DECLARATION OF MOE MOHANNA
IN OPPOSITION TO PROPOSED RESOLUTION OF NECESSITY

Date: December 17, 2007
Filed: February 13, 2007

I, Moe Mohanna, declare as follows:

1. I am the owner of properties in the 700 and 800 blocks of K Street. I have personal knowledge of the following facts.

2. I am educated as a civil engineer, and I am a licensed contractor. My wife Nasrin, who was educated as an architect, also works with me.

3. For the past 30 years, my business has involved developing home sites on vacant land in rural areas and redeveloping old dilapidated buildings in various parts of the City of Sacramento.

4. For the past two decades, I have redeveloped parts of Downtown Sacramento by buying old buildings that prior owners had allowed to deteriorate. I then remodel and restore these buildings to make them economically useful and aesthetically pleasing. I have spent many months working with my own hands on these rehabilitations, and I have hired subcontractors to do further work. When the remodeling work is completed, I rent spaces to retail and office tenants who contribute to the economic viability of the area.

5. To obtain the necessary funds to buy these buildings and hire contractors, I often form business associations (usually LLC's) with friends, family and investors. In addition, I have forged very good relations with several local banks, who have trusted me with purchase loans and construction loans, because I have always made timely monthly payments on these loans, primarily from the rents I received from my tenants.

6. Over the past 20 years, I have assembled ownership interests in five buildings on the 700 block of K Street (712, 716, 718, 724, and 726 K Street). 718 K Street is owned

by 718 K Street LLC. 726 K Street is owned by Urban Innovation Partners, LLC (of which I am co-managing member), and 726 K Street, LLC.

7. By assembling the majority of buildings on the 700/800 blocks of K Street, I intended to redevelop that entire block into a mixed use residential-commercial neighborhood, where people could live near their jobs in the Downtown core area and shop in stores within walking distance, thereby reducing smog and traffic congestion for the entire Sacramento region.

8. Beginning in May of 2004, some officials from the Sacramento Redevelopment Agency told me that they wanted to take title to all five of the buildings on the 700 block of K Street. I told them that I had my own plans to redevelop the properties and did not want to sell. They replied that if I did not agree to transfer my buildings, they would take them forcibly, through eminent domain. After about 2 years of negotiations, on April 18, 2006, I signed a Land Exchange Agreement with the Agency. A copy of that Agreement is attached to the Complaint filed by the Agency against me in this lawsuit.

9. Under the Land Exchange Agreement, my business associates and I agreed to swap the five buildings on the 700 block of K Street for four and one-half buildings and some vacant land on the 800 block of K Street (800, 802, and 812, with options on the portion of 816 K Street I do not own, and on 809 & 815 L Street). Because the Agreement required me to convey the 700 block buildings free of liens to the Agency, I needed to persuade my banks to transfer the loans on the 700 block properties to the buildings on the 800 block.

10. My long-term plans for the 800 block included removing the buildings and constructing a mixed use residential-commercial neighborhood. But I knew that it might

take years to put together the plans for such a massive project, finalize an agreement with a developer, obtain the necessary permits to construct the new buildings, arrange the financing to make this work, and pre-sell some of the proposed condominium units. In the meantime, I would need rents from tenants in the 800 block buildings to pay the loans that my lenders would transfer to the 800 block buildings, to avoid losing these properties to foreclosure.

11. When the Land Exchange Agreement was signed on April 18, 2006, the 800 block buildings were in relatively good shape. But the 812 K Street building was left unattended, which enabled transients to live there and gain access to the 810 K Street building – which I already owned. These transients set 810 K Street on fire. Over my objection, the Agency then demolished both of the two buildings: 802 K Street and 812 K Street, valued at several million dollars. During this demolition, a crane operated by the City's contractor damaged the 816 K Street building, destroying a portion of the roof, walls and rear of the building. Now the City of Sacramento has closed the 816 K Street building as dangerous and is charging me $1,186 for owning an uninhabitable building, even though the City made it uninhabitable.

12. Included with my Declaration as Exhibit 15 are photographs and renderings that truly depict the before and after conditions of the 700 and 800 blocks.

13. Now that three of the 800 block buildings have been demolished, the banks have refused to transfer their liens to the 800 block properties, because one uninhabitable building and two piles of rubble would not generate adequate income. So now I cannot transfer title to the 700 block buildings to the Agency free of liens.

14. While Paragraph 3.1.3.2 of the Land Exchange Agreement prevented me from entering into new leases with my tenants on the 700 block properties, nothing prevented me from continuing to keep my existing tenants on a month-to-month basis – which I needed to do in order to use their rents to pay my lenders. But a company hired by the Agency falsely told my tenants that the Agency had already acquired titled to my buildings, and ordered my tenants to vacate. Attached as Exhibit 13 is a copy of the fraudulent "90-Day Notice to Vacate" the Agency's agent sent to my tenants. This caused all but one of my tenants to leave. This has cost me more than $500,000 in rents that I needed in order to pay my banks. Also, because of these vacancies, my insurance coverage on these buildings has been reduced by 25%.

15. Paragraph 2.4 of the Land Exchange Agreement allows the Agency to acquire my buildings only if it first gives written notice of exercise of the Agency's option. I have never received any such notice.

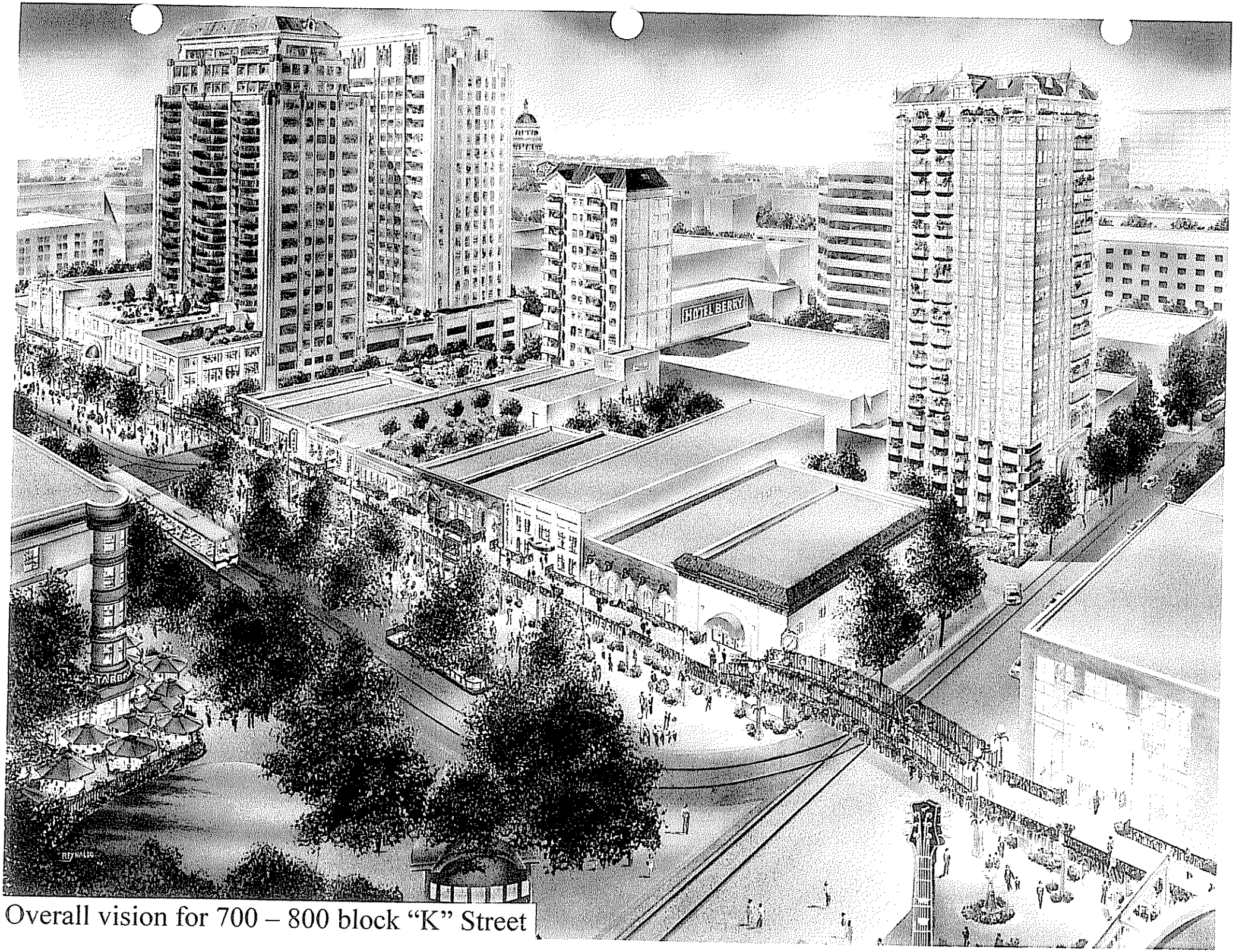
16. The Agency filed a *lis pendens* against my buildings on May 18, 2007. Once one of the key lenders (WestAmerica Bank) learned of this, it notified me that it would "cease all real estate transactions with you and your partners" until the matter is resolved.

17. To date, the Agency has not transferred or offered legal title or possession to any of the 800 block properties to me or to Urban Innovation Partners, LLC.

18. At a meeting with the City agency, the Agency indicated it was legally bound to acquire and transfer my properties on the 700 block to Zeiden. When it was pointed out that paragraph 6.3 permitted the Agency to cancel the Agreement with Zeiden, the City Attorney, Teichert, stated the Agency was unwilling to conduct the extensive hearings necessary to change the arrangements.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 17 day of December, 2007, at Sacramento, California.

Moe Mohanna



Overall vision for 700 – 800 block "K" Street

NO FEE DOCUMENT:
Entitled to free recording
per Government Code 6103.
When recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
630 "I" Street
Sacramento, CA 95814

DISPOSITION AND DEVELOPMENT AGREEMENT

700 K STREET, 704 K STREET 712 K STREET, 716 K STREET 718K STREET, 724 K STREET, 726 K STREET, 730 K STREET AND 731 K STREET, AND THE KIOSK AT ST. ROSE OF LIMA PARK

MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ZEIDEN PROPERTIES, LLC

~~Effective~~ Date
June 13, 2001

DISPOSITION AND DEVELOPMENT AGREEMENT

700 K Street, 704 K Street 712 K Street, 716 K Street 718K Street, 724 K Street, 726 K Street, 730 K Street and 731 K Street. And the Kiosk at St, Rose of Lima Park
Merged Downtown Sacramento

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, and ZEIDEN PROPERTIES, LLC, also called Agency and Developer, respectively, enter into this Disposition and Development Agreement, also called DDA, as of June 13 2006 For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 20.

RECITALS

A. Agency is considering the acquisition of certain real property located in the City of Sacramento, County of Sacramento, State of California, being a portion of the block bounded by 7th, 8th, and K Streets and the alley, more particularly described in the Property Description, attached hereto as Exhibit 1 and incorporated herein by this reference (the "Assembly Parcels").

B. Agency is the owner of certain real property located in the City of Sacramento and described on Exhibit 1 attached hereto and incorporated herein by this reference (the "Agency Parcels"). (The Agency Parcels and the Assembly Parcels are collectively referred to as the "Property.")

C. Developer is the owner of certain real property located in the City of Sacramento and described on Exhibit 2, attached hereto and incorporated herein by this reference (the "Developer Parcels").

D. The Property is located in the Merged Downtown Sacramento Redevelopment Project Area and is subject to the redevelopment plan for the Project Area. Further, Developer acknowledges that Developer is purchasing the Property from Agency which is a Redevelopment Agency formed and acting under the Community Redevelopment Law (California Health & Safety Code Sections 33000 *et seq.*) and that this document is governed by the Community Redevelopment Law. This DDA is consistent with, and furthers, the Redevelopment Plan and the "Implementation Plan" adopted for the Project Area in that it meets the following implementation plan goals: Elimination of blight including mixed and shifting uses, obsolete, aged and deteriorated buildings, incompatible and uneconomic land uses; 2) Stimulates new commercial expansion, employment and economic growth; 3) Utilizes public sector resources to stimulate investment by owners, business tenants and developers; 4) Assures high design standards, environmental quality and other design elements that provide unity and integrity to the entire Project Area; 5) Provides amenities that appeal to wide variety of users; 6) Strengthens Downtown as a regional shopping destination; and, 7) Restores and preserves historic architecture.

E. The primary purpose of this DDA is the elimination of the following blighting influences: low values and impaired investment, high vacancy rates and vacant parcels, low property values, low lease rates and obsolete uses or parcels. In order to accomplish such purpose, the DDA provides that the Agency will transfer the Agency's interests in the Property to Developer upon the express condition that Developer will redevelop the Property for the uses described in this DDA. This DDA is intended to assure that the Developer will redevelop the Property and that the Developer is not merely speculating in land.

F. Developer desires to purchase or lease and develop the Property, and Agency desires to sell or lease the Property for development, on the terms and conditions in this DDA.

AGREEMENT

NOW THEREFORE, the parties acknowledge that the foregoing Recitals are true and correct, and based upon such Recitals and in consideration of the following mutual covenants, obligations and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. PERFORMANCE. The parties shall perform their obligations at the times and in the manner specified in this DDA. The time for performance is stated in this DDA and in the Schedule of Performances; provided, however that such times shall be extended for periods of Unavoidable Delay.

2. PROJECT DESCRIPTION. Agency is entering into this DDA and conveying the Property to Developer solely for the purposes of developing the Project. The Project shall be the following: Rehabilitation of the entire southern half block of existing buildings on K Street, north of the alley from 7th to 8th Street, the kiosk area located at the corner of 7th & K in St. Rose of Lima park and the 731 K Street Building into a new vibrant destination retail district with a mix of national, regional and local retailers. The 731 K Street building may have a destination-type restaurant use in the ground level space and the Kiosk is to be put to a use complimenting both current and future uses of St. Rose of Lima Park and the development of the mixed uses on the south side of K Street. The project will be consistent with the Secretary of the Interior Standards for rehabilitation.

3. PURCHASE AND SALE. Agency agrees to sell and Developer agrees to purchase the Property subject to the terms and conditions in this DDA. This DDA, if executed by Developer only, constitutes Developer's offer to purchase the Property on the terms and conditions contained in this DDA and subject to the covenants, conditions and restrictions contained in the Regulatory Agreement to be executed by the Agency and Developer and recorded on the Property upon conveyance of the Property to Developer.

4. AGENCY ACQUISITION OF PROPERTY. The Agency is acquiring the real property described in the Legal Description as the Assembly Parcels.

5. PURCHASE PRICE. The Purchase Price for the Property shall be One Dollars and No Cents ($ 1.00).

5.1. LEASE. The Agency, pursuant to this DDA, is conveying a lease hold interest and not a fee interest in the Kiosk located within Rose of Lima Park on the Northeast corner of 7th and K Streets, in Sacramento. Said Lease shall be in substantially the same form as attached to this DDA and incorporated herein as **Exhibit 7: Lease of Kiosk, St. Rose of Lima Park**.

5.2. ESCROW. Developer and Agency have opened, or within ten (10) days after the Effective Date, shall open, the Escrow account subject to the provisions of Escrow Instructions, and Developer shall execute and deliver the Escrow Instructions to Escrow Company within ten (10) days after the Effective Date.

what is an anchor tenant?

5.3. CONDITIONS TO AGENCY'S PERFORMANCE. Agency's obligation to perform under this DDA is subject to all of the following conditions:

5.3.1. Developer shall have executed leases for a minimum of two anchor tenants in addition to the Z Gallerie and have leased at least fifty percent (50%) of the project's ground floor square footage

5.3.2. Developer has performed all of the obligations that it is required to perform pursuant to this DDA, including without limitation, obtaining all required approvals of the Plans; obtaining building permits sufficient to commence Project construction; providing all required budgets, reports and evidence of funding and insurance; and providing required construction contracts.

5.3.3. The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

5.3.4. Developer's representations and warranties in this DDA are true and correct as of the date of this DDA and as of the Close of Escrow.

5.3.5. The DDA is in full force and effect, no default on the part of Developer having occurred under the DDA, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by Developer under the DDA.

5.4. CONDITIONS TO DEVELOPER'S PERFORMANCE. Developer's obligation to perform under this DDA is subject to satisfaction of all of the following conditions:

5.4.1. Agency has performed all of the obligations that it is required to perform pursuant to this DDA.

5.4.2. Agency shall have acquired the Assembly Parcels and shall be prepared to convey said parcels to Developer as set forth in Section 6, below.

5.4.3. The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow

5.4.4. Agency's representations and warranties in this DDA are true and correct as of the date of this DDA and as of the Close of Escrow.

5.4.5. The DDA is in full force and effect, no default on the part of Agency having occurred under the DDA, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by Agency under the DDA.

5.5. **General Covenants and Representations and Warranties.** The parties make the following covenants, representations and warranties regarding the Property and the Project.

5.5.1. **Agency's Representations and Warranties.** Agency represents and warrants to Developer that as of the date of this DDA and as of the Close of Escrow, the date for which is set forth on the Schedule of Performances, to the knowledge of Agency's legal department, its Executive Director, and its staff with responsibility for development of the Property:

a) Agency (i) has no knowledge that, and (ii) has received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that, conditions on the Property are in violation of any applicable laws regarding Hazardous Substances, or informing Agency that the Property is subject to investigation or inquiry regarding Hazardous Substances on the Property.

Agency and Developer, together have caused a Phase I environmental study to be performed for Property. Agency and Developer each have a copy of said study. To the extent, if any that Developer relies on the study, Developer does so at Developer's own risk.

b) To the best of Agency's knowledge, there is no pending or threatened litigation, administrative proceeding, or other legal or governmental action with respect to the Property or with respect to Agency that would affect the Property.

c) This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Agency; are binding obligations of Agency; and do not violate the provisions of any agreements to which Agency is a party.

5.5.2. **Agency's Covenants.** Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

a) Agency shall promptly notify Developer of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

b) Agency shall not permit any liens, encumbrances, or easements to be placed on the Property, other than the approved exceptions named as acceptable in the Escrow Instructions or as identified and approved in this DDA.

c) Agency shall not, without Developer's written consent, enter into any agreement regarding the sale, rental, management, repair, improvement, or any other matter affecting the Property that would be binding on Developer or the Property after the Close of Escrow without the prior written consent of Developer, except as otherwise agreed in this DDA.

d) Agency shall not permit any act of waste or act that would tend to diminish the value of the Property for any reason, other than ordinary wear and tear.

Agency shall convey the Property, including any portion of the Property being acquired by the Agency, to Developer pursuant to the terms and conditions contained in this DDA.

e) Agency shall use its best efforts to acquire the portion of the Property not yet owned by Agency. Agency shall be solely responsible for the cost and acquisition of the remaining parcels of the Project Site.

5.5.3. **DEVELOPER'S REPRESENTATIONS AND WARRANTIES.** Developer, for itself and its principals, represents and warrants to Agency that as of the date of this DDA and as of the Close of Escrow:

a) Developer has reviewed the condition of the Property, including without limitation, physical condition of the Property (above and below the surface) and issues regarding land use and development of the Property, and if Developer closes Escrow for the acquisition of the Property, Developer shall be deemed to be satisfied that the Property is suitable in all respects for its intended development and uses.

b) Developer's agreement to close the Escrow for the acquisition of the Property serves as Developer's representation that Developer has obtained all additional information regarding the Property that Developer considers necessary for its due diligence in acquiring the Property.

c) To the best of Developer's knowledge, there is no pending or threatened litigation, administrative proceeding or other legal or governmental action with respect to Developer which would affect its ability to fulfill its obligations under this DDA and acquire the Property or which may constitute a lien against Developer's equity or Developer's interests in the Property, now or in the future.

d) Any information that Developer has delivered to Agency, either directly or through Developer's agents, is, to the best of Developer's knowledge, accurate, and Developer has disclosed all material facts concerning the operation, development, or condition of the Property.

e) Developer has the financial capacity, the equity and the financing necessary to fulfill its obligations under this DDA and acquire the Property. Developer represents that any equity and funding commitments represented by Developer to Agency as available to the Project are unencumbered and that Developer has not represented to any other party that it will use such funds for any purpose other than the Project (and covenants that it will not use them for any other purpose) without prior written Agency consent.

f) This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Developer; are binding obligations of Developer; and do not violate the provisions of any agreements to which Developer is a party.

5.5.4. **DEVELOPER'S COVENANTS.** Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

a) Developer covenants by and for itself and assigns, and all persons claiming under or through it, that it shall not discriminate on the basis of race, color, ancestry, religion, creed, sex, marital status, or national origin in the sale, lease or rental or in the use or occupancy of the Property and the Project.

b) Developer shall promptly notify Agency of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

c) Developer shall not cause any liens, encumbrances, or easements to be placed on the Property prior to Close of Escrow, except as otherwise permitted by this DDA or approved in writing by Agency.

d) Developer shall not cause any act of waste or act that would tend to diminish the value of the Property for any reason, except that caused by ordinary wear and tear.

e) Developer shall complete the development of the Project at Developer's cost and without requesting or receiving additional Agency or City contributions to the Project other than as provided in this DDA.

f) Developer shall comply with all provisions of the Regulatory Agreement, and cause any subsequent purchaser of the property to so comply.

5.6. **CLOSE OF ESCROW.** The Escrow shall not close, and the Property shall not be conveyed to Developer unless the preceding conditions have been satisfied together with all other conditions stated in the Escrow Instructions for Close of Escrow. The Escrow shall close on or about the date shown on the Schedule of Performances.

5.7. **DAMAGE, DESTRUCTION AND CONDEMNATION BEFORE CLOSE OF ESCROW.** Prior to the Close of Escrow, (a) if damage occurs to any portion of the Property by earthquake, mudslide, fire, release of or exposure to any Hazardous Substances, or any other casualty (other than any

damage caused by Developer or its employees, agents, Contractor or subcontractors) resulting in repairs or remediation costs that will exceed twenty percent (20%) of the Purchase Price or (b) if any portion of the Property is taken by eminent domain or otherwise, or is the subject of a threatened or pending taking action resulting in a twenty percent (20%) or more decrease in the after-taking value of the Property, Agency shall notify Developer in writing of the damage, destruction or condemnation , and Developer may, within fifteen (15) days after such notice, elect to terminate this DDA by written notice to Agency.

If this DDA is to continue in full force and effect after any such damage or destruction, Agency shall pay or assign to Developer any amount due from or paid by any insurance company or any other party as a result of the damage; and the amount of any deductible under Agency's insurance policy. If this DDA is to continue in full force and effect after such condemnation action, Agency shall pay any amounts received on account of, and assign to Developer all of Agency's rights regarding, any awards for such taking.

5.7.1. **COMMISSIONS.** Agency is not responsible, by this DDA or otherwise, to pay commissions on this transaction or any related transaction.

6. **ACQUISITION OF ASSEMBLY PARCELS.** In addition to the Agency owned parcels (700 K Street, 730 K Street, 731 K Street and the Kiosk in the St. Rose of Lima Park) and the Developer owned parcels (1111 7th Street, 1113 7th Street, and 708 K Street) other parcels are to be assembled in furtherance of this Project.

6.1. **ASSEMBLY PARCEL NOT UNDER CONTRACT.** Agency shall use its best efforts to acquire, at a commercially reasonable price, the following property: 704 K Street. The Agency is not obligated, by this Agreement or otherwise, to use, or to consider using, its powers of eminent domain in acquisition of these properties or any other property related to the Property. The Agency is not committed to any course of action in the event that the Agency cannot acquire this property through negotiation.

6.2. **ASSEMBLY PARCELS UNDER CONTRACT.** Agency has entered into a Land Assembly Agreement including a Land Exchange Agreement with the owners of 712, 716, 718, 724, and 726 K Street and Agency intends to perform under the terms and conditions of those agreements (and other associated agreements). These properties together with 704 K Street are collectively the "Assembly Parcels."

6.3. **FAILURE TO ACQUIRE ANY OR ALL OF THE ASSEMBLY PARCELS.** If, for any reason, Agency is unable to acquire any or all of these properties within one hundred and eighty (180) days after the certification of the EIR for the 800 block project , despite its best efforts to do so, or before such date it is clearly determined that the Agency despite its best effort to do so will not be able to acquire these properties by the date above then Agency and Developer shall endeavor to redesign the Project so as to make it economically and functionally feasible in exercise of sound business judgment. If Agency and Developer so agree, they shall amend this DDA to reflect the redesign. If Agency and Developer are unable so to agree, this DDA shall

terminate. If Agency and Developer agree, DDA shall be extended for a mutually acceptable period of time.

7. **AGENCY FUNDING.** The Agency shall provide funding for the Project, in an amount not to exceed Four Million Dollars ($4,000,000) as provided in a forgivable loan (the "Funding Agreement"). All terms regarding Agency funding are in the Funding Agreement, including without limitation, the source and use of funds. The loan shall be evidence by a note and a recorded deed of trust.

7.1. **DEVELOPER'S POWER TO HAVE LOAN FORGIVEN.** Developer has the sole power to cause the Forgivable Loan to be forgiven in whole or in part. Pursuant to the terms and conditions in the Funding Agreement, the loan shall be forgiven at a rate of ten percent (10%) each year that the Project is operated as contemplated by this DDA and in conformance with the Regulatory Agreement.

8. **DEVELOPER GRANTS AGENCY RIGHT OF FIRST OFFER.** The Developer grants the Agency a Right of First Offer. In the situation where the Developer is abandoning or otherwise stopping the ground level retail operations as contemplated by this DDA, the Developer shall allow the Agency the right to make an offer to purchase the Property before the Property is offered to any third party. Agency will have sixty (60) days from Developer's written notice of its intent to sell to respond to Developer as to Agency's decision to purchase the Property. The purchase price shall be established by appraisal: Agency and Developer will each retain independent appraisers. If the appraised values are within ten percent of each other, the purchase price will be the average of the two appraisals. If the appraised values are greater than ten percent, a third appraiser will review the appraisal reports and determine the value. The Right of First Offer agreement will be executed prior to the Close of Escrow and shall have the same term thirty year term as the Regulatory Agreement, however this right of first offer shall not exceed the life of the Project Area.

9. **PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS.** The Agency shall have the right, but not the obligation, to review Plans to assure their conformity with the provisions of this DDA. Based upon such review the Agency shall have the right to approve or reject the Plans for reasonable cause.

9.1. **EXTENT AND CHARACTER OF PLAN REVIEW.** Agency's right of review includes, without limitation, the right to review architectural and engineering plans and specifications, off-site plans and specifications, and landscaping designs and specifications. Agency's approval of Plans is neither a representation of nor an assurance of their adequacy or correctness. Agency has reserved approval rights solely (a) to assure that the Plans further the Redevelopment Plan; (b) to assure that the Final Plans conform to the Plans; and (c) to assure that Agency's purposes are fulfilled and any Agency funds which may be obligated under this DDA are used as intended by the Agency. This DDA is a financing document and not a land use or planning document. Approval of the Project and Plans under this DDA is only an approval by Agency of the Project design "concept" as presented in this DDA. Such approval by Agency is not and shall not be considered an approval of land use entitlements, structural design of the Project, or the aesthetic

design of the Project. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each governmental agency acting in proper exercise of its respective jurisdiction, including without limitation, departments, staff, boards and commissions of the City.

9.2 **CONCURRENT REVIEW.** Agency agrees that its review of the Final Plans shall occur before or concurrently with City's review of such plans, so as not to delay the commencement and progress of Project development.

9.3. **PLANS.** Developer has provided Agency with Plans, and the Agency has approved the Plans concurrently with this DDA. The Agency has been induced to undertake its obligations under this DDA by Developer's promise to develop the Project in accordance with the Plans, the Scope of Development and the provisions of this DDA.

9.4. **PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS.** Developer shall prepare the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Developer shall submit the Final Plans to the Agency for Agency's review. The Final Plans shall conform in all material respects to this DDA, including without limitation, Plans and the Scope of Development. To the extent that the DDA has insufficient detail or is unclear, the DDA shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable laws, regulations, zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this DDA. The Final Plans shall incorporate all related mitigation measures required for compliance with approvals under CEQA and any conditions of City approval of the project, unless otherwise fulfilled. Developer agrees that it will comply with the requirements of the City of Sacramento Design Review/Preservation Board to the extent of its jurisdiction.

9.5. **DELIVERY.** Developer shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the City of Sacramento Economic Development Department, which is staff to the Agency for Project Area at the address for notices and shall have clearly marked on its exterior "URGENT: 700 Block Retail Revitalization Project PLAN REVIEW" or the equivalent, and to the attention of Michelle Nelson.

9.5.1. **DEEMED APPROVAL.** If duly marked and delivered, the Final Plans or changes to the Final Plans shall be deemed approved unless disapproved in whole or in part, in writing, within thirty (30) days after their proper delivery to Agency.

9.5.2. **AGENCY DISAPPROVAL.** If Agency disapproves, in whole or in part, the Final Plans or any change to the Final Plans, Agency shall state, specifically and in writing, at the time of disapproval, the reasons for disapproval and the changes that the Agency requests to be made. Agency's reasons for disapproval and such Agency-requested changes shall be consistent with this DDA, including without limitation, the Plans, the Final Plans, the Scope of Development and with any items previously approved in accordance with this DDA. If the Agency rejects the

proposed Final Plans, Developer shall obtain no rights to develop the Property under this DDA and Agency shall have no obligations regarding the Project until such time as Developer has modified the proposed Final Plans and received the Agency's approval of the Final Plans as modified.

9.6. **GOVERNMENTAL CHANGES.** If any revisions or corrections of the Final Plans shall be required by any government official, agency, department or bureau in exercise of its proper jurisdiction, the Developer shall inform the Agency. If Agency and Developer concur in writing with the required change, Developer shall incorporate the change and it shall be deemed approved by Agency. If Agency or Developer reasonably disagrees with the required change, they shall reasonably cooperate with the agency requiring the change in efforts to develop a mutually acceptable alternative.

9.7. **APPROVAL OF SUBSTANTIAL CHANGES TO FINAL PLANS.** If the Developer desires to make any substantial changes in the Final Plans, Developer shall submit such proposed changes, in writing, to the Agency for its approval. The Final Plans shall be construed to include any changes approved in the same manner as for approval of the Final Plans under this section. The Final Plans shall be construed to include any such changes Plans. The Agency shall approve or disapprove the proposed change as soon as practicable. Nothing in this Section shall be construed to relieve Developer of its obligations under all applicable laws regarding such changes.

9.7.1. **SUBSTANTIAL CHANGE.** A substantial change in the Final Plans shall include, without limitation, the following changes, excluding those items generally considered to be tenant improvements:

a) Material changes in the layout, elevation design, functional utility or square footage.

b) Material changes in use of exterior finishing materials substantially affecting architectural appearance or functional use and operation.

c) Any change that reduces the effectiveness of any mitigation measure required for CEQA approval of the Project.

d) Material changes in site development items for the Property that are specified in the Final Plans.

Material changes in the type, location, visibility, accessibility, size, design or artist for any artwork shown in the Final Plans or otherwise accepted by the Agency under the Art in Public Places Program.

e) Material changes in quality of project or landscaping materials.

f) Any change in public amenities specified in the Final Plans.

g) Any changes requiring approval of, or any change required by, any city, county or state board, body, commission or officer.

h) Any change that would preclude or materially reduce the ability to use the Project as intended by this DDA.

9.7.2. **MISREPRESENTATION.** If the Agency's approval of the Final Plans is reasonably based upon a material misrepresentation to Agency by Developer or by anyone on Developer's behalf, the Agency may, within a reasonable time after discovery of the misrepresentation, take any action permitted by law with regard to any such misrepresentation, notwithstanding Agency's prior approval, including without limitation, rescission of the approval or such other equitable remedies as may then be appropriate to such rescission.

10. **DEVELOPMENT PROVISIONS.** As stated in detail in this Section 9, Developer shall construct and manage the Project according to the requirements established in this DDA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this DDA, the provisions that specifically enforce the Redevelopment Plan and the applicable provisions of the California Redevelopment Law (commencing at Health and Safety Code Section 33000) shall control.

10.1. **NOTICE TO PROCEED.** Developer shall not enter the Property or begin work on the Project until the Agency has issued to Developer a written notice to proceed with the work. Agency will issue a notice to proceed after Agency approval of the Final Plans, City's issuance of a building permit for substantially more than the Project foundations, Developer's compliance with all governmental requirements for start of construction, Developer's provision of required policies of insurance, and Developer's provision of proof of construction financing in an amount adequate to begin the Project work.

10.2. **CONSTRUCTION CONTRACTS.** Developer shall submit to Agency the construction contract or contracts for the Project. Agency's review of the construction contract shall be only for determining its compliance with this DDA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Developer, Developer shall, nevertheless, bear the responsibility to complete, at Developer's cost, the construction of the Project in accordance with this DDA. If the property is revested in the Agency pursuant to Section 17, Developer shall assign all rights under the construction contracts to Agency.

10.3. **GOVERNMENTAL REVIEW PROCESS.** Notwithstanding any other provision of this DDA, Developer is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the City of Sacramento. To assure proper review by the City, Developer shall, on or before December 1, 2006, make an initial deposit toward "plan check fees" with the City's Planning Department. In addition, Developer shall, as applicable, take designs before the City's Design Review/Preservation Board or its appropriate subcommittee for comment as soon as practicable. Conditions to the project imposed by the City shall be considered obligations of the Developer

under this DDA. If a dispute with City staff arises regarding such City conditions, Developer shall accept the decision of the City's Planning Commission interpreting, imposing and enforcing such City conditions, subject to any applicable appeals process of the Planning Commission.

10.4. **ART IN PUBLIC PLACES.** This historic building rehabilitation and preservation project is exempt under the Art in Public Places Program.

10.5. **PAYMENT AND PERFORMANCE BONDS.** As a condition precedent to beginning construction of the Project, the Developer shall provide the Agency a copy of a performance bond obtained by Developer or Contractor in favor of the Developer as a named obligee, in form and amount as approved by the Agency insuring the faithful completion of Developer's obligations to develop the Project under the DDA, and a copy of a payment bond obtained by Developer or Contractor in favor of the Developer as a named obligee, in form and amount as approved by the Agency securing payment of all labor and material suppliers and subcontractors for the work as stated in the construction contract for the Project. The bonds shall be written with a surety listed as acceptable to the federal government on its most recent list of sureties. Developer shall assure compliance with all requirements of the surety. Developer shall permit no changes in the work to be performed by the Contractor and shall make no advance payments to the Contractor without prior written notice to the surety and the Agency, if such change or payment could release the surety of its obligations under the bonds.

10.6. **SUBSTANTIAL CHANGES.** Developer covenants and agrees that Developer shall not make or permit to be made any construction of the Project which incorporates a substantial change in the Final Plans, as described in Section 8.6, without Agency approval of such changes as provided in Section 8.6.

10.7. **LOCAL, STATE AND FEDERAL LAWS.** The Developer shall assure that the construction of the Project is carried out in conformity with all applicable laws and regulations, including all applicable federal and state labor standards. Before commencement of construction or development of any buildings, structures or other work of improvement upon the Property, Developer shall at its own expense secure any and all certifications and permits which may be required by any governmental agency having jurisdiction over such construction, development or work. Agency shall cooperate in securing certifications and permits which require consent of the owner of the property. Developer shall permit only persons or entities which are duly licensed in the State of California, County of Sacramento and City of Sacramento, as applicable, to perform work on or for the Project.

10.8. **PREVAILING WAGES.** Unless stated otherwise above, Agency advises Developer that the Project is subject to the payment of prevailing wages under California law. Developer shall inform the Contractor and shall require the Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Agency's determination of the applicability of California prevailing wage requirements. Developer and Contractor have had the opportunity to meet with their respective legal counsel and to request a determination of the matter before the California Department of Industrial Relations and any other appropriate

governmental bodies. Developer and Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them.

10.9. **PUBLIC SAFETY PROTECTIONS.** Developer shall assure that all necessary steps are taken (including the erection of fences, barricades and warning devices) to protect private contractors and their employees and the public from the risk of injury arising out of the condition of the Property or Developer's activities in connection with the Property, including without limitation, fire, or the failure, collapse or deterioration of any improvements or buildings.

10.10. **NO DISCRIMINATION DURING CONSTRUCTION.** Developer for itself, the general contractor and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

10.10.1. **EMPLOYMENT.** Developer shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, marital status, creed or national origin. The Developer will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, creed, religion, sex, marital status, or national origin. Such action shall include, but not limited to, the following; employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Developer agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Agency setting forth the provisions of this nondiscrimination clause.

10.10.2. **ADVERTISING.** Developer will, in all solicitations or advertisements for employees placed by or on behalf of the Developer, state that all qualified applicants will receive consideration for employment without regard to race, color, creed, religion, sex, marital status, or national origin.

10.10.3. **MONITORING PROVISIONS.** Developer, Contractor and subcontractors shall comply with the requirements of the Agency for monitoring the anti-discrimination and all applicable labor requirements.

10.11. **PUBLIC IMPROVEMENTS.** Developer shall, at Developer's expense, undertake and complete any modification, construction, relocation or improvement of public facilities, improvements and utilities for the development of the Property.

10.12. **AGENCY ACCESS TO THE PROPERTY.** Developer shall permit Agency representatives access, without charge, to the entire Property at any time and for any purpose which Agency reasonably considers necessary to carry out its obligations and protect its interests under the

DDA. Purposes for Agency entry may include, without limitation, inspection of all work being performed in connection with the construction of the Project.

10.13. **PROJECT SIGN.** If Developer places a sign on the Property during construction stating the names of the Project participants, it shall also name "Redevelopment Agency of the City of Sacramento" as a participant in the Project. The Agency name on the sign shall be in letters not less than the size of letters used to name any of the other participants.

10.14. **CERTIFICATE OF COMPLETION.** After the Agency has determined that Developer has completed the construction of the Project in accordance with the Final Plans and Developer's obligations under this DDA, the Agency will furnish the Developer with the Certificate of Completion certifying such completion. The Agency's issuance of the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the DDA with respect to the obligations of the Developer to construct the Project as of the Completion Date specified in the , subject to any qualifications or limitations stated in such certification. Agency shall prepare and execute the Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

10.14.1. The Certificate of Completion shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Agency or satisfaction of any obligation of the Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. The Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any provision of this DDA that is not related to construction of the Project.

10.14.2. If the Agency fails to provide a Certificate of Completion within fifteen (15) days after written request by Developer, the Agency shall, within an additional (15) days after a second written request by the Developer, provide the Developer with a written statement, indicating in adequate detail in what respects the Developer has failed to complete the Project in accordance with the provisions of the DDA, or is otherwise in default, and what measure or acts it will be necessary, in the opinion of the Agency, for the Developer to take or perform in order to obtain such certification.

10.15. **CONSTRUCTION PERIOD EXTENSION FEE.** If Developer does not complete the construction of the Project on or before the completion date set forth in the Schedule of Performances, Developer shall pay to Agency, monthly, in advance, on the first day of each month beginning the calendar month following said completion date, a construction period extension fee of Twenty-Five Dollars and No Cents ($ 25.00) for each day by which the completion of construction is delayed beyond said completion date. Such construction period extension fee due for days of delay occurring prior to the first payment date shall be paid in arrears at the time of the first payment under this Section. The number of days used in computation of the construction period extension fee shall be reduced by the number of days of Unavoidable Delay. Failure to pay such construction period extension fee when due is a material default of this DDA. Any unearned portion of an advance payment of any such extension fee shall be refunded by the Agency within thirty (30) days of completion of construction, or of

termination of the DDA. Agency shall have the option to terminate, upon ten (10) days prior written notice, Developer's rights to such unpaid construction extension fee and to declare Developer in material default of this DDA. In any event, such construction extension fees shall not be accepted for a time period greater than six months excluding any period of Unavoidable Delay, at which time Developer shall be deemed in material default of this DDA.

10.16. REPORTS. During the period of construction, the Developer shall submit to the Agency a written report of the progress of the work as and when reasonably requested by the Agency, but not more often than once each month.

10.17. NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS. Developer shall assure notification of the Project contractors, architects and engineers for the Project of the requirements of this DDA. Developer shall include, where applicable, the provisions of this DDA in construction contracts, subcontracts, materials and supplies contracts and services and consulting contracts for the Project, and Developer shall undertake the enforcement of such provisions.

10.18. PROPERTY CONDITION. Developer, at Developer's expense, shall conduct any Property investigation beyond those provided by Agency under this DDA and which Developer may consider necessary to determine the condition of the Property for the development of the Project. As between the Agency and Developer, Developer shall be solely responsible for the adequacy of such investigations. Except as provided in this DDA, if the condition of the Property is not in all respects entirely suitable for the use or uses to which the Property will be put, it is the sole responsibility and obligation of the Developer to take such reasonable actions as may be necessary to place the condition of the Property in a condition which is entirely suitable for its development in accordance with the construction plans and drawings approved by Agency. Agency shall not be responsible for removing any surface or subsurface obstructions, or structures of any kind on or under the Property.

10.19. ZONING OF THE PROPERTY. Agency exercises no authority with regard to zoning of the Property. Developer shall assure that zoning of the Property at the time of development shall be such as to permit the development and construction, use, operation and maintenance of the Project in accordance with the provisions of this DDA.

10.20. HAZARDOUS SUBSTANCES. Agency and Developer have jointly obtained a Phase I assessment. Agency shall assign to Developer all Hazardous Substances indeminification rights it has with respect to the Property. Developer shall obtain any additional Hazardous Substances assessments as Developer deems reasonably necessary to assure the development of the Project in accordance with all applicable laws, rules and regulations; provided, however that such assessments are prepared by a qualified environmental specialist in accordance with nationally recognized standards to determine the existence of and to quantify the extent of Hazardous Substances on the Property, as. As between the Agency and Developer, Developer shall be solely responsible for the adequacy of any Hazardous Substances investigations obtained by Developer. If Hazardous Substances are known to be on the Property, Developer shall remediate such Hazardous Substances on the Property as and to the extent required by any federal, state or

local agency having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation. If Hazardous Substances are discovered on the Property after conveyance to Developer and have not been released on the Property after conveyance to Developer, Developer shall remediate all Hazardous Substances on the Property as and to the extent required by any federal, state or local agency having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation. If Hazardous Substances are discovered on the Property after conveyance to Developer and have not been released on the Property after conveyance to Developer and the cost to remediate such Hazardous Substances is reasonably estimated to exceed Ten Thousand Dollars ($ 10,000), Developer may elect to terminate this DDA, upon reconveyance of the Property to Agency and return of all monies and properties delivered pursuant to or in furtherance of this DDA. Developer shall bear Developer Remediation one hundred percent of the costs related to such remediation.

10.21. **DEVELOPER ACCESS TO PROPERTY.** Prior to the conveyance of the Property by Agency to Developer, the Agency shall permit representatives of Developer to have access, without charge, to the Property, at all reasonable times for the purpose of obtaining data and making various tests necessary to carry out Developer's obligations under the DDA; provided, however, that Developer shall not enter the Property except (a) after execution by Developer and Agency of Agency's standard "Permit for Entry" and (b) after Developer has obtained insurance coverage then required by Agency. No work shall be performed on the Property until a "Notice of Nonresponsibility" has been recorded and posted in accordance with applicable laws, assuring that Agency interest in the Property shall not be subject to mechanic's liens related to such work. Developer shall not commence any work on the Property without Agency's written approval of the work to be done, and in any event, Developer shall not commence any work which might be construed as commencement of the work of the Project for establishment of mechanic's lien rights.

11. **RELOCATION.** Agency is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project.

11.1. **COOPERATION AND ACCESS.** Developer shall cooperate fully with Agency in complying with such relocation laws, including without limitation, providing Agency access to all tenants of the Property, to all books and records related to the tenants of the Property and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Developer shall meet with Agency to establish reasonable protections for tenants and related reporting requirements for Developer.

12. **DEVELOPMENT FINANCING.** Except as specifically provided in this DDA, Developer shall be responsible for and shall pay all costs of developing the Project in accordance with this DDA. As a condition precedent to Agency's conveyance of the site to Developer, Developer shall provide the Agency with a complete and firm Project budget including all proposed sources and uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm

bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this DDA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Agency, of the additional required construction and permanent financing. Except as expressly provided in this DDA, no party shall have the right of reimbursement for any funds expended by them for the Project, whether prior to execution of this DDA or otherwise. Agency is not obligated by this DDA or otherwise to make any contribution beyond its obligations stated in this DDA.

12.1. **EVIDENCE OF AVAILABLE FUNDS.** Unless otherwise approved by the Agency, Developer's evidence of available funds, as required in the preceding section, must include only the following: (a) Developer equity (as provided in Section 12.3), (b) firm and binding loan commitments (as provided in Section 12.2) from each Lender, in form and content acceptable to Agency, and (c) Agency contribution, if any, as specified in this DDA. Within ten (10) days after Agency's request, Developer shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, request for clarification, further evidence or audited financial reports.

12.2. **COMMITMENT AND LOAN REQUIREMENTS.** As a material obligation under this DDA, Developer shall assure that the loan documents for the Project are consistent with the Lender's commitment approved by the Agency and comply, in all respects, with this DDA. The Agency may reject a loan commitment unless such commitment: (a) is subject only to Lender's reasonable conditions of title and Developer's execution of standard loan documents (copies of which have been previously provided to and approved by the Agency); (b) contains only usual, customary, and commercially reasonable loan terms; (c) continues in effect until a time when subject financing is reasonably expected to be required; and (d) for construction financing, provides for a construction loan term not less than that specified in the Schedule of Performances for completion of construction and any additional time necessary to fulfill all conditions precedent to funding of permanent financing. The Agency may also reject any commitment if it is based upon sources and uses of Project funds that are different from those approved by Agency for the Project. The Agency may also reject any commitment that requires changes to the Project which conflict with this DDA, that require amendment of this DDA or that require the Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party.

12.3. **EVIDENCE OF DEVELOPER EQUITY.** Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity, including a Developer Fee in the amount of $7,059,379 by any one of the following actions: (a) deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Developer; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Developer obligation related to the development of the Project and necessary to assure its timely & proper completion; or (c) Developer's provision of financial statements prepared by a certified public accountant which show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) the amount of the required

equity. Developer shall not provide evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Developer profit or fees or Developer contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

13. GENERAL COVENANTS AND REPRESENTATIONS AND WARRANTIES. The parties make the following covenants, representation and warranties regarding the Property and the Project.

13.1. AGENCY'S REPRESENTATIONS AND WARRANTIES. Agency represents and warrants to Developer that as of the date of this DDA and as of the Close of Escrow, to the knowledge of Agency's Legal Department, its Executive Director, and its staff with responsibility for the Property:

Agency has received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Property are in violation of any applicable laws regarding Hazardous Substances, or informing Agency that the Property is subject to investigation or inquiry regarding Hazardous Substances on the Property

13.1.1. Agency has provided to Developer all information, records, and studies in Agency's possession concerning Hazardous Substances on the Property.

There is no pending or threatened litigation, administrative proceeding, or other legal or governmental action with respect to the Property

13.1.2. Any information that Agency has delivered to Developer, either directly or through Agency's agents, is accurate to the best of Agency's knowledge and Agency has disclosed all material facts concerning the operation, development, or condition of the Property that are known to the Agency. Among others, Agency has provided all of the documents regarding Hazardous Substances on and adjacent to the Property.

13.1.3. This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Agency; are binding obligations of Agency; and do not violate the provisions of any agreements to which Agency is a party.

13.1.4. The persons executing this DDA on Agency's behalf are authorized to do so, and on execution of this DDA, this DDA shall be valid and enforceable against Agency in accordance with its terms.

13.2. AGENCY'S COVENANTS. Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

13.2.1. Agency shall promptly notify Developer of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

DECLARATION OF MOE MOHANNA
IN OPPOSITION TO PROPOSED RESOLUTION OF NECESSITY

Date: December 17, 2007
Filed: February 13, 2007

I, Moe Mohanna, declare as follows:

1. I am the owner of properties in the 700 and 800 blocks of K Street. I have personal knowledge of the following facts.

2. I am educated as a civil engineer, and I am a licensed contractor. My wife Nasrin, who was educated as an architect, also works with me.

3. For the past 30 years, my business has involved developing home sites on vacant land in rural areas and redeveloping old dilapidated buildings in various parts of the City of Sacramento.

4. For the past two decades, I have redeveloped parts of Downtown Sacramento by buying old buildings that prior owners had allowed to deteriorate. I then remodel and restore these buildings to make them economically useful and aesthetically pleasing. I have spent many months working with my own hands on these rehabilitations, and I have hired subcontractors to do further work. When the remodeling work is completed, I rent spaces to retail and office tenants who contribute to the economic viability of the area.

5. To obtain the necessary funds to buy these buildings and hire contractors, I often form business associations (usually LLC's) with friends, family and investors. In addition, I have forged very good relations with several local banks, who have trusted me with purchase loans and construction loans, because I have always made timely monthly payments on these loans, primarily from the rents I received from my tenants.

6. Over the past 20 years, I have assembled ownership interests in five buildings on the 700 block of K Street (712, 716, 718, 724, and 726 K Street). 718 K Street is owned

by 718 K Street LLC. 726 K Street is owned by Urban Innovation Partners, LLC (of which I am co-managing member), and 726 K Street, LLC.

7. By assembling the majority of buildings on the 700/800 blocks of K Street, I intended to redevelop that entire block into a mixed use residential-commercial neighborhood, where people could live near their jobs in the Downtown core area and shop in stores within walking distance, thereby reducing smog and traffic congestion for the entire Sacramento region.

8. Beginning in May of 2004, some officials from the Sacramento Redevelopment Agency told me that they wanted to take title to all five of the buildings on the 700 block of K Street. I told them that I had my own plans to redevelop the properties and did not want to sell. They replied that if I did not agree to transfer my buildings, they would take them forcibly, through eminent domain. After about 2 years of negotiations, on April 18, 2006, I signed a Land Exchange Agreement with the Agency. A copy of that Agreement is attached to the Complaint filed by the Agency against me in this lawsuit.

9. Under the Land Exchange Agreement, my business associates and I agreed to swap the five buildings on the 700 block of K Street for four and one-half buildings and some vacant land on the 800 block of K Street (800, 802, and 812, with options on the portion of 816 K Street I do not own, and on 809 & 815 L Street). Because the Agreement required me to convey the 700 block buildings free of liens to the Agency, I needed to persuade my banks to transfer the loans on the 700 block properties to the buildings on the 800 block.

10. My long-term plans for the 800 block included removing the buildings and constructing a mixed use residential-commercial neighborhood. But I knew that it might

take years to put together the plans for such a massive project, finalize an agreement with a developer, obtain the necessary permits to construct the new buildings, arrange the financing to make this work, and pre-sell some of the proposed condominium units. In the meantime, I would need rents from tenants in the 800 block buildings to pay the loans that my lenders would transfer to the 800 block buildings, to avoid losing these properties to foreclosure.

11. When the Land Exchange Agreement was signed on April 18, 2006, the 800 block buildings were in relatively good shape. But the 812 K Street building was left unattended, which enabled transients to live there and gain access to the 810 K Street building – which I already owned. These transients set 810 K Street on fire. Over my objection, the Agency then demolished both of the two buildings: 802 K Street and 812 K Street, valued at several million dollars. During this demolition, a crane operated by the City's contractor damaged the 816 K Street building, destroying a portion of the roof, walls and rear of the building. Now the City of Sacramento has closed the 816 K Street building as dangerous and is charging me $1,186 for owning an uninhabitable building, even though the City made it uninhabitable.

12. Included with my Declaration as Exhibit 15 are photographs and renderings that truly depict the before and after conditions of the 700 and 800 blocks.

13. Now that three of the 800 block buildings have been demolished, the banks have refused to transfer their liens to the 800 block properties, because one uninhabitable building and two piles of rubble would not generate adequate income. So now I cannot transfer title to the 700 block buildings to the Agency free of liens.

14. While Paragraph 3.1.3.2 of the Land Exchange Agreement prevented me from entering into new leases with my tenants on the 700 block properties, nothing prevented me from continuing to keep my existing tenants on a month-to-month basis – which I needed to do in order to use their rents to pay my lenders. But a company hired by the Agency falsely told my tenants that the Agency had already acquired titled to my buildings, and ordered my tenants to vacate. Attached as Exhibit 13 is a copy of the fraudulent "90-Day Notice to Vacate" the Agency's agent sent to my tenants. This caused all but one of my tenants to leave. This has cost me more than $500,000 in rents that I needed in order to pay my banks. Also, because of these vacancies, my insurance coverage on these buildings has been reduced by 25%.

15. Paragraph 2.4 of the Land Exchange Agreement allows the Agency to acquire my buildings only if it first gives written notice of exercise of the Agency's option. I have never received any such notice.

16. The Agency filed a *lis pendens* against my buildings on May 18, 2007. Once one of the key lenders (WestAmerica Bank) learned of this, it notified me that it would "cease all real estate transactions with you and your partners" until the matter is resolved.

17. To date, the Agency has not transferred or offered legal title or possession to any of the 800 block properties to me or to Urban Innovation Partners, LLC.

18. At a meeting with the City agency, the Agency indicated it was legally bound to acquire and transfer my properties on the 700 block to Zeiden. When it was pointed out that paragraph 6.3 permitted the Agency to cancel the Agreement with Zeiden, the City Attorney, Teichert, stated the Agency was unwilling to conduct the extensive hearings necessary to change the arrangements.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 17 day of December, 2007, at Sacramento, California.

Moe Mohanna

13.2.2. Agency shall not permit any liens, encumbrances, or easements to be placed on the Property, other than the approved exceptions named in the Escrow Instructions.

13.2.3. Agency shall not, without Developer's written consent, enter into any agreement regarding the sale, rental, management, repair, improvement, or any other matter affecting the Property that would be binding on Developer or the Property after the Close of Escrow without the prior written consent of Developer, except as otherwise agreed in this DDA.

13.2.4. Agency shall not permit any act of waste or act that would tend to diminish the value of the Property for any reason, except that caused by ordinary wear and tear.

13.2.5. Agency agrees that it will convey the Property to Developer pursuant to the terms and conditions contained in this DDA.

13.3. **DEVELOPER'S REPRESENTATIONS AND WARRANTIES.** Developer represents and warrants to Agency that as of the date of this DDA and as of the Close of Escrow:

13.3.1. Developer has reviewed and accepts the Hazardous Substances documents provided by Agency. If Developer desires further information regarding Hazardous Substances on the Property, including without limitation, a formal "Phase I Investigation", Developer agrees that it will obtain them at its own expense.

13.3.2. Developer has reviewed the condition of the Property, including without limitation, physical condition of the Property and issues regarding land use and development of the Property, and Developer is satisfied that the Property is suitable in all respects for its intended development and uses.

13.3.3. There is no pending or threatened litigation, administrative proceeding or other legal or governmental action with respect to Developer which would affect its ability to fulfill its obligations under this DDA and purchase the Property.

13.3.4. Any information that Developer has delivered to Agency, either directly or through Developer's agents, is accurate, and Developer has disclosed all material facts concerning the operation, development, or condition of the Property.

13.3.5. Developer has the financial capacity, the equity and the financing necessary to fulfill its obligations under this DDA and purchase the Property. Developer represents that any equity and funding commitments represented by Developer to the Agency as available to the Project are unencumbered and that Developer has not represented to any other party that it will use such funds for any purpose other than the Project (and covenants that it will not use them for any other purpose) without prior written Agency consent.

13.3.6. This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Developer; are binding obligations of Developer; and do not violate the provisions of any agreements to which Developer is a party.

13.3.7. Developer acknowledges that it is purchasing the property in an "as-is" condition.

13.3.8. The persons executing this DDA on Developer's behalf are authorized to do so, and on execution of this DDA, this DDA shall be valid and enforceable against Developer in accordance with its terms.

13.4. DEVELOPER'S COVENANTS. Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

13.4.1. Developer covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through it, that it shall not discriminate on the basis of race, color, ancestry, religion, creed, sex, marital status, or national origin in the sale, lease or rental or in the use or occupancy of the Property and the Project.

13.4.2. Developer shall promptly notify Agency of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

13.4.3. Developer shall not cause any liens, encumbrances, or easements to be placed on the Property prior to Close of Escrow, except as otherwise permitted by this DDA or approved in writing by Agency.

13.4.4. Developer shall not cause any act of waste or act that would tend to diminish the value of the Property for any reason, except that caused by ordinary wear and tear.

14. INDEMNIFICATION FOR HAZARDOUS SUBSTANCES. Developer shall indemnify, protect and defend Agency, its officers, directors, council members and supervisors, employees, advisory committee members, and agents, and hold them harmless from any and all liability, costs, fees, fines, penalties and claims (including without limitation court, mediation or arbitration costs, attorneys' fees, witnesses' fees, and investigation fees) related to the existence of Hazardous Substances on the Property that were not on the Property prior to Agency's transfer of possession of the Property to Developer or that were related to the removal or discharge of Hazardous Substances by Developer, or its employees, agents or contractors, during Developer's remediation of the Property pursuant to this Section.

Agency shall indemnify, protect and defend Developer, its officers, directors, employees, and agents, and hold them harmless from any and all liability, costs, fees, penalties and claims (including without limitation court, mediation or arbitration costs, attorneys' fees, witnesses' fees, and investigation fees) related to Hazardous Substances discharged on the Property during Agency's ownership of the Property or related to the removal or discharge of Hazardous Substances by Agency or its employees, agents or contractors.

15. INDEMNIFICATION. Developer shall indemnify, protect, defend and hold harmless Agency, its officers, directors, commission members, employees, advisory committee members, and agents from any and all liability from bodily injury, death and property damage caused by or

resulting from the acts or omissions of Developer, its officers, employees, agents or independent contractors and for any and all costs incurred by Agency in defending against such liability claims, including attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Agency.

Agency shall indemnify, protect, defend and hold Developer harmless from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of Agency, its officers, commission members, employees, advisory committee members or agents and for any and all costs incurred by Developer in defending against such liability claims, including attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Developer.

This indemnification provision shall survive the termination of this Agreement.

16. LIABILITY INSURANCE. With regard to this DDA, the Developer shall obtain and maintain for the life of the Regulatory Agreements and require the Contractor and subcontractors for the Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them, respectively, from the following claims which may result from the operations of the Developer, Contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of its employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Developer, or (2) by any other person, claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Developer's obligations under this DDA.

16.1. LIABILITY INSURANCE POLICY LIMITS. Developer shall obtain all insurance under this Section 15 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS ($100,000) or an amount approved by Agency, and for limits of liability which shall not be less than the following:

16.2. WORKER'S COMPENSATION. Developer shall obtain and maintain worker's compensation coverage shall be written for the statutory limits as required by Article 1 (commencing with Section 3700) of Chapter 4 of Part 1 of Division 4 of the California Labor Code (as it may, from time to time, be amended) and having an employer's liability of not less than $1,000,000.

16.3. COMMERCIAL GENERAL LIABILITY. Developer shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have limits of

liability, which are not less than $1,000,000, per occurrence limit; $5,000,000 general aggregate limit, and $5,000,000 products and completed operations aggregate limit, all per location of the Project.

16.4. **COMMERCIAL AUTOMOBILE LIABILITY.** Developer shall obtain and maintain commercial automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having a combined single limit of not less than $1,000,000.

16.5. **PROPERTY INSURANCE.** For the duration of the Regulatory Agreements, excluding Builder's All Risk, Developer shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance covereage, and with such other endorsements and in such amounts as the Agency may reasonably require to protect the Project and the Property. In the event of damage to the Project and subject to the requirements of Lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

16.6. **INSURANCE PROVISIONS.** Each policy of insurance required under this DDA shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of B++ VII , which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Agency's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Agency's legal counsel in writing in advance:

16.6.1. **ADDITIONAL INSURED.** Developer shall obtain a policy in ISO form CG 20 33 or better, naming Agency as additional insured under the Commercial General Liability Policy.

16.6.2. **CANCELLATION.** Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in the dollar amount of coverage unless the Agency has been given written notice of such intended action at least thirty (30) days prior to its effective date, or in the case of nonpayment of premium, written notice of such intended action at least ten (10) days prior to its effective date.

16.6.3. **FAILURE TO MAINTAIN.** If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this DDA, the Agency shall have the right to purchase the insurance on Developer's behalf, and Developer shall promptly reimburse the full cost of such insurance to the Agency. If Developer fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

16.6.4. **BLANKET COVERAGE.** Developer's obligation to carry insurance as required under this Section 16 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Agency shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Agency will not be reduced or diminished thereby, and all of the other requirements of this Section 16 with respect to such insurance shall otherwise be satisfied by such blanket policy.

17. **DEFAULTS AND REMEDIES.** Except as otherwise provided in the DDA, if either party defaults in its obligations under this DDA, the defaulting party shall immediately commence and diligently proceed to cure the default within thirty (30) days after written notice of default from the other party or, if reasonable, such longer time as is reasonably necessary to remedy such default if such default cannot reasonably be cured within thirty (30) days for reasons beyond the control of the defaulting party, provided that the defaulting party shall promptly begin and diligently pursue such cure to completion. If the defaulting party does not promptly begin and diligently cure the default within a reasonable time, the other party may institute proceedings to cure the default, including without limitation, proceedings to compel specific performance by the defaulting party. Subject to any extension of time permitted by this DDA, a failure or delay by a party to perform any term or provision of this DDA constitutes a default of this DDA. As a condition precedent to termination of the DDA under this Section, each party shall first tender the return of all property or funds received from or on behalf of the other party, other than funds properly retained as liquidated damages. After such return of property and funds and termination of the DDA, neither Agency nor Developer shall have any further rights against or liability to the other under the DDA except as expressly set forth in this DDA to the contrary.

17.1. **REVESTING TITLE IN AGENCY.** Notwithstanding any other provisions of this DDA and in addition to any other rights and remedies of the Agency, after conveyance of any part of the Property to Developer and prior to issuance of Certificate of Completion, if Developer defaults in its obligations related to the Project development, abandons or unreasonably suspends Project construction work, permits any unauthorized encumbrance or lien (including tax liens) and fails to discharge any such unauthorized lien or encumbrance, or permits any transfer of all or any part of the Property, then the Agency shall have, for a period of ten years following the Completion Date, the right to re-enter and take possession of the Property, or any part of the Property conveyed to Developer, and to terminate and revest in the Agency the estate so conveyed. It is the intent of this DDA, t4hat the conveyance of the Property to Developer shall be made upon, and that the Grant Deed shall contain, a condition subsequent to the effect that in the event of any default, failure, violation, or other action or inaction by the Developer specified in this Section, failure on the part of Developer to remedy, end, or abrogate such default, failure, violation, or other action or inaction, within the period and in the manner stated in the DDA, the Agency at its option may declare a termination in favor of the Agency of the title, and of all the rights and interest in the Property conveyed by the Grant Deed to Developer, and that such title and all rights and interests of Developer, and any assigns or successors in interest to and in the Property, shall revert to the Agency. Such condition subsequent and any such revesting of title in the Agency shall always be subject to and limited by the lien or security interest authorized by the DDA, and any rights or interests provided in the DDA for the protection of the Lenders; and

shall not apply to individual parts or parcels of the Property on which the Project have been completed in accordance with the DDA and for which a Certificate of Completion issued as provided in the DDA. Such condition subsequent shall conform to the provisions of Civil Code Sections 885.010 through 885.070.

17.2.

RESALE OF REACQUIRED PROPERTY. Upon the revesting of title of the Property in the Agency, Agency shall use its best efforts to resell the Property, as soon and in such manner as the Agency shall find feasible and consistent with the objectives of the Redevelopment Plan and the Community Redevelopment Law, to a qualified and responsible party, as determined by the Agency, who will assume the obligation of completing the Project or such other improvements in their stead as shall be satisfactory to the Agency. Upon such resale of the Property, the resale proceeds (after repayment of any liens and encumbrances which have previously been approved by Agency in writing) shall be applied as follows.

AGENCY REIMBURSEMENT. Said proceeds shall be paid first to Agency to reimburse Agency for all costs and expenses incurred by the Agency, including legal costs, attorney's fees and salaries of personnel, in connection with the recapture, management, and resale of the Property (but less any net income derived by Agency from the Property after such revesting); all taxes, assessments, and water and sewer charges with respect to the Property (or, in the event the Property is exempt from such taxation or assessment during Agency's ownership, an amount equal to such taxes, assessment, or charges (as determined by local assessing authorities) as would have been payable if the Property were not so exempt); any payments necessary to discharge any encumbrances or liens existing on the Property at the time of such revesting or to discharge or prevent any subsequent encumbrances or liens due to obligations, defaults, or acts of the Developer; any expenditures made or obligations incurred with respect to completion of the Project; and any amounts otherwise owing the Agency by the Developer.

DEVELOPER REIMBURSEMENT. After payment to Agency of the sum specified herein, said proceeds shall be paid to Developer to reimburse Developer in an amount not to exceed (1) the sum of the purchase price paid by Developer for the Property and the cash actually expended by it in actual construction of any of the Project (including without limitation fees and expenses paid to any governmental agency on account of the Project, mitigation or development fees, the costs and expenses of all third-party architects, engineers, or similar design professionals, hard and soft costs of construction expended in construction of the Project, and Lender's interest, loan fees and other fees and charges on account of the Loan), less (2) any gains or income withdrawn or made by it from the DDA or the Property and any amounts, including interest on loans, then due from Developer to Agency.

Balance to Agency. Any balance remaining after such reimbursements shall be retained by the Agency as its property.

17.1. **Liquidated Damages.** If developer fails to complete the purchase of the property as provided in this agreement by reason of any default of developer, agency shall be released from agency's obligation to sell the property to developer, and agency may also proceed against developer upon any claim or remedy that agency may have in law. If the Property has been

conveyed to Developer, Developer has commited a default sufficient for revestment of the Property under Section 17, and Developer has not voluntarily reconveyed the Property to Agency, Agency may revest the property or take any available action to reconvey the property to the Agency. In such event, agency may also proceed against Developer upon any claim or remedy that Agency may have in law or equity; provided, however, that, by initialing this Section, Developer and Agency agree that in the event that Developer fails to purchase the property, (a) it would be impractical or extremely difficult to fix actual damages related to the failure to purchase the property; costs to obtain reconveyance of the Property to Agency; (b) an amount equal to the deposit shall constitute liquidated damages payable to agency on account of the failure to purchase the property Agency for costs to obtain reconveyance of the Property (without limiting Agency's rights to recovery damages or seek any other remedy for any other default under this DDA or its constituent documents); (c) the payment of the liquidated damages to Agency shall constitute the exclusive remedy of Agency for the failure of Developer to Purchase the Property; (d) Agency may retain the Deposit as liquidated damages; and (e) payment of those sums to Agency as liquidated damages is not intended as a forfeiture or penalty within the meaning of california civil code sections 3275 or 3369, but instead, is intended to constitute liquidated damages to Agency pursuant to sections 1671, 1676 and 1677 of the california civil code.

_____ Developer's Initials
_____ Agency's Initials

17.3. **OTHER RIGHTS AND REMEDIES.** Upon the occurrence of any default not subject to the preceding liquidated damages provision, and the expiration of any applicable notice and cure period without a cure having occurred within the specified cure period, the non-defaulting party shall have the right to institute such actions as it may deem desirable to remedy a default of this DDA as allowed under this DDA, at law or in equity.

17.4. **NONLIABILITY OF AGENCY OFFICIALS AND EMPLOYEES.** No member, official or employee of Agency shall be personally liable under this DDA to Developer, or any successor in interest, in the event of any default or breach by Agency or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this DDA.

17.5. **FEES AND COSTS ARISING FROM DISPUTE.** If an action is commenced between the parties, the Prevailing Party in that action shall be entitled to recover from the nonprevailing party all reasonable attorney fees and costs, witness fees, arbitrator's fees, and court and arbitration costs. "Prevailing Party" shall include without limitation a party who dismisses an action in exchange for sums allegedly due; the party who receives performance from the other party for an alleged breach of contract or a desired remedy where the performance is substantially equal to the relief sought in an action; the party who receives any award for relief through arbitration; or the party determined to be the prevailing party by a court of law.

18. **ENCUMBRANCE OF PROPERTY AND LENDER PROTECTIONS.** Before issuance of a Certificate of Completion, if Developer has obtained Agency's prior written approval, which approval Agency may withhold in exercise of its reasonable discretion and in consideration of

the commercially reasonable protection of its interests under this DDA, the Developer may obtain a Loan and encumber the Property as security for the Loan, provided either that the proceeds of the Loan are used solely for construction of the Project improvements upon usual and customary and commercially reasonable terms or that the Loan is permanent project financing made upon usual and customary and commercially reasonable terms. Each lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Agency may approve in writing in advance. After issuance of a Certificate of Completion, the Agency shall have no rights of approval regarding financing secured by the Property. As a condition to Agency's approval of a Loan, Developer shall provide the Agency with a conformed copy of all documents related to the Loan. Agency acknowledges that a Lender will rely upon this DDA in making the Loan and that Agency's obligations under this DDA are inducements to Lender's making of the Loan.

18.1. **NOTICES.** If the Agency gives any notice of default to Developer under this DDA, the Agency shall contemporaneously give a copy of such notice to each Lender who has requested such notice in the following form of request for notice at the address stated in such request for notice. Any such default notice that is not so delivered to Lender shall not be effective or binding with regard to Lender or otherwise affect Lender, but failure to deliver such default notice to Lender shall not affect its validity with respect to Developer. Lender shall use the following form for requesting notice:

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Disposition and Development Agreement dated _____ between the Redevelopment Agency of the City of Sacramento and **Zeiden Properties, LLC** ("DDA"). Lender requests, in accordance with the DDA, that if any default notice shall be given to Developer under the DDA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

18.2. **ASSIGNMENTS AND TRANSFERS.** Agency shall not be bound to recognize any assignment of Lender's Loan or related encumbrance of the Property unless and until Lender has given Agency written notice of the name and address of the assignee (and if more than one person is an assignee, the designated name and address for notices) and such assignee qualifies as a Lender under this DDA. Thereafter, such assignee shall be considered a Lender with respect to the Loan and the related encumbrance on the Property.

18.3. **LENDER NOT OBLIGATED TO CONSTRUCT.** Notwithstanding any of the provisions of the DDA, Lender shall not be obligated by the provisions of the DDA to construct or complete the Project. Nothing in this Section or any other provision of the DDA shall be construed to permit or authorize Lender to devote the Property to any uses, or to construct any improvements on the Property, other than those uses or improvements provided or permitted in the DDA.

18.4. **LENDER'S OPTION TO CURE DEFAULTS.** After any default of Developer's obligations under the DDA, each Lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to

the debt and the lien secured by the Property. The Agency shall accept such performance as if it had been performed by Developer; provided, however, that such Lender shall not be subrogated to the rights of the Agency by undertaking such performance. If the breach or default relates to construction of the Project, however, Lender shall not undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect Project or construction already made) unless Lender assumes, in writing satisfactory to the Agency, Developer's obligations to complete the Project on the Property in the manner provided in the DDA. Any Lender who properly completes the Project as provided in the DDA shall be entitled, upon written request made to the Agency, to a Certificate of Completion from the Agency in a manner provided in the DDA. Such certification shall mean that any remedies or rights with respect to the Property that the Agency may have because of Developer's failure to cure any default with respect to the construction of the Project on other parts of the Property, or because of any other default of the DDA by the Developer shall not apply to the part of the Property to which such Certification relates. Nothing in this Section shall be deemed to limit, modify or release any claim or remedy that the Agency may have against the Developer for such default.

18.5. **DEFAULT BY DEVELOPER.** In the event of a default by Developer, Agency shall not terminate this DDA unless and until the Agency has given notice to Lender of such default, and Lender has failed to cure such default.

18.5.1. If such default cannot practicably be cured by the Lender without taking possession of the Property, then the Schedule of Performances (and, therefore, the Agency's right to terminate this DDA) shall be tolled if and so long as, all of the following are true: (a)Lender has delivered to the Agency, prior to the date on which Agency is entitled to give notice of termination of this DDA, a written instrument satisfactory to Agency in which Lender or its designee unconditionally agrees that it will commence the cure of such default immediately upon Lender or its designee taking possession of the Property and will thereafter diligently pursue such cure to completion; provided, however, that neither the Lender nor its designee shall be obligated to pay damages to the Agency on account of such default, except to the extent of any monies due and unpaid from Developer; (b) Lender or its designee has rights to obtain possession of the Property (including possession by receiver) through foreclosure, deed in lieu of foreclosure or otherwise, and Lender or its designee promptly commences and diligently proceeds to obtain possession of the Property; (c) if Lender is prevented by court action or by any statutory stay from prosecuting foreclosure proceedings, that Lender is diligently seeking relief from such action or stay; and (d) upon receiving possession of the Property, Lender or its designee promptly commences and diligently proceeds to cure such default in accordance with this DDA.

18.5.2. From and after the cure of such Developer default, Lender or its designee is not required to obtain possession or to continue in possession of the Property. Nothing in this Section shall preclude the Agency from exercising any of its rights or remedies with respect to Developer during any period of such forbearance.

18.6. **FORECLOSURE.** Foreclosure of any encumbrance securing the loan of Lender, or any sale under such encumbrance, whether by judicial proceedings or by virtue of any power

contained in such encumbrance, or any conveyance of the Property from the Developer to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, shall not require the consent of the Agency. Upon such foreclosure, sale or conveyance, the Agency shall recognize the resulting purchaser or other transferee as the Developer under this DDA, provided that such purchaser or transferee expressly assumes each and every obligation of the Developer under this DDA (except for the obligation to pay damages except to the extent of any monies due and unpaid from Developer under this DDA) by assumption agreement satisfactory to the Agency. If any Lender or its designee acquires Developer's right, title and interest under this DDA as a result of a judicial or nonjudicial foreclosure under any power contained in such encumbrance, or any conveyance of the Property from the Developer to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, such Lender or its designee shall have the right to assign or transfer Developer's right, title and interest under this DDA to an assignee; provided, however, that the assignee or transferee shall thereafter be subject to all of the terms and conditions of this DDA.

18.7. **MODIFICATIONS.** No modification or amendment to the DDA which materially and adversely affects the Lender's interest in the Property shall be valid and effective unless the Lender's written consent to such modification or amendment has first been obtained, which consent shall not be unreasonably withheld.

18.8. **FURTHER ASSURANCES TO LENDERS.** Agency and Developer shall in good faith consider making such reasonable modifications to this DDA and executing such further instruments and agreements between them as a Lender may reasonably request, provided such modifications, instruments and agreements do not materially, adversely affect any party's expectations or benefit, rights or obligations under this DDA and provided such modifications, instruments, and agreements serve a material economic purpose.

18.9. **ESTOPPEL CERTIFICATE.** Any party may, at any time, request in writing of any other party to certify in writing that, to the knowledge of the certifying party, (i) this DDA is in full force and effect and a binding obligation of the parties; (ii) this DDA has not been amended or modified, or, if so amended, identifying the amendments; and (iii) the requesting party is not in default in the performance of its obligations under this DDA, or, if in default, describing the nature and extent of any such defaults. A party receiving such a request shall execute and return such certificate to the requesting party, or give a detailed written response explaining why it will not do so, within ten (10) days following its receipt. The Agency's designee shall be authorized to execute any such certificate requested by Developer from the Agency.

18.10. **PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER.** In reliance on the financial capability and experience of Developer, substantial public financing and other public aids have been made available by law and by the federal and local governments to make development of the Property possible. Developer shall not, prior to issuance of a Certificate of Completion, assign Developer's interests or obligations under this DDA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Agency. The transfer or

assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section shall not relieve Developer, or any other party bound in any way by the DDA, from any of its obligations under the DDA. With respect to this provision, the Developer and the parties signing the DDA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

19. **DOCUMENT INTERPRETATION.** This DDA shall be interpreted in accordance with the following rules.

19.1. **ENTIRE DDA; SEVERABILITY.** This DDA integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. If any term or provision of this DDA shall, to any extent, be held invalid or unenforceable, the remainder of this DDA shall not be affected; provided that the intent of the DDA may then be reasonably fulfilled.

19.2. **WAIVERS AND AMENDMENTS.** All waivers of the provisions of this DDA must be in writing and signed by Agency or Developer, as applicable, and all amendments to this DDA must be in writing and signed by Agency and Developer. Any delay by Agency in asserting any rights under this Section shall not operate as a waiver of such rights or to deprive Agency of or limit such rights in any way. Any waiver in fact made by Agency with respect to any specific default by Developer under this Section shall not be considered as a waiver of the rights of Agency with respect to any other defaults by Developer under this Section or with respect to the particular default except to the extent specifically waived in writing.

19.3. **CAPTIONS, GENDER AND NUMBER.** The section headings, captions and arrangement of this DDA are for the convenience of the parties to this DDA. The section headings, captions and arrangement of this instrument do not in any way affect, limit, amplify or modify the terms and provisions of this DDA. The singular form shall include plural, and vice versa, and gender references shall be construed to include all genders.

19.4. **DRAFTER.** This DDA shall not be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. Unless otherwise indicated, all references to sections are to this DDA. All exhibits referred to in this DDA are attached to it and incorporated in it by this reference.

19.5. **MERGER.** All of the terms, provisions, representations, warranties, and covenants of the parties under this DDA shall survive the Close of Escrow and shall not be merged in the Grant Deed or other documents.

19.6. **TIME FOR PERFORMANCE.** In determining time for performance, it shall be construed that Agency and Developer shall each do the actions required of them, promptly and when specified in this DDA, and that each action specified in the Schedule of Performances shall be performed by the responsible party on or before the date scheduled for its completion.

19.7. **GOVERNING LAW** This DDA shall be governed and construed in accordance with California law.

19.8. **INSPECTION OF BOOKS AND RECORDS.** Agency has the right, at all reasonable times, to inspect the books and records of Developer regarding the Property as reasonably necessary to carry out its purposes under this DDA.

19.9. **OWNERSHIP OF DATA.** If this DDA is terminated, for any reason, prior to the completion of the Project, Developer shall deliver to Agency any and all data acquired for development of the Property. Agency shall have full ownership and rights to use such data.

19.10. **NOTICES.** All notices to be given under this DDA shall be in writing and sent to the following addresses by one or more of the following methods:

19.10.1. Addresses for notices are as follows:

a) Agency: Redevelopment Agency of the City of Sacramento, c/o Economic Development Department 1030 15th Street, Sacramento, California 95814, Attention: Michelle Nelson.

b) Developer: Zeiden Properties, LLC, 1855 W. 139th Street Gardena, California 90249, Attention: Joseph Zeiden .

19.10.2 Notices may be delivered by one of the following methods:

a) Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;

b) A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;

c) Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or

d) Telecopy or facsimile, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Attachment or to such other address as Developer or Agency may respectively designate by written notice to the other

19.11 **Successors.** This DDA shall inure to the benefit of and shall be binding upon the parties to this DDA and their respective successors, and assigns.

20. **DEFINITIONS.** The following definitions shall apply for the purposes of this DDA:

20.1. "Assembly Parcels" is the portion of the property interests within the Property that is being or is to be acquired by the Agency for the Project.

20.2. "Agency" is the Redevelopment Agency of the City of Sacramento. The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Community Redevelopment Law of the State of California. The principal office of the Agency is located at 630 I Street, Sacramento, California 95814. Agency as used in this DDA includes the Redevelopment Agency of the City of Sacramento and any assignee of or successor to its rights, powers and responsibilities. The Sacramento Housing and Redevelopment Agency is a joint powers agency which provides staffing for the operation of the Agency.

20.3. "Art in Public Places Program" is the commonly used name for the program implementing Agency's Aesthetic Improvement Policy. Aesthetic Improvement Policy is Agency's policy for the creation and display of artwork in public areas. The policy was adopted by Agency Resolution Number 2865, October 16, 1979. The policy as implemented is known as the Art in Public Places Program.

20.4. "Certificate of Completion" is the certificate issued by the Agency certifying Developer's completion of the Project and termination of the revestment provisions.

20.5. "City" is the City of Sacramento in the State of California.

20.6. "Close of Escrow" is the time for the close of the Escrow as provided in the Escrow Instructions.

20.7. "Contractor" is the contractor or contractors with whom Developer has contracted for the construction of the Project.

20.8. "Completion Date" is the date for completion of construction of the Project to the satisfaction of the Agency, which date shall be not sooner than the issuance of a certificate of occupancy for the entire Project. The Completion Date is stated in the Schedule of Performances.

20.9. "DDA" is this Disposition and Development Agreement including the attachments to this DDA consisting of the exhibits named in and attached to this DDA, the Preliminary Plans the Final Plans and any other item expressly incorporated in this DDA, all of which are incorporated in this DDA as if included in full as provisions in the body of this DDA. A default of any of the items incorporated in the DDA by reference is a default of this DDA.

20.10. "Developer" is Zeiden Properties, LLC, limited liability company. The principal office of the Developer is located at 1855 W. 139th Street, Gardena, California 90249. The principals of Developer Joseph Zeiden.

20.11. "Escrow" is the escrow for the transfer of the Property and for all requirements related to the transfer. The Title Company is the holder of the Escrow.

20.12. "Escrow Instructions" are the escrow instructions for the close of the Escrow for this DDA.

20.13. "Final Plans" are the full and final plans, drawings and specifications for the Project as described in, and approved by the Agency under this DDA. The Final Plans include all construction plans, drawings, specifications and other documents required to obtain all required building permits for the construction of the Project. The Final Plans may refer, as the context may indicate, to partial Final Plans prepared and submitted in accordance with this DDA The Final Plans shall incorporate all applicable mitigation measures which may be required for compliance with approvals under the California Environmental Quality Act (commencing at Public Resources Code Section 21000) and the rules and regulations promulgated under such act. The Final Plans shall specifically include changes or corrections of the Final Plans approved as provided in this DDA. The Final Plans shall include all landscaping, on- and off-site work and artwork related to the Project. Except as approved by the Agency, the Final Plans shall conform in all material respects to all provisions of this DDA.

"Funding Agreement" is the document that states the terms of Agency Funding, a copy of which is attached as **Exhibit 7: Funding Agreement**.

20.14. "Grant Deed" is the grant deed for the transfer of the Property to Developer under this DDA. The Grant Deed contains covenants that run with the land, easements and a reverter provision. A copy of the Grant Deed is attached as **Exhibit 3: Grant Deed.**

20.15. "Hazardous Substances" as used in this DDA shall include, without limitation, to, all substances, wastes and materials designated or defined as hazardous or toxic pursuant to any of the following statutes, as they may be amended or superseded, from time to time: the Clean Water Act (33 U.S.C. '1321 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. '9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. '6901 et seq.); the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101); the Environmental Protection Agency list of hazardous materials (40 CFR Part 302) and California Health and Safety Code Sections 25115, 25117, 25122.7, 25140 (Hazardous Waste Control Law), 25316 (Carpenter-Presley-Tanner Hazardous Substances Account Act), 25501 (Hazardous Materials Release Response Final Plans and Inventory) and 25281 (Underground Storage of Hazardous Substances); all applicable local regulations; and all rules and regulations promulgated pursuant to said laws.

20.16. "Lender" shall mean all holders of any lien or encumbrance as security for a loan on all or any part of the Property which loan is made in accordance with this DDA or otherwise approved by Agency in writing.

20.17. "Plans" are the Project designs and elevations, prepared by the Project, a portion of which (consisting of various elevations) is attached to the staff report for approval of this DDA. Agency has approved the Plans concurrently with the approval of this DDA.

20.18. "Project" is the development of the Property as described in this DDA for the uses stated in this DDA. The Project includes all improvements rehabilitated and constructed on the Property in accordance with this DDA.

20.19. "Project Area" is the Merged Downtown Sacramento Area, as defined in the Redevelopment Plan.

"Property" is the real property to be developed under this DDA by Developer, as more particularly described in the Property Description. The Property includes all improvements contained within the Property. The Property also includes all Acquisition Property.

20.20. "Property Description" is the legal description of the various parcels of real property affected by this DDA. The Property Description is attached as Exhibit 1: Property Description.

20.21. "Purchase Price" is the purchase price for the Property as set out in Section 3.

20.22. "Redevelopment Plan" is the redevelopment plan for the Project Area (as it may be amended from time to time)

20.23 "Regulatory Agreement" a copy of which is attached as **Exhibit 4: Regulatory Agreement**, is the agreement, which sets out the certain provisions of this DDA that shall survive the completion of the Project.

20.24. "Schedule of Performances" is the schedule that establishes the dates by which obligations of the parties under this DDA must be performed and on which conditions must be satisfied. The Schedule of Performances is attached as **Exhibit 5: Schedule of Performances**.

20.25. "Scope of Development" is the detailed description of the construction parameters for the Project. The Scope of Development is attached as **Exhibit 6: Scope of Development**.

20.26. "Title Company" is First American Title Company. Title Company is the insurer of title under this DDA and the Escrow holder. The Title Company address is

_____

20.27. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the

Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, a general moratorium on financing for projects of the same type, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the Agency and Developer shall be extended for the period of the enforced delay, as determined by the Agency, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after Developer has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

THE PARTIES HAVE EXECUTED THIS DDA in Sacramento, California, on the following dates, effective as of the date first written above.

DEVELOPER : ZEIDEN PROPERTIES, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
Joseph Zeiden, Member
Authorized Signatory

Date: 6/13/06

Approved as to form:
_____
Developer Counsel

AGENCY: THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, A BODY CORPORATE AND POLITIC

By: _____
John Dangberg Assistant City Manager
As Designated Signatory

Date: 6/14/06

Approved as to form:
_____
Agency Counsel

LAND ASSEMBLY AGREEMENT
700/800 BLOCK OF K STREET

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LAND ASSEMBLY AGREEMENT
700/800 BLOCK OF K STREET

The Redevelopment the Agency of the City of Sacramento, a public body, corporate and politic (the "**Agency**"), Saca Development, LLC, a California limited liability company ("**Saca**"), M.H. Mohanna, an individual, ("**Mohanna**"), 718 K Street a California Limited Liability Company ("**718 K**"), 726 K Street LLC, a California limited liability company ("**726 K**"), Urban Innovation Partners, LLC, a California limited liability company ("**Lambeth**"), 8th and K Lofts, LLC, a California limited liability company (the "**Saca Team JV**") (collectively, Saca, Mohanna, 718 K, 726 K, Lambeth, the Saca Team JV, and their affiliates are the "**Saca Team**"), and Zeiden Properties, LLC, a California limited liability company ("**Zeiden**"), have entered into this Land Assembly Agreement (this "**Agreement**") as of April 18, 2006 (the "**Effective Date**"), upon the following terms:

RECITALS

This Agreement is based upon the following recitals, facts and understandings of the parties:

A. The Agency desires to have redeveloped certain real property located in the City of Sacramento, County of Sacramento, State of California, being all or a portion of the blocks between 7th, 9th, K streets and the east-west alley between K and L Streets and between 7th, 8th, Merchant and K Streets (the "**Property**"). The Property is within the Merged Downtown Sacramento Redevelopment Project Area (the "**Project Area**"). More specifically, the Property consists of: 1) a portion of the properties within the area bounded by 7th, 8th, and Merchant Streets and the alley between K and L Streets as described more particularly in **Exhibit A-1** (the "**700 Block**"); and 2) certain properties within the area bounded by 8th, 9th, K and L Streets as described more particularly in **Exhibit A-2** (the "**800 Block**").

B. The contemplated redevelopment of the Property is consistent with the Merged Downtown Sacramento Redevelopment Plan (the "**Redevelopment Plan**") and its implementing documents, and has been identified by the Agency as important to the furtherance of the Project Area and the elimination of blighting conditions in the Project Area.

C. The Agency issued an Owner Participation Request for Proposals for the development of the Property on January 25, 2005 and reviewed the proposals from Zeiden and the Saca Team. Subsequently the Agency adopted Resolution No. 2005-0620 on August 16, 2005,

which concluded the formal Request for Proposal process for redevelopment of the Property, and established a process for negotiations and mediation with Zeiden and the Saca Team regarding potential development of the Property, including, among other items, mediation between the Saca Team and Zeiden for the purpose of facilitating discussions regarding cooperative development of the Property

D. Zeiden and the Saca Team have each complied with the Agency Resolution No. 2005-0620 dated August 16, 2005.

E. Zeiden owns parcels within the 700 Block, APNs 006-096-04, 006-096-18, and 006-096-19 described more particularly on **Exhibit A-3** (the "**Zeiden Parcels**") and a parcel within the 800 Block, APN 006-098-07 described more particularly on **Exhibit A-3** (the "**Zeiden Transfer Parcel**").

F. Members of the Saca Team own parcels within the 700 Block, APNs 006-096-05, 006-096-06, 006-096-07, 006-096-08, and 006-096-09 (the "**Saca Team Transfer Parcels**") and parcels within the 800 Block, APNs 006-098-06, 006-098-22, and 006-098-24 (the "**Saca Team Parcels**"), all as described more particularly on **Exhibit A-3**.

G. The Agency would like to acquire parcels on the 700 Block, APNs 006-096-02, 006-096-03, 006-096-10, and 006-096-24 (the "**Agency Acquisition Parcels – 700 Block**") and transfer the Agency Acquisition Parcels – 700 Block to Zeiden in conjunction with a lease to Zeiden of the existing kiosk located in St. Rosa Lima Park (the "**Kiosk**"); and parcels on the 800 Block, APNs 006-098-03, 006-098-04, 006-098-14, 006-098-21, and 006-098-08 (the "**Agency Acquisition Parcels – 800 Block**") and transfer them to the Saca Team, all as described more particularly on **Exhibit A-3**.

H. The parties have entered into an Exclusive Right to Negotiate Agreement dated October 11, 2005 whereby the Agency granted to the Saca Team and Zeiden an exclusive right to negotiate the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, and for other goods and valuable consideration the parties agree as follows:

1. PURPOSE, TERM AND LIMITS

1.1. Purpose of Agreement. The purpose of this Agreement is to set forth a framework for the acquisition, assembly and exchange of properties by and between the parties

including the proposed acquisition of properties by the Agency, transfer of properties owned by Zeiden and the Saca Team, respectively, to the Agency, transfer of the Agency owned properties to the Saca Team, respectively, in accordance with the specific terms, conditions and provisions of this Agreement.

1.2. Implementing Agreements. Upon execution of this Agreement the Agency will enter into separate agreements with Zeiden and the Saca Team, including the Zeiden Option Agreement set forth on **Exhibit B** (the "**Zeiden Option Agreement**"), the Saca Team Settlement and Land Exchange Agreement set forth on **Exhibit C** (the "**Saca Team LEA**"), the Zeiden Exclusive Negotiation Agreement set forth on **Exhibit D** (the "**Zeiden ENA**") and the Saca Team Exclusive Negotiation Agreement set forth on **Exhibit E** (the "**Saca Team ENA**"), to implement the terms of this Agreement.

1.3. Exclusive Negotiation Agreements. Upon execution of this Agreement the Agency will enter into the Zeiden ENA and the Saca Team ENA with Zeiden and the Saca Team, respectively, for negotiation of a Disposition and Development Agreement with Zeiden (the "**Zeiden DDA**") and an Owner Participation Agreement with the Saca Team (the "**Saca Team OPA**").

1.4. Term. This Agreement shall have a term beginning on the Effective Date and ending on the earlier of: eighteen (18) months following the date the Agency certifies the Environmental Impact Report for the 800 Block, or thirty (30) months following the Effective Date (the "**Term**"). If the parties have not completed the transactions set forth in this Agreement before the end of the Term, this Agreement shall automatically terminate unless extended in writing by the parties.

1.5. Limits of this Agreement. This Agreement does not convey or grant any rights in any property or to develop any property, any vested rights, any entitlements or approvals, or any rights to financial assistance, or to any other right unless it is clearly and specifically stated in this Agreement.

2. LAND ASSEMBLY CONCEPT. Parcels will be assembled as follows for redevelopment according to the development concept set forth in Section 6. The terms and conditions of the proposed assembly, acquisition, transfer and exchange of property between the Agency, Zeiden and the Saca Team are set forth in the Zeiden Option Agreement and the Saca Team LEA, respectively.

2.1. 700 BLOCK. Subject to the parties satisfying all the negotiated conditions

precedent as set forth in the Zeiden Option Agreement, the assembly of property within the 700 Block will be accomplished as set forth in Sections 3, 4 and 5 for disposition under the Zeiden DDA, which will require the 700 Block be developed in accordance with the development concept set forth in Section 6 of this Agreement.

2.2. 800 BLOCK. Subject to the parties satisfying all the negotiated conditions precedent as set forth in the Saca Team LEA, the assembly and exchange of property within the 800 Block will be accomplished as set forth in Sections 3, 4 and 5 for development under the Saca Team OPA, which will require the 800 Block be developed in accordance with the development concept set forth in Section 6 of this Agreement.

3. THE AGENCY LAND ACQUISITION

3.1. 700 BLOCK. The Agency will use its best efforts to acquire the Agency Acquisition Parcels – 700 Block, which are necessary for development, under the development concept as described in Section 6. As part of its best efforts, the Agency is not obligated to pay more than the established "fair market value" of said parcels, nor is the Agency required to accept any terms or conditions except reasonably commercial terms and conditions. The Agency is not obligated by this Agreement or otherwise to exercise its power of eminent domain to acquire property to fulfill its obligations hereunder. If the Agency elects not to pay more than the established fair market value for the Agency Acquisition Parcels – 700 Block, then Zeiden has the option of paying the difference between the established fair market value and the negotiated best purchase price of such parcels.

3.2. 800 BLOCK. The Agency will use its best efforts to acquire the Agency Acquisition Parcels – 800 Block, which are necessary for development, under the development concept described in Section 6. As part of its best efforts, the Agency is not obligated to pay more than the established "fair market value" of said parcels, nor is the Agency required to accept any terms or conditions except reasonably commercial terms and conditions. The Agency is not obligated by this Agreement or other wise to exercise its power of eminent domain to acquire property to fulfill its obligations hereunder. If the Agency elects not to pay more than the established fair market value for the Agency Acquisition Parcels – 800 Block, then the Saca Team has the option of paying the difference between the established fair market value and the negotiated best purchase price of such parcels.

ZEIDEN AGREEMENTS

4.1. Option Agreement The Zeiden Option Agreement will provide that: a) the Agency will effectuate the transfer of fee interest of the Zeiden Transfer Parcel from Zeiden to the Agency; and b) the exchange of properties between the Agency and Zeiden pursuant to the terms and conditions set forth in the Zeiden Option Agreement.

4.2. Disposition and Development Agreement. The Zeiden DDA will provide for the transfer of fee interest in the Agency Acquisition Parcels – 700 Block and Saca Team Transfer Parcels to Zeiden, and execution of a lease with Zeiden for the Kiosk owned by the Agency for development of the 700 Block consistent with the development concept set forth in Section 6 of this Agreement.

4.3. Option to Purchase Zeiden Parcels. If the Agency and Zeiden are unable to negotiate and reach agreement on the Zeiden DDA for development of the 700 Block within the term of the Zeiden ENA, then the Agency will be provided the option of acquiring the Zeiden Parcels and the Zeiden Transfer Parcel pursuant to the terms and conditions set forth in the Zeiden Option Agreement.

5. SACA TEAM AGREEMENTS

5.1. The Saca Team LEA. The Saca Team LEA will provide that: a) the Agency will acquire fee interest in the Saca Team Transfer Parcels from the Saca Team contingent upon the Agency transferring fee interest in the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel; and b) the exchange of properties between the Agency and the Saca Team shall be pursuant to the terms and conditions set forth in the Saca Team LEA.

5.2. Owner Participation Agreement. The Saca Team OPA will provide for development of the 800 Block consistent with the development concept set forth in Section 6 of this Agreement.

5.3. Right of First Negotiation. The Saca Team Right of First Negotiation Agreement attached to the Saca Team LEA as Attachment 4 will provide that the Agency will grant the Saca Team JV a right of first negotiation related to the development of the 700 Block (the "Saca Right of First Negotiation – 700 Block"), if the Agency and Zeiden fail to enter into the Zeiden DDA within the "Negotiation Period" set forth in the Zeiden ENA or Zeiden's development of the 700 Block under the Zeiden DDA is abandoned or terminated (the "Termination Event"). The term of the Saca Right of First Negotiation would begin upon a Termination Event and continue as set forth in the Saca Team LEA.

5.4 809/815 Option Agreement. The Agency shall grant to the Saca Team JV an option to acquire 809 L Street, 815 L Street, and the Agency's interest in 816 K Street on the terms and conditions set forth in the 809/815 Option Agreement attached to the Saca Team LEA as Exhibit 4.

6. DEVELOPMENT CONCEPT. Zeiden and the Saca Team shall develop the Property in accordance with the following development concept:

6.1. 700 Block. Zeiden will develop primarily retail frontage designed to attract strong retail tenants along the 700 block of K Street. The project will be in conformance with the Redevelopment Plan, the Five-Year Implementation Plan and consistent with the development objectives of the J-K-L Streets Charrette to focus on significant, regionally unique destination retail while maintaining the historic scale and nature of the K Street storefronts. Zeiden will include housing on the second floor of the buildings, where feasible as determined by Zeiden and the Agency.

6.2. 800 Block. The Saca Team will develop a mixed-use residential project with retail frontage on the 800 block along both K and 8th Streets. The project will be in conformance with the Redevelopment Plan, the Five-Year Implementation Plan and consistent with the development objectives of the J-K-L Streets Charrette. The ground floor retail space will be designed to have a size and configuration to attract strong urban retail tenants.

6.3. Financial Assistance. No financial assistance for development of the 700 Block or 800 Block has been offered to any party by this Agreement or otherwise. The Agency financial assistance may be considered in future negotiations pursuant to the Zeiden ENA and the Saca Team ENA, respectively.

6.4. Environmental Review. All parties acknowledge and agree that all development that may arise from this Agreement will be subject to and conditioned upon successful completion of all applicable governmental review, including without limitation California Environmental Quality Act ("**CEQA**"), land use, planning, design, and building review. Any and all future use of the Property subject to this Agreement shall be specifically conditioned upon CEQA compliance. No action will be taken towards any project that forecloses alternatives or mitigation measures that would ordinarily be a part of CEQA review. In regard to any proposed development on the 700 Block and 800 Block, respectively:

6.4.1. The Agency as lead agency–will prepare the appropriate environmental review and documentation and consider the environmental effects of any proposed

development on the 700 Block and/or 800 Block, respectively, prior to considering action to approve the proposed Zeiden DDA or the Saca Team OPA. A preliminary schedule for completing the required environmental review and the related land use and planning entitlements for proposed development of the 700 Block and 800 Block is attached as **Exhibit F** as the Environmental Review and Project Approval Schedule.

6.4.2. The Agency shall initially bear the costs of CEQA review, which shall thereafter be allocated in accordance with future negotiations pursuant to the Zeiden ENA and the Saca Team ENA, respectively.

6.4.3. Nothing in this Agreement will be construed to limit the application of CEQA to the development of the Property or to control the actions of the Agency in meeting its respective CEQA obligations. In fulfilling its obligations under CEQA, the Agency will act independently and without regard to its respective obligations under this Agreement. The Agency will not be liable, in any respect, to any of the other parties or any third party beneficiary of this Agreement for their action or inaction in fulfilling their respective CEQA obligations.

6.4.4. The Agency is not, and will not be considered to be, obligated by this Agreement, or otherwise, to approve any agreement, unless and until it has fully reviewed and considered the environmental impacts of the proposed development in accordance with CEQA. After CEQA review, the Agency is not obligated, by this Agreement or otherwise, to take any action in support of the proposed project. After CEQA review, the Agency is not precluded, by this Agreement or otherwise, from rejecting the proposed development or from imposing mitigation measures as a condition of project approval, which measures mitigate or avoid any potential significant effects on the environment as a result of the proposed development.

6.4.5. Upon the Agency's request, each of the parties will supply readily available data and information both to determine the impact of the development on the environment and to assist in the preparation of the environmental documents for the proposed project.

6.5. Developer Assurances. Zeiden covenants to the Saca Team and the Saca Team covenants to Zeiden, that each will not interfere with the other's planned development, including the process and attempts to obtain approvals and entitlements for their respective proposed developments.

7. **REPRESENTATIONS OF THE AGENCY.** Upon close of escrow, the Agency represents and warrants to the Saca Team and Zeiden that: a) the Agency has the full power and authority to

execute and enter into this Agreement and to consummate the transactions contemplated hereunder; and b) this Agreement constitutes a legal, valid and binding agreement of the Agency enforceable in accordance with its terms.

8. REPRESENTATIONS OF ZEIDEN. Upon close of escrow, Zeiden represents and warrants to the Agency and the Saca Team that this Agreement has been duly executed by Zeiden, is a valid, legal and binding obligation of Zeiden and enforceable in accordance with its terms.

9. REPRESENTATIONS OF THE SACA TEAM. Upon close of escrow, the members of the Saca Team, each for itself, will represent and warrant to the Agency and Zeiden that this Agreement duly executed by members of the Saca Team, each for itself, is a legal, valid and binding obligation of members of the Saca Team, each for itself, enforceable in accordance with its terms. Each member of the Saca Team makes these representations and warranties for itself and no other member of the Saca Team shall be liable for the representations and warranteis of other members of the Saca Team.

10. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All of the representations and warranties of the Agency, Zeiden and members of the Saca Team made in conjunction with or pursuant to this Agreement shall survive the close of escrow.

11. MISCELLANEOUS

11.1. No Commissions. No Property Owner as set forth on **Exhibit A-3**, is obligated by this Agreement, or otherwise to pay commissions or brokerage fees or any similar or related fee or charge to any party on account of this Agreement or on account of any action taken pursuant to this Agreement. Each party understands that the other parties may have separate agreements regarding commissions which do not affect or pertain to another party in this transaction. The Property Owners each, individually and not jointly, agree to hold the other parties to this Agreement harmless from and to defend such other parties against any claim for any such commission, fee or charge or any other costs related thereto arising from any action or omission Property Owners, their officers, agents or employees. Agency acknowledges that Seller of 731 K Street will pay a $120,000 commission to Goldman Limited and Corritore Company in connection with the sale of that property (APN 006-096-24).

11.2. Negation of Joint Venture between Parties. Nothing herein contained shall be in any way construed as expressing or implying that the parties hereto have joined together in any joint venture or partnership or in any manner have agreed to or are contemplating the sharing of profits and losses among themselves in relation to any matter relating to this Agreement.

11.3. Successors and Assigns. The terms, covenants, agreements and conditions of this Agreement shall be binding upon, inure to the benefit of and apply to, the respective successors and assigns of the Agency, Zeiden and the Saca Team.

11.4. Nonmerger. If the Agency's, Zeiden's or the Saca Team's interest in the Property become vested in the same owner, this Agreement shall nevertheless not be destroyed by the application of the doctrine of merger, except at the express election of the Agency, Zeiden and/or the Saca Team.

11.5. Entire Agreement. This Agreement, the exhibits hereto, the Zeiden Option Agreement, the Saca Team LEA, the Zeiden ENA, the Saca Team ENA, the Saca Team Right of First Negotiation, and the 809/815 Option Agreement constitute the only agreements between the parties concerning the development of the Property and their rights and duties in connection with the Property.

11.6. Conflict between Provisions. In the event of an apparent conflict between provisions of this Agreement, the more specific provision shall control.

11.7. Costs. Each party will bear its own costs related to this Agreement and any predevelopment costs related to development of the Property incurred during the term of this Agreement, including but not limited to costs for planning, architectural, engineering and legal services except as specifically set forth in this Agreement or exhibits hereto.

11.8. Assignment. This Agreement is not assignable by either party in whole or in part without the prior written consent of the other parties, which consent shall not be unreasonably withheld if such assignment is for capitalization for development of the proposed project, corporate restructuring or estate planning as long as control of the entity remains with the existing parties. Saca Team and Zeiden acknowledge that Agency may transfer some or all of its interests in the Agency Acquisition Parcels-700 Block to the Downtown Sacramento Revitalization Corporation to facilitate financing of property acquisition or project development if the Agency deems its necessary.

11.9. Applicable Law; Venue. This Agreement will be construed in accordance with the law of the State of California, and venue for any action under this Agreement will be in Sacramento County, California.

11.10. Attorneys' Fees. In the event of any dispute between the parties, whether or not such dispute results in litigation, the prevailing party will be reimbursed by the other party for all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees,

witness and expert fees and investigation costs. A party receiving an award after arbitration or an order or judgment after hearing or trial will not be considered a prevailing party if such award, order or judgment is not substantially greater than the other party's offer of settlement made in advance of the arbitration, hearing or trial

11.11. Notices. Notices to any party will be personally delivered or sent by first class mail to its principal office address as indicated below:

If to the Agency:	Redevelopment the Agency of the City of Sacramento 1030 15th Street, Suite 250 Sacramento, CA 95814 Attention: Leslie Fritzsche and Michelle Nelson, Economic Development
With copy to:	Redevelopment the Agency of the City of Sacramento 630 I Street Sacramento, CA 95814 Attention: David Levin, Legal Department
If to Zeiden:	Zeiden Properties, LLC 1855 West 139th Street Gardena, California 90249 Attention: Joseph Zeiden
With copy to:	Richard Hyde 1100 N Street, Suite 100 Sacramento, California 95814
If to the Saca Team:	8th and K Lofts, LLC 77 Cadillac Drive, Suite 150 Sacramento, CA 95825-5480 Attention: John Saca Saca Development, LLC 77 Cadillac Drive, Suite 150 Sacramento, CA 95825-5480 Attention: John Saca Urban Innovation Partners, LLC 1029 9th Street, Suite 205 Sacramento, CA 95814 Attention: John Lambeth M.H. Mohanna 1029 9th Street, Suite 205 Sacramento, CA 95814 718 K Street a California Limited Liability Company

1035 Ninth Street, #205
Sacramento, California 95814
Attention: James Rothery

726 K Street LLC
5010 Parkway Calabasas, Suite 105
Calabasas, California 91302
Attention: William P. Tucker

With copy to: Weintraub Genshlea Chediak Law Corporation
400 Capitol Mall, Suite 1100
Sacramento, CA 95814
Attention: Michael A. Kvarme

11.12. Counterparts. This Agreement may be executed in one or more counterparts, each which shall be deemed to be an original, but all of which shall constitute but one and the same instrument.

11.12. Exhibits. The following exhibits are attached hereto and incorporated herein:

Exhibit A-1: 700 Block Description
Exhibit A-2: 800 Block Description
Exhibit A-3: Property Owners as of the Effective Date
Exhibit B: Zeiden Option Agreement
Exhibit C: Saca Team LEA
Exhibit D: Zeiden ENA
Exhibit E: Saca Team ENA
Exhibit F: Environmental Review Schedule

EXECUTED as of the Effective Date in Sacramento, California

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H.B. Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin, Agency Counsel

ZEIDEN:
ZEIDEN PROPERTIES, LLC, a California limited liability company

By: _____
Joe Zeiden, Member
Authorized Signatory

Approved as to form:

By: _____
Richard Hyde, Zeiden Counsel

THE SACA TEAM:

SACA DEVELOPMENT, LLC, a California limited liability company

By: _____
John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, Manager

By: _____
Moe Mohanna, Manager

718 K STREET, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
James Rothery, Manager

726 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, Its Sole Member

8th AND K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A. Kvarme, Saca Team Counsel

EXECUTED as of the Effective Date in Sacramento, California.

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H.B. Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin, Agency Counsel

ZEIDEN:

ZEIDEN PROPERTIES, LLC, a California limited liability company

By: _____
Joe Zeiden, Member
Authorized Signatory

Approved as to form:

By: _____
Richard Hyde, Zeiden Counsel

THE SACA TEAM:

SACA DEVELOPMENT, LLC, a California limited liability company

By: _____
John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, Manager

By: _____
Moe Mohanna, Manager

718 K STREET, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
James Rothery, Manager

728 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, Its Sole Member

8th AND K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A. Kvarme, Saca Team Counsel

041406

Approved as to form:

_____

Michael A. Kvarme
Saca Team Counsel

EXHIBIT A-1
700 BLOCK DESCRIPTION

EXHIBIT A-2
800 BLOCK DESCRIPTION

EXHIBIT A-3
PROPERTY OWNERS AS OF THE EFFECTIVE DATE

SACA TEAM TRANSFER PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0096 005	712 K Street
Mohanna	100%	006 0096 006	716 K Street
718 K	100%	006 0096 007	718 K Street
Mohanna	100%	006 0096 008	724 K Street
726 K	40%	006 0096 009	726 K Street
Lambeth	60%	006 0096 009	726 K Street

SACA TEAM PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0098 006	810 K Street
Mohanna	100%	006 0098 022	1109 8th Street
Lambeth	100%	006 0098 024	806 K Street

ZEIDEN PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0096 004	708 K Street
Zeiden	100%	006 0096 018	1113 7th Street
Zeiden	100%	006 0096 019	1111 7th Street

ZEIDEN TRANSFER PARCEL

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0098 007	812 K Street

AGENCY ACQUISITION PARCELS – 700 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Maurice O. Ray, Jr., Trustee of the Ray Family Trust est. March 20, 1995	100%	006 0096 002	700 K Street
Grace Shun as Trustee of the Testamentary Trust for Joe Shun, aka Joe Sun, aka Low Mong Jung, deceased	50%	006 0096 003	704 K Street
Grace Shun	50%	006 0096 003	704 K Street
Kay V. Dunne, Trustee of the Roy Van Vliet Trusts A and B	100%	006 0096 010	730 K Street
Vertex Investments LLC, a California limited liability company	100%	006 0096 024	731 K Street

AGENCY ACQUISITION PARCELS – 800 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Ismail Abukhdair and Hiba Abukhdair, husband and wife as joint tenants	100%	006 0098 003	800 K Street
Man Y Lui, Trustee of the Man Y Lui Family Trust dated September 1, 2004	100%	006 0098 004	802 K Street
Sahad Janmohamed and Sakina S Janmohamed, husband and wife as community property	44 5%	006 0098 008	816 K Street
Mohanna	55 5%	006 0098 008	816 K Street
David Richter. an unmarried man	100%	006 0098 014	815 L Street
Alexander Tiu and Ofelia P Tiu, husband and wife as joint tenants	24 4%	006 0098 021	809 L Street
ABC Partners, LLC, a California limited liability company	30 1%	006 0098 021	809 L Street
Edward Louie, a married man as his sole and separate property	45 5%	006 0098 021	809 L Street

EXHIBIT B
ZEIDEN OPTION AGREEMENT

EXHIBIT C
THE SACA TEAM LEA

EXHIBIT D
ZEIDEN EXLUSIVE NEGOTIATION AGREEMENT

EXHIBIT E
THE SACA TEAM EXCLUSIVE NEGOTIATION AGREEMENT

EXHIBIT F
ENVIRONMENTAL REVIEW AND PROJECT APPROVAL SCHEDULE

700 Block:

30-days from ENA effective date

- Developer submits Proposal to Agency Staff
- Developer submits proposal for Design Review Preservation Board (Review and Comment)

30-days from receipt of Proposal

- Design Review Preservation Board Hearing (Review and Comment)

120 days from ENA effective date

- Refine proposal as necessary
- Complete negotiation of business terms and conditions (ENA Section 6.1)

180 days from ENA effective date

- Draft DDA documents
- Project/DDA approval (w/exemption) considered by Agency

800 Block: (see attached Environmental Schedule)

60 days from ENA effective date

- Developer submits Proposal to Agency Staff
- Developer submits proposal for Design Review Preservation Board (Review and Comment)

30-days from receipt of Proposal

- Design Review Preservation Board Hearing (Review and Comment)

180 days from ENA effective date

- Refine proposal as necessary
- Complete negotiations of business terms and conditions (ENA,Section 6.1)

270 days from ENA effective date

- Draft OPA documents
- Project/DDA approval/EIR Certification considered by Agency

Exhibit F (Continued)

800 Block Environmental Schedule

Task	Duration	Start	Finish
City Traffic study	14 wks	Monday, November 28, 2005	**Tuesday, February 28, 2006**
Project Traffic Study	4 wks	Tuesday, February 28, 2006	Tuesday, March 28, 2006
Staff reviews IS	2 days	Monday, December 19, 2005	Wednesday, December 21, 2005
Finalize IS	1 days	Wednesday, December 21, 2005	Thursday, December 22, 2005
Circulate NOP	31 days	Wednesday, January 18, 2006	Monday, February 20, 2006
Prepare ADEIR	16 wks	Monday, November 28, 2005	Tuesday, April 11, 2006
Staff review of ADEIR	2 wks	Tuesday, April 11, 2006	Tuesday, April 25, 2006.
finalize DEIR	2 wks	Tuesday, April 25, 2006	Saturday, May 06, 2006
Circulate DEIR	48 days	Thursday, May 11, 2006	Wednesday, June 28, 2006
Prepare AFEIR	2 wks	Wednesday, June 28, 2006	Wednesday, July 12, 2006
Staff Review of AFEIR	2 wks	Wednesday, July 12, 2006	Wednesday, July 26, 2006
Finalize FEIR	2 wks	Wednesday, July 26, 2006	Tuesday, August 08, 2006
Circulate FEIR	10 days	Tuesday, August 08, 2006	Friday, August 18, 2006

PERMIT FOR ENTRY
700/800 BLOCK

Date	April 17, 2006

As of the above-written date, and in consideration of their mutual obligations, the Agency, the Saca Team and Zeiden (defined below) enter into this "**Permit**" and agree as set forth below. Any capitalized terms not defined herein shall have the meaning set forth in the Land Assembly Agreement between the parties hereto (the "**Land Assembly Agreement**"):

1. The "**Property Owners**" are as follows and as indicated on **Exhibit A** hereto:

a) The "**Agency**" is the Redevelopment Agency of the City of Sacramento.

b) The "**Saca Team**" is Saca Development LLC, a California limited liability company, Mo Mohanna, an individual, 718 K Street a California Limited Liability Company, 726 K Street, LLC, a California limited liability company, Urban Innovation Partners, LLC, a California limited liability company, 8th and K Lofts, LLC, a California limited liability company, and their respective consultants, contractors and staff.

c) "**Zeiden**" is Zeiden Properties, LLC, a California limited liability company and its consultants, contractors and staff.

2. Individually, the "**Permittees**" are as follows:

a) The Saca Team as to the Agency Acquisition Parcels - 800 Block and the Zeiden Transfer Parcel;

b) Zeiden as to the Agency Acquisition Parcels - 700 Block and the Saca Team Transfer Parcels; and

c) The Agency as to the Zeiden Transfer Parcel and the Saca Team Transfer Parcels.

3. The "**Properties**" and the "**Property Owners**" that are subject to the this Permit are set forth on **Exhibit A** hereto.

4. Subject to the conditions, stipulations and provisions stated in this Permit, the Property Owners grant revocable, non-exclusive permission to each other, i.e. Permittees to enter the Properties and perform the following Permitted Activities within the following stated time period. An activity listed as a Permitted Activity is not a Permitted Activity if it is not performed in the stated time period. Each Permittee is prohibited from doing any activity on the Property that is not expressly stated to be one of the Permitted Activities. Each Permittee's performance of any activity on the Property that is not a Permitted Activity terminates all of such Permittee's rights to use the Property but not such Permittee's obligations under this Permit.

5 **"Permitted Activities"** are the following:

"PERMITTED ACTIVITY"	BEGINNING OF ACTIVITY		ENDING OF ACTIVITY	
	DATE	TIME	DATE	TIME
Entry and inspections of the Properties reasonable necessary to perform the due diligence as required by the Land Assembly Agreement by and between the Property Owners and each Permittees in this Right for Entry				

Select one:	
	Construction, demolition, testing, remediation will be done on the Property and no materials will be delivered to the Property for any work to be done on the Property. Permittee shall not enter the Property and shall take not action with respect to this Permit until a Notice of Nonresponsibility has been duly prepared, noticed and posted.
X	Construction, demolition, testing, remediation will not be done on the Property and no materials will be delivered to the Property for any work to be done on the Property.

6. The Property Owners, as to their parcels, each reserve the right to cancel or extend this Permit to their respective Properties, at any time.

7. Each Permittee and their respective employees and agents have inspected the Properties it intends to acquire or will inspect the Properties prior to commencement of any activities under this Permit and represent to the Property Owner (a) that they are aware of or will make themselves aware of any dangerous conditions on the Property, whether or not readily discoverable, (b) that they accept the Property in its present condition, (c) that they will make the Property safe for any activity under their care and control on the Property, whether or not Permitted Activities, and (d) that Agency is not and shall not be obligated to make Property safe or suitable for use by Permittee or for anyone on the Property at the invitation or sufferance of Permittees, or otherwise to prepare the Property or access to the Property in any manner whatsoever. Entry by Permittees and their respective employees, agents, and invitees onto the Property under this Permit shall be deemed an acknowledgement by Permittees that all dangerous places and defects upon the Property are known to Permittees. Permittees shall make the Property safe for all persons entering the Property under this Permit or at Permittee's request, invitation, direction or sufferance. Permittee assumes full liability for any injury to such persons or their property while on the Property.

8. Property Owners do not assume, by this Permit or otherwise, any responsibility for, or to protect against, any loss, damage, theft or vandalism of any property or material that any Permittee may place upon the Property.

9. Each Permittee and its respective employees, agents, subcontractors and invitees shall comply with, and shall assure the compliance of invitees with, all laws, statutes, ordinances and regulations that are applicable to any of its activities upon the Property, whether or not Permitted Activities, including and without limitation to, obtaining all approvals, permits and licenses required for such activity.

10 Each Permittee, its respective employees, agents, subcontractors and invitees shall protect, defend, indemnify and hold harmless the Property Owner upon whose Property such Permittee entered, from liability for any injury, death or property damage arising from or connected with the use of the Property by any of them, whether or not Permitted Activities. Each Permittee is liable to and shall reimburse Property Owner, upon who's Property such Permittee entered, for all costs, expenses and losses in consequence of any claims, demands and causes of action which may be made or brought against it arising out of such use, including without limitation attorney's fees, witness fees, expert fees and investigation fees and costs.

11. Throughout the time period that Permittees have access to the Properties under this Permit, or otherwise, each Permittee shall obtain and maintain the following insurance coverage from insurance providers licensed to do business in California and having an industry rating that is reasonably commercially acceptable. Failure to obtain and maintain the insurance as required immediately terminates all rights of such Permittee under this Agreement. Each Permittees herein affirms that it has a present and at the time of any entry onto or into any Property such insurances as required by this section 11. Agency has a self insurance retention and additional insurance satisfying the requirements of this Section 11.

a) Each Permittee shall assure that the coverage afforded under the policies can only be canceled after thirty (30) days prior written notice to the Property Owner of the pending cancellation. Permittees must mark such notice to the attention of the Agency at the following address: SACRAMENTO HOUSING & REDEVELOPMENT AGENCY, Legal Department, 630 I Street, Sacramento, California 95815, to the Saca Team at 77 Cadillac Drive, Suite 150, Sacramento, California 95825, or to Zeiden at 1855 West 139th Street, Gardena, California 90249.

b) The required insurance coverage is the following: (i) Two Million Dollars ($2,000,000) or more of comprehensive general liability coverage including, without limitation, coverage for contractual liability, public liability and property damage and having a deductible of Four Hundred Thousand Dollars ($400,000) or less; and (ii) statutory limits or more of workers compensation coverage for all employees of Permittee and all others doing work on the Property.

12. Upon termination of this Permit, each Permittee shall remove all personal property from the Property. Should anyone on the Property at the invitation or sufferance of a Permittee leave any personal property on the Property beyond the term provided in this Permit, Property Owner shall have the right without notice to sell, destroy, or otherwise dispose of such property or to remove and store such property at the expense of the Permittee who failed to remove said personal property.

13. Each Permittee agrees that it does not have and shall not claim any interest or estate whatsoever in the Property by virtue of this Permit or Permittee's entry, occupancy or use under this Permit.

14. Each Permittee agrees that access to the Property and the surrounding area will be preserved for fire equipment at all times.

15. Each Permittee shall not permit any nuisance on the Property or disturb the quiet use and enjoyment by tenants on the Property or any adjacent properties.

16. Except as expressly provided in this Permit, each Permittee shall return the Property to Property Owner in a condition that is at least as good as the condition in which the Property was delivered to such Permittee. No Permittee shall remove any portion of the improvements or fixtures from the Property. At the option of the Property Owner, the appropriate Permittee shall restore to its original condition any portion of the Property damaged, demolished or altered by

Permittee. If such Permittee fails or refuses to do such restoration, the Property Owner shall have the right to do such restoration and recover all costs of such restoration from Permittee who shall have damaged, demolished or altered the Property.

17. Each Permittee shall pay immediately all costs of labor, services and materials supplied in prosecution of any work to be done on the Property under this Permit. Each Permittee shall keep the Property free and clear of all mechanic's liens and any other liens. If a lien is filed against the Property as a result of a Permittee's entry or use of the Property, such Permittee agrees to immediately repay the lien and obtain full release from it.

18. If any Permittee or anyone under any Permittee's control or direction remains on the Property after the termination or cancellation of this Permit or acts in excess of the rights given under this Permit, such Permittee and anyone on the Property at such Permittee's invitation or sufferance shall be deemed a trespasser and shall be liable to Property Owner for damages as a trespasser.

The parties hereto have executed this Permit as of the date set forth above

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H.B. Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin
Agency Counsel

ZEIDEN:

ZEIDEN PROPERTIES, LLC, a California limited liability company

By: _____
Joe Zeiden, Member, Authorized Signatory

Approved as to Form:

_____
Richard Hyde
Zeiden Counsel

THE SACA TEAM:

SACA DEVELOPMENT, LLC. a California limited liability company

By: _____
John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, Manager

By: _____
Moe Mohanna, Manager

718 K STREET, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
James Rothery, Manager

726 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, its Sole Member

8TH AND K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A. Kvarme
Saca Team Counsel

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REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

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Approved as to form:

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Agency Counsel

ZEIDEN:

ZEIDEN PROPERTIES, LLC, a California limited liability company

By: _____
Joe Zeiden, Member, Authorized Signatory

Approved as to Form:

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Richard Hyde
Zeiden Counsel

THE SACA TEAM:

SACA DEVELOPMENT, LLC, a California limited liability company

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John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, Manager

By: _____
Moe Mohanna, Manager

718 K STREET, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
James Rothery, Manager

726 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, Its Sole Member

8TH AND K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A. Kvarme
Saca Team Counsel

(12389/14653/ALW/089004.DOC;)

A TO PERMIT FOR ENTRY

PROPERTY OWNERS

SACA TEAM TRANSFER PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0096 005	712 K Street
Mohanna	100%	006 0096 006	716 K Street
718 K	100%	006 0096 007	718 K Street
Mohanna	100%	006 0096 008	724 K Street
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Lambeth	60%	006 0096 009	726 K Street

SACA TEAM PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0098 006	810 K Street
Mohanna	100%	006 0098 022	1109 8th Street
Lambeth	100%	006 0098 024	806 K Street

ZEIDEN PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0096 004	708 K Street
Zeiden	100%	006 0096 018	1113 7th Street
Zeiden	100%	006 0096 019	1111 7th Street

ZEIDEN TRANSFER PARCEL

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0098 007	812 K Street

AGENCY ACQUISITION PARCELS – 700 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Maurice O Ray. Jr., Trustee of the Ray Family Trust est. March 20, 1995	100%	006 0096 002	700 K Street
Grace Shun as Trustee of the Testamentary Trust for Joe Shun, aka Joe Sun, aka Low Mong Jung, deceased	50%	006 0096 003	704 K Street
Grace Shun	50%	006 0096 003	704 K Street
Kay V. Dunne, Trustee of the Roy Van Vliet Trusts A and B	100%	006 0096 010	730 K Street
Vertex Investments LLC, a California limited liability company	100%	006 0096 024	731 K Street

AGENCY ACQUISITION PARCELS – 800 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Ismail Abukhdair and Hiba Abukhdair, husband and wife as joint tenants	100%	006 0098 003	800 K Street
Man Y. Lui. Trustee of the Man Y Lui Family Trust dated September 1, 2004	100%	006 0098 004	802 K Street
Sahad Janmohamed and Sakina S Janmohamed. husband and wife as community property	44 5%	006 0098 008	816 K Street
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David Richter, an unmarried man	100%	006 0098 014	815 L Street
Alexander Tiu and Ofelia P Tiu, husband and wife as joint tenants	24 4%	006 0098 021	809 L Street
ABC Partners, LLC, a California limited liability company	30 1%	006 0098 021	809 L Street
Edward Louie, a married man as his sole and separate property	45.5%	006 0098 021	809 L Street

EXHIBIT C

SACA TEAM SETTLEMENT AND LAND EXCHANGE AGREEMENT

700/800 K STREET

This Saca Team Settlement and Land Exchange Agreement (this "**Agreement**") is entered into as of April 13, 2006, (the "**Effective Date**")by and between the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic (the "**Agency**"), Saca Development, LLC, a California limited liability company ("**Saca**"), M.H. Mohanna, an individual ("**Mohanna**"), 718 K Street a California Limited Liability Company ("**718 K**"), 726 K Street LLC, a California limited liability company ("**726 K**"), Urban Innovation Partners, LLC, a California limited liability company ("**Lambeth**"), and 8th and K Lofts, LLC,, a California limited liability company (the "**Saca Team JV**"). Collectively, Saca, Mohanna, 718 K, 726 K, Lambeth, the Saca Team JV, and their affiliates are the "**Saca Team**."

Recitals

This Agreement is based upon the following recitals, facts and understandings of the parties:

A. The Agency desires to have redeveloped certain real property located in the City of Sacramento, County of Sacramento, State of California, being all or a portion of the blocks between 7th, 9th, K streets and the east-west alley between K and L Streets (the "**Property**"). The Property is within the Merged Downtown Sacramento Redevelopment Project Area (the "**Project Area**"). More specifically, the Property consists of: 1) certain properties within the area bounded by 7th, 8th, Merchant and K Streets and the alley between K and L Streets (the "**700 Block**"); and 2) certain properties within area bounded by 8th, 9th, K and L Streets (the "**800 Block**") as set forth more particularly in the Land Assembly Agreement between the parties hereof and Zeiden Properties, LLC, a California limited liability company ("**Zeiden**") (the "**Land Assembly Agreement**").

B. The purpose of this Agreement is to provide the Agency and the Saca Team with an opportunity to transfer, value for value, certain real property as described in this Agreement subject to the terms, covenants and conditions set forth in this Agreement.

C. Zeiden owns parcels within the 700 Block, APNs 006-096-04, 006-096-18, and 006-096-19 described more particularly on **Exhibit 1** (the "**Zeiden Parcels**") and a parcel within the 800 Block, APN 006-098-07 described more particularly on **Exhibit 1** (the "**Zeiden Transfer Parcel**").

D. Members of the Saca Team own parcels within the 700 Block, APNs 006-096-05, 006-096-06, 006-096-07, 006-096-08, and 006-096-09 (the "**Saca Team Transfer Parcels**") and parcels within the 800 Block, APNs 006-098-06, 006-098-22, and 006-098-24 (the "**Saca Team Parcels**"), all as described more particularly on **Exhibit 1**.

E. The Agency would like to acquire parcels on the 700 Block, APNs 006-096-02, 006-096-03, 006-096-10, and 006-096-24 (the "**Agency Acquisition Parcels – 700 Block**") and transfer the Agency Acquisition Parcels – 700 Block to Zeiden in conjunction with a lease to Zeiden of the existing kiosk located in St. Rosa Lima Park (the "**Kiosk**"); and parcels on the 800 Block, APNs 006-098-03, 006-098-04, 006-098-14, 006-098-21, and 006-098-08 (the "**Agency Acquisition Parcels – 800 Block**") and transfer them to the Saca Team, all as described more particularly on **Exhibit 1**.

F. The parties have entered into an Exclusive Negotiation Agreement as of the date hereof, whereby the Agency granted to the Saca Team an exclusive right to negotiate the terms and conditions of an Owner Participation Agreement for the proposed development of the 800 Block consistent with the development concept described in the Land Assembly Agreement.

G. The parties agree and acknowledge that the Agency is entering into this Agreement based on the specific condition that the Agency is able to acquire fee interest in the Agency Acquisition Parcels – 800 Block as defined in this Agreement.

H. The parties agree and acknowledge that any and all future use of the properties subject to this Agreement shall be conditioned upon California Environmental Quality Act ("**CEQA**") compliance. No action will be taken towards any project that forecloses alternatives or mitigation measures that would ordinarily be a part of CEQA review.

I. The Agency and the Saca Team have unresolved disputes regarding the market value of the Saca Team Transfer Parcels, the Agency Acquisition Parcels – 800 Block, and the Zeiden Transfer Parcel and the terms and conditions of the purchase and sale of such properties. None the less, the parties have voluntarily entered into this Agreement to resolve their disputes regarding all terms and conditions of the purchase and sale of the properties. Further, the Agency represents and acknowledges that it has the power of eminent domain, that Agency is acquiring the Saca Team Transfer Parcels pursuant to the terms of this Agreement in lieu of requesting authority to exercise such power of eminent domain. If the parties are unable to reach agreement on the sale and purchase of the Property, use of eminent domain could be publicly considered. The parties further acknowledge that the Saca Team intends to treat the

sale of the Saca Team Transfer Parcels as sold under the threat of eminent domain.

1. General

1.1 Option Properties. The following constitute the "**Option Properties**:"

1.1.1. Agency Acquisition Parcels – 800 Block. The Agency will transfer the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel to the Saca Team as set forth herein.

1.1.2. Saca Team Transfer Parcels. The Saca Team will transfer the Saca Team Transfer Parcels to the Agency as set forth herein.

1.1.3. Zeiden Transfer Parcel. Zeiden will transfer the Zeiden Transfer Parcel to the Agency as set forth in the Land Assembly Agreement.

1.2. Purpose. The purpose of this Agreement is to set forth the specific terms, covenants and conditions of the proposed transfer of the Option Properties as set forth above. In the case of any conflict between the Land Assembly Agreement and this Agreement, this Agreement shall govern.

1.3. Limits of this Agreement. This Agreement does not convey or grant any rights in any property or to develop any property, any vested rights, any entitlements or approvals, or any rights to financial assistance, or to any other right unless it is clearly and specifically stated in this Agreement.

2. Land Exchange Agreement

2.1. Grant of Option. The Saca Team hereby grants to the Agency an exclusive option (the "**Option**") to acquire fee title to the Saca Team Transfer Parcels on the terms and conditions set forth in this Agreement.

2.2. Term. The Option and this Agreement shall have a term beginning on the Effective Date and ending on the earlier of: eighteen (18) months following the date the Agency certifies the Environmental Impact Report for the 800 Block, or thirty (30) months following the Effective Date (the "**Term**"). If the Agency fails to exercise the Option on or before the expiration of the Term, the Option shall be null and void and of no further force or effect. Notwithstanding the foregoing, the Term shall be extended by no more than one hundred twenty

(120) days to accommodate the transferors need to remove all financing on their corresponding Property following the Agency's delivery of their Exercise Notice pursuant to Section 2.3.

2.3. Exercise of Option. If the conditions precedent to exchange in Section 2.4 of this Agreement and the terms and conditions set forth in Sections 3.1 and 3.2 of this Agreement are met by the Agency and the Saca Team, respectively, during the Term, then the Agency shall have the right to exercise the Option by delivering notice thereof to all of the members of the Saca Team and the Escrow Holder defined in Section 2.7.1 at least ninety (90) days before the Agency would like to exercise the Option so that the transferors can free their properties from financing thereon (the "**Exercise Notice**").

2.4. Conditions Precedent to Exchange. The delivery of the Exercise Notice shall only be effective if the following conditions precedent have been met prior to the delivery of such Exercise Notice:

(a) The Term shall not have expired;

(b) The Agreement shall not have been terminated pursuant to Sections 2.6, 2.7, and 4.7;

(c) The Agency shall not then be in default under this Agreement; and

(d) The Agency shall be in position to deliver fee title to the Saca Team of the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel in accordance with the terms and conditions of this Agreement.

2.5. Termination of Option. The Option shall immediately and automatically terminate if the Option Term expires or as set forth in Sections 2.6, 2.7, and 4.7.

2.6 Due Diligence by Agency. During the first ninety (90) days following the Effective Date (the "**Agency's Feasibility Period**"), and pursuant to the terms and conditions of this Section, the Agency shall have satisfied itself in the following manners that the Saca Team Transfer Parcels are reasonably acceptable to the Agency for acquisition, and the Agency shall approve or disapprove the feasibility of purchasing the Saca Team Transfer Parcels in good faith and reasonably negotiate the necessity of any repairs or remediation thereto:

2.6.1. Title. During the Agency's Feasibility Period, the Agency shall have the right to inspect the Saca Transfer Parcles and approve any and all legal descriptions and title exceptions that appear in the preliminary reports for the Saca Team Transfer Parcels and any

other matters that affect title to the Saca Team Transfer Parcels (the "**Saca Team Transfer Parcels Title Matters**"), as disclosed by the following documents and instruments (collectively, "**Saca Team Transfer Title Documents**").

(i) a Preliminary Report issued by First American Title Company, 2200 Douglas Boulevard, Suite 220A, Roseville, CA 95661, Attention: Carolyn Hunt ("**Escrow Holder**" or "**Title Company**") with respect to the Saca Team Transfer Parcels and all matters referenced therein; and

(ii) legible copies of all documents, whether recorded or unrecorded, referred to in such Preliminary Report.

The Saca Team shall cause Escrow Holder to deliver the Saca Team Transfer Parcels Title Documents to the Agency within fifteen (15) calendar days following the Effective Date. The Agency shall have thirty (30) calendar days following its receipt of the Saca Team Transfer Parcel Title Documents to give the Saca Team and Escrow Holder written notice (the "**Agency's Title Notice**") of the Agency's approval or disapproval of the Saca Team Transfer Parcels Title Matters. The failure of the Agency to give the Agency's Title Notice to the Saca Team within the specified time period shall be deemed the Agency's approval of all items in the Saca Team Transfer Parcels Title Documents.

In the event that the Agency's Title Notice disapproves of any Saca Team Transfer Parcels Title Matters, the Saca Team shall, within fifteen (15) calendar days after the Agency's Title Notice is received by the Saca Team, give the Agency written notice of those disapproved Saca Team Transfer Parcels Title Matters, if any, which the Saca Team is unwilling or unable after reasonable and good faith efforts to have eliminated from title to the Saca Team Transfer Parcels by close of escrow. In the event that the Saca Team is unwilling or unable to eliminate all of the disapproved Saca Team Transfer Parcels Title Matters, the Agency's remedy shall be to not exercise the Option and terminate this Agreement, or to exercise it subject to such previously disapproved Saca Team Transfer Parcels Title Matters.

2.6.2. Agency's Feasibility Review. During the Agency's Feasibility Period, the Agency shall have the right to make such investigations, studies and tests with respect to the Saca Team Transfer Parcels as the Agency deems necessary or appropriate to determine the feasibility of purchasing the Saca Team Transfer Parcels. At any time prior to the expiration of the Agency's Feasibility Period, the Agency may, in its sole discretion, keep this Agreement in full force and effect by delivering to the Saca Team and Escrow Holder written notice approving

the feasibility of purchasing the Saca Team Transfer Parcels (the "**Agency's Approval Notice**"). Should the Agency fail to deliver the Agency's Approval Notice to the Saca Team and Escrow Holder prior to the expiration of the Agency's Feasibility Period, then such failure shall be deemed approval of the feasibility review. If the Agency disapproves feasibility, then this Agreement shall terminate and the parties shall have no further obligations or liabilities to each other except for the indemnification rights set forth in Section 2.8

2.7. Due Diligence by the Saca Team. As to the Zeiden Transfer Parcel and parcels included in Agency Acquisition Parcels – 800 Block that the Agency owns as of the Effective Date, the "**Saca Team Feasibility Period**" shall begin on the Effective Date and end ninety (90) days following the Effective Date. As to Agency Acquisition Parcels – 800 Block that the Agency does not own as of the Effective Date, the "**Saca Team Feasibility Period**" shall run concurrently with the Agency's feasibility period with the sellers of such parcels. The Agency shall obtain a right of entry onto such parcels that provides the Saca Team with equal rights to review feasibility on such parcels. If the Agency fails to obtain such rights, then the "**Saca Team Feasibility Period**" for such parcels shall begin on the date the Agency obtains fee title to such parcels by grant deed and end thirty (30) days thereafter. Pursuant to the terms and conditions of this Section, the Saca Team shall have satisfied itself in the following manners that the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel are reasonably acceptable to the Saca Team for acquisition, and the Saca Team shall approve or disapprove the feasibility of purchasing the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel in good faith and reasonably negotiate the necessity of any repairs or remediation thereto:

2.7.1. Title. During the Saca Team's Feasibility Period and pursuant to the terms and conditions of this subsection, the Saca Team shall have the right to approve any and all legal descriptions and title exceptions that appear in the preliminary reports for the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel and any other matters that affect title to the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel (the "**Agency Acquisition Parcels Title Matters**"), as disclosed by the following documents and instruments (collectively, "**Agency Acquisition Parcels Title Documents**"):

(i) a Preliminary Report issued by Title Company with respect to the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel and all matters referenced therein; and

(ii) legible copies of all documents, whether recorded or unrecorded, referred to in such Preliminary Report.

The Agency shall cause Escrow Holder to deliver the Agency Acquisition Parcels Title Documents to the Saca Team during the Agency's feasibility period on the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcels. The Saca Team shall have at least thirty (30) calendar days following its receipt of the Agency Acquisition Parcels Title Documents to give the Agency and Escrow Holder written notice (the "**Saca Team's Title Notice**") of the Saca Team's approval or disapproval of the Agency Acquisition Parcels Title Matters. The failure of the Saca Team to give the Saca Team's Title Notice to the Agency within the specified time period shall be deemed the Saca Team's approval of all items in the Agency Acquisition Parcels Title Documents.

In the event that the Saca Team's Title Notice disapproves of any Agency Acquisition Parcels Title Documents, the Agency shall, within fifteen (15) calendar days after the Saca Team's Title Notice is received by the Agency, give the Saca Team written notice of those disapproved Agency Acquisition Parcels Title Matters, if any, which the Agency is unwilling or unable after reasonable and good faith efforts to have eliminated from title to the Agency Acquisition Parcels – 800 Block and Zeiden Transfer Parcel by close of escrow. In the event that the Agency is unwilling or unable to eliminate all of the disapproved Agency Acquisition Parcels Title Matters, the Saca Team's remedy shall be to terminate this Agreement, or to exercise it subject to such Agency Acquisition Parcels Title Matters.

2.7.2 Saca Team's Feasibility Review. The Saca Team shall have the right during the Saca Team's Feasibility Period, to make such investigations, studies and tests with respect to the Agency Acquisition Parcels – 800 Block and Zeiden Transfer Parcel as the Saca Team deems necessary or appropriate to determine the feasibility of purchasing the Agency Acquisition Parcels – 800 Block and Zeiden Transfer Parcel. At any time prior to the expiration of the Saca Team's Feasibility Period, the Saca Team may, in its sole discretion, keep this Agreement in full force and effect by delivering to the Agency and Escrow Holder written notice approving the feasibility of purchasing the Agency Acquisition Parcels – 800 Block and Zeiden Transfer Parcel (the "**Saca Team's Approval Notice**"). Should the Saca Team fail to deliver the Saca Team's Approval Notice to the Agency and Escrow Holder prior to the expiration of the Saca Team's Feasibility Period, then such failure shall be deemed approval of the feasibility review. If the Saca Team disapproves feasibility, then this Agreement shall terminate and the

parties shall have no further obligations or liabilities to each other except for the indemnification rights set forth in Section 2.8.

2.8. Inspection Rights. Prior to the exchange of any properties by and between the parties, each party shall permit representatives of the other party hereto, to have access without charge, to the properties, at all reasonable times for the purpose of obtaining data and making various tests necessary to carry out inspections, investigations, tests and studies (including, without limitation, investigations with regard to soils, seismic and geologic reports) under this Agreement, however, neither party shall enter the properties except: a) after execution of the Right of Entry Agreement attached hereto as **Exhibit 2** (the "**Right of Entry Agreement**"); and b) after the party has provided proof of insurance coverage. No work will be performed on the properties until the Notice of Non-Responsibility, as attached to the Right of Entry, Agreement has been recorded and posted in accordance with applicable laws, assuring the owner's interests in the properties shall not be subject to the mechanic's liens related to such work. No party shall commence any work on any property not yet exchanged without prior written approval by the respective owner of the work to be done, and in any event, no party shall commence any work which might be construed as commencement of the work of the project for establishment of mechanic's lien rights. The Property Owners shall indemnify, defend and hold each other, and their property harmless from any and all claims, damages or liabilities arising out of or resulting from the inspection of the Saca Team Transfer Parcels, the Agency Acquisition Parcels – 800 Block, and the Zeiden Transfer Parcel.

3. Transfer of Option Properties

3.1. Transfer of Saca Team Transfer Parcels

3.1.1. Transfer. Upon exercise of the Option, the Property Owners on the Saca Team agree to convey fee title to the Agency, and the Agency agrees to accept fee title from such Property Owners, the Saca Team Transfer Parcels, on the terms and conditions set forth in this Agreement.

3.1.2. Purchase Price. The Saca Team agrees to convey the Saca Team Transfer Parcels to the Agency at no cost to the Agency in exchange for equal value received from acceptance of fee title to the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel.

3.1.3. Terms and Conditions. The Property Owners on the Saca Team, individually, and not jointly, agree to convey the Saca Team Transfer Parcels based on the following terms and conditions:

3.1.3.1. Environmental Conditions. The Saca Team Transfer Parcels to be conveyed to the Agency pursuant to this Agreement shall be free from hazardous material contamination that could prohibit the construction and occupancy of an urban scale, mixed-use development, including but not limited to retail, restaurant, residential and/or commercial uses, that is consistent with the development concept for the 700 Block as set forth in the Land Assembly Agreement.

If hazardous substances are known to be on the Saca Team Transfer Parcels, the Property Owners of such parcels shall remediate such hazardous substances on the subject property to the extent required by any federal, state or local agency having jurisdiction regarding hazardous substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, state or local law or regulation. Such remediation shall be to standards permitting the development of a mixed-use project, including but not limited to retail, restaurant, residential and/or commercial uses.

If hazardous substances are discovered on the Saca Team Transfer Parcels after conveyance to the Agency, and have not been released on the Saca Team Transfer Parcels after conveyance to the Agency, the Agency shall pay up to the an amount not to exceed One Million Dollars ($1,000,000), in the aggregate for all Saca Team Transfer Parcels, to remediate such condition. The Saca Team shall pay the difference between the Agency's not-to-exceed cost and the actual cost of the subject remediation.

3.1.3.2. Occupants/Leases. The Agency shall be responsible for compliance with the Agency relocation policy and the relocation of eligible persons and/or businesses pursuant to California State law. No Property Owner shall allow a new tenant on the Property or enter into a new lease on the Property unless the tenant executes a waiver and acknowledgement of the terms of this Agreement on a form acceptable to the parties hereto and the tenancy is month to month.

3.1.3.3. Improvements. The Saca Team Transfer Parcels shall be conveyed with the existing buildings, structures and improvements remaining in tact without modification except as might be necessary to perform and complete the remediation of any hazardous substances as set forth in Section 3.1.3.1 above

3.1.3.4 Financing. Each Property Owner shall transfer their Property free from any deeds of trust, tax liens, or monetary encumbrances.

3.2. Transfer of Agency Acquisition Parcels – 800 Block and Zeiden Transfer Parcel.

3.2.1. Transfer. Upon Close of Escrow,as defined in Section 4.2, below, the Agency agrees to convey fee title to the Saca Team, and the Saca Team agrees to accept fee title from the Agency, the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel on the terms and conditions set forth in this Agreement.

3.2.2. Purchase Price. The Agency agrees to convey the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel at no cost to the Saca Team in exchange for the Agency 's receipt of fee title to the Saca Team Transfer Parcels, which both parties agree of equal value, subject to terms and conditions set forth elsewhere in these agreements.

3.2.3. Terms and Conditions. The Agency agrees to convey the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel based on the following terms and conditions:

3.2.3.1 Environmental Conditions. The Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel to be conveyed to the Saca Team pursuant to this Agreement shall be free from hazardous material contamination that could prohibit the construction and occupancy of an urban scale mixed-use development, including but not limited to retail, restaurant, residential and/or commercial uses, that is consistent with the development concept for the 800 Block as set forth in the Land Assembly Agreement.

If hazardous substances are known to be on the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel, the Agency shall remediate such hazardous substances on the subject property to the extent required by any federal, state or local agency having jurisdiction regarding hazardous substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, state or local law or regulation. Such remediation shall be to standards permitting the development of a mixed-use project, including but not limited to retail, restaurant, residential and/or commercial uses.

If hazardous substances are discovered on the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel after conveyance to the Saca Team, and have not been released on the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel after conveyance to the Saca Team, the Saca Team shall pay up to the amount not to exceed One Million Dollars ($1,000,000), in the aggregate for the Agency Acquisition Parcels – 800 Block and the Zeiden

Transfer Parcel, to remediate such condition. The Agency shall pay the difference between the Saca Team's not-to-exceed cost and the actual cost of the subject remediation

3 2 3.2. Historic Preservation The Agency shall use its best efforts to facilitate negotiation of a non-binding agreement between the Saca Team and the City of Sacramento Design Review and Preservation Board (the "**DRPB**") that addresses the historic preservation aspects of the existing building located on the property commonly known as APN 006-098-21 within the Agency Acquisition Parcels – 800 Block (the "**DRPB Agreement**"). The intent of the DPRB Agreement would be for the Saca Team and DRPB to agree to certain mitigation actions, in advance of the certification of the environmental review and documentation for the proposed development on the 800 Block in accordance with CEQA, that could be undertaken by the Saca Team to preserve certain historic preservation aspects of the subject building, but not preclude the Saca Team from developing an urban scale, mixed-use project that is generally consistent with the development concept for the 800 Block as set forth in the Land Assembly Agreement.

3.2.3.3. Occupants/Leases. The Agency shall be responsible for compliance with the Agency relocation policy and the relocation of eligible persons and/or businesses pursuant to California State law. The Agency shall provide evidence to the Saca Team that the Agency has initiated the statutory obligations for relocation of any existing occupants or tenants of the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel.

3.2.3.4. Existing Improvements. The Saca Team, at its sole cost and expense, shall be responsible for any and all actions related to removal of any existing buildings, structures, foundations, improvements, etc. and relocation of utilities, located within the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel at the time of conveyance from the Agency to the Saca Team, including the securing of any required approvals or permits from applicable governmental entities or utility companies.

3 3. Right of First Negotiation. The Agency shall grant to the Saca Team a right of first negotiation related to the development of 700 Block pursuant to the terms of the Saca Team Right of First Negotiation set forth on **Exhibit 3** attached hereto.

3 4 809/815 Option. The Agency shall grant to the Saca Team an option to acquire 809 L Street, 815 L Street, and the Agency's interest in 816 K Street on the terms and conditions set forth in the 809/815 Option Agreement attached hereto as **Exhibit 4**.

4. Escrow.

4.1. Opening of Escrow The Agency and the Saca Team shall open an escrow (the "**Escrow**") with Escrow Holder, for the Saca Team Transfer Parcels, the Agency Acquisition Parcels - 800 Block and the Zeiden Transfer Parcel. The Agency and the Saca Team agree to execute and deliver to Escrow Holder all escrow instructions necessary to consummate the transaction contemplated by this Agreement. Any such instructions shall not conflict with, amend or supersede any portion of this Agreement. If there is any inconsistency between such instructions and this Agreement, this Agreement shall control.

4.2. Close of Escrow. For the purpose of this Agreement, "**Close of Escrow**" shall be defined as the date that the Grant Deed for the transfer of the Saca Team Transfer Parcels, the Agency Acquisition Parcels – 800 Block, and the Zeiden Transfer Parcel, is recorded in the Official Records of Sacramento County. The Close of Escrow shall occur no earlier than ninety (90) days, but no later than one hundred twenty (120) days, after delivery of the Exercise Notice to allow Property Owners to confirm that no material changes in the condition of such properties or Title Matters have occurred and to refinance such properties.

4.3 Conditions of Title. Upon Close of Escrow, the Saca Team Transfer Parcels shall be conveyed to the Agency by the Saca Team, the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel conveyed to the Saca Team by the Agency by Grant Deed, in the form customarily used by Escrow Holder in Sacramento County but including the anti-discrimination provisions required by and consistency with the Merged Downtown Redevelopment Plan (the "**Grant Deed**"), subject only to (a) a lien to secure payment of real estate taxes and assessments, not delinquent; (b) the lien of supplemental taxes, not delinquent; (c) all matters affecting the Saca Team Transfer Parcels, Agency Acquisition Parcels – 800 Block, respectively, or the Zeiden Transfer Parcel created by or with the written consent of the Agency or the Saca Team, respectively; and (d) exceptions to title approved and/or accepted by the Agency or the Saca Team, respectively, in accordance with this Agreement ("**Approved Conditions of Title**"). Any and all deeds of trust, liens and judgments shall be removed from title prior to Close of Escrow.

4.4. Title Policy. Title to the Saca Team Transfer Parcels, the Agency Acquisition Parcels – 800 Block, and the Zeiden Transfer Parcel shall be evidenced by a title company mutually acceptable to the Agency and the Saca Team, issuing an American Land Title Association ("**ALTA**") Owner's Policy of Title Insurance, with such endorsements as are reasonably required by the Agency and the Saca Team, respectively, in an amount equal to the

greater of the appraised value or most recent purchase price for such property, showing title to the Saca Team Transfer Parcels vested in the Agency and Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel vested in the Saca Team, respectively, subject only to the Approved Conditions of Title ("**Title Policy**").

4.5. Conditions to Close of Escrow – Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel. The Close of Escrow and the Agency's obligation to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions (or the Saca Team's waiver thereof):

(a) Title Insurance. As of the Close of Escrow, the title company shall have issued or shall have committed to issue the Title Policy to the Saca Team on the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel;

(b) Material Adverse Change. As of the Close of Escrow, there shall be no material adverse change in the physical condition of the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel from the condition of the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel. In addition, there shall be no material adverse change in the condition of title from that approved by the Saca Team herein;

(c) Representations and Warranties. All representations and warranties made by the Agency to the Saca Team in this Agreement shall be true and correct as of the Close of Escrow;

(d) No Default. The Saca Team shall not be in default of this Agreement at the Close of Escrow, and

(e) Escrow Deposits. the Saca Team shall have delivered into escrow all of the items required of the Saca Team, and within the time periods, as set forth in this Agreement.

4.6. Conditions to Close of Escrow – Saca Team Transfer Parcels. The Close of Escrow and the Saca Team's obligation to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions (or the Agency's waiver thereof):

(a) Title Insurance. As of the Close of Escrow, the title company shall have issued or shall have committed to issue the Title Policy to the Agency on the Saca Team Transfer Parcels;

(b) Material Adverse Change As of the Close of Escrow, there shall be no material adverse change in the physical condition of the Saca Team Transfer Parcels from the condition of the Saca Team Transfer Parcels on the Effective Date In addition, there shall be no material adverse change in the condition of title from that approved by the Agency herein;

(c) Representations and Warranties. All representations and warranties made by the Saca Team to the Agency in this Agreement shall be true and correct as of the Close of Escrow;

(d) No Default. The Agency shall not be in default of this Agreement at the Close of Escrow; and.

(e) Escrow Deposits. The Agency shall have delivered into escrow all of the items required of the Agency and within the time periods, as set forth in this Agreement.

4.7. Failure of Condition to Close of Escrow. In the event any of the conditions set forth in Sections 4.5. and 4.6 above are not timely satisfied or waived by the appropriate benefited party, for a reason other than the default of the Agency or the Saca Team, respectively, or false or incorrect representations and warranties of the Agency or the Saca Team, respectively, at the option of the Agency or the Saca Team, respectively, shall terminate this Agreement and the parties shall have no further obligations hereunder.

4.8. Costs and Fees. The Agency and the Saca Team shall each pay an equal share of the escrow costs including, but not limited to Escrow Holder fees; costs of preparing, executing and acknowledging any deeds or other instruments required to convey title, title insurance, and transfer fees related to the Close of Escrow.

4.9. Deposits to Escrow.

4.9.1 Deposits by Agency. Within ten (10) days following the acquisition of fee title to the Zeiden Transfer and any one or more of the Agency Acquisition Parcels – 800 Block, ,the Agency shall deposit with Escrow Holder the following documents and funds:

(a) Grant Deed. The Grant Deed, duly executed and acknowledged in recordable form by the Agency, conveying fee title to the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel to the Saca Team; and

(b) Costs and Expenses The Agency shall deposit or cause to be deposited with Escrow Holder, in good funds, the amounts necessary to pay the Agency's share of the escrow and title costs in accordance with Section 4.8.

4.9.2 Deposits by the Saca Team. Within five (5) days of the Agency's deposit into Escrow of the Grant Deed of the Zeiden Transfer Parcel and one or more of the Agency Acquisition Parcels- 800 Block pursuant to the terms and conditions of the Agreement, the Saca Team shall deposit or cause to be deposited with Escrow Holder:

(a) Grant Deed. The Grant Deed, duly executed and acknowledged in recordable form by the Saca Team, conveying fee title to the Saca Team Transfer Parcels to the Agency;

(b) FIRPTA Certificate. A certification, acceptable to Escrow Holder, duly executed by the Saca Team under penalty of perjury, setting forth the Saca Team's address and federal tax identification number in accordance with and/or for the purpose of the provisions of Sections 7701 and 1445, as may be amended, of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder; and

(c) Costs and Expenses. The Saca Team shall deposit or cause to be deposited with Escrow Holder, in good funds, the amounts necessary to pay the Saca Team's share of the escrow and title costs for such closing in accordance with Section 4.8.

4.10. Prorations.

4.10.1 Taxes/Assessments. All non-delinquent real estate taxes and assessments on the Saca Team Transfer Parcels shall be prorated as of 11:59 p.m. on the day prior to the Close of Escrow based on the actual current tax bill, but if such tax bill has not yet been received by the Saca Team by the Close of Escrow, then the current year's taxes shall be deemed to be one hundred two percent (102%) of the amount of the previous year's tax bill for the Saca Team Transfer Parcels. All supplemental taxes billed after the Close of Escrow for periods prior to the Close of Escrow shall be paid promptly by the Saca Team to the Agency.

4.10.2 Other Expenses. All other expenses for the Saca Team Transfer Parcels or the Agency Acquisition Parcels – 800 Block shall be prorated as of 11:59 p.m. on the day prior to the Close of Escrow between the parties based upon the latest available information.

4.10.3 Corrections. If any errors or omissions are made regarding adjustments and prorations as set forth herein, whether caused by incomplete information or otherwise, the

parties shall make the appropriate corrections promptly upon discovery thereof. If any estimates are made at the Close of Escrow regarding adjustments or prorations, the party making such adjustment shall make the appropriate correction promptly when accurate information becomes available. Any corrected adjustment or proration shall be paid in cash to the party entitled thereto.

4.11 Review of Documents and Materials. Within thirty (30) business days following the Effective Date or as soon as the Agency obtains these documents, the Agency shall deliver to the Saca Team, at the Agency's sole cost and expense, the following documents and materials in the Agency's, or its agents' or employees' possession and any other documents or materials relating directly or indirectly to the Agency Acquisition Parcels – 800 Block. Within thirty (30) business days following the Effective Date, the Saca Team shall deliver to the Agency, at the Saca Team's sole cost and expense, the following documents and materials in the Saca Team's, or its agents' or employees' possession and any other documents or materials relating directly or indirectly to the Saca Team Transfer Parcels.

(a) Licenses. Any and all licenses, permits and agreements affecting or relating to the ownership, subdivision, possession or development of the Option Properties;

(b) Governmental Correspondence. Copies, if any, of all applications and correspondence or other written communications to or from any governmental or quasi-governmental entity, department or agency regarding any permit, approval, consent or authorization with respect to the development of the Option Properties;

(c) Surveys. Copies of the most recent survey(s), if any, pertaining to the Option Properties or any portion thereof;

(d) Maps. Any and all tentative, parcel and/or final maps, development plans, site plans, building permits, certificates of occupancy, specifications or any other governmental approvals or processed documents relating to the subdivision or development of the Option Properties or any portion thereof;

(e) Reports. Any and all reports, projections, studies or other documents or written information pertaining to the Option Properties or any portion thereof;

(f) Studies. Any and all soils reports, engineering data, environmental reports and any other data or studies pertaining to the Option Properties or any portion thereof; and

(g) Leases. Copies of any and all existing leases and amendments thereto affecting the Option Properties or any portion thereof.

No representation is made with respect to any of the above-referenced Documents and Materials excepting any misrepresentation or omission of matters known by the Agency and the Saca Team, respectively, prior to the Close of Escrow.

5. Conditions Precedent to Performance of the Exchange

5.1 Conditions to Agency's Performance. The Agency's obligation to perform under this Agreement is subject to all of the following conditions:

5.1.1 The Saca Team has performed all of the obligations that it is required to perform pursuant to this Agreement.

5.1.2 The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

5.1.3 The Saca Team's representations and warranties in this Agreement are true and correct as of the date of this Agreement and as of the Close of Escrow.

5.1.4 The Agreement is in full force and effect, no default on the part of the Saca Team having occurred under the Agreement, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by the Saca Team under the Agreement.

5.2 Conditions to the Saca Team's Performance. The Saca Team's obligation to perform under this Agreement is subject to satisfaction of all of the following conditions:

5.2.1 The Agency has performed all of the obligations that it is required to perform pursuant to this Agreement.

5.2.2 The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

5.2.3 The Agency's representations and warranties in this Agreement are true and correct as of the date of this Agreement and as of the Close of Escrow.

5.2.4 The Agreement is in full force and effect, no default on the part of the Agency having occurred under the Agreement, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by the Agency under the Agreement.

6. Representations and Warranties

6 1. Agency Representations and Warranties The Agency warrants and represents to the Saca Team that as of the Effective Date and on the Close of Escrow:

(a) Ownership If the Agency acquires the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel within the term of this Agreement, the Agency shall have the right, power and authority to transfer the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel based on the terms and conditions of this Agreement,

(b) Environmental Hazards. To the best of the Agency's knowledge without duty of inquiry, there is no contamination, hazardous waste, toxic substance or petroleum based products in existence on or below the surface of the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel, including, without limitation, contamination of the soil, subsoil or ground water, which constitutes a violation of any law, rule or regulation of any governmental entity having jurisdiction thereof. The Agency agrees that the Saca Team may make inquires of governmental or quasi-governmental entities regarding such matters, without liability to the Agency for the outcome of such discussions;

(c) Requisite Action. All requisite action (corporate, trust, partnership or otherwise) has been taken by the Agency, and no consent of any shareholder, creditor, investor, or, to the best of the Agency's actual knowledge, judicial or administrative body, or other party is required in connection with the entering into this Agreement, the instruments referenced herein and the consummation of the transactions contemplated hereby;

(d) Conflicting Instruments. Neither the execution and delivery of this Agreement and documents referenced herein, nor the occurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement and the documents referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreements or instruments to which the Agency is a party or which affect the Option Property;

(e) Defects of Title To the best of the Agency's knowledge without inquire, the Agency is not aware of any physical defects in the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel, or defect or limitation in legal title to, or legal marketability of, the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel. Exceptions are

those matters disclosed in the Preliminary Report, or which are disclosed by the Agency in writing to the Saca Team or which are Approved Conditions of Title;

(f) Compliance with Laws. To the best of the Agency's knowledge without inquire, the Agency has received no notice and has no knowledge of any violation of any applicable law, ordinance, rule, regulation or requirement of any governmental agency, body or subdivision affecting or relating to the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel, including, without limitation, any subdivision, building, use or environmental law, ordinance, rule, requirement or regulation;

(g) Condemnation. To the best of the Agency's knowledge without inquire, the Agency is not aware of any pending or threatened proceedings in eminent domain or otherwise which would affect the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel or any other portion thereof;

(i) Leases. Except as set forth in this Agreement, the Agency is not aware of any leases or other agreements (whether oral or written) affecting or relating to the rights of any party with respect to the possession of the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel or any portion thereof which will be in effect after the Close of Escrow;

(j) Documents. To the best of the Agency's knowledge without duty of inquiry, all documents delivered to the Saca Team by the Agency pursuant to this Agreement are true and correct copies of originals, and any and all information supplied to the Saca Team by the Agency in accordance with this Agreement is true and accurate;

(k) Assessments. To the best of the Agency's knowledge without duty of inquiry, the Agency is not aware of any intended public improvements which will result in any charge being levied or assessed against the Agency Acquisition Parcels – 800 Block or any delinquent taxes, assessment (special, general or otherwise), or bonds of any nature affecting the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel, or any portion thereof;

(l) Encumbrances. Except as otherwise provided herein, the Agency shall not voluntarily subject any right, title or interest in or to the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel to any mortgage, pledge, lien or other hypothecation or encumbrance that is not in effect on the Effective Date, and if the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel involuntarily becomes subject to any such

encumbrance, the Agency shall immediately notify the Saca Team thereof and shall remove such encumbrance at the Agency's sole cost;

(m) No Prior Transfers The Agency has not previously sold, transferred or conveyed the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel or any part thereof, and the Agency has not entered into any executory contracts for the sale of the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel (other than this Agreement), nor do there exist any rights of first refusal or options to purchase the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel or any part thereof; and

(n) Moratoriums. To the best of the Agency's knowledge without duty of inquiry, the Agency Acquisition Parcels – 800 Block and the Zeiden Transfer Parcel are not subject to any moratorium, resolution or other similar action by any governmental or quasi-governmental body, or public or private utility, or impacted by any referendum which would adversely affect the Saca Team's use and development of the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel.

6.2 Agency's Covenants. Commencing with the full execution of this Agreement by both parties and until the Close of Escrow:

6.2.1. Due Diligence and Good Faith. The Agency shall use reasonable efforts, good faith and due diligence to perform the covenants, conditions and other obligations set forth in this Agreement;

(a) The Agency shall promptly notify the Saca Team of any facts that would cause any of the representations contained in this Agreement to be untrue as of the Close of Escrow.

(b) The Agency shall not permit any liens, encumbrances, or easements to be placed on the Property, other than the approved exceptions named as acceptable in the Escrow Instructions or as identified and approved in this Agreement.

(c) The Agency shall not, without the Saca Team's written consent, enter into any agreement regarding the sale, rental, management, repair, improvement, or any other matter affecting the Property that would be binding on the Saca Team or the Property after the Close of Escrow without the prior written consent of the Saca Team, except as otherwise agreed in this Agreement.

(d) The Agency shall not permit any act of waste or act that would tend to diminish the value of the Property for any reason, other than ordinary wear and tear.

(e) The Agency has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby.

(f) The Agency shall convey the Property to the Saca Team pursuant to the terms and conditions contained in this Agreement.

6.3. The Saca Team's Representations and Warranties. The Property Owners on the Saca Team, individually and not jointly, warrant and represent to the Agency that as of the Effective Date and on the Close of Escrow:

(a) Ownership. The Property Owner set forth on **Exhibit 1** is the sole equitable and legal owner of the corresponding property, and has the full right, power and authority to grant the right to transfer fee title to the corresponding property without the execution, consent or acknowledgment of any other person or entity;

(b) Authority. The Property Owner has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby;

(c) Environmental Hazards. To the best of the Property Owner's knowledge, there is no contamination, hazardous waste, toxic substance or petroleum based products in existence on or below the surface of the corresponding property, including, without limitation, contamination of the soil, subsoil or ground water, which constitutes a violation of any law, rule or regulation of any governmental entity having jurisdiction thereof. The Property Owners agree that the Agency may make inquires of governmental or quasi-governmental entities regarding such matters, without liability to the Property Owners for the outcome of such discussions;

(d) Requisite Action. All requisite action (corporate, trust, partnership or otherwise) has been taken by the Property Owners, and no consent of any shareholder, creditor, investor, or, to the best of the Property Owner's actual knowledge, judicial or administrative body, or other party is required in connection with the entering into this Agreement, the instruments referenced herein and the consummation of the transactions contemplated hereby;

(e) Conflicting Instruments. Neither the execution and delivery of this Agreement and documents referenced herein, nor the occurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement and the documents referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreements or instruments to which the Agency is a party or which affect the corresponding property;

(f) Defects of Title. To the best of the Property Owner's knowledge without duty of inquiry, the Property Owners are not aware of any physical defects in the corresponding property or defect or limitation in legal title to, or legal marketability of, the corresponding property. Exceptions are those matters disclosed in the Preliminary Report, or which are disclosed by the Property Owner in writing to the Agency or which are Approved Conditions of Title;

(g) Due Diligence and Good Faith. The Property Owner shall use reasonable efforts, good faith and due diligence to perform the covenants, conditions and other obligations set forth in this Agreement;

(h) Compliance with Laws. To the best of the Property Owner's knowledge without duty of inquiry, the Property Owner has received no notice and has no knowledge of any violation of any applicable law, ordinance, rule, regulation or requirement of any governmental agency, body or subdivision affecting or relating to the corresponding property, including, without limitation, any subdivision, building, use or environmental law, ordinance, rule, requirement or regulation;

(i) Condemnation. To the best of the Property Owner's knowledge without duty of inquiry, the Property Owner is not aware of any pending or threatened proceedings in eminent domain or otherwise which would affect the corresponding property or any other portion thereof;

(j) Leases. Except as set forth in this Agreement, or otherwise disclosed in writing to the Agency, the Property Owner is not aware of any leases or other agreements (whether oral or written) affecting or relating to the rights of any party with respect to the possession of the corresponding property or any portion thereof which will be in effect after the Close of Escrow.

(k) Documents. To the best of the Property Owner's knowledge without duty of inquiry, all documents delivered to the Agency by the Property Owner pursuant to this Agreement are true and correct copies of originals, and any and all information supplied to the Agency by the Property Owner in accordance with this Agreement is true and accurate;

(l) Assessments. To the best of the Property Owner's knowledge without inquire, the Property Owner is not aware of any intended public improvements which will result in any charge being levied or assessed against the corresponding property or any delinquent taxes, assessment (special, general or otherwise), or bonds of any nature affecting the corresponding property, or any portion thereof;

(m) Encumbrances. Except as otherwise provided herein, the Property Owner shall not voluntarily subject any right, title or interest in or to the corresponding property any mortgage, pledge, lien or other hypothecation or encumbrance that is not in effect on the Effective Date, and if the corresponding property involuntarily becomes subject to any such encumbrance, the Property Owner shall immediately notify the Agency thereof and shall remove such encumbrance at the Property Owner's sole cost;

(n) No Prior Transfers. The Property Owner has not previously sold, transferred or conveyed the corresponding property or any part thereof, and the Property Owner has not entered into any executory contracts for the sale of the corresponding property (other than this Agreement), nor do there exist any rights of first refusal or options to purchase the corresponding property or any part thereof; and

(o) Moratoriums. To the best of the Property Owner's knowledge without inquire, the corresponding property is not subject to any moratorium, resolution or other similar action by any governmental or quasi-governmental body, or public or private utility, or impacted by any referendum which would adversely affect the Agency's use and development of the corresponding property.

6.4 The Saca Team's Covenants. Commencing with the full execution of this Agreement by both parties and until the Close of Escrow:

(a) The Saca Team shall use reasonable efforts, good faith and due diligence to perform the covenants, conditions and other obligations set forth in this Agreement;

(b) Property owner shall promptly notify the Agency of any facts that would cause any of the representations contained in this Agreement to be untrue as of the Close of Escrow;

(c) The Property Owner shall not permit any liens, encumbrances, or easements to be placed on the Property, other than the approved exceptions named as acceptable in the Escrow Instructions or as identified and approved in this Agreement;

(d) The Property Owner shall not, without the Agency's written consent, enter into any agreement regarding the sale, rental, management, repair, improvement, or any other matter affecting the corresponding property that would be binding on the Agency or the corresponding property after the Close of Escrow without the prior written consent of the Agency, except as otherwise agreed in this Agreement;

(e) The Property Owner shall not permit any act of waste or act that would tend to diminish the value of the Property for any reason, other than ordinary wear and tear;

(f) Members of the Saca Team have the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby;

(g) The Saca Team covenants by and for itself and assigns, and all person claiming under or through it, that it shall not discriminate on the basis of race, color, ancestry, religion, creed, sex, marital status, or national origin in the sale, lease or rental or in the use or occupancy of the Property transferred pursuant to this Agreement;

(h) The Saca Team agrees and acknowledges that any and all future use or development of the properties subject to this Agreement shall be conditioned upon California Environmental Quality Act ("**CEQA**") compliance. No action will be taken towards any project that forecloses alternatives or mitigation measures that would ordinarily be part of a CEQA review; and

(i) The Saca Team shall transfer good and marketable title to the Saca Team Transfer Parcels to the Agency pursuant to the terms and conditions contained in this Agreement.

6.5 Knowledge Representations and Warranties. The phrase "to the best of the Agency's knowledge" shall mean the current actual knowledge of Leslie Fritzsche, Michelle Nelson, Ray Ashby and staff, if any, assigned to the acquisition of properties herein, without any requirement of due inquiry or investigation, and without personal liability. Neither the representations made by Agency in this Article 6 nor elsewhere in this Agreement contain any untrue statements of material fact or omit any material fact necessary to make the statements

contained therein not misleading In the event at any time prior to the Close of Escrow, the Agency learns or has any reason to believe that any of the aforesaid representations are no longer true or valid, the Agency shall immediately notify the Saca Team in writing and therein specify the factors rendering or likely to render such representations untrue or invalid.

The phrases "to the best of the Property Owner's knowledge" shall mean the current actual knowledge of the Property Owner set forth on **Exhibit 1** without any requirement of due inquiry or investigation, and without personal liability. Representations and warranties of the Saca Team are not joint and several. With regard to each representation and warranty by the Saca Team, it is made by the Property Owner owning fee title to the particular parcel, and not the remaining members of the Saca Team. Only the specific Property Owner owning fee title to the parcel shall be liable to any other party under this Agreement. Neither the representations made by the members of the Saca Team in this Article 6 nor elsewhere in this Agreement contain any untrue statements of material fact or omit any material fact necessary to make the statements contained therein not misleading. In the event at any time prior to the Close of Escrow, any Property Owner learns or has any reason to believe that any of the aforesaid representations are no longer true or valid, then such Property Owner shall immediately notify the other Parties in writing and therein specify the factors rendering or likely to render such representations untrue or invalid.

In the event at any time prior to the Close of Escrow a transferee learns or has reason to believe that any of the aforesaid representations is no longer true or valid, transferee shall immediately notify transferor in writing and therein specify the factors rendering or likely to render such representations untrue or invalid.

6.6 Investigations and As-Is Sale. The Agency and the Saca Team acknowledge that, except as expressly otherwise set forth in this Agreement, (i) the Agency and the Saca Team have not made, will not be deemed to have made, and have not authorized any third party to make on their respective behalf, nor is the Agency or the Saca Team relying upon, any representations or warranties concerning the Saca Team Transfer Parcels, the Agency Acquisition Parcels – 800 Block or the Zeiden Transfer Parcel, respectively, its use, tenancy, physical condition, size, dimensions, access, topography, soil, zoning, environmental conditions, present or future compliance with law, potential for improvement or development, leasing prospects or any other matter; and (ii) that prior to the Agency delivering an Exercise Notice in accordance herewith, the Agency and the Saca Team will have made all investigations of the Saca Team Transfer Parcels, the Agency Acquisition Parcels – 800 Block, and the Zeiden

Transfer Parcel, they have deemed necessary and is purchasing the Option Properties based upon their own respective investigations and agrees to purchase the Option Properties in an "as-is" and to assume all risk, known or unknown, suspected or unsuspected with respect to the Option Properties

7. Mutual Indemnification

7.1 Indemnification for Hazardous Substances. The Property Owners shall indemnify, protect and defend the party taking title to the corresponding property, its officers, directors, council members and supervisors, employees, advisory committee members, and agents, and hold them harmless from any and all liability, costs, fees, fines, penalties and claims (including without limitation court, mediation or arbitration costs, attorneys' fees, witnesses' fees, and investigation fees) related to the existence of hazardous substances on the corresponding properties that were not on such properties prior to the transfer of possession under this Agreement or that were related to the removal or discharge of hazardous substances by the Property Owner, or its employees, agents or contractors, during the Property Owner's remediation of such properties pursuant to this Section.

7.2 Indemnification. Each Property Owner, individually as to its own property, shall indemnify, protect, defend and hold harmless the party taking title to the corresponding property, its officers, directors, commission members, employees, advisory committee members, and agents from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of the Property Owner, its officers, employees, agents or independent contractors and for any and all costs incurred by the Agency in defending against such liability claims, including attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of the acquiring party.

This indemnification provision shall survive the termination of this Agreement.

8. Miscellaneous

8.1. Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by electronic facsimile or by overnight mail and shall be deemed received upon the earlier of. (i) if personally delivered, the date of delivery to the address of the person to receive such notice, (ii) if mailed, on the date of posting by the United States Post Office, (iii) if given by electronic facsimile or by overnight mail, when

received by the other party Notices shall be given at the addresses set forth at the following addresses:

If to the Agency:

Redevelopment Agency of the City of Sacramento
1030 15th Street, Suite 250
Sacramento, CA 95814
Attention. Leslie Fritzsche, Economic Development Department

With copy to:

Redevelopment Agency of the City of Sacramento
630 I Street
Sacramento, CA 95814
Attention: David Levin, Legal Department

If to the Saca Team:

8th and K Lofts, LLC
77 Cadillac Drive, Suite 150
Sacramento, CA 95825-5480
Attention: John Saca

Saca Development, LLC
77 Cadillac Drive, Suite 150
Sacramento, CA 95825-5480
Attention: John Saca

Urban Innovation Partners, LLC
1029 9th Street, Suite 205
Sacramento, CA 95814
Attention: John Lambeth

M.H. Mohanna
1029 9th Street, Suite 205
Sacramento, CA 95814

718 K Street a California Limited Liability Company
1025 Ninth Street, Suite 205
Sacramento, CA 95814
Attention: James Rothery

726 K Street LLC
5010 Parkway Calabasas, Suite 105
Calabasas, CA 91302
Attention: William P. Tucker

[
With copy to:

Weintraub Genshlea Chediak Law Corporation
400 Capitol Mall, Suite 1100
Sacramento, CA 95814
Attention: Michael A. Kvarme

To Escrow Holder:

First American Title Company
2200 Douglas Boulevard, Suite 220A
Roseville, CA 95661

Attention: Carolyn Hunt

Notice of change of address shall be given by written notice in the manner described in this subsection.

8.2. No Commissions. No party is obligated by this Agreement, or otherwise to pay commissions or brokerage fees or any similar or related fee or charge to any party on account of this Agreement or on account of any action taken pursuant to this Agreement. Each party understands that the other parties may have separate agreements regarding commissions which do not affect or pertain to another party in this transaction. The Property Owners set forth on **Exhibit 1**, each, individually as to their properties, agree to hold the parties harmless from and to defend the parties against any claim for any such commission, fee or charge or any other costs related thereto arising from any action or omission of such Property Owner, its officers, agents or employees.

8.3. Assignment. This Agreement is not assignable by either party in whole or part without the prior written consent of the other party.

8.4 Exchange. The parties to this Agreement acknowledge that either party may desire to structure the sale and/or the purchase of the Option Property as an exchange for like-kind property pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, (including a Starker-type delayed exchange), in order to defer recognition of income from the disposition of the Option Property and other properties. The parties agree to reasonably cooperate with each other to accomplish such exchange(s) and each party hereby agrees that any and all costs associated with said exchange shall be borne solely by the exchanging party and shall in no way be attributable to the non-exchanging party. In no event shall the non-exchanging party be required to take title to the exchanged property(ies) to effectuate the tax-deferred exchange contemplated by this Section.

8.5 Partial Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

8.6 Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other

covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act except for those of the waiving party, which shall be extended by a period of time equal to the period of the delay.

8.7 Survival of Obligations. Notwithstanding any provision of this Agreement, the covenants, representations, warranties, hold harmless, defense and indemnification obligations made by each party herein shall survive (1) the Close of Escrow and shall not merge into the Grant Deed and the recordation thereof and (2) the earlier termination and/or cancellation of this Agreement.

8.8 Professional Fees. In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants, agreements or provisions on the part of the other party arising out of this Agreement, then in that event the prevailing party shall be entitled to have and recover of and from the other party all costs and expenses of the action or suit, including actual attorneys' fees, accounting and engineering fees, and any other professional fees resulting therefrom.

8.9 Governing Law. The parties hereto acknowledge that this Agreement has been negotiated and entered into in the State of California. The parties hereto expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California.

8.10 Specific Performance. The parties to this Agreement agree that neither party could be compensated adequately for a breach of this Agreement by a monetary award and, therefore, the equitable remedy of specific performance shall be available to the party who has fully and fairly performed all of the conditions precedent in compliance with the terms and conditions of this Agreement. If the Close of Escrow fails to occur by reason of breach or default by either party (the "**Defaulting Party**"), the non-defaulting party shall be entitled to pursue specific performance of this Agreement, or, if specific performance is not available for any reason, the non-defaulting party may seek actual damages (not consequential damages) for the Defaulting Party's default, in an amount not to exceed the lesser of non-defaulting party's actual out-of-pocket damages incurred after the Effective Date, or Three Hundred Thousand Dollars ($300,000). Each party hereby agrees and acknowledges that the Property is uniquely situated in Downtown Sacramento at the 700 Block and 800 Block of K Street and is exceptionally well suited for the construction and development of the party's intended projects. Due to the Property's inherently unique location and the amount of the effort and expense each

party is therefore willing to forego for the exchange of the Properties, each party hereby expressly agrees and acknowledges that in the event of a default by Defaulting Party, the non-defaulting party's pursuit of a legal remedy by way of money damages, especially in light of the above limitation on money damages payable by the Defaulting Party, would be a wholly inadequate legal remedy, and each party further conclusively agrees that specific performance of this Agreement by the non-defaulting Party will be the only adequate remedy for the non-defaulting Party realize the benefits of this Agreement. In connection therewith, the Defaulting Party hereby further agrees that this Agreement alone is conclusive and irrebuttable proof that money damages would be an inadequate remedy in the event of a default by Defaulting Party, and the parties hereby knowingly waive and relinquish any right either may have under California Civil Code Section 3387 to claim, assert or otherwise contest that the non-defaulting party has an adequate remedy at law in the event of a breach or default by Defaulting Party of its obligations under this Agreement. By initialing below, the parties expressly agree to the terms of this Section.

Agency _____ Saca _____ Mohanna _____ 718 K _____

728 K _____ Lambeth _____ Saca Team JV _____

8.11 Force Majeure. If either party's performance under this Agreement is interrupted or delayed by any occurrence not occasioned by the conduct of either party to this Agreement, whether that occurrence is an act of God or public enemy, or whether the occurrence is caused by war, riot, rain or storm, earthquake, other natural forces, moratoriums, unavailability of material or labor, or by the acts of anyone not party to this Agreement, then the party whose performance is being delayed shall be excused from any further performance for whatever period of time the delay occurs; provided, however, the other party's performance shall also be delayed to the extent it is contingent upon the delaying party's performance of its obligations.

8.12 Entire Agreement. This Agreement, the Land Assembly Agreement, the Saca Team Right of First Negotiation Agreement, and the 809/815 Option Agreement, including all Exhibits and Attachments hereto and thereto are the final expressions of, and contain the entire agreement between, the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented, superseded, canceled or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. The parties do not intend to

party is therefore willing to forego for the exchange of the Properties, each party hereby expressly agrees and acknowledges that in the event of a default by Defaulting Party, the non-defaulting party's pursuit of a legal remedy by way of money damages, especially in light of the above limitation on money damages payable by the Defaulting Party, would be a wholly inadequate legal remedy, and each party further conclusively agrees that specific performance of this Agreement by the non-defaulting Party will be the only adequate remedy for the non-defaulting Party realize the benefits of this Agreement. In connection therewith, the Defaulting Party hereby further agrees that this Agreement alone is conclusive and irrebuttable proof that money damages would be an inadequate remedy in the event of a default by Defaulting Party, and the parties hereby knowingly waive and relinquish any right either may have under California Civil Code Section 3387 to claim, assert or otherwise contest that the non-defaulting party has an adequate remedy at law in the event of a breach or default by Defaulting Party of its obligations under this Agreement. By initialing below, the parties expressly agree to the terms of this Section.

Agency _____ Saca _____ Mohanna _____ 718 K _____

726 K _____ Lambeth _____ Saca Team JV _____

8.11 Force Majeure. If either party's performance under this Agreement is interrupted or delayed by any occurrence not occasioned by the conduct of either party to this Agreement, whether that occurrence is an act of God or public enemy, or whether the occurrence is caused by war, riot, rain or storm, earthquake, other natural forces, moratoriums, unavailability of material or labor, or by the acts of anyone not party to this Agreement, then the party whose performance is being delayed shall be excused from any further performance for whatever period of time the delay occurs; provided, however, the other party's performance shall also be delayed to the extent it is contingent upon the delaying party's performance of its obligations.

8.12 Entire Agreement This Agreement, the Land Assembly Agreement, the Saca Team Right of First Negotiation Agreement, and the 809/815 Option Agreement, including all Exhibits and Attachments hereto and thereto are the final expressions of, and contain the entire agreement between, the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented, superseded, canceled or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. The parties do not intend to

confer any benefit hereunder on any person, firm or corporation other than the parties hereto and lawful assignees

8.13 Time of Essence. The Agency and the Saca Team hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform.

8.14 Relationship of the Parties. Nothing contained in this Agreement shall be deemed or construed by the parties to create the relationship of principal and agent, a partnership, joint venture nor any other association between the Agency and the Saca Team.

8.15 Construction. Headings at the beginning of each section and subsection are solely for the convenience of the parties and are not a part of the Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to sections, subsections are to this Agreement.

8.16 Days of Week/Time. If any date for performance herein falls on a Saturday, Sunday or holiday, as defined in Section 6700 of the California Government Code, the time for such performance shall be extended to 5:00 p.m. on the next business day.

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

8.18 Exhibits. Each of the exhibits attached hereto is incorporated into and made a part of this Agreement as though fully set forth herein.

Exhibit 1:	Description of Option Properties
Exhibit 2:	Right of Entry Agreement
Exhibit 3:	Saca Team Right of First Negotiation
Exhibit 4:	809/815 Option Agreement
Exhibit 5:	Memorandum of Option – Agency Acquisition Parcels – 800 Block
Exhibit 6:	Memorandum of Option – Saca Team Transfer Parcels

8 19. Recordation of Memorandum. As to the properties the Agency owns on the 800 Block and the Saca Team owns as of the Effective Date, the Agency and the Saca Team agree to execute, acknowledge and deliver to each other, a Memorandum of Option, which shall be in the form attached herein as Exhibits 5 and 6, which the Agency and the Saca Team, respectively, record against the Agency Acquisition Parcels – 800 Block and Saca Team Transfer Parcels, respectively, in the Official Records of Sacramento County. The Agency agrees to provide the same form of memorandum for each parcel it acquires when acquired on the 800 Block Simultaneous with any termination of the Option or the Agreement, the Agency and/or the Saca Team shall deliver to Escrow Holder a quitclaim deed and irrevocable escrow instructions directing Escrow Holder to record such quitclaim deed against the Agency Acquisition Parcels – 800 Block or Saca Team Transfer Parcels, respectively removing the applicable Memorandum of Option from title immediately.

The parties have executed this Agreement as of the date set forth above.

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra. H.B. Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin
Agency Counsel

THE SACA TEAM:

SACA DEVELOPMENT, LLC. a California limited liability company

By: _____
John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, Manager

By: _____
Moe Mohanna, Manager

718 K STREET A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
James Rothery, Manager

726 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, Its Sole Member

8th and K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H Mohanna

Approved as to form:

_____
Michael A. Kverme
Saca Team Counsel

The parties have executed this Agreement as of the date set forth above.

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra. H.B. Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin
Agency Counsel

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John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, Manager

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718 K STREET A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
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726 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, Its Sole Member

8th and K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A. Kvarme
Saca Team Counsel

041706

EXHIBIT 1

PROPERTY OWNERS AS OF THE EFFECTIVE DATE

SACA TEAM TRANSFER PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0096 005	712 K Street
Mohanna	100%	006 0096 006	716 K Street
718 K	100%	006 0096 007	718 K Street
Mohanna	100%	006 0096 008	724 K Street
726 K	40%	006 0096 009	726 K Street
Lambeth	60%	006 0096 009	726 K Street

SACA TEAM PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0098 006	810 K Street
Mohanna	100%	006 0098 022	1109 8th Street
Lambeth	100%	006 0098 024	806 K Street

ZEIDEN PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0096 004	708 K Street
Zeiden	100%	006 0096 018	1113 7th Street
Zeiden	100%	006 0096 019	1111 7th Street

ZEIDEN TRANSFER PARCEL

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0098 007	812 K Street

AGENCY ACQUISITION PARCELS – 700 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Maurice O. Ray, Jr., Trustee of the Ray Family Trust est. March 20, 1995	100%	006 0096 002	700 K Street
Grace Shun as Trustee of the Testamentary Trust for Joe Shun, aka Joe Sun, aka Low Mong Jung, deceased	50%	006 0096 003	704 K Street
Grace Shun	50%	006 0096 003	704 K Street
Kay V. Dunne, Trustee of the Roy Van Vliet Trusts A and B	100%	006 0096 010	730 K Street
Vertex Investments LLC, a California limited liability company	100%	006 0096 024	731 K Street

AGENCY ACQUISITION PARCELS – 800 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Ismail Abukhdair and Hiba Abukhdair, husband and wife as joint tenants	100%	006 0098 003	800 K Street
Man Y. Lui, Trustee of the Man Y. Lui Family Trust dated September 1, 2004	100%	006 0098 004	802 K Street
Sahad Janmohamed and Sakina S Janmohamed, husband and wife as community property	44.5%	006 0098 008	816 K Street
Mohanna	55.5%	006 0098 008	816 K Street
David Richter, an unmarried man	100%	006 0098 014	815 L Street
Alexander Tiu and Ofelia P. Tiu, husband and wife as joint tenants	24.4%	006 0098 021	809 L Street
ABC Partners, LLC, a California limited liability company	30.1%	006 0098 021	809 L Street
Edward Louie, a married man as his sole and separate property	45.5%	006 0098 021	809 L Street

EXHIBIT 2:

PERMIT FOR ENTRY
700/800 BLOCK

Date	

As of the above-written date, and in consideration of their mutual obligations, the Agency, the Saca Team and Zeiden (defined below) enter into this "**Permit**" and agree as set forth below. Any capitalized terms not defined herein shall have the meaning set forth in the Land Assembly Agreement between the parties hereto (the "**Land Assembly Agreement**").

1. The "**Property Owners**" are as follows and as indicated on **Exhibit A** hereto:

a) The "**Agency**" is the Redevelopment Agency of the City of Sacramento.

b) The "**Saca Team**" is Saca Development LLC, a California limited liability company, Mo Mohanna, an individual, 718 K Street a California Limited Liability Company, 726 K Street, LLC, a California limited liability company, Urban Innovation Partners, LLC, a California limited liability company, 8th and K Lofts, LLC, a California limited liability company, and their respective consultants, contractors and staff.

c) "**Zeiden**" is Zeiden Properties, LLC, a California limited liability company and its consultants, contractors and staff.

2. Individually, the "**Permittees**" are as follows:

a) The Saca Team as to the Agency Acquisition Parcels - 800 Block and the Zeiden Transfer Parcel;

b) Zeiden as to the Agency Acquisition Parcels - 700 Block and the Saca Team Transfer Parcels; and

c) The Agency as to the Zeiden Transfer Parcel and the Saca Team Transfer Parcels.

3. The "**Properties**" and the "**Property Owners**" that are subject to the this Permit are set forth on **Exhibit A** hereto.

4. Subject to the conditions, stipulations and provisions stated in this Permit, the Property Owners grant revocable, non-exclusive permission to each other, i.e. Permittees to enter the Properties and perform the following Permitted Activities within the following stated time period. An activity listed as a Permitted Activity is not a Permitted Activity if it is not performed in the stated time period. Each Permittee is prohibited from doing any activity on the Property that is not expressly stated to be one of the Permitted Activities. Each Permittee's performance of any activity on the Property that is not a Permitted Activity terminates all of such Permittee's rights to use the Property but not such Permittee's obligations under this Permit.

5. **"Permitted Activities"** are the following.

"PERMITTED ACTIVITY"	BEGINNING OF ACTIVITY		ENDING OF ACTIVITY	
	DATE	TIME	DATE	TIME
Entry and inspections of the Properties reasonable necessary to perform the due diligence as required by the Land Assembly Agreement by and between the Property Owners and each Permittees in this Right for Entry				

Select one:	
	Construction, demolition, testing, remediation will be done on the Property and no materials will be delivered to the Property for any work to be done on the Property. Permittee shall not enter the Property and shall take not action with respect to this Permit until a Notice of Nonresponsibility has been duly prepared, noticed and posted.
X	Construction, demolition, testing, remediation will not be done on the Property and no materials will be delivered to the Property for any work to be done on the Property.

6. The Property Owners, as to their parcels, each reserve the right to cancel or extend this Permit to their respective Properties, at any time.

7. Each Permittee and their respective employees and agents have inspected the Properties it intends to acquire or will inspect the Properties prior to commencement of any activities under this Permit and represent to the Property Owner (a) that they are aware of or will make themselves aware of any dangerous conditions on the Property, whether or not readily discoverable, (b) that they accept the Property in its present condition, (c) that they will make the Property safe for any activity under their care and control on the Property, whether or not Permitted Activities, and (d) that Agency is not and shall not be obligated to make Property safe or suitable for use by Permittee or for anyone on the Property at the invitation or sufferance of Permittees, or otherwise to prepare the Property or access to the Property in any manner whatsoever. Entry by Permittees and their respective employees, agents, and invitees onto the Property under this Permit shall be deemed an acknowledgement by Permittees that all dangerous places and defects upon the Property are known to Permittees. Permittees shall make the Property safe for all persons entering the Property under this Permit or at Permittee's request, invitation, direction or sufferance. Permittee assumes full liability for any injury to such persons or their property while on the Property.

8. Property Owners do not assume, by this Permit or otherwise, any responsibility for, or to protect against, any loss, damage, theft or vandalism of any property or material that any Permittee may place upon the Property.

9. Each Permittee and its respective employees, agents, subcontractors and invitees shall comply with, and shall assure the compliance of invitees with, all laws, statutes, ordinances and regulations that are applicable to any of its activities upon the Property, whether or not Permitted Activities, including and without limitation to, obtaining all approvals, permits and licenses required for such activity.

10. Each Permittee, its respective employees, agents, subcontractors and invitees shall protect, defend, indemnify and hold harmless the Property Owner upon whose Property such Permittee entered, from liability for any injury, death or property damage arising from or connected with the use of the Property by any of them, whether or not Permitted Activities. Each Permittee is liable to and shall reimburse Property Owner, upon who's Property such Permittee entered, for all costs, expenses and losses in consequence of any claims, demands and causes of action which may be made or brought against it arising out of such use, including without limitation attorney's fees, witness fees, expert fees and investigation fees and costs.

11. Throughout the time period that Permittees have access to the Properties under this Permit, or otherwise, each Permittee shall obtain and maintain the following insurance coverage from insurance providers licensed to do business in California and having an industry rating that is reasonably commercially acceptable. Failure to obtain and maintain the insurance as required immediately terminates all rights of such Permittee under this Agreement. Each Permittees herein affirms that it has a present and at the time of any entry onto or into any Property such insurances as required by this section 11. Agency has a self insurance retention and additional insurance satisfying the requirements of this Section 11.

a) Each Permittee shall assure that the coverage afforded under the policies can only be canceled after thirty (30) days prior written notice to the Property Owner of the pending cancellation. Permittees must mark such notice to the attention of the Agency at the following address: SACRAMENTO HOUSING & REDEVELOPMENT AGENCY, Legal Department, 630 I Street, Sacramento, California 95815, to the Saca Team at 77 Cadillac Drive, Suite 150, Sacramento, California 95825, or to Zeiden at 1855 West 139th Street, Gardena, California 90249.

b) The required insurance coverage is the following: (i) Two Million Dollars ($2,000,000) or more of comprehensive general liability coverage including, without limitation, coverage for contractual liability, public liability and property damage and having a deductible of Four Hundred Thousand Dollars ($400,000) or less; and (ii) statutory limits or more of workers compensation coverage for all employees of Permittee and all others doing work on the Property.

12. Upon termination of this Permit, each Permittee shall remove all personal property from the Property. Should anyone on the Property at the invitation or sufferance of a Permittee leave any personal property on the Property beyond the term provided in this Permit, Property Owner shall have the right without notice to sell, destroy, or otherwise dispose of such property or to remove and store such property at the expense of the Permittee who failed to remove said personal property.

13. Each Permittee agrees that it does not have and shall not claim any interest or estate whatsoever in the Property by virtue of this Permit or Permittee's entry, occupancy or use under this Permit.

14. Each Permittee agrees that access to the Property and the surrounding area will be preserved for fire equipment at all times.

15. Each Permittee shall not permit any nuisance on the Property or disturb the quiet use and enjoyment by tenants on the Property or any adjacent properties.

16. Except as expressly provided in this Permit, each Permittee shall return the Property to Property Owner in a condition that is at least as good as the condition in which the Property was delivered to such Permittee. No Permittee shall remove any portion of the improvements or

fixtures from the Property. At the option of the Property Owner, the appropriate Permittee shall restore to its original condition any portion of the Property damaged, demolished or altered by Permittee. If such Permittee fails or refuses to do such restoration, the Property Owner shall have the right to do such restoration and recover all costs of such restoration from Permittee who shall have damaged, demolished or altered the Property.

17. Each Permittee shall pay immediately all costs of labor, services and materials supplied in prosecution of any work to be done on the Property under this Permit. Each Permittee shall keep the Property free and clear of all mechanic's liens and any other liens. If a lien is filed against the Property as a result of a Permittee's entry or use of the Property, such Permittee agrees to immediately repay the lien and obtain full release from it.

18. If any Permittee or anyone under any Permittee's control or direction remains on the Property after the termination or cancellation of this Permit or acts in excess of the rights given under this Permit, such Permittee and anyone on the Property at such Permittee's invitation or sufferance shall be deemed a trespasser and shall be liable to Property Owner for damages as a trespasser.

The parties hereto have executed this Permit as of April ___, 2006.

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H B Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin
Agency Counsel

ZEIDEN:

ZEIDEN PROPERTIES, LLC, a California limited liability company

By: _____
Joe Zeiden, Member, Authorized Signatory

Approved as to Form:

_____
Richard Hyde
Zeiden Counsel

THE SACA TEAM:

SACA DEVELOPMENT, LLC, a California limited liability company

By: _____
John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, Manager

By: _____
Moe Mohanna, Manager

718 K STREET, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
James Rothery, Manager

726 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, its Sole Member

8TH AND K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A. Kvarme
Saca Team Counsel

A TO PERMIT FOR ENTRY

PROPERTY OWNERS

SACA TEAM TRANSFER PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0096 005	712 K Street
Mohanna	100%	006 0096 006	716 K Street
718 K	100%	006 0096 007	718 K Street
Mohanna	100%	006 0096 008	724 K Street
726 K	40%	006 0096 009	726 K Street
Lambeth	60%	006 0096 009	726 K Street

SACA TEAM PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0098 006	810 K Street
Mohanna	100%	006 0098 022	1109 8th Street
Lambeth	100%	006 0098 024	806 K Street

ZEIDEN PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0096 004	708 K Street
Zeiden	100%	006 0096 018	1113 7th Street
Zeiden	100%	006 0096 019	1111 7th Street

ZEIDEN TRANSFER PARCEL

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0098 007	812 K Street

AGENCY ACQUISITION PARCELS – 700 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Maurice O. Ray, Jr., Trustee of the Ray Family Trust est. March 20, 1995	100%	006 0096 002	700 K Street
Grace Shun as Trustee of the Testamentary Trust for Joe Shun, aka Joe Sun, aka Low Mong Jung. deceased	50%	006 0096 003	704 K Street
Grace Shun	50%	006 0096 003	704 K Street
Kay V. Dunne, Trustee of the Roy Van Vliet Trusts A and B	100%	006 0096 010	730 K Street
Vertex Investments LLC, a California limited liability company	100%	006 0096 024	731 K Street

AGENCY ACQUISITION PARCELS – 800 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Ismail Abukhdair and Hiba Abukhdair, husband and wife as joint tenants	100%	006 0098 003	800 K Street
Man Y Lui. Trustee of the Man Y Lui Family Trust dated September 1, 2004	100%	006 0098 004	802 K Street
Sahad Janmohamed and Sakina S Janmohamed, husband and wife as community property	44 5%	006 0098 008	816 K Street
Mohanna	55 5%	006 0098 008	816 K Street
David Richter, an unmarried man	100%	006 0098 014	815 L Street
Alexander Tiu and Ofelia P. Tiu, husband and wife as joint tenants	24 4%	006 0098 021	809 L Street
ABC Partners. LLC, a California limited liability company	30.1%	006 0098 021	809 L Street
Edward Louie, a married man as his sole and separate property	45 5%	006 0098 021	809 L Street

Official Business.

Entitled to Free Recording per Govt. Code Sec. 6103

RETURN TO.

Sacramento Housing and Redevelopment Agency

Legal Department

630 I Street

Sacramento, CA 95814

NOTICE OF NONRESPONSIBILITY

NOTICE IS HEREBY GIVEN THAT AGENCY, THE UNDERSIGNED OWNER, WILL NOT BE RESPONSIBLE FOR ANY CLAIMS ARISING FROM ANY WORK OR ACTIVITY OF PERMITTEE ON THE PROPERTY. (PERMITTEE AND THE PROPERTY ARE DESCRIBED BELOW.)

"Agency" is/are the following selected agency/agencies, which are public bodies, corporate and politic and which has/have the address of 630 I Street, Sacramento, California 95814:

AGENCY (Select all that apply)			
	Redevelopment Agency of the City of Sacramento		Redevelopment Agency of the County of Sacramento
	Housing Authority of the City of Sacramento		Housing Authority of the County of Sacramento
	Sacramento Housing and Redevelopment Agency		

Agency is the owner of that certain real property ("Property") located in the County of Sacramento, State of California, described as follows, and the nature of Agency's title or interest in the Property is fee simple. The description of the Property is the following:

PROPERTY DESCRIPTION

"Permittee", whose name and address are as follows, has been granted use of said Property under revocable use permit, for its own benefit.

PERMITTEE NAME AND ADDRESS

Permittee is the following selected legal entity and Permittee represents that Permittee is licensed to do its business in California.

	Sole Proprietor		Corporation		Limited Liability Company		Non-profit Corporation

I have read the foregoing Notice of Nonresponsibility and know of its contents, and the same is true of my own knowledge. I declare under penalty of perjury that the foregoing is true and correct.

Executed this _____ day of _____, 2006 in the City of Sacramento, County of Sacramento, California.

Agency

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _____

Cassandra H.B. Jennings, Assistant City Manager as Designated Signatory

Approved as to Form:

_____

Agency Counsel

County of Sacramento State of California

SS

On _____, before me, _____, personally appeared _____-
_____, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public in and for said County and State

Commission Expires._____

EXHIBIT 3

SACA TEAM RIGHT OF FIRST NEGOTIATION AGREEMENT

THIS SACA TEAM RIGHT OF FIRST NEGOTIATION AGREEMENT (the "**Agreement**") is entered into as of April ____, 2006 by and between the Redevelopment Agency of the City of Sacramento a public body, corporate and politic (the "**Agency**"), and 8th and K Lofts, LLC, a California limited liability company (the "**Saca Team JV**") Any capitalized term not defined herein shall have the meaning set forth in the Land Assembly Agreement between the parties hereto, Saca Development, LLC, a California limited liability company, M.H. Mohanna, an individual, 718 K Street, a California Limited Liability Company, 726 K Street LLC, a California limited liability company, Urban Innovation Partners, LLC, a California limited liability company, and Zeiden Properties, LLC, a California limited liability company, dated as of the same date hereof (the "**Land Assembly Agreement**").

RECITALS

This Agreement is based upon the following recitals, facts and understandings of the parties:

A. The Agency desires to have redeveloped certain real property located in the City of Sacramento, County of Sacramento, State of California, being all or a portion of the blocks between 7th, 9th, K streets and the east-west alley between K and L Streets (the "**Property**"). The Property is within the Merged Downtown Sacramento Redevelopment Project Area (the "**Project Area**"). More specifically, the Property consists of: 1) certain properties within the area bounded by 7th, 8th, Merchant and K Streets and the alley between K and L Streets as described more particularly in the Land Assembly Agreement (the "**700 Block**"); and 2) certain properties within area bounded by 8th, 9th, K and L Streets as more particularly described in the Land Assembly Agreement (the "**800 Block**").

B. The contemplated redevelopment of the Property is consistent with the Merged Downtown Sacramento Redevelopment Plan (the "**Redevelopment Plan**") and its implementing documents, and has been identified by the Agency as important to the furtherance of the Project Area and the elimination of blighting conditions in the Project Area.

C. If Zeiden and the Agency cannot reach agreement on a Zeiden DDA during the term of the Zeiden ENA, or Zeiden's development of the 700 Block under the Zeiden DDA is abandoned or terminated (together the "**Termination Event**"), then the parties desire to proceed with further cooperative negotiations with the intent to reach agreement regarding the proposed disposition

and development of the 700 Block, including the Kiosk, in accordance with a disposition and development agreement between the Agency and the Saca Team JV (the "**Saca Team DDA**").

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, and for other goods and valuable consideration the parties agree as follows:

1. EXCLUSIVE RIGHT TO NEGOTIATE Subject to the terms and conditions set forth in this Agreement the Agency will grant to the Saca Team JV a first right to negotiate the Saca Team DDA (the "**Saca Team Right of First Negotiation**").

1.1. Limits of This Agreement The sole purpose of this Agreement is the negotiation of terms and conditions related to the development of the 700 Block and a Saca Team OPA. This Agreement does not convey or grant rights in any property or to develop any property, any vested rights, any entitlements or approvals, or any rights to financial assistance, or to any other right unless it is clearly and specifically stated in this Agreement.

1.2. Good Faith Negotiations. During the Negotiation Period (as defined below) the parties agree to negotiate diligently and in good faith regarding the preparation of a disposition and development agreement for the development of the 700 Block for execution between the Agency and the Saca Team JV in the manner set forth in this Agreement. If upon expiration of the Negotiation Period the parties hereto have not reached agreement on a disposition and development agreement for the development of the 700 Block, then this Agreement shall automatically terminate unless this Agreement has been mutually extended in writing prior to expiration of the Negotiation Period by the Agency and the Saca Team JV.

1.3. Effective Date. This Saca Team Right of First Negotiation shall only become effective upon the Termination Event (the "**Effective Date**").

1.4. Negotiation Period. The term of this Agreement shall commence on Effective Date and continue for a period that is the longer of nine (9) months from date the Agency certifies the environmental impact report for the proposed development of the 800 Block in accordance with the California Environmental Quality Act ("**CEQA**") or nine (9) months from the Effective Date, whichever is longer.

1.5. Negotiation Fee. Upon delivery of an executed the Saca Team DDA by the Saca Team JV for consideration by the Agency governing body, the Saca Team JV shall deliver to Agency a deposit of Ten Thousand Dollars ($10,000) (the "**Deposit**"). The Deposit will be the property of the Agency subject to the following:

a. If the Saca Team JV enters into the Saca Team DDA with the Agency, then the Deposit may, at the Saca Team JV's election, be applied to the good faith deposit required under the Saca Team DDA.

b. If the Agency fails to approve the Saca Team DDA, developed in accordance with the provisions of this Agreement, which is duly before it for consideration and which has been executed by the Saca Team JV, then the Agency will refund to the Saca Team JV the Deposit.

c. If the Saca Team JV and the Agency agree in writing to terminate the negotiations, the Deposit will be refunded to the Developer.

d. If the terms of the Saca Team DDA are otherwise not finalized during the Negotiation Period, the Deposit is the property of Agency, without restriction as to its use, unless the Agency agrees in writing to extend the Negotiation Period.

2. **THE SACA TEAM RESPONSIBILITIES.** The Saca Team JV shall prepare, at its sole cost and expense, and submit to the Agency for review and approval the items and information required in Requirements for Individual Project Review, which are attached hereto and incorporated herein as Attachment 2.

In the event the Saca Team JV fails to comply with the requirements of this Section 2, or has committed a material event of default under the Saca Team ENA or the Saca Team OPA, then the Agency shall provide the Saca Team JV written notice thereof. The Saca Team JV shall have thirty (30) calendar days from receipt of such notice to cure such default. If the Saca Team fails to cure such default, or if such default cannot be cured within thirty (30) calendar days, to take substantial steps toward curing such default, then the Agency may, at its option, terminate this Agreement by written notice to the Saca Team JV. Upon such termination, neither party shall have any further rights or liability to the other under this Agreement.

3. **AGENCY RESPONSIBILITIES.** The Agency shall review and either approve or disapprove the Development Proposal submitted by the Saca Team JV in the time frame specified on **Attachment 2**. The Agency's disapproval of the Development Proposal shall not constitute a failure of the Agency to negotiate diligently and in good faith. The Saca Team JV shall have the right to resubmit Development Proposals during the Negotiation Period.

4. TRANSACTION AGREEMENTS

4.1 General Business Terms and Conditions In the time frame specified on **Attachment 2**, the Saca Team JV and the Agency will have completed the negotiations of the general business terms and conditions for development of the 700 Block.

4.2 Disposition and Development Agreement In the time frame specified on **Attachment 2**, the Saca Team JV and the Agency will have completed negotiations of the Saca Team OPA. The Saca Team OPA will be executed by the Saca Team JV prior to submittal of the Saca Team DDA to the Agency for final approval.

If negotiations under the provisions of this Agreement culminate in a draft the Saca Team DDA being executed by the Saca Team JV, the Saca Team DDA shall become effective only after and if the Saca Team DDA has been considered and approved by the Agency Board.

5. **ENTITLEMENTS.** The parties acknowledge and agree that all development work that may arise from this Agreement will be subject to and conditioned upon successful completion of all applicable governmental review, including without limitation, CEQA, land use, planning, design and building review.

6. **ACCESS TO PROPERTY.** During the term of this Agreement, the Agency will provide access to the Saca Team to all areas within the 700 Block that is within its ownership and control, and to the extent of their authority to do so. Access to Agency Acquisition Parcels – 700 Block shall be after execution by the Agency and the Saca Team JV of the Agency's standard "Permit for Entry" and evidence of appropriate insurance.

7. **FINANCIAL ASSISTANCE.** No financial assistance for development of the 700 Block has been offered to the Saca Team JV by this Agreement or otherwise. Agency financial assistance may be considered in the context of negotiations related to development of the 700 Block pursuant to this Agreement.

8. **ENVIRONMENTAL REVIEW.** In accordance with CEQA, Agency as lead agency will prepare the environmental documentation and consider the environmental effects of the proposed development of the 700 Block prior to considering action to approve the proposed the Saca Team DDA.

8.1 Agency will initially bear the costs of the CEQA review, which shall thereafter be allocated in accordance with negotiations pursuant to this Agreement.

8.2 Nothing in this Agreement will be construed to limit the application of CEQA to the

development of the 700 Block or to control the actions of Agency in meeting its respective CEQA obligations. In fulfilling its obligations under CEQA, the Agency will act independently and without regard to its respective obligations under this Agreement. Agency will not be liable, in any respect, to the Saca Team or any third party beneficiary of this Agreement for their action or inaction in fulfilling their respective CEQA obligations.

8.3. Agency is not, and will not be considered to be, obligated by this Agreement, or otherwise, to approve any agreement, unless and until it has fully reviewed and considered the environmental impacts of the proposed project in accordance with CEQA. After CEQA review, Agency is not obligated by this Agreement otherwise, to take any action in support of the proposed project. After CEQA review, Agency is not precluded, by this Agreement or otherwise, from rejecting the proposed project or from imposing mitigation measures as a condition of project approval, which measures mitigate or avoid direct or indirect environmental effects of the proposed project.

8.4. Upon Agency request, the Saca Team JV will supply readily available data and information both to determine the potential impact of the development on the environment and to assist in the preparation of the environmental documents for the proposed project.

9. **INFORMATION, STUDIES, ASSESSMENTS AND REPORTS.** The Saca Team JV agrees to make written progress reports from time-to-time as requested by the Agency advising the Agency on all matters and all studies being made by the Saca Team JV. The Agency will reasonably provide information within its possession to the Saca Team JV to assist in the negotiations under this Agreement. If this Agreement is terminated without execution of the Saca Team DDA, upon the Agency's request, the Saca Team JV shall provide the Agency copies of all studies, assessments and reports prepared for any portion of the proposed development of the 700 Block, as expanded, and grants to the Agency all rights in and to such information, studies and reports as may be possessed by the Saca Team JV.

10. **COSTS.** Each party will bear its own costs related to this Agreement and any predevelopment costs related to the development of the 700 Block incurred during the term of this Agreement, including but not limited to costs for planning, architectural, engineering and legal services, except as otherwise indicated in this Agreement.

11. **NOTICES.** All notices under this Agreement shall be in writing and sent by (a) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail, (b) by a nationally

recognized overnight courier, in which case notice shall be deemed delivered one (1) business day after deposit with that courier, or (c) telecopy or similar means, if a copy of the notice is also sent by United States Mail, as follows.

If to the Saca Team JV:	8th and K Lofts LLC 77 Cadillac Drive, Suite 150 Sacramento, CA 95825-5480 Attention: John Saca
With copy to:	Weintraub Genshlea Chediak Law Corporation 400 Capitol Mall, Suite 1100 Sacramento, California 95814 Attention: Michael A. Kvarme
If to Agency:	Redevelopment Agency of the City of Sacramento 1030 15th Street, Suite 250 Sacramento, California 95814 Attention: Leslie Fritzsche, Economic Development Department
With copy to:	Redevelopment Agency of the City of Sacramento 630 I Street Sacramento, California 95814 Attention: David Levin, Agency Counsel

12. NO COMMISSIONS. Neither the Agency nor Property Owners on the Saca Team are obligated by this Agreement, or otherwise to pay commissions or brokerage fees or any similar or related fee or charge to any party on account of this Agreement or on account of any action taken pursuant to this Agreement. Each party understands that the other party may have separate agreements regarding commissions which do not affect or pertain to another party in this transaction. The Property Owners on the Saca Team, individually and not jointly, agree to hold the Agency harmless from and to defend the Agency against any claim for any such commission, fee or charge or any other costs related thereto arising from any action or omission of Property Owners on the Saca Team, its officers, agents or employees. Agency agrees to hold the Saca Team harmless from, and to defend the Saca Team against any claim for any such commission, fee or charge or any other costs related thereto arising from any action or omission of the Agency or its officers, agents or employees.

13. ASSIGNMENT. This Agreement is not assignable by the Saca Team JV except to developers of similar experience and financial abilities as reasonably determined by the Agency

14. APPLICABLE LAW; VENUE. This Agreement will be construed in accordance with the law of the State of California, and venue for any action under this Agreement will be in Sacramento County, California

15. ATTORNEY'S FEES. In the event of any dispute between the parties, whether or not such dispute results in litigation, the prevailing party will be reimbursed by the other party for all reasonable costs and expenses, including without limitation, reasonable attorney's fees, witness and expert fees and investigation costs. A party receiving an award after arbitration or an order or judgment after hearing or trial will not be considered a prevailing party if such award or judgment is not substantially greater than the other party's offer of settlement made in advance of the arbitration, hearing or trial.

16. ATTACHMENTS. Each of the attachments attached hereto is incorporated into and made a part of this Agreement as though fully set forth herein.

Attachment 1: Property Description
Attachment 2: Performance Schedule

EXECUTED as of the date first written above, in Sacramento, California.

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H.B. Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin
Agency Counsel

THE SACA TEAM JV:

8TH AND K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

Approved as to form:

_____
Michael A. Kvarme
Saca Team JV Counsel

Attachment 1 to

SACA TEAM RIGHT OF FIRST NEGOTIATION AGREEMENT

PROPERTY OWNERS AS OF FEBRUARY 1, 2006

SACA TEAM TRANSFER PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0096 005	712 K Street
Mohanna	100%	006 0096 006	716 K Street
718 K	100%	006 0096 007	718 K Street
Mohanna	100%	006 0096 008	724 K Street
726 K	40%	006 0096 009	726 K Street
Lambeth	60%	006 0096 009	726 K Street

SACA TEAM PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Mohanna	100%	006 0098 006	810 K Street
Mohanna	100%	006 0098 022	1109 8th Street
Lambeth	100%	006 0098 024	806 K Street

ZEIDEN PARCELS

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0096 004	708 K Street
Zeiden	100%	006 0096 018	1113 7th Street
Zeiden	100%	006 0096 019	1111 7th Street

ZEIDEN TRANSFER PARCEL

"Property Owner(s)"	Ownership Percentage	APN	Address
Zeiden	100%	006 0098 007	812 K Street

AGENCY ACQUISITION PARCELS – 700 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Maurice O Ray, Jr , Trustee of the Ray Family Trust est. March 20. 1995	100%	006 0096 002	700 K Street
Grace Shun as Trustee of the Testamentary Trust for Joe Shun. aka Joe Sun, aka Low Mong Jung. deceased	50%	006 0096 003	704 K Street
Grace Shun	50%	006 0096 003	704 K Street
Kay V. Dunne, Trustee of the Roy Van Vliet Trusts A and B	100%	006 0096 010	730 K Street

Vertex Investments LLC, a California limited liability company	100%	006 0096 024	731 K Street

AGENCY ACQUISITION PARCELS – 800 BLOCK

"Property Owner(s)"	Ownership Percentage	APN	Address
Ismail Abukhdair and Hiba Abukhdair. husband and wife as joint tenants	100%	006 0098 003	800 K Street
Man Y Lui, Trustee of the Man Y Lui Family Trust dated September 1, 2004	100%	006 0098 004	802 K Street
Sahad Janmohamed and Sakina S. Janmohamed, husband and wife as community property	44 5%	006 0098 008	816 K Street
Mohanna	55 5%	006 0098 008	816 K Street
David Richter, an unmarried man	100%	006 0098 014	815 L Street
Alexander Tiu and Ofelia P. Tiu, husband and wife as joint tenants	24 4%	006 0098 021	809 L Street
ABC Partners, LLC, a California limited liability company	30.1%	006 0098 021	809 L Street
Edward Louie, a married man as his sole and separate property	45 5%	006 0098 021	809 L Street

The parties hereto have executed this Memorandum as of the date set forth above.

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H.B Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin
Agency Counsel

THE SACA TEAM JV:

8th AND K LOFTS, LLC, a California limited liability company

By: _____
John Saca, Manager Member

Approved as to form:

_____
Michael A. Kvarme
Saca Team JV Counsel

STATE OF CALIFORNIA)
) ss.
COUNTY OFSACARAMENTO)

On April __, 2006, before me, _____, a Notary Public in and for the State of California, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the same in his or her authorized capacity and that, by his or her signature on the instrument, the person or the entity upon behalf of which he or she acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public in and for said State

(Notarial Seal)

EXHIBIT A TO

MEMORANDUM OF OPTION

Legal Description for Acquisition Property

EXHIBIT 6:

MEMORANDUM OF OPTION

SACA TEAM TRANSFER PARCELS

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Redevelopment Agency of the City of Sacramento

630 I Street
Sacramento, California 95814
Attn: David Levin, Agency Counsel

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MEMORANDUM OF OPTION

This Memorandum of Option (**"Memorandum"**), dated for reference purposes as _____, 200__, is executed in connection with that certain Saca Team Settlement and Land Exchange Agreement dated as of the date hereof (the **"Agreement"**), by and between the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic (the **"Agency"**), Saca Development, LLC, a California limited liability company, M.H. Mohanna, an individual,, 718 K Street a California Limited Liability Company, 726 K Street LLC, a California limited liability company (**"726 K"**), Urban Innovation Partners, LLC, a California limited liability company and 8th and K Lofts, LLC, a California limited liability company (the **"Saca Team JV"**), collectively the **"Saca Team."**

The Saca Team is the owner of certain real property located in Sacramento County, State of California, which real property is described on Exhibit A attached hereto and incorporated herein by this reference (**"Property"**).

Pursuant to the Agreement, the Saca Team hereby grants to Agency a certain option (**"Option"**) to exchange the the Property for the Agency Acquisition Parcels on the 800 block with the 700 block properties pursuant to the terms and conditions specifically set forth in the Agreement. The Option shall remain in full force and effect until terminated in accordance with the terms and conditions set forth in the Agreement. Unless terminated earlier or extended in accordance with the terms and conditions of the Agreement, the terms of this Agreement shall terminate on October 18, 2009.

[Signatures are on the following page.]

The parties hereto have executed this Memorandum as of the date set forth above

THE AGENCY:

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H B Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin
Agency Counsel

THE SACA TEAM:

SACA DEVELOPMENT, LLC, a California limited liability company

By: _____
John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, its Manager

By: _____
Moe Mohanna, its Manager

718 K STREET, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
James Rothery, Manager

726 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, its Sole Member

8th AND K Lofts LLC a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A Kvarme
Saca Team Counsel

STATE OF CALIFORNIA)
) ss
COUNTY OFSACARAMENTO)

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WITNESS my hand and official seal.

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Notary Public in and for said State

(Notarial Seal)

EXHIBIT A TO

MEMORANDUM OF OPTION

SACA TEAM TRANSFER PARCELS

Legal Description of the Property

EXHIBIT 6:

MEMORANDUM OF OPTION

SACA TEAM TRANSFER PARCELS

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:	
Redevelopment Agency of the City of Sacramento	
630 I Street Sacramento, California 95814 Attn: David Levin, Agency Counsel	

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REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H.B. Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

_____
David Levin
Agency Counsel

THE SACA TEAM:

SACA DEVELOPMENT, LLC, a California limited liability company

By: _____
John Saca, President

URBAN INNOVATION PARTNERS, LLC, a California limited liability company

By: _____
John Lambeth, Its Manager

By: _____
Moe Mohanna, Its Manager

718 K STREET, A CALIFORNIA LIMITED LIABILITY COMPANY

By: _____
James Rothery, Manager

726 K STREET, LLC, a California limited liability company

By: _____
William P. Tucker, Its Sole Member

8th AND K Lofts LLC a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A. Kvarme
Saca Team Counsel

The parties hereto have executed this Memorandum as of the date set forth above.

THE AGENCY;

REDEVELOPMENT THE AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
Cassandra H B. Jennings, Assistant City Manager as Designated Signatory

Approved as to form:

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David Levin
Agency Counsel

THE SACA TEAM:

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By: _____
John Saca, President

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By: _____
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William P. Tucker, its Sole Member

8th AND K Lofts LLC a California limited liability company

By: _____
John Saca, Manager Member

_____
M.H. Mohanna

Approved as to form:

_____
Michael A. Kvarme
Saca Team Counsel

{12385/14683/ALW/889002.DOC;}

STATE OF CALIFORNIA)
) ss
COUNTY OFSACARAMENTO)

On April __, 2006, before me, _____, a Notary Public in and for the State of California, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the same in his or her authorized capacity and that, by his or her signature on the instrument, the person or the entity upon behalf of which he or she acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public in and for said State

(Notarial Seal)

EXHIBIT A TO

MEMORANDUM OF OPTION

SACA TEAM TRANSFER PARCELS

Legal Description of the Property