

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

ORDER NO. 00-021

Authorizing Exercise of an Option to Purchase real property at 2234 and 2256 Northwest Lovejoy Street for a Branch Library

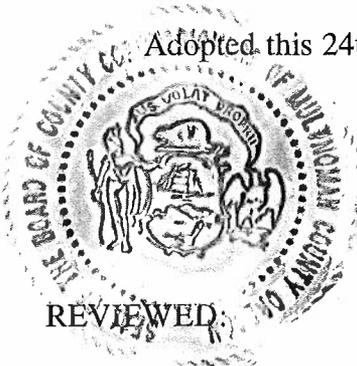
The Multnomah County Board of Commissioners Finds:

- a) Legacy Health Systems is willing to sell property to Multnomah County located at 2234 and 2256 NW Lovejoy Street in Northwest Portland on the proposed streetcar line and in an area appropriate for a branch library to serve residents of Northwest Portland
- b) Multnomah County has an interest in locating a new branch library in Northwest Portland. An RFP would be issued for a private developer to construct the library.
- c) Development of a library on this site creates the opportunity for a mixed-use development, including housing, to serve the neighborhood. Multnomah County is pursuing a similar project with the Hollywood library.
- d) The Board authorized on June 17, 1999 and the Chair executed on June 25, 1999 an Option to Purchase these sites. The Purchase price was not to exceed \$560,000. Terms of the Option specify that since a then existing building remains on the site, the Purchase price shall be reduced to \$500,000.
- e) It appears that the purchase of the parcel described in the Option to Purchase before the Board this date will benefit Multnomah County.

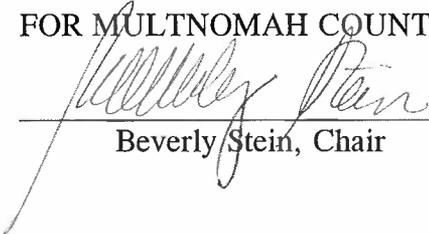
The Multnomah County Board of Commissioners Orders:

1. The Chair of the Multnomah County Board of Commissioners is authorized and directed to exercise the attached Option to Purchase the real property at 2234 and 2256 Northwest Lovejoy Street for a sum not to exceed \$500,000.

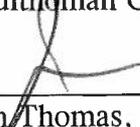
Adopted this 24th day of February, 2000.



BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON


Beverly Stein, Chair

Thomas Sponsler, County Counsel
For Multnomah County, Oregon

By 
John Thomas, Assistant County Counsel

OPTION AGREEMENT

Between

LEGACY HEALTH SYSTEM,
an Oregon non-profit corporation

“Legacy”

And

MULTNOMAH COUNTY, A POLITICAL SUBDIVISION
OF THE STATE OF OREGON

“County”

Dated as of June 2, 1999

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- Exhibit A - Legal Description
- Exhibit B - Exercise Notice
- Exhibit C - Repurchase Option Agreement

OPTION AGREEMENT

DATED

AS OF: June 25, 1999

BETWEEN: LEGACY HEALTH SYSTEM,
an Oregon non-profit corporation
1919 N.W. Lovejoy Street
Portland, Oregon 97209
Attn: Larry Hill
Telephone: 415-5675
Telecopy: 415-5777

("Legacy")

AND: MULTNOMAH COUNTY, A POLITICAL
SUBDIVISION OF THE STATE OF OREGON
Facilities and Property Management
2505 SE 11th Avenue
Portland, Oregon 97202
Attn: Robert Oberst
Telephone: 248-3322
Telecopy: 248-5082

("County")

Recitals

A. Legacy owns the real property located in Multnomah County, Oregon commonly known as 2234 and 2256 NW Lovejoy Street, Portland, Oregon, and more particularly described on the attached Exhibit A (the "Property").

B. Legacy desires to grant the County an option to purchase the Property in its "AS IS, WITH ALL FAULTS" condition on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises of the parties set forth below, Legacy and County agree as follows:

SECTION 1 GRANT OF OPTION

In consideration of the payment by the County to Legacy of a non-refundable option payment in an amount equal to Ten Dollars (\$10.00), (the "Option Consideration") and the provisions of this Option Agreement (this "Agreement"), Legacy hereby grants to the County the sole and exclusive option (the "Option") to purchase the Property from Legacy, all on the terms and conditions set forth in this Agreement. This Agreement shall be effective upon its execution by both Legacy and County (the "Effective Date").

SECTION 2

TERM OF OPTION

2.1 Initial Term. The term of the Option, unless extended as provided below, is a period of one hundred eighty (180) days, commencing June __, 1999 and ending at 5:00 p.m. Pacific time on December 31, 1999 (the "Term").

2.2 Extension of Term. County may extend the Term of the Option for the following periods of time by giving Legacy a written notice electing to extend the Term and by paying Legacy, the following, non-refundable amounts of Option Consideration before 5:00 Pacific time on the day which is the end of the then Term of the Option:

<u>Option Consideration</u>	<u>Extension Period</u>
\$10.00	January 1, 2000 to March 1, 2000

SECTION 3

PURCHASE PRICE, PAYMENT

County may at any time during the Term of the Option, exercise the Option by executing and delivering to Legacy the Exercise Notice attached as Exhibit B. In the event that County so exercises the Option, then County shall be legally obligated to purchase, and Legacy shall be legally obligated to sell, the Property on the terms and conditions set forth in this Agreement. The date on which County properly gives the Exercise Notice is the "Exercise Date."

SECTION 4

PURCHASE PRICE, PAYMENT

If County fails for any reason whatsoever to exercise the Option during the Term, then the Option shall automatically terminate and thereafter be of no further force and effect. County thereupon: (i) shall have no further right to acquire the Property, (ii) shall immediately deliver to Legacy all materials, reports and studies pertaining to the Property prepared by County or by or on behalf of County's consultants, and (iii) shall, promptly upon request by Legacy, execute, acknowledge, and deliver a quit claim deed or other appropriate instrument which terminates any interest County may have in the Property by virtue of this Agreement. County also covenants and agrees that if at any time County determines that County will not exercise the Option, County will use its good faith efforts to promptly notify Legacy of County's decision not to exercise the Option to purchase the Property.

SECTION 5

PURCHASE PRICE, PAYMENT

5.1 Purchase Price.

County agrees to pay as the purchase price for the Property Five Hundred Sixty Thousand Dollars (\$560,000.00) (the "Purchase Price"), subject to any adjustments and credits set forth in this Agreement. The Option Consideration shall be credited toward the Purchase Price at Closing Date, as defined below. Legacy may raze the existing structure on the Property during the term of the Option period. If at any time Legacy has not razed such structure during the term of the Option, the County may raze the structure upon thirty (30) days prior written

notice to Legacy. If the structure has not been razed on the Closing Date, the Purchase Price shall be reduced to Five Hundred Thousand Dollars (\$500,000.00) This obligation shall survive the County's exercise of the Option.

5.2 Payment of Purchase Price.

On the Closing Date, County shall deliver to Transnation Title Insurance Company, 111 S.W. Fifth Avenue, Portland, Oregon 97204 (222-9931) (the "Title Company") balance of the Purchase Price by Federal wire transfer (that is the amount of the Purchase Price less any Option Consideration paid to Legacy).

SECTION 6 COUNTY'S DUE DILIGENCE

6.1 County's Due Diligence

6.1.1 Legacy shall allow County to inspect the Property. With respect to any inspection or testing that is invasive or involves removing or demolishing any portion of the Property, County must first submit to Legacy a written plan for any such invasive testing which shall include a plan to deal with any hazardous materials that may be encountered during such testing, and County may not proceed with any such invasive testing unless Legacy, in its commercially reasonable judgment, has approved of County's plan in writing. County shall conduct any such invasive testing in strict accordance with the plan approved by Legacy.

6.1.2 Subject to any limitation in the Oregon Tort Claims Act ORS 30.260-33.300, County shall protect, defend, indemnify, and hold Legacy and Legacy's agents and employees harmless for, from and against any claims, liabilities, damages, liens, attorneys' fees, penalties, demands, causes of actions and suits of any nature whatsoever arising out of the inspection of and/or entry onto the Property by County, its agents, employees or contractors. This indemnity includes an obligation of County to reimburse Legacy for any and all damage County may cause to the Property in connection with County's inspection and this indemnity shall survive the closing or termination of this Agreement.

6.2 Title Report

Within ten (10) business days after the Effective Date, Legacy shall provide County with a preliminary title report issued by the Title Company (the "Preliminary Report"), together with copies of all documents which establish the underlying title exceptions set forth in the Preliminary Report. County shall have thirty (30) days after receipt of the Preliminary Report and the underlying title exceptions within which to give Legacy written notice of any exceptions which are unacceptable to County. Within fifteen (15) days after receipt of County's notice, Legacy shall notify County in writing whether Legacy, in its sole discretion, will cause the removal of the exceptions objected to by County, on or before the Closing Date. If Legacy does not elect to remove an objected to exception or fails to respond to County within such period, County shall give Legacy written notice within ten (10) days after the expiration of such period stating either: that County is terminating this Agreement, or that County is waiving its objection to the exception(s) which Legacy will not remove. If County fails to give any such

notice, then such inaction shall be deemed to be County's election to waive its objection to such exception(s).

SECTION 7 CLOSING

7.1 Manner of Closing

The closing of the purchase and sale of the Property (the "Closing") will occur in an escrow to be administered by the Title Company. The parties agree to provide the Title Company with escrow instructions consistent with the terms of this Agreement.

7.2 Closing Date

The closing date shall be the date which is no later than fifteen (15) days after the date County exercises the Option (the "Closing Date").

7.3 Documents to Be Deposited Into Escrow by Legacy

On or before the Closing Date, Legacy shall deposit into Escrow:

7.3.1 an executed and acknowledged special warranty deed (the "Deed") conveying the real property to County, which Deed shall contain the following language:

Grantee covenants and agrees that the property conveyed herein shall be used primarily for library purposes for forty (40) years following the date hereof. In no event shall medical services be performed or the practice of medicine be conducted on the property conveyed herein or any part thereof without Grantor's prior written consent, which consent may be withheld by Grantor in its sole and absolute discretion. If, without Grantor's prior written consent, medical services are performed on such property or medicine is practiced on such property, all right title and interest in and to such property shall automatically revert to Grantor within thirty (30) days after written notice by Grantor to Grantee of such violation of such covenant. This covenant is binding on Grantee and its successors and assigns and inures to the benefit of Grantor and its successors and assigns.

7.3.2 two (2) executed counterparts of an option agreement in the form of the attached Exhibit C (the "Repurchase Option Agreement");

7.3.3 two (2) executed and acknowledged counterparts of a memorandum of option in the form attached as Exhibit C to the Repurchase Option Agreement (the "Memorandum of Repurchase Option"); and

7.3.4 an executed certificate of non-foreign person (the "FIRPTA Certificate").

7.4 Documents and Sums to Be Deposited Into Escrow by County

On or before the Closing Date, County shall deposit into Escrow:

7.4.1 such funds (by wire transfer) as are necessary to complete payment of the Purchase Price and to pay County's portion of the closing costs;

7.4.2 two (2) executed counterparts of the Repurchase Option Agreement.

7.4.3 two (2) executed counterparts of the Memorandum of Repurchase Option.

7.5 Close of Escrow

On the Closing Date, the Title Company shall:

7.5.1 Cause the Deed and the Memorandum of Repurchase Option to be recorded in the Official Records of Multnomah County, Oregon;

7.5.2 Deliver the balance of the Purchase Price to Legacy;

7.5.3 Deliver to County the following:

- (a) one (1) original of the Repurchase Option Agreement;
- (b) the County's Title Policy (as defined below); and
- (c) Executed FIRPTA Certificate.

7.5.4 Deliver to Legacy the following:

- (a) Legacy's Title Policy (as defined below); and
- (b) one (1) original of the Repurchase Option Agreement.

7.5.5 Promptly after closing, the Title Company shall deliver to each of County and Legacy an accounting of all funds received and disbursed and copies of all executed and recorded or filed documents deposited with the Title Company with the recording or filing information noted on such documents.

7.6 Title Insurance

7.6.1 On the Closing Date, the Title Company shall issue to County an owner's policy of title insurance (the "County's Title Policy"), insuring County as the owner of the Property subject only to non-delinquent real property taxes and assessments and such other exceptions as are deemed approved by County pursuant to Section 6.2. The County's Title Policy shall have a liability limit equal to the Purchase Price. Legacy shall pay the premium for standard coverage, but if extended ALTA coverage is requested by County, County shall pay all costs and expenses, including title insurance premiums, in obtaining extended ALTA coverage.

7.6.2 On the Closing Date, the Title Company shall issue to Legacy a Legacy's policy of title insurance, in the amount of the Purchase Price, in a form and substance satisfactory to Legacy (the "Legacy's Title Policy") and Legacy shall pay the premium (not to exceed Fifty Dollars (\$50.00)) for such policy.

7.7 Closing Costs

The following closing costs shall be paid by the parties as follows: (i) County shall pay: (i) one-half of the Title Company's escrow fee and any transfer taxes, and all recording fees, and (ii) Legacy shall pay one-half of the Title Company's escrow fee and any transfer taxes.

7.8 Prorations

7.8.1 The Title Company shall prorate, as of the Closing Date, real property taxes and assessments payable in the calendar year of the closing between County and Legacy based upon the number of days the Property is owned by the respective parties during such year.

7.8.2 All items of income or expense from the operation of the Property shall be prorated by the parties, outside of escrow, as of the Closing Date.

SECTION 8 WARRANTIES

8.1 Legacy's Warranties

Legacy hereby represents and warrants as follows:

8.1.1 Legacy has full power and authority to enter into and perform this Agreement in accordance with its terms, and all requisite action has been taken by Legacy in connection with the execution of this Agreement and the transaction contemplated by this Agreement.

8.1.2 Legacy is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended.

8.1.3 Except as may be disclosed in writing to County, there is no litigation, claim, arbitration or condemnation proceeding pending with respect to the Property.

8.1.4 Neither the execution of this Agreement nor the execution, delivery, or recordation of any documents or agreement referenced herein, will constitute a default under any other agreement or contract affecting the Property or to which Legacy is not a party.

8.1.5 To Larry Hill's actual knowledge, without investigation or inquiry, Legacy has not used, store or transferred Hazardous Materials (as defined below) on or from the Property in violation of any applicable laws.

8.2 County's Warranties

County hereby represents and warrants that County has full power and authority to enter into and perform this Agreement in accordance with its terms, and all requisite action has been taken by County in connection with the execution of this Agreement.

8.3 Legacy's Disclaimer

Except as expressly set forth in Section 8.1, no warranties, guarantees or representations have been or are being made by Legacy or any agent or representative of Legacy concerning: the financial and operating records of the Property; any governmental permits or approvals obtained or to be obtained in connection with County's use of the Property; the suitability of the Property for County's intended use; the physical condition of the Property; the compliance of the Property with any past or present zoning, land use, building, fire, safety, environmental or other ordinances, restrictions, laws and regulations; the sub-surface condition of the Property; or the presence of any material in, under, or on the Property which is regulated by any ordinance, regulation or law.

8.4 County's Acknowledgment

County accepts the Property in its present condition, "AS IS, WITH ALL FAULTS" without any representations or warranties by Legacy or any agent or representative of Legacy, expressed or implied, except as set forth in Section 8.1, which representations and warranties shall merge with the Deed on the Closing Date. County acknowledges that County has ascertained for itself the value and condition of the Property and County is not relying on, nor has County been influenced by, any representation of Legacy or any agent or representative of Legacy regarding the value, condition, or any aspect of the Property. If this Agreement required Legacy to make any representation or warranty, express or implied (beyond those explicitly set forth in this Agreement), relating to the Property or to accept any liability with respect to the Property, Legacy would have required a materially higher Purchase Price for the Property or refused to sell the Property. County agrees that County's payment of the Purchase Price is County's acknowledgment that it has had every opportunity to conduct whatever inspection, test, or analysis of the Property that County deemed to be relevant to County's decision to purchase the Property. Legacy shall not be responsible for any failure to investigate the Property on the part of Legacy, any real estate broker or sales agent, or any other purported or acknowledged agent, representative, contractor, consultant or employee of Legacy, or any third party. As part of County's agreement to purchase the Property "AS-IS, WITH ALL FAULTS", and not as a limitation on such agreement, County hereby unconditionally and irrevocably waives any and all actual or potential rights County might have regarding any form of warranty, express or implied, of any kind or type, relating to the Property, except for Legacy's warranties set forth in this Agreement. Such waiver is absolute, complete, total and unlimited in every way.

8.5 Release of Legacy by County

Effective as of the Closing Date (and subject to Section 10.2 of this Agreement), County hereby releases Legacy, Legacy's, partners, employees, and agents, and their respective

heirs, successors, personal representatives and assigns, from and against any and all suits, causes of action, legal or administrative proceedings, claims, demands, actual damages, punitive damages, losses, costs, liabilities, interest, attorneys' fees and court costs and expenses of whatever kind and nature, in law or in equity, known or unknown, which County may have and which arise out of or are in any way connected with: (i) the use, maintenance, condition (excluding conditions existing prior to the Closing Date), operation, ownership and possession of the Property after the Closing Date; and (ii) the use, generation, manufacture, storage, discharge, disposal, transportation or presence of Hazardous Materials on the Property after the Closing Date (excluding Hazardous Materials present on the Property prior to Closing except to the extent the condition of any pre-existing Hazardous Materials are exacerbated or adversely affected as a result of any act or omission of the County, its agents or employees or by any act or omission of the County, its agents or employees resulting in a release of such Hazardous Materials into the environment). "Hazardous Materials" means: (a) any petroleum, including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel, or any mixture thereof, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes, wastes or substances or any other materials or pollutants which: (i) pose a hazard to the Property or to persons on or about the Property or (ii) cause the Property to be in violation of any federal, state or local law, ordinance, regulation, code, or rule relating to Hazardous Materials; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million; (c) any chemical, material or substance defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," "waste" or "toxic substances" or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; and (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Property or the owners and/or occupants of property adjacent to or surrounding the Property.

8.6 Indemnity by County

Subject to any limitation in the Oregon Tort Claims Act ORS 30.260-33.300, County hereby agrees to indemnify, protect, defend and hold Legacy, Legacy's employees and agents and their respective successors and assigns for, from and against any suits, causes of action, legal or administrative proceedings, claims, demands, actual damages, punitive damages, losses, costs, liabilities, interest, attorneys' fees and court costs and expenses of whatever kind asserted by a third party and which arise out of or are in any way connected with: (i) the use, maintenance, operation, ownership or possession of the Property after the Closing Date, and (ii) the use, generation, manufacture, storage, discharge, disposal, transportation or presence of Hazardous Materials on the Property after the Closing (excluding Hazardous Materials present

on the Property prior to Closing except to the extent the condition of any pre-existing Hazardous Materials are exacerbated or adversely affected as a result of any act or omission of the County, its agents or employees or by any act or omission of the County, its agents or employees resulting in a release of such Hazardous Materials into the environment).. This indemnity shall survive the closing or the termination of this Agreement.

SECTION 9 BROKERAGE COMMISSIONS

Subject to any limitation in the Oregon Tort Claims Act, County shall protect, defend, indemnify, and hold Legacy harmless for, from and against any and all other claims, liabilities or demands with respect to any fees or other compensation asserted as a result of County's actions in connection with this Agreement. Legacy shall protect, defend, indemnify, and hold County harmless for, from and against any and all claims, liabilities or demands with respect to any fees or other compensation asserted as a result of Legacy's actions in connection with this Agreement. These indemnities shall survive the closing or the termination of this Agreement.

SECTION 10 BREACH

10.1 County's Failure to Close

In the event that County is obligated to pay the Purchase Price and fails to do so, Legacy shall have any rights or remedies available to Legacy at law or in equity.

10.2 Legacy's Failure to Close

In the event that Legacy is obligated to convey the Property to County but fails to do so, then County shall be entitled to all available legal and equitable remedies, including, but not limited to, specific performance and a return of the Option Consideration.

10.3 Other Breaches

Upon any other default by a party, the other party shall be entitled to all available legal or equitable remedies.

SECTION 11 GENERAL PROVISIONS

11.1 Assignment

County shall not assign, transfer or convey its interest in this Agreement without Legacy's prior written consent, which consent may be withheld by Legacy in its sole discretion. Any attempted assignment without Legacy's prior written consent shall be void. Any permitted transfer shall not relieve the assigning party from its liability under this Agreement. Except as provided herein, this Agreement shall be binding upon the upon and inure to the benefit of any permitted assignee or successor in interest to a party.

11.2 Notices

All written notices and demands which either party may give the other may be given by hand delivery, registered or certified mail, telecopy, or by Federal Express or other delivery service guaranteeing overnight delivery to a party at the address set forth above or as may be changed upon written notice to the other party. Notices shall be effective as follows: if given by hand delivery, then upon delivery; if given by fax, then upon receipt so long as the sending fax electronically confirms receipt; if given by overnight courier, then the business day after delivery to the overnight courier; and if given by certified mail, then the third day (excluding the day of mailing) after mailing.

11.3 Headings

The headings of the sections of this Agreement are intended for reference only and are not intended to be used to interpret this Agreement.

11.4 Invalidity

If any provision of this Agreement shall be invalid or unenforceable the remaining provisions shall not be affected thereby, and every provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

11.5 Attorneys' Fees

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

11.6 Entire Agreement

The terms of this Agreement are intended by the parties as a final expression of their agreement and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement constitute the exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial proceedings involving this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon.

11.7 Time of the Essence

Time is of the essence in this Agreement.

11.8 Counterparts

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

11.9 Amendment to this Agreement

The terms of this Agreement may not be modified or amended except by an instrument in writing executed by Legacy and County.

11.10 Waiver

Failure of either party at any time to require performance of any provision of this Agreement shall not limit such party's right to enforce such provision, nor shall any waiver of any breach of any provision of this Agreement constitute a waiver of any succeeding breach of such provision or a waiver of such provision itself. Any waiver of any provision of this Agreement shall be effective only if set forth in writing and signed by the party to be bound.

11.11 Effectiveness of Agreement

This Agreement shall not be effective and shall not be binding on County and Legacy unless and until fully executed by County and Legacy.

11.12 Exhibits

All exhibits attached to this Agreement are an integral part of this Agreement and are incorporated into this Agreement by reference.

11.13 Statutory Disclaimer

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND WHICH LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE REAL PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates set forth below.

LEGACY:

LEGACY HEALTH SYSTEM, an Oregon non-profit corporation

By Pamela J. Viktorin

Title Sr VP + CFO

COUNTY:

MULTNOMAH COUNTY, A POLITICAL SUBDIVISION OF THE STATE OF OREGON, an Oregon corporation

REVIEWED:
THOMAS SPONSLER, COUNTY COUNSEL
FOR MULTNOMAH COUNTY

BY [Signature]
ASSISTANT COUNTY COUNSEL

DATE 6/9/99

By: [Signature]
Beverly Stein, County Chair

ACCEPTANCE BY TITLE COMPANY

Transnation Title Insurance Company ("Transnation") acknowledges receipt of this Agreement and consents to act in accordance with the terms and provisions contained in this Agreement.

TRANSNATION TITLE INSURANCE
COMPANY

By _____

Title _____

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates set forth below.

LEGACY:

LEGACY HEALTH SYSTEM, an Oregon non-profit corporation

By Pamela A. Vukojin

Title Sr VP & CFO

COUNTY:

MULTNOMAH COUNTY, A POLITICAL SUBDIVISION OF THE STATE OF OREGON, an Oregon corporation

REVIEWED:
THOMAS SPONSLER, COUNTY COUNSEL
FOR MULTNOMAH COUNTY

BY [Signature]
ASSISTANT COUNTY COUNSEL
DATE 6/9/99

By: [Signature]
Beverly Stein, County Chair

ACCEPTANCE BY TITLE COMPANY

Transnation Title Insurance Company ("Transnation") acknowledges receipt of this Agreement and consents to act in accordance with the terms and provisions contained in this Agreement.

TRANSNATION TITLE INSURANCE
COMPANY

By [Signature]

Title Vice President & Commercial Marketing Manager
6/29/99

EXHIBIT A
LEGAL DESCRIPTION

**Lots 7, 10 and 11, Block 20, KINGS SECOND ADDITION, in the City of
Portland, County of Multnomah and State of Oregon.**

EXHIBIT B

EXERCISE NOTICE

DATE: _____

TO: LEGACY HEALTH SYSTEM,
an Oregon non-profit corporation
1919 N.W. Lovejoy Street
Portland, Oregon 97209
Attn: Larry Hill

Pursuant to that certain Option Agreement dated as of June __, 1999 (the "Agreement") between you and the undersigned, the undersigned hereby exercises its option thereunder to acquire the Property (as described in the Agreement).

MULTNOMAH COUNTY, A POLITICAL
SUBDIVISION OF THE STATE OF OREGON, an
Oregon corporation

By: _____
Beverly Stein, County Chair

EXHIBIT C
REPURCHASE OPTION AGREEMENT

REPURCHASE OPTION AGREEMENT

DATED: _____, 1999

BETWEEN: MULTNOMAH COUNTY, A POLITICAL
SUBDIVISION OF THE STATE OF OREGON
Facilities and Property Management
2505 SE 11th Avenue
Portland, Oregon 97202
Attn: Robert Oberst
Telephone: 248-3322
Telecopy: 248-5082 ("Owner")

AND: LEGACY HEALTH SYSTEM,
an Oregon non-profit corporation
1919 N.W. Lovejoy Street
Portland, Oregon 97209
Attn: Larry Hill
Telephone: 415-5675
Telecopy: 415-5777 ("Legacy")

RECITALS

A. Owner owns that certain real property located in the Multnomah County, State of Oregon, described on Exhibit A attached hereto (the "Property").

B. Legacy desires to obtain from Owner and Owner desires to grant to Legacy, an exclusive option to acquire the Property on the terms and conditions set forth in this Repurchase Option Agreement (this "Agreement").

AGREEMENT

In consideration of the foregoing and the mutual covenants of the parties set forth in this Agreement, the parties agree as follows:

1. Option to Purchase.

1.1 Grant of Option. Concurrently herewith, Legacy is conveying the Property to Owner, subject to the encumbrances referred to in the deed conveying the Property to Owner (the "Permitted Exceptions"). In consideration of Legacy's conveyance of the Property to Owner, Owner hereby grants to Legacy the sole and exclusive and irrevocable option to purchase the Property (the "Option to Purchase") on the terms and conditions set forth in this Agreement.

1.2 Exercise of Option to Purchase. Legacy may, at any time, exercise the Option to Purchase by executing and delivering to Owner an exercise notice in the form attached as Exhibit B within ten (10) business days of any of the following events:

1.2.1 Owner shall have failed to have delivered to Legacy plans and specifications for Owner's development of the Property demonstrating that the Property will be developed principally for library and residential housing purposes (the "Plans and Specifications") on or before the date which is one hundred eighty (180) days after the date of this Agreement; or

1.2.2 Owner shall have failed to obtain final, binding and non-appealable permits from all applicable governmental agencies in connection with the construction of the improvements on the Property in strict conformance with the Plans and Specifications, which permits shall be issued no later than the date which is two hundred seventy (270) days after the date of this Agreement; or

1.2.3 Owner shall have failed to commence the redevelopment of the Property on or before the date which is twelve (12) months after the date of this Agreement; or

1.2.4 Owner shall have failed to substantially complete the development of the Property on or before the date which is twenty-four (24) months after the date of this Agreement, as may be extended for not more than sixty (60) days as a result of a "Force Majeure Event". As used herein a "Force Majeure Event" is either: (i) unusually adverse weather conditions which could not reasonably have been anticipated and which had a material adverse affect on construction, or (ii) the discovery of unknown physical conditions of an unusual nature which differ materially from those ordinarily found to exist and generally recognized as inherent in construction activities.

In the event that Legacy exercises the Option to Purchase upon the occurrence of any of the four (4) preceding events, then Legacy shall be legally obligated to purchase, and Owner shall be legally obligated to sell, the Property on the terms and conditions set forth in this Agreement. The date on which Legacy properly gives the Exercise Notice is the "Exercise Date." The Property shall be conveyed to Legacy subject to no encumbrances other than the Permitted Exceptions.

1.3 Purchase Price. The purchase price of the Property under the Option to Purchase shall be in an amount equal to the \$500,000.00, increased by three percent (3%) each year commencing on the first (1st) anniversary of this Agreement, provided, however, in no event shall the Purchase Price of the Property exceed the Fair Market Value of the Property (which amount shall be reduced by the cost of razing the improvements on the Property if not razed at the time Legacy exercises its Option).

1.4 Closing.

1.4.1 Escrow. The purchase and sale of the Property shall be closed in escrow (the "Closing") at the offices of Transnation Title Insurance Company, 111 SW Fifth Avenue, Portland, Oregon 97204 (222-9931) ("Title Company"), or at such other location as the parties may mutually agree.

1.4.2 Time of Closing. The Closing shall occur on a date mutually acceptable to the parties not later than thirty (30) days after the Exercise Date (or if the thirtieth (30th) day following such date is not a business day then on the next following business day). The date on which the Closing occurs is referred to as the "Closing Date."

1.4.3 Legacy's Closing Conditions. Legacy's obligation to acquire the Property is subject to the following conditions for Legacy's benefit, any of which may be waived by Legacy in writing:

(a) Title Company is prepared to issue an owner's policy of title insurance, free of all monetary encumbrances and easements other than the Permitted Exceptions.

(b) Owner's representations and warranties set forth in Section 2 shall be true and correct as of the Closing and Owner shall have performed each and every covenant to be performed by Owner and such other exceptions which benefit the Property as reasonably approved by Legacy.

1.4.4 Events of Closing. At the Closing, the following shall occur:

(a) Legacy shall pay the Purchase Price by delivery of immediately available funds to Title Company, together with such additional funds as shall be necessary for Legacy to pay its share of prorated items and closing costs.

(b) Owner shall execute, acknowledge, and deliver to Title Company for recordation a Special Warranty Deed conveying the Property to Legacy, subject only to Permitted Exceptions.

(c) Owner shall execute and deliver to Legacy a certificate in the form required by applicable regulations under Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code"), affirming that Owner is not a foreign person (as that term is defined therein) and containing such other information as may be required thereunder.

(d) The parties shall take such other actions as may be necessary to complete the Closing in accordance with this Agreement.

1.4.5 Prorations. All items of expense incurred by Owner with respect to the Property shall be paid by Owner at Closing, without proration. Currently payable real property taxes and governmental assessments payable with respect to the Real Property shall be prorated between Legacy and Owner as of the Closing Date.

1.4.6 Closing Costs. The costs associated with the Closing shall be allocated as follows:

(a) Owner shall pay one-half of any escrow fee or similar charge of Title Company, the entire cost of the title insurance policy to be provided pursuant to

Section 1.4.7 of this Agreement and all recording fees with respect to any instruments necessary to remove from title liens and encumbrances not included in the Permitted Exceptions.

(b) Legacy shall pay one-half of any escrow fee or similar charge of Title Company and all recording fees with respect to the Special Warranty Deed.

(c) Except as expressly provided in this Agreement, each party shall bear all costs and expenses incurred by such party in connection with this transaction, contemplated by this Agreement.

1.4.7 Title Insurance Policy. Within five (5) days after the Closing Date, Owner shall cause Title Company to deliver to Legacy an owner's policy of title insurance with coverage in the amount of the Purchase Price, insuring that fee simple title to the Property is vested in Legacy, subject only to the Permitted Exceptions.

2. Owner's Representations and Warranties. Owner represents, warrants and covenants to Legacy that:

2.1 Authority. Owner has full power and authority to enter into and perform this Agreement in accordance with its terms, and all requisite action has been taken by Owner in connection with the execution of this Agreement and the transactions contemplated hereby.

2.2 Non-Foreign Person. Owner is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

3. Operation of Property. Owner covenants that Owner shall use Owner's commercially reasonable and diligent efforts to expeditiously redevelop the Property for a library.

4. Default; Remedies.

4.1 Time of Essence. Time is of the essence of the parties' obligations under this Agreement.

4.2 Legacy's Remedies. If Owner fails to perform fully its obligations under this Agreement, Legacy may specifically enforce Owner's obligations under this Agreement, or seek any other right or remedy Legacy may have at law or in equity.

5. Risk of Loss. Owner shall bear the risk of all loss or damage to the Property from all causes. If all or part of the Property is damaged by fire or by any other cause of any nature or if all or any portion of the Property is taken by condemnation, or if any such condemnation is threatened, Owner shall give Legacy written notice of such event. Legacy may terminate this Agreement by giving written notice to Owner within fifteen (15) days following receipt by Legacy of written notice from Owner of such casualty or condemnation. If Legacy does not elect to terminate this Agreement, then this Agreement shall continue in force and, if Property is conveyed to Legacy, then all interest of Owner in and to any insurance proceeds or condemnation awards that may be payable to Owner on account of such casualty or

condemnation shall be assigned to Legacy concurrently with the conveyance of the Property to Legacy.

6. Miscellaneous Provisions.

6.1 Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, and assigns.

6.2 Notices. All written notices and demands which either party may give the other may be given by hand delivery, registered or certified mail, telecopy, or by Federal Express or other delivery service guaranteeing overnight delivery to a party at the address set forth above or as may be changed upon written notice to the other party. Notices shall be effective as follows: if given by hand delivery, then upon delivery; if given by fax, then upon receipt so long as the sending fax electronically confirms receipt; if given by overnight courier, then the business day after delivery to the overnight courier; and if given by certified mail, then the third day (excluding the day of mailing) after mailing.

6.3 Waiver. Failure of either party at any time to require performance of any provision of this Agreement shall not limit such party's right to enforce such provision, nor shall any waiver of any breach of any provision of this Agreement constitute a waiver of any succeeding breach of such provision or a waiver of such provision itself. Any waiver of any provision of this Agreement shall be effective only if set forth in writing and signed by the party to be bound.

6.4 Amendment. This Agreement may not be modified or amended except by the written agreement of the parties.

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

6.6 Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term or provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

6.7 Integration. This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements between them with respect to such subject matter.

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

6.9 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same agreement.

6.10 Memorandum. A memorandum of the Option in form attached hereto as Exhibit C shall be executed and acknowledged by Owner and may be recorded by Legacy.

6.11 Statutory Disclaimer. THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND WHICH LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE REAL PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

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

LEGACY: LEGACY HEALTH SYSTEM, an Oregon non-profit

By _____

Its _____

OWNER: MULTNOMAH COUNTY, A POLITICAL SUBDIVISION OF THE STATE OF OREGON, an Oregon corporation

By _____
Beverly Stein, County Chair

EXHIBIT A

LEGAL DESCRIPTION

**Lots 7, 10 and 11, Block 20, KINGS SECOND ADDITION, in the City of
Portland, County of Multnomah and State of Oregon.**

EXHIBIT B

EXERCISE NOTICE

DATE: _____

TO: MULTNOMAH COUNTY, A POLITICAL
SUBDIVISION OF THE STATE OF OREGON
Facilities and Property Management
2505 SE 11th Avenue
Portland, Oregon 97202

Pursuant to that certain Repurchase Option Agreement dated as of _____,
1999 (the "Agreement") between you and the undersigned, the undersigned hereby exercises its
option thereunder to acquire the Property (as described in the Agreement).

LEGACY HEALTH SYSTEM, an Oregon non-
profit corporation

By _____

Its _____

EXHIBIT C

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Ball Janik LLP
1100 One Main Place
101 S.W. Main Street
Portland, Oregon 97204
Attn: Bradley S. Miller

MEMORANDUM OF REPURCHASE OPTION

DATE: _____

OWNER: MULTNOMAH COUNTY, A POLITICAL SUBDIVISION OF THE STATE OF OREGON, an Oregon corporation

LEGACY: LEGACY HEALTH SYSTEM, an Oregon non-profit corporation

Pursuant to that certain Repurchase Option Agreement dated as of _____, 1999 (“Agreement”), Owner has granted to Legacy an option to purchase the real property located in Multnomah County, State of Oregon, described on Exhibit A attached hereto and any improvements thereon (collectively, the “Property”). Reference is made to the Agreement, as it may be amended from time to time, for the terms and conditions of such option.

The true and actual consideration consists of or includes other property or other value given or promised.

OWNER: MULTNOMAH COUNTY, A POLITICAL SUBDIVISION OF THE STATE OF OREGON, an Oregon corporation

By _____
Beverly Stein, County Chair

July 7, 1999

Legacy Site Due Diligence

Option effective date June 25, 1999. Option expires December 31, 1999, subject to extension through February 29, 2000.

- Payment of \$1 option fee. Check ordered. *done*
- Escrow established. *done*
- Status of title. Title Report due by July 13, 1999.
- Environmental investigation:
 1. Obtaining Legacy's Level I report. Individual who has done the survey and analyses of the site conditions is Don Young of Certified Environmental Consultants; have McBride contact him. *Legacy did only an asbestos survey.*
 2. Do Level II or other investigation as appropriate. *Phase I done*
- Zoning confirmation.
- Demolition: *Not going to do this. Purchase just vacant land by PBS.*
 1. Obtain Legacy's quote and confirm or get another quote.
 2. Do or not and when?
- Facilities Siting Public Involvement. *Libraries handling this.*
- Mixed Use Review. *Larry Dully*
- Project scope and RFP:
 1. Who coordinates for MC? *Project Manager (Harrington?)*
 2. Contract for development of scope and RFP? *Larry Dully*
 3. Deadlines.
- Financial analysis and support.