

RESOLUTION NO. 1596

A RESOLUTION APPROVING, AUTHORIZING, AND RATIFYING AN AGREEMENT EXTENDING AND MODIFYING PROMISSORY NOTE PAYMENT, MODIFYING SETTLEMENT AND MUTUAL RELEASE AGREEMENT AND MODIFYING GUARANTEE CONFIRMING THAT A PAYMENT PLAN PROPOSED BY THE VILLAGE AT MAIN STREET WOULD BE PRUDENT FISCAL MANAGEMENT IF ACCEPTED BY THE CITY.

WHEREAS, on February 20, 1997, Council approved a Settlement Agreement and a Development Agreement between the Village at Main Street and the City of Wilsonville (executed February 21, 1997), by enacting Resolution No. 1358; and

WHEREAS, the Development Agreement authorized financing of Systems Development Charges up to \$2,218,740 for Phase I with an additional Systems Development Charge financing for Phase II and III up to \$506,260, for a total of \$2,725,000, for all phases; and

WHEREAS, the Village at Main Street has substantially completed Phase I, but is in the process of leasing, and the tenant improvement and systems development charges associated therewith are a key factor to completing leasing and obtaining permanent financing; and

WHEREAS, the Village at Main Street has fully used the System Development Charge financing in the amount of \$2,218,740 for Phase I; and

WHEREAS, there are additional System Development Charges due for Phase I; and

WHEREAS, Village at Main Street desires to use the additional Systems Development Charge financing of \$506,260 in large part or wholly on Phase I and is willing to further secure said sum with Phase I, II, and III land; and

WHEREAS, the Village at Main Street is required to make semi-annual debt service payments on the loan for Systems Development Charge payments; and

WHEREAS, the Village at Main Street has been late in making payments due on August 21, 1997; February 21, 1998; August 21, 1998; February 21, 1999 and with the last unpaid installment due on August 21, 1999; and

WHEREAS, staff and representatives of Village at Main Street, including Robert G. Johnson, have been negotiating a payment plan; and

WHEREAS, the original Settlement Agreement did not clearly describe the penalty fee for late payments; and

WHEREAS, staff now recommends that the Settlement Agreement be modified to include a penalty for late payments; and

WHEREAS, the Village at Main Street and staff have discussed the need to complete the repayment of principal on the loan for Systems Development Charge; and

WHEREAS, the Village at Main Street intends to obtain permanent financing for the residential property in Phase I within ninety (90) days; and

WHEREAS, the Village at Main Street intends to make the payment that was due on August 21, 1999, within 90 days, and at the time of this apartment land financing to also pay down \$500,000.00. of the remaining principal on the earlier loan for Systems Development Charge and seeks a lien release on the apartment land to accomplish same at the time of loan closing; and

WHEREAS, the Village at Main Street contemplates obtaining permanent financing for the commercial part of the Village at Main Street project in the spring of 2000; and

WHEREAS, the Village at Main Street intends to completely repay the loan for Systems Development Charge upon the refinancing of the commercial property; and

WHEREAS, the Settlement Agreement needs to be modified to reflect the application of the \$506,260 to Phase I for of the Systems Development Charge and the appropriate Note and security and guarantee documents executed which are satisfactory to the City; and

WHEREAS, after the loan for Systems Development Charge is increased the Village at Main Street desires to obtain additional building permits for tenant modifications of existing buildings; and

WHEREAS, paragraph 1 of Resolution No. 796 establishes a policy that no permits of any kind shall be issued or application processed for any applicant who owes or for any property for which there is any payment which is past due owing to the City of Wilsonville until such time as said sums owed are paid; and

WHEREAS, paragraph 2 of Resolution No. 796 allows that "paid" can be determined to include a payment plan instituted consistent with prudent fiscal management satisfactory to the City's Finance Director; and

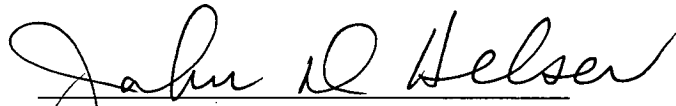
WHEREAS, the approval of a plan for completion of leasing of the Phase I commercial and the value therein and for paying the past due loan payment upon the long-term permanent financing of the residential property in Phase I by the Village at Main Street is together with the complete take out of the loans at time of permanent financing of the commercial land portion, and the additional security of the Phase II and Phase III land, together with Robert G. Johnson's unconditional guarantee and indemnification and title insurance against liens satisfactory as prudent fiscal management.

NOW, THEREFORE, THE CITY OF WILSONVILLE RESOLVES AS FOLLOWS:

1. The City Council approves, authorizes, and ratifies the City Manager, subject to City Attorney approval, to enter into an Agreement Extending and Modifying Promissory Note Payment, Modifying Settlement and Mutual Release Agreement and Modifying Guarantee, attached and incorporated herein and the associated documents referenced therein marked as Exhibit 1 and incorporated herein and; to accept an additional Promissory Note identified as added Exhibit B to the aforesaid agreement.

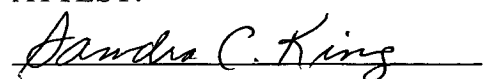
2. City Council confirms the Finance Director's determination that the Village at Main Street plan to make the past due payment on the note upon refinancing of the residential property in Phase I and the acceptance of this payment plan by the City is prudent fiscal management.

ADOPTED by the Wilsonville City Council at a regular meeting thereof this 20th day of September, 1999 and filed with the Wilsonville City Recorder this date.



JOHN HELSER, CITY COUNCIL PRESIDENT

ATTEST:



Sandra C. King, CMC, City Recorder

SUMMARY of votes:

Mayor Lehan Excused

Councilor Helser Yes

Councilor Kirk Yes

Councilor Barton Yes

Councilor Holt Yes

**AGREEMENT EXTENDING AND MODIFYING
PROMISSORY NOTE PAYMENT, MODIFYING SETTLEMENT
AND MUTUAL RELEASE AGREEMENT, AND
MODIFYING GUARANTEE**

The CITY OF WILSONVILLE ("City") and VILLAGE AT MAIN STREET – PHASE I, LLC ("Village at Main Street – Phase I"), VILLAGE AT MAIN STREET – PHASE II, LLC ("Village at Main Street – Phase II"), VILLAGE AT MAIN STREET – PHASE III, LLC ("Village at Main Street – Phase III"), and ROBERT G. JOHNSON and SHARON B. JOHNSON ("Guarantor"), parties to this agreement, do hereby agree to fully perform all duties and obligations as specified and described.

Recitals

WHEREAS, the City of Wilsonville and Village at Main Street – Phase I entered into a Settlement Agreement and Mutual Release dated February 28, 1999, which provided in part for installment payments for system development charges; and

WHEREAS, the City of Wilsonville is the holder of a promissory note ("Note") in the principal amount of \$2,218,740 dated February 21, 1997, at Wilsonville, Oregon, for an amount of system develop charges owed to the City by Village at Main Street – Phase I; Village at Main Street – Phase I is the borrower and maker of the Note; and Robert G. Johnson is the Guarantor of the obligation evidenced by the Note; and

WHEREAS, the City of Wilsonville designated in writing an installment payment schedule for the Note together with interest at the rate of six and nine-tenths percent (6.9%) per annum on the unpaid principal from February 21, 1997, in accordance with the Settlement Agreement and Mutual Release and which Village at Main Street – Phase I acknowledged receipt thereof and initially made installment payments in accord therewith; and which Robert G. Johnson as guarantor was also in accord therewith; and

WHEREAS, the installment payment in the sum of \$169,804.85 principal and interest was due August 21, 1999, and Village at Main Street – Phase I has failed to make any payment thereon, even after the City's written ten-day demand and more than 15 days have elapsed; and

WHEREAS, the parties have entered into negotiations and have agreed to the following terms and conditions:

Terms and Conditions

1. The City agrees to forbear from declaring Village at Main Street – Phase I in default, accelerating the Note indebtedness and demanding payment in full and/or foreclosing upon the Trust Deed granted to the City by Village at Main Street – Phase I to secure Village at Main Street – Phase I's payment of the Note described in the recital above or to seek payment by Robert G. Johnson pursuant to his guarantee;
2. In consideration of the value received from the City's agreement to forbear as stated in paragraph 1 above, Village at Main Street – Phase I agrees:

2.1 To pay to City within 90 days of execution of this Agreement, or when Village at Main Street – Phase I receives its permanent financing for the apartment part of its Phase I project, whichever is first, the installment payment due of \$169,804.85 as of August 21, 1999, together with accrued interest thereon and an extension fee equal to 10% of the unpaid installment (\$16,980.49). Additionally at the time of permanent financing on the apartment portion of Phase I, Village at Main Street – Phase I will pay to the City a sum equal to Five Hundred Thousand and No/100 Dollars (\$500,000), the outstanding principal indebtedness on the Note of \$2,218,740 plus accrued interest, charges and fees. Upon receipt of said installment payment, pay down of principal, accrued interest, charges and fees, the City will release its security interest(s) in said apartment land of Phase I and Lot #2 of the commercial land including Building #2 and the Community Building; and

2.2 That the recited note of \$2,218,740 of February 21, 1997, together with interest of six and nine-tenths percent (6.9%) per annum shall be paid in accordance with the semi-annual installment payment dates of February 21 and August 21 each year with payment in full on or before August 21, 2006, in the payment amounts previously designated by the City of Wilsonville by and through its Director of Finance. In the event Village at

Main Street – Phase I fails to pay any such installment payment within ten (10) days of being due, the City of Wilsonville may charge a late penalty payment charge of 10% of the payment due, and if the payment due, together with accrued interest is not paid within sixty (60) days from the semi-annual installment payment date, the City may charge an additional late payment penalty of 10% upon the total of the installment payment due, accrued interest and the first 10% penalty amount. The late penalty payment(s) provided herein are at the City's option and any exercise thereof is without waiver on the City's part of any other rights, remedies, privileges and options it may have or be entitled to by the terms of this Agreement, the Note, or any instrument given to ensure payment thereof. There is no penalty for early payment in full or in part.

2.3 If Village at Main Street – Phase I fails to make any payment required under this Agreement when due after fifteen (15) days written notice to Village at Main Street – Phase I, or in case of default or other event giving the City the right to accelerate the Note indebtedness under the Trust Deed or under any other instrument, document or agreement given in connection with this Note, the City may declare the entire principal balance of the Note, together with accrued interest and any fees, penalties and charges incurred by reason of the terms of this Agreement and/or the Note, to be immediately due and payable. Failure to exercise this right or any right available to the City shall not constitute a waiver of the right to exercise the same in the event of any continuing or subsequent default or other such event. Except in the case of a failure to make a payment, Village at Main Street – Phase I shall have 30 days to cure any other default.

2.4 In the event of default under this Agreement and/or the Note, Village at Main Street – Phase I agrees to pay all costs and expenses which may be incurred by City with respect to such default, including

without limitation all costs and expenses of investigating the same and circumstances and events surrounding or relating thereto, fees charged by and expenses of professional consultants and advisers, including attorneys and accountants, costs of searching records obtaining title reports, title insurance, and trustee's fees. Attorneys' fees shall include costs and expenses of legal advice with respect to the event of default, rights and remedies, negotiations with the Village at Main Street and any other parties in interest, such as guarantors, other encumbrancers, receivers, trustees and the like, and attorneys' fees and expenses with respect to any action which City may commence or in which it might appear, whether for the purpose of protecting or preserving City's rights or to realize upon the lien of any security interest upon real or personal property, or both, by foreclosure or otherwise, and all attorneys' fees and expenses in any review of or appeal from any such action and in proceedings, petitions or motions in bankruptcy, and motions for review.

2.5 The undersigned and all persons liable or to become liable on this Agreement and/or the Note shall be jointly and severally liable hereunder and waive presentment, protest and demand and notice of protest, demand dishonor or nonpayment of this Agreement and/or the Note, and consent to all renewals and extensions of the time of payment hereof, and further agree that without notice the terms of payment of this Agreement and/or the Note may be modified or the security described in the lien documents securing payment of the Note may be released in whole or in part or increased, changed or exchanged by agreement between the holder of the Note and any owner of the property affected by those lien documents, all without affecting the liability of any party to this instrument or any person liable with respect to any indebtedness evidenced by this Agreement and/or the Note.

2.6 In the event City has to re-bill after 30 days for any installment past due, City may charge a re-billing fee of \$25.00, which Village at Main Street – Phase I agrees to pay.

2.7 Village at Main Street – Phase I agrees to pay to City all sums owing to the City for attorney fees on account of lien claims on or before the execution of this Agreement. City acknowledges receipt of a payment in the amount of \$6,961.42 as payment in full for attorney fees through the date of this Agreement.

2.8 Village at Main Street – Phase I agrees that at the time it receives permanent financing for the commercial part of Phase I, it will pay off the unpaid balance of the Note, together with accrued interest charges, penalties, and fees in full.

2.9 Robert G. Johnson and Village at Main Street - Phase I, LLC, shall indemnify and hold harmless the City from any and all lien claims now or hereinafter filed against the Phase I property described in the Trust Deed securing the Note and shall obtain a lien title insurance policy from Fidelity National Title Company of Oregon and its underwriter Fidelity for the benefit of the City.

3. For value received and in consideration of the City's forbearance stated in paragraph 1 above, the undersigned Robert G. Johnson agrees that his previously executed Agreement of Unconditional Guarantee, effective February 21, 1997, shall extend to the performance of this Agreement, the Note, and to any extension and modification of the Note by this Agreement.
4. In further consideration of Village at Main Street – Phase I promises and agreements recited above and to Robert G. Johnson's promises and agreements recited above, the City agrees as follows:

4.1 To forbear at this time from declaring the Settlement Agreement and Mutual Release of February 21, 1997, between the City and Village at Main Street – Phase I in default for failure to pay the semi-annual installment of August 21, 1999, of the Note when due and to allow the Village at Main Street – Phase I to apply an additional \$506,260 of financed systems development charges for Phase I (Note form attached as Exhibit A), in modification of paragraphs 3.2.1 and 3.2.5 of the Settlement Agreement and Mutual Release which applies said amount to Phases II and III; provided the City receives at execution of this document:

(a) A promissory note (attached as "Exhibit A") for the sum of \$506,260 executed by Village at Main Street – Phase I, LLC, Village at Main Street - Phase II, LLC and Village at Main Street - Phase III, LLC;

(b) A second security interest in Phases II and III for the benefit of and in a form satisfactory to the City is executed as well as a security interest in Phase I for the benefit of and in a form satisfactory to the City;

(c) An Agreement of Unconditional Guarantee executed by Robert G. Johnson and Sharon B. Johnson satisfactory to the City;

(d) Indemnification and a hold harmless of the City by Village at Main Street – Phase I, II and III and Robert G. Johnson from liens and encumbrances is provided and a lien title insurance policy for the benefit of the City is obtained.

4.2 In addition to its pay-off agreement in 2.8 above, Village at Main Street – Phase I agrees that at the time it receives permanent financing for the commercial part of Phase I, it will pay off the unpaid balance of the Note (Exhibit A) for \$506,260, together with accrued interest charges, penalties, and fees in full. Village at Main Street – Phase II, LLC, and Village at Main Street – Phase III, LLC, agree that in the event construction financing for Phase II or III precedes the permanent financing for the

commercial part of Phase I, the Exhibit, together with accrued interest, charges, penalties, and fees will be paid in full.

5. Miscellaneous.

5.1 This Agreement shall inure to the benefit of and shall be binding upon not only the parties hereto but also upon the respective heirs, successors, representatives and assigns.

5.2 In construing this Agreement, whenever the context requires it, the singular number includes the plural and the plural the singular, and the masculine, feminine and neuter gender shall each include the masculine, feminine and neuter as the context requires.

5.3 In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

5.4 All waivers of any provision of this Agreement must be in writing and signed by the waiving party. In the event any provision contained in this Agreement shall be breached by a party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

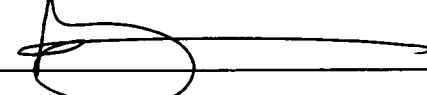
By signing this agreement, the persons identified by their signature below do affirm that they are authorized to represent their respective organizations and enter into this agreement.

IN WITNESS WHEREOF, the undersigned City of Wilsonville, Village at Main Street – Phase I, LLC, Village at Main Street – Phase II, LLC, Village at Main Street – Phase III, LLC, and Robert G. Johnson and Sharon B. Johnson have executed this agreement.

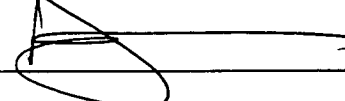
CITY OF WILSONVILLE

By  9/24/99
Date


VILLAGE AT MAIN STREET – PHASE I, LLC

By  9/24/99
Date


VILLAGE AT MAIN STREET – PHASE II, LLC

By  9/24/99
Date


VILLAGE AT MAIN STREET – PHASE III, LLC

By  9/24/99
Date

ROBERT G. JOHNSON, GUARANTOR

 9/24/99
Date

SHARON B. JOHNSON, GUARANTOR

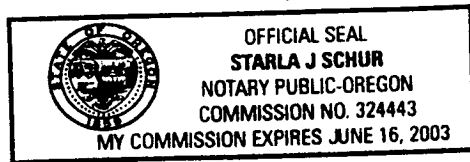
 9/24/99
Date

STATE OF OREGON)
) ss
County of Clackamas)

On this 24th day of September, 1999, before me, a notary public in and for said County and State, personally appeared Ailene Hobe, known to me to be the City Manager for the City of Wilsonville, whose name she subscribed to the within instrument and acknowledged that she executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year above written.

Starla J. Schur
Notary Public for Oregon
My Commission Expires: June 16, 2003

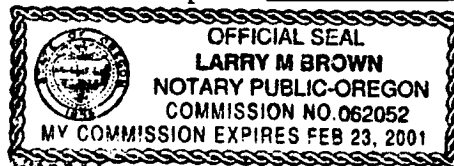


STATE OF OREGON)
) ss
County of CLACKAMAS)

On this 24 day of SEPTEMBER, 1999, before me, a notary public in and for said County and State, personally appeared ROBERT G. JOHNSON, known to me to be the MANAGING MEMBER of Village at Main Street - Phase I, LLC, whose name HE subscribed to the within instrument and acknowledged that HE executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year above written.

Larry M. Brown
Notary Public for Oregon
My Commission Expires: 2-23-2001



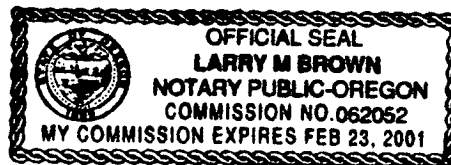
STATE OF OREGON)
) ss
County of CLACKAMAS)

On this 24 day of SEPTEMBER, 1999, before me, a notary public in and for said County and State, personally appeared ROBERT G. JOHNSON, known to me to be the MANAGING MEMBER of Village at Main Street - Phase II, LLC, whose name HE subscribed to the within instrument and acknowledged that HE executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year above written.

Larry M Brown

Notary Public for Oregon
My Commission Expires: 2-23-2001



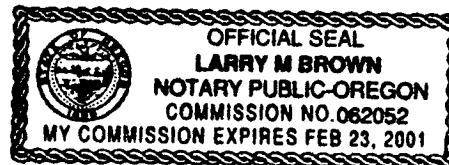
STATE OF OREGON)
) ss
County of CLACKAMAS)

On this 24 day of SEPTEMBER, 1999, before me, a notary public in and for said County and State, personally appeared ROBERT G. JOHNSON, known to me to be the MANAGING MEMBER of Village at Main Street - Phase III, LLC, whose name HE subscribed to the within instrument and acknowledged that HE executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year above written.

Larry M Brown

Notary Public for Oregon
My Commission Expires: 2-23-2001



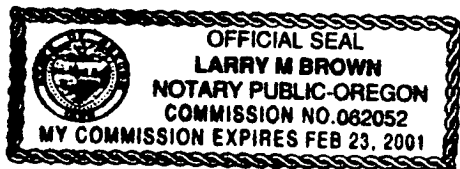
STATE OF OREGON)
) ss
County of CLACKMAS)

On this 24 day of SEPTEMBER, 1999, before me, a notary public in and for said County and State, personally appeared **Robert G. Johnson**, known to me to be the person whose name he subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year above written.



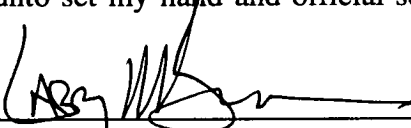
Notary Public for Oregon
My Commission Expires: 2-23-2001



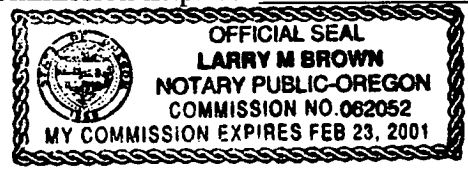
STATE OF OREGON)
) ss
County of CLACKMAS)

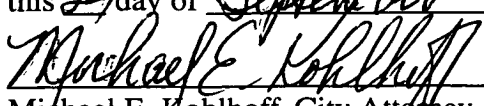
On this 24 day of SEPTEMBER, 1999, before me, a notary public in and for said County and State, personally appeared **Sharon B. Johnson**, known to me to be the whose name SHE subscribed to the within instrument and acknowledged that SHE executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year above written.



Notary Public for Oregon
My Commission Expires: 2-23-2001



APPROVED AS TO FORM
this 24 day of September, 1998.


Michael E. Kohlhoff, City Attorney
City of Wilsonville, Oregon

PROMISSORY NOTE

Additional \$506,260

Wilsonville, Oregon
Date: Sept. 24, 1999

1. **PROMISE TO PAY; INTEREST.** FOR VALUE RECEIVED, the undersigned Borrower promises to pay to the order of City of Wilsonville, an Oregon municipal corporation, or its assignee ("Holder"), at Wilsonville City Hall, 30000 SW Town Center Loop East, Wilsonville, Oregon 97070, or at such other place as the City of Wilsonville, or the Holder may designate in writing from time to time, the principal sum of FIVE HUNDRED SIX THOUSAND TWO HUNDRED SIXTY AND NO/100 DOLLARS (\$506,260.00) in lawful money of the United States of America with interest thereon in like lawful money payable in the manner and on the terms set forth in this Note. The unpaid principal due on this Note shall bear interest thereon from the date of this Note at the rate of six and nine-tenths percent (6.9%) per annum (the Note rate). Interest shall be computed on the basis of 365-day year or 366-day year as applicable and actual days elapsed. The aforesaid principal represents Systems Development Charges incurred by the Village at Main Street development being developed in three phases: Phase I, II and III.

2. **PAYMENT.** Payment of unpaid principal shall be semi-annually, in installments commencing February 21, 2000, and August 21, 2000, and each succeeding February 21 and August 21. The entire principal balance and all accrued, but unpaid, interest shall be due and payable in full on August 21, 2006, or upon obtaining construction financing on the Phase II and/or Phase III a., b. or c. developments or permanent financing of Phase Ia, whichever is first. The description of the property involved in these phases is set forth in the trust deed referenced in the security section below. The City's Finance Director shall prepare a schedule of the installment payments and provide a copy to Borrower. Borrower may choose to borrow less than the Note's face amount of principal as of September 23, 1999, and subsequently borrow the balance;

in which case the Finance Director shall prepare an adjusted schedule of payments of principal and interest in accordance with the unpaid principal and accrued interest.

3. **PREPAYMENT.** Borrower may prepay the principal balance in whole or in part at any time without premium or penalty.

4. **APPLICATION OF PAYMENTS.** All payments under this Note shall be applied first to late charges and expenses reimbursable to Holder, next to accrued interest, and last to principal.

5. **SECURITY.** This Note is secured by a Trust Deed which shall be recorded in the records of Clackamas County, Oregon (the "Trust Deed") of even date herewith, to which reference is hereby made for a description of the nature and extent of the security, the Phases, the rights and limitations of the rights of the Holder and the terms and conditions upon which this Note is secured.

6. **LATE CHARGE.** In the event any payment due hereunder is not paid in full within ten (10) days after its due date to Holder, Holder at its option and without the waiver on its part of any other rights, remedies, privileges and options it may have or be entitled to by the terms of this Note or any instrument given to ensure payment of same, may collect from Borrower a late charge to cover the extra expenses in handling delinquent payments and as a financial incentive to avoid late payments, which late charge shall be an amount equal to ten percent (10%) of the installment required to be paid. If the payment due hereunder, together with the first late charge, is not paid in full within 60 days of the payment's due date, the Holder may charge a second and additional late charge in an amount equal to ten percent (10%) of the installment required to be paid and the first late charge.

7. **ACCELERATION.** If Borrower fails to make any payment required under this Note when due after 15 days written notice to Borrower, or in case of an event of default or other event giving Holder the right to accelerate the Note indebtedness under

the Trust Deed or under any other instrument, document or agreement given in connection with this Note, Holder may declare the entire principal balance of this Note, together with accrued interest, to be immediately due and payable. Failure to exercise this right or any other right available to Holder shall not constitute a waiver of the right to exercise the same in the event of any continuing or subsequent default or other such event.

8. **COSTS AND EXPENSES.** In the event of default under this Note, Borrower agrees to pay all costs and expenses which may be incurred by Holder with respect to such default, including without limitation all costs and expenses of investigating the same and circumstances and events surrounding or relating thereto, fees charged by and expenses of professional consultants and advisers, including attorneys and accountants, costs of searching records, obtaining title reports, title insurance, and trustee's fees. Attorneys' fees shall include costs and expenses of legal advice with respect to the event of default, rights and remedies, negotiations with the Borrower and any other parties in interest, such as guarantors, other encumbrancers, receivers, trustees and the like, and attorneys' fees and expenses with respect to any action which Holder may commence or in which it might appear, whether for the purpose of protecting or preserving Holder's rights or to realize upon the lien of any security interest upon real or personal property, or both, by foreclosure or otherwise, and all attorneys' fees and expenses in any review of or appeal from any such action and in proceedings, petitions or motions in bankruptcy, and motions for review.

9. **LIABILITY.** The undersigned and all persons liable or to become liable on this Note shall be jointly and severally liable hereunder and waive presentment, protest and demand and notice of protest, demand, dishonor or nonpayment of this Note, and consent to all renewals and extensions of the time of payment hereof, and further agree that without notice the terms of payment of this Note may be modified or the security described in the lien documents securing payment of the Note may be released in whole or in part or increased, changed or exchanged by agreement between the holder of this Note and any owner of the property affected by those lien documents, all without

affecting the liability of any party to this instrument or any person liable with respect to any indebtedness evidenced by this Note.

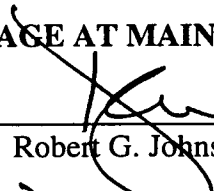
10. **RE-BILLING FEE.** In the event Holder has to re-bill Borrower for failure to make an installment payment, Holder may charge a re-billing fee of \$25.00 for each re-billing sent to Borrower.

11. **LAWFUL RATE.** Notwithstanding any other provision of this Note or of the Trust Deed or of any other instrument or document, interest, fees and charges payable by reason of the indebtedness evidenced by this Note shall not exceed the maximum, if any, permitted by any governing law.

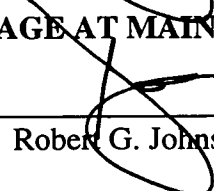
12. **BUSINESS PURPOSES.** Borrower represents that this loan is for business or commercial use and not for personal, family or household purposes.

13. **APPLICABLE LAW.** This Note shall be construed in accordance with and governed by the laws of the State of Oregon.

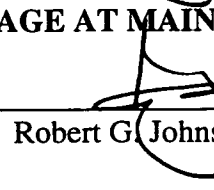
Borrower: **VILLAGE AT MAIN STREET – PHASE I, LLC**

By  _____
Robert G. Johnson, Managing Member

VILLAGE AT MAIN STREET – PHASE II, LLC

By  _____
Robert G. Johnson, Managing Member

VILLAGE AT MAIN STREET – PHASE III, LLC

By  _____
Robert G. Johnson, Managing Member

After Recording, Return to:
City Recorder, City of Wilsonville
30000 SW Town Center Loop E.
Wilsonville, OR 97070

Until a change is requested,
all tax statements shall be
sent to: NO CHANGE

TRUST DEED

THIS TRUST DEED, made this 24th day of September, 1999, between Village at Main Street – Phase I, LLC, an Oregon limited liability company, Village at Main Street – Phase II, LLC, an Oregon limited liability company, and Village at Main Street – Phase III, LLC, an Oregon limited liability company, hereinafter called "Grantor", Fidelity National Title Company of Oregon as Trustee and the City of Wilsonville, Oregon, an Oregon municipal corporation, as Beneficiary.

WITNESSETH:

Grantor irrevocably grants, bargains, sells and conveys to Trustee in trust, with power of sale, the property in Clackamas County, Oregon, described in the Exhibit "A" attached hereto and made a part hereof, together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection with said real estate.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of Grantor herein contained and payment of the sum of FIVE HUNDRED SIX THOUSAND TWO HUNDRED SIXTY AND NO/100 DOLLARS (\$506,260), with interest thereon according to the terms of a promissory note of even date herewith, payable to the beneficiary or order and made by Grantor, the final payment of principal and interest hereof, if not sooner paid, to be due and payable August 20, 2006, or upon obtaining construction financing for development of property described in Exhibit A, entitled Parcel II and/or Parcel III a, b, or c, or permanent financing for development of property described in Exhibit A, entitled Parcel 1a, whichever is first.

The date of maturity of the debt secured by this instrument is the date, stated above, on which the final installment of said note becomes due and payable. Notwithstanding the foregoing, in the event the within described property, or any part thereof, or any interest therein is sold, agreed to be sold, conveyed, assigned or alienated by the Grantor without first having obtained the written consent or approval of the Beneficiary, (except in accordance with that certain Subordination and Recognition Agreement of even date by and between US Bank of Oregon, and the City of Wilsonville, Oregon) then, at the Beneficiary's option, all obligations secured by this instrument irrespective of the maturity dates expressed therein, or herein, shall become immediately due and payable.

99-093852

To protect the security of this trust deed, Grantor agrees:

1. To protect, preserve and maintain said property in good condition and repair; not to remove or demolish any building or improvement thereon; not to commit or permit any waste of said property.

2. To complete or restore promptly and in good and workmanlike manner any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefor.

3. To comply with the laws, ordinances, regulations, covenants, conditions and restrictions affecting said property; if the beneficiary so requests, to join in executing such financing statements pursuant to the Uniform Commercial Code as the beneficiary may require and to pay for filing of the same in the proper public office or offices, as well as cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by the beneficiary.

4. To provide and continuously maintain insurance on the buildings now or hereafter erected on the said premises against loss or damage by fire and such other hazards as the beneficiary may from time to time require, in an amount not less than the full replacement cost of all improvements written in companies acceptable to the beneficiary, with loss payable to the latter; copies of all policies of insurance certificates evidencing such insurance shall be delivered to the beneficiary as soon as insured; if the Grantor shall fail for any reason to procure any such insurance and to deliver said policies to the beneficiary at least fifteen days prior to the expiration of any policy of insurance now or hereafter placed on said buildings, the beneficiary may procure the same at Grantor's expense. The amount collected under any fire or other insurance policy may be applied by beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected, or any part thereof, may be released to Grantor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. If Grantor continuously maintains the insurance under the first Deed of Trust ("senior loan") in favor of US Bank of Oregon, then Grantor shall be deemed to be in compliance with the insurance requirements of this Trust Deed. Further, all insurance proceeds shall be applied first in the manner specified in the senior loan and then in compliance with the terms of this Trust Deed.

5. To keep said premises free from construction liens and to pay all taxes, assessments and other charges that may be levied or assessed upon or against said property before any part of such taxes, assessments and other charges become past due or delinquent and promptly deliver receipts therefor to beneficiary; should the Grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by Grantor, either by direct payment or by providing beneficiary with funds with which to make such payment, beneficiary may, at its option, make payments thereof, and the amount so paid, with interest at the rate set forth in the note secured hereby, together with the obligations described in paragraphs 6 and 7 of this Trust Deed, shall be added to and become a part of the debt secured by this Trust Deed, without waiver of any rights arising from breach of any of the covenants hereof

and for such payments, with interest as aforesaid, the property hereinbefore described, as well as the Grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described, and all such payments shall be immediately due and payable without notice, and the nonpayment thereof shall, at the option of Beneficiary, render all sums secured by this Trust Deed immediately due and payable and constitute a breach of this Trust Deed.

6. To pay all costs, fees and expenses of this trust including the cost of title search as well as the other costs and expenses of the Trustee incurred in connection with or in enforcing this obligation and Trustee and attorney fees actually incurred.

7. To appear in and defend any action or proceeding purporting to affect the security rights or powers of Beneficiary or Trustee; and in any suit, action or proceeding in which the Beneficiary or Trustee may appear, including any suit for the foreclosure of this deed, to pay all costs and expenses, including evidence of title and the Beneficiary's or Trustee's attorney fees; the amount of attorney fees mentioned in this Paragraph 7 in all cases shall be fixed by the trial court and in the event of an appeal from any judgment or decree of the trial court, Grantor further agrees to pay such sum as the appellate court shall adjudge reasonable as the Beneficiary's or Trustee's attorney fees on such appeal.

It is mutually agreed that:

8. Unless contrary to the express provisions of this instrument, an event of default, as defined in that Deed of Trust given by Grantor in favor of US Bank of Oregon, shall be an event of default under this Trust Deed.

9. In the event that any portion or all of said property shall be taken under the right of eminent domain or condemnation, Beneficiary shall have the right, if it so elects, to require that all or any portion of the monies payable as compensation for such taking, which are in excess of the amount required to pay all reasonable costs, expenses and attorney fees necessarily paid or incurred by Grantor in such proceedings, shall be paid to Beneficiary and applied by it first upon any reasonable costs and expenses and attorney fees, both in the trial and appellate courts, necessarily paid or incurred by Beneficiary in such proceedings, and the balance applied upon the indebtedness secured hereby; and Grantor agrees, at its own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon Beneficiary's request. All condemnation proceeds shall be first applied in the manner specified in the senior loan and then in the manner specified in the Trust Deed.

10. At any time and from time to time upon written request of Beneficiary, payment of its fees and presentation of this Trust Deed and the note for endorsement (in case of full reconveyances, for cancellation), without affecting the liability of any person for the payment of the indebtedness, Trustee may (a) join in granting any easement or creating any restriction thereon; (b) join in any subordination or other agreement affecting this Trust Deed or the lien or charge thereof; reconvey, without warranty, all or any part of the property. The Grantee in any reconveyance may be described as the "person or persons legally entitled thereto" and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof.

11. Upon any default by Grantor hereunder, Beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sure or otherwise collect the rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney fees upon any indebtedness secured hereby, and in such order as Beneficiary may determine.

12. The entering upon and taking possession of said property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cue or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

13. Upon default by Grantor in payment of any indebtedness secured hereby or in his performance of any agreement hereunder, time being of the essence with respect to such payment and/or performance, the Beneficiary may declare all sums secured hereby immediately due and payable. In such an event the Beneficiary at his election may proceed to foreclose this Trust Deed in equity as a mortgage or direct the Trustee to foreclose this Trust Deed by advertisement and sale, or may direct the Trustee to pursue any other right or remedy, either at law or in equity, which the Beneficiary may have. In the event the Beneficiary elects to foreclose by advertisement and sale, the Beneficiary or the Trustee shall execute and cause to be recorded his written notice of default and his election to sell the said described real property to satisfy the obligation secured hereby whereupon the Trustee shall fix the time and place of sale, given notice thereof as then required by law and proceed to foreclose this Trust Deed in the manner provided in ORS 86.735 to 86.795.

14. After the Trustee has commenced foreclosure by advertisement and sale, and at any time prior to 5 days before the date the Trustee conducts the sale, the Grantor or any other person so privileged by ORS 86.753, may cure the default or defaults. If the default consists of a failure to pay, when due, sums secured by the Trust Deed, the default may be cured by paying the entire amount due at the time of the cure other than such portion as would not then be due had no default occurred. Any other default that is capable of being cured may be cured by tendering the performance required under the obligation or Trust Deed. In any case, in addition to curing the default or defaults, the person effecting the cure shall pay to the Beneficiary all costs and expenses actually incurred in enforcing the obligation of the Trust Deed together with Trustee and attorney fees not exceeding the amounts provided by law.

15. Otherwise, the sale shall be held on the date and at the time and place designated in the notice of sale or the time to which said sale may be postponed as provided by law. The Trustee may sell said property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive proof of the truthfulness thereof. Any person, excluding the Trustee, but including the Grantor and Beneficiary, may purchase at the sale.

16. When Trustee sells pursuant to the powers provided herein, Trustee shall apply the proceeds of the sale to payment of (1) the expenses of sale, including the compensation of the Trustee and a reasonable charge by Trustee's attorney, (2) to the obligations secured by the Trust Deed, (3) to all persons having recorded liens subsequent to the interest of the Trustee in the Trust Deed as their interests may appear in the order or their priority and (4) the surplus, if any, to the Grantor or to his successor in interest entitled to such surplus.

17. Beneficiary may from time to time appoint a successor or successors to nay Trustee named herein or to any successor Trustee appointed hereunder. Upon such appointment, and without conveyance to the successor Trustee, the latter shall be vested with all title, powers and duties conferred upon any Trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, which, when recorded in the mortgage records of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor Trustee.

18. Trustee accepts this trust when his Trust Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be party unless such action or proceeding is brought by Trustee.

19. The Grantor covenants and agrees to and with the Beneficiary and those claiming under him, that he is lawfully seized in fee simple of said described real property and with the exception of a first lien given to secure a Promissory Note in favor of US Bank of Oregon, its successors and assigns, and encumbrances recorded Clackamas County Deed Records, May 6, 1996, Fee No. 96-031903.

20. The Grantor warrants that the proceeds of the loan represented by the above described note and this Trust Deed are for an organization or are for business or commercial purposes.

21. This Trust Deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the contact secured hereby, whether or not named as a Beneficiary herein. In construing this Trust Deed and whenever the context so requires, the masculine gender includes the feminine and the neuter, and the singular number includes the plural.

22. It is the intent of the Beneficiary and Grantor in the execution of the Note, this Trust Deed and all other instruments now or hereafter securing the Note or executed in connection therewith or under any other written or oral agreement by Grantor in favor of the Beneficiary to contract in strict compliance with applicable usury law. In furtherance thereof, the Beneficiary and Grantor stipulate and agree that none of the terms ad provisions contained in the Note, this Trust Deed or any other instrument securing the Note or executed in connection herewith, or in any other written or oral agreement by Grantor in favor of the Beneficiary shall ever be construed to create a contract to pay for the use, forbearance or detention of money,

interest at rate in excess of the maximum interest rate permitted to be charged by applicable law. Neither Grantor nor any guarantors, endorsers or other parties now or hereafter becoming liable for payment of the Note or the other indebtedness secured hereby shall ever be required to pay interest on the Note or the other indebtedness secured hereby arising under any instrument securing the Note or executed in connection therewith, or in any other written or oral agreement by Grantor in favor of the Beneficiary, at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this paragraph shall control over all other provisions of the Note, this Trust Deed and any other instruments now or hereunder securing the Note or executed in connection herewith or any other oral or written agreements which may be in apparent conflict herewith. The Beneficiary expressly disavows any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of the Note is accelerated. If the maturity of the Note shall be accelerated for any reason or if the principal of the Note is paid prior to the end of the term of the Note, and as a result thereof the interest received for the actual period of existence of the loan evidenced by the Note exceeds the amount of interest that would have accrued at the applicable maximum lawful rate, the Beneficiary shall, at its option, either refund to Grantor the amount of such excess or credit the amount of such excess against the principal balance of the Note then outstanding and thereby shall render inapplicable any and all penalties of any kind provided by applicable law as a result of the excess interest. In the event that Beneficiary shall collect monies and/or any other thing of value which are deemed to constitute interest which would increase the effective interest rate on the Note or the other indebtedness secured hereby to a rate in excess of that permitted to be charged by applicable law, an amount equal to interest in excess of the lawful rate shall, upon such determination, at the option of the Beneficiary, be either immediately returned to Grantor or credited against the principal balance of the Note then outstanding or the other indebtedness secured hereby, in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable. By execution of this Trust Deed, Grantor acknowledges that it believes the loan evidenced by the Note to be non-usurious and agrees that if, at any time, Grantor should have reason to believe that such loan is in fact usurious, it will give the Beneficiary notice of such condition and Grantor agrees that the Beneficiary shall have ninety (90) days after receipt of such notice in which to make appropriate refund or other adjustment in order to correct such condition if in fact such exists. The term "applicable law" as used in this paragraph shall mean the laws of the State of Oregon or the laws of the United States, whichever laws allow the greater rate of interest, as such laws now exist or may be changed or amended or come into effect in the future.

23. Subordination. Beneficiary has executed a Subordination and Recognition Agreement with US Bank of Oregon. Beneficiary acknowledges that this Trust Deed is subject to the terms and provisions of the senior loan. Beneficiary agrees to comply with and abide by the terms of the Subordination and Recognition Agreement and to and for the benefit of US Bank of Oregon and to and for the benefit of Grantor.

24. Notwithstanding and other term or provision of this Trust Deed, Grantor shall not be deemed to be in default under this Trust Deed until Beneficiary or Trustee has first provided Grantor with ten (10) days prior written notice and a corresponding opportunity to cure. If the claimed default requires something other than the payment of money, then Grantor shall have, in addition to the 10 day period such additional time as may reasonably be necessary to effect such

cure so long as Grantor commences the cure within the 10 day period and thereafter diligently prosecutes such cure to completion.

IN WITNESS WHEREOF, said Grantor has hereunto set his hand the day and year first above written.

Village at Main Street – Phase I, LLC

By [Signature]
Robert G. Johnson, Managing Member

Village at Main Street – Phase II, LLC

By [Signature]
Robert G. Johnson, Managing Member

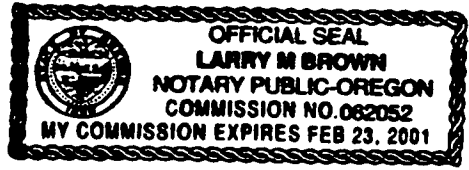
Village at Main Street – Phase III, LLC

By [Signature]
Robert G. Johnson, Managing Member

STATE OF OREGON)
County of CLACKAMAS) ss


This instrument was acknowledged before me on the 24 day of SEPTEMBER, 1999 by Robert G. Johnson as Managing Member of Village at Main Street – Phase I, LLC, Village at Main Street – Phase II, LLC, and Village at Main Street – Phase III, LLC.

[Signature]
Notary Public for Oregon
My Commission Expires: 2-23-2001



The undersigned City Manager of the City of Wilsonville, being duly authorized and directed by the Council of the City of Wilsonville at its public meeting of September 20, 1999, does hereby approve and accept the foregoing Trust Deed on behalf of the City of Wilsonville.

DATED this 29 day of Sept,
1999.



Arlene Loble
City Manager

EXHIBIT A**PARCEL I a (Proposed Lot 4, Main Street Village):**

A parcel of land located in the Northeast one-quarter of Section 23 and the Northwest one-quarter of Section 24, Township 3 South, Range 1 West of the Willamette Meridian, in the City of Wilsonville, Clackamas County, Oregon, described as follows:

Commencing at the Northwest corner of said Section 24; thence South $84^{\circ}19'29''$ East 661.28 feet to a point on the West line of the property described in Deed Document No. 69-11979; thence along said West line South $01^{\circ}59'02''$ West 509.52 feet; thence leaving said line North $62^{\circ}18'38''$ West 119.25 feet to the point of beginning; thence South $69^{\circ}21'04''$ West 22.75 feet; thence South $21^{\circ}00'49''$ West 361.39 feet; thence on a curve to the left having a radius of 49.00 feet through a central angle of $14^{\circ}00'42''$ an arc length of 11.98 feet (chord bears South $14^{\circ}00'26''$ West 11.95 feet); thence South $07^{\circ}00'04''$ West 164.80 feet; thence North $82^{\circ}59'55''$ West 51.50 feet; thence South $55^{\circ}40'45''$ West 5.98 feet; thence North $83^{\circ}00'04''$ West 61.00 feet; thence North $16^{\circ}38'13''$ West 69.23 feet; thence North $10^{\circ}00'03''$ East 54.75 feet; thence North $82^{\circ}59'04''$ West 8.16 feet; thence on a curve to the left having a radius of 106.75 feet through a central angle of $25^{\circ}17'46''$ an arc length of 47.13 feet (chord bears South $84^{\circ}22'01''$ West 46.75 to a point of compound curvature); thence on a curve to the right having a radius of 299.95 feet through a central angle of $16^{\circ}37'56''$ an arc length of 87.07 feet (chord bears South $80^{\circ}02'06''$ West 86.77 feet); thence on a non-tangent curve to the right, the radial bearing of which is North $80^{\circ}01'14''$ West having a radius of 132.00 feet through a central angle of $119^{\circ}57'35''$ an arc length of 276.37 feet (chord bears South $69^{\circ}57'33''$ West 228.58 feet); thence South $51^{\circ}17'56''$ West 36.52 feet; thence on a curve to the right having a radius of 106.00 feet through a central angle of $38^{\circ}42'04''$ an arc length of 71.60 feet (chord bears South $70^{\circ}38'58''$ West 70.25 feet); thence North $90^{\circ}00'00''$ West 129.08 feet; thence South $42^{\circ}02'15''$ West 14.81 feet; thence North $90^{\circ}00'00''$ West 51.00 feet; thence North $42^{\circ}02'15''$ West 14.81 feet; thence North $90^{\circ}00'00''$ West 251.50 feet; thence South $45^{\circ}49'31''$ West 15.95 feet; thence North $88^{\circ}19'12''$ West 7.04 feet; thence South $87^{\circ}12'55''$ West 24.07 feet; thence North $88^{\circ}19'12''$ West 6.86 feet; thence North $44^{\circ}09'36''$ West 16.56 feet; thence South $90^{\circ}00'00''$ West 8.24 feet; thence North $00^{\circ}00'00''$ West 0.82 feet to a point on the West line of the property described in Deed Document No. 96-31902; thence along said West line North $01^{\circ}25'51''$ East 419.55 feet; thence leaving said line South $90^{\circ}00'00''$ East 200.600 feet; thence South $00^{\circ}00'00''$ East 50.12 feet; thence North $90^{\circ}00'00''$ East 22.33 feet; thence South $00^{\circ}00'00''$ West 100.00 feet; thence North $90^{\circ}00'00''$ East 122.53 feet; thence North $51^{\circ}17'52''$ East 146.43 feet; thence North $37^{\circ}12'40''$ West 37.49 feet; thence North $50^{\circ}00'00''$ East 92.50 feet; thence North $00^{\circ}00'55''$ East 28.79 feet; thence North $40^{\circ}00'00''$ West 72.94 feet; thence North $00^{\circ}00'00''$ East 165.74 feet; thence South $90^{\circ}00'00''$ East 16.39 feet; thence North $45^{\circ}00'00''$ East 42.81 feet; thence South $45^{\circ}00'00''$ East 81.97 feet; thence South $90^{\circ}00'00''$ West 527.75 feet; thence North $45^{\circ}00'00''$ East 81.96 feet; thence South $45^{\circ}00'00''$ East 41.68 feet; thence South $90^{\circ}00'00''$ East 62.53 feet; thence South $21^{\circ}00'47''$ West 142.97 feet; thence South $62^{\circ}18'38''$ East 77.02 feet to the point of beginning.

PARCEL I b (Proposed Lots 1, 2 and 3, Main Street Village and additional street dedication):

A parcel of land located in the Northeast one-quarter of Section 23 and the Northwest one-quarter of Section 24, Township 3 South, Range 1 West of the Willamette Meridian, in the City of Wilsonville, Clackamas County, Oregon, described as follows:

Beginning at a point on the South right-of-way line of Wilsonville Road (Market Road No. 12) from which the Northwest corner of said Section 24 bears North $80^{\circ}27'23''$ West 363.11 feet; thence along said line South $89^{\circ}00'31''$ East 259.02 feet; thence leaving said line South

45°29'45" West 13.58 feet; thence South 00°00'00" East 73.85 feet; thence South 30°00'00" East 25.00 feet; thence South 00°00'00" East 87.24 feet; thence South 30°00'00" West 25.00 feet; thence South 00°00'00" East 25.18 feet; thence South 21°00'47" West 156.82 feet; thence on a curve to the left having a radius of 11.0 feet through a central angle of 83°19'25" an arc length of 16.00 feet (chord bears South 20°38'56" East 14.62 feet); thence South 62°18'38" East 97.53 feet to a point on the West line of the property described in Deed Document No. 69-11979; thence along said line South 01°59'02" West 65.48 feet; thence leaving said line North 62°18'38" West 196.27 feet; thence North 21°00'47" East 142.96 feet; thence North 90°00'00" West 62.53 feet; thence North 45°00'00" West 41.68 feet; thence South 45°00'00" West 81.96 feet; thence South 90°00'00" West 527.75 feet; thence North 45°00'00" West 81.97 feet; thence South 45°00'00" West 42.81 feet; thence North 90°00'00" West 16.39 feet; thence South 00°00'00" West 165.74 feet; thence South 40°00'00" East 72.94 feet; thence South 00°00'55" West 28.79 feet; thence South 50°00'00" West 92.50 feet; thence South 37°12'40" East 37.49 feet; thence South 51°17'52" West 146.43 feet; thence South 90°00'00" West 122.53 feet; thence North 00°00'00" East 100.00 feet; thence South 90°00'00" West 22.33 feet; thence North 00°00'00" West 50.12 feet; thence North 90°00'00" West 200.60 feet to a point on the West line of the property described in Deed Document No. 96-31902; thence along said property line North 01°25'51" East 536.61 feet; thence leaving said line North 60°32'54" East 94.37 feet; thence South 83°12'03" East 94.15 feet; thence North 02°04'09" East 9.48 feet; thence South 88°25'09" East 101.82 feet; thence South 88°28'07" East 116.42 feet; thence North 89°44'07" East 486.71 feet; thence South 89°00'31" East 119.80 feet; thence South 87°17'22" East 66.69 feet to the point of beginning.

PARCEL II (proposed Lot 7, Main Street Village):

A parcel of land located in the Northeast one-quarter of Section 23 and the Northwest one-quarter of Section 24, Township 3 South, Range 1 West of the Willamette Meridian, in the City of Wilsonville, Clackamas County, Oregon, described as follows:

Beginning on the Northeasterly right of way line of Memorial Drive from which the Northeast corner of Lot 8, Day Dream Ranch, bears South 27°34'57" East 394.32 feet; thence North 38°42'04" West 256.64 feet; thence North 51°17'56" East 119.00 feet; thence North 07°00'04" East 96.66 feet; thence North 82°59'55" West 51.50 feet; thence South 55°40'45" West 5.98 feet; thence North 83°00'04" West 61.00 feet; thence North 16°38'13" West 69.23 feet; thence North 10°00'03" East 54.75 feet; thence North 82°59'04" West 8.16 feet; thence on a curve to the left having a radius of 106.75 feet through a central angle of 25°17'46" an arc length of 47.13 feet (chord bears South 84°22'01" West 46.75 feet) to a point of compound curvature; thence on a curve to the right having a radius of 299.95 feet through a central angle of 16°37'56" an arc length of 87.07 feet (chord bears South 80°02'06" West 86.77 feet; thence on a non-tangent curve to the right the radial bearing of which is North 80°01'14" West having a radius of 132.00 feet through a central angle of 119°57'35" an arc length of 276.37 feet (chord bears South 69°57'33" West 228.58 feet); thence South 51°17'56" West 36.52 feet; thence on a curve to the right having a radius of 106.00 feet through a central angle of 38°42'04" an arc length of 71.60 feet (chord bears South 70°38'58" West 70.25 feet); thence North 90°00'00" West 129.08 feet; thence South 42°02'15" West 14.81 feet; thence North 90°00'00" West 51.00 feet; thence North 42°02'15" West 14.81 feet; thence North 90°00'00" West 251.50 feet; thence South 45°49'31" West 15.95 feet; thence North 88°19'12" West 7.04 feet; thence South 87°12'55" West 24.07 feet; thence North 88°19'12" West 6.86 feet; thence North 44°09'36" West 16.56 feet; thence South 90°00'00" West 8.24 feet; thence North 00°00'00" West 0.82 feet to a point on the West line of the property described in Deed Document No. 96-031902; thence along said West line North 88°34'09" West 15.00 feet; thence South 01°25'14" West 554.81 feet; thence leaving said line South 88°34'46" East 67.98 feet; thence on a non-tangent curve concave to the Northeast, the radius point of which bears North 62°21'26" an arc length of 38.09 feet (chord bears South 58°49'17" East 36.24 feet); thence South 90°00'00" East 259.04 feet; thence South 00°07'54" West 109.02 feet

to a point on the North right of way line of Memorial Drive; thence along said line North $84^{\circ}43'22''$ East 60.26 feet; thence leaving said line North $00^{\circ}07'54''$ East 203.48 feet; thence North $90^{\circ}00'00''$ East 208.44 feet; thence North $51^{\circ}17'56''$ East 419.88 feet; thence South $38^{\circ}42'04''$ East 255.49 feet to a point on said right of way line; thence along said line on a curve concave to the Northwest, having a radius of 570.00, through a central angle of $08^{\circ}35'44''$, and arc length of 85.51 feet (chord bears North $52^{\circ}04'24''$ East 85.43 feet) to the point of beginning.

PARCEL III a (proposed Lot 6, Main Street Village):

A parcel of land located in the Northwest one-quarter of Section 24, Township 3 South, Range 1 West, Willamette Meridian, in the City of Wilsonville, Clackamas County, Oregon, described as follows:

Commencing at the Northwest corner of said Section 24; thence South $84^{\circ}19'29''$ East 661.28 feet to a point on the West line of the property described in Deed Document No. 69-11979; thence along said West line South $01^{\circ}59'02''$ West 509.52 feet to the point of beginning; thence leaving said line North $62^{\circ}18'38''$ West 119.25 feet; thence South $69^{\circ}21'04''$ West 22.75 feet; thence South $21^{\circ}00'49''$ West 361.39 feet; thence on a curve to the left having a radius of 49.00 feet through a central angle of $14^{\circ}00'42''$ an arc length of 11.98 feet (chord bears South $14^{\circ}00'26''$ West 11.95 feet); thence South $97^{\circ}00'04''$ West 261.46 feet; thence South $51^{\circ}17'56''$ West 119.00 feet; thence South $38^{\circ}42'04''$ East 256.64 feet to a point on the Northwesterly right of way line of Memorial Drive; thence along said line on a curve concave to the Northeast, having a radius of 570.00 feet, through a central angle of $44^{\circ}14'37''$, an arc length of 440.15 (chord bears North $25^{\circ}39'13''$ East 429.30 feet) to a point of compound curvature; thence on a curve concave to the Southeast, having a radius of 730.00 feet, through a central angle of $12^{\circ}42'31''$, an arc length of 161.92 feet (chord bears North $09^{\circ}53'15''$ East 161.59 feet) to a point on the West line of said property; thence leaving said right of way line along said West line North $01^{\circ}58'02''$ East 289.77 feet to the point of beginning.

PARCEL III b (proposed Lot 8, Main Street Village):

A parcel of land located in the Northeast one-quarter of Section 23, and the Northwest one-quarter of Section 24, Township 3 South, Range 1 West of the Willamette Meridian, in the City of Wilsonville, Clackamas County, Oregon, described as follows:

Beginning at a point on the North right of way line of Memorial Drive from which the Northeast corner of Lot 8, Day Dream Ranch, bears South $40^{\circ}05'10''$ East 388.18 feet; thence leaving said right of way line North $38^{\circ}42'04''$ West 255.49 feet; thence South $51^{\circ}17'56''$ West 419.88 feet; thence South $90^{\circ}00'00''$ West 208.44 feet; thence South $00^{\circ}07'54''$ West 203.48 feet to a point on said North right of way line; thence along said line on a curve concave to the Northeast, having a radius of 28.00 feet, through a central angle of $92^{\circ}47'22''$, an arc length of 45.34 feet (chord bears North $48^{\circ}18'09''$ East 40.55 feet); thence North $87^{\circ}18'30''$ East 60.66 feet; thence on a curve to the left having a radius of 570.00 feet, through a central angle of $29^{\circ}07'39''$, an arc length of 289.77 feet (chord bears North $72^{\circ}44'39''$ East 286.66 feet); thence North $58^{\circ}10'50''$ East 373.68 feet; thence on a curve to the left, having a radius of 570.00 feet, through a central angle of $01^{\circ}48'35''$, an arc length of 18.00 feet (chord bears North $57^{\circ}16'33''$ East 18.00 feet) to the point of beginning.

PARCEL III c (proposed Lot 9, Main Street Village):

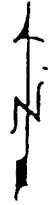
A parcel of land located in the Northeast one-quarter of Section 23, Township 3 South, Range 1 West, Willamette Meridian, in the City of Wilsonville, Clackamas County, Oregon, described as follows:

Beginning at a point on the North right of way line of Memorial Drive from which the Northeast corner of Lot 8, Day Dream Ranch, bears South $88^{\circ}35'13''$ East 1006.61 feet; thence leaving said right of way line North $00^{\circ}07'54''$ East 109.02 feet; thence North $90^{\circ}00'00''$ West 259.04 feet; thence on a curve to the right, having a radius of 35.00 feet, through a central angle of $62^{\circ}21'26''$, an arc length of 38.09 feet (chord bears North $58^{\circ}49'17''$ West 36.24 feet); thence North $88^{\circ}34'46''$ West 67.98 feet to a point on the Easterly line of the property described in Deed Document No. 93-01078; thence along said line South $01^{\circ}25'14''$ West 203.27 feet to a point on the said North right of way line; thence along said line North $87^{\circ}18'30''$ East 77.49 feet; thence on a curve to the left, having a radius of 250.00 feet; through a central angle of $19^{\circ}15'34''$, an arc length of 84.04 feet (chord bears North $77^{\circ}40'41''$ East 83.64 feet) to a point on compound curvature; thence on a curve concave to the Southeast, having a radius of 286.00 feet, through a central angle of $19^{\circ}16'49''$, an arc length of 96.24 feet (chord bears North $77^{\circ}41'16''$ East 95.79 feet); thence North $87^{\circ}18'30''$ East 83.50 feet; thence on a curve to the left, having a radius of 28.00 feet, through a central angle of $87^{\circ}10'32''$, an arc length of 42.60 feet (chord bears North $43^{\circ}43'10''$ East 38.61 feet) to the point of beginning.



Fidelity National Title Company of Oregon

Map# 31W 23A



The sketch below is made solely for the purpose of assisting in locating said premises and the Company assumes no liability for variations, if any, in dimensions and location ascertained by actual survey.

Be prepared for
purpose only.

NE 1/4 SEC. 23 T3S R1W WM.

CLACKAMAS COUNTY

WILSONVILLE RD

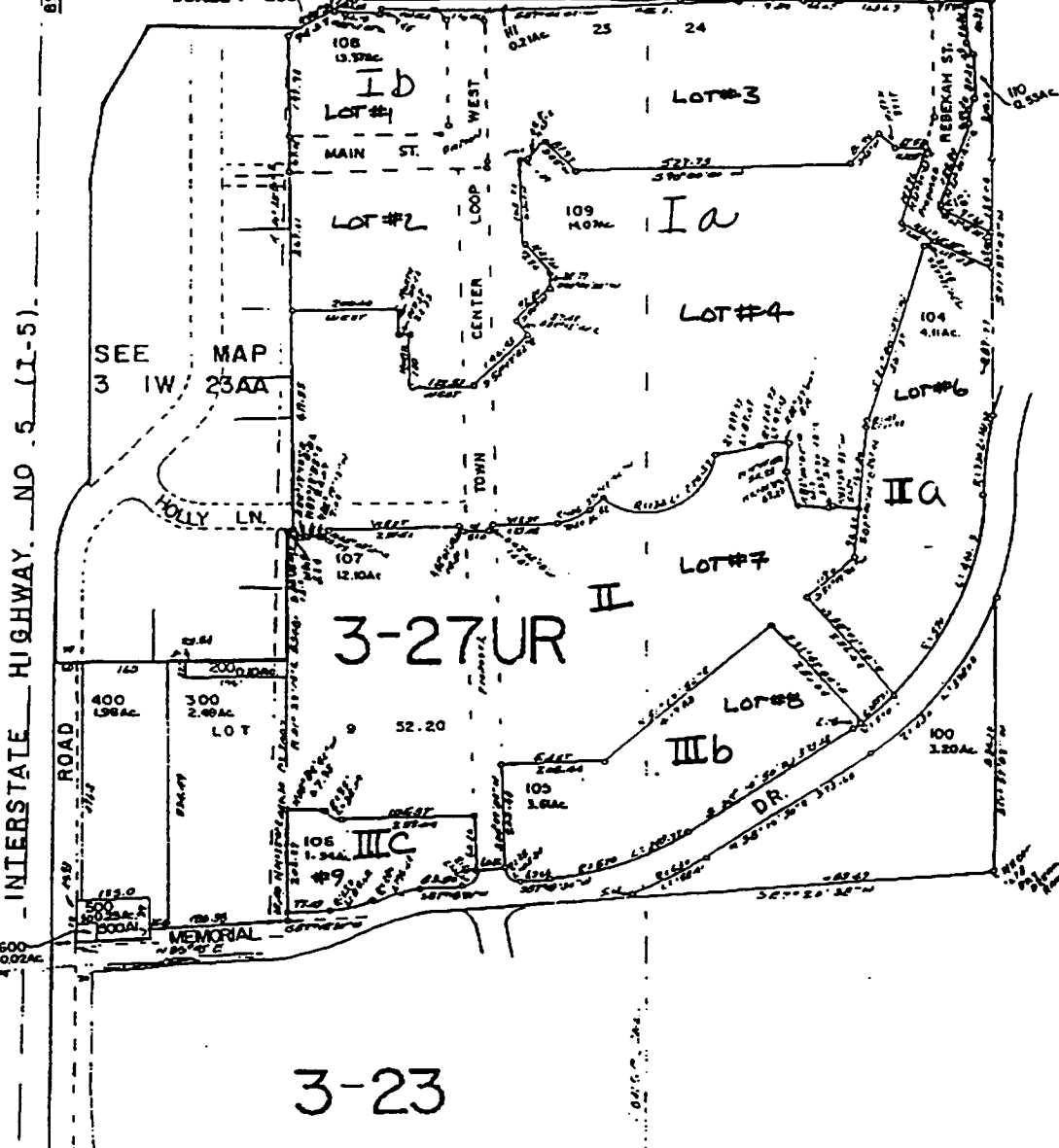
3 1W
WILSON

SCALE 1"=200'

MARKET ROAD NO. 1275A

30000

3 AB



CANCELLED
102
103

3-23

SEE MAP
3 1W 24CB

STATE OF OREGON 99-093852
CLACKAMAS COUNTY

Received and placed in the public
records of Clackamas County

RECEIPT# AND FEE: 100653 \$75.00

DATE AND TIME: 09/27/99 04:40 PM
JOHN KAUFFMAN, COUNTY CLERK

13

INDEX TO
AGREEMENT OF UNCONDITIONAL GUARANTY

	<u>Page</u>
1. CONSIDERATION	1
2. MAXIMUM LIABILITY AND INDEBTEDNESS	2
(a) Maximum Liability	2
3. BENEFICIARY'S RIGHTS IN DEALING WITH BORROWER	2
4. WAIVER OF ACCEPTANCE OF OR RELIANCE ON GUARANTY	3
5. ENFORCEABILITY OF GUARANTY NOT CONDITIONAL	3
6. DURATION OF GUARANTY	3
7. REQUIREMENT OF WRITING	4
8. ASSIGNMENT OF GUARANTY	4
9. GUARANTOR'S DIRECT BENEFIT	4
10. ATTORNEY FEES RECOVERABLE	4
11. SEVERABILITY	4
12. DEATH OF GUARANTOR	5
13. NOTICE	5
14. CONSTRUCTION OF AGREEMENT	5
15. GOVERNING LAW	6
16. WAIVER	6
17. ENTIRE AGREEMENT	6

AGREEMENT OF UNCONDITIONAL GUARANTY

THIS AGREEMENT is effective this 24th day of September, 1999, and is made by and between ROBERT G. JOHNSON and SHARON B. JOHNSON (described hereinafter as the context requires as "Guarantor"), and the CITY OF WILSONVILLE, an Oregon municipal corporation, ("Beneficiary").

WITNESSETH:

1. CONSIDERATION

The consideration for this continuing and unconditional guaranty consists of Beneficiary's agreement to allow an additional FIVE HUNDRED SIX THOUSAND TWO HUNDRED SIXTY AND NO/100 DOLLARS (\$506,260) to be paid by installment financing for the development project located in the City of Wilsonville and commonly known as Village at Main Street, and acceptance by Beneficiary of the promissory note of Village at Main Street – Phase I, LLC, Village at Main Street – Phase II, LLC, and Village at Main Street – Phase III, LLC ("Borrower") in consideration thereof, dated September 24th, 1999, in the principal amount of \$506,260.00 (the "Note"). The amount payable by Borrower to Beneficiary pursuant to the Note is hereafter referred to as the "Indebtedness".

For the consideration above described and for other good and valuable consideration, Guarantor does hereby unconditionally guaranty to Beneficiary, its successors and assigns, payment, on demand, in lawful money of the United States of America, of the Indebtedness of the Borrower to Beneficiary. Guarantor agrees that upon any default of Borrower in payment of the Indebtedness to Beneficiary or any part thereof, Guarantor will pay to Beneficiary, upon demand, the entire amount of the

Indebtedness to the full extent of this Guaranty without any obligation on the part of Beneficiary to endeavor to collect such Indebtedness from or proceed against Borrower or any surety, endorser, or other guarantor, or to liquidate any collateral then held by Beneficiary securing payment of such Indebtedness. The principal amount of this Guaranty is the sum of Five Hundred Six Thousand Two Hundred Sixty and No/100 Dollars (\$506,260), together with accrued interest at the rate of six and nine-tenths percent (6.9%) from September 24, 1999, which is the sum of money that Borrower is required to pay to Beneficiary pursuant to the Note.

2. MAXIMUM LIABILITY AND INDEBTEDNESS

(a) Maximum Liability. The liability of Guarantor under this Guaranty shall not exceed the Principal Amount set forth in paragraph 1 of this Agreement, plus accrued interest, and any costs, including attorney fees, that may be incurred in enforcing the payment of the Indebtedness or in regard to the collection or sale of any collateral secured by the agreements above described and which secure payment of such Indebtedness, whether or not suit or action is instituted.

3. BENEFICIARY'S RIGHTS IN DEALING WITH BORROWER

Guarantor consents to any and all interest rate changes, finance charge changes, and modifications of terms and extensions of time for the payment of the Indebtedness to Beneficiary, or any part thereof, or any renewals or modifications of instruments evidencing the Indebtedness or relating to collateral or security for the Indebtedness. Guarantor authorizes Beneficiary, without notice or demand and without affecting his liability hereunder, from time to time to renew, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the

Indebtedness or any part thereof. Beneficiary may release any collateral given to Beneficiary by Borrower, with or without substitution of new collateral, and Beneficiary may release, agree not to sue, or choose not to proceed against the Borrower's sureties, endorsers or other guarantors without affecting the liability of Guarantor herein.

Guarantor further waives: (a) presentment and demand for payment of the Indebtedness; and (b) protest and notice of dishonor or default with respect to the Indebtedness.

4. WAIVER OF ACCEPTANCE OF OR RELIANCE ON GUARANTY

This Guaranty shall take effect when received by Beneficiary without the necessity of any acceptance of the Guaranty by Beneficiary or any reliance upon the Guaranty by Beneficiary and Guarantor hereby waives any requirement of acceptance or reliance by Beneficiary.

5. ENFORCEABILITY OF GUARANTY NOT CONDITIONAL

The enforceability of this Guaranty is not conditioned upon any other person or entity also guarantying the payment of Borrower's Indebtedness to Beneficiary or upon any other act to be performed by Beneficiary or any other person or entity as a condition to the full enforceability of this Guaranty.

6. DURATION OF GUARANTY

This Guaranty shall continue in full force and effect until Borrower has performed each and every obligation of Borrower pursuant to the Note. Guarantor cannot terminate or revoke this Agreement of Guaranty. This Guaranty is effective as to the Indebtedness of Borrower to Beneficiary as established by the Note, including all renewals, extensions and refinancings of such amounts.

7. REQUIREMENT OF WRITING

Guarantor understands and agrees that this Guaranty cannot be waived, abandoned, terminated, released, or modified in any way by Beneficiary except in writing signed by an authorized agent of Beneficiary. Guarantor further understands and agrees that he cannot rely in any respect upon any oral statements or representations relating to this Guaranty and hereby warrants that he has not so relied.

8. ASSIGNMENT OF GUARANTY

Beneficiary may assign this Guaranty and its rights hereunder shall be enforceable by any assignee of the Indebtedness herein guaranteed.

9. GUARANTOR'S DIRECT BENEFIT

Guarantor hereby represents and warrants that it is in the Guarantor's direct interest to assist the Borrower because of the undersigned's interest(s) in and relationship(s) with the Borrower.

10. ATTORNEY FEES RECOVERABLE

In the event any suit or action is instituted to enforce or interpret any of the terms of this Guaranty, including any action or participation in or in connection with a case or proceeding under any Chapter of the Bankruptcy Code or any successor statute, the prevailing party shall be entitled to such sum as the court may adjudge reasonable as attorney fees in such suit, action or proceeding or upon any appeal from any judgment, order or decree entered therein.

11. SEVERABILITY.

Should any one or more of the provisions of this Guaranty or of any agreement entered into pursuant to this Guaranty be determined to be illegal or unenforceable, all

other provisions of this Guaranty and of such other agreement shall be given effect separately from the provision or provisions determined to be illegal or unenforceable and shall not be affected thereby.

12. DEATH OF GUARANTOR

The death of Guarantor (Robert G. Johnson or Sharon B. Johnson or both) shall not terminate liability hereunder and the Guaranty shall be binding upon Guarantor's heirs, devisees and personal representative. This Guaranty shall continue in full force and effect after Guarantor's death until payment in full of the Indebtedness

13. NOTICE

Notice under this Guaranty shall be in writing and shall be effective when delivered. If mailed, notice shall be deemed effective 48 hours after mailing as registered or certified mail, postage prepaid, directed to the other party at the address set forth below or such other address as the party may indicate by written notice to the other:

If to Guarantor: Robert G. Johnson
 Sharon B. Johnson
 Village at Main Street
 30050 SW Town Center Loop West, Suite 200
 Wilsonville, OR 97070

If to Beneficiary: City of Wilsonville
 30000 SW Town Center Loop East
 Wilsonville, OR 97070

14. CONSTRUCTION OF AGREEMENT

This Guaranty is the product of negotiations between the Beneficiary and Borrower and Guarantor and their respective attorneys and agents. No provision shall be construed for or against either party by reason of ambiguity in language.

15. GOVERNING LAW

This Guaranty shall be construed and enforced according to the laws of the state of Oregon without regard to the principles of conflicts of laws.

16. WAIVER

Any waiver of a provision of this Guaranty must be in writing signed by the party waiving its rights and shall apply only in the specific instance and for the specific purpose given. The giving of a waiver in one instance or for one purpose shall not create any implied obligation to give a waiver in another instance or for another purpose.

17. ENTIRE AGREEMENT

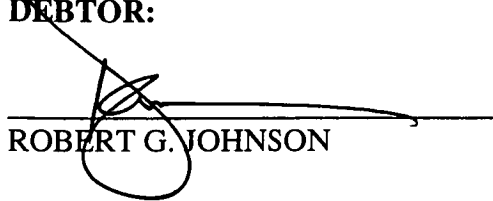
Except as may otherwise be specifically provided herein, this Guaranty, including schedules and exhibits hereto, constitutes the entire agreement of the parties and all prior representations, covenants, proposals and understandings, whether written or oral, are superseded and merged herein. This Agreement may be modified or amended only by an instrument in writing executed by the parties hereto and specifically stating that it is intended as a modification or amendment to this Agreement. No oral statements or representations not contained herein shall have any force or effect.

THE UNDERSIGNED GUARANTOR HAS READ THIS GUARANTY AND UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UNTIL FULL AND COMPLETE PERFORMANCE OF THE TERMS OF THE NOTE AS DEFINED ABOVE. THE UNDERSIGNED GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS NOT RELIED ON ANY ORAL OR WRITTEN REPRESENTATIONS BY BENEFICIARY IN ENTERING INTO THIS AGREEMENT OF GUARANTY, AND

THAT GUARANTOR HAS FREELY, WITHOUT COERCION OR DURESS,
ENTERED INTO THIS AGREEMENT.

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

DEBTOR:



ROBERT G. JOHNSON

BENEFICIARY:

CITY OF WILSONVILLE, an Oregon
municipal corporation

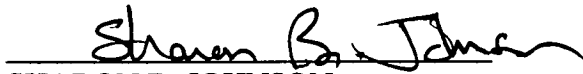
By 

ARLENE LOBLE, CITY MANAGER

GUARANTOR:



ROBERT G. JOHNSON



SHARON B. JOHNSON

INDEMNITY AGREEMENT

Robert G. Johnson, Village at Main Street – Phase II, LLC, and Village at Main Street – Phase III, LLC (the "LLC") are the Indemnitors of this Agreement. The LLC has obtained title insurance from Fidelity National Title Company of Oregon and underwriter ("Fidelity") in Order No. _____, where Fidelity provided a loan title insurance policy for the benefit of the City of Wilsonville ("City") for the Phase II and Phase III property described in said order (the "Property") in which the City of Wilsonville is shown in second security position behind the United States Bank.

Indemnitors agree to indemnify, defend and hold harmless City from any claim, loss of damage of any kind or nature arising directly or indirectly from the first security position of United States Bank or from any construction lien which may affect the Property, disclosed or undisclosed, now or in the future, including payment of any attorney fees, if any, for construction, trial and appeal, together with costs and expenses incurred.

Indemnitors further agree that in an event that a claim is asserted against City by reason of its security position, City, at its sole discretion, may consult and engage an attorney of its choice and Indemnitors agree to pay all such reasonable fees and expenses in addition to all other costs and expenses incurred by City in enforcing any of its rights under this agreement.

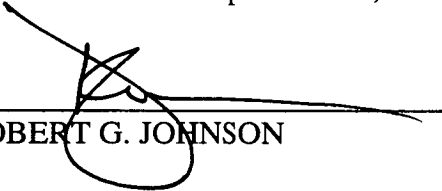
Indemnitors shall further secure from Fidelity a Construction Lien Endorsement as part of the loan title insurance policy should there be any construction lien affecting the Property now or in the future. Indemnitors shall take such action as in the opinion of City is reasonable and necessary to timely remove, satisfy, or discharge any action by United States Bank to foreclose its security interest or by any lien holder.

If at any time City decides in its sole discretion to protect its security position, it may, upon notice to Indemnitors, pay, satisfy, compromise or do any other act necessary in its judgment to resolve the matter. Although City may do so in its sole discretion, nothing in the Agreement shall require City to pay any expense or incur any loss before being entitled to demand that Indemnitors provide to City the funds necessary to resolve the matter.

The liability of Indemnitors under this Agreement is direct and primary and is not conditioned or contingent upon prior pursuit of any remedies by City. Where there is more than one person included as an Indemnitor, the obligations of this Agreement shall be binding on all such persons and/or entities jointly and severally. If any Indemnitor is not bound for any reason, this Agreement shall still be binding upon the other Indemnitors.

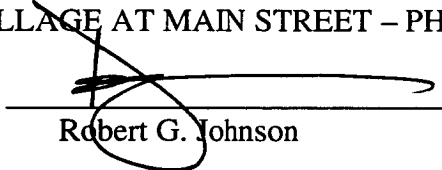
If any suit or action is filed to interpret, enforce or otherwise protect either Indemnitors or City under the terms of this Agreement, the prevailing party shall be entitled to their reasonable attorney fees and costs incurred at or before trial or on any appeal therefrom.

DATED: September 24, 1999.



ROBERT G. JOHNSON

VILLAGE AT MAIN STREET – PHASE II, LLC

By 

Robert G. Johnson

VILLAGE AT MAIN STREET – PHASE III, LLC

By 

Robert G. Johnson