



Home of the Tualatin River National Wildlife Refuge

PUBLIC NOTICE

Special Sherwood Urban Renewal Agency Board Meeting

**Thursday, August 14, 2008
Meeting scheduled for 6pm**

**Sherwood City Hall/Library
22560 SW Pine Street
Sherwood, OR 97140**

URA Board of Directors Meeting

Date: 08.14.08

List of Meeting Attendees: ✓

Request to Speak Forms: none

Documents submitted at meeting: ✓

Meeting was a work session only and no meeting packet was produced.

Staff presented the following documents at the meeting:

A.) Purchase and Sales Agreement, Exhibit A

B.) Old Cannery Site Development Agreement
Exhibit B.

C.) Development Services Agreement Old
Cannery Site, Exhibit C

PURCHASE AND SALE AGREEMENT

DATE: July __, 2008 (the "Effective Date")

BETWEEN: City of Sherwood Urban Renewal District ("Seller")
22560 SW Pine Street
Sherwood, OR 97140
ATTN: Jim Patterson
Fax: (503) 625-5524

AND: Capstone Partners, LLC, ("Purchaser")
an Oregon limited liability company
1015 NW 11th Avenue, Suite 243
Portland, Oregon 97209
ATTN: Chris Nelson

Recitals

A. Seller owns certain real property commonly known as the Old Cannery Site and consisting of Tax parcels R0555599, R0556017 and R0555615 in Washington County, in Sherwood, Oregon (the "Current Seller Property"). A legal description of the Current Seller Property is attached as Exhibit A-1 and made a part of this Agreement. Purchaser desires to purchase from Seller a portion of the Current Seller Property depicted as "Site A-1", "Site B-1", "Site B-2", "Site C", "Site D", and "Phase II Property" on the attached Exhibit A-2 (the "Land"). The legal description of the Land will be determined during the subdivision process that Purchaser and Seller contemplate occurring as part of the development of the Property. As used in this Agreement, "Property" includes:

- (i) the Land and improvements, and all related rights and appurtenances, including all right, title and interest of Seller in and to any of the following: any oil, gas, or other minerals laying under such land, any water or water rights benefiting such land and any stock evidencing any such rights, any easements benefiting such land and any strips and gores adjoining such land;
- (ii) all right, title and interest of Seller in permits or governmental approvals related to the Property, whether granted by governmental authorities or private persons (collectively, the "Rights");and
- (iii) the tangible personal property located on the Property. Tangible personal property shall mean all tangible personal property located on or in the real property or structures on the real property, and owned by the Seller.

B. Purchaser desires to purchase the Property from Seller, and Seller desires to sell the Property to Purchaser for the price and on the terms and conditions described below.

Agreement Terms and Conditions

NOW, THEREFORE, in consideration of the mutual promises of the Parties set forth below, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

1. PURCHASE AND SALE

1.1. Seller agrees to sell the Property to Purchaser and Purchaser agrees to purchase the Property from Seller, all on the terms and conditions set forth in this Purchase and Sale Agreement (the "Agreement").

1.2. It is contemplated that the Property will be purchased in two (2) phases. The first phase of the Property is comprised of the following parcels (collectively the "Phase I Purchase"), each of which are depicted on the attached Exhibit A-2; provided, however, that the exact size and location of each such parcel shall be determined during the land division process: (i) Site A-1 which is approximately 20,100 square feet of land located at the southwest corner of Pine Street by the railroad, (ii) Site B-1 and Site B-2 which is approximately 47,800 square feet of land, and (iii) Site C and D which is approximately 80,063 square feet of land located along Willamette Street. It is contemplated that the Phase I Purchase will occur on or before July 31, 2009 (the "Phase I Purchase Outside Date"); provided that the Phase I Purchase Outside Date shall be extended for delays beyond the control of Purchaser (collectively, "Delay Events"), including, without limitation, for delays due to force majeure events, acts of terrorism, war, weather delays, public agency delays and delays in obtaining governmental approvals (including appeals), strikes and unavailability of obtaining debt capital on terms reasonably acceptable to Purchaser. The second phase of the Property is comprised of the balance of the Property, which is approximately 32,446 square feet of land (the "Phase II Property"). It is contemplated that the purchase of the Phase II Property will occur on or before December 31, 2012 (the "Phase II Purchase Outside Date"), subject to extensions for Delay Events.

1.3. This Agreement shall be effective provided it is executed by both Seller and Purchaser, and in such event shall be deemed effective as of the date set forth above.

2. SELLER DEVELOPMENT GOALS FOR THE PROPERTY. Seller desires in connection with Purchaser's acquisition and development of the Property that Purchaser use commercially reasonable efforts to develop the project to be constructed on the Property consistent with the following:

2.1. A medium density mixed use development for both residential and commercial uses.

2.2. A development likely to stimulate new investment and development in the Sherwood "Old Town" and surrounding areas.

2.3. A development that will contribute to a "small town" feel with a unified architectural character.

2.4. A development that is complementary to the major investment that the City of Sherwood has made in new streets, sidewalks and street improvements north of the railroad tracks.

2.5. A development that substantially is in compliance with the overlay district standards for the City of Sherwood's Old Town.

2.6. It is contemplated that Site A-1 shall be developed as one approximately 5,000 square foot single story brick commercial building fronting on SW Pine Street; provided,

however, Purchaser may change how Purchaser develops Site A-1 so as to allow for integrated and compatible master plan uses between the Property and the existing property located to the east of Site A-1 (the "Warehouse Property").

- 2.7. It is contemplated that Site B-1 shall be developed as one approximately two-story 14,000 square foot brick mixed use commercial building located adjacent to the public plaza to be constructed by Seller.
- 2.8. It is contemplated that Site C and Site D shall be developed as two approximately 50 unit three story apartment buildings with brick facades on public streets.

3. PURCHASE PRICE AMOUNTS

- 3.1. The purchase price (the "Purchase Price") for Site A-1 shall be an amount equal to the product of \$12.50 and square feet of land in Site A-1.
- 3.2. The Purchase Price for Site B-1 and Site B-2 shall be an amount equal to the product of \$15.00 and square feet of land in Site B-1 and Site B-2.
- 3.3. The Purchase Price for Site C and D shall be the product of 80,063 square feet and the residual land value of Site C and D (but not more than \$12.00 per square foot or less than \$8.00 per square foot), which residual land value shall be determined by a multi-family appraiser mutually selected by Purchaser (subject to approval by Seller, which approval shall not be unreasonably withheld, conditioned or delayed) using Purchaser's actual cost assumptions, revenue and operating expense assumptions to assist such appraiser in determining such residual land value.
- 3.4. The Purchase Price for the Phase II Property shall be \$16.00 per square foot of land that comprises the Phase II Property.

4. TIMING OF PAYMENT OF PURCHASE PRICE

- 4.1. The Purchase Price for Site A-1 and Site B-1 and Site B-2 shall be paid in cash on the closing of the purchase by Purchaser of Site A-1, Site B-1 and Site B-2.
- 4.2. The Purchase Price for Site C and Site D shall be paid in cash after the closing of the purchase of Site C and Site D. Such Purchase Price shall not be paid until the earlier of (i) thirty (30) days after both of the apartment buildings to be built on Site C and Site D have been built and 95% of the square feet of rental space in such apartment buildings has been leased to tenants who are in occupancy and paying rent, or the date that is the fifth anniversary of the date that both of the apartment buildings have been completed as determined by the receipt of all necessary final certificates of occupancy or similar permits related to the use and occupancy.
- 4.3. The Purchase Price for the Phase II Property shall be paid in cash on the closing of the purchase by Purchaser of the Phase II Property.

5. SELLER PRE-CLOSING OBLIGATIONS

- 5.1. Prior to Closing (defined below), Seller will: (i) discharge all liens (including tax liens, liens for assessments and inchoate liens) encumbering the Property or any part of the

Property; (ii) cure all title objections that Seller agrees to cure in accordance with this Agreement; (iii) satisfy all requirements of the Title Company customarily required of a seller of real property located in Oregon related to issuance of the Purchaser's Title Policy, (iv) within ten (10) days after the Effective Date, provide Purchaser with all information in Seller's possession pertaining to the Property (including, without limitation, information pertaining to environmental matters, wetlands, soils, zoning, title and survey matters); (v) cooperate with Purchaser in facilitating all required zoning approvals, design review approvals, and other approvals necessary or advisable for the development of the Property, (vi) fund the construction of the public plaza and all public streets and related infrastructure that Seller is required to construct pursuant to that certain Development Agreement dated concurrently herewith between Seller and Purchaser (the "Development Agreement"), (vii) obtain a "no further action letter" from the Oregon Department of Environmental Quality with respect to Hazardous Materials that currently and/or previously were present on the Property in form and substance satisfactory to Purchaser, and (viii) initiate and obtain approval of a text amendment to the City of Sherwood's PUD ordinance so as to allow Purchaser to transfer residential density from portions of the Property to Sites C and D, which text amendment shall be in a form and substance satisfactory to Purchaser.

- 5.2. Until the Closing or termination of this Agreement by Purchaser or Seller, Seller will not, without Purchaser's approval, do any of the following: (i) amend, terminate or otherwise modify, or consent to the amendment, termination or modification of, any Rights related to the Property; (ii) grant, create or allow the creation of any easement, right-of-way, encumbrance, lien, restriction, condition, assessment, lease or other cloud on title which affects the Property, or amend, extend or otherwise modify the terms of any existing easement, right-of-way, encumbrance, lien, restriction, condition, assessment, lease or other cloud on title which affects the Property; or (iii) sell or otherwise transfer or dispose of all or any part of the Property, or enter into an agreement to sell or otherwise transfer or dispose of all or any part of the Property.

6. PURCHASER'S DUE DILIGENCE CONDITIONS

- 6.1. Seller shall promptly deliver to Purchaser (but not later than ten (10) days after the Effective Date) all documents and materials in Seller's possession or control pertaining to the Property, including, without limitation, copies of all environmental reports and test results for the Property and all other information (including reports or test results performed for other persons) relating to the presence of Hazardous Materials, wetlands, environmental constraints, geotechnical data and other considerations typically of importance to a transaction of this nature, as well as a current ALTA survey for the Property and a topographical survey of the Property. Seller shall use commercially reasonable efforts to deliver to Purchaser a traffic study report for Old Town Sherwood as soon as reasonably possible.
- 6.2. Purchaser's satisfaction with the condition of the Property and Purchaser's ability to develop the Property for Purchaser's intended purpose, as determined by Purchaser in Purchaser's sole discretion, is a condition to closing of the purchase and sale. Purchaser shall notify Seller in writing on or before the Due Diligence Contingency Date whether or not Purchaser's due diligence contingency has been satisfied (the "Satisfaction Notice"). As used herein, the "Due Diligence Contingency Date" shall be forty-five (45) days after the later to occur of: (i) the mutual execution of this Agreement, (ii) Seller's delivery to Purchaser of a current ALTA survey of the Property, or (iii)

Seller's delivery to Purchaser of a current traffic impact study with respect to the proposed development of the Property. If Seller does not timely receive the Satisfaction Notice or if Purchaser notifies Seller in writing that Purchaser's due diligence contingency has not been satisfied, this Agreement shall terminate and Purchaser shall provide Seller with copies, at no cost to Seller, of all third party final reports obtained by Purchaser with respect to the physical condition of the Property.

- 6.3. During the term of this Agreement, Purchaser and its representatives shall, at reasonable times, be entitled to go upon the Property for the purpose of making or conducting any inspection, investigation, test or survey reasonably related to the purchase of the Property or to Purchaser's prospective use thereof, provided only that all such activities shall be without expense to Seller and that Purchaser shall fully and immediately restore the Property to substantially its present condition following conduct of any tests. Purchaser shall hold Seller harmless from any damage to persons or property caused by Purchaser's activities on the Property; provided that in no event shall Purchaser be required to indemnify Seller to the extent such liens, costs and expenses arise from the negligence or willful misconduct of Seller or Seller's agents or employees, and in no event shall Purchaser have any duty to indemnify, defend or hold any person or entity harmless from or against any claim, demand, damage, loss, action, liability, cause of action, or judgment, including without limitation, any claim for diminution in value of the Property or for environmental remediation or clean-up costs, arising out of or in connection with the mere fact of having discovered and/or reported (to the extent such reporting was required by law) any adverse physical condition, title condition, or other defect with respect to the Property.
- 6.4. For the purposes of this Agreement, "Hazardous Materials" shall mean any substance, chemical, waste or other material which is listed, defined or otherwise identified as "hazardous" or "toxic" under any federal, state, local or administrative agency law or ordinance including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*; the Federal Water Pollution Control Act, U.S.C. §§ 1251 *et seq.*; the Clean Air Act, 42 U.S.C. §§ 7401 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1471 *et seq.*; Toxic Substances Control Act, 15 U.S.C. §§ 2601 *et seq.*; Refuse Act, 33 U.S.C. §§ 407 *et seq.*; Emergency Planning and Community Right-To-Know Act, 42 U.S.C. §§ 11001 *et seq.*; Occupational Safety and Health Act, 29 U.S.C. §§ 65 *et seq.*, to the extent it includes the emission of any Hazardous Material and includes any Hazardous Material for which hazard communication standards have been established; Federal Insecticide, Fungicide, and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. §§ 136 *et seq.*; Federal Safe Drinking Water Act, 42 U.S.C. §§ 300(f) *et seq.*; or any similar or analogous state or local statute or ordinance, or any regulation, order, rule, or requirement adopted thereunder, as well as any formaldehyde, urea, polychlorinated biphenyls, petroleum, petroleum product or by-product, crude oil, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel or mixture thereof, radon, asbestos, and "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act of 1985, 42 U.S.C. §§ 3011 *et seq.*
- 6.5. As used in this Agreement, "Title Company" shall mean First American Title Insurance Company. Within thirty (30) days after the Effective Date, Purchaser shall obtain from Title Company and review a preliminary title report with respect to the Property, together with all documents and information pertaining to the exceptions to title listed in

such report. Purchaser may advise Seller in writing and in reasonable detail, not later than thirty (30) days after Purchaser's receipt of the Title Report, what exceptions to title, if any, listed in the then current preliminary report or disclosed on any survey obtained by Purchaser that are not acceptable to Purchaser (the "Title Objections"). Purchaser shall not, however, unreasonably express disapproval of any exceptions to title and, prior to notifying Seller of any Title Objections, shall endeavor in good faith to cause Title Company to modify and update the preliminary report to reflect requested corrections and revisions. Purchaser's failure to deliver a notice of Title Objections to Seller within such thirty (30) day period shall be deemed Purchaser's acceptance of all title and survey matters. Seller shall have five (5) business days after receipt of Purchaser's Title Objections to give Purchaser notice that: (i) Seller will remove any Title Objections from title (or afford the Title Company necessary information or certifications to permit it to insure over such exceptions), or (ii) Seller elects not to cause such exceptions to be removed. Seller's failure to provide notice to Purchaser within such five (5) business day period as to any Title Objection shall be deemed an election by Seller not to remove the Title Objection. If Seller so notifies or is deemed to have notified Purchaser that Seller shall not remove any or all of the Title Objections, Purchaser shall have until sixty (60) days after Purchaser's receipt of the Title Report to determine and to notify Seller whether Purchaser will: (a) proceed with the purchase and take the Property subject to such exceptions, or (b) terminate this Agreement. As used in this Agreement, "Permitted Exceptions" shall include and refer to any and all exceptions to title, excepting solely Title Objections that have been identified by Purchaser within the time frames contained in this Section and that Seller has notified Purchaser pursuant to this Section that Seller is willing to remove.

7. PURCHASER'S AND SELLER'S CONTINGENCIES

- 7.1. Purchaser's obligations under this Agreement are contingent upon the satisfaction or waiver of Purchaser's due diligence and title contingencies set forth above within the time frames set forth above.
- 7.2. Purchaser's obligations under this Agreement are contingent upon the mutual execution of this Agreement and approval of this Agreement by Seller's board.
- 7.3. Purchaser's obligations under this Agreement are contingent upon all representations of Seller contained in this Agreement are accurate and complete in all material respects at the time of a Closing as if made again at that time.
- 7.4. Purchaser's obligations under this Agreement are contingent upon Seller's performance all of the obligations to be performed by Seller under this Agreement at or before Closing.
- 7.5. Purchaser's obligations under this Agreement are contingent upon the Title Company being prepared to issue the Purchaser's ALTA extended coverage Title Policy conforming to the requirements of this Agreement.
- 7.6. Purchaser's obligations under this Agreement are contingent upon Purchaser obtaining final, binding approvals that are not subject to appeal for all governmental approvals required by Purchaser for Purchaser's proposed development of the Property, including, without limitation, all PUD, subdivision, public improvement, land use, building permit and other similar approvals.

- 7.7. Purchaser's obligations under this Agreement are contingent upon the creation of separate legal lots for all portions of the Property to be purchased by Purchaser and which are to be retained by Seller.
- 7.8. Purchaser's obligations under this Agreement are contingent upon the receipt of a binding commitment from Seller to pay for the cost of development and construction of the public plaza and public rights of way and infrastructure contiguous with the Property pursuant to the terms and provisions of the Development Agreement, as well as for the dedication of land areas needed for all such public rights of way.
- 7.9. Purchaser's obligations under this Agreement are contingent upon the receipt of a construction financing commitment with respect to the development of the portion of the Property to be acquired as part of the Phase I Purchase upon such terms and from such lender as is reasonably acceptable to Purchaser.
- 7.10. Purchaser's obligations under this Agreement are contingent upon obtaining pre-release or pre-sale commitments for a minimum of 40% of the proposed retail, office and/or commercial buildings contemplated to be developed on the portion of the Property to be acquired as part of the Phase I Purchase, or as may be required by Purchaser's construction lender.
- 7.11. Purchaser's obligations under this Agreement are contingent upon the receipt by Seller of all building permits necessary for the construction of the public plaza, all public rights of way and all other related infrastructure that is contiguous to the Property.
- 7.12. Purchaser's obligations under this Agreement are contingent upon the receipt of a confirmation from the State of Oregon Bureau of Labor and Industries that under the State of Oregon prevailing wage laws, Purchaser shall have no obligation to pay prevailing wages in connection with Purchaser's proposed development of the Property.
- 7.13. Purchaser's obligations under this Agreement are contingent upon Seller not being in default of the Development Agreement.
- 7.14. Seller's obligations under this Agreement are contingent upon Purchaser providing evidence, reasonably acceptable to Seller, that Purchaser has obtained a loan commitment for construction of a substantial portion of the development on the Phase I Purchase, which commitment shall include a typical completion guarantee in favor of the construction lender.

8. PURCHASER'S RESPONSIBILITIES

- 8.1. Purchaser shall submit a preliminary proforma demonstrating the financial feasibility of the proposed development of the Property to Seller for Seller's review no later than two (2) weeks after the Due Diligence Contingency Date.
- 8.2. Purchaser shall provide Seller with monthly updates on Purchaser's efforts with respect to the development of the Property. Such reports are not intended to be comprehensive reports but merely a summary of the development progress that has occurred during the month period immediately prior to the date of each such report.

8.3. Purchaser shall develop a proposed schedule of performance with respect to the proposed development of the Property for review by Seller. Currently, it is contemplated that such schedule of performance will be as follows, subject Delay Events:

| <u>Date</u> | <u>Milestone</u> |
|--|---|
| Due Diligence Contingency Date | Purchaser's due diligence ends |
| 2 Weeks following Due Diligence Contingency Date | Purchaser provides draft master plan to Seller |
| 4 Weeks following Due Diligence Contingency Date | Seller approves master plan (not to be unreasonably withheld) |
| Day after Seller approves master plan | Purchaser initiates PUD zoning process |
| 7/31/09 | Phase I closing occurs and commences construction. |

8.4. Purchaser shall develop a preliminary master plan for the Property.

8.5. Purchaser shall use commercially reasonable efforts to obtain a planned unit development zoning designation for the Property.

8.6. Purchaser shall use commercially reasonable efforts to obtain all legal lot subdivisions to effectuate the transactions contemplated by this Agreement.

8.7. Purchaser shall provide Seller with schematic and design documents promptly following preparation by Purchaser's architect.

8.8. Purchaser shall provide Seller with such information as Seller reasonably requests regarding the potential sources of financing of the proposed development of the Property.

8.9. Purchaser shall develop a marketing program for the sale or lease of the buildings to be developed on the Property.

8.10. Purchaser shall participate in Seller's community outreach/public input process pertaining to the proposed development of the Property.

8.11. Purchaser agrees to construct Project Improvements as defined and set forth in the Development Agreement between the Seller and Purchaser which is attached and incorporated herein.

8.12. Purchaser agrees to assist Seller with Infrastructure Improvements as defined and set forth in the Development Agreement which is attached and incorporated herein.

9. CLOSING

9.1. The Closing of the purchase and sale of the Property shall occur in two phases, the first with respect to the portion of the Property to be acquired as part of the Phase I

Purchase (the "Phase I Closing"), and the second with respect to the Phase II Property (the "Phase II Closing"). Each closing will occur in an escrow to be administered by the Title Company ("Escrow"). The parties agree to provide the Title Company with escrow instructions consistent with the terms of this Agreement.

- 9.2. The closing date ("Closing" or "Closing Date") for the Phase I Closing shall occur on a date selected by Purchaser that is on or before the Phase I Purchase Outside Date and the Phase II Closing shall occur on a date selected by Purchaser that is on or before the Phase II Purchase Outside Date.
- 9.3. On or before the applicable Closing Date, Seller shall deposit into Escrow funds to pay Seller's portion of the closing costs and Title Insurance, as well as all of the following: (i) an original special warranty deed in statutory form (the "Deed"), duly executed by Seller and notarized, (ii) a certificate of non-foreign status (the "FIRPTA Certificate"), and (iii) such documents as the Title Company may require to establish the authority of Seller to complete the sale of the Property as contemplated by this Agreement and to issue the Purchaser's Title Policy with respect to the portion of the Property purchased on such Closing Date.
- 9.4. On or before the applicable Closing Date, Purchaser shall deposit into Escrow such funds (by certified check or wire transfer) as are necessary to complete payment of the Purchase Price that is payable on such Closing Date under the terms and provisions of this Agreement, and to pay Purchaser's portion of the closing costs. Purchaser shall also deposit into Escrow such documents as the Title Company may require to complete the sale of the Property as contemplated by this Agreement.
- 9.5. On the Closing Date, the Title Company shall: (i) deliver the applicable Purchase Price to Seller; (ii) cause the Deed to be recorded in the Official Records of Washington County, Oregon; (iii) deliver to Purchaser the Purchaser's Title Policy (defined below) and, the executed FIRPTA Certificate, (iii) promptly after such Closing, the Title Company shall deliver to each of Purchaser and Seller an accounting of all funds received and disbursed and copies of all executed and recorded or filed documents deposited with the Title Company with the recording or filing information noted on such documents.
- 9.6. On the applicable Closing Date, the Title Company shall issue to Purchaser an extended ALTA owner's policy of title insurance (the "Purchaser's Title Policy"), insuring Purchaser as the owner of the portion of the Property acquired on such Closing Date subject only to non-delinquent real property taxes and assessments and the Permitted Exceptions. The Purchaser's Title Policy shall have a liability limit equal to the Purchase Price for the portion of the Property acquired on such Closing Date. Seller shall pay the premium for extended ALTA coverage and endorsements.
- 9.7. Purchaser shall pay one-half of the Title Company's escrow fee and all recording fees, and Seller shall pay one-half of the Title Company's escrow fee and all transfer or similar taxes.
- 9.8. The Title Company shall prorate, as of the Closing Date, real property taxes and assessments payable in the tax year of the Closing between Purchaser and Seller based upon the number of days such portion of the Property conveyed on the Closing Date is owned by the respective parties during such year. If such portion of the

Property is subject to taxation for a prior tax year as a result of the transfer of such portion of the Property from a public Seller to a taxable purchaser, Purchaser shall pay the taxes for such earlier tax years.

9.9. Seller will deliver possession of the applicable portion of the Property to Purchaser at Closing, free of all rights of possession of Seller or any third parties.

10. WARRANTIES

10.1. Seller hereby represents and warrants to Purchaser as follows:

10.1.A. Seller has full power and authority to enter into and perform this Agreement in accordance with its terms, and all requisite action has been taken by Seller in connection with the execution of this Agreement and the transaction contemplated by this Agreement.

10.1.B. This Agreement has been duly executed and delivered by Seller and constitutes a valid, binding and enforceable obligation of Seller.

10.1.C. Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended.

10.1.D. There is no litigation, claim or arbitration pending or, to Seller's knowledge, threatened with respect to the Property. There is no condemnation, environmental, zoning or other proceeding, either instituted or to Seller's knowledge, planned to be instituted, which could detrimentally affect the use, development or operation of the Property or the value of the Property, nor has Seller received notice of any special assessment proceeding affecting the Property.

10.1.E. Except as disclosed to the Purchaser in writing, Seller has received no notice from any governmental entity that the Property is in violation of any laws, ordinances, rules or regulations applicable to the Property, including, without limitation, any such laws, ordinances, rules or regulations pertaining to Hazardous Materials. Neither Seller, nor, to Seller's knowledge, any third party has used, generated, manufactured, produced, stored or disposed of on, under, or about the Property or transported to or from the Property any Hazardous Materials.

10.1.F. Seller owns the Property free and clear of all liens, encumbrances, leases or other occupancy rights and security interests whatsoever, subject only to the Permitted Exceptions. Seller has not performed, nor caused to be performed, any work on the Property which would cause a construction or other lien to be filed against the Property. No special tax, regular or special assessment, license, fee, impact or development fee, levy, late-comer charge, mitigation payment, lien or charge (individually and collectively a "Charge") has been imposed against the Property or Seller by any governmental, quasi-governmental, public, quasi-public, utility, transportation or other entity, authority or agency (individually and collectively an "Agency"). Seller has not entered into any agreement or understanding with respect to any Charge which may now or hereafter, directly or indirectly, be imposed on the Property or become an obligation of

the owner of the Property. Seller has not agreed to install, construct, modify, repair or improve any improvement for or on behalf of any Agency, the cost of which may now or hereafter, directly or indirectly, be imposed on the Property or become an obligation of the owner of the Property.

10.1.G. Seller knows of no defect in the physical condition of the Property.

10.1.H. No representation, warranty or statement of Seller in this Agreement contains any untrue statement of a material fact or omits a material fact necessary to make the statements of fact contained herein not misleading. All such representations, warranties and statements of Seller are based upon current, accurate, and complete information and there has been no adverse material change in such information. Seller knows of no material fact nor has Seller failed to disclose to Purchaser any material fact which would prevent Purchaser from developing the Property after the closing of the sale of the Property as contemplated by Purchaser.

10.1.I. Seller and each person or entity owning an interest in Seller is:

(1) not identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury ("OFAC") and/or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "List"), and

(2) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, and

(3) none of the funds or other assets of Seller constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person (as hereinafter defined), and

(4) no Embargoed Person has any interest of any nature whatsoever in Seller (whether directly or indirectly). The term "Embargoed Person" means any person, entity or government subject to trade restrictions under law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated thereunder with the result that the investment in Seller is prohibited by law or Seller is in violation of law. Seller also shall require, and shall take reasonable measures to ensure compliance with the requirement, that no person who owns any other direct interest in Seller is or shall be listed on any of the Lists or is or shall be an Embargoed Person.

10.2. Purchaser hereby represents and warrants to Seller as follows:

10.2.A. Purchaser has full power and authority to enter into and perform this Agreement in accordance with its terms, and all requisite action has been

taken by Purchaser in connection with the execution of this Agreement and the transactions contemplated hereby.

10.2.B. This Agreement has been duly executed and delivered by Purchaser and constitutes a valid, binding and enforceable obligation of Purchaser.

10.2.C. Purchaser represents and warrants that Purchaser and each person or entity owning an interest in Purchaser is:

(1) not identified on any List maintained by OFAC and/or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation; and

(2) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States; and

(3) none of the funds or other assets of Purchaser constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person; and

(4) no Embargoed Person has any interest of any nature whatsoever in Purchaser (whether directly or indirectly). Purchaser also shall require, and shall take reasonable measures to ensure compliance with the requirement, that no person who owns any other direct interest in Purchaser is or shall be listed on any of the Lists or is or shall be an Embargoed Person.

10.3. Except as expressly set forth in this Agreement, as of the Effective Date, no warranties, guarantees or representations have been or are being made by Seller or any agent or representative of Seller concerning: (i) the availability of any governmental permits or approvals obtained or to be obtained in connection with Purchaser's use of the Property, except to the extent that such permits or approvals may be obtained by Purchaser applying for, and the City of Sherwood approving, such permits or approvals through the City's regulatory land use and building permit processes; (ii) the suitability of the Property for Purchaser's intended use; (iii) the physical condition of the Property; (iv) the compliance of the Property with any past or present zoning, land use, building, fire, safety, environmental or other ordinances, restrictions, laws and regulations; (v) the sub-surface condition of the Property; or (vi) the presence of any material in, under, or on the Property which is regulated by any ordinance, regulation or law.

10.4. Purchaser will accept the Property in its present condition, "AS IS, WITH ALL FAULTS" without any representations or warranties by Seller or any agent or representative of Seller, expressed or implied, except as set forth in this Agreement and the documents to be delivered by Seller at Closing. Purchaser acknowledges that Purchaser will ascertain for itself the value and condition of the Property and Purchaser is not relying on, nor has Purchaser been influenced by, any representation of Seller or any agent or representative of Seller regarding the value, condition, or any aspect of the Property, except as set forth in this Agreement. As part of Purchaser's agreement to purchase the Property "AS IS, WITH ALL FAULTS," and not as a limitation on such

agreement, Purchaser hereby unconditionally and irrevocably waives and releases any and all actual or potential rights Purchaser might have regarding any form of warranty, express or implied, of any kind or type, relating to the Property, except for Seller's warranties set forth in this Agreement and the documents to be delivered by Seller at Closing. Such waiver is absolute, complete, total and unlimited in every way.

11. BROKERAGE COMMISSIONS

- 11.1. Seller acknowledges to Purchaser that it has a broker relationship with GVA Kidder Mathews in connection with the transactions contemplated by this Agreement, whose fee shall be paid by Seller. Seller shall protect, defend, indemnify, and hold Purchaser harmless for, from and against any and all other claims, liabilities or demands with respect to any fees or other compensation asserted as a result of Seller's actions in connection with this Agreement.
- 11.2. Purchaser acknowledges to Seller that Purchaser has not used a broker or finder in connection with the transactions contemplated by this Agreement. Purchaser shall protect, defend, indemnify, and hold Seller harmless for, from and against any and all other claims, liabilities or demands with respect to any fees or other compensation asserted as a result of Purchaser's actions in connection with this Agreement.
- 11.3. These indemnities shall survive the Closing or the termination of this Agreement.

12. BREACH

- 12.1. If a party (a "Breaching Party") is in breach of such party's obligations under this Agreement, the non-breaching party (the "Non-Breaching Party") may give the Breaching Party written notice of such default. If such default is not cured within thirty (30) days of the date of such notice is received by the Breaching Party, the Non-Breaching Party may then terminate this Agreement by written notice to the Breaching Party; provided, if the Breaching Party notifies the Non-Breaching Party that the default specified in such notice is one that cannot be cured within such thirty (30) day period, but that the Breaching Party has commenced the cure of such default and is diligently pursuing the cure of such default to completion, the Non-Breaching Party may not terminate this Agreement prior to the completion of such cure unless the Breaching Party ceases to diligently pursue the cure of such default.
- 12.2. If this Agreement is terminated pursuant to the provisions of this Section, neither party shall have any further obligations under this Agreement; provided, however, if this Agreement is terminated due to a Seller default, Purchaser shall be entitled to pursue any remedy available to Purchaser at law or in equity, including, without limitation, an action of specific performance, or receive reimbursement from Seller for all costs and expense incurred by Purchaser in connection with this Agreement, including, without limitation, Purchaser's due diligence costs and costs and expense incurred in connection with efforts to obtain financing. If this Agreement is terminated due to Purchaser's default, Seller shall be entitled to receive Seller's out of pocket third party costs incurred in connection with the transaction contemplated by this Agreement up to an amount equal to Fifty Thousand Dollars (\$50,000.00).

13. CONDEMNATION

If after the Effective Date, and prior to Closing, the Property is or becomes subjected to a bona fide threat of condemnation by a body having the power of eminent domain, or is taken by eminent domain or condemnation (or sale in lieu thereof), Purchaser shall have the right to terminate this Agreement by written notice to Seller or proceed with the purchase (in which event all condemnation proceeds shall be paid to Purchaser).

14. DAMAGE OR DESTRUCTION

14.1. All risk of damage or destruction of the Property after the Effective Date and prior to Closing shall remain with the Seller. If the Property is or becomes damaged, the Seller shall notify the Purchaser of the extent of the damage and the scope of necessary repairs as soon as such information is reasonably available to the Seller, and Purchaser shall give notice within ten (10) business days after receiving Seller's notification, of its election to either proceed with the Closing, or to terminate the Agreement. If the Purchaser elects to proceed to Closing, the Seller shall assign any available insurance proceeds applicable directly to the Property to the Purchaser for Purchaser's use in making repairs, but Seller's responsibility for repairs is limited to the applicable insurance proceeds. If the Purchaser elects to terminate the Agreement solely as a result of damage or destruction, the termination shall be effective as of the date of Purchaser's notice. In the case of termination under this Section, no breach of the Agreement shall be deemed to have occurred, and a Party shall have no further claim or remedy against the other party as a result of the termination.

15. GENERAL PROVISIONS

15.1. Assignment

Purchaser may not assign this Agreement or its rights under this Agreement without the written consent of the Seller, which consent shall not be unreasonably withheld or delayed; provided, however, no consent shall be required in connection with the assignment of Purchaser's interest in this Agreement to any entity in which Purchaser has an ownership or management interest. Purchaser shall remain a manager of any entity to which Purchaser assigns its interest in this Agreement. This Agreement shall be binding upon and inure to the benefit of any permitted assignee or successor in interest to a party, and Purchaser shall be released of all obligations under this Agreement.

15.2. Notices

All notices and demands which either party gives to the other under this Agreement shall be sent by hand delivery, by registered or certified mail (postage pre-paid, return-receipt requested), by fax transmission, or by Federal Express or other reputable overnight courier service. All notices and demands shall be given to a party at the address or fax number set forth at the beginning of this Agreement or as may be changed upon written notice to the other party. Notices shall be effective upon the earlier of actual delivery or refusal of a party to accept delivery thereof; *provided that* notices given by fax transmission shall be simultaneously transmitted by another means allowed hereunder. A copy of any notice given to Purchaser shall also be given to Brad Miller, Ball Janik LLP, 101 SW Main Street, Suite 1100, Portland, Oregon 97204. A copy of any notice given to the Seller shall also be given

to Pamela J. Beery, Beery, Elsner & Hammond, 1750 SW Harbor Way, Suite 380, Portland, Oregon 97201.

15.3. Severability

If any provision of this Agreement shall be invalid or unenforceable, the remaining provisions shall not be affected thereby, and every provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

15.4. Attorneys' Fees

In the event a suit, action, arbitration, or other proceeding of any nature whatsoever, including, without limitation, any proceeding under the U.S. Bankruptcy Code, is instituted, or the services of an attorney are retained with respect to any dispute relating to this Agreement, the prevailing or non-defaulting party shall be entitled to recover from the losing or defaulting party its reasonable attorneys', paralegals', accountants', and other experts' fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith. In the event of suit, action, arbitration, or other proceeding, the amount thereof shall be determined by the judge or arbitrator, shall include fees and expenses incurred on any appeal or review, and shall be in addition to all other amounts provided by law.

15.5. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon.

15.6. Time of the Essence

Time is of the essence in this Agreement.

15.7. Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument.

15.8. Amendment to this Agreement

The terms of this Agreement may not be modified or amended except by an instrument in writing executed by Seller and Purchaser.

15.9. Waiver

The waiver or failure to enforce any provision of this Agreement shall not operate as a waiver of any future breach of any such provision or any other provision hereof.

15.10. Statutory Disclaimer

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 197.352. 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 APPROVED USES, THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 197.352.

15.11. Consequences of Termination

If Purchaser or Seller terminates this Agreement, neither Purchaser nor Seller will have any further obligation under this Agreement, except for indemnity obligations, which shall survive such termination. Nothing in this Section is intended to limit the provisions of this Agreement dealing with the disposition funds or documents held in Escrow following termination of the obligations of Purchaser or Seller. In addition, neither the termination of this Agreement nor this Section limits the liability of a party for its breach of this Agreement, which liability shall survive termination.

15.12. Public Communications

Whenever commercially practicable, all public communications concerning the Property (such as press releases or information provided to the media and all substantive discussions with public agencies having jurisdiction over the Property) will be undertaken jointly by Purchaser and Seller and shall be subject to prior written approval of each party, which approval shall not be unreasonably withheld, conditioned or delayed.

15.13. Survival

Except as otherwise provided in this Agreement, all covenants, undertakings and obligations under this Agreement and all representations and warranties contained in this Agreement will survive Closing and will not be merged into the Deed or other documents delivered under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

SELLER:

City of Sherwood Urban Renewal District

By: _____
Jim Patterson, District Manager

PURCHASER:

Capstone Partners LLC, an Oregon limited liability company

By: _____
Chris Nelson, Member

By: Triangle Development Company, an Oregon corporation, Member

Jeffrey M. Sackett, President

EXHIBIT A-1

LEGAL DESCRIPTION of CURRENT SELLER PROPERTY

Real property in the County of Washington , State of Oregon, described as follows:

PARCEL I:

BEGINNING AT A POINT ON THE SOUTHERLY BOUNDARY OF THE SOUTHERN PACIFIC RIGHT OF WAY, FROM WHICH THE CENTER OF SECTION 32, TOWNSHIP 2 SOUTH, RANGE 1 WEST OF THE WILLAMETTE MERIDIAN, IN WASHINGTON COUNTY, OREGON, BEARS SOUTH 47°17' WEST, 230.0 FEET AND SOUTH 43°24' EAST, 1443.0 FEET, BEING ALSO THE MOST NORTHERLY CORNER OF THE WAREHOUSE LOT; FROM THE SAID BEGINNING POINT;
RUNNING THENCE SOUTH 43°33' EAST, 200.00 FEET TO THE NORTHERLY LINE OF THAT CERTAIN TRACT OF LAND, DEED FOR WHICH IS RECORDED IN DEED BOOK 102, PAGE 0497;
THENCE WITH THE NORTHERLY LINE OF SAID TRACT, NORTH 47°50' EAST, 90 FEET;
THENCE NORTH 43°33' WEST, 200.26 FEET TO THE ABOVE DESCRIBED RIGHT OF WAY LINE;
THENCE SOUTH 47°18' WEST 90 FEET TO THE PLACE OF BEGINNING.

PARCEL II:

BEGINNING AT THE CENTER OF SECTION 32, TOWNSHIP 2 SOUTH, RANGE 1 WEST OF THE WILLAMETTE MERIDIAN, IN WASHINGTON COUNTY, OREGON;
RUNNING THENCE NORTH 43°24' WEST, 21.87 CHAINS TO THE SOUTH BOUNDARY LINE OF THE SOUTHERN PACIFIC RAILROAD RIGHT OF WAY;
THENCE NORTH 47°15' EAST, 130 FEET TO THE PLACE OF BEGINNING;
THENCE NORTH 47°18' EAST, 100 FEET;
THENCE SOUTH 46°36' EAST, 200 FEET;
THENCE SOUTH 42°45' WEST, 100 FEET;
THENCE NORTH 43°24' WEST, 200 FEET TO THE PLACE OF BEGINNING.

PARCEL III:

BEGINNING AT THE CENTER OF SECTION 32, TOWNSHIP 2 SOUTH, RANGE 1 WEST OF THE WILLAMETTE MERIDIAN, IN WASHINGTON COUNTY, OREGON AND
RUNNING THENCE NORTH 43°24' WEST, 21.87 CHAINS TO THE SOUTH BOUNDARY LINE OF THE RIGHT
OF WAY OF THE PORTLAND AND WILLAMETTE VALLEY RAILROAD COMPANY (NOW HELD AND USED BY SOUTHERN PACIFIC COMPANY);
THENCE NORTH 47°15' EAST, 30 FEET TO A POINT WHICH IS THE TRUE PLACE OF BEGINNING OF THE LAND HEREBY DESCRIBED;
THENCE RUNNING NORTH 47°15' EAST 100 FEET;
THENCE SOUTH 46°36' EAST, 50 FEET;
THENCE SOUTH 42°45' WEST, 100 FEET;
THENCE NORTH 43°24' WEST, 50 FEET TO THE PLACE OF BEGINNING.

PARCEL IV:

BEGINNING AT A POINT ON THE SOUTHERLY LINE OF THE RIGHT OF WAY OF THE SOUTHERN PACIFIC COMPANY, WHICH IS NORTH 43°24' WEST, 1443.0 FEET OF THE CENTER OF SECTION 32, TOWNSHIP 2
SOUTH, RANGE 1 WEST OF THE WILLAMETTE MERIDIAN, IN WASHINGTON COUNTY, OREGON, SAID POINT BEING ALSO THE NORTHERLY CORNER OF EPLER'S ADDITION TO SHERWOOD;
THENCE NORTH 47° 14' EAST ALONG SAID SOUTHEASTERLY RIGHT OF WAY LINE, 30.0 FEET TO THE MOST WESTERLY CORNER OF TRACT CONVEYED TO WILLIAM FRANKLIN SMITH BY DEED RECORDED IN DEED BOOK 106, PAGE 0359;
THENCE SOUTH 43°24' EAST, 50.0 FEET TO THE MOST SOUTHERLY CORNER OF SAID SMITH TRACT;

THENCE NORTH 47° 15' EAST, 100.0 FEET TO THE MOST EASTERLY CORNER OF SAID SMITH TRACT;
THENCE SOUTH 43°24' EAST ALONG THE SOUTHWESTERLY LINE OF TRACT CONVEYED TO CRAVES
CANNING CO., A CORPORATION, BY DEED RECORDED IN DEED BOOK 121, PAGE 0076, 40.0 FEET;
THENCE SOUTH 47°26' WEST, 130.0 FEET TO THE NORTHEASTERLY LINE OF SAID EPLER'S ADDITION;
AND
THENCE NORTH 43°24' WEST TO THE TRUE PLACE OF BEGINNING.
EXCEPTING THEREFROM THAT PORTION DEDICATED FOR RIGHT-OF-WAY PURPOSES BY RESOLUTION
2007-080 RECORDED NOVEMBER 2, 2007 AS FEE NO. 2007-115729.

PARCEL V:

ALL OF LOT 5, BLOCK 1, EPLER'S ADDITION TO SHERWOOD (PLAT VOLUME 3, PAGE 0004), IN THE
COUNTY OF WASHINGTON AND STATE OF OREGON.
EXCEPT A STRIP FROM THE SOUTHERLY END OF SAID LOT WHICH HAS BEEN PREVIOUSLY DEEDED TO
THE TOWN OF SHERWOOD FOR STREET PURPOSES BY DEED BOOK 147, PAGE 0079.
ALSO EXCEPTING THEREFROM THAT PORTION DEDICATED FOR RIGHT-OF-WAY PURPOSES BY
RESOLUTION 2007-080 RECORDED NOVEMBER 2, 2007 AS FEE NO. 2007-115729.

PARCEL VI:

BEGINNING AT THE MOST NORTHERLY CORNER OF LOT 5, BLOCK 1, EPLER'S ADDITION TO
SHERWOOD (PLAT VOLUME 3, PAGE 0004), IN WASHINGTON COUNTY, OREGON;
THENCE WITH THE NORTHEASTERLY LINE OF SAID LOT EXTENDED, NORTH 43°24' WEST, 18.0 FEET
TO THE SOUTHEASTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC COMPANY;
THENCE RUNNING ALONG SAID RIGHT OF WAY LINE, SOUTH 47°33' WEST 50.0 FEET;
THENCE SOUTH 43°24' EAST, 18.0 FEET TO THE MOST WESTERLY CORNER OF SAID LOT 5; AND
THENCE NORTH 47°33' EAST, 50.0 FEET TO THE PLACE OF BEGINNING.

PARCEL VII:

BEGINNING AT A POINT ON THE SOUTHEASTERLY BOUNDARY LINE OF THE SOUTHERN PACIFIC RIGHT
OF WAY, IN SECTION 32, TOWNSHIP 2 SOUTH, RANGE 1 WEST OF THE WILLAMETTE MERIDIAN, IN
WASHINGTON COUNTY, OREGON; FROM SAID BEGINNING POINT THE CENTER OF SAID SECTION 32
BEARS SOUTH 47°17', WEST, 320 FEET AND SOUTH 43°24' EAST, 1443 FEET; FROM SAID BEGINNING
POINT;
RUNNING THENCE WITH THE SAID RIGHT OF WAY LINE, NORTH 47°17' EAST, 350.8 FEET;
THENCE SOUTH 42°44' EAST, 511 FEET;
THENCE SOUTH 47°24' WEST, 328 FEET;
THENCE NORTH 43°24' WEST, 310 FEET TO AN IRON PIPE AT THE MOST NORTHERLY CORNER OF
TRACT, DEED FROM WHICH IS RECORDED IN DEED BOOK 102, PAGE 0497;
THENCE WITH THE NORTHWESTERLY LINE OF SAID TRACT SOUTH 47°50' WEST, 17 FEET;
THENCE NORTH 43°33' WEST, 200.26 FEET TO THE PLACE OF BEGINNING.

PARCEL VIII:

BEGINNING AT AN IRON PIPE WHICH BEARS NORTH 43°24' WEST 1243.4 FEET AND NORTH 47°15'
EAST 337.85 FEET FROM A STONE SET FOR THE CENTER OF SECTION 32, TOWNSHIP 2 SOUTH, RANGE
1 WEST OF THE WILLAMETTE MERIDIAN, IN THE COUNTY OF WASHINGTON AND STATE OF OREGON;
SAID POINT OF BEGINNING BEING THE MOST NORTHERLY CORNER OF A TRACT OF LAND CONVEYED
TO THE CITIZENS BANK OF SHERWOOD BY DEED RECORDED IN DEED BOOK 154, PAGE 0449;
THENCE SOUTH 43°24' EAST ALONG THE NORTHEASTERLY LINE OF SAID TRACT, 280 FEET TO A
CORNER OF SAME;
THENCE SOUTH 47°15' WEST 17 FEET TO A POINT;
THENCE NORTH 43°24' WEST 280 FEET TO A POINT;
THENCE NORTH 47°15' EAST TO THE PLACE OF BEGINNING.

PARCEL IX:

ALL OF LOTS 7 AND 8, BLOCK 1 EPLER'S ADDITION TO SHERWOOD (PLAT VOLUME 3, PAGE 0004), IN WASHINGTON COUNTY, OREGON;
EXCEPTING A TRACT DEEDED BY ELLA WECKERT TO THE PUBLIC FOR STREET PURPOSES, BY INSTRUMENT RECORDED IN DEED BOOK 147, PAGE 0079.

PARCEL X:

BEGINNING AT THE MOST NORTHERLY CORNER OF LOT 7, BLOCK 1, EPLER'S ADDITION TO SHERWOOD (PLAT VOLUME 3, PAGE 0004), IN WASHINGTON COUNTY, OREGON;
THENCE SOUTHERLY ALONG THE NORTHWESTERLY LINE OF SAID BLOCK 1, 105 FEET TO THE MOST WESTERLY CORNER OF LOT 8 IN SAID BLOCK;
THENCE NORTH 43°24' WEST FOLLOWING THE MOST SOUTHERLY LINE OF SAID LOT 8 IF EXTENDED, 18 FEET TO THE SOUTHEASTERLY LINE OF THE RIGHT OF WAY OF THE SOUTHERN PACIFIC RAILROAD;
THENCE NORTHERLY FOLLOWING THE SOUTHEASTERLY LINE OF SAID RIGHT OF WAY 105 FEET;
THENCE SOUTH 43°24' EAST, 18 FEET TO THE PLACE OF BEGINNING.

PARCEL XI:

THE NORTHEASTERLY 15 FEET OF LOT 6, BLOCK 1, EPLER'S ADDITION TO SHERWOOD (PLAT VOLUME 3, PAGE 0004), IN THE COUNTY OF WASHINGTON AND STATE OF OREGON.

PARCEL XII:

BEGINNING AT THE MOST NORTHERLY CORNER OF LOT 6, BLOCK 1, EPLER'S ADDITION TO SHERWOOD (PLAT VOLUME 3, PAGE 0004), IN THE COUNTY OF WASHINGTON AND STATE OF OREGON;
THENCE WITH THE NORTHEASTERLY LINE OF SAID LOT EXTENDED, NORTH 43°24' WEST 18 FEET TO THE SOUTHEASTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC COMPANY;
THENCE RUNNING WITH SAID RIGHT OF WAY LINE, SOUTH 47°33' WEST 15 FEET;
THENCE SOUTH 43°24' EAST 18 FEET TO THE WESTERLY LINE OF SAID LOT 6, BLOCK 1, EPLER'S ADDITION TO SHERWOOD;
THENCE WITH THE SAID WESTERLY LINE OF LOT 6, NORTH 47°33' EAST 15 FEET TO THE PLACE OF BEGINNING.

PARCEL XIII:

BEGINNING AT THE SOUTHWEST CORNER OF THAT CERTAIN TRACT DEEDED TO JOHN BRIGHOUSE AND IVY M. BRIGHOUSE IN DEED BOOK 254, PAGE 0025, SAID BEGINNING POINT BEING NORTH 43°24' WEST 1353.42 FEET FROM A STONE MARKED WITH X, SET FOR CENTER OF SECTION 32, TOWNSHIP 2 SOUTH, RANGE 1 WEST OF THE WILLAMETTE MERIDIAN, IN WASHINGTON COUNTY, OREGON;
RUNNING THENCE NORTH 47°15' EAST AND PARALLEL WITH THE PORTLAND AND WILLAMETTE VALLEY RAILROAD RIGHT OF WAY 130 FEET;
THENCE SOUTH 43°24' EAST 110 FEET;
THENCE NORTH 47°15' EAST AND PARALLEL WITH SAID PORTLAND AND WILLAMETTE VALLEY RAILROAD RIGHT OF WAY 6 FEET;
THENCE SOUTH 43°24' EAST 105 FEET;
THENCE SOUTH 47°15' WEST AND PARALLEL WITH SAID RAILROAD RIGHT OF WAY 48 FEET;
THENCE NORTH 43°24' WEST 75 FEET;
THENCE SOUTH 47°15' WEST 13 FEET;
THENCE NORTH 43°24' WEST 128 FEET;
THENCE SOUTH 47°15' WEST 75 FEET TO THE SOUTH LINE OF BRIGHOUSE TRACT;
THENCE NORTH 43°24' WEST 12 FEET TO THE POINT OF BEGINNING.
EXCEPTING THEREFROM THAT PORTION DEDICATED FOR RIGHT-OF-WAY PURPOSES BY RESOLUTION 2007-080 RECORDED NOVEMBER 2, 2007 AS FEE NO. 2007-115729.

PARCEL XIV:

BEGINNING AT THE SOUTHWEST CORNER OF THAT CERTAIN TRACT DEEDED TO JOHN BRIGHOUSE AND IVY M. BRIGHOUSE IN DEED BOOK 254, PAGE 0025, SAID BEGINNING POINT BEING NORTH 43°24' WEST 1353.42 FEET FROM A STONE MARKED WITH X, SET FOR CENTER OF SECTION 32, TOWNSHIP 2 SOUTH, RANGE 1 WEST OF THE WILLAMETTE MERIDIAN, IN WASHINGTON COUNTY, OREGON;

RUNNING THENCE SOUTH 43°24' EAST 12 FEET TO THE TRUE POINT OF BEGINNING OF THE TRACT TO BE DESCRIBED;

THENCE NORTH 47°15' EAST 75 FEET TO A POINT;

THENCE SOUTH 43°24' EAST 128 FEET;

THENCE NORTH 47°15' EAST 13 FEET;

THENCE SOUTH 43°24' EAST 75 FEET TO A POINT;

THENCE SOUTH 47°15' WEST 88 FEET, MORE OR LESS, TO A POINT WHICH IS SOUTH 43°24' EAST OF THE TRUE POINT OF BEGINNING;

THENCE NORTH 43°24' WEST TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION DEDICATED FOR RIGHT-OF-WAY PURPOSES BY RESOLUTION 2007-080 RECORDED NOVEMBER 2, 2007 AS FEE NO. 2007-115729.

PARCEL XV:

LOT 6, EPLER'S ADDITION TO SHERWOOD (PLAT VOLUME 3, PAGE 0004), IN THE CITY OF SHERWOOD, COUNTY OF WASHINGTON AND STATE OF OREGON.

TOGETHER WITH THAT PORTION OF THE VACATED STREET LYING ADJACENT TO AND NORTHWESTERLY OF SAID LOT 6 WHICH INURED THERETO BY ORDINANCE NO. 112, RECORDED MAY 14, 1931 IN BOOK 147, PAGE 0080.

EXCEPTING THEREFROM THE NORTHERLY MOST 15 FEET OF SAID LOT 6, LYING WITHIN 15 FEET OF THE BOUNDARY LINE BETWEEN AND COMMON TO LOTS 5 AND 6, EPLER'S ADDITION TO SHERWOOD (PLAT VOLUME 3, PAGE 0004), AS CONVEYED TO PORTLAND CANNING COMPANY, INC., AN OREGON CORPORATION, BY DEED RECORDED JUNE 11, 1953 IN BOOK 345, PAGE 0621.

THE LEGAL DESCRIPTION WAS CREATED PRIOR TO JANUARY 01, 2008.

Source: Preliminary Report Order Number: NCS-346311-OR1 - First American Title

EXHIBIT A-2
TO PURCHASE AND SALE AGREEMENT

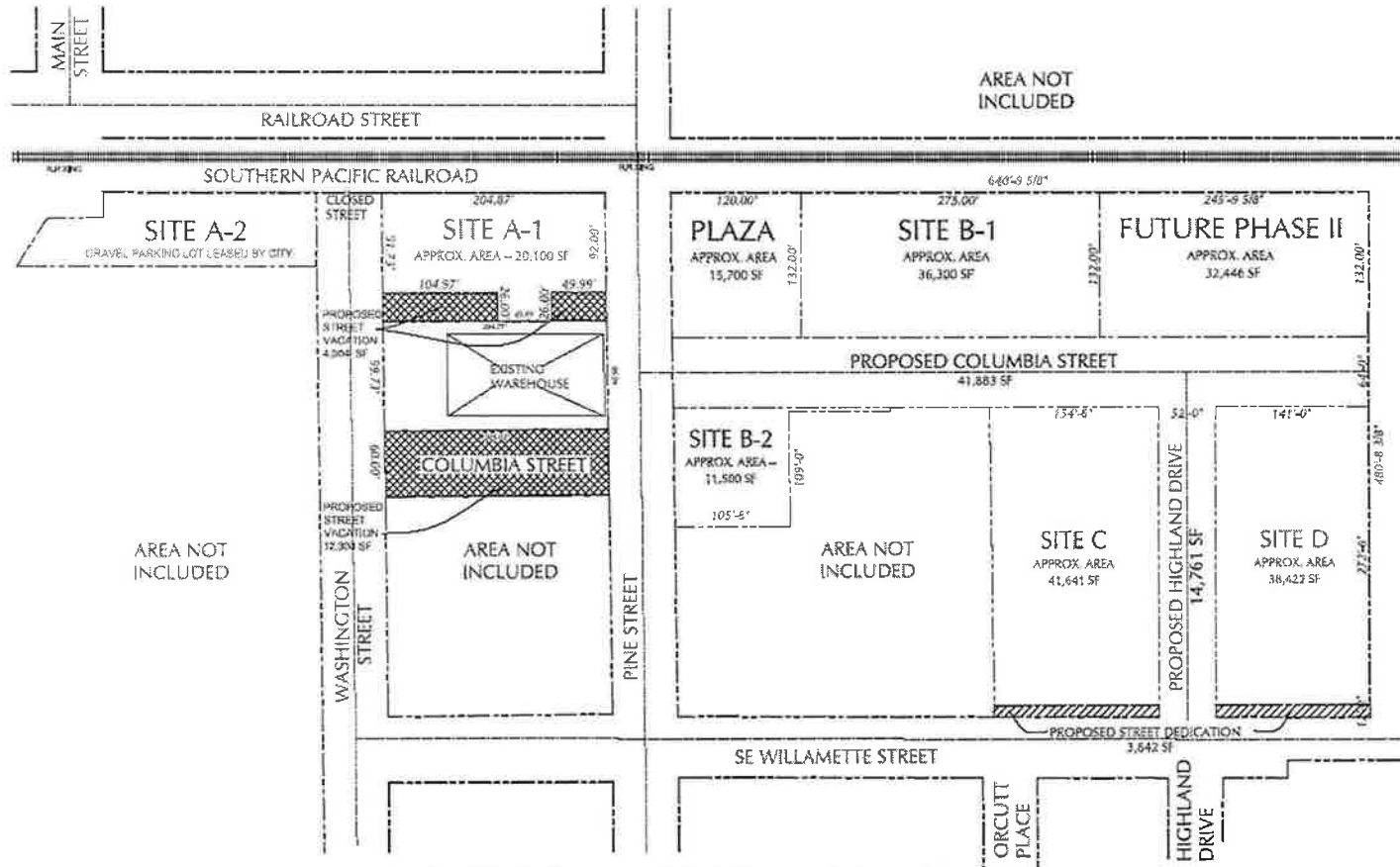


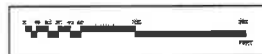
EXHIBIT A-2
DEPICTION OF LAND

AREA NOT INCLUDED

AREA NOT INCLUDED

NOTE: PRELIMINARY PLAN INTENDED TO PROVIDE A GENERAL DEPICTION OF THE LAND. FINAL PARCEL SIZES AND DIMENSIONS WILL BE DETERMINED DURING THE SUBDIVISION PROCESS.

Sherwood
Mixed Use Development



CAPSTONE PARTNERS
ANKROM MOISAN ARCHITECTS
AUGUST 14, 2008

OLD CANNERY SITE DEVELOPMENT AGREEMENT

THIS OLD CANNERY SITE DEVELOPMENT AGREEMENT (this "Agreement"), made as of this ___ day of _____, 2008 (hereinafter referred to as the "date of this Agreement"), by and between Sherwood URD Urban Renewal District ("Sherwood URD"), and Capstone Partners, LLC ("Developer").

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, and for and in consideration of Ten Dollars (\$10.00) and other valuable consideration in hand paid by each party hereto to the other at or before the sealing hereof, the receipt and sufficiency of said consideration being hereby acknowledged by the parties hereto, Sherwood URD and Developer do hereby agree as follows:

ARTICLE I
DEFINITION

Section 1.1 Definition of Terms. Whenever used in this Agreement, the following terms shall have the following meanings:

Business Day. Any Day excluding any Saturday, any Sunday, and any national holiday observed by the United States Government.

Closing. The meaning ascribed to such term in the Purchase and Sale Agreement.

Conveyed Property. The land depicted on Exhibit A attached hereto.

Construction. Any activity normally encompassed by any of the following terms: construction, reconstruction, demolition, excavation, building, rebuilding, renovation, restoration, or any similar term, which is performed within the Conveyed Property or the Infrastructure Property or any portion thereof at any time subsequent to the date of this Agreement.

Day. Any one calendar day, unless specifically noted to the contrary.

Default. An occurrence of any event or omission which, with giving of notice or passage of time or otherwise, may become an Event of Default.

Development Services Agreement. An agreement between Developer and Sherwood URD in the form attached as Exhibit D, pursuant to which Sherwood URD will contract with Developer to, among other things, provide development services in connection with the design and construction of the Infrastructure Improvements.

Event of Default. Any Event of Default as defined in Section 5.1 or 5.2 hereof, as applicable.

Herein, hereunder, hereby, hereto, hereof and any similar term shall mean and have reference to this Agreement as a whole.

The term **including** shall mean and have reference to "including without limitation."

Infrastructure Improvements. The structures and improvements, together with all fixtures and appurtenances attached or affixed thereto constructed, equipped and installed on the Infrastructure Property, which Infrastructure Improvements shall include a public plaza, public streets, utilities and similar public amenities, all described on Exhibit B attached hereto.

Infrastructure Property. The property upon which the Infrastructure Improvements are located as depicted on the attached Exhibit C.

Interference. A direct and physical encroachment or other incursion upon the Infrastructure Property or the Conveyed Property that causes a material construction delay or increase in costs or operation expenses, or an unreasonable disruption with respect to the use or occupancy of either the Infrastructure Property or the Conveyed Property for its intended use.

Laws. Any and all present and future statutes, ordinances, rules, regulations, or binding determinations by the United States Government, the State of Oregon, the City Sherwood, Oregon, Washington County, or any other governmental authority having power or jurisdiction over Sherwood URD, Developer, the Conveyed Property, the Project Improvements, the Infrastructure Property or any of them.

Lien. With respect to any property, any security deed, mortgage, deed to secure debt, deed of trust, lien, pledge, assignment, charge, security interest, title retention agreement, levy, execution, seizure, attachment, garnishment, or other encumbrance of any kind in respect of such property, whether or not choate, vested, or perfected.

Notice of Noncompliance. The meaning ascribed to such term in Section 3.2 hereof.

Operations. Any and all operations, occupation, maintenance, repair, and similar and related work performed on or in the Conveyed Property or any portion thereof or on or in the Infrastructure Property or any portion thereof at any time subsequent to the Closing.

Operative Agreements. The Purchase and Sale Agreement, this Agreement and all easements or covenants granted or reserved at the time of conveyance of the Conveyed Property.

Person. Any natural person, corporation, partnership, limited liability company, business trust, or other legal entity.

Project Improvements. The buildings, structures, and improvements, together with all fixtures and appurtenances attached or affixed thereto, required to be constructed, equipped and installed on the Conveyed Property by Developer pursuant to the Purchase and Sale Agreement.

Purchase and Sale Agreement. That certain Purchase and Sale Agreement of even date herewith, by and between Sherwood URD and Developer providing for the sale by Sherwood URD and the purchase by Developer of the Conveyed Property.

Substantial Completion of the Project Improvements. Such completion of Construction of the Project Improvements as will make the Project Improvements sufficient, suitable, and ready for immediate occupancy for the use intended, which completion shall be deemed to have occurred when all necessary final certificates of occupancy or similar permits related to the use and occupancy of the Project Improvements have been issued.

Substantial Completion of the Infrastructure Improvements. Such completion of Construction of the Infrastructure Improvements as will make the Infrastructure Improvements sufficient, suitable, and ready for immediate occupancy for the use intended, which completion shall be deemed to have occurred when all necessary final certificates of occupancy or similar permits related to the use and occupancy of the Infrastructure Improvements have been issued.

Section 1.2 Other Capitalized Terms. Capitalized terms not defined in this Article 1 shall have the meanings set forth for such terms in this Agreement.

ARTICLE II
COORDINATION OF CONSTRUCTION OF PROJECT IMPROVEMENTS AND
INFRASTRUCTURE IMPROVEMENTS

Section 2.1 Work Groups to Coordinate Project Improvements and Infrastructure Improvements.

(a) Sherwood URD and Developer shall coordinate development and construction of the Project Improvements and the Infrastructure Improvements. Sherwood URD and Developer shall create a work group (hereinafter "Work Group") to, among other things, work collaboratively on:

(i) communicating and cooperating in seeking approvals from the City of Sherwood for the construction of the Infrastructure Improvements and the Project Improvements;

(ii) resolution of any inter-related civil engineering issues;

(iii) development of tentative construction schedules for the Infrastructure Improvements and the Project Improvements; and

(iv) addressing site maintenance during the construction of the Infrastructure Improvements and the Project Improvements.

(b) The work group shall consist of those representatives of Sherwood URD, Developer and such other persons who possess the information and skills needed to achieve the objectives of the Work Group. Developer and Sherwood URD each shall appoint a lead representative to the Work Group. The lead representative shall coordinate

scheduling of the Work Group activity and be responsible for documenting the agreements reached by the Work Group as required herein.

(c) Lead Representatives shall determine on behalf of the party he or she represents if the proposals from the Work Group are acceptable. If the Work Group fails to agree upon the specifications or other information necessary to undertake the Project Improvement or the Infrastructure Improvements by the agreed-upon deadlines or if an agreement can not be reached regarding such deadlines, the party undertaking the impacted improvement shall have the right to propose such specifications or schedules to the other party. The party receiving the specifications or schedules shall have ten (10) Business Days to provide comments on the proposal. If comments are submitted, the party undertaking the Improvement shall notify the other party within ten (10) Business Days if the comments will be incorporated into the party's plan and, if so, in what manner. The parties shall then proceed under the resulting plan or schedule.

(d) The Work Group shall document agreements, or alteration thereof, on the subjects listed in subsection 2.1(a) herein in written reports to the parties.

Section 2.2 Construction of the Project Improvements. Developer shall comply with all of the following covenants in connection with the Construction of the Project Improvements:

(a) Developer shall keep Sherwood URD notified of all Construction scheduled for the Project Improvements on a monthly basis via the Work Group.

(b) Any and all Project Improvements shall be constructed at the sole cost and expense of Developer and Persons other than Sherwood URD, and Sherwood URD shall have no obligation to Developer or to any third party to construct, repair, maintain, or operate any Project Improvements. This covenant shall survive the expiration or termination of this Agreement.

Section 2.3 Construction of the Infrastructure Improvements. Sherwood URD shall comply with all of the following covenants in connection with the Construction of the Infrastructure Improvements:

(a) Sherwood URD and Developer shall enter into the Development Services Agreement and will abide by the terms and conditions therein.

(b) Sherwood URD shall keep Developer notified of all Construction scheduled for the Infrastructure Improvements on a monthly basis via the Work Group.

(c) Any and all Infrastructure Improvements shall be constructed at the sole cost and expense of Sherwood URD and Persons other than Developer, and Developer shall have no obligation to Sherwood URD or to any third party to construct, repair, maintain, or operate any Infrastructure Improvements. This covenant shall survive the expiration or termination of this Agreement.

ARTICLE III
INTERFERENCE

Section 3.1 No Interference. All Construction and Operations on the Conveyed Property and the Infrastructure Property and any work or activity connected therewith by or on behalf of Developer or Sherwood URD, shall be performed in such a manner so as not to constitute an Interference.

Section 3.2 Notice of Noncompliance. Prior to commencing any action to seek remedial activity under this Article, Sherwood URD or Developer, as applicable, shall raise the issue with the Work Group. If the Work Group can not resolve the dispute in a timely manner, Sherwood URD or Developer, as applicable, shall give written notice to the other describing with particularity the Interference (the "Notice of Noncompliance"). The recipient of a Notice of Noncompliance shall be responsible for curing or correcting the Interference within a period of five (5) Business Days following receipt of such Notice of Noncompliance; provided, however, that if such cure or correction cannot reasonably be effected within said five (5) Business Day period, then the recipient of the Notice of Noncompliance shall be required to commence, within said five (5) Business Day period, action to effect such cure or correction and thereafter to prosecute diligently and continuously such action until such cure or correction has been effected.

ARTICLE IV
ADDITIONAL COVENANTS

Section 4.1 Management of Construction of Infrastructure Improvements. Sherwood URD shall contract with Developer to provide development services to Sherwood URD in connection with the Construction of the Infrastructure Improvements pursuant to the terms and provisions of the Development Services Agreement. Developer shall be paid a development services fee described in the Development Services Agreement, which fee shall be based on the actual bids utilized for the construction of the Infrastructure Improvements, which fee shall be determined by Developer (but is subject to the approval of Sherwood URD, not to be unreasonably withheld, conditioned or delayed and in no event is to be less than five percent or more than eight percent of the project costs for the Infrastructure Improvements). Such development services fee shall be paid on a monthly straight-line basis, starting at the closing of Site B (as defined in the Purchase and Sale Agreement) and running through the estimated course of construction of the Infrastructure Improvements.

Section 4.2 Utility Facilities. Sherwood URD shall be wholly responsible for maintaining, in good and operating condition and repair, all utility facilities used during Construction of the Project Improvements and the Infrastructure Improvements (including, without limitation, the water, sewer, gas, and electrical facilities) which are located on the Infrastructure Property. Sherwood URD shall complete the construction of all utility facilities that are part of the Infrastructure Improvements that are necessary for the construction of the Project Improvements prior to the date Developer is scheduled to commence construction of the Project Improvements. Developer shall be wholly responsible for maintaining, in good and operating condition and repair, all utility facilities used during Construction of the Project Improvements and the Infrastructure Improvements (including, without limitation, the water,

sewer, gas, and electrical facilities) which are located on the Conveyed Property. In the case use of a utility is shared by Sherwood URD and Developer during Construction, costs shall be allocated based on the relative usage of the utility by each party.

Section 4.3 Maintenance of Infrastructure Improvements. The parties may agree to share maintenance on some Infrastructure Improvements and Project Improvements jointly used by the parties notwithstanding obligations set forth in the Operative Agreements. Further written agreements will detail the improvements being shared, maintenance responsibilities, and the cost allocation.

ARTICLE V **DEFAULTS**

Section 5.1 Events of Default by Developer. An Event of Default by Developer shall be deemed to have occurred under this Agreement if Developer shall fail or refuse to observe, perform, or comply with any of the other provisions of this Agreement, whether by neglect, inadvertence, intent, or otherwise within forty-five (45) Days after written notice is given by Sherwood URD to Developer (a "Developer Default Notice"); provided, however, that in the case of a failure which cannot reasonably be cured within the aforesaid forty-five (45) Day period, no Event of Default shall be deemed to exist and Sherwood URD may not exercise any of the remedies set forth in this Agreement, unless and until Developer shall have failed either (i) to commence action to effect such cure within such forty-five (45) Day period or (ii) to prosecute diligently and continuously such action until such failure has been cured. Any notice given pursuant to this Section shall identify the failure in question with reasonable particularity.

Section 5.2 Events of Default by Sherwood URD. An Event of Default by Sherwood URD shall be deemed to have occurred under this Agreement if Sherwood URD shall fail or refuse to observe, perform, or comply with any of the other provisions of this Agreement, whether by neglect, inadvertence, intent, or otherwise within forty-five (45) Days after written notice is given by Developer to Sherwood URD (a "Sherwood URD Default Notice"); provided, however, that in the case of a failure which cannot reasonably be cured within the aforesaid forty-five (45) Day period, no Event of Default shall be deemed to exist and Developer may not exercise any of the remedies set forth in this Agreement, unless and until Sherwood URD shall have failed either (i) to commence action to effect such cure within such forty-five (45) Day period or (ii) to prosecute diligently and continuously such action until such failure has been cured. Any notice given pursuant to this Section shall identify the failure in question with reasonable particularity.

Section 5.3 Remedies. Upon the occurrence of an Event of Default, the non defaulting party shall be entitled to exercise any and all remedies conferred by this Agreement or otherwise available to such non defaulting party in law or in equity.

Section 5.4 No Waiver of Rights. No failure by a non defaulting party to insist upon the strict performance of any of the terms of this Agreement or to exercise any right or remedy upon a Default hereunder, no acceptance by a non defaulting party of partial performance, and no custom or practice of the parties hereto at variance with the provisions hereof shall constitute a waiver of any such Default or of any of the terms of this Agreement or a waiver of a non

defaulting party's right to demand exact compliance with the provisions contained in this Agreement. None of the terms of this Agreement to be kept, observed, or performed by a defaulting party and no breach thereof shall be waived, altered, or modified except by a written instrument executed by a non defaulting party. No waiver of any breach shall affect or alter this Agreement, but each of the terms of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach hereunder. No waiver of any Default hereunder by a defaulting party shall be implied from any omission by a non defaulting party to take any action on account of such Default if such Default persists or is repeated, and no express waiver shall affect any Default other than the Default specified in the express waiver for the time and to the extent therein stated. One or more waivers shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

Section 5.5 Rights Are Cumulative. All rights, powers, privileges, and remedies conferred by this Agreement upon Sherwood URD and Developer shall be cumulative and shall be deemed additional to any and all of the remedies to which either party may be entitled in law, in equity, or otherwise, unless specifically and expressly limited by the provisions of this Agreement. Either party shall have the right to restrain by injunction any violation or threatened violation of any of the terms, covenants, or conditions of this Agreement and by decree to compel performance of any such terms, covenants, or conditions, it being agreed by Developer and Sherwood URD that the remedy at law for any breach of such term, covenant or condition (except those requiring the payment of a liquidated sum or damages in accordance with express provisions of this Agreement) is not adequate.

ARTICLE VI **MISCELLANEOUS PROVISIONS**

Section 6.1 No Joint Venture or Partnership. Nothing contained in this Agreement shall be construed to create the relationship between Sherwood URD and Developer of principal and agent, of mortgagee and mortgagor, of partners, of joint venturers, or of any association with each other or, except as may be expressly provided in this Agreement, so as to render either of the parties liable for the debts or obligations of the other.

Section 6.2 Effect of Review, Objection, Failure to Object, Approval. Non-Approval or Consent. In no event shall any review, objection, failure to object, approval, non-approval, or consent by Sherwood URD or Developer with respect to any act, plan, or proposal of the other made pursuant to any provision of this Agreement or otherwise be deemed (i) to constitute an assumption by Sherwood URD or Developer of responsibility or liability for the adequacy or suitability of any such act, plan, or proposal, (ii) to constitute a waiver of any claim or right that Sherwood URD or Developer might have against the other or any other person or entity by reason of or in connection with any act or omission of such other person pursuant to or in accordance with any act, plan, or proposal reviewed by Sherwood URD or Developer, or (iii) to result in Sherwood URD's or Developer's being deemed a joint tortfeasor with the other.

Section 6.3 Notices. Except as may be expressly set forth in this Agreement to the contrary, every notice, demand, request, submittal, consent, approval, or other communication required or permitted to be given to any party hereto pursuant to the terms of this Agreement

shall be effective only if given in writing and personally delivered or mailed, postage prepaid, by certified United States mail, return receipt requested, addressed as follows:

SHERWOOD URD: Sherwood URD Urban Renewal District
22560 SW Pine Street
Sherwood, OR 97140
ATTN: Jim Patterson
Fax: (503) 625-5524

With a copy to: Pamela J. Beery
Beery, Elsner & Hammond
1750 SW Harbor Way, Suite 380
Portland, OR 97201

DEVELOPER: Capstone Partners LLC
1015 NW 11th Avenue, Suite 243
Portland, Oregon 97209
ATTN: Chris Nelson
Fax No.: (503) 226-1973

With a copy to: Ball Janik LLP
Attn: Bradley S. Miller
101 SW Main St., Suite 1100
Portland, OR 97204
Fax No.: (503) 295-1058

or to such other address as any such party may from time to time designate by notice to the other party in accordance with this Agreement. Every notice, demand, request, submittal, consent, approval, or other communication transmitted as aforesaid shall be deemed to have been given, or communicated, as the case may be, on the date of personal delivery or three (3) Business Days after the time that the same shall have been deposited, certified, in the United States mail from a United States post office or box.

Section 6.4 No Personal Liability. No director, commissioner, officer, official, or employee of Sherwood URD or Developer shall be personally liable to the other (i) on account of any default or breach by Sherwood URD or Developer under this Agreement, (ii) for any amount which may become due to the other under this Agreement, or (iii) with respect to any obligations under the terms of this Agreement. Neither Sherwood URD nor Developer shall collect or attempt to collect any money judgment for such matters from the personal assets of any of the directors, commissioners, officers, officials, or employees of the other on account of a failure by the other to comply with, observe, or perform any of the terms of this Agreement.

Section 6.5 Headings. The headings of the various articles and sections of this Agreement have been inserted for convenient reference only and shall not in any manner be construed as modifying, amending, or affecting in any way the express terms and provisions hereof.

Section 6.6 Severability. If any provision of this Agreement or the application thereof to any person, business entity, public body, or situation shall, to any extent, be held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to persons, business entities, public bodies, or situations other than those as to which it shall have been held invalid or unenforceable, shall not be affected thereby and shall continue to be valid and enforceable to the fullest extent permitted by law.

Section 6.7 Governing Law. This Agreement shall be governed by and interpreted and construed under the laws of the State of Oregon.

Section 6.8 Exhibits. All Exhibits referred to herein and affixed hereto are deemed incorporated herein by reference with the same force and effect as if at each place of reference, in lieu of such reference, such respective Exhibit were set forth in its entirety.

Section 6.9 Entire Agreement. In the making, execution, and delivery of this Agreement, neither party has been induced by any representations, statements, covenants, or warranties made by the other party or its agents, other than as specifically set forth herein and in the other Operative Agreements. This Agreement and the other Operative Agreements constitute the full, complete, and entire agreement between and among the parties hereto with respect to the subject matters set forth herein and supersede all prior agreements between Sherwood URD and Developer on the subject matters set forth herein. No agent, employee, officer, representative, or attorney of the parties hereto has the authority to make, or has made, any statement, agreement, representation, or contemporaneous agreement, oral or written, in connection herewith modifying, adding to, or changing the provisions of this Agreement. No amendment of this Agreement shall be binding or effective unless such amendment shall be in writing, signed by both Sherwood URD and Developer.

Section 6.10 Time Is Of Essence. All time limits stated in this Agreement are of the essence of this Agreement.

Section 6.11 Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original instrument, and such counterparts together shall constitute one and the same instrument.

Section 6.12 Compliance. No failure of either party hereto to exercise any right or power given hereunder or to insist upon strict compliance with any conditions and obligations specified herein, and no custom or practice of any of the parties hereto at variance with the terms of this Agreement, shall constitute a waiver of either party's right to demand exact compliance with the terms and conditions of this Agreement.

Section 6.13 Survival and Termination of Agreement. This Agreement shall expire and terminate upon the termination of the Purchase and Sale Agreement, or, if the Purchase and Sale Agreement is not terminated, upon later to occur of the Substantial Completion of the Project Improvements or Substantial Completion of the Infrastructure Improvements in compliance with the requirements of this Agreement or the mutual agreement of Developer and Sherwood URD.

Section 6.14 No Third Party Beneficiary. No individual or entity that is not a signatory to this Agreement (other than successors, successors-in-title and assigns of the parties to this Agreement) shall have any rights or privileges under or arising out of this Agreement, nor shall any person or entity that is not a signatory to this Agreement otherwise be deemed a third party beneficiary of this Agreement.

Section 6.15 Estoppel Certificates. Sherwood URD and Developer shall execute, acknowledge and deliver to the other promptly upon written request a certificate certifying, among other things, any of the following as requested:

(a) that this Agreement is unmodified and in full force and effect (or, if there have been modifications, that this Agreement is in full force and effect, as modified, and stating the modifications);

(b) that no notice has been given by Sherwood URD to Developer or by Developer to Sherwood URD of any default under this Agreement that has not been cured and to the best of its knowledge and belief no default exists (or, if such exists, describing the same).

Certificates from Sherwood URD and Developer pertaining to the aforesaid matters may be relied upon by any existing or prospective lending institution and by any prospective assignee or successor of any interest under this Agreement. No certificate issued hereunder, however, shall be deemed to affect the rights and obligations of Sherwood URD and Developer between themselves under this Agreement.

IN WITNESS WHEREOF, Sherwood URD has caused this Agreement to be executed on its behalf by its duly authorized officers, and Developer has caused this Agreement to be executed on its behalf by its duly authorized officers, all on the day and year first above set forth.

Sherwood URD Urban Renewal District

By: _____
Jim Patterson, District Manager

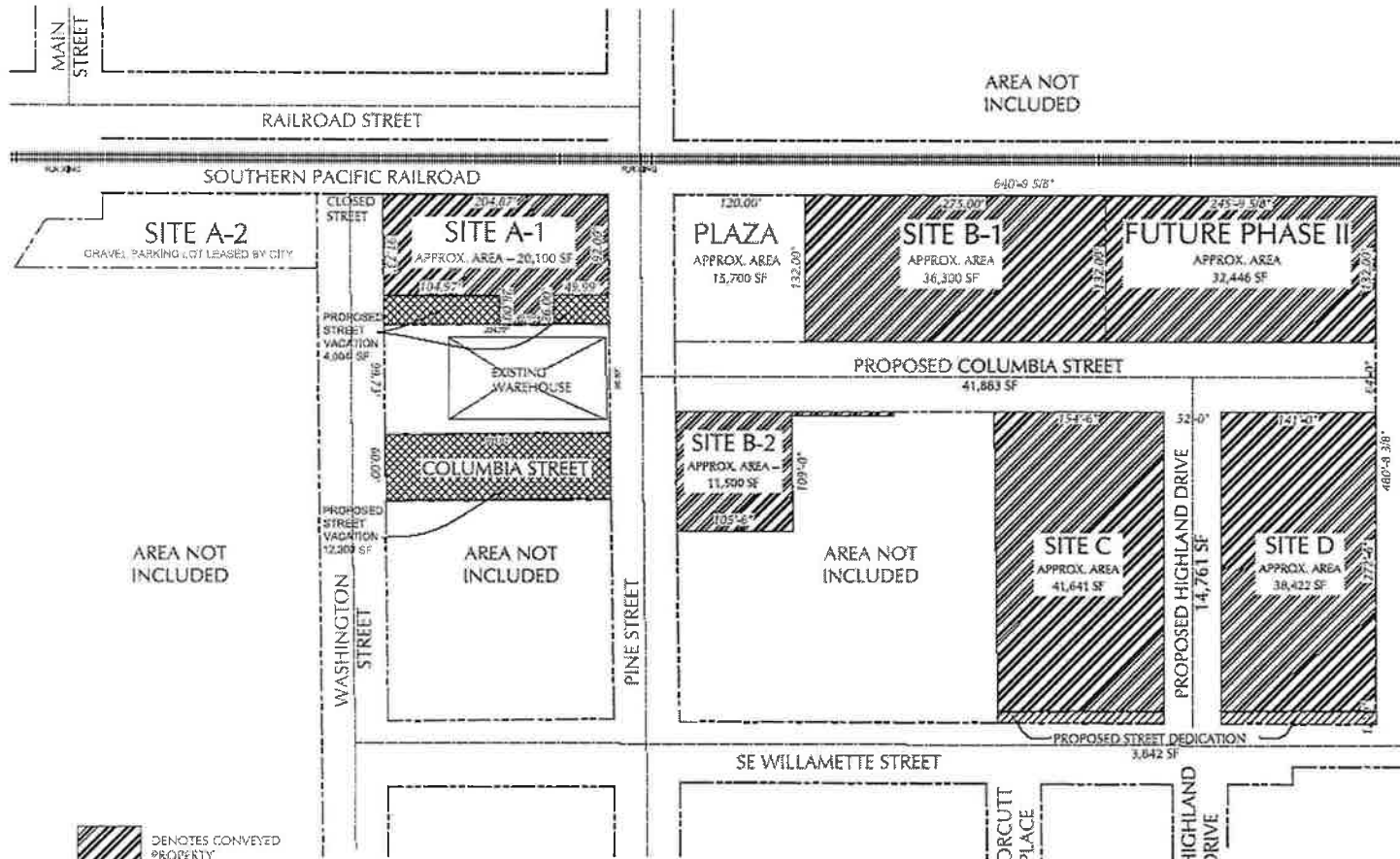
Capstone Partners LLC, an Oregon limited liability company

By: _____
Chris Nelson, Member

By: Triangle Development Company, an Oregon corporation, Member

Jeffrey M. Sackett, President

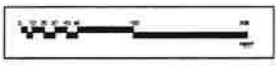
EXHIBIT A
TO SITE DEVELOPMENT AGREEMENT
"CONVEYED PROPERTY"



Depiction of Conveyed Property

EXHIBIT A

Sherwood
Mixed Use Development



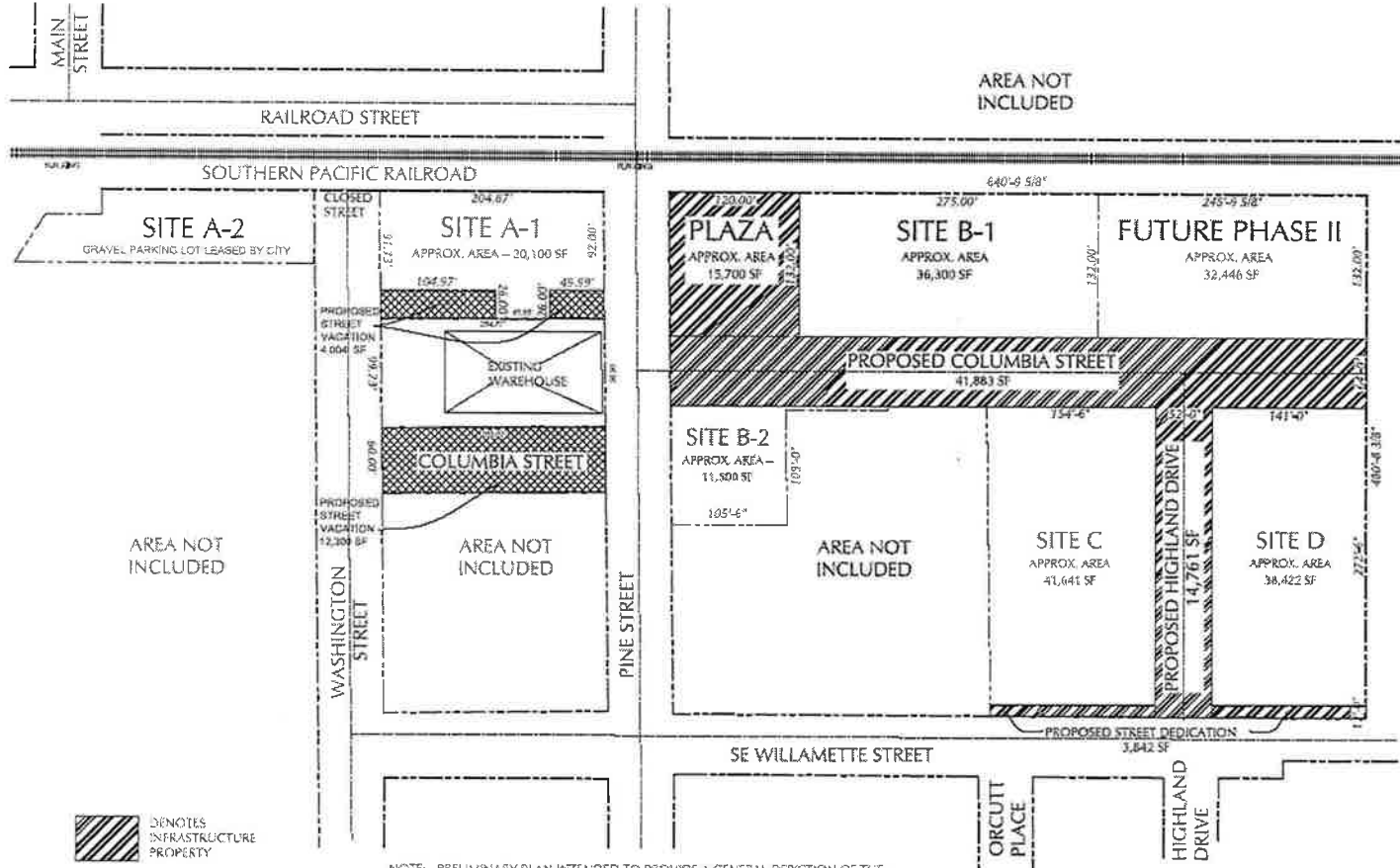
CAPSTONE PARTNERS
ANKROM MOISAN ARCHITECTS
AUGUST 14, 2008

EXHIBIT B

General Description of Infrastructure Improvements

The Infrastructure Improvements consists of a public plaza containing not less than 10,000 square feet nor more than 20,000 square feet (currently contemplated and depicted herein to be approximately 15,700 square feet) at the northeast corner of the intersection of SE Pine Street and the Southern Pacific Railroad tracks, the construction of public rights of way for the proposed SE Columbia Street north of Pine Street and the proposed SE Highland Drive west of Willamette Street, the improvement of SE Willamette Street adjacent to Sites C and D of the Conveyed Property, and the improvement, if any, required to Pine Street between the railroad and Willamette Street

EXHIBIT C
TO SITE DEVELOPMENT AGREEMENT
"INFRASTRUCTURE PROPERTY"



 DENOTES
INFRASTRUCTURE
PROPERTY

NOTE: PRELIMINARY PLAN INTENDED TO PROVIDE A GENERAL DEPICTION OF THE INFRASTRUCTURE PROPERTY. FINAL DIMENSIONS OF INFRASTRUCTURE PROPERTY WILL BE DETERMINED DURING THE SUBDIVISION PROCESS.

Sherwood
Mixed Use Development



CAPSTONE PARTNERS
ANKROM MOISAN ARCHITECTS
AUGUST 14, 2008

Depiction of Infrastructure Improvements

EXHIBIT C

EXHIBIT D

Development Services Agreement

**DEVELOPMENT SERVICES AGREEMENT
OLD CANNERY SITE, SHERWOOD, OREGON**

This Agreement ("Agreement") is effective as of this ____ day of _____, 2008, between Sherwood URD Urban Renewal District ("Sherwood URD"), and Capstone Partners LLC ("Development Manager").

RECITALS

A. Sherwood URD desires to construct: (i) a public plaza containing not less than 10,000 square feet and not more than 20,000 square feet at the northeast corner of the intersection of SE Pine Street and the Southern Pacific Railroad tracks (the "Plaza"), and (ii) public rights of way (including, without limitation, streets, sidewalks and utilities) for SE Columbia Street and SE Highland Drive and the improvement to the western half of SE Willamette Street (the "Street Improvements"). The Plaza and the Street Improvements are collectively referred to as the Project.

B. Development Manager is a professional in the area of development of public improvements.

C. Sherwood URD has requested and Development Manager has agreed to provide Sherwood URD with comprehensive services for managing, planning, developing and construction of the Project.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, it is mutually agreed as follows:

1. Development Management Technical Services. Development Manager agrees to provide comprehensive development services for the Plaza and Street Improvements such that the Project will be completed on time (subject to Force Majeure events), substantially in accordance with specifications, in compliance with all applicable permits and governmental regulations, and within the Project budget (as may be amended by Sherwood URD). Such services include the following:
 - 1.1 Supervising the Project's architect and/or engineer in the preparation of plans and specifications and related documents for the Project (the "Contract Documents" or "CD") that shall provide for the development and construction of the Project consistent with City of Sherwood standards and within the limits of Project budget. The CD shall include:
 - (a) Plans, specifications and related documents that fully describe the Project.
 - (b) An itemized cost breakdown for the Project, including both "hard costs" (construction) and "soft costs" (engineering fees, construction permits, etc).
 - (c) A proposed development schedule.

- 1.2 Subject to Sherwood URD's procurement process, recommend to the Sherwood URD such third party contractors and/or professionals for retention by Sherwood URD in connection with and required for the implementation of the Project, and negotiate on behalf of Sherwood URD the terms of the agreements with such third party contractors and/or professionals.
- 1.3 Supervise the performance of the services provided by third party contractors and professionals.
- 1.4 Recommend for approval all payments to contractors, professionals and/or vendors, and prepare draw requests for authorizing payments by Sherwood URD of such amounts.
- 1.5 Represent Sherwood URD at Project meetings.
- 1.6 Coordinate the application for, and securing, all necessary permits, approvals for zoning, surveying, environmental and other governmental matter(s), permit(s) and/or compliance(s) required to proceed with the Project.
- 1.7 Provide the following construction management services:
 - (a) Notice To Proceed: Development Manager will issue various limited Notices To Proceed or unlimited Notices To Proceed as necessitated by the contract negotiation, execution and required time of commencement in order to meet the Project schedule.
 - (b) Project Control Procedures: Prior to Project commencement, Development Manager will establish standard procedures concerning correspondence distribution, change order format, Project schedule updating, pay request flow, progress meeting protocol and punch list inspections to implement a smooth flow of the administration of the Project.
 - (c) Representatives: Throughout the Project duration, Development Manager will act as Sherwood URD's representative in regard to daily interactions with the design and construction teams and coordinate the work of all testing laboratories and other consultants in accordance with the Contract Documents. Sherwood URD retains control over final approval for all Contract Documents.
 - (d) Project Meetings: Development Manager will conduct regular project coordination meetings throughout design and construction phases of the Project. Sherwood URD will be provided with notice and minutes of Project meetings.
 - (e) Contract Administration: Development Manager will administer all aspects of the construction contracts including scheduling of all work in accordance with the Project schedule, review of claims for additional

services and change orders. All Contract Documents are subject to the approval of Sherwood URD. Any proposed contract changes to the work, time for performance or contract sums that would extend the scheduled completion date or exceed the Project budget must be approved in advance in writing by Sherwood URD. Development Manager shall have the authority to reject work not conforming to the CDs. Development Manager shall advise Sherwood URD if it appears that total construction costs will exceed the accepted bids, and make recommendations for corrective action.

- (f) Punch-List Items: Development Manager shall determine when the Project or a designated portion thereof is substantially complete, shall cause to be prepared a list of incomplete or unsatisfactory items ("punch list items"), and shall then coordinate the correction and completion of the punch list items by the responsible contractors.

- 2. Sherwood URD Role and Responsibilities. Sherwood URD agrees to oversee the Development Manager regarding the managing, planning, developing and construction of the Project. Specifically, Sherwood URD will coordinate with the Development Manager to:
 - 2.1 Provide architect and engineering services to prepare plans and specifications and related documents for the Project consistent with City of Sherwood standards.
 - 2.2 Prepare a Project budget which will include an itemized cost breakdown for the Project, including both "hard costs" (construction) and "soft costs" (engineering fees, construction permits, etc).
 - 2.3 Create a development schedule.
 - 2.4 Retain third party contractors and/or professionals to implement the Project.
 - 2.5 Approve final agreements with third party contractors and/or professionals.
 - 2.6 Provide payments to contractors, professionals and/or vendors for costs related to the Project upon receiving draw requests and detailed invoices from the Development Manager.
 - 2.7 Attend Project meetings when necessary.
 - 2.8 Approve all Contract Documents before implementation.
- 3. Development Services Fee. For the services provided by Development Manager under this Agreement, Development Manager shall be paid by Sherwood URD a development services fee based on the actual bids utilized for the construction of the Project, which fee shall be determined by Development Manager (but is subject to the approval of Sherwood URD, not to be unreasonably withheld, conditioned or delayed and in no event

is to be less than five percent (5%) or more than eight (8%) of the total Project costs for the Project).

4. Independent Agent. Sherwood URD and Development Manager agree that Development Manager is an independent agent and Development Manager's employees and agents are not employees of Sherwood URD. Development Manager is retained by Sherwood URD only for the express purposes and to the extent set forth in this Agreement. This Agreement does not create a partnership, joint venture or any other legal business relationship between the parties except contractual in the nature of a consulting relationship.
5. Actions By Development Manager On Behalf of Sherwood URD. Until written notice to the contrary, all reasonable actions taken by Development Manager, in accordance with the terms of this Agreement and with final Project budget, shall be deemed to be made with Sherwood URD's consent.
6. Completion and Cost. Development Manager shall not be deemed, pursuant to this Agreement, to be guaranteeing the availability of financing, the feasibility or success of the Project, nor the ultimate cost of the Project. However, the foregoing shall not discharge Development Manager from performing its obligations hereunder.
7. Relationship To Third Parties. Nothing contained herein shall be deemed to create any contractual relationship between Development Manager and any of the contractors, subcontractors, material suppliers or consultants on the Project; nor shall anything contained herein be deemed to give any third party any claim or right of action directly against Development Manager which does not otherwise exist without regard to this Agreement.
8. Lead Representative. Sherwood URD shall appoint a lead representative who is authorized to act on behalf of and make decisions that bind Sherwood URD in connection with any matter pertaining to the Project. Development Manager shall be allowed to rely on all decisions or information received from the lead representative. Such person shall be named early in the design process and shall remain in such position for the duration of the Project.
9. Response. Both Parties,, subject to the provisions of this paragraph, shall respond promptly to any written request submitted by either Party, and make all necessary decisions called for in such requests as soon as possible following receipt of such request taking into account the subject matter of such request.
10. Defaults. It shall be an event of default hereunder if:
 - 10.1 Either party fails to perform any of its material obligations under this Agreement (except for Sherwood URD's payment of money as provided below), and such failure to perform under this Agreement continues for a period of thirty (30) days after written notice of such failure to the defaulting party from the other party hereto; provided that such thirty (30) day period shall be extended for such time as is necessary to effectively cure such default, if the defaulting party has

commenced the curing of such default within such thirty (30) day period and is diligently pursuing the completion of such cure.

- 10.2 Sherwood URD fails to make any payment required herein and such failure continues for a period of ten (10) days after written notice of such failure from Development Manager to Sherwood URD.
- 10.3 Development Manager shall: (i) fail to exercise the level of development skill, knowledge, judgment and practices which are commonly expected with respect to the development of similar projects, it being understood that should the Development Manager not perform to this standard, Sherwood URD shall provide Development Manager with a written notice related to such failure of performance and Development Manager shall have thirty (30) days to cure such failure, or (ii) commit an act or omission of gross negligence or willful misconduct while carrying out its obligations and duties hereunder.

11. Termination. This Agreement shall terminate upon the occurrence of any of the following events:

- 11.1 The date ten (10) days after notice of termination from the non-defaulting party to the defaulting party under the provisions of Section 9 above.
- 11.2 In the event a termination occurs, Development Manager shall be paid fees and expenses due it under the terms hereof earned or accrued through the date of termination which shall include any retention being held.

12. Notices. Any notice required or permitted by this Agreement to be given shall be in writing and shall be addressed to:

SHERWOOD URD: Sherwood URD Urban Renewal District
22560 SW Pine Street
Sherwood, OR 97140
ATTN: Jim Patterson
Fax: (503) 625-5524

With a copy to: Pamela J. Beery
Beery, Elsner & Hammond
1750 SW Harbor Way, Suite 380
Portland, OR 97201

DEVELOPER MANAGER: Capstone Partners LLC
1015 NW 11th Avenue, Suite 243
Portland, Oregon 97209
ATTN: Chris Nelson
Fax No.: (503) 226-1973

With a copy to: Ball Janik LLP
 Attn: Bradley S. Miller
 101 SW Main St., Suite 1100
 Portland, OR 97204
 Fax No.: (503) 295-1058

or such other address and to such other parties and/or attorneys as either party may designate in writing. Any such notice shall be sent by registered or certified US Mail, postage prepaid, return receipt requested and shall be deemed to have been given on the date of delivery at the address to which such notice is so directed as reflected by such return receipt. The parties agree to use their best efforts to accompany any written notice with actual notice by telephone whenever possible.

13. Force Majeure. For all purposes of this Agreement, the term “Force Majeure” shall mean any failure, prevention, delay or stoppage due to strikes, lockouts, acts of God, inability to obtain labor or material or reasonable substitutes therefor, enemy or hostile government action, civil commotion, failure of a governmental entity to issue governmental permits within a reasonable time period, fire or other casualty and other causes (other than financial) beyond the reasonable control of the party obligated to perform. Neither party shall be responsible for failure, prevention, delay or stoppage in performing any obligations hereunder (other than the payment of money) to the extent such failure or delay results solely from a Force Majeure.
14. Enforceability. The enforceability and validity of this Agreement, in whole or in part, shall not be affected by the unenforceability or invalidity of any particular provision of this Agreement.
15. Entire Agreement. This Agreement, together with other writings signed by the parties expressly stated to be supplementary hereto and together with any instruments to be executed and delivered pursuant to this Agreement, constitutes the entire agreement between the parties and supersedes all prior understandings and writing, and may be changed only by a writing signed by the parties hereto.
16. Applicable Laws. This Agreement shall be construed under the laws of the State of Oregon.
17. Successors and Assigns. All of the provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns.
18. Waiver. Failure of either party at any time to require performance of any provision of this Agreement shall not limit such party's right to enforce such provision, nor shall any waiver of any breach of any provision of this Agreement constitute a waiver of any succeeding breach of such provision or a waiver of such provision itself.
19. Amendment. This Agreement may not be modified or amended except by the written agreement of the parties.

20. Time of Essence. Time is of the essence with respect to the performance of every provision of this Agreement in which time of performance is a factor.
21. Attorney's Fees. In the event a suit, action, arbitration, or other proceeding of any nature whatsoever, including, without limitation, any proceeding under the US Bankruptcy Code, is instituted, or the services of an attorney are retained, to interpret or enforce any provision of this Agreement or with respect to any dispute relating to this Agreement, the prevailing party shall be entitled to recover from the losing party its reasonable attorneys', in-house counsel, paralegals', accountants', and other experts' fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith. In the event of suit, action, arbitration, or other proceeding, the amount thereof shall be determined by the judge or arbitrator, shall include fees and expenses incurred on any appeal or review, and shall be in addition to all other amounts provided by law.
22. Authority of Parties. Sherwood URD represents and warrants that it has full right and authority to enter into this Agreement and to perform all of Sherwood URD's obligations hereunder. Development Manager represents and warrants that it has full right and authority to enter into this Agreement and to perform all of Development Manager's obligations hereunder.

IN WITNESS WHEREOF, Sherwood URD and Development Manager have caused this Agreement to be duly executed and sealed pursuant to proper authority as of the day and year first above written.

Sherwood URD Urban Renewal District

By: _____
Jim Patterson, District Manager

Capstone Partners LLC, an Oregon limited liability company

By: _____
Chris Nelson, Member

By: Triangle Development Company, an Oregon corporation, Member

Jeffrey M. Sackett, President

Approved Minutes

**SHERWOOD URBAN RENEWAL AGENCY BOARD OF DIRECTORS
MEETING MINUTES
August 14, 2008**

WORK SESSION

1. **CALL TO ORDER:** Chair Keith Mays called the work session to order at 6:12pm.

2. **BOARD PRESENT:** Chair Keith Mays, Vice Chair Dave Grant, Board members, Dave Heironimus, Linda Henderson and Dan King. Dave Luman and Lee Weislogel were absent.

3. **STAFF PRESENT:** City Manager Jim Patterson, Economic Development Manager Tom Nelson and District Recorder Sylvia Murphy.

4. **OTHERS PRESENT:** City Attorney Pam Beery, Martha Shelly and Jeff Sackett with Capstone Partners LLC. and Tony Reser with GVA Kidder Matthews.

5. **TOPIC DISCUSSED:** Tom Nelson, Economic Development Manager came forward and briefly explained the purpose for the Board Work Session. Tom presented the Board with three draft agreements amended from the prior Board meeting: **Exhibit A**-Purchase & Sale Agreement between the Sherwood Urban Renewal Agency and Capstone Partner LLC, **Exhibit B**-Old Cannery Site Development Agreement and **Exhibit C**-Development Services Agreement for Old Cannery Site (see Record for exhibits). City Attorney Pam Beery explained the communications that lead to the amendments in the agreements and Martha Shelly explained the amendments. Discussion followed.

6. **ADJOURNED:** Chair Keith Mays adjourned the work session at 6:55pm.

Submitted by:


Sylvia Murphy, District Recorder

Approved:


Keith S. Mays, Chairman