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KING COUNTY
SUPERIOR COURT CLERK
SEATTLE, WA.

SUPERIOR COURT OF WASHINGTON IN AND FOR KING COUNTY

BLUESTAR MANAGEMENT, INC., a
Washington corporation,

Plaintiff,

v.

FAUNTLEROY PLACE, LLC, a Washington
limited liability company; SEATTLE FINANCIAL
GROUP, INC., a Washington corporation;
SEATTLE CAPITAL CORPORATION, INC., a
Washington corporation,

Defendants.

09-2-12224-5 SEA

NO.

SUMMONS (20 Day)

PLEASE YOU

THE STATE OF WASHINGTON TO: Defendants

TO THE DEFENDANTS: A lawsuit has been started against you in the above-entitled court by Plaintiff, BlueStar Management, Inc. Plaintiff's claim is stated in the written Complaint, a copy of which is served upon you with this Summons.

In order to defend against this lawsuit, you must respond to the Complaint by stating your defense in writing, and by serving a copy upon the person signing this Summons within 20 days after the service of this Summons, excluding the day of service, or a default judgment may be entered against you without notice. A default judgment is one where Plaintiff is entitled to what has been asked for because you have not responded. If you serve a Notice of Appearance on the undersigned person, you are entitled to notice before a default judgment may be entered.

You may demand that the Plaintiff file this lawsuit with the court. If you do so, the demand must be in writing and must be served upon the person signing this Summons. Within 14 days after you serve the demand, the Plaintiff must file this lawsuit with the court, or the service on you of this Summons and Complaint will be void.

SUMMONS (20 Day) - 1

ORIGINAL



1 If you wish to seek the advice of an attorney in this matter, you should do so promptly
2 so that your written response, if any, may be served on time.

3 **THIS SUMMONS** is issued pursuant to Rule 4 of the Superior Court Civil Rules of
4 the State of Washington.

5 DATED this 11th day of March, 2009.

6 RYAN, SWANSON & CLEVELAND, PLLC

7 By 
8

9 Hana A. Kern
WSBA #21595
Attorneys for Plaintiff

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KING COUNTY
SUPERIOR COURT CLERK
SEATTLE, WA.

SUPERIOR COURT OF WASHINGTON IN AND FOR KING COUNTY

MARY YU

BLUESTAR MANAGEMENT, INC., a
Washington corporation,

Plaintiff,

v.

FAUNTLEROY PLACE LLC, a Washington
limited liability company; SEATTLE FINANCIAL
GROUP, INC., a Washington corporation;
SEATTLE CAPITAL CORPORATION, INC., a
Washington corporation,

Defendants.

09-2-12224-5 SEA

NO.

**COMPLAINT FOR BREACH OF
CONTRACT, UNJUST
ENRICHMENT, QUANTUM
MERUIT, INTERFERENCE WITH
BUSINESS EXPECTANCY,
DISPARAGEMENT AND
DEFAMATION**

Plaintiff BlueStar Management, Inc. alleges as follows:

I. PARTIES

1. BlueStar Management, Inc. ("BlueStar") is a corporation organized under the laws of the state of Washington, licensed to do business and doing business in King County, Washington. BlueStar is in the business of real estate development and construction project coordination and management.

2. Fauntleroy Place LLC ("FP LLC") is a Washington Limited Liability Company doing business in King County, Washington. FP LLC was formed to develop certain real property in West Seattle, located at 3922 SW Alaska Street, Seattle, Washington.

1 3. Defendant Seattle Capital Corporation, Inc. ("SCC") is a Washington
2 corporation doing business in King County, Washington. SCC is a venture capital investor
3 and was a 50% owner of FP LLC when it was formed.

4 4. Defendant Seattle Financial Group, Inc. ("SFG") is a Washington corporation
5 doing business in King County, Washington. SCC and SFG are related corporations in that
6 they are, upon information and belief, owned and managed by the same individuals and/or
7 family.

8 **II. JURISDICTION AND VENUE**

9 5. Venue and jurisdiction are proper in this Court because Defendants conduct
10 business in King County, Washington and the actions giving rise to this Complaint occurred
11 in King County, Washington.

12 **III. FACTS**

13 BlueStar's work on the Fauntleroy Place Project

14 6. FP LLC was formed on June 24, 2006 to develop and lease a mixed use
15 building containing retail space and residential units at 3922 SW Alaska Street, Seattle,
16 Washington (hereinafter the "Project.")

17 7. FP LLC was jointly owned by SCC, BlueStar Real Estate Capital Group, Inc.
18 and BAJ Capital, Inc.

19 8. BlueStar Real Estate Capital Group, Inc. is a sister company to BlueStar
20 Management, Inc., the plaintiff herein.

21 9. When FP LLC was formed, SCC owned 50% and BlueStar Real Estate Capital
22 Group, Inc. and BAJ Capital, Inc. each owned 25%.

23 10. In September, 2007 BlueStar and FP LLC entered into a Development
24 Coordination Agreement ("Agreement") relating to the development of the Project.
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1 11. Under the Agreement, BlueStar agreed to provide certain management,
2 development and coordination services in the development of the Project.

3 12. The Agreement provides that BlueStar will be compensated at a rate of
4 \$35,000 per month during Phase I (the Project Management phase) of the Project, which is
5 defined as the time from the Effective Date of the Agreement until commencement of
6 construction on the site. From the date of commencement of construction until lease-up
7 (Phase II), BlueStar's fee was to be equal to 5% of the estimated Total Project Costs, reduced
8 by fees paid in Phase I, divided by the number of months remaining until the estimated Lease-
9 Up date. This fee was to be adjusted in the case of a Project Budget increase.

10 13. The Agreement was memorialized in a writing which sets forth the terms of the
11 Agreement. A true and correct copy of this writing is attached hereto as Exhibit A.

12 14. While this writing was never signed by FP LLC and BlueStar, it nevertheless
13 embodies their Agreement.

14 15. FP LLC and BlueStar estimated that construction would last 24 months from
15 the start of Phase II.

16 16. BlueStar began to perform its work on the Project starting in October 2007.

17 17. During the pre-construction phase, from October 2007 through April 2008, FP
18 LLC paid BlueStar \$35,000 per month as required under the Agreement.

19 18. In March, 2008 FP LLC finalized the Project Budget.

20 19. The Total Project Costs under the March 2008 Budget were \$64,778,349.25.

21 20. According to the terms of the Agreement, this resulted in a monthly
22 coordination fee after commencement of the work of \$134,955.00, before Phase I fee offsets.

23 21. In April, 2008 construction began on the Project site.

24 22. In May, 2008, SCC, as the equity contributor to FP LLC, demanded that
25 BlueStar accept less than the agreed fee for the remainder of the contract. FP LLC, through
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1 SCC, refused to pay the agreed fee, and told BlueStar that it would pay nothing more, unless
2 BlueStar agreed to accept a reduced fee of \$100,000.00 per month.

3 23. SCC also threatened to withdraw its financial backing from some of BlueStar's
4 other projects in which SCC had invested, if BlueStar did not agree to the fee reduction. This
5 would have financially devastated BlueStar. SCC forced BlueStar to sign a new contract in
6 June, 2008 ("June contract.")

7 24. SCC and its related entities also conditioned their continuing financial backing
8 of BlueStar's other projects on BlueStar Real Estate Capital Group, Inc. using its interest in
9 FP LLC as collateral for a short-term loan. As a result, SCC acquired BlueStar Real Estate
10 Capital Group, Inc.'s interest in FP LLC. FP LLC is now owned 75% by SCC and 25% by
11 BAJ Capital, Inc.

12 25. Under the June contract, there was no decrease in BlueStar's responsibilities
13 on the Project.

14 26. Under the June contract, however, BlueStar was to be paid less money than it
15 was entitled to under the Agreement.

16 27. BlueStar signed the June contract only because it had no alternative if it wished
17 to get paid for the work it had already done and to continue to receive compensation for its
18 work on the Project.

19 28. From May 2008 to August 2008, FP LLC paid only a portion of the fees due to
20 BlueStar each month.

21 29. BlueStar continued to work on the Project.

22 30. In August 2008, a revised Project Budget was completed. Under this revised
23 Project Budget, Total Project Costs were \$72,894,717.96, which resulted in a monthly project
24 fee due to BlueStar in the amount \$151,864.00, before Phase I fee offsets.
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1 31. In November, 2008, SCC once again promised that BlueStar would be paid the
2 amounts owed, but only if BlueStar agreed to another contract ("November contract") which
3 decreased BlueStar's fee, as the June contract had, to \$100,000.00 per month.

4 32. As BlueStar had not been paid for the last several months of work, it had no
5 choice but to acquiesce.

6 33. Under the November contract, there was no decrease in BlueStar's
7 responsibilities on the Project.

8 34. Under the November contract BlueStar was to be paid less money than it was
9 entitled to under the Agreement.

10 35. Even after BlueStar signed the November contract, FP LLC did not pay
11 BlueStar the amounts owed for past fees for May through October 2008, nor did it pay
12 BlueStar its fee for November or December 2008.

13 36. On Friday, December 26, 2008, SCC wrote BlueStar a letter purporting to
14 terminate the Agreement and BlueStar's involvement with the Project effective December 31,
15 2008.

16 37. BlueStar worked on the Project through December 31, 2008.

17 38. To date, BlueStar has not been paid the amounts to which it is entitled for its
18 work on the Project.

19 39. FP LLC has paid no development fees to BlueStar since August, 2008.

20 40. In February, 2009, BlueStar sought mediation pursuant to the provisions of the
21 parties' Agreement.

22 41. In response, FP LLC denied the existence of a contract between itself and
23 BlueStar and denied the existence of a mediation requirement. FP LLC refused to mediate
24 this dispute.

25 42. It would have been futile for BlueStar to pursue mediation further, since FP
26 LLC refused to participate in mediation.

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4 SFC and SCC's disparagement, defamation and interference with BlueStar's business
5 relationships and expectancies

6 43. In early 2008 SCC advised the other members of FP LLC that it intended to
7 look for an investor to purchase some or all of SCC's interest in FP LLC.

8 44. United Dominion Realty, L.P. ("UDR") came forward as a potential investor.
9 After negotiations, FP LLC, BlueStar and AAC Vancouver I, L.P. (a subsidiary of UDR)
10 signed a Purchase and Sale Agreement on May 30, 2008 whereby AAC Vancouver I, L.P.
11 would purchase SCC's interest in FP LLC. Under this transaction, the LLC members were to
12 be reimbursed for actual costs incurred and would receive a percentage of the value of the
13 Project at its conclusion.

14 45. Under the terms of the UDR transaction, BlueStar was to continue on as the
15 developer and project coordinator of the Project.

16 46. BlueStar and UDR also agreed to work together on other projects. UDR
17 agreed to hire BlueStar as the development coordinator for three other projects in Seattle, and
18 UDR and BlueStar were prepared to enter into a long-term relationship whereby BlueStar
19 would act as coordinator and developer for UDR's projects throughout the Northwest.

20 47. SCC and SFG were aware of this relationship between UDR and BlueStar.

21 48. The UDR purchase of FP LLC was to close in late August, 2008. However, as
22 closing approached, SCC demanded that UDR reimburse SCC significantly more money than
23 SCC's actual costs. SCC included amounts in its calculations which were over and above
24 what had previously been agreed in the Purchase and Sale Agreement, improperly including
25 items such as certain land costs, interest charges and internal bank fees which existed only on
26 paper and which were not actual costs incurred by SCC.



1 49. All other outstanding issues had been resolved and UDR was poised to proceed
2 with closing. UDR's purchase of FP LLC fell through solely due to SCC's demand for more
3 money the week before closing.

4 50. SCC and SFG, primarily through senior Vice President John Huddleston and
5 executive Vice President and Chief Operating Officer Brian Cartwright, told UDR that the
6 failure of the transaction to close was due to BlueStar's actions, which was untrue. SFG and
7 SCC knew this was untrue and made these statements with the purpose and intent of
8 discrediting BlueStar.

9 51. SCC and SFG, primarily through John Huddleston and Brian Cartwright, also
10 made other disparaging and untrue statements about BlueStar and BlueStar's principals to
11 UDR. SFG and SCC's actions and statements caused UDR to withdraw from its agreements
12 with BlueStar and to terminate its relationship with BlueStar.

13 52. Upon information and belief, SCC and SFG, through John Huddleston, Brian
14 Cartwright and others, have also made, and continue to make, disparaging and untrue
15 statements about BlueStar and BlueStar's principals to existing and potential clients and
16 business associates of BlueStar, including but not limited to Robert Story and Robert Story
17 Jr., the owners of SCC and SFG, with whom BlueStar had a good relationship.

18 53. SCC and SFG are aware of BlueStar's relationship with these existing and
19 potential clients and business associates.

20 54. Upon information and belief, the above-described actions of John Huddleston
21 and Brian Cartwright were done within the scope of their authority as officers and
22 representatives of SCC and SFG.

23 55. As a result of SFG's and SCC's above-described actions, BlueStar has lost and
24 continues to lose existing and potential clients, business and goodwill and has suffered
25 damage to its business and its reputation in the community.

1 **FIRST CAUSE OF ACTION**
2 **BREACH OF CONTRACT**

3 56. Plaintiff realleges and incorporates by this reference all preceding paragraphs
4 of this complaint.

5 57. FP LLC's actions as described above, including but not limited to its failure to
6 pay BlueStar, constitute a breach of the parties' Agreement.

7 58. BlueStar has been damaged as a direct and proximate result of FP LLC's
8 breach of contract.

9 59. BlueStar is entitled to judgment against FP LLC for FP LLC's breach of
10 contract in an amount that shall be proven at trial, together with interest, costs, and
11 appropriate attorneys' fees.

12 **SECOND CAUSE OF ACTION**
13 **UNJUST ENRICHMENT/QUANTUM MERUIT**

14 60. Plaintiff realleges and incorporates by this reference all preceding paragraphs
15 of this complaint.

16 61. FP LLC has received benefits from BlueStar without making fair
17 compensation to BlueStar. FP LLC has been unjustly enriched as a result of the work done
18 by BlueStar on the Project for which BlueStar has not been compensated in full.

19 62. As a result of FP LLC's unjust enrichment, BlueStar is entitled to payment of
20 the full and fair value of the work performed on the Project.

21 63. BlueStar is entitled to judgment against FP LLC under the theories of unjust
22 enrichment and quantum meruit in an amount to be proven at trial, together with interest,
23 costs, and appropriate attorneys' fees.



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**THIRD CAUSE OF ACTION
INTENTIONAL INTERFERENCE WITH
BUSINESS RELATIONSHIPS AND EXPECTANCIES**

64. Plaintiff realleges and incorporates by this reference all preceding paragraphs of this complaint.

65. BlueStar has valid contractual business relationships and expectancies, of which SFG and SCC had knowledge at all relevant times.

66. SFG and SCC intentionally interfered, and continue to interfere, with BlueStar's business relationships and expectancies, inducing and causing a breach or termination of those relationships and expectancies.

67. SFG and SCC interfered with BlueStar's business relationships and expectancies for an improper purpose and using improper means.

68. BlueStar has been damaged by SFG's and SCC's interference.

69. BlueStar is entitled to judgment against SFG and SCC for these defendants' interference with BlueStar's business relationships and expectancies in an amount that shall be proven at trial, together with interest, costs, and appropriate attorneys' fees.

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**FOURTH CAUSE OF ACTION
DISPARAGEMENT AFFECTING BUSINESS,
TRADE OR PROFESSION**

70. Plaintiff realleges and incorporates by this reference all preceding paragraphs of this complaint.

71. SFG's and SCC's actions and false statements as described above ascribe to BlueStar characteristics that would adversely affect its fitness for the conduct of its business. SFG and SCC either knew that these statements were false and defamatory, acted with reckless disregard for their truth or falsity or were negligent in failing to ascertain the truth or falsity of these matters.

1 72. SFG's and SCC's actions and false statements constitute disparagement of
2 BlueStar in its business, trade or profession and are actionable *per se*.

3 73. BlueStar has been damaged by SFG's and SCC's disparagement.

4 74. BlueStar is entitled to judgment against SFG and SCC for these defendants'
5 disparagement of BlueStar in an amount that shall be proven at trial, together with interest,
6 costs, and appropriate attorneys' fees.

7 **FIFTH CAUSE OF ACTION**
8 **DEFAMATION**

9 75. Plaintiff realleges and incorporates by this reference all preceding paragraphs
10 of this complaint.

11 76. SFG and SCC have made false, derogatory statements about BlueStar, both
12 verbally and in writing, to BlueStar's existing and potential business associates and clients
13 and to the public.

14 77. These statements were made with the purpose and intent of harming BlueStar's
15 business, good name and reputation, and have so harmed BlueStar.

16 78. SFG and SCC either knew that the statements were false and defamatory, acted
17 with reckless disregard for their truth or falsity or were negligent in failing to ascertain the
18 truth or falsity of these matters.

19 79. BlueStar has been damaged by SFG's and SCC's defamation.

20 80. BlueStar is entitled to judgment against SFG and SCC for these defendants'
21 defamation of BlueStar in an amount that shall be proven at trial, together with interest, costs,
22 and appropriate attorneys' fees.

23 **PRAYER FOR RELIEF**

24 Wherefore, having fully stated its Complaint, BlueStar Management, Inc. prays for
25 relief as follows:
26



1. Judgment against defendant Fauntleroy Place LLC, for an amount to be proven at trial, for breach of contract, unjust enrichment and quantum meruit, together with prejudgment interest until the date of judgment and post-judgment interest from the date of judgment until paid in full;

2. Judgment against Seattle Financial Group, Inc. and Seattle Capital Corporation, Inc. for intentional interference with BlueStar's business relationships and expectancies, and for disparagement and defamation of BlueStar in an amount to be proven at trial, together with post-judgment interest from the date of judgment until paid in full;

3. For such other damages as may be proven at trial;

4. For costs and attorneys' fees incurred in bringing this action;

5. For such other and further relief as this Court deems just and equitable.

DATED this 11th day of March, 2009.

RYAN, SWANSON & CLEVELAND, PLLC

By

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EXHIBIT A

DEVELOPMENT COORDINATION AGREEMENT

THIS DEVELOPMENT COORDINATION AGREEMENT (this "Agreement"), dated effective as of the _____ day of _____, 2007 (the "Effective Date"), is made and entered into by and between BLUESTAR MANAGEMENT, INC., a Washington corporation ("Development Agent"), and FAUNTLEROY PLACE LLC, a Washington limited liability company ("Owner").

WITNESSETH:

Owner desires to engage Development Agent to furnish and perform the functions and services hereinafter prescribed, and Development Agent desires to accept such engagement, all upon the term and subject to the covenants, agreements, and stipulations hereinafter set forth.

NOW, THEREFORE, Owner and Development Agent do hereby agree as follows:

SECTION 1. PROJECT

Owner owns the property shown on **Exhibit A** attached hereto and known as 3922 SW Alaska Street, Seattle, Washington (the "Project Site"), upon which Owner wishes to develop and lease to third parties a mixed use building containing approximately 63,400 square feet of retail area and 175,100 square feet of multifamily residential units with associated parking floors and areas (the "Project").

Owner is a party, as landlord, to those certain leases, as amended, if at all, to date (the "Leases") having Whole Foods Market, Inc. ("Whole Foods") and Hancock Fabrics, Inc. ("Hancock"), respectively, as a tenant (individually, a "Tenant" and, collectively, the "Tenants"). Development Agent has received copies of the Leases and the Project, subject to receiving any necessary consent of Whole Foods or Hancock to any changes thereto, will be developed consistent with the description thereof described in the Leases.

SECTION 2. ENGAGEMENT OF DEVELOPMENT AGENT

2.1 Powers and Duties. Owner hereby engages the services of Development Agent as an independent contractor, with the powers and duties of arranging, supervising, and coordinating on behalf of Owner and at Owner's expense, all development, construction and planning services for the Project Site and the Project, and Development Agent undertakes and accepts such engagement. The powers and duties of Development Agent shall include, without limitation, the following:

I. PLANNING AND DESIGN PHASE

- (a) Arrange for the preparation of feasibility, marketing, engineering, and other studies for the development of the Project.
- (b) Implement a system for interface between the design team and Owner and Tenants to ensure that appropriate options are presented and recommendations made for overall conceptual programming and facilities standards.
- (c) Monitor the design team's processing of Change Proposals, Change Orders, Field Questions, Field Orders, field inspections and shop drawings.
- (d) Prepare or supervise the preparation of permit applications and any other easements or approvals required during design and construction of the Project.
- (e) As the Owner's representative, meet with and negotiate the necessary agreements with public bodies and utility companies related to access, traffic, utilities, zoning and other design and construction elements pertaining to the development of the Project and the Project Site.
- (f) Prepare a master schedule, including a checklist of critical activities, together with an itemized list of responsibilities and achievement dates.
- (g) Engage and coordinate the activities of Owner's special consultants (including legal and engineering) in the performance of their responsibilities.
- (h) Negotiate the fee structure and the design and engineering services to be provided by designers and engage the designers, including architects and engineers.
- (i) During preparation of construction drawings and specifications, direct and coordinate designers and review of the architect's working drawings and specifications, value engineer the Project to meet Project Budget and general design objections, and advise the Owner and/or a Tenant to the end that these documents conform to the preliminary plans, specifications and cost estimates approved by Owner and/or the Tenants.
- (j) Coordinate Owner's obtaining all required building and other permits, approving all utilities installations, and coordinate Owner's paying for all costs of such permits, utility hookup fees, and assessments of any nature imposed upon the Project Site or the Project.

II. COST CONTROLS

- (k) Prepare for Owner's approval preliminary, intermediate and final Project Budgets for the Project including recommended changes thereto from time to time, including monitoring actual costs against the Project Budget. The Project Budget for the Project approved by Owner and any amendments thereto approved by Owner in

writing shall be referred to as the "Project Budget." The initial preliminary Project Budget approved by Owner is attached hereto as **Exhibit B**.

- (l) Establish and administer the Project Budget and construction cost accounting and reporting procedures which will accomplish the proper segregation of construction and design costs in accordance with Owner and Tenant Lease requirements pertaining to cost responsibility, rent determination, and tax and insurance considerations. Cost reports will be made available to Owner on a monthly basis.
- (m) Review and approve Project invoices at all stages of the Project and evaluate and make recommendation to Owner for the resolution of claims from Project vendors such as the architect, engineer and contractor.

III. CONSTRUCTION PHASE

In connection with the construction of the Project, Development Agent shall:

- (n) Negotiate and administer the construction contract with the general contractor selected by Development Agent, including approving all change orders.
- (o) Report to Owner at appropriate intervals on Project progress, costs and costs control and promptly advise the general contractor of Owner's decisions on such matters.
- (p) Coordinate and oversee the scheduling of construction of the Project and the inspection of completed work and including approval of all draw requests and submission thereof to Owner's lender.
- (q) Assist Owner's lender in authorizing appropriate disbursements by Owner or its lender of amounts payable to contractors, suppliers, and employees.
- (r) In consultation with the architects and the engineers for the Project, conduct necessary inspections to determine that the Project is completed in accordance with all applicable plans and contract documents.

III. MARKETING PHASE

- (s) Direct preparation of a market survey and direct and implement a marketing plan for renting of the residential portion of the Project.
- (t) Advise Owner with respect to possible master condominiumization of the Project into a retail portion and a residential portion, in accordance with applicable law and engage legal counsel and engineers as appropriate in connection therewith;
- (u) Make Project presentations to local brokerage companies and promote the Project to the market.

- (v) Coordinate performance of obligations under any financing, including, without limitation, preparation of documentation and submission of information in connection with any loan application or loan closing.
- (x) Offer for rent, negotiate, and direct the finalization of rental agreements for residential space in the Project in accordance with rent schedules approved by Owner.
- (y) Coordinate the move-in of Tenants and renters.
- (z) Assist Owner in selecting a property manager for the Project, including negotiating the contract and thereafter supervising the property manager's services for the remaining term of this Agreement.

2.2 Execution of Documents. Owner agrees to execute such documents as shall be submitted to it by Development Agent, provided that the same shall be consistent with, and in implementation of, the matters approved by Owner as hereinbefore required, or, after such approval, fall within the powers granted to Development Agent hereunder.

2.3 Performance and Scope of Duties. Development Agent accepts the engagement under this Agreement and agrees to act with prudence and diligence in performance of its duties and responsibilities hereunder and in good faith and in the best interest of Owner to the extent and only to the extent that current funds are made or caused to be made available by Owner to Development Agent. Furthermore, and notwithstanding anything to the contrary herein, Development Agent shall be entitled to perform its duties as described in this Agreement without prior approval or consultation with Owner, so long as Developer is at the time proceeding within the guidelines established under this Agreement, the Leases, the Project Budget, or the development and design of the Project as earlier approved by Owner in writing.

2.4 Authority to Make Changes in Project Plans and Budget. Owner and Development Agent acknowledge the desirability of authorizing Development Agent to make changes to the Project plans and specifications and the Project Budget as may be necessary to facilitate the expeditious completion of the Project or changes to the same as requested by Owner or a Tenant. After the final Project plans and specifications and Project Budget are approved by Owner, Development Agent will have authority (subject to the provisions of the Section 2.1) to make changes to the plans, specifications and Project Budget, and to facilitate field changes and other changes in the work not affecting use of the Project and not inconsistent with any design criteria or program information therefor furnished by Owner or required by a Lease. Owner also agrees that in the event of changes to Project Plans and Specifications imposed by governmental authority, the Project Budget shall be revised to accommodate such changes.

SECTION 3. REPORTS DURING CONSTRUCTION PERIOD

To the extent not duplicate of reports required to be delivered by Development Agent to Owner pursuant to Section 2 of this Agreement, Development Agent shall deliver to Owner the following monthly reports during the period from the commencement of construction of the Project:

- (a) The actual construction achieved during such month and to date and a comparison thereof to the schedule established for the Project for the same.
- (b) The actual expenditures made, during such month and to date to the approved Project Budget.
- (c) The estimated cost of completing the Project.
- (d) The remaining available balance of any financing proceeds with respect to the Project.

SECTION 4. TERM AND TERMINATION

4.1 Term. Subject to Section 7 hereof, this Agreement shall be for a term commencing on the Effective Date and terminating thirty (30) days after the date (the "Lease-Up Date") the date both Tenants are open for business in the Project and ninety percent (90%) of the units in the residential portion of the Project are rented to initial renters who have accepted and occupy their units.

SECTION 5. COMPENSATION OF DEVELOPMENT AGENT

5.1 Definition. For purpose of this Agreement, "Total Project Costs" means all costs paid or payable or incurred by Development Agent or its agents, or on behalf of the Owner with respect to the design, development and construction of the Project, determined on a Building by Building basis, from the Effective Date of this Agreement until the Lease-Up Date, including, but not limited to the itemizations set forth below (each of which is a "Project Cost"):

- (a) the cost of the Project Site land related to each Building, which shall be deemed incurred, on the day the General Contractor is authorized to commence construction of the Building, and any costs attributable to the Project Site from such date, including debt service, interest and taxes;
- (b) the cost of all materials, utilities, equipment (acquired or rented) and similar items incorporated into or consumed in the construction and development of the Project and any related demolition, site, utility, or landscaping work incorporated in or related to the Project, including, without limiting the generality of the foregoing, all contract prices, including fees and bonuses of contractors or materialmen;
- (c) architectural, topographical and boundary surveying, legal, consulting, accounting, and engineering fees and expenses paid to architects, surveyors, accountants, consultants, and/or engineers in connection with the planning, construction, financing, and leasing of the Project and any related site, utility, or landscaping work, including, but not limited to, demolition, grading, excavation, soil removal, fill and site preparation, borings, soil analysis, traffic studies, and market studies;

- (d) to the extent not included in fee and expense statements from architects and engineers, costs of reproducing plans and specifications for the Owner, tenants, lenders, inspecting architects and/or engineers, and the general contractor;
- (e) any leasing fees and commissions payable to outside brokers or agents (including BlueStar Property Management), advertising and promotional costs, lease takeover costs, tenant inducement payments, and tenant coordination costs incurred by or on behalf of the Owner prior to the Lease-Up Date in connection with leasing or pre-leasing of space in the Project; any on site leasing office costs, including wages, salaries and amounts paid or incurred for taxes, insurance and benefits for leasing staff and supervisory personnel at the Project Site and shall be approved in writing in advance by the Owner;
- (f) all costs and expenses with respect to the installation of tenant finish work in the Project and the amount of any tenant finish allowances or any other concessions actually paid under all tenant leases of space in the Project until the Lease-Up Date;
- (g) attorneys' fees directly related to the Project, including tenant lease negotiations;
- (h) all costs of building and other permits and bonds for the Project and all direct costs incurred in connection with obtaining any zoning variances or other approvals required from any governmental entities having jurisdiction over the Land;
- (i) all commitment or mortgage placement fees, origination fees and other financing costs, including attorneys' fees and similar costs incurred in connection with the negotiation and closing of any refinancing of a construction loan for the Project;
- (j) one-half of all commitment or mortgage placement fees, origination fees and other financing costs, including attorneys' fees and similar costs incurred in connection with the negotiation and closing of any refinancing of a construction loan for the Project;
- (k) all interest costs incurred in connection with a construction loan, net of any rental income received by the Owner;
- (l) all *ad valorem* taxes and other taxes and assessments paid or payable by the Owner with respect to the Project or any portions thereof from and after acquisition of the Land;
- (m) the actual costs of all off-site improvements constructed or paid for by the Owner, including, but not limited to, utilities, street improvements, any other improvements required to be constructed or paid for in connection with the issuance of any building or other permits by any governmental entities having jurisdiction over the Project, any area fees (excluding LID fees), utility connection or utility use fees related to the Project, and all amounts due and payable by Owner to the General Contractor under the Construction Contract;

- (n) all direct costs of acquiring any easements, air rights, use permits, bonds, or other off-site rights in connection with the development of the Project;
- (o) all insurance premiums paid or payable by the Owner prior to the Lease-Up Date; including, but not limited to, any builder's risk, fire and extended coverage, rent loss, or general liability coverage carried by the Owner; and
- (p) all other costs customarily incurred by an owner in the design, development and construction process provided they are incurred for the benefit of the Project, including those set forth in the "Indirect Costs" portion of the Project Budget.

5.2 Payment of Total Project Costs. Development Agent shall review and make recommendation to Owner for payment of Project Cost invoices for the Project once each month. Owner shall pay or cause its lender to pay each invoice approved by the Development Agent within twenty (20) days of receiving such invoice and approval. If a vendor invoices the Owner directly for Project Costs, Development Agent shall review and make recommendations for payment of each invoice so reviewed. Owner shall provide Development Agent a report of all invoices paid by Owner each month so Development Agent may track and report to Owner all Project Costs.

5.3 Fees. Beginning on the Effective Date, subject to adjustment in the case of a Project Budget increase as set forth below, Owner will pay Development Agent a fee for its services as development coordinator under this Agreement, on the first day of each month, in advance and without notice, for each Building, as follows (the "Coordination Fee"):

<u>Phase</u>	<u>Coordination Fee</u>
I. From Effective Date through commencement of work under the Construction Contract	\$35,000 per month.
II. From commencement of work under Construction Contract until the Lease-Up Date	An amount equal to 5% of estimated Total Project Costs reduced by fees paid in Phase I, divided by the number of months remaining until the estimated Lease-Up Date.

5.4 Disbursements and Credits. Development Agent shall be reimbursed promptly for all development costs and expenses paid to non-Affiliate third parties and provided for in the Project Budget, which costs and expenses are incurred to such third parties in connection with the performance by Development Agent of its duties and obligations hereunder. Nothing herein shall be construed to obligate Development Agent to contract directly for any labor, materials, or any other services in connection with the construction and development of the Project, and

Development Agent shall, pursuant to Section 2.1 hereof, be entitled to enter into any necessary contracts or agreements for such labor, materials, and services on behalf of (and in the name of) Owner with persons other than Development Agent or its affiliates.

5.5 Time of Reimbursement. Development Agent shall be reimbursed for all disbursements made by it as specified in Section 5.4 hereof promptly upon submission of a statement therefor, together with supporting data in reasonable detail, by Development Agent to Owner. Development Agent shall account to Owner in a timely manner for expenses incurred for which Owner has advanced expenses on an estimated basis. Nothing in Section 5.4 shall obligate Development Agent to advance funds to pay any costs on behalf of Owner other than with funds furnished in advance by Owner.

5.6 Audit. At its expense, Owner and its representatives shall have the right during normal business hours to inspect and audit at any time during the term of this Agreement and during the one year period following termination, all of Development Agent's records of Total Project Costs and all costs, expenses, correspondence, and records as well as vouchers and books of account in so far as they pertain to the performance of its services under this Agreement. Development Agent shall maintain copies of all records reflecting such matters for a period of one year following the expiration or termination of this Agreement.

5.7 Payments to Development Agent. All amounts due Development Agent pursuant to the foregoing provisions of this Section 5 will be paid by Owner's lender concurrently with such lender's monthly disbursement to Owner's account to pay all third parties pursuant to draw requests approved by Development Agent. Within ninety (90) days after Lease-Up of the Project there will be a final accounting between Owner and Development Agent to the end that Development Agent will be paid the unpaid balance of the Development Fee due it pursuant to Section 5.3 or Development Agent will refund to Owner any overpayment of such fee.

SECTION 6. INDEMNITY AND INSURANCE

6.1 Indemnification. Owner hereby agrees to indemnify and hold Development Agent harmless from and against any and all liability, claims, actions, damages, suits, judgments, executions, costs, and demands of whatever nature, in law or in equity to the fullest extent permitted by law, including reasonable attorneys' fees, arising out of the construction and development of the Project or arising out of or resulting from the performance of the construction and development of the Project, except to the extent that any such liability, claim, action, damage, suit, judgment, execution, cost or demand is caused in whole or in part by the negligent or intentional acts or omissions of Development Agent or its employees or agents. Development Agent hereby agrees to indemnify and hold Owner harmless from and against any and all liability, claims, actions, damages, suits, judgments, executions, costs or demands of whatever nature in law or in equity to the fullest extent permitted by law arising out of the negligent or intentional acts or omissions of Development Agent or its employees or agents.

For the sole purpose of effecting these indemnification, defense, and hold harmless obligations and not for the benefit of Development Agent's employees or any third parties unrelated to the Indemnified Parties, Development Agent specifically and expressly waives any immunity that may be granted it under the Washington State Industrial Insurance Act,

RCW Title 51. (DEVELOPMENT AGENT'S INITIALS ____). Further these obligations shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under worker compensation acts, disability benefit acts or other employee benefit acts.

The provisions of this Section 6.1 shall survive the expiration or termination of this Agreement.

6.2 Insurance.

6.2.1 Development Agent shall obtain in Development Agent's name and at Owner's expense, and keep in force throughout the duration of a Project, insurance against any and all claims, losses, harm, costs, liabilities, damages and expenses arising out of bodily injury (including death), personal injury or property damage that may result from the performance of this Agreement (which shall include, at a minimum, commercial general public liability insurance in the amount of Five Million Dollars (\$5,000,000) combined single limit, worker's compensation as required under Washington law, and employer's liability insurance). Coverage shall be on an occurrence form (ISO CG 00 01 or equivalent). Coverage shall include, but not be limited to, premises and operations; independent contractors; Owner's and Contractor's protective liability; products and completed operations; blanket contractual; personal injury; employers' contingent liability (Washington stop gap). . Owner shall be included as an additional named insured on a primary and non-contributory basis. Minimum limits shall be as follows:

\$2,000,000	General Aggregate (per project)
\$2,000,000	Products/Completed Operations Aggregate
\$2,000,000	Personal Injury
\$2,000,000	Each Occurrence

Owner shall be named as an additional insured on all liability insurance maintained by Development Agent. Owner shall obtain, and keep in force, insurance covering physical damage to the Project, and insurance against liability for loss, damage, or injury to property or persons which might arise out of the ownership, occupancy, development, management, operation, or maintenance of the Project.

6.2.2 Owner shall furnish whatever information is reasonably requested by Development Agent for the purpose of establishing the placement of insurance coverages and shall aid and cooperate in every reasonable way with respect to such insurance and any loss thereunder. Any policies covering real or personal property which either party obtains affecting the Project shall include a clause or endorsement denying the insurer any rights of subrogation against the other party to the extent rights have been waived by the insured before the occurrence of loss or injury, if same are obtainable.

6.2.3 All insurance coverages required from Development Agent shall be written with insurance companies having Best's rating of A-VI or better. All insurance provided by Development Agent hereunder shall be primary and not contributing with any coverage carried by the Owner. Certificates of Insurance required shall be delivered to Owner within 10 days after

mutual execution of the Agreement. Renewal certificates, reasonably acceptable to the Owner, shall be delivered to Owner not later than 10 days prior to any coverage expiration date.

SECTION 7. DEFAULTS AND REMEDIES

7.1 Development Agent Default.

7.1.1 Owner may, at its option, terminate this Agreement in the event of the occurrence of an event of default by the Development Agent, upon five (5) days prior written notice. Upon termination of this Agreement, all duties and authorities of Development Agent shall be immediately terminated.

7.1.2 The term "event of default" as used herein in connection with the termination of this Agreement (hereinafter referred to as "Development Agent Default") shall mean (i) the failure by the Development Agent to comply with the provisions of this Agreement which failure has a material adverse effect upon the Owner, after the Owner gives the Development Agent written notice of the existence of such failure (or if the cure of such failure would reasonably require more than thirty (30) days to complete, the Development Agent fails to commence to cure such cause promptly, and in any event within said thirty (30) day period and thereafter diligently prosecute the same to completion); (ii) fraud in the performance of Development Agent's obligations under this Agreement by the Development Agent, (iii) the Development Agent shall (a) voluntarily be adjudicated bankrupt or insolvent, (b) (make a general assignment for the benefit of its creditors, or (c) admit in writing its inability generally to pay its debts as they mature; or (iv) a petition or case is filed against the Development Agent seeking relief under the bankruptcy, arrangement, reorganization or other debtor relief laws of the United States or any state or other competent jurisdiction.

7.2 Owner Default. Each of the following shall constitute an "Owner Default" hereunder:

- (a) Failure of Owner to pay to Development Agent any amount becoming due and payable hereunder within ten (10) days after written notice from Development Agent of such failure; or
- (b) Except in instances prescribed in Section 6.1(a), failure of Owner to comply with any material provision of this Agreement and the continuation of such failure for thirty (30) days after written notice thereof from Development Agent to Owner; provided, that if the time required to cure and remedy such default shall exceed thirty (30) days, Owner shall not be in default hereunder if Owner commences to cure such failure as soon as reasonably practicable in view of all circumstances and in any event within said thirty (30) day period and thereafter diligently prosecutes such curative efforts to completion.

Upon the occurrence of any Owner Default, Development Agent shall receive the full unpaid balance of the Phase II Coordination Fee as described in section 5.3 above and have the right at any time after the final expiration of the aforesaid curative periods and while such Owner Default continues, to give written notice to Owner terminating this Agreement, and/or

Development Agent may, at any time while such Owner Default continues, exercise any other remedies that may be provided at law or in equity.

7.3 Attorneys' Fees. In the event of litigation between the parties hereto, declaratory or otherwise, in connection with or arising out of this Agreement, the prevailing party shall recover from the non-prevailing party all actual costs, actual damages and actual expenses, including attorneys' fees, paralegals' fees and other professional or consultants' fees expended or incurred in connection therewith, as set by the court, including for appeals, which shall be determined and fixed by the court as part of the judgment. In addition, if either party is held by a court to owe to the other a sum of money, whether as damages, indebtedness, or otherwise for breach of this Agreement, such party shall also owe to and pay the other party interest on such sum from the time of the breach until paid at the rate of one percent (1%) in excess of the prime rate of interest announced as such by the *Wall Street Journal*.

7.4 Dispute Resolution

7.4.1 Means of Resolution. Except for the matters excluded by the next sentence, any controversy, dispute or claim arising between the parties that is directly or indirectly related to this Agreement (collectively, "Dispute") shall be submitted to mediation before a single mediator under the Voluntary Construction Mediation Rules of the American Arbitration Association. This requirement cannot be waived except by an explicit written waiver signed by the Owner and the Development Agent. . At either party's election, the following may be excluded from the mediation provision of this Section: (a) any action seeking a temporary restraining order, a preliminary restraining order, pre-judgment attachment, garnishment or the appointment of a receiver (collectively, "Preliminary Relief"); or (b) any action involving, as a plaintiff or a defendant, a person or entity which is not a party to this Agreement. After resolution of any action for Preliminary Relief, the underlying action on the merits will be subject to mediation and any arbitration. Either party may initiate the mediation process by giving written notice ("Demand Notice") to the other party describing the nature of the Dispute and demanding mediation and arbitration. The party filing a notice of demand for mediation must assert herein all Claims then known to that party on which mediation is permitted to be demanded. FAILURE TO INCLUDE SUCH KNOWN CLAIMS SHALL CONSTITUTE AN ABSOLUTE AND COMPLETE WAIVER, RELEASE AND BAR OF SUCH OMITTED CLAIMS.

7.4.2 Appointment of the Mediator. Upon receipt of the Demand Notice, the parties shall select a mediator, and shall set the dates for the mediation hearing. If the parties cannot agree upon a mediator within 5 business days after receipt of the Demand Notice, the mediator shall be selected by the American Arbitration Association ("AAA") from the list of mediators available in Seattle, Washington, without submittal of lists, and subject to challenge only for good cause shown. The mediator, whether selected by the parties or AAA, shall be disinterested and a licensed attorney with at least 5 years of experience in commercial real estate law. The term "disinterested" means that: the mediator shall not have a direct or indirect financial or other interest in the decision to be made; shall not be a director, officer, employee or agent of either party; and shall not have been employed as a consultant by either party or an affiliate of either party within the last 5 years.

7.4.3 Timing and Location. The mediation hearing shall be conducted in Seattle, Washington, unless the parties agree to another location. The date set for the mediation shall not be less than 30 days after appointment of the mediator. .

7.4.4 When Litigation May Be Brought. Neither party may bring litigation on a Claim under this Agreement in connection with a Project unless it has been properly raised and considered in the dispute resolution procedures of Section 7.4. This requirement cannot be waived except by an explicit written waiver signed by the Owner and the Development Agent. Litigation must be served and filed by 90 days after final payment of the Coordination Fee to Development Agent. The pendency of mediation shall toll these limits until the mediator provides written notice to the parties of impasse.

7.4.5 Costs. The fees of the mediator and the expenses incident to the mediation proceedings shall be borne equally by the parties, unless otherwise agreed by the parties. .

7.4.6 Release. The parties hereby release the mediator from any and all claims or potential claims based upon the decision of the mediator.

7.4.7 Statute of Limitations. All controversies, disputes and claims subject to mediation pursuant to this Section 7.4 shall remain subject to the applicable statute of limitation as though the parties had not elected to resolve the same through mediation and/or arbitration.

7.4.8 Confidentiality. Except as agreed to by the parties, as required by law or as reasonably necessary in connection with the good faith prosecution of the parties' ordinary business, the parties and the mediator and/or arbitrator shall keep confidential and not disclose to third parties any information or documents obtained in connection with the mediation and/or arbitration process, including the resolution of the Dispute.

7.5 Continuing Contract Performance. Pending final resolution of a Claim, including mediation and litigation, unless otherwise agreed in writing, Development Agent shall proceed diligently with performance of this Agreement and Owner shall continue to make payments in accordance with this Agreement. Undisputed portions of applications for payment will be paid in accordance with Section 5.

SECTION 8. MISCELLANEOUS

8.1 Notices. Any demand, request or notice which either party hereto desires or may be required to make or deliver to the other shall be in writing and shall be deemed effective when personally delivered, or when delivered by private courier service (such as Federal Express) or three days (3) after being deposited in the United States mail, in registered or certified form, return receipt requested, addressed as follows:

To Development Agent	BlueStar Management, Inc. Attn: Easton A. Craft 14803 15 th Avenue NE, Suite 200 Shoreline, WA 98155
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To Owner:

Fauntleroy Place LLC
c/o: Steven M. Hartley
14803 15th Avenue NE, Suite 200
Shoreline, WA 98155

or to such other address which is not a post office box and person as either party may communicate to the other by like written notice. Any party may change the address at which notices are to be forwarded to it by delivering written notice to each other party of such change of address.

8.2 Captions. The titles or captions contained in this Agreement are for convenience only and shall neither restrict nor amplify the provisions hereof. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identification of the Person or Persons may require. The locative adverbs "herein", "hereunder", "hereto", "hereby", "hereinafter", etc., whenever the same appear herein, mean and refer to this Agreement in its entirety and not to any specific Section or Subsection hereof.

8.3 Entire Agreement/Amendment. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof. This Agreement shall not be amended or changed except by written instrument signed by both Owner and Development Agent.

8.4 Severable Provisions. If any provision of this Agreement or the application thereof to any Person or circumstance shall be invalid or unenforceable to any extent, then the other provisions of this Agreement, the provision in question to any other extent, and the application thereof to any other Person or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

8.5 Governing Law. This Agreement is performable in the State of Washington and shall be governed by the laws of the State of Washington without regard to the principles of conflicts of law.

8.6 Waiver of Rights. Acceptance by either Development Agent or Owner of any payment made by the other party hereunder shall constitute neither a waiver of the right of such recipient to contest whether or not the full amount due shall have been paid, nor a waiver of any other rights hereunder. Failure by either Development Agent or Owner to complain of any action, nonaction, or default of the other party shall not constitute a waiver of any rights hereunder, nor shall the waiver of any right occasioned by a default in any one or more instances constitute a waiver of any right occasioned by either a subsequent default of the same obligation or by any other default.

8.7 Non-Assignable. Without the consent of the other party, neither party may assign, transfer, mortgage, pledge, or otherwise encumber or dispose of this Agreement or all or any part of its rights and interests hereunder, except to an affiliate, and any other attempted assignment, mortgage, pledge, encumbrance, or disposition shall be void *ab initio*. No assignment, including to an affiliate, shall release the assigning party from liability under this Agreement. Notwithstanding the foregoing, Owner may assign this Agreement, without Development Agent's consent, to any subsequent Owner of the Project or to a lender for

collateral purposes in connection with financing the project, and Development Agent shall consent thereto and execute documents reasonably requested to assign this Agreement as long as such assignment does not materially modify the terms of this Agreement.

8.8 Assignability. This Agreement shall, except as otherwise herein expressly provided, be binding upon and inure to the benefit of Owner and the Development Agent and their respective successors and permitted assigns.

8.9 Consent. Whenever in this Agreement the consent or approval of Manager or Owner is required, such consent or approval shall not be unreasonably withheld or unduly delayed. Such consent shall also be in writing only and shall be duly executed by an authorized officer or agent for the party granting such consent or approval.

8.10 Estimates of Cost. Since Development Agent has no control over the cost of labor, materials, or equipment, over the methods by which contractors to be used on the Project determine prices, or over competitive bidding or market conditions, any estimates which Development Agent may provide to Owner with respect to the cost of constructing the Project are made on the basis of Development Agent's experience and qualifications as an expert in commercial real estate development and based on its best judgment and estimate as to the amount of such costs; Development Agent cannot and does not guarantee that proposals, bids, or the actual Project construction cost will not vary from estimates of costs prepared by Development Agent. Owner understands and agrees that Development Agent's Project Budget and the estimates herein provided are based upon the construction of a Building and the Project as shown in the drawings and descriptions of the Project set forth in the Leases.

8.11 No Third Party Rights. The provisions of this Agreement are intended solely for the benefit of, and may only be enforced by, the parties hereto and their respective successors and assigns. None of the rights or obligations of the parties herein set forth (or implied) is intended to confer any claim, cause of action, remedy, defense, legal justification, indemnity, contribution claim, set-off, or other right whatsoever upon or otherwise inure to the benefit of any contractor, subcontractor, worker, supplier, mechanic, architect, insurer, surety, guest, member of the public, lender, or other third parties having dealings with either of the parties hereto or involved, in any manner, in the Project. Each party has had the opportunity to obtain and seek the advice of legal counsel with respect to this Agreement and the transactions contemplated hereunder.

8.12. Neutral Authorship. In connection with the execution and delivery hereof, both parties have been represented by counsel. Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of both parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.

EXECUTED effective as of the day and year first herein above written by duly authorized officers in multiple counterparts, each of which shall have the force and effect of an original.

DEVELOPMENT AGENT:

BLUESTAR MANAGEMENT, INC.,
a Washington corporation

By: _____
Steven M. Hartley, President

OWNER:

FAUNTLEROY PLACE LLC,
a Washington limited liability company
by its Manager,

BlueStar Management Group, Inc.,
a Washington corporation

By: _____
Steven M. Hartley, President

Undersigned Members of Fauntleroy Place, LLC., hereby approve the foregoing Agreement as of the date first written above.

MEMBERS:

BLUESTAR REAL ESTATE CAPITAL GROUP, INC.,
a Washington corporation

By: _____
Steven M. Hartley, President

BAJ CAPITAL, INC.,
a Washington corporation

By: _____
Christopher F. NeVan, President

SEATTLE CAPITAL CORPORATION,
a Washington corporation

By: _____
Roger Johnson, President

DEVELOPMENT COORDINATION AGREEMENT

List of Exhibits:

Exhibit A:	Site Description
Exhibit B:	Initial Project Budget

**EXHIBIT A
TO
DEVELOPMENT COORDINATION AGREEMENT**

Site Description

Legal Description

PARCEL 1

REAL PROPERTY IN THE COUNTY OF KING, STATE OF WASHINGTON, DESCRIBED AS FOLLOWS:

LOTS 17, 18, 19, 20, 21, 22, 23 AND 24 IN BLOCK 55 OF BOSTON CO.'S PLAT OF WEST SEATTLE, AS PER PLAT RECORDED IN VOLUME 3 OF PLATS, PAGE 19, EXCEPT THAT PORTION OF SAID LOT 24 CONDEMNED IN KING COUNTY SUPERIOR COURT CAUSE NO. 70682, RECORDS OF KING COUNTY.

PARCEL 2

LOTS 10 TO 24, INCLUSIVE, BLOCK 56, BOSTON CO.'S PLAT OF WEST SEATTLE, ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 3 OF PLATS, PAGE(S) 19, IN KING COUNTY, WASHINGTON;

EXCEPT PORTIONS OF SAID LOTS 23 AND 24 HERETOFORE CONDEMNED IN KING COUNTY SUPERIOR COURT CAUSE NUMBER 70682 AND 93059 FOR STREET PURPOSES, AS PROVIDED BY ORDINANCE NUMBERS 21302 AND 29063, RESPECTIVELY, OF THE CITY OF SEATTLE.

PARCEL 3

THAT PORTION OF THE ALLEY BETWEEN BLOCKS 55 AND 56, BOSTON CO.'S PLAT OF WEST SEATTLE, ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 3 OF PLATS, PAGE 19, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

ALL THAT PORTION OF SAID ALLEY LYING NORTHERLY OF THE NORTHERLY RIGHT-OF-WAY LINE OF S.W. ALASKA STREET AND SOUTHERLY OF THE EASTERLY PRODUCTION OF THE NORTHERLY LINE OF LOT 17, BLOCK 55, BOSTON CO.'S PLAT OF WEST SEATTLE, ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 3 OF PLATS, PAGE 19, IN KING COUNTY, WASHINGTON.

**EXHIBIT B
TO
DEVELOPMENT COORDINATION AGREEMENT**

Initial Project Budget