THE COMMONS PROJECT

AMENDED AND RESTATED AGREEMENT
FOR DISPOSITION AND DEVELOPMENT OF PROPERTY

Between

City of Medford,
Medford Urban Renewal Agency
and
Lithia Real Estate, Inc.

February 26, 2010
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THE COMMONS PROJECT
AMENDED AND RESTATED AGREEMENT FOR
DISPOSITION AND DEVELOPMENT
OF PROPERTY

THIS AMENDED AND RESTATED AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY (this “Agreement”) is made as of February 26, 2010, by the CITY OF MEDFORD ("City"), a municipal corporation of the State of Oregon, MEDFORD URBAN RENEWAL AGENCY ("Agency"), a public body corporate and politic, organized and existing under ORS Chapter 457 as the urban renewal agency of the City of Medford, Oregon and LITHIA REAL ESTATE, INC., an Oregon corporation ("Lithia") City, Agency and Lithia are referred to jointly in this Agreement as “Parties” and individually as a “Party” The Parties entered into an Agreement for Disposition and Development of Property dated as of September 19, 2006, as amended by Amendment No 1 thereto dated December 6, 2007 (collectively "Original DDA") By the execution of this Agreement, the Parties are amending, restating and superseding the Original DDA, which will be of no further force and effect and all the rights and obligations of the Parties with respect to the subject matter hereof shall be as set forth in this Agreement

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A WHEREAS, Agency is the duly authorized urban renewal agency of the City of Medford, Oregon, and administers the City Center Revitalization Plan, adopted by the Medford City Council on October 20, 1988 by Ordinance No 6213, and, as amended from time to time, referred to herein as the “Plan”;

B WHEREAS, the Parties, following considerable public involvement and input, have formulated a major redevelopment proposal consisting of a number of projects and activities, as specified herein, involving public, private and private-public investment within the Medford Urban Renewal Area defined by the Plan located approximately between Bear Creek, Middelford Alley, Central Avenue and Jackson Street (the "Project Area", “Project” or “The Commons Project”), as shown on the aerial map attached hereto as Exhibit “A”;

C WHEREAS, Lithia owns, leases or otherwise controls a significant portion of the private property located within the Project Area and intends to and has already relocated some of its existing automobile sales and service activities outside of the Project Area, thereby creating unique opportunities for redevelopment of the Project Area,

D WHEREAS, Lithia intends to design and construct its Headquarters Building on property wholly owned or controlled by Lithia within the Project Area,

E WHEREAS, Lithia has under the Original DDA prepared design documents for the construction of the Park Blocks which are the subject of the Medford Site Plan and Architectural Commission Order dated November 2, 2007 in connection with Commission File AC-07-144 (the “SPAC Approval”),

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WHEREAS, the Parties acknowledge that this Agreement amends and restates the
Original DDA to simplify certain aspects of the Original DDA, to better match
the current economic and development climate, and to shift responsibilities for
portions of the development contemplated herein to match each Party's current
ability to participate in such development,

WHEREAS, City and Agency find that The Commons Project, as described in
this Agreement, will help achieve the community’s, City’s and Agency’s goals for
revitalization of the City Center consistent with the Plan, will serve as the catalyst
for subsequent private and public investment both within and without the Project
Area and is in the best interests of the City and the health, safety, and welfare of
its residents, and is in accord with the public purposes and provisions of
applicable state, federal, and local laws and requirements

NOW, THEREFORE, in consideration of the mutual covenants contained in this
Agreement, the Parties agree as follows

SECTION 1. DEFINED TERMS

Words that are capitalized, and which are not the first word of a sentence, are defined
terms. A defined term has the meaning given it when it is first defined in this Agreement
Some defined terms are first defined in the text of this Agreement, and some are first
defined in Schedule 1. Defined terms may be used together and the combined defined term
has the meaning of the combined defined terms. A defined term that is a noun may be used
in its verb or adjective form and vice-versa. If there is any difference between the
definition of a defined term in the text of this Agreement and the definition of that term in
Schedule 1, the definition in the text controls. Defined terms may be used in the singular or
the plural.

SECTION 2. DESCRIPTION OF PROJECT AND COMPLETED ASPECTS

2.1 In General.

2.1.1 The plan for The Commons Project consists of a number of separate
projects and activities situated within the Project Area, some of which
are public and which will be completed by City and Agency, now or at a
later date, and others which are private and which are intended to be
completed by Lithia, parties related to Lithia or other private developers

2.1.2 Initial development in the Project Area is anticipated to include the
Headquarters Building described in Section 7, the remodel of the
Existing Parking Facility described in Section 6, the Park Blocks
described in Section 5, the Infrastructure described in Section 9 and,
potentially, the New Parking Facilities described in Section 8
2.2 **Completed Aspects.**

2.2.1 Under the Original DDA, Lithua caused the water service within the Project Area to be upgraded ("Water Service Upgrade") by the installation of a new twelve (12) inch water main which commences at Main Street and runs along Riverside Avenue to a terminus approximately seven hundred twenty five (725) feet north of Jackson Street. The Agency was not required to contribute to the cost of the Water Service Upgrade.

2.2.2 Under the Original DDA, Lithua, at its cost and expense, developed certain plans and specifications for the Park Blocks ("Park Plans") which are the subject of the SPAC Approval. The design and construction of the Park Blocks shall otherwise be subject to the City's normal development process. Lithua's cost and expenses for the Park Plans will be reimbursed as provided for in Section 3.3 of this Agreement.

2.2.3 Under the Original DDA, the Agency completed the acquisition of Parcel Nos. 15, 21 and 32 as more particularly shown on Schedule 4.1, and the relocation of businesses previously occupying those parcels.

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**SECTION 3. AGENCY'S FINANCIAL PARTICIPATION**

3.1 **Agency's Financial Participation.** The Parties acknowledge that under the Original DDA the Agency agreed to contribute to the development of the Project a maximum contribution of, but not to exceed, Fourteen Million One Hundred Thousand Dollars ($14,100,000). Under the Original DDA the Agency expended Two Million Five Hundred Thousand Dollars ($2,500,000) towards the Project leaving a balance of Eleven Million Six Hundred Thousand Dollars ($11,600,000). The Parties acknowledge that the Agency has determined that it will and hereby agrees to contribute to the development of the Project a maximum contribution, under this Restated DDA, in an amount not to exceed Eleven Million Six Hundred Thousand Dollars ($11,600,000) (the "Agency's Financial Participation"). This commitment commences as of the date of this Agreement and all funds expended by the Agency prior to the date hereof shall not be included in the Agency’s Financial Participation, with the exception of actual sums paid (though not to exceed the total of $35,000.00) in accordance with the Agency’s Relocation and Property Acquisition Guidelines and Procedures for properties already acquired under the Original DDA, which sums, if not paid until after the date hereof, shall be accounted for as part of the cost to acquire the Park Block Properties under Section 3.3.1 of this Agreement. The Agency’s Financial Participation may include grants from any other governmental body or agency or any third party. The anticipated amounts and the timing of the availability of the Agency’s Financial Participation are set forth in Schedule 3.1 attached hereto.
3.2 **Availability of Agency’s Financial Participation.** The Agency anticipates incurring debt through third party sources, and secured by tax increment revenues generated pursuant to the Plan, to fund a portion of the Agency’s Financial Participation (“Third Party Borrowing”). Due to the method for collection of tax increment amounts pursuant to ORS 457 420 et seq., the Parties recognize that the amount and availability of Third Party Borrowing is dependent on a significant extent on the completion of private development under the Plan and within the Project Area by Lithia and other private developers. Therefore, the Agency’s timing to make the Agency’s Financial Participation or otherwise to perform its obligations under this Agreement, and as set forth in Schedule 3.1, related to the making of the Agency’s Financial Participation may be delayed because there will not be sufficient tax increment funds, as calculated using the Agency’s usual tax increment debt underwriting practices, to service such Third Party Borrowing.

The Agency will provide to Lithia within ten (10) days after July 1st and January 1st of each year a summary of the Agency’s Financial Participation that will be available for the succeeding twelve (12) month period and the status of all Third Party Borrowings and other bond offerings related to the Agency’s Financial Participation.

3.3 **Allocation of Agency’s Financial Participation.** The Agency shall use the Agency’s Financial Participation, until depleted, for the following purposes:

3.3.1 The cost to acquire the Park Block Properties as provided for in Section 4.

3.3.2 The costs for the application or other fees associated with seeking to secure New Markets Tax Credit for the Project as provided in Section 12 in an amount not to exceed $50,000.

3.3.3 The costs to develop the Park Block Properties as provided in Section 5, including costs related to design, construction, demolition, and environmental remediation as provided in Section 5 and infrastructure costs as provided in Section 9.

3.3.4 The costs to remodel the Existing Parking Facility as provided in Section 6, in an amount not to exceed $300,000.

3.3.5 The cost to reimburse Lithia for the costs incurred for the Park Plans pursuant to Section 3.6.

3.3.6 The costs to develop New Parking Facilities as provided for in Section 8, including the costs of planning, acquisition, design, construction, demolition and environmental remediation.

The Agency acknowledges that the scheduling and amounts allocated to the development activities set forth in this Agreement and Schedule 3.1 are only approximates, unless otherwise noted as “not to exceed”, and the Agency will not unreasonably withhold its consent to a request by Lithia for the Agency to
allocate additional funds from one development activity to another development activity

3.4 **Agency's Administrative Expenses.** The Parties agree that Agency's Financial Participation will be used only for the items specified in Section 3.3, which may include the costs of Third Party Borrowing ("Third Party Borrowing Costs") and the costs of third parties retained by the Agency in carrying out the Agency's obligations under this Agreement ("Additional Costs"), provided that such Additional Costs shall not exceed 4% of the final cost of each item in Section 3.3 and the sum of the Third Party Borrowing Costs and the Additional Costs shall not exceed $500,000. Except as specifically provided herein, no portion of the Agency's Financial Participation shall be used for the Agency's administrative or overhead expenses incurred.

3.5 **Documentation for Agency's Funds.** From and after the Agency first expends funds for the purposes set forth in Section 3.3 ("Agency Actions") on or before March 1 and September 1 of each year, the Agency shall provide Lithia with an accounting for such funds for the respective preceding six month periods of July 1 through December 31 and January 1 through June 30 setting forth in reasonably adequate detail a description of the items paid for and costs incurred to carry out the Agency Actions. Not later than three (3) months after receipt of any such semi-annual accounting, upon written request by Lithia to do so, the Agency shall provide written supporting documentation. In addition, during such three (3) month period, Lithia, using an independent certified public accountant that does not perform work for Lithia, the City or the Agency, shall have the right to audit the Agency’s records with respect to the expenditures made with respect to the Agency Actions. If the audit discloses that any of the funds spent were not properly attributed to the Agency Actions, those amounts will be deducted from the Agency’s Financial Participation and the Agency shall reimburse Lithia for its reasonably incurred audit expenses plus Lithia’s reasonable attorneys fees incurred as a part of such audit process.

3.6 **Documentation of Lithia’s Costs to be Reimbursed.** Subject to the commencement of construction of Park Block 1, the Agency agrees to reimburse Lithia for costs incurred by Lithia with respect to Lithia’s preparation of the Park Plans ("Plans Reimbursement Amount"). The payment of the Plans Reimbursement Amount shall occur in two payments as identified in Schedule 3.1. As a condition of reimbursement from the Agency, Lithia shall provide the Agency with an accounting for such expenses incurred in preparation of the Park Plans, by providing in reasonably adequate detail a description of each expense incurred for which reimbursement is sought. Not later than twenty (20) days after the Agency’s receipt of such accounting, upon written request by the Agency to do so, Lithia shall provide written supporting documentation within ten (10) days after such request. Within sixty (60) days after receipt of the supporting documentation from Lithia, the Agency shall have the right to commence and complete an audit Lithia’s records with respect to such costs for which reimbursement is sought using an independent certified public accountant.
that does not perform work for either the Agency, the City or Lithia. If the audit
discloses that any of such expenses spent were not related to costs for which
reimbursement may be sought, those costs will not be reimbursed and Lithia
shall reimburse the Agency for its reasonably incurred audit expenses plus the
Agency’s reasonable attorneys fees incurred as a part of such audit process

SECTION 4. ACQUISITION OF REIT PARCELS

4.1 Park Block Parcels. Park Blocks 1 and 2 shall be comprised of all or portions
of the following Parcels as shown on Schedule 4.1

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<thead>
<tr>
<th>Park Block 1</th>
<th>Park Block 2</th>
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<tr>
<td>(&quot;Park Block 1 Parcels&quot;)</td>
<td>(&quot;Park Block 2 Parcels&quot;)</td>
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<td>Parcel 18</td>
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The Parties acknowledge that portions of the Park Block 1 Parcels may not be
necessary for the development of Park Block 1 and the public alley adjacent to
Park Block 1’s eastern boundary and any remnant portions of the Park Block 1
Parcels will be conveyed to Lithia as provided for in Section 4.7.

4.2 Present Ownership. As to Park Block 1 and Park Block 2, the following
parcels ("REIT Parcels") are owned of record by CARS-DB 4 L P, a Delaware
limited partnership (the "REIT")

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<th>Park Block 1</th>
<th>Park Block 2</th>
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<td>18</td>
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<td>20</td>
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Parcels 21 and 15 are owned by the Agency.

Lithia has the right to acquire the REIT Parcels, having previously sold to and
leased those Parcels back from the REIT with an option to purchase.

4.3 Acquisition of REIT Parcels. The Agency initially allocated $1,050,000
("Agency’s Park Block Contribution Amount") for the acquisition of the REIT
Parcels. With this Agreement, the Agency has increased the Agency Park Block
Contribution from $1,050,000 to $3,600,000. Based on information currently
available, the Agency hereby allocates these funds (the "Agency’s Park Block 1
Contribution Amount" and the "Agency’s Park Block 2 Contribution Amount")
as set forth in Schedule 3.1. The parties acknowledge and agree that, depending
upon the market conditions in effect at the time of the acquisitions, the Agency
Park Block Contribution may be reallocated between the two Park Blocks as a
Minor Modification under Section 17.10
The Agency’s acquisition of the REIT Parcels is subject to the procedures and requirements as set forth in the Agency’s Relocation and Real Property Acquisition Policies (“Acquisition Policies”) Lithia, on behalf of the Agency, shall negotiate the terms of the purchase of the REIT Parcels in accordance with the Acquisition Policies Lithia in negotiating the purchase of the REIT Parcels will use its best efforts to secure adjustments in the purchase prices based upon the costs of anticipated environmental remediation Lithia will secure the necessary consents from the REIT permitting the direct transfer of the REIT Parcels to the Agency as set forth in Schedule 3.1

Although not required to do so, if Lithia elects to negotiate and purchase the REIT Parcels located in Park Block 2 prior to the Agency’s Park Block 2 Contribution Amount being available, Lithia agrees to resell such REIT Parcels to the Agency on the same terms and conditions that it purchased such REIT Parcels from the REIT

Provided however, notwithstanding Schedule 3.1 or any other provision of this Section 4.3, Agency shall not be required to acquire any of the REIT Parcels unless one of the following conditions has been satisfied (i) Lithia has commenced construction of the Headquarters Building or (ii) Lithia has provided to the Agency written confirmation and agreement to proceed with construction of its Headquarters Building, accompanied by proof of financing for said construction approved by the Agency, which approval will not be unreasonably withheld

4.4 **Title to REIT Parcels.** The Agency shall acquire title to each of the REIT Parcels directly from the REIT by Statutory Special Warranty Deed the form of which is attached hereto as Schedule 4.4, subject only to current ad valorem real property taxes, not delinquent and the other Permitted Exceptions which shall be determined pursuant to the provisions of Section 4.5

4.5 **Title Review.**

4.5.1 **Preliminary Title Report** Lithia shall order preliminary title reports for the REIT Parcels Upon Lithia’s receipt of the preliminary title reports for the REIT Parcels, Lithia will make available to the Agency such reports and copies of all exception documents (the “Title Reports”) The Agency will have twenty (20) days after the date Lithia provides the Title Reports to request any additional materials it may reasonably need to review the title to the REIT Parcels Within ten (10) days after the Agency’s request, Lithia will deliver a copy of any documents or materials within its control with respect to each of the REIT Parcels, including, appraisal, survey, environmental and other investigatory materials or documents The Agency will have thirty (30) days after the date of receiving the Title Reports (and any requested additional materials), whichever is later, to notify Lithia in writing of any objection to any item in the Title Reports Those items to which the Agency does not object are the “Permitted Exceptions” If the Agency objects to any
item, then Lithia shall have twenty (20) days after receiving the written
objection to notify the Agency in writing of its intention to remove or
not remove the objected to exceptions to title prior to Closing. Any
monetary encumbrances shall be removed by Lithia at closing whether
objected to or not by the Agency

4.5.2 **Pro forma Title Policy.** Lithia will obtain a pro forma title policy at
least fifteen (15) days prior to the conveyance of any REIT Parcel being
acquired by the Agency showing only the Permitted Exceptions

4.6 **Title Insurance, Survey, Property Taxes and Closing Costs.**

4.6.1 **Title Insurance.** The Agency, as part of the Agency’s Financial
Participation, shall secure a standard coverage Owner’s Policy of Title
Insurance, issued by Escrow Agent, and covering the REIT Parcels
being acquired by the Agency in the amount of the purchase price paid
by the Agency for each REIT Parcel, free and clear of encumbrances,
except the Permitted Exceptions. The Agency, upon instruction by the
City to do so may elect to obtain extended coverage under such policy of
title insurance.

4.6.2 **Recording Costs and Property Taxes.** The Agency, as part of the
Agency’s Financial Participation, will be responsible for recording any
Deed to any of the REIT Parcels. Even though the Deeds for the REIT
Parcels may be directly from the REIT to the Agency, all closing costs
and escrow fees shall be paid by Agency as part of the Agency’s Park
Block Contribution Amount. Any special assessments and property
taxes assessed against any of the REIT Parcels shall be prorated between
Lithia and the Agency as of the date of closing.

4.7 **Establishment of Boundaries for Park Block 1, Adjoining Public Alley and
Conveyance of Remnant Parcels to Lithia.** Lithia shall undertake the necessary
survey to initially determine those portions of the Park Block 1 Parcels that are
needed for the Park Block 1, the adjoining public alleyway and any remnant
portion, which initial determination shall be reviewed and approved by the
Agency and the City, which approval will not be unreasonably withheld,
conditioned or delayed. The Agency and the City hereby acknowledge and
agree that any remnant portion of any of the Park Block 1 Parcel (each a
“Remnant Parcel” and collectively “Remnant Parcels”) will be of insufficient
size for any public use and that since the Remnant Parcel will immediately
adjoin the parcels on which the Headquarters Building is intended to be built
and to provide for a fully developable Headquarters Parcel, the Agency hereby
agrees to transfer the Remnant Parcels to Lithia subject only to the Permitted
Exceptions as determined pursuant to Section 4.5. Lithia shall be responsible
for all costs and expenses related to the transfer of the Remnant Parcels to
Lithia. The Agency agrees to undertake such other administrative or other
procedures as may be required to permit the transfer of the Remnant Parcels to
Lithia as provided for by this Section 4.7. The Parties agree to cooperate with
one another so that the determination of the boundaries for the Park Block 1, the
adjoining public alley and the Remnant Parcels will take place in sufficient time
so that the Remnant Parcels can be conveyed by the Agency to Lithia
immediately after the acquisition of the REIT Parcels by the Agency

4.8 **Right to Modify or Relocate Headquarters Building.** In the event any one or
more of the following events occurs

4.8.1 Lithia is not able or fails to negotiate the purchase, on behalf of the
Agency, the REIT Parcels, on the terms and conditions of this Section 4,
or the Agency is unable or fails to purchase the REIT Parcels on the
terms and conditions of this Section 4

4.8.2 One or more of the Park Block Parcels is determined to require
environmental remediation the costs or time for which to complete are
determined by all Parties to be cost prohibitive or impractical to
undertake

4.8.3 Such other circumstances occur that are beyond the reasonable control
of Lithia and which make the location and the scope of Headquarters
Building practically or financially infeasible

Then Lithia shall have the right, subject to customary land use review and
permitting processes to relocate the Headquarters Building to be constructed by
Lithia within the Project Area, such relocation being subject to the approval of
the City and Agency, which approval will not be unreasonably withheld,
conditioned or delayed

**SECTION 5. CONSTRUCTION OF PARK BLOCKS**

5.1 **Description.** Park Block 1 and Park Block 2 (collectively the “Park Blocks”),
are shown on Schedule 5 1 and are located between Sixth Street and Fourth
Street and fronting on Bartlett Street, and designated in the Plan as Activity No
20

5.2 **Exemption From Public Bidding.** As a condition of this Agreement, the
Agency will consider the necessary findings under ORS Chapter 279C and
Section 58 of the Agency’s Administrative Regulations Relating to Contracting
and Purchasing Code (“Agency’s Contracting Code”) exempting Lithia from the
normal bidding procedures for the construction of the Park Blocks and the
remodel of the Existing Parking Facility (“the Exemption From Competitive
Bidding”) If the Exemption From Competitive Bidding is not approved by the
Agency within forty-five (45) days after approval of this Agreement (“Outside
Approval Date”) Lithia shall have the right to terminate this Agreement by
giving written notice of termination to the Agency and the City within thirty
(30) days after the Outside Approval Date

The provisions of Sections 5 3 through 5 9 are subject to the securing of the
Exemption From Competitive Bidding If the Exemption From Competitive
Bidding is not secured, then the Agency will be responsible for the ongoing
design and construction of the Park Blocks and the remodel of the Existing
Parking Facility pursuant to the Agency’s Contracting Code, subject to the
termination provisions of this Section 5.2 or Section 7.3. If the Agency
becomes responsible for the ongoing design and construction of the Park Blocks
and the remodel of the Existing Parking Facility, nothing in this Agreement
shall prevent Lithia from bidding to become the CM/GC on any or all of such
projects.

Notwithstanding anything in this Agreement to the contrary, Lithia shall have
the right to elect not to act as the CM/GC for the remodel of the Existing
Parking Facility or the construction of Park Blocks 1 or 2 by giving written
notice of such election to the Agency. Written notice of such election as to the
remodel of the Existing Parking Facility and Park Blocks 1 or 2 shall be given
not later than six (6) months prior to the anticipated date of commencement of
construction for each project as shown on Schedule 3.1, or as may be otherwise
agreed to in writing by the Parties and such agreement by the Parties may be
treated as a Minor Modification under Section 17.10.

5.3 Park Plans, Specifications, and Supplemental Phase II ESA. Based upon
the Park Plans prepared under the Original DDA, and which are the subject of
the SPAC Approval, Lithia, as part of the construction procedures set forth in
Section 5.4, and in accordance with the timing set forth in Schedule 3.1, will
prepare construction drawings and specifications in form and content suitable
for submittal to the City for approval under the City’s normal development
process (the “Final Park Plans”).

As part of the construction procedures set forth in Section 5.4, Lithia agrees to
complete supplemental Phase II ESAs as may be required by applicable law or
as mutually agreed by the Parties and to secure the Agency’s review and
comment on any proposed environmental remediation plan or to the Final Park
Plans prior to submission of the Final Park Plans to the City under the City’s
normal development process.

5.4 Construction Procedures. Lithia shall be responsible for the construction of
the Park Blocks using the Construction Manager/General Contractor delivery
methodology based upon prevailing terms and conditions used in Jackson
County, Oregon (“CM/GC”). Construction of the Park Blocks by Lithia shall
be based on the timing as shown on Schedule 3.1, pursuant to the procedures
therefore as established in the Exemption From Public Bidding. Lithia will
contract with the Agency for the supplemental Phase II ESAs, completion of
Park Plans, demolition, environmental remediation, and construction (“Park
Block Construction”) of the Park Blocks in separate CM/GC contracts, one for
Park Block 1 and one for Park Block 2.

5.5 Construction Funding. The Agency, as part of the Agency’s Financial
Participation (and subject to the availability of funds), shall fund monthly
construction draws submitted by Lithia to the Agency. Each monthly
construction draw shall be submitted by the 5th day of the month for the
previous month's work. Provided that each monthly construction draw contains
all the required documentation as specified in the construction contracts
between Lithia and the Agency, the Agency shall fund the draw within thirty
(30) days after submittal by Lithia.

5.6 Construction Contracts. The contract(s) between Lithia and the Agency for
the construction of the Park Blocks shall be negotiated as a CM/GC contract by
Lithia and the Agency no later than forty-five (45) days after one of the
contingencies relating to the Headquarters Building set forth in the last
paragraph of Section 4.3 has been satisfied and shall be consistent with the
Exemption from Public Bidding and otherwise comply with the requirements of
applicable public contracting law. The Agency shall promptly authorize the
construction of Park Block 1 and Park Block 2 so long as the Agency has
reasonably determined that it will have adequate funds available, during the
course of construction from the Agency's Financial Participation, to fund the
costs of construction of Park Block 1 and Park Block 2, respectively. If the
Agency determines that it does not have sufficient funds, Lithia, at its option,
shall have the right to advance the costs of such construction which shall
include (i) all of Lithia's hard and soft costs, including the costs of
infrastructure related to the respective Park Block, professional fees, financing
and interest costs incurred and legal expenses and (ii) all SDCs and other fees
paid in connection with the respective Park Block (collectively "Park Block
Construction Costs"). The Park Block Construction Costs will be reimbursed to
Lithia as funds are available to the Agency.

5.7 Park Standard. The Agency agrees upon completion of the construction of
Park Block 1 and Park Block 2, respectively, the Agency shall convey Park
Block 1 or Park Block 2, as applicable, to the City and the City hereby agrees to
accept each such conveyance within thirty (30) days after completion of each of
Park Block 1 and Park Block 2. After such acceptance by the City, the City
agrees to maintain the Park Blocks, through its Parks and Recreation
Department, or successor or substitute department, in a manner consistent with
the repair, replacement and maintenance of all other parks located in the central
business district of the City ("Park Standard"). At the time of the transfers, the
properties comprising the Park Blocks shall be free and clear from all
encumbrances including monetary encumbrances other than ad valorem real
property taxes not delinquent and easements and covenants which do not
interfere with the use of the Park Blocks.

5.8 SDC Charges. Agency shall be entitled to credits against applicable system
development charges ("SDCs") or other fees with respect to the Park Blocks
and any infrastructure related to the Park Blocks as permitted by the City's
Municipal Code Section 3 878, and any other applicable sections of the City's
Municipal Code.
5.9 **Creation of Funding Mechanism to Implement a Park Amenities and Maintenance Plan.** The City agrees to work cooperatively with Lithia and other affected property owners (i) in the creation of a local improvement district or other funding mechanism ("Funding Mechanism") which would be imposed on those properties bordering on Park Blocks and (ii) in the creation of park amenities and maintenance plan ("Park Amenities and Maintenance Plan" or "PAMP") that would be funded by the Funding Mechanism. The PAMP will be prepared as set forth in Schedule 3 1 Additionally, the City agrees to work cooperatively with Lithia to establish within the Project Area a streetscape program consistent with the PAMP.

SECTION 6. REMODEL OF EXISTING PARKING FACILITY

6.1 **Existing Parking Facility.** The Existing Parking Facility is owned by the City and presently provides for approximately 400 parking stalls.

6.2 **Remodel.** The remodel is to include the following ("Remodel") An expansion of the existing walkway through the Existing Parking Structure from 6th Street to Main Street, which may allow for additional commercial space along the walkway.

6.3 **MURA's Responsibility** MURA has agreed to pay a maximum of $300,000 towards the Remodel.

6.4 **City's Responsibility** City hereby authorizes the Agency to act as the project manager for construction of the Remodel subject to Section 6 5.

6.5 **Design and Construction.** Subject to the securing of the Exemption From Public Bidding and the provisions of Section 5 2, Lithia, as an independent contractor, will be responsible for the design and construction of the Remodel on the terms and conditions of the Exemption from Public Bidding using the CM/GC delivery methodology, and design and construction costs will be reimbursed on a monthly basis as provided for in Section 5 5. The design and construction of the Remodel shall otherwise be subject to the City's normal development process.

SECTION 7. HEADQUARTERS BUILDING AND PARCEL

7.1 **Description of Headquarters Building and Parcel.** Lithia presently owns or controls the following parcels of land shown in Schedule 4 1 bounded by Riverside Avenue, East 5th and East 6th Streets and the existing alleyway on the eastside of Park Block 1 ("Headquarters Parcel") Parcels 17, 19, 22 and 23 Lithia intends to design and construct an office building with a minimum of 40,000 square feet of floor area for the corporate headquarters of Lithia Motors, Inc ("LMI") with adjoining surface parking (the "Headquarters Building") The City acknowledges that a 40,000 square foot office building is of a permissible size under the present zoning within the Project Area.
7.2 **Cost of Headquarters.** Lithia shall be responsible for all costs and expenses relating to the design and construction of the Headquarters Building. The City and the Agency shall have no obligations to contribute any funds or to reduce the fees (including SDCs) for the permits or approvals with respect to the Headquarters Building, provided that Lithia shall be entitled to credits against applicable SDCs with respect to any infrastructure related to the Headquarters Building as permitted by the City’s Municipal Code.

7.3 **Timeframe for Construction.** Lithia intends to commence construction of the Headquarters Building by December 2010 but in no event shall construction commence later than December 31, 2011 (“Commencement of Construction”) and intends to occupy the Headquarters Building by October 2012 but in no event shall occupancy occur later than December 31, 2013 (“Commencement of Occupancy”). The Parties acknowledge that there is no obligation for Lithia to commence construction by any particular date prior to December 31, 2011. At any time Lithia determines that it is unable to secure construction and permanent financing for the Headquarters Building on terms and conditions acceptable to Lithia in its sole discretion, Lithia shall have the right to terminate this Agreement upon written notice given to the Agency and the City. Notwithstanding the foregoing, if Lithia has not commenced construction by December 31, 2011, or has not substantially completed construction by December 31, 2013, then this Agreement shall automatically terminate, unless within thirty (30) days of said date all parties mutually agree in writing to a date specific extension of the termination date. The provisions of Section 15.6 regarding Unavoidable Delay will not be applicable to the date for commencement of construction of the Headquarters Building but will be applicable to the date of substantial completion of the Headquarters Building Lithia understands that the timing and availability of the Agency’s Financial Participation is dependent upon development by private parties within the Project Area including the development of the Headquarters Building.

**SECTION 8. NEW PARKING FACILITIES**

8.1 **Parking Analysis.** Based on the Plan and the Project Area and as a part of the Agency’s Financial Participation, the Parties will mutually agree upon the timing for undertaking a parking study (“Parking Study”). The Parking Study will determine the location, size and timing for construction of new parking facilities (“New Parking Facilities”). The purpose of the Parking Study will be to determine the need, cost and time for additional off-street parking to serve the Project Area. Prior to commencement of the Parking Study, the Agency will provide to the City and Lithia a written draft scope of work for the Parking Study, which shall, among other items, address the number of parking spaces to be leased by Lithia. Within thirty (30) days after receipt of the written draft scope of work, the City and Lithia shall provide written comments thereto and the Agency will take such comments into account in finalizing the scope of...
work The Agency will use its normal contracting policies in having the
Parking Study prepared by an outside parking consultant Upon completion of a
draft of the Parking Study, the Agency shall provide a copy to the City and
Lithia for their review and comment Within thirty (30) days after receipt of the
draft Parking Study, the City and Lithia shall provide their written comments
there to the Agency for inclusion in the final Parking Study The final Parking
Study shall be subject to review and approval by the Agency, City and Lithia,
which approval will not be unreasonably withheld, conditioned or delayed

8.2 Environmental Due Diligence. Provided the Parking Study has determined
that an additional parking facility or facilities are required for the Project Area,
the Agency will cause to be undertaken a Phase 1 environmental investigation
for the parcels identified (“Designated Properties”) as being suitable for the
New Parking Facilities and a Phase 2 investigation if recommended by the
Phase 1 The Phase 2 environmental investigation will provide an estimate of
the cost to mitigate any environmental contamination discovered on the
properties Based upon the Phase 2 and estimated cost to mitigate, the City, the
Agency and Lithia shall mutually agree whether or not to proceed with the
acquisition for the properties for the New Parking Facilities If it is agreed to
proceed with acquisition of the Designated Properties, the Parties shall amend
Schedule 3 1 to include acquisition, design, and construction for the New
Parking Facilities

8.3 Acquisition of Designated Properties Based upon the determination of the
Parties pursuant to Section 8 2 to acquire the Designated Properties, the Agency
will acquire for direct deeding to the City the Designated Properties through
negotiation, or through the exercise of its powers of eminent domain as
provided in ORS 457 170(3) and exercised pursuant to ORS Chapter 35 The
Parties acknowledge that the Agency agrees to consult with Lithia, as may be
reasonably requested by Lithia, as costs are being incurred by the Agency to
purchase the Designated Properties, including the costs incurred in connection
with the exercise of its powers of eminent domain, if required The Parties
acknowledge that increased costs to purchase the Designated Properties will
reduce the amount of the Agency’s Financial Participation to be used for the
other purposes set forth in Section 3 3

8.4 Design and Construction of New Parking Facilities The Parties recognize
that the New Parking Facilities could be surface parking, structured parking or a
combination of both depending upon the needs identified in the Parking Study
The City and the Agency recognize that it may be cost effective to have Lithia
design and construct whatever New Parking Facilities is ultimately determined
to be appropriate because of Lithia’s background, involvement and investment
within the Project Area and the Agency, agrees to use reasonable efforts to
make the necessary findings in compliance with ORS Chapter 279C and with
Section 58 of the Agency’s Contracting Code to allow Lithia to design and
construct the New Parking Facilities The design and construction of the New
Parking Facilities would be carried out using the CM/GC delivery method and
the design and construction costs shall be reimbursed on a monthly basis as
provided for in Section 55 The documentation of the design and construction
costs would follow the same CM/GC procedures as used for the Park Blocks
subject to any modifications that may be required by ORS Chapter 279C and the
then applicable Agency’s Contracting Code.

8.5 **Timing.** The timing for the construction of the New Parking Facilities will be
determined by the Parking Study Once the timing and the Designated
Properties have been established, the Parties will cause the design and
construction of the New Parking Facilities in accordance with the modified
Schedule 31

8.6 **Ownership and Management of New Parking Facilities.** Within thirty (30)
days of completion of the New Parking Facilities the Agency will convey
ownership of the New Parking Facilities to the City The City will take title to
the Designated Properties and will own and operate the New Parking Facilities
The City of Medford will operate the New Parking Facilities as a public parking
facility in a manner consistent with the requirements for tax-exempt financings
of public parking garages The City of Medford will offer monthly parking on a
first come first serve basis, subject to limitations imposed by the Internal
Revenue Service in connection with the tax-exempt financings of public parking
garages

8.7 **Lithia’s Ability to Contract For Parking Spacess.** Lithia shall have the right
to contract with the City to use parking spaces in the Existing Parking Facility
from and after substantial completion of Lithia’s Headquarters Building The
terms and conditions for such parking space in the Existing Parking Facility
shall be on the same basis that parking spaces are made available to other
businesses in the Project Area that require long term parking for their owners,
officers or employees The City will advise Lithia in writing from time to time,
upon Lithia’s written request, of the number of available parking spaces
generally available on a monthly basis in the Existing Parking Facility
Additionally, prior to substantial completion of the Headquarters Building, the
City agrees to notify Lithia in writing of any proposed contracts to make
available twenty (20) or more parking spaces to a single business, solely for the
purpose of allowing Lithia to contract for the use of any other available parking
spaces in the Existing Parking Facility At such time as the New Parking
Facilities (or any portion thereof) have been completed and open to the public,
provided the Headquarters Building has been substantially completed, Lithia
shall have the right to contract with the City to use the number of parking spaces
in the New Parking Facilities as recommended in the Parking Study The terms
and conditions for the parking spaces in the New Parking Facilities shall be on
the same basis parking spaces are made available to other businesses in the
Project Area that require long term parking for their owners, officers or
employees
SECTION 9. INFRASTRUCTURE

The Parties acknowledge that certain public improvements or infrastructure will be required to support the projects identified in Section 3 of this Agreement, including, but not limited to, sidewalks, curbs, gutters, traffic and street improvements, lighting and utilities, and other improvements, both on-site and off-site.

SECTION 10. PARK BLOCK PARCELS ENVIRONMENTAL CONDITIONS AND ABATEMENT

10.1 Environmental Reports. Under the Original DDA, the Agency retained an environmental consultant and conducted a Petroleum Phase 1 Environmental Assessment ("Phase 1 Report") in accordance with ASTM Standard E1527-05 (Standard Practice for Environmental Site Assessments Phase 1 Environmental Site Assessment Process) or comparable standards recognized as such by DEQ or US Environmental Protection Agency as to each of the Park Block Parcels. For those Phase 1 Reports that recommended that there be soil, groundwater or other petroleum based testing ("Phase 2 Testing"), the Agency undertook a Limited Petroleum Phase 2 Testing and the preparation of Interim Planning for Brownfield Redevelopment (IPBR) reports for six (6) tax lots describing the need and the cost for the preparation of Supplemental Phase II ESA.

10.2 Environmental Remediation. The Parties acknowledge and Lithia and the Agency recognize that the environmental remediation activities will occur as a component of the CM/GC contract for Park Block Construction. As a condition of the CM/GC Park Block Construction contract Lithia will:

10.2.1 Cause to be prepared, Supplemental Phase II ESAs as required by applicable law or as mutually agreed by the Parties. It shall be the responsibility of Lithia to submit the completed Phase II for the Agency's and City's review and approval as set forth in Section 5.2,

10.2.2 The Agency, as specified in the CM/GC Contract, will not unreasonably withhold its consent to the commencement of the environmental remediation so long as there are funds available in the Agency's Financial Participation. If funds are not available, Lithia, at its option, may incur such costs and be reimbursed by the Agency in the same manner as provided for in Section 5.5.

10.2.3 Secure for the benefit of the Agency, a no further action letter or other approval ("NFA") from the Oregon Department of Environmental Quality ("ODEQ"), if required by the ODEQ, and deliver the NFA to the Agency prior to commencement of construction of each Park Block.

SECTION 11. LIBERTY PARK

The City and the Agency desire to develop a neighborhood park in or nearby to the Liberty neighborhood in the City of Medford ("Liberty Park") described as Urban Renewal Project.
URP No 017 (Beatty/Manzanita) in the Plan A plan for Liberty Park shall be prepared and approved in accordance with Schedule 3 1 Lithia will contribute up to $500,000 of value towards the development of Liberty Park, which may consist of land, materials, services and/or cash contributions. The timing, terms and conditions for such contribution shall be included as part of the plan for Liberty Park. The City will complete construction of Liberty Park on or before the Commencement of Occupancy for the Headquarters Building as provided for in Section 7 3.

SECTION 12. NEW MARKET TAX CREDITS

The City and Lithia acknowledge that various projects within the Project Area may qualify for the New Markets Tax Credits (“NMTC”) Program. The City and Lithia agree to jointly provide a written request to the Agency for the payment of the costs to pursue the NMTC in an amount not to exceed $50,000.

SECTION 13 GENERAL OBLIGATIONS OF THE PARTIES

13.1 Design Processes. All design and construction in the Project Area shall be subject to all applicable provisions and public processes of the Medford City Code, including, but not limited to, the Medford Land Development Code.

13.2 Demolition and Environmental Mitigation. As part of the Park Block Parcels and New Parking Facilities construction Lithia will be responsible for demolition and environmental remediation as part of the CM/GC contract for the construction of those facilities subject to monthly reimbursement as provided in Section 5 5.

13.3 Construction Standards. Any Party undertaking construction of improvements pursuant to terms of this Agreement shall comply with all applicable laws, including, but not limited to, the Americans with Disabilities Act (42 U S C Section 1201 et seq).

13.4 Prevailing Wages. In connection with the construction of the Park Blocks, the remodel of the Existing Parking Facility, or the New Parking Facilities (if agreed to be constructed), Lithia will select contractors who pay Oregon Bureau of Labor and Industries published Prevailing Wage rates (OAR 389-025-0220) and will otherwise comply with Oregon’s Prevailing Wage Law. With regard to the construction of the Park Blocks, the remodel of the Existing Parking Facility or the New Parking Facilities, and all infrastructure related thereto, Lithia and its contractors and subcontractors shall comply with ORS 279C 840, and Lithia shall include in its contracts and subcontracts all of the contractual provisions required by ORS 279C 830.

13.5 Cooperation by City and Agency. The City and the Agency, as applicable, shall use good faith efforts to coordinate and consolidate all necessary permits and approvals for the Park Blocks, the Headquarters Building, the Existing Parking Facility and the New Parking Facilities in order to secure the required approvals. To the extent that street vacations, dedications or modifications to
any streets, roadways or alleyways located in the Project Area are required, the
City and Agency, as applicable, shall use good faith efforts in undertaking such
activities in order for the Park Blocks, the Headquarters Building, the remodel
of the Existing Parking Facility, and the New Parking Facilities to be approved
and constructed in a timely manner

13.6 **Coordination Meetings.** To coordinate the various components of the Project,
the City, the Agency, and Lithia agree to attend twice-monthly meetings during
the planning, development and construction of the Park Blocks, the
Headquarters Building or the remodel of the Existing Parking Facility and to
have the appropriate representatives from the various departments of each
organization, including appropriate outside professionals in order to expedite all
required approvals for the Project. The City, the Agency and Lithia may
mutually agree to modify the number and timing of such meetings as needed for
the planning, development and construction of the Project.

13.7 **No New Adverse Regulations.** Until the improvements intend to be
constructed hereunder by Lithia and placed into service, the City shall not adopt
any ordinance, regulation, rule or requirements that would materially and
adversely affect such improvements, unless adoption of any such ordinance,
regulation, rule or requirements are mandated by federal or state statutes.

SECTION 14. ASSIGNMENT AND TRANSFER PROVISIONS

14.1 **Definition of Transfer.** As used in this Agreement, the term “Transfer” means
any one or more of the following

14.1.1 Any assignment by Lithia of all or any part of this Agreement, or

14.1.2 Any assignment by operation or law, but excluding a merger or
consolidation of Lithia into another entity, or any sale or lease of all or
substantially all of the assets of Lithia to another entity provided that
the succeeding entity agrees to assume all of Lithia’s obligations under
this Agreement

14.2 **Purpose of Restrictions.** Lithia represents and agrees that its undertakings
pursuant to this Agreement, are and shall be used for the purposes of timely
development thereof and not for speculation in land holding. Lithia recognizes
that in view of the following factors, the qualifications of Lithia are of particular
concern to the community, City and Agency

14.2.1 The importance of the development of the Park Block Parcels to
Agency’s interest in the adjacent blocks and properties to be
developed as part of the Project, and to the general welfare of the
community, with particular reference to the community’s objectives in
the Project

14.2.2 The reliance by Agency upon the unique qualifications and ability of
Lithia to serve as the catalyst for development of the Project and upon
the continuing interest which Lithia shall have in the Project to assure
the quality of the use, operation and maintenance deemed critical by
Agency in the development of the Project

14.2.3 The importance to City, Agency and the community of the standards
of use, operation and maintenance of the Project

14.2.4 Lithia further recognizes that it is because of such qualifications and
identity that City and Agency are entering into this Agreement with
Lithia. No voluntary or involuntary successor in interest of Lithia
shall acquire any rights or powers under this Agreement except as
expressly set forth herein

14.3 **Permitted Transfers.** Notwithstanding anything in Section 14.1 or 14.2 to the
contrary, the following Transfers shall be permitted

14.3.1 The granting of easements or permits to facilitate the development of
the Project

14.3.2 The granting of any security interest for financing the acquisition and
development of the Project

14.3.3 Formation of joint ventures, limited liability companies or partnerships
entered into by Lithia with third parties for the purpose of Project
financing and development so long as Lithia or a wholly owned
subsidiary of Lithia or its parent company, LMI, remains the sole
general partner or managing general partner or managing venture
partner of any joint venture or partnership and holds at least a fifty-one
percent (51%) ownership interest in such joint venture or partnership,
or Lithia, or a wholly owned subsidiary of Lithia or LMI, is the sole
manager or managing member of any member managed limited
liability company and holds at least a fifty-one percent (51%)
membership interest in any limited liability company and that are
approved in writing by the City through the City’s City Manager
(“City Manager”) after review by the City Manager with City Council
Neither the City Manager’s approval nor the City Council’s review
shall be unreasonably withheld, conditioned or delayed, provided the
City Manager may condition the City’s approval on Lithia remaining
fully responsible to the Agency and the City to the extent of its
obligation under this Agreement, and the proposed joint venture
agreement, limited liability operating agreement or partnership
agreement does not require or result in any diminution of City’s or
Agency’s rights under this Agreement. Unless rejected or approved
subject to conditions by the Agency within ten (10) calendar days of
submission by Lithia, the formation of such joint venture, limited
liability company or partnership and admission of the proposed joint
venturers, limited liability company, members or managers, or partners
as a result thereof shall be deemed approved. In connection with
obtaining the City’s approval pursuant to this Section 14.3.3, Lithia
may be required to submit the proposed joint venture agreement, limited liability company agreement or partnership agreement to the City Manager as is reasonably necessary for the City Manager to determine compliance with the foregoing conditions for approval.

14.3.4 A merger or consolidation of Lithia into another entity, or any sale or loss of all or substantially all of the assets of Lithia, provided that the succeeding entity agrees to assume all of Lithia's obligations under this Agreement.

14.3.5 The provisions of this Section 14 shall only apply to the Park Blocks, New Parking Facilities, and the Headquarters Building and shall not apply to any other improvements developed by Lithia or by any third parties whether or not they may joint venture or otherwise participate with Lithia in such other improvements.

14.4 Transfers by City or Agency. Neither the City nor the Agency shall transfer any of their respective rights or obligations under this Agreement (except by operation of law in accordance with ORS 457 055 and 457 075) without the prior written approval of Lithia, which approval shall not be unreasonably be withheld, conditioned or delayed.

SECTION 15. DEFAULT; REMEDIES

15.1 Default by Lithia. A default shall occur.

15.1.1 If Lithia breaches any material provision of this Agreement, whether by action or inaction, and such breach continues and is not remedied within thirty (30) days after Lithia receives written notice from the City specifying the breach, provided in the case of a breach which cannot with due diligence be cured within such thirty (30) day period, a default shall occur if Lithia does not commence to cure the breach within such thirty (30) day period and thereafter diligently prosecutes the cure to completion.

15.1.2 If Lithia makes any assignment for the benefit of creditors, or is adjudicated a bankrupt, or has a receiver, trustee or creditor's committee appointed over it that is not removed within ninety (90) days after appointment.

15.1.3 If Lithia voluntarily or involuntarily undertakes or attempts to undertake a Transfer in violation of Section 14.4.

15.2 Default by City. A default shall occur.

15.2.1 If City breaches any material provision of this Agreement, whether by action or inaction, and such breach continues and is not remedied within thirty (30) days after the City receives written notice from
Lithia specifying the breach, provided in the case of a breach which cannot with due diligence be cured within such thirty (30) day period, if the City does not commence to cure the breach within such thirty (30) day period and thereafter diligently prosecutes the cure to completion

15.2.1 If City voluntarily or involuntarily undertakes to assign any of its rights or obligations under this Agreement in violation of Section 14 4

15.3 Default by Agency. A default shall occur

15.3.1 If Agency breaches any material provision of this Agreement, whether by action or inaction, and such breach continues and is not remedied within thirty (30) days after the Agency receives written notice from Lithia specifying the breach, provided in the case of a breach which cannot with due diligence be cured within such thirty (30) day period, if the Agency does not commence to cure the breach within such thirty (30) day period and thereafter diligently prosecutes the cure to completion

15.3.2 If Agency voluntarily or involuntarily undertakes to assign any of its rights or obligations under this Agreement in violation of Section 14 4

15.4 Nonexclusive Remedies. The rights and remedies provided by this Agreement shall not be deemed exclusive, except where otherwise indicated, and shall be in addition to any and all rights otherwise available at law or in equity. The exercise by any Party of one or more of such remedies shall not preclude the exercise by it, at the same or different times, of any other such remedies for the same default or of any of its remedies for any other default by the another Party, including, without limitation, the right to compel specific performance. Any limitation of remedies set forth herein should not limit or affect the obligations of a Party under any contractual indemnities set forth herein

15.5 Dispute Resolution.

15.5.1 Mediation. If a dispute between the Parties arises out of or relating to this Agreement or the interpretation of this Agreement, the Parties agree to submit such dispute to a mutually agreed upon mediator, and to continue good faith mediation efforts until such dispute is resolved or any Party notifies the others in writing that it elects to withdraw from mediation

15.5.2 Tolling of Clock. The Parties acknowledge and agree, if it is necessary to renegotiate any of the provisions contained in this Agreement and/or either party initiates mediation pursuant to Section 15 5 1, the time periods for performance and/or calendar deadline(s) shall be tolled and/or suspended temporarily until completion of such renegotiation and/or mediation, after which time such party’s performance shall recommence and/or such calendar deadline(s) shall be recalculated
15.6 **Unavoidable Delay.**

15.6.1 **Definition.** No Party nor that Party’s successor in interest shall be considered in breach of or in default with respect to any obligation created hereunder or progress in respect thereto if the delay in performance of such obligations (the “Unavoidable Delay”) is due to causes that are unforeseeable, beyond its control, and without its fault or negligence, including but not limited to acts of God, acts of the public enemy, acts of the government, acts of the other Party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquake, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a Party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation action delays of litigation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar events and/or occurrences beyond the control of such Party. Instances of Unavoidable Delay shall not include or be based primarily upon the existence of unfavorable market or financial conditions affecting the Project or its economic viability.

15.6.2 **Request.** It is the purpose and intent of this provision that, in the event of the occurrence of any such Unavoidable Delay, the time or times for performance of the obligations of any Party, shall be extended for the period of the Unavoidable Delay, provided, however, that the Party seeking the benefit of this Section shall, within fifteen (15) days after the Party becomes aware of the causes of any such Unavoidable Delay, notify the other Party or Parties in writing of the cause or causes of the delay and the estimated time of correction and the other Party or Parties mutually agree there is an Unavoidable Delay and also agree to the time of correction. In any event, the total period of Unavoidable Delay shall not exceed 180 days.

**SECTION 16. TERM AND TERMINATION**

16.1 **Effective Date.** This Agreement is effective when all Parties have executed the Agreement, and this Agreement shall have an effective date which is the Effective Date mutually agreed upon by all Parties and first set forth above.

16.2 **Termination.** This Agreement shall terminate upon the earlier of

16.2.1 In the event Lithia gives a notice of termination pursuant to Section 5.2 or Section 7.3

16.2.2 In the event this Agreement terminates automatically pursuant to the provisions of Section 7.3.
16.2.3 In the event an uncured default exists pursuant to Section 15 and the
written election of all non-defaulting parties to terminate this
Agreement

16.2.4 Upon the mutual agreement of the Parties in writing

16.2.5 At Agency’s election, at such time as the Agency has fully paid out the
Agency Financial Participation

SECTION 17. MISCELLANEOUS PROVISIONS

17.1 Conflict of Interests. No member, official or employee of City or Agency
shall make any decision relating to the Agreement which affects the member’s,
official’s, or employee’s personal interests or the interests of any corporation,
partnership or association in which member, official, or employee is directly or
indirectly interested. Lithia warrants that it has not paid or given, and shall not
pay or give, any third person any money or other consideration for obtaining
this Agreement

17.2 Non-Liability of City or Agency, Officials, Employees, and Agents. No
member, official, employee or agent of the City or Agency shall be personally
liable to Lithia, or any successor in interest, in the event of any default or breach
by City or Agency or for any amount, which may become due to Lithia or
successor or on any obligation under the terms of this Agreement

17.3 Discrimination. Lithia, for itself and its successor and assigns, agrees that in
carrying out its obligations under this Agreement, it will not discriminate
against any employee or applicant for employment because of race, color,
religion, age, gender, sexual orientation or national origin

17.4 Notice.

17.4.1 Form of Delivery. Any notice or communication under this
Agreement by any Party to the others shall be deemed given and
delivered (a) forty-eight (48) hours after being dispatched by
registered or certified U.S. mail, postage prepaid, return receipt
requested, or (b) when received if personally delivered, and

17.4.2 Notices to Lithia. In the case of a notice or communication to Lithia,
addressed as follows

Lithia Real Estate, Inc
360 East Jackson
Medford, OR 97501
Attn Mark DeBoer

With a copy to Michael R Silvey
Roberts Kaplan LLP
601 SW 2nd Avenue, Suite 1800
Portland, OR 97204-3171
17.4.3 Notices to Agency. In the case of a notice or communication to
Agent, addressed as follows

Medford Urban Renewal Agency
45 S Holly
Medford, OR 97501
Attn Executive Director

With a copy to Daniel Thorndike, Attorney at Law
P O Box 1588
Medford, OR 97501-0244

17.4.4 Notices to City. In the case of a notice or communication to City,
addressed as follows

City of Medford
411 W 8th Street, Room 312
Medford, OR 97501
Attn City Manager

With a copy to John Huttl
City Attorney’s Office
411 W 8th Street, Room 332
Medford, OR 97501

, or addressed in such other way in respect to either Party as that Party may, from time
to time, designate in writing dispatched as provided in this Section 17.4 Notice given
in any other manner shall be effective upon receipt by the Party for whom the same is
intended

17.5 Successors and Assigns. Subject to the provisions of Section 14, the benefits
conferred by this Agreement, and the obligations assumed thereunder, shall
inure to the benefit of and bind the successors and assigns of the Parties

17.6 Place of Enforcement. Any action or suit to enforce or construe any provision
of this Agreement by any Party shall be brought in the Circuit Court of the State
of Oregon for Jackson County, or the United States District Court for the
District of Oregon, in the venue assigned for Medford, Oregon

17.7 No Partnership. Nothing contained in this Agreement or any acts of the
Parties hereby shall be deemed or construed by the Parties, or by any third
person, to create the relationship of principal and agent, or of partnership, or of
joint venture, or any association between any of the Parties

17.8 Non-Waiver of Government Rights. Subject to the terms and conditions of
this Agreement, by making this Agreement and complying with the applicable
provisions hereof, City and Agency are specifically not obligating the Agency,
the City, or any other agency with respect to any discretionary governmental
action relating to development or operation of the improvements to be
constructed within or as a part of the Project, including, but not limited to,
rezoning, variances, environmental clearances or any other governmental
approvals which are or may be required, except as expressly set forth herein

17.9 **Reasonable Approvals.** The approval of a Party of any documentation or
submissions herein called for shall not be unreasonably withheld, except where
rights of approval are expressly reserved to a Party’s sole discretion in this
Agreement. All such approvals shall be given or denied in a timely and
expeditious fashion.

17.10 **Amendments and Modifications.** Any amendments or modifications to this
Agreement shall be made in writing, approved in the manner as this Agreement
was initially approved, and executed by all Parties. Notwithstanding this
general requirement, the City Manager and Agency Director may approve
Minor Modifications to this Agreement without City Council or Agency Board
approval. “Minor Modifications” include corrections of errors, clarifications,
or other modifications that do not change the substantive content of this
Agreement.

17.11 **Time is of the Essence.** Time is of the essence in the performance of and
adherence to each and every provision of this Agreement.

17.12 **Non-Waiver.** Waiver by any Party of strict performance of any provision of
this Agreement shall not be deemed a waiver of or prejudice a Party’s right to
require strict performance of the same or any other provision in the future. A
claimed waiver must be in writing and signed by the applicable Party granting a
waiver. A waiver of one provision of this Agreement shall be a waiver of only
that provision. A waiver of a provision in one instance shall be a waiver only
for that instance, unless the waiver explicitly waives that provision for all
instances.

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

If a material provision of this Agreement is held invalid or unenforceable such
that a Party does not receive the benefit of its bargain, then the other Parties
shall renegotiate in good faith terms and provisions that will effectuate the spirit
and intent of the Parties’ agreement herein.

17.14 **Calculation of Time.** Unless referred to as Business Days, all periods of time
shall include Saturdays, Sundays, and Legal Holidays. However, if the last day
of any period falls on a Saturday, Sunday, or Legal Holiday, then the period
shall be extended to include the next day which is not a Saturday, Sunday, or
Legal Holiday. “Business Days” shall mean Monday through Friday, and
“Legal Holiday” shall mean any holiday observed by the State of Oregon.
17.15 **Headings, Table of Contents.** The section Headings and Table of Contents are for convenience in reference and are not intended to define or limit the scope of any provision of this Agreement.

17.16 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

17.17 **Attorneys’ Fees.** If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code) is instituted in connection with any controversy arising out of this Agreement or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover its attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary, as determined by the court at trial or on any appeal or review, in addition to all other amounts provided by law.

17.18 **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties as to the subject matter covered by this Agreement.

17.19 **Interpretation of Agreement.** This Agreement is the result of arm’s-length negotiations between the Parties and shall not be construed against any Party by reason of its preparation of this Agreement.

17.20 **Future Assurances.** Each of the Parties shall promptly execute and deliver such additional documents and shall do such acts that are reasonably necessary, in connection with the performance of their respective obligations under this Agreement and any applicable schedules so as to carry out the intent of this Agreement.

17.21 **Capacity to Execute; Mutual Representations.** The Parties each warrant and represent to the others that this Agreement constitutes a legal, valid, and binding obligation of that Party. Without limiting the generality of the foregoing, each Party represents that its governing authority and, in the case of the Agency and the City, its board and council respectively, has authorized the execution, delivery, and performance of this Agreement by it. The individuals executing this Agreement warrant that they have full authority to execute this Agreement on behalf of the entity for whom they purport to be acting. Each Party represents to the others that neither the execution and delivery of the Agreement, nor the consummation of the transactions contemplated hereby will violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, government agency, or court to which it is subject or any provision of its charter or bylaws, or conflict with, result in a breach of, or constitute a default under any other agreement to which it is a party or by which it is bound. Each Party represents to the others that it does not need to give any notice to, make any filing with, or obtain the consent of any other entity or person to consummate the transaction contemplated by this Agreement.
17.22 **Exhibits and Schedules.** The Exhibits and Schedules attached to this Agreement are an integral part of this Agreement and are fully incorporated into this Agreement where they are referenced in the text of this Agreement.

[THE REMAINDER OF THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK – SIGNATURES ON FOLLOWING PAGE]
Executed in multiple counterparts as of the day and year first below

CITY OF MEDFORD

By

Executed Date 2/18/2010

Its

ATTEST

APPROVED AS TO FORM

By 9 5 3 8

Date 2/18/10

City Attorney

MEDFORD URBAN RENEWAL AGENCY

By

Executed Date 2/11/10

Executive Director

APPROVED AS TO FORM

By

Date 11 Feb. 2010

Agency Legal Counsel

LITHIA REAL ESTATE, INC, an Oregon corporation

By

Title VP

Executed Date 2/18/2010
<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
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<tr>
<td>Exhibit A</td>
<td>Project Area</td>
</tr>
<tr>
<td>Schedule 1</td>
<td>Defined Terms</td>
</tr>
<tr>
<td>Schedule 3.1</td>
<td>Anticipated amounts and the timing of the availability of the Agency's Financial Participation</td>
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<tr>
<td>Schedule 4.1</td>
<td>Parcel Designations and Map</td>
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<td>Schedule 4.4</td>
<td>Form of Statutory Special Warranty Deed</td>
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<tr>
<td>Schedule 5.1</td>
<td>Location of Park Blocks 1 and 2</td>
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<tr>
<td>Schedule 7.1</td>
<td>Headquarters Building and Parcel</td>
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Exhibit A

THE COMMONS PROJECT AREA
SCHEDULE 1

DEFINED TERMS

"Acquisition Policies"  is defined in Section 4.3

"Additional Costs"  is defined in Section 3.4

"Agency"  means the Medford Urban Renewal Agency

"Agency Actions"  is defined in Section 3.5

"Agency's Contracting Code"  is defined in Section 5.2

"Agency's Financial Participation"  is defined in Section 3.1

"Agency's Park Block Contribution Amount"  is defined in Section 4.3

"Agency's Park Block 1 Contribution"  is defined in Section 4.3

"Agency’s Park Block 2 Contribution"  is defined in Section 4.3

"Agreement"  means Amended and Restated Agreement for Disposition and Development of Property

"Business Day"  is defined in Section 17.15

"City"  means the City of Medford

"City Manager"  is defined in Subsection 14.3.3

"CM/GC"  is defined in Section 5.4

"Commencement of Construction"  is defined in Section 11

"Commencement of Occupancy"  is defined in Section 11

"Designated Properties"  is defined in Section 8.2

"Escrow Agent"  means Lawyers Title Insurance Company, 502 West Main Street, Suite 103, Medford, OR 97501
“Existing Parking Facility” means the existing parking facility owned by the City as shown on Exhibit A containing approximately 400 parking spaces.

“Exemption From Public Bidding” is defined in Section 5 2

“Funding Mechanism” is defined in Section 5 9

“Headquarters Building” is defined in Section 7 1

“Headquarters Parcel” is defined in Section 7 1

“Indexed” means taking the amount in question and increasing it on July 1st each year by an amount equal to the increase, but not decrease, of Revised Consumer Price Index for Urban Consumers (all Items) U.S. Cities Average (1982-4 = 100) (“Index”) published by the United States Department of Labor ninety (90) days prior to July 1st of each year. If the Index is converted to a different standard reference base or otherwise revised, the determination of the applicable percentage increase shall be made with the use of a conversion factor, formula or table to arrive at the different reference base. If the Index is discontinued or a conversion table to the new standard is unavailable, the Park Utility Plan shall provide that the City shall select a substitute standard that closely approximates the prior Index.

“Legal Holiday” is defined in Section 17 14

“Liberty Park” is defined in Section 11

“Lithia” means Lithia Real Estate, Inc

“LMI” means Lithia Motors, Inc

“Minor Modification” is defined in Section 17 10
"New Parking Facilities" is defined in Section 8 1

"NFA" is defined in Section 10 2

"NMTC" is defined in Section 12

"ODEQ" is defined in Section 10 1

"Original DDA" means Agreement for Disposition and Development of Property and Amendment No 1

"Outside Approval Date" is defined in Section 5 2

"Park Amenities and Maintenance Plan" or "PAMP" is defined in Section 5 8

"Park Block 1" means that park block located and designated as such on Schedule 5 1

"Park Block 1 Parcels" is defined in Section 4 1

"Park Block 2" means that park block located and designated as such on Schedule 5 1

"Park Block 2 Parcels" is defined in Section 4 1

"Park Block Construction" is defined in Section 5 4

"Park Block Construction Costs" is defined in Section 5 6

"Park Blocks" is defined in Section 5 1

"Park Plans" is defined in Subsection 2 2 2

"Park Standard" is defined in Section 5 7

"Parking Study" is defined in Section 8 1

"Parties" and "Party" is defined as jointly reference to City, Agency and Lithia, with each individually as a "Party"

"Permitted Exceptions" is defined in Section 4 5 1
“Phase 1 Report” is defined in Section 10.1
“Phase 2 Testing” is defined in Section 10.1
“Plan” is defined in Recital A
“Plans Reimbursement Amount” is defined in Section 3.6
“Project Area”, “Project” or “The Commons Project” is defined in Recital B
“REIT” is defined in Section 4.2
“REIT Parcels” is defined in Section 4.2
“Remnant Parcel and Remnant Parcels” is defined in Section 4.7
“Remodel” is defined in Section 6.2
“SDCs” is defined in Section 5.8
“The Commons Project” is defined in Recital B
“Third Party Borrowing” is defined in Section 3.2
“Title Reports” is defined in Subsection 4.5.1
“Transfer” is defined in Section 14.1
“Unavoidable Delay” is defined in Section 15.6.1
“Water Service Upgrade” is defined in Subsection 2.2.1
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<th>Week 1</th>
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<td>Task B</td>
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**THE CONTRACTUAL AGREEMENT**

Schedule & Performance & Financial Participation Schedule
SCHEDULE 4.1

PARCEL DESIGNATIONS AND MAP

(follows)
## Schedule 4.1

**THE COMMONS PROJECT**  
November 11, 2009

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*The square footage will be reduced partially at such time as the width of the alley way adjacent to Park Block 1 is determined.*
FORM OF STATUTORY SPECIAL WARRANTY DEED

Until a change is requested, all
tax statements shall be sent to

After recording, send to


STATUTORY SPECIAL WARRANTY DEED

, Grantor, conveys and warrants to
MEDFORD URBAN RENEWAL AGENCY, a public body corporate and politic, organized
and existing under ORS Chapter 457 as the urban renewal agency of the City of Medford,
Oregon, Grantee, the following described real property described in attached Exhibit A, which is
incorporated herein by this reference (the "Property"), free of encumbrances created or suffered by
the Grantor, except as specifically set forth in Exhibit B, which is incorporated herein by this
reference.

The true and actual consideration for this transfer is other property or other value given or
promised.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON
TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS,
IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO
11, CHAPTER 424, OREGON LAWS 2007. THIS INSTRUMENT DOES NOT ALLOW
USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF
APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR
ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE
PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY
PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING
TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED
IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR
PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR
FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE
RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300,
195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON
LAWS 2007.

DATED this _____ day of ____________________, 20__

By ______________________________________
Name ______________________________________
Its ______________________________________
STATE OF ______  )
   ) ss
County of ______  )

This instrument was acknowledged before me on the ______ day of
____________________, 20___ by ____________________________ as
____________________of ________________________

Notary Public for _______________________
My Commission Expires ___________________
EXHIBIT A

Legal Description
EXHIBIT B

Encumbrances
LOCATION OF PARK BLOCKS 1 AND 2
Schedule 7.1

HEADQUARTERS BUILDING AND PARCEL