

INTERIM DEVELOPMENT AGREEMENT

THIS INTERIM DEVELOPMENT AGREEMENT (“**Agreement**”) is made as of this 12th day of DECEMBER, 2007, by and between the MARYLAND DEPARTMENT OF GENERAL SERVICES (“**DGS**”), ON BEHALF OF THE STATE OF MARYLAND (the “**State**”), and STATE CENTER, LLC (the “**Developer**”).

RECITALS

- A. The State owns approximately twenty-five acres of land at the State Center Government Complex located in the midtown area of the City of Baltimore (“**City**”) (as specifically described in Exhibit A and referred to as the “**Property**”,) consisting of five buildings, and approximately 1,300 parking spaces (collectively referred to as the “**State Center**”) which it intends to redevelop to encourage urban revitalization of the surrounding areas in accordance with the principles of Transit Oriented Development and Smart Growth (“**TOD**”). The potential for this site is driven by its access to passenger rail stations and its function as a major employment node around State Center offices and Maryland General Hospital. It is adjacent to many of the City’s major cultural and educational institutions, such as the Meyerhoff Symphony Hall, Lyric Opera House, Maryland Institute College of Art and the University of Baltimore. The area enjoys proximity to the downtown, waterfront, and the neighborhoods of Bolton Hill, Mt. Vernon, Seton Hill, Marble Hill, and Upton (including McCulloh Homes). The State’s vision is that through new TOD and Smart Growth at State Center and nearby properties, the existing cultural and educational institutions of the cultural center can be enhanced and the area diversified so that it becomes one of the City’s most attractive arts, entertainment, retail and residential districts. This newly vibrant area would both increase transit ridership and serve to reconnect and reenergize some of the City’s most diverse and historically significant communities and resources.
- B. The State seeks to ensure that the State Center redevelopment reflects a commitment to the values of transit-oriented development, smart growth, affordable housing, green design, senior friendly design; and historic preservation.
- C. On September 21, 2005, the State in collaboration with the City and neighborhood stakeholders, issued a Request for Qualifications seeking a Master Developer Team for State Center, A Transit-Oriented Development, (as supplemented and amended, the “**RFQ**”). The purpose of the RFQ was to solicit and select a developer with the capacity and demonstrated experience to acquire State-owned properties and successfully handle all aspects of the development process, including planning, community involvement, design, negotiation of public/private partnerships, structuring of private and public financing sources, construction, sales and leasing, and ongoing management (the “**Project**”).
- D. Developer submitted a response to the RFQ under the date of November 30, 2005 (the “**Developer Response**”) outlining the composition of the development team, its approach to TOD, and a description of how Developer intended to integrate the physical, managerial and financial components required to ensure the success of its development program.

- E. On March 21, 2006, the Governor's office announced that a development team led by Developer had been selected for the exclusive initial right to negotiate definitive agreements with the State to develop the Property.
- F. Developer executed a Memorandum of Understanding ("MOU") to confirm the exclusive nature of the negotiations. The MOU was approved by the Maryland Board of Public Works ("BPW") on June 22, 2007. The MOU contemplates the execution during its Term (as defined therein) of an Interim Development Agreement ("IDA"), and then the execution during the IDA term of a Master Development Agreement ("MDA") which will set forth in detail the further obligations of the parties with respect to the Project.
- G. During the term of the MOU, the State and Developer have together evaluated the Property and the Project, and a summary of their activities to date is attached hereto as Exhibit B, including a summary of Project expenditures to date prepared and provided by Developer.
- H. Consistent with the intent and scope of the RFQ, this Agreement is intended to: (1) confirm the exclusive nature of the negotiations among the parties hereto for development of the State Center, (2) establish the duties and responsibilities of the parties, (3) specify steps each party is expected to undertake and complete during the Term hereof (as defined in Section 2.2), and (4) identify other actions to be taken prior to the end of the Term.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties hereto, the following constitute the terms of this Agreement.

1. Intent of Redevelopment of State Center Office Complex and Related Development Principles:

1.1. In addition to the implementation of TOD principles, reestablishing connections to the surrounding neighborhoods, and green design, the primary objectives of the State in redeveloping State Center are as follows:

1.1.1. Develop financially viable projects using private-sector funding resources in a public-private partnership;

1.1.2. Create new revenue sources for the public sector;

1.1.3. Increase Metro and Light Rail ridership;

1.1.4. Expand State and local property, sales and income tax base; and

1.1.5. Provide a mix of housing for a broad range of incomes that reflects the character of adjacent neighborhoods.

1.2. The ultimate success and financeability of the Project is predicated on the State's commitment to retain its workforce presence at State Center and, accordingly, the State has committed to retaining a significant State workforce in the Project.

1.3. The State intends to support creative approaches to development to ensure maximum return to the State and Baltimore City while minimizing direct public financial investment and development risk.

1.4. The State will consider creative options for redevelopment of its existing buildings or occupancy in new privately-owned buildings along with other private tenants, while minimizing disruption of productivity and costs of relocating State employees during renovation and/or new construction. The State will consider all viable development and financing structures, subject to approval by the BPW and budget appropriations.

1.5. The 1,300 parking spaces currently located at the property should be maintained, or a functionally equivalent number of spaces reflecting TOD and smart growth principles (including shared uses and other efficiencies) must be provided, so that adequate parking for all uses, including State employees, is part of any redevelopment program for the Project.

1.6. The Project should provide a mixed-use environment, including office, retail, and residential uses.

1.7. The Project is a public-private partnership. Accordingly, the willingness of Developer to devote its resources and incur third-party expenses in fulfillment of its obligations hereunder is predicated on the expectation that the State will simultaneously devote time and resources towards this cooperative undertaking at least in amounts shown in the Interim Project Budget (as defined in Section 4.4 below). However, neither the State nor Developer shall be deemed in default of its obligations hereunder solely by reason of its decision not to commit internal resources and third-party expenses to the Project. If the State does not devote such time and resources, Developer's sole remedy shall be the option to declare this Agreement void without any further obligation by the State to Developer.

2. Duration of Agreement:

2.1. **Effective Date:** The State and Developer agree that this Agreement is not effective, and shall not be binding on the parties hereto, until approved and executed by the BPW. The "**Effective Date**" of this Agreement shall be the date upon which it is executed by the BPW.

2.2. **Duration of Agreement:** This Agreement will remain in effect for a period of three hundred sixty five (365) days from the Effective Date, unless either extended or terminated as provided below (subject to such extension or termination, the "**Term**"). This Agreement may be extended for up to two (2) periods of thirty (30) days each upon written request by either party of the other, and the Secretary of DGS shall have the authority to document such extensions in writing. All requests for extensions must be written and delivered to the other party prior to the expiration of the then-current Term.

3. **Designation of Exclusive Rights:** The State hereby agrees that, unless and until this Agreement is terminated, it will negotiate only with Developer and with no other prospective developer with respect to the Project.

4. Obligations of Parties During Term:

4.1. **Cooperation and Information Exchange:** The parties agree to meet regularly (in person or by conference call) to advise each other regarding progress on any one or more of the undertakings required during the Term. Developer shall provide the State with all information as may be developed regarding financing, marketing, land-use issues, design questions and construction of the Project. The State has organized an interagency task force to review State Center redevelopment issues (“**Task Force**”), which is designed to provide vehicles for making key decisions and building support for the Project, getting the work done, and insuring that all interested parties are kept informed. Other interested and necessary parties will be brought into the process by the State as needed. The Task Force is comprised as follows:

The State Center Executive Committee (“SCEC”): The SCEC shall be responsible for recommending a program to the Governor, guiding implementation, and making all key decisions for the Project. SCEC shall include the Secretaries of DGS, Maryland Department of Transportation (MDOT), Department of Business and Economic Development (DBED), the Department of Housing and Community Development (DHCD), and the Maryland Department of Planning (MDP).

The State Center Working Group (“SCWG”): The SCWG shall be responsible for managing implementation of the Project. SCWG shall be chaired by DGS Assistant Secretary for Real Estate and Deputy Chaired by MDOT Director of Real Estate. SCWG shall be further staffed by DGS employees and MDOT employees.

State Center Advisory Committee (“SCAC”): The Secretaries for those agencies with staff currently housed at State Center shall be invited to serve on SCAC that also includes the members of SCEC. The SCAC would be kept abreast of all developments in the Project with an emphasis on those things that impact the relocation of employees.

4.2. **Parties’ Representatives:** Developer has designated Caroline G. Moore (“**Developer Representative**”) to represent Developer and she shall have the authority to bind Developer as to all matters pertaining to this Agreement. The State has designated Michael A. Gaines, Sr., Assistant Secretary of DGS, as the State’s representative (“**State Representative**”).

4.3. **State Inventory:** No later than fifteen (15) days after the Effective Date, the State will provide Developer with an inventory of the State’s current occupancy and uses at State Center, including a list of occupants showing the gross and net square footages occupied by each.

4.4. **Interim Project Budget:** No later than thirty (30) days after the Effective Date, the State and Developer shall agree upon a budget (the “**Interim Project Budget**”) which summarizes sources and uses to date and the anticipated costs, in furtherance of this Agreement, between such date and the execution of the MDA. The Interim Project Budget shall reflect at least Two Million Dollars (\$2,000,000) in internal resources and third-party expenses to be incurred by Developer from the commencement of Developer’s work on the Project through the execution of the MDA, but Developer’s obligation to expend such amounts is conditioned on the State’s approval of Developer’s internal rates and charges included within such budget.

4.5. **Preliminary Development Plan:** By March 1, 2008 (the “**PDP Target Date**”), Developer shall submit to the State a proposed Preliminary Development Plan (“**PDP**”), which PDP

shall include the following items in preliminary form based on the assumption that the State will maintain its current level of State Center workforce at the Project:

4.5.1.a proposed conceptual site plan and massing study;

4.5.2.a proposed first development phase including the first building location, replacement parking required by any displacement of existing parking, pedestrian circulation within the phase, and identification of potential off-site improvements anticipated by the phase, along with a related milestone schedule;

4.5.3.a proposed build-out program summarizing development phases for the Project, the potential location and amount of retail, office, residential, parking, and improved transit connections;

4.5.4.an analysis of the anticipated costs of development, associated costs of occupancy such as maintenance and utilities, and infrastructure and other off-site costs, all with applicable qualifications reflecting the information then available to Developer;

4.5.5.an assessment of the Project's economic impact by phase and the resulting public benefits from a revitalized State Center;

4.5.6.a summary of Developer's analysis of the state of title and survey for the Property;

4.5.7.potential alternatives for the financial structure of the Project;

4.5.8.environmental reports which have been conducted for the Property, whether conducted by Developer or the State;

4.5.9.minutes of all community meetings conducted by Developer and a summary of community outreach and inclusion to date by Developer, including the Visioning process;

4.5.10. copies of market studies which have been conducted for the Project, whether conducted by Developer or the State; and

4.5.11. parking studies which have been conducted for the Project, whether conducted by Developer or the State.

4.6. Letter of Intent; Master Development Agreement:

4.6.1. Within five (5) days of submission of the PDP by Developer to the State, the State shall acknowledge to Developer in writing receipt thereof.

4.6.2. Within thirty (30) days of submission of the PDP by Developer to the State, the State shall determine whether the information provided in the PDP, and otherwise supplied by Developer and available to the State, is sufficient for the State to issue a letter of intent ("LOI") which:

(a) approves the PDP as the overall conceptual plan for the redevelopment of State Center, including mixed-use components and location of State offices and employees in the redeveloped Project;

(b) specifies the State's preferred ownership structure for the 25 acres within the Project currently owned by the State, including but not limited to a preference for leasehold and/or fee ownership; and

(c) includes, but is not limited to, the following economic and other programmatic parameters, along with other terms deemed reasonably necessary by the SCEC:

- (1) total square footage required by the State, by Project phase;
- (2) methodology for calculating land disposition cost to Developer, if some or all of the Property is to be conveyed to Developer;
- (3) terms of the State's continuing occupancy within the Project, including but not limited to master lease or space lease terms, rental rates, and rental structure, it being understood that rental rates must be commercially acceptable to Developer, its investors and other capital sources, as well as acceptable within the parameters of the State's budget and appropriations process;
- (4) the State's parking requirements;
- (5) the State's plans with respect to increase ridership of mass transit, including improved connections to light rail and Metro;
- (6) the State's policy and goals with respect to sustainability and conservation, including target LEED levels, if applicable;
- (7) the State's considerations and requirements with respect to multi-tenant occupancy with non-State occupants; and
- (8) partnership timelines and benchmarks to achieve MDA execution and development of the first phase of the Project.

The LOI shall also include the State's intent to use its programmatic, property, infrastructure, and other assets to advance the parties' shared vision of Project goals,

including mixed-income, mixed-use, and TOD principles. The LOI shall also include the State's and Developer's intent to pursue and support joint efforts with other governmental entities (including local and federal governments) to schedule and complete public infrastructure improvements, and to identify and obtain subsidies and support for the Project in general.

4.6.3. If the State determines that the PDP is insufficient for its issuance of the LOI, it shall notify Developer in writing and Developer shall assist the State in its analysis, but Developer shall have no obligation to expend additional funds until the State and Developer have mutually agreed upon additional costs and associated sources for such costs, whether from State or Developer resources, to assist in the State's analysis.

4.6.4. After the SCEC determines that the PDP is sufficient for its issuance of the LOI, the SCEC is hereby authorized by the BPW to issue, and shall issue, the LOI to Developer within thirty (30) days of such determination.

4.6.5. Once the LOI has been issued and fully executed, the State and Developer shall negotiate in good faith the terms of an MDA which shall provide Developer with enforceable rights with respect to control of the Property and development of the Project, and the SCEC shall recommend to the BPW that the terms of the LOI be incorporated into the MDA and other agreements implementing the LOI. Each party will provide the personnel necessary to maintain such negotiations on a pace that will allow for the completion of all of negotiations prior to the end of the Term. Notwithstanding the foregoing, (i) this Agreement does not constitute a binding agreement to enter into the MDA; (ii) neither party may institute any action or proceeding to compel the other to enter into the MDA, and (iii) Developer may not institute any action or proceeding to compel presentation of the MDA to the BPW for approval, or approval of the MDA by the BPW. Further agreements implementing the LOI, including the MDA and any transfer or lease documents, shall be subject to prior approval of the BPW.

4.6.6. Until the State (i) issues the LOI or (ii) conclusively and finally determines, by written notice to Developer (the "**State Notice**") that the LOI cannot and will not be issued and, further, that the State has determined not to proceed with the Project, the Term of this Agreement shall be extended regardless of the scheduled expiration of the Term until the LOI is issued or the State Notice is given.

5. Rights of Entry and Insurance:

5.1. **Right of Entry:** The State shall, within fifteen (15) days of the execution of this Agreement, grant to Developer a right-of-entry in the form attached hereto as Exhibit C to allow for access to the Property in order for Developer to inspect and gather information as needed, limited to those portions of the Property and facilities which are owned or otherwise controlled by the State. In the event that any activities by or on behalf of Developer may occur within fifty (50) feet of any facility (including, by way of example only, structures, rail lines and power sources) owned or operated by the Maryland Transit Administration ("**MTA**"), Developer agrees that it will not

conduct any such activities until MTA has first been contacted and has authorized such activities in writing and Developer has met all of the terms and conditions that MTA has specified, including, by way of example only, insurance and indemnification requirements.

5.2. **Insurance:** At all times when Developer is exercising its rights pursuant to the right-of-entry granted herein, it shall comply with the insurance requirements set forth below in Section 11.

6. **Performance Security:** In consideration of this exclusive designation, and to secure its performance under the MOU and this Agreement, Developer has delivered to DGS, simultaneously with the signing of the MOU, the Deposit (as such term is defined in the MOU). DGS shall retain, and when and if necessary, seek payment on the Deposit to satisfy any valid and quantifiable claims arising hereunder or under the Right of Entry in connection with a breach by Developer, or upon the termination of this Agreement for a breach. DGS, MDOT and other State stakeholders will not be limited to the Deposit as a sole remedy if there is a breach of the Right of Entry. Should a breach under the Right of Entry occur, DGS, MDOT and other State stakeholders may avail themselves of any form of relief permitted under law or equity. In the absence of a breach, the Deposit shall be returned to Developer upon any termination of this agreement. The parties anticipate that the Deposit will be replaced by performance security under the MDA at the time that document is executed and delivered. The Deposit shall be credited to any performance security requirement that will be negotiated under the MDA with the State. In the event that Developer and the State negotiate in good faith but are unable to reach an agreement, then the Deposit shall be refunded to Developer.

7. **Confidentiality:** The parties agree that: (a) Each party and their officers, directors, employees, agents, consultants, and other advisors will maintain in confidence information regarding the Project received by that party that is not otherwise publicly available or permitted to be disclosed (and marked as confidential by the other party), subject to disclosure required by any applicable law or regulation or mandates of any court including, but not limited to, the Maryland Public Information Act or as interpreted by the Office of Attorney General. Such information may be shared with members of each party's advisory team, including lawyers, accountants and other consultants; (b) In the event a party is requested to divulge another party's confidential information under the color of law, regulation or mandate of any court, the requesting party shall immediately provide written notice to the party that is to provide the confidential information; (c) If the parties decide not to proceed with this Agreement or the MDA, each party will return to the other all material containing or reflecting the confidential information marked as such (including each and every copy, extract or other reproduction thereof); (d) Developer will not use the State's confidential information except for the purpose of evaluating its development of the Property or the Project; and (e) The provisions of this Section 7 shall expressly survive any termination of this Agreement. Either party must clearly identify any proprietary or confidential information that it does not want disclosed, duplicated or used by the other party for any purpose other than to evaluate and negotiate the Project transaction.

8. **Publicity:** Each party agrees to coordinate any public statements through the State. Developer shall not issue, or authorize any other party to issue, any written press release, advertisement or other formal communication (individually and collectively) to any media outlet (including, but not limited to, newspapers, radio and television stations and web sites) relating to the Project. Developer shall provide the State with a draft copy of any proposed press release no less

than three (3) business days prior to the proposed release. Developer shall not hold any press conferences relating to the Project without first extending an invitation to the State to have a representative present at such press conference. Developer shall provide the State with no less than five (5) business days prior written notice of the date and time of any proposed press conference. Such notice shall also state in detail the purpose of the press conference and the topics to be discussed. Notwithstanding the foregoing, the State acknowledges that Developer has agreed to engage in a comprehensive public process to determine and develop an acceptable plan for the Project, and that all disclosures in connection with such process, in which the State has fully participated, are condoned and permitted, including the creation and maintenance of the State Center project website which is accessible to the public.

9. Gratuities: The parties acknowledge that, in connection with the performance of this Agreement, the giving of or offering to give gratuities (in the form of entertainment, gifts or otherwise) by Developer, or any agent, representative or other person acting on behalf of Developer or by any supplier or subcontractor furnishing material to or performing work for Developer under this Agreement, or any agent, representative or other person acting on behalf of such supplier or subcontractor, to any director, officer or employee of the State, or to any director, officer, employee or agent of any of the State's respective agents, consultants or representatives, with a view toward securing an agreement or securing favorable treatment with respect to the awarding or amending, or the making of any determination with respect to performance under this Agreement, is expressly forbidden by law.

10. No Personal Liability of State: In no event shall the State, or any agency, department, unit, or instrumentality thereof, or any officer, director, employee, or agent thereof, be subject to any liability or claim of type or amount not expressly permitted under Maryland State law and no waiver of any immunity or limitation of liability otherwise provided under State law is made or intended. Furthermore, the State shall not assume any obligation to indemnify, defend, hold harmless, or pay attorneys' fees that may arise from or in any way be associated with the performance or operation of this Agreement. The State makes no representations or warranties with respect to the condition of the Property, including as to all environmental matters.

11. Insurance:

11.1. While Developer expects to enter the Property to undertake studies associated with Developer's due diligence activities during the Term, it is not anticipated that Developer will engage in any construction, demolition or other site work during the Term. Notwithstanding the foregoing, the State may require that Developer carry insurance as may be appropriate for any work it is conducting in association with its due diligence and which is reasonably available in the marketplace; provided, that Developer must advise the State if it determines that required insurance is not reasonably available, and the State shall have the opportunity to procure such insurance on behalf of Developer at reasonable cost.

11.2. All required insurance shall be with a company or companies licensed to do business in the State of Maryland and shall be acceptable to the State stakeholder requiring the insurance and shall have a rating of no less than A and a financial size category of no less than XII under the most recent A.M. Best Company rating. Developer shall name the State and the respective State stakeholder identified by DGS and their respective consultants, agents, employees, officers,

directors, partners and lender as additional insureds on the insurance policies required below, which policies of insurance shall provide such additional insureds with no less than thirty (30) days prior notice of cancellation. All insurance policies required by this Agreement shall be endorsed to state that the insurance carrier shall provide at least thirty (30) days notice to the State in the event of cancellation, non-renewal, or material change in the coverage, either by the insurance company or by Developer.

11.3. Developer shall maintain during the Term insurance coverage in the following minimum amounts:

11.3.1. **Professional Errors and Omissions Insurance:** Developer shall require the Project architects to obtain professional errors and omissions insurance in an amount not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate.

11.3.2. **Worker's Compensation Insurance:** Developer's liability insurance, at the statutory limits, for protection from disability benefits claims under Workers' Compensation laws and other employee benefit laws, claims for damages because of bodily injury, occupational sickness or disease or death of Developer's employees, or any employees employed by a member of Developer's team, and any other liability.

11.3.3. **Commercial General Liability:** Insuring against any liability for bodily injury, death or property damage occurring upon, in or about any part of the Property or Project arising from any act by Developer on the Property or against which Developer is required to indemnify DGS, MDOT, or any State stakeholder, with such policies to afford protection with respect to bodily or personal injury, including death, of not less than Two Million Dollars (\$2,000,000.00) per occurrence and in the amount of Five Million Dollars (\$5,000,000.00) per occurrence in respect of property damages, provided however, that such coverages shall be primary and not be contributory.

11.4. Evidence of insurance shall be provided to the State prior to the execution of this Agreement by means of a Certificate of Insurance with copies of all endorsements attached or by certified copy of the complete policy with all endorsements. Failure to obtain or to maintain the required insurance or to submit the required proof of insurance shall be a reason for termination of this Agreement. Exclusion endorsement copies shall be attached to the Certificate of Insurance. The Certificate of Insurance shall be accompanied by a document (a copy of State License or letter from insurer) which indicates that the agent signing the certificate is an authorized agent of the insurer.

11.5. Developer shall not allow any subcontractor to commence work on any subcontract until the insurance required of the subcontractor has been obtained by the subcontractor and approved by Developer. All subcontractors shall be required in the subcontract documents to carry insurance for the line items described in the subcontract. Developer shall be responsible for determining appropriate limits for subcontractors, and for enforcing insurance coverage requirements for its subcontractors, consistent with Developer's obligations under this Agreement.

11.6. The Commercial General Liability insurance policies required by this Agreement shall include endorsements stating that the State and any other entities designated by the State are additional insureds with respect to liability arising out of or resulting from the operations and completed operations of the named insured.

11.7. All insurance policies required by this Agreement shall contain waivers of subrogation in favor of the State and any other entity designated by the State and shall provide that the bankruptcy or insolvency of the insured does not relieve the insurance company of its obligations under the policies.

11.8. In the event any party maintains insurance with limits exceeding the limits required hereunder, the Certificates of Insurance provided to the State shall state the full extent of the coverage available to the parties. Such excess liability coverage will inure to the benefit of the parties in the event of loss in excess of the minimum insurance required herein.

11.9. If, during the Term, Developer fails to secure and maintain the required insurance, the State shall have the right (without the obligation to do so) to secure the insurance in the amounts specified in the name of Developer, in which case, Developer shall pay all premiums, deductibles, self-insured retentions or other amounts associated with the insurance and shall furnish all information that may be required in connection with the State purchasing such insurance.

11.10. It is understood and agreed that the coverages and limits contained herein are the minimum requirements only. Developer shall be responsible for providing insurance coverage that meets the needs of Developer itself, its subcontractors, sub-consultants, employees, and others as obligated in this Agreement.

12. Indemnification: To the fullest extent permitted by law and notwithstanding the types of limits of insurance coverage set forth in this Agreement, Developer hereby covenants and agrees to defend, indemnify, save and hold harmless the State and its officers, directors, employees, agents and consultants, from and against any and all damages, claims, liabilities, losses, risks, and costs of whatsoever kind and nature (including court costs and attorney's fees) arising or alleged to have arisen from, or resulting directly or indirectly from, any acts by Developer or any of its employees or agents occurring in connection with or arising out of activities to be performed under the Agreement, and any acts of Developer in connection with activities to be performed or claimed to be performed under this Agreement resulting in whole or in part from acts, errors, or omissions of Developer by its employees, agents or representatives, and any subcontractors or Developer and their employees. Developer shall be responsible for, and shall repair or replace (as necessary), at its own expense all damage to State property caused by its acts, or those of its employees, subcontractors or subcontractor's employees in connection with this Agreement.

13. Termination of Agreement

13.1. **Termination By State:** The State shall have the right to terminate this Agreement if:

13.1.1. Developer has breached any of its obligations under this Agreement and such breach has not been cured within thirty (30) days written notice from the State specifying the nature and extent of the breach, provided that such time for cure shall be extended for so long as Developer is diligently pursuing a cure;

13.1.2. Developer or any one of its members files a voluntary petition for relief under any state or federal bankruptcy or insolvency law; or an involuntary petition for relief under any state or federal bankruptcy or insolvency law is filed by a creditor of Developer or any one of its members, and such petition is not dismissed within forty-five (45) days;

13.1.3. Developer fails to receive prior written approval from the State to alter the ownership structure of Developer that includes altered percentages of ownership by approved individuals or entities or a change in ownership that results in replacing approved individuals or entities;

13.1.4. Developer fails to receive prior written approval from the State to alter the project team structure identified by Developer in its response to the RFQ that includes key individuals or team members that results in replacing approved individuals or entities, such approval not to be unreasonably withheld in view of Developer's inability to ensure that any individual will remain employed by Developer or its members throughout the Term;

13.1.5. Developer willfully fails to receive prior written approval from the State if Developer assigns its position or its interests in a State property to another business entity;

13.1.6. Developer makes a material misrepresentation which, in the reasonable judgment of the State, cannot be cured or corrected, or which materially undermines the process by and the reasons for which Developer was selected; or

13.1.7. Developer materially fails to comply with the insurance provisions of this Agreement.

13.2. **Termination By Developer:** Developer shall have the right to terminate this Agreement if the State has breached any of its obligations under this Agreement and such breach has not been cured within thirty (30) days written notice from Developer specifying the nature and extent of the breach, provided that such time for cure shall be extended for so long as the State is diligently pursuing a cure.

13.3. **Effect of Termination.**

13.3.1. No termination will be effective unless accompanied by a written notice that includes an explanation of the basis upon which the termination right is being exercised.

13.3.2. Upon the termination of this Agreement for whatever reason, (a) the Right of Entry shall terminate, saving for such obligations, rights and remedies that survive a termination pursuant to the terms thereof, (b) upon payment to Developer of Developer's actual, demonstrated, cost for such items, the State will receive from Developer (or have the right to retain) all Project information, data, and workproduct (including but not limited to all studies, design documents, feasibility assessments, and economic analyses) obtained or created by Developer during the Term (collectively,

“Developer Workproduct”), and the State will have the right to begin negotiations with other prospective developers, including developers that responded to the RFQ. Until such payment is received by Developer, Developer shall have sole and exclusive rights to the Developer Workproduct and the State shall have no right to use it for its own purposes or in connection with development of the Project by a third party, and shall promptly return to Developer all Developer Workproduct in its possession, except that initially supplied to Developer by the State.

13.3.3. The State may retain the Deposit after terminating this Agreement only until any claims under this Agreement, any Right of Entry, or any other related agreement executed by the parties have been satisfied. Upon the termination of this Agreement, all parties shall be relieved of any obligation to continue to perform in accordance with this Agreement, but not from their rights and obligations existing at the time of termination that expressly survive such termination. Notwithstanding the foregoing, upon the termination of this Agreement the parties remain obligated to seek a resolution of the matter in dispute within the time period provided, and Developer remains obligated to indemnify the State as provided for herein and to return confidential documents (which have been so marked by the State at time of delivery), all of which terms are deemed to survive the cancellation or termination of this Agreement. The State shall not be limited to the Deposit as a sole remedy for breach by Developer and may avail itself of any form of relief permitted under law or equity.

14. Required Approvals and Appropriations: This Agreement and all obligations of the State created herein are subject to approval by the BPW and the approval and appropriation by the Maryland General Assembly, if and when required by law.

15. Disputes: Except as expressly provided in this Agreement, if any action is brought by either party against the other party hereto, relating to or arising out of this Agreement, the transaction described herein or the enforcement hereof, each party shall be solely responsible for its own attorneys’ fees, costs and expenses incurred in connection with the prosecution or defense of such action.

16. Time Of The Essence: Time, wherever specified herein for the performance by the State or Developer or any of their respective obligations hereunder or the exercise of any of their respective rights hereunder is hereby made and declared to be of the essence of this agreement.

17. Force Majeure: For the purpose of any provision of this Agreement, neither party shall be considered in breach of or default of any of its obligations including in the event of delay in the performance of such obligations due to events or causes beyond such party’s reasonable control such as strikes, lockouts, actions of labor unions, riots, storms, floods, explosions, acts of God or of the public enemy, government moratorium, insurrection, mob violence, civil commotion, sabotage, malicious mischief, vandalism, inability to procure or general shortage of labor, equipment, facilities, materials, or supplies in the open market (notwithstanding good faith and diligent efforts), failures of transportation, fires, other casualties, epidemics, quarantine restrictions, freight embargoes, severe weather, inability to obtain governmental permits or approvals (notwithstanding good faith and diligent efforts), delays of subcontractors due to such causes, or the actions or inactions of the other party with respect to such party’s obligations hereunder, it being the purpose

and intent of this Section 16 that in the event of the occurrence of such events, the time or times for the performance of the covenants, provisions and agreements of this Agreement shall be extended for the period of the event (including any time reasonably required to recommence performance due to such delay). Neither party may rely on its own acts or omissions as grounds for delay in its performance.

18. Agreement Not To Be Recorded: This Agreement shall not be filed of record by or on behalf of Developer in any office or place of public record. If Developer fails to comply with the terms hereof by recording or attempting to record this Agreement or a notice thereof, such act shall not operate to bind or cloud title to the Property. The State shall, nevertheless, have the right forthwith to institute appropriate legal proceedings to have the same removed from record. If Developer or any agent, contractor or counsel acting for Developer shall cause or permit this Agreement or a copy thereof to be filed in an office or place of public record, the State, at its option, and in addition to State's other rights and remedies, may treat such act as a default hereunder. However, the filing of this Agreement in any lawsuit or other proceedings in which such document is relevant or material shall not be deemed to be a violation of this section.

19. Notices: Any notices required by this Agreement must be in writing and must be sent to the other parties at the addresses set forth below either by (a) hand delivery, in which event delivery occurs upon receipt, (b) registered or certified mail, return receipt requested, in which event delivery is deemed to have occurred on the fourth business day after so mailed, or (c) nationally recognized overnight courier service, in which event delivery is deemed to have occurred on the next business day. Any notices sent by facsimile machine will not be treated as effective, although such deliveries are encouraged as a prelude to the formal notices required by this Section. The addresses for each party are as follows:

If to DGS:

Department of General Services
Office of Real Estate
Room 601
300 W. Preston Street
Baltimore, Maryland 21201
Attention: Michael Gaines, Assistant Secretary

With copies to:

Maryland Department of Transportation
Office of Real Estate
7201 Corporate Center Drive
PO Box 548
Hanover Maryland 21076
Attn: Christopher Patusky, Director

If to STATE CENTER LLC:

c/o Struever Bros. Eccles & Rouse, Inc.
1040 Hull Street
Suite 200
Baltimore, Maryland 21230
Attn: Caroline G. Moore

With a copy to:

Jon M. Laria, Esq.
Ballard Spahr Andrews & Ingersoll, LLP
300 East Lombard Street, 18th Floor
Baltimore, Maryland 21202

20. Required Affidavits:

20.1. Payments to the State of Maryland; Bribery. Developer represents and warrants to the State that (i) Developer is not in arrears with respect to the payment of any monies due and owing the State of Maryland, or any department or unit thereof, including but not limited to, the payment of taxes and employee benefits; and (ii) neither Developer nor any officer, director or partner of Developer or any partner thereof nor any employee of Developer or any partner thereof directly involved in obtaining contracts with the State of Maryland, or any county or other subdivisions of the State of Maryland, has been convicted of bribery, attempted bribery or conspiracy to bribe, nor has engaged in conduct, or by any acts or omissions, made admissions, in writing or under oath during the course of any official investigation or other proceeding, since July 1, 1977, which would constitute an offense or offenses of bribery, attempted bribery, or conspiracy to bribe under the laws of any state or the federal government. As used herein, the word "convicted" includes an accepted plea of nolo contendere.

20.2. Disclosure of Beneficial Ownership. If applicable and if required by State law, Developer shall comply with the provisions of Section 13-221 of the State Finance and Procurement Article, Annotated Code of Maryland, which requires that every business that enters into contracts, leases, or other agreements with the State of Maryland, or its agencies during a calendar year under which the business is to receive in the aggregate One Hundred Thousand and 00/100 Dollars (\$100,000) or more, shall, within thirty (30) days of the time when the aggregate value of these contracts, leases or other agreements reaches One Hundred Thousand and 00/100 Dollars (\$100,000), file with the Secretary of State of Maryland certain specified information to include disclosures of beneficial ownership of the business.

20.3. Disclosure of Political Contributions. If applicable and if required by State law, Developer shall comply with Sections 14-101 through 14-108 of the Election Law Article, Annotated Code of Maryland, which requires that every person that enters into contracts, leases, or other agreements with the State, a county, or an incorporated municipality, or their agencies, during a calendar year in which the person receives in the aggregate \$100,000 or more, shall file with the State Board of Elections a statement disclosing contributions in excess of \$500 made during the

reporting period to a candidate for elective office in any primary or general election. The statement shall be filed with the State Board of Elections: (1) before a purchase or execution of a lease or contract by the State, a county, an incorporated municipality, or their agencies, and shall cover the preceding two calendar years; and (2) if the contribution is made after the execution of a lease or contract, then twice a year, throughout the Term, on: (a) February 5, to cover the 6-month period ending January 31; and (b) August 5, to cover the 6-month period ending July 31.

20.4. Non-Hiring of Officials and Employees. No official or employee of the State of Maryland, as defined under Section 15-102 of the State Government Article, Annotated Code of Maryland, whose duties as such official or employee include matters relating to or affecting the subject matter of this Agreement, shall during the pendency and term of this Agreement and while serving as an official or employee of the State become or be an employee of Developer or any entity that is an affiliate of Developer under this Agreement.

20.5. Nondiscrimination in Employment. Developer agrees: (a) not to discriminate in any manner against an employee or applicant for employment because of race, color, religion, creed, age, sex, marital status, national origin, ancestry or disability of a qualified individual with a disability; (b) to include a provision similar to that contained in subsection (a), above, in any contract associated with the Project except a subcontract for standard commercial supplies or raw materials; and (c) to post and to cause contractors to post in conspicuous places available to employees and applicants for employment, notices setting forth the substance of this clause.

20.6. OFAC REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION.

20.6.1. Representations and Warranties. The State represents that it is an instrumentality of the State of Maryland.

20.6.2. Developer represents and warrants that (i) it is not, and none of its partners, members, managers, employees, officers, directors, representatives or agents is, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control (“OFAC”) of the Department of the Treasury (including those named on OFAC’s Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or under any other law, rule, order, or regulation that is enforced or administered by OFAC (such persons and entities each being a “Prohibited Person”); (ii) it is not acting directly or indirectly, for or on behalf of any Prohibited Person; (iii) it is not engaged in this transaction, directly or indirectly, on behalf of, or instigating or facilitating this transaction, directly or indirectly, on behalf of any Prohibited Person; and (iv) it will not contract with or otherwise engage in any dealings or transactions or be otherwise associated with any Prohibited Person.

21. General:

21.1. The Recitals are incorporated into this Agreement as though fully set forth at length.

21.2. Each party represents to the other parties that it has all necessary authority to enter into this Agreement, to execute and deliver this Agreement to the other parties, and to perform its obligations hereunder.

21.3. This Agreement shall be interpreted and enforced according to the laws of the State of Maryland.

21.4. Developer shall not assign, grant, convey or otherwise transfer all or any portion of Developer's interest in, title to, or rights or obligations under this Agreement without the State's prior written consent, which consent may be granted, granted conditionally or withheld in the State's sole and absolute discretion.

21.5. This Agreement, including the Exhibits attached hereto, represents the entire agreement and complete understanding between the parties hereto as to the subject matter herein, and supersedes the MOU and all prior written or oral negotiations, representations, warranties, statements or agreements between the parties hereto as to the Project. No inducements, representations, understandings or agreements have been made or relied upon in the making of this Agreement, except those specifically set forth in the provisions of this Agreement. Neither party hereto has any right to rely on any other prior or contemporaneous representation made by anyone concerning this Agreement which is not set forth herein.

21.6. This Agreement may be executed in counterparts, all such executed counterparts shall constitute the same agreement, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

21.7. If any provision of this Agreement or the application of such provision to any person or situation shall be held invalid or unenforceable, the remainder of this Agreement and the application of such provision to persons or situations other than those held invalid or unenforceable shall not be affected and shall continue valid and be enforced to the fullest extent permitted by law. Any such invalid or unenforceable provision shall be deemed automatically reformed to render same as close in meaning and effect as the original provision but still valid and enforceable.

21.8. This Agreement has been negotiated at arms length by both the State and Developer, and no rule of construction shall be invoked against either party with respect to the authorship thereof.

21.9. Developer shall retain and maintain all records and documents relating to this Agreement for the longer of three (3) years following the Term or any applicable statute of limitations, whichever is longer, and shall make them available for inspection and audit by authorized representatives of the State, including the procurement officer or designee, at all reasonable times.

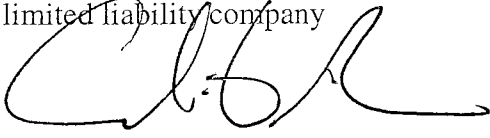
21.10. No waiver by a party hereto of any provision hereof, shall be or shall be deemed to be a waiver of any other provision hereof, or of any subsequent breach by a party of the same or any other provision hereof. The parties agree that except for the matters specifically set forth in this Agreement, this Agreement is not a waiver of any rights or remedies they respectively may have under law.

21.11. As used herein, all references made: (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders; (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well; (c) to any Article, Section subsection paragraph, subparagraph or clause shall unless therein expressly indicated to the contrary, be deemed to have been made to such Article, Section, subsection, paragraph, subparagraph or clause of this Agreement; and (d) to “Developer” or “State” shall be deemed to refer to each party hereinabove so named and its respective successors and assigns hereunder. Furthermore, words such as “herein,” “hereinafter,” “hereof,” “hereto,” “hereby,” “hereunder,” and “hereinbelow,” when used with reference to this Agreement, refer to this Agreement as a whole, unless the context otherwise requires. The headings and captions of this Agreement are for convenience and reference only and in no way define or limit the intent, rights or obligations of the parties hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have signed and sealed this Agreement as of the date first set forth above.

STATE CENTER, LLC,
a Maryland limited liability company

By: 
Caroline G. Moore, Authorized Person

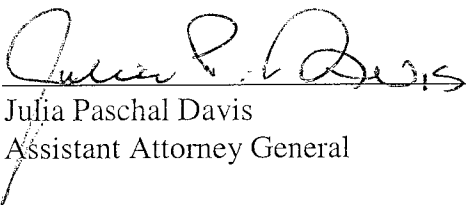
Date: 12/4/07

MARYLAND DEPARTMENT OF GENERAL SERVICES

By: 
Alvin C. Collins, Secretary

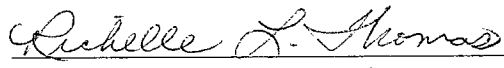
Date: 12/17/07

Approved as to form and legal sufficiency:

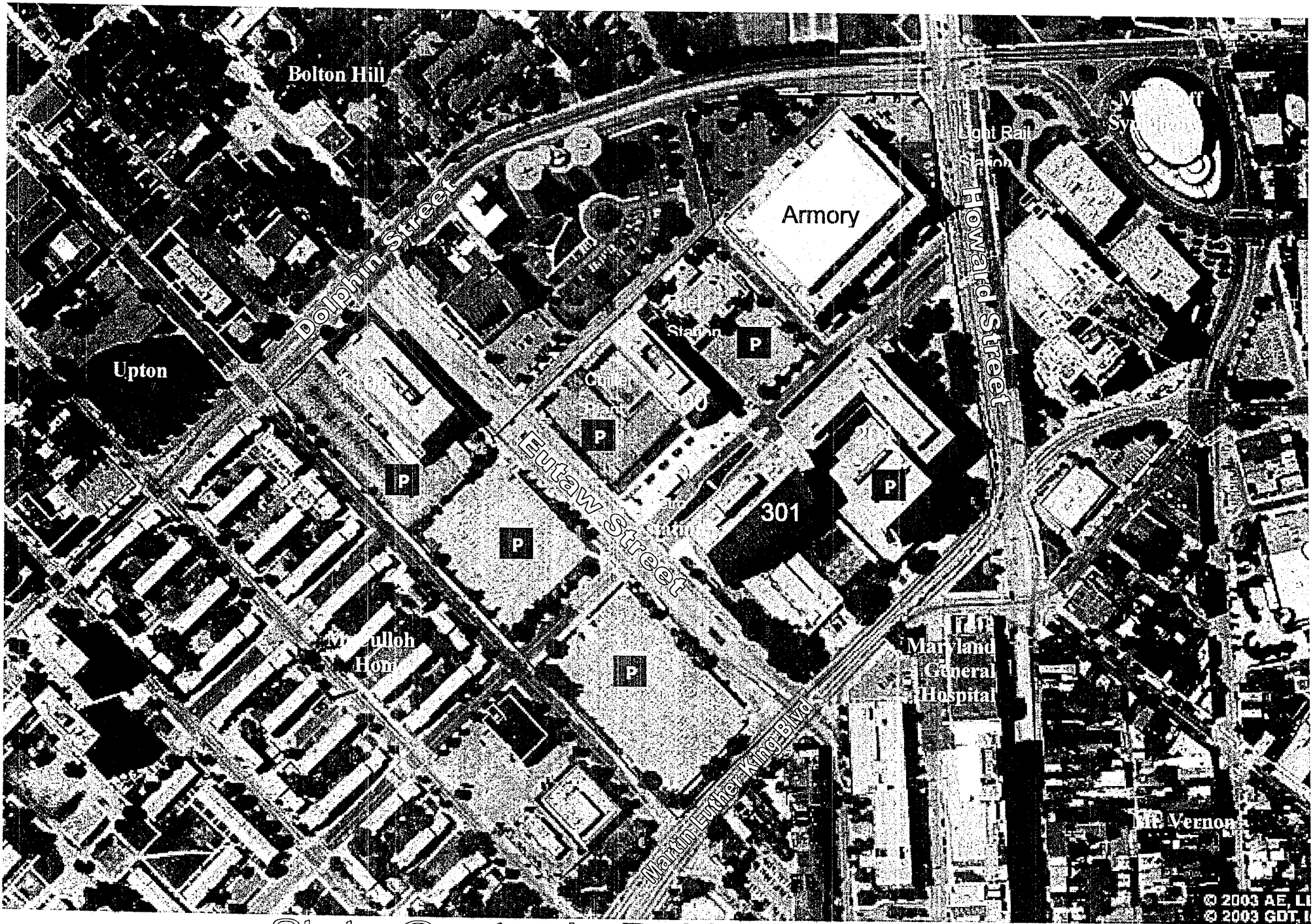
By: 
Julia Paschal Davis
Assistant Attorney General

Date: 12-11-07

Approved by the Board of Public Works of the State of Maryland at a meeting held on the 12th day of DECEMBER, 2007


By: RICHELLE L. THOMAS

- EXHIBIT A -- Description of Property
- EXHIBIT B -- Summary of Project Activities and Expenditures
- EXHIBIT C -- Form of Right of Entry



State Center in Baltimore Maryland

EXHIBIT A

EXHIBIT **B**

A Report to the Maryland General Assembly

Senate Budget & Taxation Committee

and

House Appropriations Committee

regarding

“The Redevelopment of State Center in Baltimore City”

(2007 JCR, Page 74)

The Maryland Department of Transportation

November 2007

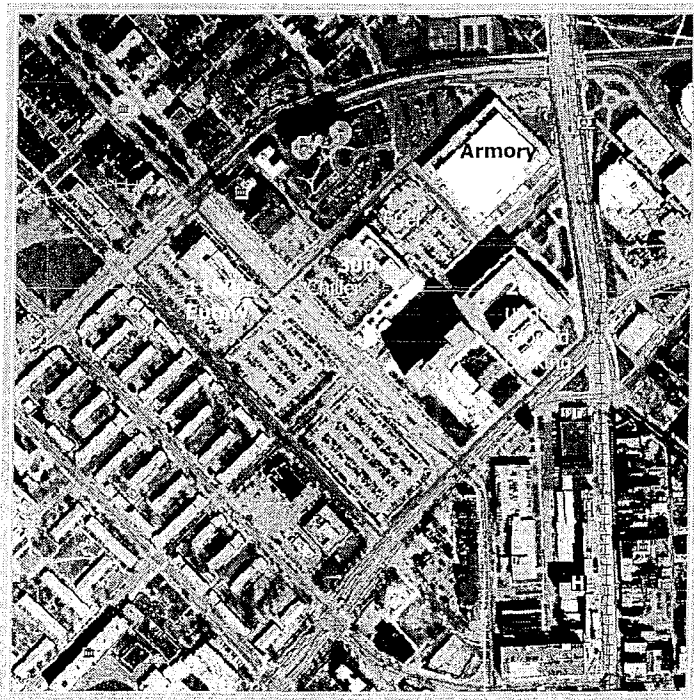
The Redevelopment of State Center in Baltimore City 2007 Joint Chairmen's Report, Page 74

This report was prepared in response to language contained on page 74 of the 2007 Joint Chairmen's Report. Specifically, the language directs that:

"The committees request that the Maryland Department of Transportation (MDOT), working with the Department of General Services (DGS), submit a report that explains the short- and long-term plan for the redevelopment of State Center in Baltimore City. The report should include information regarding the future ownership of the State Center complex, the State agencies that will be impacted by the redevelopment of State Center and how they will be impacted, estimated redevelopment and other ancillary costs to the State for the proposed redevelopment, and an assessment of the impact that this proposed redevelopment project will have on Baltimore City and State operations in general. The report shall also discuss what impact delaying construction of the current State lab will have on the development of State Center."

Introduction

"State Center" refers to an area in mid-town Baltimore City generally bordering Preston Street that includes four buildings which house a large number of State Agencies and employees. The State Center complex is the largest concentration of State government offices in Maryland, and it is comprised of approximately 25 acres of land around the *State Center/Cultural Center* Metro Station and across the street from the *Cultural Center* Light Rail Station. The site is surrounded by Martin Luther King, Jr. Boulevard, Howard Street, Hoffman Street and Madison Avenue. The complex has four mid-to-high rise State office buildings including: 201 West Preston Street; 300 West Preston Street; 301 West Preston Street; and 1100 North Eutaw Street.



A 650-space parking structure, a chiller plant, and three surface parking areas occupy 5 of the 25 acres. In addition, the State is interested in the redevelopment of the historic 5th Regiment Armory building at the corner of Howard and Preston Streets, after it is vacated by the National Guard, its current occupant. The 5th Regiment Armory is listed on the National Registry of Historic Places.

This area has been the subject of a cooperative effort between the State and the City of Baltimore to assess opportunities to revitalize the State' office complex through greater use of transit oriented development (TOD). These TOD principles include: development that is physically and functionally integrated with transit; that reduce auto dependency; increase pedestrian/bicycle trips; foster safer station areas; enhance walkable connections to transit stations; provide mixed-use development, including housing and convenience goods and services; offer attractive public spaces; promote and enhance ridership; and encourage revitalization and sound growth.

The State also seeks to ensure that the resulting development reflects a commitment to the following values:

- Affordable Housing;
- Green Design;
- Senior Friendly Design;
- Historic Preservation and Appropriate Design; and
- Support of Creative Arts and Culture.

A significant goal is the integration of the State Center development program with other redevelopment efforts at the adjacent McCulloh Homes and Maryland General Hospital, as well as other nearby properties owned by other institutions and private owners.

The MDOT in partnership with the State of Maryland's Department of Planning (MDP), Department of General Services (DGS) and Baltimore City commissioned a comprehensive visioning and planning initiative to review the potential for a TOD centered on the existing State-owned property adjacent to the State Center Metro station in Baltimore.

In December 2004, the consultant team began by reviewing the planning area, detailing site characteristics and market conditions. At the same time, the consultant team and partners (MDOT, DGS, MDP and Baltimore City agencies) initiated a comprehensive community input process including individual and group stakeholder meetings. The initial analysis and background information served as the foundation for a five-day charrette process. At the charrette, community leaders, area stakeholders and government officials worked with the consultant team to craft alternative development concepts.

The consultant's development recommendations at the end of the five-day planning charrette included more than 3,000 new housing units (53 percent for sale and 47 percent rental); approximately 1.2 million square feet of office/institutional space; 500,000 square feet of retail/entertainment space and a 200-room hotel. In response to community interest the retail space incorporated a 60,000 square foot grocery store. Based on shared parking arrangements, the TOD strategy projects the creation of more than 5,000 parking spaces with a mixture of structure, tuck-under, surface and street parking spaces.

The draft *State Center Transit Oriented Development Strategy* provides a framework for disposition of State-owned properties and promotion of TOD in the corridor between Penn

The Redevelopment of State Center in Baltimore City 2007 Joint Chairmen's Report, Page 74

Station and Pennsylvania Avenue. The *State Center Transit Oriented Development Strategy* sets forth a vision that through new TOD at State Center and nearby properties the existing cultural and educational institutions of the Cultural Center can be enhanced and the area diversified so that it becomes one of the City's most attractive arts, entertainment, retail and residential districts. This newly vibrant area would serve to reconnect and reenergize some of the City's most diverse and historically significant communities and resources.

At the completion of the visioning process, the area's neighborhood associations formed the State Center Neighborhood Alliance. The Alliance includes representatives from the following neighborhood groups: Bolton Hill, Madison Park, Marble Hill, McCulloh Homes, Mount Vernon, Seton Hill and Upton. The Alliance meets on a monthly basis to discuss issues related to the State-Center redevelopment and area wide concerns.

Selection of a Master Development Team

Based on the *Strategy* and significant community input, the DGS, in association with the MDOT and the MDP, and in collaboration with the City of Baltimore and neighborhood stakeholders, sought an experienced Master Developer of mixed-use projects for the redevelopment of underutilized State Center properties in accordance with principles of TOD. A Request for Qualifications (RFQ) was used to solicit and select a Master Developer who is capable of comprehensive redevelopment of State-owned properties in the State office complex known as "State Center" in the heart of Baltimore's Cultural District. The term "Master Developer" signified a development entity or entities with the capacity and demonstrated experience to acquire the State-owned properties and successfully handle all aspects of the development process, including planning, community involvement, design, negotiation of public/private partnerships, structuring of private and public financing sources, construction, sales and leasing, and ongoing management.

An Evaluation Panel consisting of representatives from more than seven area neighborhoods, local stakeholders, third party observers, city agencies and elected officials unanimously recommended the selection of the "State Center Partnership" development team. This is a very large team headed by Struever Brothers, Eccles and Rouse (SBER).

Struever Brothers, Eccles and Rouse has partnered with McCormack, Baron, Salazar (MBS) and Doracon Development/Pennrose Companies to draw on the complementary expertise of each firm. Baltimore-based SBER is nationally recognized for innovative urban, mixed-use redevelopment projects. St. Louis-based MBS has completed three TODs in the last six years and is a leader in developing economically integrated communities. Doracon Development is one of the fastest growing contracting firms in Baltimore and Pennrose Companies, a regional developer with a substantial Maryland presence. These developers bring more than 85 years of combined experience in creative financing, thoughtful urban design, and aggressive community and stakeholder engagement. The partnership offers the State a team with coast to coast TOD experience and many credentials in creative public/private financing; urban office, retail, and commercial development; high quality mixed-income and senior housing; historic preservation

The Redevelopment of State Center in Baltimore City 2007 Joint Chairmen's Report, Page 74

and adaptive reuse; "green" sustainable design; community and stakeholder engagement; and minority and women-owned business participation.

Project Status

A Plan and a Development Program have not yet been created for State Center. The State Center TOD project is undergoing a number of pre-development planning activities and developer's due diligence on the complex. The DGS is supervising the development team's activities, including: due diligence on-site, interaction with neighborhood representatives, and planning for a consensus redevelopment program (CityScaping). The State and the development team have also agreed on a structure of agreements that will govern the public/private partnership through the redevelopment planning of State Center.

On June 20, the Maryland Board of Public Works approved a Memorandum of Understanding (MOU) between the State of Maryland and the development team. It provides for:

1. An exclusive negotiating privilege;
2. A \$100,000 performance deposit by State Center LLC;
3. Insurance required of the developer during due diligence;
4. Indemnification of the State;
5. Creation of a community planning process; and
6. Promises of cooperation and confidentiality.

The MOU will be in force for a period of 120 days. At the end of the 120 days, the State and State Center LLC intend to enter into an Interim Development Agreement (IDA) that will establish project responsibilities and milestones leading to a Master Development Agreement (MDA). The IDA will last for a period of one year and will be subsumed by the MDA.

Due Diligence

The MDOT, DGS and State Center LLC have directed a number of studies to build a greater understanding of the site's opportunities and constraints. This work includes:

1. A comprehensive **title review** of the properties in State Center;
2. A survey of existing **building conditions**;
3. Phase I **Environmental** Assessment;
4. Preliminary **geotechnical** investigation;
5. Boundary and **topographic** surveys;
6. **Utility** and engineering surveys;
7. A survey of existing traffic and **transportation** issues; and
8. State **office space** utilization and best practices on space requirements.

All reports described above will be available on the State Center website, <http://www.statecenter.org>.

The Redevelopment of State Center in Baltimore City 2007 Joint Chairmen's Report, Page 74

"CityScaping"

The development team and the State have been participating in a planning process that engages nearby residents, State employees and other stakeholders in community-driven collaborative planning that the team has named "CityScaping." The process that began in May and is scheduled to run through the spring of 2008 was designed to maximize stakeholder input and to create a thoroughly conceived and executable development plan. To date, more than 150 residents and stakeholders have participated in the process. A timeline of CityScaping and the development plan for the first building is displayed in **Exhibit 1**. CityScaping is a five-stage process that is described below.

Stage 1: Plan the Plan

The goal of the first stage known as "Plan the Plan" is for the development team and the community to define and agree to the following concepts: Process, Schedule, Core Values, Participating Stakeholders and Deliverables. It is the expectation that these sessions prepared neighborhood residents and other stakeholders for future sessions that required more hands-on participation.

Stage 2: Educate

The second stage was established so that project stakeholders can exchange key pieces of information with one another that will inform future planning phases. Public, private, and community partners taught and learned from each other about the buildings, people and environment that currently exist at State Center and adjoining areas. Sessions featured presentations on the history and context of the area, existing physical conditions, social concerns and market and stakeholder needs.

Stage 3: Vision

The first two stages were designed to provide basic information and context for the planning process so that residents and other stakeholders would get the most out of the third stage known as "Vision." In this stage, the development team and its consultants facilitated a collaborative, hands-on, working sessions during which residents and stakeholders participated in brainstorming exercises to identify what the redeveloped State Center could be. During these sessions, the development team shared national best practices from comparable redevelopment efforts, and encouraged participants to contribute big ideas, discuss their hopes and fears and engage in out-of-the-box thinking. All input was documented, see **Exhibit 2**.

Stage 4: Plan

With the ideas collected in the Vision sessions, the development team will create a conceptual design that embodies what the redeveloped State Center could be. The development team will narrow and focus all of the ideas into a series of tests and models and begin to evaluate what is

The Redevelopment of State Center in Baltimore City 2007 Joint Chairmen's Report, Page 74

possible. These test fits and models will eventually be condensed into a series of visual schemes and written documents. The development team will present these alternatives to the residents and stakeholders with multiple opportunities for feedback.

Stage 5: Deliverables

After completing the Plan stage, the development team will create the final deliverables that will reflect the work of the previous stages. The development team envisions two distinct deliverables, a Planned Unit Development (PUD) proposal and a Human Capital Plan. The PUD will describe proposed land uses and will include preliminary site and building designs as well as written narratives. The development team's goal is to complete the PUD in February 2008 so that it can be submitted to Baltimore City Council later that year. The development team will also create a Human Capital Plan that will detail the social service and people-centered programming to be included in the redevelopment effort. The Plan will identify needed resources and an implementation program.

JOINT CHAIRMEN'S REPORT ISSUES

What will be the future ownership of State Center?

The ownership of the State Center complex has not been determined at this time. According to the timetable in the IDA, the determination of ownership will be made by January 2009.

However, the State expects that it will include a combination of public and private ownership of property at least to the extent that there will be a mix of public and private uses in the complex. Both the State and the development team are undertaking studies to inform the creation of a development program that will define the mix.

Which State Agencies will be impacted and how will they be impacted?

The project has not reached the point where it could identify specific State Agencies that will be impacted. However, it is expected that those agencies currently occupying office space in the complex would continue to do so. Currently, 14 Agencies lease space in the complex. It is possible that additional Agencies in the general vicinity of State Center might relocate into the complex.

The impact on State Agencies will result from the renovation of existing space in the complex or the provision of offices in new buildings. In either scenario, the office environment will be modernized into a more efficient use of office space and facilities in general. The management of facilities will also be provided more consistently than general funded agencies can provide. In addition, there will be many more on-site amenities including restaurants, retail and recreational opportunities.

The Redevelopment of State Center in Baltimore City 2007 Joint Chairmen's Report, Page 74

Transit oriented development results in a mix of land uses whose operation activates a neighborhood for a longer period of time than a "9 to 5" office environment. As it impacts State employees, TOD generates two other benefits of note. First, since more life is introduced into the complex, it fosters a safer environment. Transit oriented development emphasizes the pedestrian and this TOD will redefine this realm. Currently the complex (and its employees) is isolated by the unfriendly street network that the development plan will address.

What are the estimated redevelopment and other ancillary costs to the State for the proposed redevelopment?

The costs to the State are unknown until a Plan and a Development Program are completed. However, the following assumptions about the incidence of redevelopment costs will generally be true.

- The costs of private land uses will solely be the responsibility of the development team;
- The costs of renovation or the provision of new space for State uses may in part be secured by State leases. Lease terms will be dictated by the State's needs, the Baltimore office market and construction costs;
- For some building(s), the State may decide to retain ownership and the redevelopment cost will be the responsibility of the State; and
- It is expected that infrastructure improvements will be supported by innovative financing such as Tax Increment Financing.

What is the impact of the redevelopment on Baltimore City and State operations?

The first impact will be on the neighborhoods surrounding the State Center complex. The project has been characterized by a large amount of community interaction. Neighborhood representatives have participated in all activities from the development of the draft TOD Strategy to the selection of the development team and now CityScaping. The planning methodology includes individual neighborhood input as well as a larger Neighborhood Alliance with representatives from all neighborhoods.

The collection and management of information between the development team and the residents and stakeholders is critically important. The development team has created an interactive web portal to distribute and collect information, <http://www.statecenter.org>. For people without access to a personal or office computer, the development team is working to set up an information station in State Center. The station will include a computer terminal as well as hard copies of relevant documents.

The Redevelopment of State Center in Baltimore City 2007 Joint Chairmen's Report, Page 74

The second impact to the City is fiscal. It has not been determined until the development program is approved, but major improvements on land previously owned by the State will increase the City's tax base. For example, the City stands to receive a major annual increase in net new personal and real property taxes.

The major impact to State operations will be modernized facilities as described above. Once the roster of State Agencies is known in 2009, it will be possible to describe the impact to State operations more specifically.

What will be the impact of delaying construction of the current State lab on the development of State Center?

Delaying the construction of a new laboratory facility will have a major impact on the development of State Center. Complex mixed-use developments like State Center require long lead times to plan, permit and build. The groundbreaking for the first building is estimated to be in 2009 with delivery in 2011. A new or renovated building is expected to be started each year after 2009.

The future of the lab tower in 201 West Preston Street affects the entire northeastern quadrant (approximately 25 percent) of the site. This part of State Center is a likely site for substantial community retail and affordable housing products. Both elements are key to the around-the-clock success of State Center.

State Center--Total Budget Vs. Actual Comparison
3rd Party & Labor
14-Nov-07

		State-Feb 07 Budget	SCLLC-Feb 07 Budget	Total Project Budget Feb 07	State-Actual Nov 07	SCLLC-Actual Nov 07	Total Project Costs Nov 07	Deviations From Budget
<i>sclc cost code</i> ACQUISITION								
51-010	Acquisition-Land	-	100,000	100,000	-	100,000	100,000	-
51-030	Title	-	8,000	8,000	-	8,000	8,000	-
	RFQ Preparation	-	-	-	-	-	-	-
	TOTAL	-	108,000	108,000	-	108,000	108,000	-
ENVIRONMENTAL								
54-080	Environmental Reports/Testing	56,000	-	56,000	41,000	41,000	82,000	26,000
53-010	VCP Application Fee	-	-	-	-	-	-	-
	TOTAL	56,000	-	56,000	41,000	41,000	82,000	26,000
A & E								
54-010	Survey	68,500	-	68,500	68,500	68,500	137,000	68,500
54-020	Due Diligence	-	50,000	50,000	-	50,000	50,000	-
	Building Assessment	-	17,500	17,500	-	32,500	32,500	15,000
54-040	Design Reimbursables	20,000	1,200	21,200	20,000	1,200	21,200	-
54-041	CityScaping (DCI thru Plan-2 & admin fee)	195,000	-	195,000	131,000	-	131,000	(64,000)
54-070	Civil Engineer	-	-	-	-	-	-	-
54-160	Masterplan Traffic (RK&K, GJ)	150,000	-	150,000	225,000	-	225,000	75,000
54-100	Geotech	7,500	-	7,500	7,500	-	7,500	-
54-034	Preservation Consultant	-	10,000	10,000	-	-	-	(10,000)
54-035	Green/Sustainable Design Consultant	-	20,000	20,000	-	-	-	(20,000)
	TOTAL	441,000	98,700	539,700	452,000	152,200	604,200	64,500
MARKETING/LEASING								
56-060	Market Study	27,000	27,000	54,000	44,495	27,000	71,495	17,495
	Leasing Consultant (colliers)	-	20,000	20,000	-	22,000	22,000	2,000
	Video	-	-	-	-	-	-	-
56-140	Design & Production Fees - Website	-	27,000	27,000	-	27,000	27,000	-
56-140	Design & Production Fees - Retail Brochure	-	6,000	6,000	-	1,500	1,500	(4,500)
56-090	Events	-	5,000	5,000	-	-	-	(5,000)
56-140	Stakeholder Materials (Vision Book)	-	7,500	7,500	-	-	-	(7,500)
56-150	Stalkeholder Contributions	-	-	-	-	2,000	2,000	2,000
	TOTAL	27,000	92,500	119,500	44,495	79,500	123,995	4,495

State Center--Total Budget Vs. Actual Comparison
 3rd Party & Labor
 14-Nov-07

	State-Feb 07 Budget	SCLLC-Feb 07 Budget	Total Project Budget Feb 07	State-Actual Nov 07	SCLLC-Actual Nov 07	Total Project Costs Nov 07	Deviations From Budget
<u>Organizational/Professional</u>							
57-010	-	32,200	32,200	-	32,200	32,200	-
	-	-	-	-	-	-	-
	-	-	-	-	25,000	25,000	25,000
	-	40,140	40,140	90,000	20,000	110,000	69,860
57-075	-	43,150	43,150	-	45,000	45,000	1,850
TOTAL	-	115,490	115,490	90,000	122,200	155,000	96,710
<u>Finance & Settlement Costs</u>							
<u>Carry Costs</u>							
59-022	-	5,000	5,000	-	-	-	(5,000)
59-060	-	6,800	6,800	-	8,000	8,000	(1,200)
TOTAL	-	11,800	11,800		8,000	8,000	(6,200)
<u>Development Management</u>							
63-010	-	890,000	890,000	-	656,167	656,167	(233,833)
	-	-	-	-	-	-	-
TOTAL	-	890,000	890,000		656,167	656,167	(233,833)
<u>Contingency</u>							
	-	50,000	50,000	-	50,000	50,000	-
TOTAL	-	50,000	50,000		50,000	50,000	-
	\$ 524,000	\$ 1,366,490	\$ 1,890,490	\$ 627,495	\$ 1,217,067	\$ 1,787,362	\$ (48,328)
			\$ 1,890,490	\$ 627,495	\$ 1,217,067	\$ 1,787,362	

RIGHT OF ENTRY AGREEMENT

THIS RIGHT OF ENTRY AGREEMENT ("ROE") is entered into this _____ day of _____, 2007, by and between _____ (hereinafter "Grantor") and _____ (hereinafter "Grantee").

RECITALS

1. WHEREAS, Grantor owns approximately _____ acres of land, more or less, improved by _____ located at _____ situated in the City of Baltimore, Maryland, and shown in the attached Exhibit A (hereinafter "Property").

2. WHEREAS, the _____ (hereinafter "Department"), acting on behalf of the State of Maryland, has awarded Grantee the exclusive initial right to negotiate definitive agreements with it to redevelop the Property and Grantee requests permission for its employees, agents, contractors and subcontractors (hereinafter "Grantee's Parties") to enter onto the Property to gather data and perform unobtrusive inspections, measurements and tests in conjunction with its due diligence assessment of and development design for the Property.

3. WHEREAS, Grantor is willing to give the Grantee and the Grantee's Parties permission to enter onto the Property, subject to the following terms and conditions, wherefore these presents are executed.

NOW, THEREFORE, in consideration of the rights and privileges granted unto Grantee, subject however to termination as provided herein, it is mutually agreed as follows:

1. The Grantor hereby grants to the Grantee, its agents, authorized representatives, contractors, and employees, the right to enter upon the Property during normal business hours and days solely for the purpose of performing studies and tests, preparing surveys, conducting inspections, performing site environmental assessments, and performing such other investigation relating to the Property as the Grantor deems appropriate in order to assess the development capabilities for the Property (collectively hereinafter "Undertakings") at Grantee's sole cost and expense. The Grantee shall not do any work or take any other action beyond the Undertakings under this ROE.

2. The Grantee agrees that: (a) the Property does not include access to the light-rail or subway systems (hereinafter "Rail Systems") located on, adjacent to or near the Property, (b) Grantor has no control over and cannot grant access to the Rail Systems, and (c) Grantee solely shall be responsible for complying with all State and local requirements pertaining to gaining access to or performing work on or near the Rail Systems.

3. Notwithstanding anything in this ROE to the contrary, the Grantee and Grantee's Parties agree that the Grantor has the exclusive right to limit access to sensitive areas of the Property and/or to require that access to certain sensitive areas be by escort only. Grantor reserves the right to require at any time during Grantee or Grantee's Parties entry on the Property that Grantee or Grantee's Parties are accompanied by a representative of Grantor. Grantee and Grantee's Parties agree that their access to the following areas of the Property shall be granted in Grantor's sole discretion and under terms solely determined by the Grantor:

(a)

(b)

4. The Grantor shall have the right to use the Property during the period of this ROE in any manner that does not unreasonably interfere with the Grantee's Undertakings. The Grantor reserves the right to deny access to the Grantee due to sudden, unforeseen operational necessity, without prior notice.

5. Grantee will use its best efforts to give Grantor at least three (3) business days prior written notice before performing any Undertakings. Such notice shall be delivered by mail or facsimile to _____.
If Grantee does not receive a response from Grantor within 1 business day of such proposed date, Grantee may enter the Property to perform the noticed Undertaking(s). A business day shall mean Monday through Friday, excluding all official State holidays.

6. The term of the Right of Entry shall commence on _____, 2007 and end on _____, 2007.

7. This Right of Entry may be renewed thirty (30) days prior to the expiration of the original term or any extension thereof for an additional like or shorter term.

8. The Grantor shall not be liable for any loss or damage to goods, chattels and/or other damage incurred by Grantee or Grantee's Parties resulting from the exercise of any right(s) under this ROE, regardless of cause on, in or about the Property.

9. The Grantor will not be obligated under any agreements whatsoever with the Grantee or other persons (except to the extent required by law) to cure any defects discovered as a result of the Grantee's inspection, measurement or testing of the Property.

10. The Grantee and the Grantee Parties, as part of the consideration hereof, agree to:

a. Only enter the interior of the _____ during the normal business hours of _____ AM to 5:00 PM, Eastern Standard Time, on _____

through _____, except those days designated as holidays by the State, unless prior written consent is given by the Grantor.

b. Wear in plain view State-issued identification cards at all times while on the Property and fully comply with the terms and conditions under which the identification cards will be issued.

c. Enter the Property at their own risk, and the Grantor makes no representations or warranties concerning the condition of the Property, which shall be in its "AS IS" condition for purposes of this ROE.

d. Grantee and Grantee's Parties acknowledge that certain areas of the Property have or may have asbestos. Grantee and Grantee's Parties agree that they will not disturb any asbestos unless written consent is given by the Grantor in advance.

e. Keep the Property in good order and condition at all times.

f. To the reasonable satisfaction of Grantor, provide and maintain suitable devices and take all normal and reasonable safety precautions necessary for employee and public safety with respect to any work performed hereunder.

g. Comply with all present and future applicable laws and requirements of public authorities in respect to the Property and the work to be performed, including but not limited to, obtaining any necessary licenses and permits to conduct the Undertakings contemplated herein.

h. Not to construct any buildings or structures of any kind or nature unless specifically provided for by this ROE.

i. Remove, upon termination of this ROE, all of its property, surrender the right and privilege hereby granted, and surrender possession of the Property to the Grantor, in good order and condition.

j. Restore the Property in the same or better condition than prior to its inspection and testing. Grade and seed all disturbed areas. All of the foregoing work shall be approved by _____ and any other necessary governmental entities.

k. Insure that it and all of the Grantee's Parties purchase and maintain comprehensive third-party legal liability insurance and other such insurance as is appropriate for the work to be performed. The Grantee and the Grantee's Parties shall be responsible for the maintenance of this insurance whether the work is performed directly by the Grantee's Parties

or by anyone for whose acts the Grantee's Parties may be liable. This insurance shall include:

(i) **Professional Errors and Omissions Insurance:** Grantee shall require the Project Architects to obtain professional errors and omissions insurance in an amount not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) in the aggregate.

(ii) **Worker's Compensation Insurance:** Grantee and Grantee's Parties shall maintain insurance to protect against claims arising from Worker's Compensation statutes or similar employee benefit acts, and third-party legal liability claims arising from bodily injury, sickness and disease, or death of Grantee's and Grantee's Parties' employees. The minimum limits of such coverage shall be as required by law.

(iii) **Commercial General Liability Insurance:** To cover claims against the Grantee and Grantee's Parties arising from the operations of the Grantee and Grantee's Parties, subcontractors and suppliers with such protection extended to provide comprehensive coverage, including personal injury, completed operations, explosion and collapse hazard, and underground hazard. The minimum combined limit for personal injury and property damage liability shall be \$2,000,000 per occurrence and \$5,000,000 in the aggregate.

(iv) **Commercial General Liability Insurance:** Third-party legal liability claims arising from bodily injury and/or damage to property of others from the ownership, maintenance or use of any motor vehicle, both on site and off site. The minimum combined limit for personal injury and property damage liability shall be: \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

All insurance required shall name the State of Maryland and the Grantor as additional insured on the policies. All insurance required shall be purchased and maintained with a company or companies lawfully authorized to do business in the State of Maryland. Such insurance shall be for limits of liability as specified for the project or legally required, whichever is greater. All required insurance policies, other than for Workers' Compensation insurance and motor vehicle insurance, shall be endorsed to provide thirty (30) days prior written notice by certified mail, of any material change, cancellation, or non-renewal to the Grantor as follows:

Chief of Land Acquisition and Disposal Unit
Real Estate Division

Maryland Department of General Services
301 West Preston Street
Baltimore, MD 21201

Prior to entering the Property, proof of the required insurance and endorsements shall be made by submitting to the Department certificates of insurance and endorsements satisfactory to the Department. Failure to obtain or to maintain the required insurance or to submit the required proof of insurance shall be grounds for the immediate termination of this ROE for default.

l. The Grantee, on behalf of itself, its successors, assigns, licensees and the Grantee Parties, shall indemnify, protect and hold harmless the Grantor, its successors and assigns from and against any and all costs, liability, suits and expenses in respect of any and all loss of life and/or property and injury or damages to persons and/or property and economic loss of any person, firm or corporation (including the parties hereto, their respective officers, agents, contractors, employees, invitees, licensees, servants, successors and assigns) and from and against any and all claims, demands and actions in respect to such loss, injury or damages whether resulting from the acts of negligence on the part of the Grantee, its officers, agents, employees, assigns or the Grantee Parties or arising in any manner from the exercise of the rights and privileges granted herein.

m. The Grantee shall require that all contracts with the Grantee's Parties contain indemnification clauses in which the Grantee's Parties shall indemnify and hold the Grantor harmless for any cost, expense, loss, liability, fine or penalty of any nature or character whatsoever that the Grantor may incur as a result of: failure of the Grantee's Parties to comply with the terms of this ROE; negligence of the Grantee's Parties; injury or death to any person; damage to property; economic loss; nuisance (public or private); and/or trespass arising out of or attributable to conditions on or around the Property and/or the performance of work by the Grantee's Parties, except to the extent caused by the willful acts or omissions of the Grantor or its employees, agents, or independent contractors, other than the Grantee's Parties.

n. It is agreed by the parties that the indemnifications set forth in this ROE shall survive the termination of this ROE.

o. Not to assign this ROE or transfer in any manner any part thereof for any purpose.

11. All information obtained by Grantee or Grantee's Parties pursuant to the exercise of its rights under this ROE shall be subject to the confidentiality provisions of the Interim Development Agreement.