


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: April 10, 2008

TO: Honorable Members of the City Council

FROM: Gerry F. Miller 
Chief Legislative Analyst

Council File No: 07-0332
Assignment No: 08-04-3103

SUBJECT: GRAND AVENUE HOTEL AND PARKING

SUMMARY

In February 2007, the Council approved a Memorandum of Understanding (MOU) (CF# 07-0332) outlining the terms of assistance to a hotel and public parking structure in the Grand Avenue Project to be developed by the Related Companies (Developer, also known as Grand Ave. L.A. LLC). Council instructed the Chief Legislative Analyst (CLA) to negotiate final documents to implement those terms (Attachment A).

The Council also requested the City Attorney to prepare the necessary documents to implement a Community Taxing District (CTD). Approval of the attached resolution and agreements (Attachments B through D) is needed to initiate the process to form a CTD to aid in the development of the hotel and the public parking facility. The CTD is the mechanism by which the hotel operator will receive Transient Occupancy Tax (TOT) with a present value of \$60.5 million. The CTD will also allow the operator of the parking facility to receive Parking Occupancy Tax (POT), with a gross value estimate of \$5.5 million. All revenue used to assist the project are net new revenues and, pursuant to City policy, are not more than 50% of the net new revenues generated over the term of the agreement.

To begin the formation of the CTD, the Mayor and Council will need to approve the following:

1. Resolution of Intention to Establish a Community Taxing District (Attachment B).
2. Rate and Method of Apportionment (Exhibit C to Attachment A).
3. Deposit and Reimbursement Agreement (Attachment C)
4. Funding Agreement, among the City, the Developer, the CTD, and the Fiscal Agent (Attachment D).

The Council must find that approval of the Resolution of Intention to Establish a Community Taxing District is exempt from the California Environmental Act (CEQA) and that no additional environmental clearance is required under State CEQA guidelines because the scope of the project has not changed since the initial CEQA clearance was made on February 13, 2007.

APR 10 2008
HOUSING, COMMUNITY &
ECONOMIC DEVELOPMENT

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. FIND that the approval of the Resolution of Intention to Establish a Community Taxing District is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2(i) of the Los Angeles CEQA Guidelines, and that no additional environmental clearance is required under State CEQA Guidelines;
2. APPROVE the Implementation Agreement between the City of Los Angeles and the Grand Ave. L.A. LLC, a Delaware limited liability company (Developer) (Attachment A) concerning the Grand Avenue Project hotel and parking structure, and authorize the Mayor to execute said agreement;
3. AUTHORIZE the City Administrative Officer (CAO), with the consent of the CLA and the City Attorney, to negotiate and execute additional non-material changes to the agreement as necessary;
4. ADOPT a Resolution of Intention to Establish a Community Taxing District (Attachment B);
5. INSTRUCT the City Clerk to publish a notice by May 8, 2008 or on an alternate date given by the CAO of a Public Hearing concerning formation of the CTD to take place on June 10, 2008 or on an alternate date given by the CAO at 10:00 a.m. during the regularly scheduled City Council meeting;
6. INSTRUCT the City Clerk to set an agenda item for a Public Hearing on the Council agenda for June 10, 2008 or on an alternate date given by the CAO to include the adoption of an Ordinance of Formation for the Proposed Community Taxing District No. 2 (Grand Avenue Project).
7. APPROVE, by ratification, the Deposit and Reimbursement Agreement, which has been entered into by the City and the Developer (Attachment C); and
8. APPROVE the Funding Agreement among the City, the CTD, the Developer, and U.S. Bank National Association, as Paying Agent (Attachment D) that is in substantially final form, and authorize the CAO, on behalf of the City and the CTD, to execute the Funding Agreement, with such non-material changes as the CAO, with the approval of the City Attorney, deems necessary, when the Community Taxing District has been formed.

FISCAL IMPACT STATEMENT

The Grand Avenue Project is estimated to generate over \$227.9 million in various General Fund revenues over 20 years. The Grand Avenue Project hotel would retain up to a present value \$60.5 million in Transient Occupancy Tax, a General Fund revenue source, for up to 20 years. The Grand Avenue Project would also retain an approximate gross value of \$5.5 million Parking Occupancy Tax, a General Fund revenue source, over the course of up to 10 years which would then be repaid.

DISCUSSION

In February 2007, the Los Angeles City Council approved agreements related to development of the Grand Avenue Project, a mixed used development that includes retail, a hotel, a park, and affordable and market-rate housing. This project is a joint effort of the County of Los Angeles, the Community Redevelopment Agency, and the City of Los Angeles, coordinated through the efforts of the Grand Avenue Authority, a joint powers authority.

The City of Los Angeles has a limited role in providing funding support for the hotel and public parking elements of the project through the creation of a CTD. The Council instructed the CLA to negotiate agreements based on terms outlined in an MOU between the City and the Developer. The attached Implementation Agreement provides the necessary elements to implement the terms of the MOU. In addition, the City Attorney has prepared the necessary documents to initiate the CTD process. An ordinance change related to the POT is required as well, and is being submitted by the City Attorney under separate cover.

Implementation Agreement

The attached Implementation Agreement is the result of those negotiations directed by the City Council to provide support to the Grand Avenue Project. The Implementation Agreement conforms to the terms established in the MOU, as summarized below:

1. Transient Occupancy Tax: An amount equivalent to the TOT generated by the Grand Avenue Hotel (Hotel) not to exceed a cap of a present value of \$60.5 million (determined using a discount rate of 10%) or exceed a term of 20 years, whichever is reached first. Funds would be made available through a CTD.
2. Construction Costs and Project Financing Audit: Upon completion of the project, Developer and City will conduct a review of the Hotel construction costs and project financing to reevaluate the maximum amount of TOT funds that would be returned to the Developer. Upon completion of this review, the TOT contribution shall be adjusted, but may not be higher than the present value cap of \$60.5 million or more than 20 years, whichever comes first.
3. Transfer of Hotel and Property: The Developer shall not sell, assign convey or transfer the Hotel without the prior written consent of the City of Los Angeles.
4. Hotel Operator: Any change in the Hotel Operator shall require the prior written approval of the City until the financial assistance which may be provided by the CTD to the Developer has terminated.
5. Hotel Standards: The Hotel shall be operated, furnished, serviced, maintained and refurbished to the standard of a five star lodging establishment.
6. Parking Occupancy Tax: The Developer will retain POT generated by the public parking facility (Parking) for no more than ten years. If POT generated is greater than the Parking debt service, the remainder will be placed in a Debt Service Contingency

Fund (Fund). If the Fund receives an amount of funds equal to one year's debt service within the ten year period, the POT will again accrue to the City. The Developer will begin to repay the City for the amount of POT retained with on-going Net Operating Income (total revenue less operating and maintenance expenses, debt service, and equity) from the Parking.

7. Construction Sales Tax: The Developer will cause the City of Los Angeles to be designated as the "point of sale" for all construction related purchases.
8. Community Benefits Package: A Community Benefits Package has been adopted by the Developer and will be implemented in association with development of the Hotel and the Q portion of the Grand Avenue Project.
9. Cooperation: The City will cooperate in processing any requests for variances, amendments or other modifications of the various land use controls to accommodate the scope of development in the plans and specifications prepared for the Grand Avenue Project.

Transient Occupancy Tax

Upon creation of the CTD, approval of the Developer, and compliance with other relevant provisions of the CTD, the Hotel will be exempt from paying the TOT and will instead pay a special tax that will be equal to the City's TOT rate. The special tax will then be transferred back to the Developer. The special tax established by the CTD will cease either when the 20 year period is completed or when the hotel generates a present value of \$60.5 million in special tax, whichever comes first.

No later than 180 days after issuance of a Certificate of Completion for the Hotel, a final review of the actual Hotel construction costs will be conducted by the CAO. The purpose of this review is to determine the actual amount of subsidy assistance needed for this project. If the review determines that the subsidy needed for the hotel is lower than a present value of \$60.5 million, the amount of subsidy provided will be reduced. If the amount needed is higher than a present value of \$60.5 million, there will be no adjustment. It should be noted that although the subsidy needed for this project and the maximum subsidy to be provided is a present value of \$60.5 million, revenue projections for this project indicate that the Hotel will only generate about a present value of \$47 million in TOT.

Construction Sales Tax

The Developer will commit to ensure that all contractors and subcontractors working on this project designate the City as the "point-of-sale" for all construction related purchases. All contractors and subcontracts with contracts valued at more than \$5 million will be required to obtain a State job site sub-permit. The contractors and subcontractors would then report their sales tax directly to the State based on that subpermit. The City would have the right to obtain a copy of these contracts and sales tax filings, would be a third party beneficiary to these contracts, and would have the ability to audit and seek compliance with this requirement. Contractors and subcontracts with contracts valued at \$500,000 to \$5 million will only be required to report out-of-state purchases. The Office of Finance

will work with the Developer to ensure that all contractors and subcontractors on the project understand their responsibilities.

Community Taxing District

In September of 2005, the Mayor and Council approved various actions and documents required to implement the development of a Convention Center Headquarters Hotel (C.F. 04-2566-S2). Among these documents were two ordinances to enable the creation of a CTD. The Council adopted the Special Tax Improvements Ordinance of the City of Los Angeles, which enacted procedures for establishing special taxing districts similar to Mello-Roos taxing districts.

At that time, the Council also adopted an ordinance that amended the Los Angeles Municipal Code to waive remittance of the City's TOT if the CTD adopts a special tax equivalent to the TOT. Council will need to consider adopting a similar ordinance to amend the Los Angeles Municipal Code to waive remittance of the POT if the CTD adopts a special tax equivalent to the POT.

The following documents are required to initiate formation of the CTD:

1. Resolution of Intention to Establish a Community Taxing District (Attachment B) in which Council acknowledges that the Developer submitted a petition requesting formation of the CTD, ratifies the Deposit Agreement, indicates Council's intention to form the CTD, and sets a date, time and place for conducting a public hearing on formation of the CTD;
2. Rate and Method of Apportionment (Exhibit C to Attachment A) attached to the Resolution of Intention, sets the method of apportioning the special tax, the method of collection, and the term of the special tax;
3. Deposit and Reimbursement Agreement (Attachment C) by and between the City and the Developer which permits the Developer to advance certain funds to reimburse the City for the administrative expenses of forming the CTD; and
4. Funding Agreement, among the City, the Developer, the CTD and a Fiscal Agent (Attachment D), which sets forth the procedures and accounts for the administration of the special tax revenues of the CTD.

ATTACHMENTS

The following attachments are documents that must be executed in order to complete this agreement or are informational in nature and referenced for issues presented in this report:

Attachment A	Implementation Agreement
Attachment B	Resolution of Intention to Establish a Community Taxing District
Attachment C	Deposit and Reimbursement Agreement
Attachment D	Funding Agreement

Attachment A
Implementation Agreement

IMPLEMENTATION AGREEMENT

Between the

CITY OF LOS ANGELES,
a municipal corporation

And

GRAND AVENUE L.A., LLC,
a Delaware limited liability company

Dated as of _____, 2008

City of Los Angeles
(Grand Avenue Project)

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IMPLEMENTATION AGREEMENT

THIS IMPLEMENTATION AGREEMENT (this "Agreement") is made as of _____, 2008, between the City of Los Angeles, a municipal corporation (the "City") and Grand Avenue L.A., LLC, a Delaware limited liability company ("Developer"), with reference to the following facts, purposes, and understandings.

RECITALS

A. The multi-phased Grand Avenue Project ("Project") is a mixed-use real estate development located in the Bunker Hill Redevelopment Project and the Amended Central Business District Project Areas in the City. The Project is situated on two (2) County of Los Angeles ("County") owned parcels (Q and W-2) and two (2) The Community Redevelopment Agency of the City of Los Angeles, California ("Agency") owned parcels (L and M-2).

B. The Los Angeles Grand Avenue Authority ("Authority"), a California joint powers authority, was created between the Agency and the County to develop the Project. The Authority retained the Grand Avenue Committee ("GAC"), a private non-profit organization, as its real property negotiator and project manager for the sites. The Authority, with the assistance of GAC, conducted a competitive solicitation to identify a project developer for the Project and the Authority selected the Related Companies, L.P. to serve in this capacity based on the merits of its submission. On January 23, 2006, the Authority approved the substitution of the project developer with Grand Avenue L.A., LLC.

C. The Project, as proposed by the Developer, is comprised of streetscape improvements along Grand Avenue between Fifth Street and Cesar E. Chavez Avenue; an expansion/upgrade of the existing County Mall into a sixteen-acre Civic Park spanning from City Hall to Grand Avenue; up to two thousand six hundred sixty (2,660) new residential units including up to five hundred thirty-two (532) affordable units; a luxury hotel; up to four hundred forty-nine thousand (449,000) square feet of retail uses; and public parking.

D. The entire Project will be developed in three (3) phases. The first phase ("Phase I") will be developed on the County-owned Parcel Q (the "Property") and will include a luxury hotel with no less than two hundred seventy-five (275) rooms (the "Hotel"), approximately four hundred (400) market rate condominiums, approximately two hundred eighty-five thousand (285,000) square feet of retail uses, approximately one hundred (100) affordable rental housing units, and a parking facility (the "Parking Facility") with approximately one thousand five hundred ten (1,510) parking spaces, approximately seven hundred fifty-five (755) of which (the "Public Parking Facility") will be allocated for retail visitors and the general public and, as applicable, for Hotel visitors and guests; and streetscape improvements along Grand Avenue. In addition, Phase I will include a sixteen-acre Civic Park from Grand Avenue to City Hall (the "Public Park").

E. The County leased the Property to the Agency pursuant to that certain Ground Lease dated as of March 5, 2007 (the "Ground Lease"), a memorandum of which was recorded in the Office of the Los Angeles County Recorder ("Recorder") on July 6, 2007, as instrument

number 07-1611470. The Agency subleased the Property to the Authority pursuant to that certain Ground Lease dated as of March 5, 2007 (the "Ground Sublease"), a memorandum of which was recorded in the Office of the Recorder on July 6, 2007, as instrument number 07-1611471. The Authority sub-subleased the Property to the Developer pursuant to that certain Ground Lease dated as of March 5, 2007 (the "Ground Sub-sublease"), a memorandum of which was recorded in the Office of the Recorder on July 6, 2007, as instrument number 07-1611472.

F. A Project Implementation Agreement Plan ("IP") was approved by the Authority, Agency, County and City in July 2005. The approved IP contemplated a request from the Developer for City assistance in financing the Hotel and the Public Parking Facility as part of Phase I development.

G. The entire Project has a projected public investment of an estimated Ninety-five Million Dollars (\$95,000,000) comprised of Twenty-four Million Four Hundred Thousand Dollars (\$24,400,000) from the Agency, Four Million Six Hundred Thousand Dollars (\$4,600,000) from the County, and an estimated Sixty-six Million Dollars (\$66,000,000) from the City. City contributions include: TOT Revenue – up to a present value of Sixty Million Five Hundred Thousand Dollars (\$60,500,000) and Parking Tax Revenue – an approximate gross value of Five Million Five Hundred Thousand Dollars (\$5,500,000). Agency and County contributions include: Affordable Housing – Ten Million Dollars (\$10,000,000); On-site Public Improvements – Twelve Million Dollars (\$12,000,000); Off-site Public Improvements – Five Million Dollars (\$5,000,000) and Grand Avenue Streetscape Improvements – Two Million Dollars (\$2,000,000).

H. The Hotel shall be owned by a joint venture between the Developer and an affiliate of the Mandarin Oriental Hotel Group ("Mandarin"). The Hotel will be contained in the lower levels of an approximately fifty (50) story tower designed by Gehry Partners. The Hotel is a critical element in the development of Phase I, and provides momentum and market incentives in the development of the remaining parcels. The Hotel not only provides the impetus to activate the public use of the site, it also provides the foundation for the Project's retail, commercial and restaurant uses. The Hotel is designed to be a full-service, luxury facility, providing no less than two hundred seventy-five (275) guest rooms. The development of the Hotel is seen as catalytic to the success of the remaining elements of the Project. Given the relative scarcity of such high-level hospitality in the City, the Hotel will generate its own market and become a focal point highlighting Grand Avenue as a destination location. The City's willingness to contribute to the financial feasibility of the Hotel is based upon the projected development and operation of the Hotel, and public benefits acquired therefrom such as affordable housing, local hiring, living wage requirements, job training and job creation, open space and art elements. The construction of a completed Phase I, including the operation of a catalytic hotel, is key to the success of the Project.

I. The City engaged various consulting firms to review the financial analysis of the Project. These firms concluded that the Project is not feasible without significant public assistance. Further, the analysis indicates that the returns on investment, without public assistance, for the commercial components, including the Hotel, are below industry standards for a project of this level of complexity and risk. The City's financial analysis indicated that the

Hotel would serve unmet and new market demands, and that gap financing is necessary for the Hotel's successful completion.

J. The Hotel has a total development cost of an estimated One Hundred Eighty-five Million Dollars (\$185,000,000) at Six Hundred Seventy-two Thousand Dollars (\$672,000) per room. While the estimated costs are high, such costs are comparable to similar projects that are in the late stages of pre-development or under construction within the County with comparable costs per room ranging from Three Hundred Ten Thousand Dollars (\$310,000) to Six Hundred Twenty-nine Thousand Dollars (\$629,000). Without significant public contribution, the Hotel will not meet industry internal rates of return on a project of this type and will have a substantial funding gap. The financial assistance to be provided by the City is integral to the ability of the Developer to proceed with development of the Hotel.

K. Pursuant to that certain Memorandum of Understanding approved by the City Council on February 13, 2007 (the "MOU"), the City indicated a desire to assist the Developer in financing the construction of the Hotel and the Public Parking Facility through creation of a community taxing district ("District") that would permit the Developer to offset the Hotel transient occupancy taxes ("TOT") and Public Parking Facility parking occupancy taxes ("Parking Taxes") otherwise to be remitted to the City against the special taxes paid to the District for certain periods of time and/or until certain dollar amounts have been reached.

L. The Agency, City, County and Authority have entered into a Grand Avenue Phase I Incentive Rent Agreement dated as of March 5, 2007 ("the Incentive Rent Agreement") to provide for the repayment of TOT offsets from hotel and retail incentive rents generated pursuant to the Ground Sub-sublease.

M. The Authority is the "lead agency" pursuant to the California Environmental Quality Act ("CEQA") for preparation of the Environmental Impact Report ("EIR") for the Project. On November 20, 2006, the Authority certified the final EIR ("Final EIR") for the Project, made written findings for each significant environmental effect of the Project, and adopted a Mitigation and Monitoring Program and a Statement of Overriding Considerations. The Agency and City are "responsible agencies" under CEQA. On February 13, 2007, the City Council reviewed and considered the environmental effects of the Project as shown in the Final EIR, and adopted the Environmental Findings, the Mitigation Monitoring Program and the Statement of Overriding Considerations. The certified Final EIR will serve as the environmental documentation for the City's consideration and approval of this Agreement and the transactions contemplated by this Agreement.

NOW, THEREFORE, in reference to the foregoing Recitals in consideration of the promises, covenants and agreements set forth in this Agreement and other good and valuable consideration, receipt of which is hereby acknowledged, the City and the Developer hereby agree as follows:

ARTICLE 1.
DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined elsewhere in this Agreement, the following capitalized words shall have the following meanings:

(a) "Affiliate" means any corporation, partnership, limited liability company or other organization or entity which is majority-owned and controlled by, controlling or under common control with (directly or indirectly) Developer.

(b) "Agency" or "CRA" shall mean The Community Redevelopment Agency of the City of Los Angeles, California, a public body corporate and politic.

(c) "Agreement" shall mean this Implementation Agreement.

(d) "Business Day" shall mean a calendar day which is not a weekend day or a federal or State holiday and on which the City is open for business.

(e) "CEQA" shall mean the California Environmental Quality Act.

(f) "Certificate of Completion" shall mean that certificate issued by the Authority to the Developer pursuant to Section 507(1) of the DDA.

(g) "City" shall mean the City of Los Angeles, California, a municipal corporation and charter city existing and organized pursuant to the California Constitution and the laws of the State of California, operating through its governing body, the City Council, and its various departments. Unless otherwise indicated, the City Administrative Officer shall be the City's representative in providing any City approvals pursuant to this Agreement.

(h) "City Council" shall mean the Council of the City.

(i) "Community Taxing District" or "District" shall mean a special tax district to be created by the City on Parcel Q pursuant to the City's Special Tax Improvements Ordinance, constituting Chapter 10 of Division 6 of the Los Angeles Administrative Code.

(j) "Completion Date" shall mean that date on which the Authority issues a Certificate of Completion for the Phase I Improvements pursuant to Section 507(1) of the DDA.

(k) "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity or person, whether through the ability to exercise voting power, by contract or otherwise.

(l) "Debt Service" shall have the same definition as in Section 301(4)(b) of the DDA dated as of March 5, 2007, irrespective of any future amendments.

(m) "Developer" shall mean Grand Avenue L.A., LLC, a Delaware limited liability company, and its permitted assigns.

(n) "Developer Event of Default" shall mean any default by the Developer as set forth in Section 7.4, subject to any applicable notice and cure rights set forth therein.

(o) "Disposition and Development Agreement" or "DDA" means the Disposition and Development Agreement dated as of March 5, 2007, by and between the Authority and the Developer, as may be amended from time to time.

(p) "Effective Date" shall mean the date which is the latter of the date this Agreement is executed by the Developer, or the date the City Council approves and the City executes this Agreement.

(q) "Funding Agreement" shall mean that certain Funding Agreement entered into by and among the City, the Community Taxing District, the Developer, and a fiscal agent to implement and administer the District.

(r) "Hotel" shall mean a hotel containing no less than two hundred seventy-five (275) hotel rooms together with ancillary facilities, as further set forth in the Scope of Development of the DDA, which shall be operated, furnished, serviced, maintained and refurbished to the standard of a five-star lodging establishment, which standard is currently exemplified by the existing hotels in the United States managed by Mandarin, and shall mean in the future the operating standards of hotels located in the United States which are regarded by a nationally recognized hotel rating service(s) in the hotel industry as being of five-star or equivalent luxury standard.

(s) "Hotel Operating Agreement(s)" shall mean the operating agreement between the Developer and the Hotel Operator for the operation of the Hotel.

(t) "Hotel Operator" shall mean the group of companies within Mandarin (or another hotel management company with written approval by the City if changed during the period of financial assistance by the District to the Developer subject to Section 5.6) and its approved successors and assigns.

(u) "Hotel Parcel" shall mean the airspace lots to be located on the Property and containing the Hotel and the areas ancillary to the Hotel.

(v) "Improvements" shall mean the improvements to be made on the Property as generally described in Recital "D" of this Agreement in conformity with the Scope of Development.

(w) "Mortgage" shall mean any mortgage, deed of trust, pledge, encumbrance or other security interest granted to a lender not Affiliated with Developer, made in good faith and for fair value, encumbering all or any part of Developer's interest in this Agreement or the Property. "Mortgage" shall not include any mortgage, deed of trust, pledge, encumbrance or other security interest granted to a lender (i) in which Developer or an Affiliate of Developer has an interest of 20% or more, or (ii) which has an interest of 20% or more in Developer or an Affiliate of Developer.

(x) "Mortgagee" shall mean any mortgagee, beneficiary under any deed of

trust, trustee of any bonds, and, if the Property is the subject of a sale-leaseback transaction, the person acquiring fee title to the Property.

(y) "Net Cash Flow" shall mean the amount equal to (x) the Net Operating Income less (y) the Debt Service.

(z) "Net Operating Income" shall mean the amount equal to (x) the gross receipts generated from the operations of the Public Parking Facility less (y) expenses immediately related to the direct operation and maintenance of the Public Parking Facility, which expenses may include a management fee charged by an operator of the Public Parking Facility, insurance, real estate taxes (if applicable), and reasonable capital expenses including a reasonable capital reserve. Such deductible expenses shall be comparable to those types of expenses incurred by similarly situated parking structures within the City.

(aa) "Parties" shall mean the City and the Developer.

(bb) "Phase I" shall mean the first phase of the development of the Project as more fully set forth in the Scope of Development.

(cc) "Public Parking Parcel" shall mean the airspace lots to be located on the Property and containing the Public Parking Facility and the areas ancillary to the Public Parking Facility.

(dd) "Scope of Development" shall mean the Scope of Development for Phase I as more particularly described in the Disposition and Development Agreement.

(ee) "Term" shall mean the term of this Agreement, commencing as of the Effective Date and ending on the later of (i) the date that the Developer has fulfilled its obligation to reimburse the City for Parking Tax Revenue received, or (ii) the date of any termination of this Agreement in accordance with the provisions hereof.

(ff) "Transfer" shall mean a transfer defined in Section 5.1 of this Agreement.

Section 1.2. Exhibits. The following exhibits are attached to and incorporated into this Agreement:

- Exhibit A: Legal Description of the Property
- Exhibit B: Memo of Agreement
- Exhibit C-1: Form of Contract Provisions for Major Contracts
- Exhibit C-2: Form of Contract Provisions for Other Contracts
- Exhibit D: Project Financing Reconciliation Methodology
- Exhibit E: Community Benefits Program

ARTICLE 2.
POLICIES AND PURPOSES

Section 2.1. Recitals. The Recitals are true and correct and are hereby incorporated by this reference.

Section 2.2. Economic Revitalization. The Project is projected to provide a significant positive impact to the City of Los Angeles and the Los Angeles County regional economy. During the construction period alone, the economic impact of the Project is expected to generate thousands of direct and indirect jobs, and approximately \$4.28 billion (in dollars of 2006 purchasing power) in business revenue. Over approximately the first ten (10) years of operation, the economic impact of the Project to the Los Angeles County regional economy is expected to be approximately \$6.15 billion and the City is projected to collect over \$76 million in new taxes. Over the first twenty (20) years of operation, the overall impact of the Project to the Los Angeles County economy is projected to be approximately \$12.3 billion with approximately \$152 million in new taxes projected to be generated. Upon completion, the Project is estimated to create approximately five thousand nine hundred (5,900) new permanent jobs within the Los Angeles County area.

Section 2.3. Municipal Policy. The City Council has determined that encouraging economic development, including private investment which involves creation of new jobs and income or the retention of existing jobs and income that would otherwise be lost to the City, is a valid and important public and municipal purpose.

Section 2.4. Redevelopment Purposes. The development of the Project is of benefit intended to further the purposes and goals of the Redevelopment Plan by eliminating blight in the Bunker Hill Redevelopment Project Area and is consistent with the Five-Year Implementation Plan for the Bunker Hill Project Area, adopted by the Agency on September 1, 2005, in that it will help address the remaining redevelopment issues on Bunker Hill that relate to lack of public park areas, landscaping, historically depressed property values, and remaining undeveloped land.

Section 2.5. Public Benefit. By authorizing the City to enter into this Agreement, the City Council has determined that the benefits accruing as a result of the transactions contemplated by this Agreement, including, without limitation, (i) direct benefits such as revenues from the Project and increased revenues from property, sales, parking, business license, utility and hotel taxes, both from the Hotel and other phases of the Project, (ii) the enhanced economic opportunities for business surrounding the Project Area, and (iii) the benefits such as revitalization of the Bunker Hill Redevelopment Project Area together with the Developer's obligations under this Agreement, represent fair consideration for all of the obligations to be undertaken by the City as contemplated by this Agreement.

ARTICLE 3.
FINANCIAL ASSISTANCE BY CITY

Section 3.1. Tax Assistance by City. To assist the Developer in developing the Hotel and the Public Parking Facility and subject to the terms and conditions of this Agreement, the

City shall use its best efforts to form a Community Taxing District that implements the terms and conditions of the MOU with respect to TOT ("TOT Revenue") and Parking Taxes ("Parking Tax Revenue").

Section 3.2. Construction Costs and Project Financing Reconciliation.

(a) No later than one hundred eighty (180) days after issuance of the Certificate of Completion, the Developer and City Administrative Officer will commence to conduct a final review of the Hotel's actual construction costs and project financing ("Project Financing Reconciliation") to re-evaluate the maximum amount of TOT Revenue that would be available to the Developer. The City Administrative Officer will employ an outside consultant to perform the Project Financing Reconciliation. The Developer shall be responsible for the costs and payment of the outside consultant services, but the City shall be the consultant's client for purposes of decision-making. The City's preliminary review of Hotel construction cost analysis was based upon the development pro forma provided by the Developer. The City's financial analysis of the pro forma information indicated the Developer would be required to obtain an eighteen percent (18%) commercial rate of return on equity. At such time as the Project Financing Reconciliation occurs, the maximum amount of TOT Revenue that will be made available to the Developer will be recalculated using the same methodology that was used to determine the original financing gap amount of up to a present value of Sixty Million Five Hundred Thousand Dollars (\$60,500,000), but updated for actual construction costs and financing. The methodology is set forth in detail in Exhibit D attached hereto. Developer shall have the right to select the type of financing for the construction of the Hotel at its sole discretion, however, for purposes of the Project Financing Reconciliation and the calculation of the maximum amount of TOT Revenue available to Developer, the equity utilized by Developer in constructing the Hotel, if any, shall be calculated at the lesser of (i) the actual equity investment contributed or (ii) thirty percent (30%) of the total Hotel construction costs incurred. Upon completion of this Project Financing Reconciliation, the TOT Revenue assistance by the City shall be adjusted pursuant to the Funding Agreement to incorporate the Developer's actual Hotel development costs, but may not be higher than the Maximum Hotel Special Tax Amount (as defined in Exhibit "B" to the Resolution of Intention to Establish the District).

(b) Commencement of the TOT Revenue assistance shall not be conditioned on completion of the Project Financing Reconciliation.

Section 3.3. Parking Tax Assistance Reimbursement. Upon reaching the Maximum Parking Special Tax Amount (as defined in Exhibit "B" to the Resolution of Intention to Establish the District), the Developer will thereafter pay all monthly Net Cash Flow from the Public Parking Facility to the City to reimburse all Parking Tax Revenue offset received by the Developer until the actual dollar amount of all Parking Tax Revenue offset received by the Developer is repaid. Unless otherwise designated by the City Administrative Officer, the Developer shall pay the Net Cash Flow from the Public Parking Facility to the City's Office of Finance. The Developer shall provide the Office of Finance with such information as the Office of Finance reasonably requires administering receipt of such payments, which may include information certified by an independent certified public accountant acceptable to the Office of Finance.

Section 3.4. Financing Documents. The Developer shall submit to the City, for the City's review and reasonable approval, concurrently with submission to the Authority (i) a proposed final construction budget for the Improvements separately detailing the development of the Hotel and Public Parking Facility, (ii) construction financing and/or capital commitments sufficient to cover the cost of constructing the Improvements, and (iii) partial construction financing of the affordable housing component in Phase I of the Project ("Phase I Housing Component") by tax exempt affordable housing bonds ("Bonds") issued by the City. The Developer shall submit items (i) and (ii) within the time frame set forth in Section 408(1) of the DDA, and shall submit item (iii) within a time frame to be mutually agreed upon by the City and the Developer.

The City's review of the foregoing shall be for the purpose of: (i) establishing the Maximum Parking Special Tax Amount, (ii) determining qualification for deferral of fees ("Fee Deferral") pursuant to Los Angeles Municipal Code section 17.12(F)(9), (iii) determining if the contemplated financing will be reasonably available and provide sufficient funds for development of the Improvements consistent with the terms of this Agreement, (iv) that the proposed use of the funds complies with the requirements of the funding source, and (v) that the funds will otherwise be provided on terms consistent with the terms and conditions of this Agreement. Such Fee Deferral shall be satisfied when the Bonds are issued. If the Phase I Housing Component is constructed and no Bonds are issued to finance such construction, the Developer shall comply with the Los Angeles Municipal Code § 17.12(F)(9).

Section 3.5. Hotel Operating Agreement. Within the time frame set forth in Section 408(1) of the DDA, the Developer shall submit to the City, for the City's review and approval, which approval shall not be unreasonably withheld, a Hotel operating agreement executed by the Developer and the Hotel Operator ("Hotel Operating Agreement"). The Developer and the Hotel Operator may redact confidential financial information provided that the information described in the following subsections (i) and (ii) is adequately disclosed. The City's review of the Hotel Operating Agreement shall be for the purposes of determining that: (i) the Hotel shall be operated and maintained as a luxury facility in compliance with this Agreement and shall be operated for a term of not less than twenty (20) years following the Completion Date for the Hotel; and (ii) the initial Hotel Operating Agreement with Mandarin may not be terminated by the Developer during the period of financial assistance provided by the District to the Developer except by prior written consent of the City subject to Section 5.6. For purposes of determining the luxury quality operational standards set forth in subsection (i) above, the City may elect, at its reasonable discretion, to employ an outside consultant. The Developer shall be responsible for the costs and payment of the outside consultant services, but the City shall be the consultant's client for purposes of decision-making. The City agrees to maintain the confidentiality of all information contained in the Hotel Operating Agreement and the actual construction costs of the Hotel in connection with the Project Financing Reconciliation (collectively, the "Hotel's Confidential Information"). The City may not disclose any portion of the Hotel's Confidential Information without the express written permission of the Developer or Hotel Operator except to: (i) the City's officers, employees, advisors, attorneys or representatives who require such information for the purpose of performing or assisting in the performance of the City's services hereunder, so long as such parties are informed of the confidential nature of such information; and (ii) to the extent required by law or court order, provided that the City shall have first, to the extent reasonably practicable, advised the Developer and Hotel Operator of the requirement to

disclose such information and shall have afforded the Developer and Hotel Operator an opportunity to dispute such requirement and seek relief therefrom by legal process. The confidentiality provisions of this Section 3.5 shall survive the expiration or termination of this Agreement.

Section 3.6. Hotel Operating Covenant. A Hotel operating covenant will be recorded against the Hotel Parcel (the "Hotel Operating Covenant"). The Hotel Operating Covenant shall require that the Hotel Parcel be used for the Hotel for a term of no less than twenty (20) years following the date of the Certificate of Completion and shall contain such other provisions as mutually acceptable to the Parties.

Section 3.7. Sales Tax Origin. The Developer shall comply with the provisions of this Section 3.7 to provide, to the extent possible under applicable laws and regulations, that local sales and use taxes generated in connection with all eligible purchases of materials, fixtures, machinery, equipment and supplies for the Hotel during the construction thereof are allocated directly to the City, subject to Regulation 1521 titled "Construction Contractors" and resolution titled "Contractors No. 260.20" under the Compliance Policy and Procedures Manual of the California State Board of Equalization. In order to accomplish this allocation, the Developer shall comply with the following:

(a) Meeting with the Office of Finance. Prior to issuance of the first building permit for the Hotel, the Developer, and its contractors and its subcontractors providing services or materials to the Hotel in excess of Five Million Dollars (\$5,000,000) ("Major Contractors and Subcontractors") (to the extent such contractors and subcontractors have been identified and contracted with at such time) shall meet with the City's Department of Finance to review the process that the Developer's contractors and subcontractors should follow with respect to sales and use taxes. Developer agrees to advise any Major Contractors and Subcontractors that do not attend this initial meeting of the requirements of this Section, and, upon reasonable request, the City agrees to meet and review with such contractors and/or subcontractors the process that they should follow.

(b) Contract Provisions for Major Contracts. Developer shall include, and shall cause its general contractor to include, a provision in all construction contracts entered into with Major Contractors and Subcontractors substantially in the form attached as Exhibit C-1.

(c) Contract Provisions for Other Contracts. Developer shall include, and shall cause its general contractor to include, a provision in all construction contracts entered into with Other Material Contractors and Subcontractors (as defined below) substantially in the form attached as Exhibit C-2. "Other Material Contractors and Subcontractors" shall mean any contractors providing services or materials to the Hotel in excess of Five Hundred Thousand Dollars (\$500,000) but less than Five Million Dollars (\$5,000,000).

(d) Major Contractor Information. Developer shall, when reasonably requested by the City, provide the City's Office of Finance with:

(A) A list of Developer's Major Contractors and Subcontractors who will or have performed construction services or who will or have furnished materials for the construction of the Hotel, which list shall include the following items:

- i. Name of contractor
- ii. Address and telephone number of headquarters or office
- iii. Name and telephone number of contact person
- iv. Estimated value of contract
- v. Estimated completion date
- vi. Scope of Work

(B) A copy of the contract with each such contractor

(e) City's Remedies. If the City determines that any Major Contractor or Subcontractor has not complied with the provisions set forth in its agreement with the Developer or Developer's contractor, as the case may be, the City's sole remedy, subject to the last sentence of this clause (e), shall be to enforce the relevant provision(s) directly against the applicable Major Contractor or Subcontractor. Upon the reasonable request of the City, Developer shall cooperate with the City in any such enforcement action; provided that Developer shall have no obligation to incur any costs in connection therewith. Nothing in this Section 3.7(e) shall limit the City's remedies against the Developer in the event that the Developer has failed to comply with its obligations hereunder.

(f) Subject to Applicable Law. The obligations set forth in this Section 3.7 shall in all cases be subject to applicable laws and regulations, including without limitation the California Sales and Use Tax Law, and in no event shall Developer (or any of its contractors or subcontractors) be required to do anything that is in violation of or inconsistent with such laws and regulations.

Section 3.8. Progress Reports. Until a Certificate of Completion has been issued by the Authority, the Developer shall provide the City with periodic progress reports, as reasonably requested by the City (but not more than once every calendar month), regarding the status of the construction of the Improvements. Such report shall consist of an executive summary of the work to date, including, but not limited to, the causes for any delays and the work that is anticipated for the following month, a reasonable number of construction photographs taken since the last report submitted to the City, and shall be in a form reasonably acceptable to the City. The City shall be entitled to utilize and reproduce the information and photographs contained in the progress reports for government activities and other governmental purposes as determined by the City.

Section 3.9. Certificate of Completion. Upon completion of Phase I development under the DDA, the Developer shall promptly request that the Authority issue a certificate to such effect (a "Certificate of Completion") pursuant to Section 507(1) of the DDA, and provide a copy of the Certificate of Completion to the City upon receipt from the Authority.

ARTICLE 4.
OBLIGATIONS WHICH CONTINUE THROUGH
AND BEYOND THE COMPLETION OF CONSTRUCTION

Section 4.1. Use of the Project. The Developer shall use the Hotel Parcel for the operation of a Hotel for a term of not less than twenty (20) years following the date of the issuance of the Certificate of Completion. The Developer's obligation to use the Hotel Parcel shall be an obligation running with the land for twenty (20) years from the Effective Date.

Section 4.2. Maintenance. The Developer hereby agrees that, following possession of the Property and prior to completion of construction of the Improvements, the Property shall be maintained in a neat and orderly condition to the extent practicable and in accordance with industry health and safety standards, and that, once Phase I is completed, the Hotel and the Public Parking Facility shall be well maintained as to both external and internal appearance of the buildings, the common areas, and the parking areas. The Developer shall maintain or cause to be maintained the Hotel and the Public Parking Facility in good repair and working order, and in a neat, clean and orderly condition, including the walkways, driveways, parking areas and landscaping, and from time to time make all necessary and proper repairs, renewals, and replacements. In the event the Developer fails to implement and continuously maintain the standard described above, then the City shall notify the Developer in writing of such condition, giving the Developer thirty (30) days from receipt of such notice to commence and thereafter diligently to proceed to cure said condition. In the event the Developer fails to cure or commence to cure the condition within the time allowed, the City shall notify the Developer in writing and thereafter they shall have the right to perform all acts necessary to cure such a condition, or to take other recourse at law or equity that the City may then have. The Developer shall reimburse the City's reasonable costs, plus ten percent (10%) interest from the date of expenditure, in taking such action. The Parties hereto further mutually understand and agree that the rights conferred upon the City expressly include the right to enforce or establish a lien or other encumbrance against any of the Parcels comprising the Property not complying with this Agreement. The foregoing provisions shall be a covenant running with the land until expiration of the Term of this Agreement, enforceable by the City, its successors and assigns.

Section 4.3. Employment Opportunity. During the operation of the Project, there shall be no discrimination by the Developer on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, or handicap in the hiring, firing, promoting, or demoting of any person engaged in the operation of the Project.

Section 4.4. Employment Opportunities for Business and Lower-Income Persons. The Developer shall use good faith, commercially reasonable efforts to require that any contractors, subcontractors, and professional service providers for the Project shall have complied with all requirements concerning equal opportunities for business and lower-income persons as required by Section 3 clause, of the HUD Act of 1968, 12 U.S.C. (u). The Developer shall make a good faith reasonable effort to hire at least one resident of the Project on permanent basis to be employed in the Project.

Section 4.5. Community Benefits Program. The Developer shall comply with the Community Benefits Program, attached to this Agreement as Exhibit E.

Section 4.6. Power Purchase. During the term of the Hotel Operating Agreement, the Developer shall purchase all electrical power from the City and the City shall sell power to the Developer at the lowest commercially available rates. Nothing herein is intended to prohibit the Hotel from maintaining an emergency or back-up generator for the Hotel's use.

ARTICLE 5.
ASSIGNMENT AND TRANSFERS

Section 5.1. Definitions. As used in this Article 5, the term "Transfer" means:

(a) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to this Agreement, or of the Hotel Parcel or the Public Parking Parcel, or any part thereof or any interest therein or of the Improvements constructed thereon, or any contract or agreement to do any of the same; or

(b) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to more than fifty percent (50%) ownership interest in the Developer, or any contract or agreement to do any of the same, provided that such transfer results in a change of Control.

Section 5.2. Purpose of Restrictions on Transfer. This Agreement is entered into solely for the purpose of development and operation of the Improvements on the Hotel Parcel and the Public Parking Parcel and its subsequent use in accordance with the terms of this Agreement. The qualifications and identity of the Developer are of particular concern to the City, in view of:

(a) The importance of the development of the Hotel and the Public Parking Facility to the general welfare of the community;

(b) The financial resources, reputation and experiences of the Developer in development of world class projects; and

(c) The fact that a Transfer as defined in Section 5.1 above is for practical purposes a transfer or disposition of the Hotel Parcel and the Public Parking Parcel.

It is because of the qualifications and identity of the Developer that the City is entering into this Agreement with the Developer and that Transfers are permitted only as provided in this Agreement.

Section 5.3. Prohibited Transfers. The limitations on Transfers set forth in this Article 5 shall apply from the Effective Date until expiration of the period of financial assistance provided by the City as detailed in Article 3. Except as expressly permitted in this Agreement, the Developer represents and agrees that the Developer has not made or created, and will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior approval of the City, which shall not be unreasonably withheld, conditioned, or delayed. Any Transfer made in contravention of this Section 5.3 shall be void and shall be deemed to be a default under this Agreement, whether or not the Developer knew of or participated in such Transfer.

Section 5.4. Permitted Transfers. Notwithstanding the provisions of Section 5.3, the following Transfers shall be permitted (subject to satisfaction of the conditions of Section 5.5):

- (a) Any Transfer creating a security financing interest.
- (b) Any Transfer directly resulting from the foreclosure of a security financing interest or the granting of a deed in lieu of foreclosure of a security financing interest and any subsequent transfer to any buyer or successor after a foreclosure or granting of a deed in lieu of foreclosure.
- (c) The sale or lease of a condominium to a member of the public, including an employee or affiliate of Developer, and the transfer of condominium common areas to a condominium association, each in compliance with the Developer's construction lender documents.
- (d) Any Transfer resulting directly from the death or mental incapacity of an individual.
- (e) The leasing of parking spaces within the Improvements.
- (f) The leasing of residential units within the Improvements.
- (g) The leasing of restaurant, commercial and retail space within the Improvements.
- (h) The conveyance or dedication of a portion of the Property to any public entity, including a public utility, required to allow for the development of the Improvements.
- (i) The granting of temporary or permanent easements or permits to facilitate development of the Project.
- (j) The Transfer of the Public Parking Parcel and any Improvements thereon to an Affiliate of the Developer in connection with obtaining bond financing for the construction of the Public Parking Facility, provided that the Developer shall remain liable under the DDA for the completion of construction of the Public Parking Facility.
- (k) The transfer to a new entity consisting of an entity owned or controlled by Mandarin and an entity owned or controlled by one or more members of the Developer.
- (l) A Transfer otherwise approved by the City.

Section 5.5. Effectuation of Permitted Transfers. Other than as permitted in Section 5.4, no Transfer of a direct interest in this Agreement shall be permitted unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an agreement reasonably satisfactory to the City and in form recordable among the land records (the "Assumption Agreement"), expressly agrees to perform and observe, from and after the date of the Transfer, the obligations, terms and conditions of this Agreement, and if less than all of the Project is transferred, the transferee shall agree to perform the obligations, terms and conditions of this

Agreement relating to the portion of the Project that is transferred to the transferee; provided, however, that no such transferee shall be liable for the failure of its predecessor to perform any such obligation. The Assumption Agreement shall be executed by Developer and the assignee or transferee, and shall name the City as express third party beneficiary with respect to such agreement with a copy thereof delivered to the City within thirty (30) days after the effective date thereof. Upon Transfer of a direct interest in this Agreement pursuant to an Assumption Agreement, the assignor shall be relieved of liability with respect to any such obligations relating to the Project accruing from and after the date of such assignment or transfer. Notwithstanding the foregoing, unless such assignee specifically assumes pursuant to the Assumption Agreement the obligations under this Agreement to indemnify the City with respect to the Hotel and the Public Parking Facility, the assignor will retain such obligations and remain jointly and severally liable for such indemnity obligations with such assignee.

Section 5.6. Change in Hotel Operator. A change in the identity of the Hotel Operator, by way of transfer of the Hotel Operating Agreement or otherwise, shall not constitute a Transfer. Until the financial assistance which may be provided by the District to the Developer has terminated, any change in the Hotel Operator shall require the prior written approval of the City. The City shall approve a replacement operator if the proposed operator is a nationally recognized hotel operator with equal or greater brand recognition as the Hotel Operator and the proposed operator has successfully operated one or more hotels comparable in quality to standards set forth for the Hotel. The Developer shall re-comply with the approval provisions of Section 3.5 for any subsequent change in the Hotel Operator.

Section 5.7. Transfers of Interest in Developer. Notwithstanding Section 5.3, the City shall not unreasonably withhold its approval of a Transfer of non-controlling membership interests in Developer if a replacement member has a net worth and liquidity reasonably adequate to permit such member to contribute its share of the capital required for the development of the Hotel and the Public Parking Facility (including the ability to honor any notes or guaranties that were given by any non-controlling member of Developer as part of the required minimum capitalization of Developer).

Section 5.8. Transfers of Interests in Non-Controlling Membership Interests In Developer. The prohibition on Transfers of interests in Developer shall not restrict transfers of non-controlling membership interests in Developer pursuant to Article 5 of this Agreement.

ARTICLE 6. MORTGAGEE PROTECTIONS

Provided that any Mortgagee provides the City with a conformed copy of each Mortgage that contains the name and address of such Mortgagee, the City hereby covenants and agrees to faithfully perform and comply with the following provisions with respect to such Mortgage:

Section 6.1. No Termination. No action by Developer or the City to cancel, surrender, or materially modify the terms of this Agreement or the provisions of this Article 6 shall be binding upon a Mortgagee without its prior written consent, which such Mortgagee shall not unreasonably withhold, unless the Mortgagee shall have failed to cure a default within the time frames set forth in this Article 6.

Section 6.2. Notices. If the City shall give any Notice of Default to Developer hereunder, the City shall simultaneously give a copy of such Notice of Default to the Mortgagee at the address theretofore designated by it. No Notice of Default given by the City to Developer shall be binding upon or affect said Mortgagee unless a copy of said Notice of Default shall be given to Mortgagee pursuant of this Article 6. In the case of an assignment of such Mortgage or change in address of such Mortgagee, said assignee or Mortgagee, by written notice to the City, may change the address to which such copies of Notices of Default are to be sent. The City shall not be bound to recognize any assignment of such Mortgage unless and until the City shall be given written notice thereof, a copy of the executed assignment, and the name and address of the assignee. Thereafter, such assignee shall be deemed to be the Mortgagee hereunder with respect to the Mortgage being assigned. If such Mortgage is held by more than one person, corporation or other entity, no provision of this Agreement requiring the City to give Notices of Default or copies thereof to said Mortgagee shall be binding upon the City unless and until all of said holders shall designate in writing one of their number to receive all such Notices of Default and copies thereof and shall have given to the City an original executed counterpart of such designation.

Section 6.3. Performance of Covenants. The Mortgagee shall have the right to perform any term, covenant or condition and to remedy any default by Developer hereunder within the time periods specified herein, and the City shall accept such performance with the same force and effect as if furnished by Developer; provided, however, that said Mortgagee shall not thereby or hereby be subrogated to the rights of the City. Notwithstanding the foregoing, nothing herein shall be deemed to permit or authorize such Mortgagee to undertake or continue the construction or completion of the Improvements without first having expressly assumed Developer's obligations to the City or its designee by written agreement satisfactory to the City.

Section 6.4. Default by Developer. In the event of a default by Developer, the City agrees not to terminate this Agreement (1) unless and until Developer's notice and cure periods have expired and the City thereafter provides written notice of such default to any Mortgagee and such Mortgagee shall have failed to cure such Event of Default within thirty (30) days of delivery of such notice, and (2) as long as:

(i) In the case of a default which cannot practicably be cured by the Mortgagee without taking possession of the Improvements, said Mortgagee shall proceed diligently to obtain possession of the Improvements as Mortgagee (including possession by receiver) and, upon obtaining such possession, shall proceed diligently to cure such default; and

(ii) In the case of a default which is not susceptible to being cured by the Mortgagee, the Mortgagee shall institute foreclosure proceedings and diligently prosecute the same to completion (unless in the meantime it shall acquire Developer's right, title and interest hereunder, either in its own name or through a nominee, by assignment in lieu of foreclosure) and upon such completion of acquisition or foreclosure such default shall be deemed to have been cured.

The Mortgagee shall not be required to obtain possession or to continue in possession as Mortgagee of the Improvements pursuant to Subsection (i) above, or to continue to prosecute foreclosure proceedings pursuant to Subsection (ii) above, if and when such default

shall be cured. Nothing herein shall preclude the City from exercising any of its rights or remedies with respect to any other default by Developer during any period of such forbearance, but in such event the Mortgagee shall have all of its rights provided for herein. If the Mortgagee, its nominee, or a purchaser in a foreclosure sale, shall acquire title to Developer's right, title and interest hereunder and shall cure all defaults which are susceptible of being cured by the Mortgagee or by said purchaser, as the case may be, then prior defaults which are not susceptible to being cured by the Mortgagee or by said purchaser shall no longer be deemed defaults hereunder. References herein to defaults which are "not susceptible of being cured" by a Mortgagee or purchaser (or similar language) shall not be deemed to refer to any default which the Mortgagee or purchaser is not able to cure because of the cost or difficulty of curing such default, but rather shall be deemed to refer only to defaults specifically relating to the identity of Developer which by their nature can be cured only by Developer (such as Developer bankruptcy or a change in control of Developer).

Section 6.5. Default Accounts. Notwithstanding the rights given Mortgagees to cure a default by Developer, the City shall have the right to have the Fiscal Agent transfer funds deposited in the TOT Account or the Parking Tax Account to the Hotel Default Account or the Parking Default Account, respectively, in accordance with the provisions of the Funding Agreement to be entered into by and among the City, the community taxing district, the fiscal agent and the Developer, provided that the City shall instruct the fiscal agent to transfer all funds from the Hotel Default Account or the Parking Default Account, as applicable, to the Hotel Reimbursement Account or the Parking Reimbursement Account, respectively, in the event the Developer default is cured.

Section 6.6. No Obligation to Cure. Except as set forth herein, nothing herein contained shall require any Mortgagee to cure any default of Developer referred to above.

Section 6.7. Separate Agreement. The City shall, upon request, execute, acknowledge and deliver to each Mortgagee, an agreement prepared at the sole cost and expense of Developer, in form satisfactory to each Mortgagee, between the City, Developer and the Mortgagees, agreeing to all of the provisions hereof.

Section 6.8. Form of Notice. Any Mortgagee under a Mortgage shall be entitled to receive the notices required to be delivered to it hereunder provided that such Mortgagee shall have delivered to the City a notice substantially in the following form:

The undersigned, whose address is _____, does hereby certify that it is the Mortgagee (as such term is defined in that certain Implementation Agreement ("Implementation Agreement") dated as of _____, 2007 between Grand Avenue L.A., LLC, and the City of Los Angeles, of the parcel of land described on Exhibit A attached hereto. In the event that any notice shall be given of a default of Developer under the Implementation Agreement, a copy thereof shall be delivered to the undersigned who shall have the rights of a Mortgagee to cure the same, as specified in the Implementation Agreement. Failure to deliver a copy of such notice shall in no way affect the validity

of the notice to the Developer, but no such notice shall be effective as it relates to the rights of the undersigned under the Implementation Agreement with respect to the Mortgage, including the commencement of any cure periods applicable to the undersigned, until actually received by the undersigned.

Section 6.9. Estoppel Certificate. Upon the reasonable request(s) of the Mortgagee, the City shall execute an estoppel certificate in form and substance reasonably satisfactory to the Mortgagee which estoppel certificate shall include, without limitation, representations by the City that (i) this Agreement (including all Exhibits attached hereto, which are incorporated by reference) is in full force and effect and unmodified except as expressly disclosed in the estoppel certificate, (ii) there are no known uncured defaults by either party under this Agreement (including all Exhibits attached hereto, which are incorporated by reference), and/or (iii) after satisfactory completion of any Improvements, confirmation that such Improvements have been completed in accordance with the requirements of this Agreement (including all Exhibits attached hereto, which are incorporated by reference).

Section 6.10. Further Assurances. The City and Developer agree to cooperate in including in this Agreement, by suitable amendment, any provision which may be reasonably requested by the Mortgagee or any proposed Mortgagee for the purpose of (i) more fully or particularly implementing the Mortgagee protection provisions contained herein, (ii) adding mortgagee protections consistent with those contained herein and which are otherwise commercially reasonable, (iii) allowing such Mortgagee reasonable means to protect or preserve the security interest of the Mortgagee in the collateral, including its lien on the Property and the collateral assignment of this Agreement and/or (iv) clarifying terms or restructuring elements of the transactions contemplated hereby; provided, however, in no event shall the City be obligated to materially modify any of Developer's obligations or the City's rights under this Agreement in any manner not already contemplated in this Article 6.

ARTICLE 7. DEFAULT AND REMEDIES

Section 7.1. Application of Remedies. The provisions of this Article shall govern the Parties' remedies for breach of this Agreement.

Section 7.2. No Fault of Parties.

(a) Basis for Termination. The lack of performance by either Party shall not be deemed a default where performance is prevented due to a court order or final judgment is rendered in a lawsuit and all applicable appeal periods have expired, successfully challenging the Final Environmental Impact Report, any governmental approval, this Agreement, or the Developer's or City's authority to perform their respective obligations hereunder. The preceding events constitute a basis for any Party to terminate this Agreement upon thirty (30) days notice to the other Party without any default arising.

(b) No Liability. Upon the effective date of the notice of termination, no Party shall have any rights against or liability to the other, except further that the provisions of

this Agreement that are specified to survive such termination shall remain in full force and effect.

Section 7.3. Fault of City.

(a) Event of Default. Following notice and cure as set forth in subsection (b) below, the following event constitutes a “City Event of Default” and a basis for the Developer to take action against the City:

(1) The City breaches any material provision of this Agreement.

(b) Notice and Cure Procedure; Remedies. Upon the occurrence of the above-described event, the Developer shall first notify the City in writing of its purported breach or failure, giving the City thirty (30) days from receipt of such notice to cure such breach or failure. In the event the City does not then cure the default within such thirty-day period (or, if the default is not reasonably susceptible of cure within such thirty-day period, the City fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then the Developer shall be entitled to any rights afforded it in law or in equity by pursuing any or all of the following remedies: (1) terminating this Agreement by written notice to the City; (2) prosecuting an action for damages (excluding punitive damages and consequential damages); or (3) seeking any other remedy available at law or in equity (excluding punitive damages and consequential damages). In no event shall any remedy include recovery of attorneys’ fees. If the Developer elects to terminate this Agreement with respect to the portion of the Improvements to which the default relates, the provisions of this Agreement relating to the other portion of the Improvements with respect to which there is not a default and other provisions of this Agreement that are specified to survive termination shall remain in full force and effect.

Section 7.4. Fault of Developer.

(a) Event of Default. Following notice and cure as set forth in subsection (b) below, each of the following events constitutes a “Developer Event of Default” and a basis for the City to take action against the Developer:

(1) The Developer fails to record the Hotel Operating Covenant in the manner set forth in Section 3.6.

(2) The Developer completes a Transfer except as permitted under Article 5.

(3) The Developer breaches any other material provision of this Agreement.

(4) The Developer’s: (1) filing for bankruptcy, dissolution, or reorganization, or failure to obtain a full dismissal of any such involuntary filing brought by another party before the earlier of final relief or ninety (90) days after the filing; (2) making a general assignment for the benefit of creditors; (3) applying for the appointment of a receiver, trustee, custodian, or liquidator, or failure to obtain a full dismissal of any such involuntary application brought by another party before the earlier of final relief or ninety (90) days after the

filing; (4) insolvency; or (5) failure, inability or admission in writing of its inability to pay its debts as they become due.

(5) The Developer defaults under the Funding Agreement and has not cured such default within the applicable time period contained in such agreement.

(b) Notice and Cure Procedure; Remedies. Upon the happening of any of the above-described events contained in Section 7.4(a), the City shall first notify the Developer in writing of its purported breach or failure, giving the Developer thirty (30) days from receipt of such notice to cure such breach or failure. If the Developer does not cure the default within such thirty-day period (or if the default is not reasonably susceptible of being cured within such thirty-day period, the Developer fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then the City shall be afforded all of its rights at law or in equity by taking any or all of the following remedies: (1) terminating this Agreement by written notice to the Developer; (2) prosecuting an action for damages (excluding punitive damages and consequential damages); or (3) seeking any other remedy available at law or in equity (excluding punitive damages and consequential damages). In no event shall any remedy include recovery of attorneys' fees. If the City elects to terminate this Agreement, the provisions of this Agreement relating to the other portion of the Improvements with respect to which there is not a default and other provisions of this Agreement that are specified to survive such termination shall remain in full force and effect. Additionally, the City's election to terminate this Agreement shall entitle it to reimbursement for any and all TOT Revenue received by the Developer if the default is related to the Hotel, and/or reimbursement for any and all Parking Tax Revenue received by the Developer if the default is related to the Public Parking Facility.

Section 7.5. Rights and Remedies Cumulative. Except as otherwise provided, the rights and remedies of the Parties are cumulative, and the exercise or failure to exercise any right or remedy shall not preclude the exercise, at the same time or different times, of any right or remedy for the same default or any other default.

Section 7.6. Survival. Upon termination of this Agreement under this Article 7, the provisions of Section 3.3 and Section 8.19 to this Agreement shall survive. This Section 7.6 exists for reference purposes only, and does not alter the scope or nature of the surviving provision.

ARTICLE 8. GENERAL PROVISIONS

Section 8.1. Representations and Warranties:

(a) The Developer. The Developer represents and warrants to the City as of the Effective Date and as of the date of taking possession of the Property, as follows:

(1) Organization. The Developer is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware, with full power and authority to conduct its business as presently conducted and to execute, deliver and perform its obligations under this Agreement.

(2) Authorization. The Developer has taken all necessary action to authorize its execution, delivery and, subject to any conditions set forth in this Agreement, performance of this Agreement. Upon the Effective Date, this Agreement shall constitute an obligation of the Developer.

(3) No Conflict. The execution, delivery and performance of this Agreement by the Developer does not and will not conflict with, or constitute a violation or breach of, or constitute a default under (i) the charter or incorporation documents of the Developer, (ii) any applicable law, rule or regulation binding upon or applicable to the Developer, or (iii) any material agreements to which the Developer is a party.

(4) No Litigation. Unless otherwise disclosed in writing to the City prior to the date of this Agreement, there is no existing or, to the Developer's actual knowledge, pending litigation, suit, action or proceeding before any court or administrative agency affecting the Developer or the Property that would, if adversely determined, materially and adversely affect the Developer or the Property or the Developer's ability to perform its obligations under this Agreement or to develop and operate the Project.

(5) Default Under Other Agreements. There is no event, act or omission which constitute, or but for the passage of time or the giving of notice, or both, would constitute a breach, violation or default by the Developer under any agreement materially related to the development or operation of the Project, including but not limited to any partnership agreement, joint venture agreement, or loan agreement executed by the Developer.

Until the expiration or earlier termination of this Agreement, Developer shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 8.1 not to be true, promptly give written notice of such fact or condition to the City. The representations and warranties contained in this Section 8.1 shall be true for any transferee assuming the obligations of this Agreement as of the date of the Transfer.

(b) The City: The City represents and warrants to the Developer as of the Effective Date and as of the date of taking possession of the Property by the Developer, as follows:

(1) Authorization. The City has taken all necessary action to authorize its execution, delivery and, subject to any conditions set forth in this Agreement, performance of this Agreement. Upon the Effective Date, this Agreement shall constitute an obligation of the City.

(2) No Conflict. The execution, delivery and performance of this Agreement by the City does not and will not conflict with, or constitute a violation or breach of, or constitute a default under (i) the charter or incorporation documents of the City, (ii) any applicable law, rule or regulation binding upon or applicable to the City, or (iii) any material agreements to which the City is a party.

(3) No Litigation. Unless otherwise disclosed in writing to the Developer prior to the date of this Agreement, and except for the Bonaventure Litigation and the Bonaventure City Planning Appeals, there is no existing or, to the City's actual knowledge,

pending litigation, suit, action or proceeding before any court or administrative agency affecting the City or the Property that would, if adversely determined, materially and adversely affect the City or the Property or the City's ability to perform its obligations under this Agreement.

Section 8.2. Notices, Demands and Communications. Formal notices, demands, submittals and communications between the City and the Developer shall be sufficiently given if, and shall not be deemed given unless, delivered personally, or dispatched by certified mail, return receipt requested, or by reputable overnight delivery service with a receipt showing date of delivery, to the principal offices of the City and the Developer as follows:

City: City of Los Angeles
Office of the City Administrative Officer
200 North Main Street
Los Angeles, CA 90012
Attn: City Administrative Officer

City of Los Angeles
Office of City Attorney
200 North Main Street
Los Angeles, CA 90012
Attn: Asst. City Attorney
Real Estate and Economic Development

With copies to: The Community Redevelopment Agency
of the City of Los Angeles, California
Office of City Attorney
354 South Spring Street, Suite 800
Los Angeles, CA 90013
Attn: Agency General Counsel

City of Los Angeles
Office of the Chief Legislative Analyst
200 North Spring Street, Suite 255
Los Angeles, CA 90012
Attn: Chief Legislative Analyst

City of Los Angeles
Office of the Mayor
200 North Spring Street, Suite 303
Los Angeles, CA 90012
Attn: Deputy Mayor for Economic Development

Developer: Grand Avenue L.A., LLC
c/o The Related Companies of California
18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Attn: William A. Witte

With copies to: Goodwin | Procter LLP
10250 Constellation Boulevard, 21st Floor
Los Angeles, CA 90067
Attn: Lewis G. Feldman

Mandarin Oriental Hotel Group
345 California Street #1250
San Francisco, CA 94104
Attn: Legal Counsel – The Americas

Related
60 Columbus Circle
New York, NY 10023
Attn: Michael Orbison

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section 8.2. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

Section 8.3. Non-Liability of Officials, Employees and Agents. No member, official, employee or agent of the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Developer or on any obligation under the terms of this Agreement.

Section 8.4. Enforced Delay. In addition to specific provisions of this Agreement, performance by either Party shall not be deemed to be in default where delays or defaults are due to war; insurrection; terrorist acts; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; epidemics; quarantine restrictions; moratoria, or other governmental restrictions; freight embargoes; the filing of a lawsuit challenging the Final Environmental Impact Report, any Governmental Approval, this Agreement, or the Developer's or the City's authority to perform their respective obligations hereunder (which shall be deemed to be a delay of the Parties); or court order; an act or omission of the other Party; or any other similar causes (other than lack of funds of the Developer or the Developer's inability to finance the Project) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within thirty (30) days from the commencement of the cause. In no event shall the cumulative delays exceed twenty-four (24) months, unless otherwise agreed to by the Parties in writing.

Section 8.5. Conflict with Disposition and Development Agreement. In the event of any conflict between the terms of this Agreement and the Disposition and Development Agreement, the terms of this Agreement shall govern.

Section 8.6. Estoppel Certificates. Any party to this Agreement shall, promptly upon the request of any other party, execute, acknowledge and deliver to or for the benefit of any other

party, a certificate certifying: (i) that this Agreement is unmodified and in full force and effect (or, if there have been modifications, that this Agreement is in full force and effect, as modified, and stating the modifications), and (ii) whether there are then existing any defaults on the part of the party requesting the certificate known to the party delivering the certificate in the performance or observance of any agreement, covenant or condition hereof to be performed or observed and whether any notice has been given of any default which has not been cured (and, if so, specifying the same).

Section 8.7. Inspection of Books and Records. The City has the right at all reasonable times during normal business hours and upon two (2) business days prior written notice to inspect on a confidential basis the books, records and all other documentation of the Developer pertaining to its obligations under this Agreement. The Developer also has the right at all reasonable times to inspect the books, records and all other documentation of the City pertaining to its obligations under this Agreement.

Section 8.8. Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of its provision.

Section 8.9. Applicable Law. This Agreement shall be interpreted under and pursuant to the laws of the State of California.

Section 8.10. Severability. If any term, provision, covenant or condition of this Agreement is held in a final disposition by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 8.11. Binding Upon Successors; Covenants to Run With Land. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, and assigns of each of the Parties; provided, however, that there shall be no Transfer except as permitted in Article 5. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any successor, heir, administrator, executor, successor, or assign of such Party who has acquired an interest in compliance with the terms of this Agreement or under law.

The terms of this Agreement shall run with the land, and shall bind all successors in title to the Property until the termination of this Agreement, except that the provisions of this Agreement that are specified to survive termination of this Agreement shall run with the land in perpetuity and remain in full force and effect following such termination. Every contract, deed, or other instrument hereafter executed covering or conveying the Property, or any portion thereof, shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the City expressly releases the Property, or the applicable portion of the Property, from the requirements of this Agreement.

Section 8.12. Parties Not Co-Venturers. Nothing in this Agreement is intended to or does establish the Parties as partners, co-venturers, or principal and agent with one another.

Section 8.13. Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Project.

Section 8.14. Discretion Retained By City. The Agency's approval, as called for in various sections of this Agreement, in no way limits the discretion of the City in the permit and approval process in connection with the Project.

Section 8.15. Counterparts. This Agreement may be executed in counterparts and multiple originals.

Section 8.16. Amendments. The Parties can amend this Agreement only by means of a writing signed by both Parties.

Section 8.17. Recordation of Memorandum of Agreement. The Developer and the City consent to the recordation of a memorandum of this Agreement against the Property in the Office of the Los Angeles County Recorder, in the form of Exhibit "B" attached hereto and incorporated herein by this reference.

Section 8.18. Standard of Approval. Any consents or approvals required or permitted under this Agreement shall not be unreasonably delayed, conditioned or withheld, except where it is specifically provided that a sole discretion standard applies.

Section 8.19. Indemnity: City. Except for the gross negligence, fraud, intentional or willful misconduct of the City, the Developer undertakes and agrees to indemnify, hold harmless and defend (by counsel reasonably satisfactory to the City) the City, its councilmembers, officers, employees, agents, from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, reasonable attorney's fees and costs of litigation, damage or liability of any nature whatsoever, arising in any manner by reason of or incident to the performance of this Agreement. The Developer's indemnification obligation under this Section 8.19 shall include but not be limited to any litigation related to any challenges made to the City's action regarding the approval of this Agreement or the environmental review conducted for the Project and the City's actions related thereto under CEQA.

Section 8.20. Effectiveness of Implementation Agreement. This Agreement is dated for convenience only and shall only become effective on the Effective Date.

[Signatures on following page]

WHEREFORE, the Parties have executed this Agreement as of the date first above written.

Dated: _____

CITY:

CITY OF LOS ANGELES, a municipal corporation

APPROVED AS TO FORM:

ROCKARD J. DELGADILLO,
CITY ATTORNEY

By: _____

Its: _____

By: _____
Marilyn Garcia, Asst. City Attorney

ATTEST:

CITY CLERK

By: _____

Date:

DEVELOPER:

Date: _____

Grand Avenue L.A., LLC, a Delaware Limited Liability Company

By: _____

William A. Witte,
Vice President

EXHIBIT A
Legal Description of the Property

The land referred to herein is situated in the State of California, County of Los Angeles, City of Los Angeles, and is described as follows:

Lot 1 of Tract No. 28761, in the City of Los Angeles, County of Los Angeles, State of California, as per map filed in Book 926, Pages 5 through 8, inclusive, of Maps, records of said County.

Excepting therefrom that portion of said Lot 1 described as "Parcel 1, Easement for Street Right of Way Purposes, Upper 2nd Street" as per the document recorded August 5, 2004 as Instrument No. 04-2017965, Official Records of said County.

Exhibit B
Memo of Agreement

(See Attached)

Exhibit C-1
Form of Contract Provisions for Major Contracts

Construction Sales and Use Tax Insert for
Major Contractors and Subcontractors

Contractor shall comply with the provisions of this Section ___ to provide that local sales and use taxes generated in connection with all eligible purchases of materials, fixtures, furniture, machinery, equipment and supplies for the work to be performed hereunder are allocated directly to the City of Los Angeles (the "City"). In particular, Contractor shall:

- (a) Apply for a jobsite sub-permit with the California State Board of Equalization ("CBOE") prior to the purchase of any materials, fixtures, furniture, machinery, equipment and supplies for the work to be performed hereunder (a "Jobsite Sub-Permit"). Contractor shall utilize an application substantially in the form attached as Attachment ___ for the foregoing purpose. Upon the request of Owner, Contractor shall furnish a copy of its application for Jobsite Sub-Permit. Promptly following Contractor's receipt of a Jobsite Sub-Permit from the CBOE, Contractor shall provide Owner and the City with a copy of such Jobsite Sub-Permit.
- (b) If Contractor is a seller and/or retailer of tangible items, apply for a seller's permit from the CBOE and provide the City with a copy of such seller's permit when it is received by Contractor from the CBOE.
- (c) (i) Incorporate a "transfer of title clause" in contracts for the purchase of materials and fixtures to be used in connection with the work to be performed hereunder and (ii) issue resale certificates to Contractor's suppliers, whether based in state or out of state, when purchasing materials and fixtures. The "transfer of title clauses" in such purchase contracts shall (A) explicitly provide for the transfer of title to the materials prior to the time materials are installed, and (B) separately state the price of materials, exclusive of the charge for installation.
- (d) Provide the Owner and the City, upon the reasonable request of either, with:
 - (A) a list of any of Contractors' subcontractors providing services or materials in excess of \$5,000,000 in connection with the work to be performed hereunder, which list shall include:
 - vii. Name of subcontractor
 - viii. Address and telephone number of headquarters or office
 - ix. Name and telephone number of contact person
 - x. Estimated value of contract
 - xi. Estimated completion date
 - xii. Scope of Work

(B) A copy of the subcontract

(C) Such additional information as may be reasonably requested in writing by the City to ensure compliance with the foregoing provisions, including without limitation copies of the Contractor's sales and use tax returns and schedules of purchases of materials, fixtures, equipment, and machinery.

CONTRACTOR ACKNOWLEDGES AND AGREES THAT THE CITY IS A THIRD PARTY BENEFICIARY OF THE FOREGOING PROVISIONS AND THAT CONTRACTOR'S AGREEMENT TO COMPLY WITH SUCH PROVISIONS FOR THE BENEFIT OF THE CITY IS A MATERIAL INDUCEMENT TO OWNER IN ENTERING INTO THIS CONTRACT. CONTRACTOR FURTHER AGREES THAT ANY FAILURE BY CONTRACTOR TO COMPLY WITH THE FOREGOING PROVISIONS MAY BE DIRECTLY ENFORCED BY THE CITY. WITHOUT LIMITING THE REMEDIES OR OWNER OR THE CITY, THE CITY SHALL HAVE THE RIGHT TO SEEK, AS DAMAGES, THE FULL AMOUNT OF ANY SALES AND USE TAXES NOT ALLOCATED TO THE CITY AS A RESULT OF CONTRACTOR'S FAILURE TO COMPLY WITH THE FOREGOING PROVISIONS, WITHOUT REGARD TO WHETHER CONTRACTOR OR ITS SUBCONTRACTORS PAID SUCH SALES AND USE TAX, TOGETHER WITH INTEREST AT THE LOWER OF 10% OR THE HIGHEST INTEREST RATE ALLOWED BY LAW.

Exhibit C-2
Contract Provisions for Other Contracts

Contractor shall comply with the provisions of this Section ___ to provide that local sales and use taxes generated in connection with all eligible purchases of materials, fixtures, furniture, machinery, equipment and supplies for the work to be performed hereunder are allocated directly to the City of Los Angeles (the "City"). In particular, Contractor shall:

- (a) If Contractor makes any purchases of materials and fixtures amounting to \$500,000 or more from an out-of-state retailer in connection with the work performed hereunder and such materials or fixtures are shipped directly to Contractor from a point outside of California, Contractor shall state the jobsite address (i.e. in the City of Los Angeles) in Schedule C of its sales tax return, and
- (b) If Contractor makes any purchases of furniture totaling \$500,000 or more from a retailer at an out-of-state location and has that property shipped directly to them from a point outside of California, Contractor shall state the jobsite address (i.e. in the City of Los Angeles) in Schedule C of its sales tax return.

Contractor acknowledges and agrees that the City is a third party beneficiary of the foregoing provisions and that Contractor's agreement to comply with such provisions for the benefit of the City is a material inducement to Owner in entering into this contract. Contractor further agrees that any failure by Contractor to comply with the foregoing provisions may be directly enforced by the City.

Exhibit D
Project Financing Reconciliation Methodology

(See Attached)

Exhibit E
Community Benefits Program

HOUSING

- **Affordable housing requirement.**
 - 20% of units to be set aside as affordable for 99 years, half to Low Income (80% AMI) and half to Very Low Income (50% AMI) households.
 - The affordable housing requirement is to be met with affordable units on site.
 - In Phase I, Developer is exceeding the requirement by providing the 35% of affordable units for Extremely Low Income (35% AMI) households and the balance for Very Low income (50% AMI) households.
 - The affordable housing requirement requires preference to displacees of other CRA projects and use of an affirmative marketing plan

- **Revolving Loan Fund.**
 - Developer is establishing a revolving loan fund for a period of 10 years to provide predevelopment assistance to permanent supportive housing for the homeless within a 5 mile radius of the Grand Avenue Project.
 - The loan fund will make available \$1.5 Million to start, and decrease to \$750,000 after three loans have been executed and paid back in full.

EMPLOYMENT

- **Living Wage.**
 - The Grand Avenue Project is subject to CRA's Living Wage Policy

- **Local Hiring: Construction.**
 - Developer has committed to a 30% local hiring goal on construction jobs, of which 1/3, or 10% will be a hiring goal for local residents who are considered "at risk," in other words, with barriers to employment such as criminal record, disabilities, language barriers or literacy barriers.

- **Local Hiring: Permanent Jobs.**
 - Developer has committed to a 30% local hiring goal on all permanent jobs, of which 1/3, or 10% will be a hiring goal for local residents who are considered "at risk" (same definition as above)
 - In addition, Developer has committed to "First Source" hiring procedures by which employers within in the project would be required to give local workers early notice and first opportunity to apply for permanent jobs

- **Job Training.**
 - To maximize the opportunities for local workers to gain employment at the Project, Developer is contributing \$500,000 to support training that will help ensure that local workers have the skills needed to get hired for the jobs created by the Project.
- **Prevailing Wage on Construction Jobs.**
 - All construction jobs on this site will be paid at Prevailing or Union Wages.

OPEN SPACE

- **Civic Park.**
 - The project will provide a 16 acre public park as part of Phase I, which will be funded from the ground lease payment to the JPA from the Phase I development parcel. Developer is responsible for project management and delivery of the park at cost, with no profit or developer's fee.

ART

- **CRA Art Policy.**
 - The project will be required to comply with CRA's Art in Public Places Policy. The CRA's Art in Public Places Policy is much more stringent than the City's art policy, which exempts all residential projects and allows the art fee to be used entirely on-site. The specific art program has not been developed yet, but this amount will make a significant contribution to public art and culture downtown.

CRA POLICIES

- **Other policies.**
 - Developer will be subject to CRA's Equal Benefits Policy, Service Worker Retention, MBE/WBE goals, Contractor Responsibility Policy & Non Discrimination Policy

HOTEL

- **Level of Service**
 - Hotel in Phase I will be operated, furnished, serviced, maintained and refurbished at a luxury standard currently unavailable in downtown Los Angeles.

CONSTRUCTION TAX REVENUES

- **Point of Sale**
 - To maximize tax benefits realized by the City of Los Angeles, Developer will cause the City of LA to be designated as the "point of sale" for construction purchases for Phase I of the Project.

Attachment B
Resolution of Intention to Establish a
Community Taxing District

**A RESOLUTION OF THE COUNCIL OF THE CITY OF
LOS ANGELES OF INTENTION TO ESTABLISH A
COMMUNITY TAXING DISTRICT AND TO AUTHORIZE
THE LEVY OF SPECIAL TAXES**

WHEREAS, the Council (the "City Council") of the City of Los Angeles (the "City") has received a written petition (the "Petition") from Grand Avenue L.A., LLC, a Delaware limited liability company (the "Landowner"), requesting the institution of proceedings for the establishment of a community taxing district (the "Community Taxing District");

WHEREAS, under the Special Tax Improvements Ordinance of the City of Los Angeles, Chapter 10 of Division 6 of the Los Angeles Administrative Code (the "Ordinance"), the City Council is authorized to establish the Community Taxing District;

WHEREAS, the Landowner is not the fee owner of the land proposed to be included in the Community Taxing District and has represented to the City Council that the Landowner has a subsubleasehold interest in 100% of the area of land proposed to be included within the Community Taxing District;

WHEREAS, the City's policies and procedures require that the applicant under the Ordinance advance funds to cover all City and consultant costs associated with establishing a community taxing district;

WHEREAS, Section 6.706 of the Ordinance provides that, at any time either before or after the formation of a community taxing district, the legislative body may accept advances of funds from any source, including, but not limited to, private persons or private entities and may provide, by resolution, for the use of those funds for any authorized purpose, including, but not limited to, paying any cost incurred by the local agency in creating a community taxing district;

WHEREAS, Section 6.706 of the Ordinance further provides that the legislative body may enter into an agreement with the person or entity advancing the funds, to repay all or a portion of the funds advanced, as determined by the legislative body, with or without interest, under all the following conditions: (a) the proposal to repay the funds is included in the resolution of intention to establish a community taxing district adopted pursuant to Section 6.716 of the Ordinance or in the ordinance of formation to establish a community taxing district pursuant to Section 6.723 of the Ordinance; (b) any proposed special tax is approved by the qualified electors of the community taxing district pursuant to the Ordinance; (c) any agreement shall specify that if the qualified electors of the community taxing district do not approve the proposed special tax, the local agency shall return any funds which have not been committed for any authorized purpose by the time of the election to the person or entity advancing the funds; and (d) any work in-kind accepted pursuant to Section 6.706 shall have been found to be performed or constructed in compliance with applicable City building codes and standards;

WHEREAS, the City and the Landowner have entered into a Deposit and Reimbursement Agreement, dated as of May 4, 2007 (the "Deposit Agreement"), that provides for the advancement of funds by Landowner to be used to pay costs incurred in connection with

the establishment of the Community Taxing District, and provides for the reimbursement to Landowner of such funds advanced, without interest, from the proceeds of any special taxes levied and collected by the Community Taxing District; and

WHEREAS, the City desires to include in this Resolution, in accordance with Section 6.706 of the Ordinance, the proposal to repay funds pursuant to the Deposit Agreement;

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Los Angeles does determine and order as follows:

Section 1. The City Council hereby finds that the Petition is signed by the requisite number of owners of land proposed to be included in the Community Taxing District.

Section 2. Pursuant to Section 6.713 of the Ordinance, the City Council hereby finds that the Facilities (defined below), which will be privately owned, will constitute a public benefit to the City in the following respects: (i) direct benefits such as revenues from the Facilities and increased revenues from property, sales, parking, business license, utility and hotel taxes, and (ii) enhanced employment and other economic opportunities for City residents and others.

Section 3. The City Council proposes to establish a community taxing district under the terms of the Ordinance. The boundaries of the territory proposed for inclusion in the Community Taxing District are described in the map showing the proposed Community Taxing District (the "Boundary Map") on file with the City Clerk of the City, which boundaries are hereby preliminarily approved and to which map reference is hereby made for further particulars. The City Clerk is hereby directed to sign the original Boundary Map and record, or cause to be recorded, the Boundary Map with all proper endorsements thereon in the office of the Los Angeles County Recorder within 15 days of the date of adoption of this Resolution, all as required by Section 3111 of the California Streets and Highways Code.

Section 4. The name proposed for the Community Taxing District is "City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project)" ("CTD No. 2").

Section 5. The facilities (the "Facilities") proposed to be financed in part by the Community Taxing District pursuant to the Ordinance are described under the caption "Facilities" on Exhibit A hereto, which is by this reference incorporated herein. The incidental expenses proposed to be incurred are identified under the caption "Incidental Expenses" on Exhibit A hereto. All or any portion of the Facilities may be financed through a financing plan.

Section 6. The Landowner represented in the Petition that there will be funds otherwise available sufficient to pay for all Facilities. Therefore, a special tax to pay for a portion of the Facilities secured by recordation of a continuing lien against all nonexempt real property in the Community Taxing District, will be levied annually within the Community Taxing District. The rate and method of apportionment of the special tax (the "Rate and Method"), in sufficient detail to allow each Owner (as defined in the Rate and Method) within the proposed Community Taxing District to estimate the maximum amount that it will have to pay, is described in Exhibit B attached hereto, which is by this reference incorporated herein. The special tax will be

collected monthly from the affected Owners by the Community Taxing District, which will enter into an agreement with a paying agent to perform such collection duties.

Section 7. The tax year after which no further special tax will be levied against any parcel is specified in the Rate and Method.

Section 8. The City Council hereby fixes Tuesday, June 10, 2008, at 10:00 a.m., or on a date specified by the City Administrative Officer, at the John Ferraro Council Chamber, Room 340, 200 North Spring Street, Los Angeles, California, as the time and place when and where the City Council will conduct a public hearing on the establishment of the Community Taxing District.

Section 9. The City Clerk is hereby directed to publish, or cause to be published, a notice of said public hearing one time in a newspaper of general circulation published in the area of the Community Taxing District. The publication of said notice shall be completed at least thirty (30) days prior to the date herein fixed for said hearing. Said notice shall contain the information prescribed by Section 6.718 of the Ordinance.

Section 10. The levy of said proposed special tax shall be subject to the approval of the qualified electors of the Community Taxing District at a special election. The proposed voting procedure shall be by mailed or hand-delivered ballot among the landowners in the Community Taxing District, with each owner having one vote for each acre or portion of an acre such owner owns in the Community Taxing District.

Section 11. The City Administrative Officer and the Chief Legislative Analyst are hereby directed to prepare the report required by Section 6.717 of the Ordinance and cause such report to be filed with the City Clerk at or before the time of the public hearing. Such report shall be made a part of the record of said public hearing.

Section 12. The legislative body of CTD No. 2 shall be the City Council.

Section 13. The Landowner has heretofore advanced certain funds, and may advance additional funds, which have been or may be used to pay costs incurred in connection with the establishment of the Community Taxing District. The City Council proposes to repay all or a portion of such funds expended for such purpose, solely from the proceeds of special taxes levied and collected, pursuant to the Deposit Agreement. The Deposit Agreement is hereby incorporated herein as though set forth in full herein.

Section 14. The Deposit Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, is hereby approved, ratified and confirmed. The President of the City Council, and such other members of the City Council as the President of the City Council may designate, the City Administrative Officer of the City, any Assistant City Administrative Officer of the City, and such other officers of the City as the City Administrative Officer of the City may designate (the "Authorized Officers") are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Deposit Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval

to be conclusively evidenced by the execution of the Deposit Agreement by such Authorized Officer.

Section 15. The officers, employees and agents of the City are hereby authorized and directed to take all actions and do all things which they, or any of them, may deem necessary or desirable to accomplish the purposes of this Resolution and not inconsistent with the provisions hereof.

Section 16. This Resolution shall take effect immediately upon its passage.

PASSED and ADOPTED by the Council of the City of Los Angeles this ____th day of _____, 2008, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED AS TO FORM AND LEGALITY

ROCKARD J. DELGADILLO, City Attorney

By: _____
Assistant City Attorney

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____, 2008.

KAREN E. KALFAYAN, Acting City Clerk

By: _____
Deputy City Clerk

EXHIBIT A

FACILITIES TO BE FINANCED AND INCIDENTAL EXPENSES

Facilities

The types of facilities to be financed in part by **CTD No. 2** are the following:

An approximately 295-room luxury hotel within a high rise building that will also contain other elements and an approximately 755-space public parking facility (herein, the "**Facilities**") in the Bunker Hill Redevelopment Project and the Amended Central Business District Project Areas of the City of Los Angeles. The other elements in the high rise building which are not part of CTD No.2, include approximately 400 condominiums, restaurants and retail space.

Incidental Expenses

The incidental expenses proposed to be incurred include the following:

(a) the cost of engineering, planning, and designing the Facilities, (b) all costs, including the costs incurred by the Petitioner, associated with the creation of CTD No. 2, and the determination of the amount of special taxes to be levied, and costs otherwise incurred in order to carry out the authorized purposes of CTD No. 2, and (c) any other expenses incidental to the construction, completion, and inspection of the Facilities.

EXHIBIT B

PROPOSED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RATE AND METHOD OF APPORTIONMENT FOR CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2 (GRAND AVENUE PROJECT)

A Special Tax shall be levied on all Assessor's Parcels in the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) ("CTD No. 2") each Fiscal Year, and shall be collected each month, commencing with the First Fiscal Year, in the manner and in an amount determined through application of the appropriate Special Tax rates for Parking Property and Hotel Property, and as described hereinafter. All real property in CTD No. 2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner provided here.

DEFINITIONS

The capitalized terms set forth above and below shall have the following meanings which shall be an integral part of this Rate and Method of Apportionment:

"Adjusted Hotel Construction Allocation" means the amount allocated to Special Taxes (if such amount is less than \$60.5 million) to finance a portion of the Hotel Property improvements, valued as of the Commencement Date, which amount shall be identified in a certificate signed by the Owner of the Hotel Property, the Agency and the CTD Administrator pursuant to the Funding Agreement.

"Administrative Expenses" means any actual costs related to the formation of CTD No. 2 and, for any Fiscal Year, any actual or estimated costs directly related to the administration of CTD No. 2, including costs of computing the Special Taxes and making all other financial determinations related to the Special Taxes; costs of collecting the Special Taxes (whether by CTD No. 2, or its designee, which may be the Fiscal Agent); the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Funding Agreement; reasonable attorneys fees and other costs related to commencing and pursuing to completion any legal proceedings, including but not limited to foreclosure regarding delinquent Special Taxes; and an allocable share of the salaries of City staff directly related to the foregoing.

"Agency" means The Community Redevelopment Agency of the City of Los Angeles, California.

"Assessor's Parcel" means a leasehold interest in an airspace lot shown on a subdivision map or Assessor's Parcel Map with an assigned Assessor's Parcel number, and located within Parcel Q pursuant to the Ground Lease whether or not such Assessor's Parcel is exempt from property or other taxation. Special Taxes will be collected pursuant to the

Funding Agreement and will not be collected by the Los Angeles County Assessor.

“Certificate of Occupancy” means a certificate of occupancy (which may be a temporary certificate of occupancy) issued by the City’s Department of Building and Safety, which permits the Hotel to be used for transient occupancy purposes and the Parking Facility to be used for parking purposes, as applicable.

“City” means the City of Los Angeles.

“City Administrative Officer” or “CAO” means the City Administrative Officer of the City, or his or her designee, or a City official succeeding to the duties of the CAO.

“City Clerk” means the City Clerk of the City.

“Commencement Date” means the date a Certificate of Occupancy for the Hotel Property or the Parking Property, as applicable, is issued.

“Commercial Property” means any Assessor’s Parcel used for commercial purposes and which is not Hotel Property or Parking Property.

“Condominium Unit” shall mean each of the condominium units to be constructed on Parcel Q and sold to members of the public.

“Council” or “City Council” means the Council of the City, acting as the legislative body of CTD No. 2.

“CTD Administrator” means the CAO, or his or her designee, responsible for the administration of CTD No. 2.

“Cumulative Special Tax Amount” means the sum of the Maximum Hotel Special Tax Amount and the Maximum Parking Special Tax Amount.

“Debt Service” means “Debt Service” as defined in Section 301(4)(b) of that certain Disposition and Development Agreement dated as of March 5, 2007, by and between the Los Angeles Grand Avenue Authority, a California joint powers authority, and Grand Avenue L.A., a Delaware limited liability company, irrespective of future amendments. Said definition of “Debt Service” includes debt (principal and interest) and a return on equity for the Parking Property improvements as specified in said Section 301(4)(b).

“Debt Service Contingency Fund” means the fund established pursuant to the Funding Agreement into which a portion of the Special Taxes related to Parking Occupancy Receipts are paid and will be deposited and may be withdrawn pursuant to the Funding Agreement until the earlier of the Tenth Anniversary Date or when the Debt Service Contingency Fund contains moneys equal to the Debt Service Contingency Fund Amount.

“Debt Service Contingency Fund Amount” means one year of Debt Service on the financing for the Parking Facility, determined pursuant to the Funding Agreement.

“First Fiscal Year” means the Fiscal Year in which the Commencement Date occurs.

“Fiscal Agent” means the fiscal agent selected by the CTD Administrator to be a party to the Funding Agreement. The Fiscal Agent shall have the same qualifications and be subject to the same general requirements as the qualifications and requirements of trustees serving as trustees for the City’s bond issues.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Funding Agreement” means the funding agreement, by and among the City, CTD No. 2, the Fiscal Agent, and the Original Owner, pursuant to which the Special Taxes will be collected, administered and expended, less Administrative Expenses, and the Debt Service Contingency Fund will be held.

“Ground Lease” means that certain ground subsublease of Parcel Q, by and between The Los Angeles Grand Avenue Authority, a California joint powers authority, as subsublessor, and the Original Owner, as subsublessee, dated as of March 5, 2008, as disclosed by a Memorandum of Ground Lease recorded on July 6, 2008, as Instrument No. 07-1611472, in the Office of the Los Angeles County Recorder.

“Hotel Construction Allocation” means the lesser of (i) \$60.5 million as of the Commencement Date and (ii) the Adjusted Hotel Construction Allocation as of the Commencement Date.

“Hotel Property” means all Assessor’s Parcels within CTD 2 for which a Certificate of Occupancy and all other applicable approvals have been obtained to permit such property to be used for transient occupancy purposes consistent with the Transient Occupancy Tax Ordinance. Condominium Units (including the common areas associated with such Condominium Units) shall not become Hotel Property in the event such Condominium Units are used for transient occupancy purposes occasionally or on a full-time basis. The owners of any Condominium Units used for transient occupancy purposes shall collect and remit Transient Occupancy Receipts to the Office of Finance pursuant to the requirements of the Transient Occupancy Ordinance.

“Maximum Hotel Special Tax Amount” means the lesser of (i) TOT Aggregate Payments paid by the Owner of all Hotel Property beginning on the Commencement Date through and including the Twentieth Anniversary Date, or (ii) when the TOT Aggregate Payments Present Value equals the Hotel Construction Allocation. Section F below sets out the method for comparing the relative values of (i) and (ii) to determine when the Maximum Hotel Special Tax Amount is reached.

“Maximum Parking Special Tax Amount” means the Parking Occupancy Receipts paid by the Owners of all Parking Property beginning on the Commencement Date through

and including the earlier of (i) the Tenth Anniversary Date or (ii) the date the Debt Service Contingency Fund Amount is reached. Interest and/or investment earnings on funds held in the Debt Service Contingency Fund shall be included in calculating whether the Debt Service Contingency Fund amount has been reached pursuant to (ii).

“Office of Finance” means the Office of Finance of the City, which is empowered to collect the City’s transient occupancy tax pursuant to the Transient Occupancy Ordinance and the City’s parking occupancy taxes pursuant to the Parking Occupancy Ordinance.

“Ordinance” means the Special Tax Improvements Ordinance of the City of Los Angeles, constituting Chapter 10 of Division 6 of the Los Angeles Administrative Code.

“Original Owner” means Grand Avenue L.A., LLC, as the subsublease pursuant to the Ground Lease.

“Owner” means any and all persons or entities, which may be a nonprofit corporation, owning a real property interest in the form of a leasehold interest, in a parcel of Taxable Property.

“Parcel Q” means that certain parcel of land owned by the County of Los Angeles and subsubleased to the Original Owner pursuant to the Ground Lease.

“Parking Occupancy Tax Ordinance” means Article 1.15 of Chapter II of the Los Angeles Municipal Code.

“Parking Occupancy Receipts” means the tax based on a percentage of the parking fee charged by a parking operator, as such terms are defined in the Parking Occupancy Tax Ordinance, to any person or persons for the privilege of using or occupying a parking space located within CTD No. 2 and which use or occupancy is subject to the Parking Occupancy Tax Ordinance.

“Parking Property” means all Assessor’s Parcels within CTD 2 for which a Certificate of Occupancy or comparable determination has been obtained to permit such property to be used as a public parking facility subject to the Parking Occupancy Ordinance.

“Public Property” means any real property within the boundaries of CTD No. 2 which is transferred to a public agency and used for any purpose and owned by or dedicated to the federal government, the State, the County of Los Angeles, the City, or any other public agency. No real property in CTD No. 2 shall be deemed Public Property solely because a public entity is lessor pursuant to any ground lease or sublease of Parcel Q. If ownership of an Assessor’s Parcel is transferred to a public agency for the purpose of facilitating the financing of a public parking facility, such Assessor’s Parcel shall be deemed Parking Property, not Public Property.

“Residential Property” means any Assessor’s Parcel used for residential purposes, including Condominium Units and rental units.

“Special Tax” means the special tax, if any, to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement.

“Special Tax Requirement” means, for any Fiscal Year, the Transient Occupancy Receipts collected by an Owner of Hotel Property or its agent pursuant to the Transient Occupancy Tax Ordinance and the Parking Occupancy Receipts collected by an Owner of Parking Property or its agent pursuant to the Parking Occupancy Tax Ordinance which receipts such Owners are obligated to remit to the Fiscal Agent on a monthly basis pursuant to the Ordinance, CTD No. 2, and the Funding Agreement, until the Cumulative Special Tax Amount has been levied, collected, remitted and satisfied. Unless the context otherwise requires, all references to an Owner’s payment of Transient Occupancy Receipts or Parking Occupancy Receipts shall mean (for convenience of reference only and not to adjust the legal incidence, obligation to pay, or methodology for imposing the Transient Occupancy Tax or the Parking Occupancy Tax, respectively, pursuant to the Transient Occupancy Tax Ordinance or the Parking Occupancy Tax Ordinance, respectively), the offset that the Owner receives for Special Taxes paid against tax receipts an Owner otherwise would remit to the Office of Finance.

“State” means the State of California.

“Taxable Property” means, for each Fiscal Year, all Assessor’s Parcels within the boundaries of CTD No. 2 which are not exempt from the Special Tax for such Fiscal Year as Commercial Property, Residential Property or Public Property or pursuant to law.

“Tenth Anniversary Date” means the date that is ten (10) years after the Commencement Date.

“TOT Aggregate Payments” means the aggregate Transient Occupancy Receipts calculated pursuant to Section F below.

“TOT Aggregate Payments Present Value” means the TOT Aggregate Payments discounted to present value as of the Commencement Date determined using a discount rate of 10%.

“Transient Occupancy Receipts” means the tax based on a percentage of the rents charged by a hotel operator, as such terms are defined in the Transient Occupancy Tax Ordinance, to any person or persons for the privilege of transient occupancy in a hotel located within CTD No. 2 and which amount is subject to the Transient Occupancy Tax Ordinance.

“Transient Occupancy Tax Ordinance” means Article 1.7 of Chapter II of the Los Angeles Municipal Code.

“Twentieth Anniversary Date” means the date that is 20 years after the Commencement Date.

B. Assignment to Land Use Categories

Upon recordation of one or more subdivision maps that subdivide Parcel Q into separate airspace lots, all real property within CTD No. 2 shall be classified automatically as (i) Commercial Property, Residential Property or Public Property, all of which categories shall be exempt from Special Tax, or (ii) Hotel Property or Parking Property, both of which categories shall be Taxable Property.

C. Special Tax Rates

The special tax rate for Hotel Property shall be the rate equal to the Transient Occupancy Taxes paid by the Owner of the Hotel Property pursuant to the Funding Agreement. The special tax rate for Parking Property shall be the rate equal to the Parking Occupancy Taxes paid by the Owner of the Parking Property pursuant to the Funding Agreement.

D. Method of Apportionment of Special Tax

Commencing with the First Fiscal Year, and subject to Section G, the Council, acting as the legislative body of CTD No. 2, shall levy the Special Tax on all Taxable Property, at the Special Tax rates specified herein, which levy shall continue until the total amount of Special Taxes levied, collected and satisfied in all Fiscal Years equals the Cumulative Special Tax Amount. The levy shall be undertaken by Ordinance. Each such annual levy may include an annual appropriations limit to the extent deemed necessary.

E. Manner of Collection

Each month each Owner of Hotel Property or its duly authorized agent shall submit to the Office of Finance information on the Transient Occupancy Tax collected pursuant to the Transient Occupancy Tax Ordinance, in accordance with the Transient Occupancy Tax collection procedures established by the Office of Finance. Concurrently therewith and in accordance with Section 21.7.7 of the Transient Occupancy Tax Ordinance, each Owner of Hotel Property or its duly authorized agent shall transfer to the Fiscal Agent for deposit in the Special Fund required pursuant to the Ordinance and the Funding Agreement and held under the Funding Agreement, its Special Taxes in the amount of the Transient Occupancy Receipts collected by such Owner of Hotel Property during the immediately previous month (or other applicable Office of Finance collection period).

Each month each Owner of Parking Property or its duly authorized agent shall submit to the Office of Finance information on the Parking Occupancy Tax collected pursuant to the Parking Occupancy Tax Ordinance, in accordance with the Parking Occupancy Tax collection procedures established by the Office of Finance. Concurrently therewith and in accordance with Section 21.7.15 of the Parking Occupancy Tax Ordinance, each Owner of Parking Property or its duly authorized agent shall transfer to the Fiscal Agent for deposit in the Special Fund required pursuant to the Ordinance and the Funding Agreement and held under the Funding Agreement, its Special Taxes in the amount of the Parking Occupancy Receipts collected by such Owner of Parking Property during the immediately previous month (or other applicable Office of Finance collection period).

F. Determination of Maximum Hotel Special Tax Amount

After the June 30 (the "End Date") end of each Fiscal Year ("Current Fiscal Year"), the CTD Administrator, or his or her designee, shall: (i) identify all Special Taxes related to Transient Occupancy Receipts paid each month by the Owner during all previous Fiscal Years and the Current Fiscal Year; (ii) determine the total of all such monthly payments (without adding any interest) to and including the End Date ("TOT Aggregate Payments"); (iii) calculate the resulting TOT Aggregate Payments Present Value; and (iv) if applicable, identify the date on which the Maximum Hotel Special Tax Amount is reached. The Maximum Hotel Special Tax Amount shall be reached at the earlier of (i) the Twentieth Anniversary Date or (ii) at the time the TOT Aggregate Payments Present Value equal the Hotel Construction Allocation, at which time the Special Tax related to the Hotel Property shall end. If the Maximum Hotel Special Tax Amount is reached during a Current Fiscal Year such that the Owner of Hotel Property paid Special Taxes in excess of the Maximum Hotel Special Tax Amount and received a corresponding offset against Transient Occupancy Receipts, the Special Taxes paid in excess of the Maximum Hotel Special Tax Amount shall be deemed Transient Occupancy Receipts owed by the Owner of the Hotel Property to the City (without receiving any credit or deduction for Administrative Expenses) pursuant to the Transient Occupancy Tax Ordinance and the Owner shall pay such Transient Occupancy Receipts to the Office of Finance.

G. Term of Special Tax

The Special Tax shall be levied for the period necessary to fully satisfy the Special Tax Requirement, which shall include only the portion of the Fiscal Year (and the portion of the month within such Fiscal Year) in which and to the time at which the Special Tax Requirement Maximum Hotel Special Tax Amount and the Maximum Parking Special Tax Amount are each attained. In no event shall the Special Tax Requirement extend beyond the Twentieth Anniversary Date.

Attachment C
Deposit and Reimbursement Agreement

DEPOSIT AND REIMBURSEMENT AGREEMENT

by and between

CITY OF LOS ANGELES

and

GRAND AVENUE L.A., LLC

**City of Los Angeles
Community Taxing District No. 2
(Grand Avenue Project)**

DEPOSIT AND REIMBURSEMENT AGREEMENT

THIS DEPOSIT AND REIMBURSEMENT AGREEMENT (this “**Deposit Agreement**”), dated as of May 4, 2007, is by and between the CITY OF LOS ANGELES, a charter city organized and existing under and by virtue of the laws of the State of California (the “**City**”), and GRAND AVENUE L.A., LLC, a limited liability company organized and existing under and by virtue of the laws of the State of Delaware (the “**Landowner**”).

WITNESSETH:

WHEREAS, the Landowner intends to submit to the City a petition for the formation of a community taxing district pursuant to the Special Tax Improvements Ordinance of the City of Los Angeles, Chapter 10 of Division 6 of the Los Angeles Administrative Code (the “**Ordinance**”), which application contemplates that a community taxing district, expected to be designated City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) (the “**Community Taxing District**”), will be established pursuant to the Ordinance;

WHEREAS, the City’s policies and procedures for community taxing districts (the “**Policies**”) require that the applicant for formation of a Community Taxing District advance funds to cover all City and consultant costs associated with formation and development of such Community Taxing District;

WHEREAS, Section 6.706 of the Ordinance provides that, at any time either before or after the formation of a community taxing district, the City Council may accept advances of funds from any source, including, but not limited to, private persons or private entities and may provide for the use of those funds for any authorized purpose, including, but not limited to, paying any cost incurred by the City in creating a Community Taxing District;

WHEREAS, Section 6.706 of the Ordinance further provides that the City Council may enter into an agreement with the person or entity advancing the funds, to repay all or a portion of the funds advanced, as determined by the City Council, with or without interest, under all of the following conditions: (a) the proposal to repay the funds is included in the resolution of intention or the ordinance of formation to establish the District, (b) any proposed special tax is approved by the qualified electors of the Community Taxing District pursuant to the Ordinance, and (c) any agreement shall specify that if the qualified electors of the Community Taxing District do not approve the proposed special tax, the City shall return any funds which have not been committed for any authorized purpose by the time of the election to the person or entity advancing the funds; and

WHEREAS, the City and the Landowner desire to enter into this Deposit Agreement in accordance with the Policies and Section 6.706 of the Ordinance in order to provide for the advancement of funds by the Landowner to be used to pay costs incurred in connection with the establishment of the Community Taxing District, and to provide for the reimbursement to the Landowner of such funds advanced, without interest, from the proceeds of any special taxes levied by the Community Taxing District;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants

herein contained, the parties hereto agree as follows:

Section 1. The Deposits and Application Thereof. (a) The Landowner has delivered to the City moneys in the amount of \$25,000 (the “**Initial Deposit**”). The City, by its execution hereof, acknowledges receipt of, and accepts, the Initial Deposit.

(b) The Initial Deposit, together with any subsequent deposit required to be made by the Landowner pursuant to the terms hereof (collectively, the “**Deposits**”), are to be used to pay for any costs incurred for any authorized purpose in connection with the establishment and administration of the Community Taxing District prior to commencement of Special Taxes levied by the Community Taxing District, including, without limitation, (a) the fees and expenses of, and any advances to, any consultants to the City employed in connection with the establishment and administration of the Community Taxing District, including a special tax consultant, financial advisor, fiscal agent and its counsel, and any other consultant deemed necessary or advisable by the City, (b) the costs of publication of notices, preparation and mailing of ballots and other costs related to any hearing, election or other action or proceeding undertaken in connection with the establishment of the Community Taxing District, (c) reasonable charges for City staff time incurred in connection with the establishment and administration of the Community Taxing District, including a reasonable allocation of City overhead expense related thereto, prior to commencement of Special Taxes levied by the Community Taxing District, and (d) any and all other actual costs and expenses incurred by the City in connection with the establishment and administration of the Community Taxing District prior to commencement of Special Taxes levied by the Community Taxing District (collectively, the “**Initial Costs**”). The City may draw upon the Deposits from time to time to pay the Initial Costs.

(c) If, at any time prior to the commencement of Special Taxes levied by the Community Taxing District the unexpended and unencumbered balance of the Deposits is less than \$5,000, the City may request, in writing, that the Landowner make an additional deposit in an amount estimated to be sufficient, together with any such unexpended and unencumbered balance and any special taxes of the Community Taxing District available for such purpose, to pay for all Initial Costs. The Landowner shall make such additional deposit with the City within ten business days of the delivery to the Landowner of the City’s written request therefor. If the Landowner fails to make any such additional deposit within such ten business day period, the City may cease all work related to the establishment of the Community Taxing District.

(d) The Deposits, including any interest earned thereon (which, upon receipt thereof, shall be deemed to be part of the Deposits), shall be held in a separate account with a commercial bank selected by the City. The City shall at all times maintain records as to the expenditure of the Deposits.

(e) The City shall provide the Landowner with a written monthly summary of expenditures made from the Deposits, and the unexpended balance thereof, within ten business days of receipt by the City of a written request therefor submitted by the Landowner. The cost of providing any such summary shall be charged to the Deposits.

Section 2. Return of Deposits; Reimbursement. (a) If the qualified electors of the Community Taxing District do not approve the proposed special tax to be levied therein, the City shall have no obligation to repay the Landowner any portion of the Deposits expended, encumbered or committed to pay Initial Costs. In accordance with Section 6.706 of the Ordinance, if the qualified electors of the Community Taxing District do not approve the proposed special tax to be levied therein, the City shall return to the Landowner any portion of the Deposits which have not been expended, encumbered or committed to pay Initial Costs by the time of the election on said proposed special tax.

(b) If proceedings for the establishment of the Community Taxing District are terminated, the City shall, within ten business days after official action by the City or the Community Taxing District to terminate said proceedings, return the then unexpended, unencumbered and uncommitted portion of the Deposits to the Landowner, without interest.

(c) The City shall not be obligated to advance any of its own funds to pay Initial Costs or any other costs incurred in connection with the creation of the Community Taxing District. All plans, specifications and other documentation for the establishment of the Community Taxing District, and paid for with the Deposits, shall become the property of the City, regardless of whether the Community Taxing District is formed.

Section 3. No Liability for Abandonment of Proceedings. No provision of this Deposit Agreement shall be construed as an agreement, promise or warranty of the City to establish the Community Taxing District. The City shall have no liability under this Deposit Agreement to the Landowner for any decision not to establish the Community Taxing District.

Section 4. Deposit Agreement Not Debt or Liability of City. As provided in Section 6.709(B) of the Ordinance, this Deposit Agreement does not constitute a debt or liability of the City. The City shall not be obligated to advance any of its own funds to pay Initial Costs or any other costs incurred in connection with the establishment of the Community Taxing District. No member of the City Council of the City and no officer, employee or agent of the City shall to any extent be personally liable hereunder.

Section 5. Indemnification. The Landowner hereby agrees to assume the defense of, indemnify and hold harmless the City, and each of its members, officers, employees and agents, from and against all actions, claims or proceedings of every type and description to which they or any of them may be subjected or put, by reason of, or arising out of, any acts or omissions of the Landowner or any of its members, officers, employees, contractors or agents in connection with the establishment of the Community Taxing Districts. The City shall promptly notify the Landowner of any such claim, action or proceeding, and the City shall cooperate in the defense thereof. The obligations of the Landowner under this Section shall not apply to any claims, actions or proceedings arising through the negligence or willful misconduct of the City, its members, officers, employees or agents.

Section 6. Notices. All written notices to be given hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City:

City of Los Angeles
City Administrative Officer
200 North Main Street, 15th Floor
Los Angeles, California 90012
Attention: Debt Management Group

If to the Landowner:

Grand Avenue L.A., LLC
c/o The Related Companies of California
18201 Von Karman Avenue, Suite 900
Irvine, California 92612
Attention: Mr. William A. Witte, President

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram or telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 7. California Law. This Deposit Agreement shall be governed and construed in accordance with the laws of the State of California.

Section 8. Severability. If any part of this Deposit Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Deposit Agreement shall be given effect to the fullest extent reasonably possible.

Section 9. Successors and Assigns. This Deposit Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

Section 10. Counterparts. This Deposit Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Deposit Agreement as of the date first written above.

CITY OF LOS ANGELES

ATTEST:

FRANK T. MARTINEZ, City Clerk

By: *Etta Armstrong*
Deputy City Clerk

By: *Raymond P. ...*
Assistant City Administrative Officer



APPROVED AS TO FORM:

ROCKARD J. DELGADILLO,
City Attorney

By: *Rockard J. Delgadillo*

GRAND AVENUE L.A., LLC,
a Delaware limited liability corporation

By: *William A. Witte*
Name: William A. Witte
Title: Vice President

Attachment D
Funding Agreement

FUNDING AGREEMENT

by and among the

CITY OF LOS ANGELES,

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE PROJECT)

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent, and

GRAND AVENUE L.A., LLC,
a Delaware limited liability company

Dated as of _____ 1, 200__

City of Los Angeles
Community Taxing District No. 2
(Grand Avenue Project)

FUNDING AGREEMENT

THIS FUNDING AGREEMENT (the "Agreement" or the "Funding Agreement") dated as of _____, 2008, is entered into by the City of Los Angeles, a municipal corporation and charter city existing and organized pursuant to the Constitution and laws of the State of California (the "City"), the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) (the "District"), U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), and Grand Avenue L.A., LLC, a Delaware limited liability company (the "Landowner") (each, a "Party" and collectively, the "Parties"), with reference to the following facts:

RECITALS

WHEREAS, the City and the Landowner entered into that certain Implementation Agreement dated as of _____, 2008 (the "Implementation Agreement") pursuant to which the Landowner agreed to undertake various obligations related to constructing a hotel (the "Hotel") and a public parking facility (the "Parking Facility") on real property (the "Property") subsubleased by the Landowner, as subsublessee; and

WHEREAS, the Hotel and the Parking Facility are components of a larger residential and commercial project commonly known as "Grand Avenue"; and

WHEREAS, the Special Tax Improvements Ordinance of the City of Los Angeles, constituting Chapter 10 of Division 6 of the Los Angeles Administrative Code (the "Ordinance") sets out procedures to form a community taxing district to levy special taxes on property owners within a community taxing district to provide financing for various types of property and services, including privately held real property designed or occupied by transients for dwelling, sleeping or lodging purposes; and

WHEREAS, in consideration for the Landowner's agreeing to undertake various obligations related to constructing the Hotel and the Parking Facility on the Property, the City agreed to assist in providing financial assistance to the Landowner through the creation of a community taxing district on the Property pursuant to the Ordinance; and

WHEREAS, the Landowner submitted to the Council of the City a petition requesting the formation of a community taxing district to levy special taxes to finance a portion of the cost of constructing the Hotel and the Parking Facility, and in the petition the Landowner represented that there would be sufficient funds available to pay for all of the costs of constructing the Hotel and the Parking Facility, a portion of which funds would be special taxes levied by a community taxing district to reimburse Landowner for part of such construction costs; and

WHEREAS, the Council of the City, as the legislative body of the District, formed the District pursuant to ordinances entitled "An Ordinance of the Council of the City of Los Angeles of Formation of City of Los Angeles Community Taxing District

No. 2 (Grand Avenue Project) and Authorizing the Levy of a Special Tax within the District” (the “Ordinance of Formation”), and “An Ordinance of the Council of the City of Los Angeles Calling Special Election for City of Los Angeles Community Taxing District No. 2” (the “Election Ordinance”); and

WHEREAS, the City and the Landowner anticipate that the District will reimburse Landowner for a portion of its costs of constructing the Hotel and a portion of its costs of constructing the Parking Facility (collectively, the “Costs”), which would be reimbursed to the Landowner through administration of the District over approximately 10 years with respect to the Parking Facility and approximately 20 years with respect to the Hotel; and

WHEREAS, the Ordinance of Formation incorporated a Rate and Method of Apportionment (the “RMA”) for the District and authorized the City and the District to enter into a funding agreement with the Landowner and a fiscal agent selected by the City Administrative Officer, as CTD Administrator, in order to implement the RMA and administer the District, and the Fiscal Agent was selected to serve as the fiscal agent under this Agreement;

NOW, THEREFORE, the Parties agree as follows:

Section 1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the RMA, a copy of which is attached hereto as **EXHIBIT A** and incorporated herein by this reference.

The term “Implementation Agreement” shall include the Implementation Agreement as amended from time to time, including amendments to change the parties to the Implementation Agreement, provided that for purposes of the RMA and this Agreement any additional party to the Implementation Agreement shall be deemed a “Landowner” or “Owner” only if such additional party acquires a subsubleasehold interest in the real property in the District.

The term “City Treasurer” shall mean the City Treasurer of the City, or his or her designee, or a City official succeeding to the duties of the City Treasurer under this Agreement.

Section 2. Obligations to Finance and Reimburse. The Landowner shall arrange to obtain all funds necessary to construct the Hotel and the Parking Facility, and the City and the District agree that, subject to the terms of this Agreement, the Landowner shall be reimbursed from Special Taxes for a portion of such construction costs over the term of this Agreement. The City, the District and the Landowner hereby agree that the Costs constitute the best estimate of the present value of the moneys to be paid to Landowner out of the Facilities Reimbursement Fund (described below), and the actual costs to be reimbursed to Landowner out of the Facilities Reimbursement Fund shall be established pursuant to formulas in the RMA for calculating the Maximum Hotel

Special Tax Amount and the Maximum Parking Special Tax Amount, which shall be final and binding on the City, the District and the Landowner.

Section 3. Initial Arrangements for Payment of Special Taxes. Thirty (30) days prior to the time when the Hotel will commence operation, the Landowner shall notify the City Administrative Officer (in its capacities as CTD Administrator and City representative), the Office of Finance and the Fiscal Agent in writing of that fact and provide the following additional information in writing: (i) the date the Landowner received a Certificate of Occupancy for the Hotel operations to require the Owner of the Hotel Property and the Owner of the Parking Property to collect transient occupancy taxes ("TOT") and parking occupancy taxes ("Parking Taxes"), respectively, which date shall constitute the Commencement Date under the RMA and on which the Fiscal Agent may rely for purposes of completing and providing the notices pursuant to this Agreement and the CTD Administrator may rely for making calculations required by the RMA and this Agreement, (ii) the legal descriptions or addresses, as applicable, of the real property or properties within the District which are subject to the Transient Occupancy Tax Ordinance or the Parking Occupancy Tax Ordinance, (iii) the names of the persons or entities (collectively, the "Paying Agent"), if any, who will be paying the Special Tax to the Fiscal Agent on behalf of the Owner pursuant to the RMA and this Agreement, and (iv) contact information for any Paying Agent. Reference to "Owner" herein shall include all Owners in the event there is more than one Owner. Upon receipt of such information the Fiscal Agent shall notify the Parties of the Commencement Date pursuant to the Notice of Commencement Date attached hereto as **EXHIBIT B** and incorporated herein by this reference. The "Tenth Anniversary Date" shall be the date that is 10 years after the Commencement Date and the "Twentieth Anniversary Date" shall be the date that is 20 years after the Commencement Date.

Section 4. Determination of Adjusted Hotel Construction Amount. Upon completion of construction of the Hotel and pursuant to the procedures set forth in the Implementation Agreement, the CTD Administrator and the Landowner shall review the Hotel construction costs and financing to reevaluate the maximum amount of Special Taxes to allocate for Hotel construction financing, and shall determine whether or not the present value Costs of such Special Taxes as of the Commencement Date is less than \$60.5 million, which determination shall be evidenced by the Determination of Adjusted Hotel Construction Allocation attached hereto as **EXHIBIT C** and provided to the Fiscal Agent.

Section 5. Determination of Parking Financing Amount. The parties intend that construction of the Parking Facility will be debt financed in whole or in part and that Special Taxes from the Parking Property will be used to pay a portion of Debt Service. Pursuant to Section 3.4 of the Implementation Agreement, the Landowner shall provide the CTD Administrator with information on the financing arrangements for the Parking Facility. The Landowner and the CTD Administrator shall use such information to determine (i) the maximum monthly amount of Special Taxes from the Parking Property allocated to Landowner's Debt Service on a monthly basis calculated for the Parking Facility ("Parking Debt Service") and (ii) the Debt Service Contingency Fund Amount,

and shall complete and execute the Certificate Regarding Determination of Parking Debt Service and Debt Service Contingency Fund attached hereto as **EXHIBIT D**.

Section 6. Reporting of Transient Occupancy Receipts and Payment of Special Taxes. The City, the District and the Landowner each hereby agree and confirm that, pursuant to the RMA, each Owner of a Hotel Property is obligated to submit to the Office of Finance information on the Transient Occupancy Receipts collected by the Owner of a Hotel Property pursuant to the Transient Occupancy Tax Ordinance for the immediately previous month, in accordance with the collection procedures established from time to time by the Office of Finance, and concurrently therewith and as permitted by Section 21.7.7 of the Transient Occupancy Tax Ordinance, each Owner shall transfer or cause to be transferred to the Fiscal Agent for deposit in the TOT Account of the Special Tax Fund established below, its Special Taxes in the amount of the Transient Occupancy Receipts collected by such Owner during the immediately previous month. If the City or the Office of Finance changes the time period for remitting Transient Occupancy Receipts from a monthly basis to some other time period, all references to the monthly periods herein shall be such revised time period. The Owner shall provide written notice to the Fiscal Agent of the amount of Special Taxes related to Transient Occupancy Receipts transferred to the Fiscal Agent; such written notice shall be sent to the Fiscal Agent by facsimile transmission on the date on or before the date such amounts are transferred to the Fiscal Agent, with the original notice sent by first-class mail.

The City, the District and the Landowner agree that the Office of Finance shall have the same power and authority to audit the Owner of Hotel Property regarding its collection of Transient Occupancy Receipts as would apply to all other hotel facilities subject to the Transient Occupancy Tax Ordinance. In the event any such audit results in a change in the amount of Transient Occupancy Taxes owed by the Owner of Hotel Property, the CTD Administrator and the Owner of Hotel Property shall provide a written instruction to the Fiscal Agent to adjust the Log described in Section 9(b) related to Transient Occupancy Taxes and, if necessary, the calculations of the Maximum Hotel Special Tax Amount described in Section 10 to reflect the audit adjustment.

Section 7. Reporting of Parking Occupancy Receipts and Payment of Special Taxes. The City, the District and the Landowner each hereby agree and confirm that, pursuant to the RMA, each Owner of a Parking Property is obligated to submit to the Office of Finance information on the Parking Occupancy Receipts collected by the Owner of a Parking Property pursuant to the Parking Occupancy Tax Ordinance for the immediately previous month, in accordance with the collection procedures established from time to time by the Office of Finance, and concurrently therewith and as permitted by Section 21.15.7 of the Parking Occupancy Tax Ordinance, each Owner shall transfer or cause to be transferred to the Fiscal Agent for deposit in the Parking Tax Account of the Special Tax Fund established below, its Special Taxes in the amount of the Parking Occupancy Receipts collected by such Owner during the immediately previous month. If the City or the Office of Finance changes the time period for remitting Parking Occupancy Receipts from a monthly basis to some other time period, all references to the monthly periods herein shall be such revised time period. The Owner shall provide

written notice to the Fiscal Agent of the amount of Special Taxes related to Parking Occupancy Receipts transferred to the Fiscal Agent; such written notice shall be sent to the Fiscal Agent by facsimile transmission on the date on or before the date such amounts are transferred to the Fiscal Agent, with the original notice sent by first-class mail.

The City, the District and the Landowner agree that the Office of Finance shall have the same power and authority to audit the Owner of Parking Property regarding its collection of Parking Occupancy Receipts as would apply to all other parking facilities subject to the Parking Occupancy Taxes owed by the Owner of Parking Property, the CTD Administrator and the Owner of Parking Property shall provide a written instruction to the Fiscal Agent to adjust the Log described in Section 9(b) related to Parking Occupancy Taxes and, if necessary, the calculations of the Maximum Parking Special Tax Amount described in Section 11 to reflect the audit adjustment.

Section 8. Proration at Termination of Special Taxes. The Parties (other than the Fiscal Agent) hereby acknowledge that it is likely that the Maximum Hotel Special Tax Amount and the Maximum Parking Special Tax Amount, will be reached during the middle of a month (or other applicable time period for the periodic payment of Special Taxes) (each, a "Cut-Off Point"). In order to provide for the correct allocation of moneys deemed Special Taxes before a Cut-Off Point and Transient Occupancy Receipts or Parking Occupancy Receipts after a Cut-Off Point, the CTD Administrator shall provide written instructions to the Fiscal Agent (with copies to the other Parties) of how to properly allocate and where to transfer the moneys deemed Special Taxes before a Cut-off Point and Transient Occupancy Receipts or Parking Tax Receipts after a Cut-Off Point.

Section 9. Funds and Accounts.

(a) Establishment of Funds and Accounts. The Fiscal Agent shall establish and maintain the following funds and accounts for administration and control of the Special Taxes. Interest earnings on any moneys in any funds or accounts created pursuant to this Agreement shall be retained in such fund or account.

- (i) City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) Special Tax Fund (the "Special Tax Fund") with a TOT Account (the "TOT Account") and a Parking Tax Account (the "Parking Tax Account") therein;
- (ii) City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) Administrative Expense Fund (the "Administrative Expense Fund");
- (iii) City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) Debt Service Contingency Fund (the "Debt Service Contingency Fund");

- (iv) City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) Facilities Reimbursement Fund (the "Facilities Reimbursement Fund") with a Hotel Reimbursement Account (the "Hotel Reimbursement Account") and the Parking Facility Reimbursement Account (the "Parking Facility Reimbursement Account") therein; and
- (v) City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) Default Fund (the "Default Fund"), with a Hotel Default Account (the "Hotel Default Account") and a Parking Default Account (the "Parking Default Account") therein.

(b) Special Tax Fund. Upon receipt, the Fiscal Agent shall deposit Special Taxes related to Transient Occupancy Receipts into the TOT Account of the Special Tax Fund and shall deposit Special Taxes related to Parking Occupancy Receipts into the Parking Tax Account of the Special Tax Fund, and shall hold and transfer such Special Taxes on the dates and in the amounts set forth in the following subsections of this Section 9. The Fiscal Agent shall maintain a log (the "Log") of the Special Taxes so received and deposited into each account of the Special Tax Fund so that the Parties shall know the cumulative totals of Special Taxes related to Transient Tax Occupancy Receipts, paid and received, which cumulative totals shall not be adjusted for present or future value or to reflect any interest earnings on such amounts held in the Special Fund or any other fund held under this Agreement. The Fiscal Agent shall send a copy of the Log to the CTD Administrator at the end of each month, and shall provide to any Party requesting the same written information on the cumulative totals of Special Taxes paid, received and deposited into each account of the Special Tax Fund. The Fiscal Agent shall separately document any Special Tax funds that have been transferred to the Default Fund and such Special Tax funds shall not be deemed Special Taxes unless, until and to the extent such funds are transferred from the Default Fund to the Special Tax Fund for ultimate transfer to the Administrative Expense Fund or the Facilities Reimbursement Fund.

(c) Administrative Expense Fund. Upon execution of this Agreement, the Fiscal Agent shall deposit in the Administrative Expense Fund the balance of any moneys held by the Fiscal Agent pursuant to the Depository Agreement dated _____ 2007, between the City and the Fiscal Agent, which moneys the Landowner advanced pursuant to that certain Deposit and Reimbursement Agreement dated May 4, 2007. If the Fiscal Agent has received duly executed Administrative Payment Request Forms referred to in the succeeding sentence, on or before the date amounts are needed to pay Administrative Expenses, the Fiscal Agent shall withdraw from the TOT Account of the Special Tax Fund and deposit in the Administrative Expense Fund an amount necessary, together with amounts on deposit in the Administrative Expense Fund, to pay Administrative Expenses. Upon receipt of a duly executed Administrative Expense Payment Request Form in the form attached hereto as **EXHIBIT E** and incorporated herein by this reference, which evidences the need to pay Administrative Expenses, the Fiscal Agent shall pay such Administrative Expenses. The Fiscal Agent shall pay Administrative Expenses directly to the Payee identified on the Administrative Expense Payment Request Form.

(d) Hotel Reimbursement Account of the Facilities Reimbursement Fund.

Within three (3) business days after receipt by the Fiscal Agent of Special Taxes related to Transient Occupancy Receipts, after transferring any moneys in the TOT Account of the Special Tax Fund to the Administrative Expense Fund as required by subsection (c) above, and subject to subsection (f) below, the Fiscal Agent shall transfer to the Hotel Reimbursement Account of the Facilities Reimbursement Fund, all funds remaining in the TOT Account of the Special Tax Fund. Within three (3) business days thereafter, the Fiscal Agent shall transfer to the Owner of the Hotel Property, all funds then in the TOT Account of the Facilities Reimbursement Fund. Such transfer shall be pursuant to wire instructions or other written instructions provided by the Owner of the Hotel Property to the Fiscal Agent.

(e) Parking Reimbursement Account of the Facilities Reimbursement Fund.

Within three (3) business days after receipt by the Fiscal Agent of Special Taxes related to Parking Occupancy Receipts, and subject to subsection (g) below, the Fiscal Agent shall transfer to the Parking Facility Reimbursement Account of the Facilities Reimbursement Fund, the portion of such funds allocated to Parking Debt Service (defined in Section 11) and any remaining funds shall be transferred to the Debt Service Contingency Fund. Within three (3) business days thereafter, the Fiscal Agent shall transfer to the Owner of the Parking Property, all funds then in the Parking Tax Account of the Facilities Reimbursement Fund. Such transfer shall be pursuant to wire instructions in other written instructions provided by the Owner of the Parking Property to the Fiscal Agent.

(f) Hotel Default Account. If the Fiscal Agent receives a Notice of Default pursuant to Section 13(a) below, and after transferring any moneys to the Administrative Expense Fund pursuant to subsection (c) above, the Fiscal Agent shall transfer all Special Taxes then in the TOT Account of the Special Tax Fund or thereafter received and deposited in the TOT Account of the Special Tax Fund to the Hotel Default Account, and shall continue to do so unless and until the Fiscal Agent receives one of the following notices, in which event the Fiscal Agent shall comply with the applicable instructions in such notice: (i) written notice from the CTD Administrator that the default described in the Notice of Default has been cured and an instruction to transfer the moneys to the Hotel Reimbursement Account of the Facilities Reimbursement Fund, or (ii) written notice from the CTD Administrator that the default described in the Notice of Default cannot or will not be cured, and an instruction to transfer the moneys in the Hotel Default Account to the Office of Finance to satisfy the obligations of the Owner of the Hotel Property to remit Transient Occupancy Receipts to the Office of Finance and, if applicable, that the Special Tax related to the TOT has terminated by virtue of a Developer Event of Default (as defined in the Implementation Agreement and described in Section 13 (a) below) and the Owner of the Hotel Property will thereafter collect and remit Transient Occupancy Receipts directly to the Office of Finance to satisfy its obligations under the Transient Occupancy Tax Ordinance.

(g) Parking Default Account. If the Fiscal Agent receives a Notice of Default pursuant to Section 13(b) below, the Fiscal Agent shall transfer all Special Taxes then in

the Parking Tax Account of the Special Tax Fund or thereafter received and deposited in the Parking Tax Account of the Special Tax Fund to the Parking Default Account, and shall continue to do so unless and until the Fiscal Agent receives one of the following notices, in which event the Fiscal Agent shall comply with the applicable instructions in such notice: (i) written notice from the CTD Administrator that the default described in the Notice of Default has been cured and an instruction to transfer the moneys to the Parking Reimbursement Account of the Facilities Reimbursement Fund, or (ii) written notice from the CTD Administrator that the default described in the Notice of Default cannot or will not be cured, and an instruction to transfer the moneys in the Parking Default Account to the Office of Finance to satisfy the obligations of the Owner of the Parking Property to remit Parking Occupancy Receipts to the Office of Finance and, if applicable, that the Special Tax related to the Parking Tax has terminated by virtue of a Developer Event of Default (as defined in the Implementation Agreement and described in Section 13(b) below) and the Owners of the Parking Property will thereafter collect and remit Parking Occupancy Receipts directly to the Office of Finance to satisfy its obligations under the Parking Occupancy Tax Ordinance.

(h) Accounts. In addition to the funds and accounts described in this Agreement, the Fiscal Agent shall create any accounts within funds as instructed by the CTD Administrator and the Landowner after the Commencement Date (or the Owner of the Hotel Property or the Owner of the Parking Property, as applicable) in writing.

Section 10. Determination of Maximum Hotel Special Tax Amount.

(a) Annual Determination. Within seven (7) business days after the June 30 (“End Date”) end date of each Fiscal Year (the “Current Fiscal Year”) the Fiscal Agent shall provide the CTD Administrator with Log information showing the Special Taxes related to Transient Occupancy Receipts paid each month by the Owner during all previous Fiscal Years and the Current Fiscal Year. Based on this information the CTD Administrator, or his or her designee, shall calculate the TOT Aggregate Payments as of the End Date and the resulting TOT Aggregate Payments Present Value. If the TOT Aggregate Payments Present Value equals or exceeds the Hotel Construction Allocation on or before the End Date, (i) the CTD Administrator shall send to the Parties the Notice of Maximum Hotel Special Tax Amount in the form of the attached **EXHIBIT F**, (ii) the Owner’s obligation to pay Special Taxes related to Transient Occupancy Receipts shall end as of the date the TOT Aggregate Payments Present Value equaled the Hotel Construction Allocation, and (iii) the Owner shall promptly pay any Transient Occupancy Receipts related to and paid in excess of the Hotel Construction Allocation to the Office of Finance as required by Section F of the RMA. If the Maximum Hotel Special Tax Amount has not been reached as of the Twentieth Anniversary Date, promptly after the Twentieth Anniversary Date the Fiscal Agent shall send the notice attached hereto as **EXHIBIT G**.

(b) Mid-Year Determination. If either the CTD Administrator or the Owner of Hotel Property believes the Maximum Hotel Special Tax Amount has been reached during a Fiscal Year, such party may send notice to the other Parties and request the

Fiscal Agent to determine the date on which the Maximum Hotel Special Tax Amount was reached, i.e., when the TOT Aggregate Payments Present Value equaled the Hotel Construction Allocation. Such instructions shall provide sufficient detail to enable the Fiscal Agent to perform this calculation. If the Fiscal Agent determines that the Maximum Hotel Special Tax Amount has been reached, (i), (ii) and (iii) described in Section 10(a) shall apply.

Section 11. Payment of Special Taxes Related to Parking Occupancy Receipts and Determination of Maximum Parking Special Tax Amount. Concurrently with the Owner's payment each month of Special Taxes related to Parking Occupancy Receipts, the Owner shall indicate in writing the amount to be allocated to Parking Debt Service, which amount shall be consistent with the Debt Service schedule set forth in Exhibit D hereto, and the remaining amount, if any, to be deposited into the Debt Service Contingency Fund. The Fiscal Agent shall maintain a log ("Parking Debt Service Log") and record the amount allocated each month to Parking Debt Service and transfer such amount to the Owner pursuant to Section 9(e) above. The Fiscal Agent shall transfer the remaining amount, if any, to the Debt Service Contingency Fund, until the earlier of (i) the Tenth Anniversary Date or (ii) when the Maximum Parking Special Tax Amount is reached. The Fiscal Agent shall send the notice attached hereto as **EXHIBIT H** in the event of (i), or shall send the notice attached hereto as **EXHIBIT I** in the event of (ii).

Section 12. Parking Debt Service Contingency Fund. The Fiscal Agent shall establish and maintain a separate fund to be called the "Debt Service Contingency Fund." Each month the Fiscal Agent shall transfer to the Debt Service Contingency Fund funds, if any, remaining after the monthly payment of Parking Debt Service pursuant to Section 11 above, until the Debt Service Contingency Fund Amount (determined pursuant to the Certificate attached hereto as **EXHIBIT D**) is reached. Interest and/or investment earnings on funds held in the Debt Service Contingency Fund shall be included in calculating whether the Debt Service Contingency Fund Amount has been reached. The Owner of the Parking Property shall be entitled to withdraw funds from the Debt Service Contingency Fund prior to the time the Maximum Parking Special Tax Amount is reached in accordance with the procedures set forth in the next paragraph. The Fiscal Agent shall transfer all funds, if any, including interest and/or investment earnings on such funds then in the Debt Service Contingency Fund, from the Debt Service Contingency Fund to the Owner of the Parking Property, within ten (10) days after the Maximum Parking Special Tax Amount is reached.

If there are funds in the Debt Service Contingency Fund, the Owner of the Parking Property may withdraw some or all of such funds ("Withdrawn Funds") prior to the Tenth Anniversary Date under the following conditions: (i) the Owner of the Parking Property specifies in writing to the CTD Administrator the amount of Withdrawn Funds it desires to withdraw and the date on which it desires to withdraw such funds (the "Withdrawal Date") which shall be no sooner than ten (10) business days after such written notice, (ii) the Owner of the Parking Property provides written evidence reasonably satisfactory to the CTD Administrator which shows that such Withdrawn Funds are necessary to pay Debt Service then due on the Parking Property financing, and

(iii) the Owner of the Parking Property indicates where the Fiscal Agent should send (by wire transfer or otherwise) the Withdrawn Funds to the Owner of the Parking Property. Upon obtaining items (i), (ii) and (iii), the CTD Administrator shall complete and send the Fiscal Agent the Instructions to Transfer Funds from the Debt Service Contingency Fund in the form attached hereto as **EXHIBIT J**. Upon being informed of the Earned Interest Rate (defined in Exhibit J) by the Fiscal Agent pursuant to EXHIBIT J, the CTD Administrator shall (A) determine how much more funds would have been in the Debt Service Contingency Fund if the Withdrawn Funds had remained in the Debt Service Contingency Fund and earned interest at the Earned Interest Rate, by preparing a schedule (the "Withdrawn Funds Schedule") that identifies the Withdrawn Account as of the Withdrawal Date and projects the interest assumed to be earned thereon at the Earned Interest Rate, and (B) send the Withdrawn Funds Schedule to the Fiscal Agent. If the CTD Administrator previously submitted a Withdrawn Funds Schedule to the Fiscal Agent, then the CTD Administrator shall include in any subsequent Withdrawn Funds Schedule, the information shown on all previously submitted Withdrawn Funds Schedules to determine the aggregate of Withdrawn Funds plus interest at the Earned Interest Rate earned from each applicable Withdrawal Date. The Fiscal Agent shall include the information shown on the Withdrawn Funds Schedule last submitted by the CTD Administrator to determine when the Maximum Parking Special Tax Amount is reached. The Owner of the Parking Property shall receive copies of all electronic, facsimile and written communications sent pursuant to this Section 12.

Section 13. Implementation Agreement Events of Default. The Implementation Agreement identifies certain Developer Events of Default that might be committed by an Owner. The CTD Administrator shall determine and notify the applicable parties of Developer Events of Default.

(a) Hotel Event of Default. If a Developer Event of Default related to the Hotel Property occurs under subsections 7.4(a)(2) through 7.4(a)(7) of the Implementation Agreement and the notice and cure period set out in Section 7.4(b) of the Implementation Agreement has run (which shall not be extended by any force majeure periods set out in the Implementation Agreement) the CTD Administrator shall send a Notice of Default to the Fiscal Agent. The Owner of the Hotel Property shall continue to be obligated to pay all Special Taxes related to the Hotel Property to the Fiscal Agent during a Developer Event a Default related to the Hotel Property including after the CTD Administrator has sent the Fiscal Agent a Notice of Default, unless and until a contrary instruction is received pursuant to Section 9(f)(ii) of this Agreement.

(b) Parking Property Event of Default. If a Developer Event of Default related to the Parking Property occurs under subsections 7.4(a)(2) through 7.4(a)(7) of the Implementation Agreement and the notice and cure period set out in Section 7.4(b) of the Implementation Agreement has run (which shall not be extended by any force majeure periods set out in the Implementation Agreement) the CTD Administrator shall send a Notice of Default to the Fiscal Agent. The Owner of the Parking Property shall continue to be obligated to pay all Special Taxes related to the Parking Property to the Fiscal Agent during a Developer Event a Default related to the Parking Property including after

the CTD Administrator has sent the Fiscal Agent a Notice of Default, unless and until a contrary instruction is received pursuant to Section 9(g)(ii) of this Agreement. If the Owner of the Hotel Property fails to reimburse the City for parking tax assistance pursuant to Section 3.3 of the Implementation Agreement, the City shall only be entitled to exercise its remedies under the Implementation Agreement.

Section 14. Term of this Agreement. This Agreement shall terminate upon the later of (i) when the obligation of the Owner of the Parking Property to pay Special Taxes related to the Parking Property ends by reaching the Maximum Parking Tax Special Amount or termination pursuant to Section 9(g)(ii) above, and (ii) when the obligation of the Owner of the Hotel Property to pay Special Taxes related to the Hotel Property ends by reaching the Maximum Hotel Special Tax Amount or termination pursuant to Section 9(f)(ii) above. The CTD Administrator shall provide (i) written notice to the Parties of the termination of this Agreement and (ii) written instructions to the Fiscal Agent (with a copy to all other Parties) of where to transfer any moneys remaining in the funds and accounts established pursuant to this Agreement.

Section 15. Notices. Any written notice, statement, demand, consent or other communication to be given hereunder shall be given to the Party (including the Agency) entitled thereto at its address set forth below, or at such other address as such Party (or the Agency) may provide to the other Parties (and the Agency) from time to time:

If to the City:

City of Los Angeles
City Administrative Officer
200 North Main St., 15th Floor
Los Angeles, CA 90012
Attn: Debt Management Group
Facsimile: 213-847-2203

With copy to:

City of Los Angeles
Office of the City Attorney
200 North Main St., Suite 800
Los Angeles, CA 90012
Attn: Assistant City Attorney
Real Estate and Economic Development

If to the District:

City of Los Angeles Community Taxing District No. 2
c/o City of Los Angeles
City Administrative Officer
200 North Main St., 15th Floor
Los Angeles, CA 90012
Attn: Debt Management Group

If to the City Treasurer:

Treasurer's Office
200 North Spring Street, Suite 201
Los Angeles, CA 90012
Attn: Joya De Foor
Facsimile: 213-978-1719

If to the Landowner:

Grand Avenue L.A., LLC
c/o The Related Companies of California
18201 Von Karman Avenue, Suite 92612
Irvine, CA 92612
Attn: Mr. William A. Witte, President
Facsimile:

With copies to:

Related
60 Columbus Circle
New York, NY 10023
Attn: Michael Orbison

Goodwin Proctor LLP
10250 Constellation Boulevard, 21st Floor
Los Angeles, CA 90067
Attn: Lewis G. Feldman

Mandarin Oriental Hotel Group
345 California Street #1250
San Francisco, CA 94104
Attn: Legal Counsel – The Americas

If to the Fiscal Agent:

U.S. Bank National Association
Corporate Trust Services
633 West Fifth Street
24th Floor
LM-CA-T24T
Los Angeles, CA 90071
Attn: Bertha Mares
Facsimile: 213-615-6196

Each such notice, statement, demand, consent or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served then upon delivery, (b) if given by electronic communication or facsimile, upon the sender's receipt of an appropriate acknowledgement of receipt, (c) if given by registered or certified mail, return receipt requested, depositing with the United States mail postage prepaid, (d) if

given by overnight courier, with courier charges prepaid, 24 hours after delivery to the overnight courier, or (e) if given by any other means, upon delivery at the address specified pursuant to this Section.

Section 16. Books and Records. The Fiscal Agent will keep proper books of records and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the District, the levy of the Special Tax and the deposits and withdrawals of all moneys to the funds and accounts created pursuant to this Agreement. Such books of record and accounts shall at all times during business hours be subject to the inspection and audit by the City or the Landowner or their representatives authorized in writing. In addition, the CTD Administrator's records and calculations related to its duties under this Agreement shall be subject to inspection and audit by the Landowner or its representatives during normal business hours. If any audit identifies changes to the records, accounts or calculations of the Fiscal Agent or the CTD Administrator, as the case may be, and if the CTD Administrator concurs that such changes should be made, then (i) in the case of an adjustment to the Fiscal Agent's records and accounts, the CTD Administrator and the Landowner shall direct the Fiscal Agent's records and accounts, the CTD Administrator and the Landowner shall direct the Fiscal Agent in writing to adjust its records and accounts, or (ii) in the case of an adjustment to the CTD Administrator's records or calculations, the CTD Administrator shall adjust its records or calculations and further direct the Fiscal Agent in writing (with a copy to the Landowner) to make any adjustments to its books, records and accounts that are affected by the CTD Administrator's adjustments. The Fiscal Agent and the CTD Administrator shall distribute revised figures to the Landowner within thirty (30) days after any adjustment.

Section 17. Investments. The Special Taxes shall constitute trust funds for purposes hereof, and shall be kept separately from other Fiscal Agent and District funds. The Fiscal Agent shall invest the moneys held in the funds and accounts hereunder in investments that are legal investments under the laws of the State of California, and specifically (i) the City of Los Angeles General Pool, (ii) the Local Agency Investment Fund (LAIF), (iii) any money market mutual fund registered under the Investment Company Act of 1940, as amended, and which fund has been rated in the top rating category by Moody's or Standard & Poors, including any fund of the Fiscal Agent or for which the Fiscal Agent or any of its affiliates provides administrative, advisory, or management services, and (iv) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof which obligations are backed by the full faith and credit of the United States. The City Treasurer shall direct all investments of any funds held in the funds and accounts hereunder. All investment directions shall be confirmed in writing, which may be by facsimile. The Fiscal Agent shall not be responsible for any loss from investments made by the Fiscal Agent and the Fiscal Agent shall not be responsible for determining if any investment is a legal investment under the laws of the State of California. Neither the City nor the District shall be liable or responsible for any loss resulting from any investment made in accordance herewith. The City, the District and the Landowner acknowledge that to the extent regulations of the Controller of the Currency or other

applicable entity grant the Parties the right to receive brokerage confirmations of security transactions as they occur, the City, the District and the Landowner specifically waive receipt of such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the City Treasurer and the District all transaction statements that include detail for all investment transactions made by the Fiscal Agent hereunder.

Section 18. Fiscal Agent Responsibilities and Requirements

(a) Employment of the Fiscal Agent. In consideration of the recitals hereinabove set forth and for other valuable consideration, the District hereby agrees to employ the Fiscal Agent to receive, hold, invest, and disburse the moneys received hereunder; and to perform certain other functions; all as herein provided and subject to the terms and conditions of this Funding Agreement.

(b) Acceptance of Employment. In consideration of the compensation herein provided for, the Fiscal Agent accepts the employment referred to herein subject to the terms and conditions of this Funding Agreement.

(c) Fiscal Agent; Duties, Removal and Resignation. By executing and delivering this Funding Agreement, the Fiscal Agent accepts the duties and obligations of the Fiscal Agent provided in this Funding Agreement, but only upon the terms and conditions set forth in this Funding Agreement. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust and agency business, provided that such company shall meet the requirements set forth in this Section, shall be the successor to the Fiscal Agent under this Funding Agreement, and all of the powers, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding. The Fiscal Agent may resign by giving thirty (30) days written notice to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Fiscal Agent within thirty (30) days following receipt of such notice of resignation, the resigning Fiscal Agent may at the expense of the District petition the appropriate court having jurisdiction to appoint a successor Fiscal Agent. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent. Notwithstanding any other provision of this Funding Agreement, no removal, resignation, or termination of the Fiscal Agent shall take effect until a successor shall be appointed by the District.

(d) Compensation of the Fiscal Agent. The District shall from time to time, subject to any agreement in effect with the Fiscal Agent, pay to the Fiscal Agent reasonable compensation for its services and shall reimburse the Fiscal Agent for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents, and

attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. The Landowner shall also reimburse the Fiscal Agent for any claims or liabilities incurred by the Fiscal Agent in the execution and performance of the duties of the Fiscal Agent under this Agreement, provided that the Fiscal Agent shall not be reimbursed for any claims or liabilities resulting from the willful misconduct or negligence of the Fiscal Agent or not authorized by this Agreement. The Fiscal Agent shall not have any claims or lien for payment of compensation for its services against any other moneys held by it in the funds or accounts established hereunder but may take whatever legal actions are lawfully available to it directly against the District.

(e) Protection of the Fiscal Agent. The Fiscal Agent shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, opinion, affidavit, voucher, bond, requisition, or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed, or delivered by the proper party or pursuant to any of the provisions of this Funding Agreement, and the Fiscal Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Fiscal Agent may consult with counsel, who may be counsel to the District or the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith. Whenever in the administration of its duties under this Funding Agreement, the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by a certificate of the District or the City and such certificate shall be full warranty to the Fiscal Agent for any action taken or suffered under the provisions of this Funding Agreement upon the faith thereof, but in its discretion the Fiscal Agent may (but shall have no duty), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Fiscal Agent, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City or the District, and may act as depository, Fiscal Agent, or agent for any obligations of the District or the City as freely as if it were not the Fiscal Agent hereunder. The Fiscal Agent may, to the extent reasonably necessary, execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder, and the Fiscal Agent shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care. The Fiscal Agent shall not be answerable for the exercise of any discretion or power under this Funding Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence. The Fiscal Agent undertakes to perform such duties, and only such duties as are specifically set forth in this Funding Agreement and no implied duties or obligations shall be read into this Funding Agreement against the Fiscal Agent. No provision in this Funding Agreement shall require the Fiscal Agent to risk or

expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder. The Fiscal Agent shall not be accountable for the use or application by the City, the Landowner, or the District or any other party of any funds which the Fiscal Agent has released in accordance with the terms of this Funding Agreement. The immunities extended to the Fiscal Agent also extend to its directors, officers, employees, and agents. The permissive right of the Fiscal Agent to do things enumerated in this Funding Agreement shall not be construed as a duty.

Section 19. Miscellaneous

(a) Severability. If any covenant, agreement, or provision, or any portion thereof, contained in this Funding Agreement, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid, or unenforceable, the remainder of this Funding Agreement and the application of any such covenant, agreement, or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Funding Agreement shall remain valid.

(b) Validity of Multiple Copies. This Funding Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes, as an original; and such counterpart shall constitute but one and the same instrument.

(c) Headings. Any headings preceding the texts of the several Articles hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Funding Agreement, nor shall they affect its meaning, construction or effect.

(d) Governing Law. All provisions of this Funding Agreement are to be governed by the laws of the State of California.

(e) Amendments. The terms of this Agreement shall not be waived altered, modified, supplemented or amended except by written instrument signed by the Parties, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

(f) Exhibits. The provisions of all exhibits referenced in this Agreement are hereby incorporated into this Agreement.

IN WITNESS WHEREOF, the parties have executed this Funding Agreement effective as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION,
as the Fiscal Agent

By: _____
Its: _____

CITY OF LOS ANGELES
COMMUNITY TAXING DISTRICT
NO. 2 (GRAND AVENUE PROJECT),
as CTD Administrator

By: _____
City Administrative Officer

CITY OF LOS ANGELES

ATTEST:

KAREN E. KALFAYAN,
Acting City Clerk

By: _____
City Administrative Officer

By: _____
Deputy City Clerk

APPROVED AS TO FORM

ROCKARD J. DELGADILLO,
City Attorney

By: _____
Assistant City Attorney

GRAND AVENUE L.A., LLC.
a Delaware limited liability company

By: _____
: William A. Witte
Title: Vice President

EXHIBIT A

**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF LOS ANGELES
COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE PROJECT)**

EXHIBIT B

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE PROJECT)

NOTICE OF COMMENCEMENT DATE

[ADDRESSES]

Ladies and Gentlemen:

The undersigned received from the Landowner written notice (the "Notice") that a [temporary] Certificate of Occupancy ("C of O") was issued by the City's Department of Building and Safety for the Hotel, which C of O was dated _____ (the "Commencement Date"). Based on the Notice, the Tenth Anniversary Date shall be [fill in date 10 years after the Commencement Date] and the Twentieth Anniversary Date shall be [fill in date 20 years after the Commencement Date]. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Funding Agreement dated as of _____ 1, 200_, by and among the City of Los Angeles, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project), the undersigned, as Fiscal Agent, and Grand Avenue L.A., LLC, a Delaware limited liability company.

Dated:

[FISCAL AGENT]

EXHIBIT C

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE PROJECT)

DETERMINATION OF ADJUSTED HOTEL CONSTRUCTION ALLOCATION

[Address of Fiscal Agent]

Pursuant to Section 4 of that certain Funding Agreement dated as of _____ 1, 200_ (the "Funding Agreement"), by and among the City of Los Angeles, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project), the Fiscal Agent, and Grand Avenue L.A., LLC, a Delaware limited liability company, the undersigned hereby inform you that the undersigned reviewed the Hotel construction costs and financing and reevaluated the financing related to Special Taxes as of the Commencement Date. [Because such amount is valued at greater than \$60.5 million as of the Commencement Date, the Hotel Construction Allocation shall be \$60.5 million.] [Because such amount is valued at less than \$60.5 million as of the Commencement Date, and is \$_____ as of the Commencement Date, \$_____ shall be the Hotel Construction Allocation.]

All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Funding Agreement.

Dated:

CITY OF LOS ANGELES

By: _____
City Administrative Officer, as
CTD Administrator

GRAND AVENUE L.A., LLC,
a Delaware limited liability company

By: _____
Its: _____

EXHIBIT D

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE PROJECT)

DETERMINATION OF PARKING DEBT SERVICE AND
DEBT SERVICE CONTINGENCY FUND

[ADDRESSES]

Pursuant to Section 5 of that certain Funding Agreement dated as of _____ 1, 200__ (the "Funding Agreement"), by and among the City of Los Angeles, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project), the Fiscal Agent, and Grand Avenue L.A., LLC, a Delaware limited liability company, the undersigned hereby inform you that the Parking Debt Service on a monthly basis is attached hereto as Exhibit A and the Debt Service Contingency Fund Amount is _____.

All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Funding Agreement.

Dated:

CITY OF LOS ANGELES

By: _____
City Administrative Officer, as
CTD Administrator

GRAND AVENUE L.A., LLC,
a Delaware limited liability company

By: _____
Its: _____

EXHIBIT E

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE PROJECT)

ADMINISTRATIVE EXPENSE PAYMENT REQUEST FORM

[ADDRESSEE]

Ladies and Gentlemen:

PAYMENT REQUEST NO. _____

The Fiscal Agent is hereby requested to pay from the Administrative Expense Fund established pursuant to the Funding Agreement dated as of _____, 200_, by and among the City of Los Angeles, Grand Avenue L.A., LLC, a Delaware limited liability company, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project) and you, as Fiscal Agent, to the person, corporation, or other entity designated below as Payee, the sum set forth below such designation, in payment of the Administrative Expense described below. The amount shown below is due and payable under a purchase order, contract or other authorization with respect to the Administrative Expense described below and has not formed the basis of any prior request for payment.

Payee:

Address:

Amount: \$

Description:

**CITY OF LOS ANGELES
COMMUNITY TAXING DISTRICT NO.
2 (GRAND AVENUE PROJECT),
as CTD Administrator**

By: _____

EXHIBIT F

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(CONVENTION CENTER HOTEL)

NOTICE OF MAXIMUM HOTEL SPECIAL TAX AMOUNT

[ADDRESSEES]

Ladies and Gentlemen:

Pursuant to the Funding Agreement dated as of _____ 1, 200_ (the "Funding Agreement"), by and among the City of Los Angeles, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project), the undersigned, as Fiscal Agent, and Grand Avenue L.A., LLC, a Delaware limited liability company, the undersigned hereby gives notice that as of _____ the TOT Aggregate Payments Present Value equaled the Hotel Construction Allocation, and as of such date the Maximum Hotel Special Tax Amount was reached.

Because the Maximum Hotel Special Tax Amount was reached prior to the Twentieth Anniversary Date, the Owner is no longer obligated to pay Special Taxes related to Transient Occupancy Receipts as of such date.

All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Funding Agreement.

Dated:

[FISCAL AGENT]

EXHIBIT G

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE HOTEL)

NOTICE OF TWENTIETH ANNIVERSARY DATE

[ADDRESSEES]

Ladies and Gentlemen:

Pursuant to the Funding Agreement dated as of _____, 200_ (the "Funding Agreement"), by and among the City of Los Angeles, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project), the undersigned, as Fiscal Agent, and Grand Avenue L.A., LLC, a Delaware limited liability company, the undersigned hereby gives notice that the Twentieth Anniversary Date, [fill in date from Exhibit B notice], has been reached, and as of the Twentieth Anniversary Date the Owner has paid all Special Taxes related to Transient Occupancy Receipts and required to be paid pursuant to the RMA and the Funding Agreement, and the Owner's obligation to pay and remit such Special Taxes related to Transient Occupancy Receipts has been satisfied.

All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Funding Agreement.

Dated:

[FISCAL AGENT]

EXHIBIT H

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE HOTEL)

NOTICE OF TENTH ANNIVERSARY DATE

[ADDRESSEES]

Ladies and Gentlemen:

Pursuant to the Funding Agreement dated as of _____, 200_ (the "Funding Agreement"), by and among the City of Los Angeles, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project), the undersigned, as Fiscal Agent, and Grand Avenue L.A., LLC, a Delaware limited liability company, the undersigned hereby gives notice that the Tenth Anniversary Date, [fill in date from Exhibit B notice], has been reached, and as of the Tenth Anniversary Date the Owner has paid all Special Taxes related to Parking Occupancy Receipts and required to be paid pursuant to the RMA and the Funding Agreement, and the Owner's obligation to pay and remit Special Taxes related to Parking Occupancy Receipts has been satisfied.

All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Funding Agreement.

Dated:

[FISCAL AGENT]

EXHIBIT I

CITY OF LOS ANGELES COMMUNITY TAXING DISTRICT NO. 2
(GRAND AVENUE HOTEL)

NOTICE OF MAXIMUM PARKING SPECIAL TAX AMOUNT

[ADDRESSEES]

Ladies and Gentlemen:

Pursuant to the Funding Agreement dated as of _____, 200_ (the "Funding Agreement"), by and among the City of Los Angeles, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project), the undersigned, as Fiscal Agent, and Grand Avenue L.A., LLC, a Delaware limited liability company, the undersigned hereby gives notice that the Maximum Parking Special Tax Amount has been reached as of _____, and as of said date the Owner has paid all Special Taxes related to Parking Occupancy Receipts and required to be paid pursuant to the RMA and the Funding Agreement, and the Owner's obligation to pay and remit Special Taxes related to Parking Occupancy Receipts has been satisfied.

All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Funding Agreement.

Dated:

[FISCAL AGENT]

EXHIBIT J

INSTRUCTIONS TO TRANSFER FUNDS IN THE DEBT SERVICE
CONTINGENCY FUND TO THE OWNER OF PARKING PROPERTY

[ADDRESSEE]

Pursuant to Section 12 of that certain Funding Agreement dated as of _____ 1, 200_ (the "Funding Agreement"), by and among the City of Los Angeles, the City of Los Angeles Community Taxing District No. 2 (Grand Avenue Project), the Fiscal Agent, and Grand Avenue L.A., LLC, a Delaware limited liability company, the undersigned hereby instructs you as follows:

1. On _____ (the "Withdrawal Date") you shall withdraw funds in the Debt Service Contingency Fund in the amount of \$ _____ ("Withdrawn Funds") and transfer the Withdrawn Funds to _____ pursuant to the following [wire instructions]: _____; and
2. Identify the interest rate at which private depository institutions lend balances of federal funds at the Federal Reserve to other depository institutions, commonly known as the "Fed Funds Rate" ("Earned Interest Rate") applicable on the Withdrawal Date (defined above) and notify the CTD Administrator and the Owner of the Parking Property of the Earned Interest Rate by electronic mail or facsimile.

Payee:

Address:

Amount: \$

Description:

**CITY OF LOS ANGELES
COMMUNITY TAXING DISTRICT NO.
2 (GRAND AVENUE PROJECT),
as CTD Administrator**

By: _____

Section 309	As necessary		Revise consistent with Section 308 comments above	
ARTICLE 4: Program Operations				
	Subdivision (a, b, c, etc.)	Paragraph (1, 2, 3, etc.)		Comment
Section 310: Legal Documents				
Section 311: Reporting Requirements				
Section 312: Performance Requirement				
Section 313: Defaults and Cancellations				
Section 314: Prevailing Wages				

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