

THE SILVERSTEIN LAW FIRM

A Professional Corporation

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September 8, 2010

ORIGINAL

VIA HAND DELIVERY

Los Angeles City Council
City of Los Angeles
200 N. Spring Street, Rm. 395
Los Angeles, CA 90012

Re: Objections to Proposed Amended and Restated Disposition and
Development Agreement with Slauson Central LLC re Slauson Central
Retail Center Project, and all related approvals, City Council Continuation
Agenda Item No. 47, Council File No. 07-7174

Honorable Council Members:

I. INTRODUCTION.

This firm and the undersigned represent Mr. Stanley Kramer and Kramer Metals, Inc., interested parties regarding the properties located at 944-1010 and 1040 E. Slauson Avenue, the site of the proposed Slauson Central Retail Center Project ("Project"). We object to the approval of the proposed Amended and Restated Disposition and Development Agreement ("DDA") for the Project.

We incorporate by reference all prior administrative record and litigation documents related to the Project and the historic objections related to the Project, including but not limited to our July 9, 2010 objection letter. Please provide this office with notice of any and all actions, hearings and decisions related to this matter.

II. THE MAY 25, 2010 LADOT LETTER IS NOT SUBSTANTIAL EVIDENCE IN SUPPORT OF THE CITY'S CONCLUSION THAT THE PROJECT WILL NOT TRIGGER AN INDIVIDUAL OR COMMULATIVE TRAFFIC IMPACT.

On August 7, 2008, we objected to the Community Redevelopment Agency of the City of Los Angeles's ("CRA") approval of a so-called Amended and Restated Disposition and Development Agreement ("DDA") for the Project. Successful Brown

Act litigation by this firm caused the City Council's August 15, 2008 approvals of the DDA and Project to be invalidated.

On June 2, 2010, the City Council rescinded the Project Approvals in response to the writ of mandate issued by the Los Angeles Superior Court in the Brown Act case. On July 9, 2010, the City Council re-approved the Project over new objections by this firm and by a large number of persons who attended the public hearing.

In response to this firm's demand to cure and correct a Brown Act violation in connection with the July 9, 2010 public hearing, on or about August 18, 2010, the City Council again rescinded the Project approvals. The Brown Act violation related to the City's failure to make available for public review the May 25, 2010 letter of the Los Angeles Department of Transportation ("LADOT Letter").

Today's action is the City Council's proposed re-adoption of the CRA's August 7, 2008 actions, but without any new review by the CRA or preparation of a legally sufficient environmental document. Thus, the City Council today attempts to continue the illegal actions that have marred this Project.

Attached as **Exhibit 1** hereto is a copy of the analysis of Clyde E. Sweet of the LADOT Letter, and Mr. Sweet's CV. As Mr. Sweet observes, the LADOT Letter provides two percentage figures: "the a.m. peak hour projections are 13% higher than the actual counts, and the p.m. peak hour projections are 7% higher than the actual counts." These percentage figures are unsupported by a traffic study showing when and under what circumstances the "actual counts" were made. In fact, no supporting data for the LADOT Letter is found either in the official City Council file or the CRA's project file which our office inspected on September 7, 2010.

Our July 9, 2010 objection letter, incorporated herein by this reference, exhaustively documented how the CRA pre-determined that the level of environmental review would be a mere addendum and not a Supplemental MND or EIR when it executed a purchase order for an addendum before any assessment of the data was undertaken. When Terry A. Hayes Associates assessed the data from the LAUSD High School project just .2 miles from the Project, it found in a May 11, 2008 memo that the cumulative traffic impacts could not be reduced below the threshold of significance for the intersection of Slauson and Central Avenues.

The record shows that instead of ordering the preparation of a Supplemental MND or EIR, the CRA staff and attorneys schemed with its EIR consultant to dilute the

cumulative traffic impact by using traffic data from the LAUSD High School and a much less relevant Wetlands Park EIR which is located .7 miles from the Project. After mixing the cumulative traffic of both EIRs, the falsely diluted traffic projection was used to claim that the cumulative traffic impact could be mitigated, and no Supplemental MND or EIR was required.

Therefore, the cumulative traffic projections contained in the August 2008 addendum are invalid as a violation of the California Environmental Quality Act's requirement that the Lead Agency make a good faith effort at full disclosure of potential impacts. The evidence in this case shows just the opposite: the numbers were diluted downward and it is not known by how much.

The LADOT Letter wholly relies upon the cumulative traffic projections in the August 2008 addendum, and then claims that the "actual counts" recently made were lower by certain percentages. However, because the cumulative traffic projections were suppressed using the dilution scheme, no valid conclusions can be drawn by making comparisons to them. The old adage of "garbage in, garbage out" applies.

Furthermore, as previously set forth in objection letters to the CRA, the additional 3% credit for ATCS and the additional 10% credit for the right turn lane at Slauson and Central Avenues may or may not be properly counted as credits toward determining whether or not thresholds of significance remain exceeded. Even using the LADOT's own figures claiming that a.m. peak hour counts are 13% lower and p.m. peak hour counts are 7% lower would mean that if the August 2008 addendum credits for ASTC and the turn lane were determined to be improper by a Court, then both morning and afternoon thresholds would be exceeded and a Supplemental MND or EIR would be required.

Additionally, the LADOT Letter merely looked at comparisons of alleged "actual traffic counts" to the traffic projections in the 2008 addendum. In the intervening years, existing or future projects may have been approved in the area that would affect future traffic growth patterns. The LADOT Letter concedes that it only looked at "current" traffic counts and not future growth based upon all foreseeable projects on the horizon. Having conceded that it did not examine any future growth based upon an updated list of foreseeable future projects, the LADOT Letter is not substantial evidence in the record that there can be no significant cumulative traffic impact.

Finally, and perhaps most significantly, CEQA mandates that a Lead Agency demonstrate no significant impacts after mitigation with substantial evidence in the

record. The LADOT Letter is opinion, but it is unsubstantiated by any of the raw traffic counts, turning movement counts, and other supporting data. The bare assertion of certain percentages in the LADOT Letter, without the supporting explanation and disclosure of the data, means that the conclusions are not substantial evidence in the record in support of a conclusion of no significant cumulative traffic impact from the Project.

III. THE SILVERSTEIN LAW FIRM'S SEPTEMBER 7, 2010 COMPLAINT LETTER TO THE DISTRICT ATTORNEY ESTABLISHES THAT SLAUSON CENTRAL, LCC CANNOT FULFILL ITS DDA CONDITIONS OF CLOSING.

Let the record reflect that on September 7, 2010, this firm filed a complaint letter with the District Attorney regarding contractual irregularities in the Purchase and Sale Agreement and Amendments between Slauson Central LLC and Slauson Central Partners, L.P. During testimony before the City Council, we submitted to the City Clerk 17 full copies of the 140-page complaint and exhibits to enable City Council members to review the content of the complaint prior to consideration of the Project today. Additionally, concurrent with this letter, we have filed a full copy of that September 7, 2010 letter with the City Clerk's office prior to this meeting.

The irregularities identified include evidence that Slauson Central Partners, L.P. is not registered and in good standing under the laws of California, and that the Purchase and Sale Agreement was signed in the individual capacities of Juanita Tate and Curtis Fralin, instead of on behalf of the corporate partners identified as the "authorized purchaser" of the Project in many years of CRA staff reports.

As explained more fully in that letter, it appears that Juanita Tate, her daughter Noreen McClendon, and Curtis Fralin may have executed the misleading and void Purchase and Sale Agreement in order make it appear that there was a valid agreement. It does not appear that Slauson Central LLC can fulfill certain financial obligations that are required as a condition of the DDA. For this reason, the Project must be denied by City Council and returned to the CRA for a full investigation of these contractual irregularities.

IV. CONCLUSION.

For all of the foregoing reasons, the DDA and related approvals cannot legally be approved. There is no adequate CEQA document to support the approvals. Additionally, contractual irregularities suggest that the CRA Board and possibly Regency Realty have

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been materially misled by Juanita Tate, Noreen McClendon, and Curtis Fralin in ways that prevent Slauson Central, LLC from fulfilling its contractual obligations under the DDA.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. P. Silverstein", written over a horizontal line.

ROBERT P. SILVERSTEIN

FOR

THE SILVERSTEIN LAW FIRM

RPS:aa

CES Clyde E. Sweet and Associates

2459 Conejo Drive
San Bernardino, CA 92404-4210
office 909-882-7802 fax 909-883-1217
e-mail traffic24@cs.com

September 7, 2010

Mr. Robert P. Silverstein
Attorney At Law
215 North Marengo Avenue
3rd Floor
Pasadena, CA 91101-1504

SUBJECT: Slauson Central Plaza MND Addendum Letter from City of Los Angeles
Department of Transportation dated May 25, 2010.

Dear Mr. Silverstein:

At your request, a review was made of the traffic comments within the MND Addendum letter. Some summary comments and questions are included in this statement.

The Department of Transportation letter, dated May 25, 2010, presents conclusions about the relevance and applicability of the traffic impact study that was prepared for the project MND in 2008, more than two years ago. The MND traffic study included a target date for the completion of the proposed project by 2010, but that possibility has passed, and the currently projected completion date is as late as 2013.

The conclusions in the Department of Transportation letter are purported to be based on actual traffic counts made in 2010 at five intersections for which projections of future traffic volumes had been made in the MND. However, none of the data upon which the conclusions are based have been included as documentation attached to the letter or circulated to the public. Neither the MND projections for year 2010 intersection traffic nor the actual year 2010 counts are provided for comparison by the reader. Only a single piece of apparent data is presented for each peak hour – “the a.m. peak hour projections are 13% higher than the actual counts, and the p.m. peak hour projections are 7% higher than the actual counts.”

- Were those percentage differences uniform at each of the five study intersections, or, were some differences higher than the average and others lower than the average? Factually, it appears extremely unlikely that each of the five study intersections yielded the identical percentage conclusions as presented.
- Did any of the differences show actual counts that were higher than the projections?
- Were the differences at each intersection substantially uniform for each turning movement?
- If one were to consider only the critical movements at each intersection – that is, the movements that were used to determine the magnitude and significance of the project’s traffic impact – would the percentages of differences be the same?
- Is it possible that there might be one or more intersections at which the magnitude of the project impact would be higher using the new 2010 count data as a base for calculation of the impacts?
- If the projections in the 2008 MND study included consideration of other related projects that could be built in the area (as stated in the letter), that component of the study should be updated to include additional

Mr. Robert P. Silverstein
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related projects that have been proposed or approved in the last two years, since the completion of the MND study.

Without the count data being publicly circulated, and given that the detailed comparisons upon which the DOT's May 25, 2010 letter conclusions are based have not been provided, the reader cannot determine all of the potential consequences of using the out-dated traffic counts. The count data and intersection volume comparisons, as well as any new related projects information, should be presented for review by the decision-makers and the public. Until that occurs, the DOT's May 25, 2010 letter as it is presented, offers nothing useful toward project analysis. To the contrary, it highlights significant deficiencies in the City's disclosure, analysis, and mitigation of likely significant and unmitigable traffic impacts. The DOT's May 25, 2010 letter does not appear to comply with the CEQA requirement that the City engage in a "good faith effort at full disclosure."

Respectfully submitted,

A handwritten signature in black ink that reads "Clyde E. Sweet, Jr. P.E." The signature is written in a cursive, flowing style.

Clyde E. Sweet, Jr. P. E., T. E.
California Professional Engineer

CLYDE E. SWEET, JR., P. E, T. E.
CLYDE E. SWEET AND ASSOCIATES
RESUME WITH TRAINING

PROFESSIONAL REGISTRATIONS

Registered Civil Engineer, California, C26690, 1976
Registered Traffic Engineer, California, TR205, 1976
Professional Engineer, District of Columbia, PE5548, 1964 (CIVIL)

EDUCATION

University of the Pacific, Bachelor of Science in Civil Engineering, Stockton
California, 1960
Certificate in Highway Traffic, 1961, Yale University (recognized as Master of
Science equivalent)
Diploma from U. S. Army Artillery and Missile Officer School, 1963.
Courses in City Planning, Management, Highway Capacity, Traffic Impact of
Development, Computers, Economics, Statistics and Microsoft Office and
Word Perfect Office products.
Course in using TRANSYT7F AND PASSER for signal coordination.
Currently licensed to use Signal Coordination software.
Certificate in Intelligent Transportation Systems Standards.
Certificate in ITS Actuated Traffic Signals/Advanced Transportation Controllers

FIRM ESTABLISHED

Clyde E. Sweet and Associates, Established July, 1976
Traffic and Transportation Engineering

CURRENT POSITION

Traffic and Transportation Engineering Consultant, Clyde E. Sweet and Associates

TRAINING PROGRAMS

Defensive Driving Training for Paratransit Operations - 3 Day Course w/Audio

SPECIALIZED TRAINING

Certified Identity Theft Risk Management Specialist

Clyde E. Sweet, Jr. P.E., T. E.

Resume

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EXPERIENCE

Mr. Sweet had worked with the City of Fontana from 1988 and was employed by the City as a Principal Civil Engineer/City Traffic Engineer from 1990 to 2002. He has served as Acting Deputy Public Works Director in the previous Public Works Department and served as Deputy City Engineer from 1991 to 2000 under City Engineer Robert Weddle. Mr. Sweet has also been responsible for Land Development activities in the past and served as the Fontana City Traffic Engineer until retirement from the City in August, 2002.

He was responsible for Federal Grant support, Highway Planning Monitoring System (HPMS) reporting, signal coordination studies, circulation element traffic support, Congestion Management Plan (CMP) monitoring, The Regional Transportation Improvement Program (RTIP) submittal, and traffic model screen line testing and support.

Mr. Sweet was also responsible for traffic operations, traffic planning (traffic volumes, data collection and seasonal data adjustment), traffic system management, school area safety and traffic circulation and the installation and maintenance of all official traffic control signals and responsible for ordering traffic control device installations. He was responsible for maintaining speed limits in the 40 plus square miles of Fontana. The traffic signal system in the City is currently state of the art and will carry the City of Fontana through the future years. The new Traffic Management Center provided the City and any associated Agencies with the ability to monitor multiple signal systems and to adjust traffic signal coordination patterns to provide for events and incidents. With future fiber optics and wireless communications, there will be fully functional video management for streets.

Since retirement, Mr. Sweet has served cities in the Inland Empire with Traffic

Clyde E. Sweet, Jr. P.E., T. E.

Resume

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Engineering and Planning services. He has done work directly for the Cities of Rialto, Colton, Highland, Desert Hot Springs and Blythe and the County of Imperial. Mr. Sweet has conducted traffic impact studies for residential, commercial, industrial and specialized housing developments in San Bernardino County, Riverside County and Los Angeles County areas, including the cities of Redlands, San Bernardino, Loma Linda, Highland, Rialto, Fontana, Pomona, Indio, Riverside, Victorville, Adelanto, Rancho Cucamonga, Colton, Yucca Valley, Blythe, Twentynine Palms and others. He has also carried out traffic studies for unique situations with private development to solve particular traffic situations.

He was contracted with the City of Rialto to carry out on-call Transportation and Traffic Engineering work for the Public Works Department, Engineering Division and worked for the City Engineer. Traffic Signal Design Guidelines were prepared to carry out the engineering goals of the City and a traffic counting program was instituted to obtain the required information for completing the HPMS reports that are due each year. A data collection program has also been incorporated to provide the City with the ability to monitor traffic volumes and to factor traffic volumes (seasonal data adjustment) to AADT and ADT and provide for adjustments to signal coordination timing when it is installed in the City signal system. Mr. Sweet prepared the Rialto Traffic Study and Report Policy and the Work Zone Safety Ordinance with Regulations which were adopted by the City Council. He also prepared the RFP for the City-Wide Traffic Model which utilized the traffic data collected for the City as part of the basis for developing a city-wide, multi-modal model for the development of the City. He also prepared the city-wide speed zoning reports and developed school zone reports to meet the latest requirements of Caltrans. A Congestion Management Plan (CMP) analysis procedure is also currently in place.

Clyde E. Sweet, Jr. P.E., T. E.

Resume

Page four of five

Additional Rialto work references may be obtained from Mr. Tim Mim Mack, now with the City of Ontario, California.

He is currently contracted with the County of Imperial to carry out on-call Transportation and Traffic Engineering work for the Public Works Department

Mr. Sweet has been affiliated with Lockwood Engineering, David Evans and Associates, Joseph Bonadiman and Associates and Williams Architects. With Lockwood Engineering, Mr. Sweet has served as the Consultant Traffic Engineer to the Development Services Department of the City of Rialto. In this capacity, he recommended traffic impact analyses, reviewed proposed development traffic impact studies and reviewed various traffic plans and designs. Associated with David Evans and Associates, he has developed signal coordination for the 210 Freeway detour and reviewed signalized intersections for timing analysis. He has also designed traffic signals for the City. He has assisted Joseph Bonadiman and Associates with traffic impacts and design considerations of new development access. He has assisted Williams Architects with parking and traffic analysis for existing and new developments, including the Repplier Park Bowl improvements in Banning, CA.

Mr. Sweet has over 50 years of experience in transportation engineering, planning, traffic engineering operations and impacts, and regional and urban comprehensive planning. A primary emphasis of this experience has been in all aspects of traffic operations and planning and in traffic impacts, with experience also in geometric layout and traffic forecasting. He has managed permanent staffs ranging from twelve to thirty professionals and temporary operating staff of up to 150.

In his previous positions, Mr. Sweet served as Vice President-Traffic and Transportation, Manager of Traffic Engineering Services, and Deputy Executive

Clyde E. Sweet, Jr. P.E., T. E.

Resume

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Director / Director of Planning for a Regional Planning agency. He has served as a consulting engineer with several different firms and also as a Highway Engineer for the U.S. Department of Transportation. He was Principal of Clyde E. Sweet and Associates, 1976 to 1983 and continued with this capacity starting in 2002. Mr. Sweet's career in Traffic started with the California Division of Highways in 1957. He has also managed county-wide comprehensive transportation programs for short and long-term plans in San Bernardino and Riverside Counties, managed a circulation study for the North Los Angeles County General Plan, and with other engineering firms gained experience in traffic interchange and arterial highway design.

In the implementation of traffic analyses for safety and capacity-operation improvements, Mr. Sweet has managed field operations which included traffic data collection (manual and electronic), origin-destination, classification, gap and speed studies.

He is also experienced in the use of traffic engineering software for traffic models, capacity and level of service calculations (using Webster and HCM), signal coordination, and system evaluation using Windows computer software.

MILITARY AFFILIATION

Honorable Discharge from U. S. Army Reserve

PROFESSIONAL AFFILIATIONS

American Society of Civil Engineers - Life Member

Institute of Transportation Engineers (ITE) - Life Member

Riverside-San Bernardino Section ITE, a past President

CLYDE E. SWEET, JR., P. E, T. E.

BRIEF RESUME

PROFESSIONAL REGISTRATIONS

Registered Civil Engineer, California, C26690, 1976

Registered Traffic Engineer, California, TR205, 1976

Professional Engineer, District of Columbia, PE5548, 1964 (CIVIL)

EDUCATION

University of the Pacific, Bachelor of Science in Civil Engineering, Stockton California, 1960

Certificate in Highway Traffic, 1961, Yale University (recognized as Master of Science equivalent)

Diploma from U. S. Army Artillery and Missile Officer School, 1963.

Courses in City Planning, Management, Highway Capacity, Traffic Impact of Development, Computers, Economics, Statistics and Microsoft Office and Word Perfect Office products.

Course in using TRANSYT7F AND PASSER for signal coordination.

Currently licensed to use Signal Coordination software.

Certificate in Intelligent Transportation Systems Standards.

Certificate in ITS Actuated Traffic Signals/Advanced Transportation Controllers

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Clyde E. Sweet, Jr. P.E., T. E.
Resume
Page two of two

Mr. Sweet was also responsible for traffic operations, traffic planning (traffic volumes, data collection and seasonal data adjustment), traffic system management, school area safety and traffic circulation and the installation and maintenance of all official traffic control signals. He was responsible for maintaining speed limits in the 40 plus square miles of Fontana.

Since retirement, Mr. Sweet has served cities in the Inland Empire with Traffic Engineering and Planning services. He has done work directly for the Cities of Rialto, Colton, Highland, Desert Hot Springs and Blythe and the County of Imperial.

He has prepared the city-wide speed zoning reports for the City of Rialto and he has prepared speed zone reports for the City of Blythe and the City of Highland.

Mr. Sweet also has served numerous private clients with traffic engineering services, traffic impact studies, traffic signal design and parking analysis. In addition, he carries out study assistance with roadway design and lane configuration for streets and intersections and has provided traffic control plans for construction.

Mr. Sweet has over 48 years of experience in transportation engineering, planning, traffic engineering operations and impacts, and regional and urban comprehensive planning.

MILITARY AFFILIATION

Honorable Discharge from U. S. Army Reserve

PROFESSIONAL AFFILIATIONS

American Society of Civil Engineers - Life Member
Institute of Transportation Engineers (ITE) - Life Member
Riverside-San Bernardino Section ITE, a past President
Riverside-San Bernardino Section of ASCE.

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September 7, 2010

VIA MESSENGER

Hon. Steve Cooley
Los Angeles County District Attorney
Public Integrity Division
210 West Temple Street, Suite 18000
Los Angeles, CA 90012-3210

Re: Request for Investigation:
Irregularities Involving Slauson Central Retail Project

Dear Mr. Cooley:

This letter requests your investigation into the activities of Los Angeles City Councilmember Jan Perry, Concerned Citizens of South Central Los Angeles ("Concerned Citizens"), Regency Realty, Inc. ("Regency"), and Infinity Redevelopment LLC ("Infinity") related to the proposed Slauson Central Retail Project ("Project").

The Project is a proposed grocery store and retail shopping development at the corner of Slauson and Central Avenues, located in the Ninth Council District of Councilmember Jan Perry. The Project has received extensive federal funding, particularly through the federal Housing and Urban Development Department, and significant subsidies from the Community Redevelopment Agency of the City of Los Angeles ("CRA").

The Project is to be developed by Concerned Citizens and Regency, which formed an entity named Slauson Central, LLC for that purpose.

Concerned Citizens is an organization founded by Juanita Tate in or about 1985 to stop a City of Los Angeles proposal to construct a trash incinerator in South Los Angeles. Thereafter, Concerned Citizens grew politically in South Los Angeles. Upon her death, Ms. Tate was replaced as executive director of Concerned Citizens by her daughter, Noreen McClendon. In recent years, Concerned Citizens has been involved in a number of scandals regarding its failure to complete real estate development projects funded by the City, CRA and/or State of California.

Regency is a national shopping center developer. The company is publicly traded and headquartered in Jacksonville, Florida. Regency became involved in the project when it merged with Pacific Retail Trust, the original developer proposed in a grant application to HUD.

Infinity Redevelopment LLC holds itself out as a developer of real estate projects in South Los Angeles. The partners of Infinity are Curtis Fralin and Joseph Shabani. As a broker for CB Ellis Realty, Curtis Fralin was involved in the Project from its beginning, working with Regency and Concerned Citizens to locate tenants for the Project. After Fralin left CB Ellis to join Infinity, Infinity was approved by the CRA as the ultimate purchaser of the Project, in partnership with Concerned Citizens.

This firm represents former owners of properties that comprise the proposed Project site. Although one of those former owners is an experienced shopping center developer, and the former owners had already obtained City land use approvals to do a virtually identical shopping center development at the site -- but without the millions of dollars in public subsidies that have been poured into the current Project -- the CRA nonetheless took their properties through eminent domain for the Project.

In the course of our work, we have discovered a number of irregularities related to the Project, including related to the current Amended and Restated Disposition and Development Agreement ("DDA") between the CRA and Slauson Central, LLC (the partnership of Concerned Citizens and Regency), that is set to be approved by the Los Angeles City Council on September 8, 2010.

Facts Related To The Ultimate Purchase and Sale of the Project.

Since at least 2002, the CRA staff has consistently represented in reports to the CRA Board and the City Council that the ultimate purchaser and operator of the Project would be a partnership between Concerned Citizens and Infinity. After building the Project, Regency is to exit the deal, leaving Concerned Citizens and Infinity, through another entity of unknown composition named "Slauson Central Partners, LP", as the owners of the shopping center project.

Attached at **Exhibit 1** is a sampling of CRA staff and financial consultant memoranda to the CRA Board and City Council stating that the ultimate ownership of the shopping center by Concerned Citizens will be a "community benefit" required by the CRA as a condition of approving the Project.

Through this firm's successful Public Records Act lawsuit against the CRA, we obtained a June 5, 2003 "Agreement of Limited Partnership" for an entity called "Slauson

Redevelopment, L.P.” This agreement is attached at **Exhibit 2**. The agreement establishes an unusual arrangement among three entities, instead of the two entities (Concerned Citizens and Infinity) identified in CRA staff and consultant reports to the public.

For a \$100 initial investment, an entity named “Slauson Central Community Center, LLC” is given a 5% interest in the partnership, but is the general partner. Slauson Central Community Center, LLC is apparently controlled by Curtis Fralin and K. Joseph Shabani, Esq. To the best of our knowledge, Slauson Central Community Center, LLC is a shell corporation. We are unaware of any public services currently rendered by this entity.

For a \$100 initial investment, Concerned Citizens is given a 5% interest in the partnership, and is a limited partner.

For a \$4 million initial investment, Infinity is given a 90% interest in the partnership, but is a limited partner.

In the CRA staff reports attached at **Exhibit 1**, Slauson Central Community Center, LLC is not identified, and its role is not disclosed, to the CRA Board, the City Council, or the public.

Attached at **Exhibit 3** are the results of our searches of California Secretary of State records. These records confirm that Slauson Redevelopment, L.P., and its component partner organizations, Slauson Central Community Center, LLC, Concerned Citizens, and Infinity Redevelopment, LLC, are all registered and active business entities with the Secretary of State. In this respect, Slauson Redevelopment, L.P. appears to be a legitimately formed partnership organization.

Under Section 2.2 of the Agreement of Limited Partnership for “Slauson Redevelopment, L.P.”, the name of the partnership is Slauson Redevelopment, L.P. and “the partnership’s business shall be conducted under that name.” (Emphasis added.) Under Section 2.7, the business of the partnership is to “purchase, maintain, manage, and dispose” of the Slauson Central Retail Center. (**Exhibit 2, page 4.**)

An additional provision of this partnership is a concern. Section 1.21 defines a Limited Partner to mean Concerned Citizens, Infinity, “or any other party admitted as a limited partner of the Partnership under the Agreement.” (**Exhibit 2.**) Thus, there may or may not be limited partners that have been, or could be, added to the partnership that have not been disclosed to the CRA, the City Council, or the public.

To the best of our knowledge, and based upon all of the CRA Project documents that we have reviewed, the CRA expected this partnership to be limited to Concerned Citizens and Infinity, the “approved purchasers of the shopping center.” For instance, the Chief Administrative Officer’s August 13, 2008 Report, currently the last public report given to the City Council on this transaction, describes the arrangement as follows: “The impact of the changes to the Project are as follows: . . . A revised Presale Agreement between the Developer and Slauson Central Partners, L.P., the approved purchaser of the Project, a joint venture partnership of Infinity Redevelopment, LLC and CCSCLA, changing the capitalization rate from 10 percent to 7.25 percent”. (**Exhibit 1**, CAO report dated August 13, 2008, at page 3.) None of the various staff reports in **Exhibit 1** anticipate undisclosed business partners ultimately owning some or all of the Project.

In addition to Slauson Redevelopment, L.P. which appears formed for the purpose of being the ultimate owner and operator of the shopping center, the developer of the Project is an entity known as “Slauson Central, LLC.” This entity is a corporate partnership between Concerned Citizens and Regency Realty, Inc. Regency agreed to “train” Concerned Citizens in how to manage the shopping center project. As discussed in the CRA staff reports (**Exhibit 1**), Slauson Central, LLC (the partnership between Concerned Citizens and Regency) will ultimately sell the completed and rent stabilized project to the “partnership between Concerned Citizens and Infinity.”

Subsequent Project approvals of the DDA with Slauson Central, LLC came before the CRA Board on July 17, 2008. Public testimony objected to the use of eminent domain for the Project and objected to a proposed increase in the developer’s profit from 9.88% to 18%. As a result, the CRA Board asked staff for clarifications. Attached at **Exhibit 4** is a series of emails following that CRA meeting and leading to the next CRA meeting on August 7, 2008, when the DDA was approved.

Jina Yoon, a financial expert employed by the CRA, was asked to review the reasonableness of the developer’s proposed profit.

On August 5-6, 2008, prior to the CRA Board’s second consideration of the item, Ms. Yoon submitted her comments. In comment 1(c), she observes that the developer’s fees “may be inflated.” She also asks what Concerned Citizens is doing during construction to earn a developer fee. This is a good question because Regency is supposed to be training Concerned Citizens as to how to develop a shopping center, yet Concerned Citizens is to be paid a developer fee.

Pertinent to the question of who will ultimately purchase the Project from the developer, Ms. Yoon observes:

“The developer preferred return of 18% seems a bit high, particularly if the pre-sale agreement is a binding obligation between the buyer and seller (i.e., there is certainty of sale upon stabilization) and given the fact that the developer [Regency] is exiting after the first year, but does not appear to be unreasonable. [By the way], is the exit sale a binding obligation with an agreed-upon price or is it just a “right of first refusal”? Just wondering what the “outs” the buyer (Slauson Central Partners) has in order to gauge what the true risk is to the developer.”

Ms. Yoon’s analysis highlights the link between the enforceability of the pre-sale agreement executed between Slauson Central, LLC and the Concerned Citizens/Infinity partnership, Slauson Central Partners, L.P. Ms. Yoon’s conclusion that everything must be okay is based on her assumption that the pre-sale agreement is enforceable against the Concerned Citizens/Infinity Partnership. No one at the CRA, to our knowledge, responded to her comments.

Our review of the documents suggests that Juanita Tate and Curtis Fralin may have misled CRA staff and Regency by executing the pre-sale agreement in the name of a different partnership entity – one that was invalid on the day it was signed on June 5, 2003, and that remains invalid to this day as it is not listed as a registered and active California limited partnership or corporation.

Attached at **Exhibit 5** is the Agreement of Purchase and Sale and Escrow Instructions by and between Slauson Central, LLC, as Seller, and Slauson Central Partners, L.P., as Buyer (not including exhibits). This is the agreement that Yoon assumed was a binding agreement in assessing the reasonableness of the profit, but there is no evidence she reviewed the agreement herself. The agreement was signed by Tate and Fralin as the “buyer” on the same day that Concerned Citizens and Infinity signed the partnership agreement to create the “Slauson Redevelopment, L.P.” entity to own and manage the Project. Comparison of the signature blocks of the Slauson Redevelopment, L.P. agreement in **Exhibit 2** and the signature blocks on the pre-sale agreement in **Exhibit 5** reveals an inconsistency.

In creating Slauson Redevelopment, L.P., Tate and Fralin signed in their capacities as officers of Concerned Citizens, Slauson Central Community Center, LLC, and Infinity. They signed as “Executive Director” of Concerned Citizens, “General Partner” of Slauson Central Community Center, LLC, and “Partner” of Infinity. On the same date and presumably at the same time, Tate and Fralin signed the Purchase and Sale

Agreement with Slauson Central, LLC, in their individual personal capacities on behalf of a partnership called "Slauson Central Partners, L.P." The signature blocks for the buyer, "Slauson Central Partners, L.P.", show Tate started to list her title as "Executive Director" as she had done above for Concerned Citizens as a seller, but it is crossed out and she is instead listed as a "Limited Partner". Fralin signed as a "General Partner", also in his individual and personal capacity. It would appear from these signature blocks that the buyers of the Project will not be Concerned Citizens and Infinity, but rather Tate and Fralin as individual partners in the entity called "Slauson Central Partners, L.P."

As one would expect, the developer partnership between Concerned Citizens and Regency is registered with the State of California. Attached at **Exhibit 6** is a copy of a printout from the Secretary of State for Slauson Central, LLC.

However, the entity named "Slauson Central Partners, L.P." is not registered. Attached at **Exhibit 7** is a copy of the search results of "Slauson Central" in the records of the Secretary of State. There is no organization named "Slauson Central Partners, L.P." as of September 6, 2010, registered as active, inactive, or suspended with the State of California.

The purchase and sale agreement between Slauson Central, LLC and Slauson Central Partners, L.P. contained warranties that both were duly "organized, validly existing, and in good standing under the laws of the state of its formation" on the date of execution. On the title page and throughout the agreement, Slauson Central Partners, L.P. is listed as "a California limited partnership." (**Exhibit 5.**) Slauson Central Partners, L.P., appears to have breached the warranty of legal existence on the date of execution. (**Exhibit 5.**)

One might wonder if perhaps this was just a mix up and unintentional. Attached at **Exhibit 8** are the first and second amendments to the Purchase and Sale Agreement between Slauson Central, LLC and Slauson Central Partners, L.P. These agreements were created after the death of Juanita Tate. Her daughter, Noreen McClendon, the current executive director of Concerned Citizens, signed both of the amendments in her individual capacity as a Limited Partner. Curtis Fralin continued to sign these amendments in his individual capacity as a General Partner of Slauson Central Partners, L.P. Neither of these amendments is clearly signed as officers of Concerned Citizens or Infinity, the "approved purchaser" of the Project according to the CRA staff reports.

We have been unable to obtain a copy of the partnership agreement for Slauson Central Partners, L.P. from the records of the CRA. The CRA staff has on file a copy of the agreement entitled "Slauson Redevelopment, L.P." discussed above, but no Slauson

Central Partners, L.P. agreement has been produced by the CRA after extensive Public Records Act litigation.

Questions Raised By The Facts.

The transactions outlined herein raise important questions. Did Tate/McClendon and Fralin wish not to have their organizations legally bound to purchase the Project until the time of Project completion and rent stabilization, when they could evaluate whether or not it was financially advantageous? One of the most significant aspects of the current arrangement is that the CRA staff has been telling the CRA Board and City Council for years in written reports that Slauson Central Partners, L.P. will be the ultimate owner of the Project, yet Concerned Citizens and Infinity have a defense to being required to purchase the Project from Slauson Central LLC: they can legitimately claim that neither Concerned Citizens nor Infinity, as the partner members of Slauson Central Partners, L.P., signed the original Purchase and Sale Agreement in 2003 or any of the two subsequent amendments of that agreement. Thus, the current Purchase and Sale Agreement to the ultimate purchaser, the highly touted "partnership between Infinity and Concerned Citizens" (Slauson Central Partners, L.P.), is unenforceable against Infinity and Concerned Citizens as the alleged members of the partnership.

The potential invalidity or unenforceability of the pre-sale Purchase and Sale Agreement has significant implications. In Paragraph 34 of the Purchase and Sale Agreement, the Buyer acknowledges that the sale is subject to the Buyer assuming all of the Seller's obligations under the Disposition and Development Agreement, including the guarantee of repayment of the Section 108 loan to HUD. In this sense, any invalidity of the agreement substantially increases the risk of the transaction to Regency, HUD, the City, and the CRA.

Is the Purchase and Sale Agreement legally enforceable against Slauson Central Partners, L.P.? The answer is "probably not" because Slauson Central Partners, L.P., a murky entity of unknown legal composition, breached its contractual warranty on June 5, 2003 that it was duly formed and in good standing under state law. If Slauson Central Partners, L.P. ever existed, we would expect to find it listed in the Secretary of State's database as either "active", "inactive" or "suspended". Because it is not listed, it appears that Fralin and Tate signed the Purchase and Sale Agreement on behalf of a non-existent entity that was never duly formed and registered with the State of California. Therefore, the Purchase and Sale Agreement appears to be unenforceable against the legal entity known as Slauson Central Partners, L.P.

Is the Purchase and Sale Agreement legally enforceable against Tate/McClendon and Fralin in their individual capacities? We are not partnership and corporate law experts, but we note for the record that both Tate/McClendon and Fralin signed the Purchase and Sale Agreement with Slauson Central, LLC in their individual and personal capacities, not in their respective capacities of Executive Director of Concerned Citizens and Partner of Infinity Redevelopment, Inc. In fact, on the June 5, 2003 Purchase and Sale Agreement, Tate signed as Executive Director of Concerned Citizens as a partner of the seller, Slauson Central, LLC, and when she signed below for the buyer, she erroneously signed as "Executive Director" again. Someone struck out Tate's title as "Executive Director" and inserted the words "Limited Partner". In the subsequent amendments to the Purchase and Sale Agreement signed by McClendon, she is also listed as "Limited Partner" in her personal and individual capacity, and not as Executive Director of Concerned Citizens. Whether these signatures in their individual capacities are enforceable against them individually is unknown.

What was the purpose of Fralin and Tate forming Slauson Redevelopment, L.P. if it was not to enter into the Purchase and Sale Agreement with Slauson Central, LLC on June 5, 2003? On the same day that Slauson Central Partners, L.P. entered into the Purchase and Sale Agreement with Slauson Central, LLC, Slauson Redevelopment, L.P. was formed by Fralin and Tate. Although the provisions of the Slauson Redevelopment, L.P. agreement expressly state that its partnership purpose was to own and operate the Slauson Central Retail Center, the failure to enter into the Purchase and Sale Agreement in the name of "Slauson Redevelopment, L.P." suggests an intent to have a partnership legally formed and ready to step in to buy the Project, but only if Fralin and Tate/McClendon thought it was advantageous to them after the Project was built and rent stabilized by Regency. In other words, Fralin and Tate/McClendon may have committed some type of fraud in order to create the appearance in June 2003 that there was an enforceable Purchase and Sale Agreement with Slauson Central, LLC, when there was not. Instead, Fralin and Tate/McClendon would wait to see if the Project was successful, and if it was, Slauson Redevelopment, L.P. might be quietly substituted for Slauson Central Partners, L.P. as an actual purchaser of the Project.

Could Fralin and Tate/McClendon use either Slauson Central Partners, L.P. or Slauson Redevelopment, L.P. to purchase the Project upon completion and rent stabilization by Regency? If there was a cooperative CRA staff member, Slauson Redevelopment, L.P. might have been substituted for Slauson Central Partners, L.P. in the final version of the Purchase and Sale Agreement executed at the time of actual sale of the completed and profitable Project. Because the Slauson Redevelopment, L.P. partnership agreement was already on file with the CRA, there would be a basis to argue that Slauson Redevelopment, L.P. should be substituted. It is also plausible that a

Slauson Central Partners, L.P. partnership agreement could be substituted for the Slauson Redevelopment, LP partnership agreement on file with the CRA. Under this scenario, the Slauson Central Partners, L.P. partnership agreement could be filed with the State of California and the "oversight" in the formation of Slauson Central Partners, L.P. corrected if Fralin and Tate/McClendon found purchase of the Project to be advantageous.

Did officials at Regency and/or the CRA know about the illusory Purchase and Sale Agreement? Regency and the CRA employ sophisticated real estate professionals and attorneys to review the paperwork and agreements entered into for this Project. Was Regency in fact misled by its partner Concerned Citizens? Or did Regency staff know of the unenforceable Purchase and Sale Agreement and move forward anyway because that was the price for a deal in the Ninth Council District?

The leading CRA staff member for the Project in recent years was and is Jenny Scanlan. Many observers state that Scanlan and Jan Perry's Economic Development Deputy, Marie Rumsey, are close associates and friends. Is it credible that Jenny Scanlan, for all of the many years she has been the Project Manager of the Slauson Central Retail Project at the CRA, never noticed that "Slauson Central Partners, L.P." was the buyer on the Purchase and Sale Agreement, but the "Slauson Redevelopment, L.P." partnership agreement was the only partnership documentation she had in the Project file? Is Scanlan a participant in a plan that allowed the Purchase and Sale Agreement to be illusory, and in submitting reports to the CRA Board and City Council which misrepresented to public officials and the public that Slauson Central Partners, L.P. would be the ultimate purchaser of the Project? We cannot determine those answers from the records available to us.

There are some facts, however, that are indisputable by Scanlan. The CRA staff, to the best of our knowledge, has never referred in any public report to "Slauson Redevelopment, L.P." as being involved in this transaction, even though that is the only partnership agreement in the CRA's records. The staff reports prepared or reviewed by Scanlan since December 2007 constantly state that "Slauson Central Partners, L.P." is the ultimate buyer of the Project, yet CRA files do not appear to contain a copy of the Slauson Central Partners, L.P. partnership agreement.

Additionally, for some reason, despite its obvious importance to the entire transaction, CRA staff has failed to put before the City Council in the Clerk's Council File a copy of the pre-sale Purchase and Sale Agreement and the partnership agreement for Slauson Central Partners, L.P. CRA staff have therefore withheld key information regarding the enforceability of the obligations of the proposed Amended and Restated

Disposition and Development Agreement and consistently misinformed public officials about who precisely will be the ultimate purchaser and beneficiary of millions of dollars of public subsidies on this Project.

As the CRA's expert Yoon noted, whether or not the buyer has an "out" is a critical risk factor in assessing the reasonableness of the proposed modified transaction and approved profits of Slauson Central, LLC (Regency and Concerned Citizens).

Finally, there is the question of whether Slauson Central Partners, L.P. or Slauson Redevelopment, L.P., have or could in the future have undisclosed partners who will share in the profits if the Project is successful. We do not know if HUD, the City, or CRA Board has a policy that forbids developers who receive HUD and CRA subsidies from having hidden partners or partners added after the close of the CRA's deal with the developer. It would seem fundamental to public integrity of HUD- and CRA-funded projects that developers should not be allowed to have undisclosed partners before or after close of the CRA's transaction.

In this case, because the partnership agreement of Slauson Central Partners, L.P. is undisclosed, the CRA Board, the City Council, and the public cannot assure themselves that there is not a hidden partner (or would not be one). The partnership agreement of Slauson Redevelopment, L.P. includes a provision that allows undisclosed partners to be added at a later date. We believe that this provision is inconsistent with a policy of assuring the public that none of their elected officials have any illegal interest in the contract or approval, including under the Political Reform Act or Government Code Section 1090, regarding prohibited conflicts of interest.

One fundamental issue lost in this transaction is the public interest. The staff reports prepared by Scanlan emphasize that the CRA public benefit program includes a requirement that the ultimate owner of the Project must be a community non-profit, Concerned Citizens. However, the CRA's approved purchaser is not a partnership between Infinity and Concerned Citizens. It appears to be a null and void partnership between at least two individuals: Curtis Fralin and Juanita Tate/Noreen McClendon. Such an arrangement, allowed by CRA staff to proceed, guarantees that the alleged public benefit claimed in the CRA staff reports, which is laughable in any event, is simply a false statement.

It is incomprehensible that the City Council would fail to question the wisdom of proceeding to award the Project to Slauson Central, LLC, which includes Concerned Citizens. Concerned Citizens has failed to deliver its projects, and has been repeatedly sued for defaults. The following additional exhibits support this concern:

Exhibit 9 -- An approximately 2006 matrix compiled by CRA staff of Concerned Citizens projects funded by the CRA: the Central Avenue Town Homes, Antes Columbus, Soccer Field, and Slauson Central. To our knowledge, none of these projects have ever been completed.

Exhibit 10 -- A series of letters and promissory note regarding Concerned Citizens' defaults associated with loans made by the CRA for the Central Avenue Townhouse Project.

Exhibit 11 -- A City of Los Angeles' trial court statement of decision against Concerned Citizens and in favor of the City of Los Angeles related to Concerned Citizens' failure to construct a youth center, soccer field, and park at Slauson and Main.

Exhibit 12 -- A complaint for contract rescission and breach of contract by the State of California against Concerned Citizens to recoup grant funds given for the youth center and soccer field project.

The Project and Concerned Citizens have been mired in litigation and controversy. The ultimate owner of the Project -- as well as the millions in public subsidies from HUD and the CRA that have been squandered for the Project -- is an open question which the CRA and City Council have apparently been kept from, or certainly have not thoroughly investigated. How Slauson Central Partners, L.P. came to be, why Juanita Tate/Noreen McClendon and Curtis Fralin signed as they did, and whether any hidden partners exist, including elected officials whose undisclosed interests could constitute a criminal or civil violation, are matters that we believe need investigation. We ask your office to do so.

Thank you for your attention to this matter. Please contact me with any questions or comments.

Very truly yours,


ROBERT P. SILVERSTEIN

FOR
THE SILVERSTEIN LAW FIRM

RPS:aa

cc: Regional Administrator, HUD Grant Administration
Council President Eric Garcetti and Los Angeles City Council
Los Angeles City Attorney Carmen Trutanich
President, Regency Realty, Inc.

MEMORANDUM

8

DATE: DECEMBER 19, 2002 C92120

TO: AGENCY COMMISSIONERS

FROM: JERRY A. SCHARLIN, ADMINISTRATOR

SUBJECT: VARIOUS ACTIONS CONCERNING DEVELOPMENT OF THE SLAUSON-CENTRAL SHOPPING CENTER

CD9 REDEVELOPMENT PROJECT

RECOMMENDATIONS

That the Agency:

1. Approve in concept the development of a 78,000 square foot neighborhood shopping center at the southwest corner of Slauson and Central Avenues (the Project) in the CD9 Redevelopment Project Area (see Attachment A, site map), as described below under Summary, in anticipation of a Disposition and Development Agreement (DDA) between the Agency and Slauson Central, LLC, to be brought before the Agency Board and City Council for consideration in early 2003.
2. Approve, subject to City Council review and approval, a six-month extension in the Exclusive Negotiating Rights Agreement, until June 2003.
3. Instruct staff to:
 - a. Assemble, in cooperation with the City Community Development Department, gap financing for the Project that would include Brownfields Environmental Development Initiative (BEDI) and Economic Development Administration grant funds, Section 108 loan funds, and additional local and federal resources.
 - b. Request City assistance in filling a Project funding gap estimated at \$2.4 to \$3.8 million with a combination of revenues that could include Community Development Block Grant (CDBG) funds, additional Section 108 loan funds, additional BEDI grant funds, and other resources.
 - c. Continue working with the State Department of Toxic Substances Control (DTSC) to approve a Brownfields cleanup plan consistent with ultimate use of the site as a neighborhood shopping center.
 - d. Return to the Agency Board, when financing is fully identified, with a final DDA and other actions needed to approve the Project at a public hearing.

RE

June 6, 2001 – Authorization to extend Exclusive Right to Negotiate with development team of Concerned Citizens of South Central Los Angeles (CCSCLA) and Regency Realty Group, Inc. (same parties as constitute Slauson Central, LLC) to develop the Slauson/Central Retail Project.

June 26, 2001 – City Council approval of Agency action of June 6, 2001.

SOURCE OF FUNDS

No funds are required for the recommended actions. Anticipated future actions would require a commitment of funds from various federal and local sources.

ENVIRONMENTAL REVIEW

The recommended actions do not constitute a "project" under the California Environmental Quality Act (CEQA). Final project approval, anticipated to be scheduled for Agency consideration early in 2003, will require making environmental findings consistent with CEQA.

SUMMARY

The Slauson Central Shopping Center is a watershed project for Los Angeles, representing an innovative partnership between local and federal government agencies and a local developer to transform a blighted industrial brownfields site to productive, community-serving uses. The six-acre site currently consists of a used car lot, a heavy-metals processing industrial development, and an unused railroad right-of-way. In their place will be a neighborhood shopping center of approximately 80,000 square feet, over 90 percent of which is pre-leased to credit-worthy retail tenants that include Food 4 Less, Hollywood Video, and Burger King. 2,000 square feet of the Project will be leased at no charge to CCSCLA, a community-based non-profit organization that is also co-developer of the Project, for use as a computer training center. (See Attachment B, site plan.)

The developer, Slauson Central, LLC is a partnership between CCSCLA and Regency Centers, an experienced commercial developer. The Project, once stabilized, will be sold to a joint venture partnership composed of Infinity Redevelopment, LLC and CCSCLA. While certain details of the ultimate sale of the Project are still being worked out, it is noteworthy that CCSCLA's involvement with the Project will have extended from initial conceptualization, through development, and into continuous management and operation. ~~The Project is consistent with that contemplated under an Exclusive Right to Negotiate, initially executed in January 2001 and extended by the Agency Board in June 2001 through December 2002.~~

The proposed action implements a critical component of the Agency's strategy for the revitalization of the Goodyear Industrial Tract, a designated Brownfields Demonstration Site under the City's Brownfields Program. The Agency has conducted extensive environmental investigations of the Slauson Central Project Site under the Polanco Redevelopment Act, and is working with the California Department of Toxic Substances Control (DTSC) on the environmental remediation plan for the Site.

Site assembly for the Project will involve the acquisition of three parcels and the potential relocation of three businesses. Initial acquisition appraisals and estimates of relocation cost have

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

MEMORANDUM

2

DATE: DECEMBER 20, 2007 C9 2120

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: DAVID RICCITIELLO, REGIONAL ADMINISTRATOR
JENNY SCANLIN, PROJECT MANAGER

SUBJECT: PUBLIC HEARING: APPROVAL OF AN AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT WITH SLAUSON CENTRAL LLC AND RECOGNITION OF \$350,000 IN ADDITIONAL FUNDS IN THE FISCAL YEAR 2008 BUDGET FOR THE DEVELOPMENT OF THE SLAUSON CENTRAL RETAIL CENTER ON APPROXIMATELY 6.5 ACRES LOCATED AT 944-1010 E. SLAUSON AVENUE AND 1040 E. SLAUSON AVENUE
COUNCIL DISTRICT NINE CORRIDORS SOUTH OF THE SANTA MONICA FREEWAY RECOVERY REDEVELOPMENT PROJECT AREA DOWNTOWN REGION (CD9)

COMMITTEE REVIEW: LOAN COMMITTEE, OCTOBER 31, 2007
(RECOMMENDED APPROVAL)

RECOMMENDATION

That the CRA/LA Board of Commissioners:

1. Hold a Public Hearing and request that the City Council hold a Public Hearing pursuant to Health & Safety Code Section 33433 regarding the proposed disposition of 944-1010 E. Slauson Avenue and 1040 E. Slauson Avenue.

That the CRA/LA Board of Commissioners, subject to City Council review and approval:

2. Adopt a Joint Resolution authorizing the sale of Property and making certain findings pursuant to Health and Safety Code Section 33433, and find that (i) the proposed Slauson Central Retail Center (the "Project") will assist in eliminating blight; (ii) the Community Redevelopment Agency of the City of Los Angeles' (CRA/LA) sale of that Property is consistent with the Five Year Implementation Plan for the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project; and (iii) the consideration to be received by the CRA/LA is not less than the fair re-use value of the Property in keeping with Health and Safety Code Section 33433 and request that City Council adopt the Joint Resolution;

3. Authorize the Chief Executive Officer or designee to execute the Amended and Restated Disposition and Development Agreement with Slauson Central LLC for the development of the Slauson Central Retail Center; and
4. Amend the FY08 Budget to recognize \$350,000 of additional carryover funds from the CD9 Project Area and place such funds into budgeted line item C92120 (Commercial Development / Slauson Central Retail Center).

SUMMARY

The recommended actions will allow for the execution of an Amended and Restated Disposition and Development Agreement ("DDA") between CRA/LA and Slauson Central, LLC ("Developer"). The original DDA was adopted in December 2003 and this is the first amendment to the document since its execution. As originally adopted, the DDA anticipated the Slauson Central Retail Center ("Project") located at 944-1010 E. Slauson and 1040 E. Slauson (see Site Map - Attachment A) to be constructed and operable in calendar year 2005. Due to the extended acquisition process, the Project is now expected to be fully constructed and operable by September 2009. As a result, the Project's economics and anticipated development program were both impacted causing the CRA/LA and Developer to review and revise the DDA to reflect the new circumstances under which this development can remain feasible.

The new economics of the Project are analyzed in the Health and Safety Code Section 33433 Summary Report provided as Attachment C to this Board Memorandum and include increased construction and acquisition costs; revisions to the repayment schedule of the Section 108 Loan anticipating the lack of available site specific City and CRA/LA revenues available in the first five years; an increase in Net Operating Income of the Project once built; a revised Presale Agreement between the Developer and Slauson Central Partners, L.P., the approved purchaser of the Project, changing the capitalization rate from 10% to 7.25%, and a change in the approved profit margin allowed for the Developer from 9.88% to 18% with the CRA/LA receiving 50% of any additional profit after the Developer meets this percentage. These changes reflect the current market for both the sale and development of a commercial retail center of this size and consider the risk factors and community benefits triggered by the Project itself.

The fair reuse value of the Project is based on the difference between the Project's estimated development costs (including an appropriate Developer profit recognizing the risks and rewards anticipated for the Project) and the Project's anticipated revenues. The DDA imposes extraordinary public benefit obligations on the Project. Specifically, the Developer must pay prevailing wages to all contractors and subcontractors employed to construct the Project, construct 1,000 square feet of Educational Training Center space, make that space available to a community organization at a cost of One Dollar per year for 25 years, and accept a contingent liability for the repayment of the \$2,004,600 Section 108 Loan. Additionally, the Developer has agreed to sell the Project upon completion to a development partnership that includes a community not-for-profit organization. The sales price has been established using a 7.25% return level for the buyer. This results in a profit of approximately \$3,399,729 for the Developer, or 23% of project costs. This is at an acceptable level of profit for the risks assumed by the Developer. Further, the Developer has agreed to share any excess proceeds with the CRA/LA in the event that profits from the sale of the Project exceed the required 18% return on cost. The extraordinary public benefit provisions reduce the value of the Project Site from \$9,012,837 at the highest use allowed by the Site's zoning and the requirements imposed by the Redevelopment Plan, to the established fair reuse value of \$2,102,018.



Economics Research Associates

Memorandum Report

Date: November 1, 2007

To: Community Redevelopment Agency of the City of Los Angeles

From: Economics Research Associates (ERA)

Re: Reuse Valuation of Land – Slauson Central Shopping Center
ERA No. 17537

INTRODUCTION

The Community Redevelopment Agency of the City of Los Angeles (the Agency) and Slauson Central, LLC (the Developer) have entered into a Disposition and Development Agreement (DDA) under which the Agency will convey a parcel of approximately 6.6 acres at the southwest corner of Slauson and Central avenues to the Developer for development of a retail shopping center of approximately 76,300 square feet of building area. Slauson Central, LLC is a venture of Regency Realty Group, Inc., and Concerned Citizens of South Central Los Angeles (CCSCLA). The purpose of this report is to determine the reuse valuation of the site under the terms and conditions proposed by the agreement, in accordance with the California Health and Safety Code Section 3343.

DESCRIPTION OF PROPOSED PROJECT

The site area comprises a net land area of 287,317 square feet after dedications, with frontage and access from both Slauson and Central avenues.

The proposed shopping center will consist of approximately 76,300 square feet of building area, including a 45,000-square-foot supermarket with a draft Letter of Intent from Northgate Supermarkets, a drug/general merchandise store of approximately 13,000 square feet, a pad for a sit-down-style family

Attachment Two
Slauson Central Retail Center



Economics Research Associates

Reuse Valuation of Land – Slauson Central Shopping Center
ERA No. 17537
November 1, 2007
Page 2

restaurant with approximately 6,500 square feet of building area, 10,800 square feet of space for smaller shops, and a 1,000-square-foot computer lab to be operated as a community resource by CCSCLA.

The original DDA between the Agency and Developer was executed on December 1, 2003. The agreement called for conveyance of the parcel for a value then estimated at \$1,100,000. Over the past nearly four years, the site has been assembled and the former occupants have been relocated, during which time the project has been refined slightly in response to market conditions. The Developer deposited \$1,100,000 for the land in December 2005.

The owners of the shopping center will be responsible for a Section 108 loan with a balance of approximately \$2,004,600, with a 20-year term and interest estimated at 5.5 percent. Debt service on this loan is projected to be paid from increased property and sales taxes from the shopping center, but the owners will be responsible for any shortfall.

PUBLIC ASSISTANCE PACKAGE

The CRA/LA and City of Los Angeles has agreed to provide the following assistance package to the Project:

1. The CRA/LA will assemble the Site from third parties. (Actual land value is \$9,012,837)
2. The CRA/LA will pay for all relocation costs of existing tenants. (Estimated at \$2,575,000)
3. The CRA/LA will use AB1290 and areawide tax increment to carry the costs of a \$6.583 million Section 108 Loan until 18 months after conveyance of the Property. (Estimated at \$1,484,879)

Attachment Two
Slauson Central Retail Center



Economics Research Associates

Reuse Valuation of Land – Slauson Central Shopping Center
ERA No. 17537
November 1, 2007
Page 3

4. AB1290 Funds as well as Site Specific taxes collected by the City and Site Specific Tax Increment will be used as sources for repayment of the Section 108 Loan over the remainder of its term. (Estimated at \$9,940,700)
5. The CRA/LA will sell the Site to the Developer for a purchase price of \$1.1 million; plus the assumption of \$2,004,600 of the Section 108 Loan; plus \$150,000; plus any payments due as a result of the Share of Cost agreement incorporated in Section 4.9 of the Disposition and Development Agreement. This purchase price is less than the fair market value of the Site at the highest and best use permitted by the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area Redevelopment Plan.

REUSE VALUATION

The fair reuse value of a site is equal to the difference between the estimated value of the overall project, based on the net income projected to be anticipated by the project, and the estimated costs of development, with costs including an appropriate profit for the Developer, as appropriate to the characteristics of the project and any particular conditions within the development plan or the DDA.

The Developer has a presale agreement that has been approved under the DDA to sell the shopping center upon its completion to Slauson Central Partners, which is a comprised of CCSCLA and Infinity Reinvestments, LLC. The purchase price is to be computed based on a capitalization rate of 7.25 percent to be applied to net operating income, plus \$100,000. Therefore, the Developer's profit will be a function of this purchase price agreement.

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 29, 2008

CAO File No. 0220-00013-2154
Council File No. 07-4174
Council District: 9

To: The Mayor
The Council

From: Karen L. Sisson, City Administrative Officer *KLS hmt*

Reference: The Community Redevelopment Agency transmittal dated December 20, 2007;
Received by the City Administrative Officer on December 26, 2007

Subject: **PUBLIC HEARING, APPROVAL OF AN AMENDED AND RESTATED DISPOSITION
AND DEVELOPMENT AGREEMENT AND RECOGNITION OF \$350,000 IN
ADDITIONAL FUNDS IN THE FISCAL YEAR 2007-08 BUDGET FOR THE SLAUSON
CENTRAL RETAIL CENTER**

SUMMARY

The Community Redevelopment Agency (Agency) requests Council to: 1) hold a public hearing regarding the proposed disposition of 944-1010 and 1040 E. Slauson Avenue and adopt the attached joint Resolution (Attachment One) between the Council and the Agency Board of Commissioners authorizing the sale of property and making certain findings pursuant to Health and Safety Code Section 33433; 2) execute an amended and restated Disposition and Development Agreement (DDA) with Slauson Central LLC, a Delaware limited liability company (Developer), for the proposed Slauson Central Retail Center (Project) located in Council District Nine Redevelopment Project Area (CD9RPA); and, 3) amend the Fiscal Year 2007-08 Agency Budget to recognize \$350,000 of additional carryover funds from the CD9RPA and place such funds into the budgeted line item C92120 (Commercial Development/ Slauson Central Retail Center). The Developer is a partnership between Concerned Citizens of South Central Los Angeles (CCSCLA) and Regency Realty Group, Inc., an experienced national retail developer.

This is the first amendment to the DDA, which was approved by the Mayor and Council in October 2003 (C.F. No. 00-0801-51) and executed on December 1, 2003. The Project site encompasses approximately 6.7 acres, or 290,000 square feet. The original plan for the Project included an 80,000 square foot neighborhood shopping center anchored by a 59,000 square foot grocery store (a Ralph's Food for Less), a pad for a drive-thru restaurant and miscellaneous shop spaces. The Developer is now proposing a revised site plan (Attachment D of the Agency transmittal dated December 20, 2007) and development scope that includes a 76,300 square foot shopping center (an overall reduction of 3,700 square feet) with the following components:

- Northgate Gonzalez Markets (the anchor tenant) with a store sized at 45,000 square feet;
- A 13,000 square foot pad for a drug store;
- A 6,500 square foot pad for a sit down restaurant or full service bank;

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- 10,800 square feet of shop space that will include a variety of other food options and services;
- 1,000 square feet for an Educational Training Center (Center). This is being reduced from its original size of 2,000 square feet to allow additional shop space for the smaller tenants; and,
- 410 parking spaces.

Northgate Gonzalez is a family-owned supermarket chain operating 23 stores in Southern California. This will be their second store in the City and will include a full service meat department, bakery, tortilleria, and extensive prepared foods and produce sections, with a seating area for consumption of their prepared goods. The store will also be served by a shuttle van service which Northgate Gonzalez will operate to pick up and drop off customers and an in-store check cashing service that will not charge any fees to customers. The grocery store alone expects to employ between 150-250 employees depending on store volumes and will pay living wages to all employees.

The reduction in the square feet for the Center is the only modification to the community benefits agreed to under the original DDA. The Agency states that CCSCLA, the anticipated operator, approved the reduced size and believes that the Center will be able to operate at its full potential within the allotted space. See Finding Section No. Two for the Project's community benefits.

Project Financing

As a result of the changes, the Project's economics and anticipated development program were both impacted causing the Agency and Developer to review and revise the DDA to reflect the new circumstances under which this development can remain feasible. The new economics of the Project are analyzed in the Health and Safety Code Section 33433 Summary Report (Attachment Two). This report dated November 1, 2007 was prepared by Economic Research Associates (ERA), an Agency consultant. The total cost of the Project to the Developer including land costs is now estimated at \$14.8 million, or a \$4.7 million increase from the 2003 Developer contribution amount of \$10.1 million.

The Agency states that the proposed changes reflect the current market for both the sale and development of a commercial retail center of this size and consider the risk factors and community benefits triggered by the Project. The impact of the changes to the Project is as follows:

- An increase in construction and acquisition costs;
- Revisions to the repayment schedule of the Section 108 loan which anticipates the lack of available City site specific tax revenues (sales taxes, utility user taxes and business license fees) (SSTR) and Agency tax increment (TI) in the first five years;
- An increase in Net Operating Income of the Project once completed;
- A revised Presale Agreement between the Developer and Stauson Central Partners, L.P., the approved purchaser of the Project, a joint venture partnership of Infinity Redevelopment, LLC and CCSCLA;
- A change in the capitalization rate from 10 percent to 7.25; and,
- A change in the approved profit margin allowed for the Developer from 9.88 percent to 18 with the Agency receiving 50 percent of any additional profit after the Developer meets this percentage.

The Agency is required to support all acquisition and relocation costs. The proposed Project will use \$7.66 million in funds from U.S. Housing and Urban Development, which consisted of a \$1.08 million Brownfields Economic Development Initiative (BEDI) grant and a \$6.58 million companion Section 108 loan funds. The Community Development Department (CDD) states that the draft Section 108 loan contract will be released to the Developer after the City Attorney has reviewed and approved it. CDD anticipates that the Section 108 loan contract will be executed 120 days after the amended DDA is executed.

The Section 108 loan proceeds will be used to pay for a portion of the land acquisition costs. A portion of the BEDI grant funds will be used for the first two years of capitalized interest. Loan repayment will total to \$15.05 million and will be derived from following sources:

- 49 percent of the City SSTR (approximately \$1.76 million);
- Agency TI funds (up to \$2.29 million including \$1.88 million in site specific and \$412,000 in area wide); and,
- City Assembly Bill 1290 funds from CD9RPA (approximately \$11 million).

The Agency's contribution to the Project totals \$6.89 million in TI and bond funds. In addition to the \$2.29 million above for Section 108 debt service, the Agency has already expended \$2.4 million for legal and acquisition costs and could expend up to \$2.2 million on relocation costs associated with the Kramer Metals tenant.

The Agency states that additional funds will be necessary to complete the acquisition and relocation activities related to the Project. The Agency requests the recognition of \$350,000 of additional carryover funds from the CD9RPA that would have otherwise been recognized in the mid-year adjustment process and the allocation of these funds to the Slauson Central Retail Center work objective (C92120). The Agency states that these additional funds are needed to cover expected relocation and remediation costs.

The fair reuse value of the Project is based on the difference between the Project's estimated development costs (including an appropriate Developer profit recognizing the risks and rewards anticipated for the Project) and the Project's anticipated revenues. The Agency states that the DDA imposes extraordinary public benefit obligations on the Project. Specifically, the Developer must pay prevailing wages to all contractors and subcontractors employed to construct the Project, construct 1,000 square feet of Center space, make that space available to a community organization at a cost of one dollar per year for 25 years, and accept a contingent liability for the repayment of approximately \$2 million of the Project's Section 108 loan. The extraordinary public benefit provisions reduce the value of the Project site from \$9,012,837 at the highest use allowed by the site's zoning and the requirements imposed by the Redevelopment Plan, to the established fair reuse value of \$2,102,018.

The consideration to be received by the Agency is not less than the fair re-use value (\$2,102,018) of the Property in keeping with Health and Safety Code Section 33433. In December 2005, the Developer deposited \$1.1 million for the land. The Developer must pay the Agency an additional

\$1,002,018 for the land. Subject to variation based on the actual profitability of the venture, this amount could be paid as follows: 1) an additional \$150,000 payment as long as total profits exceed the preferred minimum by at least \$300,000; and 2) \$852,018 of the Agency share of additional profits as part of the 50 percent profit sharing agreement.

The Developer has agreed to sell the Project upon completion to a development partnership that includes a community not-for-profit organization. The sales price has been established using a 7.25 percent return level for the buyer which will result in a profit of approximately \$3,399,729 for the Developer, or 23 percent of project costs (\$14.8 million). ERA states that this is at an acceptable level of profit for the risks assumed by the Developer. Further, the Developer has agreed to share any excess proceeds with the Agency in the event that profits from the sale of the Project exceed the required 18 percent return on cost.

The Developer will be required to comply with the Agency policies, as applicable, relating to: Equal Opportunity and Affirmative Action, Living Wage, Equal Benefits and Contractor Responsibility Policies. The Agency is only bound by the disclosure provisions of the City's Debt Management Policies; the City Financial Policies are not applicable to Agency.

RECOMMENDATIONS

That the Council:

1. Hold a public hearing pursuant to Health & Safety Code Section 33433 regarding the proposed disposition of 944-1010 E. Slauson Avenue and 1040 E. Slauson Avenue;
2. Adopt the attached joint Resolution (Attachment One) authorizing the sale of property and making certain findings pursuant to Health and Safety Code Section 33433, and find that: a) the proposed Slauson Central Retail Center (Project) will assist in eliminating blight; b) the Community Redevelopment Agency (Agency) sale of that property is consistent with the Five Year Implementation Plan for the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area (CD9RPA); and c) the consideration to be received by the Agency is not less than the fair re-use value of the Property in keeping with Health and Safety Code Section 33433;
3. Authorize the Agency Chief Executive Officer, or designee, to execute the Amended and Restated Disposition and Development Agreement with Slauson Central LLC for the development of the Project, subject to the review and approval of the City Attorney as to form and the Department of Public Works, Bureau of Contract Administration for compliance with Agency contracting requirements; and,
4. Amend the Fiscal Year 2007-08 Agency Budget to recognize \$350,000 of additional carryover funds from the CD9RPA and place such funds into budgeted line item C92120 (Commercial Development/Slauson Central Retail Center).

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

3

MEMORANDUM

REVISED as underlined

DATE: AUGUST 7, ~~JULY 17~~, 2008 C9 2120
(continued from July 17th, 2008)

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE
PARTIES: DAVID RICCIHELLO, REGIONAL ADMINISTRATOR
JENNY SCANLIN, PROJECT MANAGER
PAULINE LEWICKI, PRINCIPAL PLANNER

SUBJECT: CONTINUATION OF PUBLIC HEARING: APPROVAL OF AN AMENDED
AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT
WITH SLAUSON CENTRAL LLC FOR THE DEVELOPMENT OF THE
SLAUSON CENTRAL RETAIL CENTER ON APPROXIMATELY 6.5
ACRES LOCATED AT 944-1010 E. SLAUSON AVENUE AND 1040 E.
SLAUSON AVENUE AND ASSOCIATED ENVIRONMENTAL ACTION
COUNCIL DISTRICT NINE CORRIDORS SOUTH OF THE SANTA
MONICA FREEWAY RECOVERY REDEVELOPMENT PROJECT AREA
DOWNTOWN REGION (CD9)

COMMITTEE
REVIEW: RECOMMENDED BY LOAN COMMITTEE, OCTOBER 31, 2007

RECOMMENDATION

That the CRA/LA Board of Commissioners:

1. Hold a Public Hearing and request that the City Council hold a Public Hearing pursuant to Health & Safety Code Section 33433 regarding the proposed disposition of 944-1010 E. Slauson Avenue and 1040 E. Slauson Avenue.
2. Adopt an Environmental Resolution to:
 - a. Adopt the Initial Study/Mitigated Negative Declaration (MND) for the Slauson Central Retail Center, as supplemented by the August 2008 Addendum to the MND, together with the Mitigation Monitoring Program included in the Initial Study/MND, finding on the basis of the whole record that there is no substantial evidence that a supplemental EIR or subsequent Initial Study/MND need be prepared for the Slauson Central Retail Center because none of the conditions described in Section 15162 of the State CEQA Guidelines has occurred; and
 - b. Certify that the information contained in the August 2008 Addendum and Initial Study/MND for the Slauson Central Retail Center has been reviewed and

considered by the CRA/LA Board of Commissioners and that the August 2008 Addendum and Initial Study/MND reflect the CRA/LA Board of Commissioner's independent judgment and analysis.

That the CRA/LA Board of Commissioners, subject to City Council review and approval:

3. Adopt a Joint Resolution authorizing the sale of Property and making certain findings pursuant to Health and Safety Code Section 33433, and find that (i) the proposed Slauson Central Retail Center (the "Project") will assist in eliminating blight; (ii) the Community Redevelopment Agency of the City of Los Angeles' (CRA/LA) sale of that Property is consistent with the Five Year Implementation Plan for the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project; and (iii) the consideration to be received by the CRA/LA is not less than the fair re-use value of the Property in keeping with Health and Safety Code Section 33433 and request that City Council adopt the Joint Resolution;
4. Authorize the Chief Executive Officer or designee to execute the Amended and Restated Disposition and Development Agreement with Slauson Central LLC for the development of the Slauson Central Retail Center; and
5. Authorize the Chief Executive Officer to negotiate indemnification language that would provide full indemnification of Slauson Central LLC in connection with any potential damages related to the current or future appeals by M&A Gabae or Kramer of the right to take decisions.

SUMMARY

The recommended actions will allow for the execution of an Amended and Restated Disposition and Development Agreement ("DDA") between CRA/LA and Slauson Central, LLC ("Developer"). The original DDA was adopted in December 2003 and this is the first amendment to the document since its execution. The original DDA is still in full force and effect and will remain so until such time as an amended DDA is approved and executed or either party to the original DDA chooses to terminate under provisions of the DDA. To date, the CRA/LA and Slauson Central, LLC have acted in good faith under the original DDA and are working towards meeting their contractual obligations. However, as originally adopted, the DDA anticipated the Slauson Central Retail Center ("Project") located at 944-1010 E. Slauson and 1040 E. Slauson (see Site Map - Attachment A) to be constructed and operable in calendar year 2005. Due to the extended acquisition process, the Project is now expected to be fully constructed and operable by March 2010. As a result, the Project's economics and anticipated development program were both impacted causing the CRA/LA and Developer to review and revise the DDA to reflect the new circumstances under which this development can remain feasible.

The new economics of the Project are analyzed in the Health and Safety Code Section 33433 Summary Report provided as Attachment D to this Board Memorandum and include increased construction and acquisition costs; revisions to the repayment schedule of the Section 108 Loan anticipating the lack of available site specific City and CRA/LA revenues available in the first six years; an increase in Net Operating Income of the Project once built; a revised Presale Agreement between the Developer and Slauson Central Partners, L.P., the approved purchaser of the Project, changing the capitalization rate from 10% to 7.25%; and a change in the approved profit margin allowed for the Developer from 9.88% to 18% with the CRA/LA receiving 50% of any additional profit after the Developer meets this percentage. These changes reflect the current

current market for both the sale and development of a commercial retail center of this size and consider the risk factors and community benefits triggered by the Project itself.

The fair reuse value of the Project is based on the difference between the Project's estimated development costs (including an appropriate Developer profit recognizing the risks anticipated for the Project) and the Project's anticipated revenues. The DDA imposes extraordinary public benefit obligations on the Project. Specifically, the Developer must pay prevailing wages to all contractors and subcontractors employed to construct the Project, construct 1,000 square feet of Educational Training Center space, make that space available to a community organization at a cost of One Dollar per year for 25 years, and accept a contingent liability for the repayment of the \$2,004,600 Section 108 Loan. Additionally, the Developer has agreed to sell the Project upon completion to a development partnership that includes a community not-for-profit organization. The sales price has been established using a 7.25% return level for the buyer. This results in a profit of approximately \$3,718,733 million for the Developer, or almost 25% of project costs. This is at an acceptable level of profit for the risks assumed by the Developer. Further, the Developer has agreed to share any excess proceeds with the CRA/LA in the event that profits from the sale of the Project exceed the required 18% return on cost. The extraordinary public benefit provisions reduce the value of the Project Site from \$9,012,837 at the highest use allowed by the Site's zoning and the requirements imposed by the Redevelopment Plan, to the established fair reuse value of \$2,047,714.

Three sources of public funding are being utilized to assist in financing the project's acquisition, relocation, environmental remediation and debt. These sources are AB1290, tax increment and site specific City tax proceeds. AB1290 funds are a result of State law requiring the passthrough of a specific percentage of tax increment from the redevelopment agency to the city once a project area has been established. In this case, the City chose to obligate future year AB1290 funds allocated to the CRA/LA as a source of repayment for the \$6.58 million Section 108 Loan originally obtained by the CRA/LA to pay for acquisition costs. The total AB1290 expenditure is expected to be approximately \$6.7 million. The site specific and areawide tax increment will be utilized to cover acquisition-related expenses, relocation expenses, and a portion of the debt service on the Section 108 Loan. Total tax increment obligations are estimated at \$6.9 million, however the CRA/LA can expect to recover a portion of this when it receives the fair reuse value payment from the Developer and any additional profit share from the sale of the Project. In addition, although the Developer can draw on up to \$1.8 million in site specific tax increment for debt service, only \$950,000 is estimated to be needed at this time. These two factors could reduce the total CRA/LA contribution to approximately \$4 million. Lastly, a combined accounting of the site specific utility user, business license and sales tax receipts make up the site specific City tax proceeds obligated to the Section 108 loan debt repayment for this Project. Total site specific City tax proceeds to be spent are estimated at \$1.76 million. This contribution of public funds is necessary and appropriate based on the associated risks of the development, the obligations of the community benefits package and the cost of land acquisition in an environment where available land for such large commercial projects in urbanized areas is very hard to come by. Due to the fact that the public funding obligation was debt financed through a Section 108 Loan, there is an added cost to the funds not normally seen in other publicly subsidized projects.

Due to the elongated predevelopment process, the original plan for an 80,000 square foot shopping center with Food For Less as the anchor tenant, a pad for a drive-thru restaurant and miscellaneous shop spaces has also changed. To the benefit of the community, the Developer is now proposing a revised Site Plan (See Attachment E) and Development Scope that includes Northgate Gonzalez as the anchor tenant with a store sized at 45,000 square feet, a 13,000 square foot pad for a drug store, a 6,500 square foot pad for a sit down restaurant or other



Economics Research Associates

ATTACHMENT D

Memorandum Report

Date: June 17, 2008

To: Community Redevelopment Agency of the City of Los Angeles

From: Economics Research Associates (ERA)

Re: Reuse Valuation of Land – Slauson Central Shopping Center
ERA No. 17537

INTRODUCTION

The Community Redevelopment Agency of the City of Los Angeles (the Agency) and Slauson Central, LLC (the Developer) have entered into a Disposition and Development Agreement (DDA) under which the Agency will convey a parcel of approximately 6.6 acres at the southwest corner of Slauson and Central avenues to the Developer for development of a retail shopping center of approximately 76,300 square feet of building area. Slauson Central, LLC is a venture of Regency Realty Group, Inc., and Concerned Citizens of South Central Los Angeles (CCSCLA). The purpose of this report is to determine the reuse valuation of the site under the terms and conditions proposed by the agreement, in accordance with the California Health and Safety Code Section 3343.

DESCRIPTION OF PROPOSED PROJECT

The site area comprises a net land area of 287,317 square feet after dedications, with frontage and access from both Slauson and Central avenues.

The proposed shopping center will consist of approximately 76,300 square feet of building area, including a 45,000-square-foot supermarket with a draft Letter of Intent from Northgate Supermarkets, a drug/general merchandise store of approximately 13,000 square feet, a pad for a sit-down-style family

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Economics Research Associates

ATTACHMENT D

Reuse Valuation of Land – Slauson Central Shopping Center
ERA No. 17537
June 17, 2008
Page 2

restaurant with approximately 6,500 square feet of building area, 10,800 square feet of space for smaller shops, and a 1,000-square-foot computer lab to be operated as a community resource by CCSCLA.

The original DDA between the Agency and Developer was executed on December 1, 2003. The agreement called for conveyance of the parcel for a value then estimated at \$1,100,000. Over the past four years, the site has been assembled and the former occupants have been relocated, during which time the project has been refined slightly in response to market conditions. The Developer deposited \$1,100,000 for the land in December 2005.

The owners of the shopping center will be responsible for a Section 108 loan with an initial balance of \$2,004,600, with a 20-year term and interest estimated at 5.25 percent. Debt service on this loan is projected to be paid from increased property and sales taxes from the shopping center, but the owners will be responsible for any shortfall.

PUBLIC ASSISTANCE PACKAGE

The CRA/LA and City of Los Angeles has agreed to provide the following assistance package to the Project:

1. The CRA/LA will assemble the Site from third parties. (Actual land cost is \$9,012,837.)
2. The CRA/LA will pay for all relocation costs of existing tenants. (Estimated at \$2,575,000.)
3. The CRA/LA will use AB1290 and area-wide tax increment to carry the amortization costs of a \$6.583 million Section 108 Loan until 18



Economics Research Associates

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Reuse Valuation of Land – Slauson Central Shopping Center
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months after conveyance of the Property. (Estimated at \$1,156,963.)

4. AB1290 Funds as well as Site Specific taxes collected by the City and Site Specific Tax Increment will be used as sources for repayment of the Section 108 Loan over the remainder of its term. (Payments estimated at \$8,650,241.)
5. The CRA/LA will sell the Site to the Developer for a purchase price of \$1.1 million; plus the assumption of the remaining balance of \$2,004,600 of the Section 108 Loan; plus \$150,000; plus any payments due as a result of the Share of Cost agreement incorporated in Section 4.9 of the Disposition and Development Agreement. This purchase price is less than the fair market value of the Site at the highest and best use permitted by the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area Redevelopment Plan.

REUSE VALUATION

The fair reuse value of a site is equal to the difference between the estimated value of the overall project, based on the net income projected to be anticipated by the project, and the estimated costs of development, with costs including an appropriate profit for the Developer, as appropriate to the characteristics of the project and any particular conditions within the development plan or the DDA.

The Developer has a presale agreement that has been approved under the DDA to sell the shopping center upon its completion to Slauson Central Partners, which is comprised of CCSCLA and Infinity Reinvestments, LLC. The purchase price is to be computed based on a capitalization rate of 7.25

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 13, 2008

CAO File No. 0220-00013-2187

Council File No. 07-4174

Council District: 9

To: The Mayor
The Council

From: Raymond P. Ciranna, Interim City Administrative Officer *RPC*

Reference: The Community Redevelopment Agency transmittal dated August 7, 2008; Received by the City Administrative Officer on August 11, 2008

Subject: **PUBLIC HEARING AND APPROVAL OF AN AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE SLAUSON CENTRAL RETAIL CENTER**

SUMMARY

The Community Redevelopment Agency (Agency) requests Council to: 1) hold a public hearing regarding the proposed disposition of 944-1010 and 1040 E. Slauson Avenue and adopt the joint Resolution (Attachment) between the Council and the Agency Board of Commissioners (Board) authorizing the sale of property and making certain findings pursuant to Health and Safety Code Section 33433; 2) execute a First Amendment to the Disposition and Development Agreement (DDA) with Slauson Central LLC, a Delaware limited liability company (Developer), for the proposed Slauson Central Retail Center (Project) located in Council District Nine Redevelopment Project Area (CD9RPA); and, 3) authorize the Agency Chief Executive Officer to negotiate indemnification language that would provide full indemnification of the Developer in connection with any potential damages related to the current or future appeals by M&A Gabae or Kramer Metals of the right to take decisions. The Developer is a partnership between Concerned Citizens of South Central Los Angeles (CCSCLA) and Regency Realty Group, Inc., an experienced national retail developer.

The DDA was approved by the Mayor and Council in October 2003 (C.F. No. 00-0801-S1) and executed on December 1, 2003. On February 8, 2008, the Council held a public hearing, adopted a Resolution and approved an amendment to the DDA. However, the Agency Board rescinded these actions on March 20, 2008.

As a result of outstanding litigation, which is expected to continue through the fiscal year, and the need for the Developer to have clear title in order to finance construction, the Agency may need to consider providing indemnification to a title company in order to transfer title without exceptions. If this is not possible, the Agency may need to consider developing an indemnity for the Developer that provides them with the assurances needed to move forward with construction and Project financing. Therefore, authority is being requested to allow the Agency Chief Executive Officer to negotiate and execute indemnification language suitable to ensure the Project can continue to construction without requiring further Agency Board and Council action.

The Project site encompasses approximately 6.7 acres, or 290,000 square feet. The original plan for the Project included an 80,000 square foot neighborhood shopping center anchored by a 59,000 square foot grocery store (a Ralph's Food for Less), a pad for a drive-thru restaurant and miscellaneous shop spaces. The Developer is now proposing a revised site plan (Attachment E of the Agency transmittal dated August 7, 2008) and development scope that includes a 76,300 square foot shopping center (an overall reduction of 3,700 square feet) with the following components:

- Northgate Gonzalez Markets (the anchor tenant) with a store sized at 45,000 square feet;
- A 13,000 square foot pad for a drug store;
- A 6,500 square foot pad for a sit down restaurant or other commercial services;
- 10,800 square feet of shop space that will include a variety of other food options and services;
- 1,000 square feet for an Educational Training Center (Center). This is being reduced from its original size of 2,000 square feet to allow additional shop space for the smaller tenants; and,
- 410 parking spaces.

Northgate Gonzalez is a family-owned supermarket chain operating 23 stores in Southern California. This will be their second store in the City and will include a full service meat department, bakery, tortilleria, and extensive prepared foods and produce sections, with a seating area for consumption of their prepared goods. The store will also be served by a shuttle van service which Northgate Gonzalez will operate to pick up and drop off customers and an in-store check cashing service that will not charge any fees to customers. The grocery store alone expects to employ between 150-250 employees depending on store volumes and will pay living wages to all employees.

In addition to updating the DDA to comply with current Agency policies, the reduction in square footage for the Center is the only modification to the community benefits agreed to under the original DDA. The Agency states that CCSCLA, the anticipated operator, approved the reduced size and believes that the Center will be able to operate at its full potential within the allotted space. See Finding Section No. Two for the Project's community benefits.

Project Financing

As a result of the changes, the Project's economics and anticipated development program were both impacted causing the Agency and Developer to review and revise the DDA to reflect the new circumstances under which this development can remain feasible. The new economics of the Project are analyzed in the Health and Safety Code Section 33433 Summary Report (Attachment D of the Agency transmittal dated August 7, 2008). This report, dated June 17, 2008, was prepared by Economic Research Associates (ERA), an Agency consultant. The total cost of the Project to the Developer including land costs is now estimated at \$15 million, or a \$4.9 million increase from the 2003 Developer contribution amount of \$10.1 million.

The Agency states that the proposed changes reflect the current market for both the sale and development of a commercial retail center of this size and consider the risk factors and community benefits triggered by the Project. The impact of the changes to the Project are as follows:

- An increase in construction and acquisition costs;
- Revisions to the repayment schedule of the Section 108 loan which anticipates the lack of

available City site specific tax revenues (sales taxes, utility user taxes and business license fees) (SSTR) and Agency site specific tax increment (TI) in the first six years;

- An increase in Net Operating Income of the Project once completed;
- A revised Presale Agreement between the Developer and Slauson Central Partners, L.P., the approved purchaser of the Project, a joint venture partnership of Infinity Redevelopment, LLC and CCSOLA, changing the capitalization rate from 10 percent to 7.25 percent; and,
- A change in the approved return on cost allowed for the Developer from 9.88 percent to 18 percent with the Agency receiving 50 percent of any additional profit after the Developer meets this percentage.

The Agency is required to support all acquisition and relocation costs. The proposed Project will use \$7.66 million in funds from U.S. Housing and Urban Development, comprised of a \$1.08 million Brownfields Economic Development Initiative (BEDI) grant and two Section 108 loans (one for \$2.0 million and a second one for \$4.58 million) that total to \$6.58 million. The Community Development Department (CDD) states that the draft Section 108 loan contract will be released to the Developer after the City Attorney has reviewed and approved the document. CDD anticipates that the Section 108 loan contract will be executed 120 days after the amended DDA is executed.

The Section 108 loan proceeds have been used to pay for a portion of the land acquisition costs. Debt service on the Section 108 loans will be for a 20-year period with a portion of the BEDI grant funds used for the first two years of capitalized interest. For the remaining 18-year period, the Section 108 loan debt service payments (principal and interest) are estimated total \$9.7 million and will be repaid from the following local resources:

- An average of 49 percent of Project generated SSTR (approximately \$1.7 million);
- Agency TI funds (up to \$1.3 million including \$950,000 in site specific and \$412,000 in area wide); and,
- City Assembly Bill 1290 funds from CD9RPA (approximately \$6.7 million).

According to the Agency and Keyser Marston Associates, Inc., Agency's financial consultant, there will be sufficient Project generated SSTR, TI funds and AB 1290 funds to meet the Section 108 loan debt service obligations.

The Agency's contribution to the Project is expected not to exceed \$6.9 million in TI and bond funds. Of that amount, a total of \$4.6 million is estimated for acquisition related expenses as follows: a) \$2.4 million has already been spent for legal, relocation and acquisition costs; b) \$1.4 million has already been spent for the Kramer Metals tenant relocation (by the end of March 2008); and, c) \$800,000 is estimated for additional potential relocation related expenses. In addition, a total of \$2.3 million is available for Section 108 loan repayment: a) \$412,000 in area wide TI funds (amount identified above); and, b) \$1.88 million in site specific TI funds. The Agency estimates only \$950,000 (amount identified above) in site specific TI funds is needed but has a total \$1.88 million available if needed.

The fair re-use value of the Project is based on the difference between the Project's estimated development costs (including an appropriate Developer profit recognizing the risks anticipated for the Project) and the Project's anticipated revenues. The Agency states that the DDA imposes extraordinary public benefit obligations on the Project. Specifically, the Developer must pay prevailing

wages to all contractors and subcontractors employed to construct the Project, construct 1,000 square feet of Center space, make that space available to a community organization at a cost of one dollar per year for 25 years, and accept a contingent liability for the repayment of approximately \$2 million of the Project's Section 108 loan. The extraordinary public benefit provisions reduce the value of the Project site from \$9,012,837 at the highest use allowed by the site's zoning and the requirements imposed by the Redevelopment Plan, to the established fair reuse value of \$2,047,714.

The consideration to be received by the Agency is not less than the fair re-use value (\$2,047,714) of the Property in keeping with Health and Safety Code Section 33433. In December 2005, the Developer deposited \$1.1 million for the land. The Developer must pay the Agency an additional \$906,842 for the land. Subject to variation based on the actual profitability of the venture, this amount could be paid as follows: 1) an additional \$150,000 payment as long as total profits exceed the preferred minimum by at least \$300,000; and 2) \$756,842 of the Agency share of additional profits as part of the 50 percent profit sharing agreement.

The Developer has agreed to sell the Project upon completion to a development partnership that includes a community not-for-profit organization. The sales price has been established using a 7.25 percent return level for the buyer. The total Developer profit is estimated to be \$3,718,733, or 25 percent of project costs (\$15 million). ERA states that this is an acceptable level of profit for the risks assumed by the Developer. Further, the Developer has agreed to share any excess proceeds with the Agency in the event that profits from the sale of the Project exceed the required 18 percent return on cost.

The Developer will be required to comply with the Agency policies, as applicable, relating to: Equal Opportunity and Affirmative Action, Living Wage, Equal Benefits and Contractor Responsibility Policies. The Agency is only bound by the disclosure provisions of the City's Debt Management Policies; the City Financial Policies are not applicable to Agency.

RECOMMENDATIONS

That the Council:

1. Hold a public hearing pursuant to Health & Safety Code Section 33433 regarding the proposed disposition of 944-1010 E. Slauson Avenue and 1040 E. Slauson Avenue;
2. Adopt the joint Resolution (Attachment) authorizing the sale of property and making certain findings pursuant to Health and Safety Code Section 33433, and find that the: a) proposed Slauson Central Retail Center (Project) will assist in eliminating blight; b) Agency sale of that property is consistent with the Five-Year Implementation Plan for the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area; and c) consideration to be received by the Agency is not less than the fair re-use value of the property in keeping with Health and Safety Code Section 33433;
3. Authorize the Agency Chief Executive Officer (CEO), or designee, to execute the First Amendment to Disposition and Development Agreement with Slauson Central LLC for the development of the Project, subject to the review and approval of the City Attorney as to form

AGREEMENT OF LIMITED PARTNERSHIP

of
SLAUSON REDEVELOPMENT, L.P., A California Limited Partnership

This agreement of limited partnership of the Slauson Redevelopment, L.P., is entered into June 5, 2013, by and among (1) Slauson Central Community Center, LLC, a California Limited Liability Company, as general partner, (2) Concerned Citizens of South Central Los Angeles, a California nonprofit corporation ("CCSLA"), as a limited partner, and (3) Infinity Redevelopment, LLC, a California Limited Liability Company ("IR"), as a limited partner.

RECITALS

A. With respect to certain property located at Southwest Corner of Slauson Avenue and Central Avenue in the City of Los Angeles ("City"), California, containing approximately 6.65 acres of land (the "Property"), Slauson Central Community Center, CCSLA and IR desire to form the Partnership for the purpose of owning the Property, managing a shopping center thereon, and selling the same as provided in this Agreement. The Property is more particularly described on Exhibit A.

B. When completed, it is anticipated the shopping center shall contain approximately 80,000 square feet of retail space. The ownership, management and maintenance of the project at the Property which the Partnership will undertake as herein provided is herein referred to as the "Project".

ARTICLE I

DEFINITIONS

1.1 Unless the context otherwise specifies or requires, the terms set forth in this Article 1 shall have the meaning herein specified for all purposes of this Agreement. The following definitions shall be equally applicable to both the singular and plural forms of any of the terms hereinafter defined. All terms used in this Agreement that are not defined in this Article 1 shall have the meanings set forth in the California Revised Limited Partnership Act, as set forth in Corporations Code §§15611-15723 as the same may be amended from time-to-time.

1.2 *Affiliate*. "Affiliate" of a Partner shall mean any person or entity, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with, such Partner, as applicable. The terms "control," "controlling," "controlled by," and "under common control with" for these purposes shall mean (1) with respect to a corporation or a limited liability company, the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the corporation or the limited liability company, and (2) with respect to any partnership, trust, or other entity, the possession, directly or indirectly, of the power to direct the management or policies of such partnership, trust, or other entity.

1.3 **Agreement.** "Agreement" shall mean this Agreement of Limited Partnership of Slauson Redevelopment, L.P., as amended from time to time.

1.4 **Bankruptcy.** "Bankruptcy" shall mean the institution of any proceedings under federal or state laws for relief of debtors, including (1) the filing of a voluntary or involuntary petition under the federal bankruptcy law, (2) a general assignment for the benefit of creditors, (3) the filing of a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation, (4) the filing of an answer or other pleading admitting or failing to contest the material allegations of a petition filed in any proceeding of this nature, (5) the seeking of, consenting to, or acquiescence in the appointment of a trustee, receiver, or liquidator of all or any substantial portion of assets, (6) the commencement of any proceeding seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or regulation, and the failure, in the case of any of these events, to obtain the dismissal of the proceeding within sixty (60) days of the event, or (7) the appointment, without consent or acquiescence, of a trustee, receiver, or liquidator of all or any substantial portion of assets, and the failure, in the case of any of these events, to obtain the dismissal of the proceeding or removal of the trustee, receiver, or liquidator within sixty (60) days of the event.

1.5 **Cash Available for Distribution.** "Cash Available for Distribution" shall mean the amount of cash that the General Partner deems available for distribution, in the exercise of reasonable business judgment, taking into account all Partnership obligations then due and payable, any compensation payable to a Partner or an Affiliate, and those amounts that the General Partner deems reasonably appropriate to place into reserves to satisfy customary business claims or make repairs.

1.6 **Certificate of Limited Partnership.** "Certificate of Limited Partnership" shall mean the certificate described in Corporations Code §15621 that the General Partners file with the Secretary of State of California on behalf of the Partnership.

1.7 **Corporations Code.** "Corporations Code" shall mean the California Corporations Code.

1.8 **CRLPA.** "CRLPA" shall mean the California Revised Limited Partnership Act, as set forth in Corporations Code §§15611-15723, as amended from time to time, and any successor provisions of law.

1.9 **General Partner.** "General Partner" shall mean Slauson Central Community Center, LLC, a California Limited Liability Company or an entity wholly owned by Curtis Fralin or K. Joseph Shabani or both collectively, and any other party admitted as a general partner of the Partnership under the Agreement, who has not ceased to be a General Partner under the Agreement.

1.20 **IRC.** "IRC" shall mean the Internal Revenue Code of 1986, as

amended from time to time, and any successor provisions of law.

1.21 **Limited Partners.** "Limited Partners" shall mean Concerned Citizens of South Central Los Angeles, a California nonprofit corporation ("CCSLA"), Infinity Redevelopment, LLC, a California Limited Liability Company ("IR"), and any other party admitted as a limited partner of the Partnership under the Agreement. "Limited Partner" shall mean any one of the Limited Partners, unless the context requires otherwise.

1.22 **Nonrecourse Liability.** "Nonrecourse Liability" shall have the meaning set forth in Treasury Regulation §1.752-1(a)(2).

1.23 **Partner Nonrecourse Debt.** "Partner Nonrecourse Debt" shall have the meaning set forth in Treasury Regulation §1.704-2(b)(4).

1.24 **Partners.** "Partners" shall mean the General Partners and the Limited Partners. "Partner" shall mean any one of the Partners, unless the context requires otherwise.

1.25 **Partnership.** "Partnership" shall mean Slauson Redevelopment, L.P., a California limited partnership.

1.26 **Partnership Minimum Gain.** "Partnership Minimum Gain" shall have the meaning set forth in Treasury Regulation §1.704-2(b)(2) and (d).

1.27 **Percentage Interests.** A Partner's "Percentage Interest" shall mean the percentage set forth below opposite that Partner's name:

<u>Name</u>	<u>Interest:</u>
Slauson Central Community Center, LLC	5%
CCSLA	5%
IR	90%

1.28 **Treasury Regulation.** "Treasury Regulation" shall mean the income tax regulations promulgated under the IRC for the purpose of interpreting and applying the provisions of the IRC, as amended from time to time, and any successor provisions of law.

ARTICLE II

ORGANIZATION OF THE COMPANY

2.1 **Formation.** The Partners have formed a limited partnership

under the laws of the State of California, under the provisions of CRLPA and IRC. § § 701-761, and on the terms and conditions set forth in this agreement.

2.2 **Name.** The Partnerships name is Slauson Redevelopment, L.P., and the partnerships business shall be conducted under that name. When required, the General Partner shall sign and cause to be filed and published an appropriate fictitious business name statement under the California Fictitious Business Name Act within 40 days after the partnership begins doing business, within 40 days after any subsequent change in its membership, and before the expiration of any previously filed statement.

2.3 **Principal Executive Offices.** The Partnership's principal executive offices shall be located at 1801 Avenue of the Stars, Suite 702, Los Angeles, CA 90067-5802. The General Partners may change the location of the executive office to any other place within the State of California on (thirty) 30 days notice to the Limited Partners.

2.4 **Filing.** The General Partners have executed a Certificate of Limited Partnership with the Secretary of State of California. The General Partners may record the certified copy of the Certificate of Limited Partnership in each county in which any partnership real property is located.

2.5 **Amendment.** The General Partners shall amend the Certificate of Limited Partnership if and to the extent required by CRLPA (Corporations Code § § 15611-15723). Any amendment shall be in the form required by Corporations Code § 15622

2.6 **Term.** The Partnership shall commence on the date on which the General Partner files a Certificate of Limited Partnership for the Partnership and continue until terminated in accordance with this Agreement.

2.7 **Business of Partnership.** The Partnership's business shall be to purchase, maintain, manage and dispose of the Property. The Partnership shall have the power to do all acts and things in furtherance of that incidental to this business.

ARTICLE III

CAPITAL CONTRIBUTIONS

3.1 **Financing.** The parties shall cooperate with each other to procure financing and each party shall execute all documents reasonably necessary to obtain financing.

3.2 **Initial Capital Contributions.** On formation of the Partnership, Slauson Central Community Center, LLC, shall contribute to the Partnership cash in the amount of \$ 100 for which Slauson Central Community Center, LLC, shall receive a corresponding credit and interest in the Partnership equaling 5 percent of all right, title and interest in all Partnership income and assets. On formation of the

Partnership, CCSLA shall contribute \$100 to the Partnership and shall receive a corresponding credit and interest in the Partnership equaling 5 percent of all right, title and interest in all Partnership income and assets. IR shall contribute \$ 4 million, which shall represent a corresponding credit and interest in the Partnership equaling 90 percent of all right, title and interest in all Partnership income and assets.

3.3 *The General Partners Obligation to Contribute Additional Capital.* The General Partner shall contribute additional capital to the Partnership in the amounts and at the times and as deemed necessary to conduct the Partnership's business. The General Partner shall receive a credit to its capital account in the amount of any additional capital contributed.

3.4 *Capital Accounts.* The Partnership shall establish and maintain an individual capital account for each Partner, which capital account shall be determined and maintained in accordance with Treasury Regulation § 1.704-1 (b) (2) (iv).

ARTICLE IV

DISTRIBUTIONS

4.1 *Manner of Distribution.* The Partnership shall distribute Cash Available for Distribution in the following order of priority:
(1) First, to the Partners, pro rata, in proportion to their unreturned capital contributions; and (2) Second, to the Partners, pro rata, in proportion to their Percentage Interests.

4.2 *Time of Distribution.* The Partnership shall distribute Cash Available for Distribution at the times the General Partner shall determine at least on an annual basis.

4.3 *Recontribution.* The Partners understand and acknowledge that they are obligated to recontribute Partnership distributions to the extent required by Corporations Code §15666.

4.4 *Withholding.* The Partnership shall withhold and pay over all withholding taxes in accordance with the provisions set forth in the IRC and the California Revenue and Taxation Code and any other applicable local or foreign tax law.

ARTICLE V

PROFITS AND LOSSES

5.1 *Determination of Profits and Losses.* Partnership profits and losses shall be determined in accordance with IRC §§703-704 and the Regulations under those provisions.

5.2 *Allocation of Profits and Losses.* (1) Profits. Partnership profits shall be allocated to the Partners in the following order of priority:

(a) First, to the Partners in the amount of any losses previously allocated to them under subparagraphs (2)(b) and (2)(c) (to the extent such losses have not been offset by prior profit allocations under this subparagraph (1)(a)); and (b) Second, to the Partners, pro rata, in accordance with their Percentage Interests.

(2) Losses. Partnership losses shall be allocated to the Partners in the following order of priority: (a) First, to the Partners in the amount of any profits previously allocated to them under subparagraph (1)(b) (to the extent such profits have not been offset by prior loss allocations under this subparagraph (2)(a)); (b) Second, to the Partners, pro rata, in accordance with their Percentage Interests; and (c) Notwithstanding subparagraphs (2)(a)-(b), loss allocations to a Limited Partner shall be made only to the extent that loss allocations will not create a deficit capital account balance for a Limited Partner in excess of an amount, if any, equal to the Limited Partner's share of Partnership Minimum Gain that would be realized on a foreclosure of the Partnership's property. Any loss not allocated to a Limited Partner because of the foregoing provision shall be allocated to the Partners (if and to the extent that such other Partners are not limited with respect to loss allocations under this subparagraph (2)(c)). Any loss reallocated under this subparagraph (2)(c) shall be taken into account in computing subsequent allocations of income and losses under this section, so that the net amount of any item so allocated and the income and losses allocated to each Partner under this section, to the extent possible, shall be equal to the net amount that would have been allocated to each such Partner under this section if no reallocation of losses had occurred under this subparagraph (2)(c).

5.3 *Minimum Gain Chargeback.* Except as otherwise provided in Treasury Regulation §1.704-2(f), notwithstanding any other provision of this Agreement, if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, each Partner shall be specially allocated items of Partnership income and gain for that fiscal year (and, if necessary, in subsequent fiscal years) in an amount equal to the portion of such Partner's share of the net decrease in Partnership Minimum Gain that is allocable to the disposition of Partnership property subject to a Nonrecourse Liability, which share of such net decrease shall be determined in accordance with Treasury Regulation §1.704-2(g)(2). Allocations shall be made in proportion to the respective amounts required to be allocated to each Partner under this section. The items to be so allocated shall be determined in accordance with Treasury Regulation §1.704-2(f) and (j)(2). This section is intended to comply and shall be interpreted consistently with the minimum gain chargeback requirement of Treasury Regulation §1.704-2(f).

5.4 *Chargeback of Partnership Minimum Gain Attributable to Partner Nonrecourse Debt.* Except as otherwise provided in Treasury Regulation §1.704-2(i)(4), notwithstanding any other provision of this Agreement, if there is a net decrease in Partnership Minimum Gain attributable to Partner Nonrecourse Debt during any Partnership fiscal year, each Partner who has a share of the Partnership Minimum Gain attributable to that Partner Nonrecourse Debt, determined in accordance with Treasury Regulation §1.704-2(i)(5), shall be specially allocated items of Partnership

income and gain for such fiscal year (and, if necessary, in subsequent fiscal years) in an amount equal to that portion of such Partner's share of the net decrease in Partnership Minimum Gain attributable to such Partner Nonrecourse Debt that is allocable to the disposition of Partnership property subject to such Partner Nonrecourse Debt (which share of such net decrease shall be determined in accordance with Treasury Regulation §1.704-2(i)(5) and (j)(2)). Allocations under this section shall be made in proportion to the respective amounts required to be allocated to each Partner under this section. The items to be allocated shall be determined in accordance with Treasury Regulation §1.704-2(i)(4). This section is intended to comply and shall be interpreted consistently with the minimum gain chargeback requirement of Treasury Regulation §1.704-2(i)(4).

5.5 Nonrecourse Deductions. Any nonrecourse deductions, as defined in Treasury Regulation §1.704-2(b)(1) and (c), for any fiscal year or other period shall be specially allocated to the Partners, pro rata, in proportion to their respective Percentage Interests.

5.6 Partner Nonrecourse Deductions. Those items of Partnership loss, deduction, or IRC §705(a)(2)(B) expenditure that are attributable to Partner Nonrecourse Debt for any fiscal year or other period shall be specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which those items are attributable, in accordance with Treasury Regulation §1.704-2(i)(1)-(2).

ARTICLE VI

RIGHTS AND POWERS OF GENERAL PARTNER

6.1 Rights and Powers. Except as expressly provided otherwise in this Agreement, the General Partner shall have exclusive control over the Partnership's business. The General Partner shall have the right to do the following on the Partnership's behalf without the Limited Partners' consent:

- (1) Execute agreements, contracts, and other documents and instruments in connection with the Partnership's business;
- (2) Employ or discharge, at the Partnership's expense, agents, employees, independent contractors, attorneys, and/or accountants to render services to the Partnership;
- (3) Perform daily project management duties as required by the Agreement;
- (4) Sell, lease, exchange, or otherwise transfer all or any part of the Partnership's property on such terms and conditions as the General Partner determines to be in the Partnership's best interests except that any sale of the Property shall be subject to the first right of refusal set forth in Article VII section 8.1 of this Agreement;
- (5) Borrow money on behalf of the Partnership;

(6) Pledge, hypothecate, or otherwise encumber all or any part of the Partnership's property up to 80 % of the fair market value of the Property, any amount in excess of the 80% of the fair market value of the Property requires the consent of all the Partners;

(7) Repay, refinance, increase, modify, or extend any Partnership obligation except that in no circumstance should the General Partner refinance the Property for any amount in excess of 80 % of the fair market value of the Property and for more than +/- 4% above the Prime Interest Rate; and

(8) Assume all rights and exercise all responsibilities that CRLPA imposes on a general partner of a limited partnership.

6.2 Management Fee. The Partnership shall pay CCSLA a fee for services rendered in connection with the management of the Partnership's business pursuant to a separate management agreement with respect to the management of the Property and that Management agreement shall be subject to termination only for just cause.

6.3 Tax Treatment. Any compensation that the Partnership pays to a General Partner or Limited Partner shall be treated as a payment made under IRC §707(a) or (c), as appropriate.

6.4 Reimbursement of Expenses. A General Partner shall be entitled to reimbursement from the Partnership for those costs that a General Partner reasonably incurs in the proper conduct of the Partnership's business.

6.5 Indemnification. The Partnership shall bear the cost of all expenditures and liabilities that the General Partner incurs in the proper conduct of the Partnership's business. To the extent of its assets, the Partnership shall indemnify, defend, and hold harmless the General Partner from and against any and all losses, expenses, damages, and liabilities, arising out of or in connection with the operation of the Partnership's business, except for those matters arising by reason of a General Partner's fraud, gross negligence, willful misconduct, or violation of this Agreement.

ARTICLE VII

RIGHTS AND POWERS OF LIMITED PARTNERS

7.1 Generally No Right To Participate. Except as expressly provided otherwise in this Agreement, the Limited Partners shall not have the right to participate in the conduct of the Partnership's business or the power to bind the Partnership.

7.2 Liability of Limited Partners. A Limited Partner shall not be personally liable for the Partnership's debts, obligations, or losses, except to the extent of that Limited Partner's capital contributions or as provided by law.

7.3 Consent Required. The Partnership may enter into an agreement with a Limited Partner or an Affiliate of a Limited Partner for the performance of services, provided the agreement is approved in writing by the General Partner.

7.4 Tax Treatment. Any compensation that the Partnership pays to a Limited Partner or his or her Affiliate under this section shall be treated as a payment made under IRC §707(a) or (c).

7.5 Books and Records. The General Partner shall keep, at the Partnership's expense, accurate records of all Partnership business transactions and all records and documents required to be maintained under Corporations Code §15615, including those listed in subparagraphs (1)-(6) below. The General Partner shall maintain these books and records at the Partnership's principal executive office and make them available at ordinary business hours for inspection, copying, and auditing by each Partner (or his or her agent or attorney):

- (1) A current list of the Partners' respective names (in alphabetical order), last known business or residence addresses, capital contributions, and Percentage Interests;
- (2) A copy of the original Agreement, together with the originals of any amendments to the Agreement;
- (3) A copy of the Certificate of Limited Partnership and all Certificates of Amendment;
- (4) Copies of the Partnership's federal, state, and local income tax or information returns and/or reports for the six most recent taxable years;
- (5) Financial statements of the Partnership for the six most recent fiscal years; and
- (6) The Partnership's books and records for the current and past three fiscal years.

The General Partner shall furnish to the Limited Partners copies of all bank statements and reconciliations of the Partnership bank accounts on a quarterly basis.

7.6 Quarterly Reports. Within thirty (30) days after the end of each fiscal quarter of the Partnership, the General Partner shall prepare and provide to the Limited Partners a report on the status and financial condition of the Project and of the business affairs and financial condition of the Partnership, including the following:

- (a) copies of any agreement, contract or other agreement entered into by the Partnership;
- (b) a report of the amount of any fees and other compensation and distributions and reimbursed expenses paid or accrued by the Partnership during such quarter to the General Partner; and
- (c) a report on the status of any construction to be performed, which information shall be provided until certificates of occupancy with respect to all leasable space in the Project shall have been issued.

7.7 Other Information. In addition to the reports and financial statements to be provided under this Article, the General Partner shall provide to the Limited Partners the following other information and materials:

(a) immediately upon the General Partner's receipt thereof, any notice of an Internal Revenue Service proceeding involving the Partnership; and

(b) within thirty (30) days after the end of each calendar year, a rent roll for the Project, broken out by lessee.

Further, the General Partner shall provide to the Limited Partners, to the extent requested by it in writing, such other information, materials, and assurances as may be reasonably requested by the Limited Partners concerning the Partnership or the Project.

ARTICLE VIII

RIGHT OF FIRST REFUSAL

8.1 *Right of First Refusal.* If the Partnership receives a bona fide offer to purchase the Property and the Partnership is willing to accept such offer or if the Partnership elects to list the Property for sale, the following shall apply:

(a) If the Partnership elects to list the Property for sale:

(1) The Partnership shall notify CCSCLA in writing of the Partnership's intent to list the Property and CCSCLA shall have (ten) 10 business days after receipt of that notification to exercise acceptance of its first right of refusal by giving written notice to the Partnership;

(2) If CCSCLA elects to exercise its first right of refusal, then the parties agree to obtain an independent third party appraisal from a certified MAI appraiser that the parties mutually agree upon to determine the fair market value of the Property for the purchase price under the first right of refusal.

(b) If the Partnership receives a bona fide offer to purchase the Property for sale:

(1) The Partnership first shall offer the Property to CCSLA for the same price set forth in the offer;

(2) The Partnership shall deliver to all the Partners a true and complete copy of the offer within (twenty four) 24 hours of receipt of the offer;

(3) From the date the Partnership delivers a copy of the offer to CCSLA, the CCSLA shall have (ten) 10 days to exercise the first right of refusal by giving written notice of acceptance to the Partnership;

(4) If CCSLA fails to give notice of its offer within (ten) 10 days, the Partnership may sell the Property for the purchase price and on substantially the same terms and conditions set forth in the offer to the remaining Partners or to the original offeror.

(5) Each Partner shall have the right to purchase the Property; and,

(6) If a Partner fails to give notice of its offer within (ten) 10 days, the Partnership may

sell the Property for the purchase price and on substantially the same terms and conditions set forth in the offer.

8.2 *No Right of Assignment.* CCSLA should have no right to assign its shares to any person, entity or individual except if such right, title and interest are transferred to an entity wholly owned or controlled by CCSLA.

ARTICLE IX

EVENTS OF DISSOLUTION

The following acts shall constitute an event of dissolution:

- (1) The express will of all of the Partners to wind up the Partnership business.
- (2) On expiration of 90 days after a Partner's dissociation by bankruptcy, incapacity, or termination of any entity Partner, or by a Partner's wrongful dissociation, unless before that time a majority in interest of the Partners agree to continue the Partnership.
- (3) Any event that makes it unlawful for all or substantially all of the Partnership business to be continued if such event is not cured within 90 days after notice to the Partnership of the event.
- (4) On application by a Partner, a judicial determination that any of the following apply:
 - (a) The economic purpose of the Partnership is likely to be unreasonably frustrated.
 - (b) Another Partner has engaged in conduct relating to the Partnership business that makes it not reasonably practicable to carry on the business in Partnership with that Partner.
 - (c) It is not otherwise reasonably practicable to carry on the Partnership business in conformity with the Partnership agreement.
- (5) As otherwise set forth in this Agreement.

ARTICLE X

WINDING UP

9.1 *Winding Up After Dissolution.* On the Partnership's dissolution, the Partnership's business shall be wound up within a reasonable period of time, its assets liquidated, a final accounting made, and the Partnership's books closed.

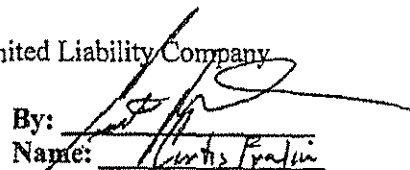
9.2 *Party Authorized To Wind Up.* Those General Partners who have not wrongfully dissolved the Partnership or if there are none, the Limited Partners, shall wind up the Partnership's affairs. However, if the Partnership has dissolved by reason of a decree of judicial dissolution under Corporations Code §15681(d), the winding up shall be conducted in accordance with the decree.

9.3 **Filings.** The party authorized to wind up the Partnership's affairs shall sign, cause to be executed, and file with the Secretary of State of California on or before the last day of the taxable year in which the Partnership ceases to do business (1) a Certificate of Dissolution in the form required by Corporations Code §15623(a), and (2) a Certificate of Cancellation in the form required by Corporations Code §15623(b).

IN WITNESS WHEREOF, the Partners have signed the Agreement to be effective on the date first stated above.

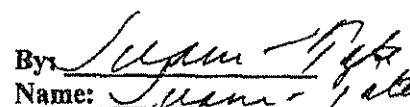
Slauson Central Community Center, LLC, a California Limited Liability Company

Date: 6/5/02

By: 
Name: Curtis Franklin
Its: (Title) General Partner
Address: 1801 Avenue of the Stars #702
LACA 90067

Concerned Citizens of South Central Los Angeles, a California nonprofit corporation ("CCSLA")

Date: 6/5/02

By: 
Name: Susan Pyle
Its: (Title) Executive Director
Address: 4707 S. Central Ave
L.A., CA 90011

Infinity Redevelopment, LLC, a California Limited Liability Company ("IR")

Date: 6/5/02

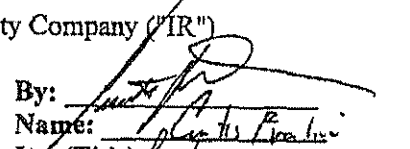
By: 
Name: Curtis Franklin
Its: (Title) Partner
Address: 1801 Avenue of the Stars
#702
CA CA 90067

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

"KRAMER"

PARCEL 1:

Parcels "A" and "B", in the City of Los Angeles, County of Los Angeles, State of California, as shown upon Parcel Map L.A. No. 875, Filed in Book 9 Page 38 of Parcel Maps, in the Office of the County Recorder of Said County.

PARCEL 2:

Parcel "C" of Parcel Map L.A. No. 875, in the City of Los Angeles, County of Los Angeles, State of California, filed in Book 8 Page 38 of Parcel Maps, in the Office of the County Recorder of said County.

"DASILVA"

That portion of section 20, township 2 South 13 West, San Bernardino Meridian, in the City of Los Angeles, County of Los Angeles, State of California, according to the official plat of said land, described as follows:

Beginning at the intersection of the West line of Central Avenue, (100 feet wide), as now established with the South line of Slauson Avenue, (40 feet wide) as now established, which intersection is South $0^{\circ} 05' 20''$ feet and South $89^{\circ} 17' 50''$ West 50 feet from the Northeast corner of said section 20; Thence along the South line of Slauson Avenue, South $89^{\circ} 17' 50''$ West 344.75 feet; Thence Southeasterly on a curve concave to the Southwest, having a radius of 397.96 feet and whose radial line bears South $31^{\circ} 18' 10''$ West a distance of 408.27 feet; Thence tangent to said curve South $0^{\circ} 05'$ West 405.39 feet; Thence South $89^{\circ} 25'$ East 153.05 to a point in the West line of central avenue; Thence along said West line South $0^{\circ} 05'$ 748.68 feet to the point of beginning.

**Business Entities (BE)**

Online Services

- **Business Search**
- **Disclosure Search**
- **E-File Statements**
- **Mail Processing Times**

Main Page

Service Options

Name Availability

Forms, Samples & Fees

Annual/Biennial Statements

Filing Tips

Information Requests

(certificates, copies & status reports)

Service of Process

FAQs

Contact Information

Resources

- **Business Resources**
- **Tax Information**
- **Starting A Business**
- **International Business Relations Program**

Customer Alert

(misleading business solicitations)

Business Entity Detail

Data is updated weekly and is current as of Friday, September 03, 2010. It is not a complete or certified record of the entity.

Entity Name:	SLAUSON REDEVELOPMENT, L.P.
Entity Number:	200315500007
Date Filed:	06/02/2003
Status:	ACTIVE
Jurisdiction:	CALIFORNIA
Entity Address:	1801 AVE OF THE STARS STE 702
Entity City, State, Zip:	LOS ANGELES CA 90067
Agent for Service of Process:	K. JOSEPH SHABANI, ESQ.
Agent Address:	1801 AVE OF THE STARS STE 702
Agent City, State, Zip:	LOS ANGELES CA 90067

* Indicates the information is not contained in the California Secretary of State's database.

* **Note:** If the agent for service of process is a corporation, the address of the agent may be requested by ordering a status report.

- For information on checking or reserving a name, refer to **Name Availability**.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
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Customer Alert

(misleading business solicitations)

Data is updated weekly and is current as of Friday, September 03, 2010. It is not a complete or certified record of the entity.

Entity Name:	SLAUSON CENTRAL COMMUNITY CENTER, LLC ✓
Entity Number:	200233010026
Date Filed:	11/25/2002
Status:	ACTIVE
Jurisdiction:	CALIFORNIA
Entity Address:	1801 AVE OF STARS STE 702
Entity City, State, Zip:	LOS ANGELES CA 90067
Agent for Service of Process:	K. JOSEPH SHABANI
Agent Address:	1801 AVE OF STARS STE 702
Agent City, State, Zip:	LOS ANGELES CA 90067

* Indicates the information is not contained in the California Secretary of State's database.

* **Note:** If the agent for service of process is a corporation, the address of the agent may be requested by ordering a status report.

- For information on checking or reserving a name, refer to **Name Availability**.
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Customer Alert

(misleading business solicitations)

Data is updated weekly and is current as of Friday, September 03, 2010. It is not a complete or certified record of the entity.

Entity Name:	CONCERNED CITIZENS OF SOUTH CENTRAL LOS ANGELES
Entity Number:	C1457218
Date Filed:	03/02/1989
Status:	ACTIVE
Jurisdiction:	CALIFORNIA
Entity Address:	4707 S CENTRAL AVE
Entity City, State, Zip:	LOS ANGELES CA 90011
Agent for Service of Process:	NOREEN MCCLENDON
Agent Address:	4707 S CENTRAL AVE
Agent City, State, Zip:	LOS ANGELES CA 90011

* Indicates the information is not contained in the California Secretary of State's database.

- If the status of the corporation is "Surrender," the agent for service of process is automatically revoked. Please refer to California Corporations Code **section 2114** for information relating to service upon corporations that have surrendered.
- For information on checking or reserving a name, refer to **Name Availability**.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
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Customer Alert

(misleading business solicitations)

Business Entity Detail

Data is updated weekly and is current as of Friday, September 03, 2010. It is not a complete or certified record of the entity.

Entity Name:	INFINITY REDEVELOPMENT, LLC ✓
Entity Number:	200001510026
Date Filed:	01/14/2000
Status:	ACTIVE
Jurisdiction:	CALIFORNIA
Entity Address:	1801 AVE OF THE STARS STE 1035
Entity City, State, Zip:	LOS ANGELES CA 90067
Agent for Service of Process:	KAMBIZ JOSEPH SHABANI
Agent Address:	1801 AVE OF THE STARS STE 1035
Agent City, State, Zip:	LOS ANGELES CA 90067

* Indicates the information is not contained in the California Secretary of State's database.

* **Note:** If the agent for service of process is a corporation, the address of the agent may be requested by ordering a status report.

- For information on checking or reserving a name, refer to **Name Availability**.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to **Information Requests**.
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Wasserman, Glenn

From: Yoon, Jina
Sent: Monday, July 28, 2008 5:53 PM
To: Wasserman, Glenn
Cc: Culp, Brence; Estolano, Cecilia
Subject: RE: Slauson Central

Will do. I have asked Jenny for copies of the consultant report, Board memo and detailed development and operating proformas. I will get you and Jenny my comments in advance of the Board meeting next week. Thanks.

From: Wasserman, Glenn
Sent: Monday, July 28, 2008 5:44 PM
To: Yoon, Jina
Cc: Culp, Brence; Estolano, Cecilia
Subject: RE: Slauson Central

✓ July 17, 2008 mtg.
where Board that own rules
wanted participation were violated.

Jina - Unfortunately, we have to give the board a "second bite at the apple" for reasons that have nothing to do with the deal terms, and at the last meeting, things began to go sideways. I think the board may want confirmation that what they approved in December (the financing structure, deal terms and developer's profit) is "reasonable". If we are lucky, they won't reopen these issues, but I would like to be prepared, just in case. If it is possible, I think your review of the consultant's report could be very helpful if the discussion begins to focus on the economics of the deal. Thanks. -- Glenn]

From: Yoon, Jina
Sent: Monday, July 28, 2008 5:38 PM
To: Wasserman, Glenn
Cc: Culp, Brence
Subject: RE: Slauson Central

Glenn,

I spoke with Jenny and my understanding is that this deal was approved by the CRA Board in December 2007 and the only material change since that time is that some environmental issues that arose after the deal was approved have since been resolved. Since the Board has already approved the financing structure, deal terms and Agency assistance, do you still need me to review the consultant's report? If so, do you need me to make some determination as to the reasonableness of the developer's profit/return?

Given how far along this deal is, I wanted to check in with you and get some clarification on how I could best add value, before proceeding further.

Thanks,
-Jina

From: Wasserman, Glenn
Sent: Friday, July 25, 2008 12:28 PM
To: Scanlin, Jenny; Yoon, Jina
Subject: Slauson Central

Jenny, since the rate of return may be an issue for discussion at the August 7 board hearing, it might be a good idea for Jina to attend the hearing.

04483

10/24/2008

Jina, I don't know if you have been involved in this project or not, but the issue of rate of return may come up as an issue. You will need to see the board memo and the consultant's 33433 report, but it seems to me that this transaction is consistent with the approach described in our commercial underwriting guidelines. That is, it has not been our practice to limit a developer's return to any particular maximum percentage, but we have a "market-based approach" that recognizes development return will be unique to each development project and depend, in large part, upon the project's financial risk profile, etc. (All this comes directly out of our commercial/industrial/mixed use underwriting and administrative procedures, pages 23-25).

Jenny, could you please give Jina a call before the board meeting to brief her on the deal and the issues. You might also want to forward to her a copy of the consultant's report.

Thanks.

GLENN F. WASSERMAN
CHIEF OPERATING OFFICER
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES
354 SO. SPRING STREET, SUITE 800
LOS ANGELES, CA 90013
TEL: 213-977-1807
FAX: 213-977-1698
gwasserma@cra.lacity.org

04484

10/24/2008

Wasserman, Glenn

From: Scanlin, Jenny
Sent: Wednesday, August 06, 2008 3:32 PM
To: Yoon, Jina; Wasserman, Glenn
Cc: Gulager, Jenna; Culp, Brence
Subject: RE: Slauson central

Thanks for your comments and questions. Sorry its a little hard to analyze without all the background! I think I have adequate answers to all the questions you raised and can be ready to answer them if they come up in discussion with the board.

-----Original Message-----

From: Yoon, Jina
Sent: Tue 8/5/2008 3:43 PM
To: Wasserman, Glenn
Cc: Scanlin, Jenny; Gulager, Jenna; Culp, Brence
Subject: FW: Slauson central

Glenn- Per your request, my comments on the Slauson/Central Board package are below. They are meant simply to assist downtown staff and their consultant in preparing for the Board presentation.

Jenny- Just a few additional comments. I think it would be helpful to give the Board a sources and uses budget that clearly shows what all the funding sources are and how they are being used. In particular, it is unclear how the \$19MM purchase price at project completion will be funded and I think seeing the capital stack could be helpful.

The Board may also want to know why conventional financing isn't being used on this project to provide deeper leveraging of funds. The projected NOI suggests that a permanent mortgage of roughly \$13MM (at 8%, 30yr amortization) might be supported. This may not make sense for this project, so it would be good to point that out if it comes up.

Again, I know there is a lot of background and project detail that I do not know, so my comments are strictly based on my review of the Board memo and the ERA report.

Thanks,
-Jina

-----Original Message-----

From: Yoon, Jina
Sent: Tuesday, August 05, 2008 11:57 AM
To: Scanlin, Jenny; Gulager, Jenna
Subject: RE: Slauson central

Jenny/Jenna-

I took a quick look at the ERA report for Slauson/Central. My comments/questions are below:

1) I am assuming that ERA's review of the development costs is well-supported, but you may want to prepare for some questions regarding the costs:

a) is all parking for the project surface parking? If so, how many spaces and what is the cost per space?

b) both soft and hard cost contingencies appear to be low (typically like to see 5% for soft and 5-10% for hard on new construction)

c) developer fees are usually calculated as a % of direct costs, not total costs. Therefore, the developer fees may be inflated. Also, what is CCSCLA's role during construction? They appear to be receiving a sales commission for what I assume is their role in leasing up the property upon completion, but what are they doing to earn their developer fee?

d) I am unclear what the financing costs represent. I wasn't able to back into it based on the report narrative. Since the developer used all cash to purchase the site and

cover predevelopment expenses, shouldn't their return incorporate compensation for their holding costs? Is their preferred return in addition to this \$1.0 million which is included in their return of equity?

2) are the construction costs based on a fairly complete set of plans and specs? I understand the construction start date is May 2009, so I'm assuming these costs could go up. The Board may be interested in knowing how firm these costs are and how much cushion is built in given the construction start date, so they can know how feasible the returns will be.

3) The exit cap rate of 7.25% and effective cap rate of 7.214% seem to be in line with the submarket and incorporate a reasonable risk premium given the project's fundamentals.

4) The developer preferred return of 18% seems a bit high, particularly if the pre-sale agreement is a binding obligation between the buyer and seller (i.e. there is certainty of sale upon stabilization) and given the fact that the developer is exiting after the first year, but does not appear to be unreasonable. Btw, is the exit sale a binding obligation with an agreed-upon price or is it just a "right of first refusal"? Just wondering what "outs" the buyer (Slauson Central Partners) has in order to gauge what the true risk is to the developer.

Never followed up.

5) The total profit to the developer in the ERA report is \$3,005,684 (preferred + promote distribution) which is equal to a 20% return, but the Board memo has it at \$3,718,733 or 25% return. What is the discrepancy? I think both are a bit high given the turnkey nature of this project and guaranteed sale upon stabilization, but will defer to ERA if that is what they are seeing on other similar projects.

6) Just curious why the developer is using 100% equity to finance development? Did Regency try to obtain conventional debt financing to increase leveraging and lower the required equity return?

7) Conceptually, I think the promote distribution splits (after payout of preferred equity) are good and I am assuming that they correctly reflect each party's participation and risk position.

I'm not sure how much scrutiny the Board will give this project, but I just wanted to pass along my general impressions reading the ERA report to help you anticipate any questions. Since there is no long-term operating cash flow attached to the Board memo, the Board may also have questions regarding what returns the owner/user (CCSCLA and Infinity) will be getting from the project. The Agency is putting in a lot of subsidy into the project, but I didn't see any proformas that show all the various funding sources being put into the project and the long-term cash flow projections incorporating the Agency financial assistance, HUD 108, etc.

I know that this has been a long process for all of you, so I know that I am probably missing a lot of background information that would answer all of these questions. So, please just take these as comments from a fresh pair of eyes and what items are not clear from the materials being provided to the Board.

I have to head out to a lunch meeting right now, but should be back in the office by 2:30 if you want to talk.

Thanks,
-Jina

-----Original Message-----

From: Scanlin, Jenny
Sent: Monday, July 28, 2008 5:13 PM
To: Gulager, Jenna; Yoon, Jina
Subject: Slauson central

Jenna,

Glenn asked jina to take a quick look at the financing plan and proforma for slauson central. Can you email or send her a hard copy of the:

1. 33433 report
2. Developer proforma (attached to DDA)
3. Final board memo (after tim's review)

Thanks.

C92120

AGREEMENT OF PURCHASE AND SALE
AND ESCROW INSTRUCTIONS

By and Between

SLAUSON CENTRAL, LLC,

a Delaware limited liability company

as Seller

and

SLAUSON CENTRAL PARTNERS, L.P.,

a California limited partnership as Buyer

Dated as of 6/5/03

Los Angeles, California

AGREEMENT OF PURCHASE AND SALE
AND ESCROW INSTRUCTIONS

THIS AGREEMENT OF PURCHASE AND SALE AND ESCROW INSTRUCTIONS ("Agreement") is made as of JUNE 5, 2003 by and between SLAUSON CENTRAL, LLC, a Delaware limited liability company ("Seller"), and SLAUSON CENTRAL PARTNERS, L.P., a California limited partnership ("Buyer").

RECITALS

A. Seller is in the process of negotiating such agreements as will permit it to acquire that certain real property defined as the "Property" under Section 2 of this Agreement. Following Seller's acquisition thereof, Seller intends to construct a retail shopping center upon the Property, having the general layout identified on the site plan attached hereto as Exhibit A-1.

B. Buyer desires to purchase and Seller is willing to sell the Property on the terms and conditions of this Agreement.

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows:

AGREEMENT

1. Certain Basic Definitions. For purposes of this Agreement, the following terms shall have the following definitions:

1.1 "Additional Option Payment" shall mean that option payment in the amount of One Hundred Thousand and No/100 Dollars (\$100,000), payable by Buyer pursuant to Section 2.2.1.

1.2 "Anchor Tenant" shall mean Food 4 Less and any other credit tenant approved by Seller and Buyer for the largest leased premises in the Project.

1.3 "Anchor Tenant Lease" shall mean that lease entered into between Seller and the Anchor Tenant for the largest leased premises in the Project.

"Anchor Tenant Opening Date" shall mean the date on which the Anchor Tenant initially opens for business to the public in the Property.

1.4 "Buyer's Address" means:

SLAUSON CENTRAL PARTNERS, L.P.
1801 Avenue of the Stars, Suite 702
Los Angeles, CA 90067-5802

Attention: Mr. Joseph Shabani
Telephone No.: (310) 203-8991
Facsimile No.: (310) 277-5855

1.5 "Buyer's Credit" shall have the meaning ascribed thereto in Section 2.2.4.

1.6 "CCSC" shall mean Concerned Citizens of South Central Los Angeles, a California non-profit corporation.

1.7 "CCSC Lease" shall mean a lease between the Seller and CCSC, or a lease between Seller and the Agency and an accompanying sublease by the Agency to CCSC, for approximately 2,000 Gross Leaseable Square Feet within the Project, which Lease shall permit CCSC, so long as CCSC remains in existence and retains its non-profit status under the Internal Revenue Code of the United States, to occupy such premises free of base rent and other common area maintenance and operation expenses, real property taxes, insurance, and other "pass through" expenses generally payable by Tenants of the Project; provided, however, that the CCSC Lease shall obligate CCSC to pay the actual cost of utility services consumed within the premises covered by the CCSC Lease. Unless approved by the landlord under the CCSC Lease in the landlord's sole and absolute discretion, the CCSC Lease shall not be assignable to any other entity, nor shall the premises covered by the CCSC Lease, or any portion thereof, be sublet to any other entity. Notwithstanding the foregoing, the CCSC Lease shall be prepared in accordance with the requirements of the DDA, and shall contain such terms and conditions as are specified in the DDA.

1.8 "Closing Date" shall be that date on which the Property is conveyed to Buyer pursuant to this Agreement.

1.9 "CRA" means the Community Redevelopment Agency of the City of Los Angeles.

1.10 "CRA Loan" means that "Section 108" land acquisition loan, if any, received by Seller from the CRA, in the anticipated approximate amount of \$2,000,000. The CRA Loan shall be secured by a deed of trust encumbering the Property and shall remain as an encumbrance running with the Property following the Close of Escrow.

1.11 "Credit Tenant" means any Tenant under any Lease for the Project which has at least ten (10) locations in California (including its premises in the Project), and has a net worth equal to or greater than the product of the Gross Leaseable Area leased by such Tenant under its Lease, multiplied by \$150.

1.12 "DDA" means that certain Disposition and Development Agreement by and between Seller and the City of Los Angeles and/or the CRA, which

sets forth certain terms and conditions upon which Seller shall acquire and develop the Property.

1.13 "Due Diligence Period" means the period beginning on the Project Stabilization Notice Date and ending at 5:00 p.m. (Pacific Time) on that date which is thirty (30) days following the Project Stabilization Notice Date.

1.14 "Escrow Holder" means Chicago Title Company.

1.15 "Escrow Holder's Address" means:

Chicago Title Insurance Company
700 S. Flower Street, Suite 900
Los Angeles, California 90017
Attention: Ms. Amy Hiraheta
Telephone No.: (213) 488-4358
Facsimile No.: (213) 488-4384

1.16 "Gross Income" shall mean the actual sum total of all rent and reimbursements for common area maintenance, taxes, insurance, security and management/administration fee of all occupied units within the Project received by Seller Company for the period specified.

1.17 "Initial Option Payment" shall mean that option payment in the amount of One Hundred Thousand and No/100 Dollars (\$100,000), payable by Buyer pursuant to Section 2.2.1.

1.18 "IR" means Infinity Redevelopment, LLC, a California limited liability company.

1.19 "Leases" shall mean all leases entered into by Seller in connection with the Property and which are in effect as of the first to occur of (i) the Project Stabilization Notice Date, or (ii) the Outside Project Stabilization Date.

1.20 "LLC Agreement" means that certain Limited Liability Company Agreement of Slauson Central, LLC, a California limited liability company, entered into as of the date of this Agreement, between Regency Realty Group, Inc., a Florida corporation and CCSC, to which this agreement is attached as Exhibit E.

1.21 "NOI" for any month or other period shall mean the positive or negative dollar amount of (i) Operating Income for such month or other specified period, less (ii) Operating Expenses for such month or such other period.

1.22 "Operating Expenses" shall have the meaning ascribed thereto on Exhibit H.

1.23 "Operating Income" shall have the meaning ascribed thereto on Exhibit H.

1.24 "Option Payment" means the Initial Option Payment and, when made by Buyer, the Additional Option Payment, as provided in Section 2.2.1.

1.25 "Outside Project Stabilization Date" shall be that date which is the one-year anniversary of the Anchor Tenant Opening Date.

1.26 "Project" shall mean that retail shopping center which Seller intends to develop upon the Property prior to the conveyance thereto to Buyer pursuant to this Agreement.

1.27 "Project Cap Rate" shall mean ten percent (10%).

1.28 "Project Stabilization" shall mean the condition that will have occurred when the obligation to pay base rent and all other "pass through" obligations have commenced for (A) the Anchor Tenant, and (B) for tenants or occupants of at least ninety-four percent (94%) of the remaining Gross Leaseable Area in the Center (excluding from said Gross Leaseable Area the premises leased to the Anchor Tenant, and excluding the premises leased to CCSC pursuant to the CCSC Lease).

1.29 "Project Stabilization Expectancy Date" means that date on which Seller delivers written notice to Buyer that Seller anticipates that Project Stabilization will occur within sixty (60) days thereafter.

1.30 "Project Stabilization Notice Date" means that date on which Seller delivers written notice to Buyer that Project Stabilization has been achieved.

1.31 "Purchase Price" shall equal the NOI for the calendar month in which the earlier to occur of (i) the Project Stabilization Notice Date, or (ii) the Outside Project Stabilization Date, multiplied by twelve, and divided by the Project Cap Rate, plus One Hundred Thousand Dollars (\$100,000). Seller and Buyer acknowledge and agree that Buyer may be entitled to Buyer's Credit against the Purchase Price at Closing in accordance to Section 2.2.4 below, and further, that the Purchase Price may be reduced pursuant to paragraph (b) of Exhibit "H" hereto. An example of the Purchase Price Calculation is set forth on Exhibit "L"

1.32 "Seller's Address" means:

Slauson Central, LLC
c/o Regency Center Corporation
555 South Flower Street, Suite 3500
Los Angeles, California 90071
Attention: Mac Chandler

Telephone No.: (213) 553-2200

Facsimile No: (213) 624-2280

With copies to:

Concerned Citizens of South Central Los Angeles

407 So. Central Avenue

Los Angeles, CA 90011

Attn: Ms. Noreen McClendon

Telephone No.: (323) 846-2500

Facsimile No: (323) 846-2508

And to:

Paul, Hastings, Janofsky & Walker LLP

515 S. Flower Street, 25th Floor

Los Angeles, California 90071

Attn: Robert L. Madok, Esq.

Telephone No.: (213) 683-6222

Facsimile No.: (213) 627-0705

1.33 "Site Plan" means that proposed site plan for the Project attached to this Agreement as Exhibit A-1.

1.34 "Speculative Tenant" shall mean any Tenant under any Lease for the Project which is not either an Anchor Tenant or a Credit Tenant.

1.35 "Tenants" means any tenant of the Project under a Lease.

1.36 "Title Company" means Chicago Title Company.

1.37 "Title Company Address" means:

Chicago Title Company

700 S. Flower Street, Suite 900

Los Angeles, California 90017

Attention: Ms. Maggie Watson

Telephone No.: (213) 488-4337

Facsimile No.: (213) 488-4388

2. Sale of Property: Purchase Price.

2.1 Sale of Property. Subject to the terms, covenants and conditions of this Agreement, Seller shall sell to Buyer, and Buyer shall purchase from Seller.

(a) the land located in the City of Los Angeles, County of Los Angeles, State of California, located at the southwest corner of Slauson Avenue and Central Avenue, consisting of approximately 6.65 acres of land area and all of which is more particularly described in Exhibit "A" (the "Land");

(b) all buildings and other improvements located on the Land as of the date of Closing (the "Improvements");

(c) all right, title and interest of Seller in and to any equipment, machinery or other property which is affixed to the Improvements so as to constitute fixtures under California law and all personal property, if any, (the "Personal Property") (the Land, the Improvements and the Personal Property are collectively referred to herein as the Real Property); and

(d) all of Seller's right, title and interest in and to the Real Property including, without limitation, leases or all other agreements demising space in or providing for the use or the occupancy of the Land or Improvements and any permits, approvals, operating permits, plans, specifications, licenses, entitlements, surveys, warranties, guaranties and all other contracts and agreements and all intangible property and rights relating to the Land, Improvements or Personal Property, if any (collectively, the "Contracts"), to the extent the Contracts are assignable (the Real Property and the Contracts are collectively referred to herein as the "Property").

2.2 Purchase Price. The Purchase Price shall be payable as follows:

2.2.1 Option Payment. Within five (5) business days after the later to occur of (i) the date on which the Anchor Tenant Lease is fully executed and Seller has delivered a copy thereof to Buyer, and (ii) the earlier of (a) the conveyance of the Property from the CRA to Seller, or (b) the commencement of construction of the Project, Buyer shall deliver to Seller the amount of One Hundred Thousand and No/100 Dollars (\$100,000) ("Initial Option Payment"). Thereafter, within five (5) business days following the date on which the Anchor Tenant accepts or is deemed to have accepted delivery of the "building pad" for the Anchor Tenant's construction of its building thereon in accordance with the Anchor Tenant Lease (as confirmed in writing received from the Anchor Tenant and delivered to Buyer), and Seller notifies Buyer of such occurrence in writing, Buyer shall deliver to Seller an additional payment in the amount of One Hundred Thousand and No/100 Dollars (\$100,000) ("Additional Option Payment"). If Buyer fails to timely make either the Initial Option Payment or the Additional Option Payment as required hereunder, Buyer shall be in default under this Agreement and Seller shall have such rights and remedies as are provided hereunder for a Buyer default. The Initial Option Payment and the Additional Option Payment shall be referred to herein collectively as the "Option Payment." Any interest earned upon the Option Payment during the period in which it is held by Seller shall belong to Seller; provided, however, that upon the Close of Escrow, Buyer shall be entitled to a credit against the Purchase Price payable under this Agreement in an amount equivalent to

interest of six percent (6%) per annum on the Initial Option Payment and the Additional Option Payment, which interest calculation shall commence upon the date upon which each such element of the Option Payment is first delivered to Seller and shall continue through the Close of Escrow.

2.2.2 Non-Refundable Option Payment. Upon Buyer's making of the Initial Option Payment and the Additional Option Payment, respectively, such elements of the Option Payment shall be non-refundable to Buyer and, upon the Close of Escrow, the Option Payment shall be applicable to the Purchase Price. The Option Payment shall be retained by Seller pursuant to Section 9.1 if this Agreement is terminated on account of a default by Buyer hereunder or failure of a condition, or for any reason other than as provided in the following sentence. Notwithstanding the foregoing, and without limiting any other provisions of this Agreement regarding the treatment of the Option Payment upon termination of this Agreement, the Option Payment shall be refunded to Buyer if Buyer terminates this Agreement during the Due Diligence Period as permitted under Section 3.5, if this Agreement is terminated due to the default of Seller hereunder, or if the Close of Escrow does not occur due to failure of the conditions to Closing set forth in Sections 3.3.2, 3.3.4, 3.3.7, or 3.3.8 below. If the Option Payment is returned to Buyer pursuant to the immediately-preceding sentence, all interest earned thereon while held by Seller (but not the six percent (6%) interest credit referenced in Section 2.2.1 above) shall be refunded to Buyer. Furthermore, if this Agreement is terminated under any circumstance in which Seller is entitled to retain the Option Payment, and within twelve (12) months following the date of such termination Seller conveys title to the Property to a third party for a price which, after deducting therefrom Seller's actual costs and expenses incurred in connection with such sale (e.g., closing costs, legal fees, brokerage commissions), exceeds the Purchase Price payable by Buyer under this Agreement, Seller shall refund to Buyer the amount of such excess, up to but not exceeding the amount of the Option Payment retained by Seller under this Agreement.

2.2.3 Balance of Purchase Price. Upon Closing, Buyer shall cause to be deposited the balance of the Purchase Price Owing for the Property, as well as any other costs, expenses, or amounts payable by Buyer under this Agreement.

2.2.4 Credit Against Purchase Price. In the event that Seller's total "Project Costs" (as such term is defined on Exhibit "J" hereto) are less than the amount of total Project Costs set forth in Seller's "Final Proforma" (as such term is defined in the LLC Agreement), then Buyer shall be entitled to a credit against the Purchase Price ("Buyer's Credit") payable at the Close of Escrow equal to fifty percent (50%) of the amount by which Project Costs set forth in the Final Proforma exceed actual Project Costs; provided that in no event shall Buyer's Credit exceed \$50,000.

3. Escrow: Closing Conditions.

3.1 Escrow. Upon the execution of this Agreement by Buyer and Seller and the acceptance of this Agreement by Escrow Holder in writing, this Agreement shall constitute the joint escrow instructions of Buyer and Seller to Escrow Holder to open an escrow ("Escrow") for the consummation of the sale of the Property to Buyer pursuant to the terms of this Agreement. The Option Payment shall be utilized as provided in this Agreement. Upon the Close of Escrow, Escrow Holder shall pay any sum owed to Seller with immediately available federal funds.

3.2 Closing Date. Promptly following Project Stabilization, Seller shall deliver to Buyer written notice of such occurrence. The date on which Seller delivers said notice of Project Stabilization to Buyer shall be the "Project Stabilization Notice Date." The Escrow shall close ("Close of Escrow") on the date which is seventy-five (75) days following the earlier to occur of (a) the Project Stabilization Notice Date, or (b) the Outside Project Stabilization Date, provided that all conditions to the Close of Escrow set forth in this Agreement have been satisfied or waived in writing by the party intended to be benefited thereby; provided, further, however, that upon written request of Buyer to Seller, said seventy-five (75) day period may be reduced to a period of time as short as ten (10) days.

3.3 Buyer's Conditions to Closing. The Close of Escrow is subject to and contingent on the satisfaction of the following conditions or the waiver of the same by Buyer in writing:

3.3.1 Title Policy. The Title Company's issuance of the Buyer's Title Policy (or mark-up thereof with promise of delivery within thirty (30) days) complying with the requirements of Section 3.3.2 below.

3.3.2 Preliminary Title Report. Buyer's approval or disapproval, by the expiration of the Due Diligence Period, of the following (collectively, "PTR"): (i) a preliminary title report for the Real Property issued by the Title Company and dated no more than thirty (30) days prior to the commencement of the Due Diligence Period; and (ii) copies of all underlying title documents described in such preliminary title report.

(a) Seller has or will deliver to Buyer the PTR prior to, and as a condition to, the commencement of the Due Diligence Period. Buyer's right to object to matters set forth in the PTR shall be limited only to mechanics liens or other monetary liens imposed against the Property, other than (i) the lien of general and supplemental property taxes not yet due and payable, and (ii) those matters approved or deemed approved by Buyer pursuant to Section 3.3.2(c) below. Buyer hereby covenants and agrees to accept the Property subject to, and assume all obligations arising under, all of the items referenced in clauses (i) and (ii) of the immediately-preceding sentence, and shall indemnify, defend, and hold harmless Seller from any claims, demands, obligations, costs, and expenses arising under any such items from and after the Close of Escrow. In the event Buyer timely objects in writing to matters on the PTR in accordance with the

approval procedures set forth herein, Seller shall have the right, but not the obligation, to notify Buyer in writing within five (5) calendar days after the date of Seller's receipt of the Buyer's notice that Seller desires to have ten (10) business days in which to remove or to cure, or to agree to remove or to cure, such disapproved items, and/or to obtain a bond or title commitment or endorsement insuring that such items will be removed or cured prior to or at the Close of Escrow. Seller's failure to deliver such notice to Buyer with respect to any disapproved item shall be deemed to be an election by Seller not to remove or to cure such item. In the event Seller elects to remove, cure or bond the disapproved items and the disapproved items are removed, cured or bonded, Seller shall cause the Title Company to issue an amended title report to be delivered to Buyer for Buyer's review and approval.

(b) If Seller elects not to remove or to cure, or to agree to remove or to cure, such disapproved items, or to obtain a bond or title commitment or endorsement insuring that such items will be removed or cured prior to or at the Close of Escrow, then Buyer shall have, as Buyer's sole and exclusive remedy, the right, exercisable on or before fifteen (15) days after Seller's election, either (i) to waive its objection to such disapproved title items, and proceed to take title to the Real Property subject to such items, without any deduction or offset in the Purchase Price, and without any cause of action against Seller, or (ii) to terminate this Agreement and the Escrow by giving written notice of such termination to Seller and to Escrow Holder in which event Buyer and Seller shall have no further liability to the other hereunder except the Surviving Indemnity (as hereinafter defined). Buyer's failure to provide Seller or Escrow Holder with written notice of termination within said fifteen (15) day period shall constitute Buyer's election under clause (i) above. Additionally, in the event Seller subsequently becomes unable, prior to the Closing Date, to remove or to cure any disapproved item or to obtain a bond or a title commitment or endorsement insuring that such item will be removed or cured prior to or at the Close of Escrow in accordance with Seller's previous election to do so, Seller shall so notify Buyer, and Buyer shall have, as Buyer's sole and exclusive remedy, the right, exercisable on or before five (5) business days after Seller's notice to exercise either of the options described in clause (i) or (ii) above. Buyer's failure to provide Seller or Escrow Holder with written notice of termination within said five (5) business day period shall constitute Buyer's election under clause (i) above.

(c) Notwithstanding Buyer's approval rights over matters reflected in the PTR pursuant to Section 3.3.2(a) and (b) above, at any time, and from time-to-time, following the date of this Agreement and prior to the commencement of the Due Diligence Period, Seller shall have the right to provide Buyer with a preliminary title report as the same exists as of the date of this Agreement, along with copies of all underlying documents referenced therein, and copies of any documentation pertaining to any liens or other encumbrances imposed or to be imposed against the Property pursuant to the LLC Agreement or the DDA, including, without limitation, any "Governmental Assistance Grants" (if any) and the "CRA Loan" (as such terms are

defined on Exhibit "J" hereto). Buyer shall have a period of ten (10) days following receipt of such items in which to review and approve of the same. If Buyer objects to any such items, Buyer and Seller shall have the same rights to cure, waive, and/or terminate this Agreement as are provided in Section 3.3.2(b) above. In the event that Buyer fails to object in writing to any such items within said ten (10) day period, Buyer shall be deemed to have approved the same as encumbrances on title to the Property, and Buyer shall not be permitted to otherwise object to the same under Section 3.3.2(a) or (b) above. Buyer hereby expressly acknowledges that the CRA Loan and any Governmental Assistance Grants which encumber the Property, once approved or deemed approved pursuant to the above, shall be deemed "Permitted Exceptions" to title for all purposes under this Agreement, and shall be assumed by Buyer in full upon the Close of Escrow as set forth in Section 3.4.3 below, without any reduction or other adjustment to the Purchase Price.

3.3.3 Leases. Within the Due Diligence Period, Buyer shall have reviewed all Leases for space within the Property for the purpose of confirming that Project Stabilization has occurred. Prior to Seller's notifying Buyer that Project Stabilization has occurred, or concurrently therewith, Seller shall deliver to Buyer for Buyer's review copies of the Leases. Notwithstanding the foregoing, Seller shall have the right to provide the Anchor Tenant Lease to Buyer prior to Seller's execution thereof, and Buyer shall have a period of ten (10) days following receipt of the Anchor Tenant Lease in which to review and approve of the same. In the event that Buyer fails to object in writing to any aspect of the Anchor Tenant Lease within said ten (10) day period, Buyer shall be deemed to have approved the same.

3.3.4 Site Plan. Seller shall have constructed the Project substantially in accordance with the Site Plan attached hereto as Exhibit A-1, as modified in accordance with the following. By executing this Agreement, Buyer shall be deemed to have approved of the development of the Project in accordance with the Site Plan. In the event that, following the date of this Agreement, Seller makes any material modifications to the Site Plan, Seller shall provide Buyer with a written description of Seller's proposed modifications thereto, and in the event that Buyer fails to disapprove of any such proposed modifications thereto within ten (10) business days of Seller's delivery of the same to Buyer, Buyer shall be deemed to have approved of such modifications to the Site Plan.

3.3.5 Representations and Warranties. All representations and warranties of Seller contained in this Agreement shall be true and correct as of the date made and as of the Close of Escrow with the same effect as though such representations and warranties were made at and as of the Close of Escrow.

3.3.6 Damage or Destruction; Condemnation. Buyer shall not have elected, pursuant to the terms of Section 6, to terminate this Agreement.

3.3.7 Inspection. Buyer's approval, prior to the expiration of the Due Diligence Period, of the items set forth in paragraph (a) and (b) below:

(a) The physical condition of the improvements constructed upon the Property by Seller. In connection therewith, within five (5) business days following the commencement of the Due Diligence Period, Seller shall deliver to Buyer copies of all soils, geotechnical, and environmental reports and documents in Seller's actual possession which pertain to the physical condition of the Property. Additionally, within thirty (30) days of Seller's receipt of its final permits and approvals to construct the buildings and other improvements upon the Property, Seller shall provide Buyer with a copy of Seller's final plans and specifications for the construction of such improvements, together with all permits. Buyer's right to approve or disapprove of the improvements so constructed upon the Property by Seller shall be limited to confirming that the same (i) have been constructed in accordance with the approved plans and specifications, and (ii) are not materially defective (i.e., have been completed, subject to the completion of minor punchlist items, which Seller shall repair, at Seller's sole cost and expense, either prior to the Close of Escrow or following the Close of Escrow). In the event that Buyer disapproves of the condition of the improvements constructed upon the Property pursuant to this Section 3.3.7(a), Buyer shall notify Seller in writing of the specific grounds for such disapproval, and Seller shall repair the defective improvements or otherwise rectify the condition to which Buyer has objected to Buyer's reasonable satisfaction. In connection with such rights of Seller, Seller shall have the right, by written notice to Buyer, to extend the Closing Date for a period of up to sixty (60) days in order to accomplish such repairs or other remedy for the conditions to which Buyer has objected.

(b) The environmental condition of the Property, provided that Buyer's disapproval right pursuant to this Section 3.3.7(b) shall be limited to (i) Seller's or the CRA's failure to remediate environmental contamination of the Property in accordance with the terms of the "Project Mitigation Plan" as set forth in the DDA, or (ii) environmental conditions of the Property which did not exist as of the date of Seller's acquisition of the Property and which are not identified and addressed in the Project Mitigation Plan. Seller's or the CRA's obtaining of a "no further action" letter from the governmental entity having primary jurisdiction over the remediation of the Property pursuant to the Project Mitigation Plan shall be deemed to conclusively establish for purposes hereof that the Property has been remediated in accordance with such Project Mitigation Plan. In the event that Buyer disapproves of the environmental condition of the Property pursuant to this Section 3.3.7(b), Buyer shall notify Seller in writing of the specific grounds for such disapproval, and Seller shall have the right to rectify the condition to which Buyer has objected to Buyer's reasonable satisfaction. In connection with such rights of Seller, Seller shall have the right, by written notice to Buyer, to extend the Closing Date for a period of up to sixty (60) days in order to accomplish such repairs or other remedy for the conditions to which Buyer has objected.

(c) Buyer's right to inspect the Property pursuant to the terms of this Agreement shall, at all times, be subject to Seller's inspections rights under the Leases in effect as of the time of any such inspection, and in no event shall Buyer interfere or disturb tenant or tenant's rights, duties and obligations under any such Lease.

(d) Buyer shall have the right to commence Buyer's physical inspection of the Property immediately after the Project Stabilization Notice Date. Buyer shall not enter upon the Property for the purpose of conducting any inspections thereto without first providing Seller with at least (i) two (2) business day's prior notice of such entry, and (ii) after Seller's receipt of written evidence that Buyer has procured the insurance required by Section 3.3.6(f) of this Agreement. Buyer's physical inspection of the Property shall be conducted during normal business hours at times mutually acceptable to Buyer and Seller. No invasive testing or boring shall be done without the prior notification of Seller and Seller's written permission of the same, which permission shall not be unreasonably withheld.

(e) Buyer acknowledges that prior to the expiration of the Due Diligence Period: (i) Buyer has or will have conducted such physical inspections as to the condition of the Property as Buyer deems necessary for the purposes of approving or disapproving of the same (including an inspection for zoning, land use, environmental and other laws, regulations and restrictions); and (ii) Seller shall provide Buyer with adequate opportunity to make such inspection of the Property, and shall have made available to Buyer such information, tests and reports, including, without limitation, environmental reports, as Seller has in its possession pertaining to the Property.

(f) Buyer shall obtain or cause its consultants to obtain, at Buyer's sole cost and expense prior to commencement of any investigative activities on the Property, a policy of commercial general liability insurance covering any and all liability of Buyer and Seller with respect to or arising out of any investigative activities. Such policy of insurance shall be an occurrence policy and shall have liability limits of not less than One Million Dollars (\$1,000,000.00) combined single limit per occurrence for bodily injury, personal injury and property damage liability. Such insurance policy shall name Seller, its successors and assigns and such other entities as Seller shall designate as additional insured and shall be in form and substance and issued by an insurance company reasonably satisfactory to Seller.

(g) Buyer shall protect, indemnify, defend and hold the Property, Seller and Seller's officers, directors, partners, members, fiduciaries, participants, affiliates, employees, representatives, invitees, agents and contractors free and harmless from and against any and all claims, damages, liens, stop notices, liabilities, losses, costs and expenses, including reasonable attorneys' fees and court costs (collectively, "Liabilities"), resulting from Buyer's inspection and testing of the Property, including, without limitation, repairing any and all damages to any portion of the

Property, arising out of or related (directly or indirectly) to Buyer's conducting such inspections, surveys, tests, and studies, except for the negligence of Seller or its representatives. Buyer shall keep the Property free and clear of any mechanics' liens or materialmen's liens related to Buyer's right of inspection and the activities contemplated by this Section 3.3.6 of this Agreement. Buyer's indemnification obligations set forth herein shall survive the Close of Escrow and shall not be merged with the Deed, and shall survive the termination of this Agreement and Escrow prior to the Close of Escrow.

3.3.8 Estoppel Certificates. Buyer shall have received estoppel certificates in from the Anchor Tenant and from tenants occupying at least eighty percent (80%) of the gross leaseable floor area of the balance of the Project, confirming (i) that such tenants have taken possession of their respective premises in the Project, (ii) the date on which such tenant's obligation to pay rent has or is to commence, (iii) the rent payable by such tenant, (iv) the amount of the security deposit, if any, paid by such tenant, and (v) confirmation that the tenant improvements required of Seller have been completed or, if applicable, Seller has paid any tenant improvement allowance owing under the subject lease. In the event that Seller is not able, despite its requesting in writing, to obtain an estoppel certificate as described above from each tenant, Seller shall have to option (but not the obligation) to substitute in place of any such missing tenant estoppel certificate a Seller's estoppel certificate certifying, to Seller's actual knowledge, the items set forth in clauses (i) through (v) above. In the event that Seller elects to provide a Seller estoppel certificate for any tenant pursuant to the above, upon the earlier to occur of (A) Seller's or Buyer's receiving an estoppel certificate covering those items set forth in clauses (i) through (v) above, or (B) one year following the Close of Escrow, Seller's estoppel certificate(s) provided herein shall be null and void and of no further force or effect.

3.3.9 Project Stabilization. Either Project Stabilization or the Outside Project Stabilization Date shall have occurred.

3.3.10 Subordination of Leases. In connection with any first priority deed of trust to be placed upon the Property at the Close of Escrow by Buyer, Buyer shall have received executed and acknowledged subordination, non-disturbance and attornment agreements from each tenant under the Leases, in commercially reasonable forms as provided for under the Leases.

3.4 Approval Procedure. Buyer shall notify Seller of Buyer's disapproval, if at all, of the matters described in Sections 3.3.2, 3.3.3, and 3.3.7 by written notice delivered to Seller and Escrow Holder by the expiration of the Due Diligence Period (or such earlier date as is specified therein). Buyer's failure to disapprove any of the matters described in said Sections 3.3.2, 3.3.3 and 3.3.7 by the expiration of the Due Diligence Period (or such earlier date as is specified therein) in the manner described shall be deemed Buyer's approval of such matters. In no event shall Buyer have the right to disapprove any such items after the expiration of the Due Diligence Period.

3.5 Termination. This Agreement shall automatically terminate if Buyer notifies Seller in writing prior to the expiration of the Due Diligence Period that Buyer has decided, in its strict accordance with the provisions of Sections 3.3.2, 3.3.3, or 3.3.7 above, not to proceed with the purchase of the Property, (subject to Seller's right to remove or cure disapproved items, or to obtain a bond or title endorsement), or if Buyer terminates this Agreement pursuant to Section 6 below. Upon termination of this Agreement pursuant to this Section 3.5 or pursuant to Section 6, the following shall apply: (a) each party shall promptly execute and deliver to Escrow Holder such documents as Escrow Holder may reasonably require to evidence such termination; (b) Escrow Holder shall return all documents to the respective parties who delivered such documents to Escrow; (c) Buyer and Seller shall each pay one-half (1/2) of Escrow Holder's escrow cancellation fees, if any, and the Option Payment shall be returned to Buyer to the extent provided under Section 2.2.2; (d) each party shall be responsible for its own attorneys' fees; (e) Buyer shall return to Seller all Due Diligence Items in Buyer's possession relating to the Property; and (f) the respective obligations of Buyer and Seller under this Agreement shall terminate.

3.6 Seller's Conditions to Closing. The obligations of Seller to consummate the transactions provided for herein are subject to and contingent upon the satisfaction of the following conditions or the waiver of same by Seller in writing:

3.6.1 Representations and Warranties. All representations and warranties of Buyer contained in this Agreement shall be materially true and correct as of the date made and as of the Close of Escrow with the same effect as though such representations and warranties were made at and as of the Close of Escrow.

3.6.2 Covenants. Buyer shall have performed and satisfied all agreements and covenants required hereby to be performed by Buyer prior to or at the Close of Escrow.

3.7 Title and Title Insurance.

3.7.1 Deed. Seller shall convey title to the Real Property to Buyer by grant deed in the form of Exhibit "B" attached hereto ("Deed").

3.7.2 Assignment and Assumption of Lease. Seller shall assign to Buyer Seller's right, title and interest to the Leases pursuant to an assignment and assumption of the lease in the form of Exhibit "C" ("Assignment and Assumption of Leases").

3.7.3 General Assignment and Assumption. Seller shall assign to Buyer Seller's right, title and interest if any, in any plans, specifications, licenses, permits, entitlements, surveys, maps, agreements and contracts relating to the Property, subject to any rights of consent as provided therein, pursuant to an assignment and assumption in the form of Exhibit "D" ("General Assignment and Assumption").

Without limiting the foregoing, the General Assignment and Assumption shall provide for the assignment by Seller to Buyer, and the assumption by Buyer from Seller, of all of Seller's obligations accruing from and after the Close of Escrow under the CRA Loan and any Governmental Assistance Grants encumbering the Property as of the Close of Escrow, with no adjustment or reduction in the Purchase Price as a result thereof.

3.7.4 Bill of Sale. Seller shall convey all of Seller's right, title and interest, if any, to the Personal Property owned by Seller and used in the operation of the Property pursuant to a Bill of Sale in the form of Exhibit "E" ("Bill of Sale").

3.7.5 Buyer's Title Policy. At the Close of Escrow, Escrow Holder shall cause the Title Company to issue to Buyer an ALTA Owner's Policy of Title Insurance ("Buyer's Title Policy") with such endorsements as Buyer shall reasonably require which:

(a) shall be written with liability in the amount of the Purchase Price; and

(b) shall insure title to the Property, to be vested in Buyer, subject to all matters of record against the Property as of the Close of Escrow, except as to any which are expressly not permitted pursuant to Section 3.3.1, above ("Permitted Exceptions"). Any exceptions directly or indirectly caused by Buyer shall be deemed "Permitted Exceptions" for purposes of this Agreement.

3.7.6 ALTA Policy. Buyer shall pay for the increased cost of the Buyer's Title Policy over the standard CLTA Policy, and the cost of any endorsements required by Buyer and Seller (except for the costs of endorsements necessary to cure title objections, which such costs shall be paid by Seller), and for the cost of any other increase in the amount or scope of title insurance if Buyer elects to increase the amount or scope of title insurance coverage provided in the Buyer's Title Policy; provided, however, that Seller shall pay for the cost of preparing an ALTA survey for the Property sufficient for Buyer to obtain the ALTA Policy.

3.8 Closing Costs and Charges.

3.8.1 Seller's Costs. Seller shall pay (a) one-half (1/2) of Escrow Holder's fees in connection with the Escrow; (b) all expenses and charges incurred in connection with the discharge of delinquent taxes, if any, which may be required in order for the Title Company to issue the Buyer's Title Policy in accordance with Section 3.7.5 and all costs of endorsements necessary to enable Seller to cure title objections; (c) all documentary transfer taxes, other taxes, and/or recording fees payable in connection with the transfer of the Property; (d) the cost of the standard CLTA Title Policy; and (e) the cost of the ALTA survey.

3.8.2 Buyer's Costs. Buyer shall pay (a) one-half (1/2) of the Escrow Holder's fees in connection with the Escrow and (b) the title insurance costs described in Section 3.7.6.

3.8.3 Other Costs. All other costs, if any, shall be apportioned in the customary manner for real property transactions in Los Angeles County.

3.9 Deposit of Documents and Funds by Seller. Not later than one (1) business day prior to the Closing Date, Seller shall deposit the following items into Escrow each of which shall be duly executed and acknowledged by Seller where appropriate:

3.9.1 The Deed;

3.9.2 Three (3) counterparts of the Assignment and Assumption of Leases;

3.9.3 The Certification of Non-Foreign Status in the form of Exhibit "F" ("Certification");

3.9.4 Three (3) counterparts of the General Assignment and Assumption;

3.9.5 Three (3) counterparts of the Bill of Sale;

3.9.6 Notice to Tenant in the form of Exhibit "G" ("Notice to Tenant"); and

3.9.7 Other documents that may reasonably be required by Buyer and Escrow Holder to close the Escrow in accordance with this Agreement, including all appropriate authority documents and certificates.

3.10 Deposit of Documents and Funds by Buyer. Not later than one (1) business day prior to the Closing Date (or the Closing Date, as indicated below), Buyer shall deposit the following items into Escrow each of which shall be duly executed and acknowledged by Buyer where appropriate:

3.10.1 Three (3) counterparts of the Assignment and Assumption of Lease;

3.10.2 Three (3) counterparts of the General Assignment and Assumption;

3.10.3 If Buyer elects, an additional notice to the Tenants beyond that referenced in Section 3.9.6 above;

3.10.4 All other funds and documents as may reasonably be required by Escrow Holder to close the Escrow in accordance with this Agreement; and

3.10.5 Other documents that may reasonably be required by Seller and Escrow Holder to close the Escrow in accordance with this Agreement, including all appropriate authority documents and certificates.

3.11 Delivery of Documents and Funds at Closing. Provided that all conditions to closing set forth in this Agreement have been satisfied or, as to any condition not satisfied, waived by the party intended to be benefited thereby, on the Closing Date Escrow Holder shall conduct the closing by recording or distributing the following documents and funds in the following manner:

3.11.1 Recorded Documents. Record the Deed in the Official Records of Los Angeles County.

3.11.2 Buyer's Documents. Deliver to Buyer: (a) the original Buyer's Title Policy; (b) the original Certification; (c) an original counterpart of the Assignment and Assumption of Leases; (d) an original counterpart of the General Assignment and Assumption executed by Seller and Buyer; (e) an original of the Bill of Sale executed by Seller; and (f) a counterpart copy of the closing statement.

3.11.3 Seller's Documents. Deliver to Seller an original, where applicable, or a copy of every document delivered to Buyer.

3.12 Prorations and Adjustments.

3.12.1 Generally. If any expenses are not determinable on Close of Escrow, at the earliest possible opportunity following the Close of Escrow, Seller and Buyer shall make any final adjustments.

3.12.2 Taxes, Rentals, and Operating Expenses.

(a) Except to the extent covered under Sections 3.12.2(b) and (c) below, all non-delinquent real estate taxes, assessments and special taxes on the Property (collectively, the "Taxes") will be prorated as of the Closing Date based on the actual current Tax bills.

(b) All rents and other charges payable by the tenants or occupants under the Leases which are earned and attributable to any period prior to the Closing Date will be paid to Seller to the extent that such rents and other charges have been collected on or before the Closing Date; and, rents and other charges earned and attributable to the period beginning on and after the date of the Closing Date will be paid to Buyer. In the event that, within six (6) months after the Closing Date, Buyer receives any rents and other charges which are attributable to any period prior to the Closing Date

and which were either, as of the Closing Date delinquent, or as in the case of percentage rentals, not yet due, such amounts so received will be immediately paid to Seller along with an itemized accounting; provided, however, in so allocating rentals and other amounts received by Buyer after the Closing Date, any funds received by Buyer from a tenant or other person who owed rents or other charges which were delinquent or unpaid on the Closing Date, such funds shall be allocated first to Buyer in satisfaction of rents and other charges which are past-due after the Closing Date, and the balance paid to Seller in satisfaction of rents and other charges due prior to the Closing Date. Buyer shall utilize commercially reasonable, good faith, and diligent efforts to collect any rents and other charges which are delinquent or unpaid as of the Closing Date which reasonable efforts shall include, without limitation, providing written notice to the subject tenant in accordance with the requirements of its Lease that such tenant is in default under such Lease, with a statement of the landlord's intention to exercise such rights and remedies as are available to Buyer under such Lease; provided, however, that Buyer shall not be obligated to commence an unlawful detainer proceeding or other formal legal action against any such tenant in order to collect any such delinquent rentals.

(c) Without limiting the provisions of Section 3.12.2(a) and (b) above, all utilities and other operating and common area expenses relating to the Property and all contractual obligations assumed by Buyer pursuant to this Agreement shall be prorated as of the Closing Date. However, in making such prorations, the following shall be applicable:

(i) Regarding Taxes, (x) as to any portion of Taxes paid by Seller relating to a period of time before the Closing, which are reimbursable by tenants under any of the Leases, then as to any of such reimbursements not received by Seller as of the Closing Date, Seller shall be entitled to such reimbursements as and when received by Buyer, and such reimbursements shall be treated the same as unpaid rentals in accordance with Section 3.12.2(b) above, and (y) as to any portion of Taxes paid by Seller relating to a period of time after the Closing, which are reimbursable by tenants under any of the Leases and not received by Seller as of the Closing Date, Buyer shall be required to reimburse Seller for such Taxes in cash at the Closing Date and Buyer shall be entitled to all such reimbursements which may thereafter be received from the tenants under the Leases.

(ii) Regarding operating and common area expenses for the Property, including amounts payable by Seller under any contracts pertaining thereto (collectively "Expenses"), (x) as to any portion of the Expenses paid by Seller relating to a period of time before the Closing Date, which are reimbursable by tenants under any of the Leases, then as to any of such reimbursements not received by Seller as of the Closing Date, Seller shall be entitled to such reimbursements as and when received by Buyer, and such reimbursements shall be treated the same as unpaid rentals in accordance with Section 3.12.2(b) above, and (y) as to any Expenses relating to a period after the date of the Closing Date which have been paid by Seller and are

reimbursable by any tenants under any of the Leases, Buyer shall be required to reimburse Seller for such Expenses in cash upon the Closing Date and Buyer shall be entitled to all such reimbursements which may thereafter be received from the tenants under the Leases.

3.12.3 Security Deposits. Buyer shall receive a credit for all security and other deposits made by any and all tenant or occupants of the Project, together with an accurate list thereof, to the extent Seller has not applied any portion thereof against any defaults committed by any tenant or occupant of the Project as of the Close of Escrow. At Closing, Buyer shall assume Seller's obligations related to tenant security deposits.

3.12.4 Additional Credits. Buyer shall receive a credit for any free rent applicable under any Lease for any period following the Close of Escrow as set forth in paragraph 3 of Exhibit "C" hereto.

4. Delivery and Possession. Seller shall deliver possession of the Property to Buyer at the Close of Escrow, subject to the rights of any tenants, occupants, or other parties pursuant to the Leases.

5. Commissions. Buyer and Seller each acknowledge, represent, and warrant to one another that, except as expressly provided in the LLC Agreement, there are no commissions, finder's fees or brokerage fees arising out of the transactions contemplated by this Agreement. Seller shall pay such brokers' commissions as provided in the LLC Agreement. Buyer shall indemnify and hold Seller harmless from and against any and all liabilities, claims, demands, damages, costs and expenses, including, without limitation, reasonable attorneys' fees and court costs, in connection with claims for any other such commissions, finders' fees or brokerage fees arising out of Buyer's conduct or the inaccuracy of the foregoing representation and/or warranty of Buyer. Seller shall indemnify and hold Buyer harmless from and against any and all liabilities, claims, demands, costs and expenses, including, without limitation, reasonable attorneys' fees and costs in connection with claims for any other such commissions, finders' fees or brokerage fees arising out of Seller's conduct or the inaccuracy of the foregoing representation and/or warranty of Seller.

6. Damage or Destruction: Condemnation.

6.1 Notice. Seller shall give Buyer prompt notice of any fire or other casualty affecting the Property between the date hereof and the Close of Escrow, or of any actual taking by eminent domain or condemnation of all or any portion of the Property.

6.2 Damage and Destruction; Condemnation.

6.2.1 Right to Terminate. If prior to the close of Escrow there shall occur (i) damage to the Property caused by fire or other casualty, without fault of Buyer which would cost \$500,000 or more to repair with respect to an insured casualty, or \$100,000 or more with respect to an uninsured casualty; or (ii) the taking or condemnation of all or any portion of the Property (including the taking or closing of any rights of access to the Property or ingress or egress to and from the Property) as would in the reasonable opinion of Buyer and Seller, materially interfere with the use thereof; then in any such event, Buyer may at its option terminate this Agreement and the Escrow by written notice to Seller within fifteen (15) business days after Buyer has received the notice referred to above. In the event of said termination, Buyer shall immediately receive a refund of the Option Payment paid by Buyer pursuant hereto, (provided that Buyer and Seller shall each pay one-half (1/2) of any Escrow or title cancellation fees) and neither Buyer nor Seller shall have any further liability or obligation hereunder (other than any obligation of Buyer under this Section 6.2.1 herein). If Buyer does not give such notice to Seller, then this Agreement shall remain in full force and effect and the close of Escrow shall take place as provided herein and there shall be assigned to Buyer at close of Escrow all interest of Seller in and to any insurance proceeds or condemnation awards which may be payable to Seller on account of any such occurrence. Seller shall reduce the Purchase Price by the amount of any deductible under Seller's insurance policy(s) for any casualty loss that is insured wherein Buyer determines to proceed to purchase the Property after notice is given of damage or destruction under this Section 6.2.1 hereinabove. In no event shall the Purchase Price be adjusted in the event of any uninsured casualty loss.

6.2.2 No Right to Terminate. If prior to the close of Escrow there shall occur (i) damage to the Property caused by fire or other casualty which would cost less than \$500,000 to repair with respect to an insured casualty, or less than \$100,000 with respect to an uninsured casualty; or (ii) the taking by eminent domain or condemnation of a portion of the Property which would not, in the reasonable opinion of Buyer and Seller, interfere with the use thereof and/or reduce the fair market value of the Property; then, in any such event, Buyer shall have no right to terminate its obligations under this Agreement, but there shall be assigned to Buyer at close of Escrow all interest of Seller in and to any insurance proceeds or condemnation awards which may be payable to Seller on account of any such occurrence. Seller shall reduce the Purchase Price by the amount of any deductible under Seller's insurance policy(s) for an insured casualty loss.

7. Seller's Representations and Warranties.

7.1 Representations and Warranties. It is expressly understood and agreed that all liability of Seller for breach of the representations and warranties contained in this Section 7 shall terminate if no written claim of breach, specifying the

representation or warranty allegedly breached and the supporting evidence for the alleged breach, shall be delivered to Seller on or prior to the date which is two (2) years following the Closing Date. Seller represents and warrants to Buyer that as of the date of this Agreement:

7.1.1 Seller is duly organized, validly existing, and in good standing under the laws of the state of its formation.

7.1.2 Seller has the full power and authority to execute, deliver and perform its obligations under this Agreement.

7.1.3 This Agreement and all agreements, instruments and documents herein provided to be executed by Seller are and as of the Closing will be duly authorized, executed and delivered by and are and will be binding upon Seller.

7.2 Limitations on Seller's Representations and Warranties.

Except as expressly herein otherwise provided, the representations and warranties of Seller set forth in this Agreement shall be true in all material aspects on and as of the Closing Date as if those representations and warranties were made on and as of such time, subject to any qualifications thereof made by Seller in a written notice delivered to Buyer within ten (10) days after Seller obtains new knowledge or information with respect thereto that would cause Seller to change such representations or warranty.

7.3 Buyer's Remedies For Seller's Breach of Representations and Warranties.

7.3.1 Pre-Closing Remedies. If at or prior to the Closing Buyer shall become aware (whether through its own efforts, by written notice from Seller or any other third party) that any of the representations or warranties made herein by Seller are untrue, inaccurate or incorrect and shall give Seller notice thereof at or prior to the Closing, then Seller may, in its sole discretion, elect by notice to Buyer to adjourn the Closing one time for up to thirty (30) days in order to cure or correct such untrue, inaccurate or incorrect representation or warranty. If Buyer's damages as a result of such representations or warranties being untrue, inaccurate or incorrect are, in the aggregate, up to \$20,000, and such misrepresentations or breaches of warranty are not cured or corrected by Seller on or before the Closing Date (whether or not the Closing is adjourned as provided above), Buyer shall nevertheless be deemed to, and shall, waive such misrepresentations or breaches of warranty and shall consummate the transactions contemplated hereby without any reduction of or credit against the Purchase Price. If Buyer's damages as a result of such representations or warranties being untrue, inaccurate or incorrect are, in the aggregate, greater than \$20,000, and such misrepresentations or breaches of warranty are not cured or corrected by Seller on or before the Closing Date (whether or not the Closing is adjourned as provided above), then Buyer, as its sole remedy for any and all such untrue, inaccurate or incorrect representations or warranties, shall elect either (x) to waive such misrepresentations or

breaches of warranties and consummate the transactions contemplated hereby without any reduction of or credit against the Purchase Price, or (y) to terminate this Agreement by notice given to Seller on or before the Closing Date, in which event, this Agreement shall be terminated and neither party shall have any further rights, obligations or liabilities hereunder, except for the obligations of Buyer that survive the termination of this Agreement; provided, however, that in the event of such a termination of this Agreement, Seller shall be obligated to reimburse Buyer for its actual, reasonable out-of-pocket expenses paid by Buyer to any third parties in connection with this Agreement as evidenced by documentation reasonably acceptable to Seller, not to exceed \$20,000, and the Option Payment shall be returned to Buyer, minus one-half (1/2) of any Escrow or title cancellation fees.

7.3.2 Post-Closing Remedies. Notwithstanding anything contained in this Agreement to the contrary, in the event the Closing occurs, Buyer's post-closing rights and remedies as a result of any of Seller's representations or warranties being untrue, inaccurate or incorrect shall be governed by the applicable law.

8. Buyer's Representations and Warranties. Buyer represents and warrants to Seller that as of the date of this Agreement and as of the Closing Date:

8.1 Buyer is duly organized, validly existing, and in good standing under the laws of the state of its formation; and

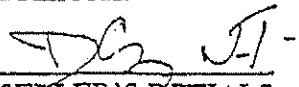
8.2 Buyer has the full power and authority to execute, deliver and perform Buyer's obligations under this Agreement.

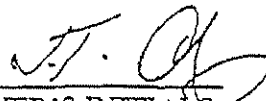
8.3 This Agreement and all agreements, instruments and documents herein provided to be executed by Buyer are and as of the Closing will be duly authorized, executed and delivered by and are and will be binding upon Buyer; and

8.4 The execution and delivery of this Agreement and the performance of its obligations hereunder by Buyer will not conflict with, result in a breach of or constitute a default under any of the terms, conditions or provisions of any agreement or instrument to which the Buyer is a party or by which it is bound, or any order or decree applicable to Buyer.

9. Default.

9.1 LIQUIDATED DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, IF BUYER HAS NOT TERMINATED THIS AGREEMENT PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD AND IF THE SALE OF THE PROPERTY TO BUYER IS NOT CONSUMMATED FOR ANY REASON OTHER THAN SELLER'S DEFAULT UNDER THIS AGREEMENT OR THE FAILURE OF A CONDITION TO PERFORM THE OBLIGATIONS HEREUNDER OR AS OTHERWISE EXPRESSLY CONTEMPLATED TO RESULT IN THE RETURN OF THE OPTION PAYMENT TO BUYER, SELLER SHALL BE ENTITLED TO RETAIN THE OPTION PAYMENT AS SELLER'S LIQUIDATED DAMAGES. THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE AND EXTREMELY DIFFICULT TO ASCERTAIN THE ACTUAL DAMAGES SUFFERED BY SELLER AS A RESULT OF BUYER'S FAILURE TO COMPLETE THE PURCHASE OF THE PROPERTY PURSUANT TO THIS AGREEMENT, AND THAT UNDER THE CIRCUMSTANCES EXISTING AS OF THE DATE OF THIS AGREEMENT, THE LIQUIDATED DAMAGES PROVIDED FOR IN THIS SECTION REPRESENTS A REASONABLE ESTIMATE OF THE DAMAGES WHICH SELLER WILL INCUR AS A RESULT OF SUCH FAILURE, PROVIDED, HOWEVER, THAT THIS PROVISION SHALL NOT LIMIT SELLER'S RIGHTS TO RECEIVE REIMBURSEMENT FOR ATTORNEYS' FEES, NOR WAIVE OR AFFECT SELLER'S RIGHTS AND BUYER'S INDEMNITY OBLIGATIONS UNDER OTHER SECTIONS OF THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THE PAYMENT OF SUCH LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTION 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676, AND 1677. THE PARTIES HAVE SET FORTH THEIR INITIALS BELOW TO INDICATE THEIR AGREEMENT WITH THE LIQUIDATED DAMAGES PROVISION CONTAINED IN THIS SECTION. SELLER AGREES ITS RIGHT TO OBTAIN THE OPTION PAYMENT AS LIQUIDATED DAMAGES SHALL BE SELLER'S SOLE AND EXCLUSIVE REMEDY HEREUNDER AT LAW OR EQUITY ON ACCOUNT OF BUYER'S DEFAULT HEREUNDER. NOTWITHSTANDING THE FOREGOING IN THE EVENT OF AN ALLEGED DEFAULT BY BUYER, SELLER SHALL EXECUTE AND DELIVER TO BUYER WRITTEN NOTICE OF SUCH BREACH, WHICH NOTICE SHALL SET FORTH INFORMATION ABOUT SUCH BREACH AND BUYER SHALL HAVE A PERIOD OF TEN (10) DAYS TO CURE SUCH BREACH.


SELLER'S INITIALS


BUYER'S INITIALS

9.2 Buyer's Pre-Closing Remedies. In the event Seller fails to perform any act required to be performed by Seller pursuant to this Agreement on or before the Closing, then Buyer shall execute and deliver to Seller written notice of such

breach, which notice shall set forth complete information about the nature of the breach. If such breach remains uncured prior to Closing, then Buyer's sole and exclusive remedy shall be either: (i) to cancel this Agreement, in which event the Option Payment shall be returned to Buyer and Seller shall reimburse Buyer for its third-party actual out-of-pocket expenses incurred in connection with this Agreement not to exceed \$50,000, and Seller shall pay one-half (1/2) of any Escrow or title cancellation fees, (ii) to specifically enforce the provisions of this Agreement, or (iii) give Seller notice that Buyer elects to Close Escrow and to waive such breach.

9.3 No Contesting Liquidated Damages. As material consideration to each party's agreement to the liquidated damages provisions stated above, each party hereby agrees to waive any and all rights whatsoever to contest the validity of the liquidated damage provisions for any reason whatsoever, including, but not limited to, that such provision was unreasonable under circumstances existing at the time this Agreement was made.

9.4 Post-Closing Remedies of Seller. If after the Closing, Buyer fails to perform its obligations which expressly survive the Closing pursuant to this Agreement, then Seller may exercise any remedies available to it at law or in equity, in any order it deems appropriate in its sole and absolute discretion, including but not limited to seeking damages resulting from Buyer's indemnity provisions hereunder.

9.5 Post-Closing Remedies of Buyer. If after the Closing, Seller fails to perform its obligations, if any, hereunder which are expressly required to be performed after the Closing, then Buyer may exercise any remedies available to it at law or in equity, in any order it deems appropriate in its sole and absolute discretion, including but not limited to seeking damages resulting from Seller's indemnity provisions hereunder.

10. Attorney's Fees. If any action or proceeding is commenced by either party to enforce their rights under this Agreement or to collect damages as a result of the breach of any of the provisions of this Agreement, the prevailing party in such action or proceeding, including any bankruptcy, insolvency or appellate proceedings, shall be entitled to recover all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and court costs, in addition to any other relief awarded by the court.

11. Notices. All notices, demands, approvals, and other communications provided for in this Agreement shall be in writing and shall be effective upon the earliest of the following to occur: (a) when delivered to the recipient; (b) one (1) business day after deposit with a nationally recognized overnight-guaranteed delivery service; (c) by facsimile with delivery of an original to the other party by overnight mail, but effective upon fax; or (d) upon receipt or refusal of receipt after deposit in a sealed envelope in the United States mail, postage prepaid by registered or certified mail, return receipt requested, addressed to the recipient as set forth below. All notices to Seller shall be sent to Seller's Address. All notices to Buyer shall be sent to Buyer's Address. All notices to

Escrow Holder shall be sent to Escrow Holder's Address. If the date on which any notice to be given hereunder falls on a Saturday, Sunday or legal holiday, then such date shall automatically be extended to the next business day immediately following such Saturday, Sunday or legal holiday. The foregoing addresses may be changed by written notice given in accordance with this Section.

12. Amendment: Complete Agreement. All amendments and supplements to this Agreement must be in writing and executed by Buyer and Seller. This Agreement contains the entire agreement and understanding between Buyer and Seller concerning the subject matter of this Agreement and supersedes all prior agreements, terms, understandings, conditions, representations and warranties, whether written or oral, made by Buyer or Seller concerning the Property or the other matters which are the subject of this Agreement. This Agreement has been drafted through a joint effort of the parties and their counsel and, therefore, shall not be construed in favor of or against either of the parties.

13. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

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

15. Counterparts, Headings and Defined Terms. This Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one agreement. The headings to sections of this Agreement are for convenient reference only and shall not be used in interpreting this Agreement.

16. Time of the Essence. Time is of the essence of this Agreement.

17. Waiver. No waiver by Buyer or Seller of any of the terms or conditions of this Agreement or any of their respective rights under this Agreement shall be effective unless such waiver is in writing and signed by the party charged with the waiver.

18. Third Parties. This Agreement is entered into for the sole benefit of Buyer and Seller and their respective permitted successors and assigns. No party other than Buyer and Seller and such permitted successors and assigns shall have any right of action under or rights or remedies by reason of this Agreement.

19. Additional Documents. Each party agrees to perform any further acts and to execute and deliver such further documents which may be reasonably necessary to carry out the terms of this Agreement.

20. Independent Counsel. Buyer and Seller each acknowledge that: (i) they have been represented by independent counsel in connection with this Agreement; (ii) they have executed this Agreement with the advice of such counsel; and (iii) this Agreement is the result of negotiations between the parties hereto and the advice and assistance of their respective counsel. The fact that this Agreement was prepared by Seller's counsel as a matter of convenience shall have no import or significance. Any uncertainty or ambiguity in this Agreement shall not be construed against Seller because Seller's counsel prepared this Agreement in its final form.

21. Condition of Property. Buyer represents and warrants that, as specified in Section 3.3.6 hereof, Buyer has, or shall have inspected and conducted tests and studies of the Property, and that Buyer is familiar with the general condition of the Property. Buyer understands and acknowledges that the Property may be subject to earthquake, fire, floods, erosion, high water table, dangerous underground soil conditions, hazardous materials and similar occurrences that may alter its condition or affect its suitability for any proposed use. Except to the extent otherwise specifically provided herein, Seller shall have no responsibility or liability with respect to any such occurrence. Except to the extent otherwise specifically provided herein, Buyer represents and warrants that Buyer is acting, and will act only, upon information obtained by Buyer directly from Buyer's own inspection of the Property.

22. Property "AS IS".

22.1 No Side Agreements or Representations. No person acting on behalf of Seller is authorized to make, and by execution hereof, Buyer acknowledges that no person has made any representation, agreement, statement, warranty, guarantee or promise regarding the Property or the transaction contemplated herein or the zoning, construction, physical condition or other status of the Property except as may be expressly set forth in this Agreement. No representation, warranty, agreement, statement, guarantee or promise, if any, made by any person acting on behalf of Seller which is not contained in this Agreement will be valid or binding on Seller.

22.2 "As Is" Condition. Buyer acknowledges and agrees that, except as specifically provided in this Agreement, Seller has made absolutely no representations or warranties regarding the Property, including, without limitation, its condition; its past, present or future use; value; the income to be derived from the Property; the suitability of the Property for any and all activities and uses which Buyer may conduct thereon, including the possibilities for future development of the Property; the habitability, merchantability, marketability, profitability or fitness for a particular purpose of the Property; the nature, quality or condition of the property, including, without limitation, the water, soil and geology; the conformity of the Property to past, current or future applicable zoning or building requirements and that Buyer is purchasing the Property on an "AS-IS" basis. Buyer is, or as of the Closing Date will be, familiar with the Property. Buyer is relying solely upon, and as of the Closing Date will have conducted, its own

independent inspection, investigation and analysis of the Property as it deems necessary or appropriate in so acquiring the Property from Seller (including, without limitation, any and all matters concerning the condition, use, sale, development or suitability for development of the Property). Buyer is not relying in any way upon any representations, statements, agreements, warranties, studies, plans, reports, descriptions, guidelines or other information or material furnished by Seller or its representatives, whether oral or written, express or implied, of any nature whatsoever regarding any of the foregoing matters, except as expressly provided in this Agreement including, without limitation, Section 3.3.7(b).

23. No Partnership Relationship. Notwithstanding that CCSC is a member of both the "Buyer" and the "Seller" entities hereunder, the relationship between Seller and Buyer arising from this Agreement shall not constitute in any manner or form a partnership or joint venture relationship between the parties hereto.

24. Assignment. Buyer shall neither assign its rights nor delegate its obligations hereunder without obtaining Seller's and the Agency's prior written consent. Seller's consent shall not be unreasonably withheld, delayed, impaired or obstructed. In no event shall any assignment relieve Buyer from its obligations under this Agreement, unless consented to by Seller and Agency in their sole discretion. Any other purported or attempted assignment or delegation without obtaining Seller's prior written consent shall be void and of no effect. Notwithstanding the foregoing, Buyer shall have the right, upon written at least ten (10) business days' written notice to Seller, to assign its rights under this Agreement to any entity which is a wholly-owned subsidiary of Buyer, or any entity in which Buyer owns controlling interest.

25. Successors and Assigns. Subject to the restrictions on transfer set forth in Section 24 hereof, this Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties hereto. In no event shall Buyer have any right to delay or postpone the Close of Escrow to create a partnership, corporation or other form of business association or to obtain financing to acquire title to the Property or to coordinate with any other sale, transfer, exchange or conveyance.

26. Exhibits. Each reference to a Section or Exhibit in this Agreement shall mean the sections of this Agreement and the exhibit attached to this Agreement, unless the context requires otherwise. Each such exhibit is incorporated herein by this reference.

27. No Reservation of Property. The preparation and/or delivery of unsigned drafts of this Agreement shall not create any legally binding rights in the Property and/or obligations of the parties, and Buyer and Seller acknowledge that this Agreement shall be of no effect until it is duly executed by both Buyer and Seller. Buyer understands and agrees that Seller shall have the right to continue to market the Property and/or to negotiate with other potential purchasers of the Property until the expiration of

the Due Diligence Period and the satisfaction or waiver in writing of all conditions to the obligations of Buyer under this Agreement.

28. Counterparts and Facsimile. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together, shall constitute one and the same instrument. This Agreement will be considered to be executed and delivered by a party when an original or facsimile copy of the Agreement, bearing every signature indicated for that party, has been received by the other party. A party delivering this Agreement by facsimile transmission will promptly deliver an original, bearing the party's original signature, to the other party.

29. Business Day. If the Closing Date or the day for performance of any act required under this Agreement falls on a Saturday, Sunday or legal holiday, then the Closing Date or the day for such performance, as the case may be, shall be the next following regular business day.

30. Indemnifications.

30.1 Buyer's Indemnification. Buyer shall hold harmless, indemnify and defend Seller and its affiliates from and against any and all third party claims and liabilities (excluding any tax liability) arising out of: (i) any and all obligations, liabilities, claims, liens or encumbrances whether direct, contingent or consequential (a) in any way related to the Property, and arising or accruing on or after the Closing Date (including, without limitation, claims brought by any governmental agency or other party pertaining in any way to the environmental condition of the Property or the emanation of any hazardous or toxic substances from the Property onto any other properties); or (b) in any way related to or arising from any intentional or negligent act or omission by Buyer at any time or times, including, without limitation, any claim arising or accruing under the Leases on or after the Closing Date; (ii) any loss or damage to Seller resulting from any breach or default or falsity of any representation of Buyer under this Agreement or any of the documents described herein; and (iii) all costs and expenses, including attorneys' fees, related to an action, suits or judgments incident to any of the foregoing.

30.2 Seller's Indemnification. Seller shall hold harmless, indemnify and defend Buyer and its affiliates from and against any and all third party claims and liabilities (excluding any tax liability) arising out of: (i) any and all obligations, liabilities, claims, liens or encumbrances whether direct, contingent or consequential (a) in any way related to the Property and arising or accruing before the Closing Date, or (b) in any way related to or arising from any intentional or negligent act or omission by Seller at any time or times before the Closing Date, including, without limitation, any claim arising or accruing under the Leases before the Closing Date; (ii) any loss or damage to Buyer resulting from any breach or default or falsity of any representation of Seller under this Agreement or any of the documents described herein; and (iii) all costs and expenses, including attorneys' fees, related to an action, suits or judgments incident to any of the foregoing.

31. Release. Buyer shall rely solely upon Buyer's own knowledge of the Property based on its investigation of the Property and its own inspection of the Property in determining the Property's physical condition. Buyer hereby expressly acknowledges that the Property has contained and contains certain hazardous substances which, pursuant to applicable federal, state, and/or local law, ordinance, or regulation, will require certain remediation activities to take place. Accordingly, Buyer and anyone claiming by, through or under Buyer hereby waives its right to recover from and fully and irrevocably releases Seller, its employees, officers, directors, representatives, agents, servants, attorneys, affiliates, parent, subsidiaries, members, successors and assigns, and all persons, firms, corporations and organizations in its behalf ("Released Parties") from any and all claims that it may now have or hereafter acquire against any of the Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to any construction defects, errors, omissions or other conditions, (subject to Buyer's rights under any warranties assigned to Buyer pursuant to Exhibit "D" attached hereto) latent or otherwise, including environmental matters, affecting the property, or any portion thereof; provided, however, that the aforesaid release shall not apply to any latent construction defects in the Project with respect to which (i) Buyer is not able, despite exercising all rights and remedies available thereto at law or in equity, to recover from the general contractor or any subcontractor thereof engaged by Seller in connection with the initial development of the Project, (ii) Buyer has not, after complying with the requirements of the immediately preceding clause (i), notified Seller of its claim for such construction defects within five (5) years following the Closing Date. This release includes claims or which Buyer is presently unaware or which Buyer does not presently suspect to exist which, if known by Buyer, would materially affect Buyer's release to Seller. Buyer specifically waives the provision of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR."

In this connection and to the extent permitted by law, Buyer hereby agrees, represents and warrants that Buyer realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Buyer further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Buyer nevertheless hereby intends to release, discharge and acquit Seller from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which might in any way be included as a material portion of the consideration given to Seller by Buyer in exchange for Seller's performance hereunder. Seller has given Buyer material concessions regarding this transaction in exchange for Buyer agreeing to the provisions of this Section 31.

Seller and Buyer have each initialed this Section 31 to further indicate their awareness and acceptance of each and every provision hereof. Notwithstanding the foregoing, Buyer and Seller hereby agree that nothing set forth in this Section 31 and/or Section 22.2 hereof shall release Seller from Seller's liability for latent construction defects pursuant to this Section 31 above and/or Seller's fraud or willful misconduct or gross negligence relating to the performance of Seller's obligations under this Agreement or Seller's development of the Property, nor shall this Section 31 limit Buyer's rights or remedies which may exist against the general contractor constructing the Project pursuant to the Contracts to be assigned by Seller to Buyer in connection with this Agreement.


SELLER'S INITIALS


BUYER'S INITIALS

32. Survival. The covenants, agreements, representations and warranties made herein shall, subject to Section 7.1, survive the Closing and the delivery of the Deed and this Agreement and shall, subject to Section 26 hereof, extend to the respective successors, heirs and assigns of Seller and Buyer.

33. Tax-Deferred Exchange. Either party may consummate the purchase or sale of the Property as part of a so-called like kind exchange (the "Exchange") pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, and comparable California tax provisions, provided that: (i) Close of Escrow shall not be delayed or affected by reason of the Exchange, nor shall the consummation or accomplishment of the Exchange be a condition precedent or condition subsequent to either party's obligations under this Agreement; (ii) the party electing to consummate this transaction as part of an Exchange (the "Electing Party") shall effect the Exchange through an assignment ("Exchange Agreement") of this Agreement, or its rights under this Agreement, to a qualified intermediary; (iii) the other party (the "Accommodator") shall not be required to be a party to the Exchange Agreement and shall have no obligation or liability thereunder; (iv) if requested by the Electing Party, the Accommodator shall provide its written consent to the Exchange Agreement provided (a) the Exchange Agreement complies with this Section 33, and (b) the consent provides that the Accommodator shall have no obligation, liability, cost or expense under the Exchange Agreement; (v) the Accommodator shall not be required to take an assignment of the purchase agreement for the relinquished property or be required to acquire or hold title to any real property for purposes of consummating the Exchange; (vi) the Accommodator shall incur no additional liabilities, expenses or costs as a result of or connected with the Exchange; and (vii) the Electing Party shall indemnify, defend and hold the Accommodator harmless from any liabilities, damages, costs or expenses (including but not limited to reasonable attorneys' fees and related costs) that may arise from the Electing Party's participation in the Exchange. The Accommodator shall not by this Agreement or acquiescence to the Exchange proposed by the Electing Party have its rights under this Agreement affected or diminished in any manner or be responsible for compliance with or be deemed to have warranted to the Electing Party that the Exchange

in fact complies with Section 1031 of the Internal Revenue Code of 1986, as amended, and comparable California tax provisions.

34. Transfer of Property/Requirements of DDA. Buyer acknowledges that it shall be acquiring title to the Property subject to the terms and provisions of the DDA. In connection with the conveyance of the Property to Buyer under this Agreement, Seller's rights and obligations under the DDA which accrue from and after the Close of Escrow shall be assigned to and assumed by Buyer pursuant to the General Assignment attached hereto as Exhibit "D" which shall provide, without limitation, that (i) the Community Redevelopment Agency of Los Angeles shall be an express third-party beneficiary of the assignment and assumption of Seller's rights and obligations under the DDA accruing from and after the Close of Escrow, and (ii) Seller shall be relieved of all obligations under the DDA accruing from and after the Close of Escrow. Additionally, without limiting the foregoing, Buyer hereby covenants and agrees to comply with the terms and provisions of Section 8.3 of the DDA, a copy of which Section 8.3 is attached hereto as Exhibit "K." In connection therewith, Buyer shall provide to the CRA (and concurrently to Seller) evidence satisfactory to the CRA in the CRA's reasonable discretion that the Buyer has made a good faith effort to obtain the participation in the Project of a community development entity ("CDE") that has received an allocation of "New Market Tax Credits" (as such terms are defined in the DDA). If Buyer fails to comply with the aforesaid provisions of Section 8.3 of the DDA and provide Seller evidence reasonably acceptable to Seller that Buyer has applied for the New Market Tax Credits within thirty (30) days following the Project Stabilization Expectancy Date, Seller shall have the right to make such application on Buyer's behalf, and Buyer shall be obligated, on or before the Close of Escrow, and as a condition precedent to the Close of Escrow, to reimburse Seller for all actual out-of-pocket costs and expenses incurred by Seller in applying for such New Market Tax Credits.

SELLER:

SLAUSON CENTRAL, LLC,
a Delaware limited liability company

By: Regency Realty Group, Inc.,
a Florida corporation, its
Managing Member

By:

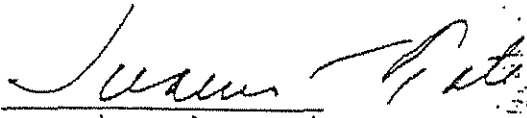
Name:

Title:

DAN M. CHANDLER III

SR. V.P.

By: Concerned Citizens of South
Central Los Angeles, a California
non-profit public benefit corporation,
its Member

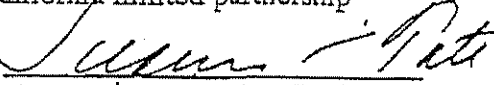
By: 

Name: Juanita Tate

Title: Executive Director

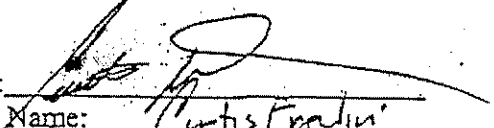
BUYER:

SLAUSON CENTRAL PARTNERS, L.P.,
a California limited partnership

By: 

Name: Juanita Tate

Title: Executive Director Limited Partner

By: 

Name: Curtis Franklin

Title: General Partner

**Business Entities (BE)****Business Entity Detail**

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Customer Alert

(misleading business solicitations)

Data is updated weekly and is current as of Friday, September 03, 2010. It is not a complete or certified record of the entity.

Entity Name:	SLAUSON CENTRAL, LLC ✓
Entity Number:	200209910002
Date Filed:	04/04/2002
Status:	ACTIVE
Jurisdiction:	DELAWARE
Entity Address:	ONE INDEPENDENT DR STE 114
Entity City, State, Zip:	JACKSONVILLE FL 32202-5019
Agent for Service of Process:	CORPORATION SERVICE COMPANY WHICH WILL DO BUSINESS IN CALIFORNIA
Agent Address:	AS CSC - LAWYERS INCORPORATING SERVICE, (C1592199)
Agent City, State, Zip:	*

* Indicates the information is not contained in the California Secretary of State's database.

* **Note:** If the agent for service of process is a corporation, the address of the agent may be requested by ordering a status report.

- For information on checking or reserving a name, refer to **Name Availability**.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
- For descriptions of the various fields and status types, refer to **Field Descriptions and Status Definitions**.

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(misleading business solicitations)

Business Entity Detail

Data is updated weekly and is current as of Friday, September 03, 2010. It is not a complete or certified record of the entity.

Entity Name:	REGENCY REALTY GROUP, INC. WHICH WILL DO BUSINESS IN CALIFORNIA AS FLORIDA-RRG, INC.
Entity Number:	C2134066
Date Filed:	02/16/1999
Status:	ACTIVE
Jurisdiction:	FLORIDA
Entity Address:	ONE INDEPENDENT DR SUITE 114
Entity City, State, Zip:	JACKSONVILLE FL 32202-5019
Agent for Service of Process:	CORPORATION SERVICE COMPANY WHICH WILL DO BUSINESS IN CALIFORNIA AS CSC - LAWYERS INCORPORATING SERVICE
Agent Address:	2730 GATEWAY OAKS DR STE 100
Agent City, State, Zip:	SACRAMENTO CA 95833

* Indicates the information is not contained in the California Secretary of State's database.

- If the status of the corporation is "Surrender," the agent for service of process is automatically revoked. Please refer to California Corporations Code **section 2114** for information relating to service upon corporations that have surrendered.
- For information on checking or reserving a name, refer to **Name Availability**.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
- For descriptions of the various fields and status types, refer to **Field Descriptions and Status Definitions**.

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Business Search - Results

Data is updated weekly and is current as of Friday, September 03, 2010. It is not a complete or certified record of the entity.

- Select an entity name below to view additional information. Results are listed alphabetically in ascending order by entity name.
- For information on checking or reserving a name, refer to **Name Availability**.
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to **Information Requests**.
- For help with searching an entity name, refer to **Search Tips**.
- For descriptions of the various fields and status types, refer to **Field Descriptions and Status Definitions**.

Results of search for "SLAUSON CENTRAL PARTNERS" returned no entity records.

Record not found.

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Search for "Slauson Central Partners" shows no such entity registered, active, inactive or suspended by the State of California as of September 6, 2010



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(misleading business solicitations)

Business Search - Results

Data is updated weekly and is current as of Friday, September 03, 2010. It is not a complete or certified record of the entity.

- [Select an entity name below to view additional information.](#) Results are listed alphabetically in ascending order by entity name.
- For information on checking or reserving a name, refer to [Name Availability](#).
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to [Information Requests](#).
- For help with searching an entity name, refer to [Search Tips](#).
- For descriptions of the various fields and status types, refer to [Field Descriptions and Status Definitions](#).

Results of search for "SLAUSON CENTRAL" returned 2 entity records.

Entity Number	Date Filed	Status	Entity Name	Agent for Service of Process
200233010026	11/25/2002	ACTIVE	SLAUSON CENTRAL COMMUNITY CENTER, LLC	K. JOSEPH SHABANI
200209910002	04/04/2002	ACTIVE	SLAUSON CENTRAL, LLC	CORPORATION SERVICE COMPANY WHICH WILL DO BUSINESS IN CALIFORNIA

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Search for "Slauson Central" also does not return results for "Slauson Central Partners, LP."

FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE
AND ESCROW INSTRUCTIONS

THIS FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE AND ESCROW INSTRUCTIONS (this "Amendment") is made and entered into as of August 30, 2004 ("Effective Date"), by and between Slauson Central, LLC, a Delaware limited liability company ("Seller"), and Slauson Central Partners, L.P., a California limited partnership ("Buyer").

RECITALS

A. Seller and Buyer previously entered into that certain Agreement of Purchase and Sale and Escrow Instructions dated as of June 5, 2003 ("Existing Agreement").

B. Buyer and Seller desire to modify and amend the Existing Agreement on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, and good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Buyer and Seller hereby agree as follows:

1. **Reaffirmation of Agreement.** Except as amended hereby, the Existing Agreement shall remain unchanged and Buyer and Seller acknowledge and agree that the Existing Agreement, as amended by this Amendment, is hereby reaffirmed, ratified and confirmed in its entirety and is in full force and effect. All capitalized terms used herein without definition shall have the meanings set forth in the Existing Agreement. The Existing Agreement, as amended by this Amendment, shall be referred to herein as the "Agreement."
2. **Project Capitalization Rate.** Section 1.27 of the Existing Agreement is hereby deleted and replaced in its entirety with the following:

"1.27 "Project Cap Rate" shall mean that percentage rate (rounded to the nearest one hundredth (1/100) of a percentage point) which is two (2) percentage points less than "Project Yield" (as defined below in this Section), provided that if such computed percentage rate is less than Nine Percent (9%), then the Project Cap Rate shall be deemed to be Nine Percent (9%), and if such computed percentage rate is greater than Ten Percent (10%), then the Project Cap Rate shall be deemed to be Ten Percent (10%). For purposes hereof, "Project Yield" shall equal the percentage rate (rounded to the nearest one hundredth (1/100) of a percentage point) arrived at by multiplying the NOI for the calendar month in which either (i) the Project Stabilization Notice Date, or (ii) the Outside Project Stabilization Date occurs, whichever is earlier, by twelve (12), and dividing such amount by the Project Costs."
3. **Audit Right.**
 - (a) Buyer shall have the one-time right to retain a qualified Certified Public Accountant, upon at least five (5) business days' advance written notice to Seller ("Buyer's Audit Notice"), to audit and inspect Seller's books of account and records as they pertain to the determination of Project Costs and NOI, as the same are used to determine the Project Cap Rate ("Buyer's Audit"). Buyer shall deliver Buyer's Audit Notice, if at all,

within one hundred twenty (120) days following the first date on which Seller gives Buyer written notice of the amount of the Project Costs and the NOI ("Audit Notice Period"), and Buyer shall complete its audit and deliver a written report of its audit findings ("Audit Report") within thirty (30) days following Buyer's delivery to Seller of its notice electing to conduct Buyer's Audit ("Audit Period"); provided, however, such thirty (30)-day period shall be extended on by one (1) day for each business day that Seller's books of account and records (as they pertain to the determination of Project Costs and NOI) are not available for inspection by Buyer's Certified Public Accountant during normal business hours (8:30AM to 5:30PM). Buyer's Audit Report shall be prepared by Buyer's Certified Public Accountant.

- (b) Failure of Buyer to deliver Buyer's Audit Notice by the end of the Audit Notice Period, or to deliver Buyer's Audit Report to Seller by the end of the Audit Period, shall be deemed Buyer's irrevocable waiver of its audit rights hereunder and Buyer's acceptance of Seller's determination of Project Costs and NOI.
- (c) If Seller disagrees with Buyer's audit findings as described in Buyer's Audit Report, Seller shall have the right to contest in good faith the results of Buyer's Audit by giving Buyer written notice thereof ("Contest Notice") within fifteen (15) days following Seller's receipt of Buyer's Audit Report. Failure of Seller to deliver timely its Contest Notice shall be deemed Seller's irrevocable waiver of its rights to dispute the findings in Buyer's Audit and Seller's acceptance of Buyer's audit findings.
- (d) If Seller timely delivers its Contest Notice to Buyer, the parties (and their respective accountants or other audit representatives) shall, during a period of fifteen (15) days following Seller's delivery of the Contest Notice ("Reconciliation Period"), meet and confer to reconcile their respective determinations of Project Costs and NOI. If Seller and Buyer are not able, despite their good faith efforts, to reconcile their respective determinations of Project Costs and/or NOI during the Reconciliation Period, then each party shall be entitled to pursue appropriate legal remedies.
- (e) Without limiting the foregoing, the Closing under the Agreement shall not be delayed but rather shall proceed in accordance with all of the terms and conditions of the Existing Agreement, including without limitation that the Purchase Price shall be calculated using Seller's determinations of Project Costs and NOI. Notwithstanding the Closing, Buyer shall retain the right (i) to pursue Buyer's Audit in accordance with the terms and conditions of this Section, and (ii) if, following Buyer's timely and valid Audit Report, the amount ("Discrepancy Amount") determined by subtracting the Purchase Price as calculated using Buyer's Project Costs and NOI figures (determined pursuant to Buyer's Audit Report) from the Purchase Price as calculated using Seller's Project Costs and NOI figures is greater than zero (0), to pursue appropriate legal remedies to recover such Discrepancy Amount from Seller in accordance with the terms and conditions of this Section.
- (f) Any audit conducted by Buyer pursuant to this Section 3 shall be conducted during normal business hours (8:30AM to 5:30PM) at Seller's offices where such records are maintained.

- (g) Each party shall bear its own costs and expenses incurred in connection with its audit and/or determination of Project Costs and NOI; provided, however, that if Buyer's Audit (as accepted by Seller or otherwise reconciled by Seller and Buyer pursuant to the foregoing) reveals that, in determining the Project Cap Rate, the aggregate NOI was understated by more than five percent (5%), or that Project Costs were overstated by more than five percent (5%), then Seller shall reimburse Buyer for Buyer's actual, reasonable, out-of-pocket costs and expenses incurred in performing Buyer's Audit.

4. Miscellaneous.

- (a) Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be an original, but all of which shall constitute one Amendment.
- (b) Conflicts. In the event of any inconsistencies between the terms contained herein and the terms set forth in the Existing Agreement, the terms of this Amendment shall control.

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Buyer and Seller have executed this Amendment on the date first above written.

SELLER

SLAUSON CENTRAL, LLC,
a Delaware limited liability company

REGENCY REALTY GROUP, INC.,
a Florida Corporation, its Managing Member

By: Mark Hargis
Name: Mark Hargis
Its: SVP

CONCERNED CITIZENS OF SOUTH
CENTRAL LOS ANGELES, a California non-
profit public benefit corporation, its Member

By: Noreen McClendon
Name: Noreen McClendon
Its: Executive Director

BUYER

SLAUSON CENTRAL PARTNERS, L.P.,
a California limited partnership

By: Noreen McClendon
Name: Noreen McClendon
Its: Limited Partner

By: Curtis Kalin
Name: Curtis Kalin
Its: General Partner

SECOND AMENDMENT TO AGREEMENT OF PURCHASE AND SALE
AND ESCROW INSTRUCTIONS

THIS SECOND AMENDMENT TO AGREEMENT OF PURCHASE AND SALE AND ESCROW INSTRUCTIONS (this "Amendment") is made and entered into as of October 12, 2007 ("Effective Date"), by and between Slauson Central, LLC, a Delaware limited liability company ("Seller"), and Slauson Central Partners, L.P., a California limited partnership ("Buyer").

R E C I T A L S

A. Seller and Buyer previously entered into that certain Agreement of Purchase and Sale and Escrow Instructions dated as of June 5, 2003 ("Existing Agreement") that was amended as of August 30, 2004 ("First Amendment").

B. Buyer and Seller desire to modify and amend the Existing Agreement that was modified by the First Amendment on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, and good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Buyer and Seller hereby agree as follows:

1. Reaffirmation of Agreement. Except as amended hereby, the Existing Agreement and the First Amendment to that Existing Agreement, shall remain unchanged and Buyer and Seller acknowledge and agree that the Existing Agreement as amended by the First Amendment, as amended by this Amendment, is hereby reaffirmed, ratified and confirmed in its entirety and is in full force and effect. All capitalized terms used herein without definition shall have the meanings set forth in the Existing Agreement as modified by the First Amendment. The Existing Agreement and First Amendment, as amended by this Second Amendment, shall be referred to herein as the "Agreement."
2. Project Capitalization Rate. Section 1.27 of the Existing Agreement as amended by the First Amendment, is hereby deleted and replaced in its entirety with the following:

1.27 "Project Cap Rate" shall be seven and one quarter percent (7.25%).

3. Audit Right. Section 3 of the First Amendment, is hereby deleted and replaced in its entirety with the following:

- (a) Buyer shall have the one-time right to retain a qualified Certified Public Accountant, upon at least five (5) business days' advance written notice to Seller ("Buyer's Audit Notice"), to audit and inspect Seller's books of account and records as they pertain to the determination of NOI, as the same are used to determine the Purchase Price ("Buyer's Audit"). Buyer shall deliver Buyer's Audit Notice, if at all, within fifteen (15) days following the first date on which Seller gives Buyer written notice of the amount of the NOI ("Audit Notice Period"), and Buyer shall complete its audit and deliver a written report of its audit findings ("Audit Report") within thirty (30) days following Buyer's delivery to Seller of its notice electing to conduct Buyer's Audit ("Audit Period"). Buyer's Audit Report shall be certified by Buyer's Certified Public Accountant.
- (b) Failure of Buyer to deliver Buyer's Audit Notice by the end of the Audit Notice Period, or to deliver Buyer's Audit Report to Seller by the end of the Audit Period, shall be deemed Buyer's irrevocable waiver of its audit rights hereunder and Buyer's acceptance of Seller's determination of NOI.
- (c) If Seller disagrees with Buyer's audit findings as described in Buyer's Audit Report, Seller shall have the right to contest in good faith the results of Buyer's Audit by giving Buyer written notice thereof ("Contest Notice") within fifteen (15) days following Seller's receipt of Buyer's Audit Report. Failure of Seller to deliver timely its Contest Notice shall be deemed Seller's irrevocable waiver of its rights to dispute the findings in Buyer's Audit and Seller's acceptance of Buyer's audit findings.
- (d) If Seller timely delivers its Contest Notice to Buyer, the parties (and their respective accountants or other audit representatives) shall, during a period of fifteen (15) days following Seller's delivery of the Contest Notice ("Reconciliation Period"), meet and confer to reconcile their respective determinations of NOI. If Seller and Buyer are not able, despite their good faith efforts, to reconcile their respective determinations of NOI during the Reconciliation Period, then each party shall be entitled to pursue appropriate legal remedies.
- (e) Without limiting the foregoing, if Buyer and Seller have not reconciled their differences with respect to NOI by the end of the Reconciliation Period, then the Closing shall not be delayed, but the following procedure shall be followed. Buyer shall deposit, in accordance with all of the terms and conditions of the Existing Agreement, with Escrow Holder the Purchase Price as determined using Seller's determinations of NOI. However, the difference between the Purchase Price as calculated using

Buyer's NOI figures and Seller's NOI figures shall be withheld in Escrow and not released to Seller upon the Close of Escrow unless and until such differences are reconciled.

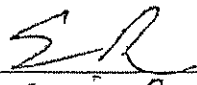
- (f) Any audit conducted by Buyer pursuant to this Section 3 shall be conducted during normal business hours at Seller's offices where such records are maintained.
 - (g) Each party shall bear its own costs and expenses incurred in connection with its audit and/or determination of NOI; provided, however, that if Buyer's Audit (as accepted by Seller or otherwise reconciled by Seller and Buyer pursuant to the foregoing) reveals that the aggregate NOI was overstated by more than five percent (5%) then Seller shall reimburse Buyer for Buyer's actual, reasonable, out-of-pocket costs and expenses incurred in performing Buyer's Audit.
4. Site Plan. Exhibit A-1 in the Existing Agreement as amended by the First Amendment shall be replaced by the site plan attached to this Second Amendment as Exhibit A-1.
5. Miscellaneous.
- (a) Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be an original, but all of which shall constitute one Amendment.
 - (b) Conflicts. In the event of any inconsistencies between the terms contained herein and the terms set forth in the Existing Agreement, the terms of this Amendment shall control.

IN WITNESS WHEREOF, Buyer and Seller have executed this Amendment on the date first above written.

SELLER

SLAUSON CENTRAL, LLC,
a Delaware limited liability company

REGENCY REALTY GROUP, INC.,
a Florida Corporation, its Managing
Member

By: 
Name: Edwin B. Bick
Its: SVP

CONCERNED CITIZENS OF SOUTH
CENTRAL LOS ANGELES, a California
non-profit public benefit corporation, its
Member

By: 
Name: Noreen McClendon
Its: Executive Director

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

BUYER

SLAUSON CENTRAL PARTNERS, L.P.,
a California limited partnership

By: Noreen E. McClendon
Name: Noreen McClendon
Its: Limited Partner

By: [Signature]
Name: Curtis Fralin
Its: General Partner

**Concerned Citizens of South Central Los Angeles
Project Matrix**

	Central Ave. Town homes	Antes Colombus	Soccer Field	Slauson Central
Background	The project was originally conceived in 1995 and has undergone changes in project team and composition since its inception. In its current form it represents 27 detached single-family town homes and one duplex for a total of 29 units. The Agency will subsidize 20 units to meet the California Redevelopment Law's standard of affordability for moderate income homebuyers.	In 2001, CDD allocated \$2.1 mil to CCSCLA to purchase 3 acres of land at Slauson and Main to develop youth soccer fields. In early, 2005 CCSCLA reconvened conversations with City agencies to proceed with building a SPRF funded parking structure with a soccer field on top. Subsequently, a parking meter zone was established, the City Atty was drafting an MOU, and construction docs were being reviewed with Bureau of Engineering.	In July 2003, the Prop K committee allocated \$760,054 in funds to CCSCLA To provide for an outdoor soccer field. The term of the contract was 2 years thru 6/05.	The Slauson Central Shopping Center is located in the Goodyear Industrial Tract on Southwest corner of Slauson and Central Avenues; it has been under consideration by the City since 1996. It will be a 80,000 Sq. ft. project, with a Food for Less and other retail.
Current Status	The project is expected to begin construction in fall of 2006.	Early 2006 CCSCLA came to the City team with LAUSD and proposed selling the land to LAUSD and entering into a joint-use agreement for the parking structure and soccer field.	CD 9 has assisted CCSCLA by extending this contract while the location of the soccer field has changed and is still not developed.	CRA board approved project in concept on 12/02 and on 4/03 the CRA board authorized staff to assemble one parcel prior to the DDA being executed. The

		The City Atty opined SPRF funds could not reasonably be committed to a LAUSD parking structure. An email was sent to CCSCLA over a month ago with this information and there has been no response.		site is still being acquired through eminent domain actions and the project is now over budget due to escalating costs and time lapses.
Investment Amount	May 1996 - Acquisition and predevelopment Loan: \$1.34 M August 2003 – (1) CRA wrote off \$468,600, as sunk costs. (2) Committed additional \$721,600 for construction and (3) \$453,000 committed for soft seconds. February 2006: Committed additional \$953,000 for predevelopment. All funds will be written off as permanent financing. Total Funds Committed: \$3,467,600 If include sunk costs: \$3,936,200	\$2.1 mil CDBG (\$1mil lien on the property to pay off State Murray-Hayden grant) \$6mil SPRF Approximate Total: \$8.1 mil	Prop K \$760,000 Approximate Total: \$760,00	\$327,500 BEDI Grant \$2mil Sect. 108 loan repaid with City site-specific revenues and Project site-specific property tax increment dollars. Projected AB 1290 \$4.6 mil Legal costs related to eminent domain case. <i>Need figure from CRA, (at least \$1 mil)</i> Approximate Total: \$8mil



CRA/LA

Building communities with jobs & housing

Community Redevelopment Agency
of the CITY OF LOS ANGELES

354 South Spring Street Suite 800
Los Angeles California 90013-1258

DATE / January 7 2009
FILE CODE C9-1204

T 213 977 1600 · F 213 977 1665
www.crala.org

Ms. Noreen McClendon
Executive Director
Concerned Citizens of South Central Los Angeles
4707 S. Central Avenue
P.O. Box 11337
Los Angeles, CA 90011

Dear Noreen:

On December 2, 2008, the CRA/LA sent a "Demand letter" requiring repayment of Loan 892172D. The Loan was used for purchase of the Central Avenue Townhomes properties (the "Properties") and predevelopment costs related to the development of the Townhomes (the "Project"). On July 31, 2007, the Community Redevelopment Agency of the City of Los Angeles ("CRA/LA") had sent a letter to CCSCLA with suggestions for repayment options, and both parties tentatively agreed on an option that would include payment of a mutually-agreed upon price for the Properties, and that subsequently CRA/LA staff would recommend to the CRA/LA Board of Commissioners that the covenants on the Properties be removed.

Given the current credit and capital crisis, CCSCLA has informed CRA/LA that this tentative loan workout plan is no longer feasible. CCSCLA provided a new proposal, which would include a short term lease on the Properties for use by a Charter School, until such time as additional capital resources become available. The CRA/LA cannot approve a short term lease on the Properties because the covenants on the properties restrict usage to the identified Project.

Additionally, CCSCLA requested extra time to identify funding sources and to propose a different affordable housing project for the Project properties. Given that the loan workout process began over a year ago, and given the current nature of both the credit markets and public funding sources, CRA/LA cannot provide an extension of time for this purpose.

The CRA/LA offers the following options for a loan workout:

1. Pay off the loan in its entirety, leaving the affordable housing covenants in place. The Agreement Containing Covenants does not allow any use on the property, including even short term uses, that do not comply with the uses identified in the Covenant;
2. Pay off a mutually-agreed upon value for the property, and CRA/LA staff will request to the Board of Commissioners that the covenants are removed from the land. (Note that this is the original option all parties agreed upon);
3. Provide a "deed in lieu" and give CRA/LA back the property. This would be considered full repayment of the loan, there would be no "marks" against CCSCLA.



CRA/LA

Building communities with jobs & housing

The demand letter originally sent to CCSCLA required a response by January 4, 2009. With this letter, the CRA/LA is providing an extension until January 16th, 2009. If you have questions, please contact me at (213) 977-1711.

Best regards,

Jenna Gulager
Assistant Project Manager, CD9 Corridors

cc: CRA Records
Jenny Scanlin, Project Manager
Tim Chung, Deputy City Attorney
Kevin Sullivan, Director of Business Operations & Asset Management
Marie Rumsey, Office of Councilmember Jan Perry



CRA/LA

Building communities with jobs & housing

Community Redevelopment Agency
of the CITY OF LOS ANGELES

DATE / December 9, 2008

FILE CODE / C91204

354 South Spring Street / Suite 800
Los Angeles / California 90013-1258

T 213 977 1600 / F 213 977 1665
www.crala.org

Noreen McClendon
Executive Director
Concerned Citizens of South Central Los Angeles
4707 S. Central Avenue
Los Angeles, CA 90011

RE: Central Avenue Townhomes

Ladies and Gentlemen:

Concerned Citizens of South Central Los Angeles ("Borrower"), is indebted to The Community Redevelopment Agency of the City of Los Angeles ("Lender"), under a loan (the "Loan") evidenced, secured and governed by various documents (the "Loan Documents"), including, but not limited to, those documents described in Exhibit "A" to this letter, and made with respect to that certain real property known as 4601-4617, 4624, 4700-4716 and 5265-5269 S. Central Avenue (the "Property") in the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area ("CD9 Project Area").

Lender and Borrower may have had, and may be willing to now have, discussions (the "Discussions") concerning the Loan, the Loan Documents and the Property (including a possible modification). The parties hereto desire to memorialize their understanding of such Discussions.

Accordingly, Lender and Borrower and Guarantors and Pledgors hereby agree that:

1. Expression of Intent. No party to this letter will be bound by, and no liabilities will arise from, any statement, oral agreement, draft document, term sheet, letter or anything else prepared or communicated as part of the Discussions, short of a fully executed and delivered written agreement among the parties. Because the Discussions may not result in such an executed and delivered agreement, no party should rely upon any such statements, oral agreements, draft documents, term sheets, letters or other items (except for such an executed and delivered agreement) made or prepared during the Discussions by, for example, passing up other attractive and permissible alternatives, or otherwise. Furthermore, this letter may be amended only by a written amendment, fully executed and delivered by all the parties hereto.

2. Discussions. Neither party shall be obligated to negotiate or otherwise enter into or continue the Discussions, but if the Discussions occur, neither party will be obligated to make or accept any proposal. Any party may terminate the Discussions at any time for any or no reason whatsoever without obligation or liability to any other party.

3. No Waiver. Neither the failure nor delay by Lender to exercise any of its remedies nor the acceptance of any payments (in whole or in part) nor the Discussions (whether any of the foregoing is before or after the date of this letter) nor any provision of this letter will amend, modify,



CRA/LA

Building communities with jobs & housing

supplement, extend, delay, renew, terminate, waive, release or otherwise limit or prejudice Lender's rights and remedies (including, but not limited to, its right to receive full payment of interest and principal as well as late charges, delinquent interest, attorneys' fees and expenses, and other charges to the extent provided in the Loan Documents) or Borrower's or Guarantors' or Pledgors' obligations under the Loan Documents except as specifically provided in a written agreement fully executed and delivered by the parties hereto. In particular, nothing referred to above shall operate to cure any existing default or to prohibit, restrict or otherwise inhibit Lender from exercising any right or remedy it may have under the Loan Documents whether before, during or after the Discussions and, without limitation, shall not extend any applicable reinstatement or redemption period.

4. Confidentiality; Inadmissibility. The Discussions and all documents prepared in connection therewith shall be confidential, shall not be disclosed (except for reasonably necessary disclosures to agents, lenders, investors, representatives, lawyers, and accountants, and as required by law), and (except for this letter and any written agreement fully executed and delivered by the parties hereto) may not be introduced in any litigation or other proceeding involving Lender, on the one hand, and Borrower or Guarantors or Pledgors, on the other hand, the same being privileged in the same manner as a settlement offer in litigation.

5. Authority. By execution hereof, each of the persons signing on behalf of Borrower hereby represents and warrants that each is fully authorized to act on behalf of Borrower with respect to the Loan and to execute this letter on behalf of Borrower. By execution hereof, each of the persons signing on behalf of (a) Guarantor and Pledgor hereby represents and warrants that each is fully authorized to act on behalf of (such) Guarantor and Pledgor with respect to the Loan and to execute this letter on behalf of (such) Guarantor and Pledgor. If the foregoing accurately sets forth our understanding, please so indicate by signing a copy of this letter in the place provided below. This letter may be executed in counterparts.

Very truly yours,

LENDER

CRA/LA
a public body, corporate and politic

By

Name: David Riccitiello

Title: Regional Administrator, Downtown Region



CRA/LA

Building communities with jobs & housing

ACCEPTED AND AGREED TO AS OF
THE DATE FIRST ABOVE WRITTEN:

"BORROWER"

a _____

By: _____

Name: Noreen McClendon

Title: Executive Director

**CRA/LA***Building communities with jobs & housing*Community Redevelopment Agency
of the CITY OF LOS ANGELES

DATE / July 31, 2007

FILE CODE / C9 1204

354 South Spring Street / Suite 800
Los Angeles / California 90013-1258T 213 977 1600 / F 213 977 1665
www.crala.org

Ms. Noreen McClendon
Executive Director
Concerned Citizens of South Central Los Angeles
4707 S. Central Avenue
P.O. Box 11337
Los Angeles, CA 90011

Dear Noreen:

At our meeting with the Los Angeles Housing Department (LAHD) on July 20, 2007, LAHD made it clear that they will not provide a forward commitment of its soft seconds funds to the Central Avenue Townhomes project ("Project"). After the meeting, you indicated that without these funds, and with no additional funding sources readily apparent, the Project cannot meet the Community Redevelopment Agency's ("CRA") affordability restrictions, which are required and covenanted as part of the predevelopment loan provided to the Project. You indicated the Concerned Citizens of South Central Los Angeles ("CCSCLA") is interested in paying off the CRA loan, so that you may proceed to develop the Project without having to meet CRA's affordability restrictions, and you asked what that process would entail and how much would have to be paid to the Agency.

This letter will offer three options for ending your loan agreement with the CRA. Please note that there are two issues that must be addressed in determining a loan payoff: (1) repayment of the CRA loan and accrued interest and (2) removal of the Agreement Containing Covenants "covenant" on the Project's four sites (the "land"). The Covenant was executed June 10, 1996, and remains in place for 55 years. As it currently reads, the Covenant requires that all of the units on the site be sold exclusively to persons of low and moderate income, at an "affordable housing cost." The Covenant also states that the Agency may amend or remove the covenants, at its discretion. A Covenant can only be removed through a formal request to the Agency Board of Commissioners. Staff did not recommend modification of the covenant when we amended the predevelopment loan in February 2006, as we intended to modify it once we went back to the Board for the construction loan, to ensure that the Covenant reflected the final project income limits. It is attached for your reference. Below are the three options for terminating your loan agreement with the CRA, either with or without removal of the Covenant.

1. Pay off the loan (principal + interest), covenants stay in place.

The first option is to simply pay CRA the principal and accrued interest owed. CCSCLA could keep the land and all work completed to date, but the Covenant will still be in place and any units developed on the site would have to be for low and moderate income families. All repaid funds will be deposited into the Agency's Housing Trust Fund.



As of July 31, 2007, the total owed is

Principal	\$1,072,564
Interest:	\$ 389,438
Total:	\$1,462,001

modify
the covenant
to be

Should you select this option, this amount would be updated at the time of repayment to reflect the most current interest accrued.

Timing: The predevelopment loan matures on November 30, 2007. CCSCLA has the option of paying the loan off early which would stop the accrual of interest. If this option is chosen, and CCSCLA does not pay the loan off early, the CRA will call the note due and payable on that date, and CCSCLA will have 30 days to pay off the loan.

2. Pay off loan (a negotiated amount) and Staff will recommend to the Board the removal of the Agreement Containing Covenants.

The second option will require Board Approval. If CCSCLA wishes to repay the loan and have the CRA remove the Covenant, Staff will require a different repayment, as follows:

- (a) Pay off all principal, including amount "written off" as sunk costs: \$1,340,000 (original loan) + \$201,714 (amount drawn down from amended loan, July 2006 – July 31, 2007).
- (b) Subtract out the original acquisition cost for the land: \$870,050
- (c) Pay to CRA 95% of the current Fair Market Value of the land, to be determined by an appraisal.

\$700k =
predevmt
-95% FMV

Staff is putting forward this option as a means to justify removal of the Covenant, and also to avoid providing a windfall of land appreciation gains, funded by housing trust funds, to a private party. Note that under this option, Staff will recommend forgiving the accrued interest, which is \$389,438, and Staff will allow CCSCLA to keep 5% of the fair market value of the land. CRA will pay for the appraisal.

All repaid funds will be deposited into the Agency's Housing Trust Fund.

Timing: If selected, this option will likely take us beyond the loan maturation date. CRA will take all actions to prepare a Board Memorandum prior to November 30, however as long as both parties are working in good faith toward resolution, the Agency will not call the loan due until a Board-approved resolution is achieved.

3. CCSCLA "defaults" on loan and deeds the land & predevelopment work back to the CRA.

If CCSCLA is not interested in Options (1) and (2), above, you can choose not to repay the loan and deed the land and all predevelopment work back to the CRA. If this is done

- 6 mos
- not to exceed
- we will call note due +



voluntarily, there would be no negative impact on CCSCLA's credit. The CRA would take possession of the land and all predevelopment work completed to date, and CCSCLA would not pay any funds back to the CRA.

Timing: If this option is selected, on November 30, 2007, CRA will call the loan due and payable and would expect CCSCLA to cooperate in providing a deed in lieu of payment, as well as the predevelopment work completed.

The CRA is requesting CCSCLA's decision as to how you would like to proceed by August 31, 2007. If CCSCLA chooses options (1) or (2), the CRA will require a letter from a lender stating their interest in providing the necessary funds, or else a bank statement showing that CCSCLA has the cash on hand to pay off the loan. These items must be provided by September 30, 2007. If Option (2) is selected, CRA staff will immediately order an appraisal and begin work on a Board Memorandum.

On July 20, 2007, CCSCLA also asked if it would be possible to keep CRA's funds in the Project until construction is completed, and allow CCSCLA to pay off the loan with proceeds from the sale of units. This is not possible, as the predevelopment loan is funded with housing trust funds, which can only be used for development of units that meet CRA's affordability restrictions. In addition, given the CRA's current understanding that the Project is not moving forward as described in the predevelopment loan agreement, this is a notice that CRA will not disburse any additional predevelopment funds for costs incurred after the date of this letter, July 31, 2007. The CRA will honor any expenses occurred up until this date, and these disbursement requests can be submitted in the standard format.

I understand that this Project has been challenging for all parties, and I hope we can come to a resolution that meets everyone's needs. If you have any questions, please contact me at 213-977-1711 or jgulager@cra.lacity.org.

Best regards,

Jenna Gulager

Assistant Project Manager, CD9 Corridors

cc: CRA Records
Jenny Scanlin, Project Manager
Tim Chung, Deputy City Attorney
Kevin Sullivan, Director of Business Operations & Asset Management
Marie Rumsey, Office of Councilmember Jan Perry

ORIGINAL

872/92D

MODIFIED PROMISSORY NOTE SECURED BY A DEED OF TRUST
TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

CENTRAL AVENUE TOWNHOMES

\$1,825,111.00

3%

May 30, 2006

FOR VALUE RECEIVED, the undersigned ("Borrower"), having its office at 4707 S. Central Avenue, CA 90011, hereby promises to pay to THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA ("Agency"), a public body, corporate and politic, or order, a principal amount not to exceed ONE MILLION EIGHT HUNDRED TWENTY-FIVE THOUSAND ONE HUNDRED ELEVEN AND NO/100 DOLLARS (\$1,825,111.00) or so much thereof as may be advanced by Agency to Borrower plus accrued interest as defined in No. 3 below and any and all accrued interest on the original loan in the amount of \$1,340,112 (the "Predevelopment Loan") as set forth below pursuant to that certain Predevelopment Loan Agreement dated June 10, 1996 (the "Predevelopment Agreement"), between the Borrower and the Agency, as amended by that certain Amended and Restated Predevelopment Loan Agreement dated May 30, 2006, between the Borrower and the Agency (collectively, the "Amended Loan Agreement"). The Amended Loan Agreement provides for loan funds to the Borrower in the amount of \$1,825,111 (the "Agency Loan"), which repayment shall be provided for in this Modified Note. This Modified Note modifies those certain Promissory Notes to the Community Redevelopment Agency of the City of Los Angeles, California, in the amounts of \$1,029,337 and \$310,775 dated as of June 20, 1996, executed by Borrower in favor of the Agency.

Any terms used in this Modified Note but not defined shall have the meaning set forth in the Amended Loan Agreement.

1. The obligation of the Borrower is subject to the terms of the Amended Loan Agreement, this Modified Note and Deeds of Trust With Assignment of Rents dated June 20, 1996, and recorded on June 25, 1996, as Instrument Nos. 96-1004685 and 96-1487986, in the Official Records of Los Angeles County, CA, as amended by that certain Modification To Deed of Trust With Assignment of Rents of even date herewith (collectively, the "Deed of Trust") and to be recorded in the Official Records of Los Angeles County, CA, all for the purpose of securing this Modified Note. Said documents are public records on file in the offices of the Agency, and the provisions of said documents are incorporated herein by this reference. The Borrower shall pay interest at the rates, in the amounts, and at the times hereinafter provided.

2. This Modified Note evidences the obligation of the Borrower to the Agency for repayment of the Agency Loan to fund acquisition and predevelopment costs of the property (the "Site," as defined in the Amended Loan Agreement) prior to construction of townhomes affordable to moderate income (120% AMI) families (the "Project") pursuant to the Amended Loan Agreement. Except as otherwise permitted in the Amended Loan Agreement, the Borrower shall not make any sale, assignment or conveyance, or transfer in any other form of the Project referred to above, or any part thereof, or interest therein without the advance and express written consent of the Agency. This prohibition shall not be deemed to prevent the granting of easements or permits to facilitate the development of the Site or to prohibit or restrict the leasing for occupancy of all or any part of the Site or of the improvements on the Site (provided such leasing and occupancy complies with the use restrictions contained in the Amended Loan Agreement and the Agreement Containing Covenants Affecting Real Property (as defined in the Amended Loan Agreement)), nor shall it prohibit the syndication of the Project or the granting of

any security interests described in the Amended Loan Agreement for financing acquisition and development of the Site.

3. Interest on the Agency Loan shall be computed annually on the outstanding principal at a simple interest rate of three percent (3%) per annum commencing as of the disbursement date of the Agency Loan proceeds from a fund disbursement account on behalf of the Borrower.

4. Unless due and payable sooner as the result of the termination of the Amended Loan Agreement, or repaid in full earlier, the Agency Loan shall be due in full, principal and interest, on the earlier of (a) one (1) year from the date of the Amended Loan Agreement, or May 30, 2007; provided, however, that if the parties enter into a subsequent Construction and Permanent Gap Loan Agreement for development of the Site prior to that date, repayment of the Agency Loan shall be provided for therein; or (b) an Event of Default by the Borrower which has not been cured as provided for in the Amended Loan Agreement.

5. As of May 22, 2006, accrued and unpaid interest on the Predevelopment Loan is \$353,842.68, which interest shall be carried over into this Modified Note.

6. The outstanding principal balance of the Agency Loan shall become fully due and payable if there is a default under the Amended Loan Agreement or maintenance standards for the Site are not met, which standards are set forth in the Amended Loan Agreement, following notice to Borrower and expiration of any applicable cure period.

7. Except as otherwise permitted in the Amended Loan Agreement, notwithstanding the above, this Modified Note, at the Agency's option, shall be due and payable immediately in the event the Site, or any portion thereof, or interest therein, is sold, transferred, or leased without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed (except as otherwise provided for in the Amended Loan Agreement) or, if, without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed, this Modified Note is assigned or the Site is refinanced. In addition, in the event the Site is sold or refinanced without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed, prior to the time this Modified Note is paid in full, the net proceeds of such sale or refinance shall be paid to the Agency to the extent necessary to pay in full the Agency Loan.

8. Payments under this Modified Note secured by a Deed of Trust are payable at the principal office of the Agency, 354 South Spring Street, Suite 700, Los Angeles, California 90013, or at such other place as the Modified Note holder hereof may inform the Borrower in writing.

9. The Borrower waives presentment for payment, demand, protest, and notices of dishonor and of protest, the benefits of all waivable exemptions, and all defenses and pleas, on the ground of any extension or extensions of the time of payment or of any due date under this Modified Note, in whole or in part, whether before or after maturity and with or without notice. The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the holder hereof in the enforcement of this Modified Note, the Deed of Trust or any term or provision of any thereof.

10. This Modified Note shall be a non-recourse note, and no judgment, or execution thereon, entered in any action, legal or equitable, on this Modified Note, the Deed of Trust or any other document related to the Agency Loan, shall be enforced personally against Borrower or any principals of Borrower, but shall be enforced only against the Site.

11. The Borrower shall have the right to prepay without penalty the obligation evidenced by this Modified Note or any part thereof. Notwithstanding the foregoing, the prepayment shall not affect Developer's obligations under the Agreement Containing Covenants, all of which shall remain in full force and effect for the entire term of the Agreement Containing Covenants.

any security interests described in the Amended Loan Agreement for financing acquisition and development of the Site.

3. Interest on the Agency Loan shall be computed annually on the outstanding principal at a simple interest rate of three percent (3%) per annum commencing as of the disbursement date of the Agency Loan proceeds from a fund disbursement account on behalf of the Borrower.

4. Unless due and payable sooner as the result of the termination of the Amended Loan Agreement, or repaid in full earlier, the Agency Loan shall be due in full, principal and interest, on the earlier of (a) one (1) year from the date of the Amended Loan Agreement, or May 30, 2007; provided, however, that if the parties enter into a subsequent Construction and Permanent Gap Loan Agreement for development of the Site prior to that date, repayment of the Agency Loan shall be provided for therein; or (b) an Event of Default by the Borrower which has not been cured as provided for in the Amended Loan Agreement.

5. As of May 22, 2006, accrued and unpaid interest on the Predevelopment Loan is \$353,842.68, which interest shall be carried over into this Modified Note.

6. The outstanding principal balance of the Agency Loan shall become fully due and payable if there is a default under the Amended Loan Agreement or maintenance standards for the Site are not met, which standards are set forth in the Amended Loan Agreement, following notice to Borrower and expiration of any applicable cure period.

7. Except as otherwise permitted in the Amended Loan Agreement, notwithstanding the above, this Modified Note, at the Agency's option, shall be due and payable immediately in the event the Site, or any portion thereof, or interest therein, is sold, transferred, or leased without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed (except as otherwise provided for in the Amended Loan Agreement) or, if, without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed, this Modified Note is assigned or the Site is refinanced. In addition, in the event the Site is sold or refinanced without the prior written consent of the Agency, which consent shall not be unreasonably withheld or delayed, prior to the time this Modified Note is paid in full, the net proceeds of such sale or refinance shall be paid to the Agency to the extent necessary to pay in full the Agency Loan.

8. Payments under this Modified Note secured by a Deed of Trust are payable at the principal office of the Agency, 354 South Spring Street, Suite 700, Los Angeles, California 90013, or at such other place as the Modified Note holder hereof may inform the Borrower in writing.

9. The Borrower waives presentment for payment, demand, protest, and notices of dishonor and of protest, the benefits of all waivable exemptions, and all defenses and pleas, on the ground of any extension or extensions of the time of payment or of any due date under this Modified Note, in whole or in part, whether before or after maturity and with or without notice. The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the holder hereof in the enforcement of this Modified Note, the Deed of Trust or any term or provision of any thereof.

10. This Modified Note shall be a non-recourse note, and no judgment, or execution thereon, entered in any action, legal or equitable, on this Modified Note, the Deed of Trust or any other document related to the Agency Loan, shall be enforced personally against Borrower or any principals of Borrower, but shall be enforced only against the Site.

11. The Borrower shall have the right to prepay without penalty the obligation evidenced by this Modified Note or any part thereof. Notwithstanding the foregoing, the prepayment shall not affect Developer's obligations under the Agreement Containing Covenants, all of which shall remain in full force and effect for the entire term of the Agreement Containing Covenants.

12. Any consent or approval of Agency required under this Modified Note shall not be unreasonably withheld.

13. Except as may be otherwise specifically provided herein, any approval, notice, direction, consent request or other action by Agency shall be in writing and may be communicated to Borrower at the principal office of Borrower indicated in the Amended Loan Agreement, or at such other place or places as Borrower shall designate in writing, from time to time, for the receipt of communications from Agency.

14. All provisions of this Modified Note shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Borrower and Agency; provided, however, that this section does not waive the prohibition in the Amended Loan Agreement on assignment of the Agency Loan by Borrower without Agency's consent.

15. This Modified Note shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

16. In the event that any provisions of this Modified Note and the Amended Loan Agreement conflict, the terms of the Amended Loan Agreement shall control.

17. Time is of the essence in this Modified Note.

18. Any waiver by Agency of any obligation in this Modified Note must be in writing. No waiver shall be implied from any failure of Borrower to take, or any delay or failure by Agency to take action on any breach or default by Borrower or to pursue any remedy allowed under this Modified Note or applicable law. Any extension of time granted to Borrower to perform any obligation under this Modified Note shall not operate as a waiver or release from any of its obligations under this Modified Note. Borrower hereby waives all defenses and pleas on the grounds of any extensions of the time for repayment of any amounts due under this Modified Note, unless Agency has granted such extensions in writing. Consent by Agency to any act or omission by Borrower shall not be construed to be a consent to any other act or omission or to waive the requirement for Agency's written consent to future waivers.

19. Any amendments or modifications to this Modified Note must be in writing, and shall be made only if executed by both Borrower and Agency.

20. If any term or provision of this Modified Note shall to any extent be found by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this Modified Note shall be valid and be enforced to the fullest extent permitted by law.

BORROWER:
CONCERNED CITIZENS OF SOUTH CENTRAL
LOS ANGELES,
a California nonprofit corporation

By: Noreen McClendon 5/22/06
Noreen McClendon Date
Executive Director & Vice President

FILED
LOS ANGELES SUPERIOR COURT

NOV 12 2009 *W*

JOHN A. CLARKE, CLERK
C. Oshima
BY CHRIS OSHIMA, DEPUTY

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

CONCERNED CITIZENS OF SOUTH
CENTRAL LOS ANGELES,
a California Corporation,

Plaintiff,

vs.

CITY OF LOS ANGELES, and
DOES 1 through 50,

Defendants.

CITY OF LOS ANGELES,
a Municipal Corporation,

Cross-Complainant,

vs.

CONCERNED CITIZENS OF SOUTH
CENTRAL LOS ANGELES,
a California non-profit corporation,
and ROES 1-20, inclusive,

Cross-Defendants.

Case No. BC389760

STATEMENT OF DECISION

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11/17/09

7

1 The above-entitled cause came on regularly for trial on August 12, 2009, in
2 Department 18 of the above-entitled court, the Honorable Coleman Swart, Judge, presiding
3 without a jury, a jury having been expressly waived by all parties. The case was tried on
4 that date and on August 13 and 14, 2009. Deputy City Attorney John A. Carvalho
5 appeared as counsel for defendant and cross-complainant City of Los Angeles, and Julia
6 Silva appeared as counsel for Concerned Citizens of South Central Los Angeles.

7 Oral and documentary evidence was introduced on behalf of the respective parties,
8 and the cause was argued and submitted for decision. The court, having considered the
9 evidence and heard arguments of counsel and being fully advised, issues the following
10 statement of decision:

11 A 2.1 million Community Development Block Grant funded by HUD and administered
12 by the City of Los Angeles was provided to plaintiff CCSCLA to acquire a 3 acre parcel
13 located at Slauson Avenue and Main Street in South Central Los Angeles. The agreement
14 is set forth in Exhibit 101.

15 As outlined at Section 203 of the Contract, CCSCLA was to construct a youth
16 recreation center, soccer field and pocket park on the Property (the "Project") and then use
17 those facilities to provide various community services benefitting very low and low income
18 persons (the "Services"), thereby meeting the national objective for which the Grant was
19 provided.

20 Evidence was received showing that plaintiff never completed the project as outlined
21 in Para. 203. Evidence was received that plaintiff constructed an earthen clay soccer field
22 that was used for youth soccer. This construction was not in compliance with Para. 203.
23 No further construction was accomplished as plaintiff had insufficient funds to complete the
24 project as required by Para. 203. The property sat barren for 7 years until LAUSD took the
25 property by eminent domain for the fair market value of \$5,433,322.54. LAUSD deposited
26 that amount with the court pending the court outcome of this case.

27 Plaintiff seeks declaratory relief that plaintiff is entitled to a determination that plaintiff
28 may exercise an option to purchase the defendant City's interest for a price of \$2.1 million.

1 (The amount of the grant used to purchase the property.)

2 The city contends that the city is entitled to the full market value of the property in
3 accordance with 24 CFR 570, 503(7) ii.

4 After the property was cleared, it was partially used by the North Central American
5 Youth Soccer League by about 1,800 children per year. Games were played on Saturday
6 and there was some practice during the week. The property was also used as a used car
7 lot. The property was leased to carnival operators about 15 times. Each carnival lasted
8 one to two weeks. The property was used for a circus 5 times. The plaintiffs collected
9 \$5,000 per week for these uses. Plaintiffs testified the money was used to pay taxes and
10 for maintenance of the property.

11 In March 2006, CCSCLA sent an email to the City seeking "to 'buy out' the City's
12 interest for 'fair market value,'" which email was further confirmed by Mark Williams'
13 testimony. [Exhibit 110]. The City responded stating that a property appraisal was needed
14 to determine "fair market value." [Exhibit 110]. In August 2006, CCSCLA sought to
15 purchase the City's interest for \$2.1 million, to which the City responded that under the
16 terms of the Contract and HUD regulations, the City's interest is measured by the fair
17 market value of the Property. [Exhibits 111-117].

18 Plaintiff's position is that plaintiff has a right pursuant to Para. 203H1 (2nd paragraph)
19 and the promissory note to "purchase the city's interest at anytime for an amount equal to
20 the current value as determined in the preceding paragraph"; claiming this 2nd paragraph
21 is a stand alone option. The city claims the 2nd paragraph of 203H1 is inextricably
22 connected to the preceding 1st paragraph and only applies when service payback under the
23 contract begins. Plaintiff further contends that under Para. 609 of the agreement (which
24 paraphrases 24 CFR 570.503(7) that plaintiff complied with #1 under that section as the
25 property was used to meet one of the national objectives set forth in 24 CFR 503(7) for
26 over 5 years. The objective being the "elimination or reduction of blight." Paragraph 203A2
27 of the agreement gives the national objective for the agreement as stated in Para. 203A3a2
28 as being an activity benefitting very low and low income youth. The objective re: blight

1 (203A2b) is not checked in the agreement. The court finds that the national objective of
2 this agreement was to benefit low or very low income youth. Plaintiff's argument under
3 Para. 609B1 fails re: blight. Further, the court finds that the activities on the property do
4 not meet the compliance standard required under Para. 609B1 or 24 CFR 570.503(7)i as
5 set forth in Para. 203L of the agreement.

6 The court finds that the second paragraph of Section 203H1 is ambiguous and
7 confusing and can understand how plaintiff could interpret the paragraph as it has.
8 However, looking at the agreement as whole and further finding that plaintiff has breached
9 the agreement by not performing as promised under paragraph 203 of agreement and also
10 finding that 24 CFR 570.503(7)ii is applicable to this case, the court rules that plaintiffs do
11 not have the right to the proceeds of the sale of the property other than the right to be
12 reimbursed under 24 CFR 570.503(7)ii.

13 Plaintiff's claim on the promissory note is derivative of the substantially identical
14 terms at paragraph 203H1 of the agreement. The note does not stand alone. The note is
15 merely reflective of the right of the city to recover the property from plaintiff upon default or
16 breach of the agreement. The plaintiffs did breach the agreement as indicated above.

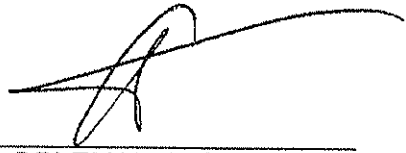
17 The city is awarded ownership of the funds deposited with the court, subject to any
18 claim for reimbursement for expenditures pursuant to 24 CFR 570.503(7)ii.

19 On October 29, 2009, the matter of the amount of reimbursement for expenditures
20 pursuant to 24 CFR 570.503(7)ii came before the court. The court considered plaintiffs'
21 evidence in the form of an exhibit book containing invoices, cancelled checks and other
22 documents reflecting expenditures in various categories as verified in a declaration of
23 Noreen McClendon, executive director of CCSCLA. The court also considered appraisal
24 evidence of the property value consisting of an appraisal by Scott D. Delahooke MAI
25 effective 3-20-08. The court finds that not all of the value increase of the property is due
26 to market fluctuation but finds that some of the value increase of the property from the time
27 of the original purchase in 2001 is attributable to expenditures made by plaintiff.

28 The court finds that expenditure of \$448,966.59 for site improvement will be allowed

1 as an expenditure under 24 CFR 570.503(7)ii. No credit for expenditure is allowed for the
2 soccer field or lighting. No expenditures are allowed for design, engineering or planning.
3 Taxes in the amount of \$78,829.49 and insurance costs in the amount of \$10,533.24 are
4 allowed as expenditures reimbursable under 24 CFR 570.503(7)ii. The total reimbursable
5 amount to plaintiff CCSCLA is \$538,329.32.

6
7 Dated: 11-12-09



COLEMAN A. SWART
Judge of the Superior Court

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17 CAS:ep
18 Concerned Citizens, sd 11-6-09
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11/11/09

State Sues for Return of Grant

FILED
LOS ANGELES SUPERIOR COURT

EDMUND G. BROWN JR.
Attorney General of California
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Supervising Deputy Attorney General
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FEE EXEMPT

NOV 16 2009

JOHN A. CLARKE, CLERK

BY DAWN ALEXANDER, DEPUTY

NO FEE GOVT CODE SEC. 6103
AMOUNT RECOVERABLE PURSUANT
TO 6103.5 GC § 255-
PLUS A ONE TIME ADMINISTRATIVE FEE UPON JUDGEMENT
IF THE PARTY BECOMES A JUDGEMENT CREDITOR

Attorneys for Plaintiff State of California, acting by
and through the California Department of Parks and
Recreation

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

DEPT #31

JUDGE ALAN S. ROSENFELD

STATE OF CALIFORNIA, ACTING BY AND
THROUGH THE CALIFORNIA
DEPARTMENT OF PARKS AND
RECREATION

Plaintiff,

v.

CONCERNED CITIZENS OF SOUTH
CENTRAL LOS ANGELES, A CALIFORNIA
CORPORATION, AND DOES ONE
THROUGH 20,

Defendants.

Case No. **BC428044**

COMPLAINT FOR RESCISSION OF
WRITTEN CONTRACT AND BREACH OF
WRITTEN CONTRACT

Good summary of prior
court judgments.

COMPLAINT

1 FIRST CAUSE OF ACTION

2 (RESCISSION OF WRITTEN CONTRACT)

3 1. Plaintiff State of California, acting by and through the Department of Parks and
4 Recreation ("the State") is a public entity.

5 2. Defendant Concerned Citizens of South Central Los Angeles ("CCSCLA") is a
6 corporation, duly authorized and existing under the laws of the State of California. 7

8 3. On July 6, 2001, the State entered into a written contract ("the grant contract")
9 with CCSCLA, under the terms of which the State awarded a legislatively specified State General
10 Fund grant to CCSCLA in the sum of \$985,000 ("grant money"). A true and correct copy of the
11 grant contract is attached as Exhibit 1. The grant contract required CCSCLA to use the grant
12 money for acquisition of real property for, and development of the Antes Columbus Youth Center
13 Project ("Youth Center") in South Central Los Angeles.
14

15 4. On or about August 4, 2003, CCSCLA acquired a parcel of real property in Los
16 Angeles ("subject parcel") for the Youth Center, for which it paid \$252,494.23. CCSCLA was
17 reimbursed for this amount by the State under the terms of the grant contract. (CCSCLA also
18 received a grant from the United States Department of Housing and Urban Development,
19 administered by the City of Los Angeles ("HUD grant") with which it purchased other property
20 for the Youth Center.) Beyond acquisition of the subject parcel, CCSCLA failed to perform under
21 the terms of the grant contract by failing to construct the Youth Center. On or about March 20,
22 2008, the Los Angeles Unified School District commenced an eminent domain action (Los
23 Angeles Superior Court Case No. BC 386959, "eminent domain action") to acquire real property
24 for construction of a school, including the subject parcel as well as parcels of property purchased
25 by CCSCLA with the HUD grant. Both CCSCLA and the City of Los Angeles were named as
26 defendants in the eminent domain action.
27
28

5. The State has performed all acts required to be performed by it under the terms of the grant contract or is excused from performing those acts it has not performed.

6. As a result of the filing of the eminent domain action, it is impossible for the Youth Center to be built. There has been a failure of consideration for the grant money awarded to CCSCLA under the grant contract. Permitting the grant contract to stand would prejudice the public interest. The State seeks to rescind the grant contract and seeks restitution from CCSCLA. This complaint shall act as notification to CCSCLA that the State seeks to rescind the grant contract. The State has received nothing of value from CCSCLA under the terms of the grant contract.

7. Under Public Resources Code section 5096.343, subdivision (c), as a result of the filing of the eminent domain action, CCSCLA is required to return to the State an amount equal to (1) the portion of the grant money used by CCSCLA to purchase the subject property, (2) the ~~current fair market value of the subject parcel, or (3) the amount of just compensation paid by~~ LAUSD for the taking of the subject parcel, whichever is greater.

8. In the eminent domain action, \$7,370,000 was deposited ("the eminent domain deposit") as the probable amount of just compensation to be awarded for the property taken. An interlocutory judgment and final order in condemnation was entered on April 7, 2009, by Judge Bendix in Department 18, determining that the sum of \$5,433,322.54 was the total just compensation to be paid for the property taken by eminent domain.

9. At or about the time the eminent domain action was filed, CCSCLA filed suit against the City of Los Angeles concerning the HUD grant. (Los Angeles Superior Court Case No. BC389760, "CCSCLA action") The City of Los Angeles cross-complained against CCSCLA for rescission, breach of contract, breach of promissory note, accounting and declaratory relief, alleging CCSCLA failed to build a Youth Center on the property purchased

1 with the HUD grant, but instead "left the Property in a blighted state as a bare dirt lot and then
2 used the Property for commerical activities while the market value of the Property increased.
3 (Cross-Complaint, ¶ 4) The cross complaint further alleged: "CCSCLA's [sic] intends to 'flip'
4 the Property to the Los Angeles Unified School Distret ("LAUSD") which has identified the
5 Property as the site for a new elementary school. The LAUSD has instituted eminent domain
6 proceedings . . . and it has deposited \$7,370,000 with the Clerk of Court as the probable fair
7 market value of the Property." (Cross-Complaint, ¶ 5)

9 10. The CCSCLA action was assigned to the Honorable John Wiley Shepard in
10 Department 53. Judge Shepard has been on leave and has been replaced on a temporary basis by
11 Ret. Judge Coleman Swart. Judge Swart conducted a bench trial in the CCSCLA action. He
12 determined that CCSCLA had no right to the eminent domain deposit as an owner of the property
13 being taken by the LAUSD. However, on October 29, 2009, he further determined that CCSCLA
14 was entitled to be reimbursed, out of the eminent domain deposit, for \$538,329.32 in expenses it
15 incurred in preparing to develop the Youth Center. This money is expected to remain on deposit
16 for the next 20 to 30 days. The State intends to seek a writ of attachment as to this money. The
17 State is informed and believes, and thereon alleges, that CCSCLA is judgment-proof. Therefore,
18 attachment of this money may be the only opportunity for the State to insure there will be assets
19 available to pay any judgment it receives in this action.

22 SECOND CAUSE OF ACTION

23 (BREACH OF WRITTEN CONTRACT)

24 11. Plaintiff incorporates hereat, as though set forth in full, each, every, and all of the
25 allegations contained in paragraphs 1 through 11.

26 12. CCSCLA breached the grant contract by failing to build the Youth Center after it
27 purchased the subject parcel with grant funds.
28

1 13. As a proximate result of the breach by CCSCLA, the State has been damaged in an
2 amount to be determined, but not less than \$252,494.23.

3 WHEREFORE, plaintiff prays for judgment as follows:

4 1. For a declaration that the grant contract has been rescinded and that the
5 State is entitled to restitution from CCSCLA as follows: (1) the portion of the grant money used
6 by CCSCLA to purchase the subject parcel, (2) the current fair market value of the subject parcel,
7 or (3) the amount of just compensation paid by LAUSD for the taking of the subject parcel,
8 whichever is greater;

9 2. For interest as provided by law;

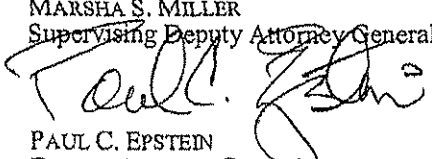
10 3. For reasonable attorney's fees;

11 4. For costs of suit; and,

12 5. For such other and further relief as the Court deems just and proper.

13 Dated: November 12, 2009

14 EDMUND G. BROWN JR.
15 Attorney General of California
16 MARSHA S. MILLER
17 Supervising Deputy Attorney General

18 
19 PAUL C. EPSTEIN
20 Deputy Attorney General
21 Attorneys for Plaintiff State of California,
22 acting by and through the California
23 Department of Parks and Recreation
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State of California - The Resources Agency
Department of Parks and Recreation
Grant Contract
General Fund

JUL 05 2001

GRANTEE Concerned Citizens of South Central LA

PROJECT TITLE ANTES COLUMBUS CLUB YOUTH

PROJECT NUMBER GF-19-100

Funds available from July 01, 2000 thru June 30, 2005

Under the terms and conditions of this agreement, the applicant agrees to complete the project as described in the project description, and the State of California, acting through its Director of Parks and Recreation pursuant to the program named above, agrees to fund the project up to the total grant amount indicated.

PROJECT DESCRIPTION:

Antes Columbus Club Youth

Total State Grant not to exceed \$985,000.00

Concerned Citizens of South Central LA

By [Signature]
Applicant
Title Executive Director

Date July 2, 2001

By _____

Title _____

Date _____

The General Provisions attached are made a part of and incorporated into the Contract.

STATE OF CALIFORNIA
DEPARTMENT OF PARKS AND RECREATION

By [Signature]
Date 7-6-01

CERTIFICATION OF FUNDING

AMOUNT OF ESTIMATE \$985,000.00		CONTRACT NUMBER C5026089		PROJECT NO. GF-19-100		FUND. General Fund	
ADJ. INCREASING ENCUMBRANCE \$		APPROPRIATION					
ADJ. DECREASING ENCUMBRANCE \$		CALSTARS VENDOR NO. + 9542473920.00					
UNENCUMBERED BALANCE \$		LINE ITEM ALLOTMENT 3790-101-0001 (8)(114)		CHAPTER 52	STATUTE 00	FISCAL YEAR 00/01	
T.B.A. NO. 1	B.R. NO.	INDEX. 1001	OBJ. EXPEND 702	PCA. 60013	PROJECT / WORK PHASE.		
I hereby certify upon my personal knowledge that budgeted funds are available for this encumbrance.							
SIGNATURE OF ACCOUNTING OFFICER 9 <u>[Signature]</u>						DATE 7/12/01	

JUL 13 2001

EX. 1

Project Contract
Special Provisions

General Provisions

A. Definitions

1. The term "State" as used herein means the California State Department of Parks and Recreation.
2. The term "Act" as used herein means the Appropriation for the Program.
3. The term "Project" as used herein means the Project described on page 1 of this contract.
4. The term "Grantee" as used herein means the party described as the Grantee on page 1 of this Contract.
5. The term "Application" as used herein means the individual Application and its required attachments for grants pursuant to the enabling legislation and/or program.

B. Project Execution

1. Subject to the availability of grant moneys in the Act, the State hereby grants to the Grantee a sum of money (grant moneys) not to exceed the amount stated on page 1 in consideration of and on condition that the sum be expended in carrying out the purposes as set forth in the Description of Project on page 1 and under the terms and conditions set forth in this Contract.

Grantee shall assume any obligation to furnish any additional funds that may be necessary to complete the Project. Any modification or alteration in the Project as set forth in the Application on file with the State must be submitted to the State for approval.
2. Grantee shall complete the Project in accordance with the time of Project Performance set forth on page 1, and under the terms and conditions of this Contract.
3. Grantee shall comply as lead agency with the California Environmental Quality Act (Public Resources Code, Section 21000, et. seq.)
4. If the Project includes development, the Grantee shall comply with all applicable current laws and regulations effecting development projects, including, but not limited to, legal requirements for construction contracts, building codes health and safe codes, and disabled access laws.
5. Grantee shall permit periodic site visits by the State to determine if development work is in accordance with the approved Project Scope including a final inspection upon Project completion.
6. Grantee shall submit any significant deviation from the original Project Scope to the State for prior approval.
7. If the Project includes acquisition of real property, the Grantee shall comply with all applicable state and local laws or ordinances effecting relocation and real property acquisition.
8. Grantee shall provide for public access in accordance with the intent and provisions of the enabling legislation and/or program.

C. Project Costs

The Grant moneys to be provided Grantee under this Contract may be disbursed as follows:

1. If the Project includes acquisition of real property, the State may disburse to Grantee the grant moneys as follows, but not to exceed in any event the State grant amount set forth on page 1 of this Contract:
 - a. When acquisition is through negotiated purchase, State may disburse the amount of the State approved purchase price together with State approved costs of acquisition when an escrow is opened.
 - b. When acquisition is allowed pursuant to proceedings in eminent domain, State may disburse the amount of the total award as provided for in the final order of condemnation together with State approved costs of acquisition.
 - c. In the event Grantee abandons such eminent domain proceedings, Grantee shall bear all costs in connection therewith and that no grant moneys shall be disbursed for such costs.
2. If the Project includes development, the State may disburse to Grantee the grant moneys as follows, but not to exceed in any event the State grant amount set forth on page 1 of this Contract:
 - a. Up to ten percent of the total grant for preliminary costs.
 - b. On proof of award of a construction contract or commencement of construction by force account, up to ninety percent of the total grant, or the actual cost, whichever is less.
 - c. Remaining grant funds shall be paid up to the amount of the Grant or the actual Project cost, whichever is less, on completion of the Project and receipt of a detailed summary of Project costs from the Grantee.

D. Project Administration

1. Grantee shall promptly submit such reports as the State may request. In any event Grantee shall provide State a report showing total final Project expenditures.
2. Grantee shall make property and facilities acquired or developed pursuant to this Contract available for inspection upon request by the State.
3. Grantee shall use any moneys advanced by the State under the terms of this Contract solely for the Project herein described.
4. If grant moneys are advanced, the Grantee shall place moneys in a separate interest bearing account, setting up and identifying such account prior to the advance, interest earned on grant moneys shall be used on the Project or paid to the State. If grant moneys are advanced and not expended, the unused portion of the Grant shall be returned to the State within 60 days of completion of the Project or end of the Project Performance Period, whichever is earlier.
5. Grantee shall use income earned by the Grantee from use of the Project to further Project purposes, or, if approved by the State, for related purposes within the Grantee's jurisdiction.

E. Project Termination

1. Grantee may unilaterally rescind this Contract at any time prior to the commencement of the Project. After Project commencement this Contract may be rescinded, modified or amended by mutual agreement in writing.
2. Failure by the Grantee to comply with the terms of this Contract may be cause for suspension of all obligations of the State hereunder.
3. Failure of the Grantee to comply with the terms of this Contract shall not be cause for the suspension of all obligations of the State hereunder if in the judgment of the State such failure was due to no fault of the Grantee. In such case, any amount required to settle at minimum cost any irrevocable obligations properly incurred shall be eligible for reimbursement under this Contract.
4. Because the benefit to be derived by the State, from the full compliance by the Grantee with the terms of this Contract, is the preservation, protection and net increase in the quantity and quality of parks, public recreation facilities and/or historical resources available to the people of the State of California and because such benefit exceeds to an immeasurable and unascertainable extent the amount of money furnished by the State by way of grant moneys under the provisions of this agreement, the Grantee agrees that payment by the Grantee to the State of an amount equal to the amount of the grant moneys disbursed under this Contract by the State would be inadequate compensation to the State for any breach by the Grantee of this Contract. The Grantee further agrees therefore, that the appropriate

remedy in the event of a breach by the Grantee of this Contract shall be the specific performance of this Contract, unless otherwise agreed to by the State.

5. Grantee and State agree that if the Project includes development, final payment may not be made until the Project conforms substantially to this Contract.

F. Hold Harmless

1. Grantee shall waive all claims and recourse against the State including the right to contribution for loss or damage to persons or property arising from, growing out of or in any way connected with or incident to this Contract except claims arising from the concurrent or sole negligence of State, its officers, agents, and employees.
2. Grantee shall indemnify, hold harmless and defend State, its officers, agents and employees against any and all claims, demands, damages, costs, expenses or liability costs arising out of the acquisition, development, construction, operation or maintenance of the property described as the Project which claims, demands or causes of action arise under Government Code Section 895.2 or otherwise except for liability arising out of the concurrent or sole negligence of State, its officers, agents, or employees.
3. Grantee agrees that in the event State is named as codefendant under the provisions of Government Code Section 895 et seq., the Grantee shall notify State of such fact and shall represent State in the legal action unless State undertakes to represent itself as codefendant in such legal action in which event State shall bear its own litigation costs, expenses, and attorney's fees.
4. Grantee and State agree that in the event of judgment entered against the State and Grantee because of the concurrent negligence of the State and Grantee, their officers, agents, or employees, an apportionment of liability to pay such judgment shall be made by a court of competent jurisdiction. Neither party shall request a jury apportionment.
5. Grantee shall indemnify, hold harmless and defend the State, its officers, agents and employees against any and all claims, demands, costs, expenses or liability costs arising out of legal actions pursuant to items to which the Grantee has certified. Grantee acknowledges that it is solely responsible for compliance with items to which it has certified.

G. Financial Records

1. Grantee shall maintain satisfactory financial accounts, documents and records for the Project and to make them available to the state for auditing at reasonable times. Grantee also agrees to retain such financial accounts, documents and records for three years following Project termination or completion.

Grantee and State agree that during regular office hours each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records or reports of the other party pertaining to this Contract or matters related thereto. Grantee shall maintain and make available for inspection by the State accurate records of all of its costs, disbursements and receipts with respect to its activities under this Contract.

2. Applicant shall use a generally accepted accounting system.

H. Nondiscrimination

1. The Grantee shall not discriminate against any person on the basis of sex, race, color, national origin, age, religion, ancestry, or physical handicap in the use of any property or facility acquired or developed pursuant to this Contract.
2. The Grantee shall not discriminate against any person on the basis of residence except to the extent that reasonable differences in admission or other fees may be maintained on the basis of resident and pursuant to law.
3. All facilities shall be open to members of the public generally, except as noted under the special provisions of this Contract or under provisions of the enabling legislation and/or program.

I. Application Incorporation

The Application and any subsequent change or addition approved by the State is hereby incorporated in this Contract as though set forth in full in this Contract.

J. Severability

If any provision of this Contract or the application thereof is held invalid, that invalidity shall not affect other provisions or applications of the Contract which can be given effect without the invalid provision or application, and to this end the provisions of this Contract are severable.