

THIRD AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT

(GRAND AVENUE)

THIS THIRD AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT (“**Amendment**”) is entered into as of December __, 2012, by and among THE LOS ANGELES GRAND AVENUE AUTHORITY, a California joint powers authority (“**Authority**”), GRAND AVENUE L.A., LLC, a Delaware limited liability company (“**Developer**”), THE BROAD COLLECTION, a California nonprofit public benefit corporation (“**Phase IIA Developer**”), and GRAND AVENUE M HOUSING PARTNERS, LLC, a California limited liability company (“**Phase IIB Developer**”), with reference to the following facts and objectives:

RECITALS

A. Authority, Developer and Phase IIA Developer are parties to that certain Disposition and Development Agreement (Grand Avenue) dated as of March 5, 2007 (the “**Original DDA**”), as amended by that certain First Amendment to Disposition and Development Agreement (Grand Avenue) dated as of August 23, 2010 (the “**DDA First Amendment**”), and that certain Second Amendment to Disposition and Development Agreement (Grand Avenue) dated as of May 31, 2011 (the “**DDA Second Amendment**”). Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to such terms in the Original DDA, the DDA First Amendment and the DDA Second Amendment, as applicable. The Original DDA as amended by the DDA First Amendment, the DDA Second Amendment and this Amendment is referred to herein as the “**Amended DDA.**”

B. The DDA First Amendment, among other things, amended the Scope of Development for the Project to provide that Phase IIA Developer will construct Phase IIA to include the Museum. The DDA Second Amendment, among other things, amended the Scope of Development for the Project to provide that Developer will construct Phase IIB. Pursuant to Section 4.2 of the DDA Second Amendment, “Phase IIB will consist of a residential tower of approximately 20 stories, to be constructed on Parcel M-2, containing approximately 260 rental units; 20% of the total units in Phase IIB shall be rental Affordable Housing Units. Phase IIB will include a parking garage containing approximately 280 parking spaces for the renters of the non-Affordable Housing Units in Phase IIB. Per Section 707 of the Original DDA, the Affordable Housing Units in Phase IIB shall be reserved for occupancy by Sixty Percent Households and, in Developer’s sole discretion, by Very Low Income Households and/or Extremely Low Income Households. Retail Improvements, consisting of between approximately 7,000 and 19,500 square feet, will be constructed on Grand Avenue as part of Phase IIB.”

C. Developer has requested that the aforementioned Scope of Development for Phase IIB be amended as follows to reflect the updated plans for Phase IIB: the residential tower will include approximately 271 rental units (rather than 260), with 56 of such rental units (including one manager’s unit) constituting Affordable Housing Units reserved for occupancy by Sixty Percent Households and, in Phase IIB Developer’s (rather than Developer’s) sole discretion, by Very Low Income Households and/or Forty Percent Households (rather than Extremely Low Income Households). Developer has requested that Authority confirm that Retail Improvements

consisting of an approximately 5,500 square foot indoor restaurant space plus approximately 1,750 square feet of outdoor restaurant patio area (totaling approximately 7,250 square feet of restaurant space) complies with the Scope of Development for Phase IIB contained in the DDA Second Amendment.

D. Developer, Phase IIA Developer and Phase IIB Developer have requested (i) various amendments to the Scope of Development, as set forth herein, and (ii) an updated Schedule of Performance that reflects prior actions, as set forth herein.

E. An amendment to the Scope of Development requires approval of the Governing Entities as provided in Section 402 of the Original DDA. Execution of this Amendment by the Authority, the CRA, and the County shall constitute approval by such entities respectively. The Amendment of the Original DDA and the Scope of Development in order to further the development of Phase IIB is in the vital and best interests of the City and the County and the health, safety, morals and welfare of their residents, and consistent with the public purposes and provisions of the applicable federal, state and local laws and requirements, and, in particular, the Community Redevelopment Law of the State of California Health and Safety Code Section 33000 et seq.

F. Developer has determined that in order to obtain federal low income housing tax credits (“**Tax Credits**”) and further finance construction of Phase IIB, it is necessary for Developer to form the Phase IIB Developer, which is a single-purpose limited liability company, with non-managing investor members, to develop Phase IIB.

G. Promptly following the mutual execution of this Amendment, Authority and Phase IIB Developer will enter into a sub-ground lease with respect to the Phase IIB Parcel in the form attached hereto as Exhibit “A” (the “**Phase IIB Parcel Ground Lease**”).

H. Pursuant to that certain Grand Avenue Project-Phase IIB Parcel Assignment and Assumption Agreement dated on or about the date hereof (the “**Phase IIB Assignment Agreement**”), Developer has assigned to Phase IIB Developer its rights and obligations under the Amended DDA with respect to the Phase IIB Parcel, and Phase IIB Developer has assumed such rights and obligations so that Phase IIB Developer can develop the Phase IIB Improvements under the Amended DDA. Developer and Phase IIB Developer entered into the Phase IIB Assignment Agreement in anticipation of this Amendment being executed by the parties hereto. As set forth in Section 6(a) below, execution of this Amendment by Authority and the CRA will evidence their consent to the assignment and assumption provided for in the Phase IIB Assignment Agreement, which consents satisfy a condition precedent to the effectiveness of the Phase IIB Assignment Agreement.

I. Developer and Phase IIB Developer have requested that Authority document, in this Amendment, the assignment by Developer of its rights with respect to the Phase IIB Parcel to the Phase IIB Developer pursuant to the Phase IIB Assignment Agreement, and the consent of the Authority and the CRA thereto.

J. Developer has further determined that in order to finance construction of Phase

IIB, it is necessary for Phase IIB Developer, no later than the issuance of a Certificate of Completion for the Phase IIB Improvements, to process a subdivision of the Phase IIB Parcel into multiple air-rights parcels (the “**Subdivision**”) through Recordation of a tract map (the “**Tract Map**”), pursuant to which the parcels listed on Schedule 1 attached hereto will constitute the “**Phase IIB Affordable Parcels**” and the parcels listed on Schedule 2 attached hereto will constitute the “**Phase IIB Market Rate Parcels**.” In connection therewith, Developer has formed a single-purpose limited liability company with Related California Urban Housing, LLC, a California limited liability company acting as the managing member, Grand Avenue M Urban Housing, LLC, a California limited liability company (the “**Phase IIB Market Rate Owner**”). Concurrent with Recordation of the Tract Map, the Phase IIB Developer, CRA and the Authority will enter into a reciprocal easement agreement with covenants and conditions establishing, among other things, easements relating to access between the Phase IIB Affordable Parcels and the Phase IIB Market Rate Parcels, and certain rights and obligations with respect to ownership and maintenance of the Phase IIB Improvements (the “**Phase IIB REA**”). Following Recordation of the Tract Map and Recordation of the Phase IIB REA, Phase IIB Developer will convey Phase IIB Developer’s fee interest in the Phase IIB Market Rate Owner Improvements (as hereinafter defined) to Phase IIB Market Rate Owner, the Phase IIB Parcel Ground Lease will, by its terms, release the Phase IIB Market Rate Parcels and the Phase IIB Market Rate Parcels will be sub-ground leased by the Authority to the Phase IIB Market Rate Owner pursuant to the terms of the sub-ground lease of the Phase IIB Market Rate Parcels with the Market Rate Owner in substantially the form attached hereto as Exhibit “B” (the “**Phase IIB Market Rate Ground Lease**”), which Phase IIB Market Rate Ground Lease will provide for the profit sharing described in Section 13 below. Concurrent with execution of the Phase IIB Market Rate Ground Lease, the mortgages and related documents encumbering the Phase IIB Parcel, and securing the 7.7 Million Dollar Loan and the Affordable Housing Loan, will be amended to release the Phase IIB Market Rate Parcels as security for the 7.7 Million Dollar Loan and the Affordable Housing Loan.

K. Developer and Phase IIB Developer have also requested various other modifications to the Original DDA, as amended by the DDA First Amendment and the DDA Second Amendment, as more particularly set forth hereinbelow.

NOW THEREFORE, in consideration of the foregoing Recitals and for other good and valuable consideration, the receipt of which is hereby acknowledged, Authority, Developer, Phase IIA Developer and Phase IIB Developer hereby agree as follows:

1. **Recitals Incorporated by Reference.** The foregoing Recitals A through K are hereby incorporated into and made a part of this Agreement.

2. **Amendment of Definitions.**

(a) The following definitions set forth in the Original DDA and the DDA First Amendment and the DDA Second Amendment are hereby amended as follows:

(1) The definition of “**CRA**” is amended to mean CRA/LA, a designated local authority, a public body formed under Health & Safety Code Section 34173(d)(3), as successor to the Community Redevelopment Agency of the City of Los Angeles.

(2) The definition of “**CRA-Authority Leases**” is amended to include the Phase IIB Parcel CRA Ground Lease.

(3) The definition of “**Ground Lease(s)**” is amended to include the Phase IIB Parcel Ground Lease, and for purposes of Sections 107, the definition of “Mortgage,” 202, 207, 602(B)(11), 801, 902(2), 1001, Article 11, Article 12, 1311, 1401 and 1402(k) of the Original DDA, the definition of Ground Lease is amended to include the Phase IIB Market Rate Ground Lease.

(4) The definition of “**Intermediate Lender**” is amended to mean Urban Funding, Inc., a California corporation.

(5) The definition of “**Institutional Lender**” is amended to provide that, notwithstanding the definition set forth in the Original DDA, STRS Ohio CA Real Estate Investments II, LLC shall be deemed an Institutional Lender.

(6) The definition of “**Mortgage**” is amended to mean any mortgage, deed of trust, pledge, encumbrance or other security interest, together with all amendments, modifications, supplements, restatements and/or replacements from time to time, granted to a lender not Affiliated with Developer, made in good faith and for fair value, encumbering all or any part of Developer’s interest in this Agreement, the Ground Leases, the Project Documents, the Project or the Development Site. “Mortgage” shall not include any mortgage, deed of trust, pledge, encumbrance or other security interest granted to a lender (i) in which Developer or an Affiliate of Developer has an interest of 20% or more, or (ii) which has an interest of 20% or more in Developer or an Affiliate of Developer. Notwithstanding the foregoing, the deed of trust securing repayment of the 7.7 Million Dollar Loan and the deed of trust securing repayment of the Tax Exempt Note Letter of Credit shall each constitute a Mortgage hereunder.

(7) The definition of “**Title Company**” is amended to mean a title company reasonably approved by Authority, provided that Authority expressly approves of First American Title Insurance Company, Chicago Title and Old Republic Title.

(b) The following definitions are added to Section 110 of the Original DDA:

(1) “**7.7 Million Dollar Grant Agreement**” is defined in Section 7(b).

(2) “**Administrative Member**” means a Person with the direct or indirect power to Control another Person.

(3) “**Forty Percent Household**” means a household with an adjusted income that does not exceed forty percent (40%) of the Median Income, adjusted for actual household size.

(4) “**Investor**” means the non-managing member(s) of Phase IIB Developer.

(5) “**Person**” means an individual, partnership, trust, corporation, firm or other entity.

- (6) “**Phase IIB Affordable Parcels**” is defined in Recital J.
- (7) “**Phase IIB Agreements**” means the following agreements to which the Phase IIB Developer is a party: the Amended DDA, the Phase IIB Assignment Agreement, and the Phase IIB Parcel Ground Lease.
- (8) “**Phase IIB Assignment Agreement**” is defined in Recital H.
- (9) “**Phase IIB Developer**” means Grand Avenue M Housing Partners, LLC, a California limited liability company.
- (10) “**Phase IIB Developer Environmental Compliance Obligations**” shall have the meaning given in Section 6 hereof.
- (11) “**Phase IIB Managing Member**” shall have the meaning given in Section 9.1 hereof.
- (12) “**Phase IIB Market Rate Owner**” is defined in Recital J.
- (13) “**Phase IIB Market Rate Parcels**” is defined in Recital J.
- (14) “**Phase IIB Market Rate Ground Lease**” is defined in Recital J.
- (15) “**Phase IIB Parcel CRA Ground Lease**” means a ground lease from the CRA to Authority of the Phase IIB Parcel to be entered into immediately prior to the execution and delivery of the Phase IIB Parcel Ground Lease, as a condition to the effectiveness thereof.
- (16) “**Phase IIB Parcel Ground Lease**” is defined in Recital G.
- (17) “**Phase IIB Market Rate Owner Improvements**” means all of the Phase IIB Improvements other than the Affordable Units and related structural elements and exterior walls. Without limiting the generality of the foregoing, the Phase IIB Market Rate Owner Improvements shall expressly include 215 Market Rate Rental Units and related tenant amenities and access areas, the Retail Improvements, and a parking garage containing approximately two hundred eighty (280) parking spaces.
- (18) “**Recordation**” means recordation in the Official Records of the County of Los Angeles, California.
- (19) “**Subdivision**” is defined in Recital J.
- (20) “**Tax Credits**” is defined in Recital F.
- (21) “**Tax Exempt Note Letter of Credit**” that irrevocable standby letter of credit issued by [BANK] in the approximate amount of [\$21,000,000] securing a portion of the Tax Exempt Note Loan.

(22) “**Tax Exempt Note Loan**” means that certain loan of tax exempt note proceeds from the Phase IIB Institutional Lender in the approximate original principal amount of \$_____.

(23) “**Third Amendment Effective Date**” means the date that this Amendment has been executed and delivered by Authority, Developer, Phase IIA Developer and Phase IIB Developer and approved by the Governing Entities.

3. Amendments to Scope of Development. Effective as of the Third Amendment Effective Date, the Scope of Development attached as Exhibit “A” to the Original DDA, as amended and supplemented to date, is hereby amended and restated in its entirety by the Scope of Development attached hereto as Exhibit “C”. For ease of reference, the amendments to the Scope of Development authorized hereunder are described in the remainder of this Section 3 (provided that, if any conflict arises between the terms set forth in the Scope of Development attached hereto and the terms set forth below in this Section 3, the terms set forth in the Scope of Development attached hereto shall prevail and control):

3.1 Phase IIB Description; Phase IIA Description. Part II(B) (a portion of Phase II Parcels L and M-2) of the Scope of Development attached to the Original DDA as Exhibit “A”, as amended and restated in Section 4.2 of the DDA Second Amendment, is amended as follows: The reference to “approximately 260 rental units” is hereby amended to refer to “approximately 271 rental units”; the reference to “in Developer’s sole discretion,” is amended to refer to “in Phase IIB Developer’s sole discretion;” and the reference to “Extremely Low Income” is amended to refer to “Forty Percent Household.” In addition, the sentence reading “Retail improvements, consisting of between approximately 7,000 and 19,500 square feet, will be constructed on Grand Avenue as part of Phase IIB” is amended to state “Retail Improvements, consisting of between approximately 7,000 and 19,500 square feet, will be constructed on Grand Avenue as part of Phase IIA or Phase IIB.” The Authority hereby confirms that Retail Improvements consisting of an approximately 5,500 square foot indoor restaurant space plus approximately 1,750 square feet of outdoor restaurant patio area (totaling approximately 7,250 square feet of restaurant space) complies with the Scope of Development for Phase IIB contained in the DDA Second Amendment.

3.2 Hope Street Sidewalk Width. A portion of Part III(L) (Sidewalk Standards) of the Scope of Development attached to the Original DDA as Exhibit “A”, is amended to provide that the minimum required sidewalk width along Hope Street will be 10 feet rather than 15 feet, with the balance available for landscaping, SUSMP purposes, public access to Phase IIA, Phase IIB, and Phase IIC, and related purposes.

3.3 Grand Avenue Streetscape – Passenger Loading. The Grand Avenue Streetscape to be constructed by Phase IIA Developer on Upper Grand Avenue will include a turn-out/curb cut in front of the Phase IIB Parcel for passenger loading and unloading.

4. Schedule of Performance. The Schedule of Performance attached hereto as Exhibit “D” reflects all changes to date that the parties hereto have agreed upon and made to the Schedule of Performance attached as Exhibit “C” to the Original DDA.

5. Certain Other Amendments Regarding Phase IIB.

(a) A new Section (5) is hereby added to the end of Section 108 of the Original DDA: “(5) Phase IIB Developer. The “Phase IIB Developer” is Grand Avenue M Housing Partners, LLC, a California limited liability company. Phase IIB Developer’s principal office is located at 18201 Von Karman Avenue, Suite 900, Irvine, California 92612.”

(b) Notwithstanding anything to the contrary contained in the Amended DDA, to the extent there is an inconsistency in the Amended DDA with respect to the rents that will be charged to tenants of the rental Affordable Housing Units, such tenants shall be charged applicable rents that do not exceed the maximum allowable rents as calculated and published by the California Tax Credit Allocation Committee (i.e., the rents charged for forty-six (46) of the Affordable Housing Units shall not exceed the maximum allowable rent for households with an adjusted income that does not exceed fifty percent (50%) of the Median Income, adjusted for actual household size, and the rents charged for ten (10) of the Affordable Housing Units (including one manager’s unit) shall not exceed the maximum allowable rent for households with an adjusted income that does not exceed forty percent (40%) of the Median Income, adjusted for actual household size).

(c) With respect to Section 1003 of the Original DDA, Phase IIB Developer’s obligation to take the remedial actions set forth therein shall apply only with respect to Hazardous Materials on or under the Phase IIB Parcels as a result of the actions of Phase IIB Developer or its Affiliates, contractors, agents, employees or licensees.

(d) Authority hereby reaffirms Authority’s approval of the Project Documents for Phase IIB which are listed on Schedule 3 attached hereto.

(e) Deficiencies (if any) in Project Documents for Phases of the Project other than Phase IIB shall not affect Authority’s approval of the Project Documents for Phase IIB.

(f) The Authority makes no representations or warranties as to the condition of the Phase IIB Parcel prior to the delivery thereof to Phase IIB Developer.

(g) Execution by the CRA, the Authority, the Developer, the Phase IIB Developer and the Phase IIA Developer, and Recordation of that certain Parking Agreement and Covenant by and among the Phase IIA Developer, the Phase IIB Developer and the Phase IIB Market Rate Owner, relating to the availability of parking spaces for tenants of Phase IIB Affordable Parcels, shall constitute compliance with Section 5.2 of the DDA Second Amendment. Execution of the Museum /Phase IIB/Phase IIC REA shall not be a condition to Commencement of Construction of Phase IIB. Execution by the CRA, the Authority, the Developer, the Phase IIB Developer and the Phase IIA Developer, and Recordation of the Public Plaza REA shall not constitute a condition precedent to the Authority’s execution and delivery of the Phase IIB Parcel Ground Lease; provided, however, that mutual execution and Recordation of the Public Plaza REA shall remain a condition precedent to the issuance of any Certificate of Completion for the Phase IIA Parking Garage and shall be a condition precedent to the issuance of any Certificate of Completion for Phase IIB.

6. **Approval of Phase IIB Parcel Ground Lease, Subdivision of Phase IIB Parcel and Leasing of Phase IIB Market Rate Parcels; Continued Responsibility for Mitigation Measures.**

(a) Authority and, to the extent required under the Amended DDA, Phase IIA Developer, hereby consent to the assignment by Developer of its rights and obligations under the Amended DDA with respect to the Phase IIB Parcel to the Phase IIB Developer in accordance with the terms of the Phase IIB Assignment Agreement.

(b) Subdivision. Authority, Developer and, to the extent required under the Amended DDA, Phase IIA Developer hereby consent to the Subdivision and Recordation of the Phase IIB REA, provided that the Subdivision shall comply with all applicable Laws including, without limitation, the Subdivision Map Act, and there shall be no conditions imposed in connection with the Subdivision that would be inconsistent with the Amended DDA. At such time during construction of the Phase IIB Improvements that Phase IIB Developer desires to cause the Recordation of the Tract Map, Phase IIB Developer shall deliver an execution copy of the Tract Map and the Phase IIB REA to the Authority and CRA for execution. Upon receipt of the Tract Map and Phase IIB REA executed by the Authority and CRA, Phase IIB Developer shall be authorized to cause the Recordation of the Tract Map and the Phase IIB REA against the CRA's fee interest in the Phase IIB Parcel, the Authority's leasehold interest in the Phase IIB Parcel and Phase IIB Developer's sub-leasehold interest in the Phase IIB Parcel, and effect the Subdivision which will result in the creation of the Affordable Housing Parcels and the Market Rate Parcels and concurrent recordation of the Phase IIB REA. Authority further agrees to execute and deliver any and all documents reasonably necessary, in the opinion of the Title Company, to cause the subordination of the Phase IIB Ground Lease to the Tract Map and the Phase IIB REA, provided that Phase IIB Developer shall indemnify and reimburse the Authority with respect to any liability or other costs or damages incurred by the Authority and arising from its obligations under any such documents.

(c) Following the Recordation of the Tract Map and the Phase IIB REA, (a) Phase IIB Developer shall convey Phase IIB Developer's fee interest in the Phase IIB Market Rate Owner Improvements to Phase IIB Market Rate Owner, (b) the Phase IIB Parcel Ground Lease will, by its terms, release the Phase IIB Affordable Parcels from the space demised thereunder, and (c) the Authority and the Market Rate Owner shall enter into the Phase IIB Market Rate Ground Lease, subject to the conditions contained in Article 11 of the Phase IIB Ground Lease (the "**Market Rate Transfer**"). Upon receipt of the executed Market Rate Parcel Ground Lease, the Phase IIB Developer shall be authorized to cause the Recordation of a memorandum of Ground Lease in connection with the Market Rate Parcel Ground Lease. Authority, Developer and, to the extent required under the Amended DDA, Phase IIA Developer hereby consent to the Market Rate Transfer and execution of the Market Rate Parcel Ground Lease.

(d) Pursuant to Section 507(4) of the Original DDA, except as otherwise expressly provided in the Original DDA (as amended by the DDA First Amendment and the DDA Second Amendment) and without limiting the continued effectiveness and application of Articles 7 and 8 thereof, upon the issuance of the Certificate of Completion for Phase IIB, the DDA shall terminate solely with respect to Phase IIB, and none of Phase IIB Developer, the

Phase IIB Market Rate Owner, Authority, the City, CRA, County, nor any other person shall have any rights, remedies or controls with respect to Phase IIB that it would otherwise have or be entitled to exercise under the DDA as a result of a default in or breach of any provision of the DDA, and the respective rights and obligations of the parties with respect to Phase IIB shall be as set forth in the Phase IIB Ground Lease and the Phase IIB Market Rate Ground Lease, as applicable, and any recorded covenants or regulatory agreement concerning the Phase IIB Parcel.

(e) Notwithstanding any provision hereof, subject to the obligations of (i) Phase IIA Developer as set forth in the Amended DDA, and (ii) Phase IIB Developer as set forth in Exhibit "E" attached hereto (collectively, the "**Phase IIB Developer's Environmental Compliance Obligations**"), Developer shall remain responsible for compliance with the Project description as approved in the final EIR, the Mitigation and Monitoring Program approved as part of the certification of the EIR, and related conditions of approval adopted by the Governing Entities concurrently with approval of the Original DDA, except to the extent that such compliance is determined to have been achieved by the Phase IIA Developer or the Phase IIB Developer. Phase IIB Developer shall be responsible for compliance with the Project description as approved in the final EIR as set forth in the Phase IIB Developer's Environmental Compliance Obligations, the Mitigation and Monitoring Program approved as part of the certification of the EIR as set forth in the Phase IIB Developer's Environmental Compliance Obligations, and related conditions of approval adopted by the Governing Entities concurrently with approval of the Original DDA as set forth in the Phase IIB Developer's Environmental Compliance Obligations.

7. **Funding of Affordable Housing – Phase IIB.** Notwithstanding anything to the contrary contained in Section 4.6 of the DDA Second Amendment:

(a) The Authority hereby confirms that, in accordance with the terms of Section 4.6 of the DDA Second Amendment, the County Treasurer currently holds the 7.7 Million Dollar Payment (which payment amount includes the original \$7,700,000 payment from the Phase IIA Developer plus all interest thereon while on deposit with the County Treasurer), and that the full 7.7 Million Dollar Payment will be disbursed into an escrow (on behalf of the Intermediate Lender) in accordance with the 7.7 Million Dollar Grant Agreement (as defined below), upon closing of the construction loan for Phase IIB, which closing is expected to occur on or before December 31, 2012.

(b) The 7.7 Million Dollar Grant shall be made pursuant to a grant agreement between the Authority and the Intermediate Lender in substantially the form attached hereto as Schedule 4 (the "**7.7 Million Dollar Grant Agreement**"); provided, however, that the Authority shall have no obligation to make the 7.7 Million Grant, unless the Phase IIB Developer has delivered a copy of the fully-executed 7.7 Million Loan Documents (as defined below) to the Authority, together with an explanation of any changes from the forms attached hereto, which changes shall be subject to the Authority's approval, which the Authority may withhold in its reasonable discretion. The 7.7 Million Dollar Grant Agreement shall be executed concurrent with the closing of the construction loan for Phase IIB. In accordance with Section 12.1 of the Phase IIB Parcel Ground Lease, the Authority hereby approves the form of the 7.7 Million Dollar Grant Agreement.

(c) The loan of the 7.7 Million Grant proceeds shall be made by the Intermediate Lender to the Phase IIB Developer (the “**7.7 Million Dollar Loan**”) pursuant to a loan agreement, promissory note and deed of trust in substantially the forms attached hereto as Schedule 5 (the “**7.7 Million Dollar Loan Documents**”). The 7.7 Million Dollar Loan Documents shall be executed concurrent with execution of the 7.7 Million Grant Agreement, and the Intermediate Lender shall disburse the full amount of the 7.7 Million Dollar Loan to the Phase IIB Developer upon closing of the construction loan for Phase IIB. In accordance with Section 12.1 of the Phase IIB Parcel Ground Lease, the Authority hereby approves the forms of the 7.7 Million Loan Documents. The proceeds of the 7.7 Million Dollar Loan shall be used solely to pay costs specified on a settlement statement certified by the Phase IIB Developer and approved by the Authority in writing prior to the closing of the construction loan for Phase IIB.

(d) The original principal amount of the Affordable Housing Loan will be \$5,995,000. As of the date of this Amendment, Phase IIB Affordable Housing Funds in an amount equal to \$5,626,000 are currently held by the County Treasurer for the benefit of the Authority. Phase IIB Affordable Housing Funds in an amount equal to \$369,000 will be deposited by the CRA with the County Treasurer, for the benefit of the Authority, no later than January 31, 2013.

(e) The Phase IIB Affordable Housing Funds, to the extent actually received by/made available to Authority by CRA, shall be loaned by the Authority to the Phase IIB Developer as a residual receipts loan for Affordable Housing in Phase IIB pursuant to the terms of a loan agreement, promissory note, deed of trust, and regulatory agreement in substantially the forms attached hereto as Schedules 6.A, 6.B, 6.C, and 6.D (the “**Affordable Housing Loan Documents**”). All payments made to the Authority by the Phase IIB Developer under the Affordable Housing Loan Documents shall be applied to Affordable Housing in the Project, and after all Affordable Housing in the Project has been fully funded, the payments under the Affordable Housing Loan Documents shall be paid to the City for other affordable housing in downtown Los Angeles. If Phase IIB does not commence construction in accordance with the Schedule of Performance, Authority shall allocate the Phase IIB Affordable Housing Funds to Affordable Housing in Phase I (and if Phase I does not commence construction in accordance with the Schedule of Performance, the Phase IIB Affordable Housing Funds shall be paid to the City (as the successor housing agency) for other affordable housing in downtown Los Angeles) in accordance with the Laws. In accordance with Section 12.1 of the Phase IIB Parcel Ground Lease, the Authority hereby approves the form of the Affordable Housing Loan Documents.

(f) Upon closing of the construction loan for Phase IIB, the Authority shall disburse loan proceeds in an amount equal to \$5,626,000 to Wells Fargo, the Institutional Lender that will disburse the construction loan to the Phase IIB Developer for development of Phase IIB (the “**Phase IIB Institutional Lender**”), subject to and in accordance with the terms and conditions of the Affordable Housing Loan Documents. Within fifteen (15) business days after the Authority’s receipt of the deposit of the remaining \$369,000 in Affordable Housing Loan funds, the Authority shall disburse such funds to the Phase IIB Institutional Lender, subject to and in accordance with the terms and conditions of the Affordable Housing Loan Documents. The Phase IIB Institutional Lender will disburse the Phase IIB Affordable Housing Funds to the Phase IIB Developer in accordance with the terms of the Affordable Housing Loan Documents.

8. **Phase IIB Developer Representations, Warranties and Covenants.** Section 1501 of the Original DDA shall be inapplicable with respect to Phase IIB Developer. The following Section 1504 (which shall be inapplicable with respect to Developer and Phase IIA Developer) is hereby added to the end of Article 15 of the Original DDA with respect to Phase IIB Developer:

“1504 **Representations, Warranties and Covenants of Phase IIB Developer.**

Phase IIB Developer represents, warrants and covenants to the Authority, as of the date hereof and as of the date of the closing of the construction loan for Phase IIB, as follows:

(1) **Organization.** Phase IIB Developer is a California limited liability company, duly formed, validly existing under the laws of the State of California and qualified to conduct business in 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 the Phase IIB Agreements. Each of the entities that are members and/or managers of Phase IIB Developer are duly formed, validly existing under the laws of their respective states of formation and qualified to conduct business in the State of California, with full power and authority to conduct their businesses as presently conducted.

(2) **Authorization.** Phase IIB Developer has taken all necessary action to authorize its execution, delivery and, subject to the conditions set forth herein, performance of its obligations under this Amendment and the other Phase IIB Agreements. Upon such execution and delivery, this Amendment shall constitute a legal, valid and binding obligation of Phase IIB Developer, enforceable against it in accordance with its terms.

(3) **No Conflict.** The execution, delivery and performance of this Amendment by Phase IIB Developer does not and will not conflict with, or constitute a violation or breach of, or a default under, (a) the articles of organization, operating agreement, and/or other formation documents of Phase IIB Developer, (b) any applicable law, rule or regulation binding upon or applicable to Phase IIB Developer, or (c) any material agreements to which Phase IIB Developer is a party.

(4) **No Litigation.** There is no existing or, to Phase IIB Developer's knowledge, pending or threatened litigation, suit, action or proceeding before any court or administrative agency affecting Phase IIB Developer that would, if adversely determined, adversely affect Phase IIB Developer, the Phase IIB Improvements or Phase IIB Developer's ability to perform its obligations hereunder or under the other Phase IIB Agreements.

(5) **No Defaults.** Phase IIB Developer is not in default in respect of any of its obligations or liabilities pertaining to the Phase IIB Parcels, nor is there any state of facts, circumstances, conditions, or events which, after notice, lapse or time, or both, would constitute or result in any such default. Phase IIB Developer is not and, at the time of execution of this Amendment, will not be in default with respect to any agreements, obligations or liabilities that could adversely affect Phase IIB Developer's ability to perform its obligations hereunder.

(6) **Financial Statements.** Phase IIB Developer has previously delivered to Authority or made available for inspection by Authority and its representatives true

and accurate current financial statements with respect to Related, which financial statements were prepared in accordance with generally accepted accounting principles and fairly and accurately represent the financial condition of Related as of the date or dates thereof. No material adverse change has occurred in the financial condition of Related between the date or dates of such financial statements and the date hereof. At the request of Authority from time to time, Phase IIB Developer shall make available for inspection by Authority such additional financial statements and information concerning the financial condition of Phase IIB Developer and Related as Authority shall reasonably request.

(7) Phase IIB Parcel Ground Lease. Phase IIB Developer shall enter into the Phase IIB Parcel Ground Lease with Authority following execution of the Phase IIB CRA Ground Lease by CRA and Authority but in no event prior to the closing of the construction loan for Phase IIB and in no event later than the time required therefor by the Schedule of Performance.”

9. Phase IIB Transfer Restrictions; Additional Rights of Investor.

9.1 Representations of Phase IIB Developer. Phase IIB Developer represents that it is entering into this Amendment for the purposes of the redevelopment of the Phase IIB Parcel in accordance with the Amended DDA and not for speculation in land holding. Phase IIB Developer further recognizes that, in view of the importance of the redevelopment of the Development Site to the general welfare of the community, the qualifications and identity Phase IIB Developer’s managing member (i.e., an affiliate of Related) (the “**Phase IIB Managing Member**”) are of particular concern to Authority. Among such qualifications are the financial resources of Related and the reputation and experience of Related and its principals and personnel in the development of world class projects. It is because of such qualifications and identity that Authority is entering into this Amendment. Therefore, no voluntary or involuntary successor-in-interest of Phase IIB Developer shall acquire any rights or powers under the Amended DDA or in the Phase IIB Parcels except as specifically set forth herein.

9.2 Transfers of Interests in Phase IIB Developer; Replacement of Related Key Personnel. With respect to Phase IIB only, Section 906 of the Original DDA is hereby amended and restated in its entirety to provide as follows:

“906 Transfers of Interests in Phase IIB Developer; Replacement of Related Key Personnel.

(1) Phase IIB Developer acknowledges that Authority has relied on the Phase IIB Developer’s Amended and Restated Operating Agreement dated _____, 2012 (“**Phase IIB Developer’s Operating Agreement**”) in entering into this Amendment. Authority acknowledges that Developer formed Phase IIB Developer in order for affiliates of Developer to obtain the benefit of the Tax Credits and further finance the construction of Phase IIB. Therefore, Phase IIB Developer will be comprised of the Phase IIB Managing Member, which shall be the managing member of Phase IIB Developer at all times, except as hereinafter provided in Paragraph (2) below, and the Investor. Phase IIB Developer hereby represents and warrants to the Authority that Phase IIB Developer’s Operating Agreement controls and will continue to control the amount and timing of all capital contributions to Phase IIB Developer.

Notwithstanding anything to the contrary set forth in the Original DDA, Authority hereby approves of the following:

(i) the admission of the Investor as a non-managing member of Phase IIB Developer on the terms and conditions set forth in the Phase IIB Developer's Operating Agreement;

(ii) the sale of membership interests in the Investor to one or more low income housing tax credit investors, provided that in each instance the Phase IIB Developer's Operating Agreement shall not be amended without the consent of the Authority (except as necessary to effectuate permitted transfers), which approval shall not be unreasonably withheld, conditioned or delayed, and all documents associated with the low income tax credit syndication reasonably requested by the Authority (excluding Investor's internal operating and organizational documents) are submitted to the Authority for approval (and have been so approved prior to execution), which approval shall not be unreasonably, withheld, conditioned, or delayed;

(iii) transfers of the Investor's direct or indirect membership interest in the Phase IIB Developer provided that in each instance: (A) such transfer does not affect the timing and amount of the capital contributions provided for in and subject to the terms of the Phase IIB Developer's Operating Agreement as approved by the Authority; (B) an entity Controlled (as defined by the term "Control" in Section 110 of the Original DDA) by or under common Control with the original partners of the Investor retains a managing membership interest or general partner interest in the successor Investor; and (C) following such transfer the Investor remains liable for all unpaid capital contributions to the Phase IIB Developer;

(iv) transfers expressly permitted by and made in accordance with the terms and conditions of the Phase IIB Parcel Ground Lease or the Phase IIB Market Rate Ground Lease, as applicable; and

(v) transfers of (a) the Investor's interests in the Phase IIB Developer to the Phase IIB Managing Member or any Institutional Lender or (ii) the Phase IIB Managing Member's interest in the Phase IIB Developer or the Phase IIB Market Rate Owner to any Institutional Lender.

(2) Removal of Phase IIB Managing Member. It is of critical importance to Authority that the Phase IIB Managing Member be controlled directly by Related California Urban Housing, LLC and controlled indirectly by the same entities who control The Related Companies of California, LLC and be in control of the development of Phase IIB through the completion of Phase IIB. However, Authority recognizes that under certain circumstances it may be necessary for the Investor to remove the Phase IIB Managing Member as the sole managing member of the Phase IIB Developer and/or to terminate the Phase IIB Managing Member's membership interest in Phase IIB Developer prior to the full completion of Phase IIB. The only events that will permit such removal of the Phase IIB Managing Member as the sole managing member of Phase IIB Developer prior to full completion of Phase IIB, without the consent of Authority, are:

(i) Gross negligence, fraud, willful misconduct or a material misrepresentation by the Phase IIB Managing Member in respect of Phase IIB Developer's Operating Agreement or Phase IIB;

(ii) Any of the Related Key Personnel is indicted for a crime that constitutes a felony, unless such individual is immediately removed from any direct or indirect ownership interest in or control of the Phase IIB Managing Member and from any responsibilities in respect of Phase IIB and the Amended DDA, and such individual is replaced with a person acceptable to the Authority within thirty (30) days after such indictment;

(iii) A Bankruptcy/Dissolution Event occurs as to the Phase IIB Managing Member;

(iv) A default by the Phase IIB Managing Member under the Phase IIB Developer Operating Agreement which permits the Investor to remove the Phase IIB Managing Member as the managing member pursuant to the terms of the Phase IIB Developer Operating Agreement; or

(v) The occurrence of any breach or default by or of Phase IIB Developer under any Mortgage (or any other loan documents governing, evidencing or securing the loan that is secured pursuant to any such Mortgage, the Amended DDA or the Phase IIB Parcel Ground Lease), subject to applicable notice and cure periods, as the result of any act or omission of the Phase IIB Managing Member or its direct or indirect constituents or their employees (but only if Phase IIB Developer has provided the Phase IIB Managing Member with the resources and authority necessary to avoid such breach or default), which breach or default may, with the giving of notice or passage of time, provide the Mortgagee with the right to accelerate the loan secured by the Mortgage or commence foreclosure proceedings involving any of Phase IIB Developer's assets or terminate the Amended DDA with respect to Phase IIB or the Phase IIB Parcel Ground Lease.

If the Phase IIB Managing Member is removed as the managing member of Phase IIB Developer for any of the foregoing reasons, (i) the Investor shall promptly present to Authority a proposed substitute developer to replace the Phase IIB Managing Member as the managing member, and (ii) pending the approval of such substitute developer by Authority, the Investor will have the temporary authority to take steps on behalf of Phase IIB Developer to continue, protect and preserve Phase IIB. Such substitute developer must have at least ten (10) years of experience in the development and operation of projects similar in scope and scale to the Affordable Housing Units (together with related structural elements and exterior walls), a net worth of at least \$200,000,000 (provided that such minimum net worth requirement shall not apply following the issuance of a Certificate of Completion for the entire Phase IIB Improvements), and no record of any litigation involving the Authority, the County, the City, or the CRA (a "**Qualified Phase IIB Developer**"). If the Investor presents a Qualified Phase IIB Developer to Authority, Authority will determine, within thirty (30) days after such submission, if such proposed developer is acceptable to Authority, such consent not to be unreasonably conditioned, withheld, or delayed. If Authority disapproves a proposed developer, the Investors will use commercially reasonable efforts to find and present to Authority other Qualified Phase IIB Developers until Authority approves a Qualified Phase IIB Developer. Authority shall have

the right to disapprove, in its sole discretion, any transferee managing member that has less than five years of experience managing affordable housing projects and at the time of such transfer manages projects containing, in the aggregate, less than one hundred affordable housing units. Until Authority approves a Qualified Phase IIB Developer, the Investor may continue Phase IIB in accordance with the terms of the Amended DDA and the Phase IIB Parcel Ground Lease, and the removal of the Phase IIB Managing Member will not constitute a default under the Amended DDA, so long as Phase IIB Developer is not in default of any other terms or provisions of the Amended DDA.

If with respect to transfers of interests in Phase IIB Developer an express conflict arises between the transfer restrictions set forth in the Phase IIB Parcel Ground Lease and the transfer restrictions set forth in the Amended DDA, the transfer restrictions set forth in the Phase IIB Parcel Ground Lease shall apply and control, solely to the extent of such express conflict.

9.3 Investor/Mortgagee Protections. All of the rights and obligations set forth in Article 14 of the Original DDA with respect to Mortgagees shall apply to, and inure to the benefit of, the Investor as if the Investor were a Mortgagee for purposes thereof. Without limiting the generality of the foregoing, copies of all notices provided to the Mortgagee shall also be provided to the Investor, and the Investor will have the same rights to cure a default by the Phase IIB Developer under the terms of the Amended DDA as are provided to the Mortgagee. The initial address for the Investor is BF Grand Avenue, LP, c/o Boston Financial Investment Management, LP, 101 Arch Street, 13th Floor, Boston, Massachusetts 02110, Attention: Asset Management – Parcel M Grand Avenue Apartments, with a copy to: Holland & Knight LLP, 10 St. James Avenue, Boston, Massachusetts 02116, Attention: James E. McDermott, Esq. Authority hereby agrees that any cure of any default under the Amended DDA made or tendered by the Investor shall be accepted or rejected by Authority on the same terms as if made by or tendered by the Phase IIB Developer. The Investor is hereby deemed a third party beneficiary of the foregoing provisions of this Section 9.3. For avoidance of doubt, (i) the Phase IIB Institutional Lender and STRS Ohio CA Real Estate Investments II, LLC (together with its successors and assigns) are each hereby deemed third party beneficiaries of the provisions set forth in Article 14 of the Amended DDA, and (ii) in the event of a conflict between or among Mortgagees and/or Investor with respect to the exercise of the rights of Mortgagees and/or Investor under the Amended DDA, the most senior Mortgagee shall control. If an express conflict arises between a Mortgagee's rights set forth in Article 12 of the Phase IIB Parcel Ground Lease or Article 12 of the Phase IIB Market Rate Ground Lease, as the case may be, and such Mortgagee's rights set forth in Article 14 of the Amended DDA, the Authority shall afford such Mortgagee the same protections under the Amended DDA as are provided in the Phase IIB Parcel Ground Lease or the Phase IIB Market Rate Ground Lease, as applicable, solely to the extent of such express conflict.

9.4 Non-Disturbance Agreement. Concurrently with Authority and Phase IIB Developer's entry into the Phase IIB Parcel Ground Lease, the CRA, Authority and Phase IIB Developer shall enter into a Sublessee's Non-Disturbance and Ground Lease Recognition Agreement in substantially the form attached hereto as Exhibit "F" (the "**CRA-Authority NDA**"). Execution and delivery of the CRA-Authority NDA by the CRA, Authority and Phase IIB Developer shall be a condition precedent to Phase IIB Developer's obligation to enter into the Phase IIB Ground Lease. Phase IIB Developer shall have the right to record the CRA-

Authority NDA against the CRA's fee interest in the Phase IIB Parcel, the Authority's leasehold interest in the Phase IIB Parcel and the Phase IIB Developer's sub-leasehold interest in the Phase IIB Parcel, at Phase IIB Developer's expense. Concurrent with execution of the Market Rate Ground Lease, CRA, Authority and Market Rate Developer shall enter into a Sublessee's Non-Disturbance and Ground Lease Recognition Agreement substantially similar to the form thereof attached to the CRA-Authority NDA (the "**CRA-Authority Market Rate NDA**") and a first amendment to the CRA-Authority NDA amending the legal description on the CRA-Authority NDA to release the Phase IIB Affordable Parcels. Execution and delivery of the CRA-Authority Market Rate NDA shall be a condition precedent to Phase IIB Market Rate Owner's obligation to enter into the Phase IIB Market Rate Ground Lease.

9.5 **Defaults.** No Event of Default by Phase IIB Developer shall be deemed to be a default by Developer or Phase IIA Developer, and no Event of Default by Developer or Phase IIA Developer shall be deemed to be a default by Phase IIB Developer. Without limiting Authority's rights and remedies under Article 13 of the Original DDA, in the event of a Terminating Event (as defined in Section 1312 of the Original DDA) by Phase IIB Developer, Authority shall have the right, but not the obligation, to eliminate Phase IIB from the Project, subject to Developer's right to reinstatement as set forth in the Phase IIB Assignment Agreement.

9.6 **Confirmation of Obligations.** Authority hereby confirms that Phase IIB Developer shall not be responsible for Public Space Improvements, Grand Avenue Streetscape or Offsite Publicly Owned Improvements, as such terms are defined in Article 3 and Section 110 of the Original DDA.

10. **Completion Guaranty.** Notwithstanding Section 417 of the Original DDA which requires that Related maintain a net worth of at least \$500,000,000 in order to qualify as an acceptable guarantor for purposes of the Completion Guaranty, Authority approves Related as an acceptable guarantor with respect to the Completion Guaranty for Phase IIB, provided that (i) Related shall maintain a net worth of at least \$200,000,000 throughout the period prior to the issuance of a Certificate of Completion for all of the Components of Phase IIB, and (ii) Related has been approved as the completion guarantor by Phase IIB Developer's construction lender.

11. **Phase IIB Developer Net Worth.** If Related provides the Completion Guaranty required by Section 417 of the Original DDA as amended by Article 9 above, Section 1501(8)(b) of the Original DDA shall be inapplicable to Phase IIB Developer.

12. **Art Fees.** As part of the Project Documents that Phase IIB Developer submits in connection with Phase IIB, Phase IIB Developer shall include plans, specification, and other design documents for on-site and off-site art improvements subject to an art plan approved by the Authority. Phase IIB Developer shall be solely responsible for all costs and expenses of such art improvements, and Phase IIB Developer's art budget shall equal one percent (1%) of the total development costs of the Phase IIB Improvements. Without limiting the generality of the foregoing, (a) thirty-five (35%) of the funds required to be spent by Phase IIB Developer for art shall be used for the construction of art improvements, subject to an art plan approved by the CRA, and (b) sixty-five percent (65%) of the funds required to be spent by Phase IIB Developer shall be paid to the Phase IIA Developer (as defined in the Amended DDA) at the direction of

the CRA. The art improvements required to be constructed by Phase IIB Developer pursuant to this Section 12 shall consist of landscaping which will be located on certain real property and more specifically described in Schedule 7 hereto (the “**Grand Promenade Easement Area**”), and shall be referred to collectively as the “**Grand Promenade Easement Improvements.**” Notwithstanding the foregoing, Phase IIB Developer’s obligation to construct the Grand Promenade Easement Improvements shall be subject to Phase IIB Developer’s receipt of the prior written consent of the owner of the Grand Promenade Easement Area to the construction and ongoing maintenance of the Grand Promenade Easement Improvements on the Grand Promenade Easement Area, and permission to enter the Grand Promenade Easement Area for such purposes. The Phase IIB Developer shall use reasonable efforts to obtain such permission and consent and the Authority shall cooperate in such efforts and have the right to obtain such permission and consent independently. In the event the Phase IIB Developer and/or the Authority is unable to obtain and provide the foregoing consent and permission within a reasonable period of time, Phase IIB Developer shall have no obligation to construct the Grand Promenade Easement Improvements and the portion of the art fees set aside for such construction shall be used for construction of on-site public art improvements in accordance with an art plan approved by the CRA. Phase IIB Developer, at its sole cost and expense, shall keep and maintain such improvements in good order, repair and condition, normal wear and tear excepted as long as the Phase IIB Parcel Ground Lease or the Phase IIB Market Rate Ground Lease remains in effect.

13. Retail Incentive Rent; First Sale Profit Payment.

13.1 No Retail Incentive Rent. Sections 204(B)(II) (Residential Incentive Rent) and 204(C)(II) (Retail Incentive Rent) of the Original DDA shall not apply to Phase IIB.

13.2 First Sale Profit Payment. As a “**First Sale Profit Payment**”, Phase IIB Developer shall pay to Authority, upon the first to occur of (i) the Sale of the Phase IIB Market Rate Owner Improvements or (ii) the Sale of the entirety of the Phase IIB Improvements, fifty percent (50%) of the Adjusted Net Sale Profit (without duplication of the “First Sale Profit Payment Rent” due under the Phase IIB Parcel Ground Lease). For the purpose of illustration and clarification, Exhibit “G” attached hereto sets forth sample calculations of potential First Sale Profit Payment. The following terms shall have the following meanings for the purposes of this Section 13.2:

13.2.1 “**Adjusted Net Sale Profit**” means the Net Sale Profit less the Shortfall Amount Rent Payment (if any).

13.2.2 The “**Leasehold Acquisition Fee**” means an amount equal to the greater of (a) ninety percent (90%) of the Phase IIB Fair Market Value or (b) the amount of the Phase IIB Adjusted Leasehold Acquisition Fee (as defined in the Amended DDA); provided that the Authority shall credit the Deemed Leasehold Acquisition Fee Payment and the Interest Factor toward the payment of the Leasehold Acquisition Fee. Of the total Leasehold Acquisition Fee, Ninety-Nine Dollars (\$99) shall be allocated to the Phase IIB Developer’s sub-leasehold interest in the Phase IIB Affordable Parcels and the balance of such fee shall be allocated to the Phase IIB Market Rate Owner’s sub-leasehold interest in the Phase IIB Market Rate Parcels.

13.2.3 “**Deemed Leasehold Acquisition Fee Payment**” means the amount equal to Five Million Two Hundred Twenty Thousand Dollars (\$5,220,000) which represents funds previously paid to the Authority by an affiliate of Phase IIB Developer toward the payment of the Leasehold Acquisition Fee for Phase IIB and Phase IIC.

13.2.4 “**Deferred Development Fee**” means any portion of the developer fee payable to Phase IIB Developer in connection with the development of the Phase IIB Market Rate Owner Improvements which was not paid from development sources. The Deferred Development Fee shall not exceed the sum of Two Million Sixty-Four Thousand Eight Hundred Eighty-Six Dollars (\$2,064,886), minus any portion of such development fee paid upon or following closing of the Tax Exempt Note Loan, upon which deferred amount no interest shall accrue or be payable.

13.2.5 “**Development Deficit Advance**” means any loan or capital contribution made to the Phase IIB Developer to fund development cost overruns associated with the Phase IIB Market Rate Owner Improvements, and any accrued interest thereon.

13.2.6 “**Distributable Cash**” means, for any period, Operating Receipts less Operating Expenses.

13.2.7 “**Gross Sale Proceeds**” means the gross sale proceeds received by the Phase IIB Developer from the Sale of the Phase IIB Market Rate Owner Improvements.

13.2.8 “**Interest Factor**” means the portion of the interest earned on the Deemed Leasehold Acquisition Fee Payment since 2005, which the parties stipulate to be One Million Seventeen Thousand Nine Hundred Dollars (\$1,017,900).

13.2.9 “**IRR**” means the annual discount rate, compounded monthly, at which the net present value as of the closing date of the Tax Exempt Note Loan of all Distributable Cash (discounted at such rate from the dates such Distributable Cash was actually received and was available for distribution), is equal to the net present value as of the closing date of the Tax Exempt Note Loan of the Phase IIB Developer Equity Investment. For the purposes of calculating IRR, Distributable Cash shall be deemed to be available for distribution on a quarterly basis in arrears based upon the Distributable Cash of the prior calendar quarter.

13.2.10 “**Net Sale Profit**” means an amount equal to the Gross Sale Proceeds less the following: (i) payment of actual third party costs and expenses incurred in connection with the Sale, including, without limitation, title and escrow fees, documentary transfer taxes, legal and accounting fees, marketing expenses and brokerage commissions (which commissions shall not exceed two percent (2%) of the Gross Sale Proceeds); (ii) payment of any outstanding amount of the Tax Exempt Note Loan, including, without limitation, repayment of outstanding principal and interest on any such debt and the payment of any fees and/or expenses imposed in connection with the repayment of such Tax Exempt Note Loan, including, without limitation, any prepayment penalties; (iii) payment of any outstanding Development Deficit Advances, Operating Deficit Advances and/or Deferred Development Fee; (iv) payment to the Phase IIB Developer of an amount equal to the Deemed Leasehold Acquisition Fee Payment; (v) payment to the Phase IIB Developer of an amount equal to the Tax Exempt Note Loan Letter of

Credit Draw Amount; and (vi) payment to the Phase IIB Developer of an amount which would cause Phase IIB Developer to receive a twenty percent (20%) IRR on the Phase IIB Developer Equity Investment when taking into account all prior Distributable Cash received by Phase IIB Developer.

13.2.11 “**Operating Deficit Advance**” means any loan or capital contribution made to the Phase IIB Developer to fund operating deficits associated with the Phase IIB Market Rate Owner Improvements, and any accrued interest thereon.

13.2.12 “**Operating Expenses**” for a particular period means all sums actually paid by or on behalf of the Phase IIB Developer during that period in connection with the owning, financing, leasing, management, maintenance, or repair or operation of the Phase IIB Market Rate Owner Improvements, including, but not limited to (but only to the extent actually paid by or on behalf of the Phase IIB Developer or deposited to a reserve in that period): (a) any debt service, whether principal, interest or otherwise, and letter of credit and other financing fees and charges (including remarketing fees, fiscal agent fees, costs of purchasing interest rate protection (if applicable) and the like) paid pursuant to any borrowing of Phase IIB Developer (including, without limitation, any payment made pursuant to the Tax Exempt Note Loan and/or any repayment of Development Deficit Advances, Operating Deficit Advances and/or Deferred Developer Fee); (b) management fees, leasing commissions and tenant allowances; (c) property taxes and assessments and sewer and water charges (or escrows or deposits for same paid to any lender of Phase IIB Developer and/or any agent thereof or reserves for same held by the Phase IIB Developer); (d) insurance premiums or escrows or deposits for same paid to any lender of Phase IIB Developer and/or any agent thereof or reserve for same held by the Phase IIB Developer; (e) additions and deposits to capital reserve, interest reserve and working capital reserve accounts; (f) any expenditure for a capital item not covered by a capital reserve; (g) legal, accounting and audit fees directly related to ownership, leasing, management, maintenance, repair or operation of the Phase IIB Market Rate Owner Improvements directly or indirectly related to preparing reports as may be required by any lender of Phase IIB Developer and/or the Authority. Operating Expenses will not include (i) any depreciation, amortization, bad debt allowance, or other non-cash item of expense; (ii) except as provided in clause (f) above, any expenditure for any capital item; (iii) any expenditure for repair that is paid out of casualty insurance proceeds or a condemnation award; and (iv) disbursements from the capital reserve account established and funded pursuant to (e) of this section.

13.2.13 “**Operating Receipts**” for a particular period means all rents, fees, and other sums actually paid to the Phase IIB Developer during such period for occupancy, use or operation of the Phase IIB Market Rate Owner Improvements, including, but not limited to, amounts paid to the Phase IIB Developer from parking, vending, utility or other concessions in the Phase IIB Market Rate Owner Improvements. Gross Receipts will also include, but not be limited to (but only to the extent actually received by or for the benefit of the Phase IIB Developer in a particular period for such occupancy, use or operation) any condemnation awards or rental insurance proceeds paid in lieu of rent (but not other casualty proceeds or condemnation awards). Operating Receipts shall not include the proceeds of any loan made to Phase IIB Developer (including, without limitation, any proceeds realized from the Tax Exempt Note Loan, any Development Deficit Advance and/or any Operating Deficit Advance), the proceeds of any equity contribution made to the Phase IIB Developer by any member thereof (including, without

limitation, the proceeds of any tax credit equity contributions), or security deposits received from any sub-tenant of the Phase IIB Market Rate Owner Improvements until applied by the Phase IIB Developer.

13.2.14 **“Phase IIB Developer Equity Investment”** means an amount equal to the sum of the Deemed Leasehold Acquisition Fee Payment plus the initial face amount of the Tax Exempt Note Letter of Credit.

13.2.15 The **“Phase IIB Fair Market Value”** shall be calculated in accordance with this Section 13.2.15 notwithstanding the provisions of Section 204(G)(XII) of the Original DDA, as amended by Section 7.10 of the DDA Second Amendment. Within thirty (30) days after the date of the Phase IIB Parcel Ground Lease (the **“Appraisal Period”**), Authority and Phase IIB Developer shall each select an MAI certified appraiser with at least ten (10) years of experience appraising first-class, mixed-use urban infill office, retail, hospitality and residential property in the City of Los Angeles (each, a **“Qualified Appraiser”**) to perform an MAI appraisal of the fair market value of the Phase IIB Parcel and cause such Qualified Appraiser to determine the fair market value of the of the Phase IIB Parcel based on the highest and best use of the Phase IIB Parcel based upon the current zoning of the Phase IIB Parcel (and not on the Phase IIB Parcel as encumbered by matters of record) (an **“Appraised Value”**). If either Authority or Phase IIB Developer fails to cause a Qualified Appraiser to determine an Appraised Value within the Appraisal Period, the Appraised Value of the Qualified Appraiser selected by the other party shall be final and binding and shall be the Phase IIB Fair Market Value. If the lower Appraised Value is within five percent (5%) of the higher Appraised Value, the final Phase IIB Fair Market Value shall be the average of the two Appraised Values. If otherwise, then a third Qualified Appraiser (with the qualifications described above) shall be selected within ten (10) days after the submission of the Appraised Values by mutual agreement of the first two Qualified Appraisers (or failing such agreement, then by the Presiding Judge of the Superior Court for the County of Los Angeles, from a list submitted by either or both of the parties). Such third Qualified Appraiser shall select one of the two Appraised Values within twenty (20) days of its appointment, and such selected Appraised Value shall be final and binding upon Authority and Phase IIB Developer as the Phase IIB Fair Market Value. Authority and Phase IIB Developer shall each pay the cost of its own Qualified Appraiser and shall each pay for one-half of the costs of the third Qualified Appraiser (if applicable).

13.2.16 **“Sale”** means a sale of the Phase IIB Market Rate Owner Improvements, the Phase IIB Improvements and/or the sale or other transfer (whether in one transaction or in a series of transactions) of more than fifty percent (50%) of the membership interests in Phase IIB Developer, in each case to a person or entity who is not an Affiliate of Phase IIB Developer; provided, however, that the Market Rate Transfer shall not be deemed to be a Sale hereunder.

13.2.17 **“Tax Exempt Note Loan Letter of Credit Draw Amount”** means the amount, if any, of the Tax Exempt Note Letter of Credit which is drawn upon in connection with the Tax Exempt Note Loan.

13.3 Timing of Payment and Late Fees.

(a) Due to the credit for the Deemed Leasehold Acquisition Fee Payment and the Interest Factor, there shall be no Leasehold Acquisition Fee due from Phase IIB Developer at the Commencement of Construction of Phase IIB. If after determination of the Phase IIB Fair Market Value, the Leasehold Acquisition Fee is greater than the sum of the Deemed Leasehold Acquisition Fee Payment and the Interest Factor (such a difference, a “**Shortfall Amount**”), Phase IIB Developer shall pay to the Authority from, and to the extent of, Net Sale Profit (if any) the Shortfall Amount (the “**Shortfall Amount Rent Payment**”) as part of the First Sale Profit Payment as set forth herein. The Shortfall Amount shall be payable solely from Net Sale Profit funds in accordance with this Section 13. No amount of the Shortfall Amount shall be payable subsequent to the payment of the First Sale Profit Payment notwithstanding the fact that Net Sale Profits are less than the Shortfall Amount. However, if after determination of the Phase IIB Fair Market Value, the Leasehold Acquisition Fee is less than the sum of the Deemed Leasehold Acquisition Fee Payment and the Interest Factor (such a difference, an “**Excess**”), then a credit equal to the Excess amount and all interest thereon shall be allocated by the Authority to the Leasehold Acquisition Fee for Phase IIC, provided that if Phase IIC does not go forward the Excess shall constitute part of the Authority’s liquidated damages.

(b) Payment of the First Sale Profit Payment shall be made by check or draft issued and payable to The Los Angeles Grand Avenue Authority, accompanied by a detailed statement showing the basis for its calculation of the amount payable to Authority and mailed or otherwise delivered to the Authority. Authority shall have no obligation to issue statements, invoices or other demands for payment, and the First Sale Profit Payment shall be payable notwithstanding the fact that Phase IIB Developer has received no such statement, invoice or demand. If the First Sale Profit Payment is not received by Authority on the date due, Phase IIB Developer acknowledges that Authority will experience additional management, administrative and other costs that are impracticable or extremely difficult to determine. Therefore, any First Sale Profit Payment owing hereunder that is not paid on the date due shall bear interest from the date when due until paid at a rate per annum equal to the lesser of (i) the Reference Rate plus three percent (3%) per annum or (ii) the highest rate permitted by applicable Laws. Additionally, a fee (“**Late Fee**”) of six percent (6%) of the unpaid amount shall be added to any amount unpaid within five (5) days after the date such amount was due. Phase IIB Developer acknowledges that such Late Fee and interest shall be applicable to all identified monetary deficiencies under this Lease, whether identified by audit or otherwise, and that interest on such amounts shall accrue from and after the date when such amounts were due and payable as provided herein (as opposed to the date when such deficiencies are identified by Authority). If any payment by Phase IIB Developer to Authority hereunder becomes subject to disgorgement or is subject to any lien in favor of a third party as a result of Phase IIB Developer’s actions or agreements, then Phase IIB Developer shall immediately replace any such payment to the extent it is so disgorged and shall immediately remove any lien on such payment so that Authority has the full and unfettered use of such funds.

13.4 Phase IIB Developer’s Books and Records. Phase IIB Developer shall maintain in a safe and orderly manner all of its records necessary to compute and calculate the First Sale Profit Payment payable pursuant to this Section 13 for a period of four (4) years following the completion of the sale that triggers such First Sale Profit Payment. Phase IIB Developer shall maintain such records on a current basis and in sufficient detail to permit adequate review thereof and, at all reasonable times, copies of such records shall be available to the Authority or

its representatives for such purposes. The Authority may, by written notice to Phase IIB Developer within three (3) years after First Sale Profit Payment was paid (or due to be paid) to the Authority, cause an audit to be commenced by a nationally recognized firm of certified public accountants, at the Authority's sole expense (subject to the last sentence of this Section 13.5), to verify if Phase IIB Developer's calculations of First Sale Profit Payment were accurate. If such audit reveals an underpayment of First Sale Profit Payment, then Phase IIB Developer shall promptly pay the amount so underpaid to the Authority, together with interest thereon at the Reference Rate plus three percent (3%) calculated from the date such First Sale Profit Payment was first due until the date actually paid. If it is determined that Phase IIB Developer underpaid First Sale Profit Payment by more than three percent (3%), the Authority shall be entitled to receive from Phase IIB Developer its actual and reasonable audit expenses incurred in respect to the audit of First Sale Profit Payment.

13.5 Effect of Market Rate Transfer. Notwithstanding anything to the contrary herein, no portion of the First Sale Profit Payment shall accrue or be payable with respect to the Affordable Housing Units and the foregoing provisions Section 13.2 through Section 13.4 shall be null and void as to the Phase IIB Developer following the Market Rate Transfer (it being understood that such provisions are to be instead incorporated into the Phase IIB Market Rate Ground Lease and any reference in this Section 13 to the Phase IIB Developer shall instead be deemed a reference to the Phase IIB Market Rate Owner).

14. Schedule of Performance for Construction of Public Plaza. The Phase IIA Developer shall cause the construction of the Public Plaza to be performed in accordance with the Schedule of Performance attached hereto to Exhibit "D."

15. Ground Lessee Insurance Requirements. If an express conflict arises between (i) the insurance requirements set forth in Article 6 of the DDA, on the one hand, and (ii) the insurance requirements set forth in Article 9 of the Phase IIB Parcel Ground Lease or Article 9 of the Phase IIB Market Rate Ground Lease, on the other hand, the applicable terms of the insurance requirements set forth in Article 9 of the Phase IIB Parcel Ground Lease or Article 9 of the Phase IIB Market Rate Ground Lease, as the case may be, shall control and prevail solely to the extent of such conflict.

16. Amended DDA; Phase IIA Developer; Phase II Museum Parcel Ground Lease. Pursuant to Section 507(4) of the Original DDA, except as otherwise expressly provided in the Original DDA (as amended by the DDA First Amendment and the DDA Second Amendment) and without limiting the continued effectiveness and application of Articles 7 and 8 thereof, upon the issuance of the Certificate of Completion for the Museum, the DDA shall terminate solely with respect to the Museum Parcel, and none of Phase IIA Developer, Authority, the City, CRA, County, nor any other person shall have any rights, remedies or controls with respect to the Museum Parcel that it would otherwise have or be entitled to exercise under the DDA as a result of a default in or breach of any provision of the DDA, and the respective rights and obligations of the parties with respect to the Museum Parcel shall be as set forth in the Museum Parcel Ground Lease and any recorded covenants or regulatory agreement concerning the Museum Parcel.

17. General Provisions.

17.1 Conforming Change. The legal description of the Museum Parcel attached to the First Amendment to DDA as Exhibit “A-1” and the legal description of the Garage Airspace Parcel attached to the DDA Second Amendment as Schedule 1 are hereby replaced with the legal descriptions attached to this Amendment as Schedule 8 and Schedule 9, respectively. The foregoing is to reflect a minor adjustment in the upper elevation of the Garage Airspace Parcel.

17.2 Binding Agreement; Future Amendments. This Amendment shall be binding upon and inure to the benefit of the parties hereto, their legal representatives, successors and permitted assigns.

17.3 Ratification; Conflicts. Except as specifically amended or modified herein, each and every term, covenant, and condition of the Original DDA, as amended by the DDA First Amendment and the DDA Second Amendment, is hereby ratified and shall remain in full force and effect. In the event of a conflict between the Original DDA as amended by the DDA First Amendment, the DDA Second Amendment and this Amendment, this Amendment shall prevail.

17.4 Counterparts. This Amendment may be executed in one or more counterparts, and each set of duly delivered identical counterparts which includes all signatories shall be deemed to be one original document.

[Remainder of Page intentionally left blank; signatures on following pages]

IN WITNESS WHEREOF, Authority, Developer, Phase IIA Developer, and Phase IIB Developer have caused this Amendment to be executed as of the day and year first above written.

“AUTHORITY”

THE LOS ANGELES GRAND AVENUE
AUTHORITY,
a California joint powers authority

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

Carmen A. Trutanich
City Attorney

By: _____
Timothy J. Chung
Deputy City Attorney

APPROVED AS TO FORM:

John F. Krattli
County Counsel

By: _____
Helen S. Parker
Principal Deputy County Counsel

“DEVELOPER”

GRAND AVENUE L.A., LLC,
a Delaware limited liability company

By: RELATED GRAND AVENUE, LLC,
a Delaware limited liability company,
its Manager

By: THE RELATED COMPANIES, L.P.,
a New York limited partnership,
its Managing Member

By: The Related Realty Group, Inc.,
a Delaware corporation,
its sole General Partner

By: _____
Name: _____
Title: _____

“PHASE IIA DEVELOPER”

THE BROAD COLLECTION,
a California public benefit corporation

By: _____
Name: Eli Broad
Title: President

“PHASE IIB DEVELOPER”

GRAND AVENUE M HOUSING PARTNERS, LLC,
a California limited liability company

By: Related/Parcel M Development Co., LLC,
a California limited liability company,
its managing member

By: _____
Name: William A. Witte
Title: President

[signatures continued from preceding page]

The undersigned hereby consents to and approves of the foregoing Third Amendment to Disposition and Development Agreement and agrees to be bound by the terms of Section 7(d) and 9.4 thereof.

Dated: _____

"CRA"

CRA/LA, A DESIGNATED LOCAL AUTHORITY, a public body formed under Health & Safety Code Section 34173(d)(3), as successor to the Community Redevelopment Agency of the City of Los Angeles

By: _____
Christine Essel
Chief Executive Officer

APPROVED AS TO FORM:

GOLDFARB & LIPMAN LLP

By: _____
Thomas Webber
CRA/LA Special Counsel

[signatures continued on following page]

[signatures continued from preceding page]

The undersigned hereby consents to and approves of the foregoing Third Amendment to Disposition and Development Agreement.

Dated: _____

"COUNTY"

THE COUNTY OF LOS ANGELES,
a subdivision of the State Of California

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

John F. Krattli
County Counsel

By: _____
Helen S. Parker
Principal Deputy County Counsel

Exhibit A – Phase IIB Parcel Ground Lease
Exhibit B – Phase IIB Parcel Market Rate Ground Lease
Exhibit C – Scope of Development
Exhibit D – Schedule of Performance
Exhibit E – Phase IIB Developer's Environmental Compliance Obligations
Exhibit F – CRA-Authority NDA
Exhibit G – Sample First Sale Profit Calculations

Schedule 1 – Phase IIB Affordable Parcels
Schedule 2 – Phase IIB Market Rate Parcels
Schedule 3 – Project Documents
Schedule 4 – 7.7 Million Dollar Grant Agreement
Schedule 5 – 7.7 Million Dollar Loan Documents
Schedule 6A – Affordable Housing Loan Agreement
Schedule 6B – Affordable Housing Loan Promissory Note
Schedule 6C – Affordable Housing Loan Deed of Trust
Schedule 6D – Affordable Housing Loan Regulatory Agreement

Schedule 7 – Grand Promenade Easement Area
Schedule 8 – Museum Parcel Legal Description
Schedule 9 – Garage Airspace Parcel Legal Description