

Proposed Term Sheet for Lease/Purchase of the Alexander Fulton Hotel**Purpose:**

The City of Alexandria (“Alexandria”) is considering **(i)** a sale of the Alexander Fulton Hotel (“Hotel”) as a stand-alone, ongoing concern and/or **(ii)** sale of Alexandria’s interests in the property under a lease-purchase arrangement. In the latter arrangement, a developer enjoys various opportunities to increase the likelihood of commercial operations success. Alternatively, there is **(iii)** the opportunity for a cooperative endeavor and development agreement (“CEDA”) between a developer and Alexandria for expanding the Alexander Fulton complex and renovating it to higher operating standards.¹

Introduction to Process:

The process would require a two-fold determination commenced by a solicitation of offers² and declaration by the Alexandria City Council (“Council”) that the property at issue is surplus and subject to sale; or that the Council desires an expanded Hotel commercial operation within its current footprint requiring Alexandria partnering and an incentive plan. In this process, the sale proceeds might be used as a cooperative capital fund, subject to rigorous standards and oversight, for the purpose of meeting downtown hotel and convention needs for the public purpose of *certifiable* occupancy expansion.³

Terms and Conditions:

Alexandria will consider the following Terms and Conditions, subject to claw-backs and the fulfillment of certain suspensive and resolutive conditions, as the beginning points of negotiation for the leasing and sale of the Hotel:

General

1. As to all material in this Term Sheet, you understand this Term Sheet and the June 17, 2011 memorandum in no way constitute an agreement, and are merely recitations of the goals of a potential development plan in achieving a binding agreement for development with Alexandria. Specifically, you understand until a valid ordinance is adopted, allowing for a contract, which is

¹ In such a scenario, Alexandria exits the hotel business altogether, and any CEDA would be temporary and on a runway toward detangling Alexandria from the Hotel and other hotel-convention endeavors.

² Alexandria would provide its own marketing plan and “offer package” assuming there are not interested parties immediately ready, willing, and able to negotiate a deal. Broker, developer, finders, or other fees—absent extraordinary circumstances—shall be borne by the purchaser.

³ Alexandria previously made formal findings of need relative to capacity and the opportunity for cooperative development to achieve desired economies of scale.

then negotiated and executed, any discussions, Term Sheets, or MOUs are merely expressions of possibility.⁴

Lease-Purchase of the Hotel

2. Alexandria intends to offer a negotiated or auction-style sale of the Hotel with an opening price of the Hotel's appraised value in "as is" fashion: \$4.125MM.
3. Alexandria would consider a lease purchase arrangement for this sale.

Expansion via Cooperative Development

4. Alexandria would consider a lease of the Hotel on a "runway" toward total private ownership, allowing for a contemplated sale to occur. In this scenario, there is the potential to utilize the sale proceeds to expand the Hotel complex on the Alexander Fulton footprint to absorb any additional capacity the local market needs with regard to occupancy as stated in the "**Introduction to Process**" section.
5. In this scenario, the sale proceeds of the Hotel shall be placed in a special capital and/or escrow account with the Alexandria Department of Community Development, administered by the Planning Division, with up to 85% of approved proceeds for an approved CEDA available to private developers for a downtown hotel project for the Hotel's expansion subject to Article VII of the Louisiana State Constitution.
6. The other 15% of any sale proceeds would be earmarked for hotel and motel marketing in Alexandria for all hoteliers or, conjunctively or alternatively, for renovation of the Alexandria Riverfront Center ("Riverfront").
7. In this scenario, the CEDA parameters would include:
 - A focus of 85% of the escrowed funds for Hotel purposes, mostly, if not wholly, for creating permanent, publicly-owned infrastructure conducive to development needs.
 - In any case, Alexandria would require a minimum 3:1 ratio of "private spend."⁵
 - For example, funds might be used to renovate and increase the connectivity between the Hotel and the Riverfront.
 - For example, funds might be used for street and ingress/egress modifications as required.

⁴ There is another "global" Downtown Hotels Initiative ("DHI") Term Sheet of June 17, 2011, referencing this (Fulton-only) Term Sheet. The companion Term Sheet addresses three properties: the Alexandria Riverfront Center, the adjacent Hotel Bentley, and the Alexander Fulton Hotel.

⁵ This ratio assumes that a \$4.125MM sale would allow the use of \$3.51MM by developers for infrastructure in the expanded footprint endeavor. If the developers elect to use the total of \$3.51MM, then the developers would be required to contribute a total of \$10.53MM in new money for the expanded footprint Hotel.

- For example, funds might be used for parking capacity or modifications to existing parking structures as required.
 - As indicated, Alexandria would place the Hotel's total sale proceeds in a special escrow to protect developers.⁶ At "substantial completion," to be mutually defined, title would transfer from Alexandria to the entity, special purpose or otherwise, designated by developers (known as the "Conversion Date"); at that time, the escrowed funds would flow back in part or in whole (depending upon the milestones met) to the development master site plan ("Plan") as agreed to in the CEDA.
 - All improved interests would inure to the benefit of Alexandria for related economic activity in the event milestones are not met.
 - In summary, the initial milestones for expansion of the Hotel require that:
 - The Hotel shall be flagged at 3-star-plus status, to be defined by the CEDA.
 - Any advance-construct capital expenditures during any ramp-up lease arrangement by Alexandria would be paid by the escrowed funds from the sale.
 - Construction guarantees would be provided in favor of Alexandria.
 - All developer fees shall be deferred until achievement of milestones.
8. During any initial lease term leading to the Conversion Date, or the escrow option leading to the Conversion Date, a developer shall operate no less than five (5) years as the final milestone for purposes of waiving all claw-backs and to ensure the value of Alexandria's contribution. This temporal milestone shall be waivable provided additional consideration in the form of cash or other acceptable equity or security is provided at a value commensurate with the unused portion of the total Alexandria contribution outstanding.
9. Alexandria would request a guarantee from and CEDA with the Greater Alexandria Economic Development Authority ("GAEDA") to allow some portion of future occupancy and use taxes due GAEDA under current law to flow back into the Plan for approved purposes⁷ until stabilization or some other date certain.
10. Alexandria would provide certain infrastructure improvements, including, but not limited to:
- a. Extension and tie-in to all utilities;
 - b. Reasonable upgrades to the Riverfront not to exceed \$500,000; and
 - c. Commercial and development negotiated utility rates as indicated in #12.

⁶ The escrow would involve special conditions to protect the private developer from "changing policies" of future councils and administrations in order that no obligation is impaired at a later date causing damage to developers. A court-administered (or neutral and indemnified third-party) escrow, some other "securitized" instrument, or equivalent would be put in place. The developer fees would be placed in this "escrow." Developer fees include any version of payment or incentive paid for "closing" or achieving commercial operations. Developer fees shall be paid last out based on a negotiated term of commercial hotel operations.

⁷ These purposes historically have been focused on marketing, but might include limited capital partnering. These issues would be negotiated with GAEDA's leadership with Alexandria support.

11. Alexandria offers reduction of plan review fees, building permit fees, inspection fees, sign permits, or other similar administrative costs associated with the initial construction of the improved leaseholds and/or properties. Developers would be required to meet AFEAT requirements and commit that at least 80% of its construction labor force shall be hired: (1) from Rapides parish and/or (2) if Rapides Parish lacks sufficient skilled labor, then from the parishes immediately contiguous to Rapides Parish.
12. For the first five years of operations, the new operators would be eligible to receive discounts of 15-30% off all utility service charges. These discounts would not apply to any commodity, purchase gas adjustment, or energy cost adjustment charges associated with utility service. Additional utility offsets for Alexandria property until the Conversion Date are possible. These, however, would be subject to a cap of \$75,000 in value.
13. If Alexandria elects to attempt a negotiated sale prior to any form of auction then, in order to negotiate, developers will be required to deposit \$25,000 in refundable proceeds.
14. In the event a developer elects the cooperative endeavor option then, in order to negotiate, developers will be required to deposit \$500,000 in refundable proceeds.