

RESOLUTION 2015-162

RESOLUTION CONSENTING TO ASSIGNMENT OF EQUITY AND SECURITY INTERESTS IN LFS DEVELOPMENT, LLC BETWEEN LFS INTERMEDIATE CO., LLC AND SIX CONTINENTS HOTELS, INC., AND AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A RECOGNITION AND COMFORT LETTER WITH SIX CONTINENTS HOTELS, INC., WITH CONDITIONS

WHEREAS, the San Diego Unified Port District (District) is a public corporation created by the legislature in 1962 pursuant to Harbors and Navigation Code Appendix 1 (Port Act); and

WHEREAS, Section 87(b) of the Port Act grants authority to the District to lease the tidelands or submerged lands, or parts thereof, for limited periods, not exceeding 66 years, for purposes consistent with the trusts upon which those lands are held, by the State of California; and

WHEREAS, Six Continents is the financing arm of InterContinental Hotel Group, and to incentivize the Lender to provide financing, they are providing credit to underwrite the construction loans, and, as such, have requested that they be extended similar cure, default and assignment rights, that the District would normally only grant to a consented-to-lender; and

WHEREAS, the Board of Port Commissioners (BPC) granted these rights in the final form lease at the November BPC meeting; and

WHEREAS, LFS is now requesting the BPC consent to the Pledge agreement between Six Continents and LFS to memorialize the details of their agreement; and

WHEREAS, this type of arrangement provides the District with an additional level of protection wherein should a default occur on the leasehold or within the lessee's joint venture agreement because lessee stopped paying their required rent, then Six Continents would have the ability to step in and cure the lessee's default under the Lease; and

WHEREAS, Six Continents has requested the District provide a separate comfort letter acknowledging their rights provided in the Lease; and

WHEREAS, the District has not reviewed or approved the terms and conditions of the associated Pledge documents, such as the credit enhancement

agreement and is not agreeing to be a party to the credit enhancement agreement or other documents; and

WHEREAS, the District's consent to the Pledge shall be null and void and of no further force and effect if lessee does not obtain a credit enhancement from Six Continents, as confirmed by receipt of final documents signed by both LFS and Six Continents, within 90 days of District's consent.

NOW, THEREFORE, BE IT RESOLVED that the Board of Port Commissioners of the San Diego Unified Port District hereby consents to the assignment of equity and security interests between LFS Intermediate Co., LLC and Six Continents Hotels, Inc.

BE IT FURTHER RESOLVED by the Board of Port Commissioners of the San Diego Unified Port District as follows:

That the Executive Director or her designated representative is hereby authorized on behalf of the San Diego Unified Port District to enter into a Recognition and Comfort Letter with Six Continents Hotels, Inc., subject to the terms and conditions set forth therein.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL



By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 8th day of December, 2015, by the following vote:

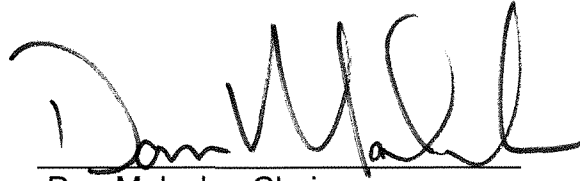
AYES: Bonelli, Castellanos, Malcolm, Merrifield, Moore, Nelson, and Valderrama.

NAYS: None.

EXCUSED: None.

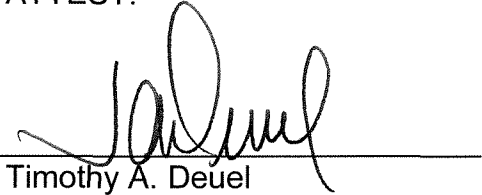
ABSENT: None.

ABSTAIN: None.



Dan Malcolm, Chairman
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)