

TRANSMITTAL

To:

THE COUNCIL

Date: 08/11/2017

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garceiti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCEITI
Mayor



ERIC GARCETTI
MAYOR

August 11, 2017

Council File: 12-0709
Council District: 10
Contact Person and Phone Number:
Samuel Hughes, (213) 744-9723

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Mandy Morales, Legislative Coordinator

AMENDED TRANSMITTAL: REQUEST AUTHORIZATION TO REVISE TERMS FOR DIRECT SALE OF PROPERTY LOCATED AT 6000 JEFFERSON BOULEVARD TO COFFEE BEAN AND TEA LEAF FOR DEVELOPMENT

The General Manager of the Economic and Workforce Development Department (EWDD), or designee, respectfully requests that your office review and approve this transmittal and forward to the City Council for further consideration.

AMENDED RECOMMENDATIONS

The General Manager of Economic and Workforce Development Department (EWDD), respectfully requests that the Mayor and City Council:

1. NOTE and FILE the Economic and Workforce Development Department report dated August 4, 2017, relative to the same subject;
2. AUTHORIZE the General Manager of the EWDD, or designee, to prepare and execute an amendment to the Purchase and Sale Agreement with 6000 Jefferson BH LLC to increase the existing Three Hundred Thousand Dollars (\$300,000) in cleanup costs that the City is responsible for to Six Hundred Thousand Dollars (\$600,000) as consideration for the City's contribution towards environmental remediation (Section 3.19.2 (a)(b));
3. AUTHORIZE the General Manager of EWDD, or designee, to prepare and execute an amendment to the existing Purchase and Sale Agreement to delete buyers requirement to indemnify the City for any environmental contamination for

which the City would have had to indemnify Chevron Oil pursuant to the 1996 agreement whereby the City purchased the property from Chevron (Exhibit 3 of the Purchase and Sale Agreement); and

4. AUTHORIZE the General Manager of the EWDD, or designee, to make technical corrections or adjustments that may be required and are consistent with this action.

SUMMARY

The Economic and Workforce Development Department requests authority to prepare and execute an amendment to its Purchase and Sale Agreement with 6000 Jefferson BH LLC, also known as International Coffee and Tea, LLC, the corporate parent of Coffee Bean and Tea Leaf development (C-126485) to effectuate the purchase and sale of 6000 Jefferson Blvd.

FISCAL IMPACT STATEMENT

The proposed sale is for City-owned property located at 6000 Jefferson Boulevard in Council District 10 to Coffee Bean for the fair market value of approximately \$7,150,000. The property is no longer needed for municipal purposes, pursuant to Council determination (C. F. 12-0709). Sale proceeds minus \$600,000 for cost of environmental remediation will be deposited into the Solid Waste Resources Revenue Fund.

BACKGROUND

On October 23, 2012, Council determined that the City had no further municipal use for a vacant 3.6-acre property located at 6000 Jefferson Boulevard (Property) (C.F. 12-0709). On December 12, 2014, Council approved a direct sale of the Property to a limited liability corporation controlled by Sunny Sassoon, Executive Chairman of the Board for International Coffee and Tea, LLC (Buyer) for the fair market value of \$7,150,000. The Council determination found that the sale and its associated terms were of economic benefit and best served the public interest.

This transmittal recommends modifying and finalizing the terms of sale of the Property to the Buyer serving the same economic development purpose and for the same development proposal anchored by a campus that consolidates Coffee Bean and Tea Leaf's headquarters and production facilities at the Property.

The terms originally proposed called for the City to be responsible for the first Three Hundred Thousand Dollars (\$300,000) of remediation work and negotiate in good faith to identify funds to pay estimated cost of remediation that exceed \$300,000. Upon review of the environmental report and estimated cleanup plan totaling \$2,624,000 the EWDD negotiated for the reduction of an additional \$300,000 from the purchase price to serve as consideration from the City towards the cost of cleanup to help defray the total cost of cleanup to the Buyer.

Moreover, an amendment to the existing Purchase and Sale Agreement to delete buyers requirement to indemnify the City for any environmental contamination for which the City would have had to indemnify Chevron Oil pursuant to the 1996 agreement whereby the City purchased the property from Chevron. Such amendment is further described in Exhibit 3 of the Purchase and Sale Agreement reflecting a change to the Agreement Containing Covenants involving environmental contamination. Amendment to covenant summarized above, and further described in Attachment A.

These recommendations are consistent with the guidance and advice of the City Attorney regarding the sale of City-owned property to serve the public interest or necessity. The Project will serve the public interest through providing economic development benefits to the City including the retention of existing jobs, the addition of net new jobs to the City, facilitating the expansion of an established company in the City, and moving a public property onto the tax rolls and into productive use.



JAN PERRY
General Manager

JP: SH

Attachment: Exhibit 3 Form of Agreement Containing Covenants

EXHIBIT 3

FORM OF AGREEMENT CONTAINING COVENANTS

NO FEE DOCUMENT

RECORDING REQUESTED BY)
AND WHEN RECORDED RETURN TO:)
))
THE CITY OF LOS ANGELES)
C/O ECONOMIC AND WORKFORCE)
DEVELOPMENT DEPARTMENT)
1200 W. 7TH STREET, 6TH FLOOR)
Los Angeles, CA 90017)
Attn: GENERAL MANAGER)

Assessor's Parcel Numbers: 4204-008-901

AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY

This AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY (“**Covenant Agreement**”) is made this ____ day of August, 2017 (“**Covenant Effective Date**”) by and between The City of Los Angeles, California, a municipal corporation (the “**City**”), and 6000 Jefferson BH LLC, a Delaware limited liability company (“**Owner**”).

RECITALS

WHEREAS, the City as the fee owner of that certain unimproved parcel of real property located at 6000 Jefferson Boulevard, Los Angeles California 90232 (“**Site**”), as more particularly described in **Exhibit “A”** determined that it no longer required the Site for governmental use;

WHEREAS, on December 12, 2014, the Los Angeles City Council in accordance with Los Angeles Administrative Code Section 7.27, under City Council File 12-0709, determined that the public interest or necessity required the private sale of the Site without bidding to Owner, and Owner’s subsequent lease of the Site to CBTL (defined below) for the development of CBTL’s corporate headquarters and production facility in order to satisfy the Jobs Requirement (defined in Section 1 below);

WHEREAS, as a condition of the City’s conveying the Site to Owner, Owner is executing, among other things, this Covenant Agreement, which shall be recorded against the Site. This instrument is intended to secure City’s continuing interest in the development of the Project in accordance with this Covenant Agreement.

WHEREAS, the City has determined that the direct sale of the Site to Owner and the subsequent lease by Owner to CBTL for the development of the Project in accordance with the terms and conditions set forth herein will serve one or more vital governmental public purposes; is in the best interests of the City; and serves the health, safety, morals and welfare of the residents of the City in that it would; i) eliminate current physical blight by developing a vacant underutilized parcel; ii) alleviate economic blight in the community by creating both temporary construction jobs and creating or retaining not less than two-hundred (200) permanent living wage jobs; iii); encourage further private investment in and around the community; iv) generate new tax and private revenue within the community, for residents, businesses as well as state and local government; and v) facilitate the consolidation and growth in the City of a locally-based, multi-national corporation; and

WHEREAS, the purpose of this Covenant Agreement is to regulate and restrict the development, construction, operation, ownership, and maintenance of the Site. 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

"CBTL" shall mean International Coffee & Tea, LLC, a Delaware limited liability company, or any permitted successor in interest as approved by the City in accordance with this Agreement.

"CBTL LEASE" shall mean a net lease by and between Owner and CBTL covering all or a portion of the Site: (a) with a non-cancellable term of at least ten years commencing on the Covenant Effective Date with up to six five-year renewal options and (b) under which CBTL is required to provide the City and the Owner with an annual certificate executed by a manager of CBTL certifying the number of Living Wage Jobs at the Site during the twelve calendar month period preceding each anniversary of the Jobs Reporting Commencement Date.

"CERTIFICATE OF COMPLETION – PHASE 1" shall mean a certificate to be issued by the City in recordable form to Owner and/or CBTL, upon either's written request, certifying that the Owner and/or CBTL have substantially completed Phase 1 of the Project.

"CERTIFICATE OF COMPLETION – PHASE 2" shall mean a certificate to be issued by the City in recordable form to Owner and/or CBTL, upon either's written request, certifying that the Owner and/or CBTL have substantially completed Phase 2 of the Project.

"CERTIFICATE OF OCCUPANCY" shall mean a certificate of occupancy issued by the City in accordance with the Los Angeles Municipal Code for occupancy of all or any portion of the Project.

“CERTIFICATE OF COMPLIANCE” shall mean a certificate to be issued by the City to Owner and/or CBTL in recordable form, upon either’s written request, certifying that the Jobs Requirement has been satisfied.

“IMPROVEMENTS” shall mean and include all grading to be done on the Site, as well as all buildings, structures, fixtures, excavation, parking, landscaping, and other work, construction, rehabilitation, alterations and improvements of whatsoever character to be done by Owner or CBTL on, in, around, under or over the Site in order to develop the Project pursuant to this Agreement.

“JOBS REQUIREMENT” is the requirement that the Jobs Threshold be met for a total aggregate period of ten (10) years (which need not be consecutive) after the issuance of a Certificate of Occupancy. For the avoidance of doubt, the failure to meet the Jobs Threshold for a given year shall not invalidate any previous period of time during which the Jobs Threshold has been met for purpose of calculating such ten year period.

“JOBS REPORTING COMMENCEMENT DATE” means the first day of the third full calendar month following the issuance of the Certificate of Occupancy for Phase 1.

“JOBS THRESHOLD” is satisfied each 12 month period during which Owner or CBTL employ (in the aggregate) not less than two hundred (200) persons with Living Wage Jobs at the Site as established by the certificate of Living Wage Jobs issued by CBTL under Section 4.4 below for such 12 month period.

“LIVING WAGE JOB” shall mean any full time job (whether managerial, supervisory or otherwise) satisfying the compensation requirements set forth in the Los Angeles Administrative Code Section 10.37.2.

“PHASE 1” shall mean the first phase of the Project which shall include not less than twenty five thousand (25,000) square feet of gross floor area dedicated to office and industrial space for CBTL’s headquarters and production facility.

“PHASE 2” shall mean the second phase of the Project which shall include not less than an additional twenty five thousand (25,000) square feet of gross floor area dedicated to office and industrial space for CBTL’s headquarters and production facility.

“PROJECT” shall mean Owner and/or CBTL’s development on the Site as CBTL’s corporate headquarters and production facility (which shall include a roasting facility, bakery and related uses) containing between 50,000 to 100,000 square feet of gross floor area of office and industrial space.

“PROJECT LENDER” shall mean the maker or holder of a loan by a third party for the construction or refinance of the Improvements secured by a deed of trust recorded against the Site. Project Lender shall not include the Owner or any entity in which the Owner has a direct or indirect interest. For purposes of this definition a federally regulated bank as defined in 26 U.S.C. 581 shall be deemed a Project Lender.

“**PROJECT LOAN**” shall mean a loan from a Project Lender to Owner secured by a deed of trust encumbering the Site.

“**REPURCHASE OPTION**” shall mean the purchase option granted to City under Section 3.0 below.

“**SITE**” is defined in the first Whereas clause above.

“**TRANSFER**” means any total or partial sale, assignment, conveyance or transfer in any other mode or form of the Site or any part thereof or any interest therein or of the Project constructed thereon, including, without limitation, the CBTL Lease, or any contract or agreement to do any of the same.

II. TERM AND TERMINATION

2.0 **TERM OF COVENANT AGREEMENT.** This Covenant Agreement shall commence upon the Covenant Effective Date and shall remain in full force and effect until the earlier of: (a) such time as the City issues a Certificate of Compliance or (b) termination hereof by the City in accordance with: (i) the Covenant Termination Agreement (defined in Section 2.1 below) or (ii) Section 2.2 below. Failure to record this Covenant Agreement shall not relieve Owner of any of the obligations specified herein.

2.1 **COVENANT TERMINATION AGREEMENT.** At the request of Project Lender, City shall enter into, and cause to be recorded in the Official Records of Los Angeles County, an agreement with Project Lender in the form attached hereto as Exhibit D (the “**Covenant Termination Agreement**”), with such modifications as may be reasonably requested by Project Lender, including, without limitation, reasonable notice and cure provisions in favor of Project Lender, which modifications shall be subject to City Attorney approval.

2.2 **TERMINATION FOLLOWING CERTAIN EVENTS INVOLVING CBTL.** In the event that: (a) (i) CBTL shall be the subject of any bankruptcy or insolvency proceeding or it shall become insolvent and (ii) such bankruptcy or insolvency results in CBTL’s abandonment or termination of its operations or occupancy of the Site or results in a default by CBTL under the CBTL Lease beyond all applicable notice and cure periods or (b) CBTL shall be the subject of an acquisition of all or substantially all of its assets or a merger and such acquisition or merger results in CBTL’s abandonment or termination of its operations or occupancy of the Site, then City shall permit a sale of the Site so long as City receives through escrow at closing of such sale, an amount equal to a 50% share of all Profit on sale up to one million dollars (\$1,000,000). As used herein, the term “**Profit**” shall mean the net sales price of the Site (after deduction of costs of the sale) less the Owner’s Cost. The term “**Owner’s Cost**” shall mean the purchase price plus all costs of the purchase (including reasonable attorney’s fees relating to the acquisition, financing or development of the Site, due diligence reports and investigations and the cost of obtaining all entitlements and approvals quantified as the actual costs paid to the City for permits plus reasonable architectural and engineering expenses) incurred by Owner in acquiring the Site from the City, plus all construction costs of the Project. If the amount payable to the City under this Section 2.2 is less than one million dollars (\$1,000,000), then Owner shall provide City with

reasonable documentation of Owner's Cost, to be certified and agreed to by the City at the City's cost in consultation with the Owner. City will execute, acknowledge and deliver to the escrow company for recordation at the closing of such sale (concurrently with the payment to City of the amount set forth in this Section 2.2) in recordable form, a document providing that this Covenant Agreement is thereby terminated and of no further force or effect

2.3 **NONDISCRIMINATION.** Owner covenants and agrees for itself, its successors and its assigns in interest to the Site or any part thereof, that there shall be no discrimination against or segregation of any person or persons on any basis prohibited by law.

2.4 **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 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., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

III. CITY REPURCHASE OPTION

3.0 **GRANT OF REPURCHASE OPTION.** Owner hereby grants to City the exclusive right to repurchase the Site at the fair market value at the time of exercise if a Trigger Event occurs. A "**Trigger Event**" means: (a) Owner's failure to show substantial progress towards completion of Phase 1 of the Project on or before the second anniversary of the Covenant Effective Date (which deadline shall be extended one day for each day of delay resulting from Force Majeure) or (b) Owner's failure to show substantial progress towards completion of the Phase 2 of the Project on or before the fifth anniversary of the Covenant Effective Date (which deadline shall be extended one day for each day of delay resulting from Force Majeure). The phrase "**substantial progress towards completion**" is defined as issuance of construction permits for the applicable phase of the Project, execution of a general contractor's agreement for construction of such phase, and commencement of construction of such phase. The Repurchase Option is City's sole remedy in the event of a breach of this Article III.

3.1 **EXERCISE OF OPTION.** City may exercise its Repurchase Option as follows:

(a) Notice. City shall exercise its Repurchase Option by delivering written notice to Owner of its intent to repurchase after the occurrence of a Trigger Event and before the earlier of: (i) expiration of the Option Term or (ii) in the case of a Trigger Event under Section 3.0(a), issuance of a Certificate of Completion – Phase 1. Such notice shall be deemed given if 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 Owner.

(b) Option Term. “**Option Term**” means the period that commences upon the Covenant Effective Date and expires on the earlier of: (i) the fifth anniversary of the Covenant Effective Date and (ii) issuance by City of the Certificate of Completion – Phase 2.

3.2 **OWNER WARRANTY.** During the Option Term, Owner shall not enter into any agreements to sell or grant any option to buy the Site without City’s consent, which consent shall not be unreasonably withheld.

3.3 **REPURCHASE AGREEMENT.** Within five business days after the City’s exercise of its Repurchase Option, City and Owner shall enter into a repurchase agreement (the “**Repurchase Agreement**”), in the form attached as Exhibit C to this Covenant Agreement.

3.4 **LEGAL COMPLIANCE.** Owner shall design and construct the Project in conformity with all applicable laws and all permits and governmental approvals.

3.5 **ADDITIONAL PERMITS AND APPROVALS.** Owner shall obtain all permits and approvals necessary to construct the Project including demolition and building permits. All applications for such permits and approvals shall be consistent with this Covenant Agreement. Owner acknowledges that execution of this Covenant Agreement by the City does not constitute approval by the City of any required governmental approvals, including, without limitation any required permits, applications, findings or allocations, and in no way limits the discretion of the City (or any other governmental agency) in the permit, allocation and approval process.

3.6 **CITY REVIEW.** Owner shall be solely responsible for all aspects of Owner’s conduct in connection with the Project, including, but not limited to, the quality and suitability of any design and development documents, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and Site managers. Any review or inspection undertaken by the City with reference to the Project is solely for the purpose of determining whether Owner is properly discharging its obligations to the City, and should not be relied upon by Owner or by any third parties as a warranty or representation by the City as to the quality of the design or construction of the Project.

3.7 **COMPLETION OF CONSTRUCTION.** Phase 1. Owner shall commence construction of the Improvements as soon as reasonably practicable following the Covenant Effective Date and shall complete Phase 1 as evidenced by the issuance of a preliminary certificate of occupancy on or before the third anniversary of the Covenant Effective Date, which deadline shall be extended one day for each day of delay resulting from Force Majeure and shall be subject to other extensions by City in its reasonable discretion.

Phase 2. Owner shall diligently prosecute to completion the construction of the Project, and shall complete construction of the Project on or before the fifth anniversary of the Covenant Effective Date which deadline shall be extended one day for each day of delay resulting from Force Majeure and shall be subject to other extensions by City in its reasonable discretion.

3.8 **FORCE MAJEURE.** Owner shall not be required to perform any covenant or obligation hereunder, so long as the performance of the covenant or obligation is delayed, caused, or prevented by an act of God, any conditions or circumstances outside such party's reasonable control, and/or by the other party ("**Force Majeure**"). Acts of God and circumstances beyond Owner's control may include: strikes; lockouts; sit-downs; material or labor restrictions by any governmental authority; unusual transportation delays; riots; floods; washouts; explosions; earthquakes; fires; storms; weather (including wet grounds or inclement weather which prevents construction); acts of the public enemy; wars; insurrections; and any other cause not reasonably within the Owner's control. Force Majeure shall not include an economic downturn nor Owner's inability to finance construction of the Project.

3.9 **CERTIFICATES OF COMPLETION.** Within five business days after written request by Owner to City after Owner has obtained final sign off of construction permits for Phase 1 or has obtained a Certificate of Occupancy covering Phase 1, City shall execute, acknowledge and deliver the Certificate of Completion – Phase 1 to Owner in recordable form. Within five business days after written request by Owner to City after Owner has obtained final sign off of construction permits for Phase 2 or has obtained a Certificate of Occupancy covering Phase 2, City shall execute, acknowledge and deliver the Certificate of Completion – Phase 2 to Owner in recordable form.

IV. JOBS REQUIREMENT AND USE RESTRICTIONS.

4.1 **USE.** Owner covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Owner, that Owner: (a) shall develop the Project upon the Site and thereafter for a period of not less than ten (10) years shall devote the Site for the use by CBTL as their corporate headquarters and production facility and (b) shall not engage in or permit any activity on the Site that would violate this Covenant Agreement or any applicable governmental restrictions, including, without limitation, any applicable governmental restrictions on billboards or other forms of commercial advertising and (c) Owner shall not knowingly permit the Site or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials in violation of applicable law in any material respect or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Site in violation of any applicable law in any material respect and such covenant shall be included in all leases on the Site as a term required of all parties to leases on the Site and all such leases shall require that any sublease thereunder contain such covenant.

4.2 **MAINTENANCE AND SECURITY.** Owner hereby agrees that, prior to completion of the construction of the Improvements, the Site shall be maintained in a neat and orderly condition to the extent practicable and in accordance with industry health and safety standards, and that, once the Project is completed, the Project shall be well maintained as to both external and internal appearance of the buildings, the common areas, and the parking areas. Owner shall maintain or cause to be maintained the Project in good repair and working order, and in a neat, clean and orderly condition, including the walkways, driveways, parking areas and landscaping, and from time to time make all necessary and proper repairs, renewals, and

replacements. During the Option Term, if there arises a condition in contravention of the above maintenance standard, then the City shall notify Owner in writing of such condition, giving Owner sixty (60) days from receipt of such notice to commence and thereafter diligently to proceed to cure said condition unless such condition cannot reasonably be cured within such sixty (60) days period, in which event Owner shall commence such cure within sixty (60) days and thereafter diligently prosecute such cure to completion. In the event Owner fails to cure or commence to cure the condition within the time allowed, 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 the City may then have. The City shall receive from Owner the City's cost in taking such action and shall provide reasonable evidence of such costs to Owner.

4.3 FEES, TAXES, AND OTHER LEVIES. During its ownership of the Site, Owner shall be responsible for payment of all fees, assessments, taxes, charges and levies imposed by any public authority or utility company with respect to the Site, and shall pay such charges prior to delinquency.

4.4 LIVING WAGE JOBS ANNUAL REPORTING REQUIREMENT. On or before the 45th day after each anniversary of the Jobs Reporting Commencement Date, the Owner will cause CBTL to deliver to the City a certificate in the form of Exhibit B attached hereto executed by a manager of CBTL certifying the number of Living Wage Jobs at the Site during the twelve calendar month period preceding such anniversary. The number of Living Wage Jobs so certified shall be subject to review and approval by the City, such approval or disapproval to be issued in writing within thirty business days of receipt determining compliance and satisfaction of the Jobs Threshold for the twelve month period. In the event of disapproval, the City shall specify the number of Living Wage Jobs approved, the number disapproved and the basis for any disapproval. In order to assist in the City's validation of Owner's compliance with the Jobs Threshold, upon written request of the City, Owner shall use commercially reasonable efforts to arrange an onsite inspection by the City of those records reasonably required to confirm CBTL's representations in the certificate without violating the privacy rights of any CBTL employees. Any such request by the City must be made within thirty days after receipt of the certificate.

V. TRANSFER PROVISIONS

5.1 PROHIBITED TRANSFERS. Except for a transfer permitted under Section 5.2 below, Owner shall not Transfer its interest in the Site or the Project, either voluntarily or by operation of law, without the prior written approval of City (which approval may be given or withheld in the City's sole and absolute discretion) from the Covenant Effective Date until the earlier of: (a) a termination of this Covenant Agreement under Section 2.1 or Section 2.2 above or (b) issuance of a Certificate of Compliance. Any Transfer made in contravention of this Section 5.1 shall be void and shall be deemed to be a default under this Covenant Agreement.

5.2 PERMITTED TRANSFERS

The following Transfers shall be permitted ("**Permitted Transfers**"):

- (a) Any Transfer creating a security interest (a “**Permitted Security Interest**”) securing repayment of a Project Loan.
- (b) Any Transfer directly resulting from the foreclosure of a Permitted Security Interest or the granting of a deed in lieu of foreclosure on a Permitted Security Interest.
- (c) The leasing of office, industrial or commercial space within the Project by Owner to CBTL.
- (d) The making of a lease of office, industrial or commercial space within the Site or the Project so long: (1) such lease does not violate any of the terms of the CBTL Lease and (2) the CBTL Lease is in full force and effect.
- (e) Any transfer of a Permitted Security Interest.
- (f) Any transfer by the holder of a Permitted Security Interest of any interest in the Project it acquires as a result of foreclosure, deed in lieu of foreclosure or otherwise with the prior written consent of the City, not to be unreasonably withheld, conditioned or delayed.
- (g) Any participation sold by the holder of a Permitted Security Interest of any interest in its Project Loan.
- (h) A Transfer otherwise approved by the City in writing.
- (i) A Transfer to an entity controlled by Owner or controlled by any person or persons controlling Owner.
- (j) The creation, or amendment of, an easement, reciprocal easement agreement or covenant relating to utilities, parking, or pedestrian or vehicular ingress or egress.

5.3 **EFFECTUATION OF PERMITTED TRANSFERS**

(a) No Transfer otherwise authorized or approved pursuant to Section 5.2(h) shall be permitted unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an agreement reasonably satisfactory to the City and in form recordable among the land records (where the Transfer involves a conveyance of an interest in real estate), expressly agrees to perform and observe, from and after the date of the Transfer, the obligations, terms and conditions of this Covenant Agreement provided, however, that no such transferee shall be liable for the failure of its predecessor to perform any such obligation. Any proposed transferee for which the City’s approval is required shall have the qualifications, development experience and financial capability necessary and adequate to fulfill the obligations undertaken in this Covenant Agreement by Owner. The City shall grant or deny approval of a proposed Transfer within thirty (30) business days of receipt by the City of a written request for approval of a Transfer, which request shall include evidence of the proposed transferee's business expertise and financial capacity. Failure by the City to approve or disapprove the proposed Transfer within this thirty

(30) business day period shall be deemed to be a disapproval of the proposed Transfer by the City.

(b) Owner shall reimburse the City for all actual third party consultant (legal and financial) costs associated with the City's review and consideration of any request for approval of a Transfer under Section 5.2(h) above. Owner shall deposit the sum of not less than Five Thousand Dollars (\$5,000.00) with its request for approval of any transfer, which shall be the presumed minimum cost to the City to review such request and shall be retained by the City. If the costs of City review exceed the deposit amount, the City shall send Owner a bill for the costs and Owner shall promptly pay the City the additional costs. This Section does not apply to any Permitted Transfers other than those pursuant to Section 5.2(h).

VI. GENERAL PROVISIONS

6.1 **NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS.** The City's officers, officials, employees or agents shall not be personally liable to Owner for any matter arising from or relating to this Covenant Agreement.

6.2 **INDEMNITY.** (a) Owner shall indemnify and hold the City free and harmless against any Claims, other than Excluded Claims, which the City may incur or be subject to as a direct or indirect consequence of (1) Owner's failure to perform any obligations as and when required by this Covenant Agreement; or (2) any act or omission by Owner or any contractor, subcontractor, management agent, or supplier in connection with the development or operation of the Site or the Project. Owner shall pay immediately upon the City's demand any amounts owing under this indemnity. The City may make all reasonable decisions with respect to its/their representation in any legal proceeding, including, but not limited to, the selection of attorney(s). Owner's duty to indemnify the City shall survive the term of this Covenant Agreement.

(b) The term "**Claim**" means any losses, damages, liabilities, claims, demands, judgments, actions, court costs, and legal or other expenses (including attorney's fees). The term "**Excluded Claim**" means any Claim that: (i) arises from the gross negligence, illegal act or willful misconduct of the City or (ii) arises from the City's approval of the Owner's acquisition of the Site or its development of the Project, including without limitation any environmental review thereof and including any term of such approval or (iii) is made before the tenth anniversary of the Covenant Effective Date and arises from environmental contamination on or under the Site on or before the Covenant Effective Date for which Chevron would be entitled to indemnification under Section 13 of the 1996 Agreement were a Claim to be made against Chevron. Owner shall reasonably cooperate with the City in the City's defense of any Excluded Claim; provided, however, that such cooperation shall in no event require Owner to make any material monetary expenditure or assume any material legal obligation; and provided further that the City shall indemnify and defend the Owner for and against any Excluded Claim arising from City's gross negligence, illegal act or willful misconduct and any Excluded Claim described in Section 6.2(b)(iii). City's obligation to indemnify the Owner shall survive the term of this Covenant Agreement. The term "**1996 Agreement**" means the Purchase and Sale

Agreement dated November 21, 1996 between the City, as Buyer, and Chevron U.S.A., Inc., a Pennsylvania corporation (“**Chevron**”), as Seller.

6.3 **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.

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

6.5 **CONSENTS AND APPROVALS.** Any consent or approval of the City required under this Covenant Agreement shall not be unreasonably withheld or delayed. Any approval must be in writing and executed by an authorized representative of the City.

6.6 **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Owner and City shall be sufficiently given and 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 Owner and the City as follows:

City: City of Los Angeles
Economic and Workforce Development
Department
1200 W. 7th Street, 6th Floor
Los Angeles California 90017
Attn: General Manager

with copies to: Office of the City Attorney
Attn: Economic and Workforce Development
Department General Counsel
200 N. Main Street, 9th Floor
Los Angeles, California 90012

Owner: 6000 Jefferson BH LLC
5700 Wilshire Boulevard
Suite 120
Los Angeles, CA 90036
Attn: John Fuller and Sunny Sassoon

with copies to: Gorman & Miller
201 Santa Monica Blvd., Suite 300
Santa Monica, CA 90401
Attn: Ken Miller

CBTL : International Coffee and Tea, LLC
5700 Wilshire Boulevard
Suite 120

Los Angeles, CA 90036
Attn: John Fuller and Sunny Sassoon

with copies to: Gorman & Miller
201 Santa Monica Blvd., Suite 300
Santa Monica, CA 90401
Attn: Ken Miller

6.7 **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. Any successor-in-interest to Owner and any purchaser or transferee of the Site 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.

6.8 **RELATIONSHIP OF PARTIES.** The relationship of Owner 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 Owner or any third party with respect to the operation of the Site or the actions of the Owner. Except as the City may specify in writing, Owner shall have no authority to act as an agent of the City or to bind the City to any obligation.

6.9 **WAIVER.** Any waiver by the City of any obligation in this Covenant 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 Owner or to pursue any remedy allowed under this Covenant Agreement or applicable law. Any extension of time granted to Owner to perform any obligation under this Covenant Agreement shall not operate as a waiver or release from any of its obligations under this Covenant Agreement. Consent by the City to any act or omissions by Owner 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.

6.10 **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.

6.11 **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.

6.12 **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.

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

THE CITY OF LOS ANGELES

By: _____
Name: Jan Perry
Its: General Manager

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

By: _____

6000 JEFFERSON BH LLC, a Delaware limited liability company

By: _____
Name: _____
Its: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA]
]
COUNTY OF LOS ANGELES]

On August ____, 2017 before me, _____, Notary Public, personally appeared Jan Perry, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ (Notary Seal)
Signature of notarial officer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA]
]
COUNTY OF LOS ANGELES]

On August ____, 2017 before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ (Notary Seal)
Signature of notarial officer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA]
]
COUNTY OF LOS ANGELES]

On August ____, 2017 before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ (Notary Seal)
Signature of notarial officer

EXHIBIT A**LEGAL DESCRIPTION**

THAT PORTION OF LOT 14 OF THE SUBDIVISION OF THE SOUTHERLY PORTION OF THE RANCHO RINCON DE LOS BUEYES, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 53, PAGE 25 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF THE LAND DESCRIBED IN DEED TO EDWARD L. RICH SR., RECORDED JANUARY 24, 1946 AS INSTRUMENT NO. 1668 IN BOOK 22624, PAGE 368, OFFICIAL RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID NORTHEAST CORNER BEING A POINT IN THE CENTER LINE OF JEFFERSON BOULEVARD, 100 FEET WIDE, DISTANT NORTH 79° 23' 05" EAST THEREON 398.91 FEET, MORE OR LESS FROM THE INTERSECTION OF SAID CENTER LINE WITH THE WEST LINE OF SAID LOT 14; THENCE ALONG SAID CENTER LINE NORTH 79° 23' 05" EAST 411.05 FEET TO THE POINT OF INTERSECTION OF THE NORTHERLY PROLONGATION OF THE WESTERLY LINE OF TRACT NO. 22151, AS PER MAP RECORDED IN BOOK 608 PAGES 51 THROUGH 55 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE SOUTHERLY ALONG SAID PROLONGATION AND WESTERLY LINE OF SAID TRACT NO. 22151 TO THE NORTHEASTERLY CORNER OF LOT 1 OF TRACT NO. 22469, AS PER MAP RECORDED IN BOOK 620, PAGES 6 THROUGH 8 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE NORTHWESTERLY AND SOUTHWESTERLY ALONG THE NORTHEASTERLY AND NORTHWESTERLY BOUNDARIES OF SAID LOT 1 TO A POINT IN THE SOUTHWESTERLY LINE OF SAID LOT 14; SAID POINT BEING THE NORTHWESTERLY CORNER OF SAID LOT 1; THENCE NORTHWESTERLY ALONG THE SOUTHWESTERLY LINE OF SAID LOT 14, 246.56 FEET, MORE OR LESS, TO THE MOST SOUTHERLY CORNER OF THE LAND DESCRIBED IN SAID DEED TO EDWARD L. RICH; THENCE NORTHERLY ALONG THE EASTERLY LINE OF THE LAND SO DESCRIBED IN SAID DEED, 462.21 FEET, MORE OR LESS TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION DESCRIBED AS FOLLOWS: THAT PORTION OF LOT 14 OF SUBDIVISION OF THE SOUTHERN PORTION OF THE RANCHO RINCON DE LOS LOU BUEYES, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 53, PAGE 25 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE CENTERLINE OF JEFFERSON BOULEVARD, 100.00 FEET WIDE, WITH THE NORTHERLY PROLONGATION OF THE WESTERLY LINE OF TRACT NO. 22151, IN SAID CITY, AS PER MAP RECORDED IN BOOK 608, PAGES 51 TO 55, INCLUSIVE OF MAPS, IN SAID COUNTY RECORDER'S

OFFICE; THENCE ALONG SAID PROLONGATION AND SAID WESTERLY LINE, SOUTH 2° 41' 38" WEST 491.16 FEET; THENCE AT RIGHT ANGLE TO SAID WESTERLY LINE NORTH 87° 18' 22" WEST 144.85 FEET; THENCE PARALLEL TO SAID WESTERLY LINE NORTH 2° 41' 38" EAST 456.90 FEET TO SAID CENTERLINE OF JEFFERSON BOULEVARD; THENCE ALONG SAID CENTERLINE LINE NORTH 79° 23' 05" EAST 148.84 FEET TO THE POINT OF BEGINNING.

APN: Portion of 4204-008-901

EXHIBIT B

FORM OF LIVING WAGE JOBS CERTIFICATE

WHEREAS, on August __, 2017 (the “Acquisition Date”), 6000 Jefferson BH LLC, a Delaware limited liability company (“Owner”) acquired from the City of Los Angeles (“City”) the property located at 6000 Jefferson Boulevard, Los Angeles, CA 90016 (“Site”);

WHEREAS, concurrently with Owner’s acquisition of the Site from the City, Owner and the City entered into an Agreement Containing Covenants Affecting Real Property (“Covenant Agreement”) dated as of the Acquisition Date and recorded in the official records of Los Angeles County as Instrument Number _____;

WHEREAS, also concurrent with its acquisition of the Site, Owner leased the Site to International Coffee and Tea, LLC, a Delaware limited liability company (“CBTL”);

WHEREAS, as used herein the term “Living Wage Job” shall mean any full time job (whether managerial, supervisory or otherwise) satisfying the compensation requirements set forth in the Los Angeles Administrative Code Section 10.37.2.

WHEREAS, pursuant to Section 4.4 of the Covenant Agreement, Owner is required to cause CBTL to deliver to the City on an annual basis, a certificate issued by a manager of CBTL certifying the number of Living Wage Jobs at the Site during the 12 month period preceding the anniversary of the Jobs Reporting Commencement Date (as defined in the Covenant Agreement);

NOW THEREFORE, CBTL hereby certifies that the attached information is true and correct:

Reporting Period: _____

INTERNATIONAL COFFEE AND TEA, LLC, a Delaware limited liability company

By: _____

Dated: _____

EXHIBIT C
Form of Repurchase Agreement

REPURCHASE AGREEMENT

This REPURCHASE AGREEMENT (“Repurchase Agreement”) is made this _____ day of _____, 201_ (“Effective Date”) by and between The City of Los Angeles, California, a municipal corporation (the “City”), and _____, LLC, a _____ limited liability company (“Owner”).

RECITALS

Whereas, Owner is the fee owner of that certain parcel of real property located at 6000 Jefferson Boulevard, Los Angeles, California 90016 (“Site”), as more particularly described in **Exhibit “1”**, which it acquired from the City.

Whereas, as a condition of the City’s conveying the Site to Owner, Owner executed, among other things, an Agreement Containing Covenants affecting Real Property (the “Covenant Agreement”) containing this Form of Repurchase Agreement, which Covenant Agreement was required to be recorded against the Site. Under the Covenant Agreement, the City has an option to repurchase the Site if a Trigger Event (as defined therein) occurs during the Option Term (as defined therein).

Whereas, a Trigger Event (as defined in the Covenant Agreement) has occurred during the Option Term (as defined in the Covenant Agreement).

Whereas, the City has determined in its sole and absolute discretion that it is in the best interest of the public to exercise its option to repurchase the Site in accordance with the Covenant Agreement;

Whereas, on _____, 201_, in accordance with Section 3.1(a) of the Covenant Agreement, the City exercised its Repurchase Option by delivering (during the Option Term) written notice to Owner of the City’s intent to repurchase after the occurrence of a Trigger Event;

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
PURCHASE AND SALE.

1.1 PURCHASE AND SALE OF THE SITE

Provided the conditions precedent in Section 2.7 below have been satisfied, upon the terms, covenants and conditions set forth in this Repurchase Agreement, Owner agrees to sell

and convey to City, and City agrees to purchase and accept from Owner, Owner's fee interest in the Site in return for the Repurchase Price.

II.

REPURCHASE TERMS/ESCROW INSTRUCTIONS

2.1 OPENING ESCROW

Owner and City shall open escrow with the Escrow Agent within three business days after the Effective Date, by the delivery to Escrow Agent of a duplicate original of this Repurchase Agreement which shall constitute the "Opening of Escrow". This Repurchase Agreement constitutes the joint basic escrow instructions of City and Owner with respect to conveyance of the Site pursuant to the City's exercise of its Repurchase Option. City and Owner shall provide such additional escrow instructions as shall be consistent with this Repurchase Agreement and necessary for the accomplishment of its purpose. Escrow Agent is hereby empowered to act under this Repurchase Agreement upon indicating within three (3) days after the Opening of Escrow its acceptance of the provisions of this Repurchase Agreement and shall thereafter carry out its duties as Escrow Agent hereunder.

2.2 ESCROW AGENT

"Escrow Agent" shall mean a duly licensed escrow company, selected by City and reasonably acceptable to Owner.

2.3 DUTY OF ESCROW AGENT

The Escrow Agent is authorized to:

(a) Pay and then charge the parties to this Agreement (the "Parties") for its fees, charges and costs payable in accordance with the signed Settlement Statements (defined in Section 2.3(c) below).

(b) Pay and then charge Owner for any delinquent taxes, and any penalties and interest thereon, and for any delinquent assessments or bonds against the Site. All real property taxes which are a lien and unpaid as of the close of escrow hereunder ("Close of Escrow") shall be prorated as of the Close of Escrow. The tax amount withheld will be paid to the County Auditor-Controller's Office following the Close of Escrow. Any taxes that have been pre-paid by Owner shall not be prorated, but Owner shall have the sole right, after Close of Escrow, to apply to the Los Angeles County Treasurer for refund of such taxes to the extent paid by Owner (without any credit from the City) and attributable to the period after City's acquisition.

(c) Prepare a settlement statement (the "Settlement Statement") for City and for Owner showing prorations, receipts and disbursements of Escrow Agent in accordance with this Repurchase Agreement. Owner and City shall each execute and deliver to Escrow Agent its respective Settlement Statement so long as it correctly calculates the prorations, receipts and disbursements in accordance with this Repurchase Agreement.

(d) Cause the Grant Deed and any other documents which the Parties may mutually direct, to be recorded in the Official Records of Los Angeles County and deliver to the Parties conformed copies thereof and originals of all other documents executed by Owner and delivered to Escrow.

(e) Deliver copies of all escrow documents to the parties entitled thereto when the conditions of this Escrow have been fulfilled by City and Owner.

(f) Return money, papers and documents deposited with Escrow Agent as follows: If this Escrow is not in condition to close on or before the Closing Date, any Party who then shall have fully performed the acts to be performed before the conveyance of title may, in writing, demand from Escrow Agent and the Title Company, if appropriate, the return of its money, papers or documents deposited with Escrow Agent and the Title Company. No demand for return shall be recognized until ten (10) days after Escrow Agent shall have mailed copies of such demand to the other Party or Parties at the address or addresses of its or their principal place or places of business and such other Party shall have failed to have taken the action required by that Party to effectuate the Close of Escrow within such ten (10) day period at which time Escrow Agent shall comply with the demand for return. Objections, if any, shall be raised by written notice to the Escrow Agent and to the other Party within the ten (10) day period described above. If such an objection is timely made, Escrow Agent and the Title Company are authorized to hold all money, papers and documents with respect to the Site, or the affected portion thereof, until instructed by mutual agreement of the Parties or by a court of competent jurisdiction.

(g) Neither Escrow Agent nor the Title Company shall be obligated to return any such money, papers or documents, except upon the written instructions of City and Owner or as otherwise required under this Repurchase Agreement.

(h) All communications from Escrow Agent to City or Owner shall be directed to the addresses and in the manner established this Repurchase Agreement for notices, demands and communications between City and Owner.

2.4 CLOSING DATE

Repurchase of the Site by City shall close on the thirtieth (30th) day (the "Closing Date") after determination of the Repurchase Price in accordance with Section 2.9 below.

2.5 AMENDMENT TO ESCROW INSTRUCTION

Any amendment to this Repurchase Agreement or any escrow instructions related thereto shall be in writing and signed by both City and Owner. At the time of any amendment, Escrow Agent shall agree to carry out its duties as Escrow Agent under such amendment.

2.6 TITLE INSURANCE

The City shall designate its title insurer (“Title Company”) in accordance with its standard procedures, which Title Company shall be reasonably acceptable to Owner. In conjunction with the Close of Escrow, the Title Company shall provide, at the Owner’s cost and expense, a title policy (the “Title Policy”) insuring (in an amount equal to the Repurchase Price) that marketable title to the Site is, pursuant to the Grant Deed, vested in City subject only to the Permitted Exceptions. The Title Policy shall be in the form of a California Land Title Association Standard Coverage Policy of title insurance (“CLTA Policy Form”) provided, however, that if City desires an extended coverage American Land Title Association Owner’s Policy of title insurance in lieu of the CLTA Policy Form, City shall pay the incremental difference in cost. The term “Permitted Exceptions” shall mean: a lien for real estate taxes not yet delinquent, all title exceptions in effect immediately before Owner’s acquisition of the Site from City, the CBTL Lease (as defined in the Covenant Agreement), and all title exceptions created by City or with City’s consent but shall exclude any lien securing a loan to Owner or arising from work requested by Owner or materials ordered by Owner. The Title Policy may include such endorsements as may be required and paid for by City. Escrow Agent shall provide or cause to be provided a copy of the Title Policy to City and Owner.

2.7 CONDITIONS PRECEDENT TO DISPOSITION

(a) City’s obligation to purchase the Site from Owner is contingent on Owner’s having deposited into escrow the items required to be deposited by Owner under Section 2.8(a) below.

(b) Owner’s obligation to sell the Site to City is contingent on City having deposited into escrow before 11:00 am on the scheduled closing date, the Repurchase Amount (in addition to the Escrow Deposit).

2.8 DEPOSIT TO ESCROW

(a) Owner shall deposit with Escrow Agent at least two (2) business days prior to the scheduled Close of Escrow: (A) a standard form of grant deed (the “Grant Deed”), duly executed and acknowledged, and otherwise in recordable form, conveying Owner’s interest in the Site to the City, and (B) a bill of sale transferring to City the Owner’s right, title and interest in any and all plans, drawings, studies, designs, reports, surveys, and data pertaining to the Site (which plans, drawings, etc. shall either be delivered to Escrow Agent prior to Close of Escrow or shall remain on the Site in a secure place accessible to City on transfer of possession at Close of Escrow).

(b) City shall deposit with Escrow Agent: (A) within ten days of the date of Opening of Escrow, the sum of \$10,000 (the “Escrow Deposit”) and (B) no later than 11:00 a.m. on the scheduled closing date the Repurchase Price, reduced by the Escrow Deposit and adjusted for Escrow Agent’s estimate of City’s share of closing costs, prorations and charges payable pursuant to the Repurchase Agreement (the Repurchase Price as so adjusted, the “Repurchase Amount”). City shall deposit the Repurchase Amount via certified or bank cashier’s check made payable to Escrow Agent or a confirmed wire transfer of funds to Escrow Agent in immediately collectable funds.

2.9 REPURCHASE PRICE

The “Repurchase Price” shall mean the appraised fair market value of the Site as of the date of the Opening of Escrow, with marketable title, free and clear of the Covenant Agreement and any restrictions contained in the deed from City to Owner. Fair market value shall be determined via a certified appraiser mutually acceptable to the City and Owner, conducted in accordance with industry standards. The cost of the appraisal will be paid out of the Escrow Deposit. In the event the parties cannot agree on a mutually accepted appraiser, each party may hire its own appraiser whom in turn will be instructed to hire an independent third party appraiser and the fair market value shall be the average of the three appraised values, all of which shall be conducted in accordance with industry standards. Each Party shall pay for their own appraiser and share evenly in the cost of the third party appraiser.

2.10 CLOSING COSTS

City and Owner shall each pay one half of the documentary transfer tax and one half of Escrow Agent’s fees and all recording expenses. Each party shall pay the fees and expenses of its own attorneys, advisors and consultants.

2.11 SEVERABILITY

Every provision of this Repurchase Agreement is intended to be severable. If any provision of this Repurchase 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 Repurchase 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:

Executed this _____ day of _____, 20__

By: _____

Name: _____

Its: _____

EXHIBIT D

FORM OF COVENANT TERMINATION AGREEMENT

NO FEE DOCUMENT

RECORDING REQUESTED BY)
AND WHEN RECORDED RETURN TO:)
))
THE CITY OF LOS ANGELES)
C/O ECONOMIC AND WORKFORCE)
DEVELOPMENT DEPARTMENT)
1200 W. 7TH STREET, 6TH FLOOR)
Los Angeles, CA 90017)
Attn: GENERAL MANAGER)

Assessor's Parcel Numbers: 4204-008-901

**AGREEMENT REGARDING TERMINATION OF AGREEMENT
CONTAINING COVENANTS AFFECTING REAL PROPERTY**

This Agreement Regarding Termination of Agreement Containing Covenants Affecting Real Property (this "Agreement") is entered into this __ day of _____, 20__, by and between The City of Los Angeles, a municipal corporation ("City") and _____, a _____ ("Lender"), with reference to the following facts and circumstances:

RECITALS:

- A. City and 6000 Jefferson BH LLC, a Delaware limited liability company ("Owner") entered into that certain Agreement Containing Covenants Affecting Real Property, dated as of _____, and recorded in the Official Records of the County of Los Angeles, State of California on _____, as Instrument Number _____ (the "Covenant Agreement"), pursuant to which the real property described therein and on Exhibit I attached hereto (the "Site") was encumbered by the covenants contained in the Covenant Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Covenant Agreement;
- B. Lender has made a loan to Owner secured by that certain [Deed of Trust], dated _____, 20__, and recorded in the Official Records of the County of Los Angeles, State of California, on _____, as Instrument Number _____ (the "Deed of Trust");
- C. Lender is a Project Lender (as that term is defined in the Covenant Agreement);

D. Pursuant to Section 2.1 of the Covenant Agreement, City agreed to enter into an agreement with a Project Lender regarding the Covenant Agreement;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Lender hereby agree as follows:

1. City agrees that following the foreclosure of the Deed of Trust, whether judicially or non-judicially, or the transfer of the Site in lieu of foreclosure, the Covenant Agreement shall terminate and be of no further force or effect and shall cease to encumber the Site, upon fulfillment of each of the following conditions:
 - a. The purchaser at the foreclosure sale or the transferee of the Site pursuant to a deed in lieu of foreclosure (such purchaser or transferee being referred to herein as the “Transferee”) is other than an Ineligible Transferee; and
 - b. The Transferee has paid to the City One Million and 00/100 Dollars (\$1,000,000.00).
2. If the conditions to the termination of the Covenant Agreement set forth in Section 1 of this Agreement are fulfilled, the Covenant Agreement shall terminate and be of no further force or effect and City shall execute and acknowledge a termination of the Covenant Agreement in the form attached hereto as Exhibit II.
3. As used in this Agreement, the term “Ineligible Transferee” shall mean Owner and any entity in which Owner has a direct or indirect interest.
4. City hereby represents and warrants to Lender that City has not transferred or encumbered any of its rights and interest in the Covenant Agreement and is the sole holder of all such rights and interest. City covenants and agrees that as long as the Deed of Trust secures any obligations of Owner to Lender, the City shall not transfer or encumber any of its rights or interest in the Covenant Agreement.
5. This Agreement shall be interpreted under and be governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.
6. Time is of the essence in this Agreement.
7. Any consent or approval of the City required under this Agreement shall not be unreasonably withheld or delayed. Any approval must be in writing and executed by an authorized representative of the City.
8. Formal notices, demands and communications between Lender and City shall be sufficiently given and 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 Lender and City as follows:

City: City of Los Angeles
Economic and Workforce Development
Department
1200 W. 7th Street, 6th Floor
Los Angeles California 90017
Attn: General Manager

with copies to: Office of the City Attorney

Attn:

Lender:

with copies to:

- 9. 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 Lender and, subject to the provisions of Section 4, of City.
- 10. Any amendments or modifications to this Agreement must be in writing, and shall be made only if executed by both Lender and City.
- 11. 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.

Executed this day of , 20

THE CITY OF LOS ANGELES

By: _____

Name: _____

Its: _____

APPROVED AS TO FORM:

MICHAEL N. FEUER, City Attorney

By: _____

Date:

Executed this day of , 20

By: _____

Name: _____

Its: _____

EXHIBIT I
LEGAL DESCRIPTION

EXHIBIT II

FORM OF TERMINATION

NO FEE DOCUMENT

RECORDING REQUESTED BY _____)
 AND WHEN RECORDED RETURN TO: _____)
 _____)
 _____)
 _____)
 _____)

Assessor’s Parcel Numbers: 4204-008-901

TERMINATION

This Termination (this “Termination”) is entered into this ___ day of _____, 20__ (the (“Effective Date”), by The City of Los Angeles, a municipal corporation (“City”), with reference to the following facts and circumstances:

RECITALS:

- A. City and _____, LLC, a _____ limited liability company (“Owner”) entered into that certain Agreement Containing Covenants Affecting Real Property, dated as of _____, and recorded in the Official Records of the County of Los Angeles, State of California on _____, as Instrument Number _____ (the “Covenant Agreement”), pursuant to which the real property described therein (the “Site”) was encumbered by the covenants contained in the Covenant Agreement.
- B. Lender has made a loan to Owner secured by that certain [Deed of Trust], dated _____, 20__, and recorded in the Official Records of the County of Los Angeles, State of California, on _____, as Instrument Number _____ (the “Deed of Trust”);
- C. Lender is a Project Lender (as that term is defined in the Covenant Agreement) and pursuant to the Covenant Agreement, Lender and the City entered into an Agreement Concerning Agreement Containing Covenants Affecting Real Property dated as of _____ and recorded in the Official Records of the County of Los Angeles, State of California on _____, as Instrument Number _____ (the “Covenant Termination Agreement”), pursuant to which City agreed to execute, acknowledge and record a termination of the Covenant Agreement upon the occurrence of certain conditions set forth in the Covenant Termination Agreement.

D. The conditions for termination of the Covenant Agreement as set forth in the Covenant Termination Agreement have occurred.

NOW, THEREFORE, pursuant to the terms of the Covenant Termination Agreement, City hereby terminates the Covenant Agreement effective as of the Effective Date.

IN WITNESS WHEREOF, City has caused this Termination to be executed by its duly authorized representative.

Executed this _____ day of _____, 20__

THE City OF LOS ANGELES

By: _____

Name: _____

Its: _____

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

By: _____

Date:

Executed this _____ day of _____, 20__

By: _____

Name: _____

Its: _____