

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: December 8, 2017

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Assignment No: 17-12-1118

CAMBRIA HOTEL DEVELOPMENT INCENTIVE AGREEMENT

SUMMARY

On November 1, 2017, Council approved a Memorandum of Understanding (MOU) (CF# 16-1128) to provide an incentive of \$15.7 million net present value (NPV) to support the Cambria Hotel project at 926 James M. Wood Boulevard. Attached for consideration is a Hotel Development Incentive Agreement (HDIA) that documents the terms for the incentive and associated community benefits to be provided by the Developer.

A feasibility analysis of the Project completed by the City determined that a gap existed in the Project financing of \$15.7 million. The analysis also determined that City revenues could be generated by the Project sufficient for the City to provide financial assistance in compliance with policies related to economic development support.

Based on the findings related to providing support for the Project, Council approved a Memorandum of Understanding (MOU) that provided the terms for negotiation of an HDIA. City staff and the Developer completed negotiations on the HDIA, transmitted herein for consideration. In addition, this report transmits the State-mandated Government Code Section 53083 report which provides a summary analysis of the incentives provided to support the Project and jobs anticipated to be created by the Project.

RECOMMENDATIONS

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

1. FIND, based on the independent judgment of the City Council, after consideration of the whole of the administrative record, the project was assessed in Mitigated Negative Declaration, No. ENV-2015-394-MND, adopted on July 3, 2017; and pursuant to CEQA Guidelines, Sections 15162 and 15164, no subsequent EIR, negative declaration, or addendum is required for approval of the project.
2. Authorize the Mayor to execute the Cambria Hotel Development Incentive Agreement (HDIA, Attachment A) between the City of Los Angeles and 926 James M Wood Boulevard, LLC to provide, as a conditional obligation, financial support of up to \$15.7 million net present value;

3. Approve the Government Code Section 53083 report (Attachment B) for the Cambria HDIA and instruct the Economic and Workforce Development Department to provide periodic reporting on this project as required under Section 53083 of the Government Code, with assistance of the City Administrative Officer, Chief Legislative Analyst, Office of Finance, and other departments as necessary;
4. Request the City Attorney to prepare and present an ordinance to establish a Special Fund for the purpose of receiving funds and making payments to meet the conditional and administrative obligations associated with the Cambria Hotel HDIA, to be known as the “Cambria Hotel Project Trust Fund.”

FISCAL IMPACT STATEMENT

Approval of this HDIA and the other associated documents will have a positive impact on the City's General Fund. This agreement is expected to result in the development of a 247-room hotel that would generate \$31.4 million NPV (\$96.8 million nominal) in new City tax revenues 25 years after construction. Hotel incentive assistance of \$15.7 million NPV (\$43.2 million nominal) would be provided to the Developer.

BACKGROUND

On September 30, 2016, Motion (Huizar-Price, CF #16-1128) was introduced to authorize the Chief Legislative Analyst (CLA) to evaluate the proposed Cambria Hotel project and determine whether financial assistance is warranted to support development of the project. Pacific Properties, as the development team of 926 James M Wood Boulevard LLC, has developed plans for the Cambria Hotel project, which will consist of one tower containing 247 rooms within walking distance of the LACC. The hotel will include all facilities associated with a select service hotel, including parking, meeting rooms, a ground-level gastro pub, a rooftop bar, and a pool and fitness center. The project will also include ground level retail and parking facilities.

City policy requires that an independent review be conducted to evaluate the project construction and finance plan, as well as potential City revenues that result from project completion. The CLA selected Keyser Marston Associates (KMA) to prepare the required review. KMA received documentation from the Developer concerning their finance plan and construction costs to determine the development feasibility of the project. They also estimated the amount of new revenues that would accrue to the City as a result of project completion. The final report by KMA, considered by Council in its November 1, 2017 action and located on CF# 16-1128, determined that the project has a finance gap of \$18.3 million. The review also determined that the project will generate \$31.4 million NPV in net new revenues to the City. Consistent with City policy, as discussed in the findings below, the Developer would be eligible to receive up to \$15.7 million NPV in financial assistance, which is no more than 50% of net new City revenue generated by the project. The City would receive up to \$15.7 million NPV in new general fund revenues.

On November 1, 2017, Council approved instructions directing the CLA to negotiate final definitive documents to provide an incentive of \$15.7 million related to construction of the

Project.

Hotel Development Incentive Agreement

Attachment A provides the final HDIA developed following substantial negotiations between the City and the Developer. The HDIA conforms to the approved MOU in all terms, which was approved by Council on November 1, 2017. The following provides a summary of key terms in the HDIA:

- A term of 25 years for all Project requirements, including a covenant to ensure that the site is operated as a hotel and that the community benefits would be provided for the full term.
- The City would form a special fund to receive and distribute funds associated with the incentive of \$15.7 million NPV.
- The Developer would provide community benefits, as described in Exhibit C of the HDIA.
- The Developer would comply with Americans with Disabilities Act requirements and obtain the services of a Certified Access Specialist (CASP) during design and construction of the Project, with associated reviews and reports to ensure compliance.
- Payments would be made on an annual basis.
- A cost reconciliation would be conducted on completion of the hotel, with the incentive payment reduced on a dollar-for-dollar basis if the actual cost of construction is lower than projected in the KMA analysis.
- No incentive payment will be made until the Project is operating and generating new revenues to the City.
- Failure to comply with the conditions and requirements of the HDIA are grounds for terminating the HDIA and ceasing incentive payments.

Government Code Section 53083

A law passed by the State legislature in 2013 amended Government Code Section 53083 to require that local jurisdictions report the amount of financial assistance provided in an economic development project and the number of jobs that project will generate. The jurisdiction is also required to report annually on the status of that assistance during the term of the agreement.

The Government Code Section 53083 report for this Project is provided as Attachment B. The report provides a summary of the HDIA, summarizes the economic impact of the project, and describes the economic opportunities and public purpose of the project. It also reports that the project is estimated to create 630 temporary construction jobs. After opening, the project is

estimated to create 140 full-time and part-time jobs.

The Economic and Workforce Development Department (EWDD) currently provides periodic Section 53083 reports on other economic development projects in the City. To achieve efficiency and consistency in such reporting, the EWDD should be authorized to receive the necessary information from the Developer and submit the required annual reports for public review, with assistance from the City Administrative Officer (CAO), CLA, Department of Finance, and other departments as needed.

HDIA Administration

The CAO will be responsible for the administration of the HDIA incentive payments and related calculations. The process of determining and making payments on an annual basis wherein the amount is based on actual receipts, and not on a set amount, requires monitoring to ensure timely payments required by the HDIA.

The CAO regularly engages corporate banks for trustee and paying agent services for various bond programs and finds this method to be the most efficient and cost-effective method to handle these transactions. The City has engaged US Bank as trustee for Community Taxing District No. 1 (Convention Center Hotel Project), which has facilitated the administration of this project. The CAO anticipates that they will use a trustee to facilitate administration of Project funding.

The EWDD would provide oversight of all other elements of the HDIA.

| | |
|--------------|---------------------------------------|
| Attachment A | Hotel Development Incentive Agreement |
| Attachment B | Government Code Section 53083 Report |

Attachment A

Hotel Development Incentive Agreement

HOTEL DEVELOPMENT INCENTIVE AGREEMENT

**CAMBRIA HOTEL PROJECT
926 James M. Wood Boulevard**

By and between

**The City of Los Angeles,
("City")**

and

**926 James M Wood Boulevard, LLC
("Developer")**

HOTEL DEVELOPMENT INCENTIVE AGREEMENT

This Hotel Development Incentive Agreement (“Agreement”), dated, for identification purposes only, as of December __, 2017, is entered into by and between 926 James M Wood Boulevard, LLC, a California limited liability company (“Developer”), and the City of Los Angeles (“City”). City and Developer are sometimes individually referred to in this Agreement as “Party” and collectively referred to as “Parties.”

RECITALS

A. Developer desires to develop a new hotel consisting of approximately two hundred forty seven (247) rooms (the “Hotel Project”, as further defined herein) with a Three Diamond Rating. The Hotel Project is to be located on a site which is currently improved with a surface parking lot located at 926 James M. Wood Boulevard, Los Angeles, CA 90015 which is legally described in **Exhibit B** and depicted on the Site Map attached as **Exhibit A** (the “Hotel Site”).

B. The Hotel Site is within walking distance of the Los Angeles Convention Center (the “LACC”).

C. The City intends to expand and/or modernize the LACC in order to accommodate additional, large scale conventions, which expansion will necessitate the development of more hotel rooms to serve the LACC and promote economic development within the City.

D. The City has retained an independent and experienced financial analyst (“Financial Analyst”) to conduct a financial evaluation of the Hotel Project. The Financial Analyst has determined that the Hotel Project will generate approximately Two Million Five Hundred Thousand Dollars (\$2,500,00,000) in additional public revenue in its first year of operation and approximately Thirty One Million Four Hundred Thousand Dollars (\$31,400,000) net present value over the term of this Agreement. The Financial Analyst also has projected that the Hotel Project will create 140 full time and part time jobs (125 full-time equivalent jobs) and approximately 630 temporary jobs.

E. The Financial Analyst has further determined that the Hotel Project has a projected financial gap in the amount of Eighteen Million Three Hundred Thousand Dollars (\$18,300,000) and is therefore not economically feasible without additional City financial assistance.

F. The City desires to contribute Fifteen Million Seven Hundred Thousand Dollars (\$15,700,000), net present value, which amount represents fifty percent (50%) of the projected net new public tax revenues attributable to the completed Hotel Project.

G. The City Council has found that providing the City Financial Assistance (as defined below) to fund a portion of the Hotel Project is consistent with City policy, is in the vital and best interests of the people of the City of Los Angeles, and serves one or more public purposes by promoting economic development and alleviating physical and economic blight within the City by creating well-paying construction and permanent jobs through the development of the Hotel

Project on an underutilized parcel thereby expanding the number of high quality hotel rooms available to visitors to the City as well as increasing tourism and conventions within the City by providing additional hotel rooms to accommodate large conventions, which the LACC cannot currently host, especially in light of the anticipated expansion of the LACC.

H. Each Party hereby acknowledges that it will obtain valuable benefits from this Agreement. The Parties further acknowledge that in entering into this Agreement, each Party is relying on the performance of the other Party.

ARTICLE 1

PURPOSE OF AGREEMENT AND DEFINITIONS

Section 1.1 Purpose of Agreement.

This Agreement is entered solely for the public purposes and benefits derived from the construction of a high quality hotel serving the LACC and the economic stimulus such a hotel will provide to the City. This Agreement is not intended for land speculation or to provide an undue benefit to the Developer. As such, the continuing provision of the City Financial Assistance is subject to the Developer's continued substantial compliance with the terms of this Agreement, as well as all applicable laws for the entire term of this Agreement.

Section 1.2 Definitions.

Capitalized terms not otherwise defined in this Agreement shall have the following meanings:

"Adjusted Hotel Project Construction Cost" shall mean the Hotel Project Construction Cost, as adjusted pursuant to Article 2 of this Agreement.

"Affiliate" shall mean any person directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Developer, which, in the case of a partnership, shall include each of the constituent general partners thereof and, in the case of a limited liability company, shall include each of the constituent members thereof. The term "control", as used in the immediately preceding sentence, means, with respect to a corporation, the right to exercise, directly or indirectly, fifty percent (50%) or more of the voting rights attributable to the shares of the controlled corporation and, with respect to a person that is not a corporation, the possession directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person.

"Agreement" shall mean this Hotel Development Incentive Agreement.

"Annual Hotel Incentive Payment" shall mean an annual payment to the Developer in an amount equal to the City Deposit.

"Certified Access Specialist" or "CASp" shall mean any person who has been certified pursuant to Section 4459.5 of the California Government Code as a CASp.

“CASp Report” shall mean all reports, including preliminary or interim reports, prepared by the CASp in accordance with the requirements of California Civil Code Section 55.53.

“City” shall mean the City of Los Angeles, California, a municipal corporation, operating through its governing body, the City Council, and its various departments.

“City Conditions” shall mean all requirements set forth in this Agreement, the Room Block Agreement and the Hotel Operating Covenant, or otherwise required by the City for the development and use of the entire Hotel Site.

“City Council” shall mean the Los Angeles City Council.

“City Deposit” shall mean a deposit by the City into the Special Fund from its general revenues on a not less than yearly basis in an amount calculated in accordance with Article 2 of this Agreement, the amounts of which, as of the Effective Date, are projected in the Schedule of Projected Hotel Incentive Payments.

“City Financial Assistance” shall mean those Hotel Incentive Payments to be made by the City to the Developer to fund the Hotel Project over the Term of this Agreement.

“City Financial Assistance Term” shall mean the earlier of (a) twenty five (25) years, commencing on the issuance by the City of a temporary certificate of occupancy or certificate of occupancy (if no temporary certificate of occupancy is issued) for the Hotel Project or (b) a termination by the City of this Agreement pursuant to Section 6.4(b) below.

“City Representatives” shall mean and include all of the respective predecessors, successors, assigns, agents, officials, employees, independent contractors, affiliates, principals, officers, directors, attorneys, accountants, representatives, staff and board members of City, and of each of them.

“Community Benefits Program” shall mean those community benefits described in **Exhibit C**, which Developer shall provide during the City Financial Assistance Term.

“Contract Provisions for Contracts” shall mean those contract provisions attached to the Agreement as **Exhibit D-1** and **Exhibit D-2**, which the developer shall insert into every contract with each contractor, subcontractor or good and/or service provider into which the Developer enters into a contract for the development of any portion of the Hotel Project.

“Control” shall mean 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, which power may be subject to approval of customary major decisions by one or more other parties.

“Developer” shall mean 926 James M Wood Boulevard, LLC, a California limited liability company, and Developer’s permitted successors and assigns.

“Developer Event of Default” shall mean any default by the Developer as set forth in the Agreement, subject to any applicable notice and cure rights set forth herein.

“Development Costs” shall mean any actual costs incurred by Developer in connection with the acquisition of the Hotel Site and the entitlement, design, financing, and construction of the Hotel Project, as set forth in the Hotel Project Budget.

“Effective Date” shall mean the date upon which the City Clerk date stamps this Agreement subsequent to execution by the Developer, the City, and the City Council approval.

“Governmental Approvals” shall mean all governmental approvals necessary to develop the Hotel Project, including, without limitation, all building permits and environmental clearances.

“Government Code Disclosure Requirements” shall mean those public hearing and disclosure requirements applicable to economic development subsidy payments as set forth in California Government Code Section 53083, as may be amended from time to time and which are applicable to the City Financial Assistance.

“Hotel Brands” shall mean Cambria Hotels & Suites or its permitted successor.

“Hotel Operator” shall mean Choice Hotels, and its affiliates, or approved assignee.

“Hotel Operating Covenant” shall mean a hotel operating covenant substantially in the form attached hereto as **Exhibit F**, which shall be recorded against the Hotel Site.

“Hotel Project” shall mean the development and construction of a three-star rated hotel containing approximately 247 rooms in one tower to be developed on the Hotel Site which will include certain facilities associated with a select service hotel, including meeting rooms, a ground-level gastro pub, a rooftop bar, a swimming pool, a fitness center along with ground level retail and associated parking, as further set forth in the design documents. The Hotel is to be constructed, operated, and maintained as a Three Diamond rated hotel for the City Financial Assistance Term.

“Hotel Site” is defined in the Recital A.

“Improvements” shall mean a hotel containing approximately 247 guest rooms and suites and 129,470 square feet of gross building area together with all related improvements and amenities, to be constructed by Owner on the Property in accordance with the Agreement.

“Losses and Liabilities” shall mean and include all claims, writs, demands, causes of action, liabilities, losses, damages, judgments, injuries, expenses (including, without limitation, reasonable attorneys’ fees and actual costs incurred by the indemnified party with respect to legal counsel) charges, penalties, or costs of whatsoever character, nature and kind, whether to property or to person and whether by direct or derivative action, known or unknown, suspected or unsuspected, latent or patent, existing or contingent.

“Maximum Hotel Incentive Amount” shall mean an amount not to exceed the net present value of Fifteen Million Seven Hundred Thousand Dollars (\$15,700,000) discounted at the rate of ten percent (10%).

“Net New Tax Revenues” shall mean net new Transient Occupancy Taxes, City business tax, utility users tax, parking occupancy taxes, and the City’s share of property and sales tax revenues actually paid to, and received by, the City subsequent to the Effective Date that are directly attributable to the development and operation of the Hotel Project.

“Ownership and/or Control” shall mean, without limitation, a majority of voting rights and beneficial ownership with respect to all classes of stock, interests in partnerships, and/or beneficial interests under a trust, as may be applicable to the type of entity in question. In the case of a trust, such term shall also include the rights of the trustee as well as the beneficiary.

“Parties” shall mean the City and the Developer, collectively, and **“Party”** shall mean either the City or the Developer.

“Person” means an individual, corporation, partnership, limited liability company, joint venture, association, firm, joint stock company, trust, unincorporated association, or other entity.

“Preapproved Brands” shall mean the list of hotel brands attached as **Exhibit G** for which no further City approval is required.

“Room Block Agreement” shall mean a room block agreement substantially in the form attached hereto as **Exhibit I**, setting forth the amount of guaranteed hotel rooms available for use by the LACC and for the 2028 Olympic and Paralympic Games, as well as the process for the reservation of such rooms.

“Schedule of Performance” shall mean the Schedule of Performance attached hereto as **Exhibit J**, which is incorporated herein by this reference. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between the Developer and the General Manager of the City’s Economic and Workforce Development Department.

“Schedule of Projected Hotel Incentive Payments” shall mean the schedule of projected payments attached to this Agreement as **Exhibit K**, setting out the amounts of projected payments from City to the Developer during the City Financial Assistance Term. The Schedule of Projected Hotel Incentive Payments is a projection provided for informational purposes and actual payments will be subject to calculation and reconciliation in accordance with the procedure set forth in Section 2.2 below.

“Scope of Development” shall mean the design and scope of the development for the Hotel Project, attached hereto as **Exhibit L**.

“Special Fund” shall mean a special fund to be established by the City into which the City will make the City Deposit and from which the City will make the City Financial Assistance Payments to Developer for the duration of the City Financial Assistance Term.

“Standard Contract Provisions” shall mean the Standard Terms for City Contracts attached hereto as **Exhibit M**, the requirements of which are incorporated herein.

“Tax Confidentiality Waiver” shall mean a limited confidentiality waiver to be executed by each business located at the Hotel Site authorizing the City to review and report tax data for purposes of determining the Hotel Incentive Payments as well as complying with the Government Code Disclosure Requirements, the form of which is attached hereto as **Exhibit N**.

“Three Diamond Rating” shall mean a rating establishing that the Hotel meets the overall standards of three diamond lodging establishment, as defined by the AAA Tour Book Guide for Southern California, or at an equivalent level used by an alternative nationally recognized hotel rating service.

“Total Hotel Project Costs” shall mean all costs incurred by the Developer in connection with the planning, design, development, entitlement, and construction of the Hotel Project, including, without limitation, land costs, hard costs, and soft costs, direct and indirect costs, construction financing costs (including, without limitation, fees, costs, and interest), and equity procurement costs (including without limitation fees and costs), which Total Hotel Project Costs have been projected to be Ninety-Seven Million Seven Hundred Thousand (\$97,700,000).

“Transient Occupancy Tax” or **“TOT”** shall mean shall mean the transient occupancy taxes imposed pursuant to Article 1.7 of Chapter 2 of the Los Angeles Municipal Code.

“Total Development Costs” shall mean the total cost to Developer of designing, entitling, financing, and constructing the Hotel Project thereon, as set forth in the Hotel Project Budget, including the Total Hotel Project Costs.

“Transfer” shall mean and include any voluntary or involuntary transfer, sale, assignment, lease, sublease, license, franchise, concession, operating agreement, gift, hypothecation, mortgage, pledge, or encumbrance, or the like, of all or any portion of the Hotel Site, any rights or obligations of the Developer under this Agreement, or any interest in the Developer, to any person or entity (“Transferee”).

Section 1.3 Parties to the Agreement.

City is a Charter City and municipal corporation. The address of City for purposes of receiving notices is:

City of Los Angeles
Office of the City Administrative Officer
City Hall East
200 North Main Street, Suite 1500
Los Angeles, CA 90012
Attention: City Administrative Officer

City of Los Angeles
Economic and Workforce Development Department
1200 West Seventh Street, 6th Floor
Los Angeles, CA 90017
Attention: General Manager

With a copy to:

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

With a copy to:

Office of the Los Angeles City Attorney
City Hall East
200 North Los Angeles Street, Suite 800
Los Angeles, CA 90012
Attention: General Counsel/Economic Development

The term "City" includes any assignee or successor to City's rights, powers and responsibilities under this Agreement.

Section 1.4 Developer.

The address of Developer for purposes of receiving notice pursuant to this Agreement is:

Pacific Property Partners
825 S. Barrington Avenue
Los Angeles, CA 90049
Attention: Chris Atkinson
Email: chris@pppre.com

With a copy to:

Choice Hotels Int.
1 Choice Hotels Cir.
Suite 400
Rockville, MD 20850
Attention: Casey Gemunder
Email: Casey.Gemunder@choic-hotels.com

With a copy to:

Holland & Knight LLP
400 S. Hope Street, 8th Floor
Los Angeles, CA 90071
Attention: Douglas A. Praw
Email: doug.praw@hklaw.com

The term “Developer” as used herein includes any authorized and approved Transferee of Developer as permitted in accordance with Article 7 of this Agreement. All of the terms, covenants, and conditions of this Agreement shall be binding on such Transferees, successors, and assigns of Developer.

Section 1.5 No Joint Venture.

The City and Developer are not and shall not be deemed to be partners, co-venturers, joint ventures, or in any other way related to one another, nor shall either party have any fiduciary, confidential, or agency relationship with the other.

Section 1.6 Exhibits.

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| Exhibit A. | Proposed Hotel Site Map |
| Exhibit B. | Legal Description |
| Exhibit C. | Community Benefits Program |
| Exhibit D. | Contract Provisions |
| Exhibit D-1 | Contract Provisions for Major Contracts |
| Exhibit D-2 | Contract Provisions for Other Contracts |
| Exhibit E. | Intentionally Omitted |
| Exhibit F. | Form of Hotel Operating Covenant |
| Exhibit G. | Preapproved Brands |
| Exhibit H. | Intentionally Omitted |
| Exhibit I. | Form of Room Block Agreement |
| Exhibit J. | Schedule of Performance |
| Exhibit K. | Schedule of Projected Hotel Incentive Payments |
| Exhibit L. | Scope of Development |
| Exhibit M. | Standard Terms for City Contracts |
| Exhibit N. | Form of Tax Confidentiality Waiver |

ARTICLE 2
CITY FINANCIAL ASSISTANCE

Section 2.1 City Financial Assistance.

(a) Subject to the terms and conditions of this Agreement, specifically, Section 2.2 below, the City shall establish the Special Fund and, on a not less than yearly basis, shall make the City Deposit from the City's general fund into the Special Fund. The amount of the City Deposit allocated to the Special Fund each year will be based upon the Schedule of Projected Hotel Incentive Payments, attached hereto as **Exhibit K**. The City shall, by wire transfer, pay Developer the Annual Hotel Incentive Payment in the amount of the City Deposit. If the amount of the City Deposit for any fiscal year exceeds the amount of the Hotel Incentive paid by the City to the Developer during such fiscal year, the excess amount shall remain in the Special Fund and will be carried over and used to make payments of the Hotel Incentive Payment in the next fiscal year. The City shall make additional City Deposits if needed to ensure full payment of the Hotel Incentive Payments pursuant to Section 2.2.

(b) The Developer acknowledges that the City will utilize Transient Occupancy Tax revenues from the Hotel solely to measure the amount of the City's Deposits and that no provision of this Agreement is intended to or shall be deemed to be, a designation of any Transient Occupancy Tax revenues for any purpose other than the deposit of such tax revenue into the City's general fund.

(c) The Developer acknowledges that the Special Fund may only be funded through the annual City budgetary process and other periodic budgetary actions, which could result in delays in funding the Special Fund and/or the payment of the Hotel Incentive Payments to the

Developer. All other actions of the City must be performed in a timely fashion, as time is of the essence with respect to the City's obligations.

(d) The City's obligation to make any additional City Deposit with respect to the Hotel Incentive expires at the earlier of the payment of the Maximum Hotel Incentive Amount or the expiration of the City Financial Assistance Term at which time the Hotel Incentive shall be deemed fully paid.

Section 2.2 Hotel Incentive Payments.

(a) Subject to the terms and conditions of this Agreement, commencing on the Completion Date and for the duration of the City Financial Assistance Term, the City shall disburse to the Developer the Annual Hotel Incentive Payments from the Special Fund on an annual basis by September 30 until the earlier of such time as the Maximum Hotel Incentive Amount has been paid to the Developer, or (b) the City Financial Assistance Term has expired or has been otherwise terminated. The payments to the Developer shall be made prior to any adjustment pursuant to Section 2.3 below.

(b) The City shall disburse to the Developer an amount equal to one hundred percent (100%) of the Transient Occupancy Tax from the Hotel as received by the City in the applicable payment period. The City reserves the right to retain the services of a trustee (which may be a trust department of a national bank with a branch in the City of Los Angeles) to make the disbursements from the Special Fund. If the City retains a trustee to make the disbursements, all references in this Agreement to the City making the payment or disbursement of the Hotel Incentive shall include the trustee making the payment or disbursement.

(c) The maximum amount of City Deposits and the cumulative Annual Hotel Incentive Payments paid to the Developer during the City Financial Assistance Term shall not exceed the Maximum Hotel Incentive Amount.

Section 2.3 Construction Cost Reconciliation and Maximum Hotel Incentive Amount Adjustment.

(a) Developer shall commence and diligently pursue construction on the Hotel in accordance with the Schedule of Performance and the Scope of Development. No later than one hundred eighty (180) days after the Completion Date, the Developer and City Administrative Officer will commence to establish the final Maximum Hotel Incentive Amount, which will be established by conducting a final review and audit of the Total Hotel Development Costs ("Hotel Project Construction Cost Reconciliation").

(b) The City Administrative Officer will employ the Financial Analyst to perform the Hotel Project Construction Cost Reconciliation. The Developer shall be responsible for the costs and payment of the Financial Analyst's services, but the City shall be the Financial Analyst's client for purposes of the Financial Analyst's services. At such time as the Hotel Project Construction Cost Reconciliation occurs, the final Maximum Hotel Incentive Amount shall be established based on the Adjusted Hotel Project Construction Cost. As part of the Hotel Project Construction Cost Reconciliation, Developer shall submit to the City its determination of the Total Hotel Project Construction Costs and the Hotel Project Financing (if any), which cost of such Hotel

Project Financing may not exceed the actual out-of-pocket costs for the Developer's cost of capital, together with supporting plans and documentation. The Financial Analyst shall review such submission and Developer shall promptly respond to any comments or questions provided by the Financial Analyst. Upon completion of this Hotel Project Construction Cost Reconciliation, the final Maximum Hotel Incentive Amount will be established, which in no event will exceed Fifteen Million Seven Hundred Thousand Dollars (\$15,700,000) net present value. Upon completion of the Hotel Project Construction Cost Reconciliation, Developer and the City shall execute a certificate memorializing the Adjusted Hotel Project Construction Cost and the final Maximum Hotel Incentive Amount. If Developer and City cannot reasonably agree on the Adjusted Hotel Project Construction Cost, or a component thereof, the City shall make the final determination in its reasonable discretion based on information provided by the Developer and the Financial Analyst.

(c) In the event that the Hotel Project Construction Cost Reconciliation discloses that the Total Hotel Project Construction Costs are less than Ninety-Seven Million Seven Hundred Thousand Dollars (\$97,700,000), the Maximum Hotel Incentive Amount shall be automatically reduced on a dollar per dollar basis. The Developer shall be fully responsible for any increases in the financing gap or any other cost over runs that may occur during or after construction. Developer shall, within ninety (90) days following the period for Hotel Project Construction Cost Reconciliation, as set forth in Section 2.3(a) above, have a one-time right to terminate this Agreement upon written notice to the City.

Section 2.4 Sales Tax Origin. For purposes of the State sales and use tax, Developer shall insert a contract provision in its contract with the general contractor requiring the general contractor and its major subcontractors to designate the City of Los Angeles as the place of use of any materials purchased for the development of the Hotel Project. Developer shall further comply with the provisions of this Section 2.4 to provide, to the extent possible under applicable laws and regulations, that local sales and use taxes generated in connection with all eligible purchases of materials, fixtures, machinery, equipment, and supplies for the Hotel 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. The Developer shall comply with the following:

(a) Meeting with the Office of Finance. Prior to issuance of the first building permit for the Hotel Project, the Developer and its contractors and subcontractors then providing services or materials to the Hotel Project in excess of Ten Million Dollars (\$10,000,000) ("Major Contractors and Subcontractors") (to the extent such contractors and subcontractors have been identified and contracted with at such time) may, at their election, 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 Major Contractors and Subcontractors the process that they should follow. The City hereby covenants and agrees to assist Developer in connection with its obtaining a Seller's Permit and shall facilitate any meetings, discussions, and paperwork that would assist Developer and its Major Contractors and Subcontractors in obtaining such a permit.

(b) Contract Provisions for Major Contracts. Developer shall include, and shall cause its general contractor to include, the relevant Contract Provisions for Contracts in all construction contracts entered into with Major Contractors and Subcontractors.

(c) Contract Provisions for Other Contracts. Developer shall include, and shall cause its general contractor to include, the relevant Contract Provisions for Contracts, in all construction contracts entered into with Other Material Contractors and Subcontractors (as defined in the Agreement).

(d) Major Contractor Information. The Developer shall, when reasonably requested by the City, provide the City's Office of Finance with (unless such information requires the disclosure of confidential information, trade secrets, or information that impairs the Developer's ability to gain pricing advantages relative to materials and services):

(1) A list of the Developer's Major Contractors and Subcontractors who will or have performed construction services or who will or have furnished materials for the construction of the Hotel 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 the contract
- (v) Estimated Completion Date
- (vi) Scope of Work

(2) A complete copy of each 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 general contractor, as the case may be, the City shall be entitled to enforce the relevant provision(s) directly against either the Developer or the applicable Major Contractor or Subcontractor. Upon the reasonable request of the City and the City's election not to pursue an action against the Developer, the Developer shall cooperate with the City in any such enforcement action. Nothing in this Section 2.4(e) shall limit the City's remedies against the Developer.

(f) Subject to Applicable Law. The obligations set forth in this Agreement 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 2.5 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.

Section 2.6 Conditions to City Obligation. The Developer acknowledges and agrees that the City's obligation to make the City Deposit into the Special Fund, or to make any Annual Hotel Incentive Payment to the Developer are obligations which are conditioned upon the Developer's continual compliance with the material terms of this Agreement, including without limitation, the following, each of which is an express condition subsequent to the City's obligations under this Agreement:

- (a) Construction, maintenance and operation of the Hotel Project in accordance with the standards set forth in this Agreement;
- (b) The Hotel Brand obtaining and maintaining the Three Diamond Rating for the Hotel;
- (c) City's review and approval of the CASp Report, which report shall include CASp disability access inspection certificates acknowledged by the CASp and the Hotel Project architect of the following:
 - (1) That the CASp has reviewed the Hotel Project plans and specifications for compliance with state and federal accessibility laws, standards, codes, and regulations.
 - (2) That the CASp has investigated for compliance with state and federal accessibility laws, standards, codes, and regulations.
 - (3) The CASp has conducted accessibility research, prepared accessibility reports and/or conducted accessibility inspections, as authorized and issued inspection reports to the City.
 - (4) That the Hotel Project and all Improvements have been constructed in accordance with state and federal accessibility laws, standards, codes, and regulations.
- (d) The Developer's continued compliance in all material respects with the Community Benefits Program;
- (e) The Hotel Brand's continued compliance in all material respects with the Hotel Operating Covenant;
- (f) Collection and remittance of all City taxes at the Hotel Site that are due and payable by Developer.

(g) Developer shall execute and require the Hotel Operator and each business at the Hotel Site to execute a valid Confidentiality Waiver;

(h) Developer and the Hotel Operator shall strictly comply with the Room Block Agreement;

(i) Developer shall cause the Hotel Operator to comply with all applicable Standard Contract Provisions and all other material terms of the Agreement.

(j) Developer shall cooperate with the City in calculating Net New Revenues and in complying with the Government Code Disclosure requirements by making available to the City any information and/or waivers which the City requires, whether from the Developer, the Hotel Operator, or any business operating at the Site, which the City determines in its reasonable discretion are necessary to determine the Net New Revenues generated at the Hotel Site and to comply with the Government Code Disclosure Requirements.

ARTICLE 3

OBLIGATIONS WHICH CONTINUE THROUGH AND BEYOND THE COMPLETION OF CONSTRUCTION

Section 3.1 Use of the Hotel Property. The Developer, and its successors and assigns, shall ensure that the Hotel will be operated, furnished, serviced, maintained, and refurbished to at least the standard of quality of a Three Diamond Rating or at an equivalent level by an alternative nationally recognized hotel rating service for the duration of the City Financial Assistance Term; provided, however, that Developer shall not be in default of this Section 3.1 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 (subject to the availability of insurance proceeds for such restoration) or to address the force majeure event, as the case may be, within a reasonable period of time.

Section 3.2 Maintenance. The Developer hereby agrees that prior to completion of construction of the Hotel Project, the Hotel Site shall be maintained in a neat and orderly condition to the extent practicable and in accordance with applicable industry health and safety standards, and that the Hotel Project shall be well maintained as a first class development 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 Project in good repair and working order, including the walkways, driveways, parking areas, and landscaping, and from time to time make all necessary and proper repairs, renewals, and replacements. If the Developer fails to implement and continuously maintain the standard described above, 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 thirty (30) days and such other additional time as may be required by Developer to cure the condition, the City shall notify the Developer in writing and thereafter the City 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 Hotel Site not complying with this Agreement. The provisions of Section 3.1 and Section 3.2 shall be assumed by all successors to Developer and shall be in effect until expiration or termination of Section 4.1 hereof.

Section 3.3 Employment Opportunity. During the operation of the Hotel 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 Hotel Project.

Section 3.4 Community Benefits Program. The Developer shall provide the community benefits described in the Community Benefits Program for the duration of the City Financial Assistance Term.

Section 3.5 Hotel Operating Covenant. Developer agrees that it shall execute the Hotel Operating Covenant.

Section 3.6 Compliance with Applicable Law. The Developer shall cause all work performed in connection with construction of the Improvements on the Hotel Site to be performed in compliance with: (a) all applicable laws, ordinances, rules and regulations of federal, state, or local regulatory bodies, now in force or that may be enacted hereafter, (including, without limitation, the prevailing wage provisions of Sections 1770 et seq. of the California Labor Code); (b) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of the City; (c) all applicable disabled access requirements; and (d) all applicable City policies, including, all applicable provisions of the Standard Terms and Conditions for City Contracts attached hereto. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by the City or any other governmental agency having jurisdiction, and the Developer shall be responsible for the procurement and maintenance thereof, as may be required of the Developer and all entities engaged in work on the Hotel Site.

Section 3.7 Limited Tax Confidentiality Waiver:

(a) Developer shall insure that the Hotel Operator and each tenant and subtenant on the Hotel Site executes and files a Limited Tax Confidentiality Waiver with the City's Office of Finance which provides for the release of tax information related to Net New Tax Revenues paid for by each business or collected by the Hotel Operator and remitted and Paid to the City for purposes related to the determination of the Hotel Incentive Payment as well as complying with the Government Code Disclosure Requirements.

(b) The Developer shall meet with the appropriate City department, including the City's Office of Finance and the City Administrative Officer (and such other office as directed by the City's Chief Legislative Analyst) not less than three (3) months prior to the Completion Date to review the Limited Tax Confidentiality Waiver so as to ensure that the appropriate parties responsible for executing the Limited Tax Confidentiality Waiver are identified and notified of their requirement to execute the Limited Tax Confidentiality Waiver and review the administrative

steps required to implement the Hotel Incentive Payment as well as the Government Code Disclosure Requirements.

(c) All waivers will be executed by a corporate officer for the registered corporate entity that is required to submit a waiver as directed by the City.

Section 3.8 Government Code Disclosures. Developer hereby acknowledges that Government Code Section 53083 requires the City to hold periodic public hearings and to provide certain information in written form to the public and through its internet web site for each recipient of an economic development subsidy. Developer agrees that it shall cause the Hotel Operator and its tenants and subtenants, if any, at the Hotel, to provide information or a written report to the City which shall include all information which the City determines is reasonably necessary to comply with the Government Code Disclosure Requirements, including, but not limited to the following:

(a) The name and address of all corporations or any other business entities, except sole proprietorships, that are the beneficiary of the economic development subsidy provided for by this Agreement.

(b) The number of jobs filled by each business at the Hotel Site, broken down by the name of the business and the number of full-time, part-time, and temporary positions filled for the past fiscal year.

(c) The amount of Net New Tax Revenues paid to the City by each business at the Hotel and a valid waiver from each tenant authorizing the City to verify the tax payment data from each individual business and to aggregate and disclose such information on a Hotel-wide basis without identifying individual source of tax revenue.

(d) Any other information or documents which the City determines in its reasonable discretion is necessary to comply with the Government Code Disclosure Requirements, including any confidentiality waivers which the City determines to be reasonably necessary to comply with the Government Code Disclosure Requirements.

Section 3.9 Standard Terms for City Contracts. The terms of this Agreement are subject to the Standard Terms for City Contracts the terms of which are incorporated herein as though fully set forth.

Section 3.10 Governing Law. This Agreement shall be interpreted under and be governed by the Laws of the State of California.

Section 3.11 Notices and Demands. Formal notices, demands and communications between the City and the Developer shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by overnight courier service which guarantees delivery on the next business day, or delivered personally, to the principal offices of City and Developer identified in Section 1.3 and Section 1.4.

Section 3.12 Binding Upon Successors. All provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest,

transferees, and assigns of Developer and the City, and shall run with the land for the full term of this Agreement. Any successor-in-interest to Developer and any purchaser or transferee of the Hotel Site shall be subject to all of the duties and obligations imposed on Developer under this Agreement for the full term of this Agreement. The term "Developer" as used in this Agreement shall include all such assigns, successors-in-interest, and transferees.

Section 3.13 Relationship of Parties. The relationship of Developer and the City shall not be construed as joint venture, equity venture, or partnership. The City neither undertakes nor assumes any responsibility or duty to Developer or any third party with respect to the operation of the Property or the actions of the Developer. Except as the City may specify in writing, Developer shall have no authority to act as an agent of the City or to bind the City to any obligation.

Section 3.14 Waiver. Any waiver by the City of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of Developer or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Developer to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the City to any act or omissions by Developer shall not be construed to be a consent to any other subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

Section 3.15 Other Agreements. Developer represents that it has not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Agreement. Developer shall not enter into any agreements that are inconsistent with the terms of this Agreement without an express waiver by the City in writing.

Section 3.16 Amendments. Any amendments or modifications to this Agreement must be in writing and shall be made only if executed by both Developer and the City.

Section 3.17 No Attorney's Fees. Neither Party shall be entitled to attorney fees for any action resulting from this Agreement.

Section 3.18 Severability. Every provision of this Agreement is intended to be severable. If any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

ARTICLE 4

ASSIGNMENTS AND TRANSFERS

Section 4.1 Definitions. As used in this Article 4, 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 Project, 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 transfer in any other mode or form, of or with respect to more than fifty percent (50%) ownership interest in the Developer, or any contract or agreement to do any of the same, provided that such transfer results in a change of Control.

Section 4.2 Purpose of Restrictions on Transfer. This Agreement is entered into solely for the purpose of development and operation of the Hotel Project and its subsequent use in accordance with the terms of this Agreement. It is because of the qualifications and identity of the Developer as well as the existence of a finance gap that the City is entering into this Agreement with the Developer and that Transfers are permitted only as provided in this Agreement, in view of:

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

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

(c) The fact that a Transfer as defined in Section 4.1 above is for practical purposes a transfer or disposition of the Hotel Project.

Section 4.3 Prohibited Transfers. Except as expressly permitted in this Agreement, the Developer shall not make or create or suffer to be made or created, any Transfer, other than a Permitted Transfer (as set forth in Section 4.4), either voluntarily or by operation of law, without the prior written approval of the City, which approval shall not be unreasonably withheld, conditioned, or delayed. In the event of a proposed Transfer that is not a Permitted Transfer, the Developer shall submit to the City such documentation as the City determines is sufficient to evaluate the relevant experience, financial capability, and reputation of the proposed transferee necessary to fulfill the obligations undertaken in this Agreement by the Developer.

Any Transfer made in contravention of this Section 4.3 shall be void and shall be deemed to be a material default under this Agreement, subject to Developer's right to cure such default in accordance with this Agreement.

Section 4.4 Permitted Transfers. Notwithstanding the provisions of Section 4.3, the Developer shall have the right to affect the following Transfers without the prior approval of the City:

(a) Any Transfer creating a Mortgage or other security or financing for the Hotel Project, or any transfer that results from a Mortgagee exercising its rights under its Loan documents with the Developer.

(b) The leasing of any space within the Improvements.

(c) The leasing of the Hotel Site to an approved Hotel Operator.

(d) The conveyance or dedication of a portion of the Hotel Site to any public entity, including a public utility, required to allow for the development or operation of the Improvements.

(e) The granting of temporary or permanent easements, licenses, rights-of-way, or permits to facilitate development and/or operation of the Hotel 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 or the Transfer of any membership interests held by any member of Developer.

(h) A Transfer of the direct or indirect membership interests in Developer to its joint venture partner or from its joint venture partner to Developer pursuant to the provisions of their joint venture agreements or a change in the manager of Developer.

(i) A Transfer to the Hotel Operator or to a new entity consisting of an entity directly or indirectly owned or Controlled by the initial Hotel Operator.

(j) A Transfer by Developer in connection with a lease-back of the Hotel to Developer.

(k) A Transfer to a tenant at the Property pursuant to the terms of its lease.

(l) A Transfer to a person or entity which (a) has a net worth or assets under management (whether through a separate account or other investment vehicle) in excess of Ninety Million Dollars (\$90,000,000), and (b) owns, leases, operates or has under management (whether through a separate account or other investment vehicle) at least three (3) hotels with at least a 3-star rating, as defined by the AAA Tour Book Guide for Southern California as of the date hereof, or, at Developer's election, at an equivalent level by an alternative nationally recognized hotel rating service.

(m) A Transfer of non-income producing, non-material portions of the Property.

All Transfers other than those enumerated in this Section 4.4 shall require the administrative written approval of the City, which approval shall not be unreasonably withheld, conditioned, or delayed. The City shall respond to such request for approval within ten (10) days after receipt of the request.

Section 4.5 Effectuation of Permitted Transfers. No Transfer of Developer's interest in the Hotel Project 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, expressly agrees to perform and observe, from and after the date of such transfer, all the obligations, terms, and conditions of this Agreement, and if less than all of the Hotel Project is transferred, the transferee shall agree to perform the obligations, terms, and conditions of this Agreement relating to the portion of the Hotel Project that is transferred to the transferee. The assumption agreement shall

be executed by Developer and the assignee or transferee, and shall name the City as an 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 this Agreement pursuant to an assumption agreement, the assignor's liability with respect to any such obligations relating to the Hotel Project accruing from and after the date of such assignment or transfer shall be as set forth in the assumption agreement.

Section 4.6 Transfers of Interest in Developer. Notwithstanding Section 4.3, the City shall not unreasonably withhold, condition, or delay its approval of a Transfer of a controlling direct or indirect equity interest in Developer if the replacement member, partner, or shareholder has, together with its affiliates, sufficient financial resources and liquidity to fulfill Developer's obligations under this Agreement.

Section 4.7 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.

Section 4.8 Change in Hotel Operator. Notwithstanding the provisions of Section 4.3 above, a change in the identity of the Hotel Operator to a Pre-approved Hotel Operator, the Hotel Site, or otherwise, shall not constitute a Transfer. During the City Financial Assistance Term, 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, conditioned, or delayed; provided, however, the City's approval will not be required if the Replacement Operator is a Pre-approved Hotel Operator. The City shall respond to such request for approval within ten (10) days after receipt of the request and supporting documentation. The City's approval of such request shall be deemed given if the City fails to respond within such ten (10) day period. The list of Pre-approved Hotel Operators attached hereto shall be deemed pre-approved by the City as the initial Hotel Operator and Replacement Operators and shall not require the further approval of the City.

ARTICLE 5 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 5.1 No Termination. No action by Developer or the City to cancel or surrender this Agreement or to materially modify the terms of this Agreement or the provisions of this Article 5 shall be binding upon a Mortgagee without its prior written consent, which such Mortgagee shall not unreasonably withhold, condition or delay, unless (solely with respect to cancelling or surrendering this Agreement) such the Mortgagee shall have failed to cure a default within the time frames set forth in this Article 5. The lien of any Mortgage shall at all times be senior and superior to any lien in favor of the City established pursuant to the terms of this Agreement.

Section 5.2 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 any Mortgagee that has filed

or recorded a request for such notice, at the address theretofore designated by it; provided, however, that the failure of the City to provide any such notice is not a default or breach of the City. 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 5. 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 5.3 Performance of Covenants. 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 (or its designee) 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 5.4 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:

(A) In the case of a default which cannot practicably be cured by said 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

(B) In the case of a default which is not susceptible to being cured by said Mortgagee, said 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.

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 Mortgagee shall have all of its rights provided for herein. If 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 Mortgagee or by said purchaser, as the case may be, then prior defaults which are not susceptible to being cured by 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 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 Project 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 or designee, who takes title to the Property or any portion thereof shall be entitled to the benefits arising under this Agreement.

Section 5.5 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. However, in the event that Mortgagee elects not to cure any default susceptible of being cured, the City's obligation to further fund any portion of the Maximum Hotel Incentive Amount shall be suspended for a period of up to six (6) months (or such earlier time that Mortgagee cures the default). Failure of Mortgagee to cure within six (6) months of Mortgagee's acquisition of title shall automatically render the Annual Hotel Incentive Amount to \$0 and terminate any City obligation to further fund any portion of this Hotel Project. For purposes of this Section 5.5, the City's written approval of a cure plan submitted by the Mortgagee shall act to extend the 6 month period for such time as is necessary to execute the cure plan. The City shall have no obligation to fund any portion of the Maximum Hotel Incentive Amount during such extension period. No default by Developer or termination of this Agreement shall defeat, render invalid, diminish, or impair the lien of any Mortgage.

Section 5.6 Separate Agreement. The City may, 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 5.7 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 Hotel Development Incentive Agreement ("Funding Agreement") dated as of _____, 2017 between 926 James M Wood Boulevard, LLC and the City of Los Angeles, of the parcel of land described in **Exhibit B**

attached hereto. In the event that any notice shall be given of a default of Developer under the Funding 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 Funding 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 Funding 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 Mortgagee to the City shall be provided in accordance with Section 7.2.

Section 5.8 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 any 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 such 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 and adversely modify any of Developer's obligations or the City's rights under this Agreement in any manner not already contemplated in this Article 5.

ARTICLE 6 DEFAULT AND REMEDIES

Section 6.1 Application of Remedies. The provisions of this Article 6 shall govern the Parties' remedies for breach of this Agreement.

Section 6.2 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. 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 and those liabilities occurring or arising prior to the date of such termination shall remain effective.

Section 6.3 Fault of City.

(a) Event of Default. Following notice and cure as set forth in subsection (b) below, a City breach of any material provision of this Agreement constitutes a "City Event of Default" and a basis for the Developer to take legal action against the City.

(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 up to the amount of the unfunded Annual Hotel Incentive Amount (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 6.4 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:

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

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

(iii) 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.

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

(b) Notice and Cure Procedure; Remedies. Upon the occurrence of any of the above-described events contained in Section 6.4(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 or (2) prosecuting an action for actual damages limited to third-party costs and expenses. 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 6.5 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. If the City or any designated or authorized agency, representative or other party acting on its behalf, fails to pay any amount due hereunder or commences (or becomes the subject of) any insolvency, liquidation, receivership or any similar action, case or proceeding, Developer shall have the right to exercise any remedies available to it at law or in equity. The remedies set forth in this Section 6.5 are cumulative in nature and election of one remedy does not preclude the right to seek or enforce any other remedy in this Section 6.5.

ARTICLE 7 GENERAL PROVISIONS

Section 7.1 Representations and Warranties.

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

(i) Organization. The Developer is a limited liability company, duly formed in the State of Delaware, 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

(ii) 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.

(iii) 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.

(iv) 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 Hotel Project.

(v) 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 Hotel Project, including but not limited to any partnership agreement, joint venture agreement, or loan agreement executed by the Developer that would 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 Hotel Project.

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 7.1 not to be true, promptly give written notice of such fact or condition to the City. The representations and warranties contained in this Section 7.1 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:

(i) 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.

(ii) 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.

(iii) 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 7.2 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 set forth in Section 1.3 and Section 1.4 above. 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 7.2. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

Section 7.3 Non-Liability of Officials, Employees and Agents. No member, official, employee, or agent of the City shall be personally liable to 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. No member, official, employee, or agent of Developer shall be personally liable to the City, or any successor in interest, in the event of any default or breach by Developer or for any amount which may become due to the City or on any obligation under the terms of this Agreement.

Section 7.4 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 any governmental approval, the Maximum Hotel Incentive Amount, this Agreement, or the Developer's or the City's authority to perform their respective obligations hereunder (which shall be deemed to be a delay of the Parties); or court order; an act or omission of the other Party; or any other similar causes (other than lack of funds of the Developer or the Developer's inability to finance the Hotel 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 7.5 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 7.6 Inspection of Books and Records. Not more than once per year, the City has the right at all reasonable times during normal business hours and upon ten (10) 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. Not more than once per year, Developer also has the right at all reasonable times during normal business hours

and upon ten (10) 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 7.7 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 7.8 Applicable Law. This Agreement is subject to the Standard Terms for City Contracts attached hereto as **Exhibit M** and shall be interpreted under and pursuant to the laws of the State of California.

Section 7.9 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 7.10 Binding Upon Successors; Covenants to Run With Land. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, and assigns of each of the Parties; provided, however, that there shall be no Transfer except as permitted in Article 5. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any successor, heir, administrator, executor, successor, or assign of such Party who has acquired an interest in compliance with the terms of this Agreement or under law.

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

Section 7.11 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 7.12 Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreements of the Parties with respect to the Hotel 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 7.13 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 Hotel Project.

Section 7.14 Counterparts. This Agreement may be executed in counterparts and multiple originals.

Section 7.15 Amendments. The Parties can amend this Agreement only by means of a writing signed by both Parties; provided, however, that any amendments, modifications, or supplements to this Agreement required as a matter of tax law compliance for City or Developer] shall be made as a matter of ministerial duty by the parties.

Section 7.16 Recordation of Hotel Operating Covenant. The Developer and the City consent to the recordation of a Hotel Operating Covenant against the Property in the Office of the Los Angeles County Recorder, in the form of **Exhibit F** attached hereto and incorporated herein by this reference.

Section 7.17 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 7.18 Indemnity: City. Except for the gross negligence, fraud, or intentional or willful misconduct of the City or its vendors, contractors, subcontractors, or employees, the Developer undertakes and agrees to indemnify, hold harmless and defend the City, its Councilmembers, officers, employees, and 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 due to any challenge to any portion of this Agreement, including but not limited to any challenge as to any ancillary agreement entered into pursuant to this Agreement. Developer further undertakes and agrees to indemnify, hold harmless, and defend the City, its Councilmembers, officers, employees, and agents, from and against all suits and causes of action, claims, losses, demands, and expenses (collectively, a "Claim"), including, but not limited to, reasonable attorney's fees and costs of litigation, damage due to the death or personal injury of any person, or physical damage to any person's real or personal property, occurring during the course of construction of the Hotel Project by Developer, including any construction related activities of the Developer on the Property, which the cause of such Claim arises solely and directly from any act or omission by Developer. The Developer's indemnification obligation under this Section 7.18 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, the funding thereunder, or the approvals for the Hotel. In the event of an occurrence requiring indemnification, the Developer

shall select qualified legal counsel to represent itself and any person to be indemnified in this Section 7.18.

Section 7.19 Effectiveness of this Agreement. This Agreement is dated for convenience only and shall only become effective on the Effective Date.

Section 7.20 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 7.21 Time of the Essence. Time is of the essence for each provision of this Agreement of which time is an element.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the City of Los Angeles and the Contractor have caused this Contract to be executed by their duly authorized representatives.

APPROVED AS TO FORM AND LEGALITY: Executed this _____ day of _____, 2017

By _____
Deputy/Assistant City Attorney

Date _____

For: THE CITY OF LOS ANGELES
Eric Garcetti, Mayor

By _____

ATTEST:

HOLLY WOLCOTT, City Clerk

By _____
Deputy City Clerk

Date _____

Executed this _____ day of _____, 2017

For: 926 JAMES M WOOD BOULEVARD LLC

By _____

City Business License Number:
Internal Revenue Service ID Number:
Said Contract is Number of City Contracts

EXHIBIT A
PROPOSED HOTEL SITE MAP

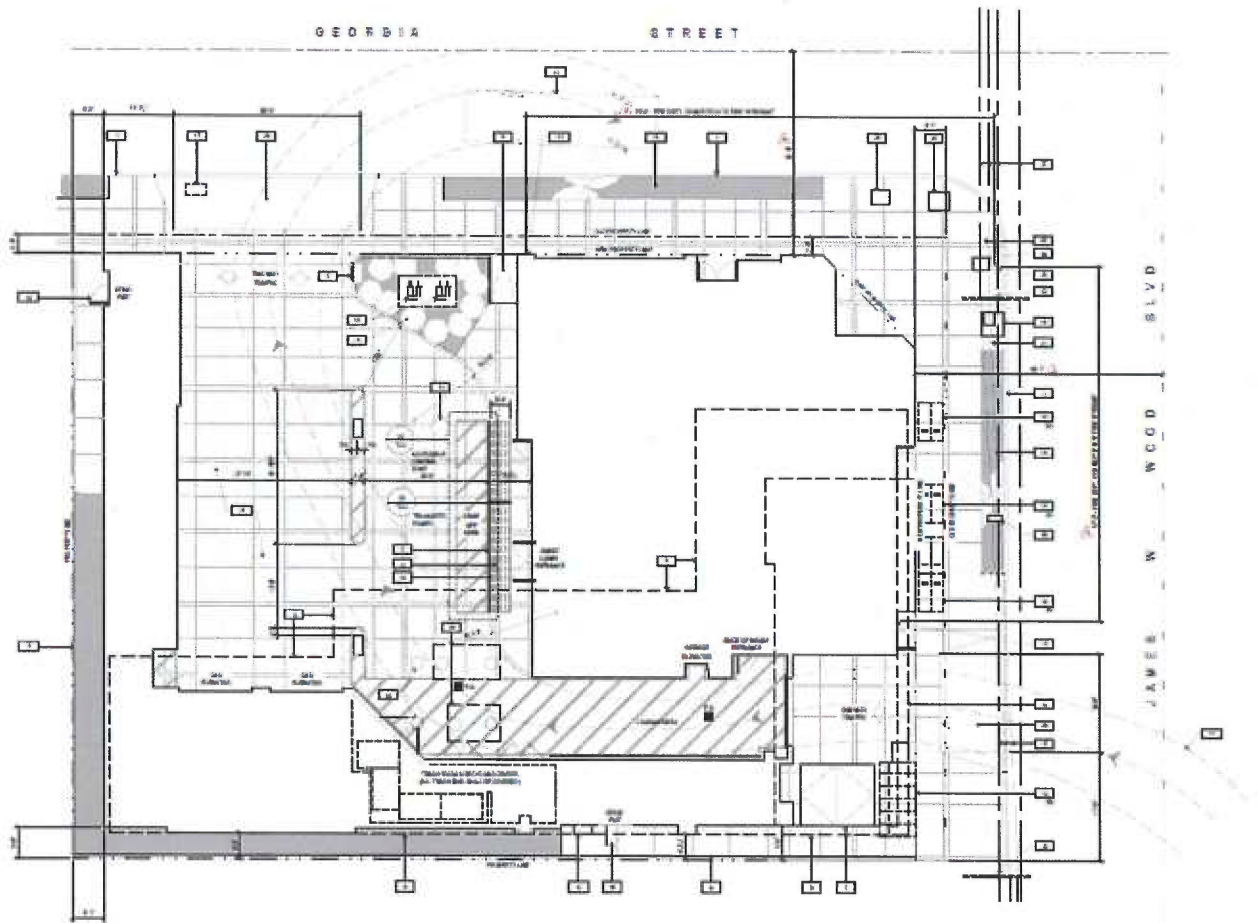


EXHIBIT B
LEGAL DESCRIPTION

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

PARCEL 1:

LOT 2 OF F. J. NETTLETON'S SUBDIVISION OF THE ELLIS TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 10 PAGE 13 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM A PORTION OF SAID LAND AS CONVEYED TO THE CITY OF LOS ANGELES, BY DEED RECORDED IN BOOK 1130 PAGE 238 OF DEEDS, DESCRIBED THEREIN AS "A STRIP OFF NORTH AND OF LOT 2, F. J. NETTLETON'S SUBDIVISION OF THE ELLIS TRACT, AS PER MAP RECORDED IN BOOK 10 PAGE 13 OF MISCELLANEOUS RECORDS, SAID STRIP BEING 5.03 FEET DEEP AT THE EAST END AND 4-97 FEET DEEP AT THE WEST END.

PARCEL 2:

LOT 3 OF F. J. NETTLETON'S SUBDIVISION OF THE ELLIS TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 10 PAGE 13 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT A STRIP OFF THE NORTH END OF SAID LOT 4.97 FEET WIDE AT THE EAST END AND 5.11 FEET AT THE WEST END, CONVEYED TO CITY OF LOS ANGELES, FOR STREET PURPOSES, BY DEED RECORDED IN BOOK 1130 PAGE 239 OF DEEDS.

EXHIBIT C

COMMUNITY BENEFITS PROGRAM

The Hotel Project will provide public benefits to the City, consisting of the elements describe below. The Developer's obligation to provide these benefits are hereby incorporated in the Hotel Development Incentive Agreement as if set forth therein.

1. Developer will designate City of Los Angeles as the "point of sale" for constructing purchases to maximize tax benefits.
2. The Hotel will be a Three Diamond Hotel as described in the Agreement.
3. The Developer shall implement a Local Hiring/First Source/Minority Business Recruitment program as more particularly described in the Owner's Participation Agreement, the provisions of which are incorporated into the Agreement.
4. The Developer shall provide a room block agreement for up to five (5) events per year at the discretion of the LA Tourism & Convention Board and the 2028 Olympic and Paralympic Games.
5. The Developer will enter into a Neutrality Agreement with Unite Here Local 11

EXHIBIT D

CONTRACT PROVISIONS

[D-1 – 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"). 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 Major Contractors and Subcontractors in connection with the work to be performed hereunder, which list shall include (unless such information requires the disclosure of confidential information, trade secrets, or information that impairs the Developer's ability to gain pricing advantages relative to materials and services):
 - i. Name of subcontractor
 - ii. Address and telephone number of headquarters or office
 - iii. Name and telephone number of contact person
 - iv. Estimated value of the contract
 - v. Estimated completion date
 - vi. Scope of Work

- (B) A copy of the first page and signature page 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.

D-2 – Contract Provisions for Other Contracts

Contractor shall comply with the provisions of Section 3.4(c) 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 (but less than \$5,000,000) 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 (but less than \$5,000,000) 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 E
INTENTIONALLY OMITTED

EXHIBIT F
FORM OF HOTEL OPERATING COVENANT
HOTEL OPERATING COVENANT

NO FEE DOCUMENT

RECORDING REQUESTED BY)
AND WHEN RECORDED RETURN TO:)
THE CITY OF LOS ANGELES)
Los Angeles, CA 90012)
Attn: _____)

Assessor's Parcel Numbers:

HOTEL OPERATING COVENANTS AFFECTING REAL PROPERTY

These HOTEL OPERATING COVENANTS ("Covenant Agreement") are made this ____ day of _____, 20____, by and between The City of Los Angeles (the "City"), and _____ ("Owner").

RECITALS

A. The City wishes to promote the economic development of the Los Angeles Sports Entertainment District (the "District" or LASED"), including the development of new high quality hotels to serve the planned expansion of the Los Angeles Convention Center (the "LACC").

B. Owner is the owner of two separate parcels located within the District at the South East corner of Figueroa Boulevard and Pico Street as depicted on the Site Map attached as **Exhibit A** and legally described in **Exhibit B** (collectively referred to herein as the "Developer Parcels").

C. Owner desires to develop the Hotel on the Developer Parcels and the City Parcel (collectively, the "Hotel Site" or "Property").

D. The City and Owner have entered into a Hotel Development Incentive Agreement (the "HDIA"), City Contract No. _____ which provides in part that the City will provide Fifteen Million Seven Hundred Thousand Dollars (\$15.7 million), net present value, in

financial assistance and will convey ownership of the City Parcel to the Owner through a private sale in order to promote economic development as authorized and in accordance with Sections 7.27.2 and 22.1008(c) of the Los Angeles Administrative Code, subject to terms and condition of the HDIA, including the recordation of this Covenant Agreement, which among other things requires the Owner to utilize the Hotel Site as three diamond hotel as defined in the AAA Tour Book Guide for Southern California for a period of not less than twenty five (25) years from the date upon a which the City issues a Certificate of Occupancy for the Hotel Project.

F. As a condition of the City's incentives described above, Owner shall execute, among other things, the HDIA for the Hotel Project, and this Covenant Agreement, which shall be recorded against the entire Hotel Site. This instrument is intended to secure the City's continuing interest in the development of the Hotel Project in accordance with the HDIA.

G. The purpose of this Covenant Agreement is to regulate and restrict the development, construction, operation, ownership, and management of the Property. The covenants in this Covenant Agreement are intended to run with the land and be binding on Owner and Owner's successors for the full term of this Covenant Agreement.

NOW THEREFORE, IN CONSIDERATION of the aforesaid Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Owner and City hereby agree as follows:

I. DEFINITIONS

1.1 **"CITY"** is the City of Los Angeles, a municipal corporation, and its officers, officials, directors, employees, agents and authorized representatives.

1.2 **"HDIA"** means that certain Hotel Development Incentive Agreement dated as of the _____ day of _____, 20____, by and between the Owner and the City which provides for, among other things, the development on the Hotel Project on the Property.

1.3 **"HOTEL PROJECT"** means the acquisition, demolition, construction and operation of the Improvements on the Hotel Site.

1.4 **"IMPROVEMENTS"** shall mean a hotel containing approximately 247 guest rooms and suites and 129,470 square feet of gross building area together with all related improvements and amenities, to be constructed by Owner on the Property in accordance with the HDIA.

1.5 **"OWNER"** is 926 James M Wood Boulevard LLC, a California limited liability company, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

1.6 **"PROPERTY"** means the real property described in the attached Exhibit "A" and "B", which together constitute the Hotel Site and are hereby incorporated into this Covenant Agreement by this reference, and any Improvements now or hereafter situated on said real properties.

“ROOM BLOCK AGREEMENT” means that certain room block agreement entered into by and between the Owner and _____ dated _____, 20__, which provides that the Owner and/or Hotel Operator shall set aside and make available to a certain amount of hotel rooms for use by the LACC and for the 2028 Olympic and Paralympic Games in accordance with the procedures set forth in the Room Block Agreement.

II. OWNER’S OBLIGATIONS

2.1 COMPLIANCE WITH HDIA. The Owner shall at all times comply with all of the terms, conditions, covenants, and provisions of the HDIA, including the Room Block Agreement, with respect to the construction, development, redevelopment, leasing, operation, and maintenance of the Hotel Project in good repair and working order and in a neat, clean, orderly, sanitary, and safe condition, making all repairs and replacements necessary to comply herewith so as to achieve and maintain no less than a 3 diamond rating in the AAA Tour Book Guide for Southern California or equivalent hotel rating from a nationally recognized hotel rating service.

2.2 TERM OF AGREEMENT. This Covenant Agreement shall commence upon execution and delivery hereof by both parties and shall remain in full force and effect until the date which is the earlier of (a) twenty five (25) years, commencing on the issuance by the City of a temporary certificate of occupancy or certificate of occupancy (if no temporary certificate of occupancy is issued) for the Hotel Project or (b) a termination by the City of this Agreement pursuant to Section 6.4(b) of the HDIA. Failure to record this Covenant Agreement shall not relieve Owner of any of the obligations specified herein.

2.3 CONDOMINIUM CONVERSION. Owner shall not convert Property units to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Property during the term of this Covenant Agreement.

2.4 NONDISCRIMINATION. Owner covenants and agrees for itself, its successors and its assigns in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person or persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code. Owner shall include a statement in all advertisements, notices, and signs for the availability of Property units for rent to the effect that Owner is an Equal Opportunity Provider.

2.5 COMPLIANCE WITH LAW. Owner shall at all times comply with all applicable local, state and federal laws and regulations. Without limiting the generality of the foregoing, the Hotel Project shall be developed and the Improvements shall be maintained, for the duration of this Covenant Agreement, to comply with all applicable federal, state and local disabled and handicapped access requirements, including, without limitation the Americans with Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section, 4450, et seq., Government Code Section, 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

2.6 **USE OF PROPERTY FOR COMMERCIAL ADVERTISING.** Owner shall not, without prior written approval of the City, which approval City may grant, deny, or condition in its sole and absolute discretion, allow or permit any billboards or supergraphics.

III. GENERAL PROVISIONS

3.1 **TRANSFER AND ENCUMBRANCE OF PROPERTY.** Unless otherwise permitted in the HDIA, during the term of this Covenant Agreement, Owner shall not make or permit any sale, assignment, conveyance, lease (other than the rental of space in the Hotel Project in the ordinary course of business), or transfer of the Property or any other part thereof, without the prior written consent of the City, which consent shall be not be unreasonably withheld, conditioned or delayed, and any such transfer shall comply with the HDIA.

3.2 **GOVERNING LAW.** This Covenant Agreement shall be interpreted under and be governed by the laws if the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

3.3 **TIME.** Time is of the essence in this Covenant Agreement.

3.4 **BINDING UPON SUCCESSORS.** All provisions of this Covenant Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Owner and the City, and shall run with the land for the full term of this Covenant Agreement regardless of any prior termination or expiration of the HDIA. Any successor-in-interest to Owner and any purchaser or transferee of the Property shall be subject to all of the duties and obligations imposed on Owner under this Covenant Agreement for the full term of this Covenant Agreement. The term "Owner" as used in this Covenant Agreement shall include all such assigns, successors-in-interest, and transferees.

3.5 **OTHER AGREEMENTS.** Owner represents that it has not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Covenant Agreement. Owner shall not enter into any agreements that are inconsistent with the terms of this Covenant Agreement without an express waiver by the City in writing.

3.6 **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Covenant Agreement must be in writing, and shall be made only if executed by both Owner and the City.

3.7 **SEVERABILITY.** Every provision of this Covenant Agreement is intended to be severable. If any provision of this Covenant Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

(signature page follows)

IN WITNESS WHEREOF, the City and the Owner have caused this Covenant Agreement to be executed by their duly authorized representatives

Executed this _____ day of _____, 20____

THE CITY OF LOS ANGELES

By: _____

Name: _____

Its: _____

APPROVED AS TO FORM:
MICHAEL N. FEUER, City Attorney

By: _____

Date:

_____ (Owner)

Executed this _____ day of _____, 20____

By: _____

Name: _____

Its: _____

EXHIBIT G

PREAPPROVED BRANDS

| | | |
|----------------------------|------------------------------|------------------------|
| AceHotel | AC Hotels by Marriott | Ayres |
| Affinia | aloft Hotel | Aqua Hotels |
| Autograph Collection | Ascend Collection | Best Western Plus |
| Club Quarters | Aston Hotel | Boarders Inn & Suites |
| Curio Collection | Best Western Premier | Centerstone Hotels |
| Delta | Cambria Suites | Chase Suites |
| Dolce | Canad Inn | Clarion |
| Embassy Suites | CitizenM Hotels | Cobblestone |
| Gaylord | Club Med | Comfort Inn |
| Hard Rock | Coast Hotels & Resorts USA | Comfort Suites |
| Hilton | Courtyard | Country Inn & Suites |
| Hyatt | Crowne Plaza | Doubletree Club |
| Hyatt Centric | Disney Hotels | Drury Inn |
| Hyatt Regency | Double Tree | Drury Inn & Suites |
| Joie De Vivre | element | Drury Plaza Hotel |
| Kimpton | EVEN Hotels | Drury Suites |
| Le Meridien | Four Points | Fairfield Inn |
| Magnolia Hotel | Graduate Hotels | Golden Tulip |
| Marriott | Grand America | Hampton Inn |
| Marriott Conference Center | Great Wolf Lodge | Hampton Inn & Suites |
| Millennium | Hilton Garden Inn | Holiday Inn |
| Omni | Homewood Suites | Holiday Inn Express |
| Outrigger | Hotel Indigo | Home2 Suites by Hilton |
| Pan Pacific Hotel Group | Hyatt House | Isle of Capri |
| Pestana | Hyatt Place | Lexington |
| Pullman | Larkspur Landing | MOXY |
| Radisson Blu | Legacy Vacation Club | OHANA |
| Renaissance | Melia | Oxford Suites |
| Sheraton | Miyako Hotels | Park Inn |
| Starhotels | Novotel | Phoenix Inn |
| Swissotel | NYLO Hotel | Ramada Plaza |
| Tribute Portfolio | Prince Hotel | Red Lion Hotels |
| Warwick Hotels | Radisson | Silver Cloud |
| Westin | Residence Inn | Sonesta ES Suites |
| Wyndham | Room Mate | Tryp by Wyndham |
| | Shell Vacations Club | TownePlace Suites |
| | Sonesta Hotel | Westmark |
| | Springhill Suites | Wyndham Garden Hotel |
| | Staybridge Suites | Xanterra |
| | Stoney Creek | |
| | Vacation Condos by Outrigger | |

EXHIBIT H
INTENTIONALLY OMITTED

EXHIBIT I
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”), 926 James M. Wood Boulevard, LLC, a California limited liability company (“Owner”), and together with Hotel Name, a _____ (“HOTEL BRAND”), and Hotel Management Corporation, (“HOTEL BRAND NAME”), and collectively, “Operator”). The City, Owner, and Operator are collectively referred to herein as the “Parties”.

RECITALS

A. Owner is constructing an approximately 245 room hotel on a one block site located at 926 James M. Wood Boulevard, Los Angeles, California 90015 (the “Hotel”). Pursuant to a Hotel Management Agreement, 245 rooms will be managed by Choice Hotel Brand Corporation.

B. Owner is party to a Transient Occupancy Tax (“TOT”) Hotel Development Incentive Agreement, dated December __, 2017 (the “Hotel Development Incentive 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 Hotel Development Incentive 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.

D. Definitions. Capitalized terms not otherwise defined in this Agreement shall have the following meanings:

Los Angeles Convention and Tourism Board (LATCB) - The City’s agent with regard to long-term bookings of the Los Angeles Convention Center (LACC).

Protected Room Inventory - Number of rooms which will be controlled by the LATCB and set aside by the Operator of the Hotel for the purpose of having rooms available to sell to conventions.

Operator Controlled Inventory - Hotel inventory not subject to the provisions of this Hotel Development Incentive Agreement and are considered “Free-Sell” by Operator.

Booking Window - The period of time between the request for rooms and the first day of the convention.

Released Inventory (Free-Sell Calendar) - Rooms returned to Operator Control Inventory by LATCB due to low potential for Projected Room Activity.

Room Block Compliance - Number of Convention Rooms for which maximum Protected Room Inventory was requested by LATCB.

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 Room Block Agreement shall commence upon execution and delivery hereof by both parties and shall remain in full force and effect until the date which is the earlier of (a) twenty five (25) years, commencing on the issuance by the City of a temporary certificate of occupancy or certificate of occupancy (if no temporary certificate of occupancy is issued) for the Hotel Project or (b) a termination by the City of the Hotel Development Incentive Agreement.

2. **Room Block.** At all times during the Term of this Agreement, Operator shall reserve for the LATCB's use a block of rooms (the "Room Block") to be used to induce conventioners to use the LACC. The block of rooms to be protected for LATCB's use are defined in Section 4 below.

3. **Free Sell.** LATCB recognizes that activity at LACC runs in variable demand cycles. For that reason, LATCB will release on a semi-annual basis a "Free-Sell" calendar to Operator for rooms that it does not believe it can sell for use by conventioners at LACC. After release by LATCB, these rooms will be considered under the control of the Operator as Released Inventory. Additionally, should Operator be aware of a unique group booking opportunity Operator can petition LATCB in writing for the return of "Protected Room Inventory".

4. **Booking Period.** The Room Block inventory during which the operator must protect rooms for LATCB's use will vary depending upon the booking window between the date of the request submitted and the agreed upon cut-off date for the arrival of the convention. The chart below defines the Protected Room Inventory and Booking Window parameters.

Room Block Protection Schedule

| Number of Years Prior to the Commencement of the Convention | Protected Room Inventory |
|--|---------------------------------|
| 1 year | 0% of Protected Room Inventory |
| 2 years | 20% of Protected Room Inventory |
| 3 years | 40% of Protected Room Inventory |
| 4 years | 60% of Protected Room Inventory |
| 5 years | 80% of Protected Room Inventory |

5. **Room Block Request.** The LATCB must submit all requests for Room Block days for a specific group ("Room Block Request") in writing to Operator and Owner. 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.

6. **Hotel Food and Beverage.** Operator may not require any group subject to a Room Block Request to meet Operator's food and beverage minimums and/or meeting room rental minimums in order for the group to have access to the Protected Room Inventory as outlined in this Agreement in Section 4 above.

7. **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."

8. **Acceptance.** Upon receipt of an acceptable Room Block Proposal, LATCB will inform the respective convention group to contract the Room Block with the Operator. If the group and the Operator fail to sign a convention contract within sixty (60) days of LATCB's receipt of the Room Block Proposal from Operator for an event less than 12 months prior to the request, the Room Block Proposal shall be deemed withdrawn. If the group and the Operator fail to sign a convention contract within one hundred eighty days (180) days of LATCB's receipt of the Room Block Proposal from Operator for an event greater than 12 months but less than 36 months prior to the request, the Room Block Proposal shall be deemed withdrawn. If the group and the Operator fail to sign a convention contract within three hundred sixty five days (365) days of LATCB's receipt of the Room Block Proposal from Operator for an event greater than 36 months but less than 60 months the Room Block Proposal shall be deemed withdrawn. The period of time for the group and the Operator to sign Convention contracts for Room Block Proposals that are in excess of 60 months before the first day of the event shall be negotiated to determine a reasonable period of time to execute the contract.

9. **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 LATCB at least one (1) year prior to the date on which said renovations shall be commenced, during the course of said renovations, decrease the Protected Room Inventory pursuant to Section 4 above by up to 40%; 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.

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 the following remedies: (1) terminating this Agreement by written notice to such Breaching Party; (2) prosecuting an action for damages (excluding punitive damages, special damages, or consequential damages); or (3) seeking any other remedy available at law or in equity (excluding punitive damages and consequential damages).

11. **Olympics 2028.** A Room Block agreement will also be made pursuant to the needs and requirements of the LA 2028 Organizing Committee for the 2028 Olympic and Paralympic Games, not limited to the Protected Room Inventory and a Price Guarantee, as required by the Organizing Committee for the Olympic Games.

12. **Annual Audit.** An “Annual Audit” of the Room Block Agreement for the purpose of determining compliance to this agreement is required at the end of each Fiscal Year. This annual audit will be paid for by the hotel operator and conducted by a third party. If it is determined by the audit that the Owner/Operator has failed to comply fully with providing the required number of rooms for all applicable Room Block Requests in the audited year, then City shall seek a remedy as provided in the Hotel Development Incentive Agreement. Audit will focus on Operator’s obligation to provide the room pursuant to the Proposal, however, the Operator is not responsible for occupancy of rooms provided in the Protected Room Block.

13. **Notices.** Formal notices, demands, submittals and communications among Owner, Operator, the City, and LATCB 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 LATCB as follows:

City: City of Los Angeles
Department of Conventions and Tourism Development
1201 South Figueroa
Los Angeles, CA 90015

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

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, 9th Floor
200 North Main Street
Los Angeles, CA 90012
Attn Asst. City Attorney
Real Estate and Economic Development

Owner: Pacific Property Partners
825 S. Barrington Avenue
Los Angeles, CA 90049
Attention: Chris Atkinson

Operator:

Choice Hotels Intl.
1 Choice Hotels Cir.
Suite 400
Rockville, MD 20850
Attention: Casey Gemunder

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.

14. **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.

15. **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; 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 14 and not otherwise defined shall have the meanings ascribed to them in the Development Agreement.

16. **Assignment.** Section 3.5 of the Hotel Development Incentive Agreement requires the Owner to enter into this Agreement. Accordingly, the transfer and assignment obligations of the Owner set out in this Article IV of the Hotel Development Incentive Agreement shall apply to this Agreement. Any assignment of the Hotel Development Incentive Agreement shall apply to this Agreement and cause this Agreement to follow the Hotel Development Incentive Agreement so that the obligated party under this Agreement shall be the same as Owner's successor(s) under the Hotel Development Incentive Agreement.

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

18. **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.

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

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

21. **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.

22. **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.

[Signature pages to follow]

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

OPERATOR:

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

OPERATOR:

By: _____

Name: _____

Title: _____

Date: _____

CITY OF LOS ANGELES

By: _____

Name: _____

Title: _____

Date: _____

APPROVED AS TO FORM:

CITY ATTORNEY

By: _____

Name: _____

Title: _____

Date: _____

CITY CLERK

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT J
SCHEDULE OF PERFORMANCE

| | |
|-----------------------------|-------------------|
| Issuance of building permit | February 1, 2018 |
| Groundbreaking | March 1, 2018 |
| Construction completion | October 15, 2019 |
| Certificate of Occupancy | November 15, 2019 |
| Hotel opening | January 1, 2020 |

EXHIBIT K
SCHEDULE OF PROJECTED HOTEL INCENTIVE PAYMENTS

SUMMARY TABLE 2

**NET NEW PUBLIC REVENUES
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA**

| Project Year | Gross Public Revenues | (Less) Annual Base Period Amount ¹ | Net New Public Revenues | 50% of Net New Public Revenues |
|-------------------------|-----------------------|---|-------------------------|--------------------------------|
| Const. 2017 -18 | - | - | - | - |
| Const. 2018 -19 | \$200,000 | (\$28,830) | \$171,000 | \$86,000 |
| Const. 2019 -20 | 331,000 | (29,660) | 301,000 | 151,000 |
| 1 2020 -21 | 2,498,000 | (30,520) | 2,467,000 | 1,234,000 |
| 2 2021 -22 | 2,739,000 | (31,400) | 2,708,000 | 1,354,000 |
| 3 2022 -23 | 2,998,000 | (32,310) | 2,966,000 | 1,483,000 |
| 4 2023 -24 | 3,089,000 | (33,250) | 3,056,000 | 1,528,000 |
| 5 2024 -25 | 3,180,000 | (34,220) | 3,146,000 | 1,573,000 |
| 6 2025 -26 | 3,258,000 | (35,210) | 3,223,000 | 1,612,000 |
| 7 2026 -27 | 3,339,000 | (36,230) | 3,303,000 | 1,652,000 |
| 8 2027 -28 | 3,422,000 | (37,280) | 3,385,000 | 1,693,000 |
| 9 2028 -29 | 3,505,000 | (38,360) | 3,467,000 | 1,734,000 |
| 10 2029 -30 | 3,593,000 | (39,480) | 3,554,000 | 1,777,000 |
| 11 2030 -31 | 3,682,000 | (40,630) | 3,641,000 | 1,821,000 |
| 12 2031 -32 | 3,772,000 | (41,810) | 3,730,000 | 1,865,000 |
| 13 2032 -33 | 3,865,000 | (43,020) | 3,822,000 | 1,911,000 |
| 14 2033 -34 | 3,960,000 | (44,270) | 3,916,000 | 1,958,000 |
| 15 2034 -35 | 4,057,000 | (45,550) | 4,011,000 | 2,006,000 |
| 16 2035 -36 | 4,157,000 | (46,870) | 4,110,000 | 2,055,000 |
| 17 2036 -37 | 4,260,000 | (48,240) | 4,212,000 | 2,106,000 |
| 18 2037 -38 | 4,365,000 | (49,650) | 4,315,000 | 2,158,000 |
| 19 2038 -39 | 4,471,000 | (51,090) | 4,420,000 | 2,210,000 |
| 20 2039 -40 | 4,581,000 | (52,580) | 4,528,000 | 2,264,000 |
| 21 2040 -41 | 4,695,000 | (54,110) | 4,641,000 | 2,321,000 |
| 22 2041 -42 | 4,813,000 | (55,690) | 4,757,000 | 2,379,000 |
| 23 2042 -43 | 4,931,000 | (57,310) | 4,874,000 | 2,437,000 |
| 24 2043 -44 | 5,052,000 | (58,980) | 4,993,000 | 2,497,000 |
| 25 2044 -45 | 5,178,000 | (60,700) | 5,117,000 | 2,559,000 |
| 25 Year Term | | | | |
| Nominal Total | \$97,991,000 | (\$1,157,250) | \$96,834,000 | \$48,424,000 |
| Net Present Value @ 10% | \$31,761,000 | (\$407,000) | \$31,354,000 | \$15,680,000 |

¹ Assumes current City revenues of \$28,000. City to review.

EXHIBIT L

SCOPE OF DEVELOPMENT

The Developer proposes redevelopment of the Property with an 18 story, approximately 206 feet in height mixed-use boutique hotel with a maximum of 247 hotel guest rooms and a 129,470 square feet of floor area (the "Project"). In addition to the hotel guest rooms, the Project proposes approximately 1,821 square feet of ground floor restaurant and bar space. The fourth floor includes a lobby and lounge area intended for hotel guests, space for meeting rooms, and back of house functions. A total of 51 parking spaces are located on the 2nd and 3rd floors, accessible to the ground floor via car lifts. The 247 hotel rooms are located on floors 5 through 17. The 18th floor contains a bar and outdoor pool deck.

EXHIBIT M
STANDARD TERMS FOR CITY CONTRACTS

STANDARD PROVISIONS FOR CITY CONTRACTS

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STANDARD PROVISIONS FOR CITY CONTRACTS

PSC-1. Construction of Provisions and Titles Herein

All titles, subtitles, or headings in this Contract have been inserted for convenience, and shall not be deemed to affect the meaning or construction of any of the terms or provisions of this Contract. The language of this Contract shall be construed according to its fair meaning and not strictly for or against **CITY** or **CONTRACTOR**. The word "**CONTRACTOR**" includes the party or parties identified in this Contract. The singular shall include the plural and if there is more than one **CONTRACTOR**, unless expressly stated otherwise, their obligations and liabilities shall be joint and several. Use of the feminine, masculine, or neuter genders shall be deemed to include the genders not used.

PSC-2. Applicable Law, Interpretation and Enforcement

Each party's performance shall comply with all applicable laws of the United States of America, the State of California, and **CITY**, including but not limited to, laws regarding health and safety, labor and employment, wage and hours and licensing. This Contract shall be enforced and interpreted under the laws of the State of California without regard to conflict of law principles. **CONTRACTOR** shall comply with new, amended, or revised laws, regulations, or procedures that apply to the performance of this Contract with no additional compensation paid to **CONTRACTOR**.

In any action arising out of this Contract, **CONTRACTOR** consents to personal jurisdiction, and agrees to bring all such actions, exclusively in state or federal courts located in Los Angeles County, California.

If any part, term or provision of this Contract is held void, illegal, unenforceable, or in conflict with any federal, state or local law or regulation, the validity of the remaining parts, terms or provisions of this Contract shall not be affected.

PSC-3. Time of Effectiveness

Unless otherwise provided, this Contract shall take effect when all of the following events have occurred:

- A. This Contract has been signed on behalf of **CONTRACTOR** by the person or persons authorized to bind **CONTRACTOR**;
- B. This Contract has been approved by the City Council or by the board, officer or employee authorized to give such approval;
- C. The Office of the City Attorney has indicated in writing its approval of this Contract as to form; and

- D. This Contract has been signed on behalf of **CITY** by the person designated by the City Council, or by the board, officer or employee authorized to enter into this Contract.

PSC-4. Integrated Contract

This Contract sets forth all of the rights and duties of the parties with respect to the subject matter of this Contract, and replaces any and all previous Contracts or understandings, whether written or oral, relating thereto. This Contract may be amended only as provided for in the provisions of PSC-5 hereof.

PSC-5. Amendment

All amendments to this Contract shall be in writing and signed and approved pursuant to the provisions of PSC-3.

PSC-6. Excusable Delays

Neither party shall be liable for its delay or failure to perform any obligation under and in accordance with this Contract, if the delay or failure arises out of fires, floods, earthquakes, epidemics, quarantine restrictions, other natural occurrences, strikes, lockouts (other than a lockout by the party or any of the party's Subcontractors), freight embargoes, terrorist acts, insurrections or other civil disturbances, or other similar events to those described above, but in each case the delay or failure to perform must be beyond the control and without any fault or negligence of the party delayed or failing to perform (these events are referred to in this provision as "Force Majeure Events").

Notwithstanding the foregoing, a delay or failure to perform by a Subcontractor of **CONTRACTOR** shall not constitute a Force Majeure Event, unless the delay or failure arises out of causes beyond the control of both **CONTRACTOR** and Subcontractor, and without any fault or negligence of either of them. In such case, **CONTRACTOR** shall not be liable for the delay or failure to perform, unless the goods or services to be furnished by the Subcontractor were obtainable from other sources in sufficient time to permit **CONTRACTOR** to perform timely. As used in this Contract, the term "Subcontractor" means a subcontractor at any tier.

In the event **CONTRACTOR'S** delay or failure to perform arises out of a Force Majeure Event, **CONTRACTOR** agrees to use commercially reasonable best efforts to obtain the goods or services from other sources, and to otherwise mitigate the damages and reduce the delay caused by the Force Majeure Event.

PSC-7. Waiver

A waiver of a default of any part, term or provision of this Contract shall not be construed as a waiver of any succeeding default or as a waiver of the part, term or provision itself. A party's performance after the other party's default shall not be construed as a waiver of that default.

PSC-8. Suspension

At **CITY'S** sole discretion, **CITY** may suspend any or all services provided under this Contract by providing **CONTRACTOR** with written notice of suspension. Upon receipt of the notice of suspension, **CONTRACTOR** shall immediately cease the services suspended and shall not incur any additional obligations, costs or expenses to **CITY** until **CITY** gives written notice to recommence the services.

PSC-9. Termination

A. Termination for Convenience

CITY may terminate this Contract for **CITY'S** convenience at any time by providing **CONTRACTOR** thirty days written notice. Upon receipt of the notice of termination, **CONTRACTOR** shall immediately take action not to incur any additional obligations, costs or expenses, except as may be necessary to terminate its activities. **CITY** shall pay **CONTRACTOR** its reasonable and allowable costs through the effective date of termination and those reasonable and necessary costs incurred by **CONTRACTOR** to effect the termination. Thereafter, **CONTRACTOR** shall have no further claims against **CITY** under this Contract. All finished and unfinished documents and materials procured for or produced under this Contract, including all intellectual property rights **CITY** is entitled to, shall become **CITY** property upon the date of the termination. **CONTRACTOR** agrees to execute any documents necessary for **CITY** to perfect, memorialize, or record **CITY'S** ownership of rights provided herein.

B. Termination for Breach of Contract

1. Except as provided in PSC-6, if **CONTRACTOR** fails to perform any of the provisions of this Contract or so fails to make progress as to endanger timely performance of this Contract, **CITY** may give **CONTRACTOR** written notice of the default. **CITY'S** default notice will indicate whether the default may be cured and the time period to cure the default to the sole satisfaction of **CITY**. Additionally, **CITY'S** default notice may offer **CONTRACTOR** an opportunity to provide **CITY** with a plan to cure the default, which shall be submitted to **CITY** within the time period allowed by **CITY**. At **CITY'S** sole discretion, **CITY** may accept or reject **CONTRACTOR'S** plan. If the default cannot be cured or if **CONTRACTOR** fails to cure within the period allowed by **CITY**, then **CITY** may terminate this Contract due to **CONTRACTOR'S** breach of this Contract.
2. If the default under this Contract is due to **CONTRACTOR'S** failure to maintain the insurance required under this Contract, **CONTRACTOR** shall immediately: (1) suspend performance of any services under this Contract for which insurance was required; and (2) notify its employees and Subcontractors of the loss of insurance

coverage and Contractor's obligation to suspend performance of services. **CONTRACTOR** shall not recommence performance until **CONTRACTOR** is fully insured and in compliance with **CITY'S** requirements.

3. If a federal or state proceeding for relief of debtors is undertaken by or against **CONTRACTOR**, or if **CONTRACTOR** makes an assignment for the benefit of creditors, then **CITY** may immediately terminate this Contract.
4. If **CONTRACTOR** engages in any dishonest conduct related to the performance or administration of this Contract or violates **CITY'S** laws, regulations or policies relating to lobbying, then **CITY** may immediately terminate this Contract.
5. Acts of Moral Turpitude
 - a. **CONTRACTOR** shall immediately notify **CITY** if **CONTRACTOR** or any Key Person, as defined below, is charged with, indicted for, convicted of, pleads nolo contendere to, or forfeits bail or fails to appear in court for a hearing related to, any act which constitutes an offense involving moral turpitude under federal, state, or local laws ("Act of Moral Turpitude").
 - b. If **CONTRACTOR** or a Key Person is convicted of, pleads nolo contendere to, or forfeits bail or fails to appear in court for a hearing related to, an Act of Moral Turpitude, **CITY** may immediately terminate this Contract.
 - c. If **CONTRACTOR** or a Key Person is charged with or indicted for an Act of Moral Turpitude, **CITY** may terminate this Contract after providing **CONTRACTOR** an opportunity to present evidence of **CONTRACTOR'S** ability to perform under the terms of this Contract.
 - d. Acts of Moral Turpitude include, but are not limited to: violent felonies as defined by Penal Code Section 667.5, crimes involving weapons, crimes resulting in serious bodily injury or death, serious felonies as defined by Penal Code Section 1192.7, and those crimes referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2); in addition to and including acts of murder, rape, sexual assault, robbery, kidnapping, human trafficking, pimping, voluntary manslaughter, aggravated assault, assault on a peace officer, mayhem, fraud, domestic abuse, elderly

abuse, and child abuse, regardless of whether such acts are punishable by felony or misdemeanor conviction.

- e. For the purposes of this provision, a Key Person is a principal, officer, or employee assigned to this Contract, or owner (directly or indirectly, through one or more intermediaries) of ten percent or more of the voting power or equity interests of **CONTRACTOR**.
- 6. In the event **CITY** terminates this Contract as provided in this section, **CITY** may procure, upon such terms and in the manner as **CITY** may deem appropriate, services similar in scope and level of effort to those so terminated, and **CONTRACTOR** shall be liable to **CITY** for all of its costs and damages, including, but not limited to, any excess costs for such services.
- 7. If, after notice of termination of this Contract under the provisions of this section, it is determined for any reason that **CONTRACTOR** was not in default under the provisions of this section, or that the default was excusable under the terms of this Contract, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to PSC-9(A) Termination for Convenience.
- 8. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.
- C. In the event that this Contract is terminated, **CONTRACTOR** shall immediately notify all employees and Subcontractors, and shall notify in writing all other parties contracted with under the terms of this Contract within five working days of the termination.

PSC-10. Independent Contractor

CONTRACTOR is an independent contractor and not an agent or employee of **CITY**. **CONTRACTOR** shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees, or agents to be an agent or employee of **CITY**.

PSC-11. Contractor's Personnel

Unless otherwise approved by **CITY**, **CONTRACTOR** shall use its own employees to perform the services described in this Contract. **CITY** has the right to review and approve any personnel who are assigned to work under this Contract. **CONTRACTOR** shall remove personnel from performing work under this Contract if requested to do so by **CITY**.

CONTRACTOR shall not use Subcontractors to assist in performance of this Contract without the prior written approval of **CITY**. If **CITY** permits the use of Subcontractors,

CONTRACTOR shall remain responsible for performing all aspects of this Contract and paying all Subcontractors. **CITY** has the right to approve **CONTRACTOR'S** Subcontractors, and **CITY** reserves the right to request replacement of any Subcontractor. **CITY** does not have any obligation to pay **CONTRACTOR'S** Subcontractors, and nothing herein creates any privity of contract between **CITY** and any Subcontractor.

PSC-12. Assignment and Delegation

CONTRACTOR may not, unless it has first obtained the written permission of **CITY**:

- A. Assign or otherwise alienate any of its rights under this Contract, including the right to payment; or
- B. Delegate, subcontract, or otherwise transfer any of its duties under this Contract.

PSC-13. Permits

CONTRACTOR and its directors, officers, partners, agents, employees, and Subcontractors, shall obtain and maintain all licenses, permits, certifications and other documents necessary for **CONTRACTOR'S** performance of this Contract. **CONTRACTOR** shall immediately notify **CITY** of any suspension, termination, lapses, non-renewals, or restrictions of licenses, permits, certificates, or other documents that relate to **CONTRACTOR'S** performance of this Contract.

PSC-14. Claims for Labor and Materials

CONTRACTOR shall promptly pay when due all amounts owed for labor and materials furnished in the performance of this Contract so as to prevent any lien or other claim under any provision of law from arising against any **CITY** property (including reports, documents, and other tangible or intangible matter produced by **CONTRACTOR** hereunder), and shall pay all amounts due under the Unemployment Insurance Act or any other applicable law with respect to labor used to perform under this Contract.

PSC-15. Current Los Angeles City Business Tax Registration Certificate Required

For the duration of this Contract, **CONTRACTOR** shall maintain valid Business Tax Registration Certificate(s) as required by **CITY'S** Business Tax Ordinance, Section 21.00 *et seq.* of the Los Angeles Municipal Code ("LAMC"), and shall not allow the Certificate to lapse or be revoked or suspended.

PSC-16. Retention of Records, Audit and Reports

CONTRACTOR shall maintain all records, including records of financial transactions, pertaining to the performance of this Contract, in their original form or as otherwise approved by **CITY**. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by **CITY**, (2) the expiration

of this Contract or (3) termination of this Contract. The records will be subject to examination and audit by authorized **CITY** personnel or **CITY'S** representatives at any time. **CONTRACTOR** shall provide any reports requested by **CITY** regarding performance of this Contract. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, **CONTRACTOR** may, upon **CITY'S** written approval, submit the required information to **CITY** in an electronic format, e.g. USB flash drive, at the expiration or termination of this Contract.

PSC-17. Bonds

All bonds required by **CITY** shall be filed with the Office of the City Administrative Officer, Risk Management for its review and acceptance in accordance with Los Angeles Administrative Code ("LAAC") Sections 11.47 *et seq.*, as amended from time to time.

PSC-18. Indemnification

Except for the gross negligence or willful misconduct of **CITY**, or any of its boards, officers, agents, employees, assigns and successors in interest, **CONTRACTOR** shall defend, indemnify and hold harmless **CITY** and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including **CONTRACTOR'S** employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of an act, error, or omission by **CONTRACTOR**, Subcontractors, or their boards, officers, agents, employees, assigns, and successors in interest. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract.

PSC-19. Intellectual Property Indemnification

CONTRACTOR, at its own expense, shall defend, indemnify, and hold harmless the **CITY**, and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by **CITY**, including but not limited to, costs of experts and consultants), damages or liability of any nature arising out of the infringement, actual or alleged, direct or contributory, of any intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity, and proprietary information: (1) on or in any design, medium, matter, article, process, method, application, equipment, device, instrumentation, software, hardware, or firmware used by **CONTRACTOR**, or its Subcontractors, in performing the work under

this Contract; or (2) as a result of **CITY'S** actual or intended use of any Work Product (as defined in PSC-21) furnished by **CONTRACTOR**, or its Subcontractors, under this Contract. The rights and remedies of **CITY** provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract. This provision will survive expiration or termination of this Contract.

PSC-20. Intellectual Property Warranty

CONTRACTOR represents and warrants that its performance of all obligations under this Contract does not infringe in any way, directly or contributorily, upon any third party's intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity and proprietary information.

PSC-21. Ownership and License

Unless otherwise provided for herein, all finished and unfinished works, tangible or not, created under this Contract including, without limitation, documents, materials, data, reports, manuals, specifications, artwork, drawings, sketches, blueprints, studies, memoranda, computation sheets, computer programs and databases, schematics, photographs, video and audiovisual recordings, sound recordings, marks, logos, graphic designs, notes, websites, domain names, inventions, processes, formulas, matters and combinations thereof, and all forms of intellectual property originated and prepared by **CONTRACTOR** or its Subcontractors under this Contract (each a "Work Product"; collectively "Work Products") shall be and remain the exclusive property of **CITY** for its use in any manner **CITY** deems appropriate. **CONTRACTOR** hereby assigns to **CITY** all goodwill, copyright, trademark, patent, trade secret and all other intellectual property rights worldwide in any Work Products originated and prepared under this Contract. **CONTRACTOR** further agrees to execute any documents necessary for **CITY** to perfect, memorialize, or record **CITY'S** ownership of rights provided herein.

CONTRACTOR agrees that a monetary remedy for breach of this Contract may be inadequate, impracticable, or difficult to prove and that a breach may cause **CITY** irreparable harm. **CITY** may therefore enforce this requirement by seeking injunctive relief and specific performance, without any necessity of showing actual damage or irreparable harm. Seeking injunctive relief or specific performance does not preclude **CITY** from seeking or obtaining any other relief to which **CITY** may be entitled.

For all Work Products delivered to **CITY** that are not originated or prepared by **CONTRACTOR** or its Subcontractors under this Contract, **CONTRACTOR** shall secure a grant, at no cost to **CITY**, for a non-exclusive perpetual license to use such Work Products for any **CITY** purposes.

CONTRACTOR shall not provide or disclose any Work Product to any third party without prior written consent of **CITY**.

Any subcontract entered into by **CONTRACTOR** relating to this Contract shall include this provision to contractually bind its Subcontractors performing work under this Contract

such that **CITY'S** ownership and license rights of all Work Products are preserved and protected as intended herein.

PSC-22. Data Protection

- A. **CONTRACTOR** shall protect, using the most secure means and technology that is commercially available, **CITY**-provided data or consumer-provided data acquired in the course and scope of this Contract, including but not limited to customer lists and customer credit card or consumer data, (collectively, the "City Data"). **CONTRACTOR** shall notify **CITY** in writing as soon as reasonably feasible, and in any event within twenty-four hours, of **CONTRACTOR'S** discovery or reasonable belief of any unauthorized access of City Data (a "Data Breach"), or of any incident affecting, or potentially affecting City Data related to cyber security (a "Security Incident"), including, but not limited to, denial of service attack, and system outage, instability or degradation due to computer malware or virus. **CONTRACTOR** shall begin remediation immediately. **CONTRACTOR** shall provide daily updates, or more frequently if required by **CITY**, regarding findings and actions performed by **CONTRACTOR** until the Data Breach or Security Incident has been effectively resolved to **CITY'S** satisfaction. **CONTRACTOR** shall conduct an investigation of the Data Breach or Security Incident and shall share the report of the investigation with **CITY**. At **CITY'S** sole discretion, **CITY** and its authorized agents shall have the right to lead or participate in the investigation. **CONTRACTOR** shall cooperate fully with **CITY**, its agents and law enforcement.
- B. If **CITY** is subject to liability for any Data Breach or Security Incident, then **CONTRACTOR** shall fully indemnify and hold harmless **CITY** and defend against any resulting actions.

PSC-23. Insurance

During the term of this Contract and without limiting **CONTRACTOR'S** obligation to indemnify, hold harmless and defend **CITY**, **CONTRACTOR** shall provide and maintain at its own expense a program of insurance having the coverages and limits not less than the required amounts and types as determined by the Office of the City Administrative Officer of Los Angeles, Risk Management (template Form General 146 in Exhibit 1 hereto). The insurance must: (1) conform to **CITY'S** requirements; (2) comply with the Insurance Contractual Requirements (Form General 133 in Exhibit 1 hereto); and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management. **CONTRACTOR** shall comply with all Insurance Contractual Requirements shown on Exhibit 1 hereto. Exhibit 1 is hereby incorporated by reference and made a part of this Contract.

PSC-24. Best Terms

Throughout the term of this Contract, **CONTRACTOR**, shall offer **CITY** the best terms, prices, and discounts that are offered to any of **CONTRACTOR'S** customers for similar goods and services provided under this Contract.

PSC-25. Warranty and Responsibility of Contractor

CONTRACTOR warrants that the work performed hereunder shall be completed in a manner consistent with professional standards practiced among those firms within **CONTRACTOR'S** profession, doing the same or similar work under the same or similar circumstances.

PSC-26. Mandatory Provisions Pertaining to Non-Discrimination in Employment

Unless otherwise exempt, this Contract is subject to the applicable non-discrimination, equal benefits, equal employment practices, and affirmative action program provisions in LAAC Section 10.8 et seq., as amended from time to time.

- A. **CONTRACTOR** shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and **CITY**. In performing this Contract, **CONTRACTOR** shall not discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.
- B. The requirements of Section 10.8.2.1 of the LAAC, the Equal Benefits Ordinance, and the provisions of Section 10.8.2.1(f) are incorporated and made a part of this Contract by reference.
- C. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Contract by reference and will be known as the "Equal Employment Practices" provisions of this Contract.
- D. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Contract by reference and will be known as the "Affirmative Action Program" provisions of this Contract.

Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-27. Child Support Assignment Orders

CONTRACTOR shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, **CONTRACTOR** shall fully comply with all applicable State and Federal

employment reporting requirements. Failure of **CONTRACTOR** to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of **CONTRACTOR** to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by the **CONTRACTOR** under this Contract. Failure of **CONTRACTOR** or principal owner to cure the default within 90 days of the notice of default will subject this Contract to termination for breach. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-28. Living Wage Ordinance

CONTRACTOR shall comply with the Living Wage Ordinance, LAAC Section 10.37 *et seq.*, as amended from time to time. **CONTRACTOR** further agrees that it shall comply with federal law proscribing retaliation for union organizing. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-29. Service Contractor Worker Retention Ordinance

CONTRACTOR shall comply with the Service Contractor Worker Retention Ordinance, LAAC Section 10.36 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-30. Americans with Disabilities Act

CONTRACTOR shall comply with the Americans with Disabilities Act, 42 U.S.C. Section 12101 *et seq.*, and its implementing regulations.

PSC-31. Contractor Responsibility Ordinance

CONTRACTOR shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 *et seq.*, as amended from time to time.

PSC-32. Business Inclusion Program

Unless otherwise exempted prior to bid submission, **CONTRACTOR** shall comply with all aspects of the Business Inclusion Program as described in the Request for Proposal/Qualification process, throughout the duration of this Contract. **CONTRACTOR** shall utilize the Business Assistance Virtual Network ("BAVN") at <https://www.labavn.org/>, to perform and document outreach to Minority, Women, and Other Business Enterprises. **CONTRACTOR** shall perform subcontractor outreach activities through BAVN. **CONTRACTOR** shall not change any of its designated Subcontractors or pledged specific items of work to be performed by these Subcontractors, nor shall **CONTRACTOR** reduce their level of effort, without prior written approval of **CITY**.

PSC-33. Slavery Disclosure Ordinance

CONTRACTOR shall comply with the Slavery Disclosure Ordinance, LAAC Section 10.41 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-34. First Source Hiring Ordinance

CONTRACTOR shall comply with the First Source Hiring Ordinance, LAAC Section 10.44 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-35. Local Business Preference Ordinance

CONTRACTOR shall comply with the Local Business Preference Ordinance, LAAC Section 10.47 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-36. Iran Contracting Act

In accordance with California Public Contract Code Sections 2200-2208, all contractors entering into, or renewing contracts with **CITY** for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the "Iran Contracting Act of 2010 Compliance Affidavit."

PSC-37. Restrictions on Campaign Contributions and Fundraising in City Elections

Unless otherwise exempt, if this Contract is valued at \$100,000 or more and requires approval by an elected **CITY** office, **CONTRACTOR**, **CONTRACTOR'S** principals, and **CONTRACTOR'S** Subcontractors expected to receive at least \$100,000 for performance under the Contract, and the principals of those Subcontractors (the "Restricted Persons") shall comply with Charter Section 470(c)(12) and LAMC Section 49.7.35. Failure to comply entitles **CITY** to terminate this Contract and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected **CITY** officials or candidates for elected **CITY** office for twelve months after this Contract is signed. Additionally, a **CONTRACTOR** subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any **CONTRACTOR** subject to Charter Section 470(c)(12) shall include the following notice in any contract with any Subcontractor expected to receive at least \$100,000 for performance under this Contract:

"Notice Regarding Restrictions on Campaign Contributions and Fundraising
in City Elections

You are a subcontractor on City of Los Angeles Contract

#_____. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles ("**CITY**") officials and candidates for elected **CITY** office for twelve months after the **CITY** contract is signed. You are required to provide the names and contact information of your principals to the **CONTRACTOR** and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of this Contract and any other available legal remedies. Information about the restrictions may be found online at ethics.lacity.org or by calling the Los Angeles City Ethics Commission at (213) 978-1960."

PSC-38. Contractors' Use of Criminal History for Consideration of Employment Applications

CONTRACTOR shall comply with the City Contractors' Use of Criminal History for Consideration of Employment Applications Ordinance, LAAC Section 10.48 *et seq.*, as amended from time to time. Any subcontract entered into by **CONTRACTOR** for work to be performed under this Contract must include an identical provision.

PSC-39. Limitation of City's Obligation to Make Payment to Contractor

Notwithstanding any other provision of this Contract, including any exhibits or attachments incorporated therein, and in order for **CITY** to comply with its governing legal requirements, **CITY** shall have no obligation to make any payments to **CONTRACTOR** unless **CITY** shall have first made an appropriation of funds equal to or in excess of its obligation to make any payments as provided in this Contract. **CONTRACTOR** agrees that any services provided by **CONTRACTOR**, purchases made by **CONTRACTOR** or expenses incurred by **CONTRACTOR** in excess of the appropriation(s) shall be free and without charge to **CITY** and **CITY** shall have no obligation to pay for the services, purchases or expenses. **CONTRACTOR** shall have no obligation to provide any services, provide any equipment or incur any expenses in excess of the appropriated amount(s) until **CITY** appropriates additional funds for this Contract.

PSC-40. Compliance with Identity Theft Laws and Payment Card Data Security Standards

CONTRACTOR shall comply with all identity theft laws including without limitation, laws related to: (1) payment devices; (2) credit and debit card fraud; and (3) the Fair and Accurate Credit Transactions Act ("FACTA"), including its requirement relating to the content of transaction receipts provided to Customers. **CONTRACTOR** also shall comply with all requirements related to maintaining compliance with Payment Card Industry Data Security Standards ("PCI DSS"). During the performance of any service to install, program or update payment devices equipped to conduct credit or debit card transactions, including PCI DSS services, **CONTRACTOR** shall verify proper truncation of receipts in compliance with FACTA.

PSC-41. Compliance with California Public Resources Code Section 5164

California Public Resources Code Section 5164 prohibits a public agency from hiring a person for employment or as a volunteer to perform services at any park, playground, or community center used for recreational purposes in a position that has supervisory or disciplinary authority over any minor, if the person has been convicted of certain crimes as referenced in the Penal Code, and articulated in California Public Resources Code Section 5164(a)(2).

If applicable, **CONTRACTOR** shall comply with California Public Resources Code Section 5164, and shall additionally adhere to all rules and regulations that have been adopted or that may be adopted by **CITY**. **CONTRACTOR** is required to have all employees, volunteers and Subcontractors (including all employees and volunteers of any Subcontractor) of **CONTRACTOR** working on premises to pass a fingerprint and background check through the California Department of Justice at **CONTRACTOR'S** sole expense, indicating that such individuals have never been convicted of certain crimes as referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2), if the individual will have supervisory or disciplinary authority over any minor.

PSC-42. Possessory Interests Tax

Rights granted to **CONTRACTOR** by **CITY** may create a possessory interest. **CONTRACTOR** agrees that any possessory interest created may be subject to California Revenue and Taxation Code Section 107.6 and a property tax may be levied on that possessory interest. If applicable, **CONTRACTOR** shall pay the property tax. **CONTRACTOR** acknowledges that the notice required under California Revenue and Taxation Code Section 107.6 has been provided.

PSC-43. Confidentiality

All documents, information and materials provided to **CONTRACTOR** by **CITY** or developed by **CONTRACTOR** pursuant to this Contract (collectively "Confidential Information") are confidential. **CONTRACTOR** shall not provide or disclose any Confidential Information or their contents or any information therein, either orally or in writing, to any person or entity, except as authorized by **CITY** or as required by law. **CONTRACTOR** shall immediately notify **CITY** of any attempt by a third party to obtain access to any Confidential Information. This provision will survive expiration or termination of this Contract.

EXHIBIT 1

INSTRUCTIONS AND INFORMATION ON COMPLYING WITH CITY INSURANCE REQUIREMENTS

(Share this information with your insurance agent or broker)

1. **Agreement/Reference** All evidence of insurance should identify the nature of your business with the **CITY**. Clearly show any assigned number of a bid, contract, lease, permit, etc. or give the project name and the job site or street address to ensure that your submission will be properly credited. Provide the **types of coverage and minimum dollar amounts** specified on the Required Insurance and Minimum Limits sheet (Form Gen. 146) as determined in writing by the CAO-RM.

2. **When to submit** Normally, no work may begin until a **CITY** insurance certificate approval number ("CA number") has been obtained, so insurance documents should be submitted as early as practicable. For **As-needed Contracts**, insurance need not be submitted until a specific job has been awarded. **Design Professionals** coverage for new construction work may be submitted simultaneously with final plans and drawings, but before construction commences.

Submitting your documents. **Track4LA®** is the **CITY'S** online insurance compliance system and is designed to make the experience of submitting and retrieving insurance information quick and easy. The system is designed to be used by insurance brokers and agents as they submit client insurance certificates directly to the **CITY**. It uses the standard insurance industry form known as the **ACORD 25 Certificate of Liability Insurance** in electronic format. Track4LA® advantages include standardized, universally accepted forms, paperless approval transactions (24 hours, 7 days per week), and security checks and balances. The easiest and quickest way to obtain approval of your insurance is to have your insurance broker or agent access **Track4LA®** at <http://track4la.lacity.org> and follow the instructions to register and submit the appropriate proof of insurance on your behalf.

Insurance industry certificates other than the ACORD 25 may be accepted, however ***submissions other than through Track4LA® will significantly delay the insurance approval process as documents will have to be manually processed.*** **CONTRACTOR must provide CITY** a thirty day notice of cancellation (ten days for non-payment of premium) AND an Additional Insured Endorsement naming the **CITY** an additional insured completed by your insurance company or its designee. If the policy includes an automatic or blanket additional insured endorsement, the Certificate must state the **CITY** is an automatic or blanket additional insured. An endorsement naming the **CITY** an Additional Named Insured and Loss Payee as Its Interests May Appear is required on property policies. All evidence of insurance must be authorized by a person with authority to bind coverage, whether that is the authorized agent/broker or insurance underwriter. Completed **Insurance Industry Certificates other than ACORD 25 Certificates** are sent electronically to CAO.insurance.bonds@lacity.org.

Additional Insured Endorsements DO NOT apply to the following:

- Indication of compliance with statute, such as Workers' Compensation Law.
- Professional Liability insurance.

Verification of approved insurance and bonds may be obtained by checking **Track4LA®**, the **CITY'S** online insurance compliance system, at <http://track4la.lacity.org>.

4. **Renewal** When an existing policy is renewed, have your insurance broker or agent submit a new Acord 25 Certificate or edit the existing Acord 25 Certificate through **Track4LA®** at <http://track4la.lacity.org>.

5. **Alternative Programs/Self-Insurance** Risk financing mechanisms such as Risk Retention Groups, Risk Purchasing Groups, off-shore carriers, captive insurance programs and self-insurance programs are subject to separate approval after the **CITY** has reviewed the relevant audited financial statements. To initiate a review of your program, you should complete the Applicant's Declaration of Self Insurance form (<http://cao.lacity.org/risk/InsuranceForms.htm>) to the CAO-RM for consideration.

6. **General Liability** insurance covering your operations (and products, where applicable) is required whenever the **CITY** is at risk of third-party claims which may arise out of your work or your presence or special event on City premises. **Sexual Misconduct** coverage is a required coverage when the work performed involves minors. **Fire Legal Liability** is required for persons occupying a portion of **CITY** premises. Information on two **CITY** insurance programs, the SPARTA program, an optional source of low-cost insurance which meets the most minimum requirements, and the Special Events Liability Insurance Program, which provides liability coverage for short-term special events on **CITY** premises or streets, is available at (www.2sqrta.com), or by calling (800) 420-0555.

7. **Automobile Liability** insurance is required only when vehicles are used in performing the work of your Contract or when they are driven off-road on **CITY** premises; it is not required for simple commuting unless **CITY** is paying mileage. However, compliance with California law requiring auto liability insurance is a contractual requirement.

8. **Errors and Omissions** coverage will be specified on a project-by-project basis if you are working as a licensed or other professional. The length of the claims discovery period required will vary with the circumstances of the individual job.

9. **Workers' Compensation and Employer's Liability** insurance are not required for single-person contractors. However, under state law these coverages (or a copy of the state's Consent To Self Insure) must be provided if you have any employees at any time during the period of this contract. Contractors with no employees must complete a Request for Waiver of Workers' Compensation Insurance Requirement (<http://cao.lacity.org/risk/InsuranceForms.htm>). A Waiver of Subrogation on the coverage is required only for jobs where your employees are working on **CITY** premises under hazardous conditions, e.g., uneven terrain, scaffolding, caustic chemicals, toxic materials, power tools, etc. The Waiver of Subrogation waives the insurer's right to recover (from the **CITY**) any workers' compensation paid to an injured employee of the contractor.

10. **Property** insurance is required for persons having exclusive use of premises or equipment owned or controlled by the **CITY**. **Builder's Risk/Course of Construction** is required during construction projects and should include building materials in transit and stored at the project site.

11. **Surety** coverage may be required to guarantee performance of work and payment to vendors and suppliers. A **Crime Policy** may be required to handle **CITY** funds or securities, and under certain other conditions. **Specialty coverages** may be needed for certain operations. For assistance in obtaining the **CITY** required bid, performance and payment surety bonds, please see the City of Los Angeles Bond Assistance Program website address at <http://cao.lacity.org/risk/BondAssistanceProgram.pdf> or call (213) 258-3000 for more information.

12. **Cyber Liability & Privacy** coverage may be required to cover technology services or products for both liability and property losses that may result when a **CITY** contractor engages in various electronic activities, such as selling on the Internet or collecting data within its internal electronic network. **CONTRACTOR'S** policies shall cover liability for a data breach in which the **CITY** employees' and/or **CITY** customers' confidential or personal information, such as but not limited to, Social Security or credit card information are exposed or stolen by a hacker or other criminal who has gained access to the **CITY'S** or **CONTRACTOR'S** electronic network. The policies shall cover a variety of expenses associated with data breaches, including: notification costs, credit monitoring, costs to defend claims by state regulators, fines and penalties, and loss resulting from identity theft. The policies are required to cover liability arising from website media content, as well as property exposures from: (a) business interruption, (b) data loss/destruction, (c) computer fraud, (d) funds transfer loss, and (e) cyber extortion.

Required Insurance and Minimum Limits

Name: _____

Date: _____

Agreement/Reference: _____

Evidence of coverages checked below, with the specified minimum limits, must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSLs"). For Automobile Liability, split limits may be substituted for a CSL if the total per occurrence equals or exceeds the CSL amount.

Limits

Workers' Compensation (WC) and Employer's Liability (EL)

WC
Statutory

EL

☐ Waiver of Subrogation in favor of City☐ Longshore & Harbor Workers☐ Jones Act

General Liability
☐ Products/Completed Operations☐ Sexual Misconduct☐ Fire Legal Liability☐

Automobile Liability (for any and all vehicles used for this contract, other than commuting to/from work)

Professional Liability (Errors and Omissions)

Discovery Period _____

Property Insurance (to cover replacement cost of building - as determined by insurance company)
☐ All Risk Coverage☐ Flood☐ Earthquake☐ Boiler and Machinery☐ Builder's Risk☐

Pollution Liability
☐

Surety Bonds - Performance and Payment (Labor and Materials) Bonds

Crime Insurance

Other:

EXHIBIT N
FORM OF TAX CONFIDENTIALITY WAIVER

Exhibit I

Form of Tax Confidentiality Waiver

ANTOINETTE CHRISTOVALE
DIRECTOR of FINANCE

CITY OF LOS ANGELES
CALIFORNIA

OFFICE OF FINANCE
200 N. SPRING ST.
LOS ANGELES CA 90012
(213) 978-1774



ERIC GARGETTI
MAYOR

Date

WAIVER OF CONFIDENTIALITY

[Project Title]

I understand that any and all individual taxpayer information and records, documents, and data from which taxpayer data may be deduced, provided to me by the Office of Finance, or accessed or reviewed by me during performance of this project, are confidential under Chapter II, Section 21.17 of the Los Angeles Municipal Code (copy provided on reverse side of this page) and other statutes. I hereby authorize the disclosure of the confidential information described below to the persons or entities listed below. The City of Los Angeles shall be authorized to disclose this confidential information until [end date of Agreement] or as specified pursuant to the Subvention Agreement (Agreement) for the purposes identified in this Agreement therein (C.F. xx-xxxx). I hereby absolve the City of Los Angeles from all claims for damages, liability, or injunctive relief and waive any such claims based on the disclosure of confidential information under this Waiver of Confidentiality.

INFORMATION TO BE DISCLOSED

| Tax Year | Taxpayer Account Number | Description of Information |
|-------------|-------------------------|----------------------------|
| 20xx – 20xx | | Transient Occupancy Taxes |

RECIPIENTS OF CONFIDENTIAL INFORMATION

| Name | Address | Telephone Number/Email |
|---|--|--|
| Natalie R. Brill or successor, Chief of Debt Management | Office of the City Administrative Officer 200 N. Main St., Room 1500 Los Angeles, CA 90012 | (213) 473-7526 Natalie.Brill@lacity.org |
| Sarai Bhaga or successor, Debt Management Group | Office of the City Administrative Officer 200 N. Main St., Room 1500 Los Angeles, CA 90012 | (213) 978-0604 Sarai.Bhaga@lacity.org |
| Derik Pearson or successor, Debt Management Group | Office of the City Administrative Officer 200 N. Main St., Room 1500 Los Angeles, CA 90012 | (213) 473-7554 Derik.Pearson@lacity.org |

If I am executing this document as a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer. [NOTE: This must be executed by an authorized representative of the same entity who obtains a Business Tax Registration Certificate and pays TOT.]

Name of Taxpayer

Signature

Printed Name

Title

SECTION 21.17, LOS ANGELES MUNICIPAL CODE. (Amended by Ord. No. 180,380, Eff. 1/5/09.)

CONFIDENTIAL CHARACTER OF INFORMATION OBTAINED – DISCLOSURE UNLAWFUL.

(a) It shall be unlawful for the Director of Finance or any person having an administrative duty under the provisions of this Article or Article 1.6 to make known in any manner whatever the business affairs and operations of, or the nature, amount or source of income, profits, losses, expenditures, net worth, or any particular thereof, or any other information set forth in any statement or return or obtained by an investigation of records and equipment of, any person required to obtain a business tax registration certificate or sales or use tax permit, or pay business, sales or use tax or any other person visited or examined in the discharge of official duty, or to permit any statement or return, or copy of either, or any book containing any abstract or particulars thereof to be seen or examined by any person.

(b) Nothing in this section shall be construed to prevent:

1. the disclosure of information to, or the examination of records and equipment by, another City official or employee or a member of the Board of Review for the sole purpose of administering or enforcing any provision of this article or Article 1.6;

2. the disclosure of information to, or the examination of records by federal or state officials, or the tax officials of another city or county, or city and county, if a reciprocal arrangement exists; or to a grand jury;

3. the disclosure of information and results of examination of records of a particular taxpayer, or relating to a particular taxpayer, with respect to any proceeding in a court of law or before an administrative body in which the existence or amount of any business, sales or use tax liability of the particular taxpayer to the City of Los Angeles is relevant and material and the particular taxpayer is a party to the proceeding, including but not limited to proceedings before any Board or Commission as set forth in Municipal Code section 22.02;

4. the disclosure after the filing of a written request to that effect, to the taxpayer himself, or to his successors, receivers, trustees, executors, administrators, assignees and guarantors, if directly interested, of information as to the items included in the measure of any paid tax, any unpaid tax or amounts of tax required to be collected, interest and penalties; further provided, however, that the City Attorney approves each such disclosure and that the Director of Finance may refuse to make any disclosure referred to in this paragraph when in his opinion the public interest would suffer thereby;

5. the disclosure of the names and addresses of persons to whom registration certificates or sales tax and use tax permits have been issued;

6. the disclosure of such information as may be necessary to the City Council in order to permit it to be fully advised as to the facts when a taxpayer files a claim for refund of business, sales or use taxes, or submits an offer of compromise with regard to a claim for refund of business, sales or use taxes, or submits an offer of compromise with regard to a claim asserted against him by the City for business, sales or use taxes, or where the existence or amount of business, sales, or use taxes are otherwise relevant to the determination of a matter required to be submitted to the City Council under the City of Los Angeles Charter, the Los Angeles Municipal Code, or the Los Angeles Administrative Code;

7. the disclosure of information to, or the examination of records by, contractors or employees of contractors with whom the City of Los Angeles has contracted to assist the City of Los Angeles for the sole purpose of administering or enforcing any provision of this Article or Article 1.6, if the contract requires the persons granted access to such information or records to abide by the confidentiality requirements of this Section, and if the City Council has approved the award and execution of such contract;

8. the disclosure of information to, or the examination of records by, purchasers of accounts receivable pursuant to Los Angeles Administrative Code section 5.186, or the disclosure to any employees of such purchasers of accounts receivable, if the purchase agreement requires the persons granted access to such information or records to abide by the confidentiality requirements of this Section;

9. the disclosure of the identity of any particular taxpayer with delinquent business, sales, or use taxes and the type and amount of the delinquent business, sales, or use tax liability of that taxpayer, and the publication of such information at the discretion of the Office of Finance pursuant to Los Angeles Municipal Code section 21.15 (m);

10. the disclosure of information when compelled by an order of court or other judicial process; and

11. the disclosure of statistical or cumulative information when the disclosure does not identify any particular taxpayer or reveal information in a manner that could identify a particular taxpayer.

Attachment B

Government Code Section 53083 Report

**SUMMARY REPORT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 53083
ON A
HOTEL DEVELOPMENT INCENTIVE AGREEMENT
BY AND BETWEEN
THE CITY OF LOS ANGELES
AND
926 JAMES M. WOOD BOULEVARD, LLC**

The following Summary Report has been prepared pursuant to California Government Code Section 53083. The report sets forth certain details of the proposed Hotel Development Incentive Agreement (Agreement) between the following parties:

1. The City of Los Angeles (City), a municipal corporation;
2. 926 James M. Wood Boulevard, a California corporation (Developer).

The Agreement requires the City to provide a development incentive to the Developer for the purpose of constructing a hotel. The project is located on a 14,156 square foot parcel at 926 James M. Wood Boulevard in the City of Los Angeles (Site). The project will consist of building an 18-level, 247-room hotel (Project).

This summary report considers only the proposed Agreement. The purpose of this Agreement is to effectuate economic development in the City.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following six sections:

- I. Identity of the Developer:** This section provides the name and address of the Developer.
- II. Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Developer and the City by the Agreement.
- III. Economic Incentives Provided and Cost of the Agreement:** This section details the economic incentives provided and the costs incurred by the City to implement the Agreement.
- IV. Consideration Received and Comparison with the Economic Incentives Provided:** This section describes the financial compensation to be received by the City.
- V. Creation of Economic Opportunity and Public Purpose:** This section explains how the Agreement will assist in creating economic opportunity in the City.

VI. Job Creation: This section describes the number of full-time, part-time and temporary jobs created under the Agreement.

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. IDENTITY OF DEVELOPER

Information on the Developer is provided below:

926 James M. Wood Boulevard, LLC

926 James M. Wood Boulevard, LLC
c/o Pacific Property Partners
825 South Barrington Avenue
Los Angeles, California 90049

II. SALIENT POINTS OF THE AGREEMENT

A. Project Description

The Site was previously used as a parking lot. The Developer acquired the property and will be constructing a 247-room hotel on the Site. The proposed Project will include the following:

1. 247 hotel rooms
2. Lobby lounge and bistro
3. Meeting and pre-function space
4. Convenience/sundry store
5. Fitness room
6. Rooftop pool

The project will be 18 levels and includes a parking structure. The hotel will be built to a minimum three-star quality level. Total costs of the improvements are estimated at approximately \$97.5 million.

B. Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. Construction and maintenance of the Hotel Project in accordance with the standards set forth in the Agreement;
2. The Hotel Brand obtaining and maintaining the Three-Diamond Rating for the Hotel;
3. The Developer's continued compliance in all material respects with the City's Community Benefits Program;
4. The Hotel Brand's continued compliance in all material respects with the Hotel Operating Covenant;
5. Collection and remittance of all City taxes at the Hotel Site that are due and payable by Developer;
6. Developer shall execute and require the Hotel Operator and each business at the Hotel Site to execute a valid Confidentiality Waiver;
7. Developer and Hotel Operator shall strictly comply with the Room Block Agreement;
8. Developer shall cause the Hotel Operator to comply with all applicable Standard Contract Provisions and all other material terms of the Agreement;
9. Developer shall cooperate with the City in calculating Net New Revenues, and in complying with the Government Code Disclosure requirements by making available to the City any information and/or waivers which the City requires, whether from the Developer, the Hotel Operator, or any business operating on the Site, which the City determines in its reasonable discretion are necessary to determine the Net New Revenues generated at the Hotel Site and to comply with the Government Code Disclosure Requirements;
10. Developer shall insert a contract provision in its contract with the general contractor requiring the general contractor and its major subcontractors to designate the City of Los Angeles as the place of use of any materials purchased for the development of the Hotel Project; and
11. The Developer and its successors and assigns shall ensure that the Hotel will be operated, furnished, serviced, maintained, and refurbished to at least to the standard of quality of a Three-Diamond Rating or at an equivalent level by an alternative nationally recognized hotel rating service for the duration of the City Financial Assistance Term.

C. City Responsibilities

The Agreement imposes the following responsibilities on the City:

1. The City shall disburse to the Developer the Annual Hotel Incentive Payments from the Special Fund on an annual basis until the earlier of such time as the Maximum Hotel Incentive Amount has been paid to the Developer, or (b) the City Financial Assistance Term has expired or has been otherwise terminated.
2. The City shall disburse to the Developer an amount equal to one hundred percent (100%) of the Transient Occupancy Tax from the Hotel as received by the City in the applicable payment period.
3. The aggregate amount of the Hotel incentive payments, which when discounted to present value as of the Completion Date using a discount rate of ten percent (10%) per year equals fifteen million seven hundred thousand dollars (\$15,700,000).
4. The City shall have timely performed all of the obligations required by the terms of the Agreement.

III. ECONOMIC INCENTIVES PROVIDED AND COST OF THE AGREEMENT

The City is making economic incentive payments to facilitate the development of the Project and the operation of the hotel. The cost to be incurred by the City is capped at a net present value of \$15.7 million assuming a discount rate of 10%. The payments will be made over a period of up to 25 years from 100% of the transient occupancy tax revenues generated by the Project.

IV. CONSIDERATION RECEIVED AND COMPARISON WITH THE ECONOMIC INCENTIVES PROVIDED

The City expects to receive a significant increase in transient occupancy tax, property tax, sales tax, gross receipts tax, utility tax and parking tax from the development of the Project. The detailed projections for the Project are summarized in Keyser Marston Associates' *Cambria Hotel – Financial Feasibility, Public Revenue and Employment Analysis* that was submitted to the City in October 2017. Table 1 shows the projected City revenues generated by the Project over the term of the Agreement. The revenues are summarized below:

1. Transient Occupancy Tax (TOT) – The current City TOT rate is 14% of room revenues. The Project is projected to have an initial Average Daily Rate of \$230 and an occupancy rate that stabilizes at 78.0%. At this level of performance, the Project will generate \$83.2 million in TOT over the Agreement term. Assuming a 10% discount rate, the net present value of this revenue is \$26.6 million.
2. Property Tax – Within the Site's Tax Rate Area, the City receives 26.3% of the general property tax levy of 1.0% of assessed value, with the balance of the collected property

taxes going to other taxing jurisdictions. The assessed value of the Project is estimated at \$97.5 million. At this level of value, the Project will generate \$8.8 million in property tax over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$3.2 million.

3. On-Site Sales Tax – The City receives 1.0% of the taxable sales generated by the Project, with the balance of the sales tax going to other taxing jurisdictions. As a select-service hotel, the Project will generate modest sales. The sales in these departments generate sales tax, which is projected at \$598,000 over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$245,000.
4. Gross Receipts, Utility User Tax and Parking Taxes – The Project will also generate revenue to the City from taxes on its total gross receipts, utility utilization (electric, natural gas and telephone) and charged parking. The revenue generated from these sources is projected to create \$5.4 million in taxes to the City over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$1.7 million.

Over the course of the Agreement Term, the Project is projected to generate \$98.0 million in gross revenue to the City, with a net present value of \$31.8 million.

The gross revenues generated by the Project are off-set by the existing revenues generated on the Site and the City's Assistance. The net revenues received by the City are shown in Table 2. As of the fiscal year 2016-17, the City received \$28,000 in revenue from the Site. Over the Agreement Term these revenues total \$1.2 million. Therefore, the Project is projected to generate \$96.8 million (\$31.3 million NPV) in additional revenues to the City over the Agreement Term.

Per the Agreement, the City's Assistance is limited to a net present value of \$15.7 million, with the City making annual payments to the Developer out of 100% of the available TOT over a term of up to 25 years. The payments made by the City are discounted at an interest rate of 10% per annum. As shown in Table 2, the payments to the Developer are projected to cease in Year 10 of Project operations. At this point in time the Developer will have received \$25.9 million in assistance, which has a net present value of \$15.7 million. As shown in Table 2, the net revenue to the City after the payment of the assistance to the Developer is \$70.9 million, which has a net present value of \$15.7 million.

V. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

The Los Angeles City Council has determined that encouraging economic development, including private investment that involves creation of new jobs and income in the City, or the retention of existing jobs and income that would otherwise be lost or be unavailable to the residents of the City, is a valid exercise of its powers and provides an important public benefit and serves an important public purpose. 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 the increase in Three-Diamond hotel rooms near the Los Angeles Convention Center and potentially increasing the number of conventions in the City; (ii) increased revenues from property, sales, parking, gross receipts, utility and TOT taxes, (iii) enhanced economic opportunities generated by the development of a new hotel serving downtown Los Angeles, and (iv) the provision of infrastructure to the City of Los Angeles, together with the Developer's obligations under the Community Benefits Plan included in the Agreement represent fair consideration for all of the obligations to be undertaken by the City as contemplated in the Agreement.

Other important goals and objectives that are satisfied by the Project are:

1. Construction of the Project is expected to generate a substantial numbers of construction jobs.
2. Potential increase in private investment as a result of the public investment in this Project.
3. Increased number of visitors to the City, which will spend money on dining, retail and entertainment activities in the City.
4. As a surface parking lot, the current improvements on the Site do not reflect the highest and best economic use of the site.

VI. JOB CREATION

The Project is projected to create the following number of temporary jobs during construction, and full-time and part-time jobs during operation. It is estimated that 630 temporary construction jobs will be created during the construction period. After opening the Developer indicates the Project will create 86 total jobs. These jobs will include 54 full-time and 32 part-time positions.

Attachment

TABLE 1

PUBLIC REVENUES PROJECTIONS
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA

| Project Year | | Transient Occupancy Tax ¹ | City Share of Property Tax ² | On-Site Sales Tax ³ | Gross Receipts Tax ⁴ | Utility User Tax ⁵ | Parking Tax ⁶ | Gross Public Revenues |
|-------------------------|----------|---|--|-----------------------------------|------------------------------------|-------------------------------|--------------------------|--------------------------|
| Const. | 2017 -18 | - | - | - | - | - | - | - |
| Const. | 2018 -19 | - | \$128,000 | \$40,000 | \$32,000 | - | - | \$200,000 |
| Const. | 2019 -20 | - | 259,000 | 40,000 | 32,000 | - | - | 331,000 |
| 1 | 2020 -21 | 2,094,000 | 264,000 | 13,000 | 24,000 | \$38,000 | \$65,000 | 2,498,000 |
| 2 | 2021 -22 | 2,313,000 | 269,000 | 14,000 | 27,000 | 44,000 | 72,000 | 2,739,000 |
| 3 | 2022 -23 | 2,550,000 | 275,000 | 16,000 | 29,000 | 48,000 | 80,000 | 2,998,000 |
| 4 | 2023 -24 | 2,629,000 | 280,000 | 16,000 | 30,000 | 52,000 | 82,000 | 3,089,000 |
| 5 | 2024 -25 | 2,707,000 | 286,000 | 17,000 | 31,000 | 54,000 | 85,000 | 3,180,000 |
| 6 | 2025 -26 | 2,775,000 | 292,000 | 17,000 | 31,000 | 56,000 | 87,000 | 3,258,000 |
| 7 | 2026 -27 | 2,844,000 | 297,000 | 18,000 | 33,000 | 58,000 | 89,000 | 3,339,000 |
| 8 | 2027 -28 | 2,916,000 | 303,000 | 18,000 | 34,000 | 60,000 | 91,000 | 3,422,000 |
| 9 | 2028 -29 | 2,988,000 | 309,000 | 19,000 | 34,000 | 62,000 | 93,000 | 3,505,000 |
| 10 | 2029 -30 | 3,063,000 | 316,000 | 19,000 | 35,000 | 64,000 | 96,000 | 3,593,000 |
| 11 | 2030 -31 | 3,140,000 | 322,000 | 20,000 | 36,000 | 66,000 | 98,000 | 3,682,000 |
| 12 | 2031 -32 | 3,218,000 | 328,000 | 20,000 | 37,000 | 68,000 | 101,000 | 3,772,000 |
| 13 | 2032 -33 | 3,299,000 | 335,000 | 20,000 | 38,000 | 70,000 | 103,000 | 3,865,000 |
| 14 | 2033 -34 | 3,381,000 | 342,000 | 21,000 | 38,000 | 72,000 | 106,000 | 3,960,000 |
| 15 | 2034 -35 | 3,466,000 | 348,000 | 22,000 | 39,000 | 74,000 | 108,000 | 4,057,000 |
| 16 | 2035 -36 | 3,552,000 | 355,000 | 22,000 | 41,000 | 76,000 | 111,000 | 4,157,000 |
| 17 | 2036 -37 | 3,641,000 | 362,000 | 23,000 | 42,000 | 78,000 | 114,000 | 4,260,000 |
| 18 | 2037 -38 | 3,732,000 | 370,000 | 23,000 | 43,000 | 80,000 | 117,000 | 4,365,000 |
| 19 | 2038 -39 | 3,825,000 | 377,000 | 24,000 | 44,000 | 82,000 | 119,000 | 4,471,000 |
| 20 | 2039 -40 | 3,921,000 | 385,000 | 24,000 | 45,000 | 84,000 | 122,000 | 4,581,000 |
| 21 | 2040 -41 | 4,019,000 | 392,000 | 25,000 | 46,000 | 87,000 | 126,000 | 4,695,000 |
| 22 | 2041 -42 | 4,120,000 | 400,000 | 26,000 | 48,000 | 90,000 | 129,000 | 4,813,000 |
| 23 | 2042 -43 | 4,223,000 | 408,000 | 26,000 | 49,000 | 93,000 | 132,000 | 4,931,000 |
| 24 | 2043 -44 | 4,328,000 | 416,000 | 27,000 | 50,000 | 96,000 | 135,000 | 5,052,000 |
| 25 | 2044 -45 | 4,436,000 | 425,000 | 28,000 | 51,000 | 99,000 | 139,000 | 5,178,000 |
| 25 Year Term | | | | | | | | |
| Nominal Total | | \$83,180,000 | \$8,843,000 | \$598,000 | \$1,019,000 | \$1,751,000 | \$2,600,000 | \$97,991,000 |
| Net Present Value @ 10% | | \$26,586,000 | \$3,187,000 | \$245,000 | \$369,000 | \$542,000 | \$831,000 | \$31,761,000 |

TABLE 2

**NET NEW PUBLIC REVENUES
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA**

| Project Year | Gross Public Revenues | (Less) Annual Base Period Amount ¹ | Net New Public Revenues | 50% of Net New Public Revenues | Incentive Payments @ 100% of TOT | Net City Revenue |
|---------------------|-----------------------|---|-------------------------|--------------------------------|----------------------------------|------------------|
| Const. 2017 -18 | - | - | - | - | - | - |
| Const. 2018 -19 | \$200,000 | (\$28,830) | \$171,000 | \$86,000 | - | \$171,000 |
| Const. 2019 -20 | 331,000 | (29,660) | 301,000 | 151,000 | - | 301,000 |
| 1 2020 -21 | 2,498,000 | (30,520) | 2,467,000 | 1,234,000 | \$2,094,000 | 373,000 |
| 2 2021 -22 | 2,739,000 | (31,400) | 2,708,000 | 1,354,000 | 2,313,000 | 395,000 |
| 3 2022 -23 | 2,998,000 | (32,310) | 2,966,000 | 1,483,000 | 2,550,000 | 416,000 |
| 4 2023 -24 | 3,089,000 | (33,250) | 3,056,000 | 1,528,000 | 2,629,000 | 427,000 |
| 5 2024 -25 | 3,180,000 | (34,220) | 3,146,000 | 1,573,000 | 2,707,000 | 439,000 |
| 6 2025 -26 | 3,258,000 | (35,210) | 3,223,000 | 1,612,000 | 2,775,000 | 448,000 |
| 7 2026 -27 | 3,339,000 | (36,230) | 3,303,000 | 1,652,000 | 2,844,000 | 459,000 |
| 8 2027 -28 | 3,422,000 | (37,280) | 3,385,000 | 1,693,000 | 2,916,000 | 469,000 |
| 9 2028 -29 | 3,505,000 | (38,360) | 3,467,000 | 1,734,000 | 2,988,000 | 479,000 |
| 10 2029 -30 | 3,593,000 | (39,480) | 3,554,000 | 1,777,000 | 2,125,000 | 1,429,000 |
| 11 2030 -31 | 3,682,000 | (40,630) | 3,641,000 | 1,821,000 | - | 3,641,000 |
| 12 2031 -32 | 3,772,000 | (41,810) | 3,730,000 | 1,865,000 | - | 3,730,000 |
| 13 2032 -33 | 3,865,000 | (43,020) | 3,822,000 | 1,911,000 | - | 3,822,000 |
| 14 2033 -34 | 3,960,000 | (44,270) | 3,916,000 | 1,958,000 | - | 3,916,000 |
| 15 2034 -35 | 4,057,000 | (45,550) | 4,011,000 | 2,006,000 | - | 4,011,000 |
| 16 2035 -36 | 4,157,000 | (46,870) | 4,110,000 | 2,055,000 | - | 4,110,000 |
| 17 2036 -37 | 4,260,000 | (48,240) | 4,212,000 | 2,106,000 | - | 4,212,000 |
| 18 2037 -38 | 4,365,000 | (49,650) | 4,315,000 | 2,158,000 | - | 4,315,000 |
| 19 2038 -39 | 4,471,000 | (51,090) | 4,420,000 | 2,210,000 | - | 4,420,000 |
| 20 2039 -40 | 4,581,000 | (52,580) | 4,528,000 | 2,264,000 | - | 4,528,000 |
| 21 2040 -41 | 4,695,000 | (54,110) | 4,641,000 | 2,321,000 | - | 4,641,000 |
| 22 2041 -42 | 4,813,000 | (55,690) | 4,757,000 | 2,379,000 | - | 4,757,000 |
| 23 2042 -43 | 4,931,000 | (57,310) | 4,874,000 | 2,437,000 | - | 4,874,000 |
| 24 2043 -44 | 5,052,000 | (58,980) | 4,993,000 | 2,497,000 | - | 4,993,000 |
| 25 2044 -45 | 5,178,000 | (60,700) | 5,117,000 | 2,559,000 | - | 5,117,000 |
| 25 Year Term | | | | | | |
| Nominal Total | \$97,991,000 | (\$1,157,250) | \$96,834,000 | \$48,424,000 | \$25,941,000 | \$70,893,000 |
| NPV @ 10% | \$31,761,000 | (\$407,000) | \$31,354,000 | \$15,680,000 | \$15,680,000 | \$15,673,000 |

¹ Assumes current City revenues of \$28,000.