

SUTTER ASSETS

Wednesday, September 15, 1999

Carolyn Y. Smith
Southeastern Economic Development Corp.
995 Gateway Center Way
Suite 300
San Diego, CA 92102

RE: Sale of 5335 Market St. and adjacent 2 Acre parcel

Dear Carolyn:

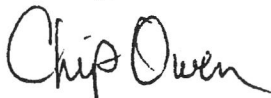
Enclosed please find a draft of a Purchase and Sale Contract for your review. I have not distributed this document to anyone else, but will be glad to do so at your direction.

It is anticipated that this form will be used as a template for the transaction and that we will enter into two separate contracts one for the building and one for the vacant land. These transactions will close either concurrently or the land shortly after the closing of the building based upon our exchange requirements. I believe the draft reflects our understanding of the transaction as previously discussed.

Please let me know if you have any questions or if your legal counsel needs to speak directly with mine. I anticipate having our survey to you by the end of the week and the preliminary title report to you early next week.

Please do not hesitate in contacting me if you have any questions.

Sincerely,



Chip Owen

PURCHASE AND SALE CONTRACT

**Caravan Properties, LLC,
a California limited liability company**

("Seller")

and

Redevelopment Agency of The City of San Diego

("Buyer")

THIS IS A DRAFT DOCUMENT WHICH HAS BEEN PREPARED AND IS BEING SUBMITTED FOR INFORMATION AND DISCUSSION PURPOSES ONLY. NEITHER THE SUBMISSION OF THIS DOCUMENT NOR THE SUBMISSION OF ANY SUBSEQUENT VERSION OF THIS DOCUMENT IS INTENDED TO CONSTITUTE AN OFFER OR CONTRACT UNLESS SUCH SUBSEQUENT VERSION IS FULLY SIGNED BY DULY AUTHORIZED REPRESENTATIVES OF BOTH BUYER AND SELLER.

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Purchase and Sale Contract

This Purchase and Sale Contract ("Contract") is made as of September __, 1999 ("Effective Date") by and between Caravan Properties, LLC ("Seller"), and Redevelopment Agency of The City of San Diego ("Buyer").

Seller and Buyer hereby agree as follows:

Section 1 - Definitions. The following terms shall have the following definitions in this Contract:

1.1 Business Day(s). Any day other than a Saturday, Sunday or legal holiday recognized in the State of California.

1.2 Closing. The time and date when the Deed conveying fee title to the Property is recorded.

1.3 Closing Date. A date selected by Seller on or after November 30, 1999, upon delivery by Seller to Buyer of not less than 10 days prior written notice; provided, however, in no event shall the Closing Date be later than April 3, 2000.

1.4 Deed. The grant deed to be used to convey to Buyer title to the Property.

1.5 Due Diligence Documents. Documents pertaining to the Property consisting of (1) Phase I environmental report and (2) survey of the Property. Seller shall deliver to Buyer the Due Diligence documents within two Business Days after the Effective Date.

1.6 Due Diligence Period. The period commencing on the Effective Date and continuing through October 5, 1999.

1.7 Escrow. Commonwealth Land Title Company.

1.8 Property. The real property in San Diego, California described in Exhibit __ attached hereto.

1.9 Purchase Price. The sum of \$ _____.

1.10 Title Company. Commonwealth Land Title Company.

Section 2 - Sale and Purchase of Property. Seller hereby agrees to sell the Property to Buyer and Buyer hereby agrees to purchase the Property from Seller at the price and on the terms, covenants and conditions set forth in this Contract.

Section 3 - Payment of Purchase Price. Buyer shall pay to Seller the Purchase Price as follows:

3.1 Initial Deposit. Within two Business Days following satisfaction or waiver of the special conditions in Section 5 below, Buyer will deposit with Escrow the sum of \$_____. The Initial Deposit shall be applied to the Purchase Price at the Closing.

3.2 Balance of Purchase Price. On the Closing Date, Buyer will deposit with Escrow the balance of the Purchase Price (together with Buyer's share of costs and prorations). A summary of the means of payment of the Purchase Price is as follows:

Initial Deposit	\$ _____
Balance at Closing	_____
Total Purchase Price	\$ _____

Section 4 - Escrow. Escrow shall act as escrow under this Contract. An executed copy of this Contract shall be delivered to Escrow by both parties and the parties hereby instruct Escrow to act in accordance with the terms of this Contract. Buyer and Seller shall execute such further escrow instructions as may be required by Escrow to consummate the transactions contemplated by this Contract, but in the event of any conflict between the provisions of such escrow instructions and this Contract, the provisions of this Contract shall control.

4.1 Seller's Deliveries to Escrow. No later than 3:00 p.m. of the last regular Business Day before the Closing Date, Seller shall deliver to Escrow:

4.1.1 The Seller's Grant Deed. The Deed conveying the Property to Buyer.

4.1.2 Affidavit of Non-Foreign Status. An affidavit in a form satisfactory to Buyer pursuant to (1) Internal Revenue Code section 1445, fully signed and acknowledged, by Seller confirming Seller not a foreign person and (2) California Revenue & Taxation Code section 18662 (California Form 590-RE) fully signed and acknowledged by Seller confirming this transaction is not subject to California "at-source" withholding.

Section 5 - Buyer's Special Conditions Precedent.

5.1 Special Conditions. Buyer's obligations under this Contract (including, without limitation, the obligation to deliver to Escrow the Purchase Price) are subject to each of the following special conditions:

5.1.1 Title Documents. On or before expiration of the Due Diligence Period, Buyer's review and approval of a preliminary report issued by the Title Company covering the Property together with copies of all instruments described in the preliminary report and evidencing or affecting exceptions to title

thereto (the preliminary report and copies of are referred to herein as the "Title Report"). The exceptions to the Title Report approved or deemed approved by Buyer shall constitute "Permitted Encumbrances" for all purposes of this Contract; provided, however, the Permitted Encumbrances shall not include any mortgages, deeds of trust, mechanic's liens, judgment liens, tax liens or other monetary liens other than nondelinquent real property taxes and assessments.

5.1.2 Buyer's Feasibility. On or before expiration of the Due Diligence Period, Buyer's review and approval of Buyer's feasibility analysis of Buyer's proposed purchase and development of the Property, including (1) Buyer's review and approval of the Due Diligence Documents and the physical condition of the Property and (2) approval by Buyer's Board of Directors of the terms and conditions of this Contract. Prior to and after the Effective Date, Buyer and its agents, employees and contractors shall be afforded reasonable access to the Property during normal business hours, upon reasonable notice to Seller, for the purpose of making such investigations as Buyer deems prudent with respect to the physical condition of the Property; provided, however, without Seller's prior written approval (which may be withheld in Seller's sole and absolute discretion), Buyer may not accomplish any soil boring(s), soil sampling(s), and/or other intrusive or destructive testing (including without limitation any boring, testing or sampling which would be accomplished as part of a Phase II environmental assessment). Buyer shall indemnify and hold Seller and the Property harmless from all claims, liens, losses, damages, fines, and liabilities (including court costs and attorney's fees) arising from Buyer's entry upon the Property.

5.2 Satisfaction/Waiver. Buyer may unilaterally waive any special condition described above. Satisfaction or waiver of a special condition will be effective only if the same is (i) in writing, (ii) signed by Buyer and (iii) delivered to Escrow no later than the date such condition is to be satisfied.

5.3 Termination of this Contract. In the event any of the special conditions precedent above is not timely satisfied or waived within the time periods provided above, either party may terminate this Contract by delivering to Escrow and the other party a notice of termination; provided, however, Seller's notice of termination shall not be effective if, within two Business Days following Seller's delivery to Buyer of the notice of termination, Buyer delivers to Escrow Buyer's written waiver of the condition(s) which, as of the date of delivery of Seller's notice of termination, had not previously been timely satisfied or waived. If this Contract is terminated as provided in the preceding sentence, then (1) Escrow shall return to Buyer any deposits made by Buyer and any interest accrued thereon, (2) all costs incurred by each party shall be borne by such party, (3) all costs incurred by Escrow shall be borne by the party responsible for such costs as provided herein and (4) thereafter, no party shall have any further

rights or obligations under this Contract other than Buyer's indemnity obligation in Section 5.1.2 above.

Section 6 - Conditions to Closing. Escrow will accomplish the Closing on the Closing Date by (i) filing for record the Deed and (ii) delivering funds and documents to the parties WHEN AND ONLY WHEN each of the following conditions has been satisfied:

6.1 Deliveries. All funds and documents required to be delivered to Escrow have been delivered to Escrow.

6.2 Special Conditions. Each of the conditions set forth in the section entitled "Buyer's Special Conditions Precedent" has been, or upon Closing will be, satisfied or waived in the manner specified in said section.

6.3 The Title Policy. Escrow can procure a CLTA owner's standard coverage policy of title insurance (or, at Buyer's election, an ALTA policy of title insurance) ("Title Policy") from Title Company, with liability in the amount of the Purchase Price, insuring that fee title as to the Property vests in Buyer subject only to:

6.3.1 General and special real estate taxes and assessments which are, as of the Closing, not delinquent.

6.3.2 Supplemental taxes, if any, pursuant to California Revenue and Taxation Code section 75 et seq. and following which are assessed and pertain to the period of time after the Closing.

6.3.3 The Permitted Encumbrances.

6.3.4 Any encumbrance voluntarily imposed by Buyer.

Section 7 - Closing Costs, Prorations. Seller shall pay for (1) customary seller's recording and filing fees, (2) the documentary transfer tax due on the conveyance and sale of the Property to Buyer, (3) the portion of the cost of the Title Policy attributable to a CLTA owner's standard coverage policy of title insurance without endorsements, (4) the cost to obtain a natural hazards disclosure report (e.g., flood plain, earthquake, etc.) from a reputable company selected by Seller, and (5) one-half of Escrow's fees. Buyer shall pay for (1) customary buyer's recording and filing fees, (2) the portion of the cost of the Title Policy in excess of the cost to be paid by Seller as provided above, if any, and (3) one-half of Escrow's fees. All non-delinquent real property taxes, and other items of expense and income pertaining to the Property shall be prorated between Seller and Buyer as of the Closing. Prorations shall be made as of 12:01 a.m. on the day of Closing. All prorations shall be final except as otherwise provided herein. In the event that the amount of any prorated items is not known at Closing, the parties agree that such items shall be prorated at Closing upon the basis of the best information

available, and shall be adjusted when the actual amount(s) of such items are known, with appropriate charges and credits to be made. In the event, subsequent to the Closing, any adjustment pursuant to this Section shall be necessitated, then either party hereto who is entitled to additional monies shall invoice the other party for such additional amounts as may be owing, and such amount shall be paid within ten days from receipt of the invoice. The provisions of this Section shall survive the Closing.

Section 8 - Representations and Warranties. Buyer and Seller further agree as follows:

8.1 Disclaimer of Warranties. Except as provided in Section 8.2 below, Buyer acknowledges and agrees that Seller has not made, does not make and specifically negates and disclaims, any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied oral or written, past, present or future, of, as to, concerning or with respect to (1) the value of the Property; (2) the income to be derived from the Property, (3) the suitability of the Property for any activities or uses which Buyer may conduct thereon, including the possibilities for future development or use of the Property; (4) the habitability, merchantability, marketability, profitability or fitness for a particular purpose of the Property; (5) the manner, quality, state of repair or lack of repair of the Property; (6) the nature, quality or condition of the Property, including, without limitation, the water, soil and geology; (7) the compliance of or by the Property or its operation with any laws, rules, ordinances or regulations of any applicable governmental authority or body; (8) the manner or quality of the construction or materials, if any, incorporated into the Property; (9) compliance with any environmental protection, pollution or land use laws, rules, regulations, orders or requirements, including but not limited to, Title III of the Americans With Disabilities Act of 1990, California Health & Safety Code, the Federal Water Pollution Control Act, the Federal Resource Conservation and Recovery Act, the U.S. Environmental Protection Agency Regulations at 40 C.F.R., Part 261, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, the Clean Water Act, the Safe Drinking Water Act, the Hazardous Materials Transportation Act, the Toxic Substance Control Act, and regulations promulgated under any of the foregoing; (10) the presence or absence of Hazardous Materials at, on, under or adjacent to the Property; (11) the content, completeness or accuracy of the Due Diligence Documents or the preliminary title report regarding title; (12) the conformity of the improvements to any plans or specifications for the Property, including any plans and specifications that may have been or may be provided to Buyer; (13) the conformity of the Property to past, current or future applicable zoning or building requirements; (14) deficiency of any undershoring; (15) deficiency of any drainage; (16) the fact that all or a portion of the Property may be located on or near an earthquake fault line; and/or (17) the existence of

vested land use, zoning or building entitlements affecting the Property. Buyer further acknowledges and agrees that having been given the opportunity to inspect the Property and review information and documentation affecting the Property, Buyer is relying solely on its own investigation of the Property and review of such information and documentation in determining whether or not to purchase the Property, and not on any information provided or to be provided by Seller. Buyer further acknowledges and agrees that any information made available to Buyer or provided or to be provided by or on behalf of Seller with respect to the Property was obtained from a variety of sources and that Seller has not made any independent investigation or verification of such information and makes no representations as to the accuracy or completeness of such information. Buyer agrees to fully and irrevocably release Seller from any and all claims that Buyer may now have or hereafter acquire against Seller for any cost, loss, liability, damages, expense, demand, action or cause of action arising from such information or documentation. Seller is not liable or bound in any manner by any oral or written statements, representations or information pertaining to the Property, or the operation thereof, furnished by any real estate broker, agent, employee, servant or other person. Buyer further acknowledges and agrees that to the maximum extent permitted by law, the sale of the Property as provided for herein is made on an "as-is" condition and basis with all faults, and that Seller has no obligations to make repairs, replacements or improvements except as may otherwise be expressly stated herein. Buyer represents, warrants and covenants to Seller that, except as provided in Section 8.2 below, Buyer is relying solely upon Buyer's own investigation of the Property in making its determination to purchase the Property.

8.2 Seller's Representations and Warranties. Seller hereby represents and warrants to Buyer as of the Effective Date:

8.2.1 Organization, Standing and Authority of Seller. Seller is a limited liability company duly organized and validly existing and in good standing under the laws of the State of California and is duly authorized to do business and is in good standing in the State of California and has all requisite power and authority to own the property that it now owns.

8.2.2 Authority to Execute and Deliver this Contract. Seller has all requisite power and authority to execute this Contract and consummate the transactions contemplated by this Contract.

8.2.3 Litigation. To the best of Seller's actual knowledge, without a duty of inquiry, there are no actions, suits or proceedings pending or threatened against or affecting Seller or the Property in any court at law or in equity, or before or by any governmental department, commission, board, bureau, agency or instrumentality, an adverse decision in which might materially

affect the Property or Seller's ability to perform Seller's obligations under this Contract.

8.2.4 Rights of Others. Seller has not granted to any other person any option or right of first refusal which is still effective to acquire all or any portion of the Property; provided, however, Buyer acknowledges having been advised by Seller that Seller has previously negotiated with The Rescue Mission for the sale of the Property and Seller intends to execute with The Rescue Mission a back-up contract for the sale of the Property which will be conditioned upon the termination of this Contract without the Closing having occurred. Seller hereby reserves the right to execute one or more back-up contracts with The Rescue Mission and/or any other buyer.

8.2.5 Payment of Cost for Labor and Materials. All sums payable by reason of any labor or materials heretofore furnished with respect to the Property have been, or in the ordinary course prior to Closing will be, paid, and Seller knows of no material dispute in connection with such sums so payable.

8.2.6 Creditors. Seller has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by Seller's creditors, (iii) suffered the appointment of a receiver to take possession of all, or substantially all, of Seller's assets, (iv) suffered attachment or other judicial seizure of all, or substantially all, of Seller's assets, or (v) admitted in writing Seller's inability to pay Seller's debts as they become due.

8.2.7 Seller Not a Foreign Person. Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1954, as amended, and that Seller will furnish to Buyer, prior to Closing, an affidavit confirming the same.

8.2.8 Due Diligence Documents. To the best of Seller's actual knowledge, the Due Diligence Documents delivered by Seller to Buyer are complete and accurate copies of the originals of such documents.

8.2.9 Survival of Covenants, Representations and Warranties. Subject to the limitation below, all of the covenants, representations and warranties of Seller set forth in Section 8.2 shall survive the Closing and the delivery of the Deed. In the event that, prior to the Closing, (1) Buyer discovers any material misrepresentation of Seller or any material breach of Seller's representations or warranties hereunder (excluding any misrepresentation amounting to fraud) and/or (2) after the Effective Date, there occurs a change in circumstances which causes one or more of Seller's representations above to be materially untrue, then, for a period of ten days following the discovery,

Buyer shall have the right to terminate this Contract and, if Buyer elects to terminate this Contract, the damages recoverable by Buyer hereunder in such event shall be limited to a return of all funds deposited by Buyer. If, notwithstanding Buyer's discovery of a misrepresentation of Seller or a change of circumstances, Buyer elects to affirm this Contract and proceed with the Closing, such election shall, upon the Closing, constitute a waiver by Buyer of any and all claims relating to such misrepresentation of Seller and/or change of circumstances. If, after the Closing, Buyer discovers a breach of any representation or warranty in Section 8.2, then any action by Buyer for breach of such representation or warranty under Section 8.2 must be commenced within one year after the Closing.

8.3 Covenants of Seller. Seller hereby covenants and agrees with Buyer:

8.3.1 No Other Contracts. Seller will not enter into contracts or agreements related to the operation or maintenance of the Property, or alter, amend or modify the terms of any existing contracts, except in good faith in the ordinary course of business and which provide that the same may be terminated without cost to Buyer upon not more than 30 days prior notice.

8.3.2 Maintenance of Insurance. Seller will maintain fire, extended coverage and public liability insurance covering the Property.

8.3.3 Notice of Liens. Seller will promptly notify Buyer in writing of the levy (or threatened levy of which it gains knowledge or is notified) of any special governmental assessment of the nature described herein affecting the Property, and of any alleged violation of any law, regulation, ordinance, order or other requirement of any governmental authority having jurisdiction over or affecting all or any part of the Property of which it gains knowledge or is notified.

8.3.4 Operation of Property. Seller will continue to operate the Property in the same manner as prior to the execution of this Contract until Closing. However, Seller shall not, except in case of emergency, enter into any contracts which Buyer would be required to assume at Closing or which would impose financial obligations upon Buyer, without Buyer's consent and Seller agrees to notify Buyer in writing, prior to Closing, of any such agreements entered into in case of emergency.

Section 9 - Possession. Possession of the Property shall be delivered by Seller to Buyer as of the time of recording the Deed on the day of Closing.

Section 10 - Miscellaneous Provisions.

10.1 Brokerage. Seller and Buyer represent that (1) with the exception of CB Richard Ellis ("Broker") which represents Seller, no brokers are involved in the transaction described in this Contract and (2) other than the commission payable by Seller to Broker per separate agreement, no brokerage commissions or finder's fees are or will be payable hereunder. If any claim is made by any third party for the payment of any commission or fee, then the party whose acts gave rise (or are alleged to have given rise) to such claim shall indemnify, defend and save harmless the other party for the full amount of such claim and all other claims, demands, actions, losses, damages, liabilities, costs and expenses (including reasonably attorneys fees) filed against or incurred by such other party as a result of such claim.

10.2 Sole Agreement. This is the sole and only agreement between the parties. Any and all prior oral or written representations, correspondence, letters of intent and agreements are merged into and superseded by this Contract and shall be of no force or effect. Any modifications of this Contract must be in writing and signed by the parties hereto.

10.3 Tax-Deferred Exchange. Seller party may desire to effect a tax-deferred exchange under Section 1031 of the Internal Revenue Code in connection with the sale or purchase of the Property. In connection therewith, Buyer agrees to cooperate with the other to effectuate such exchange.

10.4 Nominee/Assignee of Buyer. Buyer shall have the right to assign all of its right, title and interest under this Contract to any entity or entities at any time prior to the Closing Date, whereupon such assignee or assignees shall succeed to all of the rights and obligations of Buyer hereunder; provided, however, Seller shall not be required to bear any additional cost and expense or incur any additional liability or obligation or otherwise suffer any adverse effect as a consequence of such assignment in excess of the costs, expenses, liabilities, obligations and other effects which would have been applicable if the Property were acquired by Buyer. Such assignment shall not relieve Buyer of any obligations under this Contract.

10.5 Notices. All notices, requests, demands or documents which are required or permitted to be given or served hereunder shall be in writing and personally delivered, or sent by Federal Express (or other similar overnight delivery service furnishing proof of delivery) or registered or certified mail, postage prepaid, addressed as follows:

Seller: Caravan Properties, LLC
c/o Sutter Asset Advisors
185 West "F" Street, Suite 100
San Diego, California 92101

Buyer:

Such addresses may be changed from time to time by the addressee by serving notice as heretofore provided. Service of such notice or demand shall be deemed complete on the date of actual delivery as shown by the addressee's registry or certification receipt or at the expiration of the third day after the date of mailing (whether or not actually received by the addressee), whichever is earlier in time.

10.6 Attorneys' Fees. In the event either party commences an action to enforce or interpret this Contract, the prevailing party shall be entitled to an award of attorneys' fees in addition to any other relief granted.

Buyer:

The Redevelopment Agency of
The City of San Diego

By: _____

Seller:

Caravan Properties, LLC,
a California limited liability
company

By: _____
Artie M. Owen, Manager