

✓ AFTER RECORDING RETURN TO:
Urban Renewal Agency of City of Salem
350 Commercial St NE
Salem, OR 97301

TAXES:
State Street Square LLC
735 Tillman Ave. SE
Salem, OR 97302

**DEVELOPMENT AGREEMENT BETWEEN
THE URBAN RENEWAL AGENCY OF THE CITY OF SALEM
AND STATE STREET SQUARE LLC**

This is an agreement ("Development Agreement" or "Agreement") for the development of certain property located Marion County, Oregon, legally described as follows, by and between the URBAN RENEWAL AGENCY OF THE CITY OF SALEM, an Oregon quasi-municipal corporation activated by the City of Salem, ("Agency") and STATE STREET SQUARE LLC, an Oregon limited liability company ("Developer"). This Agreement shall be deemed executed on the date last signed by all parties.

RECITALS

A. Whereas, Agency is an urban renewal agency, activated by the Salem City Council pursuant to ORS 457.035. Agency owns fee simple title to the real property located at 129 Commercial St. SE, legally described in Exhibit A ("the Property") and by this reference is incorporated herein. Agency acquired the Property pursuant to the Riverfront-Downtown Urban Renewal Plan ("Plan") in order to mitigate blight in the Riverfront-Downtown Urban Renewal Area; and

B. Whereas, Agency in accordance with its authority under ORS 457.180 and the Plan, Agency desires to sell the Property to Developer, and Developer desires to acquire the Property on the terms and conditions herein stated, so that the Property may be developed in a manner consistent with the Plan and Developer's development plans; and

C. Whereas, the agreement requires Developer, its successors and assigns to develop the Property subject to certain requirements, and provides Agency with a Right of Re-entry, and other incentives to ensure the Property is developed; and

D. Whereas, Agency agrees to sell property to Developer via a Statutory Warranty Deed, and to secure the performance of the Developer via a Promissory Note Exhibits B and C incorporated herein by this reference;

NOW THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

AGREEMENT

ARTICLE I - EFFECTIVE DATE

This Agreement, its terms, conditions, rights and obligations shall become effective upon the date Developer acquires fee title to the Property ("Effective Date"). If the Agency fails to convey fee title to Developer, this Agreement shall terminate, and be of no further force and effect within one hundred twenty (120) days from the date this Agreement is executed ("Acquisition Period"). Agency may, in its sole discretion, extend the Acquisition Period an additional sixty (60) days upon receipt of written notice from Developer.

ARTICLE II - PROPERTY DEVELOPMENT

2.1 Price. Developer agrees to purchase from Agency and Agency agrees to sell to Developer the real property described in Exhibit "A" attached hereto ("Property"). The purchase price shall be Two hundred seven thousand five hundred dollars (\$207,500).

2.2 Payment of Purchase Price. Developer shall pay Agency according to the terms of the Promissory Note "Exhibit C" attached hereto. Upon timely fulfillment of the terms of this Agreement, Developer shall be entitled to a discounted purchase price per the schedule below.

Within two (2) years of the Effective Date	\$43,750.00
Within three (3) years of the Effective Date:	\$87,500.00
Within four (4) years of the Effective Date:	\$131,250.00
Within five (5) years of the Effective Date:	\$175,000.00
Within six (6) years of the Effective Date:	\$207,500.00

2.3 Development. The Property is subject to the Riverfront-Downtown Urban Renewal Plan and was acquired and disposed of by the Agency with the intent that it be developed consistent with the Plan, and not held for speculative purposes. Therefore, the parties agree that Developer will in good faith, use best efforts to improve the Property as follows (the Project):

- Construct a mixed-use building of no less than 28,000 gross square feet
 - "Mixed-use" shall be defined as including at least two of the following uses: office, retail, residential, hotel, or restaurant
- Building shall include at least three above grade stories, or be at least 42 feet in height above grade (based on exterior walls fronting Commercial and State Sts.)
- Building footprint shall cover no less than 90% of the 16,328 square foot site

2.4 Development Schedule. The Project shall be under construction within four years from the Effective Date and complete within six years from the Effective Date. Project completion shall be defined as having obtained a Certificate of Final Approval.

2.4.1 Extension Option. Upon written request by Developer and with no less than 30 days prior notice to deadline, Agency may at its sole discretion, grant a one year extension to either of the dates in Section 2.4.

2.5 Right of Re-Entry. Prior to completing purchase and acquiring title to the Property, Agency reserves a right to re-enter and retake the Property if Developer, its successors or assigns, fails to commence or complete construction of the Project consistent with this Agreement. Upon issuance of a Certificate of Final Approval by the City of Salem to Developer, its successors, or assigns, the Agency's right of re-entry is terminated.

2.6 Right of Release. Prior to completing purchase and acquiring title to the Property, Developer and Agency shall instruct and cause escrow as a part of that transaction to hold a Quit Claim Deed, from Developer to Agency, releasing any and all interest in the Property. Agency reserves the right to instruct the Title Company to release the Quit Claim Deed if Developer, its successors, or assigns fails to commence or complete construction of the Project consistent with this agreement. Upon issuance of a Certificate of Final Approval by the City of Salem, to Developer, or its successors or assigns, the Agency's Right of Release is terminated.

2.7 Right of First Negotiation. If for any reason the Project is not completed as described herein and Developer desires to sell its property located at 260 State St. (tax lot 073W27BA00100), (*"The Developer's Property"*), Developer shall notify Agency in writing of its intent to sell The Developer's Property and shall grant Agency an exclusive 60 day right of first negotiation to purchase The Developer's Property.

2.8 Right to Reimbursement. After completing the purchase of the Property, and in the event the Developer obtains building permits for the Project, but fails to complete construction of the Project consistent with this Agreement, Agency is entitled to reimbursement of the Purchase price in the sum of Two Hundred Seven Thousand Five Hundred Dollars (\$207,500.00).

ARTICLE III - DEFAULT

3.1 An Event of Default shall occur if Developer fails to perform in accordance with any provision in Article II of this Agreement; and if any default occurs under the Promissory Note. Upon the continuance of an Event of Default, Agency may elect to pursue its remedies set forth in this Article III.

3.2 Should Agency elect to exercise Agency's Rights of Re-Entry, Agency must first give Developer a notice of default in writing at least one hundred twenty (120) calendar days in advance of the date Agency intends to enforce Agency's Rights of Re-Entry (the "Notice Period"). The notice of default shall specify Developer's default. Developer shall have the right to cure any such default prior to expiration of the Notice Period.

3.3 If Developer cures the default identified in the Notice, Developer shall promptly notify Agency of such cure. If Agency deems Developer's action to satisfactory cure the default, Agency shall by written notice to Developer, declare the notice of default void. If Developer fails to cure within the Notice Period, then Agency may proceed to enforce Agency's Right of Re-Entry under this Section.

3.4 Upon Agency's reentry, Agency shall notify the Title Company to release the Quit Claim Deed to Agency. Upon recording of the Quit Claim Deed, title shall revert in Agency to the Property, and any easements appurtenant thereto.

3.5 **Irrevocable Power of Attorney.** In order to effect the revestment of title to the Property as provided for in this Article, and subject to Section 3.5, Developer hereby irrevocably makes, constitutes and appoints the Executive Director of the Urban Renewal Agency of the City of Salem the lawful attorney in fact of Developer, with limited authority consistent with this Agreement to make, execute, acknowledge and deliver good and sufficient deeds and conveyances for the same, and to let and demise the Property and appurtenant easements for such rent and term as he shall deem advisable; and to ask, demand, recover, receive and receipt for all sums of money which shall become due and owing by reason of any such bargain, sale or lease and to take all lawful ways and means for the recovery thereof; giving and granting unto said attorney (or substitute or substitutes) full power and authority consistent with this Agreement to do and perform all and every act necessary to be done to accomplish the above, as fully as might or could be done by Developer with Developer hereby ratifying and confirming all that said attorney (or the substitute or substitutes) shall lawfully do or cause to be done by virtue hereof ("Agency's Power of Attorney"). Agency's Power of Attorney shall expire upon termination of Agency's Right of Re-entry as defined in Section 3.6.

3.6 **Termination of Agency's Rights.** Promptly after completion of construction in accordance with Article II, and upon the request of Developer, Agency shall furnish Developer with a Certificate of Completion, in form suitable for recording, which shall include the following:

(a) A statement certifying that construction has been completed as defined in this Agreement;

(b) A statement that all other conditions subsequent stated in this Agreement have been fully satisfied;

(c) A statement that Agency's Right of Re-Entry stated in this Agreement is terminated;

(d) A statement that Agency's Right of Release stated in this Agreement is terminated;

(e) A statement that Agency's Right of First Refusal stated in this Agreement is terminated;

(f) A statement that Agency's Right to Reimbursement stated in this Agreement is terminated;

(g) A statement that Agency's Power of Attorney is terminated;

(h) The reel and page number or other identifying number of the deed; and

(i) The legal description of the Property.

Developer shall record the signed Certificate of Completion in the Records of Marion County, Oregon.

ARTICLE IV – GENERAL PROVISIONS

4.1. Reserved Rights. Nothing in this Agreement shall limit or restrict the right of Developer to subdivide, partition or otherwise divide or adjust the property lines on the Property, or to develop on the Property or any portion thereof with one or more additional buildings on the Property, provided:

(a) All development is completed as set forth in Article II.

(b) All development, and lots or parcels resulting from any land division shall be subject to all applicable laws, rules, regulations, codes, including the Riverfront-Downtown Urban Renewal Area; and

(c) Until the conditions set forth in Article II have been satisfied, all development, including lots or parcels resulting from the subdivision, partition or reconfiguration of the Property shall continue to be subject to Agency's Right of Re-Entry, and such Right of Re-Entry shall apply to the entire Property

4.2. Binding Effect. This Agreement is binding upon and shall inure to the benefit of the parties and their respective successors, heirs, legal representatives and assigns.

4.3. Counterparts. This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same document.

4.4. Recording. This Agreement shall be recorded in land records of Marion County, Oregon.

4.5. Notices. All notices or other communications required or permitted under this Agreement must be in writing and must be (1) personally delivered, and shall be deemed received on receipt at the office of the addressee, or; (2) sent by registered or certified mail, postage prepaid, return receipt requested, which notices and communications will be deemed received three days after deposit in the United States mail, postage prepaid, or; (3) sent by

overnight courier delivery, which will be deemed received one business day after deposit with the courier, or; (4) sent by FAX, which notices and communications will be deemed received on the delivering party's receipt of a transmission confirmation.

To Developer: State Street Square LLC
Attn: Linda T. Nishioka
735 Tillman Ave. SE
Salem, OR 97302

With a copy to: Terry Hancock, Exclusive Leasing Agent
Hancock Real Estate
P.O. Box 4082
Salem, OR 97302

To Agency: Urban Renewal Agency of the City of Salem
Attn: Real Property Services Division Manager
350 Commercial St NE
Salem, OR 97301

With a copy to: City of Salem
City Attorney's Office
555 Liberty Street NE, Room 205
Salem, OR 97301

4.6. Authority. The Parties and those signing on their behalf represent and warrant that they have the requisite legal power, right, and authority to enter into this Agreement, any instruments referred to herein, and to consummate the transactions contemplated here.

4.7. Legal Relationships

(a) Relationship of Parties. No joint venture, partnership, or other joint undertaking is intended by this Agreement. Neither party hereto will have any rights to make any representations or incur any obligations on behalf of the other. Neither party has authorized any agent to make any representations, admit any liability, or undertake any obligation on its behalf. Neither party is executing this Agreement on behalf of an undisclosed principal.

(b) No Third-Party Beneficiaries. No third party is intended to be benefited or afforded any legal rights under or by virtue of this Agreement.

(c) Joint and Several Liability. If either party comprises more than one person or entity, the obligations of each person or entity comprising such party under this Agreement will be joint and several.

(d) Indemnified Parties. Any indemnification contained in this Agreement for the benefit of a party will extend to the party's members, directors, shareholders, officers, employees, and agents.

4.8. Assignments, Successors and Alienation.

(a) **Assignments and Successors.** Developer may not assign or otherwise transfer this Agreement or any interest herein, voluntarily, involuntarily, or by operation of law, without the prior written consent of Agency in each instance, which consent will not be unreasonably withheld. Developer will not be released from its obligations under this Agreement in the event of any assignment or transfer unless expressly agreed to by Agency. Subject to the foregoing, this Agreement will bind and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) **Alienation.** Developer may not dispose of the Property without Agency's consent, which consent shall not be reasonably withheld. Within ten (10) calendar days of encumbering the property by mortgage, security interest, easement, or otherwise, Developer shall provide written notice to Agency of such encumbrance. Developer's failure to timely notify Agency of such encumbrance shall act as a waiver of any requirement in this Agreement that Agency provide notice to any such third party.

(c) Notwithstanding any other provision of this Agreement, Developer may, without the consent of Agency, assign or transfer this Agreement and any interest herein, and convey, transfer or otherwise dispose of the Property and interest therein, to any Related Entity. As used in this section, "Related Entity" means any entity organized or incorporated under the laws of the State of Oregon, or other domestic entity registered with the Oregon Secretary of State's Office to conduct business Oregon, that Developer maintains a controlling interest.

4.9. Time of Essence. Except as otherwise specifically provided in this Agreement, time is of the essence for each and every provision of this Agreement.

4.10. Invalidity of Provisions. If any provision of this Agreement, or any instrument to be delivered by either party under this Agreement, is declared invalid or is unenforceable for any reason, the provision will be deleted from the document and will not invalidate any other provision contained in the document.

4.11. Neutral Construction. This Agreement has been negotiated with each party having the opportunity to consult with legal counsel and will be construed without regard to which party drafted all or part of this Agreement.

4.12. Captions. The captions of the sections and paragraphs in this Agreement are used solely for convenience and are not intended to limit or otherwise modify the provisions of this Agreement.

4.13. Waiver. The failure of either party at any time to require performance of any provision of this Agreement will not limit the party's right to enforce the provision. Waiver of any breach of any provision will not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

14.14 **4.14. Subordination.** Notwithstanding any other provision in this Agreement, Agency expressly acknowledges that all rights, title, interests, and liens in this Agreement are subordinate to any future construction financing for the Project to be recorded on the Property, and the Developer's Property, (herein the "*Senior Obligation*"). Any conflicts between the provisions of this Agreement and the Senior Obligation shall be resolved in favor of the Senior Obligation including, by way of example, but not limitation, any conflicts between the foregoing rights to cure unpaid taxes or assessments, the right to insurance proceeds or condemnation proceeds, but in no event shall any conflict impair the payments due under the Promissory Note secured hereby or affect the ability of the Developer to satisfy the Promissory Note in full.

4.15. Subsequent Modifications. This Agreement and any of its terms may be changed, waived, discharged, or terminated only by a written instrument signed by the party against whom enforcement of the change, waiver, discharge, or termination is sought.

4.16. Counting of Days. If the time for performance of any of the terms, conditions, and provisions hereof falls on a Saturday, Sunday, or legal holiday, then the time of the performance will be extended to the next business day thereafter.

4.17. Venue. In any action brought to interpret or enforce any of the provisions of this Agreement, the venue will be in Marion County, Oregon.

4.18. Applicable Law. This Agreement will be construed, applied, and enforced in accordance with the laws of the state of Oregon. All sums referred to in this Agreement will be calculated by and payable in the lawful currency of the United States.

4.19. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the Property and supersedes and replaces all written and oral agreements previously made or existing between the parties.

4.20. Counterparts. This Agreement may be executed simultaneously or in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same contract.

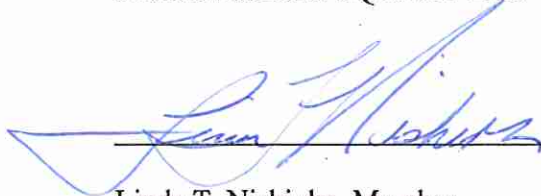
4.21. Facsimile Copies. Either party may rely on facsimile copies of this Agreement to the same extent as the originals.

4.22. 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 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855,

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

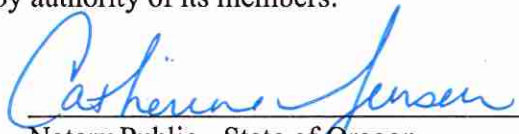
STATE STREET SQUARE LLC


Linda T. Nishioka, Member

STATE OF OREGON)
)ss.

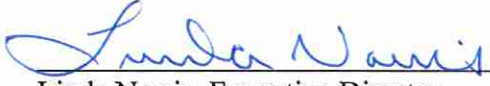
County of Marion

This instrument was acknowledged before me on Jan 31, 2014 by Linda T. Nishioka as Member of State Street Square LLC, and acknowledged the foregoing instrument to be the voluntary act and deed of the company, executed by authority of its members.


Notary Public - State of Oregon
My commission expires: May 07, 2017

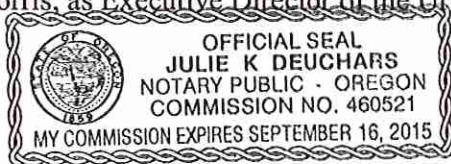


URBAN RENEWAL AGENCY
OF THE CITY OF SALEM, an Oregon
quasi-municipal corporation


Linda Norris, Executive Director

STATE OF OREGON)
)ss.
County of Marion)

This instrument was acknowledged before me on February 14, 2014, by Linda Norris, as Executive Director of the Urban Renewal Agency of the City of Salem.



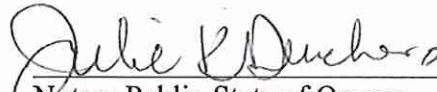

Notary Public-State of Oregon
My commission expires: 9-16-15.

Exhibit A: Legal Description
Exhibit B: Statutory Warranty Deed
Exhibit C: Promissory Note

EXHIBIT "A"

The North 1/3rd of Lot 2, Block 47, SALEM, City of Salem, Marion County, Oregon.

REEL: 3583

PAGE: 412

February 19, 2014, 03:30 pm.

CONTROL #: 356077

State of Oregon
County of Marion

I hereby certify that the attached
instrument was received and duly
recorded by me in Marion County
records:

FEE: \$ 96.00

BILL BURGESS
COUNTY CLERK

THIS IS NOT AN INVOICE.