter into a Loan Agreement and make a loan from the Columbia Gateway Urban Renewal Agency Fund to finance projects; and

WHEREAS, Section 601(14) of the Columbia Gateway Urban Renewal Agency's Plan and Report (May 2008) identifies the redevelopment of the Wasco Warehouse and Milling Company Property, as an authorized urban renewal project and activity; and

WHEREAS, on April 13, 2009, Lender and Borrower entered into a Lease Agreement whereby Lender agreed to lease a portion of the property which includes the site of the Wasco Warehouse and Milling Company Property; and

WHEREAS, the Lease Agreement entered into between Lender and Borrower provided the consideration to be paid by the Lessee would include improvements to be constructed upon the leased premises; and

WHEREAS, the Lease Agreement included a provision which reflected the intent of the parties to enter into a subsequent Lease with a Purchase Option, upon the completion of the East Gateway/Brewery Grade Intersection Project, which will allow the Lessee to ultimately purchase the property which includes the entire site for the Wasco Warehouse and Milling Company Property, which includes the portion of the leased premises described in the April 13, 2009 Lease Agreement; and

WHEREAS, the Lender desires to make two sources of funds available to the Borrower to use for the purpose of making tenant improvements to the structures located upon the site of the Wasco Warehouse and Milling Company Property; and

WHEREAS, Lender and Borrower have agreed upon the terms and conditions under which the funds will be made available to the Borrower, for the purposes cited above;

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, it is mutually agreed as follows:

1. Funding to be made available. Lender has agreed to provide two sources of funding available to the Borrower, to assist in the redevelopment of the Wasco Warehouse and Milling Company Property.

(A) First Source of Funding. The first source of funding totals \$300,000.00. This source of funding is to be used for the purpose of assisting Borrower in securing the completion of construction of tenant improvements for occupancy of the first floor of the milling building, and for repairs to associated structures upon the Wasco Warehouse and Milling Company Property.

(1) Disbursement Process. The sum of \$300,000.00 is intended to provide a source which can be drawn down by Borrower, to assist in payment of the costs of construction of the tenant improvements and repairs described in paragraph 1(A) above. Tenant shall be solely responsible for the design and specifications to be used in constructing the said tenant improvements, the selection of the methods and techniques used to effect the repairs upon the associated structures, and the selection of the contractor(s) and execution of the necessary contracts associated with the construction of the tenant improvements and the repairs upon associated structures. During the completion of said tenant improvements or repairs, Borrower shall submit detailed invoices for actual work performed for said tenant improvements or structural repairs to Lender for its review and approval. Lessor shall either make payment up to \$300,000 for approved work or issue a written statement denying all or part of the Borrower's request for payment.

(2) Payment Schedule. Within eighteen (18) months of the date of execution of this Loan Agreement, Borrower shall begin making monthly payments of interest only, on the principal sum received from Lessor up to \$300,000.00. The interest shall be calculated at the rate of 4.25% per annum. The monthly interest only payments shall be equivalent to an amount calculated at one-twelfth (1/12th) of the annual interest accrued on any outstanding principal. This monthly interest only payment shall continue until a balloon

payment which shall be due and payable within sixty (60) months of the date of execution of this Loan Agreement. The balloon payment shall include the total amount of the principal due and owing for the funds which were provided under the first source of funding, and also include that portion of the principal which shall also be due and owing from the second source of funding, as provided for in this Loan Agreement. Nothing in this agreement prohibits the Borrower from paying off all or a portion of the principal owing the Lessor at any time prior to the sixty (60) month full payment date.

- (B) Second Source of Funding. The second source of funding totals \$200,000.00. This source of funding is intended to be used for the purpose of assisting the Borrower in securing the completion of construction of additional tenant improvements for the Wasco Warehouse and Milling Company Property.
- (1) Disbursement Process. Access to this second source of funding will be provided subject to the following conditions: First, that a majority of the space (equivalent to fifty one percent 51%) in the first floor of the milling building, is occupied by ongoing commercial and business activity; Second, that all of the first source of funding (\$300,000) must have been provided to the Borrower; and Third, that all use of the second source of funding must be completed within thirty (30) months from the date of execution of this Loan Agreement. The sum of \$200,000.00 is intended to provide a source which can be drawn down by Borrower, to assist in payment of the costs of construction of the tenant improvements and repairs described in paragraph 1(B) above. Tenant shall be solely responsible for the design and specifications to be used in constructing the said additional tenant improvements, and the selection of the contractor(s) and execution of the necessary contracts associated with the construction of the additional tenant improvements. During the completion of said additional tenant improvements, Borrower shall submit detailed invoices for said tenant improvements to Lender for its review and approval. Lessor shall issue a written statement either approving the requested amount in full, or denying Borrower's request for payment.
- (2) Payment Schedule. 18 months from the signing of this agreement Borrower shall begin making monthly payments of interest only, on any principal amount of the \$200,000.00 that has been provide

to the Borrower. The interest shall be calculated at the rate of 4.25% per annum. The monthly interest only payments shall be equivalent to an amount calculated at one-twelfth (1/12th) of the annual interest accrued, on any outstanding principal. This monthly interest only payment shall continue until a balloon payment which shall be due and payable within sixty (60) months of the date of execution of this Loan Agreement. The balloon payment shall include the total amount of the principal due and owing for the funds which were provided under the second source of funding, and also include that portion of the principal which shall also be due and owing from the first source of funding, as provided for in this Loan Agreement. Nothing in this agreement prohibits the Borrower from paying off all or a portion of the principal owing the Lessor at any time prior to the sixty (60) month full payment date.

2. Borrower represents and warrants to Lender the following matters:
 - (A) Existence and Power. Borrower is a limited liability corporation duly organized and validly existing under the laws of Oregon. Borrower has the full power and authority to transact the business in which it is engaged, and full power, authority, and legal right to make this Agreement and to incur and perform its obligations hereunder.
 - (B) Authority; No Contravention. The making and performance by Borrower of this Agreement, and the borrowing by Borrower hereunder (a) have been duly authorized by all necessary action of Borrower, (b) do not and will not violate any provision of applicable law, rule, regulation, or order of any court, regulatory commission, board or other administrative agency, and (c) do not and will not result in the breach of, or constitute a default or require any consent under any other agreement or instrument to which Borrower is a party or by which Borrower or any of its properties may be bound or affected.
 - (C) Binding Obligation. This Agreement has been duly executed and delivered by Borrower and will constitute the legal, valid and binding obligation of Borrower, enforceable in accordance with their terms subject to the laws of bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights generally.
 - (D) Approvals. No authorization, consent, license, approval of, filing or registration with, or notification to any governmental body or regulatory or supervisory authority is required for the execution, delivery, or

performance by Borrower of this Agreement of for the borrowing hereunder.

- (E) Misleading Statements. No representation or warranty by Borrower in this Agreement or on any written statement, including information, data, exhibits, and other materials submitted in connection with the Loan, furnished to Lender pursuant to this Agreement or in connection with the transactions contemplated by this Agreement, when taken together, contains or will contain any untrue statement of material fact or omits or will omit to state a material fact necessary to make the statements not misleading.
- (F) Compliance with Laws. Borrower will comply with the requirements of all applicable laws, rules, regulations, and orders of any governmental authority, except to the extent an order of governmental authority is contested in good faith and by proper proceedings.
- (G) Books, Inspection. Borrower will keep proper books of account and records of all activities associated with providing the funding sources under this Agreement, including, but not limited to, invoices and canceled checks documenting the use of the funding. Borrower will maintain these books of account and records in accordance with generally accepted accounting principles and shall retain the books of account and records for a period equivalent to the term of this Agreement.

Borrower will permit Lender, and its duly authorized representatives, to inspect its properties, all work done, labor performed and materials furnished for the project, and to review and make excerpts and transcripts of its books of account and records with respect to the receipt and disbursement of funds received from Lender. Access to these books of account and records is limited to the required retention period. The authorized representatives shall have access to records at any reasonable time for as long as the records are maintained.

3. The following miscellaneous provisions shall be part of this Agreement:

- (A) No Implied Waiver; Cumulative Remedies. No failure on the part of Lender to exercise, and no delay in exercising, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

- (B) Governing Law; Venue; Consent to Jurisdiction. This Agreement shall be governed by, and construed in accordance with the laws of the State of Oregon without regard to the principles of conflicts of law. The courts of the State of Oregon (and to the degree possible, the courts of the State of Oregon in Wasco County) shall have exclusive jurisdiction over any action brought by or against the Lender under this Agreement. The Borrower hereby consents to such exclusive jurisdiction and waives any and all objections it might have thereto.
- (C) Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery or first class mail, postage prepaid, at the addresses specified below, or at such other addresses as may be specified in writing to Lender or Borrower:
- To the Lender: Columbia Gateway Urban Renewal Agency
313 Court Street
The Dalles, OR 97058
- To the Borrower: Quenett Winery, aka TGE LLC
Discover Development LLC
102 East 2nd Street
The Dalles, OR 97058
- (D) Amendments. This Agreement may not be waived, altered, modified, supplemented, or amended in any manner except by written instrument signed by both parties. Such written modification will be made a part of this Agreement and subject to all other provisions of this Agreement.
- (E) Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.
- (F) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Lender, Borrower, and their respective successors and assigns, except that Borrower may not assign or transfer its rights or obligations hereunder or any interest therein without the prior consent in writing from Lender.
- (G) Indemnity. Borrower shall defend, save, hold harmless and indemnify the Columbia Gateway Urban Renewal Agency and the City of The Dalles, and their officers, agents, employees, and members from and against all claims, suits, losses, damages, liabilities, costs and expenses of any nature

whatsoever resulting from or arising out of, or relating to the activities of Borrower or its officers, employees, contractors, or agents under this Agreement.

- (H) Entire Agreement. This Agreement constitutes the entire agreement between the parties. Any waiver or consent, shall be effective only in the specific instance and for the specific purpose given.

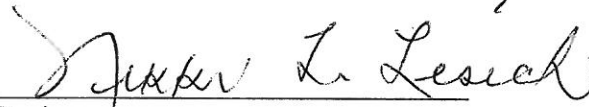
IN WITNESS WHEREOF, the parties have caused this Loan Agreement to be executed by their duly authorized representatives this 12th day of October, 2009.


LENDER

BORROWER

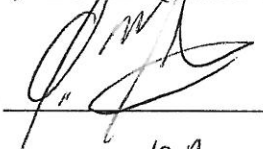
Columbia Gateway Urban Renewal Agency

Discover Development, LLC

By: 
Chairperson

By: 
Title: owner

TGE, LLC aka Quenett Winery LLC

By: 
Title: owner

FIRST AMENDMENT FOR LOAN AGREEMENT
FOR SUNSHINE MILL PROPERTY

WHEREAS, on October 12, 2009, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as "Lender", entered into a Loan Agreement with Discover Development LLC and TGE, LLC aka Quenett Winery LLC, hereinafter referred to as "Borrower", where the Lender agreed to make two sources of funding available to the Borrower for the purpose of making tenant improvements to the structures located upon the site of the Sunshine Mill Property; and

WHEREAS, on July 26, 2010, Mr. James Martin, on behalf of the Borrower, submitted a request to the Columbia Gateway Urban Renewal Agency to consider adding an additional \$100,000 to the second source of funding created by the October 12, 2009 Loan Agreement; and

WHEREAS, following the presentation by Mr. Martin, the Columbia Gateway Urban Renewal Agency Board voted to approve the request submitted by Mr. Martin, authorizing an additional \$100,000 to be added to the second source of funding created by the October 12, 2009 Loan Agreement, to be used for exterior improvements, repairs, and painting of the milling building and silo building located upon the Sunshine Mill property; and

WHEREAS, Mr. Martin has also submitted a requested to the Columbia Gateway Urban Renewal Agency to consider an amendment to the October 12, 2009 Loan Agreement, to allow an assignment by Discover Development LLC and TGE, LLC aka Quenett Winery LLC of their obligations under the Loan Agreement to Discover Development LLC, dba Sunshine Mill, and to release TGE, LLC from its obligations under the Loan Agreement, and have the obligations under the Loan Agreement be assumed solely by an entity to be known as Discover Development LLC, dba Sunshine Mill;

NOW, THEREFORE, in consideration of the provisions set forth herein, it is mutually agreed as followed.

1. Sections 1(B), 1(B)(1), and 1(B)(2) of the Loan Agreement dated October 12, 2009 shall be amended by increasing the amount for funds available for the second source of funding from \$200,000 to \$300,000. The additional \$100,000 shall be used for exterior improvements, repairs, and painting of the milling building and silo building located upon the Sunshine Mill property.

2. Lender hereby consents to the assignment by Discover Development, LLC, and TGE, LLC aka Quenett Winery LLC acting as an Assignor, of their obligations as Borrower under the October 12, 2009 Loan Agreement to Discover Development LLC, dba Sunshine Mill. Discover Development LLC, dba Sunshine Mill, acting as Assignee, hereby agrees to assume and faithfully perform the obligations assigned to it under the October 12, 2009 Loan Agreement. Lender releases TGE, LLC aka Quenett Winery LLC from its obligations under the Loan Agreement. Discover Development, LLC, dba Sunshine Mill shall hereafter be defined as the Borrower under the October 12, 2009 Loan Agreement.

3. Except as modified by this First Amendment, the terms and conditions of the



Loan Agreement dated October 12, 2009 shall remain in full force and effect.


Dated this 19 day of Sept., 2010.

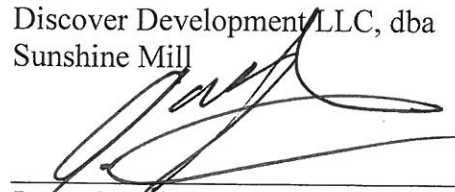
LENDER

BORROWER

Columbia Gateway Urban Renewal Agency

Discover Development LLC, dba
Sunshine Mill


Chairperson


James Martin

OWNER
Title

**SECOND AMENDMENT FOR LOAN AGREEMENT
FOR SUNSHINE MILL PROPERTY**

WHEREAS, on October 12, 2009, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as "Lender", entered into a Loan Agreement with Discover Development LLC and TGE, LLC aka Quenett Winery LLC, hereinafter referred to as "Borrower", where the Lender agreed to make two sources of funding available to the Borrower for the purpose of making tenant improvements to the structures located upon the site of the Sunshine Mill Property; and

WHEREAS, on September 19, 2010, Lender and Borrower entered into a First Amendment for the Loan Agreement for the Sunshine Mill Property authorizing an additional \$100,000 to be added to the second source of funding created by the October 12, 2009 Loan Agreement, to be used for exterior improvements, repairs, and painting of the milling building and silo building located upon the Sunshine Mill property; allowing an assignment by Discover Development LLC and TGE, LLC aka Quenett Winery LLC of their obligations under the Loan Agreement to Discover Development LLC, dba Sunshine Mill; and releasing TGE, LLC from its obligations under the Loan Agreement, and have the obligations under the Loan Agreement be assumed solely by an entity to be known as Discover Development LLC, dba Sunshine Mill; and

WHEREAS, upon the recommendation of the Columbia Gateway Urban Renewal Advisory Committee, the Agency Board for the Lender voted on September 22, 2014, to authorize an amendment to the October 12, 2009 Loan Agreement between the Lender and Borrower, to extend the due date for the balloon loan payment from October 12, 2014 until December 12, 2014, subject to the condition that Borrower be responsible for the costs of the financial review to be conducted as part of the "agreed upon procedures" process, to be performed by Sidney Rowe from the firm of Rowe and Deming, LLC;

NOW, THEREFORE, in consideration of the provisions set forth herein, it is mutually agreed as followed.

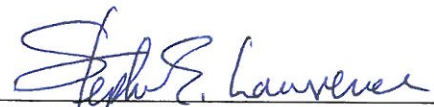
1. Sections 1(A)(2) and 1(B)(2) shall be modified to provide that the due date for the balloon loan payment for the loan for the first and second source of funding shall be extended from October 12, 2014 until December 12, 2014. The granting of the extension for the due date for the loan payment is conditioned upon the Borrower agreeing to pay for the costs of the financial review as part of the "agreed upon procedures" process, to be performed by Sidney Rowe from the firm of Rowe and Deming, LLC.

2. Except as modified by this Second Amendment, and the First Amendment entered into on September 19, 2010, the terms and conditions of the Loan Agreement dated October 12, 2009 shall remain in full force and effect.

Dated this 31st day of October, 2014.


LENDER:

Columbia Gateway Urban Renewal Agency


Chairperson

BORROWER:

Discover Development LLC, dba
Sunshine Mill


James Martin
President
Title

**THIRD AMENDMENT FOR LOAN AGREEMENT
FOR SUNSHINE MILL PROPERTY**

WHEREAS, on October 12, 2009, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as “Lender”, entered into a Loan Agreement with Discover Development LLC and TGE, LLC aka Quenett Winery LLC, hereinafter referred to as “Borrower”, where the Lender agreed to make two sources of funding available to the Borrower for the purpose of making tenant improvements to the structures located upon the site of the Sunshine Mill Property; and

WHEREAS, on September 19, 2010, Lender and Borrower entered into a First Amendment for the Loan Agreement for the Sunshine Mill Property authorizing an additional \$100,000 to be added to the second source of funding created by the October 12, 2009 Loan Agreement, to be used for exterior improvements, repairs, and painting of the milling building and silo building located upon the Sunshine Mill property; allowing an assignment by Discover Development LLC and TGE, LLC aka Quenett Winery LLC of their obligations under the Loan Agreement to Discover Development LLC, dba Sunshine Mill; and releasing TGE, LLC from its obligations under the Loan Agreement, and have the obligations under the Loan Agreement be assumed solely by an entity to be known as Discover Development LLC, dba Sunshine Mill; and

WHEREAS, on October 31, 2014, Lender and Borrower entered into a Second Amendment for the Loan Agreement for the Sunshine Mill Property extending the due date for the balloon loan payment for the loan for the first and second source of funding from October 12, 2014 until December 12, 2014; and

WHEREAS, upon the recommendation of the Columbia Gateway Urban Renewal Advisory Committee, the Agency Board for the Lender voted on November 24, 2014, to authorize an amendment to the October 12, 2009 Loan Agreement between the Lender and Borrower, to increase the interest rate upon the repayment of the outstanding principal balance, establish a schedule for repayment of the principal balance in three installment payments, and include default provisions in the event of a nonpayment of any installment payment;

NOW, THEREFORE, in consideration of the provisions set forth herein, it is mutually agreed as followed.

1. Sections 1(A)(2) and 1(B)(2) shall be modified to provide that effective December 1, 2014, the interest rate for the monthly interest payments to be made by the Borrower shall be increased from the rate of 4.25% per annum to 5.25% per annum. Monthly interest payments shall be made upon the fifteenth (15th) day of each month, beginning on December 15, 2014. Sections 1(A)(2) and 1(B)(2) shall be further modified to establish the following payment schedule for the repayment of the principal balance of the loan:
 - A. On May 15, 2015, Borrower shall make a payment of \$150,000.00.
 - B. On May 15, 2016, Borrower shall make a payment of \$100,000.00.
 - C. On May 15, 2017, Borrower shall make a payment of \$350,000.00.
2. Failure by Borrower to make any of the installment payments for either interest or principal by the due dates listed in paragraph 1 above shall constitute an event of default. In the event

of an act of default resulting from the nonpayment of any installment payment for either interest or principal, Lender shall send Borrower written notice that said default shall be cured within fifteen (15) days of the date of the notice. Failure by Borrower to cure the default shall result in the initiation of proceedings by Lender to collect the unpaid balance of principal and interest due, retake possession of the real property described in the Land Sale Contract dated May 15, 2013, and satisfy any liens or encumbrances created by the filing of any financing statement upon fixtures, equipment or furnishings owned by Borrower which have become attached to the real property.


3. Borrower agrees to make a good faith effort to investigate opportunities for obtaining a commercial loan to allow Borrower to pay of the principal balance of the loan at an earlier date than the schedule of payments outlined in Section 1 of this Third Amendment. Nothing in this agreement prohibits Borrower for paying off all or a portion of the principal balance owing to the Lender at any time prior to May 15, 2017.

4. Except as modified by this Third Amendment, the Second Amendment entered into on October 31, 2014, and the First Amendment entered into on September 19, 2010, the terms and conditions of the Loan Agreement dated October 12, 2009 shall remain in full force and effect.

Dated this 19th day of December, 2014.

LENDER:

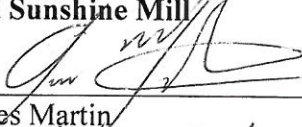
Columbia Gateway Urban Renewal Agency



Stephen E. Lawrence, Chairperson

BORROWER:

**Discover Development LLC,
Dba Sunshine Mill**



James Martin
President

Title

**FOURTH AMENDMENT FOR LOAN AGREEMENT
FOR SUNSHINE MILL PROPERTY**

WHEREAS, on October 12, 2009, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as “Lender”, entered into a Loan Agreement with Discover Development LLC and TGE, LLC aka Quenett Winery LLC, hereinafter referred to as “Borrower”, where the Lender agreed to make two sources of funding available to the Borrower for the purpose of making tenant improvements to the structures located upon the site of the Sunshine Mill Property; and

WHEREAS, on September 19, 2010, Lender and Borrower entered into a First Amendment for the Loan Agreement for the Sunshine Mill Property authorizing an additional \$100,000 to be added to the second source of funding created by the October 12, 2009 Loan Agreement, to be used for exterior improvements, repairs, and painting of the milling building and silo building located upon the Sunshine Mill property; allowing an assignment by Discover Development LLC and TGE, LLC aka Quenett Winery LLC of their obligations under the Loan Agreement to Discover Development LLC, dba Sunshine Mill; and releasing TGE, LLC from its obligations under the Loan Agreement, and have the obligations under the Loan Agreement be assumed solely by an entity to be known as Discover Development LLC, dba Sunshine Mill; and

WHEREAS, on October 31, 2014, Lender and Borrower entered into a Second Amendment for the Loan Agreement for the Sunshine Mill Property extending the due date for the balloon loan payment for the loan for the first and second source of funding from October 12, 2014 until December 12, 2014; and

WHEREAS, on December 19, 2014, Lender and Borrower entered into a Third Amendment to the October 12, 2009 Loan Agreement between the Lender and Borrower, to increase the interest rate upon the repayment of the outstanding principal balance, establish a schedule for repayment of the principal balance in three installment payments, and include default provisions in the event of a nonpayment of any installment payment; and

WHEREAS, following a request on May 10, 2016 by Borrower to revise the terms for payment of the installment due on May 15, 2016, the Lender approved a revised payment plan for the installment payment due on May 15, 2016 and voted on May 23, 2016 to authorize an amendment to the October 12, 2009 Loan Agreement incorporating the revised schedule for payment of the installment due on May 15, 2016;

NOW, THEREFORE, in consideration of the provisions set forth herein, it is mutually agreed as followed.

1. The payment schedule for the installment payment which was originally due for payment on May 15, 2016, shall be revised as set forth in the attached schedule for the payments to be made upon May 15, 2016, June 15, 2016, July 15, 2016, August 15, 2016, September 15, 2016, October 15, 2016, November 15, 2016, December 15, 2016, and January 15, 2017. The revised payment schedule includes the scheduled interest payments which shall also be paid in accordance with the schedule for the installment payments. The provisions concerning default established by the Third Amendment entered into on December 19, 2014 shall apply to the installment payments and the interest payments set forth in the attached payment schedule.
2. Except as modified by this Fourth Amendment, and the Third Amendment entered into on December 19, 2014, the Second Amendment entered into on October 31,

2014, and the First Amendment entered into on September 19, 2010, the terms and conditions of the Loan Agreement dated October 12, 2009 shall remain in full force and effect.

Dated this 25th day of May, 2016.

LENDER:

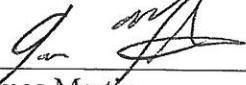
Columbia Gateway Urban Renewal Agency



Stephen E. Lawrence, Chairperson

BORROWER:

**Discover Development LLC,
Dba Sunshine Mill**



James Martin
President

Title

Loan

Amendment #4 to Sunshine Mill Land Sale Agreement
 Approved by City Council 05/23/16

Amendment #4 Payment Schedule

Pmt #	Pmt Date	Beginning Balance	Scheduled Int Pmt	Scheduled Prin Pmt	Ending Balance
1	12/15/2014	600,000.00	2,625.00		600,000.00
2	1/15/2015	600,000.00	2,625.00		600,000.00
3	2/15/2015	600,000.00	2,625.00		600,000.00
4	3/15/2015	600,000.00	2,625.00		600,000.00
5	4/15/2015	600,000.00	2,625.00		600,000.00
6	5/15/2015	600,000.00	2,625.00	150,000.00	450,000.00
7	6/15/2015	450,000.00	1,968.75		450,000.00
8	7/15/2015	450,000.00	1,968.75		450,000.00
9	8/15/2015	450,000.00	1,968.75		450,000.00
10	9/15/2015	450,000.00	1,968.75		450,000.00
11	10/15/2015	450,000.00	1,968.75		450,000.00
12	11/15/2015	450,000.00	1,968.75		450,000.00
13	12/15/2015	450,000.00	1,968.75		450,000.00
14	1/15/2016	450,000.00	1,968.75		450,000.00
15	2/15/2016	450,000.00	1,968.75		450,000.00
16	3/15/2016	450,000.00	1,968.75		450,000.00
17	4/15/2016	450,000.00	1,968.75		450,000.00
18	5/15/2016	450,000.00	1,968.75	15,000.00	435,000.00
19	6/15/2016	435,000.00	1,903.13	10,000.00	425,000.00
20	7/15/2016	425,000.00	1,859.38	10,000.00	415,000.00
21	8/15/2016	415,000.00	1,815.63	10,000.00	405,000.00
22	9/15/2016	405,000.00	1,771.88	10,000.00	395,000.00
23	10/15/2016	395,000.00	1,728.13	15,000.00	380,000.00
24	11/15/2016	380,000.00	1,662.50	10,000.00	370,000.00
25	12/15/2016	370,000.00	1,618.75	10,000.00	360,000.00
26	1/15/2017	360,000.00	1,575.00	10,000.00	350,000.00
27	2/15/2017	350,000.00	1,531.25		350,000.00
28	3/15/2017	350,000.00	1,531.25		350,000.00
29	4/15/2017	350,000.00	1,531.25		350,000.00
30	5/15/2017	350,000.00	1,531.25	350,000.00	-

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LAND SALE CONTRACT

DATED: May 15, 2013.

BETWEEN: Columbia Gateway Urban Renewal Agency, an Oregon municipal corporation, hereinafter referred to as "Seller" Address: 313 Court Street, The Dalles, OR 97058

AND: Discover Development, LLC, dba Sunshine Mill, hereinafter referred to as "Purchaser" Address: 901 East Second Street, The Dalles, OR 97058

Seller owns the real property located in the City of The Dalles, Wasco County, Oregon, and described in the attached Exhibit A subject to those encumbrances described in the attached Exhibits, which property is hereinafter referred to as the "Property".

Seller agrees to sell the Property to Purchaser and Purchaser agrees to buy the Property from Seller for the price and on the terms and conditions set forth below:

Tax Statement:

Until a change is requested, all tax statements shall be sent to Discover Development, LLC, dba Sunshine Mill, 901 East Second Street, The Dalles, OR 97058.

Section 1. Purchase Price and Payment

1.1 Total Purchase Price. Purchaser promises to pay Seller as the total purchase price for the Property the sum of \$305,123.69 (US), plus interest calculated at the annual rate of one percent (1%) on the purchase price until the purchase transaction is closed as further defined herein. The purchase price shall be allocated in the following manner: \$282,187.69 shall be allocated for the parcel described in Exhibit A; \$22,936.00 shall be allocated for the reimbursement of Seller for the costs advanced by Seller for certain streetscape improvements constructed in connection with the East Gateway/Brewery Grade Project.

1.2 Payment of Total Purchase Price. By May 15, 2015, Purchaser shall pay the full purchase price and all applicable accrued interest from the date of execution of this Land Sale Contract until the purchase transaction is closed, in cash at the time of closing.

1.3 Place of Payments. All payments to Seller must be made to the escrow agent described in Section 3.4.

Section 2. Taxes and Loan Repayment

2.1 Obligation to Pay Taxes. Purchaser acknowledges there is a current balance of \$4,152.79 owed for real property taxes for the 2012 tax year, which shall be paid by Purchaser to the Wasco County Assessor by May 15, 2013. From and after the date of execution of this Land Sale Contract, Purchaser shall be responsible for payment of all property taxes assessed upon the real property and all personal property taxes assessed against the Purchaser's equipment installed upon the property. Purchaser may elect to pay taxes and assessments in accordance with any available installment method.

COPY

(Handwritten mark)

2.2 Loan Repayment. Purchaser acknowledges that pursuant to the Loan Agreement between Purchaser and Seller dated October 12, 2009, which Loan Agreement was amended on September 19, 2010 to increase the loan proceeds from \$500,000 to \$600,000, the balloon payment to repay the loan in full is due on October 14, 2014. As a condition precedent to the conveyance of the property by Seller to Purchaser, said balloon payment shall have been paid by Purchaser to Seller by no later than October 14, 2014.

Section 3. Closing

3.1 Closing Date. The transaction to complete the purchase of the property shall be closed no later than May 15, 2015. As used in this Contract, the Closing Date means the date on which the escrow agent is prepared to disburse funds. The closing will occur in escrow at the offices of Wasco Title.

3.2 Responsibility of Parties. At closing, Purchaser must pay the amount of cash specified in Section 1.1 above, and Seller must have received a commitment for the issuance of a policy of title insurance as described in Section 9.

3.3 Prorates and Closing Costs. Except as otherwise provided in this Contract, all items to be prorated will be prorated as of the applicable closing date. Seller is responsible for paying one-half of the escrow fee, and two-thirds of the cost of the premium for the title insurance policy. Purchaser is responsible for paying for one-third of the cost of the premium for the title insurance policy, the entire cost of fees for recording the Bargain and Sale Deed from the Seller, and one-half of the escrow fee.

3.4 Payment / Escrow. Seller must deliver to Wasco Title, as escrow agent, the deed described in Section 12, together with suitable instructions authorizing delivery after all payments have been made and all other obligations of Purchaser under this Contract have been fulfilled. The costs of setting up the escrow will be evenly divided.

Section 4. Possession and Existing Tenancies

4.1 Possession. Seller and Purchaser acknowledge that Purchaser has had possession of the Property under the terms of a Lease Agreement entered into between Seller and Purchase dated April 13 2009, and that Purchaser shall be entitled to continue in possession of the Property on and after the date of execution of this Land Sale Contract, until said Lease Agreement has been terminated by the recording of the Bargain and Sale Deed.

Section 5. Indemnification

5.1 Purchaser's Indemnification of Seller. Purchaser will forever indemnify, reimburse, and hold Seller harmless and, at Seller's election, defend Seller for, from, and against any and all claims, costs, expenses (including attorney fees), losses, damages, fines, charges, actions, or other liabilities of any description arising out of or in any way connected with (1) Purchaser's possession or use of the Property, (2) Purchaser's conduct with respect to the Property, (3) any condition of the Property to the extent that the same arises from or after the date of execution of this Land Sale Contract and is not caused or contributed to by Seller, or (4) Purchaser's breach of any warranty or representation made by Purchaser in this Contract. In the event of any litigation or proceeding brought against Seller and arising out of or in any way connected with any of the above events or claims, against which Purchaser agrees to defend Seller, Purchaser will, on notice from Seller, vigorously resist and defend such actions or proceedings in consultation with Seller through legal counsel reasonably satisfactory to Seller.



5.2 Seller's Indemnification of Purchaser. Seller will forever indemnify, reimburse, and hold Purchaser harmless and, at Purchaser's election, defend Purchaser for, from, and against any and all claims, costs, expenses (including attorney fees), losses, damages, fines, charges, actions, or other liabilities of any description arising out of or in any way connected with (1) Seller's possession or use of the Property, (2) Seller's conduct with respect to the Property, (3) any condition of the Property to the extent that the same exists on the date of execution of this Land Sale Contract and is not caused or contributed to by Purchaser, or (4) Seller's breach of any warranty or representation made by Seller in this Contract. In the event of any litigation or proceeding brought against Purchaser and arising out of or in any way connected with any of the above events or claims, against which Seller agrees to defend Purchaser, Seller will, on notice from Purchaser, vigorously resist and defend such actions or proceedings in consultation with Purchaser through legal counsel reasonably satisfactory to Purchaser.

5.3 Indemnification Scope. Wherever this Contract obligates a party to indemnify, hold harmless, or defend the other party, the obligations will run to directors, officers, agents, partners, and employees of such other party and will survive any termination or satisfaction of this contract. Such obligations with respect to the acts or omissions of either party will include the acts or omissions of any director, officer, partner, agent, employee, contractor, tenant, invitee, or permittee of such party.

Section 6. Representations, Warranties, and Covenants of Seller

6.1 Covenants of Title. Seller warrants that Seller is the owner of good and marketable title to the Property free of all liens and encumbrances except those referred to on the attached Exhibit A and will defend such title from the lawful claims of persons claiming superior title.

6.2 Authority. Seller represents that Seller has obtained all requisite authorizations for the execution and delivery by Seller of this Contract and the performance of the transactions contemplated by this Contract, and that the execution and delivery of this Contract are made pursuant to such authorizations.

6.3 No Brokers. Seller has not employed any broker or finder in connection with the transactions contemplated by this Contract and has taken no action would give rise to a valid claim against Purchaser for a brokerage commission, finder's fee, or other like payment.

6.4 Litigation. There are no pending claims or litigation or threats of claims or litigation or other matters of which Seller is aware or by the exercise of reasonable diligence of which Seller should be aware that could adversely affect Purchaser's title, use, or enjoyment of the Property.

6.5 Hazardous Substances. To the best of Seller's knowledge, no Hazardous Substance has been disposed of, spilled, leaked, or otherwise released on, under, or from property adjacent to or in the immediate vicinity of the Property. No wastes, including without limitation garbage and refuse, have been disposed of on the Property. The Department of Environmental Quality issued a letter of "No Further Action" on August 2, 2012 concerning the Leaking Underground Storage Tank #33-05-0387. The term *Hazardous Substance* means any hazardous, toxic radioactive or infectious substance, material, or waste as defined, listed or regulated under any law pertaining to the protection of human health or the environment, and includes without limitation petroleum oil and its fractions.

6.6 Compliance with Laws. The Property and every portion of it, and all activities conducted on the Property, are in compliance with all applicable federal, state, and local statutes,



regulations, and ordinances. Seller is not aware of and has not received notice of any past violation of any applicable federal, state, or local statutes, regulations, or ordinances.

6.7 Nonforeign Status. Seller warrants that Seller is not a *foreign person* as defined in IRC §1445(f)(3) and that Seller is not a “transferor” subject to withholding under ORS 314.258 (“ORFIRPTA”) and that each such warranty will be true as of closing.

6.8 No Further Contracts. Seller represents that there are no contracts, leases, or agreements relating to the Property, (except the Lease Agreement dated April 13, 2009, which will be terminated as set forth in Section 4.2) that will be binding on the Property after the Closing Date.

6.9 No Wetlands or Fill. Seller warrants that as of the Closing Date, to the best of Seller’s knowledge, the Property contains no wetlands or other water bodies or any fill currently subject to regulation under §404 of the Clean Water Act (33 USC §1344) or ORS 196.600–196.990 and will not be in violation of these laws or regulations.

Seller further warrants that as of the Closing Date Seller has not received any notice, and does not have actual knowledge, of any pending or threatened claim, action, demand, suit, proceeding, hearing, or governmental study or investigation against or involving the Property and related in any way to the fill or removal of the material in or from any wetland located on the Property.

6.10 Disclosure. Seller has fully disclosed in writing and provided to Purchaser all material information in Seller’s possession or that Seller owns or controls that relates to the Property, its condition, and the title to the Property.

Section 7. Title Insurance

On the Closing Date, Purchaser and Seller shall cause the Title Company to furnish to the other party an ALTA standard coverage owner's policy of title insurance in the amount of \$282,187.69, insuring that title to the property being conveyed is vested in the Purchaser, subject to the usual printed exceptions and any exceptions approved by the Purchaser. Premium costs for the title insurance policy shall be allocated in the manner set forth in Section 3.3.

Section 8. Deed

On payment of the total purchase price for the Property as provided in this Contract and Purchaser’s performance of all other terms, conditions, and provisions of this Contract, Seller will forthwith deliver to Purchaser a good and sufficient bargain and sale deed conveying the Property free and clear of all liens and encumbrances, except those referred to on attached Exhibit A and the final title report, and all liens or encumbrances suffered by or placed on the Property by Purchaser subsequent to the date of this Contract.

Section 9. Default

9.1 Events of Default. Time is of the essence of this Contract. A default will occur under any of the following circumstances:

- (1) Purchaser’s failure to make any payment when due.
- (2) Any default under the Prior Lien attributable to Purchaser.
- (3) Purchaser’s failure to perform any other obligations contained in this Contract within 7 days after notice from Seller specifying the nature of the default or, if the default cannot



be cured within 7 days, failure within such time to commence and pursue curative action with reasonable diligence.

(4) Purchaser's dissolution, termination of existence, insolvency on a balance-sheet basis, or business failure; Purchaser's commencement of a voluntary case under the federal bankruptcy laws or under other federal or state law relating to insolvency or debtor's relief; the entry of a decree or order for relief against Purchaser in an involuntary case under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief; the appointment or the consent by Purchaser to the appointment of a receiver, trustee, or custodian of Purchaser or of any of Purchaser's property; Purchaser's assignment for the benefit of creditors or Purchaser's failure generally to pay its debts as they become due.

(5) Purchaser's making or suffering a fraudulent transfer or conveyance under applicable federal or state law; Purchaser's concealment of any of its property from creditors; Purchaser's making or suffering a preference within the meaning of the federal bankruptcy law; or the imposition of a lien through legal proceedings or distraint on any of the property of Purchaser.

9.2 Remedies of Default. In the event of a default, Seller may take any one or more of the following steps:

(1) Seller may declare the entire balance of the purchase price and interest immediately due and payable.

(2) Seller may foreclose this Contract by suit in equity.

(3) Seller may specifically enforce the terms of this Contract by suit in equity.

(4) After complying with the notice requirements and affording Purchaser the right to cure the default contained in ORS 93.905-93.945, as the same may be amended or superseded from time to time, as long as the same is applicable, Seller may declare this Contract forfeited and retain the amount of the payments previously made under this Contract. On recordation of the affidavit required by Oregon law, this Contract will be extinguished and canceled, and Purchaser will have no further right, title, or interest in and to the real property or to any return or compensation for payments previously made under this Contract, as though this Contract and such payments had never been made. In that event, Purchaser agrees to surrender the Property to Seller. If Purchaser fails to do so, Seller may elect to treat Purchaser as a tenant holding over unlawfully after the expiration of a lease, and Purchaser may be ousted and removed as such, without affecting Seller's right to pursue other rights and remedies contained in this Contract or permitted by law.

9.3 Remedies Not Exclusive. The remedies provided above are nonexclusive and in addition to any other remedies provided by law.

Section 10. Waiver

The failure of either party at any time to require performance of any provision of this Contract will not limit the party's right to enforce the provision except to the extent expressly set forth in a writing signed by that party, nor will any waiver of any breach of any provision constitute a waiver of any succeeding breach of that provision or a waiver of that provision itself.

Section 11. Successor Interests

This Contract is binding on and inures to the benefit of the parties, their successors, and



assigns but no interest of Purchaser may be assigned, subcontracted, or otherwise transferred, voluntarily or involuntarily, without the prior written consent of Seller, which consent may not be unreasonably withheld. Seller's consent to one transfer will not constitute consent to other transfers or waiver of this section. Any attempted assignment in violation of this provision will be void and of no effect with respect to Seller. Purchaser and any other person at any time obligated for the performance of the terms of this Contract hereby waive notice of and consent to any and all extensions and modifications of this Contract or the release of any person or persons from liability under the Contract granted by Seller. Any such extensions or modifications or releases will not in any way release, discharge, or otherwise affect the liability of any person at any time obligated under this Contract or any guarantor of such person's obligations.

Section 12. Prior Agreements

This document is the entire, final, and complete agreement of the parties pertaining to the sale and purchase of the Property, and supersedes and replaces all prior or existing written and oral agreements (including any earnest money agreement) between the parties or their representatives relating to the Property.

Section 13. Notice

Any notice under this Contract must be in writing and will be effective when actually delivered in person or within three days after being deposited in the U.S. mail, registered or certified, return receipt requested, postage prepaid and addressed to the party at the address stated in this Contract or such other address as either party may designate by written notice to the other.

Section 14. Applicable Law

This Contract shall be governed by, and construed in accordance with, the laws of the state of Oregon.

Section 15. Costs and Attorney Fees

15.1 No Suit or Action Filed. If either party to this Contract seeks legal counsel because of a default in the payment or performance of any of its terms, the defaulting party must pay, immediately on demand, the other party's reasonable attorney fees, collection costs, costs of either a litigation or a foreclosure report (whichever is appropriate), even though no suit or action is filed thereon, and any other fees or expenses incurred by the nondefaulting party.

15.2 Arbitration or Mediation; Trial and Appeal. If any arbitration, mediation, or other proceeding is brought in lieu of litigation, or if suit or action is instituted to enforce or interpret any of the terms of this Contract, or if suit or action is instituted in a bankruptcy court for a United States District Court to enforce or interpret any of the terms of this Contract, to seek relief from an automatic stay, to obtain adequate protection, or to otherwise assert Seller's interest in a bankruptcy proceeding, the party not prevailing must pay the prevailing party's costs and disbursements, the fees and expenses of expert witnesses in determining reasonable attorney fees under ORCP 68, the actual cost of a litigation or foreclosure report, and any sums that the court may determine to be reasonable for the prevailing party's attorney fees connected with the trial and any appeal and by petition for review thereof.

15.3 Definitions. For purposes of this Contract, the term *attorney fees* includes all charges of the prevailing party's lawyers and their staff (including without limitation legal assistants, paralegals, word processing, and other support personnel) and any postpetition fees in a bankruptcy court. For purposes of this Contract, the term *fees and expenses* includes but is not limited to long-distance telephone charges; expenses of facsimile transmission; expenses for postage (including costs of registered or certified mail and return receipts), express mail, or parcel delivery; mileage and all deposition charges, including but not limited to court reporters' charges, appearance fees, and all costs of transcription; costs incurred in searching records; and the cost of title reports or surveyor's reports.

Section 16. Number, Gender, and Captions

As used in this Contract, the singular includes the plural, and the plural the singular. The masculine and neuter each include the masculine, feminine, and neuter, as the context requires. All captions used in this Contract are intended solely for convenience of reference and in no way limit any of the provisions of this Contract.

Section 17. Survival of Covenants

Any covenants the full performance of which is not required before the closing or final payment of the purchase price and delivery of the deed will survive the closing and the final payment of the purchase price and the delivery of the deed and be fully enforceable thereafter in accordance with their terms.

Section 18. Condition of Property

Purchaser accepts the land, buildings, improvements, and all other aspects of the Property in their present condition, AS IS, WHERE IS, including latent defects, without any representations or warranties from Seller or any agent or representative of Seller, expressed or implied, except for such warranties that may arise by law under the Deed and except as otherwise specifically set forth in this Contract. Purchaser agrees that Purchaser has ascertained, from sources other than Seller or any agent or representative of Seller, the condition of the Property, its suitability for Purchaser's purposes, and the applicable zoning, building, housing, and other regulatory ordinances and laws affecting the Property. Purchaser accepts the Property with full awareness of these ordinances and laws as they may affect the present use or any intended future use of the Property. Except for such warranties that may arise by law under the Deed and except as otherwise specifically stated in this Contract, Seller has made no representations with respect to such condition or suitability of the Property or such laws or ordinances.

Section 19. Statutory Disclaimer

The following disclaimer is made pursuant to ORS 93.040(2):

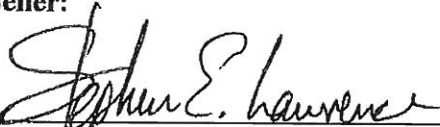
THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT



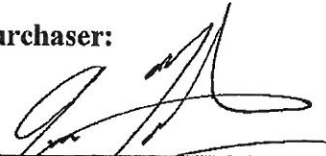
THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTION 2 TO 7, CHAPTER 8, OREGON LAWS 2010. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTION 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

IN WITNESS WHEREOF, the parties have caused this Contract to be executed in duplicate as of the day and year first above written.

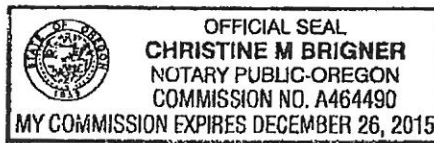
Seller:


Stephen E. Lawrence, Chairperson

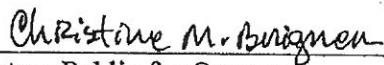
Purchaser:


James Martin, Owner

State of Oregon)
) ss.
County of Wasco)



Personally appeared before me, Stephen E. Lawrence, Chairperson for the Columbia Gateway Urban Renewal Agency, and acknowledged the foregoing instrument to be his voluntary act and deed.


Notary Public for Oregon
My commission expires: 12/26/15

State of Oregon)
) ss.
County of Wasco)



Personally appeared before me, James Martin, who is an Owner of Discover Development LLC, dba Sunshine Mill, and acknowledged the foregoing instrument to be his voluntary act and deed.



Notary Public for Oregon
My commission expires: March 25, 2017

EXHIBIT "A"

LEGAL DESCRIPTION

for

Tax Lot 1N-13-03DA 100

A tract of land lying in Block 24 of Laughlin's Addition, Block 4 Annex to Lord and Laughlin's Addition, vacated Taylor Street, and in the Southeast 114 of Section 3, Township 1 North, Range 13 East, Willamette Meridian, City of The Dalles, Wasco County, Oregon, being more particularly described as follows:

Commencing at the Southwesterly corner of said Block 24, said point also lies on the Northerly right-of-way line of East Second Street; thence along said Southerly right-of-way line, North 55°21'33" West 0.80 feet to the intersection with the Easterly right-of-way line of Taylor Street as established in right-of-way vacation Ordinance #842; thence leaving said Northerly right-of-way along said Easterly right-of-way, North 34°18'19" East 156.98 feet to the intersection with the Southerly right-of-way line of the Union Pacific Railroad right-of-way; thence leaving said Easterly right-of-way along said Southerly right-of-way, South 56°30'07" East 176.84 feet; thence on a 999.83 foot radius curve to the left, a radial line to which bears North 26°49'50" East, through a central angle of 08°02'57", a distance of 140.46 feet (the long chord of which bears South 67°11'38" East 140.35 feet); thence South 74°40'08" East 168.97 feet; thence South 76°13'11" East 235.89 feet; thence leaving said Southerly right-of-way line, South 13°48'07" West 129.54 feet to the intersection with said Northerly right-of-way line of East Second Street; thence along said Northerly right-of-way line, North 73°04'09" West 124.96 feet; thence West a distance of 32.15 feet; thence North 76°30'37" West 337.52 feet; thence on a 500.00 foot radius curve to the right, a radial line to which bears North 20°44'31" East, through a central angle of 04°30'58", a distance of 39.41 feet (the long chord of which bears North 66°59'59" West 39.40 feet); thence North 64°44'30" West 62.79 feet; thence South 27°26'49" West 5.15 feet; thence North 64°18'58" West 43.21 feet to the intersection with the Southerly line of said Block 24; thence continuing along said Southerly right-of-way line and along said South line of Block 24, North 55°21'33" West 135.56 feet to the point of beginning.

Contains 2.40 acres.

Bearings common with and see also County Survey #17-096 for additional information.

FIRST AMENDMENT FOR LAND SALE CONTRACT FOR SUNSHINE MILL PROPERTY

WHEREAS, on May 15, 2013, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as "Seller", entered into a Land Sale Contract with Discover Development LLC dba Sunshine Mill, hereinafter referred to as "Purchaser", where the Seller agreed to sell and the Purchaser agreed to purchase the property commonly referred to as the Sunshine Mill Property; and

WHEREAS, upon the recommendation of the Columbia Gateway Urban Renewal Advisory Committee, the Agency Board for the Lender voted on November 24, 2014, to authorize an amendment to the May 15, 2013 Land Sale Contract extending the closing date for the purchase from May 15, 2015 to May 15, 2018, subject to certain conditions;

NOW, THEREFORE, in consideration of the provisions set forth herein, it is mutually agreed as followed.

1. Section 1.1 shall be modified to provided that effective December 15, 2014, the total purchase price for the property shall be determined by application of the following formula:

Original purchase price + (original purchase price x interest rate divided by 1 year x number of years since date land sale contract was executed)

$\$305,124.69 + (305,123.69 \times 0.01 \text{ divided by } 1 \times 1.5) = \text{new purchase price}$

Based upon application of this formula, Purchaser shall pay Seller as the total purchase price for the Property the sum of \$309,700.36 (US) plus interest. Beginning December 15, 2014, interest payments in the amount of \$1,354.94 shall be made on a monthly basis, with the first interest payment to be made on December 15, 2014, with a like payment to be made on the fifteenth (15th) day of each month thereafter, until the total purchase price is paid at closing as defined in Section 3.1. The interest rate which is effective as of December 15, 2014 shall be five and a quarter percent (5.25%).

2. Section 1.2 shall be modified to extend the date for payment of the full purchase price as modified by Section 1.1 above from May 15, 2015 until May 15, 2018.
3. Section 2.2 shall be modified to acknowledge that the terms for repayment of the principal balance and accrued interest for the Loan Agreement dated October 12, 2009, have been modified by the Third Amendment to the Loan Agreement entered into by Seller and Purchaser. Section 2.2 shall be further modified to provide that as a condition precedent to the conveyance of the property by the Seller to the Purchaser, at the time of closing for the purchase of the property, the Purchaser shall have paid the entire amount of the principal balance and accrued interest which is due and owing for the Loan Agreement between Seller and Purchaser dated October 12, 2009.
4. Section 3.1 shall be modified to extend the closing date from May 15, 2015 to May 15, 2018. Borrower agrees to make a good faith effort to investigate opportunities for

obtaining a commercial loan to allow Borrower to pay the full purchase price and all applicable accrued interest prior to the scheduled closing date of May 15, 2018.

5. Section 9.1(1) concerning Events of Default, shall be revised to read as follows:

9.1 Events of Default. Time is of the essence of this Contract. A default will occur under any of the following circumstances:

- (1) Purchaser's failure to make any payment when due, including any monthly interest payment provided for in Section 1.1. In the event of an act of default resulting from the nonpayment of any monthly interest payment, Seller shall send Purchaser written notice that said default shall be cured within fifteen (15) days of the date of the notice. Failure of Purchaser to cure the default shall result in the entire balance of the purchase price and interest being immediately due and payable, as provided for in Section 9.2(1).

6. Except as modified by this First Amendment, the terms and conditions of the Land Sale Contract dated May 15, 2013 shall remain in full force and effect.

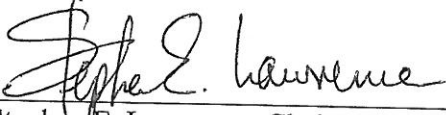
Dated this 19th day of December, 2014.

SELLER:


PURCHASER:

Columbia Gateway Urban Renewal Agency

Discover Development LLC, dba
Sunshine Mill



Stephen E. Lawrence, Chairperson



James Martin
President

Title

**SECOND AMENDMENT FOR LAND SALE
CONTRACT FOR SUNSHINE MILL PROPERTY**

WHEREAS, on May 15, 2013, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as "Seller", entered into a Land Sale Contract with Discover Development LLC dba Sunshine Mill, hereinafter referred to as "Purchaser", where the Seller agreed to sell and the Purchaser agreed to purchase the property commonly referred to as the Sunshine Mill Property; and

WHEREAS, the Seller and Purchaser entered into a First Amendment to the May 15, 2013 Land Sale Contract extending the closing date for the purchase from May 15, 2015 to May 15, 2018, subject to certain conditions; and

WHEREAS, following a request submitted by Purchaser to revise the payment terms for the installment loan payment due on May 15, 2016, on May 23, 2016, the Seller voted to approve the requested revision for the loan payment, and the Seller voted to approve a Second Amendment for the Land Sale Contract;

NOW, THEREFORE, in consideration of the provisions set forth herein, it is mutually agreed as follows:

1. Section 2.2 of the Land Sale Contract entered into on May 15, 2013, shall be modified to acknowledge that the terms for repayment of the principal balance and accrued interest for the Loan Agreement dated October 12, 2009, have been modified by the Fourth Amendment to the Loan Agreement entered into by Seller and Purchaser.
2. Except as modified by this Second Amendment, and the First Amendment entered into on December 19, 2014, the terms and conditions of the Land Sale Contract dated May 15, 2013 shall remain in full force and effect.

Dated this 23 day of May, 2016.

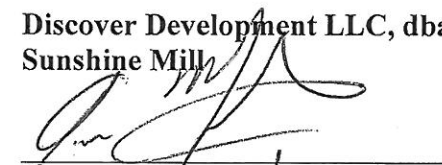
SELLER:

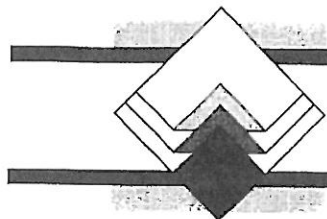
Columbia Gateway Urban Renewal Agency


Stephen E. Lawrence, Chairperson

PURCHASER:

**Discover Development LLC, dba
Sunshine Mill**


James Martin
President
Title



Rowe & Deming, LLC
Certified Public Accountants & Business Advisors

Sidney T. Rowe, CPA
David V. Deming, CPA

September 22, 2014

PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Discover Development, LLC
901 East Second Street
The Dalles, Oregon 97058

Columbia Gateway Urban Renewal Agency
313 Court Street
The Dalles, Oregon 97058

We have performed the procedures, which were agreed to by Discover Development LLC ("Discover") and Columbia Gateway Urban Renewal Agency ("Agency"), solely to develop information and analysis related to the Agency's Loan and Land Sale agreement and potential extension thereof. Discover's management is responsible for the information and analysis related to the Agency's Loan and Land Sale agreement and potential extension thereof. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Discover and Agency and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Rowe & Deming, LLC

**PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

- 1) **What has changed since loan was made? (Why unable to pay now?)**
 - a) **Obtain copy of loan agreement and land sale agreement**
Done.
 - b) **Prepare contract abstract to identify key terms and conditions**
Done.
 - c) **Obtain copy of proposed extension, compare and contrast terms with original**
Done.
 - d) **Rent history detail from loan inception to present, including rent receivable verification/reconciliation to TGE accounts payable**
See Document 1-D for rent history detail from loan inception to present. No rent paid or accrued from April 1, 2009 to December 31, 2010 per agreement (See document 1-Di)
 - e) **Balance sheet history from loan inceptions to present (Discover & TGE)**
 - i) **Obtain real property tax statements**
See Document 1-Ei
 - ii) **Obtain personal property tax statements**
See Document 1-Eii
 - f) **Cash flow history from loan inception to present (Discover & TGE)**
See Document 1-F.
 - g) **Confirm current available cash** See Document 1-G
 - h) **Prepare ratio analysis/history and comparison to industry standards**
See Document 1-H for all applicable ratios below.
 - i) **Debt to equity**
 - ii) **Debt to total assets**
 - iii) **Net cash flow to debt service (interest only) (for this analysis, net cash flow will be net income, excluding interest income (particularly if accrued interest on TGE receivable), plus depreciation/amortization plus TGE receivable change, because there has been no principal payments on the loan(s) and no other material loan/payable activity.)**
 - iv) **Net cash flow to debt service (three/five year amortization)** Not Used.
 - v) **Current ratio (current assets to current liabilities (because due, Agency loan is current))**
 - vi) **EBITDA to revenue**
 - vii) **Expense ratio (operating expenses to revenue, should be compliment of EBITDA to revenue)**
 - viii) **Times interest earned (EBITDA to interest expense)**
 - ix) **Capitalization Ratio (added to formulas)**
- 2) **Is there co-mingling of capital/resources between entities? (Does John Babikian have any ownership or investment in any entity other than Vineyard?)**
 - a) **Obtain public documentation of entity ownership**
The public documents did not show John Babikian as a member or shareholder in the following companies Discover Development, LLC, Copa Di Vino Corporation, Sunshine Mountain Vineyards, LLC, and One Glass Wine, LLC.
 - b) **Capital account detailed history, with emphasis on sources of infused capital**
See Document 2-B. From James Martin from before 2011.
 - c) **Document any change in ownership**
None.

**PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

- d) **Obtain copy of member/shareholder meeting minutes or board of director actions**
There are no member/shareholder meeting minutes or board of director actions.
Refer to cash flow history from loan inception to present to clarify sources of cash (inquire or document each source of cash other than production)
See Document 1-F. Loan and net income are only sources of cash.
- 3) **How will Discover Development be able to pay under extension terms?**
 - a) **Obtain projected financials, including balance sheet, profit & loss, and cash flow (including any asset investments) from present to requested extension due date**
See Document 3-A.
 - b) **Comparison of financial condition to standard commercial loan parameters**
Not reported in preliminary report.
 - i) **Projected cash flow to debt service (1.3X)**
 - ii) **Loan to projected value**
 - iii) **See also ratio analysis, history v. projection**
 - c) **Test reliability of projection (regression analysis, Monte Carlo, other?)**
Not reported in preliminary report.
 - d) **Inquire as to plans to meet extension request terms**
Not reported in preliminary report.
- 4) **What assets are available to mitigate Urban Renewal Agency ("Agency") risk in the extension?**
 - a) **Detail list of assets in TGE and Discover**
See Document 4-A & 4-Ai
 - b) **Trace which assets were purchased with loan proceeds**
Not reported in preliminary report.
 - c) **Obtain James Martin personal financial condition, assets and liabilities and equity in subject entities**
Not reported in preliminary report.
 - d) **Estimate of value of improved building for any other use that current (realtor appraisal, tax assessor appraisal, commercial appraisal)**
Not reported in preliminary report.
 - e) **Obtain capital plan, or inquire as to planned asset purchases**
See Financial Forecast, Document 3-A. No asset purchases planned.

1-D

Discover Development
PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
 Rent History Detail-Discover / TGE

Rent history detail from loan inception to present, including rent receivable verification/reconciliation to TGE accounts payable

Facts:

- Landlord: Sunshine Mill; Tenant: TGE, LLC
- Possession: Seller and Purchaser acknowledge purchaser has had possession since 4/13/2009 (Land Sale Agreement)
- Terms: 120 Months; August 5, 2012 through August 4, 2022 (Lease Agreement with TGE & Discover)
 - o Base Rent: \$14,500 per month, first day of each month, Security Deposit: \$ 0
 - o Additional Rent: all taxes, insurance costs, utility charges, and maintenance assessment

Balance Sheet date of 7/31/14

Month/ Year	Per Lease Agreement	Paid in Cash	Accounts Receivable		Difference
			Activity	AR Balance	
1-Jan-11	6,500.0		6,500	6,500	-
1-Feb-11	6,500.0		6,500	13,000	-
1-Mar-11	6,500.0		6,500	19,500	-
1-Apr-11	6,500.0		6,500	26,000	-
1-May-11	6,500.0		6,500	32,500	-
1-Jun-11	6,500.0	13,000.0	(6,500)	26,000	-
1-Jul-11	6,500.0		6,500	32,500	-
1-Aug-11	6,500.0		6,500	39,000	-
1-Sep-11	6,500.0		6,500	45,500	-
1-Oct-11	6,500.0		-	45,500	6,500.0
1-Nov-11	6,500.0		6,500	52,000	-
1-Dec-11	6,500.0		6,500	58,500	-
1-Jan-12	6,500.0	6,500.0		58,500	-
1-Feb-12	6,500.0	6,500.0		58,500	-
1-Mar-12	6,500.0	6,500.0		58,500	-
1-Apr-12	6,500.0	6,500.0		58,500	-
1-May-12	6,500.0	6,500.0		58,500	-
1-Jun-12	6,500.0	71,500.0	(65,000)	(6,500)	-
1-Jul-12	6,500.0	6,500.0		(6,500)	-
1-Aug-12	14,500.0	6,500.0		(6,500)	8,000.0
1-Sep-12	14,500.0	6,500.0		(6,500)	8,000.0
1-Oct-12	14,500.0	6,500.0		(6,500)	8,000.0
1-Nov-12	14,500.0	6,500.0		(6,500)	8,000.0
1-Dec-12	14,500.0	6,500.0	2,500	(4,000)	5,500.0
1-Jan-13	14,500.0	6,500.0	5,500	1,500	2,500.0
1-Feb-13	14,500.0	6,500.0	8,000	9,500	-
1-Mar-13	14,500.0		14,500	24,000	-
1-Apr-13	14,500.0		14,500	38,500	-
1-May-13	14,500.0		-	38,500	14,500.0
1-Jun-13	14,500.0		14,200	52,700	300.0
1-Jul-13	14,500.0		-	52,700	14,500.0
1-Aug-13	14,500.0	15,700.0	(1,200)	51,500	-
1-Sep-13	14,500.0		7,000	58,500	7,500.0
1-Oct-13	14,500.0		14,500	73,000	-
1-Nov-13	14,500.0		14,500	87,500	-
1-Dec-13	14,500.0		14,500	102,000	-
1-Jan-14	14,500.0		14,500	116,500	-
1-Feb-14	14,500.0		14,500	131,000	-
1-Mar-14	14,500.0		14,500	145,500	-
1-Apr-14	14,500.0		14,500	160,000	-
1-May-14	14,500.0	17,000.0	(2,500)	157,500	-
1-Jun-14	14,500.0		14,500	172,000	-
1-Jul-14	14,500.0		17,000	189,000	(2,500.0)
Subtotal	\$ 457,000	\$ 201,700		\$ 189,000	\$ 80,800
					\$ -
Total					\$ 80,800

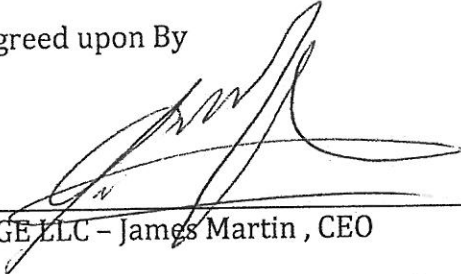
1-Di

Agreement

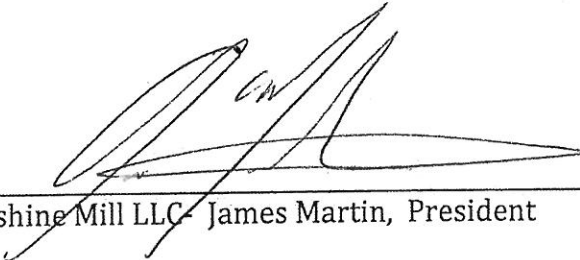
This document memorializes any written or verbal agreement between Discover Development LLC and TGE LLC concerning any rent that was presumed to be due, paid, required or otherwise agreed upon for any occupancy of the premises of the buildings of 901 E 2nd St, The Dalles and known as the Sunshine Mill for the dates starting of April 1, 2009 to December 31, 2010 .

All rent amounts that were presumed to be owed, contracted or otherwise paid are hereby considered paid full or no longer owed based on reciprocated efforts by TGE LLC in the construction and reoccupying of the property.

Agreed upon By



TGE LLC - James Martin , CEO



Sunshine Mill LLC- James Martin, President

Discover Development
PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
Real Property Tax Statements

1-Ei

Acct #	7/1/2008 to 6/30/2009	7/1/2009 to 6/30/2010	7/1/2010 to 6/30/2011	7/1/2011 to 6/30/2012	7/1/2012 to 6/30/2013	7/1/2013 to 6/30/2014
4328 Real Market Value						
Warehouse						
Columbia Land	203,180	270,370	344,000	357,600	336,380	343,820
Gateway Structures	180,240	266,540	444,700	510,880	411,420	791,250
Renewal Total	383,420	536,910	788,700	868,480	747,800	1,135,070
Agency Assessed Value	383,420	393,020	680,290	767,698	712,154	1,056,249
Exemptions		67,286	101,263	107,931	109,299	
Taxable Value	383,420	325,734	579,027	659,767	602,855	1,056,249
17828 Real Market Value						
Equipment						
Columbia Land						
Gateway Structures					86,300	86,300
Renewal Total					86,300	86,300
Agency Assessed Value					78,574	80,931
Exemptions						
Taxable Value					78,574	80,931
17880 Real Market Value						
Marshmallow Tanks						
TGE, LLC Land						
Structures						619,080
Total						619,080
Assessed Value						619,080
Exemptions						
Taxable Value						619,080
Real Market Value						
TOTAL Land	203,180	270,370	344,000	357,600	336,380	343,820
STRUCTURES	180,240	266,540	444,700	510,880	497,720	1,496,630
Total	383,420	536,910	788,700	868,480	834,100	1,840,450
Assessed Value	383,420	393,020	680,290	767,698	790,728	1,756,260
Exemptions	0	67286	101263	107931	109299	0
Taxable Value	383,420	325,734	579,027	659,767	681,429	1,756,260
% Δ		-15%	78%	14%	3%	158%

Discover Development
PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
 Personal Property Tax Statements

1-Eii

Acct #	Real Market Value	Dates:									
		7/1/2008 to 6/30/2009	7/1/2010 to 6/30/2011	7/1/2011 to 6/30/2012	7/1/2012 to 6/30/2013	7/1/2013 to 6/30/2014	7/1/2014 to 6/30/2015				
63647	One										
	Glass		76,000	74,400	72,800	70,400	228,660				
	Wine		76,000	74,400	72,800	70,400	228,660				
	LLC		76,000	74,400	72,800	70,400	228,660				
	Exemptions										
	Taxable Value		76,000	74,400	72,800	70,400	228,660				
63648	TGE										
	LLC			11,042	15,640	103,056	122,954				
	Agency	Not existing		11,042	15,640	103,056	122,954				
	Exemptions				15,640	103,056	122,954				
	Taxable Value				15,640	103,056	122,954				
TOTAL	VALUES										
	Machin. / Equip	0									
	Total	0	76,000	85,442	88,440	173,456	351,614				
	Assessed Value	0	76,000	85,442	88,440	173,456	351,614				
	Exemptions	0	76,000	74,400	88,440	173,456	351,614				
	Taxable Value		76,000	74,400	88,440	173,456	351,614				
	% Δ			-2.11%	18.87%	96.13%	102.71%				

1-F

Discover Development
PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
Loan Inception Detail

Type	Date	Num	Adj	Memo	Credit	Debit	Balance
Long Term Note Payable							0.00
N/P Urban Renewal Agency							0.00
General Journal	11/04/2009	DD51621			139,455.60		139,455.60
General Journal	12/29/2009	DD51622			116,896.22		256,351.82
General Journal	02/08/2010	DD51623			18,999.28		275,351.10
General Journal	03/17/2010	DD51624			26,808.89		302,159.99
General Journal	04/19/2010	DD51625			46,287.61		348,447.60
General Journal	05/10/2010	DD51626			30,157.80		378,605.40
General Journal	06/16/2010	DD51627			43,314.21		421,929.61
General Journal	06/30/2010	DD51628			40,369.04		462,298.65
General Journal	07/16/2010	DD51630			13,752.25		476,050.90
General Journal	08/23/2010	DD51631			15,541.75		491,592.65
General Journal	09/15/2010	DD51632			8,407.35		500,000.00
General Journal	01/27/2011	DD51616			10,693.82		510,693.82
Deposit	06/30/2011			Batch #	24,697.17		535,390.99
Deposit	12/27/2011			Batch #	15,780.00		551,170.99
Deposit	12/30/2011			Batch #	9,660.02		560,831.01
Deposit	11/14/2013	114195		Batch # 14	13,078.87		573,909.88
Deposit	02/28/2014			-MULTIPLE-	9,250.63		583,160.51
Transfer	04/10/2014			Batch 18 & 19	4,338.04		587,498.55
General Journal	06/17/2014	DD51617		Batch #21	9,125.77		596,703.40
General Journal	07/02/2014	DD51617		Batch # 22	8,893.98		605,587.38
General Journal	07/31/2014	DD14-07-31		Batch # 24	9,065.15		614,652.53
General Journal	08/18/2014	DD14-08-20		Batch # 24	9,207.58		623,860.11
Total N/P Urban Renewal Agency					623,781.03	0.00	623,860.11
Total Long Term Note Payable					623,781.03	0.00	623,860.11
TOTAL					623,781.03	0.00	623,860.11

1-G

Discover Development, LLC
Balance Sheet
As of August 31, 2014

Accrual Basis

	Aug 31, 14	Aug 31, 13	\$ Change
ASSETS			
Current Assets			
Checking/Savings			
Checking			
US Bank Checking	4,245.93	(845.84)	5,091.77
Wells Fargo Checking Account	525.19	525.19	0.00
Total Checking	4,771.12	(320.65)	5,091.77
Total Checking/Savings	4,771.12	(320.65)	5,091.77
Accounts Receivable			
Accounts Receivable	224,138.25	69,604.24	154,534.01
Total Accounts Receivable	224,138.25	69,604.24	154,534.01
Other Current Assets			
N/R James Martin	0.00	7,000.00	(7,000.00)
N/R Sunshine Mill Improvements	147,297.99	177,408.55	(30,110.56)
Total Other Current Assets	147,297.99	184,408.55	(37,110.56)
Total Current Assets	376,207.36	253,692.14	122,515.22
Fixed Assets			
Construction in Progress			
Furniture & Fixtures	130,269.57	130,269.57	0.00
Original Cost	933.98	933.98	0.00
Total Furniture & Fixtures	933.98	933.98	0.00
Leasehold Improvements			
Original Cost	588,310.00	556,220.21	32,089.79
Total Leasehold Improvements	588,310.00	556,220.21	32,089.79
Organizational Costs			
Original Cost	6,103.55	6,103.55	0.00
Total Organizational Costs	6,103.55	6,103.55	0.00
Total Fixed Assets	725,617.10	693,527.31	32,089.79
Other Assets			
Sunshine Mill TI Financing	0.00	0.01	(0.01)
Total Other Assets	0.00	0.01	(0.01)
TOTAL ASSETS	1,101,824.46	947,219.46	154,605.00
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
Accounts Payable	13,442.95	7,597.64	5,845.31
Total Accounts Payable	13,442.95	7,597.64	5,845.31
Other Current Liabilities			
Due to TGE, LLC	1,200.00	0.00	1,200.00
Short Term N/P Ives	0.00	7,000.00	(7,000.00)
Total Other Current Liabilities	1,200.00	7,000.00	(5,800.00)
Total Current Liabilities	14,642.95	14,597.64	45.31
Long Term Liabilities			
Long Term Note Payable			
N/P Urban Renewal Agency	623,860.11	560,831.01	63,029.10
Total Long Term Note Payable	623,860.11	560,831.01	63,029.10
Total Long Term Liabilities	623,860.11	560,831.01	63,029.10
Total Liabilities	638,503.06	575,428.65	63,074.41

1-G

Discover Development, LLC
Balance Sheet
 As of August 31, 2014

Accrual Basis

	Aug 31, 14	Aug 31, 13	\$ Change
Equity			
Opening Bal Equity	234,928.39	234,928.39	0.00
Retained Earnings	177,924.77	92,933.02	84,991.75
Shareholder's Equity, James			
Contributions 2011	409.99	409.99	0.00
Money Paid for Copa Corp.	(7,519.05)	(7,519.05)	0.00
Distributions 2011	(11,892.08)	(9,292.08)	(2,600.00)
TGE,LLC Distribution	3,125.00	3,125.00	0.00
Total Shareholder's Equity, James	(15,876.14)	(13,276.14)	(2,600.00)
Net Income	66,344.38	57,205.54	9,138.84
Total Equity	463,321.40	371,790.81	91,530.59
TOTAL LIABILITIES & EQUITY	1,101,824.46	947,219.46	154,605.00

**Discover Development
PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

	Ratio Analysis						
	2011	2012	2013	2014	2015	2016	2017
Cash Balance	25,540.02	21,125.72	388.98	55,685.09	86,502.05	116,819.01	146,635.97
Accounts Receivable	65,000.00	2,500.00	108,445.68	224,138.25	326,138.25	428,138.25	530,138.25
N/R - Sunshine Mill TI Improvements	231,076.28	195,807.76	168,297.61	135,602.72	102,301.88	64,409.28	22,548.84
Fixed Assets (less depreciation)	514,833.64	676,380.30	711,884.51	725,297.99	725,297.99	725,297.99	725,297.99
Total Assets	836,449.94	895,813.79	989,016.78	1,141,724.05	1,240,240.17	1,334,664.53	1,424,621.05
Accounts Payable	0.00	11,980.42	18,129.88	14,642.95	14,642.95	14,642.95	14,642.95
N/P - Urban Renewal	560,831.01	560,831.01	573,909.88	623,860.11	623,860.11	623,860.11	623,860.11
Equity Accounts	230,634.34	275,053.93	311,985.27	396,977.02	503,220.99	601,737.11	696,181.47
Net Income	44,984.59	47,948.43	84,991.75	106,243.97	98,516.12	94,424.36	89,956.52
Total Liabilities & Equity	836,449.94	895,813.79	989,016.78	1,141,724.05	1,240,240.17	1,334,664.53	1,424,621.05
Ordinary Income/Expense							
Total Income	78,000.00	80,500.00	174,000.00	189,000.00	204,000.00	204,000.00	204,000.00
Total Expense	33,191.15	22,525.93	104,250.00	83,842.70	87,600.00	88,100.00	88,600.00
Net Ordinary Income (EBITDA)	44,808.85	57,974.07	94,750.00	118,807.30	116,400.00	115,900.00	115,400.00
Other Income	397.00	0.00	25,000.00	15,308.99	0.00	0.00	0.00
Interest Income	1,944.36	30,488.86	18,295.46	15,417.38	12,116.12	8,524.36	4,556.52
Interest Expense	2,165.62	40,514.50	28,053.71	29,639.70	30,000.00	30,000.00	30,000.00
Depreciation/Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	44,984.59	47,948.43	109,991.75	106,243.97	98,516.12	94,424.36	89,956.52
Cashflows							
Δ Assets (Not Cash)	(810,909.92)	(63,778.15)	(113,939.73)	(97,411.16)	(67,689.16)	(64,107.40)	(60,139.56)
Δ Liabilities	560,831.01	11,980.42	19,228.33	46,463.30	0.00	0.00	0.00
Δ Paid in Capital (Not Net Income)	230,634.34	0.00	0.00	0.00	0.00	0.00	0.00
Δ Distributions	(19,444.57)	(52,352.73)	(11,925.55)	(50,947.86)	(67,689.16)	(64,107.40)	(60,139.56)
Net Cash Flow	25,540.02	21,125.72	388.98	55,685.09	86,502.05	116,819.01	146,635.97
Δ Cash	25,540.02	21,125.72	388.98	55,685.09	86,502.05	116,819.01	146,635.97
Current Ratio	10.5%	9.2%	19.8%	21.9%	24.6%	25.8%	27.3%
Debt to Equity Ratio	2.43	2.08	1.90	1.61	1.27	1.06	0.92
Debt to Total Assets	0.67	0.64	0.60	0.56	0.51	0.48	0.45
Net Cash Flow to Debt Service (Interest only)	(0.08)	(0.08)	(0.14)	(0.08)	(0.08)	(0.08)	(0.08)
Times Interest Earned Ratio	8.90	1.43	3.38	4.01	3.88	3.86	3.65
EBITDA to Revenue Ratio	0.57	0.72	0.54	0.63	0.57	0.57	0.57
Expense Ratio	0.43	0.28	0.60	0.44	0.43	0.43	0.43
Capitalization Rate	10.5%	9.2%	19.8%	21.9%	24.6%	25.8%	27.3%

* Current Ratio: Includes note payable to Urban Renewal Agency in current liabilities in 2017 (The proposed extension payoff)

Discover Development
PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
 Equity Analysis

	2011	2012	2013	2014
Beginning	-	275,618.93	323,002.36	396,977.05
Additional Paid In Capital	230,634.34			*
Distributions	-	(565.00)	(11,925.55)	
Net Income	44,984.59	47,948.43	84,991.75	106,243.97
Total Equity	275,618.93	323,002.36	396,977.05	503,221.02

* Only Paid In Capital from James Martin from before 2011.

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Discover Development
PRELIMINARY INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
Projected Balance Sheet and Profit Loss

	<u>Total 2014</u>	<u>Total 2015</u>	<u>Total 2016</u>	<u>Total 2017</u>
Cash Balance	55,685.09	86,502.05	116,819.01	146,635.97
Accounts Receivable	224,138.25	326,138.25	428,138.25	530,138.25
N/R - Sunshine Mill TI Improvements	136,602.72	102,301.88	64,409.28	22,548.84
Fixed Assets (less depreciation)	<u>725,297.99</u>	<u>725,297.99</u>	<u>725,297.99</u>	<u>725,297.99</u>
Total Assets	1,141,724.05	1,240,240.17	1,334,664.53	1,424,621.05
Accounts Payable	14,642.95	14,642.95	14,642.95	14,642.95
N/P - Urban Renewal	623,860.11	623,860.11	623,860.11	623,860.11
Equity Accounts	396,977.02	503,220.99	601,737.11	696,161.47
Net Income	<u>106,243.97</u>	<u>98,516.12</u>	<u>94,424.36</u>	<u>89,956.52</u>
Total Liabilities & Equity	1,141,724.05	1,240,240.17	1,334,664.53	1,424,621.05
Ordinary Income/Expense				
Income				
Consulting Income	13,650.00	0.00	0.00	0.00
Rent Income	<u>189,000.00</u>	<u>204,000.00</u>	<u>204,000.00</u>	<u>204,000.00</u>
Total Income	202,650.00	204,000.00	204,000.00	204,000.00
Gross Profit	202,650.00	204,000.00	204,000.00	204,000.00
Expense				
Advertising & Marketing	358.00	0.00	0.00	0.00
Auto & Truck Expense	23.97	0.00	0.00	0.00
Janitorial Expense	367.82	0.00	0.00	0.00
Licenses & Permits	100.00	100.00	100.00	100.00
Office Supplies				
Bank & Merchant Fees	4.55	0.00	0.00	0.00
Dues & Subscriptions	138.20	0.00	0.00	0.00
Supplies	126.96	0.00	0.00	0.00
Rent	50,000.00	60,000.00	60,000.00	60,000.00
Telephone	158.00	0.00	0.00	0.00
Total Office Supplies	50,427.71	60,000.00	60,000.00	60,000.00
Professional Fees				
Consulting Services	510.00	0.00	0.00	0.00
Contracted Services	7,123.11	3,000.00	3,000.00	3,000.00
Legal Fees	<u>1,616.06</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Professional Fees	9,249.17	3,000.00	3,000.00	3,000.00
Repairs & Maintenance	1,357.84	2,500.00	2,500.00	2,500.00
Taxes	13,583.49	14,000.00	14,500.00	15,000.00
Travel Expense				
Air Travel	100.00	0.00	0.00	0.00
Meals & Entertainment	5,032.96	5,000.00	5,000.00	5,000.00
Parking	81.60	0.00	0.00	0.00
Travel & Lodging	<u>3,160.14</u>	<u>3,000.00</u>	<u>3,000.00</u>	<u>3,000.00</u>
Total Travel Expense	8,374.70	8,000.00	8,000.00	8,000.00
Total Expense	83,842.70	87,600.00	88,100.00	88,600.00
Net Ordinary Income	118,807.30	116,400.00	115,900.00	115,400.00
Other Income/Expense				
Other Income				
Other Income	1,658.99	0.00	0.00	0.00
Interest Income	<u>15,417.38</u>	<u>12,116.12</u>	<u>8,524.36</u>	<u>4,556.52</u>
Total Other Income	17,076.37	12,116.12	8,524.36	4,556.52
Other Expense				
Interest Expense	<u>29,639.70</u>	<u>30,000.00</u>	<u>30,000.00</u>	<u>30,000.00</u>
Total Other Expense	29,639.70	30,000.00	30,000.00	30,000.00
Net Other Income	(12,563.33)	(17,883.88)	(21,475.64)	(25,443.48)
Net Income	106,243.97	98,516.12	94,424.36	89,956.52

Tax Asset Detail 1/01/13 - 12/31/13

COPADIVINOC Copa Di Vino Corporation
45-1782138
FYE: 12/31/2013
4-A

Asset Id	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: Building											
49	Sunshine Mill Bldg Improv	11/14/11	233,322.00	0.00	0.00	6,979.72	5,982.62	12,962.34	220,359.66	S/L	39.0
	Building		233,322.00	0.00c	0.00	6,979.72	5,982.62	12,962.34	220,359.66		
Group: Furniture & Fixtures-Mill											
28	Pews for Tasting Room	9/19/06	625.00	0.00	0.00	594.67	30.33	625.00	0.00	200DB	7.0
29	Display Cabinets	5/25/06	307.00	0.00	0.00	294.33	12.67	307.00	0.00	200DB	7.0
31	HR Tasting Room Sign	7/07/06	500.00	0.00	0.00	476.33	23.67	500.00	0.00	200DB	7.0
32	Iron Bldg Sign	7/07/06	1,955.00	0.00	0.00	1,861.33	93.67	1,955.00	0.00	200DB	7.0
33	Textiles-Tasting Room Eq	11/15/06	2,705.00	0.00	0.00	2,557.33	147.67	2,705.00	0.00	200DB	7.0
34	Bar Tasting Room Work	11/29/06	774.00	0.00	0.00	732.00	42.00	774.00	0.00	200DB	7.0
46	Floor Displays	7/01/10	32,297.00	0.00	16,360.50	30,297.33	2,423.67	32,721.00	0.00	200DB	3.0
68	Tables and Chairs - tasting room	5/01/12	1,808.17	0.00	904.09	1,033.24	221.41	1,254.65	553.52	200DB	7.0
69	Propane Patio Heaters	5/01/12	2,046.72	0.00	1,023.36	1,169.55	250.62	1,420.17	626.55	200DB	7.0
91	Silo Cellar Lights	2/21/13	4,051.11	0.00c	2,025.56	0.00	2,314.92	2,314.92	1,736.19	200DB	7.0
92	Tent, Pergola	5/07/13	2,350.00	0.00c	1,175.00	0.00	1,342.86	1,342.86	1,007.14	200DB	7.0
	Furniture & Fixtures-Mill		49,843.00	0.00c	21,488.51	39,016.11	6,903.49	45,919.60	3,923.40		
Group: Loan Fees											
40	Loan Fee - MCEDD 320	10/30/09	2,158.00	0.00	0.00	2,158.00	0.00	2,158.00	0.00	S/L	3.0
41	Loan Fee - MCEDD 975	10/30/09	1,686.00	0.00	0.00	1,686.00	0.00	1,686.00	0.00	S/L	3.0
42	Loan Fee - MH EA #0540	11/01/09	554.00	0.00	0.00	554.00	0.00	554.00	0.00	S/L	3.0
	Loan Fees		4,398.00	0.00c	0.00	4,398.00	0.00	4,398.00	0.00		
Group: Machinery & Equipment											
27	TV and Cables	2/01/06	1,444.00	0.00	0.00	1,396.33	47.67	1,444.00	0.00	200DB	7.0
30	Camera	6/16/06	637.00	0.00	0.00	611.33	25.67	637.00	0.00	200DB	7.0
35	Tasting Room Equipment	12/04/06	8,582.00	0.00	0.00	8,114.33	467.67	8,582.00	0.00	200DB	7.0
37	POS Equipment	6/04/09	1,142.00	0.00	571.00	799.86	97.75	897.61	244.39	200DB	7.0
38	Hand Pallet Jack	9/02/09	379.00	0.00	189.50	256.14	35.10	291.24	87.76	200DB	7.0
39	U4 Compressor	11/18/09	3,586.00	0.00	1,793.00	2,326.00	360.00	2,686.00	900.00	200DB	7.0
43	Videojet 1210	11/11/09	8,105.00	0.00	4,052.50	5,256.43	813.88	6,070.31	2,034.69	200DB	7.0
44	Komatsu BX50 Lift Truck	6/28/10	10,900.00	0.00	5,450.00	7,760.80	1,255.68	9,016.48	1,883.52	200DB	5.0
45	Concrete Grinding Machine	3/31/10	27,993.00	0.00	13,996.50	15,751.57	3,497.55	19,249.12	8,743.88	200DB	7.0
47	U4 Line	11/14/11	357,500.00	40,000.00	0.00	138,813.78	62,481.78	201,295.56	156,204.44	200DB	7.0
48	Carlson & Assoc Equipment	11/14/11	5,900.00	0.00	5,900.00	0.00	0.00	5,900.00	0.00	200DB	7.0
50	Dual Membrane Sys on Stainless C	11/14/11	7,495.00	0.00	7,495.00	0.00	0.00	7,495.00	0.00	200DB	7.0
51	Electro Steam Generator	11/14/11	7,920.00	0.00	0.00	2,464.90	1,558.60	4,023.50	3,896.50	200DB	7.0
52	Winery Equipment	11/14/11	1,007.00	0.00	1,007.00	0.00	0.00	1,007.00	0.00	200DB	7.0
72	Bottling Lines #24,46	8/01/12	422,324.46	0.00	211,162.23	241,328.26	51,713.20	293,041.46	129,283.00	200DB	7.0
73	Misc. Hoses and Fittings	11/01/12	10,008.30	0.00	5,004.15	5,719.03	1,225.51	6,944.54	3,063.76	200DB	7.0
74	Carrier set, stack glasses	12/01/12	9,103.35	0.00	4,551.68	5,201.92	1,114.69	6,316.61	2,786.74	200DB	7.0
75	Chiller	12/01/12	17,386.57	0.00	8,693.29	9,935.19	2,128.97	12,064.16	5,322.41	200DB	7.0
76	Pump, Yamada NDP25 diaphragm	8/01/12	2,760.25	0.00	1,380.13	1,577.29	337.99	1,915.28	844.97	200DB	7.0

Tax Asset Detail 1/01/13 - 12/31/13

COPADIVINOC Copa Di Vino Corporation
45-1782138
FYE: 12/31/2013
4-A

Asset #	Date In Service	Property Description	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period	
Group: Machinery & Equipment (continued)												
77	8/01/12	Misc. Wine Hoses	4,536.00	0.00	0.00	648.00	1,110.86	1,758.86	2,777.14	200DB	7.0	
78	8/01/12	Videojet inkjet printer for bottles	16,699.36	0.00	8,349.68	10,019.62	2,671.90	12,691.52	4,007.84	200DB	5.0	
79	10/01/12	Pump, Yamada Diaphragm	2,500.00	0.00	0.00	357.14	612.25	969.39	1,530.61	200DB	7.0	
80	12/01/12	Electro Steam Generator	5,210.00	0.00	2,605.00	2,977.14	637.96	3,615.10	1,594.90	200DB	7.0	
81	12/01/12	Genie Scissors Lift	5,350.00	0.00	0.00	764.29	1,310.20	2,074.49	3,275.51	200DB	7.0	
82	10/01/12	Plate Filter Parts	2,500.00	0.00	0.00	357.14	612.25	969.39	1,530.61	200DB	7.0	
83	9/01/12	Molds, Drop 19	166,299.97	0.00	83,149.99	95,028.56	20,339.26	115,391.82	50,908.15	200DB	7.0	
84	2/01/12	Mac Computer	1,900.00	0.00	950.00	1,140.00	304.00	1,444.00	456.00	200DB	5.0	
85	6/01/12	Pump 3" Liverani	2,500.00	0.00	0.00	357.14	612.25	969.39	1,530.61	200DB	7.0	
86	7/01/12	Gamajet Sanitizer	6,125.00	0.00	3,062.50	3,500.00	750.00	4,250.00	1,875.00	200DB	7.0	
87	8/01/12	Forklift, Crown	6,965.00	0.00	0.00	995.00	1,705.71	2,700.71	4,264.29	200DB	7.0	
88	8/01/12	Lenticular Filter	24,449.81	0.00	12,224.91	13,971.32	2,993.85	16,965.17	7,484.64	200DB	7.0	
89	9/01/12	Air Compressor	21,117.65	0.00	10,558.83	12,067.23	2,585.83	14,653.06	6,464.59	200DB	7.0	
90	11/01/12	Sterile Filters	3,310.90	0.00	1,655.45	1,891.94	405.42	2,297.36	1,013.54	200DB	7.0	
100	5/01/13	3D Printer	3,038.01	0.00c	1,519.01	0.00	1,822.81	1,822.81	1,215.20	200DB	7.0	
101	1/24/13	Alarm Upgrade	2,146.16	0.00c	1,073.08	0.00	1,226.38	1,226.38	919.78	200DB	5.0	
102	4/17/13	Carriers, Copa Feel	5,012.43	0.00c	2,506.22	0.00	2,864.25	2,864.25	2,148.18	200DB	7.0	
103	1/14/13	Carriers, Stacked	1,223.26	0.00c	611.63	0.00	699.01	699.01	524.25	200DB	7.0	
104	2/01/13	ChillerPlumb	46,358.48	0.00c	23,179.24	0.00	26,490.56	26,490.56	19,867.92	200DB	7.0	
105	5/14/13	Apple Laptop	1,679.00	0.00c	839.50	0.00	1,007.40	1,007.40	671.60	200DB	5.0	
106	3/01/13	GlycHeat	10,969.80	0.00c	5,484.90	0.00	6,268.46	6,268.46	4,701.34	200DB	7.0	
107	7/01/13	Molds BV-8311	44,157.90	0.00c	22,078.95	0.00	25,233.09	25,233.09	18,924.81	200DB	7.0	
108	3/25/13	Pumps, Yamada (2)	2,841.32	0.00c	1,420.66	0.00	1,623.61	1,623.61	1,217.71	200DB	7.0	
109	6/10/13	Pump, Waukesha 60	12,800.40	0.00c	6,400.20	0.00	7,314.51	7,314.51	5,485.89	200DB	7.0	
110	7/10/13	Chiller, G&D	31,917.00	0.00c	15,958.50	0.00	18,238.29	18,238.29	13,678.71	200DB	7.0	
111	7/10/13	Chiller, electrical install	4,785.01	0.00c	2,392.51	0.00	2,734.30	2,734.30	2,050.71	200DB	7.0	
112	7/05/13	Filters (2) MIC Lenticular	8,585.42	0.00c	4,292.71	0.00	4,905.95	4,905.95	3,679.47	200DB	7.0	
113	8/01/13	Multi-gas detector	1,205.00	0.00c	602.50	0.00	688.57	688.57	516.43	200DB	7.0	
114	7/20/13	Glycol pumbing ext	10,458.91	0.00c	5,229.46	0.00	5,976.52	5,976.52	4,482.39	200DB	7.0	
115	8/01/13	IT network TumAlum	6,350.00	0.00c	3,175.00	0.00	3,810.00	3,810.00	2,540.00	200DB	5.0	
116	9/01/13	Heat Exchanger	1,901.84	0.00c	950.92	0.00	1,086.77	1,086.77	815.07	200DB	7.0	
117	10/01/13	BugBuster GS24	13,002.75	0.00c	6,501.38	0.00	7,430.15	7,430.15	5,572.60	200DB	7.0	
118	10/18/13	Tooling for 187ml printing	3,315.00	0.00c	1,657.50	0.00	1,894.29	1,894.29	1,420.71	200DB	7.0	
119	7/01/13	Tooling Tri-S Feel/Flat	3,000.00	0.00c	1,500.00	0.00	1,714.29	1,714.29	1,285.71	200DB	7.0	
120	11/05/13	Pallet Jacks (2)	1,494.50	0.00c	747.25	0.00	854.00	854.00	640.50	200DB	7.0	
121	12/31/13	Tooling 187 mL printing	3,315.00	0.00c	1,657.50	0.00	1,894.29	1,894.29	1,420.71	200DB	7.0	
122	7/01/13	2013 Computer purchases	33,604.40	0.00c	16,802.20	0.00	20,162.64	20,162.64	13,441.76	200DB	5.0	
Machinery & Equipment			1,426,798.21	0.00c	520,383.16	605,789.68	309,777.59	915,567.27	511,230.94			
Group: Tanks												
70	8/01/12	Tanks - (4) SS 6,700 gal variable ca	135,285.04	0.00	0.00	6,764.25	12,852.08	19,616.33	115,668.71	150DB	15.0	
71	10/01/12	Tanks - MM(8) 11,200 gal	28,910.11	0.00	0.00	1,445.51	2,746.46	4,191.97	24,718.14	150DB	15.0	
Tanks			164,195.15	0.00c	0.00	8,209.76	15,598.54	23,808.30	140,386.85			

COPADIVINOC Copa Di Vino Corporation
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Tax Asset Detail
1/01/13 - 12/31/13

Asset Id	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period	
Group: Warehouse Improvements												
53	Fire Sprinklers	9/01/12	68,191.08	0.00	0.00	2,273.04	4,546.07	6,819.11	61,371.97	S/L	15.0	
54	Leasehold Improvements	12/31/12	70,000.00	0.00	0.00	0.00	0.00	0.00	70,000.00	Memo	0.0	
55	Production Room HVAC	11/01/12	10,500.00	0.00	0.00	350.00	700.00	1,050.00	9,450.00	S/L	15.0	
56	Production Room Floor	10/01/12	22,143.22	0.00	0.00	738.11	1,476.21	2,214.32	19,928.90	S/L	15.0	
57	Production Room Electrical	10/01/12	51,320.80	0.00	0.00	1,710.69	3,421.39	5,132.08	46,188.72	S/L	15.0	
58	Warehouse Electrical Improvement:	4/01/12	22,315.02	0.00	0.00	743.83	1,487.67	2,231.50	20,083.52	S/L	15.0	
59	Security System	2/01/12	3,190.75	0.00	0.00	106.36	212.72	319.08	2,871.67	S/L	15.0	
60	Loading Dock	11/01/12	22,346.90	0.00	0.00	744.90	1,489.79	2,234.69	20,112.21	S/L	15.0	
61	Equipment Pad	12/01/12	6,968.01	0.00	0.00	232.27	464.53	696.80	6,271.21	S/L	15.0	
62	Lab/Bathroom/Lunchroom Improve	10/01/12	23,855.42	0.00	0.00	795.18	1,590.36	2,385.54	21,469.88	S/L	15.0	
63	Office Improvements	7/01/12	29,915.61	0.00	0.00	997.19	1,994.37	2,991.56	26,924.05	S/L	15.0	
64	Production Room Improvements	8/01/12	107,361.85	0.00	0.00	3,578.73	7,157.46	10,736.19	96,625.66	S/L	15.0	
65	Tank Pad/Walls	10/01/12	34,835.97	0.00	0.00	1,161.20	2,322.40	3,483.60	31,352.37	S/L	15.0	
66	Warehouse Improvements	8/01/12	115,009.62	0.00	0.00	3,833.65	7,667.31	11,500.96	103,508.66	S/L	15.0	
67	Warehouse Insulation	6/01/12	42,306.01	0.00	0.00	1,410.20	2,820.40	4,230.60	38,075.41	S/L	15.0	
93	Warehouse Electrical Imp	1/01/13	14,284.10	0.00c	7,142.05	0.00	7,380.12	7,380.12	6,903.98	S/L	15.0	
94	Warehouse Floor	1/01/13	55,715.90	0.00c	0.00	0.00	1,334.86	1,334.86	54,381.04	S/L	39.0	
95	CL Fence	3/01/13	5,566.47	0.00c	2,783.24	0.00	2,876.01	2,876.01	2,690.46	S/L	15.0	
96	HVAC	7/01/13	34,016.26	0.00c	17,008.13	0.00	17,575.07	17,575.07	16,441.19	S/L	15.0	
97	Whse electrical upgrade	8/01/13	4,966.17	0.00c	2,483.09	0.00	2,565.86	2,565.86	2,400.31	S/L	15.0	
98	TumALum office imp	8/01/13	20,226.45	0.00c	10,113.23	0.00	10,450.34	10,450.34	9,776.11	S/L	15.0	
99	Plumbing	2/15/13	3,821.84	0.00c	1,910.92	0.00	1,974.62	1,974.62	1,847.22	S/L	15.0	
Warehouse Improvements			768,857.45	0.00c	41,440.66	18,675.35	81,507.56	100,182.91	668,674.54			
Grand Total			2,647,413.81	0.00c	583,312.33	683,068.62	419,769.80	1,102,838.42	1,544,575.39			

Asset List

MARTINJM Martin, James J. & Mollie E.

540-70-9235

4-AI

FYE: 12/31/2013

<u>Asset</u>	<u>Property Description</u>	<u>Date In Service</u>	<u>Disposal Method</u>	<u>Tax Cost</u>	<u>Tax Current Depreciation</u>	<u>Tax Prior Depreciation</u>	<u>Group</u>
Activity: Discover Development LLC - Sunshine							
1	Security Equipment	1/01/12		6,103.55	976.57	3,662.13	Machinery and Equipm-
2	Spider Spray Gun	1/01/12		8,730.09	1,396.81	5,238.06	Machinery and Equipm-
3	Mobile Office	8/20/08		13,000.00	748.67	12,251.33	Automobiles/Trans. Eq
4	Mobile Office 2	9/06/06		8,550.00	381.33	8,168.67	Automobiles/Trans. Eq
5	New Computer	6/18/09		2,437.00	46.67	2,367.00	Machinery and Equipm-
6	Floor Sander	11/25/09		4,250.00	426.73	2,756.43	Machinery and Equipm-
7	Pressure Washer	8/30/13		968.00	553.14	0.00	
8	Furniture 2013	4/29/13		933.98	533.70	0.00	Furniture and Fixtures
9	Leasehold Improvements 2013	3/08/13		34,570.23	18,149.38	0.00	Improvements
10	Leasehold Improvements 2012	1/01/13		28,527.09	14,976.73	0.00	Improvements
Discover Development LLC - Sunshine				<u>108,069.94</u>	<u>38,189.73</u>	<u>34,443.62</u>	
Grand Total				<u>108,069.94</u>	<u>38,189.73</u>	<u>34,443.62</u>	

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Gene Parker

From: Sidney T. Rowe <Sid@roweanddeming.com>
Sent: Wednesday, October 22, 2014 7:09 PM
To: Nolan Young
Cc: Gene Parker; Steve Lawrence; 'James Martin' (jamesm@copadivino.com)
Subject: RE: Loan Drawdowns by Discover Development

This message contains attachments delivered via ShareFile.

- Prior Years Profit & Loss.pdf (14.2 kB)

Download the attachments by [clicking here](#).

Per our meeting, I was to provide four additional things by Friday October 24, 2014 to complete the report:

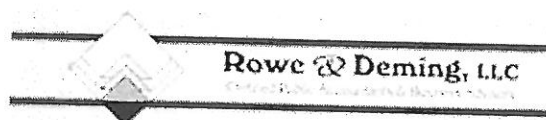
- Reconcile the loan and grant DONE
- Disclose to whom rent is paid Tum-a-Lum Lumber, DONE
- Provide historical PNL Please see attached
- Discuss commercial loan parameters and viability of commercial loan at the end of the proposed extension period Still in progress

With regard to the historical PNL, the attached report is not exactly the same as reported on tax returns. To create this report I had to use as unadjusted QuickBooks file, Though there are minor differences to confirmed and reconciled balances, the report is generally reflective of actual results, but not exact. In general, the historical PNL indicates some profits derived from rental income. The profits were used for improvements to the building, as through the reported period the Agency loan was drawn and building improvements were effected per the balance sheet in the previous report. Improvements were financed by rental income, advances from Copa Di Vino and from the Agency Loan.

Sidney T. Rowe, CPA

Partner

email: sid@roweanddeming.com



Rowe & Deming, LLC - Certified Public Accountants and Business Advisors

www.roweanddeming.com

516 East Second Street	The Dalles, Oregon 97058	Phone 541-298-5101	Facsimile 541-298-4313
1810 Belmont Avenue	Hood River, Oregon 97031	Phone 541-386-2141	Facsimile 541-386-4430
4660 NE Belknap Court, Ste. 101	Hillsboro, Oregon 97124	Phone 503-726-3417	Facsimile 503-924-5757

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message. Destroy or return any printed copies to Rowe & Deming, LLC at any of above office address via the postal service. Thank you.

From: Nolan Young [<mailto:nyoung@ci.the-dalles.or.us>]
Sent: Tuesday, October 21, 2014 9:56 AM
To: Sidney T. Rowe
Cc: Gene Parker; Steve Lawrence
Subject: Loan Drawdowns by Discover Development

Sid;

One of the four items for follow up from our October 16th review for your primary response to our agreed to procedures was; my concern that the chart (1-F) that showed loan drawdowns by Discovery Development exceeded the agreed to \$600,000 amount. I was able to obtain our spread sheets that tracked both those drawdowns and the payments the UR District made under the grant of \$80,000 for renovation of the Warehouse. I have attached both of those charts. From my review I have marked up Chart 1-F (attached) identifying the following:

- 1- Two payments under the grant were recorded in error on chart 1-F, and
- 2- One loan drawdown was missed on Chart 1-F.

With these two corrections the loan drawdowns equal the agreed to loan amount of \$600,000.

Please also note that the second column of numbers on 1-F were not correctly calculated and this incorrect number was carried over into chart 1-G liabilities (attached). When all of the corrections are made this number should be \$600,000, I believe.

Please let me know if you have questions or we need talk about the information I have provided.

Nolan Young

City Manager
City of The Dalles
313 Court St
The Dalles, OR 97058
(541) 296-5481 ext. 1118
nyoung@ci.the-dalles.or.us

Discover Development, LLC
Profit & Loss
January 2011 through December 2013

Cash Basis

	Jan - Dec 11	Jan - Dec 12	Jan - Dec 13	TOTAL
Ordinary Income/Expense				
Income				
401 · Rent Income	13,000.00	143,000.00	68,000.00	224,000.00
402 · Consulting Income	0.00	0.00	25,000.00	25,000.00
Total Income	<u>13,000.00</u>	<u>143,000.00</u>	<u>93,000.00</u>	<u>249,000.00</u>
Gross Profit	13,000.00	143,000.00	93,000.00	249,000.00
Expense				
Auto & Truck Expense	0.00	2,284.95	0.00	2,284.95
Charitable Contributions	0.00	895.00	0.00	895.00
Equipment Rental & Leasing	865.00	791.56	0.00	1,656.56
Insurance	0.00	0.00	122.08	122.08
Licenses & Permits	0.00	1,359.00	243.91	1,602.91
640 · Travel Expense				
640.1 · Air Travel	0.00	0.00	1,092.32	1,092.32
Meals & Entertainment	0.00	0.00	6,100.20	6,100.20
Travel & Lodging	0.00	0.00	12,978.50	12,978.50
Total 640 · Travel Expense	<u>0.00</u>	<u>0.00</u>	<u>20,171.02</u>	<u>20,171.02</u>
641 · Meals & Entertainment 100%	0.00	0.00	124.20	124.20
Office Supplies				
Bank & Merchant Fees	142.50	26.96	54.98	224.44
Computer & Internet Expenses	0.00	58.99	0.00	58.99
Dues & Subscriptions	0.00	0.00	20.00	20.00
Supplies	358.00	494.05	4,493.11	5,345.16
Printing & Reproduction	797.75	0.00	1,290.00	2,087.75
Rent	0.00	0.00	35,000.00	35,000.00
Telephone	0.00	829.99	0.00	829.99
Utilities	0.00	54.73	25.94	80.67
Total Office Supplies	<u>1,298.25</u>	<u>1,464.72</u>	<u>40,884.03</u>	<u>43,647.00</u>
Professional Fees				
Accounting	0.00	1,625.00	6,200.00	7,825.00
Legal Fees	0.00	0.00	2,500.00	2,500.00
Consulting Services	0.00	390.00	18,945.82	19,335.82
Contracted Services	341.25	0.00	1,876.55	2,217.80
Total Professional Fees	<u>341.25</u>	<u>2,015.00</u>	<u>29,522.37</u>	<u>31,878.62</u>
Repairs & Maintenance	10,705.69	2,633.04	2,322.83	15,661.56
667 · Small Tools	0.00	0.00	309.99	309.99
Taxes				
Property Taxes	19,980.96	10,772.73	0.00	30,753.69
Total Taxes	<u>19,980.96</u>	<u>10,772.73</u>	<u>0.00</u>	<u>30,753.69</u>
Total Expense	<u>33,191.15</u>	<u>22,216.00</u>	<u>93,700.43</u>	<u>149,107.58</u>
Net Ordinary Income	(20,191.15)	120,784.00	(700.43)	99,892.42
Other Income/Expense				
Other Income				
Other Income	397.00	0.00	0.00	397.00
Interest Income	1,944.36	30,488.86	18,295.46	50,728.68
Total Other Income	<u>2,341.36</u>	<u>30,488.86</u>	<u>18,295.46</u>	<u>51,125.68</u>
Other Expense				
Depreciation	0.00	0.00	38,189.73	38,189.73
Interest Expense	2,165.62	39,841.90	26,450.94	68,458.46
Total Other Expense	<u>2,165.62</u>	<u>39,841.90</u>	<u>64,640.67</u>	<u>106,648.19</u>
Net Other Income	<u>175.74</u>	<u>(9,353.04)</u>	<u>(46,345.21)</u>	<u>(55,522.51)</u>
Net Income	<u>(20,015.41)</u>	<u>111,430.96</u>	<u>(47,045.64)</u>	<u>44,369.91</u>

SUNSHINE MILL WINERY
 WAREHOUSE RENOVATION

OCCUPANCY PLAN \$91,022

URBAN RENEWAL FUNDS

80,000

ALL-PHASE (ROOF) PO #989045 (amended)

All-Phase Contracting - materials

30,500.00

-\$13,000

\$13,000

17,500

17,500

-17,500

0

All-Phase Final Billing - Pd 12/15/11

HAGE ELECTRIC PO #989060

Pd 12/28/2011

Bal

4,229

-4,229

-4,229

0

PO #989080

Bal

\$2,413

0

Paid by SMW

MID-COLUMBIA DOOR PO #989070

Pd 1/09/12

Final Payment

Bal

4,000

-3,030

1,515

1,515

970

JPM CONSTRUCTION Consultant

FPO #180696 Pd 12/27/2011

Bal

500

-500

-500

0

Field Purchase Order

THE DALLES CONCRETE - PO 989073

Flooring Materials Pd 11/14/11

Bal

1,977.10

-1,977.10

-1,977.10

0

Updated 06/30/2012

SUNSHINE MILL WINERY
 WAREHOUSE RENOVATION

THE DAILES CONCRETE - PO 989085		8,488.38		
Additional Flooring Materials Pd 12/15/11		<u>-8,488.38</u>		
		0		
	Remaining		<u>48,724.48</u>	
		31,275.52		Subtotal of available URA money

DISCOVER DEVELOPMENT

Tennessee Engr Pd 11/8/11		<u>112.50</u>		-112.50
Discover Dev PO#989101 Pd 12/22/11	ST	25,440.02		
		* <u>-15,780.00</u>		-15,780.00
Discover Dev Submitted to Finance on 12/23/11	ST	9,660.02		
		* <u>-9,660.02</u>		-9,660.02
		0		<u>74,277</u>
Discover Dev Chk Reimbursement			5,723	
			<u>-5,723</u>	
			0	

Discover Development Escrow Acct 16,000

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Columbia Gateway Urban Renewal Agency Loan

Year	Amount	Description
2009	500,000.00	Loan used to open doors for business
2010	100,000.00	Loan used to paint buildings
Total	\$ 600,000.00	



YTD Payments Made to Columbia Gateway Urban Renewal Agency

Year	Amount	Description
YTD	250,000.00	Payments to principal Sunshine Mill Loan Agreement
YTD	182,800.25	Total interest payments made
Total	\$ 432,800.25	

Wasco County Property/ Corporate Tax

Year	Amount	Description
YTD	82,761.17	Total Discover Development property/ corporate tax
Total	\$ 82,761.17	
Approximate Taxes/Year	\$ 15,500.00	Annual taxes approximately \$31,000

Copa Di Vino

Additional Property Improvements Made by Copa Di Vino

Year	Amount	Description
YTD	562,671.45	Property improvements made by Copa Di Vino in addition to CGURA loan improvements
Total	\$ 562,671.45	

Wasco County Property/Corporate Tax

Year	Amount	Description
YTD	74,347.90	Total Copa Di Vino property/ corporate tax
Total	\$ 74,347.90	
Approximate Taxes/year	\$ 15,500.00	



Wages Paid to Local Employees

Year	Amount	Description
All Local Payroll	11,775,195.83	
Other Payroll Benefits and Taxes	1,808,806.99	
Total	\$ 13,584,002.82	

Copa Di Vino & Discover Development Totals

Discover Development & Copa Di Vino Total Loan, Tax, Wage, and Property Improvement Expenditures

Company	Total	Description
Discover Development	250,000.00	Columbia Gateway Urban Renewal payments to Principal
Discover Development	182,800.25	Columbia Gateway Urban Renewal total interest payments made
Discover Development	82,761.17	Discover Development total corporate/ property tax
Copa Di Vino	562,671.45	Property improvements made by Copa Di Vino in addition to CGURA loan improvements
Copa Di Vino	74,347.90	Copa Di Vino total corporate/ property tax
Copa Di Vino	13,584,002.82	Wages paid to local employees - All
Total	\$ 14,736,583.59	

Notable Funding (Government funding the City of The Dalles has received due to Discover Developments project)

Company	Total	Description
Discover Development	2,300,000.00	Local Intersection Project
Discover Development	900,000.00	Local Dock Project
Total	\$ 3,200,000.00	

Total Expenditures and Notable Funding

\$17,936,583.59

Balance Remaining on The Columbia Gateway Urban Renewal Agency Loan

\$350,000.00

Other Key Facts

- * Copa Di Vino also supports the growth of other local businesses. Copa Di Vino's top 3 local vendors are listed below with amounts paid since inception
 - * Vendor 1: \$684,706.52
 - * Vendor 2: \$160,919.06
 - * Vendor 3: \$121,529.59

* Copa Di Vino provides approximately 2-3 paid internships each year to local college students. These internships provide students with on the job experience in professions such as marketing, operations management, entrepreneurship, finance, and international business. Copa Di Vino hosted their first international student from France in 2015, and hopes to build on this trend in the future

* Copa Di Vino plans to expand the internship program in the future to help retain top local talent, and build the local workforce

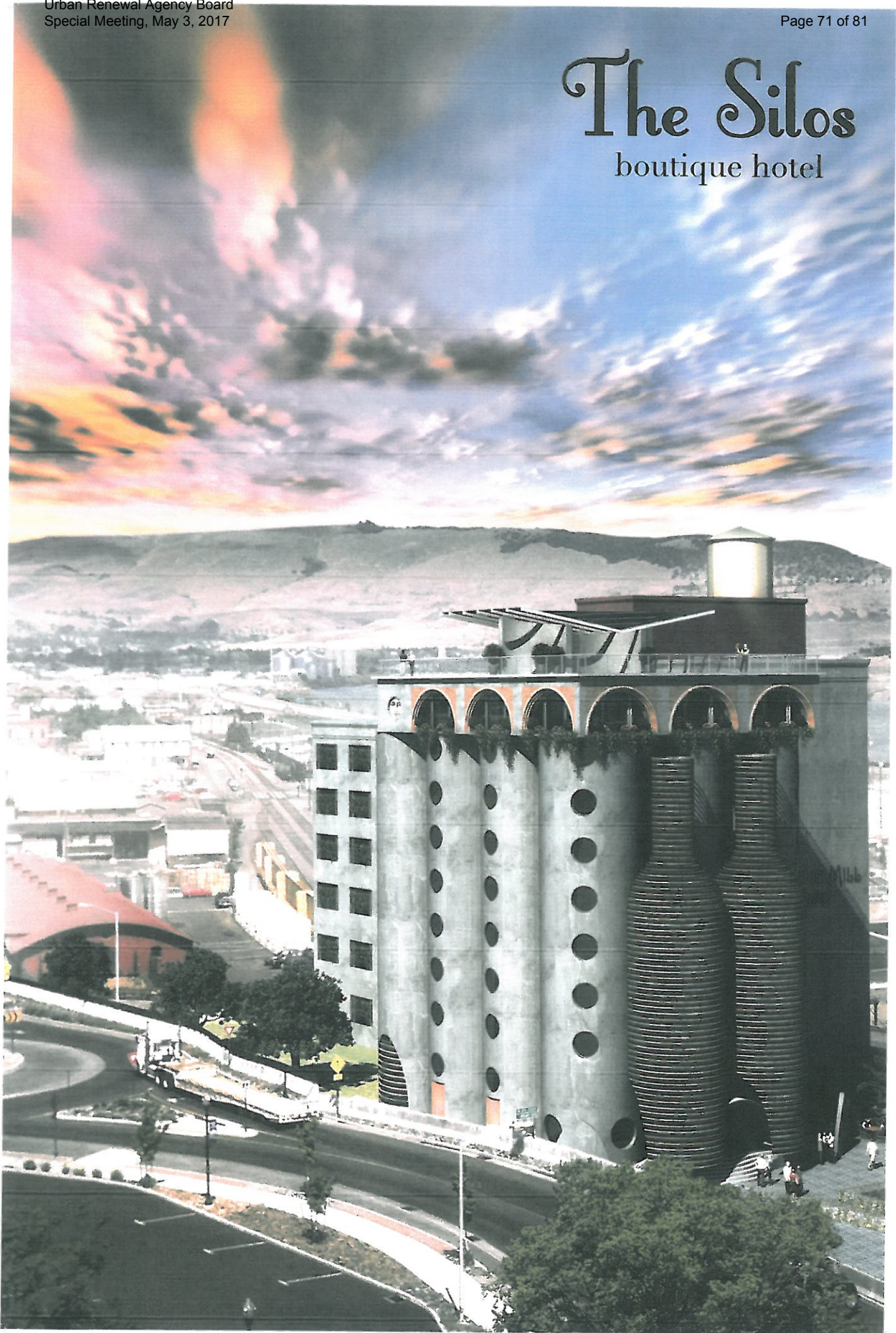
* The Sunshine Mill Winery hosts 2 wine club parties each year. Party attendees spend an estimated \$31,000 at local hotels, restaurants, and shops each club party

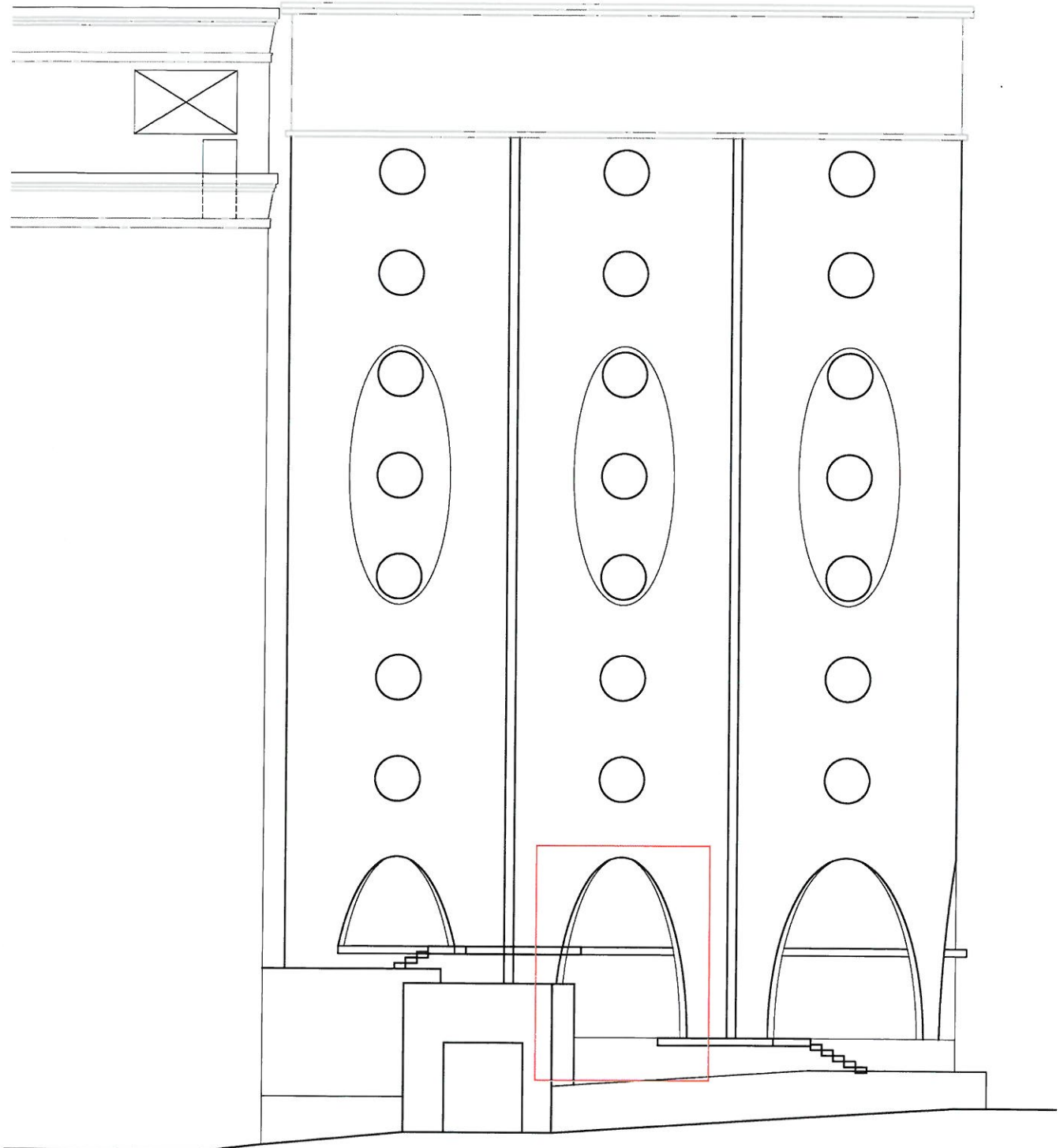
* Tourism at the Sunshine Mill Winery has increased by an average of 25% year over year since opening

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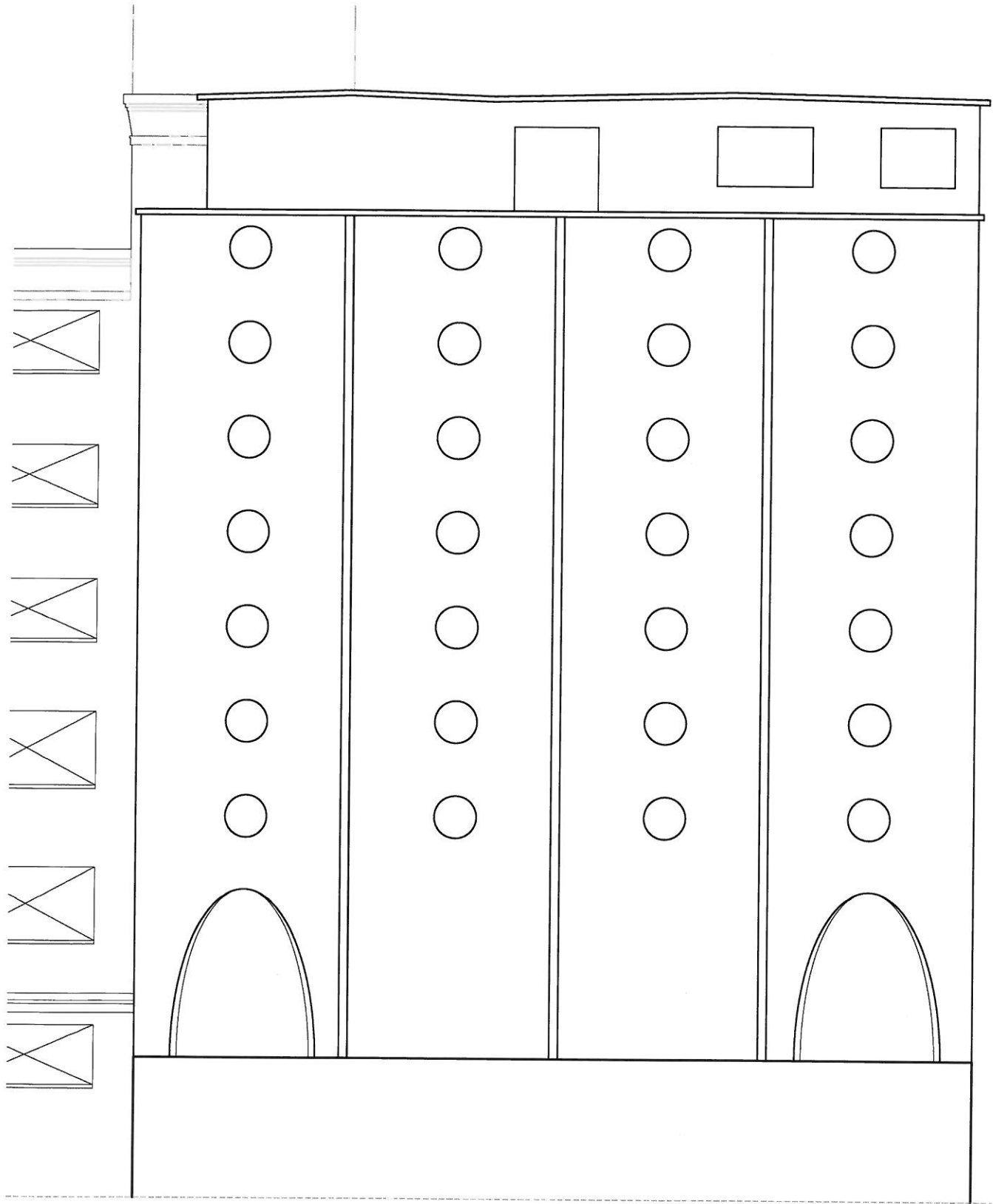
The Silos

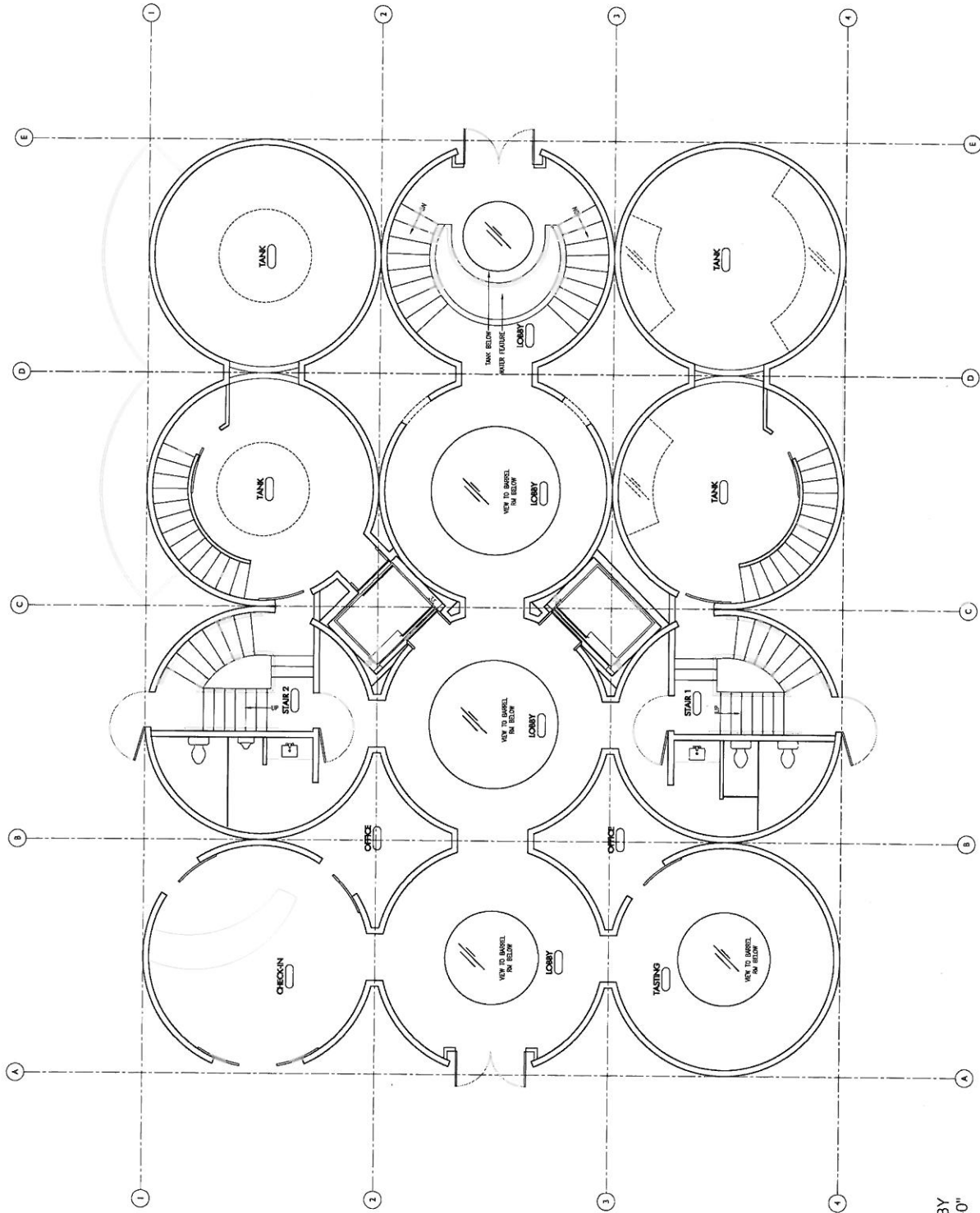
boutique hotel



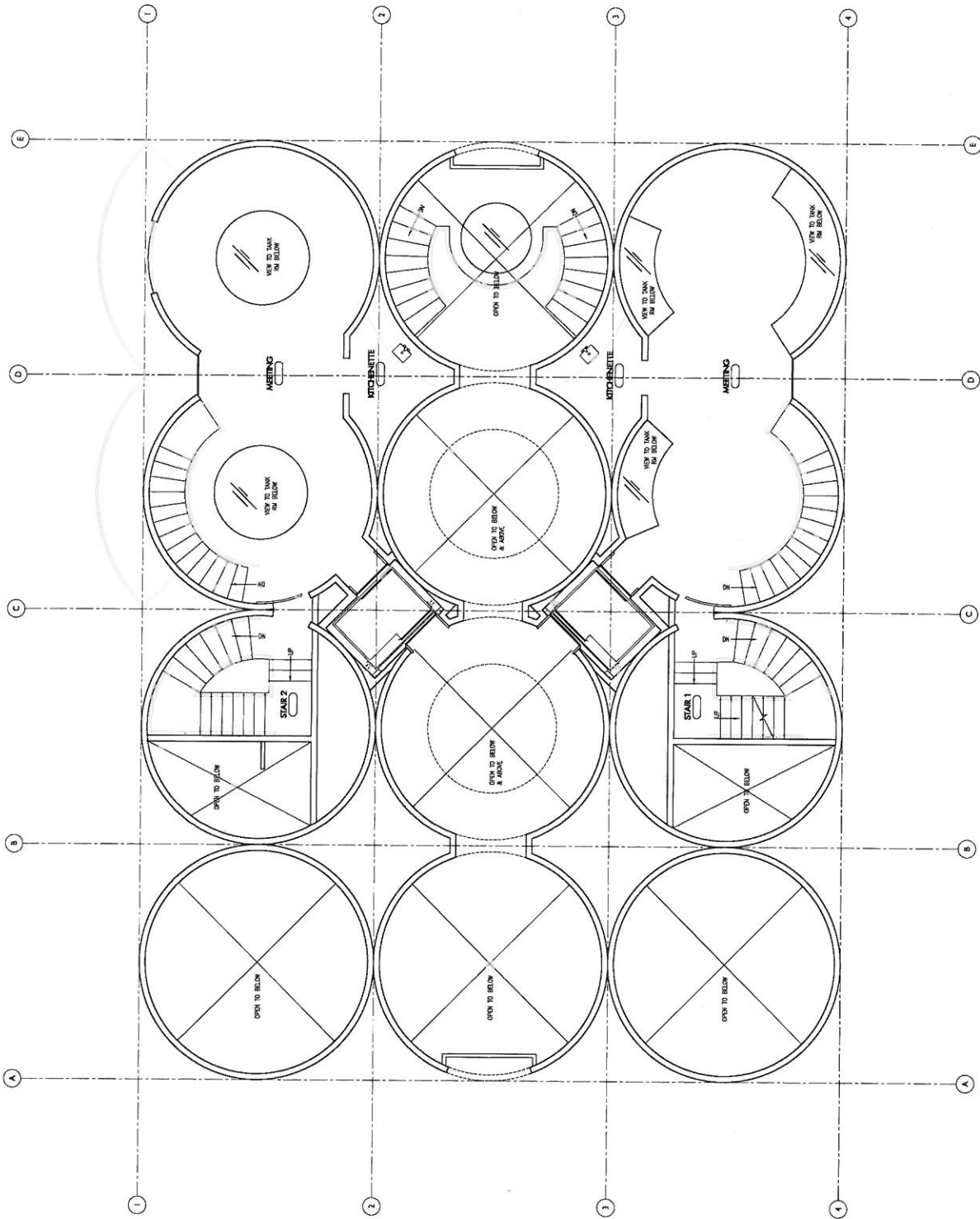


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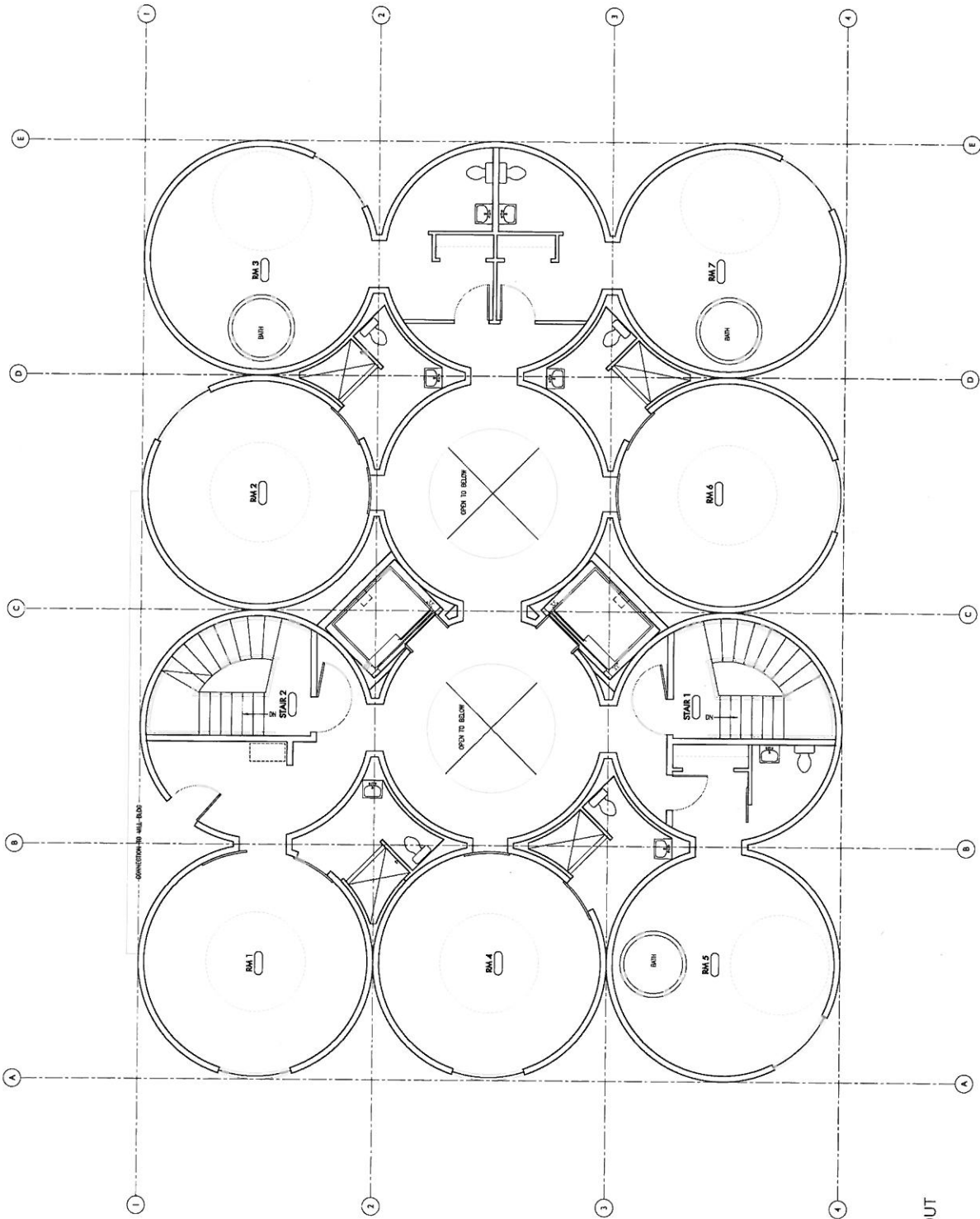




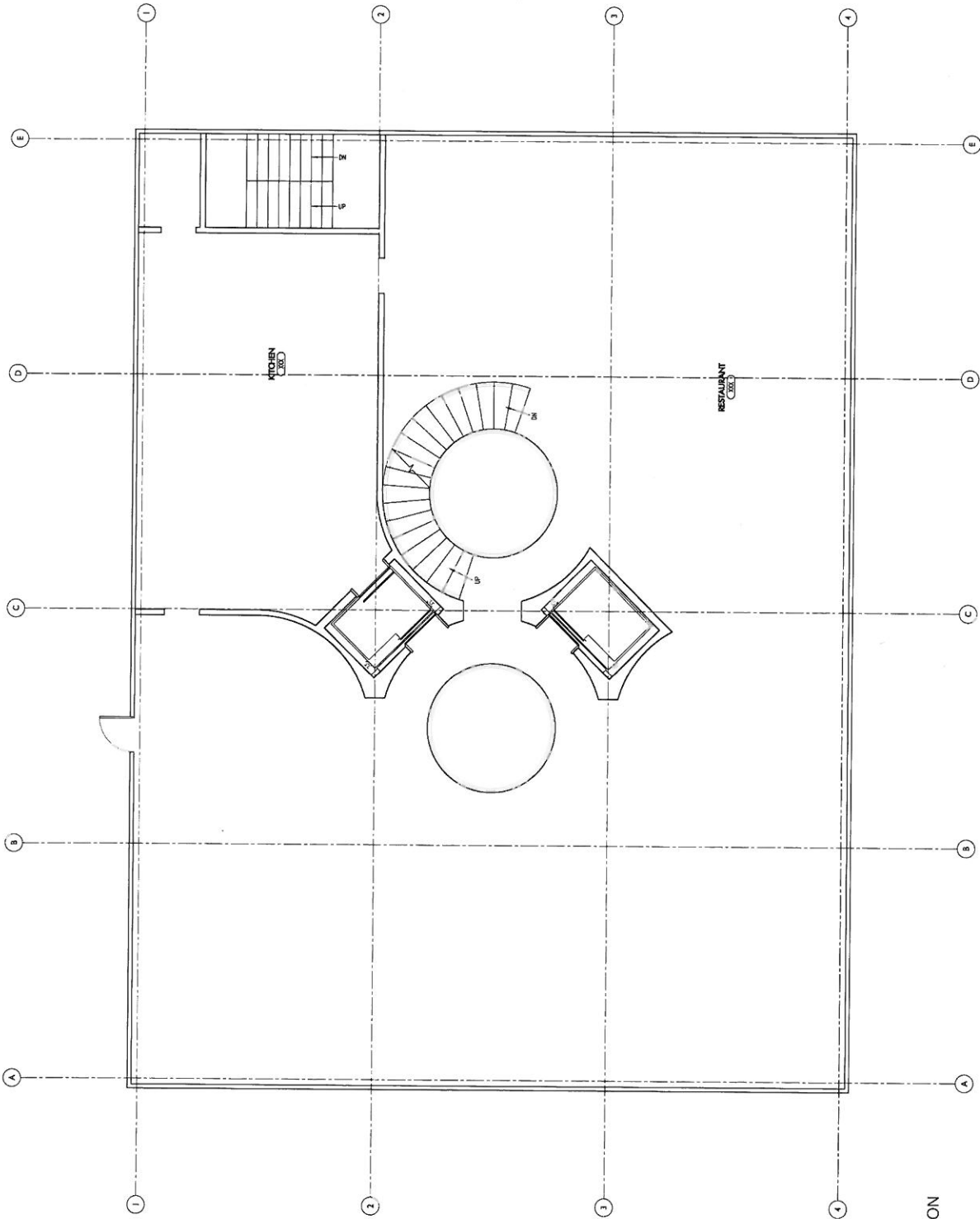
LEVEL 1 - LOBBY
SCALE: 1/4"=1'-0"



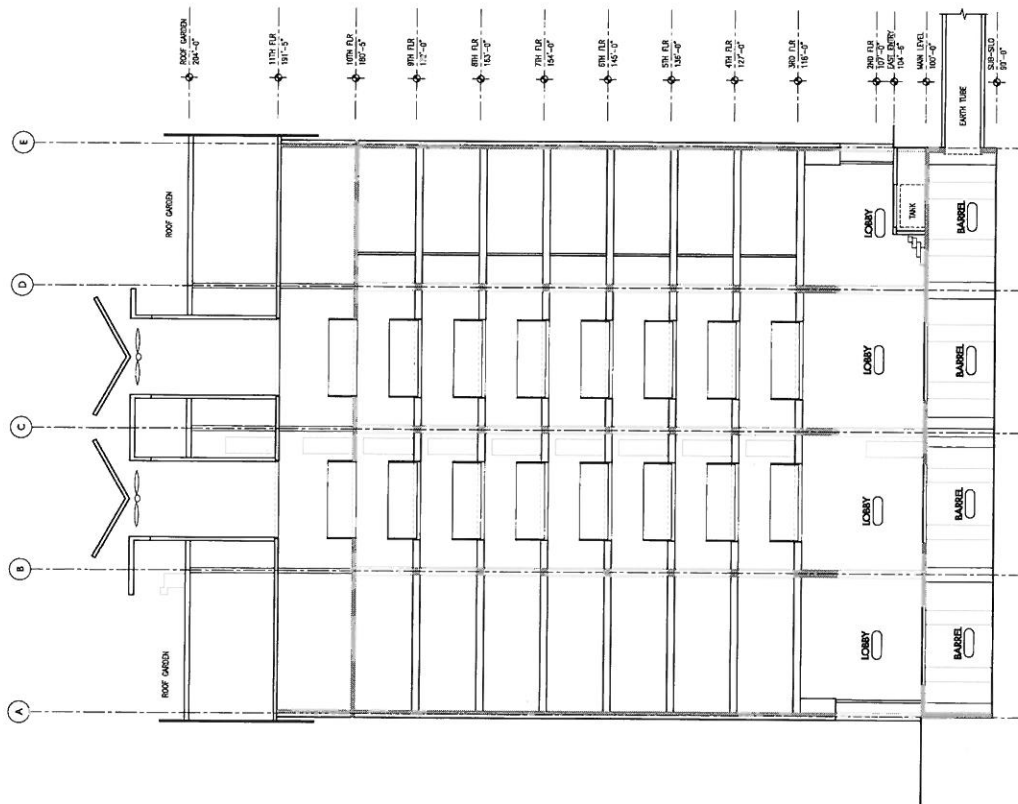
LEVEL 2 - MEETING RMS
SCALE: 1/4"=1'-0"



LEVEL 3-9 - HOTEL LAYOUT
SCALE: 1/4"=1'-0"



LEVEL 11 - NEW ADDITION
SCALE: 1/4"=1'-0"



BUILDING SECTION
SCALE: 1/4"=1'-0"

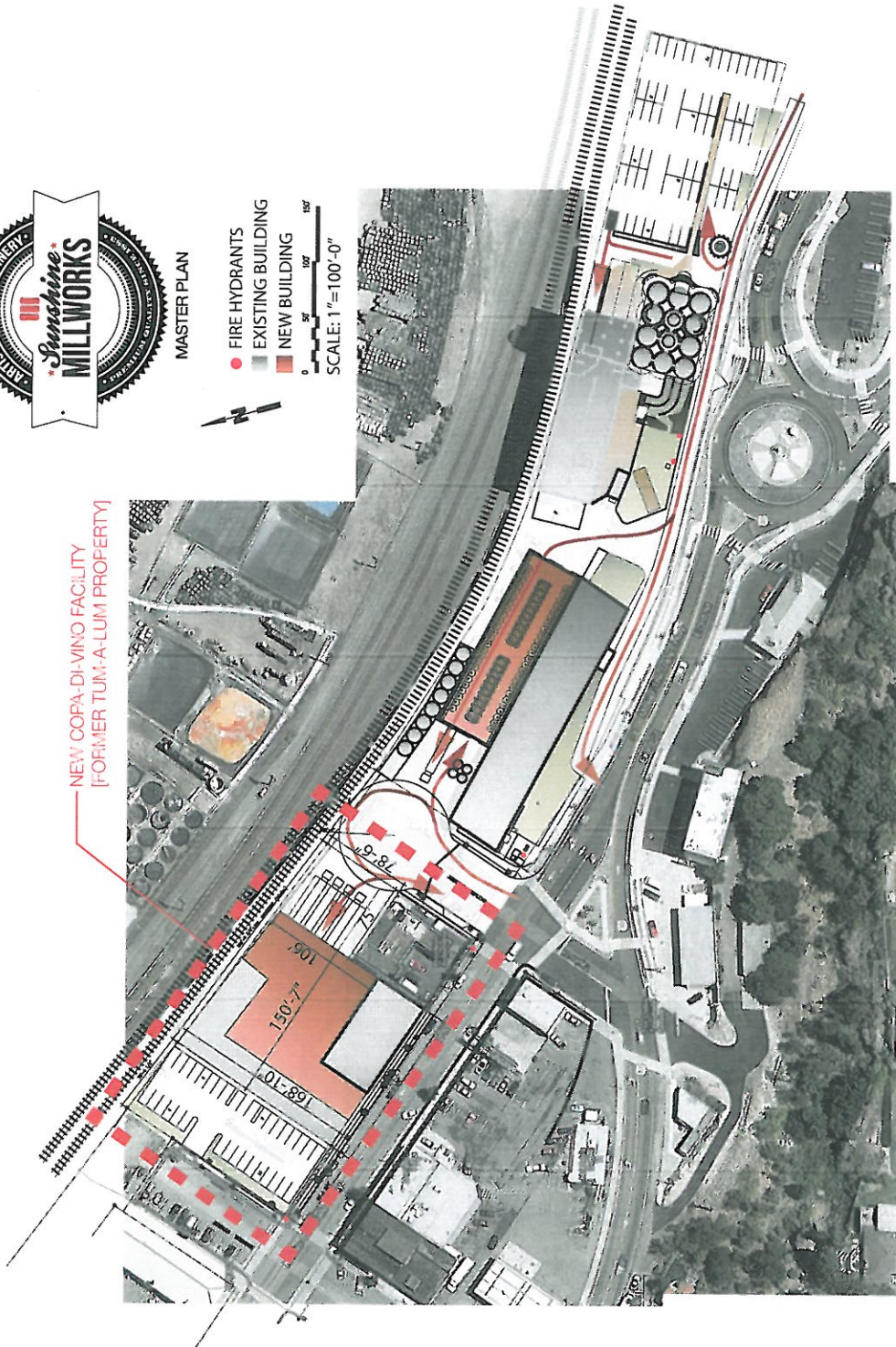


MASTER PLAN

- FIRE HYDRANTS
 - EXISTING BUILDING
 - NEW BUILDING
- 0 50 100 150
SCALE: 1"=100'-0"



NEW COPA-DI-VINO FACILITY
[FORMER TUM-A-LUM PROPERTY]



EXISTING BUILDING & MURFAL
OFFICE & RETAIL
PARKING

NEW 25,000 SF WAREHOUSE
EXISTING SERVICE STATION
SHIPPING / RECEIVING

