

Long Point Development, LLC Agreement

This Long Point Development, LLC Agreement (“**Agreement**”) is entered into as of June 5, 2009 by and between Long Point Development, LLC, a Delaware limited liability company (“**LPD**”) and the City of Rancho Palos Verdes, a municipal body (“**City**”).

RECITALS

- A. City has adopted a Hotel Incentive Program Ordinance No. 490 (“**Ordinance**”), Rancho Palos Verdes Municipal Code Chapter 348.
- B. LPD is the owner of the Terranea Resort in the City.
- C. LPD desires to participate in the City’s Hotel Incentive Program.
- D. City has required LPD to enter into this Agreement as a condition of participation in the City’s Hotel Incentive Program.

AGREEMENT

1. So long as LPD is managed by an entity affiliated with Lowe Enterprises, Inc. (“**LEI**”), LPD will not seek additional Transient Occupancy Tax (“**TOT**”) rebates (*i.e.*, rebates in addition to the maximum \$8,200,000 provided for in the proposed Ordinance from the City).
2. LPD will not file any action challenging the Ordinance.
3. The TOT rebates shall be suspended upon any violation of Sections 2 or 6 of this Agreement. City shall provide notice to LPD of any violation of Sections 2 or 6; if LPD has not cured such violation within thirty (30) days after receipt of such notice, then in addition to such suspension, all TOT rebate amounts theretofore disbursed to the Owner of Terranea or its designee shall be immediately due and payable together with all interest accrued thereon.
4. Prior to the commencement of the City’s obligation to rebate TOT to LPD in accordance with the Ordinance, LPD will provide reasonable evidence reasonably acceptable to the City Attorney of the City that: (i) it has access to the remaining \$13,500,000 of construction loan funds either from the existing lenders or from a replacement lender; (ii) it has arranged to borrow at least \$10,000,000 to fund post-opening costs at Terranea (which amount shall be secured in whole or in part by the TOT rebate); and (iii) that it has (x) extended its existing first mortgage from Corus Bank, N.A. to a maturity date of April 26, 2010 or later subject only to extension conditions which are reasonably approved by the City Attorney of the City, or (y) closed a replacement loan secured by a

first priority lien on the Terranea Resort which has a maturity date no earlier than April 26, 2010 and which repays the Corus Bank, N.A. loan.

5. The attached Estimated Property Tax Schedule is the property tax assessment agreed to by LPD in accordance with Section 3.48.040 (b) (f) of Ordinance No. 490.
6. So long as LPD is managed by an entity affiliated with LEI, LPD will not publicly object to any effort by the City to increase the City TOT by up to two additional percentage points (that is, to a rate not to exceed twelve percent (12%)).
7. Neither LEI nor any wholly owned affiliate nor any company directly or indirectly owned in whole or in part by any member of the Lowe family shall be the sole lender providing funds to LPD in accordance with Section 3.48.090 of Ordinance Number 490.

IN WITNESS WHEREOF, City and LPD have entered into this Agreement as of the date set forth above.

City:

City of Rancho Palos Verdes

By: Larry Clark
Its: Mayor

Long Point Development, LLC,
a Delaware limited liability company

By: LDD Long Point, LLC,
a Delaware limited liability company, its Manager

By: Lowe Destination Development, Inc.,
A California corporation, its Managing Member

By: _____
Name:
Title:

Date: _____

By: _____

Name:

Title:

Date: _____