



April 19, 2024

TO: Capitol Area Development Authority (CADA) Board of Directors

SUBJECT: APRIL 26, 2024 Board Meeting
AGENDA ITEM 6
525 S Street Purchase and Sale Agreement and Sale of 701 S Street

CONTACTS: Todd Leon, Development Director
Danielle Foster, Executive Director

RECOMMENDED ACTIONS:

Staff recommends that the Board Adopt a resolution (Attachment 1) authorizing the Executive Director to: execute a Purchase and Sale Agreement (PSA) with Jannie L. Chow and Edward M. Chow, the owners of 525 S Street (APNs 009-0055-018 and 009-0055-022); amend the CADA Fiscal Year 2023-2024 Budget and expend the funds necessary to purchase 525 S Street; and surplus and sell the existing CADA Warehouse property located at 701 S Street after the maintenance warehouse relocates.

BACKGROUND

The current CADA Maintenance Facility is located at 701 S Street, a property and building that CADA purchased in July 2009. Prior to that purchase, CADA leased warehouse space for five years at 800 R Street and prior to that it utilized a DGS-owned warehouse space at 1108 R Street, which is now the Warehouse Artist Lofts. In each instance, the maintenance warehouse was moved to accommodate changes or needs to CADA operations and provide more accommodating facilities for staff.

The 701 S Street Maintenance Warehouse has served CADA well for the past 15 years. However, within the last several years the growth in the maintenance staff, additions to CADA's housing portfolio, and changes to operations have made the existing facility too small and obsolete. With existing and future needs in mind, staff began looking within or nearby CADA's boundaries to acquire a larger building to replace the existing Maintenance facility.

In May of 2023, staff identified a property and building at 525 S Street as a possible new warehouse location. Staff contacted the sellers and inquired about property details and a sales price. After carefully reviewing the 525 S Street property, staff determined its size, location, and price provided CADA the opportunity to address the inadequacies of the existing maintenance facility. A property summary, including a comparison of the CADA's 701 S Street Maintenance Facility and the 525 S Street property, can be found as **Attachment 2**.

SUMMARY

The entirety of the 525 S Street property consists of two parcels. The primary parcel is approximately 26,660 square feet (SF) and consists of a large parking lot and a 10,700 SF commercial warehouse building. The smaller parcel along the Rice Alley is approximately 575 SF and is leased to Verizon for a cell tower. The Verizon cell tower lease term runs to 2039. The current annual rent for that lease is \$34,480 with 2.5% annual increases.

CADA staff has negotiated a purchase price for \$3,000,000 for the 525 S Street property. The sellers, Jannie L. Chow and Edward M. Chow, are represented by David Herrera and Trevor Jackson of Colliers International. The owner has agreed to provide CADA the option of purchasing the property through seller carryback financing. The financing terms offered by the seller are better than CADA staff has been able to find in the banking market. The proposed Purchase and Sales Agreement is provided as **Attachment 3** and the proposed Promissory Note can be found as **Attachment 4**.

The 701 S Street building will need building improvements before the maintenance department can occupy it. Building improvements will cost an estimated \$675,000, which includes a new roof and HVAC unit, reconfiguration of the floorplan, finishes, and moving costs. The new roof will be needed immediately at an estimated cost of \$275,000.

With the purchase of the building, CADA will inherit commercial tenants and will need to provide notices to the tenants and complete the work outlined above before moving into the building. Given this, the transition period will likely take into fall with the PSA due diligence period, tenant noticing, CADA improvements, and maintenance facility relocation.

Once CADA purchases 525 S Street and after moving the current maintenance facility, CADA would look to sell 701 S Street. CADA will follow the relevant requirements of the State Surplus Land Act, requiring an open period for Letters of Interest on the property. CADA hopes to identify a buyer of the property for future housing development. Proceeds from selling 701 S Street would be used to pay down the seller-financed loan at 525 S Street.

STRATEGIC PLAN

The proposed action addresses the current Strategic Plan's objectives to "ensure fiscal strength and operational excellence" and be an "employer of choice".

FINANCIAL IMPACTS

The initial deposit of \$750,000 for this transaction is proposed to be drawn down from CADA's Acquisition Reserve fund. Annual loan payments and funding for the building improvements will be included in the 2024-2025 Operating Budget and Capital Improvement Projects Budget that will be presented at the June CADA Board meeting.

The financial impacts of taking this action are reflected in the FY 2024-2025 Operating Budget and Capital Improvement Projects Budget.

ENVIRONMENTAL REVIEW

The recommended action does not require CEQA review or certification

Attachment 1: Resolution 24-19

Attachment 2: 525 S Street and 701 S Street Property Summary and Comparison

Attachment 3: 525 S Street – Draft Purchase and Sale Agreement

Attachment 4: 525 S Street – Draft Promissory Note

RESOLUTION NO. 24 – 19

Adopted by the Capitol Area Development Authority

April 26, 2024

STAFF RECOMMENDS THAT THE BOARD ADOPT A RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A PURCHASE AND SALE AGREEMENT (PSA) WITH JANNIE L. CHOW AND EDWARD M. CHOW, OWNERS OF 525 S STREET, TO AMEND THE CADA FISCAL YEAR 2023-2024 BUDGET, EXPEND THE FUNDS NECESSARY TO PURCHASE 525 S STREET (APNS 009-0055-018, 009-0055-022), AND DEEM THE 701 S STREET PROPERTY AS SURPLUS AND AVAILABLE FOR SALE

WHEREAS, Jannie L. Chow and Edward M. Chow ("Seller") has agreed to the sale of 525 S Street to the Capitol Area Development Authority ("Purchaser") in the amount of \$3,000,000;

WHEREAS, this property offers CADA the opportunity to increase the size of its maintenance warehouse and maintenance office and provide more efficient operations and service to CADA-managed properties, now and in the future; and

WHEREAS, with this purchase and the transition of the maintenance facility to 525 S Street, CADA will no longer need the property at 701 S Street.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors, that the Executive Director is hereby authorized to:

1. Execute a Purchase and Sale Agreement (PSA) for 525 S Street, in substantial conformance with the attached document and to which the Seller and Purchaser are parties, in an amount not to exceed \$3,000,000 plus reasonable closing costs;
2. Amend the FY 2023-2024 Budget and expend CADA funds necessary to purchase the property at 525 S Street for CADA maintenance and warehouse operations; and
3. Deem the existing CADA maintenance property at 701 S Street as surplus and sell the property in accordance with all legal requirements once the maintenance department completes its move to 525 S Street.

Ann Bailey, Chair

ATTEST:

Tara Gandara
Secretary to the Board of Directors

Attachment 2

525 S Street Property Summary



Property Overview and Comparison with Current Location at 701 S Street

525 S Street is approximately 10,700 SF on a 0.69-acre lot with 50+ parking spaces

Initially Asking: \$3.3 million Needs work costing around \$300,000 and office improvements of approximately \$375,000

	701 S Street	525 S Street
Outside parking for CADA	10 employees 1 temp truck 1 dumpster	25, plus space for two dumpsters
Inside parking available	11 routinely, daily	13 max
Outside rentable parking	0	16
Offices	3	7
Office square footage	2,153	2,080 – first floor 2,000 – on 2 nd floor, likely to lease separately when ready
Restrooms	1	2 downstairs, one upstairs
Room for all needed double-racks	No	Yes
Warehouse space first floor	2,480	5,500
Warehouse space second floor or mezzanine	1,527	2,200
Room for all parts and appliances	No	Yes

Attachment 2

Property Opportunities

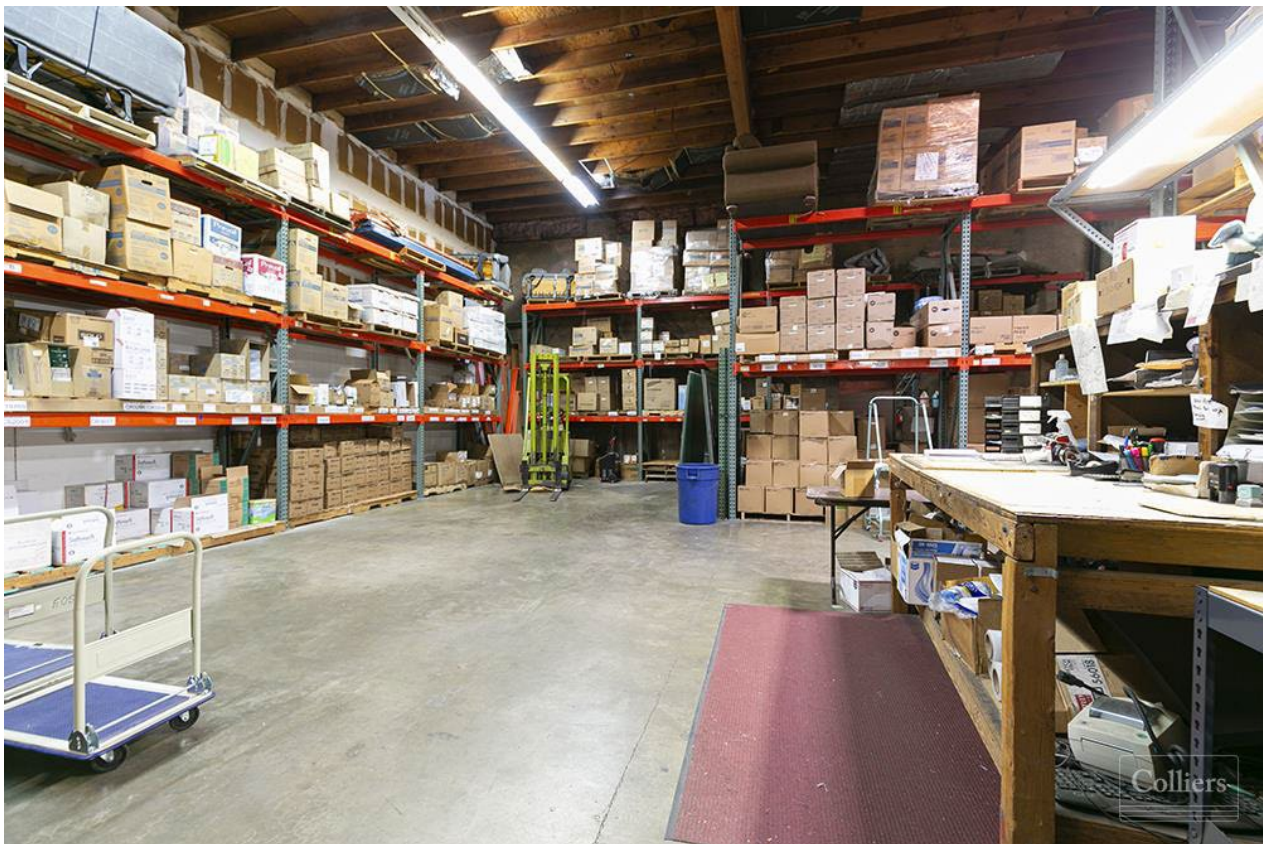
- Adequate and secure parking for all maintenance staff (15-18 staff at a time- currently 12 spaces) and maintenance vehicles (parking at current location takes an hour a day to complete)
- Large enough conference room for maintenance staff to meet together
- Warehouse space to inventory everything at a single location and have additional materials on hand (doubles warehouse space)
- Warehouse and parking lot area for project work (e.g. painting baseboards)
- Cellphone tower rent (\$34,480 per year) and possible adjacent 16 parking spaces for-rent (maybe \$5,000-\$10,000 per year)
- Seller carryback loan, keeping more liquidity
- Adequate office space, including a “floating office” for executive staff to rotate
- Secure locksmithing room
- Potential to lease the second floor of the office space (private entrance)
- Saves about 15 hours per week in employee trips to Home Depot by having more supplies available

Seller Carryback Financing:

- Final Price: \$3,000,000 (considering work needed on the roof, etc)
- \$750,000 down payment, \$1,250,000 by end of year two of the loan (resale of 701 S Street), remaining over time
- Term: 20-year fixed amortized seller-financed loan with a 4% interest rate, 10 year required balloon payment with no prepayment penalties



Attachment 2



PURCHASE AND SALE AGREEMENT
(525 S Street)

This Purchase And Sale Agreement (this "Agreement") is made as of April __, 2024 (the "Effective Date"), by and between the **Waterstone Support Foundation, Inc.**, a Colorado corporation, and **Jannie L. Chow** and **Edward M. Chow** [**NEED TO INSERT ALL OF THE SELLERS NAMES**] (collectively, "Seller"), and **Capitol Area Development Authority**, a California joint powers agency ("Purchaser").

RECITALS

A. Seller is the owner of two parcels of real property located at 525 S Street, and on 6th Street, in Sacramento, California, 95811, APN No.s 009-0055-018 and 009-0055-022, which property contains a commercial office building.

B. Purchaser desires to purchase the Property from Seller, and Seller is willing to sell the Property to Purchaser, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

AGREEMENT

1. Purchase and Sale; Property Included and Excluded. Subject to the terms and conditions of this Agreement, Seller hereby agrees to sell and convey to Purchaser, and Purchaser hereby agrees to purchase from Seller, all of Seller's right, title and interest in and to the following Property, to be effective as of the Closing Date (as defined in Section 4 herein), subject to the terms set forth herein. The term "Property," as used herein, means:

1.1 That certain commercial property located at 525 S Street, and parking lot parcel on 6th Street, in Sacramento, California, 95811, APN No.'s 009-0055-018 and 009-0055-022, consisting of (a) approximately 29,272 square feet of land, as legally described in **Exhibit A** attached hereto (the "Land"), (b) a commercial building and parking lot, together with fixtures and other improvements located on the Land (collectively, the "Improvements") (the Land and the Improvements being sometimes collectively referred to herein as the "Real Property"), and (c) all rights, privileges and easements appurtenant to the Land, including, without limitation, all minerals, oil, gas and other hydrocarbon substances under the Land (to the extent owned by Seller) as well as all development rights, air rights, water, water rights and water stock relating to the Land and any other easements, rights-of-way or appurtenances, used in connection with the beneficial use and enjoyment of the Land (the "Appurtenances");

1.2 All right, title and interest of Seller, as landlord, under all leases, tenancies or other occupancy arrangements affecting any portion of the Real Property, as amended (the "Leases"), and all deposits and prepaid rents related thereto;

1.3 All right, title and interest of Seller in and to all contracts for the repair or maintenance of, the provision of services to, or otherwise relating to or affecting the Real Property, including but not limited to construction contracts, subcontracts and purchase orders, utility contracts, water and sewer service contracts of any nature, maintenance contracts, management contracts, mortgage documents, certificates of occupancy, permits, soils reports, insurance

policies, and other contracts or documents of any nature relating to the Property which Purchaser approves and elects to assume and to the extent assignable and agreed to herein (the "Contracts");

1.4 All right, title and interest of Seller in and to all unexpired assignable warranties and guaranties relating to the Real Property (the "Warranties");

1.5 All right, title and interest of Seller in and to all assignable governmental permits, licenses, certificates and authorizations relating to the use, occupancy or operation of the Real Property (the "Permits"); and

1.6 All intangible property now owned or hereafter acquired by Seller in connection with the Real Property, the Improvements owned by Seller and used in the use and operation of the Improvements including, without limitation, all warranties or guarantees received by Seller from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repairs or alteration of the Improvements, all of Seller's right, title, and interest in all plans, specifications, construction drawings, project files, architect's agreements, consulting agreements, service agreements, maintenance agreements, permits, licenses, entitlements, development rights, and other similar rights relating to the use and operation of the Property (but excluding all trade names, trademarks, logos, copyrights relating to the ownership or operation of Seller's business) (collectively, the "Intangible Personal Property").

Except as specifically provided for herein, Purchaser is not purchasing from Seller and Seller is not selling to Purchaser any cash, deposit accounts, accounts receivable, checks or drafts in collection, or accrued rights to payment, claims, causes of action or settlements owed to Seller as of the Closing, or to be credited to Seller, at Closing as hereinafter provided, nor to any of Seller's rights to proceeds of the foregoing.

2. Purchase Price and Deposit.

2.1 Deposits. Within three (3) business days after execution of the Purchase Agreement, an initial deposit of Twenty-Five Thousand Dollars (\$25,000) shall be delivered by Purchaser to Escrow Holder (as defined in Section 3 herein) (the "Initial Deposit"). The Initial Deposit shall be refundable during the Feasibility Period (as defined in Section 6.2 herein) in accordance with Section 6.5 herein. If Purchaser extends the Feasibility Period in accordance with Section 6.5 herein, Purchaser shall make an additional Twenty-Five Thousand Dollar (\$25,000) deposit with Escrow Holder (the "Extension Deposit"). The Extension Deposit shall be refundable from the date made through the date of termination of the extended Feasibility Period in accordance with Section 6.5 herein. The Initial Deposit and the Extension Deposit shall be collectively referred to as the "Deposits". If Purchaser has not terminated this Agreement in accordance with Section 6.5, as the case may be, the Deposits shall remain in Escrow and shall be applied to the Cash Component (as defined below) of the Purchase Price at Closing, or in the event of a default or breach of this Agreement by Purchaser, shall constitute liquidated damages and Seller's sole remedy as provided in Section 14.2; provided, however, that if this Agreement is terminated prior to Closing due to a Seller default of this Agreement, the Deposits shall be returned to Purchaser.

2.2 Purchase Price and Seller Loan. The purchase price for the Property shall be Three Million Dollars (\$3,000,000) (the "Purchase Price"), and shall be comprised of a cash component in the amount of Seven Hundred Fifty Thousand Dollars (\$750,000) (the "Cash Component"), payable in immediately available cash funds to Escrow Holder, and plus or minus

any adjustment for prorations in accordance with this Agreement (the "Closing Balance"), and a seller financed carry-back loan in the amount of Two Million Two Hundred Fifty Thousand Dollars (\$2,250,000) (the "Loan"). The Loan shall be evidenced by a Promissory Note Secured by Deed of Trust ("Promissory Note"), which shall have a ten (10)-year term to be amortized over a period of twenty (20) years, at an annual interest rate of five percent (5.00%), with payments to be made in accordance with the form of Promissory Note attached hereto as **Exhibit C**. The Promissory Note is to be secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing ("Deed of Trust") to be recorded against the Property, in the form attached hereto as **Exhibit D**. The Promissory Note and Deed of Trust are to be executed by Purchaser and submitted to Escrow Holder prior to Closing.

3. Escrow. Within one (1) business day following the full execution of this Agreement, an Escrow shall be opened with Chicago Title Company, located at 2220 Douglas Blvd., Suite 190, Roseville, CA 95661 ("Escrow Holder"), by Seller delivering a copy of this fully executed Agreement to Escrow Holder. This Agreement shall, to the extent possible, act as Escrow instructions. The Parties agree to execute all further Escrow instructions required by Escrow holder, which further instructions shall be consistent with this Agreement. Escrow holder, by acceptance of any funds deposited by Purchaser hereunder, agrees to hold such funds and disburse the same only in accordance with the terms and conditions of this Agreement.

4. Closing.

4.1 Closing. The "Closing Date" is defined to be the date that the Grant Deed, in the form attached hereto and incorporated herein as **Exhibit B**, from Seller to Purchaser, in recorded in the Office of the Sacramento County Recorder (the "Grant Deed"), which subject to the terms of this Agreement, shall occur within ten (10) business days after the end of the Feasibility Period (as defined in Section 6.2 herein), or other date mutually agreed by the Parties in writing. "Closing" is defined to be the recordation of the Grant Deed.

4.2 Possession and Removal of Personal Property. Upon Closing, Seller shall turn over possession of the Property to Purchaser and remove all of Seller's personal property. Personal property of the lessee's may remain pursuant to the terms of the Leases.

5. Title. Within five (5) calendar days after the opening of Escrow, Seller shall provide Purchaser with a preliminary title report covering the legal parcel(s) containing the Property issued by Escrow Holder (the "Preliminary Report"), along with legible copies or links thereto of all recorded documents shown as exceptions to title in the Preliminary Report and a map containing any easement, rights-of-way, license, or other real property rights encumbering the Property to the extent available. Purchaser shall approve or disapprove any exceptions to title shown on the Preliminary Report in writing within fifteen (15) days after receipt by Purchaser of the Preliminary Report and copies of the recorded documents. Seller shall notify Purchaser in writing of whether Seller is willing to remove the items disapproved by Purchaser within thirty (30) days after receipt of Purchaser's title objections; provided, however, that Seller shall remove, by or at the Closing, all monetary liens, if any (excluding only the lien for non-delinquent real property taxes and assessments). If Seller does not agree to remove any one or more of such disapproved exceptions prior to the expiration of the 15-day period, Purchaser shall have the choice of: (i) terminating this Agreement and the Escrow, in which event Purchaser's Initial Deposit shall be returned and neither Seller nor Purchaser shall have any further rights or obligations under this Agreement except for those expressly surviving such termination; or (ii) waiving such objection and completing the purchase called for in this Agreement with such disapproved exception(s) listed as exceptions on the title policy to be issued to Purchaser at Closing. If after expiration of

the Feasibility Period any additional items appear which would show as exceptions to title insurance in the title policy, and Seller fails to agree to remove the same within (5) days after Purchaser's notification to Seller of the same, Purchaser may terminate this Agreement, upon which: (i) the Seller and Purchaser shall execute and deliver to Escrow Holder cancellation instructions and all other documents that are reasonably required by Escrow Holder and/or the Seller in order to cancel this Escrow and release any interest of Purchaser in and to the Property; (ii) the Escrow Holder shall release any Deposits to Purchaser; (iii) Escrow Holder shall return all documents to the applicable Party, and (iv) neither Party shall have any rights or obligations arising out of this Agreement, except as otherwise set forth in this Agreement.

6. Property Inspection and Contingency Periods.

6.1 Property Documents. Within five (5) days following the execution of the Purchase Agreement, Seller shall deliver or have delivered to Purchaser, at Seller's sole cost, copies of the following documents in Seller's possession concerning the Property (collectively, the "Property Documents"):

a. relevant studies, documents, land surveys, soils reports, licenses, maintenance contracts, utility contracts, management contracts, service contracts, warranties, ADA compliance, Field Act compliance, plans and specifications for the Improvements, copies of all building permits, certificates of occupancy and all other governmental licenses and permits for the Improvements in the possession of Seller, and other documents and/or contracts pertaining to the Property, together with any amendments or modifications;

b. any and all information that Seller has regarding environmental matters affecting the Property and regarding the condition of the Property, including, but not limited to, Phase I and/or Phase II Environmental Assessments, wetlands, structural, mechanical and soils conditions, the presence and location of asbestos, PCB transformers, other toxic, hazardous or contaminated substances, and underground storage tanks in, on, or about the Property;

c. copies of any current leases or other agreements with tenants;

d. a schedule, certified by Seller, of all Leases (the "Rent Roll") setting forth the commencement date of each Lease, the tenant thereunder, the premises demised by the Leases, the number of square feet demised by the Leases, tenant deposit amount, the monthly rental, any rights to renew or extend, whether the tenant is in possession, whether the tenant is current in its payment of rental or is otherwise in default, the name of any broker entitled to any commission under the Leases, the expiration date of the term and the amount of the security deposit, if any, and the nature of any unfulfilled construction or other obligations to construct tenant improvements or for concessions including free rent;

e. maintenance records of the building and equipment (to include elevator, HVAC, plumbing, electrical, drainage system, etc.);

f. any Property condition/assessment reports; and

g. any and all other documents and matters relative to the Property.

Notwithstanding the foregoing, the Seller shall have no obligation to cause any of the Property Documents to be created or produced if such document does not already exist. All such Property Documents are being provided for the convenience of Purchaser, and Seller makes no

representation or warranty as to the accuracy, reliability or completeness of any of such Property Documents, except as expressly set forth herein.

6.2 Feasibility Period.

a. Feasibility Period. For a period of up to thirty (30) days from the Effective Date (the "Feasibility Period"), Purchaser may undertake, at Purchaser's expense, inspection and review of the Property. Purchaser may extend the Feasibility Period for an additional thirty (30) days upon payment of an additional Twenty-Five Thousand Dollar (\$25,000) deposit to Escrow Holder prior to the end of the initial 30-day period. Purchaser's review of the Property may include, but not be limited to, reasonable non-destructive inspections, investigations, tests, copies, verifications, assessments, surveys and studies as Purchaser considers reasonably necessary or desirable under the circumstances regarding the Property and its condition, which may include, without limitation, inspections regarding zoning, building codes and other governmental regulations; imposition of governmental obligations and assessments; architectural inspections; engineering tests; economic feasibility and marketing studies; availability of sewer, water, storm drain and other utilities; availability of roads, access and services; soils, seismic, engineering and geologic reports; non-destructive environmental assessments, studies, tests and reports; structural and mechanical systems inspections; and availability of permits, land use entitlements, development rights and approvals and other governmental approvals. Purchaser shall not perform any invasive testing for Hazardous Materials without Seller's advance written consent, which shall not be unreasonably withheld. All inspections shall be made at Purchaser's sole cost and expense.

b. Contracts. During the Feasibility Period, Seller and Purchaser agree to complete a list of any Contracts to be assigned to Purchaser upon Closing, which list shall be attached to the general assignment in the form attached hereto and incorporated herein as **Exhibit E** (the "General Assignment"), to be executed by the parties at Closing. Under the General Assignment, Seller shall assign to Purchaser all of Seller's right, title and interest in and to the Contracts, the Warranties, the Permits and the Intangible Personal Property.

c. Leases. During the Feasibility Period, Seller and Purchaser agree to complete a list of the Leases to be assigned to Purchaser upon Closing, if any, which list shall be attached to an assignment and assumption agreement in the form attached hereto and incorporated herein as **Exhibit F** (the "Assignment and Assumption of Leases"), to be executed by the parties at Closing. The Parties acknowledge that there are two (2) leases with tenants occupying the building that will be assigned to Purchaser at Closing and terminated sixty (60) days thereafter. Seller agrees to defend, indemnify, and hold harmless Purchaser for any and all claims by tenants that arise prior to or at Closing. The Seller will notice the tenants of this transaction. This Section 6.2(c) shall survive Closing.

6.3 Access. Access to the Property from the Effective Date through the Closing Date (or earlier termination of this Agreement) shall be given to Purchaser, its agents, employees, consultants, or contractors during normal business hours at reasonable times upon at least one (1) business days' notice to the Seller, at Purchaser's own cost and risk, for the purpose of conducting its due diligence investigation of the Property as set forth in Section 6.2(a). Purchaser shall restore the Property as a result of such investigations, and return the affected portion of the Property to its condition immediately prior to such investigation. Purchaser shall repair any damage to the Property caused by any of its inspections. Purchaser shall indemnify and defend the Seller against and hold the Seller harmless from all losses, costs, damages, liabilities, and expenses arising out of gross negligent or willful acts by Purchaser or its agents, employees,

consultants, or contractors on the Property in connection with Purchaser's entry onto the Property or any activity thereon prior to Closing except to the extent any such losses, costs, damages, liabilities, and expenses arise out of any negligent or willful act of the Seller or the Seller's agents, employees or contractors; provided however, Purchaser's mere discovery of or impact on an adverse condition or defect on or affecting the Property shall not trigger Purchaser's indemnification obligations. Purchaser's obligation to indemnify and defend the Seller shall survive Closing or any other termination of this Agreement.

6.4 Insurance. Prior to its first entry onto the Property and at all times thereafter until Closing date, Purchaser shall maintain commercial general liability insurance covering the activities of Purchaser on the Property. Such insurance shall have a per occurrence limit of at least One Million Dollars (\$1,000,000) and an aggregate limit of at least Two Million Dollars (\$2,000,000), shall name the Seller as additional insured, shall be primary and noncontributing with any other insurance available to Purchaser, and shall be issued on an occurrence basis. Prior to any entry onto the Property by Purchaser or its agents, employees, consultants, or contractors, Purchaser shall furnish the Seller with a certificate of such insurance in form and substance reasonably acceptable to the Seller.

6.5 Feasibility Notice and Termination. Purchaser may give the Seller written notice that Purchaser either: (i) approves the condition and suitability of the Property (the "Feasibility Approval Notice"), or (ii) disapproves the condition or suitability of the Property for any reason or no reason, which notice must be received by the Seller no later than 5:00 p.m. on the last day of the Feasibility Period, as extended. In the event that Purchaser fails to timely approve the condition and suitability of the Property pursuant to (i) above prior to the expiration of the Feasibility Period, such failure shall be deemed to be a disapproval of the condition and suitability of the Property in accordance with (ii) above. In the event Purchaser disapproves the condition and suitability of the Property, or is deemed to have disapproved the condition and suitability of the Property, as applicable pursuant to this Section 6.5, this Agreement shall terminate automatically, and: (i) Seller and Purchaser shall execute and deliver to Escrow Holder cancellation instructions and all other documents that are reasonably required by Escrow Holder and/or the Seller in order to cancel this Escrow and release any interest of Purchaser in and to the Property; (ii) Escrow Holder shall release the Initial Deposit to Purchaser; (iii) Escrow Holder shall return all documents to the applicable Party, and (iv) neither Party shall have any rights or obligations arising out of this Agreement, except as otherwise set forth in this Agreement.

7. As-Is Property Condition. Purchaser has conducted its own inspection of the Property prior to Close of Escrow. Except for the express representations and warranties made by Seller in this Agreement, Purchaser is relying upon its own investigation and inspection in acquiring the Property and acknowledges and agrees that Seller has not made, does not make and specifically negates and disclaims any representations, warranties or guaranties of any kind of character whatsoever, whether express or implied, oral or written, past, present, future or otherwise, of, as to, concerning or with respect to, the Property. If Purchaser proceeds to the Close of Escrow, Purchaser acquires the Property on an "as-is" basis and assumes the risks and adverse physical conditions that may not have been revealed by its own investigations and inspections. Notwithstanding anything to the contrary in this Agreement, Purchaser shall be entitled to rely upon the express representations and warranties made by Seller in this Agreement.

8. Seller's Representations and Warranties. Seller represents, warrants and covenants to Purchaser as follows:

8.1 Authority. Waterstone Support Foundation, Inc. is Colorado corporation, duly organized, validly existing and in good standing under the laws of the State of California. Seller has the full right and authority to enter into this Agreement and consummate the transactions contemplated by this Agreement. This Agreement and all documents executed by Seller which are to be delivered to Purchaser at Closing are, or at the time of Closing, will be duly authorized, executed and delivered by Seller.

8.2 Marketable Title. Seller has fully disclosed to Purchaser the existence of all outstanding material obligations of Seller with respect to the Property and Seller is the sole owner of (and Purchaser will acquire hereunder) the entire right, title and interest in and to the Property. To Seller's knowledge, there are no other agreements or understandings written or otherwise relating to the Property or title to the Property that are not reflected in the Preliminary Report or that were not disclosed by Seller to Purchaser.

8.3 Binding Obligations. This Agreement and all documents required hereby to be executed by Seller are and shall be valid, legally binding obligations of and enforceable against Seller in accordance with their terms.

8.4 Litigation. There is no litigation or other proceeding, including condemnation proceedings, by or before any court, arbitrator or governmental or regulatory official, body or authority which is pending or threatened against or relating to the Property.

8.5 Property Rights. Seller has not granted any options, rights of first refusal, rights of first offer, or other pre-emptive rights to acquire the Property to any other person so as to impair the title of the Property for this transaction.

8.6 Covenant Notices. To Seller's knowledge, Seller has not received any written notice that there is any violation of any restriction, condition or agreement contained in any easement, restrictive covenant or any similar instrument or agreement affecting the Property or any portion thereof.

8.7 Leases. Each of the tenant Leases is unmodified and is in full force and effect.

8.8 No Violations. Seller has not received any written notice that there is, and to of Seller's knowledge, there does not now exist, any violation of any restriction, condition or agreement contained in an easement, restrictive covenant or any similar instrument or agreement affecting the Property or any portion thereof.

8.9 Documents True and Correct. All of the copies of the Property Documents delivered to Purchaser pursuant to Section 6.1 hereof are true and complete copies of such documents. Seller makes no representations or warranties as to the accuracy or reliability of such documents.

8.10 No Defects. Seller has received no notice of any latent or patent defect affecting the Property or any Improvements, and Seller has no knowledge of a need for mold remediation at the Property.

8.11 Utilities. There are public utilities serving the Property including water, gas, electric, and sewers and they are in functioning and orderly condition.

8.12 Insurance. Seller has not received any written notice from any insurance company or board of fire underwriters of any defects or inadequacies in or on the Property or any part or component thereof that would materially and adversely affect the insurability of the Property or that have not been cured or repaired. There are no pending claims for insurance reimbursement respecting any damage to the Property except as disclosed in writing to Purchaser.

8.13 OFAC Compliance. Seller is not, and, after making due inquiry, no person who owns a controlling interest in or otherwise controls Seller is, (a) listed on the Specially Designated Nationals and Blocked Persons List (the "SDN List") maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or on any other similar list ("Other Lists" and, collectively with the SDN List, the "Lists") maintained by the OFAC pursuant to any authorizing statute, Executive Order or regulation (collectively, "OFAC Laws and Regulations"); or (b) a person (a "Designated Person") either (i) included within the term "designated national" as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (ii) designated under Sections 1(a), 1(b), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed. Reg. 49079 (published September 25, 2001) or similarly designated under any related enabling legislation or any other similar Executive Orders (collectively, the "Executive Orders"). Neither Seller nor any of its principals or affiliates (x) is a person or entity with which Seller is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law or (y) is a person or entity that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Orders or (z) is affiliated or associated with a person or entity listed in the preceding clause (x) or clause (y). Neither Seller nor any of its principals or affiliates, nor any brokers or other agents acting in any capacity in connection with the transactions contemplated herein (I) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Orders or (II) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law. As used herein, "Anti-Terrorism Law" means the OFAC Laws and Regulations, the Executive Orders and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001), as amended.

8.14 Environmental Compliance. To Seller's best knowledge, (i) except as otherwise disclosed by the Property Documents, there has been no other production, storage or disposal at the Property of any Hazardous Materials (as defined below) by Seller or by any previous owner or occupant of the Property; (ii) Hazardous Materials have not been dumped, buried, leaked, or otherwise released upon, in, or under the Property or allowed to pass on, under or through the Property at any time during or prior to Seller's ownership of the Property; (iii) Seller has not violated any laws, regulations, and ordinances relating to the use of all Hazardous Materials used on the Property; and (iv) there is no proceeding or inquiry by any federal, state or local governmental agency with respect to any Hazardous Materials on the Property.

As used in this Agreement, "Hazardous Materials" includes, but is not limited to, any hazardous or toxic substance, material or waste that is (i) regulated by any local governmental authority, the State of California or the United States Government, (ii) defined as an "acutely hazardous waste", "extremely hazardous waste", "hazardous waste", or "waste" under Sections 25110.02, 25115, 25117 or 25124 or listed pursuant to Sections 25141 and 25141.5 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control); (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground

Storage of Hazardous Substances); (v) petroleum; (vi) asbestos; (vii) listed under Chapter 10 of Division 4.5 of Title 22 or defined as hazardous or extremely hazardous pursuant to Division 21.5 of Title 26 of the California Code of Regulations; (viii) designated as a "hazardous waste" pursuant to Section 6903 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; (ix) defined as a "hazardous substance" pursuant to Section 9601 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq.; (x) any flammable substances or explosive; or (xi) any radioactive material.

9. Purchaser's Representations and Warranties. Purchaser represents and warrants to Seller as follows:

9.1 Authority. Purchaser is a California joint powers agency, duly organized, validly existing and in good standing under the laws of the State of California. Purchaser has the full right and authority to enter into this Agreement and consummate the transactions contemplated by this Agreement. This Agreement and all documents executed by Purchaser which are to be delivered to Seller at Closing are, or at the time of Closing, will be duly authorized, executed and delivered by Purchaser.

9.2 Consents; Binding Obligations. No third party approval or consent is required for Purchaser to enter into this Agreement or to consummate the transactions contemplated hereby. This Agreement and all documents required hereby to be executed by Purchaser are and shall be valid, legally binding obligations of and enforceable against Purchaser in accordance with their terms.

10. Seller's Undertakings Pending Closing. Seller covenants with Purchaser that, so long as this Agreement remains in effect:

10.1 Operation. From and after the Effective Date, Seller will operate, manage and maintain the Property in the same manner as prior to the Effective Date.

10.2 Contracts. From and after the expiration of the Effective Date, Seller shall not enter into any leases, contracts or other new agreements which will survive the Closing or otherwise affect the use, operation or enjoyment of the Property after the Closing without Purchaser's prior written consent.

11. Conditions to Closing.

11.1 Purchaser's Conditions to Closing. The obligations of Purchaser under this Agreement to purchase the Property and accept title from Seller are subject to satisfaction of all of the conditions set forth in this Section 11.1. Purchaser may waive any or all of such conditions in whole or in part, but any such waiver shall be effective only if made in writing. No such waiver shall constitute a waiver by Purchaser of any of its rights or remedies if Seller defaults in the performance of any covenant or agreement to be performed by Seller under this Agreement or if Seller breaches any representation or warranty made by Seller in this Agreement. If any condition set forth in this Section 11.1 is not fully satisfied or waived in writing by Purchaser, then Purchaser shall be released from all obligations to Seller under this Agreement.

a. Performance of Obligations. Seller shall have performed all covenants, agreements and obligations required to be performed by it under this Agreement.

b. Delivery into Escrow. Seller delivered into Escrow all documents or instruments required by this Agreement.

c. Title Policy. The Escrow holder shall have agreed to issue to Purchaser a CLTA standard form, or, at Purchaser's option if Purchaser obtains any required updated or new survey, an ALTA extended coverage form, owner's policy of title insurance, insuring title to the Real Property in Purchaser in the amount of the Purchase Price ("Title Policy"), subject only to the applicable preprinted form exceptions and the title exceptions approved by Purchaser in accordance with Section 5 herein (the "Permitted Exceptions").

d. No Material Adverse Change. There shall not have occurred any material adverse change in the physical condition or title to the Property.

e. Accuracy of Representations and Warranties. On the Closing Date, all representations and warranties made by Seller in this Agreement shall be true and correct in all material respects as if made on and as of the Closing Date.

11.2 Seller's Conditions to Closing. The obligations of Seller under this Agreement to close the sale and convey the Property to Purchaser are subject to satisfaction of all of the conditions set forth in this Section 11.2. Seller may waive any or all of such conditions in whole or in part, but any such waiver shall be effective only if made in writing. No such waiver shall constitute a waiver by Seller of any of its rights or remedies if Purchaser defaults in the performance of any covenant or agreement to be performed by Purchaser under this Agreement or if Purchaser breaches any representation or warranty made by Purchaser in this Agreement. If any condition set forth in this Section 11.2 is not fully satisfied or waived in writing by Seller, then Seller shall be released from all obligations to Purchaser under this Agreement.

a. Loan Documents. Purchaser's delivery into Escrow of the original Promissory Note and Deed of Trust, together with all escrow and title costs and fees apportioned to Purchaser.

b. Performance of Obligations. Purchaser shall have performed all covenants, agreements and obligations required to be performed by it under this Agreement.

c. Delivery into Escrow. Purchaser delivered into Escrow all documents or instruments required by this Agreement.

d. Accuracy of Representations and Warranties. On the Closing Date, all representations and warranties made by Purchaser in this Agreement shall be true and correct in all material respects as if made on and as of the Closing Date.

12. Close of Escrow.

12.1 Deliveries. On or before the Closing Date, the following shall occur (either directly or through escrow with the Escrow holder, as is customary for transactions of this type in the State of California):

a. Seller shall execute and deliver to Purchaser the Grant Deed conveying to Purchaser all of Seller's right, title and interest in and to the Real Property.

b. Seller and Purchaser shall execute and deliver two duplicate originals of the General Assignment.

c. Seller and Purchaser shall execute and deliver two duplicate originals of the Assignment and Assumption of Leases, pursuant to which Seller shall assign all of its right, title and interest in and to the Leases to Purchaser.

d. Seller shall execute and deliver to Purchaser and Escrow holder a Certification of Non-Foreign Status that evidences that Seller is exempt from the withholding requirements of Section 1445 of the Internal Revenue Code, in the form provided by Escrow Holder.

e. If requested by the Escrow holder, an Owner's Affidavit reasonably acceptable to Seller.

f. Seller shall execute and deliver to Purchaser an estoppel certificate signed by Seller acknowledging and agreeing that: (i) each tenant Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that the Lease, as so modified, is in full force and effect), and the date to which the rent and other charges under each Lease is paid in advance, if any, and (ii) acknowledging that there are not, to Seller's knowledge, any uncured defaults on the part of Seller or tenant under any Lease, or if any defaults are claimed, specifying the nature and any amount of any such default.

g. Seller shall execute and deliver to Purchaser a signed notice, in the form of a Tenant Notice, attached hereto as **Exhibit G**, to be sent to the tenants under the Leases after Closing, advising the tenants that the Property has been transferred to Purchaser and providing them with sixty (60) days to vacate.

h. Seller and Purchaser shall execute and deliver any applicable transfer tax, transfer declarations, ownership information or other disclosure forms or reports required under the laws of the State of California.

i. Purchaser shall pay to Seller the Closing Balance, subject to the adjustments described in Section 12.2 below.

j. Purchaser shall execute and deliver an original Promissory Note and Deed of Trust.

12.2 Closing Adjustments and Prorations. The Closing Balance due at Closing shall be subject to adjustment as of the Closing Date in accordance with the following provisions:

a. Income. All rents, charges and revenues of any kind payable under the Leases and actually collected by Seller prior to Closing shall be prorated as of 11:59 p.m. on the day preceding the Closing Date. No proration will be made at Closing for amounts payable under the Leases that have not actually been collected by Seller. Following the Closing, Purchaser shall be entitled to collect all amounts payable under the Leases for the month in which the Closing occurs that have not previously been collected by Seller; provided, however, that Purchaser shall remit to Seller a prorated portion of all such amounts collected by Purchaser within thirty (30) days after collecting the same. Purchaser shall include delinquent rents for periods prior to the month in which the Closing takes place on all bills for rent submitted to tenants for six (6) months after the Closing Date, and all amounts collected by Purchaser after the Closing Date relating to such

delinquent rents shall be promptly remitted to Seller; provided, however, that all rents received by Purchaser after the Closing Date shall be deemed to be applied first to the current rental period and to any rent after Closing which is delinquent. Seller shall retain all ownership rights relating to any such delinquent rents, and if Purchaser has not collected the same within six (6) months from Closing, Seller may take such action as it deems necessary to collect such delinquent rents, including the commencement of an action against the tenants under the Leases or any other person liable for such delinquent rents, but Seller shall not have the right to cause the tenancy of such tenants to be terminated.

b. Deposits. The unapplied portion of all security deposits under the Leases shall be transferred to Purchaser in accordance with applicable law.

c. Taxes. All real estate taxes attributable to the Property shall be prorated at Closing. Seller shall pay all such taxes attributable to the Property for any period prior to the Closing Date. If the applicable tax rate and assessed valuation for the Property have not been established for the tax year in which Closing occurs, the proration of real estate taxes shall be based upon the most recent tax statement for the Property, with such proration to be adjusted in cash between Seller and Purchaser promptly after presentation of written evidence that the actual taxes payable for the year in which Closing occurs differ from the amounts used for proration purposes at Closing. Seller shall have no obligation to discharge any special assessments or similar impositions levied or imposed against the Real Property. The current installments under any such assessments or impositions shall be prorated as of the Closing Date, and Purchaser shall acquire the Real Property subject to the remaining balances of such assessments and impositions.

d. Operating Expenses. Seller and Purchaser shall attempt to have all Contracts and any other agreements that affect the Property and for which the charges are based upon usage (including utilities) billed or read as of the date as close to the Closing Date as is reasonably possible. Charges for any of the same which are not read on the Closing Date shall be prorated between Purchaser and Seller based on the number of days during the period covered by the statement therefor during which each party owned the Property, allocating the Closing Date to Purchaser. Seller shall be entitled to a credit at Closing for the amount of any deposits that Seller has made with any of the utility services or companies servicing the Property to be conveyed by Seller, to the extent said deposits are not returned to Seller and are credited to Purchaser's account. Purchaser shall arrange with all utility services and companies servicing the Property to have new accounts started in the name of Purchaser beginning at 12:01 a.m. local time on the Closing Date.

e. Insurance. No insurance policies of Seller are to be transferred to Purchaser, and no apportionment of the premiums therefor shall be made. Purchaser acknowledges that it shall be responsible for securing its own insurance for the Property.

f. Closing Costs. Seller shall pay all County and City transfer taxes, the CLTA premium for the Title Policy, and one-half (1/2) of the cost of any closing or escrow fees and recording fees charged by the Escrow holder. Purchaser shall pay the cost of recording Seller's Grant Deed, one-half (1/2) of the cost of any closing or escrow fees and recording fees charged by the Escrow holder, all premiums for upgrading the Title Policy to an ALTA policy with extended coverage and the premiums for all endorsements required by Purchaser. All other closing costs shall be paid in accordance with the custom in Sacramento County. Each party shall pay its own attorneys' fees.

12.3 Settlement Statements. At Closing, Seller and Purchaser shall execute settlement statements to reflect the credits, prorations and adjustments contemplated by or specifically provided for in this Agreement.

12.4 Post-Closing Adjustments. In general, Seller shall be entitled to all income, and shall pay all expenses, relating to the operation of the Property for the period prior to the Closing Date, and Purchaser shall be entitled to all income, and shall pay all expenses, relating to the operation of the Property for the period commencing on the Closing Date. Purchaser and Seller shall undertake, within sixty (60) days following Closing, to adjust between themselves, as of the Closing Date, any income or expenses of the Property that are not adjusted on the settlement statement or that are based upon estimates on the settlement statement and require re-proration following the Closing based upon actual income, costs or expenses.

13. Risk of Loss.

13.1 Condemnation. If, prior to the Closing, action is initiated to take any of the Property by eminent domain proceedings or by deed in lieu thereof, Seller shall promptly notify Purchaser of the same and Purchaser may either at or prior to Closing (i) terminate this Agreement, or (ii) consummate the Closing, in which latter event all of Seller's assignable right title and interest in and to the award of the condemning authority shall be assigned to Purchaser at the Closing and there shall be no reduction in the Purchase Price.

13.2 Casualty. Except as otherwise provided in this Agreement, Seller assumes all risks and liability for damage to or injury occurring to the Property by fire, storm, accident, or any other casualty or cause until the Closing has been consummated. If the Property, or any part thereof, suffers any damage in excess of \$50,000.00 prior to the Closing from fire or other casualty, Seller shall promptly notify Purchaser and provide Purchaser with all relevant information relating to the casualty, the extent and probable costs of repair (to the extent known by Seller) and the available insurance proceeds, and if Seller, at its sole option, does not elect to repair, Seller shall promptly notify Purchaser of such determination prior to the Closing ("Casualty Notice"). If the Casualty Notice is issued within ten (10) Business Days of the scheduled Closing Date, then the Closing Date shall be deferred to a date that is fifteen (15) days after the Casualty Notice, and not more than ten (10) Business Days after the Casualty Notice, Purchaser shall elect by notice to either (a) terminate this Agreement, or (b) consummate the Closing. If Purchaser elects to terminate the transaction, it shall be treated as a failure of Purchaser's Closing Condition, and Purchaser shall be entitled to a return of the Deposits. If Purchaser elects to proceed with the purchase of the Property, then all of Seller's right, title and interest in and to the proceeds of any insurance covering such damage shall be assigned to Purchaser at the Closing (less an amount equal to (i) any expenses and costs incurred in good faith by Seller to repair or restore the Property and (ii) any separate portion of such proceeds paid or to be paid on account of the loss of rents or other income from the Property for the period prior to and including the Closing Date, all of which shall be payable to Seller) but only to the extent the amount of such insurance does not exceed the Purchase Price. If the Property, or any part thereof, suffers any damage of less than \$50,000.00 prior to the Closing, and such casualty does not materially impair the ability of the Building to remain open for business, the Parties agree that Purchaser will complete the purchase, but the Purchase Price shall be reduced by the costs of repair for such casualty.

14. Remedies Upon Default.

14.1 Default by Seller. In the event Seller defaults in the performance of any of Seller's obligations under this Agreement, Purchaser's sole and exclusive remedies shall be either

(i) terminate this Agreement and receive a return of its Deposits, or (ii) pursue an action for specific performance. Seller shall not be in default under this Agreement unless Purchaser first provides to Seller written notice of default and Seller thereafter fails within five (5) days after receipt of such notice of default to either cure such default or, if such default cannot reasonably be cured within said 5-day period, diligently commence such actions reasonably necessary to cure such default within such five (5) day period, and thereafter, cures such default not later than ten (10) days after receipt of such notice of default.

14.2 Breach by Purchaser. IN THE EVENT ESCROW FAILS TO CLOSE SOLELY DUE TO A DEFAULT UNDER THIS AGREEMENT BY PURCHASER, SELLER SHALL BE ENTITLED, AS SELLER'S SOLE AND EXCLUSIVE REMEDY UNDER THIS AGREEMENT, TO RETAIN THE DEPOSITS. PURCHASER SHALL NOT BE IN DEFAULT UNDER THIS AGREEMENT UNLESS SELLER FIRST PROVIDES TO PURCHASER WRITTEN NOTICE OF DEFAULT AND PURCHASER, THEREAFTER, FAILS WITHIN FIVE (5) DAYS AFTER RECEIPT OF SUCH NOTICE OF DEFAULT TO EITHER CURE SUCH DEFAULT OR DILIGENTLY COMMENCE SUCH ACTIONS REASONABLY NECESSARY TO CURE SUCH DEFAULT WITHIN SUCH 5-DAY PERIOD, AND THEREAFTER, CURES SUCH DEFAULT NOT LATER THAN TEN (10) DAYS AFTER RECEIPT OF SUCH NOTICE OF DEFAULT. THE PARTIES HAVE AGREED THAT SELLER'S ACTUAL DAMAGES, IN THE EVENT ESCROW FAILS TO CLOSE SOLELY DUE TO PURCHASER'S DEFAULT, WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THE TOTAL AMOUNT OF THE DEPOSITS HAVE BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF SELLER'S DAMAGES AND AS SELLER'S EXCLUSIVE REMEDY AGAINST PURCHASER, AND NO PART OF SUCH DEPOSITS ARE INTENDED AS A PENALTY AMOUNT.

Seller's Initials

Purchaser's Initials

14.3 No Additional Damages. In no event shall either Party be liable to the other for any loss of bargain, loss profit, or any special, punitive, compensatory or consequential damages in connection with any claim or suit by either Party against the other for any reason.

15. Brokers. Seller and Purchaser each represent and warrant to the other that it has not negotiated or dealt with any real estate broker, salesperson or agent in connection with the making of this Agreement or the transaction contemplated hereby, or incurred any liability for the payment of any brokerage fee, commission or compensation to any such broker, salesperson or agent. Seller and Purchaser agree to save and hold each other, and their respective shareholders, directors, officers, members, managers, partners, employees, agents, successors and assigns, free, clear and harmless from any claim, cost or expense, including reasonable attorneys' fees, for or in connection with any breach of the representation and warranty made by each respective party in this Section and any claim for commissions or compensation claimed or asserted by or through each respective party in connection with the transaction contemplated herein. The provisions of this Section 15 shall survive any termination of this Agreement.

16. Miscellaneous.

16.1 Entire Agreement. No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. No waiver of any of the provisions of this Agreement shall be valid unless in writing and signed by the party against whom it is sought to be enforced. This Agreement contains the entire agreement between the parties

relating to the purchase and sale of the Property and supersedes all prior understandings and agreements between the parties. There are no promises, agreements, conditions, undertakings, warranties or representations, oral or written, express or implied, between the parties other than as herein set forth.

16.2 Severability. If any term or provision of this Agreement shall, to any extent, be held invalid or unenforceable, the remainder of this Agreement shall not be affected, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to either Party. Upon such determination that any term or provision illegal or incapable of being enforced, the Parties hereto, shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the greatest extent possible.

16.3 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

16.4 Attorneys' Fees. Should either party employ attorneys to enforce any of the provisions hereof, or should any action or proceeding involving the parties arise that is in any way related to this Agreement and/or the Property, the prevailing party in any such action or proceeding shall be entitled to receive from the other party all of the prevailing party's reasonable costs, charges and expenses, including attorneys' fees and expenses and court costs, expended or incurred in connection therewith. The provisions of this Section 16.4 shall survive the Closing and any termination of this Agreement.

16.5 Time. Time is of the essence of this Agreement. In computing any period of time herein, the date of the act or event from which the designated period of time begins to run shall not be included.

16.6 Notices. All notices, demands, consents, requests or other communications required to or permitted to be given pursuant to this Agreement shall be in writing, shall be given only in accordance with the provisions of this section, shall be addressed to the parties in the manner set forth below, and shall be conclusively deemed to have been properly delivered and received by the receiving party (a) upon receipt when hand delivered, (b) upon receipt when sent by email to the address set forth below (with written confirmation of receipt from the sender), (c) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, registered or certified mail, postage prepaid, with a return receipt requested (provided that, the sender has in its possession the return receipt to prove actual delivery), or (d) upon actual delivery if deposited with any commercially-recognized overnight carrier that routinely issues receipts (provided that, the sending party receives a confirmation of actual delivery from the courier). The addresses of the parties to receive notices are as follows:

If to Seller:

Jannie Chow and Edward Chow
525 S Street
Sacramento, CA 95814
Attention: Jannie Chow and Edward Chow
Email: Jan Chow: ejchow5@hotmail.com

AND

Waterstone Support Foundation, Inc.

Attention: Josh Enger
Email: joshe@waterstone.org

If to Purchaser:

Capitol Area Development Authority
1522 14th Street
Sacramento, CA 95814
Attention: Danielle Foster
Email: dfoster@cadanet.org

with a copy to:

Kronick Moskovitz Tiedemann & Girard
1331 Garden Hwy, 2nd Floor
Sacramento, CA 95833
Attn: Amara Harrell
Email: aharrell@kmtg.com

If any notice is refused, the notice shall be deemed to have been delivered upon such refusal. Any notice delivered after 5:00 p.m. (recipient's time) or on a non-business day shall be deemed delivered on the next business day. A Party may change or supplement the addresses given above, or designate additional addressees, for purposes of this section by delivering to the other Party written notice in the manner set forth above.

16.7 Headings. The paragraph headings which appear in some of the Sections of this Agreement are for purposes of convenience and reference and are not in any sense to be construed as modifying the Sections in which they appear.

16.8 Assignment. This Agreement shall not be assignable by Purchaser without the prior written consent of Seller, which may be withheld in Seller's reasonable discretion; provided, however, Purchaser may assign its rights under this Agreement to an affiliated party upon written notice to Seller.

16.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

16.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed a duplicate original, but all of which when taken together shall constitute one and the same agreement.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date(s) set forth below.

SELLER:

By: _____
Name: Jannie L. Chow

Date: _____

By: _____
Name: Edward M. Chow
Waterstone Support Foundation Inc.,
a Colorado corporation

Date: _____

By: _____
Name: _____
Title: _____

Date: _____

PURCHASER:

Capitol Area Development Authority,
a California joint powers agency

By: _____
Danielle Foster
Executive Director

Date: _____

The undersigned joins in the execution of this Agreement in order to acknowledge its agreement to act as escrow agent under the terms of this Agreement.

ESCROW HOLDER:

CHICAGO TITLE COMPANY

By: _____

Name: _____

Title: _____

Date: _____, 2024

EXHIBIT A

(Legal Description)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

EXHIBIT B

(See attached Form of Grant Deed)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO AND
MAIL TAX STATEMENT TO:

Capitol Area Development Authority
1522 14th Street
Sacramento, CA 95814
Attention: Executive Director

(Space Above Line for Recorder's Use Only)

GRANT DEED

**THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION
27383 OF THE CALIFORNIA GOVERNMENT CODE**

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

hereby GRANT(s) to

Capitol Area Development Authority, a California joint powers agency,

the following described real property in the City of Sacramento, County of Sacramento, State of California:

[See **Exhibit A** Attached]

Dated: _____, 2024

_____,
a _____

By: _____

Name: _____

Title: _____

EXHIBIT A TO GRANT DEED

(Legal Description)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
)
County of _____)

On _____ before me, _____, Notary Public,
personally appeared _____, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

EXHIBIT C

(See attached Promissory Note)

Exhibit D

(See attached Deed of Trust)

EXHIBIT E

(See attached Form General Assignment)

GENERAL ASSIGNMENT

THIS GENERAL ASSIGNMENT (this "Assignment") is made as of _____, 2024, by and between _____, ("Assignor") and **Capitol Area Development Authority**, a California joint powers agency ("Assignee").

Recitals

This Assignment is made with respect to the following facts:

A. Assignor has this date conveyed to Assignee the real property legally described in **Exhibit A**, attached hereto and incorporated herein (the "Real Property").

B. In connection with its conveyance of the Real Property to Assignee, Assignor has agreed to assign to Assignee all of Assignor's right, title and interest in and to certain property and contract rights and other matters more fully described below.

Assignment

NOW, THEREFORE, for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment. Assignor hereby transfers, grants, conveys and assigns to Assignee all of Assignor's right, title and interest in and to the following:

(a) The contracts and contract rights specified on **Exhibit B**, attached hereto and incorporated herein (the "Contracts"), to the extent such rights are assignable;

(b) Any and all unexpired warranties, guaranties and sureties relating to the Real Property, to the extent the same are assignable;

(c) Any and all governmental permits, licenses, certificates and authorizations, relating to the use or operation of the Real Property, to the extent that they are assignable and only to the extent that they relate to the Real Property; and

(d) Any and all other rights, privileges and appurtenances owned by Assignor and in any way related to, or used in connection with the operation of the Real Property.

3. Assumption. Assignee hereby assumes all liability and obligations of Assignor under the Contracts which relate to the periods from and after the date hereof and agrees to perform all obligations of Assignor under the Contracts which are to be performed or which become due on or after the date hereof.

5. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of the parties' respective successors and assigns.

6. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed a duplicate original.

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

ASSIGNOR:

By: _____

Name: _____

Title: _____

ASSIGNEE:

Capitol Area Development Authority,
a California joint powers agency

By: _____

Name: _____

Title: _____

EXHIBIT A TO GENERAL ASSIGNMENT

(Legal Description)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

EXHIBIT B TO GENERAL ASSIGNMENT

(List of Contracts)

[TO BE ATTACHED PRIOR TO CLOSING]

EXHIBIT F

(See attached Form of Assignment and Assumption of Leases)

ASSIGNMENT AND ASSUMPTION OF LEASES

THIS ASSIGNMENT AND ASSUMPTION OF LEASES (this "Assignment") is made and entered into effective as of _____, 2024, by and between _____ ("Assignor") and **Capitol Area Development Authority**, a California joint powers agency ("Assignee").

Recitals

This Assignment is made with respect to the following facts:

A. Assignor has as of the date hereof conveyed to Assignee the real property described on **Exhibit A**, attached hereto and incorporated herein (the "Real Property") pursuant to that certain Purchase and Sale Agreement dated _____, 2024 (the "Agreement"), pursuant to which Assignor has agreed, among other things, to sell, assign, transfer and convey to Assignee the Real Property.

B. The Real Property is subject to certain lease agreements delivered to Assignee by Assignor as of the date hereof (such lease agreements, together with all other leases, tenancies or occupancy arrangements now or hereafter affecting any portion of the Real Property and all rent, income and proceeds arising therefrom being hereinafter referred to as the "Leases").

C. In connection with the conveyance of the Real Property, Assignor has agreed to assign all of its right, title and interest in and to the Leases to Assignee, and Assignee has agreed to assume and perform all of Assignor's liabilities and obligations arising under the Leases from and after the date hereof.

Assignment

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

2. Assignment. Assignor hereby assigns, transfers and conveys to Assignee all of Assignor's right, title and interest as landlord or lessor in, to and under the Leases set forth in **Exhibit B**, attached hereto and incorporated herein; provided, that Assignor reserves the right to receive and collect any rents due from the tenants under the Leases prior to the date hereof, in accordance with Section 12.2(a) of the Purchase Agreement.

3. Assumption. Assignee hereby assumes all liabilities and obligations of Assignor under the Leases which relate to the periods from and after the date hereof and agrees (a) to perform all obligations of Assignor under the Leases which are to be performed or which become due on or after the date hereof; and (b) to repay or account for all security deposits paid by the tenants under the Leases.

4. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of the parties' respective successors and assigns.

5. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed a duplicate original.

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

ASSIGNOR:

By: _____

Name: _____

Title: _____

ASSIGNEE:

Capitol Area Development Authority,
a California joint powers agency

By: _____

Name: _____

Title: _____

EXHIBIT A TO ASSIGNMENT AND ASSUMPTION OF LEASES

(Legal Description)

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO,
COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

EXHIBIT B TO ASSIGNMENT AND ASSUMPTION OF LEASES

(List of Leases)

[TO BE ATTACHED PRIOR TO CLOSING]

EXHIBIT G

(Form Tenant Notice)

_____, 2024

TO: ALL TENANTS OF _____

Dear Tenant:

You are hereby notified that the ownership of the real property located at 525 S Street, Sacramento, CA 95811 (the "Property") was transferred to Capitol Area Development Authority (the "New Landlord"), as of _____, 2024.

In connection with this transfer of ownership, you are hereby notified that the obligation for your security deposit pursuant to the terms of your lease (the "Lease") has been assumed by the New Landlord. This is also notice pursuant to Section [23/24] of your Lease that Landlord is terminating the Lease sixty (60) days from the date of this letter. Tenant shall vacate the Property by the termination date in accordance with the terms of the Lease.

Should any issues arise with regard to your security deposit, or should you be entitled to a refund of all or a portion of your security deposit under the terms of the Lease, you are to look solely to the New Landlord with regard to such issues or for such refund.

Should you need to contact the New Landlord with regard to any matter pertaining to the Property and/or your security deposit, you may contact _____ either in writing at _____, or by telephone at _____.

Capitol Area Development Authority,
a California joint powers agency

By: _____
Name: _____
Title: _____

PROMISSORY NOTE SECURED BY DEED OF TRUST

\$2,250,000.00

Sacramento, California
_____, 2024

FOR VALUE RECEIVED, **Capitol Area Development Authority**, a California joint powers agency ("Borrower"), whose address is 1522 14th Street, Sacramento, CA 95814, hereby promises to pay to the order of _____ ("Lender"), whose address is _____, the principal sum of TWO MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS (\$2,250,000.00), together with interest thereon from and after the date of disbursement according to the terms hereunder, to be paid in lawful money of the United States of America, as set forth below (the "Loan"):

1. Interest Rate. Interest will be charged on unpaid principal until the full amount of Loan has been paid in accordance with the terms herein. The interest rate shall be five percent (5.0%) simple annual interest. Under no circumstances shall the interest rate on this Note be more than the maximum rate allowed by applicable law.

2. Maturity. The Loan shall mature on _____, 2034 (the "Maturity Date").

3. Payments. Principal and interest payments under this Note shall be paid as follows:

3.1 Place of Payment. Payments shall be made to Lender's address above.

3.2 Principal and Interest Payments. The Loan payments will be amortized over a twenty (20) year term and paid as follows:

(a) Beginning on _____, 2024, and annually thereafter until the Maturity Date, Borrower shall make fixed annual principal and interest payments as shown in the table attached hereto as **Exhibit A**.

(b) By _____, 202__, Borrower shall make an additional principal payment of \$1,500,000.

(c) On the Maturity Date, the entire outstanding principal balance, and all accrued, but unpaid interest on this Note, shall be due and payable in full.

3.3 Application of Payments. Unless otherwise agreed to, in writing, or otherwise required by applicable law, all payments and prepayments received by Lenders hereof, shall be applied in the following manner: first, to accrued, but unpaid interest; second, to the payment of all unpaid collection costs and late charges and fees, if any; and third, to the payment of principal.

3.4 Late Charge. If any payment is not received within ten (10) days after the same becomes due and payable, without notice and at the option of Lender, without prejudice to the right of the Lender to collect any other amounts provided to be paid hereunder, or to declare a default hereunder, Borrowers shall pay Lender a "late charge" in the amount of ten percent (10%) of the monthly payment amount to cover the extra expense incurred in handling delinquent payments. The parties agree that this sum is reasonable and represents a fair and reasonable estimate of the costs related to the collecting and accounting for late payments, and the

deprivation of the use of such payments from their due date, and the other costs, expenses and deprivations which Lender will incur by reason of said late payments.

3.5 Collateral. This Note is secured by a Long Form Deed of Trust and Assignment of Rents (Individual) of even date herewith by Borrowers, as trustor, for the benefit of Lender, as beneficiary, covering real property situated in Sacramento, California, as more specifically described therein ("Property").

3.6 Prepayment. Borrowers may prepay the outstanding principal balance of the Loan, in whole or in part, at any time and from time-to-time, without any fee or penalty. Prepayments shall first be applied to reduce the principal balance of the Balloon Loan portion of this Note and, in the event of any such prepayment, the interest shall be recalculated at that time based on the remaining principal balance through maturity.

3.7 Default and Remedies.

(a) Defaults. Each of the following shall constitute an event of default ("Event of Default") under this Note:

(i) Payment Default. Borrowers fail to make any payment within five (5) days when due under this Note.

(ii) Other Defaults. Borrowers fail to comply with or to perform any other term, obligation, covenant or condition contained in this Note or to comply with or to perform any term, obligation, covenant or condition contained in the Deed of Trust.

(b) Acceleration. In the event of: (i) any Event of Default by Borrowers in the payment of any installment when due hereunder, or in the performance of Borrowers' obligations as set forth above, (ii) the breach of any representation or warranty contained in this Note or any other instrument securing repayment of this Note, (iii) the sale, conveyance or transfer of title to the Property, or any part thereof, or any right, title or interest therein, or agreement to do so without the prior written consent of Lender, whether voluntary or involuntary and whether legal or equitable, including a sale, conveyance or transfer by outright sale, installment sale contract, or any other method of conveyance of personal property interests, (iv) the filing of any petition by or against Borrowers in any court, whether or not pursuant to any statute of the United States or of any state, in any bankruptcy, reorganization, composition, extension, arrangement or insolvency proceedings, and Borrowers shall thereafter be adjudicated bankrupt, or such petition be approved by the court, or the court assumes jurisdiction of the subject matter, and such proceedings not be dismissed within ninety (90) days after the institution of the same, (v) the appointment of a receiver or trustee in any proceeding for all or any portion of the Property, or property owned by Borrowers, and such receivership or trusteeship not be vacated within ninety (90) days after the appointment of the same, (vi) an assignment by Borrowers for the benefit of their creditors, or (vii) the foreclosure upon all or any portion of the Property, or property owned by Borrowers, or the condemnation, seizure, attachment or appropriation thereof, then in such event the entire indebtedness hereunder shall be immediately due and payable at the option of Lender.

4. Default Rate. Upon the occurrence and during the continuation of an Event of Default that remains uncured for more than thirty (30) days, including the failure to pay all outstanding amounts on the first to occur of the Maturity Date, the interest rate on this Note shall be increased by five (5.0) percentage points on the outstanding principal balance and all accrued, but unpaid interest thereon.

5. Notices. Notices provided for herein may be given by delivery personally or by sending them by mail or overnight delivery, with postage charged prepaid, to the mailing addresses provided in the first paragraph of this Note, or to any other mailing address of which written notice is given, and notices shall be deemed given upon actual receipt or refusal thereof.

6. Miscellaneous.

6.1 No Waiver. Lender's acceptance of interest at the Default Rate shall not have the effect of curing any Event of Default and shall not prejudice the right of Lender to collect any other amounts required to be paid or to declare a default hereunder. No waiver of any default or failure, or delay to exercise any right or remedy by Lender shall operate as a waiver of any other default, or of the same default in the future, or as a waiver of any right or remedy with respect to the same, or any other occurrence.

6.2 Assignment. Borrower shall not assign or transfer their rights or obligations under this Note or the Deed of Trust without the prior written consent of Lender, which consent may be given or denied in Lender's sole and absolute discretion.

6.3 Binding on Heirs, Successors and Assigns. Subject to the restrictions on assignment and transfer contained herein, this Note shall be binding on and inure to the benefit of the legal representatives, heirs, successors and assigns of Lender and Borrowers.

6.4 Entire Agreement. This Note and the Deed of Trust (i) integrate all the terms and conditions mentioned in or incidental to this Note; (ii) supersedes all oral negotiations and prior writings with respect to its subject matter; and (iii) is intended by Borrowers and Lender as the final expression of the agreement with respect to the terms and conditions set forth in this Note and the Deed of Trust and as the complete and exclusive statement of the terms agreed to by the Borrowers and Lender. No representation, understanding, promise, or condition shall be enforceable against any party hereto unless it is contained in this Note or the Deed of Trust. This Note may not be modified except in a written agreement signed by both Lender and Borrowers.

6.5 Severability. Every provision of this Note is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable, and this Note shall be construed as if such illegal, invalid or unenforceable provision had not been contained herein.

6.6 Choice of Law; Venue. This Note shall be governed by and construed in accordance with the substantive and procedural laws of the State of California. This Note is entered into and is to be performed in Sacramento, California, with venue in the County of Sacramento.

6.7 Amendments. Neither this Note nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

6.8 Enforcement Costs. In the event of: (a) any action or proceeding that involves the protection, preservation or enforcement of Lender's rights or Borrowers' obligations under this Note (including, but not limited to, Lender's defense of any action by Borrowers in connection with the Loan), (b) Lender's collection or enforcement without institution of litigation proceedings, or

(c) Lender's participation in any proceeding which is authorized under the terms of this Note, the prevailing party shall be entitled to payment, upon demand, from the non-prevailing party of all costs and expenses associated therewith, including reasonable attorneys' fees and litigation expenses. Borrowers will pay Lender, upon demand, all reasonable attorneys' fees and expenses incurred in the representation of Lender in any aspect of any bankruptcy or insolvency proceeding initiated by or on behalf of Borrowers that concerns any of its obligations to Lenders under this Note.

IN WITNESS WHEREOF, Borrower have executed this Note as of the year and date first set forth above.

BORROWER:

Capitol Area Development Authority,
a California joint powers agency

By: _____
Danielle Foster, Executive Director