



CITY OF LOS ANGELES
OFFICE OF THE CHIEF LEGISLATIVE ANALYST

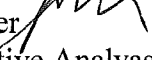
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Date:

To: June Lagmay
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From: Gerry F. Miller 
Chief Legislative Analyst

Subject: CF# 11-0106, Wilshire Grand Hotel and Centre Project Subvention Agreement

At its meeting of Friday, March 25, 2011, the City Council considered a report from the Chief Legislative Analyst (CLA) concerning approval for a Subvention Agreement (Agreement) for the Wilshire Grand Hotel and Centre Project. The Council Agenda refers to this matter as:

CF# 11-0106 ENVIRONMENTAL IMPACT REPORT, STATEMENT OF
OVERRIDING CONSIDERATIONS, MITIGATION MONITORING
AND REPORTING PROGRAM, AND COMMUNICATION FROM
THE CHIEF LEGISLATIVE ANALYST (CLA) relative to Wilshire
Grand Hotel and Centre Project Subvention Agreement.

During my testimony, I advised the Council that the Agreement with Hanjin International Corporation (Hanjin) includes a provision that signage revenues will be reviewed upon completion of the hotel portion of the project and that adjustments to the subvention may be made based on that review.

The Subvention Agreement attached to the CLA report does not include the language concerning the signage review agreed to between the Developer and the City. Attached herewith is the final Subvention Agreement that contains the provisions concerning signage that were referenced in my testimony. This document should be included in CF# 11-0106 as the final Subvention Agreement agreed to between the Developer and the City.

SUBVENTION AGREEMENT

Between the

CITY OF LOS ANGELES,
a charter city and municipal corporation

and

HANJIN INTERNATIONAL CORPORATION,
a California corporation

Dated as of _____, 2011

City of Los Angeles
(Wilshire Grand Redevelopment Project)

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SUBVENTION AGREEMENT

THIS SUBVENTION AGREEMENT (this "Agreement") is made as of _____, 2011, between the City of Los Angeles, a charter city and municipal corporation (the "City") and Hanjin International Corporation, a California corporation ("Developer"), with reference to the following facts, purposes, and understandings.

RECITALS

A. Developer is proposing to redevelop the existing Wilshire Grand Hotel and Centre site with a new project consisting of a four-star Hotel (as defined below) with not less than 650 rooms and/or condo-hotel units, up to 100 residential units, 1.5 million square feet of office uses, and 275,000 square feet of amenity areas including, but not limited to, project-serving retail and restaurant uses, conference and meeting rooms, ballrooms, spa, fitness center, and ancillary other hotel, residential, and office areas to be constructed over up to eight levels of subterranean parking (collectively, the "Project"). The Project would also include an approximately one-quarter of an acre pedestrian plaza at the corner of 7th Street and Figueroa Street..

B. The City owns and operates the Los Angeles Convention Center ("LACC"). The City's goal is to increase the use of the LACC by providing additional hotel rooms and amenities for conventions, trade shows and events which will create significant economic benefit to the City.

C. The Hotel is a critical element of the Project and the City's willingness to contribute to the financial feasibility of the Hotel is based on the projected redevelopment and operation of the proposed Hotel as a source for hotel rooms and amenity areas to support the LACC and the public benefits resulting therefrom such as affordable housing, local hiring, living wage requirements, job training and job creation, open space and art elements. The redevelopment of the Hotel is a key to the success of the Project.

D. The City engaged various consulting firms to review the financial analysis of the Project. These firms concluded that the Project is not feasible without significant public assistance. Further, the analysis indicates that the returns on investment, without public assistance, for the commercial components, including the Hotel, are below industry standards for a project of this level of complexity and risk. The City's financial analysis indicated that the Hotel would serve unmet and new market demands, and that gap financing is necessary for the Hotel's successful completion.

E. The total cost of developing the Hotel is estimated to exceed Three Hundred and Sixty Five Million Dollars (\$365,000,000). The Developer is unable to fully finance the costs of the Hotel through a combination of private equity and debt.

F. Pursuant to that certain Memorandum of Understanding approved by the City Council on January 10, 2011, the Developer requested assistance from the City in financing the construction of the Hotel through creation of a Community Taxing District (the "District") that

would permit the Developer to offset the Hotel transient occupancy taxes (“TOT”) otherwise to be remitted to the City against the special taxes paid to the District for certain periods of time and/or until certain dollar amounts have been reached. The financial assistance which may be provided by the District and the offset of the TOT against the special taxes is integral to the ability of the Developer to proceed with the development of the Hotel.

G. The Developer has agreed to set aside Room Blocks under the terms and conditions of this Agreement and the Room Block Agreement (defined below) for a period of not less than thirty-five (35) years after the Completion Date of the Hotel to ensure that the LACC has adequate hotel capacity for future conventions and trade shows.

H. There is an existing hotel on the Property which now generates public revenue for the City and the closure of the existing hotel will cause the public revenue from the existing hotel to end. In light of this loss in public revenue, the Developer has agreed to guarantee that the City will receive an amount equal to the estimated public revenue no longer generated by the existing hotel during construction of the Project.

I. The redevelopment efforts made a part of this Agreement are in the vital and best interests of the City, and the health, safety and welfare of its residents and in accord with the public purposes and provisions of applicable state and local laws and requirements. Such redevelopment efforts do not involve any procedures or funds pursuant to California redevelopment law.

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

ARTICLE 1.
DEFINITIONS

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

- (a) “Additional Guarantee” is defined in Section 3.4(g).
- (b) “Additional Guarantor” is defined in Section 3.4(g).
- (c) “Adjusted Hotel Construction Allocation” shall mean the Hotel Construction Allocation as adjusted pursuant Section 3.3 of this Agreement.
- (d) “Advance TFAR Transfer Payment” shall mean the sum of the payment or payments by Developer of a TFAR Transfer Payment prior to the issuance of a building permit for the office building portion of the Project.
- (e) “Affiliate” means any corporation, partnership, limited liability company or other organization or entity which is controlled by, controlling or under common control with (directly or indirectly) Developer.

- (f) "Agreement" shall mean this Subvention Agreement.
- (g) "Annual Base Period Amount" shall equal Four Million One Hundred Forty-Six Thousand Dollars (\$4,146,000.00), which represents the total public revenues generated by the existing property and paid to the City for the period March 1, 2009, through February 28, 2010, without escalation. The various revenues comprising the Annual Base Period Amount are the following: the component of property taxes received by the City, gross receipts tax, sales tax, utility users tax, parking occupancy tax and transient occupancy tax.
- (h) "Assumption Agreement" is defined in Section 5.5.
- (i) "Business Day" shall mean a calendar day which is not a weekend day or a federal or State holiday and on which the City is open for business.
- (j) "CEQA" shall mean the California Environmental Quality Act.
- (k) "City" shall mean the City of Los Angeles, California, a municipal corporation and charter city existing and organized pursuant to the California Constitution and the laws of the State of California, operating through its governing body, the City Council, and its various departments. Unless otherwise indicated, the City Administrative Officer shall be the City's representative in providing any City approvals pursuant to this Agreement.
- (l) "City Council" shall mean the Council of the City.
- (m) "City Event of Default" shall mean any default by the City as set forth in Section 7.3, subject to any applicable notice and cure rights set forth therein.
- (n) "Community Taxing District" or "District" shall mean the special tax district to be created by the City to implement certain obligations within this Agreement pursuant to the City's Special Tax Improvements Ordinance, constituting Chapter 10 of Division 6 of the Los Angeles Administrative Code.
- (o) "Completion Date" shall mean that date on which the City first issues a certificate of occupancy or temporary certificate of occupancy for the Improvements pursuant to Section 12.26 of the Los Angeles Municipal Code which permits the Hotel to operate.
- (p) "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity or person, whether through the ability to exercise voting power, by contract or otherwise.
- (q) "Convention Center" or "LACC" shall mean the Los

Angeles Convention Center.

(r) “Developer” shall mean Hanjin International Corporation, a California corporation, and its permitted successors and assigns.

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

(t) “Developer Guarantee” is defined in Section 3.4.

(u) “Development Agreement” or “DA” means the Development Agreement by and between the City and the Developer, as may be amended from time to time.

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

(w) “Floor Area” shall mean the definition given such term in Section 12.03 of the Los Angeles Municipal Code.

(x) “Floor Area Rights” shall mean the ability to construct additional Floor Area within the Project, pursuant to an approved Transfer Plan, in excess of the amount of Floor Area that the Project would be allowed without the transfer of Floor Area.

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

(z) “Guarantee Term” is defined in Section 3.4(a).

(aa) “Guarantee Year” is defined in Section 3.4(a).

(bb) “Hotel” shall mean a hotel containing no less than six hundred and fifty (650) hotel rooms together with ancillary facilities, including ballrooms, conference rooms, restaurants, hotel back-of-house facilities, retail facilities, parking structure and facilities, spa, fitness center, outdoor plaza and other hotel-related facilities, as further set forth in the Development Agreement, which shall be operated, furnished, serviced, maintained and refurbished to the standard of a four-star lodging establishment, as defined and as determined by the Forbes Travel Guide, or at an equivalent level by an alternative nationally recognized hotel rating service.

(cc) “Hotel Construction Allocation” shall mean the lesser of (i) Ninety Seven Million Five Hundred Thousand Dollars (\$97,500,000), or (ii) the Adjusted Hotel Construction Allocation determined in accordance with Section 3.3.

- (dd) "Hotel Financing" is defined in Section 3.3(a).
- (ee) "Hotel Financing Reconciliation" is defined in Section 3.3(a).
- (ff) "Hotel Operating Agreement" shall mean the operating agreement between the Developer and the Hotel Operator for the operation of the Hotel.
- (gg) "Hotel Operator" shall mean the hotel management company selected by the Developer from time to time, subject to Section 5.8.
- (hh) "Hotel Parcel" shall mean the airspace lots to be located on the Property and containing the Hotel and the areas ancillary to the Hotel as described on Exhibit A attached hereto.
- (ii) "Improvements" shall mean the improvements consisting of the Hotel to be made on the Hotel Parcel as generally described in Recital "A" of this Agreement and in conformity with the Development Agreement.
- (jj) "Letter of Credit" is defined in Section 3.4(f).
- (kk) "Major Contractors and Subcontractors" is defined in Section 3.9(a).
- (ll) "Mortgage" shall mean any mortgage, deed of trust, pledge (including a pledge of equity interests in Developer), hypothecation, charge, encumbrance or other security interest granted to a lender, made in good faith and for fair value, encumbering all or any part of Developer's interest in (i) this Agreement, (ii) the Hotel Parcel, (iii) the Improvements, (iv) the Property or (v) any equity interest in Developer. "Mortgage" shall not include any mortgage, deed of trust, pledge, encumbrance or other security interest granted to a lender (i) in which Developer or an Affiliate of Developer has an interest of 20% or more, or (ii) which has an interest of 20% or more in Developer or an Affiliate of Developer.
- (mm) "Mortgagee" shall mean any mortgagee, beneficiary under any deed of trust, trustee of any bonds, holder of a pledge of an equity interest in Developer, or , if the Property is the subject of a sale-leaseback transaction, the person acquiring fee title to the Property.
- (nn) "Other Material Contractors and Subcontractors" is defined in Section 3.9(c).
- (oo) "Parties" shall mean the City and Developer.
- (pp) "Project Related City Revenues" shall mean revenues actually generated in connection with the Project, inclusive of the Hotel, office, residential and all other uses, and paid to the City during the Subvention Term.

Project Related City Revenues shall be (i) construction related tax revenues, (ii) 1% property taxes (without VLF or sales tax replacements), (iii) sales taxes, (iv) utility users taxes, (v) gross receipts taxes, (vi) parking occupancy taxes, (vii) the Advance TFAR Transfer Payments made to the City, (viii) the TOT Credit, (ix) residential development tax, and (x) documentary transfer tax.

(qq) "Project Specific Credit" is defined in Section 3.4(b).

(rr) "Property" shall mean the land described on Exhibit A attached hereto and any improvements constructed thereon.

(ss) "Replacement Operator" is defined in Section 5.8

(tt) "Room Blocks" shall mean up to four hundred and seventy five rooms (475) at the Hotel regularly held by the Hotel Operator for the benefit of the LACC for the time periods specified in the Room Block Agreement.

(uu) "Room Block Agreement" means that certain Room Block Agreement, attached as Exhibit G, to be entered into by the City, the Developer and the Hotel Operator pursuant to which the Developer and the Hotel Operator agree to provide Room Blocks to the LACC.

(vv) "Subvention Term" shall mean the period commencing on the Completion Date and ending on the first to occur of (i) the twenty-fifth (25th) anniversary of the Completion Date, (ii) the date on which Developer has received TOT Subvention equal to the Maximum Hotel Special Tax Amount (as defined in the Funding Agreement), or (iii) the termination of this Agreement or the Funding Agreement for any reason pursuant to the terms of this Agreement or the Funding Agreement.

(ww) "Term" shall mean the term of this Agreement, commencing as of the Effective Date and ending on the latter of (i) the expiration or termination of the Hotel Operating Covenant (as defined in Section 3.8), or (ii) the date of any termination of this Agreement in accordance with the provisions hereof.

(xx) "TFAR" or "Transfer of Floor Area" shall mean the transfer of Floor Area to the Project pursuant to Article 4.5 of the Los Angeles Planning and Zoning Code.

(yy) "TFAR Public Benefit Payment" shall mean the payment by Developer to the City's Public Benefit Payment Trust Fund pursuant to Section 14.5.13 of the Los Angeles Planning and Zoning Code.

(zz) "TFAR Transfer Payment" shall mean the payment by Developer to the City's Public Benefit Payment Trust Fund pursuant to Section 14.5.11 of the Los Angeles Planning and Zoning Code.

(aaa) "TOT Credit" shall mean the transient occupancy tax paid

by Developer or its Affiliates for the purpose of housing its daily flight crews and other employees in hotels in the City of Los Angeles which are obligated to collect and pay transient occupancy tax to the City.

(bbb) “Total Hotel Construction Costs” is defined in Section 3.3(a).

(ccc) “Transfer” shall mean a transfer defined in Section 5.1 of this Agreement.

(ddd) “Transfer Plan” shall mean the plan proposed by Developer and approved by the City that identifies and describes the Project, the amount of Floor Area Rights to be transferred, the TFAR Public Benefit Payment and the TFAR Transfer Payment, all pursuant to Article 4.5 of the Los Angeles Planning and Zoning Code.

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

- Exhibit A: Legal Description of the Property and the Hotel Parcel
- Exhibit B: Form of Memorandum of Agreement
- Exhibit C-1: Form of Contract Provisions for Major Contracts
- Exhibit C-2: Form of Contract Provisions for Other Contracts
- Exhibit D: Hotel Financing Reconciliation Methodology
- Exhibit E: Community Benefits Program
- Exhibit F: Form of Room Block Agreement
- Exhibit G: Pre-Approved Hotel Operators
- Exhibit H: Schedule of Increased Maximum Special Hotel Tax Amounts

ARTICLE 2. POLICIES AND PURPOSES

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

Section 2.2. Economic Revitalization. The Project is projected to provide a significant positive impact to the downtown Los Angeles area, the City of Los Angeles and the Los Angeles County regional economy. During the construction period, the economic impact of the Project is expected to generate thousands of direct and indirect jobs. During the twenty-five (25) years of the Subvention Term as presently projected, the operation of the Project is expected to exceed

\$1.2 billion in overall economic impact. Upon completion, the Project is estimated to create over six thousand two hundred (6,200) new permanent jobs.

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

Section 2.4. Public Benefit. By authorizing the City to enter into this Agreement, the City Council has determined that the benefits accruing as a result of the transactions contemplated by this Agreement, including, without limitation, (i) direct benefits such as revenues from the Project and increased revenues from property, sales, parking, business license, utility and hotel taxes, both from the Hotel and other phases of the Project, (ii) the enhanced economic opportunities for business surrounding the LACC and in the downtown Los Angeles area, and (iii) the benefits such as revitalization of the downtown Los Angeles area together with the Developer's obligations under this Agreement, represent fair consideration for all of the obligations to be undertaken by the City as contemplated by this Agreement.

ARTICLE 3. FINANCIAL ASSISTANCE BY CITY

Section 3.1. Tax Subvention by City. To assist the Developer in developing the Hotel and subject to the terms and conditions of this Agreement, the City shall use its best efforts to form a Community Taxing District that implements the terms and conditions of this Agreement and the Funding Agreement in order to provide for the reimbursement to the Developer of the Hotel Construction Allocation (subject to the maximum amounts determined pursuant to Section 3.2) by the release of funds to the Developer from the Facilities Reimbursement Fund pursuant to the Funding Agreement (the "TOT Subvention"). Developer's obligations under this Agreement and the Funding Agreement are expressly conditioned on the establishment of the Community Taxing District, the implementation of the Funding Agreement and the TOT Subvention.

Section 3.2. Net New Revenues Limitation.

(a) The maximum amount of TOT Subvention to be received by Developer shall not exceed the amount that is fifty percent (50%) of the net present value (discounted at a ten percent (10%) annual rate) of the new tax revenues estimated as of the date of this Agreement to be generated by the Project after deducting the net present value of the City revenues projected to be generated by the existing Property if the Project is not developed (the "Net New Revenues"). The City has estimated the Net New Revenues from the Hotel as of the date of this Agreement to be One Hundred and Eight Million Dollars (\$108,000,000). Accordingly, the Maximum Hotel Special Tax Amount (as defined in the Funding Agreement) and the amount of the net present value of the TOT Subvention to be received by Developer pursuant to this Agreement and the Funding Agreement shall not exceed Fifty Four Million Dollars (\$54,000,000); provided, however that if the Developer builds an office building and a certificate of occupancy or temporary certificate of occupancy is issued for the office building (the "Office Completion Date") prior to the end of the Subvention Term, then the Maximum Hotel Special Tax Amount and the amount of the net present value of the TOT Subvention shall

be increased by the additional amount shown on Exhibit H attached hereto (the "Additional Maximum Hotel Special Tax Amount") corresponding to the year in which the Office Completion Date occurs. For purposes of illustration only, if the Office Completion Date occurred in year 10 after the Completion Date, the Additional Maximum Hotel Special Tax Amount will be \$12,498,000 and the Maximum Hotel Special Tax Amount would be increased to a total amount of \$66,498,000.

(b) The Additional Maximum Hotel Special Tax Amounts set forth in Exhibit H are based on the assumption that the office building will be 1,500,000 million square feet in area. If the office building that is constructed is less than 1,500,000 million square feet, then the Additional Maximum Hotel Special Tax Amount will be reduced on a pro rata basis by multiplying the Additional Maximum Hotel Special Tax Amount by a fraction, the numerator of which is the actual square footage of the office building constructed and the denominator is 1,500,000 square feet. For purposes of illustration only, if instead of a 1,500,000 million square foot office building, a certificate of occupancy for a 1,000,000 million square foot office building is issued in year 10 after the Completion Date, then the Additional Maximum Hotel Special Tax Amount would be \$8,331,999, which is calculated as $(1,000,000 / 1,500,000) \times \$12,498,000$. In such case, the new Maximum Hotel Special Tax Amount would be \$62,331,999.

Section 3.3. Construction Costs and Hotel Financing Reconciliation.

(a) No later than one hundred eighty (180) days after the Completion Date, the Developer and City Administrative Officer will commence to determine the Adjusted Hotel Construction Allocation by conducting a final review of the Total Hotel Construction Costs, Hotel Financing, and any off-site signage net revenue attributable to the Hotel ("Hotel Financing Reconciliation") to confirm the maximum amount of TOT Subvention that would be available to the Developer pursuant to this Agreement and the Funding Agreement. As used herein, "Total Hotel Construction Costs" means all costs incurred by the Developer in connection with the planning, development, entitlement and construction of the Hotel, including, without limitation, land costs, hard costs and soft costs, direct and indirect costs, and construction financing costs (including, without limitation, fees, costs, and interest). The "Hotel Financing" shall mean the terms and conditions of the permanent or take-out financing (including, without limitation, mezzanine financing) arranged by Developer to repay the construction financing, including, without limitation, the principal amount, amortization, interest rate, loan to cost ratio, mandatory prepayment terms, term and other material terms. Off-site signage net revenue shall mean any revenue attributable to the Hotel to be received by the Developer pursuant to its signage entitlements within the proposed Figueroa and Seventh Street Supplemental Use District ("SUD") after deducting the capital, operating and maintenance costs associated with such signage.

(b) The City Administrative Officer will employ an outside consultant to perform the Hotel Financing Reconciliation. The Developer shall be responsible for the costs and payment of the outside consultant services, but the City shall be the consultant's client for purposes of the consultant's services. The City's preliminary review of Hotel construction cost analysis was based upon the

development pro forma provided by the Developer prior to the approval of this Agreement that was used to calculate the original Hotel Construction Allocation. The City's financial analysis of the pro forma information established that the Developer would be required to obtain an eighteen percent (18%) commercial rate of return on equity. At such time as the Hotel Financing Reconciliation occurs, the maximum amount of TOT Subvention that will be made available to the Developer (i.e., the Adjusted Hotel Construction Allocation) will be recalculated using the same methodology that was used to determine the original Hotel Construction Allocation but updated solely for Total Hotel Construction Costs, the Hotel Financing, and the off-site signage net revenue attributable to the Hotel that was not reasonably determinable during the City's calculation of the original Hotel Construction Allocation. All other assumptions and amounts used in the methodology for determining the original Hotel Construction Allocation shall be used in connection with the Hotel Financing Reconciliation, which methodology is generally set forth in Exhibit D attached hereto. Developer shall have the right to select the type, terms and conditions of the Hotel Financing at its sole and absolute discretion; provided, however, that for purposes of the Hotel Financing Reconciliation and the calculation of Adjusted Hotel Construction Allocation (i.e., the maximum amount of TOT Subvention present value available to Developer), the equity utilized by Developer in owning the Hotel, if any, shall be calculated at the lesser of (i) the actual equity investment contributed, or (ii) thirty percent (30%) of the Total Hotel Construction Costs incurred.

(c) As part of the Hotel Financing Reconciliation, Developer shall have the right to submit to the City its determination of the off-site signage net revenue, Total Hotel Construction Costs and the Hotel Financing, together with supporting documentation. The City's consultant shall review such submission and Developer shall promptly respond to any comments or questions provided by the consultant. Upon completion of this Hotel Financing Reconciliation, the maximum amount of the TOT Subvention by the City may be adjusted lower pursuant to this Agreement, such amount being the Adjusted Hotel Construction Allocation, and may not be higher than the Maximum Hotel Special Tax Amount specified in Section 3.2. Upon completion of the Hotel Financing Reconciliation, Developer and the City shall execute a certificate memorializing the Adjusted Hotel Construction Allocation pursuant to the Funding Agreement.

(d) Commencement of the TOT Subvention shall not be conditioned on completion of the Hotel Financing Reconciliation.

(e) If the Parties determine that under all circumstances the Maximum Hotel Special Tax Amount determined pursuant to Section 3.2 will be less than any Adjusted Hotel Construction Allocation, the Parties may mutually agree not to undertake the determination of the Adjusted Hotel Construction Allocation.

Section 3.4. Developer Guarantee to City. The City and Developer acknowledge and agree that the Annual Base Payment Amount represents the base amount which the City shall

receive on an annual basis during the Guarantee Term (as defined below) in accordance with this Section 3.4, notwithstanding this Agreement and the TOT Subvention. Accordingly, Developer shall ensure that on an annual basis the City will receive revenues at least equal to the Annual Base Payment Amount (the "Developer Guarantee") plus additional amounts to be satisfied pursuant to Section 3.4(d) as follows:

- a. Guarantee Payments: Developer shall pay to the City on or before each May 1 immediately following the end of each calendar year (each, a "Guarantee Year") during the Guarantee Term (as hereinafter defined) the Annual Base Period Amount less the amount of the Project Specific Credit determined pursuant to Section 3.4(b). As used herein, the "Guarantee Term" shall commence on the date the Developer secures a building permit for the Hotel and, subject to extension pursuant to Section 3.4(d), shall expire on the earlier of (i) the termination or expiration of the Subvention Term, or (ii) the satisfaction in full of the Developer Guarantee pursuant to Section 3.4(h). Upon any termination of this Agreement, the Developer Guarantee and the Additional Guarantee shall terminate and be of no further force and effect. The portion of the Annual Base Period Amount that the Developer shall pay for the first and last Guarantee Years of the Guarantee Term shall be prorated based on a 365-day year.
- b. The Developer shall receive a credit toward its payment of each Annual Base Period Amount equal to the amount of all Project Related City Revenues generated by the Project during the applicable Guarantee Year (the "Project Specific Credit"). The Project Specific Credit shall be determined by the City following Developer's providing documentation pursuant to Section 3.4(e) and the City shall provide its determination in writing to the Developer on or before April 1 immediately following the applicable Guarantee Year.
- c. To the extent that for any Guarantee Year the Project Specific Credit is greater than the Annual Base Period Amount, such excess amount shall be carried over to future years and shall be credited against any amount owed by the Developer with respect to the Developer Guarantee. To the extent that for any Guarantee Year the Project Specific Credit is less than the related Annual Base Period Amount (after taking into account any amount carried over pursuant to the immediately preceding sentence), Developer shall pay such cash shortfall amount to the City within thirty (30) days after such amount is determined.
- d. If the Developer makes an Advance TFAR Transfer Payment, then upon the earlier to occur of (i) the issuance of a building permit for the office building component of the Project, or (ii) the Developer's sale of the rights it acquired by the Advance TFAR Transfer Payment, the Guarantee Term shall automatically be extended and shall remain in effect until the Project Specific Credit credited pursuant to Sections 3.4(b) or 3.4(c) is sufficient to equal the Advance TFAR Transfer Payment.
- e. The Developer shall provide documentation to the City to demonstrate the amount of the Project Specific Credit and, if applicable, the TOT Credit on or before

March 1 immediately following the applicable Guarantee Year based on information available to the Developer. The City shall have the right to consult, review and verify with its Office of Finance and the hotels which were obligated to collect and remit the transient occupancy tax for which the Developer desires a TOT Credit. Developer shall be entitled to receive the TOT Credit provided that Developer paid such amounts to the hotel that is obligated to collect and pay the transient occupancy tax to the City of Los Angeles. The City shall also review and verify with its Office of Finance the amount of the Project Specific Credit and, based upon such documentation and verification, the City shall make a determination of the amount of the Project Specific Credit and TOT Credit for such Guarantee Year and shall notify Developer of such determination in writing no later than April 1 of each year, which determination shall be accompanied by (i) a reasonably detailed breakdown of the various amounts of the Project Specific Credit and TOT Credit, and (ii) the City's written certification that its determination of the Project Specific Credit and TOT Credit for such Guarantee Year is accurate and complete. The City shall cooperate with Developer and shall promptly provide information as to the payment of Project Related City Revenues and the TOT Credit as requested by Developer. The City's obligations in this Section 3.4 to provide information are subject to and conditioned upon its compliance with the taxpayer confidentiality requirements in the Los Angeles Municipal Code.

- f. During the Guarantee Term, Developer shall provide a direct pay, "evergreen" letter of credit that shall renew automatically each year, shall name the City as the beneficiary (the "Letter of Credit") and shall be provided by a bank ("LOC Bank") proposed by Developer and approved by the City (which approval shall not be unreasonably withheld, conditioned or delayed) as additional security for Developer's obligation to pay the Annual Base Period Amount pursuant to this Section 3.4. The City shall respond to such request for approval within thirty (30) days after receipt of the request. During the first year of the Guarantee Term, such Letter of Credit shall be in an amount equal to three (3) times the Annual Base Period Amount, (ii) during the second year of the Guarantee Term, such Letter of Credit shall be in an amount equal to two (2) times the Annual Base Period Amount, and (iii) during the third year of the Guarantee Term and thereafter such Letter of Credit shall be in an amount equal to the Annual Base Period Amount. During the first three years of the Guarantee Term, the City may draw on the full amount of the Letter of Credit if, after notice and an opportunity to cure as set forth in Section 7.4(b), the Developer defaults in its obligation to pay amounts due under the Developer Guarantee. In the event the LOC Bank's credit rating falls below "A," or such credit rating is suspended or withdrawn, the Developer shall procure a Letter of Credit from another bank pursuant to the terms of this Section 3.4(f).
- g. After the Hotel commences operation and during the Guarantee Term, the Developer shall, with the prior written approval of the City, have the right (but not the obligation) to replace the Letter of Credit with a guarantee (the "Additional

Guarantee”) from an individual or entity that has sufficient financial resources and liquidity to fulfill Developer’s obligation to pay the Annual Base Period Amount each year during the Guarantee Term and, if applicable, the obligation to satisfy the Advance TFAR Transfer Payment pursuant to this Section 3.4 (the “Additional Guarantor”). If the Additional Guarantor is not otherwise subject to California jurisdiction, the Additional Guarantor shall agree to be subject to California jurisdiction. For purposes hereof an individual or entity shall be considered to have sufficient financial resources and liquidity if it has net liquid assets (total current assets minus total current liabilities) equal to or exceeding Twenty Million Dollars (\$20,000,000) determined in accordance with United States generally accepted accounting principles. The City shall respond to the Developer’s request for approval of an Additional Guarantor within thirty (30) days after receipt of such request and the City’s approval shall not be unreasonably withheld. Upon delivery of the Additional Guarantee, Developer shall have no further obligation to provide the Letter of Credit and the Letter of Credit shall be canceled and returned to Developer. The Additional Guarantee shall be a guarantee of Developer’s obligation during the Guarantee Term to pay the Annual Base Period Amount and, if applicable, to satisfy the Advance TFAR Transfer Payment pursuant to Section 3.4(d) only and no other obligation under this Agreement or any other agreement.

- h. Guarantee Satisfaction in Full Prepayment: The Developer Guarantee and Additional Guarantee shall be satisfied in full at the time that (1) the total amount of (i) Project Specific Credits plus (ii) any cash shortfall payments made by the Developer or Additional Guarantor plus (iii) amounts drawn on the Letter of Credit is equal to the Annual Base Period Amount multiplied by the number of years in the Subvention Term, as the Subvention Term may be adjusted, and (2) the Developer has fulfilled its obligation to satisfy the Advance TFAR Transfer Payment pursuant to Section 3.4(d).

Section 3.5. Financing Documents. The Developer shall submit to the City, for the City’s review and reasonable approval, a proposed final construction budget for the Improvements including details of construction financing and/or capital commitments sufficient to cover the cost of constructing the Improvements. The Developer shall submit such items within six (6) months after the issuance of a building permit for the Hotel.

The City’s review of the foregoing construction budget shall be solely for the purpose of: (i) determining if the contemplated financing will be reasonably available and provide sufficient funds for development of the Improvements consistent with the terms of this Agreement, (ii) that the proposed use of the funds complies with the requirements of the funding source, and (iii) that the funds will otherwise be provided on terms consistent with the terms and conditions of this Agreement.

Section 3.6. Room Block Agreement. The Developer shall enter into an agreement with the City to provide a minimum number of hotel rooms to be used by events at the Convention Center (the “Room Block Agreement”). The Room Block Agreement shall, at a minimum, guarantee that 475 rooms shall be available for use by events at the Convention

Center provided those rooms are booked pursuant to schedules and terms set forth in the Room Block Agreement. The Room Block Agreement would remain in effect for a period of thirty-five (35) years after the Completion Date.

Section 3.7. Hotel Operating Agreement. No later than six (6) months after the issuance of a building permit for the Hotel, the Developer shall submit the Hotel Operating Agreement executed by the Developer and the Hotel Operator and shall obtain the approval of the City for the Hotel Operator and the Hotel Operating Agreement pursuant to the criteria specified in this Section 3.7, which approval shall not be unreasonably withheld. The Developer and the Hotel Operator may redact confidential financial information provided that the information described in the following subsection (i), (ii) and (iii) is adequately disclosed. The City's review of the Hotel Operating Agreement shall be limited for the sole purposes of determining that: (i) the Hotel shall be maintained in compliance with this Agreement; and (ii) the term of the Hotel Operating Agreement is at least ten (10) years following the Completion Date for the Hotel, except as otherwise provided in the Hotel Operating Agreement, which may provide for a termination of the Hotel Operating Agreement for, among other things, (a) the occurrence of a casualty or condemnation event, (b) failure to satisfy certain performance standards as may be agreed by Developer and Hotel Operator, (c) an event of default by Developer or Hotel Operator, (d) a termination upon a sale by Developer of the Hotel Parcel, or (e) other termination events customarily included in Hotel Operating Agreements for Hotels of this kind; and (iii) Hotel Operator shall not have the right to transfer its interest in the Hotel Operating Agreement with the exception of a transfer or an assignment of the Hotel Operating Agreement (a) to any Affiliate of Hotel Operator, (b) to any successor or assign of Hotel Operator which may result from any merger, consolidation or reorganization involving Hotel Operator so long as the same shall possess all or substantially all of the business and assets of Hotel Operator and its Affiliates immediately prior thereto; (c) in connection with any merger, consolidation or sale of all or substantially all of the assets owned by Hotel Operator or any Affiliates thereof, or (d) in accordance with other permitted transfers customarily permitted in Hotel Operating Agreement for Hotels of this kind. Any termination or transfer of the Hotel Operating Agreement prior to at least thirty-five (35) years after the Completion Date shall require City's approval of the subsequent Hotel Operator in accordance with Section 5.8. The City shall respond to such request for approval or subsequent approval of the Hotel Operator and the Hotel Operating Agreement and within thirty (30) days after receipt of the Hotel Operating Agreement. The hotel operators set forth on Exhibit H hereto are hereby pre-approved by the City as to the initial Hotel Operator and such hotel operators shall not require the approval by the City.

Section 3.8. Hotel Operating Covenant. The Parties shall enter into a hotel operating covenant which shall be recorded against the Hotel Parcel (the "Hotel Operating Covenant"). The Hotel Operating Covenant shall (i) require that the Hotel Parcel shall be used for the Hotel for a term equal to thirty-five (35) years after the Completion Date, (ii) provide that the Developer shall not be in default under the Hotel Operating Covenant if the Hotel is damaged or destroyed or there occurs a force majeure event (including, without limitation, a condemnation event) that precludes the operation of the Hotel and Developer takes commercially reasonable steps to repair and restore the Hotel or to address the force majeure event within a reasonable period of time, and (iii) contain such other provisions as mutually acceptable to the Parties.

Section 3.9. Sales Tax Origin. The Developer shall comply with the provisions of this Section 3.9 to provide, to the extent possible under applicable laws and regulations, that local sales and use taxes generated in connection with all eligible purchases of materials, fixtures, machinery, equipment and supplies for the Project during the construction thereof are allocated directly to the City, subject to Regulation 1521 titled "Construction Contractors" and resolution titled "Contractors No. 260.20" under the Compliance Policy and Procedures Manual of the California State Board of Equalization. In order to accomplish this allocation, the Developer shall comply with the following:

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

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

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

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

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

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

(B) A copy of the contract with each such contractor (which may have confidential information redacted),

(e) City's Remedies. If the City determines that any Major Contractor or Subcontractor has not complied with the provisions set forth in its agreement with the Developer or Developer's contractor, as the case may be, the City's sole remedy, subject to the last sentence of this clause (e), shall be to enforce the relevant provision(s) directly against the applicable Major Contractor or Subcontractor. Upon the reasonable request of the City, Developer shall cooperate with the City in any such enforcement action; provided that Developer shall have no obligation to incur any costs in connection therewith. Nothing in this Section 3.9(e) shall limit the City's remedies against the Developer in the event that the Developer has failed to comply with its obligations in this Section 3.9; provided, however that the Developer shall have no liability for the failure of the Major Contractor or Subcontractor to comply with their respective obligations if the Developer complies with its obligations in this Section 3.9.

(f) Subject to Applicable Law. The obligations set forth in this Section 3.9 shall in all cases be subject to applicable laws and regulations, including without limitation the California Sales and Use Tax Law, and in no event shall Developer (or any of its contractors or subcontractors) be required to do anything that is in violation of or inconsistent with such laws and regulations.

Section 3.10. Progress Reports. Until the Completion Date, the Developer shall provide the City with periodic progress reports, as reasonably requested by the City (but not more than once every calendar quarter), regarding the status of the construction of the Improvements. Such report shall consist of an executive summary of the work to date, including, but not limited to, the causes for any delays and the work that is anticipated for the following quarter, a reasonable number of construction photographs taken since the last report submitted to the City, and shall be in a form reasonably acceptable to the City. The City shall be entitled to utilize and reproduce the information and photographs contained in the progress reports for government activities and other governmental purposes as determined by the City.

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

Section 4.1. Use of the Project. The Developer shall use the Hotel Parcel for the operation of a Hotel for a term not less than thirty-five (35) years after the Completion Date; provided, however that the Developer shall not be in default of this Section 4.1 if the Hotel is damaged or destroyed or there occurs a force majeure event (including, without limitation, a condemnation event) that precludes the operation of the Hotel and Developer takes commercially reasonable steps to repair and restore the Hotel or to address the force majeure event, as the case may be, within a reasonable period of time. The Developer's obligation to use the Hotel Parcel for the operation of a Hotel shall be an obligation running with the land.

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

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

Section 4.4. Community Benefits Program. The Developer shall comply with the Community Benefits Program requirements as follows:

(a) Developer shall enter into healthcare, welfare and severance agreements with HERE Local 11 and other unions pursuant to which the current union employees of the existing hotel will be entitled to receive severance, healthcare and other benefits after the existing hotel is closed;

(b) Developer shall enter into the Room Block Agreement, pursuant to which the Hotel will make at least 475 rooms available in connection with events at the Convention Center in accordance with the terms of such agreement; and

(c) Developer shall comply with Section 3.9 of this Agreement in order to cause the City to be designated as the "point of sale" so that it will receive sales and use taxes generated from the purchase of materials, fixtures, machinery, equipment and supplies during the construction of the Project.

In addition, the Parties acknowledge that, pursuant to the Development Agreement, the Project will provide the public benefits described in Exhibit E attached hereto.

ARTICLE 5.
ASSIGNMENT AND TRANSFERS

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

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

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

(c) For avoidance of doubt, a Transfer shall not include the creation of a security interest that constitutes a Mortgage.

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

(a) The importance of the development of the Hotel to the general welfare of the community;

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

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

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

Section 5.3. Prohibited Transfers. Except as expressly permitted in this Agreement, the Developer represents and agrees that the Developer has not made or created, and will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior approval of the City, which approval shall not be unreasonably withheld. Any Transfer made in contravention of this Section 5.3 shall be void and shall be deemed to be a default under this Agreement, whether or not the Developer knew of or participated in such Transfer.

Section 5.4. Permitted Transfers. Notwithstanding the provisions of Section 5.3, the Developer shall have the right to effect the following Transfers without the prior approval of the City (subject to satisfaction of the conditions of Section 5.5):

- (a) Any Transfer creating a Mortgage or other security financing interest.
- (b) Any Transfer directly resulting from the foreclosure of a Mortgage or other security financing interest or the granting of a deed in lieu of foreclosure of a Mortgage (including, without limitation, a conveyance in lieu of foreclosure of a pledge of equity interests) or other security financing interest and any subsequent transfer to any buyer or successor after such foreclosure or granting of a deed or conveyance in lieu of foreclosure.
- (c) The leasing of restaurant, residential, commercial and retail space or other space within the Improvements.
- (d) The conveyance or dedication of a portion of the Property to any public entity, including a public utility, required to allow for the development of the Improvements.
- (e) The granting of temporary or permanent easements or permits to facilitate development of the Project.
- (f) A Transfer which may result from any merger, consolidation or reorganization involving Developer so long as the same shall possess all or substantially all of the business and assets of Developer immediately prior thereto.
- (g) The Transfer of a non-controlling interest in the equity interests in the Developer.
- (h) A Transfer to the Hotel Operator or to a new entity consisting of an entity owned or controlled by the Hotel Operator; provided, however, that such Hotel Operator shall be required to provide a Letter of Credit pursuant to Section 3.4(f) and it may not replace such Letter of Credit with an Additional Guarantee.
- (i) A Transfer to an Affiliate of Developer; provided, however, that such Affiliate shall be required to provide a Letter of Credit pursuant to Section 3.4(f) and it may not replace such Letter of Credit with an Additional Guarantee.
- (j) A Transfer to a wholly-owned Affiliate of Developer.

All Transfers other than those enumerated in this Section 5.4 shall require the approval of the City, which approval shall not be unreasonably withheld. The City shall respond to such request for approval within thirty (30) days after receipt of the request.

Section 5.5. Effectuation of Permitted Transfers. No Transfer of a direct interest in this Agreement shall be permitted unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an agreement reasonably satisfactory to the City (the "Assumption Agreement"), expressly agrees to perform and observe, from and after the date of the Transfer, all the obligations, terms and conditions of this Agreement and the Hotel Operating Agreement, and if less than all of the Hotel is transferred, the transferee shall agree to perform the obligations, terms and conditions of this Agreement and the Hotel Operating Agreement relating to the portion of the Hotel that is transferred to the transferee; provided, however, that no such transferee shall be liable for the failure of its predecessor to perform any such obligation. The Assumption Agreement shall be executed by Developer and the assignee or transferee, and shall name the City as express third party beneficiary with respect to such agreement with a copy thereof delivered to the City within thirty (30) days after the effective date thereof. Upon Transfer of a direct interest in this Agreement pursuant to an Assumption Agreement, the assignor shall be relieved of liability with respect to any such obligations relating to the Hotel accruing from and after the date of such assignment or transfer. Notwithstanding the foregoing, unless such assignee specifically assumes pursuant to the Assumption Agreement the obligation under Section 8.19 of this Agreement to indemnify the City, the assignor will retain such obligation and remain jointly and severally liable for such indemnity obligation with such assignee. The City acknowledges and agrees that upon the effective date of any such Assumption Agreement, Developer and the Additional Guarantor shall, to the extent the Guarantee Term is still in effect, be relieved of its respective obligations with respect to the Developer Guarantee and Additional Guarantee, which Guarantee shall be of no further force or effect, provided that the assignee provides to the City a substitute guarantor that has net liquid assets (total current assets minus total current liabilities) equal to or exceeding Twenty Million Dollars (\$20,000,000), determined in accordance with United States generally accepted accounting principles,

Section 5.6. Transfers of Interest in Developer. Notwithstanding Section 5.3, the City shall not unreasonably withhold its approval of a Transfer of a controlling equity interest in Developer if the replacement member, partner or shareholder has sufficient financial resources and liquidity to fulfill Developer's obligations under this Agreement. For purposes hereof an individual or entity shall be considered to have sufficient financial resources and liquidity if it has net liquid assets (total current assets minus total current liabilities) equal to or exceeding Twenty Million Dollars (\$20,000,000) determined in accordance with United States generally accepted accounting principles. The City shall respond to such request for approval within thirty (30) days after receipt of the request and supporting documentation.

Section 5.7. Transfers of Interests in Non-Controlling Membership Interests In Developer. The prohibition on Transfers of interests in Developer shall not restrict transfers of non-controlling interests in Developer pursuant to Article 5 of this Agreement.

Section 5.8. Change in Hotel Operator. A change in the identity of the Hotel Operator, by way of transfer of the Hotel Operating Agreement or otherwise, shall not constitute a Transfer. During the Term of this Agreement, any change in the Hotel Operator (a "Replacement Operator") shall require the prior written approval of the City, which approval shall not be unreasonably withheld. The City shall respond to such request for approval within thirty (30) days after receipt of the request and supporting documentation.

ARTICLE 6.
MORTGAGEE PROTECTIONS

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

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

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

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

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

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

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

The Mortgagee shall not be required to obtain possession or to continue in possession as Mortgagee of the Improvements pursuant to Subsection (i) above, or to continue to prosecute foreclosure proceedings pursuant to Subsection (ii) above, if and when such default shall be cured. Nothing herein shall preclude the City from exercising any of its rights or remedies with respect to any other default by Developer during any period of such forbearance, but in such event the Mortgagee shall have all of its rights provided for herein. If the Mortgagee, its nominee, or a purchaser in a foreclosure sale, shall acquire title to Developer's right, title and interest hereunder and shall cure all defaults which are susceptible of being cured by the Mortgagee or by said purchaser, as the case may be, then prior defaults which are not susceptible to being cured by the Mortgagee or by said purchaser shall no longer be deemed defaults hereunder. References herein to defaults which are "not susceptible of being cured" by a Mortgagee or purchaser (or similar language) shall not be deemed to refer to any default which the Mortgagee or purchaser is not able to cure because of the cost or difficulty of curing such default, but rather shall be deemed to refer only to defaults specifically relating to the identity of Developer which by their nature can be cured only by Developer (such as Developer bankruptcy or a change in control of Developer). Any acquisition or acceptance of title or any right or interest in or with respect to the Hotel or any portion thereof by a Mortgagee, pursuant to foreclosure, trustee's sale, deed or conveyance in lieu of foreclosure, or otherwise, shall be subject to all of the terms and conditions of this Agreement except that any such Mortgagee, including its Affiliate, who takes title to the Property or any portion thereof shall be entitled to the benefits arising under this Agreement.

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

Section 6.6. No Obligation to Cure. Mortgagee shall not have any obligation or duty pursuant to the terms set forth in this Agreement to perform the obligations of Developer or other affirmative covenants of Developer hereunder, or to guarantee such performance and nothing herein contained shall require any Mortgagee to cure any default of Developer referred to above.

No default by Developer or termination of this Agreement shall defeat, render invalid, diminish, or impair the lien of any Mortgage.

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

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

The undersigned, whose address is _____, does hereby certify that it is the Mortgagee (as such term is defined in that certain Subvention Agreement (“Subvention Agreement”) dated as of _____, 2011 between Hanjin International Corporation and the City of Los Angeles, of the parcel of land described on Exhibit A attached hereto. In the event that any notice shall be given of a default of Developer under the Subvention Agreement, a copy thereof shall be delivered to the undersigned who shall have the rights of a Mortgagee to cure the same, as specified in the Subvention Agreement. Failure to deliver a copy of such notice shall in no way affect the validity of the notice to the Developer, but no such notice shall be effective as it relates to the rights of the undersigned under the Subvention Agreement with respect to the Mortgage, including the commencement of any cure periods applicable to the undersigned, until actually received by the undersigned.

All notices to be provided by the Mortgagee to the City shall be provided in accordance with Section 8.2.

Section 6.9. Further Assurances. The City and Developer agree to cooperate in including in this Agreement, by suitable amendment, any provision which may be reasonably requested by the Mortgagee or any proposed Mortgagee for the purpose of (i) more fully or particularly implementing the Mortgagee protection provisions contained herein, (ii) adding mortgagee protections consistent with those contained herein and which are otherwise commercially reasonable, (iii) allowing such Mortgagee reasonable means to protect or preserve the security interest of the Mortgagee in the collateral, including its lien on the Property and the collateral assignment of this Agreement and/or (iv) clarifying terms or restructuring elements of the transactions contemplated hereby; provided, however, in no event shall the City be obligated to materially modify any of Developer’s obligations or the City’s rights under this Agreement in any manner not already contemplated in this Article 6.

ARTICLE 7.
DEFAULT AND REMEDIES

Section 7.1. Application of Remedies. The provisions of this Article 7 shall govern the Parties' remedies for breach of this Agreement.

Section 7.2. No Fault of Parties.

(a) Basis for Termination. The lack of performance by either Party shall not be deemed a default where performance is prevented due to a court order or final judgment is rendered in a lawsuit and all applicable appeal periods have expired, successfully challenging the Final Environmental Impact Report, any governmental approval for the Project, the Development Agreement, this Agreement, or the Developer's or City's authority to perform their respective obligations hereunder. The preceding events constitute a basis for any Party to terminate this Agreement upon thirty (30) days notice to the other Party.

(b) No Liability. Upon the effective date of the notice of termination, no Party shall have any rights against or liability to the other, except further that the provisions of this Agreement that are specified to survive such termination shall remain in full force and effect.

Section 7.3. Fault of City.

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

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

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

Section 7.4. Fault of Developer.

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

(1) The Developer fails to record the Hotel Operating Covenant in the manner set forth in Section 3.8.

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

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

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

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

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

Section 7.5. Rights and Remedies Cumulative. Except as otherwise provided, the rights and remedies of the Parties are cumulative, and the exercise or failure to exercise any right

or remedy shall not preclude the exercise, at the same time or different times, of any right or remedy for the same default or any other default.

Section 7.6. Termination of TOT Subvention. Upon termination of this Agreement under this Article 7 due to a Developer Event of Default, the Developer's right to receive the TOT Subvention pursuant to the Funding Agreement shall terminate and be of no further force and effect.

ARTICLE 8. GENERAL PROVISIONS

Section 8.1. Representations and Warranties.

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

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

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

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

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

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

Until the expiration or earlier termination of this Agreement, Developer shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 8.1 not to be true, promptly give written notice of such fact or

condition to the City. The representations and warranties contained in this Section 8.1 shall be true for any transferee assuming the obligations of this Agreement as of the date of the Transfer.

(b) The City: The City represents and warrants to the Developer as of the Effective Date, as follows:

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

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

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

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

City:

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

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

With copies to:

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

Attn: Chief Legislative Analyst

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

Developer: Hanjin International Corporation, a California corporation
c/o Korean Air
1370 Gonghang-dong
Gongseo-gu
Seoul, Korea 157-712
Attention: Jung Woo Park
Telephone: 82 (02) 2656-5438
Fax: 82 (02) 2656-7992
Email: jwoopark@koreanair.com

With copies to: Thomas Properties Group, L.P.
515 South Flower Street, Sixth Floor
Los Angeles, CA 90071
Attention: Thomas S. Ricci, Executive Vice President
Telephone: (213) 613-1900
Fax: (213) 633-4760
Email: tricci@tpgre.com

Paul Hastings, Janofsky & Walker
515 South Flower Street, 25th Floor
Los Angeles, CA 90071
Attention: Mitchell B. Menzer
Telephone: (213) 683-6111
Fax: (213) 996-3111
Email: mitchmenzer@paulhastings.com

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

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

Section 8.4. Enforced Delay. In addition to specific provisions of this Agreement, performance by either Party shall not be deemed to be in default where delays or defaults are due

to war; insurrection; terrorist acts; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; epidemics; quarantine restrictions; moratoria, or other governmental restrictions; freight embargoes; the filing of a lawsuit challenging the Final Environmental Impact Report, any governmental approval, the TOT Subvention, this Agreement, the Funding Agreement, the establishment of the Community Taxing District, the Development Agreement, or the Developer's or the City's authority to perform their respective obligations hereunder (which shall be deemed to be a delay of the Parties); or court order; an act or omission of the other Party; or any other similar causes (other than lack of funds of the Developer or the Developer's inability to finance the Project) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within thirty (30) days from the commencement of the cause. In no event shall the cumulative delays exceed twenty-four (24) months, unless otherwise agreed to by the Parties in writing.

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

Section 8.6. Estoppel Certificates. Any party to this Agreement shall, promptly upon the request of any other party, execute, acknowledge and deliver to or for the benefit of any other party, a certificate certifying: (i) that this Agreement is unmodified and in full force and effect (or, if there have been modifications, that this Agreement is in full force and effect, as modified, and stating the modifications), (ii) whether there are then existing any defaults on the part of the party requesting the certificate known to the party delivering the certificate in the performance or observance of any agreement, covenant or condition hereof to be performed or observed and whether any notice has been given of any default which has not been cured (and, if so, specifying the same), and (iii) such other matters as may be reasonably requested.

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

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

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

Section 8.10. Severability. If any term, provision, covenant or condition of this Agreement is held in a final disposition by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect unless the rights

and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

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

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

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

Section 8.13. Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Project. There are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein (or any such representations, understandings or ancillary covenants, undertakings or agreements are integrated in this Agreement).

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

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

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

Section 8.17. Recordation of Memorandum of Agreement. The Developer and the City consent to the recordation of a Memorandum of this Agreement against the Hotel in the Office of the Los Angeles County Recorder, in the form of Exhibit B attached hereto and incorporated herein by this reference. The Memorandum of Agreement shall be modified at such time as the final tract map is recorded to reflect that this Agreement is recorded only against the hotel.

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

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

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

Section 8.21. Further Assurances. Each Party hereto shall execute and deliver such further documents, papers and instruments and take such further action as is necessary, appropriate or helpful as the other Party may reasonably request in order to carry out the purposes, effect and intent of this Agreement.

Section 8.22. Time of the Essence. Time is of the essence for each provision of this Agreement of which time is an element.

[Signatures on following page]

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

Dated: _____

APPROVED AS TO FORM:

CARMEN A. TRUTANICH,
CITY ATTORNEY

By: _____
_____, Asst. City Attorney

Date: _____

CITY:

CITY OF LOS ANGELES, a municipal corporation

By: _____

Its: _____

ATTEST:

CITY CLERK

By: _____

Date:

DEVELOPER:

Hanjin International Corporation, a California corporation

By: _____

S. Christopher Park
Vice President and General Manager

Exhibit A

Legal Description of the Property

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

Parcels A and B of Parcel Map L.A. No. 5728, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 204, Pages 14 and 15 of Parcel Maps, in the Office of the County Recorder of said County, and Francisco Street, Bounded on the north by the southerly line of Wilshire Boulevard and bounded on the south by the northerly line of 7th Street, as shown on said Parcel Map.

Legal Description of the Hotel Parcels

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

For purposes of this Agreement, the Hotel is expected to include the following airspace lots as shown in Vesting Tentative Tract No. 71141:

Lot 3 – Hotel

Lot 10 – Hotel Amenities

Lot 13 – Hotel

Lot 14 – Hotel Condominium

The particular boundaries of the Hotel and the airspace lots of which it is comprised will be adjusted to conform to the final design and construction of the Hotel as will be reflected in the recordation of the airspace lots in the Final Tract Map.

Exhibit B
Form of Memorandum of Agreement

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

The City of Los Angeles
200 North Main Street
Los Angeles, CA 90013
Attn: _____

No fee for recording pursuant to
Government Code Section 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT (the "Memorandum") is made as of _____, 2011, by and between, the City of Los Angeles, a charter city and municipal corporation (the "City") and Hanjin International Corporation, a California corporation (the "Developer") to confirm that the City and the Developer have entered into that certain Subvention Agreement dated as of _____, 2011 (the "Agreement"). The Subvention Agreement imposes certain conditions, requirements, covenants, and restrictions with respect to a proposed project to be constructed on the real property described in Exhibit A attached hereto and incorporated herein (the "Property"). This Memorandum shall be amended and re-recorded at such time as a final tract map is recorded so that this Memorandum and the Subvention Agreement will affect only the legal parcel for the hotel. The Subvention Agreement is a public document and may be reviewed at the office of the Los Angeles City Clerk.

This Memorandum shall incorporate herein all of the terms and provisions of the Subvention Agreement as though fully set forth herein. This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Subvention Agreement, of which this is a memorandum.

This Memorandum may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

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Form of Contract Provisions for Major Contracts

Construction Sales and Use Tax Insert for
Major Contractors and Subcontractors

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

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

(B) A copy of the subcontract

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

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

Exhibit C-2
Contract Provisions for Other Contracts

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

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

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

Exhibit D
Hotel Financing Reconciliation Methodology

(See Attached)

IRR ON EQUITY CALCULATION – WITH CALCULATION OF TARGET RETURN @ 18 PERCENT AT 70 PERCENT LOAN TO COST

year	NOI	debt service	to equity	Total Project Cost	remaining principle
2011/12				\$365,342,752	
2012/13					
2013/14					
2014/15					\$255,739,926
2015/16	\$24,174,000	(\$20,609,161)	\$3,564,839	Loan \$255,739,926	\$253,032,560
2016/17	\$27,175,000	(\$20,609,161)	\$6,565,839	term 10 year, amort over 30	\$250,135,679
2017/18	\$28,908,000	(\$20,609,161)	\$8,298,839	rate 7.00%	\$247,036,015
2018/19	\$29,693,000	(\$20,609,161)	\$9,083,839	term 30 yr	\$243,719,375
2019/20	\$30,622,000	(\$20,609,161)	\$10,012,839	Loan to Cost 70%	\$240,170,571
2020/21	\$31,701,000	(\$20,609,161)	\$11,091,839	Equity \$109,602,826	\$236,373,350
2021/22	\$32,585,000	(\$20,609,161)	\$11,975,839		\$232,310,323
2022/23	\$33,618,000	(\$20,609,161)	\$13,008,839		\$227,962,885
2023/24	\$34,625,000	(\$20,609,161)	\$14,015,839		\$223,311,126
2024/25	\$35,778,000	(\$20,609,161)	\$15,168,839		\$218,333,744
Reversion	\$343,368,829	(\$218,333,744)	\$125,035,085		
Funding Gap	\$97,500,000				
	Cash Flow				
2011/12	(\$25,023,736)				
2012/13	(\$23,096,878)				
2013/14	(\$61,482,212)				
2014/15	\$0				
2015/16*	\$101,064,839		Funding Gap plus 2015/16 to equity		
2016/17	\$6,565,839				
2017/18	\$8,298,839				
2018/19	\$9,083,839				
2019/20	\$10,012,839				
2020/21	\$11,091,839				
2021/22	\$11,975,839				
2022/23	\$13,008,839				
2023/24	\$14,015,839				
2024/25	\$140,203,924				
Equity IRR	18.0%				

Exhibit E
Additional Public Benefits

The Project will provide public benefits to the City, including without limitation (i) increased sales tax, property tax, utilities tax, parking tax and other tax revenues; (ii) new housing in close proximity to mass transit and employment opportunities; (iii) major improvements to the functionality of Francisco Street; (iv) a new four-star convention center hotel that will support the City's investment in the Convention Center; (v) the creation of approximately 7,300 new construction jobs and 6,200 new permanent jobs; and (vi) satisfy LEED Silver sustainability requirements for the Hotel and office buildings.

In addition, the Developer will provide the following benefits as set forth in the Development Agreement:

(a) contribute to an off-site affordable housing project or to the City's Affordable Housing Trust Fund in the amount of \$75,000 per residential unit for 15% of the total residential units constructed in the Project, but such contribution shall be not less than \$562,500;

(b) contribute \$9,175,000 for streetscape and pedestrian improvements along 7th Street and the Wilshire and 7th Street Harbor Freeway overcrossings;

(c) contribute an initial \$65,000 to implement a Transportation Demand Management program;

(d) contribute \$925,000 to the LADOT ExpressPark program including new parking meter technology;

(e) provide an on-site Integrated Mobility Hub by contributing \$500,000 to LADOT and dedicating space for bicycles and shared vehicles;

(f) contribute \$650,000 to LADOT to purchase a new DASH bus;

(g) provide a new "knockout" access panel in the Project parking garage for a future subterranean connection to the Metro station or, if such panel is not feasible, contribute up to \$1,000,000 for additional transportation improvements;

(h) contribute up to \$500,000 to LADOT to fund Next Train/Next Bus technology;

(i) enter into a Project Labor Agreement with the Building and Construction Trades Council pursuant to which Developer will cause its general contractor and subcontractors to employ union labor in certain trades;

(j) pay construction workers no less than prevailing wages;

(k) implement a Local Hiring/First Source/Minority Business Recruitment program;

- (l) contribute \$150,000 to a hospitality training program to prepare students for a career in the hospitality industry;
- (m) comply with the City's Living Wage Ordinance;
- (n) provide meeting space in the Hotel to community non-profit groups;
- (o) provide an approximately one-quarter acre outdoor plaza for both passive relaxation and scheduled activities;
- (p) include public art and programming in the Project's outdoor plaza;
- (q) use reasonable efforts to construct a publicly accessible area on the rooftop of the Hotel building;
- (r) provide the Project signs for displaying public service announcements and messages;
- (s) contribute \$400,000 to the City to fund required environmental studies and analysis for an expanded Sign District near the Project; and
- (t) Developer will enter into a project labor agreement with the Building and Construction Trades Council pursuant to which Developer will agree that its general contractor and subcontractors will employ union labor in certain trades during the construction of the Hotel.

Exhibit F
Form of Room Block Agreement

ROOM BLOCK AGREEMENT

This Room Block Agreement (this "Agreement") is made as of _____ by and among the City of Los Angeles ("City"), the Los Angeles Convention and Visitors Bureau ("LACVB"), Hanjin International Corporation ("HIC"), as successor in interest to Hotel and Residences at Wilshire Grand, LLC, with respect to the Property described below ("Owner"), and together with Four Star Operator ("Operator"). The City, LACVB, Owner, and Operator are collectively referred to herein as the "Parties".

RECITALS

A. Owner is constructing an approximately 650 room hotel on a one block site located at Wilshire Boulevard, Figueroa Street, Seventh and Francisco Streets, in downtown Los Angeles, California (the "Hotel"). Pursuant to a Management Agreement to be executed upon selection of the Hotel Operator (the "Management Agreement"), between Owner and Operator, the Hotel will be managed by Operator _____.

B. Owner is party to a Transient Occupancy Tax ("TOT") Subvention Agreement, dated _____ (the "Subvention Agreement"), with the City of Los Angeles, pursuant to which the City has agreed to provide financial assistance to Owner in connection with the construction of the Hotel.

C. Concurrently with the execution of the Subvention Agreement, and as partial consideration for the benefits conferred upon Owner therein, the Parties are entering into this Agreement, to preserve the availability of certain rooms at the Hotel, in order to promote the use of the Hotel and the Los Angeles Convention Center ("LACC") by groups for meetings, tradeshow, conferences and conventions.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Term. The term of this Agreement ("Term") shall coincide with the term of the Hotel Operating Covenant, as defined in the Subvention Agreement.
2. Room Block. At all times during the Term of this Agreement, Operator shall reserve for the LACVB's use on any given day, up to 475 rooms ("Held Rooms") at the Hotel for the number of days per year then available in accordance with Section 3 of this Agreement ("Room Block Days"). Operator may request a release of a portion of the Held Rooms and Room Block Days requirements, which request shall be subject to LACVB's reasonable approval.

3. Booking Period. The Room Block Days during which Operator must retain the Held Rooms for LACVB's use will vary depending upon the time frame between the date the request is submitted and the date of the event. The total allotment of rooms as outlined in the Room Block Days may be consecutive or non-consecutive at the sole discretion of the Operator. The Room Block Days available will be as follows:

<u>Number of Months Prior to Event</u>	<u>Room Block Days</u>
Less than 24 Months	0 Days
24 to 36 Months	Up to 60 days
37 to 48 Months	Up to 90 days
49 to 60 Months	Up to 140 days
60 Months or Greater	Up to 183 days

4. Room Block Request. The LACVB must submit all requests for Room Block Days for a specific group ("Room Block Request") in writing. Where documented concerns with a particular group are or have been brought to the attention of the LACVB, Operator may request that each Room Block Request be supported by a documented history of the group's history for the same meeting for the two most recent meetings.

5. Operator's Response. Operator shall have five (5) business days from its receipt of the Room Block Request to respond to the Room Block Request in writing, in the form of a "Room Block Proposal."

6. Acceptance.

(a) If the group and the Operator fail to sign a convention contract within sixty (60) days of LACVB's receipt of the Room Block Proposal, the Room Block Proposal shall be deemed withdrawn.

(b) If another group inquires or is solicited by the Operator for similar or overlapping dates and the group is prepared to book definite, the group with the first option date will be required to make a decision to either confirm or release the dates within five (5) business days.

7. Remaining Rooms in Hotel. Operator shall have the unrestricted right to commit to up to one hundred and seventy five (175) rooms within the Hotel on any given date to the Hotel's commercial or group guests, notwithstanding any obligations hereunder. In addition, Operator shall have the right to commit to a block of any number of rooms within the Hotel, so long as the satisfaction of such commitment will not prevent Operator from fulfilling its obligations under this Agreement.

8. Renovation. In connection with its operations of the Hotel, Operator may be permitted under the Management Agreement to periodically renovate the Hotel. Operator may, provided Operator has given advance written notice to the LACVB at least one (1) year prior to the date on which said renovations shall be commenced, during the course of said renovations, decrease the number of Held Rooms pursuant to Section 3 above by up to 40%, depending on the size and scope of the renovations; provided, however, that Operator shall make reasonable efforts to complete such

renovations as quickly as practical (to the extent funding is available) and to accommodate customer requirements for events at the LACC to the extent practical during the course of said renovations.

9. Additional Rooms/Days. Notwithstanding the foregoing, the Owner and Operator will have in their sole and absolute discretion the right to provide a Room Block Proposal in excess of the Held Rooms and/or Room Block Days contemplated hereunder, but shall be under no obligation to do so to any extent or in any event.

10. Notice and Cure. Upon a material default by any party hereto (a "Breaching Party") in the performance of the terms and conditions of this Agreement, the non-breaching party (or parties) shall first notify such Breaching Party in writing of its purported breach or failure, giving such Breaching Party thirty (30) days from receipt of such notice to cure such breach or failure. If such Breaching Party does not cure the default within such thirty-day period (or if the default is not reasonably susceptible of being cured within such thirty-day period, such Breaching Party fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then the non-breaching party (or parties) shall be afforded all of its rights at law or in equity by taking any or all of the following remedies: (1) terminating this Agreement by written notice to such Breaching Party; (2) prosecuting an action for damages (excluding punitive damages and consequential damages); or (3) seeking any other remedy available at law or in equity (excluding punitive damages and consequential damages).

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

City: City of Los Angeles
Office of the City Administrative Officer
200 North Main Street, Room 1500
Los Angeles, CA 90012

With copies to: City of Los Angeles
Office of the Mayor
200 N. Spring St., Room 303
Los Angeles, CA 90012
Attn: Deputy Mayor for Economic Development

City of Los Angeles
Office of the Chief Legislative Analyst
200 N. Spring St., Room 255
Los Angeles, CA 90012

City of Los Angeles
Office of City Attorney
200 North Main Street
Los Angeles, CA 90012
Attn Asst. City Attorney

Real Estate and Economic Development

LACVB: Los Angeles Convention and Visitors Bureau
633 W. Fifth Street, Suite 6000
Los Angeles, CA 90071
Attention: Michael Collins

Owner: Hanjin International Corporation
c/o _____
Attn: _____

Operator: _____
Attention: _____

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section 10. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

12. Liability of Officials, Officers, Directors, Employees and Agents. No member, officer, director, official, employee or agent of any party shall be personally liable to any other party, or any successor in interest, in the event of any default or breach hereunder or for any amount which may become due to such other party or on any obligation under the terms of this Agreement.

13. Enforced Delay. In addition to specific provisions of this Agreement, performance by any Party shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; terrorist acts; epidemics; quarantine restrictions; moratoria, or other governmental restrictions; freight embargoes; the filing of a lawsuit challenging the Addendum to the Final Environmental Impact Report, any Governmental Approval, this Agreement, or any Party's authority to perform their respective obligations hereunder (which shall be deemed to be a delay of the Parties); or court order; an act or omission of the other Parties hereto; or any other similar causes beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within thirty (30) days from the commencement of the cause. In no event shall the cumulative delays exceed twenty-four (24) months, unless otherwise agreed to by all Parties in writing. Capitalized terms used in this Section 13 and not otherwise defined shall have the meanings ascribed to them in the Development Agreement.

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

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

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

17. Amendments. The Parties can amend this Agreement only by means of a writing signed by all the Parties.

18. Effect. This Agreement is intended to be a legally binding agreement enforceable against the Parties in accordance with the terms and conditions set forth herein.

19. Entire Agreement. This Agreement contains the entire agreement between the Parties hereto pertaining to the subject matter hereof and fully supersedes all prior written or oral agreements and understandings between the parties pertaining to such subject matter.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first written above.

OPERATOR

By: _____

Name: _____

Title: _____

HANJIN INTERNATIONAL CORPORATION

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

CITY ATTORNEY

By: _____

Name: _____

Title: _____

CITY OF LOS ANGELES

By: _____

Name: _____

Title: _____

LOS ANGELES CONVENTION AND VISITORS BUREAU

By: _____

Name: _____

Title: _____

Exhibit G
List of Pre-Approved Hotel Operators

Hilton Hotels Corporation

Hyatt Hotels Corporation

InterContinental Hotels Group

Langham Hotels International

MGM Mirage Hospitality

Pan Pacific Hotels Group

Marriott International Inc.

Starwood Hotel and Resorts Worldwide Inc.

Loews Hotels

Four Seasons Hotels and Resorts

Mandarin Oriental Hotel Group

Fairmont Hotels and Resorts

Omni Hotels and Resorts

Accor Hotels

Peninsula Hotels

Exhibit H

Schedule of Additional Maximum Special Hotel Tax Amounts

Year After the Completion Date in which Office Completion Date Occurs	Additional Maximum Hotel Special Tax Amount (\$ thousands)
1	25,186
2	23,930
3	22,673
4	20,846
5	19,019
6	17,638
7	16,257
8	14,876
9	13,687
10	12,498
11	11,309
12	10,120
13	9,278
14	8,437
15	7,595
16	6,754
17	5,912
18	5,071
19	4,229
20	3,625
21	3,021
22	2,417
23	1,812
24	1,208
25	604