



S P O K A N E
P U B L I C F A C I L I T I E S
D I S T R I C T



THE DAVENPORT
HOTEL COLLECTION
DAVENPORT • TOWER • LUSO

June 25, 2013

Walt & Karen Worthy
Davenport Hotel and Tower
10 S. Post Street
Spokane, WA 99201

Board of Directors
Spokane Public Facilities
720 West Mallon Avenue
Spokane, WA 99201

Re: Acquisition of South Block
Land for Hotel and Parking Garage Development

The purpose of this joint letter ("**Letter of Intent**") is to set forth the interests of both the Spokane Public Facilities District, a municipal corporation of the state of Washington (the "**District**") and Walt & Karen Worthy and/or assigns ("**Worthy**"), with respect to the sale and development (collectively "**Development**") of the Property (as herein defined). The District and Worthy are jointly referred to as "**Parties**". This Letter of Intent is intended to outline the general understanding of the District and Worthy and provide the basis for definitive agreements containing all of the terms, covenants, conditions and understandings of the sale and development of the Property by the Parties are executed and binding. This Letter of Intent replaces and supersedes the previous Letter of Intent dated September 11, 2012. The Parties acknowledge that under the previous letter of intent, some due diligence has occurred to include the exchange of information and documents.

The Parties further represent to each other that upon execution of this Letter of Intent they will individually and collectively exercise good faith and best efforts to take all actions reasonably necessary to fulfill the terms and intent set forth herein. Time is of the essence.

The following sets forth the general terms of the Parties intent regarding the Property.

1. The Property. The real property is located in Spokane, Washington, consisting of 120,000 square feet, more or less, together with the improvements situated thereon, (the "**Property**"). The Property is depicted on the attached Results of Survey with Parcel Numbers set forth on Exhibit A.

2. Permitted Use. The Property shall be used for the Development by Worthy of a high rise hotel development consisting of at least 700 rooms and 900 parking stalls, at least 300 of which shall be for public parking to be owned by the District ("Public Parking Garage"), collectively the above is referred to as the "**Improvements**", and for no other purpose without the District's prior written consent, which consent may be withheld, conditioned or delayed for no reason or any reason.

3. After the date of this Letter of Intent, but not later than July 9, 2013, the Parties shall in good faith meet and confer in order to reach agreement on the documents and agreements, their form and content ("**Development Agreements**"), including but not limited to:

(a) the Real Property Purchase and Sale Agreement and the District's agreement to provide reimbursement of up to \$500,000 for remediation of hazardous substances on the Property;

(b) a Joint Development Agreement to include a covenant restricting the use of the Property to a high rise hotel with private and public parking as set forth in this Letter of Intent;

(c) a completion guaranty agreement including security or collateral, acceptable to the District, in the amount of Ten Million Dollar (\$10,000,000.00) to provide for Worthy's performance, construction or removal of the Improvements, to be released when the hotel roof is in place,

(d) a Skywalk Permit and Agreement indicating that the District will be responsible for all costs and expenses of said skywalk;

(e) a Parking Management Agreement: (i) assigning all revenue from the operation of the District's public parking spaces in the hotel garage to Worthy in exchange for an annual payment of \$400,000 with the first payment six months after the hotel opening and annually thereafter, provided the payment shall be adjusted after the fifth year using a weighted average of the monthly parking rates in the Parkade, the Bank of America and Washington Trust Bank garages (or substitute equals, if the above facilities are no longer in comparable operation) and (ii) reserving to the District the right to set event parking rates for the Public Parking Garage;

(f) the form, content and person to perform a real property appraisal establishing the market value of the Property taking into consideration the reasonable use of the property all at the District cost and expense;

(g) the public process and obligations for Development, to include but not be limited to financing, design, construction, disclosure of information to the public and the public process developments before the District Board; and

(h) other documents and matters as determined necessary by the Parties and their attorneys

4. Terms, Conditions, Representations and Warranties. The Development Agreements must contain such terms, conditions, representations and warranties between the Parties as are: (a) customary in a real property transaction of this nature; (b) in compliance with Washington Law; (c) and acceptable to the Parties.

5. Closing. Settlement, delivery and recording (as necessary) of the Development Agreements (“**Closing**”) shall occur no later than September 1, 2013.

6. Title. Title to the Property shall be conveyed, in fee simple, pursuant to a Bargain and Sale deed ("Deed") free and clear of all liens and subject to no title exceptions that shall be objectionable in any respect to Worthy. The Development Agreements shall acknowledge Worthy’s right to have title conveyed to the Property upon satisfaction of terms and conditions agreed to by the Parties. In the event the agreed terms and conditions are not fulfilled, there shall be no Closing and the Parties shall have no further rights, liabilities, or objection to each other.

7. Possession. The Development Agreements will provide that possession of the Property shall be given to Worthy at Closing.

8. Authority of the District and Worthy. By signing this Letter of Intent, the party signing on behalf of the District hereby represents and warrants to Worthy that he or she has been granted full authority to sign the same and bind the District following approval District Board of Directors. By signing this Letter of Intent, the party signing on behalf of Worthy hereby represents and warrants to the District that he or she has full authority to sign the same and bind the Lessee.

9. Reliance, Estoppel and Indemnity. Each party enters into this Letter of Intent with the understanding that, unless agreed otherwise, all costs, expenses and fees (“**Expenses**”) related to this Letter of Intent shall be paid by the party incurring such Expenses without recourse against the other party. No claim for Expenses shall be based upon reliance, estoppel, or equity. The Parties shall, as necessary, meet, confer and resolve matters identified or to be contained in the Development Agreements. In the event the Parties do not reach agreement on the Development Agreements, this Letter of Intent shall terminate and all further obligations shall end except the below indemnification.

Each party shall indemnify and hold the other harmless against and from any and all liability, damages or expenses arising from the conduct, management, or performance of the 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 Letter of Intent; (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.

10. Public Records and Open Meetings. By signing below the Parties acknowledge:

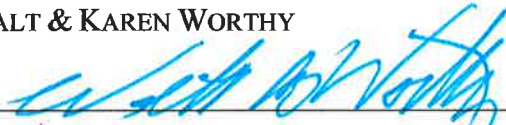
(a) the District is subject to the State of Washington Public Records and Open Meeting Acts. RCW Chapters 42.56 and 42.30;


- (b) unless exempt, writings between the Parties will, upon request, be made available for public inspection; and
- (c) certain matters, discussions and decisions of the District will be conducted by the Board of Directors in open, public meetings where the public will be invited to comment and/or submit written information.

[Signatures Follow]

Acknowledged and Agreed:

WALT & KAREN WORTHY





Acknowledged and Agreed:

SPOKANE PUBLIC FACILITIES DISTRICT



Mick McDowell
Chair