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AMENDED AND RESTATED

CARSON'S BUILDING REDEVELOPMENT AGREEMENT

BY AND BETWEEN

THE CITY OF CHICAGO

AND

ONE SOUTH STATE STREET, LLC

This agreement was prepared by
and after recording return to:

Mark Lenz
City of Chicago Law Department
30 North LaSalle Street, Room 1610
Chicago, IL 60602

BOX 333-CTI

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(An asterisk(*) indicates which exhibits are to be recorded.)

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Prepared by and
after recording return to:
Mark Lenz
Assistant Corporation Counsel
City of Chicago Law Department
30 North LaSalle Street, Room 1610
Chicago, IL 60602

AMENDED AND RESTATED CARSON'S BUILDING REDEVELOPMENT AGREEMENT

This Amended and Restated Carson's Building Redevelopment Agreement ("Agreement") is made as of this 1st day of October, 2001, by and between the City of Chicago, an Illinois municipal corporation ("City"), having its offices at City Hall, 121 North LaSalle Street, Chicago, Illinois 60602 and One South State Street, LLC, an Illinois limited liability company, having its offices c/o Joseph J. Freed and Associates, Inc. at 1400 South Wolf Road, Building 100, Wheeling, Illinois 60090 ("Developer").

RECITALS

A. <u>Constitutional Authority</u>: As a home rule unit of government under Section 6(a), Article VII of the 1970 Constitution of the State of Illinois, the City has the power to regulate for the protection of the public health, safety, morals and welfare of its inhabitants, and pursuant thereto, has the power to encourage private development in order to enhance the local tax base, create employment opportunities and to enter into contractual agreements with private parties in order to achieve these goals.

B. <u>Statutory Authority</u>: The City is authorized under the provisions of the <u>Tax Increment Allocation Redevelopment Act</u>, 65

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ILCS 5/11-74.4-1 et seq., as amended from time to time ("Act"), to finance projects that eradicate blighted conditions through the use of tax increment allocation financing for redevelopment projects.

C. City Council Authority: To induce redevelopment pursuant to the Act, the City Council of the City ("City Council") adopted the following ordinances on February 7, 1997: (1) "An Ordinance of the City of Chicago, Illinois Approving a Tax Increment Redevelopment Plan for the Expanded North Loop Redevelopment Project Area"; (2) "An Ordinance of the City of Chicago, Illinois Designating the Expanded North Loop Redevelopment Project Area as a Tax Increment Financing District"; and (3) "An Ordinance of the City of Chicago, Illinois Adopting Tax Increment Allocation Financing for the Expanded North Loop Redevelopment Project Area" ("TIF Adoption Ordinance"), (collectively referred to herein as the "TIF Ordinances"). The redevelopment project area referred to above ("Redevelopment Area") is legally described in Exhibit A hereto.

D. Amendment and Restatement of the Original Agreement: The City Council, by Ordinance adopted January 12, 2000 (C.J.P. 22994-23110) approved the execution by the parties of that certain Carson's Building Redevelopment Agreement, which Agreement was executed by the parties as of April 19, 2000 ("Original Agreement"). By Ordinance adopted September 5, 2001, the City Council approved the execution by the parties of the present Agreement, which by its terms and conditions, shall completely replace and supercede the Original Agreement.

E. The Project: In conjunction with the terms and conditions of the Agreement, Developer proposes to acquire that certain property located within the Redevelopment Area at One South State Street, Chicago, Illinois 60602 and legally described on Exhibit B hereto ("Carson's Parcel"). The Carson's Parcel is presently improved with that certain building known as the Carson Pirie Scott Building ("CPS Building"), which building is designated a Chicago landmark pursuant to that certain ordinance adopted by the City Council on November 5, 1970. The CPS Building is listed on the National Register of Historic Places and is also designated a National Historic Landmark. The Carson's Parcel also includes those certain parcels which are improved by those certain buildings known as the Haskell-Barker-Atwater Buildings ("HBA Buildings"). The HBA Buildings are also designated as Chicago landmarks pursuant to that certain ordinance adopted by the City Council on November 12, 1996. The ordinances designating the CPS Building and the HBA Buildings as Chicago landmarks are collectively referred to as the "Landmarks Ordinances"). Pursuant to the terms and conditions of the Original Agreement, the City has acquired the leased fee

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interest in certain other parcels adjacent to the Carson's Parcel ("Adjacent Parcels"), one of which Parcels is presently improved with part of the CPS Building, and all of which parcels are also listed as Parcels #D,#E,#F and #3 and legally described on Exhibit B. The CPS Building, the HBA Buildings and the buildings improving the Adjacent Parcels are listed on the National Register of Historic Places as part of the Loop Retail Historic District.

At Closing (as hereinafter defined), the Land Co. (as defined below) shall acquire the Carson's Parcel, and in addition, the leased fee interest in the Adjacent Parcels from the City (as further described in Section 5.05 hereof), and in turn convey the Carson's Parcel and the above-referenced Adjacent Parcels to Developer. The Carson's Parcel and the Adjacent Parcels shall collectively constitute the "Property" upon which the Project (as herein defined) shall be undertaken by Developer pursuant to the terms and conditions of this Agreement. For purposes of the Agreement, all of the improvements located on the Property including, without limitation, the CPS Building, the HBA Buildings, and the other buildings located on the Adjacent Parcels, shall collectively constitute the "Building".

Subsequent to the Closing, Developer, within the time frames set forth in Section 3.01 hereof, shall commence and complete the following activities, which shall collectively constitute the "Project": (1) the undertaking of the renovation and rehabilitation of the interior of part of the existing Carson's department store ("Carson Component Work"), which renovation and rehabilitation work shall consist of the first seven floors of the Building and the basement with an aggregate retail space totally approximately 700,000 square feet, which such renovation and rehabilitation work having been substantially completed by McRIL, LLC, a Virginia limited liability company("McRIL") as successor in interst to McRae's, Inc., with such additional renovation and rehabilitation work to be continued to be undertaken by McRIL as part of its store improvement plans and as applicable, pursuant to the terms of that certain lease ("Carson's Lease") between Developer, as landlord, and McRIL, as tenant, a true and correct copy of which shall be delivered to the City; (2) the development of approximately 300,000 square feet by Developer of parts of floors 8-12 of the Building representing the office component ("Office Component Work") of the Project, and including, without limitation, the replacement of certain mechanical systems serving the office component of the Building ("Office Component") and bringing the Building up to a standard acceptable to the Chicago Fire Department; (3) the development by Developer of a separate public entrance from State Street, as well as a lobby and elevator system, serving the tenants of the Office Component; and (4) the undertaking by Developer of

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certain historic rehabilitation and preservation work on the Building, including, without limitation, the rehabilitation of the State Street facade and the replacement of the cornice (collectively, "Historic Component Work"), all as more fully described on Exhibit L attached hereto and made a part hereof. The location of the Carson Component Work and the Office Component Work on the various floors of the Building is depicted on those certain floor plans attached hereto as Exhibit C. The undertaking of the Project by Developer (items #2-4) shall include those certain TIF-Funded Improvements as defined below and set forth on Exhibit D. The completion of the Project would not reasonably be anticipated without the financing contemplated in this Agreement.

F. Redevelopment Plan: The Project will be carried out in accordance with this Agreement and the City of Chicago Central Loop Tax Increment Financing Redevelopment Project Area and Plan ("Redevelopment Plan") attached hereto as Exhibit E, as amended from time to time.

G. City Financing: The City agrees to use, in the amounts set forth in Section 4.03 hereof, a portion of the proceeds of its $142,346,614 City of Chicago Tax Increment Allocation Bonds (Central Loop Redevelopment Project), Series 2000, consisting of $79,996,614 Series 2000A Bonds (Capital Appreciation Bonds) and $62,350,000 Taxable Series 2000B Bonds (Current Interest Bonds ("Bonds") issued pursuant to an ordinance adopted by the City Council on May 17, 2000 ("Bond Ordinance") to pay for or reimburse Developer for the costs of TIF-Funded Improvements pursuant to the terms and conditions of this Agreement. In the alternative, and its sole discretion, the City may utilize a portion of the proceeds of its City of Chicago Tax Increment Allocation Bonds (Central Loop Redevelopment Project), Series 1997, $91,000,000 Taxable Series 1997B Bonds issued pursuant to an ordinance adopted by the City Council on June 30, 1997. The City, the Managing Member and Land Co. will treat, for tax purpoises, the City's payment to Land Co. as a non-member or non-shareholder contribution to capital under Internal Revenue Code §118, as amended.

Now, therefore, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. RECITALS

The foregoing recitals are hereby incorporated into this agreement by reference.

SECTION 2. DEFINITIONS

For purposes of this Agreement, in addition to the terms defined in the foregoing recitals, the following terms shall have the meanings set forth below:

"<u>Acquisition L/C</u>" shall mean the irrevocable, direct pay letter of credit issued by a financial institution and in a form acceptable to the DPD, in its sole discretion, naming the City as the sole beneficiary and which has been previously delivered, as of the execution date of this Agreement, to the City in the amount of Seven Hundred Seventy Five Thousand Dollars ($775,000), said sum securing payment of certain acquisition, legal and administrative costs relating to the filing of eminent domain proceedings for the Adjacent Parcels. The Acquisition L/C shall provide by its terms for payment to the City upon the City's submission of a certificate stating that the City is entitled to draw upon such Acquisition L/C under the terms of this Agreement. The Acquisition L/C shall be renewed annually throughout the Term of this Agreement not later than thirty (30) days prior to each expiry date. The amount of the Acquisition L/C shall be reduced in the following manner: (a) by the sum of Five Hundred Thousand Dollars ($500,000) when the separation of the Carson's Department Store retail lobby from the office lobby and the installation of a new entry and exit way for the benefit of Carson's Department Store is completed to the satisfaction of the City; and (b) by the sum of Two Hundred Seventy Five Thousand Dollars ($275,000) upon the installation by Developer of a new exit door or doors to the public way (State Street and Holden Court) to "isolate" Carson's State Street Department Store facility from the Office Component, all in the manner indicated by Permit Plans and Specifications therefor. Regarding this work, at such time as Developer has determined it has met each of the components of the work described herein, Developer shall provide the DPD with a written description of such work, a description of all amounts expended and supporting documentation (sworn statements from Developer and the General Contractor, with waivers or releases of lien, and such other documentation as may be reasonably requested by the DPD).

"<u>Affiliate</u>" shall mean any person or entity directly or indirectly controlling, controlled by or under common control with Developer.

"<u>Architect</u>" shall mean DePalma Design Associates, Inc., an Illinois corporation, or other Architect reasonably approved by the City.

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"Bond Ordinance" shall mean the City ordinance authorizing the issuance of the Bonds.

"Change Order" shall mean any amendment or modification to the Scope Drawings, Plans and Specifications or the Project Budget as described in Section 3.02, Section 3.03 and Section 3.04, respectively.

"City Funds" shall mean the funds described in Section 4.03(b) hereof, as the same may be reduced as described in Section 4.03 and Section 7.01.

"Closing Date" shall mean the date of Closing as described in Section 5.05 hereof.

"Commissioner" shall mean the Commissioner of the DPD.

"Construction Contract" shall mean that certain contract, substantially in the form attached hereto as Exhibit F, to be entered into between Developer and the General Contractor providing for rehabilitation and renovation of the Project (excluding the undertaking of the Carson Component Work).

"Construction L/C" shall mean an irrevocable, direct pay letter of credit with a declining principal balance as described in this Agreement issued by a financial institution and in a form acceptable to the City naming the City as the sole beneficiary, and delivered to the City at Closing, providing by its terms for payment to the City upon the City's submission of a certificate stating that the City is entitled to draw upon such Construction L/C under the terms of this Agreement. The Construction L/C shall be in the initial principal amount of $5,500,000. The principal amount of the Construction L/C shall decline as the respective components of the following work is completed to the satisfaction of the City:

a) the demolition of floors 8 through 12 of the State Street portion of the Office Component to make this space ready for future tenant build-out and occupancy. Such demolition work shall include, but not be limited to, the removal of all non-structural walls, all prior tenant improvements, all-non useable MEP systems, and all existing carpeted floor coverings. As this work is completed, the stated amount of the Construction L/C shall be reduced in the following increments (not to exceed the sum of One Million Dollars ($1,000,000) in the aggregate:

Amount of decline	Milestone
$400,000	following the demolition of the first of any of the floors 8 through 12 of the State Street portion of the Office Component
$200,000	following the demolition of the second of the floors 8 through 12 of the State Street portion of the Office Component
$200,000	following the demolition of the third of the floors 8 through 12 of the State Street portion of the Office Component
$100,000	following the demolition of the fourth of the floors 8 through 12 of the State Street portion of the Office Component
$100,000	following the demolition of the last of the floors 8 through 12 of the State Street portion of the Office Component

b) the completion of the following work by Developer, which is part of the Historic Component Work as described on Exhibit L, to the satisfaction of the Landmarks Commission and the DPD. The stated amount of the Construction L/C shall be reduced in the following increments (not to exceed the sum of One Million Five Hundred Thousand Dollars ($1,500,000) in the aggregate):

Amount of decline	Milestone
$1,250,000	following the restoration of the 12th floor cornice
$250,000	following the cleaning of the State Street facade of the Building

c) after the completion of the separation of the mechanical systems of the Carson's Component from the Office Component substantially in accordance with Exhibit C, or as otherwise approved by the City, the stated amount of the Construction L/C shall be reduced by the sum of Two Hundred Thousand Dollars ($200,000);

d) as Developer enters into leases (having at least a minimum lease term of three (3) years) with tenants for occupancy of tenant space in that portion of the Office Component facing State Street, and for purposes of this definition, the Building on Parcel

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F("State Street Office Space"), the stated amount of the Construction L/C shall be reduced in the following increments (not to exceed the sum of Two Million Two Hundred Thousand Dollars ($2,200,000) in the aggregate):

$600,000 following the leasing and occupying by a tenant of the initial 24,000 square feet of State Street Office Space

$600,000 following the leasing and occupying by a tenant of an additional 24,000 square feet of State Street Office Space

$400,000 following the leasing and occupying by a tenant of an additional 24,000 square feet of State Street Office Space

$400,000 following the leasing and occupying by a tenant of an additional 24,000 square feet of State Street Office Space

$200,000 following the leasing and occupying by a tenant of an additional 24,000 square feet of State Street Office Space

Notwithstanding the above, the parties agree that if the tenant build-out is substantially completed for a particular leased space in the State Street Office Space except for punch list items and other matters to be completed post-occupancy, and said leased space is ready for occupancy pursuant to a signed lease and the pertinent office tenant is paying rent as stipulated in the lease but has not commenced to occupy the leased space, provided such documentation is delivered to the DPD, such leased space will be considered "occupied" for purposes of satisfying Developer's obligations regarding the Construction L/C;
and

e) upon completion by Developer of all of the base building construction, rehabilitation and development constituting the Office Component Work and the Historic Component Work, and if Developer is able to demonstrate to the sole satisfaction of the DPD that it has fully complied with the provisions contained in Section 10 of the Agreement concerning Developer's Employment Obligations and prevailing wage requirements, the Construction L/C shall be returned to Developer.

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"Corporation Counsel" shall mean the City's Office of Corporation Counsel.

"DPD" shall mean the Department of Planning and Development of the City of Chicago.

"Employer(s)" shall have the meaning set forth in Section 10 hereof.

"Environmental Laws" shall mean any and all federal, state or local statutes, laws, regulations, ordinances, codes, rules, orders, licenses, judgments, decrees or requirements relating to public health and safety and the environment now or hereafter in force, as amended and hereafter amended, including but not limited to (i) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.); (ii) any so-called "Superfund" or "Superlien" law; (iii) the Hazardous Materials Transportation Act (49 U.S.C. Section 1802 et seq.); (iv) the Resource Conservation and Recovery Act (42 U.S.C. Section 6902 et seq.); (v) the Clean Air Act (42 U.S.C. Section 7401 et seq.); (vi) the Clean Water Act (33 U.S.C. Section 1251 et seq.); (vii) the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.); (viii) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. Section 136 et seq.); (ix) the Illinois Environmental Protection Act (415 ILCS 5/1 et seq.); and (x) the Municipal Code.

"Equity" shall mean funds of Developer (other than funds derived from Lender Financing or Tax Credit Equity) irrevocably available for the Project, in the amount set forth in Section 4.01 hereof, which amount may be increased pursuant to Section 4.06.

"Escrow" shall mean the construction escrow established pursuant to the Escrow Agreement.

"Escrow Agreement" shall mean the Escrow Agreement governing the construction escrow by and between the City (executing the same solely for the purpose of monitoring construction progress), the Title Company, Developer and Lender, substantially in the form of Exhibit G attached hereto.

"Event of Default" shall have the meaning set forth in Section 15 hereof.

"Final Certificate" shall mean the Certificate issued by the City with regard to the completion of all of the improvements which collectively constitute the Project as described in Section 7.01 hereof.

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"Financial Statements" shall mean complete financial statements prepared by Developer on a modified tax basis of accounting in accordance with real estate industry practice and reviewed and reported by a certified public accountant in accordance with accounting principles applicable thereto.

"General Contractor" shall mean Capitol Construction Group, Inc., an Illinois corporation, or other General Contractor acceptable to the City, hired by Developer with regard to the undertaking of the Project (excluding the Carson Component Work).

"Hazardous Materials" shall mean any toxic substance, hazardous substance, hazardous material, hazardous chemical or hazardous, toxic or dangerous waste defined or qualifying as such in (or for the purposes of) any Environmental Law, or any pollutant or contaminant, and shall include, but not be limited to, petroleum (including crude oil), any radioactive material or by-product material, polychlorinated biphenyls and asbestos in any form or condition.

"Inspecting Architect" shall mean the independent inspecting architect employed by Lender, to review for Lender and the City all activities with regard to the undertaking of the Project (excluding the Carson Component Work), as further described in Section 3.08 hereof.

"Interim Certificate" shall mean the Certificate to be issued by the City with regard to the various components of the Project, as more fully described in Section 7.01 hereof.

"Lender" shall mean, prior to the issuance of the Final Certificate, the lender, its successors and assigns, which is providing the construction financing for the Project (excluding the Carson Component Work). After the issuance of the Final Certificate, the term "Lender" shall also include a financial institution, insurance company or other lender providing replacement Lender Financing, as defined below.

"Lender Financing" shall mean (a) funds committed to Developer by the Lender and irrevocably available to pay for costs of the development, rehabilitation, renovation and construction of the Project (excluding the Carson Component Work), in the amount set forth in Section 4.01 hereof, and (b) any replacement permanent financing for the Project, provided that until the City issues its Final Certificate: (i) the principal amount of such replacement permanent financing does not in aggregate exceed an amount equal to the difference between the actual Project costs as of such refinancing date and the maximum City Funds, and, (ii) the City

grants its prior written consent to such replacement lender, which consent shall not be unreasonably withheld or delayed.

"Managing Member" shall mean One South State Street Investors, LLC, an Illinois limited liability company, the members of which shall at all times be Laurance H. Freed, Daniel S. Freed and Debra Freed Ruderman, except as permitted under Section 8.01(l).

"MBE(s)" shall mean a business identified in the Directory of Certified Minority Business Enterprises published by the City's Purchasing Department, or otherwise certified by the City's Purchasing Department as a minority-owned business enterprise.

"MBE/WBE Budget" shall mean the budget attached hereto as Exhibit H-2, as described in Section 10.03.

"Municipal Code" shall mean the Municipal Code of the City of Chicago.

"Non-Governmental Charges" shall mean all non-governmental charges, liens, claims, or encumbrances relating to Developer, the Property or the Project.

"Non-Managing Member or Members" shall mean and include, the Sherwin Williams Company, an Ohio corporation, or other national company or financial institution or its subsidiary, the identity of which to be acceptable to the DPD, which shall be the provider of the Tax Credit Equity, and One South State Street Land Co., Inc., an Illinois corporation ("Land Co."), whose president is Laurance H. Freed, and which constitute the non-managing members of Developer or in the case of Land Co. may be a non-managing member of the Managing Member.

"Other Bond(s)" shall have the meaning set forth for such term in Section 8.05 hereof.

"Other Covenants" shall mean representations, warranties and covenants set forth in the following sections of the Redevelopment Agreement: the transfer restrictions in Sections 8.01(d), (l), (m) and (o) and Section 18.15; the prevailing wage requirements in Section 8.09; the employment opportunity, and MBE/WBE utilization requirements in Section 8.07 and Sections 10.01, and 10.03; and the financing restrictions inherent in the definition of Lender Financing and in Sections 8.01(d), (j) and (n) and Section 16.

"Performance Covenants" shall mean the covenants running with and affecting the Property set forth in Sections 8.02 and 8.19 of this Agreement.

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"Permitted Liens" shall mean those liens and encumbrances against the Property and/or the Project set forth on Exhibit I hereto.

"Plans and Specifications" shall mean final construction documents containing working drawings and specifications for the various phases of the Project (excluding the Carson Component Work), including, without limitation, construction drawings, landscaping plans, signage plans, the work described in Exhibit C-1, accessibility plans, ornamentation studies and plans and terra cotta studies, as the same may from time to time be amended with the consent of the DPD.

"Preservation Architect" shall mean McClier Corporation, an Illinois corporation.

"Prior Expenditure(s)" shall have the meaning set forth in Section 4.05(a) hereof.

"Project Budget" shall mean the budget attached hereto as Exhibit H-1, showing the total cost of the Project (excluding the Carson Component Work)by line item, furnished by Developer to the DPD, in accordance with Section 3.03 hereof, updated from time to time as provided for in this Agreement.

"Redevelopment Project Costs" shall mean redevelopment project costs as defined in Section 5/11-74.4-3(q) of the Act that are included in the budget set forth in the Redevelopment Plan or otherwise referenced in the Redevelopment Plan.

"Restoration Engineer" shall mean McClier Corporation, an Illinois corporation.

"Scope Drawings" shall mean, respectively, the preliminary schematic drawings and construction documents describing the proposed rehabilitation and restoration work and including drawings and specifications for the Project (excluding the Carson Component Work).

"Survey" shall mean a Class A plat of survey in the most recently revised form of ALTA/ACSM land title survey of the Property, acceptable in form and content to the City and the Title Company, prepared by a surveyor registered in the State of Illinois, certified to the City, the Lender and the Title Company, and indicating whether the Property is in a flood hazard area as identified by the United States Federal Emergency Management Agency (and any updates thereof to reflect improvements to the Property required by the Lender).

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"Tax Credit Equity" shall mean funds of Developer derived from the syndication of Historic Tax Credits relating to the Project irrevocably available for the Project, in the amount set forth in Section 4.01 hereof, which will be funded during the performance of the Project, the timing and schedule of which to meet with the reasonable approval of the DPD.

"Term of the Agreement" shall mean the period of time commencing on the execution date of the Agreement and ending on the date on which the Redevelopment Area is no longer in effect.

"TIF-Funded Improvements" shall mean those improvements of the Project which (i) qualify as Redevelopment Project Costs, (ii) are eligible costs under the Redevelopment Plan and (iii) the City has agreed to pay for out of the City Funds, subject to the terms of this Agreement.

"Title Company" shall mean Chicago Title Insurance Company.

"Title Policy" shall mean an ALTA owner's policy of title insurance issued by the Title Company showing fee simple title to the Property in Developer. The Title Policy shall note the recording of this Agreement as an encumbrance against the Property, and a subordination agreement in favor of the City with respect to previously recorded liens against the Property related to Lender Financing, if any, and if required by McRIL, a recognition and attornment agreement relating to the Carson's Lease.

"WARN Act" shall mean the Worker Adjustment and Retraining Notification Act (29 U.S.C. Section 2101 et seq.).

"WBE(s)" shall mean a business identified in the Directory of Certified Women Business Enterprises published by the City's Purchasing Department, or otherwise certified by the City's Purchasing Department as a women-owned business enterprise.

SECTION 3. THE PROJECT

3.01 The Project. Developer shall, pursuant to the Plans and Specifications and subject to the provisions of Section 18.17 hereof: (i) commence the undertaking of the Project (excluding the Carson Component Work) within 30 days of the approval by the DPD of the Plans and Specifications for the initial phase of the Project; (ii) complete the Project and receive Part III approval from the National Park Service within five (5) years of the commencement of construction of the initial phase of the Project, all in accordance with that certain preliminary Schedule attached hereto as Exhibit

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O, as updated in accordance with the terms of this Agreement or as otherwise requested by the City.

The parties agree that the Carson's Lease, a true and correct copy of has been delivered to the City, and which may be supplemented by any amendments delivered to the City prior to Closing, has a term of at least twenty (20) years and obligates McRIL to expend at least Seventeen Million Dollars ($17,000,000) in undertaking the Carson Component Work. Developer shall promptly notify the DPD of any amendment or modification of the Carson's Lease; provided, however, with regard to any provision or condition affecting the term of the Carson's Lease, the undertaking of the Carson Component Work or the financial commitment described in this paragraph of McRIL to expend on the Carson Component Work, the Carson's Lease shall not be modified or amended in any respect without the prior written approval of the City, whose consent shall not unreasonably be withheld. The parties acknowledge that, for purposes of this Agreement, the Carson's Component Work has been completed (as evidenced by certification of such from McRIL), although the parties understand that additional renovation and rehabilitation work shall be continued to be undertaken by McRIL as part of its store improvement plans.

Developer has previously provided the City with a written certification from McRIL (or its predecessor in interest) containing a description of what aspects of the Carson's Component Work have been completed as of December 1, 1999 as amended and supplemented by that certain letter dated __________, 2001, and how much has been spent by McRae or on is behalf in undertaking such work, with such update(s) as is reasonably requested by the City.

3.02 Scope Drawings and Plans and Specifications. Developer has delivered the Scope Drawings to the DPD and the Commission on Chicago Landmarks ("Landmarks Commission") for the Office Component Work and the Historic Component Work, and the DPD and the Landmarks Commission have approved same. A list of the Scope Drawings is attached hereto as Exhibit C-1. The parties acknowledge that the Office Component Work and the Historic Component Work shall be undertaken in phases, and in particular with regard to the Office Component Work, may (but need not) be delayed until Developer secures a tenant for the particular location of the Office Component. Within twenty (20) days after the Closing Date, Developer shall deliver its proposed Plans and Specifications for the initial phase of the Project (which for purposes of the Agreement, shall constitute all of the work described in the definition of the Acquisition L/C, which construction documents shall be prepared consistent with the pertinent Scope Drawings, to the DPD and the Landmarks Commission

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for review and approval. As Developer seeks to undertake subsequent phases, Developer shall deliver its proposed Plans and Specifications, which have been prepared consistent with the pertinent Scope Drawings, for such phase to the DPD and the Landmarks Commission for review and approval. After the approval of Plans and Specifications for any phase by the Landmarks Commission and the DPD, any subsequent proposed changes to such Plans and Specifications shall be submitted to the DPD and the Landmarks Commission as a Change Order as required by and pursuant to Section 3.04 hereof. Notwithstanding the above, no approval need be sought by Developer from the Landmarks Commission for any work not constituting the Historic Component Work.

The Scope Drawings and the Plans and Specifications shall at all times conform to the Redevelopment Plan, as amended from time to time, the terms and conditions of this Agreement, and all applicable federal, state and local laws, ordinances and regulations, including, without limitation, the ordinances passed by the City Council designating the CPS Building and the HBA Buildings as Chicago landmarks. Developer shall submit all necessary documents to the City's Department of Buildings, Department of Transportation and such other City departments or governmental authorities as may be necessary to acquire building permits and other required approvals for the Project (excluding the Carson Component Work). Copies of any and all building permits affecting the Project (excluding the Carson Component Work) shall be delivered to the DPD within 5 days of issuance.

3.03 Project Budget. Developer has furnished to the DPD, and the DPD has approved, a preliminary Project Budget showing total costs for the Project (excluding the Carson Work Component) in an amount not less than Sixty Eight Million Nine Hundred Fifteen Thousand Five Hundred Eighty Six Dollars ($68,915,586). Developer hereby certifies to the City that (a) the City Funds, together with the Lender Financing, Equity and Tax Credit Equity shall be sufficient to complete the Project (excluding the Carson Component Work), and (b) the Project Budget is true, correct and complete in all material respects. Developer shall promptly deliver to the DPD certified copies of any Change Orders with respect to the Project Budget for approval pursuant to Section 3.04 hereof. A copy of the Project Budget shall be also delivered by Developer to the Inspector.

3.04 Change Orders. Except as provided below, all Change Orders (and documentation substantiating the need and identifying the source of funding therefor) relating to material changes to the Project (excluding the Carson Component Work) must be submitted by Developer to the DPD and the Inspector concurrently with the

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progress reports described in Section 3.07 hereof. Developer shall not authorize or permit the performance of any work relating to any Change Order or the furnishing of materials in connection therewith prior to the receipt by Developer of the DPD's written approval. The Construction Contract, and each contract between the General Contractor and any subcontractor, shall contain a provision to this effect. An approved Change Order shall not be deemed to imply any obligation on the part of the City to increase the amount of City Funds which the City has committed pursuant to this Agreement or provide any other additional assistance to Developer. Notwithstanding anything to the contrary in this Section 3.04, Change Orders costing less than Two Hundred Fifty Thousand Dollars ($250,000.00) each, to an aggregate amount of One Million Dollars ($1,000,000.00), do not require the DPD's prior written approval as set forth in this Section 3.04, but the DPD and the Inspector shall be notified in writing of all such Change Orders in conjunction with progress reports described in Section 3.07 hereof (provided, however, for those Change Orders requiring the written approval of the DPD, prior to the implementation thereof) and Developer, in connection with such notice, shall identify to the DPD the source of funding therefor.

3.05 DPD Approval. Any approval granted by the DPD of the Scope Drawings, the Plans and Specifications, the Project Budget and the Change Orders is for the purposes of this Agreement only and does not affect or constitute any approval required by any other City department or pursuant to any City ordinance, code, regulation or any other governmental approval, nor does any approval by the DPD pursuant to this Agreement constitute approval of the quality, structural soundness or safety of the Property or the Project.

3.06 Other Approvals. Any DPD approval under this Agreement shall have no effect upon, nor shall it operate as a waiver of, Developer's obligations to comply with the provisions of Section 5.03 hereof. Developer shall not commence construction of the Project (excluding the Carson Component Work) until Developer has obtained all necessary permits and approvals including, but not limited to, the DPD's and, if applicable, the Landmarks Commission's approval of the Plans and Specifications for the applicable phase of the Project to be constructed, evidence of Developer's (or the General Contractor's) having met with at least 4 MBE/WBE contractor associations prior to the Closing Date, and evidence of the General Contractor's and each subcontractor's bonding as required hereunder.

3.07 Progress Reports and Survey Updates. Developer shall provide the DPD with written monthly progress reports detailing the

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status of the Project (excepting the Carson's Component Work, unless there has been further renovation or rehabilitation activity undertaken and completed by McRae), including a revised completion date, if necessary (with any material delay in completion date being considered a Change Order, requiring the DPD's written approval pursuant to Section 3.04). Developer shall provide three (3) copies of any updated Survey to the DPD upon the request of the DPD.

3.08 Inspecting Architect. The Inspecting Architect shall be approved by the DPD and the Landmarks Commission and hired by Lender, at Developer's expense, to act as the inspecting architect for the Project on behalf of the parties. The Inspecting Architect shall perform periodic inspections with respect to the Project (excluding the Carson Component Work), and provide certifications with respect thereto to the DPD, and shall approve requests for disbursement for costs related to the Project (excluding the Carson Component Work) pursuant to the Escrow Agreement.

3.09 Barricades. Prior to commencing any construction requiring barricades, Developer shall install a construction barricade of a type and appearance satisfactory to the City and constructed in compliance with all applicable federal, state or City laws, ordinances and regulations. The DPD retains the right to approve the maintenance, appearance, color scheme, painting, nature, type, content and design of all barricades.

3.10 Signage and Public Relations. Developer shall erect a sign of size and style approved by the City in a conspicuous location on the Property during the construction and development of the Project, indicating that financing has been provided by the City and that the CPS Building and HBA Buildings are Chicago landmarks and that all of the buildings constituting the Building are listed on the National Register of Historic Places as being part of the Loop Retail Historic District. The City reserves the right to include the name, photograph, artistic rendering of the Project and other pertinent information regarding Developer, the Property and the Project (including the Carson Component Work) in the City's promotional literature and communications. After the issuance of the City's Final Certificate until the expiration of the Term of the Agreement, the DPD shall also have the right to approve any changes in signage that are inconsistent with the original signage approved for the Project.

3.11 Utility Connections. Developer may connect all on-site water, sanitary, storm and sewer lines constructed on the Property to City utility lines existing on or near the perimeter of the Property, provided Developer first complies with all City

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requirements governing such connections, including the payment of customary fees and costs related thereto.

3.12 Permit Fees. In connection with the Project, Developer shall be obligated to pay or cause to be paid only those building, permit, engineering, tap on and inspection fees that are assessed on a uniform basis throughout the City of Chicago and are of general applicability to other property within the City of Chicago, provided, subject to any applicable fee waivers which have been approved by ordinance passed by the City Council of the City.

3.13 Directives of Historic Agencies. Notwithstanding anything to the contrary contained in this Agreement, including, without limitation, Exhibit L, the City shall not require Developer or McRae's to undertake any improvements or perform the Project in any manner which is directly in conflict with the requirements or directives of either the Illinois Historic Preservation Agency or the National Park Service, or any successor or replacement agencies.

SECTION 4. FINANCING

4.01 Total Project Cost and Sources of Funds. The cost of the Project is estimated to be $68,915,586, to be applied in the manner set forth in the Project Budget. Such costs shall be funded from the following sources:

Equity	$15,306,185
Tax Credit Equity	8,859,401
Lender Financing	30,500,000
Maximum City Funds (including cost of the Adjacent Parcels):	14,250,000
ESTIMATED TOTAL	$ 68,915,586

4.02 Developer Funds. Equity, Tax Credit Equity and/or Lender Financing may be used to pay any Project cost, including but not limited to, Redevelopment Project Costs.

4.03 City Funds.

(a) Uses of City Funds. City Funds may be used to pay directly or reimburse Land Co., which will simultaneously contribute said City Funds to the Managing Member, who in turn shall simultaneously contribute said Funds to Developer, only for costs of TIF-Funded Improvements that constitute Redevelopment Project Costs. Exhibit D sets forth, by line item, the TIF-Funded Improvements for the Project, and the maximum amount of costs that

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may be paid by or reimbursed from City Funds for each line item therein, contingent upon receipt by the City of documentation satisfactory in form and substance to the DPD evidencing such cost and its eligibility as a Redevelopment Project Cost.

(b) Sources of City Funds. The maximum amount of City Funds ("City Funds") available to pay for TIF-Funded Improvements pursuant to the terms and conditions of this Agreement is $5,500,000. Subject to the terms and conditions of this Agreement, including but not limited to, this Section 4.03 hereof, the City hereby agrees to pay the Managing Member at Closing the amounts described in Section 4.05 (a) below for the previously incurred cost of the TIF-Funded Improvements which have been approved by the DPD in its sole discretion.

(c) Conditional Grant of City Funds. The City Funds provided hereunder are being provided to Land Co., which will simultaneously contribute said City Funds to the Managing Member, who in turn shall simultaneously contribute said Funds to Developer, on a conditional basis subject to Developer's compliance with the requirements of this Agreement.

4.04 Construction Escrow. The City (solely on the basis as an observer), the Lender and Developer shall enter into an Escrow Agreement with the Title Company with regard to disbursement of funds to cover Project costs (excluding the Carson Component Work). All disbursements of Project funds (except for the Prior Expenditures, which may be disbursed directly to Developer outside of the Escrow) shall be made through the funding of draw requests pursuant to the Escrow Agreement and this Agreement. In case of any conflict between the terms of this Agreement and the Escrow Agreement, the terms of this Agreement shall control.

4.05 Treatment of Prior Expenditures and Subsequent Disbursements.

(a) Prior Expenditures. Only those expenditures made by Developer with respect to the Project prior to the Closing Date, evidenced by documentation satisfactory to the DPD and approved by the DPD as satisfying costs covered in the Project Budget, shall be considered previously contributed Equity or Lender Financing hereunder ("Prior Expenditures"). The DPD shall have the right, in its sole discretion, to disallow any such expenditure as a Prior Expenditure. Exhibit J hereto sets forth the prior expenditures approved by the DPD as of the date hereof as Prior Expenditures. Prior Expenditures made for items other than TIF-Funded Improvements shall not be reimbursed to Developer, but shall reduce

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the amount of Equity and/or Lender Financing required to be contributed by Developer pursuant to Section 4.01 hereof.

(b) Purchase of Carson's Parcel. A portion of the purchase price for the Carson's Parcel (which portion shall not include any purchase price allocable to tenant improvements previously made by McRae (as predecessor in interest to McRIL), to be acquired by Land Co. and contributed as capital by Land Co. to the Managing Member and by the latter as capital to Developer at Closing, which transaction for convenience may be effected by direct contribution by Land Co. to Developer, exclusive of transaction costs, in an amount not to exceed Five Million Five Hundred Thousand Dollars ($5,500,000.00), shall be paid to Land Co. from City Funds on the Closing Date as a TIF-Funded Improvement.

(c) Allocation Among Line Items. Disbursements for expenditures related to TIF-Funded Improvements may be allocated to and charged against the appropriate line only, with transfers of costs and expenses from one line item to another, without the prior written consent of the DPD, being prohibited; provided, however, that such transfers among line items, in an amount not to exceed $25,000, or $100,000 in the aggregate, may be made without the prior written consent of the DPD.

4.06 Cost Overruns. If the aggregate cost of the TIF-Funded Improvements exceeds City Funds available pursuant to Section 4.03 hereof, Developer shall be solely responsible for such excess costs, and shall hold the City harmless from any and all costs and expenses of completing the TIF-Funded Improvements in excess of City Funds.

SECTION 5. CONDITIONS PRECEDENT

The following conditions shall be complied with to the City's satisfaction within the time periods set forth below or, if no time period is specified, at least five (5) business days prior to the Closing Date:

5.01 Project Budget. Developer shall have submitted to the DPD, and the DPD shall have approved, a Project Budget (excluding the Carson Component Work) in accordance with the provisions of Section 3.03 hereof.

5.02 Scope Drawings and Plans and Specifications. Developer shall have submitted to the DPD and the Landmarks Commission, and the DPD and the Landmarks Commission shall have approved, the Scope Drawings and the Plans and Specifications (for the initial phase of

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the Project, excluding the Carson Component Work) in accordance with the provisions of Section 3.02 hereof.

5.03 Other Governmental Approvals. Developer shall have secured all other necessary approvals and permits required by any state, federal, or local statute, ordinance or regulation and shall submit evidence thereof to the DPD for the initial phase of the Project, and for subsequent phases as are necessary.

5.04 Financing. Developer shall have furnished proof reasonably acceptable to the City (including, without limitation, copies of all financing and tax credit documents) that the Developer has Equity, Tax Credit Equity and Lender Financing in the amounts set forth in Section 4.01 hereof committed to complete the Project and satisfy its obligations under this Agreement. If a portion of such funds consists of Lender Financing or Tax Credit Equity, Developer shall have furnished proof as of the Closing Date that such funds are available to be drawn upon by Developer as needed and are sufficient (along with other sources set forth in Section 4.01) to complete the Project. Any Lender liens against the Property in existence at the Closing Date shall be subordinated to certain encumbrances of the City set forth herein pursuant to a subordination agreement ("Subordination Agreement"), in a form acceptable to the City and Lender, executed on or prior to the Closing Date, which is to be recorded, at the expense of Developer, with the Office of the Recorder of Deeds of Cook County, Illinois ("Recorder's Office"). In addition thereto, if requested by McRae, the City and McRae shall enter into a recognition and attornment agreement ("Recognition Agreement") satisfactory to each of said parties.

5.05 Acquisition and Title.

The Carson's Parcel and the Adjacent Parcels (subject to the provisions described below) collectively constitute the Property upon which the Project shall be developed. Developer presently possesses the right to acquire the fee simple title to the Carson's Parcel from McRae, the present owner, pursuant to a real estate purchase agreement.

Pursuant to City Council authority and the terms and conditions of the Original Agreement, the City has acquired the leased fee interest in the Adjacent Parcels through the use of "quick take eminent domain proceedings".

If, subsequent to the execution of this Agreement by the parties but prior to the closing and conveyance of the Carson's Parcel and the Adjacent Parcels to Developer, McRae has terminated

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the purchase contract between McRae and Developer, the parties may seek to terminate this Agreement by the delivery of written notice to the other party, and the parties shall be under no further obligation to the other; provided, however, the City may draw on the Acquisition L/C to cover its legal fees and court costs (including attorney fees) with regard to the City's efforts to acquire the leased fee interest in the Adjacent Parcels and return the Acquisition L/C for cancellation to the extent not drawn upon. In the event the Agreement is terminated in accordance with the provisions of this paragraph, the parties agree that McRae, upon written notice to the City given within thirty (30) days after termination and accompanied by a completed economic disclosure statement and such other information as the City may request of McRae, may deliver to the City a replacement Acquisition L/C in the amount previously delivered to the City by Developer and undertake Developer's obligations under this Agreement as a successor in interest, or in the alternative, the City may in its discretion negotiate an amendment to this Agreement with McRae. Alternatively, the City will agree to terminate the Agreement and convey the Adjacent Parcels to McRae, so long as McRae, within said thirty (30) day period, agrees to pay the City's acquisition costs (including court costs and legal fees) with regard to the Adjacent Parcels. In the event of delivery by McRae of a replacement L/C or payment to the City of the City's acquisition costs, the Acquisition L/C shall be returned to Developer, or if already drawn upon, shall deliver to Developer the amount so drawn.

At Closing, Land Co. shall acquire the Carson's Parcel from McRIL, which in turn, shall convey the Carson's Parcel to the Managing Member and the latter to Developer, provided, for convenience, at Managing Member's discretion, Land Co. may make such conveyance directly to Developer. Furthermore, Land Co. and Developer shall execute that certain covenant to run with the land ("Carson's Covenant") affecting the 1960's addition to the CPS Building whereby these improvements shall be "joined" into the Chicago landmark designation of the CPS Building and provide _inter alia_ that the owner of the CPS Building must carry replacement value insurance with regard to the State Street facade of the CPS Building and its cornice.

Concurrently, at Closing, Land Co. (on behalf of Developer) shall acquire from the City the leased fee interest in the Adjacent Parcels(which had previously been acquired by the City), and in turn, shall convey its interest in such Parcels to the Managing Member and the latter to Developer, provided, for convenience, at Managing Member's discretion, Land Co. may make such conveyance directly to Developer. The City shall convey its interest in the Adjacent Parcels (subject to the City's reverter rights) by

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quitclaim deed ("Deed") substantially in the form attached hereto as Exhibit M. At Closing, in addition to the Deed, the City shall deliver to the Managing Member a Bill of Sale, if required, and a certified copy of the ordinance adopted by the City Council authorizing the City to enter into and perform the Agreement. The consideration for the Adjacent Parcels to be paid to the City by Land Co. shall be the sum of One Dollar ($1.00).

The conveyance and title of any of the Adjacent Parcels shall, in addition to the provisions of the Agreement, be subject to:

1. Covenants and restrictions set forth in the Deed.
2. The Redevelopment Plan.
3. The Permitted Exceptions as disclosed by the Title Policy.
4. Taxes for the current year not then due and owing.
5. Title objections caused by Developer.
6. The Subordination Agreement.
7. The Recognition Agreement (if required).
8. The Carson's Covenant.

In addition, the leased fee interest in the Adjacent Parcels shall be conveyed by the City to the Land Co. "AS IS" and "WHERE IS", and with no warranty, express or implied, by the City as to the condition of the soil, its geology, or the presence of known or unknown faults, or to the physical and environmental condition of any improvements located thereon. It shall be the sole responsibility of Developer to investigate and determine the environmental condition of the Adjacent Parcels. If the environmental condition of the Adjacent Parcels is not in all respects entirely suitable for the use or uses to which the Adjacent Parcels are to be utilized in conjunction with the Project, then it shall be the sole responsibility and obligation of Developer to take such action as may be necessary to place the environmental condition of the Adjacent Parcels in a condition entirely suitable for the intended Project.

Notwithstanding anything to the contrary contained in the Agreement, the following shall be conditions precedent to the City's conveyance of the leased fee interest in the Adjacent Parcels:

(a) approval by the DPD of the Plans and Specifications for the initial phase of the Project;
(b) approval by the DPD of the Schedule for the Project;
(c) approval by the DPD of Developer's Budget and, with regard to the initial phase of the Project, the deposit of Developer's Equity and satisfactory demonstration by Developer of Lender Financing for deposit in the Escrow;

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(d) receipt by the DPD of the Completion Guaranty (only in the event such is required by Lender);
(e) the obtaining by Developer of insurance policies as provided for in <u>Section 5.08</u> and <u>Section 12</u> below;
(f) the acquisition of the Carson's Parcel by Developer; and
(g) delivery to the City of the Carson's Covenant.

On the Closing Date, Developer shall furnish the City with a copy of the Title Policy issued by the Title Company for the Property. The Title Policy shall be dated as of the Closing Date and shall contain only those title exceptions listed as Permitted Liens on <u>Exhibit I</u> hereto and shall evidence the recording of this Agreement and the Carson's Covenant pursuant to the provisions of <u>Section 8.18</u> hereof. The Title Policy shall also contain such endorsements as shall be required by Corporation Counsel, including but not limited to, a comprehensive endorsement and satisfactory endorsements regarding zoning (3.1), contiguity, location, access, survey and waiver of creditor's rights. Developer shall provide to the DPD, prior to the Closing Date, documentation related to the purchase of the Carson's Parcel and the Property and certified copies of all easements and encumbrances of record with respect to the Property not addressed, to the DPD's satisfaction, by the Title Policy and any endorsements thereto.

Notwithstanding anything to the contrary contained in the Agreement, if the City's acquisition costs (calculated solely based on the aggregate amount of the final judgment award relating to the acquisition of the Adjacent Parcels) for all of the Adjacent Parcels has acquired, exceed the sum of Eight Million Dollars ($8,000,000.00), the Managing Member agrees to reimburse the City for fifty percent (50%) of the amount which exceeds the sum of Eight Million Dollars. This sum, if any, shall be paid to the City upon written demand by the City.

5.06 <u>Evidence of Clean Title</u>. Developer, at its own expense, shall have provided the City with current searches in its name, the Managing Member's name and in the name of each of the members of the Managing Member, as follows:

Secretary of State	UCC search
Secretary of State	Federal tax search
Cook County Recorder	UCC search
Cook County Recorder	Fixtures search
Cook County Recorder	Federal tax search
Cook County Recorder	State tax search
Cook County Recorder	Memoranda of judgments search
U.S. District Court	Pending suits and judgments
Clerk of Circuit Court,	Pending suits and judgments

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showing no liens against such parties or the Property or any fixtures now or hereafter affixed thereto, except for the Permitted Liens.

5.07 Surveys. Developer shall have furnished the City with three (3) copies of the Survey.

5.08 Insurance. Developer, at its own expense, shall have insured the Property in accordance with Section 12 hereof and shall have delivered to the DPD the certificates required pursuant to Section 12 hereof evidencing the required coverages.

5.09 Opinion of Developer's Counsel. On the Closing Date, Developer shall furnish the City with an opinion of counsel, substantially in the form attached hereto as Exhibit K, with such changes as may be required by or acceptable to Corporation Counsel. If Developer has engaged outside counsel in connection with the Project, and such outside counsel is unwilling or unable to give some of the opinions set forth in Exhibit K hereto, such opinions shall be obtained by Developer from its general corporate counsel.

5.10 Evidence of Prior Expenditures. Not less than twenty (20) business days prior to the Closing Date, Developer shall have provided evidence satisfactory to the DPD in its sole discretion of the Prior Expenditures in accordance with the provisions of Section 4.05(a) hereof.

5.11 Financial Statements. Not less than twenty (20) business days prior to the Closing Date, Developer shall have provided Financial Statements for Developer to the DPD for the 2000 fiscal year, and unaudited interim or opening financial statements for the Managing Member and Developer, and such other financial statements as Developer may submit to the Lender.

5.12 Documentation. Developer shall have provided documentation concerning the initial phase to the Project to the DPD, satisfactory in form and substance to the DPD, in its sole discretion, including, without limitation, (a) with respect to current employment matters, **a General Contractor's sworn statement identifying which subcontractors are MBE/WBE certified and an owner's sworn statement, and (b) with respect to subcontractors retained to work on the Historic Work, including the cornice and terra cotta facade (the selection of which, including the Preservation Architect, the Restoration Engineer, and the Masonry Contractor, shall be subject to the approval of the DPD and the Landmark's Commission), a copy of the applicable subcontract and**

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evidence of such subcontractor's experience in undertaking historic restoration work.

5.13 Environmental and Accessibility Audits. Not less than twenty (20) business days prior to the Closing Date, Developer shall have provided the DPD with copies of any Phase I environmental and accessibility audits completed with respect to the Property. Based on the City's review of the Phase I environmental audit(s), the City may, in its sole discretion, require the completion of a Phase II environmental audit with respect to the Property prior to the Closing Date. [The City reserves the right to terminate negotiations with respect to this Agreement if, in the City's view, such audits reveal the existence of material environmental or accessibility problems that will not be cured by the rehabilitation and renovation work as part of the Project.] Prior to the Closing Date, Developer shall provide the City with a letter from the consultant(s) who completed such audit(s), authorizing the City to rely on such audit(s).

5.14 Corporate Documents. Developer shall provide to the DPD a copy of Developer and the Managing Member's Articles of Organization and the Non-Managing Member's Articles of Incorporation or Organization, containing the original certification of the Secretary of State of Illinois (or such other state as may be applicable); certificates of good standing or existence from the Secretary of State of Illinois and all other states in which the Managing Member, Developer and each of the Non-Managing Members are qualified to do business; a managing member's certificates in such form and substance as the Corporation Counsel may require, attaching copies of the Managing Member's operating agreement and the Developer's operating agreement and the Non-Managing Member's articles of incorporation and bylaws, respectively, any required resolutions or consents, a listing of the members or shareholders of the Managing Member, the Non-Managing Member and Developer (and any upper-tier owners of such entities) and their respective ownership interests, and an incumbency certificate with specimen signatures; and such other organizational documentation as the City may request.

5.15 Litigation. Developer shall provide to the Corporation Counsel and the DPD a description of all pending or threatened litigation or administrative proceedings involving Developer, Developer's members, the members of the Managing Member or Non-Managing Member, specifying, in each case, the amount of each claim, an estimate of probable liability, the amount of any reserves taken in connection therewith and whether (and to what extent) such potential liability is covered by insurance.

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5.16 Construction L/C. Developer shall have delivered to the City the Construction L/C.

5.17 Acquisition L/C. Developer shall have delivered to the City the Acquisition L/C.

5.18 Preservation Easement. If, at any time from the execution date of the Agreement until the expiration of the Term of the Agreement, Developer or its successors and assigns, in its sole and absolute discretion, seeks to create and donate a preservation easement to any entity affecting the Property or part thereof, the terms of such preservation easement shall be reviewed and approved by the DPD and the Landmarks Commission prior to the execution of such preservation easement.

5.19 Historic Tax Credit Approvals. Developer shall have delivered to the City evidence of Part I approval from the National Park Service.

5.20 [Intentionally Deleted].

5.21 Delivery of Draw Requests. Prior to each disbursement of funds from the Escrow, Developer shall submit documentation of such expenditures to the DPD, which shall be satisfactory to the Inspector in its sole discretion. Delivery by Developer of any draw request under the Escrow shall, in addition to the items therein expressly set forth, constitute a certification to the City, as of the date of such draw request, that:

(a) the total amount of the draw request represents the actual cost of the acquisition or the actual amount payable to (or paid to) the General Contractor and/or subcontractors who have performed work on the Project (excluding the Carson Component Work), and/or their payees;

(b) all amounts shown as previous payments on the current draw request have been paid to the parties entitled to such payment;

(c) Developer has approved all work and materials for the current draw request, and such work and materials conform to the Plans and Specifications and Exhibit C;

(d) the representations and warranties contained in this Agreement are true and correct and Developer is in compliance with all covenants contained herein;

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(e) Developer has received no notice and has no knowledge of any liens or claim of lien either filed or threatened against the Property except for the Permitted Liens;

(f) no Event of Default or condition or event which, with the giving of notice or passage of time or both, would constitute an Event of Default exists or has occurred; and

(g) the Project (excluding the Carson Component Work) is in balance. The Project shall be deemed to be in balance ("In Balance") only if the total of the available Project funds equals or exceeds the aggregate of the amount necessary to pay all unpaid Project costs incurred or to be incurred in the completion of the Project (excluding the Carson Component Work). "Available Project Funds" as used herein shall mean: (i) the undisbursed Lender Financing, if any; (ii) the unfunded Equity, (iii) the unfunded Tax Credit Equity, and (iv) any other amounts deposited by Developer pursuant to this Agreement. Developer hereby agrees that, if the Project is not In Balance, Developer shall, within 10 days after a written request by the City, deposit with the Lender or the escrow agent in accordance with the terms and conditions of the Escrow Agreement, cash in an amount that will place the Project In Balance, which deposit shall first be exhausted before any further disbursement from the Escrow shall be made and Developer shall be entitled to all interest on any such deposit.

The City shall have the right, in its discretion, to require Developer to submit further documentation as the City may require in order to verify that the matters certified to above are true and correct.

SECTION 6. AGREEMENTS WITH CONTRACTORS

6.01 Bid Requirement for General Contractor and Subcontractors. The DPD has approved the selection of Capitol Construction Group, Inc., an Illinois corporation, as the General Contractor hired by Developer regarding the construction and development of the Project. The DPD has also approved the selection of the McClier Corporation, an Illinois corporation, as the Preservation Architect hired by Developer regarding the Historic Component Work.

(a) Except as set forth above or in Section 6.01(b) below, prior to entering into an agreement with the General Contractor or any subcontractor for construction of the Project (excluding the Carson Component Work), Developer shall solicit, or shall cause the General Contractor to solicit, bids from qualified contractors eligible to do business with the City of Chicago, and shall submit

all bids received to the DPD for its inspection and written approval.

(i) For the TIF-Funded Improvements, Developer shall cause the General Contractor to select the subcontractor submitting the lowest responsible bid who can complete the Project (excluding the Carson Component Work) in a timely manner. If the General Contractor selects any subcontractor submitting other than the lowest responsible bid for the TIF-Funded Improvements, the difference between the lowest responsible bid and the bid selected may not be paid out of City Funds.

(ii) For Project work other than the TIF-Funded Improvements, if Developer selects a General Contractor other than Capitol Construction Group, Inc. (or the General Contractor selects any subcontractor) who has not submitted the lowest responsible bid, the difference between the lowest responsible bid and the higher bid selected shall be subtracted from the actual total Project costs for purposes of the calculation of the amount of City Funds to be contributed to the Project pursuant to Section 4.03(b) hereof.

Developer shall submit copies of the Construction Contract to the DPD in accordance with Section 6.02 below. Photocopies of all subcontracts entered or to be entered into in connection with the TIF-Funded Improvements shall be provided to the DPD within five (5) business days of the execution thereof. Developer shall ensure that the General Contractor shall not (and shall cause the General Contractor to ensure that the subcontractors shall not) begin work on the Project (excluding the Carson Component Work) until the Plans and Specifications for the pertinent phase have been approved by the DPD and the Landmark's Commission and all requisite permits have been obtained.

(b) If, prior to entering into an agreement with the General Contractor for construction of the Project (excluding the Carson Component Work), Developer does not solicit bids pursuant to Section 6.01(a) hereof, then the fee of the General Contractor shall be limited to 10% of the total amount of the Construction Contract. Except as explicitly stated in this paragraph and the first paragraph of Section 6.01 hereof, all other provisions of Section 6.01(a) shall apply, including but not limited to, the requirement that the General Contractor shall solicit competitive bids from all subcontractors.

6.02 Construction Contract. Prior to the Closing Date, Developer shall deliver to the DPD a copy of the proposed Construction Contract with the General Contractor selected to

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handle the Project in accordance with Section 6.01 above, for DPD's prior written approval, which shall be granted or denied within ten (10) business days after delivery thereof. Within ten (10) business days after execution of such contract by Developer, the General Contractor and any other parties thereto, Developer shall deliver to the DPD and the Corporation Counsel a certified copy of such contract together with any modifications, amendments or supplements thereto.

6.03 Performance and Payment Bonds. Prior to commencement of any portion of the Project in the public way (excluding the Carson Component Work), Developer shall require that the General Contractor be bonded for its performance and payment by sureties having an AA rating or better using American Institute of Architect's Form No. A311 or its equivalent. The City shall be named as obligee or co-obligee on such bond. Prior to the commencement by the General Contractor or any subcontractor of work in the public way, the General Contractor and any such subcontractor shall comply with the licensing, letter of credit, insurance and bonding, and other requirements applicable under the Municipal Code.

Notwithstanding the above, if the Lender requires that the General Contractor obtain a payment and performance bond with regard to the undertaking of the Project, the City shall be named as co-obligee on such bond.

6.04 Employment Opportunity. Developer shall contractually obligate and cause the General Contractor and each subcontractor to agree to the provisions of Section 10 hereof.

6.05 Other Provisions. In addition to the requirements of this Section 6, the Construction Contract and each contract with any subcontractor shall contain provisions required pursuant to Section 3.04 (Change Orders), Section 8.09 (Prevailing Wage), Section 10.01(e) (Employment Opportunity), Section 10.02 (City Resident Employment Requirement), Section 10.03 (MBE/WBE Requirements; General Contractor only), Section 12 (Insurance) and Section 14.01 (Books and Records) hereof. Photocopies of all contracts or subcontracts entered or to be entered into in connection with the TIF-Funded Improvements shall be provided to DPD within five (5) business days of the execution thereof.

SECTION 7. COMPLETION OF CONSTRUCTION OR REHABILITATION

7.01 Interim Certificate; Final Certificate. After the completion of any of: (i) the construction, lease and acceptance by tenants of 120,000 square feet of new office space as part of the

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Office Component Work, and (ii) the Historic Work Component, respectively, and upon Developer's written request, the DPD shall issue to Developer an interim Certificate of Completion ("Interim Certificate") in recordable form certifying that Developer has fulfilled its obligations to complete the applicable component in accordance with the terms and conditions of the Redevelopment Agreement, including, without limitation, compliance with Sections 10.01, 10.02 and 10.03 below. With regard to the issuance of the Interim Certificates for the Historic Component Work, such Interim Certificates shall be issued in conjunction with the issuance of Part III approval by the National Park Service regarding the completion of the Historic Component Work. The DPD shall respond to Developer's written request for a Certificate within thirty (30) days by issuing either the Interim Certificate or a written statement detailing the ways in which the applicable component of the Project does not conform to this Agreement or has not been satisfactorily completed, and the measures which must be taken by Developer in order to obtain the Certificate. Developer may resubmit a written request for a Certificate upon completion of such measures.

Once Developer has completed all of the components (which in the case of the Office Component Work, shall mean the 120,000 square feet requirement described in this Section 7.01) and other aspects of the Project (as included in the definition of the Project), the DPD, upon the written request of Developer, shall issue to Developer a "Final Certificate" in recordable form certifying that Developer has fulfilled its obligation to complete the Project in accordance with the terms of this Agreement.

Notwithstanding anything to the contrary contained herein, the Interim Certificates and Final Certificate issued by the DPD shall not constitute evidence that Developer has complied with any applicable provisions of federal, state and local laws, ordinances and regulations with regard to the completion of the various components of the Project and furthermore, shall not serve as any "guaranty" as to the quality of the construction or renovation work.

7.02 Effect of Issuance of Certificate; Continuing Obligations. The Interim Certificates and Final Certificate relate only to the construction and rehabilitation work associated with the Project, and upon issuance, the City will certify that the terms of the Agreement specifically related to Developer's obligation to complete such activities have been satisfied. After the issuance of an Interim Certificate or the Final Certificate, however, all executory terms and conditions of this Agreement and all representations and covenants contained herein will continue to

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remain in full force and effect throughout the Term of the Agreement as to the parties described in the following paragraph, and the issuance of the Interim Certificates and Final Certificate shall not be construed as a waiver by the City of any of its rights and remedies pursuant to such executory terms.

Those covenants specifically described in Sections 8.01(o), 8.02, 8.19 and 10.01 and the covenants contained in the Deed and the Carson's Covenant shall be covenants that run with the land, and are the only covenants in this Agreement intended to be binding upon any transferee of the Property (including an assignee as described in the following sentence) throughout the Term of the Agreement notwithstanding the issuance of an Interim Certificate or the Final Certificate. The other executory terms of this Agreement that remain after the issuance of a Certificate shall be binding only upon Developer or a permitted assignee of Developer who, pursuant to Section 18.15 of this Agreement, has contracted to take an assignment of Developer's rights under this Agreement and assume Developer's liabilities hereunder.

7.03 Failure to Complete. If Developer fails to complete the Project (excluding the Carson Component Work) in accordance with the terms of this Agreement, including, without limitation, the time for completion of the various components of the Project, then the City shall have, but shall not be limited to, any of the following rights and remedies:

(a) the right to terminate this Agreement and draw on the Construction L/C and the Acquisition L/C, as the case may be;

(b) the right (but not the obligation) to complete those TIF-Funded Improvements that are public improvements and to pay for the costs of TIF-Funded Improvements (including interest costs) out of City Funds or other City monies. In the event that the aggregate cost of completing the TIF-Funded Improvements exceeds the amount of City Funds available pursuant to Section 4.01, Developer shall reimburse the City for all reasonable costs and expenses incurred by the City in completing such TIF-Funded Improvements in excess of the available City Funds, or the City may draw on the Acquisition L/C; and

(c) the right to seek reimbursement of the City Funds from Developer, provided that the City is entitled to rely on an opinion of counsel that such reimbursement will not violate any Bond documents.

7.04 Notice of Expiration of Term of Agreement. Upon the expiration of the Term of the Agreement, the DPD shall provide

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Developer, at Developer's written request, with a written notice in recordable form stating that the Term of the Agreement has expired.

SECTION 8. COVENANTS/REPRESENTATIONS/WARRANTIES OF DEVELOPER.

8.01 General. Developer represents, warrants and covenants, as of the date of this Agreement, as of the date of each draw request under the Escrow, and throughout the Term of this Agreement, that:

(a) Developer is an Illinois limited liability company, the Managing Member is an Illinois limited liability company, and the Non-Managing Members are as identified in the definition thereof, and each is duly organized, validly existing, and is qualified to do business in Illinois, and each is licensed to do business in any other state where, due to the nature of its activities or properties, such qualification or license is required;

(b) Developer, the Managing Member and Land Co. each has the right, power and authority to enter into, execute, deliver and perform this Agreement;

(c) the execution, delivery and performance by the Managing Member, Developer and Land Co. of this Agreement has been duly authorized by all necessary limited liability company action, and does not and will not violate their respective Articles of Incorporation or Organization or operating agreement, as applicable, as the same may have been amended and supplemented, any applicable provision of law, or constitute a breach of, default under or require any consent under any agreement, instrument or document to which Developer, the Managing Member or Land Co. is now a party or by which Developer, the Managing Member or Land Co. or the Property is now or may become bound;

(d) unless otherwise permitted pursuant to the terms of this Agreement, Developer shall acquire from Land Co. on the Closing Date and thereafter maintain good, indefeasible and merchantable fee simple title to the Property free and clear of all liens (except for the Permitted Liens, Lender Financing and non-governmental charges that Developer is contesting in good faith pursuant to Section 8.15 hereof);

(e) Developer is and shall remain solvent and able to pay its debts as they mature;

(f) there are no actions or proceedings by or before any court, governmental commission, board, bureau or any other administrative agency pending or, to the knowledge of Developer,

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threatened or affecting Developer, the Managing Member or the Land Co. or the Property which would impair its ability to perform under this Agreement;

(g) Developer has and shall maintain all government permits, certificates and consents (including, without limitation, appropriate environmental approvals) necessary to conduct its business and to construct, complete and operate the Project;

(h) neither Developer nor the Managing Member or the Land Co. is in default with respect to any indenture, loan agreement, mortgage, deed, note or any other agreement or instrument related to the borrowing of money to which such entity is a party or by which such entity or the Property is bound;

(i) the Financial Statements are, and when hereafter required to be submitted will be, complete, correct in all material respects and accurately present the assets, liabilities, results of operations and financial condition of Developer, and there has been no material adverse change in the assets, liabilities, results of operations or financial condition of Developer since the date of Developer's most recent Financial Statements;

(j) Developer has not incurred, and, prior to the issuance of the Final Certificate, shall not, without the prior written consent of the Commissioner of the DPD, allow the existence of any liens against the Property other than the Permitted Liens; or incur any indebtedness, secured or to be secured by the Property or any fixtures now or hereafter attached thereto, except Lender Financing disclosed in the Project Budget;

(k) neither Developer nor the Managing Member, nor any of such entity's members has made or caused to be made, directly or indirectly, any payment, gratuity or offer of employment in connection with this Agreement or any contract paid from the City treasury or pursuant to City ordinance, for services to any City agency ("City Contract") as an inducement for the City to enter into the Agreement or any City Contract with Developer in violation of Chapter 2-156-120 of the Municipal Code;

(l) prior to the issuance of the Final Certificate, neither Developer nor the Managing Member shall do any of the following without the prior written consent of the DPD: (1) be a party to any merger, liquidation or consolidation; (2) directly or indirectly sell, transfer, convey, lease (except in the ordinary course of business) or otherwise dispose of all or substantially all of its assets or any portion of the Property (including but not limited to any fixtures or equipment now or hereafter attached thereto), or

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permit any transfer of its membership interests (or the beneficial ownership of any such interests) to any non-member, (any such transfer, a "Transfer") and members of the Managing Member may transfer membership interests to a personal trust or other entity controlled by such member for estate planning or to an employee for employment purposes; (3) enter into any transaction outside the ordinary course of Developer's business; (4) assume, guarantee, endorse, or otherwise become liable in connection with the obligations of any other person or entity; or (5) enter into any transaction that would cause a material and detrimental change to Developer's financial condition; or (6) permit any individual other than Laurance H. Freed to be the managing member of the Managing Member;

(m) after the issuance of the Final Certificate, Developer will not Transfer the Property or permit a Transfer to occur, without the City's prior written consent, which consent shall not be unreasonably withheld or delayed, but which may reasonably be withheld if the proposed transferee or any affiliate thereof, or any property directly or beneficially owned by the proposed transferee or such affiliate, (1) is in violation of any City ordinances or other legal requirements, (2) is involved in litigation with the City, (3) is unable or unwilling to provide a substitute Acquisition L/C and accept an assignment of any unperformed obligations of the developer under this Agreement, or (4) has a creditworthiness that is unacceptable to the City. For purposes of the preceding sentence, an "affiliate" shall include any entity or person which would be required to complete a City Economic Disclosure Statement ("EDS") if the proposed transferee completed an EDS at the time of the transfer (regardless of whether such transferee is required to complete such an EDS);

(n) after the issuance of the Final Certificate, Developer will not obtain financing that does not constitute Lender Financing (whether secured or unsecured) without the City's prior written consent, which consent shall be in the City's sole discretion; and

(o) prior to the issuance of the Certificate, the development team for the Project shall include the Architect, the Preservation Architect, the Restoration Engineer, the Masonry Contractor and the General Contractor, unless the DPD consents in writing to any change in such development team.

8.02 <u>Covenant to Redevelop</u>. Upon the DPD's approval of the Project Budget, the Scope Drawings and Plans and Specifications as provided in <u>Sections 3.02</u> and <u>3.03</u> hereof, and Developer's receipt of all required building permits and governmental approvals, Developer shall redevelop the Property in accordance with this

Agreement and all Exhibits attached hereto (including specifically, but without limitation, Exhibits C and L), the TIF Ordinances, the Bond Ordinance, the Landmarks Ordinances, the Carson's Covenant, the Preservation Easement (if any), the Scope Drawings, Plans and Specifications, Project Budget and all amendments thereto, and all federal, state and local laws, ordinances, rules, regulations, executive orders and codes applicable to the Project, the Property and/or Developer. In addition, the Carson's Lease shall contain a provision that the Carson Component Work shall be undertaken in accordance with the pertinent Scope Drawings, the Carson Plans and Specifications, and all federal, state and local laws, ordinances, rules, regulations, executive orders and codes applicable to the Carson Component Work, including, without limitation, the Carson's Covenant. The covenants set forth in this Section shall run with the land and be binding upon any transferee.

8.03 Redevelopment Plan. Developer represents that the Project is and shall be in compliance with all of the terms of the Redevelopment Plan.

8.04 Use of City Funds. City Funds disbursed to the Developer shall be used by the Developer solely to pay for (or to reimburse Developer for its payment for) the TIF-Funded Improvements as provided in this Agreement.

8.05 Other Bonds. Developer shall, at the request of the City, agree to any reasonable amendments to this Agreement that are necessary or desirable in order for the City to issue (in its sole discretion) any additional bonds in connection with the Project or the Redevelopment Project Area ("Other Bonds"); provided, however, that any such amendments shall not have a material adverse effect on Developer, the Property or the Project. Developer shall, at Developer's expense, cooperate and provide reasonable assistance in connection with the marketing of any such Other Bonds, including but not limited to providing written descriptions of the Project, making representations, providing information regarding its financial condition and assisting the City in preparing an offering statement with respect thereto. Developer shall not have any liability with respect to any disclosures made in connection with any such issuance that are actionable under applicable securities laws unless such disclosures are based on factual information provided by Developer that is determined to be false and misleading.

8.06 Intentionally Deleted.

8.07 Employment Opportunity; Progress Reports. Developer covenants and agrees to abide by, and contractually obligate and

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use reasonable efforts to cause the General Contractor and each subcontractor to abide by the terms set forth in Section 10 hereof. Developer shall deliver to the City written progress reports detailing compliance with the requirements of Sections 8.09, 10.02 and 10.03 of this Agreement. Such reports shall be delivered to the City when the Project (excluding the Carson Component Work) is 25%, 50%, 75% and 100% completed (based on the amount of expenditures incurred in relation to the Project Budget). If any such reports indicate a shortfall in compliance, Developer shall also deliver a plan to the DPD which shall outline, to the DPD's satisfaction, the manner in which Developer shall correct any shortfall.

8.08 Employment Profile. Developer shall submit, and contractually obligate and cause the General Contractor or any subcontractor to submit, to the DPD, from time to time, statements of its employment profile upon the DPD's request.

8.09 Prevailing Wage. Developer covenants and agrees to pay, and to contractually obligate and cause the General Contractor and each subcontractor to pay, the prevailing wage rate as ascertained by the Illinois Department of Labor ("Department"), to all Project employees. All such contracts shall list the specified rates to be paid to all laborers, workers and mechanics for each craft or type of worker or mechanic employed pursuant to such contract. If the Department revises such prevailing wage rates, the revised rates shall apply to all such contracts. Upon the City's request, Developer shall provide the City with copies of all such contracts entered into by the Developer or the General Contractor to evidence compliance with this Section 8.09.

8.10 Arms-Length Transactions. Unless the DPD shall have given its prior written consent with respect thereto, no Affiliate of Developer may receive any portion of City Funds, directly or indirectly, in payment for work done, services provided or materials supplied in connection with any TIF-Funded Improvement. Developer shall provide information with respect to any entity to receive City Funds directly or indirectly (whether through payment to the Affiliate by Developer and reimbursement to Developer for such costs using City Funds, or otherwise), upon the DPD's request, prior to any such disbursement.

8.11 Conflict of Interest. Pursuant to Section 5/11-74.4-4(n) of the Act, Developer represents, warrants and covenants that, to the best of its knowledge, no member, official, or employee of the City, or of any commission or committee exercising authority over the Project, the Redevelopment Area or the Redevelopment Plan, or any consultant hired by the City or Developer or the Managing

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Member with respect thereto, owns or controls, has owned or controlled or will own or control any interest, and no such person shall represent any person, as agent or otherwise, who owns or controls, has owned or controlled, or will own or control any interest, direct or indirect, in any such entity's business, the Property or any other property in the Redevelopment Area.

8.12 Disclosure of Interest. Developer's counsel has no direct or indirect financial ownership interest in Developer, the Property or any other aspect of the Project.

8.13 Financial Statements. Developer shall obtain and provide to the DPD Financial Statements for Developer's fiscal year ended December 31, 2000 and each fiscal year thereafter for the Term of the Agreement. In addition, Developer shall submit unaudited financial statements as soon as reasonably practical following the close of each fiscal year and for such other periods as DPD may request and such other financial statements as Developer may prepare for the Lender.

8.14 Insurance. Developer, at its own expense, shall comply with all provisions of Section 8.19 and Section 12 hereof.

8.15 Non-Governmental Charges. (a) Payment of Non-Governmental Charges. Except for the Permitted Liens, Developer agrees to pay or cause to be paid when due any Non-Governmental Charge assessed or imposed upon the Project, the Property or any fixtures that are or may become attached thereto, which creates, may create, or appears to create a lien upon all or any portion of the Property or Project; provided however, that if such Non-Governmental Charge may be paid in installments, Developer may pay the same together with any accrued interest thereon in installments as they become due and before any fine, penalty, interest, or cost may be added thereto for nonpayment. Developer shall furnish to the DPD, within thirty (30) days of the DPD's request, official receipts from the appropriate entity, or other proof satisfactory to the DPD, evidencing payment of the Non-Governmental Charge in question.

(b) Right to Contest. Developer shall have the right, before any delinquency occurs:

(i) to contest or object in good faith to the amount or validity of any Non-Governmental Charge by appropriate legal proceedings properly and diligently instituted and prosecuted, in such manner as shall stay the collection of the contested Non-Governmental Charge, prevent the imposition of a lien or remove such lien, or prevent the sale or forfeiture of the

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Property (so long as no such contest or objection shall be deemed or construed to relieve, modify or extend the Developer's covenants to pay any such Non-Governmental Charge at the time and in the manner provided in this Section 8.15); or

(ii) at the DPD's sole option, to furnish a good and sufficient bond or other security satisfactory to the DPD in such form and amounts as the DPD shall require, or a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of any such sale or forfeiture of the Property or any portion thereof or any fixtures that are or may be attached thereto, during the pendency of such contest, adequate to pay fully any such contested Non-Governmental Charge and all interest and penalties upon the adverse determination of such contest.

8.16 Developer's Liabilities. Developer shall not enter into any transaction that would materially and adversely affect its ability to perform its obligations hereunder or to repay any material liabilities or perform any material obligations of Developer to any other person or entity. Developer shall immediately notify the DPD of any and all events or actions which may materially affect Developer's ability to carry on its business operations or perform its obligations under this Agreement or any other documents and agreements.

8.17 Compliance with Laws. To the best of Developer's knowledge, after diligent inquiry, the Property and the Project are and shall be in compliance with all applicable federal, state and local laws, statutes, ordinances, rules, regulations, executive orders and codes pertaining to or affecting the Project and the Property. Upon the City's request, Developer shall provide evidence satisfactory to the City of such compliance.

8.18 Recording and Filing. Developer shall cause this Agreement, certain exhibits (as specified by Corporation Counsel), all amendments and supplements hereto, the Deed and the Carson's Covenant to be recorded and filed with the Recorder's Office. This Agreement shall be recorded prior to any mortgage made in connection with Lender Financing, provided, however, that if such mortgage has been recorded prior to the Closing Date, a subordination agreement in which the Lender subordinates its mortgage lien to the covenants specified in Section 7.02 that run with the land may be recorded instead. Developer shall pay all fees and charges incurred in connection with any such recording. Upon recording, Developer shall immediately transmit to the City an

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executed original of this Agreement and the Carson's Covenant showing the date and recording number of record.

8.19 Real Estate Provisions.

(a) Governmental Charges.

(i) Payment of Governmental Charges. Developer agrees to pay or cause to be paid when due all Governmental Charges (as defined below) which are assessed or imposed upon the Developer, the Property or the Project, or become due and payable, and which create, may create, or appear to create a lien upon the Developer or all or any portion of the Property or the Project. "Governmental Charge" shall mean all federal, State, county, the City, or other governmental (or any instrumentality, division, agency, body, or department thereof) taxes, levies, assessments, charges, liens, claims or encumbrances relating to Developer, the Property or the Project including but not limited to real estate taxes.

(ii) Right to Contest. Developer shall have the right before any delinquency occurs to contest or object in good faith to the amount or validity of any Governmental Charge by appropriate legal proceedings properly and diligently instituted and prosecuted in such manner as shall stay the collection of the contested Governmental Charge and prevent the imposition of a lien or the sale or forfeiture of the Property. No such contest or objection shall be deemed or construed in any way as relieving, modifying or extending the Developer's covenants to pay any such Governmental Charge at the time and in the manner provided in this Agreement unless Developer has given prior written notice to the DPD of Developer's intent to contest or object to a Governmental Charge and, unless, at the DPD's sole option,

(1) Developer shall demonstrate to the DPD's satisfaction that legal proceedings instituted by Developer contesting or objecting to a Governmental Charge shall conclusively operate to prevent or remove a lien against, or the sale or forfeiture of, all or any part of the Property to satisfy such Governmental Charge prior to final determination of such proceedings; and/or

(2) Developer shall furnish a good and sufficient bond or other security satisfactory to the DPD in such form and amounts as the DPD shall require, or a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of any such sale or forfeiture of the

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Property during the pendency of such contest, adequate to pay fully any such contested Governmental Charge and all interest and penalties upon the adverse determination of such contest.

(b) Developer's Failure To Pay Or Discharge Lien. If Developer fails to pay any Governmental Charge or to obtain discharge of the same, Developer shall advise DPD thereof in writing, at which time the DPD may, but shall not be obligated to, and without waiving or releasing any obligation or liability of Developer under this Agreement, in the DPD's sole discretion, make such payment, or any part thereof, or obtain such discharge and take any other action with respect thereto which the DPD deems advisable. All sums so paid by the DPD, if any, and any expenses, if any, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be promptly disbursed to the DPD by Developer. Notwithstanding anything contained herein to the contrary, this paragraph shall not be construed to obligate the City to pay any such Governmental Charge. Additionally, if Developer fails to pay any Governmental Charge, the City, in its sole discretion, may require Developer to submit to the City audited Financial Statements at Developer's own expense.

(c) Insurance. In addition to the insurance required pursuant to Section 12 hereof, Developer shall procure and maintain the following insurance:

(i) Prior to the execution and delivery of this Agreement and during construction of the Project, All Risk Property Insurance in the amount of the full replacement value of the Property, including, without limitation, the State Street facade of the Building and the cornice;

(ii) Post-construction, throughout the Term of the Agreement, All Risk Property Insurance, including improvements and betterments in the amount of full replacement value of the Property, including, without limitation, the State Street facade of the Building and the cornice. Coverage extensions shall include business interruption/loss of rents, flood and boiler and machinery, if applicable; and

(iii) Until the demolition of the Building, "all risk" property insurance covering the terra cotta facade for the full replacement value of such facade, provided, however, that Developer and its successors in title may seek a written, recordable waiver of this requirement from the DPD if Developer is able to demonstrate that the obtaining of such insurance is so expensive as to be commercially unreasonable, which waiver shall be within the DPD's sole discretion.

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(d) Until the demolition of the Building, Developer and its successors in title shall at all times (i) maintain an adequate operating reserve fund for the express purpose of maintaining the terra cotta facade and ornamentation on the Building, including the cornice, and (ii) preserve intact and in good condition and in compliance with all applicable historic preservation requirements and guidelines the significant architectural features described in Exhibit L. Upon the City's request, the current title holder shall provide the City with satisfactory evidence of such fund and permit the City access to the Building to confirm compliance with such maintenance obligations.

8.20 [Intentionally Deleted].

8.21 Public Benefits Agreement. Developer and the City shall execute that certain Public Benefits Agreement regarding the provision of certain public benefits in conjunction with the development and operation of the Project, substantially in the form attached hereto as Exhibit P.

8.22 Survival of Covenants. All warranties, representations, covenants and agreements of Developer contained in this Section 8 and elsewhere in this Agreement shall be true, accurate and complete at the time of Developer's execution of this Agreement, and shall survive the execution, delivery and acceptance hereof by the parties hereto and (except as provided in Section 7 hereof upon the issuance of an Interim Certificate or Final Certificate) shall be in effect throughout the Term of the Agreement.

SECTION 9. COVENANTS/REPRESENTATIONS/WARRANTIES OF CITY

9.01 General Covenants. The City represents that it has the authority as a home rule unit of local government to execute and deliver this Agreement and to perform its obligations hereunder.

9.02 Survival of Covenants. All warranties, representations, and covenants of the City contained in this Section 9 or elsewhere in this Agreement shall be true, accurate, and complete at the time of the City's execution of this Agreement, and shall survive the execution, delivery and acceptance hereof by the parties hereto and be in effect throughout the Term of the Agreement.

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SECTION 10. DEVELOPER'S EMPLOYMENT OBLIGATIONS

10.01 Employment Opportunity. Developer, on behalf of itself and its successors and assigns, hereby agrees, and shall contractually obligate its or their various contractors, subcontractors or any Affiliate of Developer operating on the Property (collectively, with Developer, the "Employers" and individually an "Employer") to agree, that for the Term of this Agreement with respect to Developer and during the period of any other party's provision of services to Developer in connection with the construction of the Project or occupation of the Property, contain the following provisions:

(a) No Employer shall discriminate against any employee or applicant for employment based upon race, religion, color, sex, national origin or ancestry, age, handicap or disability, sexual orientation, military discharge status, marital status, parental status or source of income as defined in the City of Chicago Human Rights Ordinance, Chapter 2-160, Section 2-160-010 et seq., Municipal Code, except as otherwise provided by said ordinance and as amended from time to time ("Human Rights Ordinance"). Each Employer shall take affirmative action to ensure that applicants are hired and employed without discrimination based upon race, religion, color, sex, national origin or ancestry, age, handicap or disability, sexual orientation, military discharge status, marital status, parental status or source of income and are treated in a non-discriminatory manner with regard to all job-related matters, including without limitation: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Each Employer agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the City setting forth the provisions of this nondiscrimination clause. In addition, the Employers, in all solicitations or advertisements for employees, shall state that all qualified applicants shall receive consideration for employment without discrimination based upon race, religion, color, sex, national origin or ancestry, age, handicap or disability, sexual orientation, military discharge status, marital status, parental status or source of income.

(b) To the greatest extent feasible, each Employer is required to present opportunities for training and employment of low- and moderate-income residents of the City and preferably of the Redevelopment Area; and to provide that contracts for work in connection with the construction of the Project be awarded to business concerns that are located in, or owned in substantial part

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by persons residing in, the City and preferably in the Redevelopment Area.

(c) Each Employer shall comply with all federal, state and local equal employment and affirmative action statutes, rules and regulations, including but not limited to the City's Human Rights Ordinance and the Illinois Human Rights Act, 775 ILCS 5/1-101 et seq. (1993), and any subsequent amendments and regulations promulgated thereto.

(d) Each Employer, in order to demonstrate compliance with the terms of this Section, shall cooperate with and promptly and accurately respond to inquiries by the City, which has the responsibility to observe and report compliance with equal employment opportunity regulations of federal, state and municipal agencies.

(e) Each Employer shall include the foregoing provisions of subparagraphs (a) through (d) in every contract entered into in connection with the Project, and shall require inclusion of these provisions in every subcontract entered into by any subcontractors, and every agreement with any Affiliate operating on the Property, so that each such provision shall be binding upon each contractor, subcontractor or Affiliate, as the case may be.

(f) Failure to comply with the employment obligations described in this Section 10.01 shall be a basis for the City to pursue remedies under the provisions of Section 15.02 hereof.

10.02 City Resident Construction Worker Employment Requirement. Developer agrees for itself and its successors and assigns, and shall contractually obligate its General Contractor and shall cause the General Contractor to contractually obligate its subcontractors, as applicable, to agree, that during the construction of the Project (for purposes of this Section 10.02, excluding the Carson Component Work) they shall comply with the minimum percentage of total worker hours performed by actual residents of the City as specified in Section 2-92-330 of the Municipal Code (at least 50 percent of the total worker hours worked by persons on the site of the Project shall be performed by actual residents of the City); provided, however, that in addition to complying with this percentage, Developer, its General Contractor and each subcontractor shall be required to make good faith efforts to utilize qualified residents of the City in both unskilled and skilled labor positions. The requirement described in this Section 10.02 shall affect only contracts related to the construction of the Project (excluding the Carson Component Work and contracts associated with soft costs).

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Developer may request a reduction or waiver of this minimum percentage level of Chicagoans as provided for in Section 2-92-330 of the Municipal Code in accordance with standards and procedures developed by the Purchasing Agent of the City.

"Actual residents of the City" shall mean persons domiciled within the City. The domicile is an individual's one and only true, fixed and permanent home and principal establishment.

Developer, the General Contractor and each subcontractor shall provide for the maintenance of adequate employee residency records to show that actual Chicago residents are employed on the Project. Each Employer shall maintain copies of personal documents supportive of every Chicago employee's actual record of residence.

Weekly certified payroll reports (U.S. Department of Labor Form WH-347 or equivalent) shall be submitted to the Commissioner of the DPD in triplicate, which shall identify clearly the actual residence of every employee on each submitted certified payroll. The first time that an employee's name appears on a payroll, the date that the Employer hired the employee should be written in after the employee's name.

Developer, the General Contractor and each subcontractor shall provide full access to their employment records to the Purchasing Agent, the Commissioner of the DPD, the Superintendent of the Chicago Police Department, the Inspector General or any duly authorized representative of any of them. Developer, the General Contractor and each subcontractor shall maintain all relevant personnel data and records for a period of at least three (3) years after final acceptance of the work constituting the Project.

At the direction of the DPD, affidavits and other supporting documentation will be required of Developer, the General Contractor and each subcontractor to verify or clarify an employee's actual address when doubt or lack of clarity has arisen.

Good faith efforts on the part of Developer, the General Contractor and each subcontractor to provide utilization of actual Chicago residents (but not sufficient for the granting of a waiver request as provided for in the standards and procedures developed by the Purchasing Agent) shall not suffice to replace the actual, verified achievement of the requirements of this Section concerning the worker hours performed by actual Chicago residents.

When work at the Project is completed, in the event that the City has determined that Developer has failed to ensure the

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fulfillment of the requirement of this Section concerning the worker hours performed by actual Chicago residents or failed to report in the manner as indicated above, the City will thereby be damaged in the failure to provide the benefit of demonstrable employment to Chicagoans to the degree stipulated in this Section. Therefore, in such a case of non-compliance, it is agreed that 1/20 of 1 percent (0.0005) of the aggregate hard construction costs set forth in the Project budget (the product of .0005 x such aggregate hard construction costs) (as the same shall be evidenced by approved contract value for the actual contracts) shall be surrendered by Developer to the City in payment for each percentage of shortfall toward the stipulated residency requirement. Failure to report the residency of employees entirely and correctly shall result in the surrender of the entire liquidated damages as if no Chicago residents were employed in either of the categories. The willful falsification of statements and the certification of payroll data may subject the Developer, the General Contractor and/or the subcontractors to prosecution. **Any retainage to cover contract performance that may become due to the Developer pursuant to Section 2-92-250 of the Municipal Code may be withheld by the City pending the Purchasing Agent's determination as to whether Developer must surrender damages as provided in this paragraph.**

Nothing herein provided shall be construed to be a limitation upon the "Notice of Requirements for Affirmative Action to Ensure Equal Employment Opportunity, Executive Order 11246" and "Standard Federal Equal Employment Opportunity, Executive Order 11246," or other affirmative action required for equal opportunity under the provisions of this Agreement or related documents.

Developer shall cause or require the provisions of this Section 10.02 to be included in all construction contracts and subcontracts related to the Project.

10.03 Developer's MBE/WBE Commitment. Developer agrees for itself and its successors and assigns, and, if necessary to meet the requirements set forth herein, shall contractually obligate the General Contractor to agree that, during the development and construction of the Project:

a. Consistent with the findings which support the Minority-Owned and Women-Owned Business Enterprise Procurement Program (the "MBE/WBE" Program"), Section 2-92-420 et seq., Municipal Code, and in reliance upon the provisions of the MBE/WBE Program to the extent contained in, and as qualified by, the provisions of this Section 10.03, during the course of the Project, at least the following percentages of the aggregate "hard costs" and

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construction-related soft costs as set forth in the MBE/WBE Budget (excluding tenant improvements which are not being undertaken by Developer) shall be expended for contract participation by MBEs or WBEs:

i. At least 25 percent by MBEs.
ii. At least 5 percent by WBEs.

b. For purposes of this Section 10.03 only, Developer (and any party to whom a contract is let by Developer in connection with the Project shall be deemed a "contractor" and this Agreement (and any contract let by Developer in connection with the Project shall be deemed a "contract" as such terms are defined in Section 2-92-420, Municipal Code.

c. Consistent with Section 2-92-440, Municipal Code, Developer's MBE/WBE commitment may be achieved in part by Developer's status as an MBE or WBE (but only to the extent of any actual work performed on the Project by Developer), or by a joint venture with one or more MBEs or WBEs (but only to the extent of the lesser of (i) the MBE or WBE participation in such joint venture or (ii) the amount of any actual work performed on the Project by the MBE or WBE), by Developer utilizing a MBE or a WBE as a General Contractor (but only to the extent of any actual work performed on the Project by the General Contractor), by subcontracting or causing the General Contractor to subcontract a portion of the Project to one or more MBEs or WBEs, or by the purchase of materials used in the Project from one or more MBEs or WBEs, or by any combination of the foregoing. Those entities which constitute both a MBE and a WBE shall not be credited more than once with regard to Developer's MBE/WBE commitment as described in this Section 10.03. Developer or the General Contractor may meet all or part of this commitment through credits received pursuant to Section 2-92-530 of the Municipal Code for the voluntary use of MBEs or WBEs in its activities and operations other than the Project.

d. During the rehabilitation and renovation work, Developer shall submit reports to the DPD as part of each draw request under the Escrow describing its efforts to achieve compliance with this MBE/WBE commitment. Such reports shall include inter alia the name and business address of each MBE and WBE solicited by Developer or the General Contractor to work on the Project, and the responses received from such solicitation, the name and business address of each MBE or WBE actually involved in the Project, a description of the work performed or products or services supplied, the date and amount of such work, product or service, and such other information as may assist the DPD in determining Developer's compliance with

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this MBE/WBE commitment. The DPD shall have access to Developer's books and records, including, without limitation, payroll records, books of account and tax returns, and records and books of account in accordance with Section 14 of this Agreement, on five (5) business days' notice, to allow the City to review Developer's compliance with its commitment to MBE/WBE participation and the status of any MBE or WBE performing any portion of the Project.

e. Upon the disqualification of any MBE or WBE General Contractor or subcontractor, if such status was misrepresented by the disqualified party, Developer shall be obligated to discharge or cause to be discharged the disqualified General Contractor or subcontractor and, if possible, identify and engage a qualified MBE or WBE as a replacement. For purposes of this Subsection (e), the disqualification procedures are further described in Section 2-92-540, Municipal Code.

f. Any reduction or waiver of Developer's MBE/WBE commitment as described in this Section 10.03 shall be undertaken in accordance with Section 2-92-450, Municipal Code.

g. Prior to the commencement of the Project, Developer, the General Contractor and all major subcontractors shall be required to meet with the monitoring staff of the DPD with regard to Developer's compliance with its obligations under this Section 10.03. During this meeting, Developer shall submit its MBE/WBE Utilization Plan, including Schedules C and D thereto, and shall demonstrate to the DPD its plan to achieve its obligations under this Section 10.03, the sufficiency of which shall be approved by DPD. During the Project, Developer shall submit the documentation required by this Section 10.03 to the monitoring staff of the DPD. Failure to submit such documentation on a timely basis, or a determination by the DPD, upon analysis of the documentation, that Developer is not complying with its obligations hereunder shall, upon the delivery of written notice to the Developer, be deemed an Event of Default hereunder. Upon the occurrence of any such Event of Default, in addition to any other remedies provided in this Agreement, the City may: (1) issue a written demand to Developer to halt the Project, (2) withhold any further payment of any City Funds to Developer or the General Contractor, (3) draw on the Construction L/C and the Acquisition L/C, and (4) seek any other remedies against Developer available at law or in equity.

SECTION 11. ENVIRONMENTAL MATTERS

Developer hereby represents and warrants to the City that Developer has conducted environmental studies sufficient to conclude (and that Developer has concluded) that the Project shall

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be constructed, completed and operated in accordance with all Environmental Laws. Developer also represents and warrants to the City that the Project shall be constructed, completed and operated in accordance with this Agreement and all Exhibits attached hereto, the Scope Drawings, Plans and Specifications and all amendments thereto, the Bond Ordinance and the Redevelopment Plan.

Without limiting any other provisions hereof, Developer agrees to indemnify, defend and hold the City harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses or claims of any kind whatsoever including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Laws incurred, suffered by or asserted against the City as a direct or indirect result of any of the following, regardless of whether or not caused by, or within the control of Developer: (i) the presence of any Hazardous Material on or under, or the escape, seepage, leakage, spillage, emission, discharge or release of any Hazardous Material from (A) all or any portion of the Property or (B) any other real property in which Developer, or any person directly or indirectly controlling, controlled by or under common control with Developer, holds any estate or interest whatsoever (including, without limitation, any property owned by a land trust in which the beneficial interest is owned, in whole or in part, by the Developer), or (ii) any liens against the Property permitted or imposed by any Environmental Laws, or any actual or asserted liability or obligation of the City or Developer or any of its Affiliates under any Environmental Laws relating to the Property.

SECTION 12. INSURANCE

Developer shall provide and maintain, or cause to be provided, at Developer's own expense, during the Term of this Agreement, the insurance coverages and requirements specified below, insuring all operations related to the Agreement.

(a) Prior to Execution and Delivery of this Agreement

(i) Workers Compensation and Employers Liability Insurance

Workers Compensation and Employers Liability Insurance, as prescribed by applicable law covering all employees who are to provide a service under this Agreement and Employers Liability coverage with limits of not less than $100,000 each accident or illness.

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(ii) Commercial General Liability Insurance (Primary and Umbrella)

Commercial General Liability Insurance or equivalent with limits of not less than $1,000,000 per occurrence for bodily injury, personal injury, and property damage liability. coverages shall include the following: All premises and operations, products/completed operations, independent contractors, separation of insureds, defense, and contractual liability (with no limitation endorsement). The City of Chicago is to be named as an additional insured on a primary, non-contributory basis for any liability arising directly or indirectly from the work.

(b) Construction

(i) Workers Compensation and Employers Liability Insurance

Workers Compensation and Employers Liability Insurance, as prescribed by applicable law covering all employees who are to provide a service under this Agreement and Employers Liability coverage with limits of not less than $500,000 each accident or illness.

(ii) Commercial General Liability Insurance (Primary and Umbrella)

Commercial General Liability Insurance or equivalent with limits of not less than $2,000,000 per occurrence for bodily injury, personal injury, and property damage liability. Coverages shall include the following: All premises and operations, products/completed operations (for a minimum of two (2) years following project completion), explosion, collapse, underground, independent contractors, separation of insureds, defense, and contractual liability (with no limitation endorsement). The City of Chicago is to be named as an additional insured on a primary, non-contributory basis for any liability arising directly or indirectly from the work.

(iii) Automobile Liability Insurance (Primary and Umbrella)

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When any motor vehicles (owned, non-owned and hired) are used in connection with work to be performed, the Contractor shall provide Automobile Liability Insurance with limits of not less than $2,000,000 per occurrence for bodily injury and property damage. The City of Chicago is to be named as an additional insured on a primary, non-contributory bases.

(iv) Railroad Protective Liability Insurance

When any work is to be done adjacent to or on railroad or transit property, Contractor shall provide, or cause to be provided with respect to the operations that the Contractor performs, Railroad Protective Liability Insurance in the name of railroad or transit entity. The policy shall have limits of not less than $2,000,000 per occurrence and $6,000,000 in the aggregate for losses arising out of injuries to or death of all persons, and for damage to or destruction of property, including the loss of use thereof.

(v) Builders Risk Insurance

When the Contractor undertakes any construction, including improvements, betterments, and/or repairs, the Contractor shall provide, or cause to be provided All Risk Builders Risk Insurance at replacement cost for materials, supplies, equipment, machinery and fixtures that are or will be part of the permanent facility. Coverages shall include but are not limited to the following: collapse, boiler and machinery if applicable. The City of Chicago shall be named as an additional insured and loss payee.

(vi) Professional Liability

When any architects, engineers, construction managers or other professional consultants perform work in connection with this Agreement, Professional Liability Insurance covering acts, errors, or omissions shall be maintained with limits of not less than $1,000,000. Coverage shall include contractual liability. When policies are renewed or replaced, the policy retroactive date

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must coincide with, or precede, start of work on the Agreement. A claims-made policy which is not renewed or replaced must have an extended reporting period of two (2) years.

(vii) Valuable Papers Insurance

When any plans, designs, drawings, specifications and documents are produced or used under this Agreement, Valuable Papers Insurance shall be maintained in an amount to insure against any loss whatsoever, and shall have limits sufficient to pay for the re-creations and reconstruction of such records.

(viii) Contractor's Pollution Liability

When any remediation work is performed which may cause a pollution exposure, contractor's Pollution Liability shall be provided with limits of not less than $1,000,000 insuring bodily injury, property damage and environmental remediation, cleanup costs and disposal. When policies are renewed, the policy retroactive date must coincide with or precede, start of work on the Agreement. A claims-made policy which is not renewed or replaced must have an extended reporting period of one (1) year. The City of Chicago is to be named as an additional insured on a primary, non-contributory basis.

(c) Other Requirements

Developer will furnish the DPD at City Hall, Room 1000, 121 North LaSalle Street 60602, original Certificates of Insurance evidencing the required coverage to be in force on the date of this Agreement, and Renewal Certificates of Insurance, or such similar evidence, if the coverages have an expiration or renewal date occurring during the Term of this Agreement. Developer shall submit evidence of insurance on the City of Chicago Insurance Certificate Form (copy attached) or equivalent prior to Agreement award. The receipt of any certificate does not constitute agreement by the City that the insurance requirements in the Agreement have been fully met or that the insurance policies indicated on the certificate are in compliance with all Agreement requirements. The failure of the City to obtain certificates or other insurance evidence from Developer shall not be deemed to be a waiver by the City. Developer shall advise all insurers of the Agreement provisions regarding insurance. Non-conforming insurance

shall not relieve Developer of the obligation to provide insurance as specified herein. Nonfulfillment of the insurance conditions may constitute a violation of the Agreement, and the City retains the right to terminate this Agreement until proper evidence of insurance is provided.

The insurance shall provide for 60 days prior written notice to be given to the City in the event coverage is substantially changed, canceled, or non-renewed.

Any and all deductibles or self insured retentions on referenced insurance coverages shall be borne by Developer.

Developer agrees that insurers shall waive rights of subrogation against the City of Chicago, its employees, elected officials, agents, or representatives.

Developer expressly understands and agrees that any coverages and limits furnished by the Developer shall in no way limit Developer's liabilities and responsibilities specified within the Agreement documents or by law.

Developer expressly understands and agrees that Developer's insurance is primary and any insurance or self insurance programs maintained by the City of Chicago shall not contribute with insurance provided by Developer under the Agreement.

The required insurance shall not be limited by any limitations expressed in the indemnification language herein or any limitation placed on the indemnity therein given as a matter of law.

Developer shall require the General Contractor, and all subcontractors to provide the insurance required herein or Developer may provide the coverages for the General Contractor, or subcontractors. The General Contractor, other Contractors and subcontractors shall be subject to the same requirements (Section C) of Developer unless otherwise specified herein.

If Developer, the General Contractor, other Contractors or subcontractor desires additional coverages, Developer, the General Contractor, other Contractors and each subcontractor shall be responsible for the acquisition and cost of such additional protection.

The City of Chicago Risk Management Department maintains the right to modify, delete, alter or change these requirements.

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SECTION 13. INDEMNIFICATION

Developer agrees to indemnify, defend and hold the City harmless from and against any losses, costs, damages, liabilities, claims, suits, actions, causes of action and expenses (including, without limitation, reasonable attorneys' fees and court costs) suffered or incurred by the City arising from or in connection with (i) Developer's failure to comply with any of the terms, covenants and conditions contained within this Agreement, or (ii) Developer's or any contractor's failure to pay the General Contractor, other Contractors, subcontractors or materialmen in connection with the TIF-Funded Improvements or any other Project improvement, or (iii) the existence of any material misrepresentation or omission in this Agreement, any offering memorandum or the Redevelopment Plan or any other document related to this Agreement that is the result of information supplied or omitted by Developer or its agents, employees, contractors or persons acting under the control or at the request of Developer or (iv) Developer's failure to cure any misrepresentation in this Agreement or any other agreement relating hereto.

SECTION 14. MAINTAINING RECORDS/RIGHT TO INSPECT

14.01 Books and Records. Developer shall keep and maintain separate, complete, accurate and detailed books and records necessary to reflect and fully disclose the total actual cost of the Project and the disposition of all funds from whatever source allocated thereto, and to monitor the Project. All such books, records and other documents, including but not limited to, Developer's loan statements, if any, General Contractors' and contractors' sworn statements, general contracts, subcontracts, purchase orders, waivers of lien, paid receipts and invoices, shall be available at Developer's offices for inspection, copying, audit and examination by an authorized representative of the City, at Developer's expense. Developer shall incorporate this right to inspect, copy, audit and examine all books and records into all contracts entered into by Developer with respect to the Project.

14.02 Inspection Rights. Upon three (3) business days' notice, and subject to the reasonable rights of tenants occupying any portion of the Property, any authorized representative of the City shall have access to all portions of the Project (including the Carson Component Work) and the Property during normal business hours for the Term of the Agreement.

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SECTION 15. DEFAULT AND REMEDIES

15.01 Events of Default. The occurrence of any one or more of the following events, subject to the provisions of Section 15.03, shall constitute an "Event of Default" by the Developer hereunder:

(a) the failure of Developer to perform, keep or observe any of the covenants, conditions, promises, agreements or obligations of the Developer under this Agreement or any related agreement;

(b) the failure of Developer to perform, keep or observe any of the covenants, conditions, promises, agreements or obligations of the Developer under any other agreement with any person or entity if such failure may have a material adverse effect on the Developer's business, property, assets, operations or condition, financial or otherwise;

(c) the making or furnishing by Developer to the City of any representation, warranty, certificate, schedule, report or other communication within or in connection with this Agreement or any related agreement which is untrue or misleading in any material respect;

(d) except as otherwise permitted hereunder, the creation (whether voluntary or involuntary) of, or any attempt to create, any lien or other encumbrance upon the Property, including any fixtures now or hereafter attached thereto, other than the Permitted Liens, or the making or any attempt to make any levy, seizure or attachment thereof;

(e) the commencement of any proceedings in bankruptcy by or against Developer or for the liquidation or reorganization of Developer, or alleging that the Developer is insolvent or unable to pay its debts as they mature, or for the readjustment or arrangement of Developer's debts, whether under the United States Bankruptcy Code or under any other state or federal law, now or hereafter existing for the relief of debtors, or the commencement of any analogous statutory or non-statutory proceedings involving Developer; provided, however, that if such commencement of proceedings is involuntary, such action shall not constitute an Event of Default unless such proceedings are not dismissed within sixty (60) days after the commencement of such proceedings;

(f) the appointment of a receiver or trustee for Developer, for any substantial part of the Developer's assets or the institution of any proceedings for the dissolution, or the full or partial liquidation, or the merger or consolidation, of Developer;

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provided, however, that if such appointment or commencement of proceedings is involuntary, such action shall not constitute an Event of Default unless such appointment is not revoked or such proceedings are not dismissed within sixty (60) days after the commencement thereof;

(g) the entry of any judgment or order against Developer that has a material adverse affect on Developer's business, property, assets, operations, condition (financial or otherwise), which remains unsatisfied or undischarged and in effect for sixty (60) days after such entry without a stay of enforcement or execution;

(h) the occurrence of an event of default under the Lender Financing, which default is not cured within any applicable cure period;

(i) the dissolution of Developer or the Managing Member or the death and nonreplacement of any natural person who owns a material interest in the Managing Member; or

(j) the institution in any court of a criminal proceeding (other than a misdemeanor) against Developer or any natural person who owns a material interest in the Managing Member, which is not dismissed within thirty (30) days, or the indictment of the Developer or any natural person who owns a material interest in the Managing Member, for any crime (other than a misdemeanor).

For purposes of Sections 15.01(i) and 15.01(j) hereof, a person with a material interest in the Managing Member shall be one owning in excess of ten percent (10%) of the Managing Member's membership interest or who serves as a manager or managing member for the Managing Member.

15.02 Remedies. Upon the occurrence of an Event of Default, the City may terminate this Agreement and all related agreements and draw on the Construction L/C and Acquisition L/C, as the case may be. In addition, the City may, in any court of competent jurisdiction by any action or proceeding at law or in equity, pursue and secure any available remedy provided for hereunder, including, without limitation, injunctive relief, specific performance of the agreements contained herein, provided, however, that in no event shall the City's damages ever exceed the amount of City Funds paid to Developer, plus costs of enforcement as provided for in Section 18.21.

15.03 Curative Period. In the event Developer shall fail to perform a monetary covenant which the Developer is required to perform under this Agreement, notwithstanding any other provision

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of this Agreement to the contrary, an Event of Default shall not be deemed to have occurred unless Developer shall have failed to perform such monetary covenant within ten (10) days of its receipt of a written notice from the City specifying that it has failed to perform such monetary covenant. In the event Developer shall fail to perform a non-monetary covenant which Developer is required to perform under this Agreement, notwithstanding any other provision of this Agreement to the contrary, an Event of Default shall not be deemed to have occurred unless Developer shall have failed to cure such default within thirty (30) days of its receipt of a written notice from the City specifying the nature of the default; provided, however, with respect to those non-monetary defaults which are not capable of being cured within such thirty (30) day period, Developer shall not be deemed to have committed an Event of Default under this Agreement if it has commenced to cure the alleged default within such thirty (30) day period and thereafter diligently and continuously prosecutes the cure of such default until the same has been cured. The above cure periods shall not apply to a failure by Developer to comply with a covenant that runs with the land, as specified in Section 7.02, or the covenants set forth in Sections 8.01(l), (m) and (n) and Section 18.15. For such failures, there shall be no notice requirement and no cure period, and such failure shall constitute an immediate Event of Default.

SECTION 16. MORTGAGING OF THE PROJECT

All mortgages, deeds of trust and collateral assignments of beneficial interest (each, a "Mortgage") in place as of the date hereof with respect to the Property or any portion thereof are listed on Exhibit I hereto and are referred to herein as the "Existing Mortgages." Any Mortgage executed, delivered and, if applicable, recorded by a successor Lender is referred to herein as a "Permitted Mortgage." It is hereby agreed by the Developer as follows:

(a) In the event that a Lender shall succeed to Developer's interest in the Property or any portion thereof pursuant to the exercise of remedies under an Existing Mortgage or a Permitted Mortgage, whether by foreclosure, deed in lieu of foreclosure or UCC sale of a beneficial interest in a land trust, and in conjunction therewith accepts an assignment of the Developer's interest hereunder in accordance with Section 18.15 hereof, the City hereby agrees to attorn to and recognize such Lender as the successor in interest to Developer for all purposes under this Agreement so long as such party accepts all of the obligations and liabilities of "the Developer" hereunder, including, without limitation, the posting of any Construction L/C (if still required) and Acquisition L/C (if still required); provided, however, that,

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notwithstanding any other provision of this Agreement to the contrary, it is understood and agreed that if such party accepts an assignment of Developer's interest under this Agreement, such party shall have no liability under this Agreement for any Event of Default of the Developer which accrued prior to the time such party succeeded to the interest of the Developer under this Agreement, in which case the Developer shall be solely responsible. However, if such Lender does not expressly accept an assignment of Developer's interest hereunder, the Lender shall be entitled to no rights and benefits under this Agreement, and such party shall be bound only by the covenants specified in Section 7.02 that run with the land without personal liability therefor, the sole recourse for any violation of any such covenant being limited to Lender's interest in the Property.

(b) Prior to the City's issuance of a Certificate, no new Mortgage may be executed with respect to the Property or any portion thereof. After the issuance of such Certificate, only Mortgages securing certain of Lender Financing may be permitted, subject to the limitations set forth herein.

SECTION 17. NOTICE

Unless otherwise specified, any notice, demand or request required hereunder shall be given in writing at the addresses set forth below, by any of the following means: (a) personal service; (b) telecopy or facsimile; (c) overnight courier, or (d) registered or certified mail, return receipt requested.

If to the City:	City of Chicago Department of Planning and Development 121 North LaSalle Street, Room 1000 Chicago, Illinois 60602 Attention: Commissioner Facsimile: (312) 744-0113
With copies to:	City of Chicago Department of Law Real Estate & Land Use Division 30 North LaSalle Street, Room 1610 Chicago, Illinois 60602 Facsimile: (312) 742-0277
If to Developer:	c/o Joseph Freed and Associates, LLC 1400 South Wolf Road Building 100 Wheeling, Illinois 60090 Attn: Thomas H. Fraerman Facsimile: (847) 215-5282

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With copies to: Piper Marbury Rudnick & Wolfe
203 North LaSalle Street
Suite 1800
Chicago, Illinois 60601
Attn: Paul Homer
Facsimile: (312) 630-7329

Such addresses may be changed by notice to the other parties given in the same manner provided above. Any notice, demand, or request sent pursuant to either clause (a) or (b) hereof shall be deemed received upon such personal service or upon dispatch. Any notice, demand or request sent pursuant to clause (c) shall be deemed received on the day immediately following deposit with the overnight courier and any notices, demands or requests sent pursuant to subsection (d) shall be deemed received two (2) business days following deposit in the mail.

SECTION 18. MISCELLANEOUS

18.01 Amendment. This Agreement and the Exhibits attached hereto may not be amended or modified without the prior written consent of the parties hereto; provided, however, that the City, in its sole discretion, may amend, modify or supplement Exhibit E hereto without the consent of any party hereto, provided that any such amendment, modification or supplement shall not have a material adverse effect on Developer, the Property or the Project.

18.02 Entire Agreement. This Agreement (including each Exhibits attached hereto, which is hereby incorporated herein by reference) constitutes the entire Agreement between the parties hereto and it supersedes all prior agreements, negotiations and discussions between the parties relative to the subject matter hereof.

18.03 Limitation of Liability. No member, official or employee of the City shall be personally liable to the Developer or any successor in interest in the event of any default or breach by the City or for any amount which may become due to the Developer from the City or any successor in interest or on any obligation under the terms of this Agreement.

18.04 Further Assurances. Developer agrees to take such actions, including the execution and delivery of such documents, instruments, petitions and certifications as may become necessary or appropriate to carry out the terms, provisions and intent of this Agreement.

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18.05 Waiver. Waiver by the City or Developer with respect to any breach of this Agreement shall not be considered or treated as a waiver of the rights of the respective party with respect to any other default or with respect to any particular default, except to the extent specifically waived by the City or Developer in writing.

18.06 Remedies Cumulative. The remedies of a party hereunder are cumulative and the exercise of any one or more of the remedies provided for herein shall not be construed as a waiver of any other remedies of such party unless specifically so provided herein.

18.07 Disclaimer. Nothing contained in this Agreement nor any act of the City shall be deemed or construed by any of the parties, or by any third person, to create or imply any relationship of third-party beneficiary, principal or agent, limited or general partnership or joint venture, or to create or imply any association or relationship involving the City.

18.08 Headings. The paragraph and section headings contained herein are for convenience only and are not intended to limit, vary, define or expand the content thereof.

18.09 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same agreement.

18.10 Severability. If any provision in this Agreement, or any paragraph, sentence, clause, phrase, word or the application thereof, in any circumstance, is held invalid, this Agreement shall be construed as if such invalid part were never included herein and the remainder of this Agreement shall be and remain valid and enforceable to the fullest extent permitted by law.

18.11 Conflict. In the event of a conflict between any provisions of this Agreement and the provisions of the TIF Ordinances and/or the Bond Ordinance, such ordinance(s) shall prevail and control.

18.12 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois, without regard to its conflicts of law principles.

18.13 Form of Documents. All documents required by this Agreement to be submitted, delivered or furnished to the City shall be in form and content satisfactory to the City.

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18.14 Approval. Wherever this Agreement provides for the approval or consent of the City, the DPD or the Commissioner, or any matter is to be to the City's, the DPD's or the Commissioner's satisfaction, unless specifically stated to the contrary, such approval, consent or satisfaction shall be made, given or determined by the City, the DPD or the Commissioner in writing and in the reasonable discretion thereof. The Commissioner or other person designated by the Mayor of the City shall act for the City or the DPD in making all approvals, consents and determinations of satisfaction, granting the Interim Certificates and the Final Certificate or otherwise administering this Agreement for the City.

18.15 Assignment. Prior to the issuance of the Final Certificate, Developer may not sell, assign or otherwise transfer its interest in this Agreement in whole or in part without the written consent of the City (other than mortgage its interest in the Building and the Property in favor of the Lender in conjunction with Lender Financing), which consent shall be in the City's sole discretion. Thereafter, any successor in interest to the Developer under this Agreement shall certify in writing to the City its agreement to abide by all remaining executory terms of this Agreement, including but not limited to Sections 8.19 and 8.22 hereof, for the Term of the Agreement. Developer consents to the City's sale, transfer, assignment or other disposal of this Agreement at any time in whole or in part.

18.16 Binding Effect. This Agreement shall be binding upon Developer, the City and other signatories hereto, and their respective successors and permitted assigns (as provided herein) and shall inure to the benefit of Developer, the City and their respective successors and permitted assigns (as provided herein).

18.17 Force Majeure. Neither the City nor Developer nor any successor in interest to either of them shall be considered in breach of or in default of its obligations under this Agreement in the event of any delay caused by damage or destruction by fire or other casualty, strike, shortage of material, unusually adverse weather conditions such as, by way of illustration and not limitation, severe rain storms or below freezing temperatures of abnormal degree or for an abnormal duration, tornadoes or cyclones, and other events or conditions beyond the reasonable control of the party affected which in fact interferes with the ability of such party to discharge its obligations hereunder, and including, but not limited to, any delays in eminent domain proceedings regarding the Adjacent Parcels due to recognized legislative and judicial constraints. The individual or entity relying on this section with respect to any such delay shall, upon the occurrence of the event causing such delay, immediately give written notice to the other

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parties to this Agreement. The individual or entity relying on this section with respect to any such delay may rely on this section only to the extent of the actual number of days of delay effected by any such events described above.

18.18 Exhibits. All of the exhibits attached hereto are incorporated herein by reference.

18.19 Business Economic Support Act. Pursuant to the Business Economic Support Act (30 ILCS 760/1 et seq.), if Developer is required to provide notice under the WARN Act, Developer shall, in addition to the notice required under the WARN Act, provide at the same time a copy of the WARN Act notice to the Governor of the State, the Speaker and Minority Leader of the House of Representatives of the State, the President and minority Leader of the Senate of State, and the Mayor of each municipality where the Developer has locations in the State. Failure by Developer to provide such notice as described above may result in the termination of all or a part of the payment or reimbursement obligations of the City set forth herein.

18.20 Venue and Consent to Jurisdiction. If there is a lawsuit under this Agreement, each party hereto agrees to submit to the jurisdiction of the courts of Cook County, the State of Illinois, or the United States District Court for the Northern District of Illinois.

18.21 Costs and Expenses. In addition to and not in limitation of the other provisions of this Agreement, Developer agrees to pay upon demand the City's out-of-pocket expenses, including reasonable attorneys' fees, incurred in connection with the City's enforcement of this Agreement.

18.22 City Dealings With Managing Member. Notwithstanding anything else in this Agreement, the City, in administering and exercising its rights under this Agreement, shall be entitled to either (a) rely on the representation, warranty, covenant, indemnification or other undertaking, and act upon the direction of any one of the managing members of the Managing Member permitted under Section 8.01(l) as being the representation, warranty, covenant, indemnification, undertaking or direction of the Managing Member and Developer, or (b) require that all such individuals who are then managing members of the Managing Member join in writing in such representation, warranty, covenant, indemnification or other undertaking or direction. The City shall have no duty to determine whether any such individual(s) are acting in an authorized manner on behalf of the Managing Member or Developer.

18.23 Intentionally Deleted.

18.24 <u>Payment of Developer's Fee to Affiliate</u>. Notwithstanding <u>Section 8.10</u>, the Managing Member may cause the Developer's fee and certain distributions payable to the Managing Member under the Operating Agreement of Developer to be paid to the Managing Member or an entity to be named ("Developer's Affiliate"), provided that the direct or indirect members of the Managing Member and the Developer's Affiliate are at all times identical and that the Managing Member provides written notice to the City of all such amounts paid to Developer's Affiliate. Developer's Affiliate, by execution of this Agreement, acknowledges and agrees that (a) the City would not consent to execute this Agreement but for Developer's Affiliate's execution hereof, (b) adequate consideration exists to support Developer's Affiliate's execution of this Agreement, which has been done voluntarily and without duress, (c) Developer's Affiliate shall be bound by the representations, warranties and covenants of Developer set forth herein, and (d) that in the event of an Event of Default entitling the City to recover any amounts due under this Agreement, the City, in addition to all other rights and remedies provided for under this Agreement, shall have the right, upon written notice to the Developer, to recover from Developer's Affiliate all amounts paid to Developer's Affiliate, or such lesser amount as may be necessary to pay all amounts due and payable to the City.

18.25 <u>Joinder by Land Co</u>. Land Co. shall execute this Agreement for the purposes expressed herein and shall be the Grantee under the Deed and agrees to the above, and shall perform all of its obligations specified herein, the Deed and the Carson's Covenant.

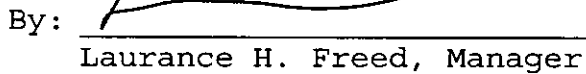
[Signatures Appear On Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Redevelopment Agreement to be executed on or as of the day and year first written above.

DEVELOPER:

ONE SOUTH STATE STREET, LLC, an Illinois limited liability company

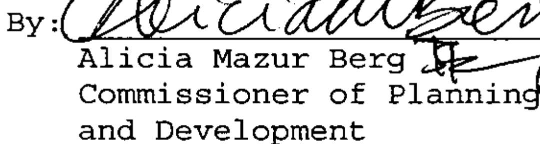
By: ONE SOUTH STATE STREET INVESTORS, L.L.C., an Illinois limited liability company, its managing member



By: ______________________
Laurance H. Freed, Manager

CITY:

CITY OF CHICAGO, acting by and through its Department of Planning and Development



By: ______________________
Alicia Mazur Berg
Commissioner of Planning and Development

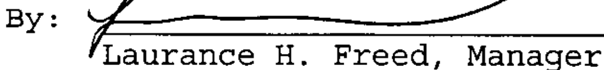
JOINDER BY THE LAND CO.:

ONE SOUTH STATE STREED LAND CO., INC., an Illinois corporation

By: ______________________
Laurance H. Freed, President

JOINDER BY DEVELOPERS AFFILIATE

ONE SOUTH STATE STREET DEVELOPER LLC



By: ______________________
Laurance H. Freed, Manager

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STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

I, Dora Tsatsos, a notary public in and for the said County, in the State aforesaid, do hereby certify that Alicia Mazur Berg, personally known to me to be the Commissioner of the Department of Planning and Development of the City of Chicago ("City"), and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that she signed, sealed, and delivered said instrument pursuant to the authority given to her by the City, as his free and voluntary act and as the free and voluntary act of the City, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 1st day of October, 2001.

Dora Tsatsos
Notary Public

My Commission Expires 2/23/02

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STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

I, Richard Klawiter, a notary public in and for the said County, in the State aforesaid, DO HEREBY CERTIFY that Lawrence H. Freed personally known to me to be the managing member of One South State Street Investors, LLC, an Illinois limited liability company, in its own behalf, and in its capacity as the sole Managing Member of One South State Street, LLC, an Illinois limited liability company ("Developer"), and personally known to me to be the same person whose names is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed, sealed, and delivered said instrument, pursuant to the authority given to him by members of the such Managing Member and by the members of Developer, as his free and voluntary act and as the free and voluntary act of such Managing Member and Developer, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 4th day of October, 2001.

Notary Public

My Commission Expires__________

(SEAL)

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EXHIBIT A

REDEVELOPMENT PROJECT AREA LEGAL DESCRIPTION

Legal Description Of North Loop Area.

Redevelopment Project Area Legal Description.

A tract of land consisting of lots and blocks or parts thereof and streets and alleys of Blocks 16, 17, 35, 36, 37 and 58 in the Original Town of Chicago in the east part of the southeast quarter of Section 9, Township 39 North, Range 14 and part of Blocks 8 and 9 in the Fort Dearborn Addition to Chicago in the southwest fractional quarter of Section 10, Township 39 North, Range 14 East of the Third Principal Meridian, in the City of Chicago, County of Cook, State of Illinois and bounded as follows:

beginning at the intersection of the south line of West Lake Street and the west line of North LaSalle Street; thence north along the west line of North LaSalle Street to the north line extended west of West Haddock Place; thence east along said line to the west line of North Clark Street; thence north along said west line to the northerly line of West Wacker Drive as said northerly line was established by ordinance passed by the City Council of the City of Chicago on December 15, 1919; thence east along said northerly line of West Wacker Drive to the east line of North State Street; thence south along said east line to the north line of Haddock Place; thence east along said line to the east line of Lot 28 extended north of Block 8 in Fort Dearborn Addition to Chicago as aforesaid; thence south along the east line of Lot 28 as aforesaid to the north line of East Lake Street; thence east along said north line to the east line of Lot 10 extended north of Block 9 in Fort Dearborn Addition to Chicago as aforesaid; thence south along the east line of Lot 10 as aforesaid to the north line of East Benton Place; thence east along said north line to the east line of North Wabash Avenue; thence south along said line to the south line of East Randolph Street; thence west along said south line to the east line of North State Street; thence south along said east line to the south line extended east of Lot 1 of Assessor's Re-subdivision of Lots 1 to 5 in Block 58 in Assessor's Division of the Original Town of Chicago as aforesaid; thence west along said extended line to the west line of said Lot 1; thence north along said line to the south line of West Washington Street; thence west along south line to the west line of North Dearborn Street; thence north along said west line to the south line of West Randolph Street; thence west along said south line to the west line of North Clark Street; thence north along said west line to the south line of West Lake Street; thence west along said south line to the place of beginning.

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Legal Description Of Added Area.

The boundaries of the Added Project Area are legally described as follow

Subarea 1.

A tract of land comprised of all or parts of Blocks 19, 20, 31, 32, 33, and 41 in the Original Town of Chicago, together with parts of stre and alleys adjoining said blocks, in the south half of Section 9, Townsh 39 North, Range 14 East of the Third Principal Meridian, which tract more particularly described as follows:

beginning at the intersection of the west line of North LaSalle Stre as widened, with the north line of Block 33; thence west along sa north line (being also the south line of West Lake Street) to the we line of said block; thence south along said west line (being also t east line of North Wells Street) to the north line of West Couch Plac thence east along said north line to an intersection with th northward extension of the west line of Lot 7 in Block 33; thence sou along said extension, and along said west line, to the south line of sa block; thence east along said south line (being also the north line West Randolph Street) and along the eastward extension of said sou line, to an intersection with the northward extension of the west lin of Block 39 in the Original Town of Chicago; thence south along sa extension, and along said west line (being also the east line of Nor LaSalle Street) to an intersection with the eastward extension of th south line of West Court Place; thence west along said extension an along said south line to the west line of Block 40 aforesaid; thenc west, crossing North Wells Street, to the northeast corner of Lot 8 i Block 41 aforesaid; thence west along the north line of said lot to a intersection with the southward extension of the west line of Lot 1 i said block; thence north along said extension and along said west lin to the north line of Block 41; thence west along said north line (bein also the south line of West Randolph Street) to the northwest corner said block; thence west, crossing North Franklin Street, to th northeast corner of Block 42 in the Original Town of Chicago; thenc west along the north line of said Block 1 (being also the south line c West Randolph Street) to an intersection with the southwar extension of the west line of the east 20 feet of Lot 7 in Block 3 aforesaid; thence north along said extension and along said west line to the north line of West Couch Place; thence east along said nort line to the east line of Block 31; thence north along said east line (being also the west line of North Franklin Street) and along the

northward extension of said east line to an intersection with the westward extension of the south line of Block 20 aforesaid: thence east along said extension, and along said south line (being also the north line of West Lake Street) to the west line of North Post Place; thence north along said west line and along the northward extension thereof, to an intersection with the westward extension of the north line of West Haddock Place: thence east along said extension and along said north line to the east line of Block 20; thence east, crossing North Wells Street, to the intersection of the west line of Block 19 aforesaid with the north line of West Haddock Place; thence east along said north line to an intersection with the west line of North LaSalle Street as widened: thence south along said west line to the south line of Block 19; thence south, crossing West Lake Street, to the point of beginning, in the City of Chicago, Cook County, Illinois.

Subarea 2.

A tract of land comprised of part of Block 58 and parts of adjacent streets and alleys in the Original Town of Chicago in Section 9, together with all or parts of Blocks 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14 and 15 and parts of adjacent streets and alleys in Fort Dearborn Addition to Chicago in Section 10, and all or parts of Blocks 1 through 10, and all or parts of Blocks 1 through 10, inclusive, and parts of adjacent streets and alleys in Fractional Section 15 Addition to Chicago, and all or parts of Blocks 113, 114, 120, 122, 123, 124, 137, 138, 139, 140, 141 and 142 in School Section Addition to Chicago, all in Township 39 North, Range 14 East of the Third Principal Meridian, which tract of land is more particularly described as follows:

beginning at the northwest corner of Block 8 in Fort Dearborn Addition to Chicago in Section 10 aforesaid; thence east along the north line of said block (being also the south line of East Wacker Drive) to the northeast corner of Lot 6 in said block; thence south along the east line of said lot to the north line of East Haddock Place; thence west along said north line to an intersection with the northward extension of the east line of Lot 28 in Block 8; thence south along said extension, and along said east line, to the south line of said block; thence east along said south line (being also the north line of East Lake Street) to an intersection with the northward extension of the east line of Lot 10 in Block 9 of Fort Dearborn Addition to Chicago; thence south along said extension, and along said east line to the north line of East Benton Place; thence east along said north line, and along the eastward extension thereof, to an intersection with the northward extension of the west line of the south part of Block 10 in Fort Dearborn Addition to Chicago; thence south along said extension, and along said west line (being also the east line of North Wabash Avenue) and along the southward extension thereof, to an

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intersection with the eastward extension of the north line of Block 13 in said Fort Dearborn Addition; thence west along said extension to the northeast corner of said Block 13; thence south along the east line of said block (being also the west line of North Wabash Avenue) to the southeast corner of said block; thence west along the south line of said block (being also the north line of East Washington Street) to an intersection with the northward extension of the west line of Block 14 in Fort Dearborn Addition; thence south along said extension, and along said west line (being also the east line of North State Street) to an intersection with the eastward extension of the south line of Lot 1 in Assessor's Resubdivision of Sublots 1 to 5 of Assessor's Division of Lots 1, 2, 3, 4 and 5 of Block 58 in the Original Town of Chicago aforesaid; thence west along said extension, crossing North State Street and entering Section 9 aforesaid, and continuing along said south line of said Lot 1, to the southwest corner of said lot; thence north along the west line of said lot to the north line of Block 58; thence west along said north line (being also the south line of West Washington Street) to the northwest corner of Lot 7 in Assessor's Division of Lots 1, 2, 3, 4 and 5 of Block 58; thence south along the west line of said lot to the north line of West Calhoun Place; thence west along said north line, and along the westward extension thereof, to an intersection with the northwest extension of the east line of the south part of Block 57 in the Original Town of Chicago aforesaid; thence south along said extension and along said east line (being also the west line of North Dearborn Street) and along the southward extension of said east line to the southeast corner of said Block 57; thence southward, crossing West Madison Street and entering Section 16, to the northeast corner of Block 119 in School Section Addition aforesaid; thence south along the east line of said block (being also the west line of South Dearborn Street) to an intersection with the westward extension of the north line of Lot 20 in the subdivision of Block 142 in said School Section Addition;thence east along said extension, and along said north line, to the northeast corner of said lot; thence south along the east line of Lots 20 through 27, inclusive, in said subdivision, and along the southward extension thereof, to an intersection with the north line of Block 141 in School Section Subdivision aforesaid; thence east along said north line (being also the south line of West Monroe Street) to the northwest corner of the east half of Lot 3 in said Block 141; thence south along the west line of the east half of said lot to the north line of West Marble (hydraulic) Place; thence west along said north line, and the westward extension thereof, to an intersection with the northward extension of the east line of Lot 20 in County Clerk's Division of Block 120 in School Section Addition; thence south along said extension, and along said east line (being also the west line of South Dearborn Street) and along the southward extension of said east line, to an intersection with the westward extension of the north line of Block 140 in School Section Addition; thence east along said extension and along said north line (being also the south line of West Adams Street) to an intersection

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with the west line of the east 25 feet of Lot 5 in the subdivision of Blocks 83, 92 and 140 in School Section Addition; thence south along said west line to an intersection with the westward extension of the south line of the alley in the subdivision of Lots 3 and 4 in said Block 140; thence east along said extension and along said south line to an angle point; thence southeastwardly along a southwesterly line of said alley to an angle point; thence south along a west line of said alley and along the southward extension thereof, to an intersection with the north line of Lot 13 in the aforementioned subdivision of Blocks 83, 92 and 140; thence east along said north line (being also the south line of West Quincy Street) to the northeast corner of said Lot 13; thence south along the east line of said lot to the south line of Block 140; thence west along said south line (being also the north line of West Jackson Boulevard) and along the westward extension thereof, to an intersection with the northward extension of the east line of Lots 1, 4, 8, 11, 14, 17, 20 and 23 in Wright's Subdivision of Block 122 in School Section Addition; thence south along said extension, and along said east line (being also the west line of South Federal Street) to the southeast corner of said Lot 23; thence west along the south line of said Lot 23 and the westward extension thereof, and also along the south line of Lot 22 in Wright's Subdivision (being also the north line of West Van Buren Street) to the southwest corner of said Lot 22; thence west, crossing South Clark Street, to the southeast corner of Lot 22 in the subdivision of Block 115 of School Section Addition aforesaid; thence west along the south line of said Lot 22 and Lot 23 (being also the north line of West Van Buren Street) to the southwest corner of said Lot 23; thence west, crossing South LaSalle Street, to the southeast corner of that part of said street vacated by ordinance passed February 29, 1980, and recorded August 12, 1980, as Document Number 25545766; thence south along the southward extension of the east line of said vacation to an intersection with the north line of Lot 3 in the subdivision of Block 114 of School Section Addition; thence east along said north line (being also the south line of West Van Buren Street) to the northeast corner of said lot; thence south along the east line of Lots 3, 4, 9, 10, 15, 16, 21 and 22 (being also the west line of South LaSalle Street) to the southeast corner of said Lot 22; thence south, crossing West Congress Parkway as said expressway is defined by the general ordinance passed October 31, 1940, to the intersection of the east line of Lot 6 in T. G. Wright's Subdivision of Block 113 in School Section Addition with the south line of said West Congress Parkway; thence east along said south line to an intersection with the east line of Lot 9 (said east line being also the west line of South Plymouth Court) in C. L. and I. Harmon's Subdivision of Block 137 in School Section Addition; thence north, crossing West Congress Parkway, to the intersection of the east line of Lot 24 in T. G. Wright's Subdivision of Block 138 in School Section Addition with the north line of said expressway; thence east along the north line of said West Congress Parkway, and along the north line of East Congress Parkway,

entering into Section 15 aforesaid, to an intersection with the west line of Sublot 2 of Lot 10 in Canal Trustee's Subdivision of Block 10 of Fractional Section 15 Addition to Chicago; thence south along said west line to said north line of East Congress Parkway; thence east along said north line to the east line of South Michigan Avenue as widened; thence north along said widened line, entering Section 10 aforesaid, to an intersection with the north line of Block 6 in Fort Dearborn Addition aforesaid; thence east along said north line (being also the south line of East South Water Street) to an intersection with the southward extension of the east line of Lot 6 in Dyer's Subdivision of Lots 6, 7, 8, 9, 10 and 11 in Block 5 of Fort Dearborn Addition to Chicago; thence north along said extension, and along said east line, to the northeast corner of said lot; thence north, crossing a 20 foot wide alley, to a point on the south line of Lot 11 in Dyer's Subdivision which is 124.00 feet east of the southwest corner of said lot; thence north along a line 124.00 feet east from, and parallel with, the west line of aforementioned Block 5, to an intersection with the south line of Lot 5 in said block; thence north to a point on the north line of Lot 1 in said block which is 121.18 feet east from the northwest corner of said lot; thence continuing north along a northward extension of the last described line to an intersection with the northerly line of East Wacker Drive (River Street) as widened; thence westwardly, southwestwardly, north and southwestwardly along said northerly line, and along the southerly dock line of the Chicago River to an intersection with the northward extension of the west line of Block 8 of Fort Dearborn Addition aforesaid; thence south along said extension to the point of beginning; excepting from the above described tract Lots 19 through 25, inclusive, in Block 10 in Fort Dearborn Addition to Chicago; in the City of Chicago, Cook County, Illinois.

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EXHIBIT "A"

LEGAL DESCRIPTION

PARCEL 1:

LOTS 1 TO 12, BOTH INCLUSIVE, IN B.S. MORRIS' SUBDIVISION OF ORIGINAL LOTS 2, 3 AND THE NORTH QUARTER OF LOT 6 IN BLOCK 2 IN FRACTIONAL SECTION 15 ADDITION TO CHICAGO, BEING A SUBDIVISION OF FRACTIONAL SECTION 15, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN; TOGETHER WITH THE VACATED ALLEY BETWEEN SAID LOTS 1 TO 7 IN SAID B.S. MORRIS' SUBDIVISION, AND SAID LOTS 10, 11 AND 12 IN SAID SUBDIVISION (EXCEPTING FORM SAID PREMISES SO MUCH OF LOTS 1 TO 9 IN SAID SUBDIVISION AS HAS BEEN TAKEN FOR THE WIDENING OF STATE STREET OR IS NOW OCCUPIED BY THE CITY OF CHICAGO AS PART OF STATE STREET) AND ALSO EXCEPTING FROM SAID LOTS 7, 8, 9 AND 10 THAT PART THEREOF TAKEN FOR ALLEY.

ALSO THAT PART OF THE NORTH HALF AND THE NORTH TEN FEET OF THE SOUTH HALF OF LOT 6 (EXCEPTING THEREFROM SO MUCH THEREOF AS HAS BEEN TAKEN FOR THE WIDENING OF STATE STREET OR IS NOW OCCUPIED BY THE CITY OF CHICAGO AS A PART OF STATE STREET, AND ALSO EXCEPTING THAT PART THEREOF TAKEN FOR ALLEY) IN BLOCK 2 IN FRACTIONAL SECTION 15 ADDITION TO CHICAGO, FALLING SOUTH OF THE SOUTH LINE OF LOT 9 IN B.S. MORRIS' SUBDIVISION OF ORIGINAL LOTS 2, 3 AND THE NORTH QUARTER OF LOT 6 IN SAID BLOCK 2.

ALSO SUB LOTS 1, 2 AND 3 (EXCEPT THE SOUTH 10 FEET OF SUB LOT 3) IN WADSWORTH'S SUBDIVISION OF LOTS 7 AND 10 IN BLOCK 2 OF FRACTIONAL SECTION 15 ADDITION TO CHICAGO (EXCEPT THAT PART THEREOF TAKEN FOR WIDENING OF STATE STREET) IN COOK COUNTY, ILLINOIS.

PARCEL 2:

LOT 5 AND THE NORTH 1/2 OF LOT 8 IN BLOCK 2 IN FRACTIONAL SECTION 15 ADDITION TO CHICAGO, EXCEPTING FROM EACH OF SAID LOTS 5 AND 8 THOSE PARTS THEREOF TAKEN FOR ALLEY, IN FRACTIONAL SECTION 15, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 3:

THE SOUTH HALF, EXCEPT THE NORTH TEN FEET THEREOF, OF LOT 6 IN BLOCK 2 OF FRACTIONAL SECTION 15 ADDITION TO CHICAGO (EXCEPTING THE WEST 27 FEET TAKEN FOR WIDENING STATE STREET AND EXCEPT A STRIP ABOUT 9 FEET IN

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WIDTH OFF THE EAST END THEREOF USED FOR AN ALLEY) IN TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL F:

SUB LOTS 5 AND 6 IN N.K. FAIRBANKS' RESUBDIVISION OF SUB LOTS 5 AND 6 IN WADSWORTH'S SUBDIVISION OF LOTS 7 AND 10 IN BLOCK 2 OF FRACTIONAL SECTION 15 ADDITION TO CHICAGO, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCELS D AND E:

THE SOUTH HALF OF LOT 8 AND ALL OF LOT 9 IN BLOCK 2 IN FRACTIONAL SECTION 15 ADDITION TO CHICAGO, EXCEPTING FROM EACH OF SAID LOTS 8 AND 9 THOSE PARTS THEREOF TAKEN FOR ALLEY, IN FRACTIONAL SECTION 15, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

Common address: Carson Pirie Scott Building, One South State Street, Chicago, Illinois 60602

P.I.N.:	17-15-100-001-0000	17-15-100-011-0000
	17-15-100-002-0000	17-15-100-012-0000
	17-15-100-003-0000	17-15-100-013-0000
	17-15-100-004-0000	17-15-100-014-0000
	17-15-100-005-0000	17-15-100-017-0000
	17-15-100-006-0000	17-15-100-020-0000
	17-15-100-007-0000	17-15-100-021-0000
	17-15-100-008-0000	17-15-100-022-0000
	17-15-100-009-0000	17-15-100-023-0000
	17-15-100-010-0000	17-15-100-024-0000

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EXHIBIT D

TIF-FUNDED IMPROVEMENTS

Line Item	Cost
Acquisition	$5,500,000
TOTAL	

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EXHIBIT "H-1"

Amended and Restated Redevelopment Agreement
One South State Street, LLC

PROJECT BUDGET

Activity	Cost
- Acquisition	$ 19,000,000
- Base Building (exterior and interior)	$ 22,384,992
- Tenant Improvements	$ 10,099,725
- Leasing Commisions	$ 3,148,659
- General Contractor fee	$ 2,032,842
- Construction Contingency	$ 2,201,529
- Marketing / Leasing / Architectural / Engineering and other professional services	$ 3,216,223
- Soft Costs Contingency	$ 464,383
- General Contingency	$ 1,878,522
- Interest Reserve	$ 4,488,711
Total:	**$ 68,915,586**

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EXHIBIT "H-2"

Amended and Restated Redevelopment Agreement
One South State Street, LLC
MBE / WBE BUDGET

Activity		Cost
State Street component:		
- 8th Floor rehabilitation		$ 1,126,822
- 9th Floor rehabilitation		$ 1,031,806
- 10th Floor rehabilitation		$ 985,735
- 11th Floor rehabilitation		$ 949,731
- 12th Floor rehabilitation		$ 1,033,804
- Basement		$ 104,500
- Base Building - Penthouse		$ 33,000
- Tenant Improvements*		$ TBD (Note 1)
- Lobby		$ 513,031
- Utilities		$ 4,281,000
	Sub-Total:	**$ 10,059,429**
Wabash Street component:		
- 6th Floor rehabilitation		$ 387,433
- 7th Floor rehabilitation		$ 378,087
- 8th Floor rehabilitation		$ 590,459
- 9th Floor rehabilitation		$ 593,276
- 10th Floor rehabilitation		$ 561,683
- 11th Floor rehabilitation		$ 581,868
- 12th Floor rehabilitation		$ 543,817
- 13th Floor rehabilitation		$ 404,395
- 14th Floor rehabilitation		$ 382,267
- 15th Floor rehabilitation		$ 185,468
- Base Building - Penthouse		$ 33,000
- Tenant Improvements*		$ TBD (Note 1)
- Lobby		$ 275,000
- Utilities		$ 797,500
	Sub-Total:	**$ 5,714,253**
Eligible Soft Costs:	**Sub-Total:**	**$ 900,000**
	Grand Total:	**$16,673,682**
	MBE Dollar Value:	**$ 4,168,421** (Note 2)
	WBE Dollar Value:	**$ 833,684** (Note 2)

Note 1: If all tenants independently perform necessary tenant improvements ("TI"), the MBE/WBE requirement will not apply. However, if One South State Street, LLC (the "Developer") is required to perform the TI as part of a tenant lease, the M/WBE requirement will apply and the Developer must submit a M/WBE budget (prior to the execution of the contract for TI) for DPD review and approval.

Note 2: This value is an estimate. If the actual cost of the above applicable M/WBE activities increase or decrease, the associated M/WBE dollar value will increase or decrease correspondingly.

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EXHIBIT L

ONE SOUTH STATE STREET PROJECT
Description of Required Rehabilitation Work

The project includes work to the seven buildings which comprise the Carson, Pirie, Scott & Co. department store, all listed on the National Register of Historic Places as part of the Loop Retail Historic District:

- 1-37 South State Street (One South State Street building and additions),
- 18-20 South Wabash Avenue (Haskell Building), otherwise known as Building 'A,'
- 22-24 South Wabash Avenue (Barker Building), otherwise known as Building 'B,'
- 26-28 South Wabash Avenue (Atwater Building), otherwise known as Building 'C,'
- 30 South Wabash Avenue (Church Building), otherwise known as Building 'D,'
- 36-44 South Wabash Avenue (Men's Store), otherwise known as Building 'E,' and
- 10-12 East Monroe Street (Monroe Garage), otherwise known as Building 'F.'

The One South State Street building is an internationally-renowned and seminal work in the history of modem architecture. The building was constructed in four stages, with the original nine-story 1898 portion and twelve-story 1903 addition designed by acclaimed master architect Louis H. Sullivan. The twelve-story 1906 addition and eight-story 1961 addition, designed by the firms of D. H. Burnham & Co. and Holabird and Root respectively, continue Sullivan's original design. The building is also a designated Chicago Landmark, listed individually on the National Register of Historic Places, and a National Historic Landmark.

The Haskell-Barker-Atwater Buildings comprise one of the best-surviving groups of early post-Chicago Fire loft buildings in the Loop. The four-story Haskell and Barker buildings were constructed in 1875 and designed by the architectural firm of Wheelock and Thomas (Sullivan remodeled the Haskell Building first- and second-floor exteriors in 1896). The five-story Atwater Building was constructed in 1877 and designed by architect John Mills Van Osdel. The Haskell-Barker-Atwater Buildings are also designated Chicago Landmarks.

The fifteen-story Church Building was constructed in 1903 and designed by the architectural firm of Hill and Woltersdorf. The sixteen-story Men's Store was constructed in 1926 and designed by the Burnham Brothers. The ten-story Monroe Garage was originally constructed in 1939 as a parking garage and remodeled in 1948 as part of the department store.

General:

For the purposes of the Redevelopment Agreement ("Agreement"), the significant architectural features of the buildings shall be all exterior elevations, including the roof lines, and the significant interior features of the One South State Street building. The Carson, Pirie, Scott & Co. department store is to continue occupying the lower stories of the buildings, while the upper stories will be converted to other uses by the Developer. All work to the buildings shall be completed in accordance with the Agreement and the documents and materials listed below:

- *The Secretary of the Interior's Standards for Rehabilitation of Historic Buildings* (rev.

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1990, and as amended) (the "Standards"). Street elevations and any finished returns on side or alley elevations shall be considered "primary elevations" for the purposes of the Standards.

- *Guidelines for Alterations to Historic Buildings and New Construction*, adopted by the Commission on Chicago Landmarks on March 4, 1992.

- Historical photographs, architectural drawings, and other available archival documentation of the buildings, as investigated and assembled by the Developer.

- *Vision for Greater State Street: Next Steps* (the "State Street Plan"), adopted by the Chicago Plan Commission in 1998.

- *Chicago Downtown Lighting Master Plan* (the "Lighting Plan"), prepared in 1997.

- Color-coded window survey of ground-floor storefronts and upper-story windows on the One South State Street building (the "Window Treatment Survey") prepared by Carson, Pirie, Scott & Co., undated, identifying windows with enclosed display areas, those with display areas open to the interior of the store, and those to have a uniform black fabric scrim treatment which was mocked up and approved by the Commission on Chicago Landmarks in July 1999.

- Concept design drawings, dated July 16, 1999, and prepared for Carson, Pirie, Scott & Co. by Amstadter Architects, for the new two-story storefront for the 1961 addition to the One South State Street building (the "Replacement Storefront Design"), replacing the temporary storefront conditionally approved by the Commission on Chicago Landmarks on August 30, 1999.

Prior Approval:

All exterior work and any interior work which impacts the exterior appearance of the buildings, including the Required Rehabilitation Work described in this Exhibit, as well as any work which impacts the significant interior features of the One South State Street building, shall be subject to the prior review and approval of the City's Department of Planning and Development, Landmarks Division, and the Commission on Chicago Landmarks. If requested, material samples, paint colors and finishes, shop drawings, specifications, mock-ups, and control samples, as applicable, shall be submitted for review and approval.

Required Rehabilitation Work - Developer:

The following work shall be completed by the Developer:

- **One South State Street Building**

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(a) Cornice Reconstruction. The original terra-cotta cornice on the 1898, 1903 and 1906 portions of the building, removed in 1948, shall be reconstructed, including the original configuration of piers and recessed bays on the top floors of the 1898 and 1903 portions. The work shall be an historically-accurate restoration as can be determined from available documentation and in accordance with the Standards. All replacement masonry shall match the original in accordance with the Standards, including the original material, except that the new cornice may be constructed in an appropriate and durable substitute material such as metal or GFRC.

(b) *Building Lighting and Flag Pole. Appropriately-designed accent lighting for the reconstructed cornice and recessed top floors of the building shall be provided to satisfy the Lighting Plan. The flag pole on the roof of the building at the State-Madison corner shall be retained and used, or replaced in like kind, in recognition of the State Street Plan.

(c) Lobby. A new ground-floor lobby for the upper-story office floors shall be constructed using the southernmost existing entrance in the 1906 portion of the building. The new lobby shall restore significant exterior and interior features such as the entrance vestibule, basement stairs and railings, and free-standing columns and capitals, in accordance with the Standards. Any building identification signage or canopies as part of the new lobby shall be consistent with the overall sign program for the building as well as the Standards and the State Street Plan.

- **Haskell-Barker-Atwater Buildings**

(a) Exterior Conditions Report - Masonry. An exterior conditions report shall be completed and submitted for review and approval prior to beginning any exterior work. The survey shall identify any areas of masonry deterioration, failures such as at lintels and floors, missing features such as cornices and belt courses, and the condition of the backup anchoring system, as well as prior incompatible repairs. The report shall also specifically address conservation issues related to the applied paint coating, particularly regarding its likely original use, condition, material specifications and characteristics. The recommendations of the report shall form the basis of a scope of work to repair and restore, as possible, the original appearance of the buildings' masonry, to the extent such work is not inconsistent and does not interfere with the retail use and operation of the Buildings.

(b) Cornice and Belt Courses. The missing cornice on the Atwater Building shall be reconstructed. Deteriorated or missing belt courses on any of the buildings shall be repaired or reconstructed. This work shall be an historically-accurate restoration as can be determined from available documentation and in accordance with the Standards. All replacement materials shall match the originals in like kind in accordance with the Standards, except that a feature which is entirely missing or beyond repair may be constructed in an appropriate and durable substitute material.

(c) Base (Floors 1 and 2). The base of these buildings shall be rehabilitated to the greatest extent possible. In general, this work shall be guided by these basic principles:

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repair and refinish extant significant features; replace any missing portions of these features; and reverse prior inappropriate alterations and repairs. A paint color analysis of metal ornamentation and window framing systems shall be provided to determine the historic colors.

(d) **Windows.** All upper-story windows shall be repaired or replaced as necessary to achieve a uniform and historically-appropriate appearance in accordance with the Standards. Existing mechanical grilles and infilled or covered over windows must be replaced with glass or a more aesthetically-pleasing, less obtrusive, and uniform grille treatment. To the extent possible, glass transoms shall be restored and any mechanical grilles in these locations relocated.

(e) ****Fire Escapes and Mechanical Grilles.** The Developer shall make its best efforts in any future projects which involve changes to these buildings which could allow the elimination of any or all exterior fire escapes and mechanical grilles.

(f) ***Building Lighting.** Appropriately-designed accent lighting for the building shall be provided in accordance with the Lighting Plan.

- **Buildings 'D,' 'E' and 'F'**

(a) **Base (Floors 1 and 2).** The base of these buildings shall be rehabilitated to achieve an attractive and uniform appearance. In general, this work shall repair and refinish extant significant features, replace any missing portions of these features, and reverse prior inappropriate alterations and repairs. A paint color analysis of metal ornamentation and window framing systems shall be provided to determine the historic colors.

(b) ****Fire Escapes and Mechanical Grilles.** The Developer shall make its best efforts in any future projects which involve changes to these buildings which could allow the elimination of any or all exterior fire escapes and mechanical grilles along Wabash Avenue.

- **All Buildings**

(a) **Masonry - General.** All exterior masonry shall be cleaned and repaired as necessary. Any areas of deterioration, missing features, or prior incompatible repairs shall be addressed as part of the project. Where masonry is missing or beyond repair, replacement pieces shall match the originals in like kind, in accordance with the Standards, except that in some instances on the unlandmarked buildings a substitute material such as GFRC may be used which matches the appearance of the original material in color, finish and appearance. Tuckpointing shall use mortar which matches the original in terms of color, consistency, hardness, and joint profile. Cleaning shall use an appropriate and least-aggressive cleaning method, e.g., low-pressure water or mild chemical cleaning, after conducting test patches.

(b) **Windows - General.** As necessary, windows shall be repaired or replaced in like kind to match the originals, in accordance with the Standards. If repainted, a paint color

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analysis of the windows shall be provided to determine the historic color. Any previously-applied films shall be removed and the windows cleaned. All windows shall be of clear glass, except that on the upper stories a new film, if largely transparent, may be applied to the interior of the glass depending upon the film's reflectivity and tint.

(c) ****Ceiling Heights and Interior Demising Walls.** Original ceiling heights shall be maintained behind all windows. Any drops in the heights of ceilings for mechanical equipment shall be set back from the windows to the extent possible so as not be readily visible from the street. All new interior demising walls should occur at piers, or also at window mullions if otherwise unavoidable.

(d) ****Window Treatment.** The Developer shall make its best efforts to ensure that the windows have a consistent and uniform window treatment, such as shades or blinds. The window treatment need not be identical from floor to floor, but the appearance of the buildings (particularly One South State Street) should be visually consistent overall.

(e) **Roof-top.** All new, nonhabitable, roof-top appurtenances and mechanical equipment shall be set back as far as possible from the street elevations to minimize potential visibility from the public way. Roof-top decks and any future habitable roof-top additions shall not be visible from the public way.

Required Rehabilitation Work - Carson, Pirie, Scott & Co.:

The following work shall be completed by Carson, Pirie, Scott & Co.:

- **One South State Street Building**

  (a) **Replacement Storefront.** The temporary storefront installed in the 1961 addition to the building shall be replaced, in accordance with the Replacement Storefront Design and the Standards.

  (b) **Base (Floors 1 and 2) - Metal Ornament.** As necessary, areas of the Sullivan ornamentation such as at the bulkheads of the storefront windows shall be appropriately cleaned and refinished.

  (c) **Transom Windows (Floors 1 and 2).** The transom windows, previously painted over, shall be rehabilitated. The paint shall be removed and a more appropriate finish treatment, such as frosted or tinted glass, shall be installed. (Mechanical equipment is located along the inside face of the transom windows.)

- **All Buildings**

  (a) ***Signs, Awnings, Canopies, Banners and Flags.** All signs, awnings, canopies, banners and flags shall meet the Standards and the State Street Plan. New traditional retractable-type awnings with a woven-cloth fabric shall be installed on all ground-floor storefronts.

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(b) ***Storefront Windows and Upper-Story Windows (Floors 1 thru 7) - Display Windows.** The treatment of storefront windows and upper-story windows shall maximize the areas for active window displays. Window treatments for the One South State Street Building shall be in accordance with the Window Treatment Survey; a survey for the other buildings shall be likewise submitted. In general, display windows on the bases (floors 1 and 2), the State Street rotunda, and to the extent possible elsewhere in these buildings shall be used for active window display areas or for views into the building; in no instance shall these windows be blocked up, blacked out, or covered over, except as otherwise approved such as part of the Window Treatment Survey (such windows shall have a consistent and uniform window treatment such as shades or blinds). Original ceiling heights shall be maintained behind all windows to the greatest extent possible.

(c) ***Display Areas.** Window display areas should ideally be at least 36-inches deep to allow for a greater variety of merchandise and displays. For display areas not identified as part of the Window Treatment Survey, they may be enclosed or partially-enclosed, except that some of the windows must also provide for views into the building. Carson's shall make its best efforts to ensure that all window displays are professionally installed, well designed, visually interesting and attractive, changed regularly, and used to display primarily merchandise, rather than signs or graphics. Temporary paper and vinyl signs within the storefront windows shall be professionally printed and not attached to the exterior walls or storefront glass.

(d) ****Blocked-Up Windows/Transoms, Fire Escapes and Mechanical Grilles.** Carson, Pirie, Scott & Co. shall make its best efforts in any future projects which involve changes to these buildings which could allow the creation of additional display windows or clear-glass transoms (particularly on the first two floors of the buildings), or the elimination of any or all exterior fire escapes and mechanical grilles on street elevations of the buildings.

**Covenant:*

For the Term of the Agreement, all future exterior work including signs and any interior work which impacts the exterior appearance of the buildings or the display windows shall be subject to the prior review and approval of the City's Department of Planning and Development, Landmarks Division, and the Commission on Chicago Landmarks. All such work shall meet the relevant terms and conditions of this Exhibit. In addition, the Developer and Carson, Pirie, Scott & Co. shall ensure its best efforts that the Buildings are operated for the Term of the Agreement consistent with the performance requirements specified in this Exhibit and indicated by an asterisk (* or **) above.

***Completion of Construction or Rehabilitation:*

For the purposes of Subsection 7.01 of the Agreement governing the issuance of Certificates of completion: all the Required Rehabilitation Work for the Developer specified in this

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Exhibit except as indicated above by a double asterisk (**) must be substantially completed as part of its obligations for completion of the Historic Work Component as therein defined; the Required Rehabilitation Work for the Developer specified in this Exhibit above and indicated by a double asterisk (**) must be completed as part of the relevant portions of the Office Component Work; and all the Required Rehabilitation Work for Carson, Pirie, Scott & Co. specified in this Exhibit except as indicated above by a double asterisk (**) must be completed as part of its obligations for issuance of the Final Certificate of completion.

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EXHIBIT M

QUITCLAIM
DEED

Grantor, the **CITY OF CHICAGO**, an Illinois municipal corporation ("Grantor"), having its principal office at 121 North LaSalle Street, Chicago, Illinois 60602, for and in consideration of **TEN and NO/100 DOLLARS ($10.00)**, conveys and quitclaims, pursuant to ordinance adopted September 5, 2001 (C.J.P. pgs. 65695-65844), to **ONE SOUTH STATE STREET LAND CO, INC.**, an Illinois corporation ("Grantee"), having its principal office c/o Joseph Freed and Associates LLC at 1400 South Wolf Road, Building 100, Wheeling, Illinois 60090, all interest and title of Grantor in the following described real property (collectively, the "Parcels"):

SEE LEGAL DESCRIPTION ATTACHED HERETO AS EXHIBIT A AND MADE A PART HEREOF.

Commonly known as: 1 South State Street,
Chicago, Illinois

Permanent Index No.: __-__-___-___--0000

THIS TRANSFER IS EXEMPT UNDER THE PROVISIONS OF THE REAL ESTATE TRANSFER TAX ACT, 35 ILCS 305/4(B); AND SECTION 3-32-030B7(b) OF THE MUNICIPAL CODE OF CHICAGO.

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Further, this quitclaim deed ("Deed") is made and executed upon, and is subject to certain express conditions and covenants hereinafter contained, said conditions and covenants being a part of the consideration for the Parcels and are to be taken and construed as running with the land, and Grantee hereby binds itself and its successors, assigns, grantees and lessees to these covenants and conditions, which covenants and conditions are as follows:

FIRST: Grantee shall devote the Parcels only to the uses authorized by Grantor and specified in the applicable provisions of: (i) that certain Tax Increment Redevelopment Plan and Redevelopment Project for Central Loop Redevelopment Project ("TIF Plan"); and (ii) the terms and provisions of that certain Amended and Restated Carson's Building Redevelopment Agreement ("Agreement") entered into between Grantor and Grantee as of October 1, 2001 and recorded with the Office of the Recorder of Deeds of Cook County, Illinois on October _____, 2001, as document #01______. Specifically, in accordance with the terms of the Agreement, Grantee shall undertake the Project on the Building presently improving the Property (all as such terms are defined in the Agreement), of which the Parcels are a part of. Additionally, the Project shall be undertaken consistent with those City of Chicago ordinances adopted by the City Council of the City of Chicago on November 5, 1970 and November 12, 1996, respectively, by which the "Carson Pirie Scott Building" and the

"Haskell-Barker-Atwater Buildings" (which constitute part of the Building) were designated as City of Chicago Landmarks.

SECOND: Grantee agrees for itself and any successor in interest not to discriminate based upon race, religion, color, sex, national origin or ancestry, age, handicap, sexual orientation, military status, parental status or source of income in the use of the Building and the Parcels.

The covenants and agreements contained in the covenant numbered **FIRST** shall terminate on the expiration date of the Term of the Agreement, excepting, however, the Landmarks Ordinances described in the covenants numbered **FIRST,** and the covenants and agreements contained in the covenant numbered **SECOND** shall remain without any limitation as to time.

In the event that subsequent to the conveyance of the Parcels and prior to the completion (to the satisfaction of Grantor) of certain elements of the Historic Component Work (as such term is defined in the Agreement), that being, the restoration of the 12th floor cornice on the Building, and the cleaning of the State Street facade of the Building, Grantee defaults in or breaches any of the terms or conditions described in the Agreement or the covenants contained in this Deed which have not been cured or remedied within the period and in the manner provided for in the Agreement, the Deed, or both, Grantor may re-enter and take possession of the Parcels, terminate the estate conveyed by the Deed to Grantee as well as Grantee's right

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of title and all other rights and interests in and to the Parcels conveyed by the Deed to Grantee, and revest title in said Parcels with the City; provided, however, that said revesting of title in the City shall always be limited by, and shall not defeat, render invalid, or limit in any way, the lien of any Existing Mortgage or Permitted Mortgage (as defined in the Agreement) for the protection of the holders of the Existing Mortgage or Permitted Mortgage, as the case may be, or the rights of the tenant under the Carson's Lease or other tenants at the Building.

Notwithstanding any of the provisions of the Deed or the Agreement, including but not limited to those which are intended to be covenants running with the land, the holder of any Existing Mortgage or Permitted Mortgage or a holder who obtains title to the Parcels as a result of foreclosure of any Existing Mortgage or Permitted Mortgage or deed in lieu thereof shall be bound by the provisions of Section 16 of the Agreement.

Promptly after the completion of construction of the Project (excepting the Carson Component Work), in accordance with Section 7.01 of the Agreement, Grantor shall furnish Grantee with an appropriate instrument in accordance with the terms of the Agreement ("Final Certificate"). The Final Certificate shall be a conclusive determination of satisfaction and termination of the agreements and covenants contained in the Agreement and in the Deed with respect to the construction of the Project and the dates for beginning and completion thereof.

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IN WITNESS WHEREOF, Grantor has caused this instrument to be duly executed in its name and behalf and its seal to be hereunto duly affixed and attested, by the Mayor and by the City Clerk, on or as of the _________ day of ______, 2001.

CITY OF CHICAGO, a
municipal corporation

BY: ______________________________
RICHARD M. DALEY, Mayor

ATTEST:

____
JAMES J. LASKI, City Clerk

THIS INSTRUMENT PREPARED BY, AND
AFTER RECORDING, PLEASE RETURN TO:

Mark Lenz
Assistant Corporation Counsel
Real Estate & Land Use Division
City of Chicago
30 North LaSalle Street, Room 1610
Chicago, Illinois 60602

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STATE OF ILLINOIS)
) SS
COUNTY OF C O O K)

I, _________________________, a Notary Public in and for said County, in the State aforesaid, do hereby certify that James J. Laski, personally known to me to be the City Clerk of the City of Chicago, a municipal corporation, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and being first duly sworn by me acknowledged that as Clerk, he signed and delivered the said instrument and caused the corporate seal of said corporation to be affixed thereto, pursuant to authority given by the City of Chicago, as his free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this _____ day of ______, 2001.

_______________________________________,
NOTARY PUBLIC

(S E A L)

My commission expires _________________________.

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