

RESOLUTION NO. 1680

A RESOLUTION OF THE CITY OF WILSONVILLE AUTHORIZING AMENDMENT TO PROMISSORY NOTES AND TRUST DEEDS BY AND BETWEEN VILLAGE AT MAIN STREET - PHASE I, LLC, AN OREGON LIMITED LIABILITY COMPANY ("VMS - I"), VILLAGE AT MAIN STREET - PHASE II, LLC, AN OREGON LIMITED LIABILITY COMPANY ("VMS - II"), AND VILLAGE AT MAIN STREET - PHASE III, LLC, AN OREGON LIMITED LIABILITY COMPANY ("VMS - III") (VMS - I, VMS - II AND VMS - III BEING COLLECTIVELY REFERRED TO HEREIN AS "OWNER"), AND THE CITY OF WILSONVILLE, OREGON, AN OREGON MUNICIPAL CORPORATION ("CITY"); AND THE CITY TO ENTER INTO SUBORDINATION AND STANDSTILL AGREEMENT WITH UBS PRINCIPAL FINANCE LLC, A DELAWARE LIMITED LIABILITY COMPANY ("UBS"), AND OWNER.

WHEREAS, the Owner has developed the commercial phase together with 256 apartments as VMS-I of a 50-acre planned development commercial and residential development (VMS II and III are the second and third phases), and has been experiencing financial difficulties in making its payments on its System Development Charge indebtedness to the City for VMS - I; and

WHEREAS, the City's Finance Director has reviewed the various action options with the City Council which the City could undertake; and

WHEREAS, the City Council finds that it is in the public's interest not to pursue foreclosure at this time and to support the Owner's payment plan through permanent financing by UBS, which will bring owner current on its financing payments with the City, provide the City with principal paydown of \$500,000, all other construction liens will be cleared and the Owner will be in a positive cash flow position to stay current with the City. In return the City will forego its foreclosure rights on the VMS - I security for ten years. Nevertheless, this debt reduction and payment plan should stabilize the development financially, energize a highly visible area of the City, and repay the City in an orderly and prudent manner.

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

1. The Mayor is authorized to execute on behalf of the City the Amendment to Promissory Notes and Trust Deeds, a copy of which is attached as Exhibit A and incorporated by reference as though fully set forth herein;

2. The Mayor is authorized to execute on behalf of the City the Subordination and Standstill Agreement, a copy of which is attached as Exhibit B and incorporated by reference as though fully set forth herein.

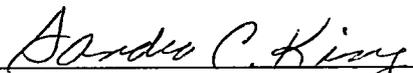
3. Provided, further, VMS - II and VMS - III have filed development applications with the City, which have been accepted for processing under the determination that the negotiation of the entry into the above agreements constituted a prudent debt payment plan to allow processing the development applications pending and subject to the closing of the financing through UBS. If the financing closing does not occur before November 30, 2000, and the City brought current and be delivered the \$500,000 principal paydown and the construction liens cleared, then the processing of the application would terminate as contravening the City's debt collection policy.

ADOPTED by the Wilsonville City Council at a regular meeting thereof this 6th day of November, 2000, and filed with the Wilsonville City Recorder this date.



CHARLOTTE LEHAN, Mayor

ATTEST:



Sandra C. King, City Recorder, CMC

SUMMARY OF VOTES:

Mayor Lehan	<u>Yes</u>
Councilor Helser	<u>Yes</u>
Councilor Barton	<u>Yes</u>
Councilor Kirk	<u>Yes</u>
Councilor Holt	<u>Yes</u>

COPY

RECORDED IN CLACKAMAS COUNTY
JOHN KAUFFNER, COUNTY CLERK

2000-082428



\$71.00

00098670200000824280090092

12/26/2000 11:44:35 AM

M-MAND Cnt=2 Stn=2 TRISH
\$45.00 \$5.00 \$11.00 \$10.00

AFTER RECORDING RETURN TO:

City of Wilsonville
30000 SW Town Center Loop East
Wilsonville, OR 97070
Attn: Michael E. Kohlhoff, Esq.,
City Attorney

45
10
11
9P
5m
16408-C

AMENDMENT TO PROMISSORY NOTES AND TRUST DEEDS

THIS AMENDMENT TO PROMISSORY NOTES AND TRUST DEEDS is made and entered into this 18th day of December, 2000, by and between VMS OWNER, LLC, an Oregon limited liability company (formerly known as Village At Main Street – Phase I, LLC) ("VMSO"), VILLAGE AT MAIN STREET - PHASE II, LLC, an Oregon limited liability company ("VMS-II"), VILLAGE AT MAIN STREET - PHASE III, LLC, an Oregon limited liability company ("VMS-III"), and VILLAGE – PHASE I, LLC, an Oregon limited liability company ("Village") (VMSO, VMS-II, VMS-III and Village being collectively referred to herein as "Owner"), and CITY OF WILSONVILLE, OREGON, an Oregon municipal corporation ("City").

WITNESSETH:

WHEREAS, VMSO made and entered into that certain Promissory Note dated February 21, 1997 and payable to the order of City (the "Large Note"), which Large Note is secured by a Trust Deed dated February 21, 1997, recorded February 23, 1998, Clackamas County Recorder's Fee No. 98-013596 (the "Large Trust Deed" and, together with the Large Note, the "Large Loan"), encumbering certain real property, the legal description of which is attached hereto as Exhibit A and by this reference incorporated herein (the "Phase I Property"); and

WHEREAS, VMSO, VMS-II and VMS-III made and executed that certain Promissory Note dated September 4, 1999 and payable to the order of City (the "Small Note"), which Small Note is secured by that certain Trust Deed dated September 24, 1999, recorded September 27, 1999, Clackamas County Recorder's No. 99-093852 (the "Small Trust Deed" and, together with the Small Note, the "Small Loan"), encumbering certain real property which, in addition to the Phase I Property described on Exhibit A hereto, includes the real property described on Exhibit B attached hereto and by this reference incorporated herein (the "Phase II Property") and the real property described on

FIDELITY NATIONAL TITLE CO.

Exhibit C attached hereto and by this reference incorporated herein (the "Phase III Property"); and

WHEREAS, contemporaneously herewith, Village has become the owner of the Phase I Property; and

WHEREAS, Village desires to assume the Large Note and Small Note; and

WHEREAS, Village is in the process of refinancing the Phase I Property; and

WHEREAS, City has agreed to re-amortize the unpaid balances on the Large Note and the Small Note; and

WHEREAS, City has agreed to waive its right to require the Large Note to be paid in full at this time and to waive the right for the Small Note to be paid in full on the commencement of development of the Phase II Property or the Phase III Property; and

WHEREAS, City has additionally agreed to extend the maturity dates on the Large Loan and the Small Loan;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is mutually agreed as follows:

1. Village hereby assumes the Large Note and the Small Note.
2. As of the date hereof, the unpaid balance in the Large Note is One Million One Hundred Sixty Thousand Seven Hundred Ninety-Two and 58/100 (\$1,160,792.58) Dollars, with interest paid thereon through December 18, 2000.
3. As of the date hereof, Owner has not borrowed the entire \$506,260.00 principal balance of the Small Note. As of the date hereof, there is due and owing on the Small Note the sum of Forty-Seven Thousand Eight Hundred Forty-Three and 27/100 (\$47,843.27) Dollars, Owner reserving the right to borrow the entire principal balance thereof. Interest on the Small Note has been paid through December 18, 2000.
4. The Large Note is hereby amended to provide for semi-annual payments of principal and interest commencing on June 18, 2001 and December 18, 2001, and on each succeeding June 18 and December 18, each in the amount of Seventy-Eight Thousand Five Hundred Ninety-Four and 34/100 (\$78,594.34) Dollars. The entire principal balance of the Large Note and all accrued, but unpaid, interest thereon shall be due and payable in full on June 18, 2011.
5. City hereby waives any requirement that the Large Note be paid in full upon closing of the refinance by Village of the Phase I Property.

6. The Large Trust Deed is hereby amended to change all references contained therein to the maturity date of the Large Note secured thereby to be June 18, 2011 and to otherwise secure the Large Note as amended herein.

7. The Small Note is hereby amended to change the payment dates thereon to June 18 and December 18 of each year, commencing with the year 2001, and to provide that the principal amount outstanding, from time to time, will be payable in semi-annual payments that will amortize said amount including interest over a term ending June 18, 2011. The entire principal balance of the Small Note and all accrued, but unpaid, interest thereon shall be due and payable in full on June 18, 2011.

8. City hereby waives any requirement that the Small Note be paid in full upon closing of the refinance by Village of the Phase I Property or the commencement of construction on the Phase II Property or the Phase III Property. Upon closing of a construction loan for the development of the Phase II Property or the Phase III Property, if Owner is current in its obligations on the Large Loan and the Small Loan, City agrees to subordinate the encumbrance on the Phase II Property and the Phase III Property securing the Small Loan to any such construction loan.

9. The Small Trust Deed is hereby amended to change all references contained therein to the maturity date of the Small Note secured thereby to be June 18, 2011 and to otherwise secure the Small Note as amended herein.

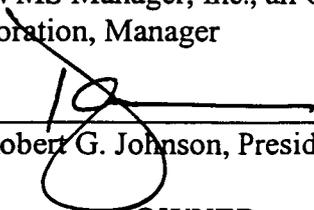
10. Except as amended hereby and except as modified pursuant to that certain Subordination and Standstill Agreement dated as of the date hereof, among UBS Warburg Real Estate Investments Inc., City and Owner, the Large Note and the Large Trust Deed and the Small Note and the Small Trust Deed shall remain the same and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment to Promissory Notes and Trust Deeds as of the day and year first above written.

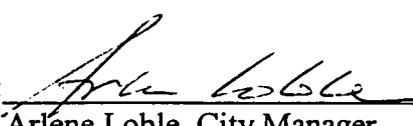
VILLAGE - PHASE I, LLC, an Oregon
limited liability company

City of Wilsonville, Oregon

By: VMS Manager, Inc., an Oregon
corporation, Manager

By: 
Robert G. Johnson, President

OWNER

By: 
Arlene Loble, City Manager

CITY

VILLAGE AT MAIN STREET -
PHASE II, LLC

By: [Signature]
Robert G. Johnson, Manager

VILLAGE AT MAIN STREET -
PHASE III, LLC

By: [Signature]
Robert G. Johnson, Manager

VMS OWNER, LLC

By: [Signature]
Robert G. Johnson, Manager

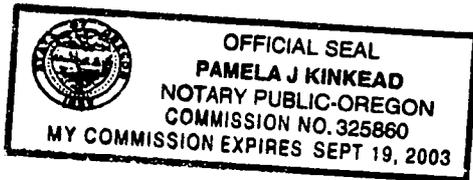
OWNER

STATE OF OREGON)
) SS.
County of Multnomah

This instrument was acknowledged before me on December 20, 2000 by Robert G. Johnson as President of VMS Manager, Inc., an Oregon corporation, acting in its capacity as Manager of Village - Phase I, LLC, an Oregon limited liability company.

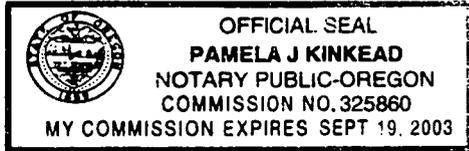
[Signature]

Notary Public for Oregon
My commission expires: 9/19/03



STATE OF OREGON)
County of Multnomah) SS.

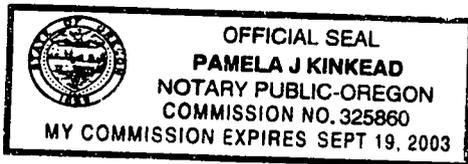
On this 20 day of December, 2000 before me personally appeared Robert G. Johnson, who being duly sworn, stated that he is the Manager of Village At Main Street - Phase II, LLC, and acknowledged the foregoing instrument to be the voluntary act and deed.



Pamela J Kinkead
Notary Public for Oregon
My commission expires: 9/19/03

STATE OF OREGON)
County of Multnomah) SS.

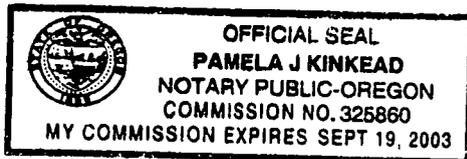
On this 20 day of December, 2000 before me personally appeared Robert G. Johnson, who being duly sworn, stated that he is the Manager of Village At Main Street - Phase III, LLC, and acknowledged the foregoing instrument to be the voluntary act and deed.



Pamela J Kinkead
Notary Public for Oregon
My commission expires: 9/19/03

STATE OF OREGON)
County of Multnomah) SS.

On this 20 day of December, 2000 before me personally appeared Robert G. Johnson, who being duly sworn, stated that he is the Manager of VMS Owner, LLC, and acknowledged the foregoing instrument to be the voluntary act and deed.

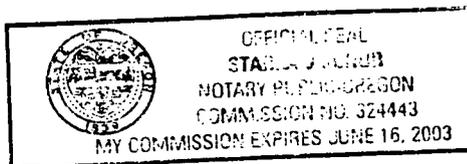


Pamela J Kinkead
Notary Public for Oregon
My commission expires: 9/19/03

STATE OF OREGON)
) SS.
County of Clackamas)

On this 15th day of December, 2000 before me personally appeared Arlene Loble, who being duly sworn, stated that she is the City Manager of City of Wilsonville, Oregon and acknowledged the foregoing instrument to be the voluntary act and deed.

Stella J. Ichur
Notary Public for Oregon
My commission expires: June 16, 2003



C

Exhibit "A"

Lots 1, 2, 3 and 4 of Main Street Village according to the plat recorded 12-22-2000 in
Book Page 3692 records of Clackamas County, in the City of Wilsonville, Clackamas
County, Oregon.

Exhibit "B"

Lot 7 of Main Street Village according to the plat recorded 12-22-2000 in
Book — Page 3642 records of Clackamas County, in the City of Wilsonville, Clackamas
County, Oregon.

Exhibit "C"

Lots 6, 8 and 9 of Main Street Village according to the plat recorded 12-22-2000 in
Book — Page 3442 records of Clackamas County, in the City of Wilsonville, Clackamas
County, Oregon.

Sandy

0252-01
12

CITY OF WILSONVILLE

GREENE & MARKLEY, P.C.

ATTORNEYS

THE 1515 BUILDING
1515 SW FIFTH AVENUE, SUITE 600
PORTLAND, OREGON 97201-5492

TELEPHONE: (503) 295-2668
FACSIMILE: (503) 224-8434
E-MAIL: email@greenemarkley.com
david.weiner@greenemarkley.com

JAN 16 2000

RECEIVED

OF COUNSEL
DAVID P. WEINER, P.C.

January 12, 2001

COPY

Michael E. Kohlhoff, Esq.
City Attorney
City of Wilsonville
30000 SW Town Center Loop East
Wilsonville, OR 97070

Re: Village - Phase I, LLC Refinance

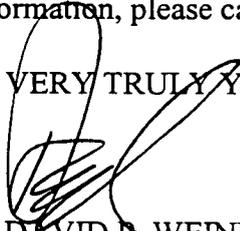
Dear Mike:

In connection with the above referred to matter, I have enclosed the following:

1. The original Acknowledgment of Unconditional Guaranty.
2. An original of the Correction and Agreement to Easement and Maintenance Agreement and Grant of License. This document was recorded on December 22, 2000 as Clackamas County Fee No. 2000-082007.
3. You should have received by this time the original Amendment to Promissory Notes and Trust Deeds which was recorded on December 26, 2000 as instrument no. 2000-082428.
4. An original of the Subordination and Standstill Agreement with UBS. The original of this document was recorded on December 26, 2000 as instrument no. 2000-082427.

Thank you for your assistance in closing this transaction. If I have neglected to forward anything to you or you require additional information, please call.

VERY TRULY YOURS,



DAVID P. WEINER

DPWhe
Enclosures
9268\016L-kohlhoff-1
cc: Village - Phase I, LLC (w/o encl)

ACKNOWLEDGMENT OF UNCONDITIONAL GUARANTY

THIS ACKNOWLEDGMENT OF UNCONDITIONAL GUARANTY is made and entered into this _____ day of December, 2000 by and between Robert G. Johnson ("RGJ") and Sharon B. Johnson (k/n/a Sharon B. Eder) (collectively, "Guarantors").

WHEREAS, RGJ had entered into that certain Agreement of Unconditional Guaranty dated February 21, 1997; and

WHEREAS, Guarantors had entered into that certain Agreement of Unconditional Guaranty dated September 24, 1999; and

WHEREAS, the unpaid balance on the Note guaranteed by RGJ pursuant to the Agreement of Unconditional Guaranty dated February 21, 1997 as of the date hereof, is approximately \$1,160,792.58; and

WHEREAS, the unpaid balance on the Note guaranteed by Guarantors pursuant to the Agreement of Unconditional Guaranty dated September 24, 1999 as of the date hereof, is approximately \$47,843.27 of the amount of \$506,260.00 which can be disbursed thereunder;

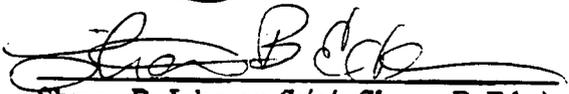
WHEREAS, pursuant to a refinance of the property, Village - Phase I, LLC, successor in interest of Village At Main Street - Phase I, LLC has requested that the City of Wilsonville, an Oregon municipal corporation ("City") execute a Subordination and Standstill Agreement as well as an Amendment to Promissory Notes and Trust Deeds; and

WHEREAS, City is willing to execute and deliver the requested documents, provided, however, Guarantors acknowledge their continuing obligations to the City pursuant to their Guarantees;

NOW, THEREFORE, for valuable consideration, the receipt of which is hereby acknowledged, RGJ hereby agrees and acknowledges that the Agreement of Unconditional Guaranty dated February 21, 1997 remains in full force and effect. Guarantors hereby acknowledge that the Agreement of Unconditional Guaranty dated September 24, 1999 remains in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Acknowledgment of Unconditional Guaranty the day and year first above written.


Robert G. Johnson


Sharon B. Johnson (k/n/a Sharon B. Eder)

Recorded
12/22/2000
Clackamas Co.
Fee No.
2000-082007

AFTER RECORDING RETURN TO:
David P. Weiner, Esq.
1515 SW Fifth Avenue
Suite 600
Portland, OR 97201

SEND TAX STATEMENTS TO:
No Change

COPY

**CORRECTION AND AMENDMENT TO
EASEMENT AND MAINTENANCE AGREEMENT
AND GRANT OF LICENSE**

THIS CORRECTION AND AMENDMENT TO EASEMENT AND MAINTENANCE AGREEMENT AND GRANT OF LICENSE is made and entered into this 18 day of December, 2000 by and between the **CITY OF WILSONVILLE, OREGON**, a municipal corporation ("City") and **VILLAGE AT MAIN STREET - PHASE I, LLC**, an Oregon limited liability company ("VMS-I").

WHEREAS, City and VMS-I entered into that certain Easement and Maintenance Agreement dated December 28, 1999, recorded October 9, 2000 as Clackamas County Fee No. 2000-065853 (the "Agreement"); and

WHEREAS, VMS-I desires to plat its property; and

WHEREAS, it is necessary to correct and amend the Agreement to eliminate the easement granting by the Agreement so as to allow the plat to be recorded; and

WHEREAS, City is willing to grant to VMS-I a license in lieu of said easement;

NOW, THEREFORE, it is mutually agreed as follows:

1. All capitalized terms shall have the meaning as set forth in the Agreement.
2. VMS-I hereby conveys and quit claims to City the easement described in paragraph 1 of the Agreement.

3. City hereby grants to VMS-I, its successors and assigns, a license for the maintenance of retaining walls in the Encroachment Areas as defined in the Agreement.

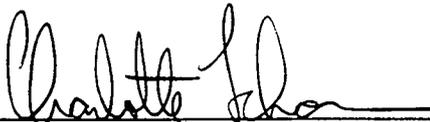
4. The Agreement is hereby amended by deleting the word "Easement" in each place that it appears and there is substituted in lieu thereof the word "License".

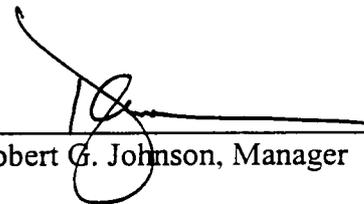
5. Except as amended hereby, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Correction and Amendment to Easement and Maintenance Agreement and Grant of License the day and year first above written.

CITY OF WILSONVILLE, OREGON,
a municipal corporation

VILLAGE AT MAIN STREET - PHASE I,
LLC, an Oregon limited liability company

By: 
Charlotte Lehan, Mayor

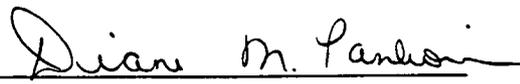
By: 
Robert G. Johnson, Manager

CITY

VMS-I

STATE OF OREGON)
) ss.
County of Clackamas)

The foregoing instrument was acknowledged before me this 15 day of December, 2000 by Charlotte Lehan, Mayor of City of Wilsonville, Oregon.

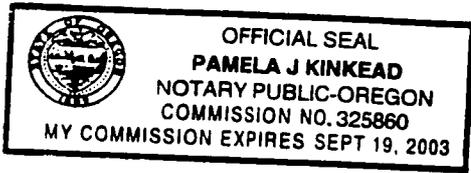

Notary Public for Oregon
My Commission Expires: 11/29/2003



//////
//////
//////
//////

STATE OF OREGON)
) ss.
County of Clackamas)

The foregoing instrument was acknowledged before me this 20 day of December, 2000 by Robert G. Johnson, Manager of Village at Main Street - Phase I, LLC.



Pamela J. Kinkead
Notary Public for Oregon
My Commission Expires: 9/19/03

APPROVED AS TO FORM
this 15 day of December, 2000.

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

ACCEPTED on behalf of the City of Wilsonville, Oregon
this 15th day of December, 2000.

Charlotte Lehan
Charlotte Lehan, Mayor

ATTESTED TO:

Sandra C. King
Sandra C. King, CMC, City recorder

12/15/00
Date

//////

//////

45
10
11
9P
5m
16408-C

FIDELITY NATIONAL TITLE CO.

RECORDED CLACKAMAS COUNTY
JOHN KAUFMAN, COUNTY CLERK

2000-082428



00098670200000824280090092

\$71.00

12/26/2000 11:44:35 A

M-MAMD Cnt=2 Stn=2 TRISH
\$45.00 \$5.00 \$11.00 \$10.00

COPY

AMENDMENT TO PROMISSORY NOTES AND TRUST DEEDS

THIS AMENDMENT TO PROMISSORY NOTES AND TRUST DEEDS is made and entered into this 18th day of December, 2000, by and between VMS OWNER, LLC, an Oregon limited liability company (formerly known as Village At Main Street – Phase I, LLC) ("VMSO"), VILLAGE AT MAIN STREET - PHASE II, LLC, an Oregon limited liability company ("VMS-II"), VILLAGE AT MAIN STREET - PHASE III, LLC, an Oregon limited liability company ("VMS-III"), and VILLAGE – PHASE I, LLC, an Oregon limited liability company ("Village") (VMSO, VMS-II, VMS-III and Village being collectively referred to herein as "Owner"), and CITY OF WILSONVILLE, OREGON, an Oregon municipal corporation ("City").

WITNESSETH:

WHEREAS, VMSO made and entered into that certain Promissory Note dated February 21, 1997 and payable to the order of City (the "Large Note"), which Large Note is secured by a Trust Deed dated February 21, 1997, recorded February 23, 1998, Clackamas County Recorder's Fee No. 98-013596 (the "Large Trust Deed" and, together with the Large Note, the "Large Loan"), encumbering certain real property, the legal description of which is attached hereto as Exhibit A and by this reference incorporated herein (the "Phase I Property"); and

WHEREAS, VMSO, VMS-II and VMS-III made and executed that certain Promissory Note dated September 4, 1999 and payable to the order of City (the "Small Note"), which Small Note is secured by that certain Trust Deed dated September 24, 1999, recorded September 27, 1999, Clackamas County Recorder's No. 99-093852 (the "Small Trust Deed" and, together with the Small Note, the "Small Loan"), encumbering certain real property which, in addition to the Phase I Property described on Exhibit A hereto, includes the real property described on Exhibit B attached hereto and by this reference incorporated herein (the "Phase II Property") and the real property described on

Exhibit C attached hereto and by this reference incorporated herein (the "Phase III Property"); and

WHEREAS, contemporaneously herewith, Village has become the owner of the Phase I Property; and

WHEREAS, Village desires to assume the Large Note and Small Note; and

WHEREAS, Village is in the process of refinancing the Phase I Property; and

WHEREAS, City has agreed to re-amortize the unpaid balances on the Large Note and the Small Note; and

WHEREAS, City has agreed to waive its right to require the Large Note to be paid in full at this time and to waive the right for the Small Note to be paid in full on the commencement of development of the Phase II Property or the Phase III Property; and

WHEREAS, City has additionally agreed to extend the maturity dates on the Large Loan and the Small Loan;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is mutually agreed as follows:

1. Village hereby assumes the Large Note and the Small Note.
2. As of the date hereof, the unpaid balance in the Large Note is One Million One Hundred Sixty Thousand Seven Hundred Ninety-Two and 58/100 (\$1,160,792.58) Dollars, with interest paid thereon through December 18, 2000.
3. As of the date hereof, Owner has not borrowed the entire \$506,260.00 principal balance of the Small Note. As of the date hereof, there is due and owing on the Small Note the sum of Forty-Seven Thousand Eight Hundred Forty-Three and 27/100 (\$47,843.27) Dollars, Owner reserving the right to borrow the entire principal balance thereof. Interest on the Small Note has been paid through December 18, 2000.
4. The Large Note is hereby amended to provide for semi-annual payments of principal and interest commencing on June 18, 2001 and December 18, 2001, and on each succeeding June 18 and December 18, each in the amount of Seventy-Eight Thousand Five Hundred Ninety-Four and 34/100 (\$78,594.34) Dollars. The entire principal balance of the Large Note and all accrued, but unpaid, interest thereon shall be due and payable in full on June 18, 2011.
5. City hereby waives any requirement that the Large Note be paid in full upon closing of the refinance by Village of the Phase I Property.

VILLAGE AT MAIN STREET -
PHASE II, LLC

By: [Signature]
Robert G. Johnson, Manager

VILLAGE AT MAIN STREET -
PHASE III, LLC

By: [Signature]
Robert G. Johnson, Manager

VMS OWNER, LLC

By: [Signature]
Robert G. Johnson, Manager

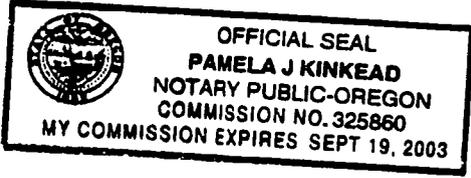
OWNER

STATE OF OREGON)
) SS.
County of Multnomah

This instrument was acknowledged before me on December 20, 2000 by Robert G. Johnson as President of VMS Manager, Inc., an Oregon corporation, acting in its capacity as Manager of Village - Phase I, LLC, an Oregon limited liability company.

[Signature]

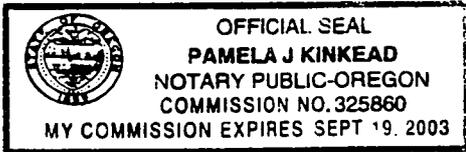
Notary Public for Oregon
My commission expires: 9/19/03



STATE OF OREGON)

County of Multnomah) SS.

On this 20 day of December, 2000 before me personally appeared Robert G. Johnson, who being duly sworn, stated that he is the Manager of Village At Main Street - Phase II, LLC, and acknowledged the foregoing instrument to be the voluntary act and deed.

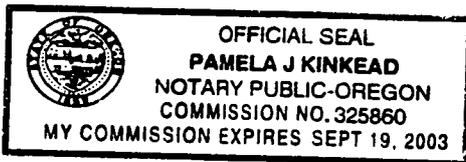


Pamela J Kinkead
Notary Public for Oregon
My commission expires: 9/19/03

STATE OF OREGON)

County of Multnomah) SS.

On this 20 day of December, 2000 before me personally appeared Robert G. Johnson, who being duly sworn, stated that he is the Manager of Village At Main Street - Phase III, LLC, and acknowledged the foregoing instrument to be the voluntary act and deed.

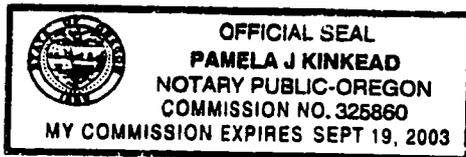


Pamela J Kinkead
Notary Public for Oregon
My commission expires: 9/19/03

STATE OF OREGON)

County of Multnomah) SS.

On this 20 day of December, 2000 before me personally appeared Robert G. Johnson, who being duly sworn, stated that he is the Manager of VMS Owner, LLC, and acknowledged the foregoing instrument to be the voluntary act and deed.



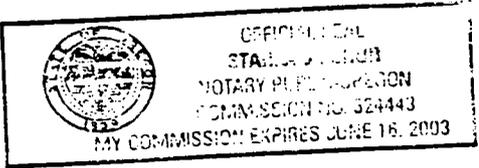
Pamela J Kinkead
Notary Public for Oregon
My commission expires: 9/19/03

5

STATE OF OREGON)
) SS.
County of Clatsop)

On this 15th day of December, 2000 before me personally appeared Arlene Loble, who being duly sworn, stated that she is the City Manager of City of Wilsonville, Oregon and acknowledged the foregoing instrument to be the voluntary act and deed.

Stella J. Schur
Notary Public for Oregon
My commission expires: June 16, 2003



C

Exhibit "A"

Lots 1, 2, 3 and 4 of Main Street Village according to the plat recorded 12-22-2000 in
Book Page 3692 records of Clackamas County, in the City of Wilsonville, Clackamas
County, Oregon.

Exhibit "B"

Lot 7 of Main Street Village according to the plat recorded 12-22-2000 in
Book — Page 3642 records of Clackamas County, in the City of Wilsonville, Clackamas
County, Oregon.

Exhibit "C"

Lots 6, 8 and 9 of Main Street Village according to the plat recorded 12-22-2000 in
Book — Page 3442 records of Clackamas County, in the City of Wilsonville, Clackamas
County, Oregon.

COPY

After Recording, Return to:

Schulte Roth & Zabel LLP
900 Third Avenue
New York, New York 10022
Attention: Susan Nemery (080011.0048)

SUBORDINATION AND STANDSTILL AGREEMENT

THIS SUBORDINATION AND STANDSTILL AGREEMENT (this "**Agreement**") is made this 18th day of December, 2000, by and among UBS WARBURG REAL ESTATE INVESTMENTS INC., a Delaware corporation, having an office at 1285 Avenue of the Americas, 11th Floor, New York, New York 10019 (together with its successors and assigns as holder of the First Loan (as defined herein), "**First Lender**"), and CITY OF WILSONVILLE, OREGON, an Oregon municipal corporation, having an address at City of Wilsonville, 30000 SW Town Center Loop East, Wilsonville, Oregon 97070 (together with its successors and assigns as holder of the Second Loan (as defined herein), "**Second Lender**"), and VILLAGE - PHASE I, LLC, an Oregon limited liability company ("**Phase I LLC**"), VMS OWNER, LLC, an Oregon limited liability company, (formerly known as Village At Main Street - Phase I, LLC) ("**VMSO**"), VILLAGE AT MAIN STREET - PHASE II, LLC, an Oregon limited liability company ("**Phase II LLC**"), and VILLAGE AT MAIN STREET - PHASE III, LLC, an Oregon limited liability company ("**Phase III LLC**"), each having an office at 30050 SW Town Center Loop West, Suite 200, Wilsonville, Oregon 97070 (Phase I LLC, Phase II LLC, Phase III LLC and VMSO being sometimes individually or collectively, as the context may require, referred to herein as "**Owner**").

RECITALS

A. Contemporaneously with the execution of this Agreement, Phase I LLC has executed a Deed of Trust Note dated as of the date hereof (as the same may be hereafter amended, extended, restated, supplemented, increased, consolidated, renewed or otherwise modified or replaced from time to time, the "**First Note**"), payable to the order of First Lender in the original principal amount of Thirty-Three Million and No/100 Dollars (\$33,000,000.00), with interest and upon the terms and conditions described therein, which First Note evidences a first deed of trust loan made by First Lender to Phase I LLC (the "**First Loan**") and is secured by, among other things, a Deed of Trust, Assignment of Leases and Rents and Security Agreement dated as of the date hereof (as the same may be hereafter amended, extended, restated, supplemented, increased, consolidated, renewed or otherwise modified or replaced from time to time, the "**First Deed of Trust**"), executed by Phase I LLC, as grantor, to Fidelity National Title

Company of Oregon, as trustee, and First Lender, as beneficiary, encumbering the real property described in Exhibit A attached hereto and by this reference made a part hereof (the "**Property**").

B. Owner is the current obligor under a Promissory Note dated February 21, 1997, payable to the order of Second Lender in the original principal amount of Two Million Two Hundred Eighteen Thousand Seven Hundred Forty and No/100 Dollars (\$2,218,740.00) (the "**Large Note**"), with interest and upon the terms and conditions described therein, and a Promissory Note dated September 24, 1999, payable to the order of Second Lender in the original principal amount of Five Hundred Six Thousand Two Hundred Sixty and No/100 Dollars (\$506,260.00) (the "**Small Note**"), with interest and upon the terms and conditions described therein, as said Large Note and Small Note have been amended by that certain Amendment to Promissory Notes and Trust Deeds dated December 18, 2000, between Owner and Second Lender (collectively, the "**Second Note**"), which Second Note evidences a second deed of trust loan made by Second Lender to Owner (collectively, the "**Second Loan**") and is secured by, among other things, a Trust Deed dated February 21, 1997, encumbering the Property and recorded in the office of the County Clerk or Recorder of the County of Clackamas, State of Oregon, on February 23, 1998, at Recorder's No. 98-013596, and a Trust Deed dated September 24, 1999, encumbering the Property and other property owned by Phase II LLC and Phase III LLC and recorded in the office of the County Clerk or Recorder of the County of Clackamas, State of Oregon, on September 27, 1999, at Recorder's No. 99-093852 (collectively, the "**Second Deed of Trust**").

C. First Lender is unwilling to make the First Loan unless the rights of Second Lender under the Second Loan Documents (as hereinafter defined) are, among other things, limited such that (i) Second Lender can take no action against Phase I LLC or the Property while the First Loan remains unpaid, (ii) Second Lender can take no actions to delay refinance, foreclosure or collection of the First Loan, and (iii) First Lender will control the disposition of Second Lender's claims against Phase I LLC and the Property in the event of Phase I LLC's bankruptcy or debtor reorganization proceedings.

D. First Lender and Second Lender have agreed that the Second Loan Documents are to be subordinated such that, among other things, the Second Loan Documents will provide no rights to Second Lender against Phase I LLC or the Property until such time as Phase I LLC owns the Property free and clear of the First Loan Documents (and the First Loan has been repaid in full).

E. Phase I LLC, Phase II LLC, Phase III LLC and VMSO are all affiliates of each other and will all benefit from the making of the First Loan by First Lender to Phase I LLC.

F. In consideration of the making of the First Loan to Phase I LLC by First Lender, Second Lender and Owner are willing to execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby declared, understood and agreed as follows:

1. **Definitions.**

(a) **"Bankruptcy Code"** means Title 11, United States Code, as amended from time to time, any successor statute thereto, and any rules promulgated pursuant thereto.

(b) **"Collateral"** means all of the real, personal and other property (i) encumbered by the First Deed of Trust or any of the First Loan Documents or the Second Deed of Trust or any of the Second Loan Documents or (ii) securing the First Loan or the Second Loan, and all of Phase I LLC's right, title and interest in and to such property, whether existing or future, and all security interests, security titles, liens, claims, pledges, assignments, conveyances, endorsements and guaranties of whatever nature securing the First Loan or the Second Loan and all products and proceeds of the foregoing; specifically excluding therefrom, however, any such property owned by Phase II LLC or Phase III LLC or not encumbered by the First Deed of Trust.

(c) **"Enforcement Action"** means the commencement of any enforcement action against Phase I LLC, or the taking of possession or control of, or the exercise of any remedies with respect to, the Collateral or any portion thereof.

(d) **"Event of Default"** shall have the meaning given to such term in the First Deed of Trust.

(e) **"First Loan Documents"** means the First Note, the First Deed of Trust, an assignment of leases and rents and any other document, agreement or instrument now or hereafter executed and delivered by or on behalf of Phase I LLC or Robert G. Johnson in connection with the First Loan, including, without limitation, any document, agreement or instrument hereafter executed and delivered by or on behalf of Phase I LLC or Robert G. Johnson in connection with any refinancing or replacement of the First Loan, as any of the same may be from time to time amended, extended, restated, replaced, supplemented, increased, consolidated, decreased, renewed or otherwise modified.

(f) **"Second Loan Documents"** means the Second Note, the Second Deed of Trust and any other document, agreement or instrument now or hereafter executed and delivered by or on behalf of Phase I LLC or Robert G. Johnson in connection with the Second Loan, as any of the same may (subject to the prior written consent of First Lender) be from time to time amended, extended, restated, replaced, supplemented, consolidated, renewed or otherwise modified (but in no event increased except for disbursements pursuant to the Small Note up to a maximum aggregate amount of Five Hundred Six Thousand Two Hundred Sixty and No/100 Dollars (\$506,260.00)).

2. **Effectiveness of Agreement.** This Agreement shall be effective immediately upon the execution hereof by the parties hereto.

3. **Representations and Warranties.** Second Lender hereby represents and warrants to First Lender the following:

- (a) Second Lender is the sole owner and holder of the Second Loan;
- (b) all of the terms and provisions of the Second Loan are set forth in the Second Loan Documents;
- (c) no Owner is in default in the observance or performance of any of its obligations under the Second Loan Documents;
- (d) no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default under the Second Loan Documents;
- (e) all payments due under the Second Loan to and including the date hereof have been paid in full;
- (f) the total outstanding principal balance of the Second Loan as of the date hereof equals approximately \$1,160,792.58 on the Large Note and \$47,843.27 on the Small Note;
- (g) the interest accruing on the principal balance of the Second Loan is six and nine-tenths percent (6.9%) per annum;
- (h) no scheduled payment under the Second Loan has been prepaid;
- (i) except as set forth in the Second Note and the Second Deed of Trust and except for utility bills, Phase I LLC is not indebted to Second Lender for any other sums; and
- (j) except as set forth in the Second Note and the Second Deed of Trust, except for utility bills and except for municipal easements of record, Second Lender does not have any right, title, estate, lien or other interest in the Property.

4. **Subordination.**

(a) Notwithstanding the time of the making or recording of the First Loan and the Second Loan, and notwithstanding anything to the contrary whatsoever contained in any of the Second Loan Documents or any other document or agreement (except municipal easements of record), the Second Loan Documents, as well as all of Second Lender's rights and remedies under the Second Loan Documents and in and to the Collateral, are hereby expressly made subject and subordinate in all respects to the First Loan (including, without limitation, any future advances by First Lender to protect the Collateral or First Lender's lien thereon or rights thereto), and to all of First Lender's rights and remedies under the First Loan Documents and in and to the Collateral and to all of the terms and conditions of the First Loan Documents. Second

Lender hereby agrees that it will not, without First Lender's express prior written consent, which consent shall be granted or denied in the sole discretion of First Lender, accept any payments (including principal and interest) on account of the Second Loan, until such time as the First Loan and the First Loan Documents have been satisfied in full, as determined by First Lender.

(b) Notwithstanding the foregoing, provided there has been no Event of Default under the First Loan Documents and no event has occurred which, with notice or the passage of time, or both, would become an Event of Default under the First Loan Documents, Second Lender shall be permitted to receive the scheduled semi-annual interest and principal payments under the Second Note in accordance with the terms of the Second Note. Second Lender agrees that without the express prior written consent of First Lender, its right to receive interest and principal payments (including any prepayments of principal) under the Second Note shall immediately terminate upon the occurrence of an Event of Default under the First Loan Documents or upon the happening of an event which, with notice or the passage of time, or both, would become an Event of Default under the First Loan Documents.

(c) In addition, in furtherance of and without limiting the foregoing, Second Lender agrees as follows:

(i) Second Lender does hereby expressly consent to and authorize, at the option of First Lender, the release of all or any portion of the Property or other Collateral from the lien of the First Deed of Trust, and hereby waives any equitable rights Second Lender might have, as a result of any refinancing of the First Loan or any release of all or any portion of the Property or other Collateral by First Lender under the First Deed of Trust, to require that First Lender marshal the Collateral in favor of Second Lender and further, in the event of any foreclosure, Second Lender hereby expressly consents to and authorizes, at the option of First Lender, the sale, whether separately or together, of all or any portion of the Property or other Collateral but without prejudice to such rights as Second Lender may have under applicable law to receive excess foreclosure sale proceeds to the extent and only to the extent such sale proceeds are derived from a sale of the Collateral at the time of, and in connection with, the foreclosure of the First Deed of Trust (and not as a result of, or in connection with, any subsequent sale or disposition of the Collateral) and exceed (after the application of the same and repayment in full of) the entire indebtedness evidenced or secured by or otherwise payable under the First Loan Documents and all other sums evidenced or secured by the First Loan Documents (including all costs, fees and expenses of First Lender).

(ii) All rights of Second Lender under the Second Loan Documents in and to the Collateral and the proceeds thereof (including, without limitation, Rents (as defined in the First Deed of Trust), insurance proceeds and condemnation awards) shall be expressly subject and subordinate to the rights of First Lender in and to the Collateral and the proceeds thereof (including, without limitation, Rents, insurance proceeds and condemnation awards), and to any expenses incurred under the First Deed of Trust or any of the other First Loan Documents.

(iii) In the event that First Lender makes any or all insurance proceeds or condemnation awards to which it is entitled available for the restoration of the Property, any insurance proceeds and condemnation awards to which Second Lender may be entitled shall also be made available for the restoration of the Property, and no further action or document shall be necessary to effect the provisions of this paragraph.

(iv) Second Lender hereby expressly consents to and authorizes, at the option of First Lender, the amendment, extension, restatement, refinancing, increasing, supplementing, renewal, consolidation or other modification or replacement, in whole or in part, of all or any part of the First Loan Documents, including, without limitation, increasing or decreasing the stated principal amount of the First Note, increasing or decreasing the interest rate payable under the First Note or altering any other payment terms under the First Note. (First Lender hereby acknowledges that it shall endeavor as a matter of courtesy to give Second Lender written notice of any such amendment, extension, restatement, refinancing, increasing, supplementing, renewal, consolidation or other modification or replacement, it being agreed, however, that the failure to give such notice shall not afford Second Lender any rights or remedies against First Lender or the Collateral and shall in no way limit, waive, impair or otherwise affect any of First Lender's rights under this Agreement or otherwise.)

(v) If Second Lender shall acquire by indemnification, subrogation or otherwise, any lien, estate, right or other interest in the Collateral, that lien, estate, right or other interest shall be subordinate to the First Deed of Trust as provided herein.

(vi) Second Lender shall not agree to any increases in the principal amount of the Second Loan.

(vii) In no event shall any of the Second Loan Documents be modified, amended, supplemented, consolidated, increased, replaced, restated, renewed, substituted for or otherwise altered in any respect (except for an extension of the maturity date of the Second Loan) without the prior written consent of First Lender in each instance, which consent shall be granted or denied in the sole discretion of First Lender, and any such action taken without such prior written consent of First Lender shall be of no force or effect.

(viii) If any payment or distribution or security of any character (whether in cash, securities, or other property) shall be received by Second Lender out of or in connection with the Collateral in contravention of the terms of this Agreement before all of the First Loan shall have been paid in full, unless otherwise approved by First Lender in writing, such payment, distribution or security shall not be commingled with any asset of Second Lender and shall be held in trust for the benefit of, and shall promptly be paid over or delivered and transferred to, First Lender, or its representatives, for application to the payment of the First Loan remaining unpaid, until all of the First Loan shall have been paid in full.

(ix) Notwithstanding the subordination of any lease, sublease, license, concession or other occupancy agreement of all or any portion of the Collateral, Second Lender shall not, without the prior written consent of First Lender, disturb the possession of any such tenant or other occupancy or take any action that would terminate any such lease or other agreement or other rights held or granted by third parties with respect to the Collateral, save and except the Second Lender's discharge of its lawful duties and obligation as a municipality to preserve the public's peace, safety, health and welfare.

(x) During any period in which payments from Phase I LLC are being collected pursuant to the First Loan Documents for the purpose of escrowing for (i) taxes, assessments or other charges imposed on the Property or any portion thereof, (ii) insurance premiums due on the insurance policies required under the First Deed of Trust, or (iii) any other purpose, Second Lender shall not exercise any of its rights under the Second Loan Documents to require any such escrow.

(xi) Second Lender shall be bound by any consents or waivers made by First Lender under the First Loan Documents, and Second Lender hereby waives any and all rights of consent or approval with regard to any matters covered by or under the terms of the First Loan Documents.

(xii) In the event that First Lender (or its designee) agrees to accept a deed in lieu of foreclosure or is to receive a deed pursuant to the order of a bankruptcy court or under a plan of reorganization, Second Lender hereby covenants and agrees, at its expense, to release and/or waive any right to the Collateral from the terms and conditions of the Second Loan Documents immediately upon request made by First Lender. Second Lender hereby irrevocably appoints First Lender as its agent, and grants to First Lender an irrevocable power of attorney, coupled with an interest, and its proxy, to execute all releases and other documents, instruments and agreements necessary or required to effectuate such release, and the same may be utilized by First Lender if Second Lender shall fail or refuse to take such action within three (3) business days after First Lender's request therefore.

5. **Certain Actions Regarding Second Loan.** Until such time as the First Loan shall have been paid in full, together with any and all other amounts which shall be due and payable under the terms of the First Loan Documents, and the Property shall be owned by Phase I LLC free and clear of the First Deed of Trust, Second Lender shall not take any of the following actions with respect to the Second Loan without the prior written consent of First Lender:

(a) Except as it relates to Second Lender's actions against property other than the Collateral, against VMSO personally or against Robert G. Johnson personally, declare a default under the Second Loan Documents, accelerate all or any portion of the Second Loan or exercise any of its remedies (including, without limitation, any Enforcement Action) thereunder;

(b) Commence any legal proceedings against Phase I LLC or commence any Enforcement Action;

(c) Consent to any modification, amendment, supplement, consolidation, increase, replacement, restatement, renewal, substitution or other alteration of the Second Loan Documents, except for an extension of the maturity date of the Second Loan; or

(d) Commence or consent to any bankruptcy, insolvency, reorganization or similar proceeding by or against Phase I LLC, VMSO or Robert G. Johnson.

Any consent required of First Lender in this Agreement may be given or withheld in the sole and unfettered discretion of First Lender. Second Lender shall have no rights to any proceeds of a refinancing, including, without limitation, any securitized or related financing or refinancing in which rights under the First Loan Documents are sold or transferred or the First Loan is replaced, until such time as the entire indebtedness evidenced or secured by the First Loan Documents and all other sums evidenced or secured by the First Loan Documents have been paid in full. Second Lender acknowledges and agrees that any assignment or assignments of the First Loan and/or the First Loan Documents in connection with a securitization or a sale by First Lender of the First Loan (by itself or with other loans) shall not be deemed to be a repayment of the First Loan for purposes of this Agreement.

6. Bankruptcy Issues.

(a) This Agreement shall be applicable and enforceable both before and after the commencement, whether voluntary or involuntary, of any case by or against Phase I LLC under the Bankruptcy Code and all references herein to Phase I LLC shall be deemed to apply to Phase I LLC as a debtor-in-possession and to any trustee in bankruptcy for the estate of Phase I LLC.

(b) In the event that First Lender is required under any bankruptcy or other law to return to Phase I LLC, the estate in bankruptcy thereof, any third party or any trustee, receiver or other similar representative of Phase I LLC any payment or distribution of assets, whether in cash, property or securities, including, without limitation, any Collateral or any proceeds of the Collateral previously received by First Lender on account of the First Deed of Trust (a "**Reinstatement Distribution**"), then to the maximum extent permitted by law, this Agreement shall be reinstated with respect to any such Reinstatement Distribution. First Lender shall not be required to contest its obligation to return such Reinstatement Distribution.

(c) Second Lender hereby agrees that Second Lender shall not make any election, give any consent, file any motion or take any other action in any case by or against Phase I LLC under the Bankruptcy Code without the prior written consent of First Lender. Second Lender hereby appoints First Lender as its agent, and grants to First Lender an irrevocable power of attorney coupled with an interest, and its proxy, for the purpose of exercising any and all rights and taking any and all actions available to Second Lender in connection with any case by or against Phase I LLC under the Bankruptcy Code, including,

without limitation, the right to vote to accept or reject a plan and to file a claim in any subsequent Chapter 11 or Chapter 7 case by or against Phase I LLC. Without in any way limiting the generality of Paragraph 8 hereof, Second Lender hereby agrees that, upon the request of First Lender, Second Lender shall do, execute, acknowledge and deliver to First Lender all and every such further acts, deeds, conveyances and instruments as First Lender may request for the better assuring and evidencing of the foregoing appointment and grant.

7. **Approvals of Second Lender.** Second Lender declares, agrees and acknowledges that Second Lender consents to all provisions of the First Note, the First Deed of Trust and each of the other First Loan Documents.

8. **Further Assurances.** Second Lender hereby agrees that, within three (3) business days after request by First Lender, Second Lender shall do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances and instruments as First Lender may request for the better assuring and evidencing of the foregoing agreements, including, but not limited to, the execution and delivery of documents to confirm the foregoing agreements upon and with respect to any refinancing or replacement of the First Loan or the First Loan Documents.

9. **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Oregon.

10. **Entire Agreement.** This Agreement shall be the whole and only agreement among the parties with regard to the matters set forth herein and all prior negotiations and agreements are merged into this Agreement.

11. **Notices.** All notices, demands, requests and other written communications made hereunder shall be in writing and shall be properly given and deemed delivered on the date of delivery if sent by personal delivery or nationally recognized overnight courier and on the third business day following mailing if sent by United States certified or registered mail, postage prepaid, return receipt requested, as follows:

If to Owner: Village – Phase I, LLC
Village at Main Street – Phase II, LLC
Village at Main Street – Phase III, LLC
VMS Owner, LLC
30050 SW Town Center Loop West, Suite 200
Wilsonville, Oregon 97070
Attention: Robert G. Johnson

with a copy to: Greene & Markley, P.C.
The 1515 Building
1515 SW Fifth Avenue, Suite 600
Portland, Oregon 97201-5492
Attention: David P. Weiner, P.C.

If to First Lender: UBS Warburg Real Estate Investments Inc.
1285 Avenue of the Americas, 11th Floor
New York, New York 10019
Attention: Peter Smith (Village At Main Street)

with a copy to: Schulte Roth & Zabel LLP
900 Third Avenue
New York, New York 10022
Attention: Jeffrey A. Lenobel, Esq.

If to Second Lender: City of Wilsonville
30000 SW Town Center Loop East
Wilsonville, Oregon 97070
Attention: City Attorney

or to such other addresses as any party hereto may request by notice served as required hereunder. The inability to deliver any notice, demand, request and other written communication because of a changed address of which no notice was given, or rejection or refusal to accept any notice, demand, request and other written communication offered for delivery, shall be deemed to be receipt of the notice, demand, request and other written communication as of the date of such inability to deliver or rejection or refusal to accept delivery. Notice for any party may be given by its respective counsel. Additionally, notice from First Lender may also be given by any servicer of the First Loan.

12. **Changes to this Agreement: Captions.** This Agreement may not be changed, terminated or modified except by an agreement in writing, signed by each of the parties hereto. The various captions and headings contained herein are for convenience only and shall not be deemed or construed to limit, modify, alter or impair the meaning of any section or provision contained in this Agreement.

13. **No Third Party Beneficiary.** No person or entity (including, without limitation, any Owner) is intended to be a third party beneficiary of, and no one other than First Lender and Second Lender and their respective successors and assigns (including, without limitation, any holder of a replacement of the First Loan) shall have any rights under, this Agreement.

14. **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of First Lender, Second Lender and each Owner, and their respective successors and assigns.

15. **No Partnership.** This Agreement shall not in any respect be interpreted, deemed or construed as making Second Lender a partner or joint venturer with any other person or entity, including, without limitation, First Lender or any Owner, nor shall it be construed as making Second Lender the agent or representative of First Lender or any Owner nor First Lender or any Owner the agent or representative of Second Lender.

16. **Owners' Acknowledgment.** Each Owner hereby acknowledges the execution and delivery of this Agreement by First Lender and Second Lender. Each Owner and Second Lender each hereby agrees and acknowledges that any instructions to Owner by Second Lender contrary to the terms of this Agreement shall be void without the express prior written consent of First Lender.

17. **Counterparts.** This Agreement may be executed in one or more identical counterparts. If so executed, each of the counterparts is to be deemed an original for all purposes and all such counterparts shall collectively constitute one Agreement, but, in making proof of this Agreement, it shall not be necessary to produce or account for more than one of such counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Subordination and Standstill Agreement as of the day and year first set forth above.

FIRST LENDER:

UBS WARBURG REAL ESTATE
INVESTMENTS INC., a Delaware corporation

By: _____
Name:
Title:

By: _____
Name:
Title:

[signatures continued on the following page]

SECOND LENDER:

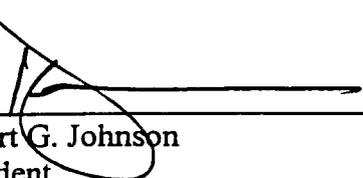
CITY OF WILSONVILLE,
an Oregon municipal corporation

By: 
Name: Arlene Loble
Title: City Manager

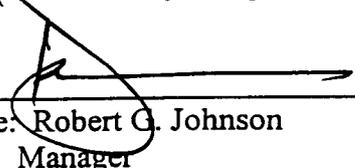
OWNER:

VILLAGE – PHASE I, LLC, an Oregon limited liability company

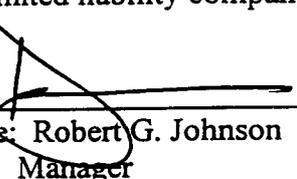
By: VMS MANAGER, INC.,
an Oregon corporation,
its Manager

By: 
Robert G. Johnson
President

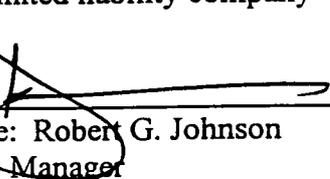
VILLAGE AT MAIN STREET – PHASE II, LLC,
an Oregon limited liability company

By: 
Name: Robert G. Johnson
Title: Manager

VILLAGE AT MAIN STREET – PHASE III, LLC,
an Oregon limited liability company

By: 
Name: Robert G. Johnson
Title: Manager

VMS OWNER, LLC,
an Oregon limited liability company

By: 
Name: Robert G. Johnson
Title: Manager

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

This instrument was acknowledged before me on the _____ day of December, 2000, by _____ as _____ of UBS Warburg Real Estate Investments Inc., a Delaware corporation.

Notary Public for New York
My Commission expires: _____

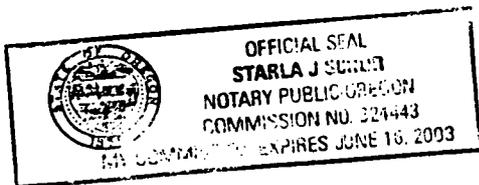
STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

This instrument was acknowledged before me on the _____ day of December, 2000, by _____ as _____ of UBS Warburg Real Estate Investments Inc., a Delaware corporation.

Notary Public for New York
My Commission expires: _____

STATE OF OREGON)
) ss.
COUNTY OF Lackamas)

This instrument was acknowledged before me on the 15th day of December, 2000, by Arlene Loble as City Manager of the City of Wilsonville, an Oregon municipal corporation.



Starla J. Schur

Notary Public for Oregon
My Commission expires: June 16, 2003

STATE OF OREGON)
) ss.
COUNTY OF Multnomah)

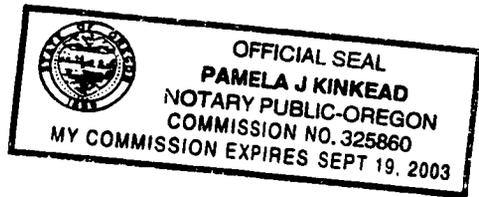
This instrument was acknowledged before me on the 20 day of December, 2000 by Robert G. Johnson as President of VMS Manager, Inc., an Oregon corporation, acting in its capacity as Manager of Village - Phase I, LLC, an Oregon limited liability company.



Pamela J. Kinkead
Notary Public for Oregon
My Commission expires: 9/19/03

STATE OF OREGON)
) ss.
COUNTY OF Multnomah)

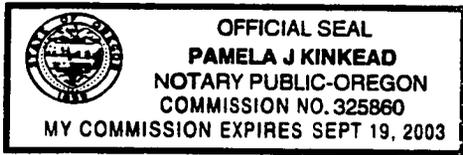
This instrument was acknowledged before me on the 20 day of December, 2000, by Robert G. Johnson as the Manager of Village at Main Street - Phase II, LLC, an Oregon limited liability company.



Pamela J. Kinkead
Notary Public for Oregon
My Commission expires: 9/19/03

STATE OF OREGON)
) ss.
COUNTY OF Multnomah)

This instrument was acknowledged before me on the 20 day of December, 2000, by Robert G. Johnson as the Manager of Village at Main Street - Phase III, LLC, an Oregon limited liability company.



Pamela J. Kinkead
Notary Public for Oregon
My Commission expires: 9/19/03

STATE OF OREGON)
) ss.
COUNTY OF Multnomah)

This instrument was acknowledged before me on the 20 day of December, 2000, by Robert G. Johnson as the Manager of VMS Owner, LLC, an Oregon limited liability company.

Pamela J. Kinhead

Notary Public for Oregon
My Commission expires: 9/19/03



Exhibit "A"

Lots 1, 2, 3 and 4 of Main Street Village according to the plat recorded _____ in
Book _____ Page _____ records of Clackamas County, in the City of Wilsonville, Clackamas
County, Oregon.