

**FIRST AMENDMENT TO LOAN AGREEMENT
(CITY OF PALM SPRINGS and SPANISH INN, INC.)**

This First Amendment ("Amendment"), dated _____, 2011, is entered into by and between the City of Palm Springs, a California charter city ("City"), and Spanish Inn, Inc., a California corporation ("Spanish Inn).

RECITALS

A. On January 20, 2010, the City and Spanish Inn entered into a loan agreement ("Agreement") for Five Hundred Thousand Dollars (\$500,000.00) related to the completion of a hotel renovation and construction project located at 640 North Indian Canyon, Palm Springs, CA ("Project"). A copy of the Agreement is attached as Exhibit "A" and incorporated herein by reference.

B. Section 2.1(i) of the Agreement requires that Spanish Inn complete all work and improvements and obtain a certificate of occupancy related to the Project on or before February 9, 2011. Section 2.1(i) further prohibits any extension of this deadline.

C. Section 8.11 of the Agreement requires that any amendment to the Agreement must be in writing and signed by both Spanish Inn and the City.

D. City and Spanish Inn now desire to amend the Agreement to allow a three (3) month extension for Spanish Inn to obtain a certificate of occupancy and complete all work and improvements related to the Project.

AMENDMENT

1. Amendment. Section 2.1(i) of the Agreement is amended to read as follows:

"Certificate of Occupany: Deadline. All work and improvements must be fully completed and a certificate of occupancy for the entire Project must be completed on or before May 9, 2011. THERE WILL BE NO EXTENSIONS TO THIS DEADLINE AND REQUIREMENT NOR SHALL THERE BE ANY PRORATIONS OR ALLOWANCES OF ANY KIND IN THE EVENT THIS DEADLINE AND REQUIREMENT ARE NOT FULLY SATISFIED AND COMPLETED. THIS AGREEMENT AND SPANISH INN'S OBLIGATIONS HEREUNDER SHALL NOT BE EXTENDED OR SUBJECT IN ANY WAY TO ANY EVENT OF FORCE MAJEURE, INCLUDING WITHOUT LIMITATION ANY ACTS OF GOD."

2. All Other Provisions Shall Remain The Same. Except as expressly modified herein, all terms and conditions of the Agreement shall remain the same and shall apply in full force and effect.

3. Authority to Enter Into Amendment. Each party to this Amendment warrants and represents that the person signing on behalf of their respective party possesses the full legal authority to bind his or her respective party to the terms of this Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective duly authorized representatives on the date first set forth above.

CITY:

SPANISH INN:

City of Palm Springs, a California Charter City

Spanish Inn, Inc., a California Corporation

By: _____
DAVID READY
CITY MANAGER

By: _____

Name: _____

Title: _____

ATTEST:

By: _____
JAMES THOMPSON
CITY CLERK

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

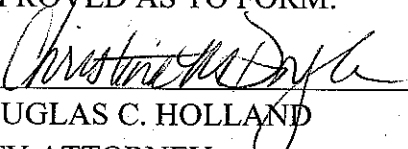
By:  _____
DOUGLAS C. HOLLAND
CITY ATTORNEY

EXHIBIT "A"

A5937

**LOAN AGREEMENT
City of Palm Springs
Spanish Inn, Inc.**

THIS LOAN AGREEMENT (this "Agreement") is entered into as of January 20, 2010, by and between the CITY OF PALM SPRINGS, a California charter city, ("City"), and SPANISH INN, INC., a California corporation ("Spanish Inn"), with reference to the following:

RECITALS

- A. On September 7, 2005, City Council of City approved a conditional use permit and tentative tract map application of Spanish Inn ("Project") in conjunction with the renovation and reconstruction of a hotel property located at 640 North Indian Canyon, Palm Springs, CA.
- B. As a condition of approval of the Project, Spanish Inn was required to design and construct certain street improvements generally described as the "Movie Colony Traffic Calming Program" ("Traffic Calming Improvements").
- C. On December 19, 2007, the City Council approved a one year extension of the Project, subject to a revised development schedule.
- D. On or before February 13, 2008, Spanish Inn completed the installation of the Traffic Calming Improvements.
- E. On February 13, 2008, the City approved a final subdivision map for the Project.
- F. In November of 2009, Spanish Inn filed an application for leave to file a late claim against the City for requiring Spanish Inn to pay for the full cost of the installation of the Traffic Calming Improvements. City contends that the claim is not valid or meritorious.
- G. On December 14, 2009, Spanish Inn submitted a request to City for financial assistance to ensure the completion of the Project.
- H. City is willing to provide financial assistance to Spanish Inn on the terms and conditions as provided in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained in this Agreement, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

LOAN

1.1 Amount. City hereby agrees to loan and Spanish Inn hereby agrees to borrow and repay, Five Hundred Thousand Dollars (\$500,000.00), subject to the terms, covenants, conditions, representations, and warranties set forth in this Agreement, and the other Loan Documents ("City Loan").

1.2 Loan Disbursement. Upon satisfaction of the conditions to disbursement set forth in Section 2.1 below, the City will cause the disbursement of the full amount of the City Loan proceeds to Spanish Inn within five business days of issuance of the Certificate of Occupancy for the entire project.

1.3 Forgiveness of a Portion of Loan. Two Hundred and Fifty Thousand Dollars (\$250,000.00) of the Loan shall be deemed forgiven upon disbursement.

1.4 Repayment of City Loan. The Promissory Note, in the amount of Two Hundred and Fifty Thousand Dollars (\$250,000.00), the disbursed and unpaid principal balance of the City Loan, shall bear interest at the rate of 1.0% percent per annum. Spanish Inn shall repay the City Loan per the following schedule:

(a) \$50,000 on first anniversary of the disbursement of the City Loan proceeds to Spanish Inn.

(b) \$50,000 on the second anniversary of the disbursement of the City Loan proceeds to Spanish Inn.

(c) \$50,000 on the third anniversary of the disbursement of the City Loan proceeds to Spanish Inn.

(d) \$50,000 on the fourth anniversary of the disbursement of the City loan proceeds to Spanish Inn.

(e) \$50,000 on the fifth anniversary of the disbursement of the City loan proceeds to Spanish Inn.

1.5 Maturity Date. Notwithstanding any other provision of this Agreement or the Promissory Note, unless due sooner, the entire outstanding principal balance of the City Loan shall be due and payable in full on the third anniversary of the City Loan proceeds to Spanish Inn ("Maturity Date"). The Maturity Date may only be extended by a mutual agreement of the parties in writing and fully executed.

1.6 Prepayment. Spanish Inn may pay the principal due the City under the Promissory Note prior to or in advance of the time for payment thereof as provided in the Promissory Note, without penalty.

1.7 Assumption. The Promissory Note shall not be assumable by successors and assigns of Spanish Inn, either voluntarily or by operation of law, without the prior written consent of the City, which may not be unreasonably

withheld, and any such assignment or assumption without prior City written approval shall be void.

1.8 Security for City Loan. The City Loan shall be secured by the Deed of Trust, which Spanish Inn shall execute and which shall be recorded as a lien against the Project along with the recording of a Request for Notice of Default. The parties shall use a standard short form Deed of Trust with Assignment of Rents and Request for Special Notice approved by the City Attorney.

1.9 Approval of Additional Financing. Spanish Inn shall not place or permit (either voluntarily or involuntarily) to be placed any encumbrances not otherwise provided for and approved by the City, including, but not limited to any additional liens or financing of any kind on the Project without the prior written consent of the City, which may not be unreasonably withheld.

1.10 Subordination of Deed of Trust. The City agrees that the Deed of Trust shall be subordinate to the liens of record prior to the date of this Agreement. Any other financing, refinancing, or encumbrance of the Project is prohibited without the City's prior written consent, which may not be unreasonably withheld.

ARTICLE II

DISBURSEMENT OF CITY LOAN

2.1 Conditions Precedent to Disbursement of City Loan Proceeds. The City shall cause City Loan proceeds to be disbursed as set forth in this Article II. No disbursement shall be made until all of the following conditions precedent are satisfied.

(a) Execution and Delivery of Documents. Spanish Inn shall have executed and delivered to the City (i) this Agreement, the Promissory Note, and the Deed of Trust, (ii) all resolutions and certificates necessary or appropriate in the opinion of the City to evidence the Spanish Inn's authority to enter into the City Loan and be bound by the Loan Documents, and (iii) all other documents and instruments required by the City to be executed and delivered, all in form and substance satisfactory to the City.

(b) Insurance. Spanish Inn shall have furnished the City with evidence of the insurance coverage described under Section 5.10 hereof.

(c) Title to Property. Spanish Inn shall deliver to the City all documents, title reports, and such other documentation as the City may request to determine to the City's satisfaction that Spanish Inn has or will have good and marketable fee title to the Property and there will exist thereon or with respect thereto no mortgage, lien, pledge, easement, covenant, condition, restriction, or other encumbrance of any

character whatsoever other than liens for current real property taxes and assessments not yet due and payable, the liens of the deeds of trust described in Section 1.10 hereof, and any other matters approved in writing by the City.

(d) Recordation. The Parties shall concurrently record the Deed of Trust against the Property and issue or cause the issuance to the City by a title insurance company approved by the City, such endorsements to the existing title insurance policy as the City may require, which shall insure the Deed of Trust as a lien upon the Property subject only to the exceptions approved by the City in Section 2.1(c) above.

(e) No Default. There shall exist no condition, event or act which would constitute an Event of Default (as hereinafter defined) hereunder or which, upon the giving of notice or the passage of time, or both, would constitute an Event of Default.

(f) Representations and Warranties. All representations, information, and warranties of Spanish Inn herein contained and provided to the City including without limitation the cost projections and financing requirements as generally described in the Spanish Inn Business Plan Presentation dated December, 2009 are accurate, complete, true and correct.

(g) Conditional Use Permit Amendment. Spanish Inn shall submit at Spanish Inn's sole cost and expense a complete application for a conditional use permit amendment to convert the 20 condominium units in the approved plan to no more than 34 additional hotel units for a total of 59 hotel units in the Project. Nothing in the application will prohibit or limit Spanish Inn's ability to apply for a conversion of hotel units back to condominium units at a later date in the event the market supports such conversion. Spanish Inn will fully cooperate with all persons and entities reviewing this application, including without limitation the Directors of Planning and Public Works, the Planning Commission, the Architectural Review Board, and the City Council. The conditional use permit amendment is subject to the public review and hearing process and nothing in this email shall be construed as limiting the City's ability to review, approve, conditionally approve, or deny your application. In the event the conditional use permit is (1) not approved for any reason, or (2) conditionally approved in a manner Spanish Inn finds unacceptable, this Agreement and all obligations hereunder will terminate and will not be enforceable against either party.

(h) Plans and Specifications; Construction Contract. Spanish Inn will submit to the City's City Manager and/or his designees for their review a complete set of plans and specifications for the completion of the Project and an agreement for the construction of all facets of such plans and specifications executed by you and a licensed contractor and such supporting documentation as the City Manager and/or his designees may request that demonstrates the existence of a binding contractual relationship between Spanish Inn and a licensed contractor for the

completion of the Project within the time limits or deadlines provided in this Agreement.

(i) Certificate of Occupancy; Deadline. All work and improvements must be fully completed and a certificate of occupancy for the entire Project must be completed on or before February 9, 2011. THERE WILL BE NO EXTENSIONS TO THIS DEADLINE AND REQUIREMENT NOR SHALL THERE BE ANY PRORATIONS OR ALLOWANCES OF ANY KIND IN THE EVENT THIS DEADLINE AND REQUIREMENT ARE NOT FULLY SATISFIED AND COMPLETED. THIS AGREEMENT AND SPANISH INN'S OBLIGATIONS HEREUNDER SHALL NOT BE EXTENDED OR SUBJECT IN ANY WAY TO ANY EVENT OF FORCE MAJUERE, INCLUDING WITHOUT LIMITATION ANY ACTS OF GOD.

(j) Construction Releases. The City (if it so elects) shall have received and approved copies of all labor and material releases pertaining to the construction contract or contracts with a responsible contractor or contractors providing for the construction of the Project in conformance with the terms of this Agreement. In lieu of releases, Spanish Inn may substitute evidence acceptable to the City Attorney of the City that there is sufficient security to fully satisfy any outstanding construction lien on the property.

2.2 Procedure for Disbursement of City Loan Proceeds. When all the conditions to disbursement have been satisfied and the City is satisfied that all conditions and requirements have been satisfied, the City shall disburse the funds in accordance with the terms of this Agreement..

ARTICLE III

DEVELOPMENT OF THE IMPROVEMENTS

The Project is being constructed in accordance with plans approved by the City and City (and to the extent of any change from such plans, then in accordance with the City approval of the proposed change) and the terms and conditions of the permits and approvals (including building permits) for the Project.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SPANISH INN

4.1 Representations and Warranties. Spanish Inn hereby makes the following representations and warranties to the City, each of which shall also be deemed a covenant for which Spanish Inn agrees, shall continue to be true and accurate in all material respects so long as the City Loan or any portion thereof remains outstanding:

(a) Organization. Spanish Inn is duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted. The copies of the documents evidencing the organization of Spanish Inn delivered to the City are true and correct copies of the originals, as amended to the date of this Agreement.

(b) Authority of Spanish Inn. Spanish Inn has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Spanish Inn, and all actions required under Spanish Inn's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Spanish Inn enforceable against the Spanish Inn in accordance with their respective terms.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement or the other Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or City whatsoever binding on Spanish Inn, or any provision of the organizational documents of Spanish Inn or, if applicable, of its constituent partners, or will conflict with or constitute a breach of or a default under any agreement to which Spanish Inn, or, if applicable, its constituent partners, is a party, or will result in the creation or imposition of any lien upon any assets or property of Spanish Inn, other than liens established pursuant hereto.

(f) Pending Proceedings. Spanish Inn represents that it is not in default under any law or regulation or under any order of any court, board, commission or

City whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Spanish Inn, threatened against or affecting Spanish Inn or the Property or Project, at law or in equity, before or by any court, board, commission or City whatsoever which might, if determined adversely to Spanish Inn, materially affect Spanish Inn's ability to repay the City Loan or impair the security to be given to the City pursuant hereto.

(g) Compliance with Laws; Consents and Approvals. The Project shall comply at all times with all applicable laws, ordinances, rules and regulations of federal, state, and local governments and agencies, including but not limited to all applicable federal and state labor requirements, and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector, and other officers of any such government or City. All consents, permissions and licenses required by any federal, state, or local government or City to which the Spanish Inn or the Project is subject, which may be necessary in relation to this Agreement or the ownership or operation of the Project, have been or will be obtained, and none of such consents, permissions, and licenses is subject to appeal or to conditions which have not been met.

(h) Financial Statements. The financial statements of the Spanish Inn and its general partners and other financial data and information furnished by the Spanish Inn for review by the City fairly present the information contained therein. As of the date of City Loan disbursement, there will not have been any adverse material change in the financial condition of the Spanish Inn from that shown by such financial statements and other data and information.

(i) Adequacy of City Loan. The amount of the City Loan, together with any funds to be provided by the Spanish Inn or to the Spanish Inn from any other sources, is adequate to pay all costs incurred in connection with the Project and to enable the Spanish Inn to satisfy the covenants contained in this Agreement.

(j) Payment of Taxes. All federal, state, county, and municipal taxes required to be paid by the Spanish Inn or on account of the Project have been paid in full as of the date of this Agreement or will be paid in full prior to disbursement of City Loan proceeds.

ARTICLE V

CONTINUING OBLIGATIONS

5.1 Applicability. For the longer of the entire Term, or so long as the Promissory Note remains outstanding, the Spanish Inn shall comply with the provisions of this Article V.

5.2 Compliance with Loan Documents. Spanish Inn shall promptly comply with all the terms and provisions of the Loan Documents.

5.3 Taxes and Assessments. So long as Spanish Inn owns the Project, Spanish Inn shall pay all real and personal property taxes, assessments and charges, and all franchise, income, unemployment, old age benefit, withholding, sales, and other taxes assessed against it, or payable by it, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Project; provided, however, that Spanish Inn shall have the right to contest in good faith any such taxes, assessments, or charges, in the event Spanish Inn exercises its right to contest any tax, assessment, or charge against it, Spanish Inn, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges, and interest.

5.4 Indemnity. Spanish Inn shall, at Spanish Inn's expense, defend, indemnify, save and hold the City and its respective elected and appointed officials, officers, agents, employees, and members harmless from any and all losses, damages, liabilities, claims, causes of action, judgments, settlements, court costs, attorneys' fees, and other legal expenses, cost of evidence of title, cost of evidence of value, and other expenses which they may suffer or incur due to, arising from, or relating to Spanish Inns performance or non-performance of its obligations under this Agreement or the Loan Documents, or Spanish Inn's ownership or operation of the Property or the Project.

5.5 Entry by the City. Spanish Inn shall permit the City, through its officers, agents, or employees, at all reasonable times to enter the Property or the Project and inspect for conformity with the requirements hereof. Spanish Inn acknowledges that the City is under no obligation to inspect. Any inspection by the City is entirely for its purposes in determining whether Spanish Inn is in default under this Agreement or the Loan Documents.

5.6 Hazardous Materials. Spanish Inn shall indemnify, defend and hold harmless the City, and its respective elected and appointed officials, members, directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of hazardous materials on, under, or about the Project, including without limitation: (a) all foreseeable consequential damages; (b) the costs of any required or necessary repair, cleanup or detoxification of the Project and the preparation and implementation of any closure, remedial or other required plans; and (c) all reasonable costs and expenses incurred by the City or City in connection with clauses (a) and (b), including but not limited to reasonable attorneys' fees.

5.7 Transfers. During the Term, Spanish Inn shall not sell or otherwise transfer the Project or any portion thereof to a Developer, speculator, or investor without the prior written consent of the City, which may not be unreasonably

withheld. The City shall not approve any such transfer request if the Spanish Inn is in default under the Agreement or the Loan Documents.

5.8 Maintenance of Project. Spanish Inn agrees to maintain all interior and exterior improvements, including landscaping, on the Project in first-class condition, repair and sanitary condition, in compliance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, City, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials. Spanish Inn shall keep the Project free from all graffiti and any accumulation of debris or waste material. Spanish Inn shall promptly make all repairs and replacements necessary to keep the Project in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials.

In the event that Spanish Inn breaches any of the covenants contained in this Section 7.8 and such default continues for a period of five (5) days after written notice from City (with respect to graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City (with respect to landscaping and building improvements), then City, in addition to whatever other remedy it may have under this Agreement, at law or in equity, shall have the right to enter upon the Project and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the City shall be permitted (but not required) to enter upon the Project and perform all acts and work necessary to protect, maintain and preserve the improvements and landscaped areas on the Project, in the amount of the expenditure arising from such acts and work of protection, maintenance, and preservation by City and/or costs of such cure, including a fifteen percent (15%) administrative charge, which amount shall be promptly paid by Spanish Inn to City upon demand.

5.9 Status of Spanish Inn. Spanish Inn shall at all times maintain its legal status in good standing and comply with all laws, rules and regulations of California and the United States and of any political subdivision thereof applicable to it or its business.

5.10 Insurance. While any obligation of Spanish Inn under any Loan Document remains outstanding, Spanish Inn shall maintain at Spanish Inn's sole expense, with insurers of recognized responsibility, the following policies of insurance in form and substance satisfactory to the City. Insurers shall be admitted and in good standing in the State of California and shall be rated at least A VIII.

(a) Workers' compensation insurance and any other insurance required by law in connection with the Project;

(b) Fire and hazard "all risk" insurance covering one hundred percent (100%) of the replacement cost of the Project in the event of fire, lightning, windstorm, vandalism, malicious mischief and all other risks normally covered by "all

risk" coverage policies in the locality where the Project is situated (including insurance against loss by flood if the Project is located in an area now or hereafter designated as subject to the danger of flood, but excluding insurance against loss by earthquake), subject to reasonable deductibles as approved by the City Attorney of the City;

(c) Rent loss insurance for a period of repair or restoration for a period of at least one year;

(d) Umbrella coverage in an amount not less than \$2,000,000; and

(e) All such insurance shall be endorsed to provide that said insurance may not be canceled or materially modified without 30 days' prior written notice to the City. The policies required pursuant to subparagraphs (b) and (c), above, shall include a "lender's loss payable endorsement" (Form 438BFU) in form and substance satisfactory to the City assuring City that all proceeds shall be paid to City as provided in the Deed of Trust subject to the interests of the senior lenders on the Project. The City shall be an additional named insured as to the policies required pursuant to subparagraph (b), (c), and (d), above. No such insurance shall include deductible amounts to which the City has not previously consented in writing. Certificates of insurance for all of the above policies (and/or original policies, if required by the City from time to time), showing the same to be in full force and effect, shall be delivered to the City. All policies insuring against damage to the Project shall contain an agreed value clause sufficient to eliminate any risk of coinsurance.

ARTICLE VI

SPANISH INN'S RELEASE

6.1 Release. In consideration of this Agreement and the City's promise to provide Spanish Inn with a loan under the terms of this Agreement, Spanish Inn hereby fully and forever completely releases, acquits, and discharges the City from any and all claims, costs, demands, damages, attorneys' fees, and rights which arise from, or are directly or indirectly related to, or are connected with, or caused by, any event or action of the City related to the Spanish Inn, the development of the Spanish Inn, and any condition of approval that occurred on or prior to the date of this Agreement.

6.2 Hold Harmless.

(a) Spanish Inn specifically agrees to hold City harmless, and to indemnify City for and against any lien, any lienholder, its agents, officers, directors, shareholders, attorneys, servants, representatives, employees, subsidiaries, partners, predecessors, successors in interest, assignees, firms, or corporations which have arisen or may arise from, or are directly or indirectly related to, or are

connected with, or caused by, any event or action of the City related to the Spanish Inn, the development of the Spanish Inn, and any condition of approval that occurred on or prior to the date of this Agreement, including without limitation any actions or approvals of the City relating to the Traffic Calming Improvements.

(b) Spanish Inn agrees to hold City harmless and to indemnify City for and against any claim made by Spanish Inn, its agents, attorneys, servants, employees, representatives, and successors in interest against City which may have arisen or may arise from, or are directly or indirectly related to, or are connected with, or caused by, any event or action of the City related to the Spanish Inn, the development of the Spanish Inn, and any condition of approval that occurred on or prior to the date of this Agreement, including without limitation any actions or approvals of the City relating to the Traffic Calming improvements.

6.3 Waiver of Section 1542. There is a risk that, after the execution of this Agreement, Spanish Inn will manifest new damage, the scope, location, and character of which is unknown and/or not discovered at the time this Agreement is signed. There is a risk that the damage of which Spanish Inn and its attorney presently are aware may become more serious or otherwise increase in magnitude (qualitatively and/or quantitatively). Spanish Inn shall, and hereby does, assume the above-mentioned risks. This release is expressly intended to cover and include all future damages, defects, and discoveries, including all rights and causes of action arising against the City therefrom. Spanish Inn is aware of the provisions of California Civil Code section 1542, which provide:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Spanish Inn hereby expressly waives the provisions of said Section 1542 as to all matters within the scope of the claims released hereby. Spanish Inn hereby warrants and guarantees that it has full and complete authority to release all such claims on behalf of itself and its assigns and successors in interest.

6.4 Actions for Contribution. Nothing in this Agreement shall preclude Spanish Inn from pursuing any legal remedy it may have against a third party for contribution towards costs the Traffic Calming Improvements, except that the obligations of Spanish Inn to the City shall be fully applicable to any such actions including any defense or cross-claim of complaint that may be filed against the City as a result thereof.

6.5 City Programs. Nothing in this Agreement shall be interpreted or construed as limiting Spanish Inn's ability to apply for any City program, including any hotel program for hotels, for which it is otherwise qualified.

ARTICLE VII

DEFAULT AND REMEDIES

7.1 Events of Default. Each of the following shall constitute an "Event of Default" by Spanish Inn under this Agreement:

(a) Failure to Make Note Payments. Failure to make prompt payments under the Promissory Note as and when provided for in the Promissory Note and this Agreement.

(b) Mismanagement. Failure by Spanish Inn to manage the Project in a prudent, first class manner in accordance with the terms, covenants, conditions, representations and warranties of this Agreement or other Loan Documents. For purposes of this Agreement, an act or omission constituting "mismanagement" by the Spanish Inn shall include, but not be limited to each of the following:

(1) Failure to maintain and repair the Project and make replacements thereto, or the committing or permitting of any waste or deterioration of the Project;

(2) Breach or failure by Spanish Inn to duly perform, comply with or observe any of the terms, covenants, or conditions of this Agreement or any other Loan Document, and such failure continues uncured or without Spanish Inn commencing to diligently cure for thirty (30) days after notice thereof in writing is mailed by the City to Spanish Inn;

(3) A sale or other transfer of the Project in violation of Section 7.7 above.

(c) Fraud or Material Misstatement or Omissions. Any fraudulent act or omission of Spanish Inn's, or misrepresentation of Spanish Inn's, pertaining to or made in connection with the City Loan, the Loan Documents or the Project.

(d) Insolvency. A court having jurisdiction shall have made or entered any decree or order (i) adjudging Spanish Inn to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Spanish Inn or seeking any arrangement for Spanish Inn under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or ether jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Spanish Inn in bankruptcy or insolvency or for any of their properties, or (iv) directing the winding up or liquidation of Spanish Inn, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of sixty (60) days unless a lesser time period is permitted for cure under any other mortgage

on the Property, in which event such lesser time period will apply under this subsection 8.1(d) as well; or Spanish Inn shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Promissory Note.

(e) Project Monies. Misapplication or embezzlement of Project monies.

7.2 Remedies. The occurrence of any Event of Default shall relieve the City of any obligation to make or continue the City Loan and shall give the City the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents or otherwise available at law or in equity or by statute (and all of the City's rights and remedies shall be cumulative), including but not limited to the following:

(a) Acceleration of Note. The City shall have the right to cause all indebtedness of the Spanish Inn to the City under this Agreement and the Promissory Note, to become immediately due and payable. The Spanish Inn waives all right to presentment, demand, protest or notice of protest, or dishonor. The City may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the City as a creditor and secured party under the law including the Uniform Commercial Code, including foreclosure under the Deed of Trust. The Spanish Inn shall be liable to pay the City on demand all expenses, costs and fees (including, without limitation, attorneys' fees and expenses) paid or incurred by the City in connection with the collection of the City Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the City Loan.

(b) Specific Performance. The City shall have the right to mandamus or other suit, action or proceeding at law or in equity to require Spanish Inn to perform its obligations and covenants under the Loan Documents or to enjoin acts on things which may be unlawful or in violation of the provisions of the Loan Documents.

(c) Right to Cure at Spanish Inn's Expense. The City shall have the right to cure any monetary default by Spanish Inn under a loan other than the City Loan. The Spanish Inn agrees to reimburse the City for any funds advanced by the City to cure a monetary default by Spanish Inn upon demand therefore, together with interest thereon at the rate of twelve percent (12%) per annum or the maximum rate permitted by law, whichever rate is greater, from the date of expenditure until the date of reimbursement.

7.3 Remedies Cumulative. No right, power, or remedy given to the City by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy

shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Spanish Inn and any other person. Neither the failure nor any delay on the part of the City to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the City of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

7.4 Waiver of Terms and Conditions. No waiver of any default or breach by Spanish Inn hereunder shall be implied from any omission by the City to take action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the waiver, and such waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition. The consent or approval by the City to or of any act by Spanish Inn requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act. The exercise of any right, power, or remedy shall in no event constitute a cure or a waiver of any default under this Agreement or the Loan Documents, nor shall it invalidate any act done pursuant to notice of default, or prejudice the City in the exercise of any right, power, or remedy hereunder or under the Loan Documents unless in the exercise of any such right, power, or remedy all obligations of Spanish Inn to City are paid and discharged in full.

ARTICLE VIII

MISCELLANEOUS

8.1 Approvals Under Agreement. Where this Agreement requires an approval or consent of the City, such approval or consent may be given on behalf of the City by the Executive Director or his or her designee.

8.2 Time. Time is of the essence in this Agreement.

8.3 Notices. Any notice requirement set forth herein shall be deemed to be satisfied three (3) days after mailing of the notice first-class United States certified mail, postage prepaid, addressed to the appropriate party as follows:

If to Developer:

Spanish Inn, Inc.
Attn: Nejat Kohan, General Manager
P.O. Box 2804
Palm Springs, CA 92263

If to City: City of Palm Springs
c/o City Manager
3200 E. Tahquitz Canyon Way
P.O. Box 2743
Palm Springs, CA 92263-2743

Such addresses may be changed by notice to the other party given in the same manner as provided above.

8.4 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and benefit of the City, its successors and assigns, and Spanish Inn, its permitted successors and assigns, including any secured lender holding a senior position to the City, and no other person or persons shall have any right of action hereon.

8.5 City to File Notices. Spanish Inn irrevocably appoints, designates, and authorizes the City as its agent (said City being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that the City deems necessary or desirable to protect its interest hereunder and under the Loan Documents

8.6 Actions. The City shall have the right to commence, appear in, or defend any action or proceeding purporting to affect the rights, duties, or liabilities of the parties hereunder, or the disbursement of any proceeds of the City Loan.

8.7 Successors and Assigns. The terms hereof shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto; provided, however, that no assignment of Spanish Inn's rights hereunder shall be made, voluntarily or by operation of law, without the prior written consent of the City, and that any such assignment without said consent shall be void.

8.8 Construction of Words. Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa, words imparting persons shall include firms, associations, partnerships and corporations, and words of either gender shall include the other gender.

8.9 Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

8.10 Governing Law and Venue. This Agreement and the Loan Documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. In the event of any legal action to enforce or interpret this Agreement or any of the Loan Documents, the sole and exclusive venue shall be a court of competent jurisdiction located in Riverside

County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court.

8.11 Amendment. This Agreement may not be changed orally, but only by an agreement in writing signed by Spanish Inn and the City.

8.12 Entire Agreement. This Agreement and the other Loan Documents constitute the entire agreement of the parties with respect to the subject matter hereof.

8.13. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing.

8.14 Captions and Headings. Captions and headings in this Agreement are for convenience of reference only, and are not to be considered in construing the Agreement.

8.15 Counterparts; Facsimile Signatures. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same instrument and any executed counterpart may be delivered by facsimile transmission with the same effect as if an originally executed counterpart had been delivered.

[SIGNATURE PAGE FOLLOWS]


IN WITNESS WHEREOF, City and Spanish Inn have signed this Agreement as of the date first set forth above.

CITY:
City of Palm Springs,
a California Charter City



DAVID READY
City Manager


ATTEST:



JAMES THOMPSON
City Clerk

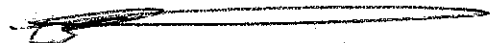
APPROVED BY CITY COUNCIL
01/20/2010 Z.G

A5937


APPROVED AS TO FORM:


DOUGLAS C. HOLLAND
City Attorney

SPANISH INN:
Spanish Inn, Inc.,
a California corporation

By: 

Name: HORMOZ RAMI
Title: PRESIDENT

By: 

Name: N. J. Colan
Title: Secretary & Financial Officer

"SEE ATTACHED NOTARY CERTIFICATE"
A 3/9/10

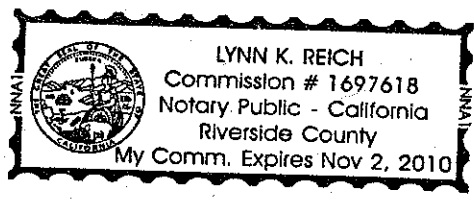
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
 County of Riverside } SS

On March 9, 2010 before me, Lynn K. Reich, Notary Public
Date Insert Name and Title of the Officer

personally appeared Nejat Kohan + Hormoz Ramy
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person (s) whose name (s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity (ies), and that by his/her/their signature (s) on the instrument the person (s), or the entity upon behalf of which the person (s) acted, executed the instrument.



Place Notary Seal Above

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Lynn K Reich
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Loan Agreement City of Palm Springs

Document Date: Jan 20, 2010 Number of Pages: 18

Signer (s) Other Than Named Above: _____

Capacity (ies) Claimed by Signer (s)

Signer's Name:	Signer's Name:
<input type="checkbox"/> Individual <input type="checkbox"/> Corporate Officer—Title(s): _____ <input type="checkbox"/> Partner-- <input type="checkbox"/> Limited <input type="checkbox"/> General <input type="checkbox"/> Attorney in Fact <input type="checkbox"/> Trustee <input type="checkbox"/> Guardian or Conservator <input type="checkbox"/> Other: _____	<input type="checkbox"/> Individual <input type="checkbox"/> Corporate Officer—Title(s): _____ <input type="checkbox"/> Partner-- <input type="checkbox"/> Limited <input type="checkbox"/> General <input type="checkbox"/> Attorney in Fact <input type="checkbox"/> Trustee <input type="checkbox"/> Guardian or Conservator <input type="checkbox"/> Other: _____
Right Thumbprint of Signer Top of thumb here	Right Thumbprint Of Signer Top of thumb here
Signer is Representing: _____	Signer is Representing: _____
_____	_____
_____	_____
_____	_____

CITY CLERK

12/20/10
4:55 PM

(B)

SPANISH INN, INC.
P.O. Box 2804
Palm Springs, CA 92263
Phone (760) 325-3700, Fax (760) 325-3702

Honorable Mayor
Council Members & City Manager
City of Palm Springs
3200 E. Tahquitz Canyon Way
Palm Springs, CA 92262

December 20, 2010

Re: Amendment to Petition for Extension of Time

Dear Mayor, Council Members and City Manager:

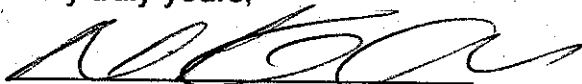
Previously Spanish Inn filed a Petition to extend two months time to complete our hotel project. That petition is scheduled for hearing on your January 5, 2011 calendar and we appreciate the Council's consideration. This letter is intended to serve as an amendment to that petition.

As we pointed out in my original petition, our lender, Nara Bank, agreed to allow Spanish Inn to use the \$250,000 City's loan to run the hotel business upon completion. However, we are requesting that the City Council release the \$250,000 loan portion of that \$500,000 City's grant/loan in January 2011 and before issuance of the Certificate.

Acceleration of the distribution of the funds is necessary in order to ensure a successful opening of the hotel. Because of additional works and expenses about which we discussed in the original petition, the money available for items such as marketing, advertising, networking, kitchen equipments, "grand opening" expenses, and other related costs have been diverted to completion of the actual construction. As we pointed out, the increase in these expenditures was not due to any dereliction on our part. We therefore, respectfully suggest that this latest request is appropriate and will, ultimately, benefit the City as well as Spanish Inn.

Once more, we thank you for your patience, concern and consideration throughout this process. We promise that both the confidence and funding by the Council will be rewarded.

Very truly yours,



Nejat Kohan
Spanish Inn, Inc.