

Exhibit 1

**EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT
PROPOSAL FOR DEVELOPMENT OF THE OPEN WINDOW MIXED USE
PROJECT ON SEVERAL PARCELS IN DOWNTOWN STOCKTON**

This Agreement is made on _____ by and between the **CITY OF STOCKTON**, a municipal corporation, the **PARKING AUTHORITY OF THE CITY OF STOCKTON**, a public body corporate and politic (hereinafter collectively referred to as the "City"), and **OPEN WINDOW PROJECT, LLC**, a California Limited Liability Corporation (hereinafter the "Developer"), on the terms set forth below:

1. During the term of this Agreement, City and Developer agree to negotiate, diligently and in good faith, the terms and conditions of a Purchase Option and Development Agreement ("PODA") by and between City and Developer for the development of certain real property (the "Site") located within Downtown Stockton. The Site is described as San Joaquin County Assessor Parcel Numbers 139-250-26, 149-170-08, 09, 12 and 25, 149-180-05, 17, and 21, as shown on the map attached hereto as Exhibit "A" and incorporated herein by reference.

2. The obligation to negotiate in good faith requires the respective Parties to communicate with each other with respect to those issues for which agreement has not been reached, and in such communication to follow reasonable negotiation procedures, including meetings, telephone conversations, and correspondence. The Parties understand that final accord on all issues may not be reached.

3. Developer has submitted a project proposal ("Proposal"), a copy of which is attached hereto as Exhibit "B" and incorporated herein by reference. The development is more specifically described in the Proposal and generally described as a proposed development consisting of an urban mixed-use project with office, retail, housing, and parking elements. The terms of the PODA, including without limitation, the timing, assistance, responsibilities, financing, and schedule for planning and construction of the proposed project shall be the subject of the negotiations.

4. City agrees, during the term of this Agreement, to refrain from consideration of proposals from other developers for the Site. City further agrees to not solicit or entertain proposals from others regarding acquisition and/or development of the Site during the term of this Agreement. City may provide information that is publicly available regarding the Site to any person or entity requesting information, but shall not provide any information or details concerning the Developer's evolving concept for the Site beyond what was originally contained in the Developer's Proposal. .

5. The Term ("Term") of this Agreement shall be for a period of three hundred sixty-five (365) days after the date of its approval by the Stockton City Council and Parking Authority. City shall consider the request of Developer to extend the term of this agreement and may agree to an extension of the term if the parties have made substantial progress in negotiation of the terms of the PODA. Such request shall be in

writing and directed to City's City Manager/Executive Director no later than thirty (30) days prior to the expiration date of this Agreement.

6. The parties acknowledge that no real estate brokers and/or real estate agents have been or will be employed by either City or Developer in connection with this Agreement or the PODA. If Developer has retained or in any other way become responsible to any broker, Developer shall be solely responsible for payment of any commission due and agrees to indemnify, defend and hold City harmless from any claims, including all defense costs and attorney's fees, by any broker, agent, or finder retained by the Developer, or other similar person or entity claiming to have dealt with Developer.

7. The City shall have the right to terminate this Agreement at any time if the City, after consultation with the Developer, (i) determines in its reasonable discretion that the Development is not feasible, and (ii) provides a written notice of termination to the Developer outlining in reasonable detail the basis for such determination.

8. This Agreement shall not obligate either the City or Developer to enter into any other agreement or an agreement containing any particular terms, to acquire any property, or to convey any property to Developer. Failure of the parties to reach an agreement on the terms and conditions of a PODA shall not, by itself, constitute a failure on the part of either party to negotiate in good faith. Developer understands and agrees that the concurrence of City staff to the terms and conditions of an agreement does not constitute the agreement of the City, and that the City cannot agree to enter into any agreement until a public hearing is held as required by law, a resolution approving the agreement has been adopted, and the City has fully executed the document. Developer acknowledges that the City does not control or influence any action within the jurisdiction of the City of Stockton. The Parties understand that the City reserves the right to exercise its discretion as to all matters which it is, by law, entitled or required to exercise its discretion, including, but not limited to, the approval of a final development and the approval of any and all plans, permits or any other acts or activities requiring the subsequent independent exercise of discretion by the City or any department thereof.

9. Any notices to be given shall be in writing and shall be effective either (a) when delivered in person to the recipient to whom addressed, or (b) three (3) business days after deposit in the United States mail, postage prepaid, by certified mail, return receipt requested, addressed to the recipient at the address below, whichever is earlier:

To City: City of Stockton
425 North El Dorado Street
Stockton, California 95202
Attn: City Manager

To Developer: Open Window Project, LLC
115 North Sutter Street, Suite 307
Stockton CA 95202
Attn: Zac Cort, Manager

Such addresses may be changed from time to time by written notice given in accordance with this section. No person shall refuse or evade delivery of any notice.

10. The Developer shall have the right of entry to the Site for testing and inspection purposes.

11. The Developer, without prior written approval of the City, shall not assign this Agreement. The City agrees that, notwithstanding the foregoing, the Developer may assign without the City's prior written approval, but with thirty (30) days prior written notice to the City, its rights under this Agreement to a limited liability company, corporation, trust, or partnership of which the Developer owns the majority beneficial interest and has operational control.

12. No member, official, employee, or contractor of the City shall be personally liable to the Developer in the event of any default or breach by City or for any amount, which may become due to Developer or on any obligations under the terms of the Agreement. Further, no director, officer, or employee of the Developer shall be personally liable to the City in the event of any default or breach by City or for any amount, which may become due to City or on any obligations under the terms of the Agreement.

13. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either Party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The part and paragraph headings used in this Agreement are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

14. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations or previous agreements between the Parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of the City and the Developer.

15. This Agreement may be executed in counterparts, each of which, after all the Parties hereto have signed this Agreement, shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

16. In the event any section or portion of this Agreement shall be held, found, or determined to be unenforceable or invalid for any reason whatsoever, the remaining provisions shall remain in effect, and the Parties hereto shall take further actions as may be reasonably necessary and available to them to effectuate the intent of the Parties as to all provisions set forth in this Agreement.

17. Developer acknowledges and agrees that the City is a public entity with a

responsibility and, in many cases, legal obligation to conduct its business in a manner open and available to the public. Accordingly, any information provided by the Developer to the City with respect to the Site, the Development or Developer may be disclosed to the public either purposely, inadvertently, or as a result of a public demand or order. With respect to any information provided that the Developer reasonably deems and identifies in writing as proprietary and confidential in nature, the City agrees to exercise its best efforts to keep such information confidential as allowed by law.

18. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

19. The undersigned represent and warrant that they are each authorized to execute this Agreement by the party on whose behalf they have signed.

CITY OF STOCKTON

City Manager

Approved as to form and content:

City Attorney

PARKING AUTHORITY OF THE CITY OF STOCKTON

Executive Director

ATTEST:

City Clerk

OPEN WINDOW PROJECT, LLC, a
California limited liability corporation

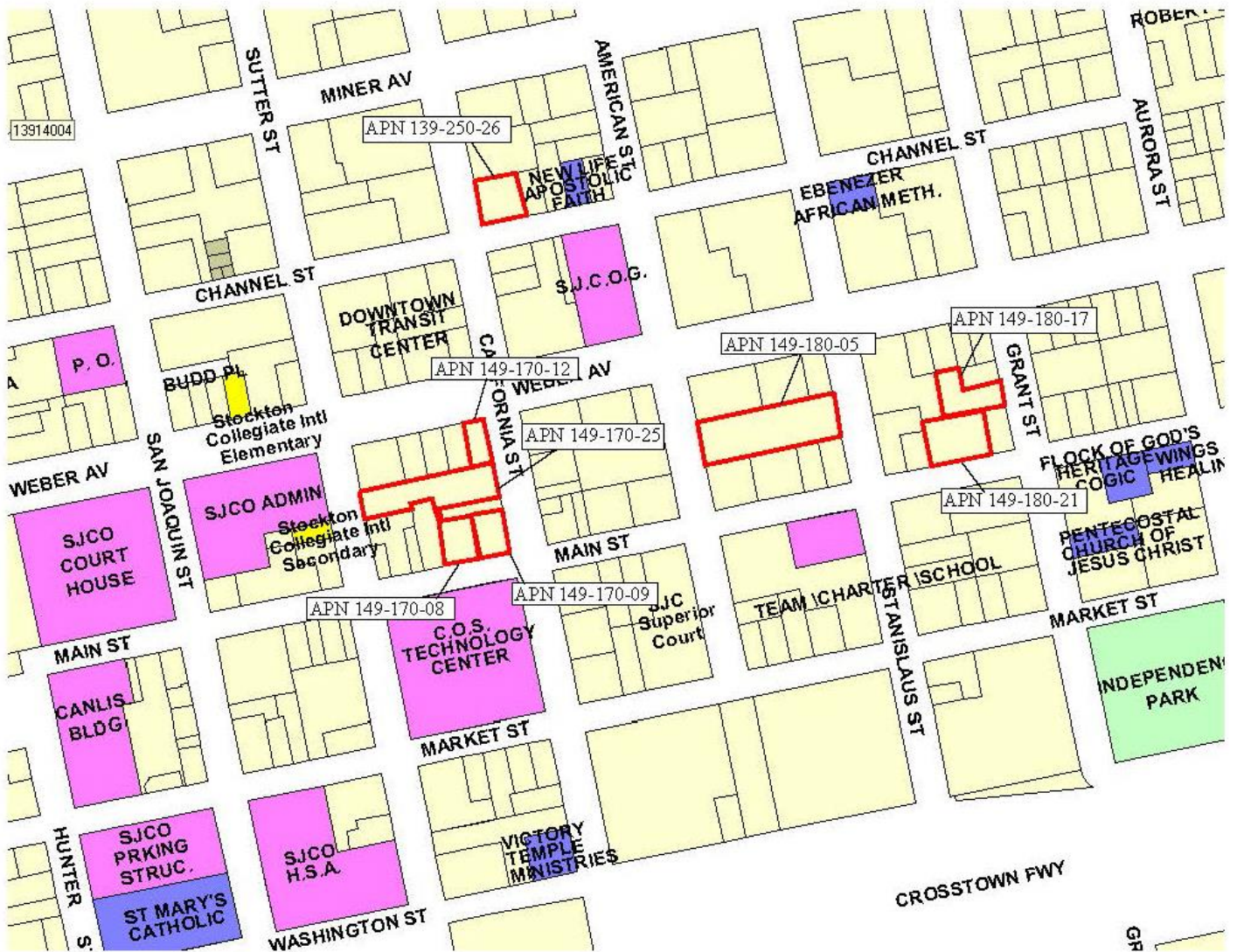
ZACHARY CORT, MANAGER

Approved as to form:

Counsel for Developer

Exhibit A

PROJECT SITE MAP



City-owned Property	Parking Authority-owned Property
149-170-08 - Commercial Hotel 149-170-09 - Main Hotel 149-170-12 - St Leo Hotel	139-250-26 - Paved Lot 149-170-25 - Paved Lot 149-180-05 - Paved Lot 149-180-17 - Paved Lot 149-180-21 - Dirt Lot

Exhibit B

PROPOSAL

The Open Window Project is a proposed infill development project within a 15 square-block area in Downtown Stockton bound by Miner Avenue to the north, Main Street to the south, Aurora Street to the east, and Sutter Street to the west.

The proposed development includes approximately 1,400 residential dwelling units with 200,000 s.f. of retail and flex space, 90,000 s.f. of commercial office space, and 110,000 s.f. of industrial/art warehouse and studio space. In total, the project would produce a maximum of 400,000 s.f. of non-residential floor area.

Of the parcels included in the project area, three are owned by the City of Stockton and five are owned by the Parking Authority of the City of Stockton. Open Window Project desires to purchase the subject properties at fair market value.

The Stockton region is experiencing improved economic conditions indicating an opportunity for increased real estate development activity. From 2013 to 2018, Stockton area employment is projected to increase by 1.5% annually. Moreover, US Census data shows that between 2007 and 2011, the Stockton area had a net positive migration of young adults (ages 25-34), individuals with college degrees and households making more than \$50,000 per year despite unfavorable economic conditions. These trends are expected to continue at even higher paces given the region's economic recovery and increasingly unaffordable real estate in the Bay Area.

An analysis by The Concord Group, one of the country's top real estate advisory companies, shows strong demand for Downtown Stockton rental and "for sale" units both today and in the near future. Total demand for rental units for income qualified residents in the Stockton Competitive Market Area (CMA) will be 1,696 annually to 2019. However, current planned rental deliveries in the CMA will be outpaced by demand by a total of 4,629 units to 2018. Planned condo deliveries will also be undersupplied by 923 total units over the same period.

Current and projected occupancy and rental rates also indicate strong demand for the Open Window Project's planned development. An analysis of comparable projects in the Stockton region reveals a 96% occupancy rate for rental units. The Concord Group also forecasts a 10.8% increase in effective rent rates by 2018, indicating higher demand for rentals in the near future.

Given these current projections for regional demand, costs of construction and rental and for-sale prices, The Concord Group conservatively predicts that the Downtown Stockton market can support around 500 units in the project's first three years. The Concord Group notes that their analysis was conducted using only current market rates and that the project may be able to support substantially more development given projected increases in rental rates.