

ATTACHMENT NO. 11

METHOD OF FINANCING

A. Responsibilities of the Developer.

1. General. Except as otherwise expressly set forth in this IA, the Developer shall be responsible for those undertakings related to the development, planning, design, construction and operation of the Private Project which are customarily the responsibility of a developer or owner in development projects of this character and magnitude. The Developer agrees that, except as otherwise expressly set forth in this IA, (a) the City shall have no responsibility for the costs of such undertakings, and (b) to the extent the Developer elects to proceed with any such undertakings, the Developer is solely responsible for the costs thereof, except to the extent provided for in this IA for the New Hall Agreement including the Advanced New Hall Project Costs and the City Capped Share Expenditures described below (both of which are part of the total compensation under the New Hall Agreement).

2. Examples of Sole Responsibilities of Developer. By way of example only and without limiting the generality of paragraph A.1, above, the Developer agrees that it is solely responsible for the following Project related costs:

- a. The costs related to signage relating to the Private Project;
- b. On-site and off-site costs directly related to the construction of the Private Project;
- c. The costs of utility relocation associated with the Private Project;
- d. The costs of mitigation for the Private Project required by the EIR (except as otherwise noted in the EIR or part of the City Capped Share Expenditures);
- e. Payment of all permit, development and similar fees for the Private Project (except for those costs that are part of the City Capped Share Expenditures);
- f. The costs of private consultants retained by the Developer (including, without limitation, attorneys, private schedulers and EIR consultants, except those costs which are part of the City Capped Share Expenditures);
- g. The costs of compliance by the Developer with all permit and development conditions imposed by City and State laws, rules or ordinances for development of the Private Project;
- h. Apart from a determination relating to the tax-exempt status of the Existing Securities or the Defeased Securities, the costs (including, without limitation, court costs and attorneys' fees) of any litigation, or arbitration or mediation, if any, challenging the legality or enforceability of the EIR or any Entitlements, Discretionary Actions, this IA or the Other Agreements;

i. Amounts, if any, to be paid by Developer pursuant to the Gap Funding Agreement; and

j. The amounts agreed upon under the Evaluation Phase Agreement and the Supplemental Fee Agreement.

3. Financing of Development and Operation. Without limiting the generality of Paragraph A.1, above, the Developer agrees that any financing required in connection with its development and operation of the Private Project and financing needed for the development and construction of the Public Project prior to disbursement of the Bonds proceeds, shall be the sole responsibility and cost of the Developer.

4. Demolition. The costs of demolition of existing structures on the Event Center Site and the New Parking Structures Site, and the cost of securing and boarding vacant structures shall be the sole cost of the Developer.

B. Responsibilities of the City.

1. General. Except as otherwise expressly set forth in this IA, as part of the total cost of the Public Project under the terms of the New Hall Agreement and this IA, the City shall be responsible for the costs related to the development, planning, design, and construction of the Public Project which are customarily the responsibility of the City in the development of projects of this character and magnitude. The Parties agree that these undertakings for the Public Project design and construction will be the Developer's obligation pursuant to the New Hall Agreement whereby the cost of the development to the City is capped at \$314.6 million and all other costs, except for those reasonable costs incurred to comply with the City's requested changed orders, are the sole responsibility of the Developer. The City shall be solely responsible for the costs related to the operation of the Public Project.

2. Examples of Sole Responsibilities of City. By way of example only and without limiting the generality of Paragraph B.1, above, the City agrees that it is solely responsible for the following:

a. Payment to the Developer under the New Hall Agreement in the amount of \$314.6 million;

b. Payment to the Developer for the cost of complying with any City requested Change Orders;

c. Reimbursement to the Developer for payment of New Hall Project Costs as set forth in Sections 11.13 and 11.14 of this IA and Section D, below;

d. The cost of the City's Bond Counsel Opinion; and

e. Except to the extent such costs are covered in the Evaluation Phase Agreement or the Supplemental Fee Agreement, to the extent incurred by the City (whether incurred for in-house employees or outsourced) and not covered by filing and processing fees paid to the City by

the Developer, (i) the costs (including those incurred prior to the execution of this IA, as well as thereafter) for the City's administration of the Project and review and processing of this IA, the Other Agreements and the Entitlements, and (ii) the costs of providing staffing and City Attorneys; and

C. Public Items Defined.

The City and the Developer will cooperate to manage and reduce the costs of the Public Items to the extent reasonably possible. Public Items shall include the following expenses only:

1. Taxes and Assessments. The cost of any taxes or assessments on the Event Center Site or the New Parking Structures Site that are outstanding prior to the effective date of the Ground Leases, if any.

2. Hazardous Substances. The costs of environmental investigation (including, without limitation, the costs of the Phase I investigations which were undertaken by the City prior to the Effective Date).

3. Non-Permitted Encumbrances. The costs reasonably incurred by the Government Entities in order to remove Non-Permitted Encumbrances from the Property.

D. New Hall Project Costs; Advanced New Hall Project Costs; City Capped Share Expenditures.

1. General. Upon passage of a reimbursement resolution by the City, the Developer's out-of-pocket design and project management costs in the design of the Public Project (e.g., architect and consultant fees) from the inception of the Public Project and specifically approved by the City ("Advanced New Hall Project Costs") shall be treated as New Hall Project Costs and shall be reimbursed to the Developer out of available Bond proceeds as part of the City's payments under the New Hall Agreement. Additionally, expenditures made by the Developer to obtain CEQA review and entitlements which would not have been incurred but for the inclusion of the Public Project in the environmental review and entitlement applications, not to exceed \$1,000,000 in the aggregate shall be treated as New Hall Project Costs and shall be reimbursed to the Developer out of available Bond proceeds as part of the City's payments under the New Hall Agreement ("City Capped Share Expenditures").

2. Reimbursement Process. The City's approval of payment of the Advanced New Hall Project Costs and the City Capped Share Expenditures shall be as follows:

a. Developer has submitted to the City for approval two lists of reimbursable New Hall Project Costs: (i) a list of the amounts expended (or to be expended by Closing) for design and project management for the Public Project, including Public Project related payments made to or on behalf of the City by the Developer pursuant to the Evaluation Phase Agreement, and (ii) a list of the amounts expended for environmental review and entitlements attributable to the Public Project. Both these lists shall show by line item dollar amounts which the Developer is (or will be) seeking reimbursement pursuant to this IA. Subject to Developer's compliance with

the disbursement procedure referenced below, the City has approved the Advanced New Hall Project Costs and the City Capped Share Expenditures which have been expended by the Developer, as evidenced by the City's approval of the Approved Target New Hall Budget, which Approved Target New Hall Budget includes agreed-upon line items of expense for the Advanced New Hall Project Costs and the City Capped Share Expenditures.

b. Subject to the limitations of the City Capped Share Expenditures, the Developer shall be reimbursed for the Advanced New Hall Project Costs and the City Capped share Expenditures from the Bond proceeds pursuant to and in accordance with the disbursement procedure set forth in the New Hall Agreement.

c. Although the Parties have determined that \$1,000,000 is the maximum amount of entitlement costs which could be attributed to the additional costs for the Public Project, if the cost to the Developer for the EIR and the entitlements for the Public Project are nonetheless in excess of \$1,000,000, such excess amounts shall be the sole responsibility of the Developer.

3. Documentation. In connection with any New Hall Project Costs, the Developer shall keep and retain reasonably detailed records of the amount and purpose of an expenditure for the item as well as reasonably detailed back-up information including contracts, bills, invoices and similar documentation of the amount and nature of the work performed. To the extent legally required, such documentation shall be kept for the life of the Bonds plus seven years, and in any event shall be made available for inspection by the City at reasonable times. The Developer shall provide reasonably detailed documentation demonstrating that it has expended the amount requested for reimbursement.

E. Non-Required Expenditures.

1. General. The Parties recognize that they are not required to make material expenditures, or engage in actions likely to result in material expenditures, where such expenditures or actions would expose a Party to a material risk of unrecoverable loss or liability, before all of the Parties are fully legally bound to proceed with the Project ("Non-Required Expenditures"). Non-Required Expenditures include, by way of example only, (a) expenditures for utility relocation, defeasance of the Existing Securities affecting the Event Center Site or the New Parking Structures Site, or the issuance of the Bonds, or (b) actions such as the granting of construction licenses or easements for the Project.

2. Reimbursement Agreements. Without limiting the generality of Paragraph E.1, above, the Parties agree that the City shall not be obligated to make Non-Required Expenditures, or to take actions that would require or result in its making Non-Required Expenditures, prior to the Closing. Although the City is not obligated to make Non-Required Expenditures, the Parties anticipate that, in order to facilitate the Project, they may discuss with one another from time to time whether it might be beneficial for the City to undertake actions which would involve the making of Non-Required Expenditures. The City shall not have an obligation to proceed with such actions or expenditures prior to the Closing unless and until the City and the Developer agree in advance upon a mutually acceptable manner for reimbursement of the City by the Developer of the Non-Required Expenditures which are obligations of the

Developer under this IA and the Other Agreements. The Parties' agreements regarding reimbursement shall include such provisions as the Parties find appropriate under the circumstances, and may include provisions (a) for reimbursement of actual costs, liquidated sums or formulas for determining the City's costs incurred, (b) for guaranties or other security for the payment of such sums as are acceptable to the City, and (c) in appropriate cases for reconstruction of the demolished facility, the recovery of lost income and the like. In deciding whether or not to agree upon a proposed manner for reimbursement of the City for Non-Required Expenditures pursuant to this Paragraph E.2, the City and the Developer shall be permitted to act in its sole discretion. Notwithstanding the foregoing, the Parties acknowledge that the City cannot take any actions or make any expenditures pursuant to this Paragraph E until such time as they have approved all Entitlements and taken all Discretionary Actions that are required under applicable law in connection with such action or expenditure.

F. Admission and Entertainment Charge. The City hereby agrees not to impose or cause the imposition of any Admissions or Entertainment Tax or Fee, including any such tax imposed on a City-wide basis, on the Event Center, Event Center tickets, Event Center patrons or the Developer (a) during the term of the Development Agreement, and (b) during the following 30 year period, if and only so long as, NFL Team 1 (as defined in the Event Center Ground Lease) continues to play Substantially All Home Games at the Event Center. If any Admissions or Entertainment Tax or Fee is, during the period described in the preceding sentence, (x) imposed on a City-wide basis, and (y) paid by the Developer during such period, then the City shall refund the amount thereof to the Developer within 30 days of the close of each fiscal quarter of the City in which the Developer has so paid.

G. Other Taxes. Except as otherwise limited in the Development Agreement, the Developer shall be responsible for all taxes and assessments which are generally applicable on a City-wide basis. Without limiting the generality of the foregoing, the Developer shall be responsible to pay all applicable possessory interest taxes imposed upon the Project and its improvements. As specified in Health and Safety Code Section 33673, the Developer acknowledges and agrees that its interest in the Event Center Site and the New Parking Structures Site will be taxed for property tax purposes as if Developer owned the fee interest in the Event Center Site and the New Parking Structures Site.

H. City Funding of New Hall Project Costs.

1. Public Project. The City shall fund the New Hall Agreement, including the New Hall Project Costs and Change Order Costs for the Public Project with Lease Revenue Bonds and Mello-Roos Bonds, all as set forth in the IA, the New Hall Agreement and the Bond documents, and shall disburse the Bond proceeds pursuant to and in accordance with the New Hall Agreement.