

PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS

This Purchase and Sale Agreement and Escrow Instructions (“Agreement”) is entered into and is effective as of _____, 2022, by and between the City of Douglas, an Arizona municipal corporation (“Buyer” or “City”) and Pacific Resources Associates LLC, a Delaware limited liability company (“Seller”), on the following terms and conditions contained herein.

RECITALS

WHEREAS, the Seller is in the owner of real property located at 1300 N. San Antonio Avenue, Douglas, Cochise County; and

WHEREAS, The City desires to purchase the Property from Seller; and

WHEREAS, the Seller and Buyer enter into this Agreement to set forth the rights and obligations of Buyer and Seller with respect to the purchase and sale of the Property.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual promises and covenants set forth herein, and for other consideration, the receipt and adequacy of which is hereby acknowledged, the City and Buyer agree as follows:

1. Sale and Purchase. On the terms and conditions contained in this Agreement, Seller agrees to sell to Buyer and Buyer agrees to purchase from Seller the real property located at 1300 N. San Antonio Avenue, Douglas, Cochise County, Arizona, and legally described and depicted on Exhibit A, together with all of Seller’s rights, title and interest in and to (a) any improvements located thereon; (b) all fixtures and other personal property located therein (c) all appurtenances, hereditaments, easements, rights-of-way, reversions, remainders, development rights, well rights, water rights and air rights; (d) all oil, gas, and mineral rights not previously reserved; and (e) any other rights or privileges appurtenant to such real property (collectively, the “Property”).

2. Escrow and Title Company. The Seller and Buyer shall open an escrow (“Escrow”) with First American Title Company, Attn: Rachael Rodgers, located at Portland, Oregon (“Title Company” or “Escrow Agent”) to facilitate the consummation of the sale of the Property. This Agreement shall also serve as escrow instructions to Title Company. The Seller and Buyer shall provide additional instructions reasonably requested by Title Company in connection with opening the Escrow or otherwise facilitating the consummation of the sale of the Property, not inconsistent with the terms of this Agreement. In the event of any conflict or inconsistency between any additional Escrow Instructions requested by Title Company and this Agreement, the provisions of this Agreement shall prevail.

3. Purchase Price; Earnest Money.

3.01 Purchase Price. The purchase price ("Purchase Price") to be paid by Buyer for the Property shall be Nine Hundred Thousand and 00/100 Dollars (\$900,000.00). The Purchase Price shall be paid as follows:

(a) Within five (5) business days after the execution of this Agreement by Seller, Buyer and Title Company, Buyer shall deposit with Escrow Agent an earnest money deposit of Five Thousand and 00/100 Dollars (\$5,000.00) by wire of immediately available funds or Buyer's check with immediately available funds payable to Escrow Agent ("Earnest Money").

If the transaction contemplated hereby is consummated in accordance with the terms and provisions hereof, the Earnest Money shall be credited toward the Purchase Price at Closing. If the transaction is not so consummated, the Earnest Money shall be held and delivered by the Title Company as hereinafter provided.

(b) The balance of the Purchase Price, subject to prorations and adjustments as described herein, shall be deposited by Buyer with Escrow Agent, in cash or immediately available funds ("Cash Payment"), on or before the Close of Escrow.

4. Escrow Opening and Closing.

4.01 Opening of Escrow. The Title Company shall sign and date this Agreement on the space provided at the end of this Agreement, indicating that Escrow has been opened as of such date ("Opening of Escrow"), which date shall be the date at which Title Company is in possession of a fully executed Agreement and the Earnest Money. The Title Company shall provide a copy of the fully executed Agreement to the Seller and Buyer within five (5) days of the Opening of Escrow.

4.02 Closing. Subject to the Conditions Precedent set forth in Section 7, the closing of this transaction and escrow (the "Closing" or "Close of Escrow") shall occur within thirty (30) days after the expiration of the Feasibility Period (as defined in Section 6.02(b)), unless an extension is otherwise agreed to in writing by both parties.

5. Title

5.01 Status of Title. Within ten (10) business days after Opening of Escrow, or as soon thereafter as possible, Title Company shall provide Buyer and Seller with a current commitment for title insurance (the "Title Commitment") for the Property, disclosing all matters of record and other matters of which Title Company has knowledge which relate to the title to the Property, and a legible copy of each of the instruments and documents referred to in the Title Commitment. The Title Commitment shall include Title Company's requirements for Closing and issuing its title policy. Seller shall satisfy those requirements of Seller requiring a release of consensual monetary encumbrances on or before the Closing. Buyer shall have ten (10) business days after receipt of the

Title Commitment and copies of all instruments and documents referred to in the Title Commitment, or five (5) business days after the receipt of any amendment thereto and copies of all instruments and documents referred to therein, to object in writing to Seller to any matter shown thereon. If Buyer fails to object within said period, the condition of title to the Property shall be deemed approved. If Buyer timely objects to any matter disclosed by the Title Commitment or any amendment thereto, the Seller may, but is not obligated, to use reasonable efforts to cure such objection(s) (although in no event shall the Seller be required to expend funds) within ten (10) business days thereafter. If, within such 10-business-day period, the Seller is unsuccessful or responds that it is unwilling to cure Buyer's objection(s), Buyer shall have five (5) business days following notice from the Seller of its inability or unwillingness to cure in which Buyer shall elect by delivering written notice to the Seller and Title Company either to (a) waive its objection(s); or (b) terminate this Agreement. If Buyer elects to terminate this Agreement, Title Company shall deliver the Earnest Money to Buyer without further notice to or from the Seller and neither party shall thereafter have any further rights or obligations hereunder except for those obligations that survive the termination of this Agreement or the Close of Escrow as provided in this Agreement. Failure by Buyer to make a timely election shall constitute an election to terminate this Agreement. Failure by the Seller to give any notice shall constitute the Seller's election not to cure. Notwithstanding anything else stated herein, in all events, regardless of whether Buyer has given notice of objection as stated above, the Seller shall be obligated to satisfy and otherwise remove all monetary and financial liens and encumbrances in existence at the time of execution of this Agreement or incurred by the Seller on or before Closing hereunder (other than current taxes not yet due). Any title exceptions which have not been objected to or waived by Buyer shall be called "Permitted Title Exceptions."

5.02 Title Policy. At Closing, Title Company shall furnish to Buyer an extended coverage owner's policy of title insurance in the amount of the Purchase Price for the Property insuring Buyer's title to the Property, subject only to the usual printed exceptions contained in such title insurance policies and those matters approved by Buyer pursuant to Section 5.01. The Seller shall pay the premium for the standard coverage owner's policy and Buyer shall pay the difference in premium cost between an ALTA extended coverage and a standard owner's policy and the cost of any endorsements requested by Buyer.

5.03 Survey. Seller shall provide to Buyer a copy of the most recent ALTA survey covering the Property that is in Seller's possession. If Buyer desires an updated survey of the Property or if a survey is required to enable the Title Company to issue its title policy, it shall be Buyer's responsibility to obtain the survey at Buyer's cost.

6. Preliminary Due Diligence; Examination of Property.

6.01 Preliminary Due Diligence. Within five (5) days after the Opening of Escrow, Seller, at Seller's expense, shall provide to Buyer the property information (the "Property Information") listed on Exhibit B. The Seller makes no representation or warranty whatsoever regarding the Property Information, except that the Seller has no actual knowledge of any incorrect information contained therein. If this transaction does not close for any reason, Buyer shall not use any Property Information provided to Buyer and shall return the same and any copies thereof to the Seller.

6.02 Examination of Property.

(a) Upon making prior arrangements with the Seller, Buyer, its agents or employees may enter upon the Property for the purposes of inspecting the Property, conducting environmental, soil, engineering, structural and other tests as Buyer may deem necessary. Buyer shall restore the affected portion of the Property to its condition prior to the performance of such studies or inspections. Buyer agrees to indemnify, defend and hold the Seller harmless for, from and against any liability and/or damages caused by Buyer in exercising the foregoing license (unless arising from Seller's gross negligence or willful misconduct), including, but not limited to any and all costs, expenses and attorney's fees, and agrees that this obligation to indemnify shall survive any termination of this Agreement and the Close of Escrow. All expenses incurred in connection with the exercise of such license by Buyer shall be the responsibility of Buyer.

(b) Notwithstanding any provisions to the contrary, Buyer may terminate this Agreement for any reason, by either delivering written notice of such termination to Seller and Title Company on or before last day of the Feasibility Period. The period between the Opening of Escrow and the date sixty (60) days thereafter shall be the "Feasibility Period." If Buyer elects to terminate this Agreement pursuant to this Section 6.02(b) the Title Company shall immediately deliver the Earnest Money to Buyer without further notice to Seller and neither party shall have any further rights or obligations hereunder, except for those obligations that survive the termination of this Agreement or the Close of Escrow as provided in this Agreement.

7. Representations and Warranties.

7.01 Seller's Representations and Warranties. The Seller makes the following representations and warranties, all of which shall be true and correct at the Closing:

(a) Organization, Good Standing and Qualification. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has all requisite power and authority to carry on its business as now conducted, to enter into this Agreement and to carry out and perform its obligations under this Agreement.

(b) Authorization; Binding Agreement. The execution and delivery by Seller of this Agreement and all of the documents and instruments required hereby and the consummation of the transactions contemplated hereby and thereby have been duly authorized in accordance with Seller's governing documents and properly executed by all requisite members or officers on the part of Seller. This Agreement and each of the other documents and instruments required hereby have been duly executed and delivered by Seller and constitute the valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

(c) No Violation. The execution, delivery, and compliance with and performance by Seller of this Agreement and each of the other documents and instruments required hereby do not and will not (i) violate the Articles of Organization, Operating Agreement or other such governing documents of Seller; or (ii) violate any law, statute, rule, regulation, order, judgment or decree to which Seller is subject; or (iii) violate, conflict with or result in a breach of or constitute

a default under any contract, agreement, covenant, obligation, or other instrument to which Seller is a party or by which Seller or any of Seller's assets or properties are bound or to which Seller or any of Seller's assets or properties are subject.

(d) No Actions. Seller has not received notice of and to the actual knowledge of Seller, there are no (i) claims, actions, suits, litigation, investigations, condemnation actions, eminent domain, special assessment or other proceedings planned, pending, threatened or instituted by any person or entity against Seller or the Property, (ii) approvals, permits, easements, rights-of-way, zoning changes, uses or rights relating to the Property that have been denied by any governmental department or agency, and (iii) violations of any law, statute, ordinance, rule, government regulation or requirement applicable to the Property. Seller shall promptly notify Buyer promptly of any such litigation or proceedings of which Seller becomes aware.

(e) Consents. The execution, delivery, and performance by Seller of this Agreement and each of the other documents and instruments required hereby and the consummation of the transactions contemplated hereby and thereby do not and will not require any authorization, consent, approval, permit, filing, registration or exemption or other action by or notice to any court or administrative or governmental body.

(f) Condition of Property. Prior to the Close of Escrow, Seller shall maintain the Property in the same state of repair as of the execution of this Agreement by Seller.

(g) No Adverse Claims. To the actual knowledge of Seller, there exist no adverse claims by any person or persons (including but not limited to adjoining property owners) and no encroachments with respect to the Property.

(h) Information. Seller has not knowingly withheld any material information pertaining to the Property. To the actual knowledge of Seller, and except as disclosed in the Title Commitment, there exist no agreements of sale, leases, occupancy agreements, rights of first refusal, options to purchase, shared expense agreements, repayment agreements, reimbursement agreements or development agreements or similar documents in any manner pertaining to or affecting all or any portion of the Property hereto.

(i) No Defaults. To the actual knowledge of Seller, there are currently no defaults under any existing agreement for sale, note indebtedness, indenture, loan agreement, deed of trust, mortgage, assignment of rents, security agreement or other agreement in any manner pertaining to the Property.

(j) Ownership of Property. Seller is the sole owner of fee title to the Property and has full power and authority to enter into and perform this Agreement in accordance with its terms. Seller will not take any action to affect title to the Property while this Agreement is in effect nor enter into any contract that will be an obligation affecting the Property subsequent to the Closing.

(k) Environmental. Seller has not caused hazardous substances, hazardous waste, pollutants or contaminants to be used, deposited, stored, disposed of, placed or otherwise

located in or on the Property in violation of applicable Environmental Laws. Except as may be disclosed in the Property Information, Seller has not received any notices, nor to the actual knowledge of Seller, the Seller is not otherwise aware that the Property is not in compliance with all federal, state of Arizona and local laws, ordinances and regulations relating to environmental protection, occupational health and safety, public health and safety or public nuisance or menace, including relating to Hazardous Substances, Hazardous Waste, Pollutants or Contaminants. For purposes of this Agreement, the terms "Hazardous Substances", "Hazardous Waste", "Pollutants" and "Contaminants" mean any substances, waste, pollutants, or contaminants now or hereafter included within those respective terms under any federal, state or local statute, ordinance, code or regulation (collectively "Environmental Laws"). Seller shall promptly disclose to Buyer if following the Opening of Escrow Seller receives a written notice, or otherwise becomes aware, of any of the foregoing.

(l) As used in this Agreement or in any other agreement, document, certificate or instrument delivered by Seller to Buyer, "to Seller's actual knowledge" or any similar phrase shall mean the actual cognitive awareness of Scott D. Hodson, Mark W. Olson, and Jay Duhl without making any independent investigations or inquiries and without any duty to do so.

(m) "AS IS" Sale. Except as otherwise expressly set forth in this Agreement and the Special Warranty Deed, neither Seller nor Seller's managers, members, owners, employees, agents, or representatives have made any representations, guaranties, promises, assurances or warranties, express or implied, to Buyer including, without limitation, any pertaining to the suitability of the Property for any purpose, the profitability of owning or operating the Property, the physical or environmental condition thereof, the suitability, habitability or merchantability or fitness of the Property for Buyer's intended use or for any use whatsoever, the rentals, income or expenses thereof, the net or gross acreage contained therein, the zoning thereof, the condition of title thereto, the existence or satisfaction of any local, state or federal approvals or permits for the development or use thereof, the availability or existence of water, sewer or other utilities, the existence or nonexistence of any hazardous substances or materials in, on or under the Property, or as to any past, present or future matter whatsoever. Buyer acknowledges and agrees that with the aid of independent expert advice it will have had an opportunity to satisfy, prior to the expiration of the Feasibility Period, itself regarding the condition of the Property, and that the Property will be purchased "AS IS AND WITH ALL FAULTS".

(n) Buyer Waiver and Release. Effective as of Closing, Buyer hereby waives, releases, acquits and forever discharges Seller and its officers, directors, partners, employees, members, agents, and any other person acting on behalf of Seller, from and against any and all claims, actions, causes of action, demands, rights, damages, costs, expenses or compensation whatsoever, direct or indirect, known or unknown, foreseeable or unforeseeable, which Buyer now has or which may arise in the future on account of or in any way growing out of or connected with (i) the ADA, zoning or land use regulations or laws, any Environmental Laws and with the presence in or on any portion of the Property, the building, or any other improvement thereon, or under the surface of the Property, of underground storage tanks, asbestos-containing materials, transformers or other equipment containing polychlorinated biphenyls, or any hazardous or toxic waste, substance or material as defined in any Environmental Law which may now or hereafter be applicable (singularly

and collectively, the "Released Claims"). The foregoing covenants of Buyer shall survive and be enforceable in accordance with their terms following the consummation of this transaction and shall not be merged with or into the deed delivered by Seller to Buyer through escrow at Closing.

7.02 Buyer's Representations and Warranties. Buyer represents and warrants to the Seller:

(a) All representations and warranties made by Buyer in this Agreement and in any written statements delivered to Seller by Buyer under this Agreement shall be true and correct as of the Closing.

(b) Buyer has the full power and authority to enter into and perform this Agreement according to the terms hereof and the individual executing this Agreement on behalf of Buyer is authorized to do so.

(c) This Agreement and all documents required hereby to be executed by Buyer are and shall be valid, legally binding obligations of, and enforceable against Buyer, in accordance with their terms.

8. Remedies.

8.01 Seller's Remedies. In the event Buyer fails to perform its obligations pursuant to this Agreement for any reason except due to the Seller's default or failure to perform its obligations hereunder, the Seller shall be entitled as its sole remedy to terminate this Agreement and Title Company shall deliver to the Seller the Earnest Money as liquidated damages and not as penalty, in full satisfaction of claims against Buyer hereunder. The Seller and Buyer agree that the Seller's damages resulting from Buyer's default are difficult, if not impossible, to determine and the amount of the Earnest Money is a fair estimate of those damages which has been agreed to in an effort to cause the amount of said damages to be certain. Nothing in this Section shall limit the Seller's right to recover attorneys' fees under Section 8.03 below.

8.02 Buyer's Remedies. If the Seller (1) fails without legal excuse to convey the Property as and when required to do so pursuant to this Agreement, or (2) breaches a representation and warranty, then the Seller shall be in default under this Agreement and, as Buyer's sole and exclusive remedy, Buyer may elect to: (i) waive the default and proceed to close this transaction and the Escrow; or (ii) pursue specific performance of this Agreement; or (iii) terminate this Agreement and receive the Earnest Money from the Title Company; provided, however, if specific performance is unavailable because of the affirmative or intentional acts or omissions of the Seller, Buyer may bring suit for damages as a result of the Seller's default hereunder. As a condition precedent to Buyer's right to pursue specific performance under section (ii) above, Buyer shall (a) not be in default under this Agreement; and (b) file suit therefore in the Superior Court of Arizona in Cochise County, Arizona on or before 5:00 pm MST on or before the date that is sixty (60) business days immediately following the scheduled Closing Date. Nothing in this Section shall limit Buyer's right to recover attorneys' fees under Section 8.03 below.

8.03 Attorneys' Fees. In the event either party hereto is required to employ an attorney because of the other party's default, then the defaulting party shall pay the non-defaulting party's reasonable attorneys' fees incurred in the enforcement of this Agreement.

8.04 Waiver. Seller and Buyer waive the right to pursue consequential or punitive damages against the other.

9. Conditions Precedent to the Seller's Obligations. The obligations of the Seller under this Agreement are subject to the satisfaction, on or prior to the Closing, of the following conditions, all or any of which may be waived in writing by the Seller:

(a) All representations and warranties made by Buyer in this Agreement and in any written statements delivered to the Seller by Buyer under this Agreement shall be true and correct as of the Closing.

(b) Buyer shall have performed and complied with all obligations of Buyer required by this Agreement to be performed or complied with by Buyer on or prior to the Closing.

(c) All documents required to be delivered by Buyer on or prior to the Closing shall have been properly executed by Buyer and delivered to Escrow Agent or the Seller in form and substance reasonably satisfactory to Seller.

10. Conditions Precedent to Buyer's Obligations.

10.01 The obligations of Buyer under this Agreement are subject to the satisfaction, on or prior to the Closing, of the following conditions, all or any of which may be waived in writing by Buyer:

(a) All representations and warranties made by the Seller in this Agreement and in any written statement delivered to Buyer by the Seller under this Agreement shall be true and correct as of the Closing.

(b) The Seller shall have performed and complied with all its respective obligations required by this Agreement to be performed or complied with by it on or prior to the Closing.

(c) All documents required to be delivered by the Seller on or prior to the Closing shall have been properly executed by the Seller and delivered to Escrow Agent or Buyer in form and substance reasonably satisfactory to Buyer.

(d) Title Company shall have irrevocably committed to issue the Title Policy.

10.02 If any of Buyer's closing conditions described in this Section have not been fulfilled within the applicable time periods, Buyer may:

(a) Waive the unfulfilled Buyer closing condition and Close in accordance

with this Agreement, without adjustment or abatement of the Purchase Price;

(b) Terminate this Agreement by written notice to Seller, in which event Seller shall pay for all of the cancellation charges of Escrow Agent, if any, and Escrow Agent shall immediately release to Buyer the Earnest Money; or

(c) To the extent the failure of any applicable Buyer's closing condition is caused by a breach of any term or condition of this Agreement by Seller, Escrow Agent shall immediately release the Earnest Money to Buyer and Buyer shall be entitled to pursue its rights and remedies pursuant to the terms of Section 8.02.

11. Closing.

11.01 Closing Matters.

(a) At Closing, the Seller shall execute, deliver and acknowledge the following documents:

(i) A special warranty deed ("Deed") conveying the Property, subject only to ad valorem taxes for the year of closing and applicable Permitted Title Exceptions;

(ii) An affidavit, signed by the Seller under penalties of perjury, certifying that the Seller is not a nonresident alien, foreign corporation, foreign partnership, foreign trust, foreign estate, or other foreign person within the meaning of Section 1445 and Section 7701 of the Internal Revenue Code of 1986 and the associated Treasury Regulations;

(iii) An affidavit of property value as required by law; and

(iv) Such other documents as are reasonably necessary to close and consummate the purchase and sale transaction contemplated by this Agreement and as may be required by the lender for the Buyer.

(b) At Closing, Buyer shall:

(i) Deliver the Cash Payment to Title Company;

(ii) Execute and deliver an affidavit of property value as required by law;

(iii) Execute and deliver such other documents as are reasonably necessary to close and consummate the purchase and sale transaction contemplated by this Agreement and as may be required by the lender for Buyer or the Title Company.

(c) Possession of the Property shall be delivered to Buyer at Closing.

11.02 Taxes. All real property taxes, bonds, special taxes, improvement taxes and assessments pertaining to the Property shall be prorated between the parties based on the latest information available to Escrow Agent. If the actual amount of said taxes, bonds, and assessments are not known as of the Closing Date, said taxes, bonds and assessments shall be prorated based on the most recently assessed and known amounts, and there shall be no adjustments for either party in the event that the actual amounts of said taxes, bonds and assessments differ from said previous amounts.

11.03 Closing Costs. Escrow fees charged by Title Company shall be paid one-half (1/2) by the Seller and one-half (1/2) by Buyer. The Seller shall pay the premium chargeable for a Standard's Owners Policy of Title Insurance, and Buyer shall pay the incremental portion of the premium applicable to the extended coverage. The Seller shall pay the fee for recording the Deed. Except as otherwise provided in Section 8.03, each party shall be responsible for the payment of its own attorneys' fees incurred in connection with the transaction, which is the subject of this Agreement.

11.04 Commissions. At Closing, the Seller shall pay a commission to GBLS Commercial Real Estate Services, Inc., an Arizona corporation doing business as Phoenix Commercial Advisors ("Broker") pursuant to a separate agreement. At Closing, the Buyer shall not pay any commission. Each party agrees to indemnify and hold harmless the other from and against any real estate commission to any other broker or other person claiming through the indemnifying party other than the Broker that may be asserted to be payable as a result of any action of the Seller or Buyer, respectively. The Parties' obligations pursuant to this Section 11.04 shall survive the Closing and any termination of this Agreement.

12. Condemnation and Risk of Loss.

12.01 Condemnation. If, prior to Closing, any governmental authority, other than Buyer, or other entity having condemnation authority shall institute an eminent domain proceeding or take any steps preliminary thereto (including the giving of any direct or indirect notice of intent to institute such proceedings) with regard to the Property, and the same is not dismissed on or before ten (10) days prior to Closing, Buyer shall be entitled either to terminate this Agreement upon written notice to Seller or to waive such right of termination and receive all such condemnation proceeds. In the event Buyer elects to terminate this Agreement under this Section 12.01, the Title Company shall forthwith return to Buyer the Earnest Money and neither party to this Agreement shall thereafter have any further rights or obligations hereunder except for those rights and obligations that survive termination of this Agreement or the Close of Escrow as provided in this Agreement.

12.02 Risk of Loss. The risk of loss or damage to the Property and all liability to third persons until the Close of Escrow shall be borne by the Seller. Buyer shall assume all risks of loss or damage to the Property and all liability to third persons upon the Close of Escrow.

13. Miscellaneous.

13.01 Notices. Any and all notices, demands or requests required or permitted hereunder shall be in writing and shall be effective upon personal delivery or one (1) business day after being deposited with any commercial air courier or express service providing next day delivery, addressed as follows:

To the Buyer: City of Douglas
Attn: Ana Urquijo, City Manager
425 E. 10th Street
Douglas, AZ 85607
Email: ana.urquijo@douglasaz.gov

With copy to: Denis M. Fitzgibbons, City Attorney
Fitzgibbons Law Offices, P.L.C.
1115 E. Cottonwood Lane, Suite 150
P.O. Box 11208
Casa Grande, Arizona 85130-0148
Email: denis@fitzgibbonslaw.com

To Seller: Pacific Resources Associates LLC
Attn: Scott D. Hodson
15350 S.W. Sequoia Pkwy., Suite 300
Portland, Oregon 97224
Email: scotth@pactrust.com

With a copy to: Pacific Resources Associates LLC
Attn: Jeffrey A. Oswald
15350 S.W. Sequoia Pkwy., Suite 300
Portland, Oregon 97224
Email: jeffo@pactrust.com

Escrow Agent: First American Title Company
Attn: Rachael Rodgers
200 SW Market Street, Suite 250
Portland, Oregon 97201
Email: rrodgers@firstam.com
Phone: (503) 795-7608

Buyer, the Seller or Escrow Agent may change its address for notice by giving notice in the manner provided above. The inability to deliver because of a changed address of which no notice was given, or rejection or other refusal to accept any notice, shall be deemed to be the receipt of the notice as of the date of such inability to deliver or rejection or refusal to accept. Any telephone numbers or e-mail addresses provided in this Agreement are for aiding informal communications only, and notices shall not be effective if provided orally or if sent only by e-mail.

13.02 Time of the Essence; Date of Performance. Time is of the essence of this Agreement, and Buyer and the Seller hereby agree to perform each and every obligation hereunder in a prompt and timely manner; provided, however, that if the date for the performance of any action or the giving of any notice which is required hereunder, occurs on a Saturday, Sunday or legal holiday, the date for performance or giving of notice shall be the next succeeding business day.

13.03 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited hereunder, such provision shall be ineffective to the extent of such prohibition or invalidation which shall not invalidate the remainder of such provision or the remaining provisions of this Agreement.

13.04 Waiver. The waiver by either party hereto of any right granted to it hereunder shall not be deemed to be a waiver of any other right granted herein, nor shall same be deemed to be a waiver of a subsequent right obtained by reason of the continuation of any matter previously waived.

13.05 Entire Agreement. This Agreement, contains the entire agreement of the parties hereto with respect to the matters covered hereby, supersedes all prior agreements, arrangements and understandings between the parties and no other agreement, statement or promise made by either party hereto that is not contained herein shall be binding or valid. All exhibits to this Agreement are by this reference incorporated herein.

13.06 Amendments. This Agreement may be amended only by written document signed by each of the parties hereto.

13.07 Further Performance. Each party shall, whenever and as often as it shall be requested by the other party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further instruments and documents, including supplemental escrow instructions, as may be reasonably necessary in order to complete the sale, conveyance and transfer herein provided and to do any and all things as may be requested in order to carry out the intent and purpose of this Agreement.

13.08 Counterparts. This Agreement may be executed simultaneously or in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. A party's signature on this Agreement or any amendment hereto may be provided by facsimile or electronically scanned and shall be effective upon transmission to the other party hereto.

13.09 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, devisees, personal and legal representatives, successors and assigns.

13.10 Governing Law; Venue. This Agreement shall be construed and interpreted under, and governed and enforced according to the laws of the State of Arizona, without giving

effect to the principles of conflicts of law. The parties agree that should any court action be commenced relating to this Agreement, that the Cochise County Superior Court shall be the appropriate and exclusive venue therefore. The parties expressly waive any and all provisions of law providing for a change of venue to any other state or federal court.

13.11 Dispute Resolution. In the event a dispute arises under this Agreement, Buyer and Seller agree that there shall be a thirty (30) day moratorium on litigation during which time the Buyer and the Seller agree to attempt to settle the dispute by non-binding mediation before commencement of litigation. The mediation shall be held under the Commercial Mediation Rules of the American Arbitration Association (“AAA”) but shall not be under the administration of the AAA unless agreed to by the Buyer and the Seller in writing, in which case all administrative fees shall be divided evenly between the Buyer and the Seller. The matter in dispute shall be submitted to a mediator mutually selected by Buyer and the Seller. If the Parties cannot agree upon the selection of a mediator within ten (10) business days, then within five (5) business days thereafter, the Buyer and the Seller shall request that the Presiding Judge of the Superior Court in and for the County of Cochise, State of Arizona, appoint the mediator. The mediator selected shall have at least ten (10) years of experience in mediating or arbitrating disputes relating to commercial property. The cost of any such mediation shall be divided equally between the Buyer and the Seller. The results of the mediation shall be nonbinding with either Buyer or the Seller free to initiate litigation upon the conclusion of the latter of the mediation or of the thirty (30) day moratorium on litigation. The mediation shall be completed in one day (or less) and shall be confidential, private, and otherwise governed by the provisions of A.R.S. § 12-2238, to the extent allowed by the Arizona Open Meetings Law, § 38-431 et. seq.

13.12 Headings and Construction. The headings set forth in this Agreement are inserted only for convenience and are not in any way to be construed as part of this Agreement or a limitation on the scope of the particular paragraph to which it refers. Where the context requires herein, the singular shall be construed as the plural, and neutral pronouns shall be construed as masculine and feminine pronouns, and vice versa. This Agreement shall be constructed according to its fair meaning and neither for nor against either party hereto.

13.13 Tax Reporting. Title Company, as the party responsible for Closing the transaction contemplated hereby within the meaning of Section 6045(e) of the Code, shall file all necessary information, reports, returns and statements (collectively, the "Tax Reports") regarding this transaction as required by the Code, including, without limitation, the Tax Reports required pursuant to Section 6045 of the Code. Title Company further agrees to indemnify and hold Buyer and Seller, and their respective attorneys and brokers, harmless from and against all claims, costs, liabilities, penalties, or expenses resulting from Title Company's failure to file the Tax Reports which Title Company is required to file pursuant to this paragraph.

13.14 Conflict of Interest. This Agreement is subject to the conflict of interest provisions set forth in A.R.S. Section 38-511.

IN WITNESS WHEREOF, Buyer and the Seller have executed this Agreement effective as of the date first written above.

SIGNATURES ON FOLLOWING PAGE

SELLER:

PACIFIC RESOURCES ASSOCIATES LLC,
a Delaware limited liability company

By: _____

Its: _____

BUYER:

CITY OF DOUGLAS, a municipal corporation

By: _____

Ana Urquijo, City Manager

Attest:

Approved as to form:

By: _____

Alma Andrade,
City Clerk

By: _____

Denis M. Fitzgibbons
City Attorney

ACKNOWLEDGEMENT AND AGREEMENT BY TITLE COMPANY

The Title Company hereby acknowledges receipt of a fully executed copy of this Agreement on this ___ day of _____, and agrees to accept, hold, deliver and disburse the Earnest Money, together with all interest accrued thereon and received by the Title Company, strictly in accordance with the terms and provisions of this Agreement and without the necessity of further consent or instruction by Seller or Buyer. The Title Company is hereby designated as, and agrees to undertake the obligations of, the Reporting Person pursuant to Section 6045 of the Internal Revenue Code and the regulations promulgated thereunder.

By: _____
First American Title Company
Attn: _____

EXHIBIT A

Legal Description of the Property

To be provided by Title Company

EXHIBIT B

Property Information