

JOINT DEVELOPMENT AGREEMENT

THIS JOINT DEVELOPMENT AGREEMENT (the "**Agreement**") is made as of the 13 day of August, 2013 ("**Effective Date**") by and between Convention Center Hotel, LLC, a Washington limited liability company ("**CC Hotel**"), Walt Worthy and Karen Worthy, husband and wife ("**Guarantor**") (CC Hotel and Guarantor sometimes hereinafter collectively referred to as "**Worthy**"), and THE SPOKANE PUBLIC FACILITIES DISTRICT, a Washington municipal corporation ("**PFD**"), hereinafter sometimes individually referred to as a "**Party**" and collectively referred to as the "**Parties**."

RECITALS

A. PFD is the fee owner of certain real property located in the City of Spokane, Spokane County, Washington, as more particularly described on Exhibit A attached hereto and made a part hereof (the "**Property**").

B. The Property is adjacent to the Spokane Convention Center ("**Convention Center**") and INB Performing Arts Center (collectively "**District Facilities**"), which is owned and operated by PFD and legally described on the attached Exhibit B. The PFD will expand the Convention Center in 2013 and 2014 in accordance with the plans and specifications attached hereto as Exhibit C ("**Convention Center Expansion**").

C. The Parties desire to cooperate with each other in developing and constructing on the Property a high rise hotel consisting of at least 700 rooms that is affiliated with or part of a major hotel brand such as Marriot, Hilton, Hyatt or similar property ("**Hotel**") and 900 parking stalls ("**Parking Garage**"), at least 300 of which shall be designated for public parking to be owned by PFD ("**PFD Garage**") (the Hotel, Parking Garage, PFD Garage and related improvements are hereinafter collectively referred to as the "**Improvements**"). CC Hotel will assume primary responsibility, including but not limited to the sole financial responsibility (as a principal and not as PFD's agent) for the design, development and construction of the Improvements upon the terms and conditions hereinafter set forth, and Guarantor has agreed to personally guarantee the financial obligations of CC Hotel, and as such, will execute a guaranty in the form attached hereto as Exhibit K.

D. The Parties also desire to cooperate with each other in developing and constructing a skywalk ("**Skywalk**") connecting the Improvements and District Facilities, with PFD assuming primary responsibility, including but not limited to the sole financial responsibility (as a principal and not as Worthy's agent) for the design, development and construction of the Skywalk upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree:

1. Incorporation by Reference. The above recitals are hereby incorporated specifically by this reference.

2. Definitions. The following capitalized terms have the meaning set forth below:

2.1 "City" means the City of Spokane, a Washington municipal corporation.

2.2 "Governmental Approvals" means the receipt of valid Permits, permission or other approvals and entitlements necessary for the construction, use and operation of the Improvements and Skywalk that are issued by a Governmental Authority.

2.3 "Governmental Authority" means any federal, Washington State, Spokane County, or City of Spokane governmental entity that exercises executive, legislative, administrative, regulatory, judicial, or public authority with respect to the Property.

2.4 "Improvement Work" means the construction and installation of the Improvements according to the Improvement Plans, requirements of any Governmental Authority and other agreed documents.

2.5 "Permits" means all written approvals, licenses, permits, authorizations, consents, grants, franchises, orders, exemptions filed, variances, notices or registrations with or by any Governmental Authority under any law, ordinance, regulation or entitlements that authorizes development and use of the Improvements and Skywalk.

2.6 "Project" means the Convention Center Expansion, the construction of the Improvements and the Skywalk, and any other purposes or activities ancillary to any of the foregoing contemplated by this Agreement.

3. Purchase and Sale Agreement. Concurrently with the execution of this Agreement, and as part of the same transaction, the Parties will enter into a Real Property Purchase and Sale Agreement ("PSA"), the form of which is attached as Exhibit D, pursuant to which PFD will convey to CC Hotel the Property through a bargain and sale deed ("**Deed**") in the form of Exhibit E attached hereto.

4. Conditions to Transfer of Property. The following conditions and obligations of this Section shall be completed prior to the obligation of the PFD to deliver, and of Worthy to accept, the Deed, as set forth in the PSA (the "**Transfer Date**").

4.1 Preliminary Study Period. Worthy shall have a thirty (30) day period (the "**Preliminary Study Period**") beginning on the Effective Date to conduct a comprehensive investigation and evaluation of all aspects of the Property and Improvement Work, in such scope and detail as may be required by Worthy, in their sole opinion and at their sole expense, including, without limitation:

4.1.1 a study of its physical condition and attributes;

4.1.2 an assessment of the Property, if determined by Worthy to be needed, to determine the presence and extent of hazardous and toxic waste and substances and other environmental concerns;

4.1.3 a review of all licenses, easements, agreements, entitlements or Permits affecting the Property;

4.1.4 the financial feasibility of constructing and operating the Improvements; and

4.1.5 other matters agreed by the Parties.

Worthy shall not cause any liens to be filed against the Property as a result of any work done on the Property as part of any such investigation, testing or assessment. Worthy shall repair and restore the Property to its original condition it was found, reasonable wear and tear excepted, at no cost to the PFD, upon the conclusion of any testing done during the Preliminary Study Period, and shall further indemnify and hold the PFD harmless from and against any and all costs, expenses (including reasonable attorney's fees) damages and losses resulting from their failure to do so. During the Preliminary Study Period, PFD grants to Worthy, and Worthy's agents and employees, the right to enter the Property, at Worthy's sole expense and risk, to make any and all physical inspections, surveys and tests of the Property as Worthy shall require.

It is agreed that Worthy's Preliminary Study Period is for the sole purpose of Worthy familiarizing itself with the Property and Worthy shall not be deemed to have approved or accepted any aspect or element of the Property after having engaged in its preliminary studies.

At any time before the expiration of the Preliminary Study Period, Worthy shall notify PFD in writing that it objects to matters set forth in this Section 4.1 or waives all the contingencies set forth in this Section. In the event that, at the conclusion of the Preliminary Study Period, Worthy reasonably determines, in good faith, that the Property is not suitable for his intended purpose and use as described herein, and the PFD is either unwilling or unable to make such changes to the Property or its condition as Worthy may request, this Agreement and the PSA shall terminate and shall be of no further force or effect whatsoever. If Worthy does not notify the PFD as set forth herein, the contingencies in this subsection shall be deemed waived.

4.2 Submission of Preliminary Improvements Plans. At the conclusion of the Preliminary Study Period, Worthy shall submit to the PFD preliminary Improvements plans ("**Preliminary Improvements Plans**"). The Preliminary Improvements Plans shall be submitted for review and approval by the PFD and shall include (i) a site plan depicting the proposed Improvements, to include but not be limited to, the location of buildings, structures, pedestrian and vehicle ingress and egress to the Property, the Parking Garage (including the location of the PFD Garage) and Hotel, (ii) a basement floor plan, (ii) a first floor plan, (iii) a mezzanine floor plan, (iv) a guest floor plan, (v) a Parking Garage floor plan for levels 1-4, (vi) renderings showing the elevation and general appearance of the Improvements, and (vii) such other matters that will reasonably lead to the development of the Improvement Plans set forth in Section 4.4 below.

The Parties shall meet and confer in good faith in order to reach agreement on the Preliminary Improvements Plans. The Preliminary Improvements Plans shall be deemed approved by PFD unless Worthy receives a written notice of disapproval from PFD within thirty (30) days from the receipt by PFD of the Preliminary Improvements Plans. In the event PFD delivers written notice of disapproval as set forth above, Worthy shall revise the Preliminary Improvements Plans as Worthy deems necessary, and thereafter resubmit the same to PFD for review and approval, which approval shall not be unreasonably withheld, conditioned or delayed and shall be deemed approved unless Worthy receives a written notice of disapproval of the revised Preliminary Improvements Plans within ten (10) business days of the receipt by PFD of the revised Preliminary Improvements Plans. Worthy and PFD will negotiate in good faith to resolve any further disagreement relating to the Preliminary Improvements Plans. If the Parties are unable to resolve their disagreement within a reasonable period of time not to exceed fifteen (15) days following the delivery of the written notice of disapproval to Worthy of the revised Preliminary Improvements Plans, then either Party may invoke the provisions of Section 14.1 of this Agreement.

4.3 Appraisal. On or before the date the Preliminary Improvements Plans are approved by the PFD, the PFD shall receive and accept a real property appraisal ("**Appraisal**") establishing (i) the market value of the Property and (ii) that, in the business judgment of the Board of Directors of the PFD, adequate consideration from Worthy is present to serve the public interest and purposes of the PFD.

4.4 PFD Approval of Final Improvement Plans. Within one hundred (180) days of the Effective Date, or as otherwise mutually agreed, Worthy shall prepare or cause to be prepared the following documents, in substantial conformance with the approved Preliminary Improvements Plans for review and approval by PFD:

4.4.1 a site plan depicting the proposed Improvements, including preliminary schematic drawings showing the location of the Improvements in conformance with anticipated Governmental Approvals ("**Improvement Site Plan**");

4.4.2 documents, including but not limited to working drawings, elevations, plans and specifications which will be the basis for construction documents, and a rendering showing the Improvements along with identifying the persons and entities that will develop, design, and construct the Improvements (the "**Improvement Development Plan**"); and

4.4.3 a schedule for the completion of the Improvements according to the Improvement Development Plan ("**Improvement Schedule**").

The identified terms set forth in 4.4.1 through 4.4.3 above are collectively referred to as the "**Improvement Plans**."

The Parties shall meet and confer in good faith in order to reach agreement on the Improvement Plans. The Improvement Plans shall be deemed approved by PFD unless

Worthy receives a written notice of disapproval from PFD within thirty (30) days from the receipt by PFD of the Improvement Plans. In the event PFD delivers written notice of disapproval as set forth above, Worthy shall revise the Improvement Plans as Worthy deems necessary, and thereafter resubmit the same to PFD for review and approval, which approval shall not be unreasonably withheld, conditioned or delayed and shall be deemed approved unless Worthy receives a written notice of disapproval of the revised Improvement Plans within ten (10) business days of the receipt by PFD of the revised Improvement Plans. Worthy and PFD will negotiate in good faith to resolve any further disagreement relating to the Improvement Plans. If the Parties are unable to resolve their disagreement within a reasonable period of time not to exceed fifteen (15) days following the delivery of the written notice of disapproval to Worthy of the revised Improvement Plans, then either Party may invoke the provisions of Section 14.1 of this Agreement.

4.5 Worthy Approval of Skywalk Plan. Simultaneous with delivery of the Improvement Plans, or as otherwise mutually agreed, PFD shall deliver for review and approval by Worthy:

4.5.1 documents, including but not limited to working drawings, elevations and plans and specifications, showing the scope of work and identifying the persons and entities that will design the Skywalk (the "**Skywalk Development Plan**"); and

4.5.2 a schedule for completion of the Skywalk according to the Skywalk Development Plan ("**Skywalk Schedule**").

The identified terms set forth in 4.5.1 and 4.5.2 above are collectively referred to as the "**Skywalk Plan.**"

The Parties shall meet and confer in good faith in order to reach agreement on the Skywalk Plan. The Skywalk Plan shall be deemed approved by Worthy unless PFD receives a written notice of disapproval from Worthy within thirty (30) days from the receipt by Worthy of the Skywalk Plan. In the event Worthy delivers written notice of disapproval as set forth above, PFD shall revise the Skywalk Plan as PFD deems necessary, and thereafter resubmit the same to Worthy for review and approval, which approval shall not be unreasonably withheld, conditioned or delayed and shall be deemed approved unless PFD receives a written notice of disapproval of the revised Skywalk Plan within ten (10) business days of the receipt by Worthy of the revised Skywalk Plan. Worthy and PFD will negotiate in good faith to resolve any further disagreement relating to the Skywalk Plan. If the Parties are unable to resolve their disagreement within a reasonable period of time not to exceed fifteen (15) days following the delivery of the written notice of disapproval to PFD of the revised Skywalk Plan, then either Party may invoke the provisions of Section 14.1 of this Agreement.

4.6 Property Configuration and Skywalk. Following acceptance of the Improvement Plans and the Skywalk Plan, the PFD shall, with due diligence, obtain the following, at its sole expense:

4.6.1 a boundary line adjustment or subdivision in accordance with the Spokane Municipal Code to create a separate lot for the Parking Garage subject to the Parties agreeing to the matters set forth in Section 4.7, below;

4.6.2 Permits for the use and construction of the Skywalk; and

4.6.3 a vacation by all applicable Governmental Authorities of the alleyway located within the Real Property;

4.7 Governmental Approval of Improvements. Worthy shall obtain all Governmental Approvals and Permits that are required for the Improvement Work to be done on the Property by CC Hotel. CC Hotel shall apply to and obtain from the appropriate Governmental Authorities, public utilities, or other entities for all such Permits and approvals. PFD shall promptly provide to Worthy any information in PFD's possession that is required in order for CC Hotel to make application for or to obtain any such approvals and Permits. PFD shall promptly execute and deliver any documents that are required to be signed by PFD in order to obtain such Permit(s).

4.8 Condition of Title. The Parties acknowledge that Worthy's obligations under this Agreement and the PSA shall be contingent on CC Hotel's ability to obtain, prior to the Transfer Date, title insurance in the amount of the value of the Property as determined by the Appraisal, insuring marketable title to the Property in the name of CC Hotel, in fee simple, and subject only to such title exceptions and endorsements as shall be acceptable to Worthy (the "**Final Title Policy**"), which Final Title Policy shall be issued by First American Title Insurance Company ("**First American**"). The PFD has previously delivered to Guarantor a preliminary commitment for title insurance obtained from Inland Professional Title, LLC, under Order Number BWM – 00044028-T24 and dated September 20, 2012 (the "**Preliminary Commitment**"). PFD agrees to exercise its best efforts to remove, delete or otherwise cause special exception numbers 3, 15, 16, 17, 18, 19 and 21 in the Preliminary Commitment to be removed from the Final Title Policy. Promptly after the Effective Date, the PFD shall cause First American to issue an updated preliminary commitment and subsequently deliver a copy of such updated preliminary commitment to all Parties for review and consideration. Any state or local transfer taxes, real estate excise tax, real property taxes, monetary encumbrances and assessments caused by the conveyance of the Property to CC Hotel for any and all time periods prior to the Transfer Date shall be paid by the PFD on the Transfer Date.

4.8.1 Use Restrictions. On the Transfer Date, Worthy agrees to execute and record a restrictive covenant, the form of which is attached as Exhibit F, which limits the use of the Property to a Hotel, Parking Garage, related first floor commercial use along Main Avenue, and other ancillary uses. On the Transfer Date, PFD and the City (which consent will be obtained through the best efforts of the PFD) agree to execute and record a restrictive covenant, the form of which is attached as Exhibit G, whereby PFD and the City covenant that the Convention Center will be used exclusively as a Convention Center.

Said covenant shall further provide that, notwithstanding any of the above, Worthy may convert a portion of the Property to residential living units upon the written consent of the PFD, which consent shall not be unreasonably conditioned, delayed or withheld, so long as any such conversion does not exceed 20% of the total square footage developed as hotel rooms and there are at least 560 hotel rooms remaining after any such conversion.

4.9 Signage. The PFD shall, upon terms agreeable to the Parties, terminate all signage leases recorded against the Property prior to the Transfer Date. The Parties will thereafter mutually agree upon joint signage for the Improvements and District Facilities and execute and record any signage easements deemed necessary.

4.10 Condominium. The Parties shall agree upon the form and content of a condominium declaration which provides for the development and construction of the Property as a condominium to include the PFD Garage as a unit therein. Upon completion of the Parking Garage and the condominium survey, the PFD Garage shall be transferred to the PFD through a statutory warranty deed. This Section shall be deemed a reservation agreement and shall survive the Transfer Date. The condominium declaration and statutory warranty deed shall be substantially in conformance with Exhibit H.

4.11 Parking Management. The Parties shall agree upon a parking management agreement between CC Hotel and the PFD for the PFD Garage, to be substantially in the form attached hereto as Exhibit I, that provides for the operation of the Parking Garage to include, but not be limited to, the following matters:

4.11.1 Upon the availability of any portion of the Parking Garage for parking purposes, the PFD will receive one-third (1/3) of the "Gross Revenue less sales tax" generated from the Parking Garage. Notwithstanding the foregoing, for the period of time commencing on the date that is the later to occur of (i) the date the Hotel receives a temporary certificate of occupancy, or (ii) the date the Hotel becomes available for use, and ending on the date that is six (6) months later (the "**No Payment Period**"), the PFD shall not be entitled to any profits or revenues generated from the Parking Garage. At the expiration of the No Payment Period, Worthy shall make a payment to the PFD in the total amount of Four Hundred Thousand Dollars (\$400,000.00), with the same amount due annually on the same day thereafter (the "**Parking Revenue Fee**"). As of the Effective Date, the weighted average of the monthly parking rates in the Parkade, the Bank of America and Washington Trust Bank garages, located in the downtown core of the City ("**Downtown Parking Garages**"), is \$129.96 (the "**Average Downtown Parking Rates**"). The Parking Revenue Fee shall be adjusted after the fifth year of payment, and every five (5) years thereafter, either up or down, by the percentage change in the Average Downtown Parking Rates charged by the Downtown Parking Garages (or comparable covered parking garages in the downtown core of the City, if the foregoing facilities are no longer in operation);

4.11.2 The PFD reserves the right, and Worthy hereby consents, that the PFD, for up to twelve (12) events per year, PFD guests may use and occupy the

PFD Garage at significantly reduced rates determined pursuant to the discretion of the PFD;

4.11.3 The Third Amendment to the Interlocal Cooperation Agreement with the City of Spokane (OPR 2003-0658) states that "all parking rates on the South Block shall be subject to approval by the District Board of Directors in an open public meeting." In compliance with the Third Amendment, for events held at the District Facilities, the event parking rate for 300 parking spaces as of the Effective Date is ten dollars (\$10.00). The event parking rate may be adjusted by the PFD provided a change to the event parking rate shall: (i) be mutually agreed with Worthy, which agreement shall not be unreasonably withheld; (ii) not exceed the market rates for similar parking in the reasonable vicinity of the District Facilities; and (iii) not increase or decrease by more than twenty-five percent (25%) during any twelve (12) month period.

4.11.4 Methods of operation and standards of maintenance for the Parking Garage which methods of operation are intended to, among other things, (a) provide safe, accessible parking for the general public, and the Hotel; (b) ensure convenient ingress, egress and location identification, including directional signage within the Parking Garage and Hotel; and (c) maximize the availability of private and public parking within the Parking Garage, except the portions of the Parking Garage used for the Hotel valet parking;

4.11.5 Subject to subsection 4.11.2, operation of the Parking Garage to create an inventory of approximately 900 parking spaces which are allocated to general public use, private use and valet parking such that when all or a portion of the spaces are not anticipated to be used by the Hotel, they shall be allocated to use by the general public; and

4.11.6 The obligation of CC Hotel, at its sole cost and expense to perform all structural and nonstructural repairs, maintenance and operational expenses with respect to the Parking Garage and PFD Garage.

4.11.7 The parking management agreement shall be in effect for ninety-nine years or for so long as the PFD, its successors and assigns owns a condominium unit in the Parking Garage, whichever first occurs.

4.12 Environmental Remediation. A remediation agreement between the Parties in the form attached hereto as Exhibit J, to provide reimbursement from the PFD to Worthy for up to \$500,000.00 for the removal and remediation of hazardous substances on the Property for the purpose of constructing the Improvements.

4.13 Restoration and Completion Guaranty. A restoration and completion guaranty agreement with related documents executed by Guarantor in the form(s) attached hereto as Exhibit K, which guaranty will be limited and secured by granting a first position deed of trust in the amount of Ten Million Dollars (\$10,000,000) on the office building owned by Guarantor, commonly known as the River View Corporate

Center, and located generally at 16201 E. Indiana Avenue, Spokane Valley, WA 99216, which deed of trust shall secure Worthy's performance, construction or removal of the Improvements, and shall be released when the Parking Garage and Hotel are substantially complete. The Guaranty shall provide that the PFD may elect to receive the Property "as is" free and clear of all liens and monetary encumbrances from CC Hotel with the Improvements constructed to date. Under such election, Worthy's guaranty shall be limited to paying the PFD the estimated cost to demolish the Improvements as evidenced from a bona fide bid from a licensed contractor experienced in demolition work of similar scope and complexity.

4.14 Solar Lighting System. The Parties will negotiate, in good faith, the price and terms to sell the solar lighting system on the Property to CC Hotel. Pursuant to PFD Policy 3.7, the solar lighting system shall be sold for reasonable value. In the event the Parties do not reach agreement on the sale of the solar lighting system, the PFD reserves the right to remove the same prior to commencement of construction as set forth in Section 5, below.

4.15 Removal of Improvements. The PFD will (i) remove and retain all parking equipment, signage, kiosks, bicycle lockers and related facilities on the Property; (ii) remove or cause to be removed the billboard sign on the corner of Spokane Falls Boulevard and Washington Streets; and (iii) leave in place the perimeter walls, site furniture and all landscaping materials, trees, etc. in the planting beds adjacent to the perimeter walls on the Property unless the PFD and Worthy agree otherwise.

4.16 Completion of Exhibits. The Parties acknowledge, as of the Effective Date, Exhibits D through N are not attached to this Joint Development Agreement and remain to be completed pursuant to agreement of the Parties. The Parties hereby agree to work in good faith to complete the above listed Exhibits within sixty (60) days from the Effective Date or other agreed date, provided if the Parties do not reach agreement on the above listed Exhibits, this Joint Development Agreement may be terminated as set forth in Section 14.1, herein.

5. Early Occupancy and Construction of Improvements Prior to the Transfer Date.

5.1 Use and Occupancy of the Property. Following PFD approval of the Preliminary Improvements Plans, but prior to the Transfer Date, Worthy is hereby given the right by the PFD to use and occupy the Property and begin preliminary construction activities, including but not limited to, measuring, surveying, staking, excavating, and demolishing existing improvements ("**Preliminary Construction Activities**") provided Worthy shall submit to the PFD for its approval, not to be unreasonably withheld, demolition and construction staging plans which phases the Preliminary Construction Activities. The purpose of the phased demolition and construction staging is to preserve and retain as much surface parking as is reasonably practicable to both reduce the inconvenience to patrons, visitors and guests of the District Facilities and generate revenue to the PFD. It is the intent of the Parties to allow parking operations to continue on the Property (or portions thereof) for as long as is reasonably practical. All costs of the parking operation shall be borne by the PFD, and the revenues generated shall inure

to the PFD. Worthy shall obtain all Permits to perform the Preliminary Construction Activities.

5.2 Main Avenue between Washington and Bernard Streets. Pursuant to a Revocable License and Permit attached hereto as Exhibit O, the PFD was granted the authority to use and occupy Main Avenue between Washington and Bernard Streets for the purpose of developing off-street public parking ("**Permitted Encroachment**") to serve the District Facilities. The Revocable License and Permit shall not be assigned to Worthy and shall terminate, no later than, the Transfer Date. Prior to the Transfer Date but following the PFD's approval of the Preliminary Improvements Plan, Worthy shall, upon notice and direction from the City, but within Worthy's sole discretion, remove the Permitted Encroachment from the right-of-way according to Section 3(c) of the Revocable License and Permit. Thereafter, Worthy shall reconstruct Main Avenue between Washington and Bernard Streets for use as a public right-of-way consistent with the City's standards and to the City's satisfaction. Such removal and reconstruction shall be done at the sole cost and expense of Worthy.

6. Commencement of Construction after the Transfer Date. Within ninety (90) days after the Transfer Date, Worthy shall cause to be commenced the construction of the Improvements in accordance with the Improvement Plans on the Property. Nothing herein is intended to create a contractual relationship or privity between PFD and the General Contractor engaged by Worthy.

Prior to commencement of construction, Worthy shall obtain a set of design and construction documents which contain plans, specifications, general and special conditions, all in conformance with the Improvement Plans given under Section 4.4 herein (the "**Construction Documents**") . The Construction Documents shall contain plans, drawings and specifications that are acceptable to the Governmental Authority for the purpose of obtaining the Permits.

6.1 Construction Management. Worthy shall be responsible for managing the construction of the Improvements with reasonable care, prudence, and attention to quality to ensure compliance with the Improvement Plans.

6.2 Construction Contract. Worthy shall act as general contractor to perform the Improvement Work.

6.3 Progress of Improvements Work. Worthy shall diligently perform and fully complete the Improvements according to the Improvement Plans Improvement Schedule and Construction Documents.

6.3.1 Worthy shall be responsible for providing and scheduling all equipment, personnel, move-in and move-out necessary to complete the Improvements consistent with the Improvement Schedule.

6.3.2 Worthy shall provide provide qualified workers in sufficient numbers to comply with the Improvement Schedule and Construction Documents.

6.3.3 Guarantor, or a designated representative of Worthy, shall be available to meet with the PFD's representative once per month at a minimum, or upon other mutually agreeable times, on site to review the constructed Improvements and work progress consistent with the Improvement Plans, Improvement Schedule and Construction Documents.

6.4 Workmanship and Licensing.

6.4.1 Worthy shall ensure the Improvements are constructed in a good and workmanlike manner, using means and methods that are in full compliance with all applicable laws, ordinances, regulations and codes. Worthy shall undertake, at all times, action(s) necessary to secure Governmental Approvals of the Improvements from Government Authorities.

6.4.2 Worthy guarantees all labor, materials and workmanship for all Improvements completed under this Agreement are free from defects and are in conformance with the Contract Documents. Worthy's guarantee shall remain in effect for a period of one year from completion of the Improvements and receipt of the final certificate of occupancy from the City. If at any time during the guarantee periods set forth above any part of the materials or workmanship furnished by Worthy for the PFD Garage shall be defective or not in conformance with the Contract Documents, Worthy shall, within a reasonable period of time following receipt of written notice from the PFD, repair or replace such defective or nonconforming materials and workmanship. Should Worthy fail to correct any defective or nonconforming Work during the guarantee periods, the PFD may correct the same and Worthy shall pay the cost incurred by the PFD to repair or replace the material and/or the nonconforming work.

6.4.3

6.5 Protection of Work/Clean-Up.

6.5.1 Worthy shall be responsible for protecting all materials furnished and work performed by Worthy's workers and subcontractors. Worthy shall also be liable for any loss or damage to the Improvements or any part thereof that has been completed, or to any equipment and materials on the job site, caused by Worthy, Worthy's workers and subcontractors.

6.5.2 Worthy shall remove its waste materials from the Property during the course of construction. Upon completion of the Improvements, Worthy shall remove from the Property all temporary structures, debris and waste incident to its operations and performance of the work under this Agreement.

6.5.3 Worthy shall comply with all applicable federal, state, county and/or local safety regulations in the performance of the work under this Agreement.

6.6 Changes in the Improvements. PFD may request changes or additions to the Parking Garage under this Agreement, as may be mutually agreed upon by the Parties. All such changes or additions shall be made and performed under the terms and conditions of this Agreement; *provided, however*, that any changes to the Improvement Schedule resulting from any changes or additions, and allocation of the responsibility to pay the costs of the same, must be agreed upon by the Parties at the time such changes or additions are requested.

6.7 Completion of Parking Garage. As set forth on the Improvement Plans and Construction Documents, Worthy, following final completion of the Parking Garage shall allow the PFD to conduct an inspection of the PFD Garage to determine compliance with the Improvement Plans and Construction Documents.

6.8 Branding of Hotel. At least ninety (90) days prior to the Hotel being substantially complete as set forth in the Construction Documents, Worthy shall, within its sole and absolute discretion, brand the Hotel as a premium brand designation of (i.e. "Four Diamond Level") Marriott, Hilton or Hyatt (a "**Premier Brand Designation**"). In the event Worthy does not brand the Hotel with a Premier Brand Designation by the date set forth above, Worthy shall pay liquidated damages to the PFD in the amount of \$150,000.00 per year for each and every year or part thereof during which the Hotel is not affiliated with a Premier Brand Designation or other major brand, as may be mutually agreed to between Parties. As of the Effective Date, the Parties acknowledge that absent the use of a Premier Brand Designation, Worthy shall, upon written request of the PFD, meet and confer in order to determine an alternate major brand for the Hotel, and in the event the PFD fails to approve of the major brand proposed by Worthy (which approval shall not be unreasonably withheld, conditioned or delayed), then the same shall be resolved through Section 14.2 of this Agreement.

The Parties further stipulate and agree that the liquidated damages are a reasonable forecast of the amount of damages to be suffered by the PFD if the Hotel is not affiliated with a Premier Brand Designation or other major brand. This liquidated damage provision has been mutually negotiated between the Parties.

7. Construction of Skywalk. After the Transfer Date, PFD shall, in cooperation with Worthy, construct or enter into an agreement with a licensed, bonded and insured contractor for the purpose of constructing the Skywalk in accordance with the Skywalk Plans to connect the Convention Center with the Improvements. Nothing herein is intended to create a contractual relationship or privity between Worthy and the contractor engaged by PFD.

7.1 Construction Management. PFD shall be responsible for managing the construction of the Skywalk with reasonable care, prudence, and attention to quality to ensure compliance with the Skywalk Plan. PFD shall be responsible for all construction costs associated with the Skywalk.

7.2 Construction Contract. PFD shall select a general contractor in compliance with the public works laws to construct and install the Skywalk according to the Skywalk Plan, the contractor's estimate (bid) and other agreed documents

(collectively the "**Skywalk Work**"). The Improvement Work and the Skywalk Work are hereinafter collectively referred to as the "**Work**."

7.3 Completion Guaranty. PFD shall require that construction of the Skywalk shall commence and be completed within the time limits set forth in the Skywalk Completion Guaranty attached hereto as Exhibit L.

7.4 Skywalk Easement Agreement. The Parties agree to grant and record after the Transfer Date an easement, the form of which is attached as Exhibit M, for access, ingress, egress, structural support, maintenance and use of the Skywalk.

7.5 Construction and Access License. Worthy hereby agrees to execute and deliver a license, the form of which is attached as Exhibit N, granting PFD, its successors, assigns, mortgagees, lessees, sublessees, employees, agents, customers, licensees, and business invitees a temporary and non-exclusive license for ingress, egress, and construction purposes in and across the Property while the Skywalk Work is in progress.

8. Fees, Costs and Expenses. PFD shall be responsible for all fees, costs, and expenses associated with the Skywalk, Appraisal, any required division of the Property and preparation and filing of the condominium declaration required to create the PFD Garage. Worthy shall otherwise be responsible for all fees, costs, and expenses associated with the Improvements.

9. Relationship of the Parties. It is hereby understood, agreed and declared that Worthy is not the agent or contractor of the PFD and that no partnership, joint venture or other entity or arrangement is created through this Agreement. Notwithstanding the review and approval rights granted herein, the PFD is interested only in the results to be achieved under this Agreement as recognized by the PFD through this Agreement and that the right to control the particular manner, method and means in which the Improvement Work is performed is solely within the discretion of the Worthy.

The PFD shall have no liability to Worthy or to anyone claiming through or under Worthy by reason of the execution or performance of this Agreement. All costs, expenses and fees related to the Improvements are the sole responsibility of Worthy and not an obligation of the PFD.

10. Indemnity. Each Party shall indemnify, defend and hold the other, their agents, employees, directors, attorneys, contractors, and subcontractors harmless against and from any and all liability, costs, damages or expenses arising from or related to the conduct, management, or performance of the other Party, including, without limitation: (i) any breach or default on the part of a Party in performance of any covenant or agreement on its or their part to be performed pursuant to the terms of this Agreement; (ii) any act of negligence by a Party or any of its/their agents, servants, employees, subcontractors, or licensees; or (iii) any accident, injury, or damage howsoever caused to any person, firm, or corporation. Such indemnity shall include any reasonable counsel fees incurred in defending such claim, action, or proceeding brought by any person, firm or entity against a Party. This indemnification shall not be affected by a claim that

negligence contributed in part to the loss or damage. The Parties agree to cooperate in the event either Party is subject to litigation relating to this Agreement.

11. Insurance.

11.1 Property Insurance. Worthy shall purchase and maintain course of construction and multi-peril property insurance for the full cost of the Improvements as of the time of any loss. This insurance shall name the other Party as additional insureds, and shall insure against loss from the perils of fire, extended coverage, and shall include "all risk" insurance for physical loss or damage, including, without duplication of coverage, at least theft, vandalism, malicious mischief, transit, collapse, flood, earthquake (to the extent commercially available at reasonable prices), testing, and damage resulting from defective design, workmanship, or material.

11.2 Liability Insurance. The Parties shall purchase and maintain a policy of comprehensive general liability insurance ("**Liability Insurance**") in an amount not less than Four Million Dollars (\$4,000,000.00) per occurrence naming all Parties as additional insureds. This Liability Insurance shall insure against liability for personal injury, bodily injury, death to any person or persons, premises operations (including explosion, collapse, and underground coverage), elevator, independent contractors, and blanket contractual liability on all written contracts.

11.3 Workers Compensation Insurance. Worthy shall furnish evidence that it has in force worker's compensation insurance, as required by law, and employer's liability insurance for the protection of its employees. The PFD shall furnish evidence that it has in force worker's compensation insurance, as required by law, and employer's liability insurance for the protection of its employees. The PFD's general contractor shall provide Worthy, upon Worthy's request, proof of the PFD's general contractor's compliance with all applicable workers' compensation laws and regulations with regard to Skywalk Work performed under this Agreement.

11.4 Certificates of Insurance. Within ten (10) days of the Transfer Date, the Parties shall obtain certificates evidencing the insurance required under this Section 11 which shall state the coverage shall not be canceled, changed, or non-renewed without ten (10) days' advance notice to the other Party, and a renewal certificate shall be obtained at least ten (10) days prior to expiration of any policy. Each Party shall notify the other upon its receipt of any claim that exceeds One Hundred Thousand Dollars (\$100,000.00) on the policies required under this Section 11. Such insurance shall be with an insurer licensed to transact business in Washington having an A.M. Best rating of A VI or better.

12. Waiver of Subrogation.

12.1.1 PFD and Worthy waive all rights against each other, their respective contractors, and subcontractors for damages caused by perils covered by their insurance, except such rights as they may have to the proceeds of such insurance held by others.

12.1.2 PFD and Worthy waive all rights against each other and their respective contractors and subcontractors for loss or damage to any equipment used in connection with the Work and covered by any property insurance.

13. Liens and Claims. Worthy shall deliver the Parking Garage under this Agreement free from any and all claims, encumbrances or liens of subcontractors and/or materials suppliers. The PFD shall deliver the Skywalk under this Agreement free from any and all claims, encumbrances or liens of subcontractors and/or materials suppliers. Within thirty (30) days after written demand, each offending Party shall cause the effect of any claim, encumbrance, or lien to be removed, at that Party's discretion, either by posting of a lien bond or payment of the lien amount and, in the event the offending Party shall fail to do so, the nonoffending Party is authorized to use whatever means in its discretion it may deem appropriate to cause such claim, encumbrance or lien to be removed or dismissed. The Parties may litigate a claim, encumbrance or lien only if such Party has provided a lien bond in a form reasonably satisfactory to the other Party. The Parties agrees to indemnify, defend and hold each other harmless from all incidental or consequential damages resulting to the indemnified Party from such claim, encumbrance or lien.

14. Disputes.

14.1 Termination of Agreement. If the Parties cannot come to an agreement and thereby have a dispute with respect to any matter delineated in Sections 4.2, 4.4, 4.5, 4.8, 4.10-4.13, 4.16 17.3 or 18, then the Parties may elect to attempt to resolve such dispute through mediation. Notwithstanding the foregoing, if the Parties cannot agree to resolve such dispute through mediation or otherwise, or if Worthy and/or the PFD so elects, this Agreement shall terminate. If the elected remedy is to terminate this Agreement: (a) the Property shall revert to the PFD, and if subsequent to the Transfer Date, Worthy by Bargain and Sale Deed, will convey the Property to the PFD free and clear of all monetary encumbrances and (b) unless otherwise directed by the PFD Worthy must, at its sole cost and expense, timely, but not longer than twelve (12) months, restore and reconstruct the parking lot that existed on the Property to substantially the same condition that it existed on the Effective Date of this Agreement, including, without limitation, restoring the Permitted Encroachment. The costs of reconveyance shall be shared equally by the Parties.

14.2 Arbitration. Subject to the provisions of Section 14.1, all claims, disputes, and other matters in question arising out of, or relating to, this Agreement or a breach thereof, except for claims that have been waived by the making or acceptance of final payment, may be decided by arbitration in accordance with RCW Chapter 7.04A.

14.2.1 Notice of Arbitration. Should a Party elect to arbitrate a claim or dispute, notice of the demand for arbitration with a statement of claim containing facts and the legal support shall be served in writing upon the other Party. The demand shall be made within a reasonable time after the claim, dispute, or other matter in question has arisen, and in no event shall it be made after the date when institution of legal or equitable proceedings based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitations. If the

dispute remains unresolved thirty (30) days after the written demand, a notice of arbitration shall be filed with the American Arbitration Association.

14.2.2 Award. The award rendered by the arbitrators shall be final, and judgment may be entered in accordance with Washington law in a court having jurisdiction.

14.2.3 Continuation of Obligations. Unless otherwise agreed in writing, Worthy and PFD shall continue to perform their obligations during any arbitration proceedings.

14.2.4 Consolidation. All claims that are related to or dependent on each other, shall be heard by the same arbitrator or arbitrators, even though the Parties are not the same, unless a specific contract prohibits such consolidation.

15. Events of Default; Remedies.

15.1 Events of Default. Upon the occurrence of any one or more of the following events which shall continue and not be cured in accordance with the notice and opportunity to cure provisions set forth in this Section 15, the non-defaulting Party may, at its option, declare a default under this Agreement:

15.1.1 a Party fails to comply with any of the terms and conditions or fails to perform any of its obligations under this Agreement or any document and/or instrument given in connection therewith and such failure continues for a period of thirty (30) days after written notice from the other Party;

15.1.2 a Party breaches any warranty made by it under this Agreement, or any representation herein is or has become untrue;

15.1.3 subject to the provisions of Section 15 hereof, if the Work is not carried on with reasonable dispatch, is abandoned, or the Work has ceased for a period of thirty (30) consecutive days;

15.1.4 if a lien for the supply of materials or the furnishing of labor is filed against the Improvements or Property, and remains unsatisfied or unbonded within ten (10) days after written notice to the offending Party;

15.1.5 any attempted assignment of this Agreement without the other Party's consent; or

15.1.6 a Party becomes insolvent as evidenced by its admission in writing of its inability to meet its obligations as they mature; or makes an assignment for the benefit of creditors, or at any time is adjudicated bankrupt; or at any time applies for the appointment of a trustee or receiver of any substantial part of its properties; or any such trustee or receiver is appointed, and if in any such action the insolvent Party indicates its approval of, consent to or acquiescence in such appointment, or any such trustee or receiver is not discharged within sixty

(60) days; or any proceedings involving such Party are at any time commenced by or against such Party under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute of the United States or any state thereof, and if such proceeding shall be initiated and remain undismissed for sixty (60) days.

15.2 Cure. If a default is not reasonably susceptible of cure within the cure period provided in Section 15.1 above, but the defaulting Party commences to cure such default within the applicable cure period and thereafter diligently prosecutes the cure to completion, and completes such cure within thirty (30) days of commencing the cure, such default shall not become an event of default.

15.3 Remedies. Following an event of default that is not cured as set forth above, the non-defaulting Party may terminate this Agreement. If Worthy is the defaulting Party: (a) the Property shall revert to the PFD pursuant to Section 14.1 and (b) unless otherwise directed by the PFD Worthy shall restore the Property to its prior condition, as described in Section 14.1. The Parties agree that the remedy of specific performance shall not be available.

16. Force Majeure. Performance by either Party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, lack of transportation, governmental restrictions, regulations, orders or priority, unusually severe weather, acts or omissions of the other Party, or acts or failures to act of Governmental Authority after diligent best efforts to cause the Governmental Authority to act. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, but only if notice by the Party claiming such extension is sent to the other Party within fifteen (15) days of the commencement of the cause.

17. Challenges to Project. Should a claim, action or lawsuit be brought or filed by a third party with respect to any part of the Project (including all referenced documents and exhibits) or the application of an order, rule, enactment or regulation be determined to modify or suspend all or part of this Agreement, the Parties shall cooperate in the defense of such matter as follows:

17.1 Notice. Each Party shall give written notice of the matter that reasonably may be subject to the indemnity or shared defense provisions of this Agreement. Such notice shall be given within five (5) days after receipt of the notice of claim, or service of a lawsuit.

17.2 Joint Defense. Following notice the Parties shall within ten (10) days mutually conclude they have common interests in defending against such claim, action or lawsuit and will thereafter enter into a joint defense agreement upon terms and conditions mutually acceptable to both Parties provided each Party shall assume its own costs, fees and expenses associated with such agreement. If a joint defense agreement is not entered

into by the Parties, this Agreement may be terminated on notice from either Party with no further obligation or liability to the other Party.

17.3 Delay in the Project. If challenges of the nature described in this Section 17 occur, and as a result delays to the Improvement Schedule actually occur or Worthy reasonably believes that delays to such schedule will likely occur, in either case amounting to a delay or foreseeable delay, as the case may be, in the Improvement Schedule of twelve (12) months or more, either Party may elect to invoke the provisions of Section 14.1.

18. Effect of Order, Rule or Law. In the event that any order, rule, enactment or regulation, entered, existing or adopted after the Effective Date: (a) modifies a term or condition herein; (b) prevents or precludes either Party from complying with one or more of the provisions of this Agreement or the Improvements anticipated to be built on the Property; or (c) otherwise materially affects the purpose or performance of the obligations under this Agreement, then to the extent feasible such provision(s) of this Agreement shall be modified, stricken or suspended as may be necessary to comply with such order, rule, enactment or regulation. Upon notice, entry or adoption of any such order, rule, enactment, law or regulation, the Parties shall meet and confer in good faith to determine the effect of the same on the purposes and intent of this Agreement. If such modification or suspension is unfeasible in either Party's reasonable business judgment, then as its sole remedy, either Party shall have the right to terminate this Agreement by written notice to the other Party. In addition to the above, the Parties, jointly, shall have the right to challenge the order, rule, enactment or regulation preventing compliance or performance with the terms of this Agreement, and, in the event such challenge is successful, this Agreement shall remain unmodified and in full force and effect.

19. Waiver/Hold Harmless. Each Party with the intention of binding themselves and their respective heirs, legal representatives and assigns do hereby waive and hold harmless the other Party, its officers, agents, employees, successors and assigns from any and all claims, demands and causes of action, damages, costs, expenses, compensation and attorney fees, and any other claims or damages of any kind whatsoever arising out of or connected with, directly or indirectly, this Agreement or any other matter which effects the modification, suspension, or termination of this Agreement. This waiver and hold harmless includes but is not limited to all injuries and damages known or unknown and those that might develop during the performance of this Agreement.

20. Notice.

All notices required or permitted to be given hereunder shall be in writing and shall be deemed delivered when received at the address set forth below.

If to PFD: Spokane Public Facilities District
720 W. Mallon Ave.
Spokane, WA 99210

With copy to: Stanley M. Schwartz
Witherspoon Kelley

422 W. Riverside, Ste. 1100
Spokane, WA 99201

If to Worthy: Attn: Walter B. Worthy
16201 E. Indiana Avenue
Spokane Valley, WA 99216

With copy to: James S. Black
Lukins & Annis, P.S.
717 W. Sprague Avenue, Suite 1600
Spokane, WA 99201

21. Binding Effect. This Agreement will bind and inure to the benefit of the Parties and their successors and assigns.

22. Entire Agreement. This Agreement shall supersede any prior representation or agreement, written or oral. This Agreement shall not be subject to modification or amendment except in a writing executed by both Parties.

23. Attorney Fees. In any action to enforce any provision of this Agreement, the prevailing Party shall be entitled to recover in addition to any other amounts awarded, its reasonable attorney fees and costs of action.

24. Counterparts. This Agreement may be executed in multiple counterparts, including facsimile and other electronically delivered counterparts, which when signed by both Parties and taken together shall constitute a binding agreement. Governing Law. This Agreement shall be interpreted and governed by and under the laws of Washington.

26. Assignment. Worthy's rights and obligations under this Agreement may be assigned only with the prior written consent of PFD. In the event of an assignment, all rights and obligations shall extend to and be binding upon the representatives, successors and assigns of the Parties.

27. Survival. All provisions of this Agreement shall survive closing of the Property and shall not be merged within the Deed and shall remain in full force and effect.

28. Time of the Essence. Time is of the essence in the payment and the performance of the Parties obligations under this Agreement.

[signature page follows]

IN WITNESS WHEREOF, Worthy and PFD do hereby execute this Agreement as of the Effective Date.


PFD:

The Spokane Public Facilities District, a Washington municipal corporation

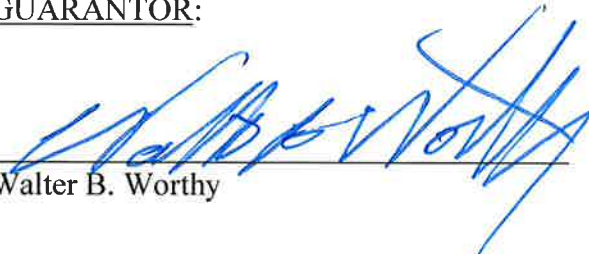
By: 
Name: KEVIN TROTTER
Its: CEO

CC HOTEL:

Convention Center Hotel, LLC, a Washington limited liability company

By: 
Name: Walter B. Worthy
Its: Manager

GUARANTOR:


Walter B. Worthy


Karen L. Worthy

EXHIBIT INDEX

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